Dudack Research Group
A Division of Wellington Shields & Co. LLC Member NYSE, FINRA & SIPC
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DJIA: 44111.74
SPX: 6299.19
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US Strategy Weekly
A BLS Data JOLT

President Trump's firing of BLS Commissioner Erika McEntarfer may have been unfair for several reasons and we doubt that July's report was politically motivated. But we wonder if our shock to the Commissioner's firing is because she works in the public sector. Making large and consistent errors in forecasts when working in the private sector could easily result in one being fired for cause. But regardless of the fairness of this event, it placed a much-needed spotlight on the messiness of government data. It may result in some necessary changes and hopefully result in more reliable data.

The monthly employment report has always been an "estimate" of jobs built on a survey, and while the data has always been imprecise, the estimates have simply gotten worse in our view. We have known this for years, which is why we focus on broad based trends in the data rather than any individual data point. And if you want to use government data, or any data properly, you must first understand its methodology and its weaknesses.

The BLS reported a paltry 73,000 jobs were added to the workforce in the month of July, but more shockingly, previous months were reduced by 258,000 jobs. This was a record level revision and the BLS attributed it to additional data and a recalculation of the seasonal adjustment. The unemployment rate increased slightly to 4.2%. The report showed that government employees declined by 10,000 but there were 14,100 job losses in the federal government excluding the post office. State employment increased by 5,000. The media reported that the response rate to surveys in the household survey declined from 90% in 2019 to 67%, but that survey impacts the unemployment rate not the 258,000 job revision in payrolls. And the media also attributed the poor response rate to federal job cuts. However, this is nonsensical since numbers are reported by individual state departments of labor, where July's report shows that jobs increased! We would also note that the BLS website shows that the response rate for the establishment job survey fell from 69% in 2015 to 42.6% in March 2025 and the household survey response rate fell from 88% to 68% in the same period. See page 4. This is one of the main weaknesses in the jobs data and the responsibility resides with the state agencies.

First, it is important to understand that both surveys are samples, and from this sample, an algorithm estimates the monthly numbers. And like all models, it will also provide the statistical error factor. In the household survey this statistical error factor is 600,000 and in the establishment survey it is 136,000. This means that the estimate of 73,000 new jobs in July falls within a "confidence range" of plus 209,000 to negative 63,000. This may shock most people; but it has always been true.

All in all, there are four adjustments made to employment data and as the BLS noted last week, seasonal adjustments were revised in the July report. Three adjustments are made to the surveys each month: seasonal adjustments, additional or revised survey data, and the birth death adjustment. First, there is a strong seasonal pattern of job losses in July (education/summer recess) and January (private sector layoffs) and the seasonal adjustment smooths this trend. Seasonal adjustments are revised regularly, as new data is accumulated. In our opinion, BLS mathematicians should have ignored data from the pandemic period since the mandated shut down of businesses disrupted all the normal seasonal patterns. However, this was not done, and seasonal adjustments have become problematic

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in the aftermath. See page 6. Second, data trickles in with a lag, so numbers are revised once new data is reported. Third, the birth death adjustment is used to adjust for the number of jobs added by business creation or jobs lost due to business closures. This data is not captured by the states in a timely manner, so a birth death adjustment is derived from historical information. Note that the estimate of births and deaths is applied to the not-seasonally-adjusted number and in July it added 257,000 jobs. (The not-seasonally adjusted establishment number in July was a loss of 1.05 million jobs.) The fourth adjustment to the data is a quarterly and/or annual revision to population estimates which comes from the Census Bureau. There will be a quarterly census adjustment to data in September. In sum, understanding how the data is created can be daunting, but using the data can be perilous for the uninformed.

The negative revisions in the establishment survey to the months of May and June severely damaged the trends in the jobs data. Whereas, the 3-month average of job creation had been 126,670 in April, it fell to 35,330 in July. In our opinion, when the 3-month average of job creation is over 100,000 it represents a good job market and when it exceeds 250,000 it defines a very strong job market. Conversely, a negative 3-month average of job creation has historically been a sign of a recession. This is what makes the sharp decline over the last three months so ominous. Although both the establishment and household surveys show job growth to be positive year-over-year, both trends are now below average and declining. While the 3-month average in the household survey can be quite volatile, it fell into negative territory in July! In short, the changes seen in the July jobs report were significant and have a distinct recessionary tilt. August's employment report, released in September ahead of the FOMC meeting, will be important in terms of clarifying the weakness now appearing in the job market. See page 7.

Unemployment rates by level of education were particularly interesting in July. They show unemployment rates rising for high school and college graduates but falling for those with less than a high school degree and for those with some college or an associate degree. Note that the labor force for those with a bachelor's degree is the largest and it nearly equals the sum of high school and associate degree graduates. It is nearly eight times as large as those with no high school degree. Moreover, it is an important category and typically has the lowest unemployment rate of all categories. In July the unemployment rate for those with a bachelor's degree rose to 3.1% while the rate for those with an associate degree fell to 3.0%. It was an unusual convergence of unemployment rates. See page 9.

The ISM manufacturing index was 48.0 in July, down from 49.0 and most all components, with the exception of prices paid to suppliers, were below 50, an indication of contraction. The brightest spot in July was the increase in production from 50.3 to 51.4. The nonmanufacturing survey inched lower to 50.1 showing a tepid expansion. However, the employment indices were most important. The employment index for nonmanufacturing was below 50 for the fourth time in the last five months. As a result, both surveys show employment to be under 50 and contracting. See page 13. This is another indication that the job market may be weakening.

There were positive economic reports this week such as the second quarter PCE index at 2.1% (page 10) and a 3.0% increase in second quarter GDP (page 11). Second quarter earnings releases continue to beat expectations and consensus forecasts for 2025 and 2026 continue to rise. However, the real driver of equity prices in August may be the expectation that the fed funds rate will be cut at the September 16-17 meeting. History suggests that stocks rise in the months following the first rate cut, particularly if it is the first of a series of rate cuts. In short, despite the weakness seen in revised jobs data, the equity market is expected to be higher in the second half of the year.

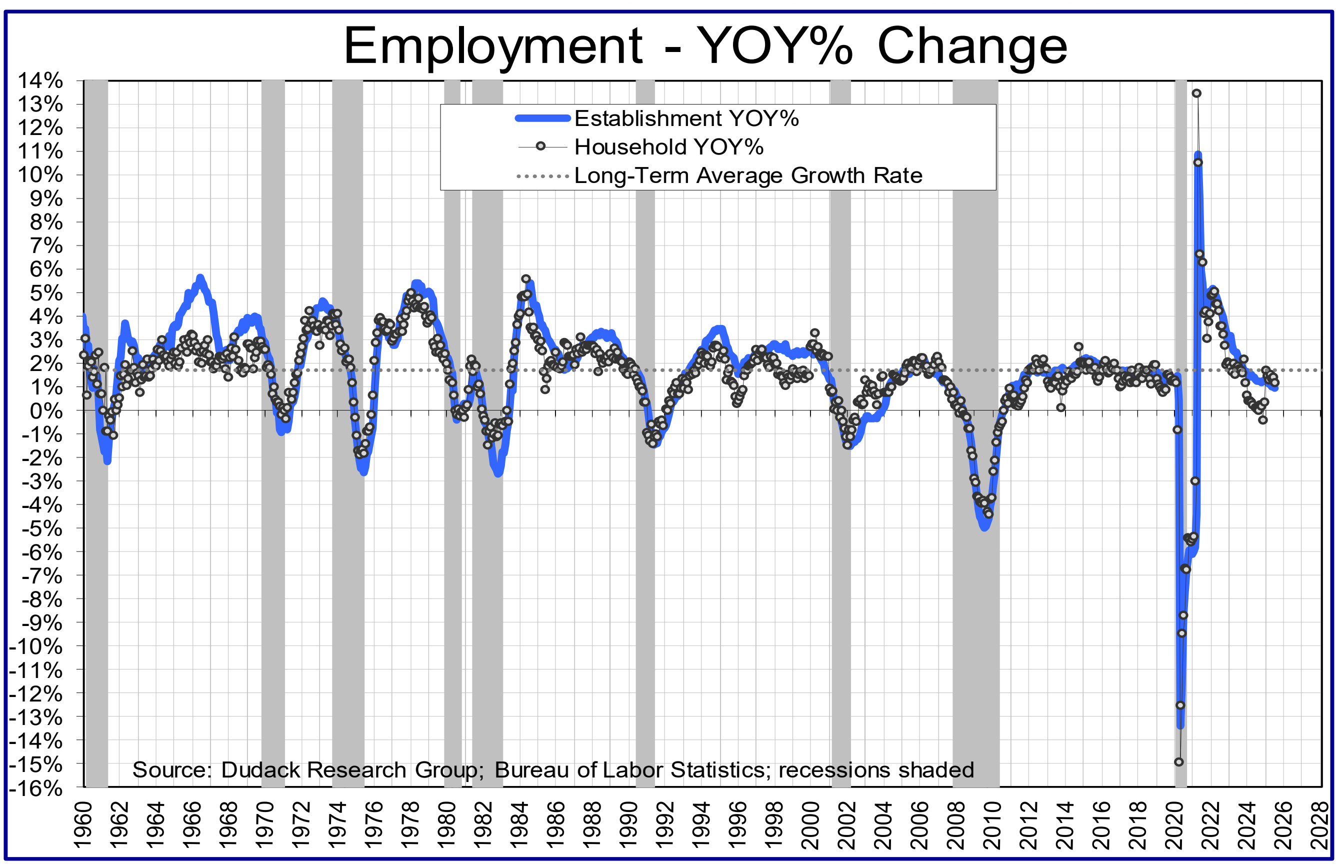
Technical indicators have been bullish since May. Our 25-day up/down volume oscillator has not confirmed the new highs recorded in August, which suggests there could be a near-term pullback in the indices, but we would be a buyer on dips.

The BLS reported a paltry 73,000 jobs were added to the workforce in the month of July, but more shockingly, previous months were reduced by 258,000 jobs. This was a record revision and the BLS attributed it to additional data and a recalculation of the seasonal adjustment. The unemployment rate increased slightly to 4.2%. Government employees declined by 10,000 but there were 14,100 job losses in the federal government excluding the post office. State employment increased by 5,000. The media reported that the response rate to surveys in the household survey declined from 90% in 2019 to 67%, but that impacts the unemployment rate not the 258,000 job revision in payrolls. And though the media attributed the response rate decline to job cuts, note that these numbers are reported by individual state departments of labor, where jobs increased! We would also note that BLS data suggests survey response rate for establishment job surveys fell from 69% in 2015 to 42.6% in March 2025 and the household response rate fell from 88% to 68% in the same period. All in all, there are four adjustments made to surveys and the BLS noted that seasonal adjustments were revised in this report. Both surveys are samples, and an algorithm predicts the numbers and like most sample predictions, these algorithms have statistical errors. In the household survey this statistical error factor is 600,000 and in the establishment survey it is 136,000. This means that the estimate of 73,000 jobs in July falls into confidence range of plus 209,000 to negative 63,000.

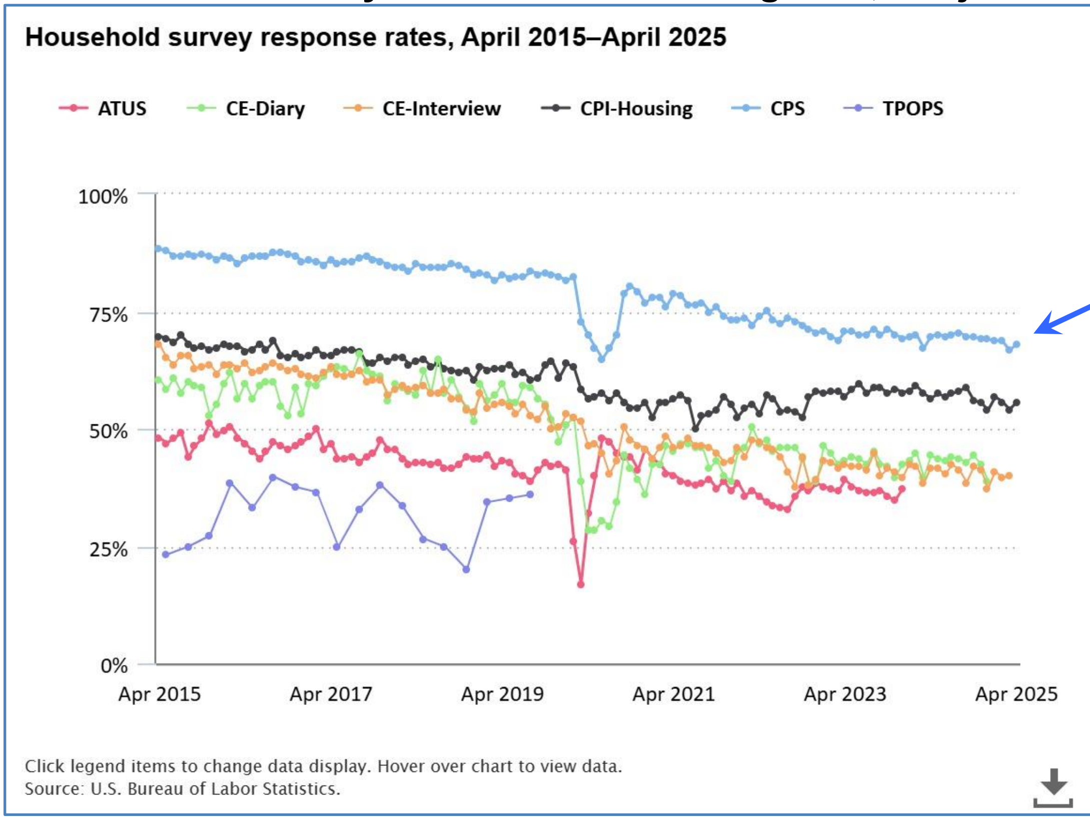
Keep in mind that there are three adjustments made to the surveys each month: seasonal adjustments, additional or revised survey data, and the birth death adjustment. The birth death adjustment is used to adjust for the number of businesses created or closed in any month that are not captured by the state data reported from unemployment insurance records. The BLS birth death adjustment is derived from historical information. The estimate of births and deaths is applied to the not-seasonally-adjusted number and in July this added 257,000 jobs. (The not-seasonally adjusted number of jobs in July was a loss of 1.05 million jobs.) The fourth adjustment is the quarterly and annual revisions to population estimates from the Census Bureau. There will be a quarterly census adjustment to upcoming September data.

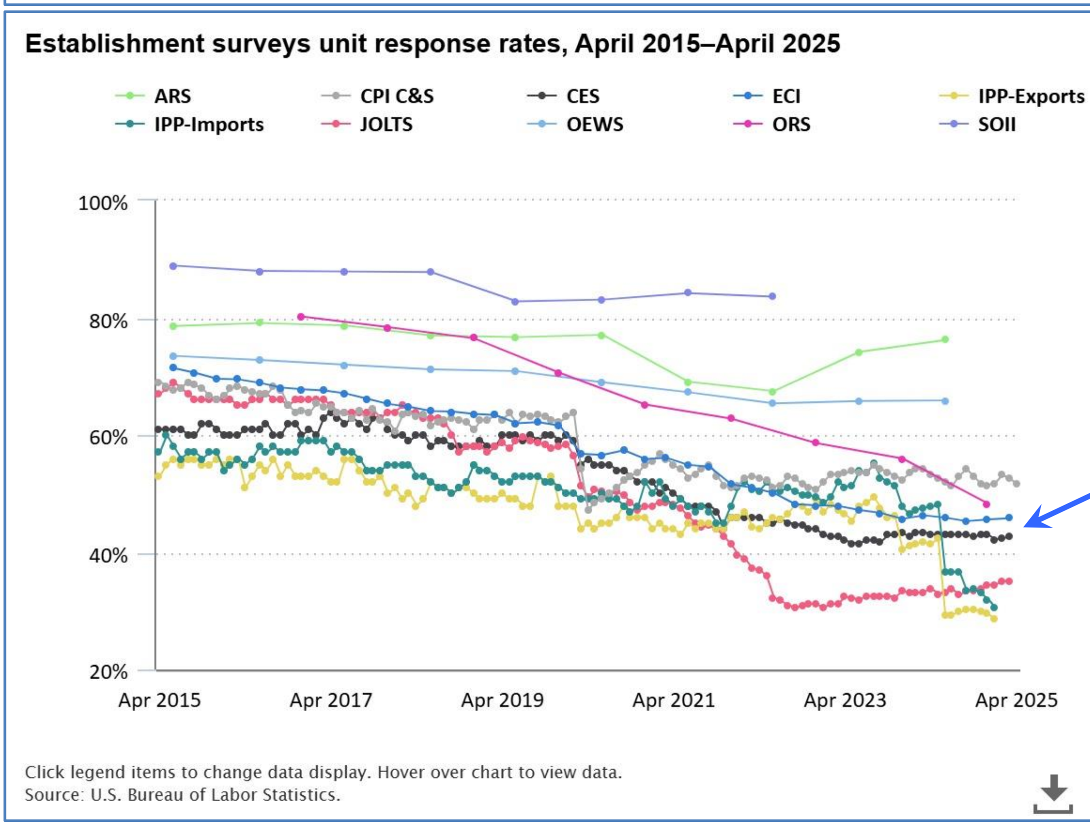
Employment Surveys (1,000s SA)	Jul-25	Jun-25	Change	Jul-24	Yr/Yr
Establishment Survey: NonFarm Payrolls	159,539	159,466	73	158,003	1,536
Household Survey Data (1,000s)					
Employed (A)	163,106	163,366	(260)	161,219	1,887
Unemployed (B)	7,236	7,015	221	7,097	139
Civilian labor force [A+B]	170,342	170,381	(39)	168,316	2,026
Unemployment rate [B/(A+B)]	4.2%	4.1%	0.1%	4.2%	0.0%
U6 Unemployment rate	7.9%	7.7%	0.2%	7.8%	0.1%
Civilian noninstitutional population (C)	273,785	273,585	200	268,644	5,141
Participation rate [(A+B)/C]	62.2	62.3	-0.1	62.7	-0.5
Employment-population ratio [A/C]	59.6	59.7	-0.1	60	-0.4
Not in labor force	103,443	99,754	3,689	100,237	3,206

Source: Bureau of Labor Statistics



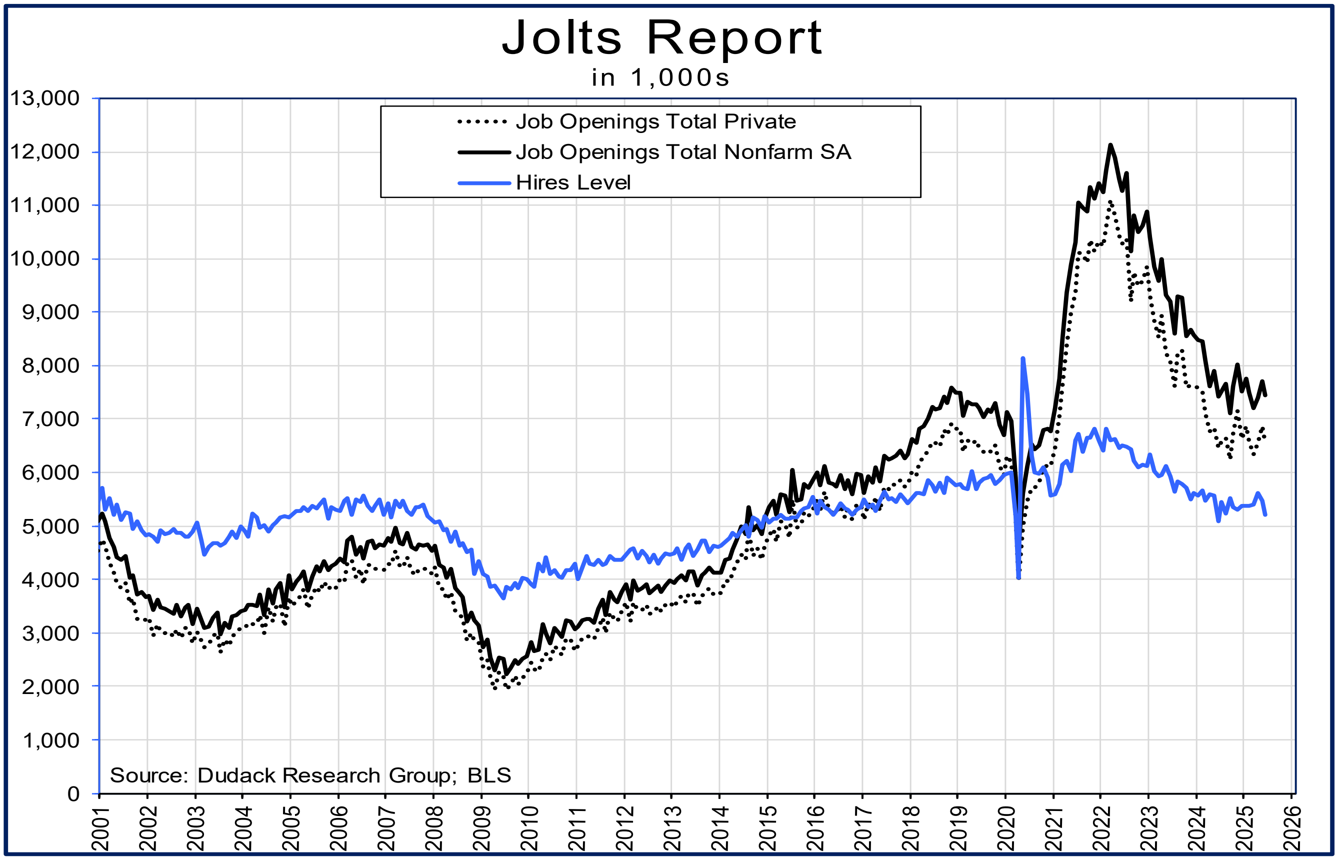
Response rates to BLS surveys are down in all categories, not just employment

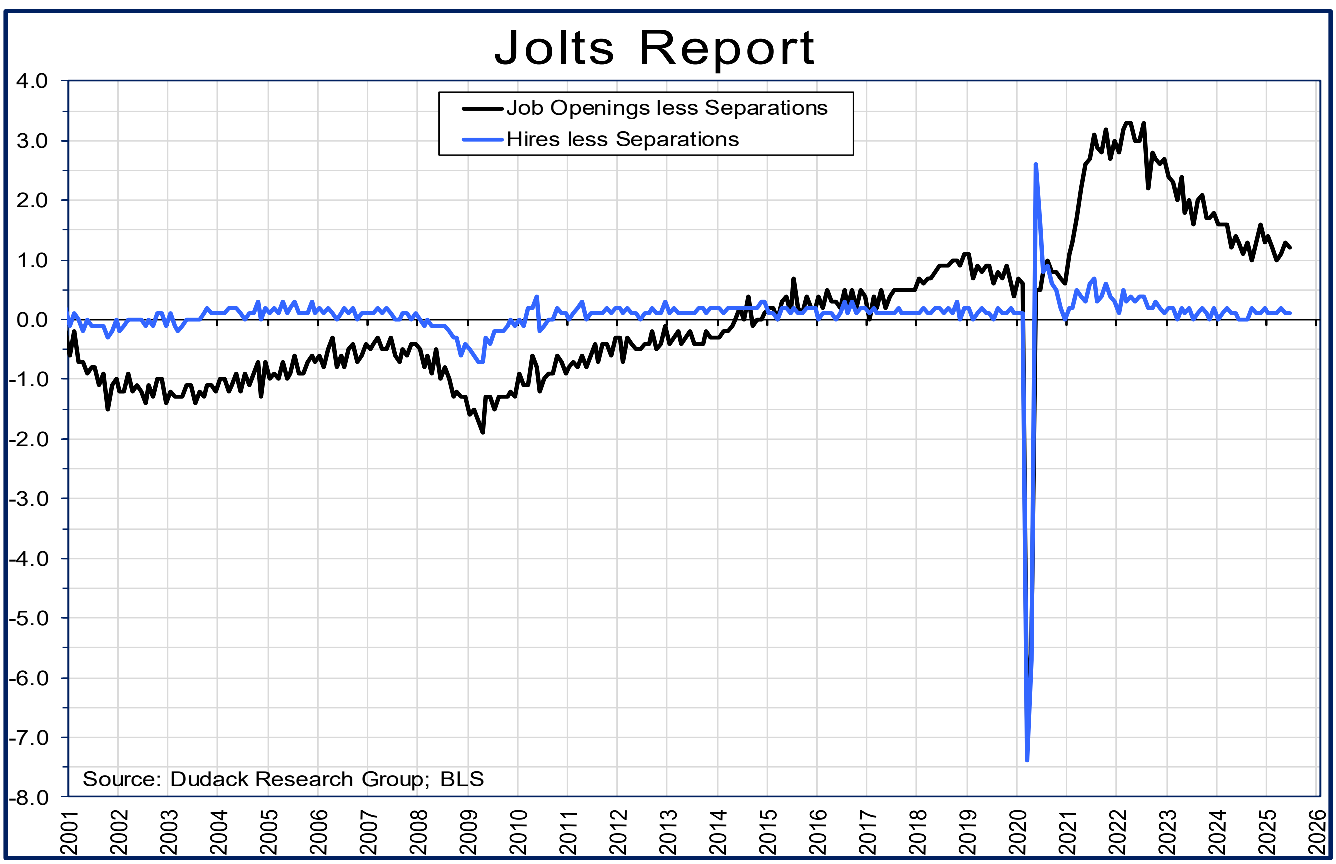




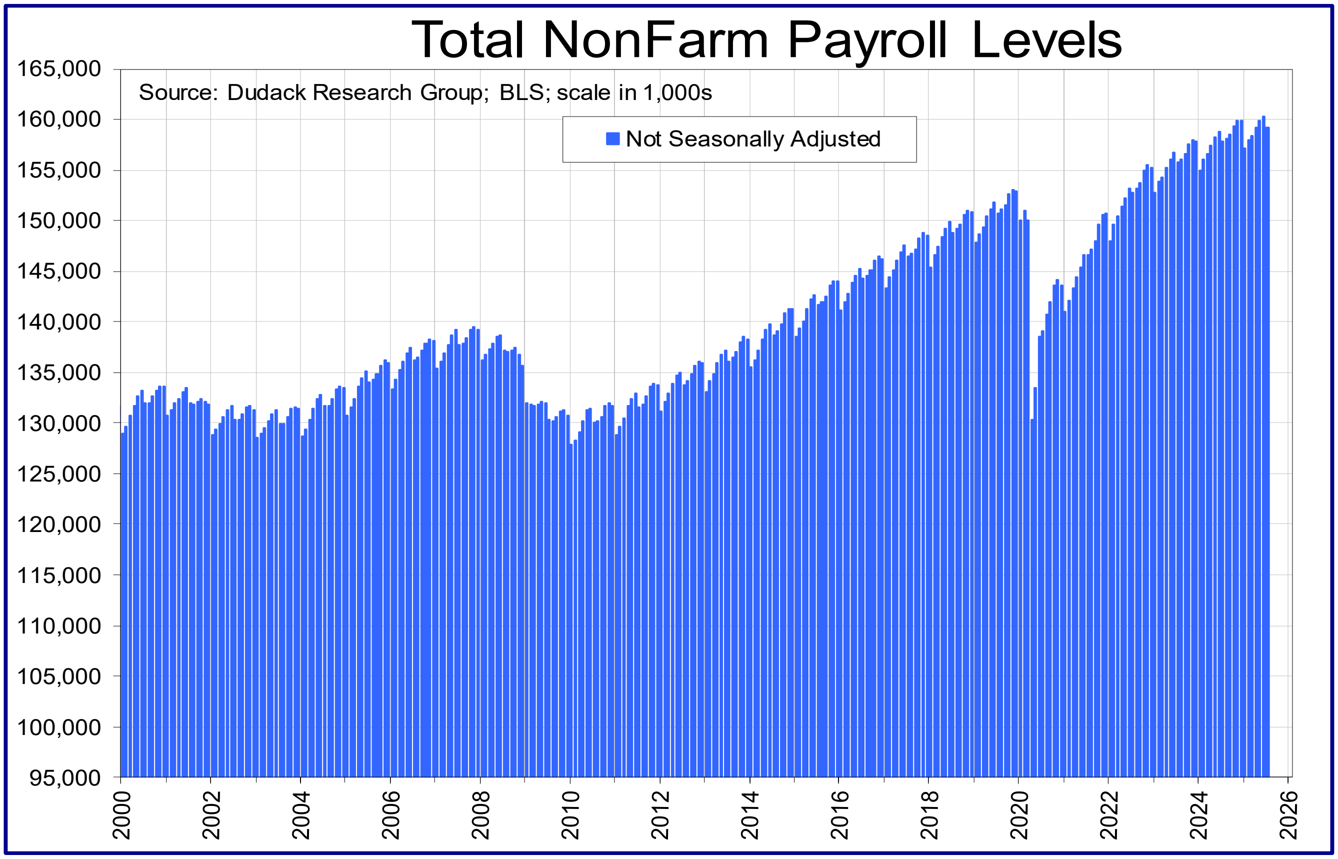
Legend: **ATUS** – American Time Use Survey; **CE Diary & Interview** – Consumer Expenditure Surveys; **CPI Housing** – Consumer Price Index Housing; **CPS** – Current Population Survey; **TPOPS** – Telephone Point of Purchase Survey; **ARS** – Annual Refiling Survey; **CPI C**&S – Consumer Price Index Commodities & Services; **CES** - Current Employment Statistics; **ECI** – Employment Cost Index; **IPP-Exports & IPP-Imports** -- Internation Price Program Exports and Internation Price Program; **JOLT** – Job Openings and Labor Turnover Survey; **OES** – Occupational Employment Statistics Survey; **ORS** – Occupational Requirements survey **SOII** – Survey of Occupational Injuries and Illnesses.. https://www.bls.gov/osmr/response-rates/#chart2a

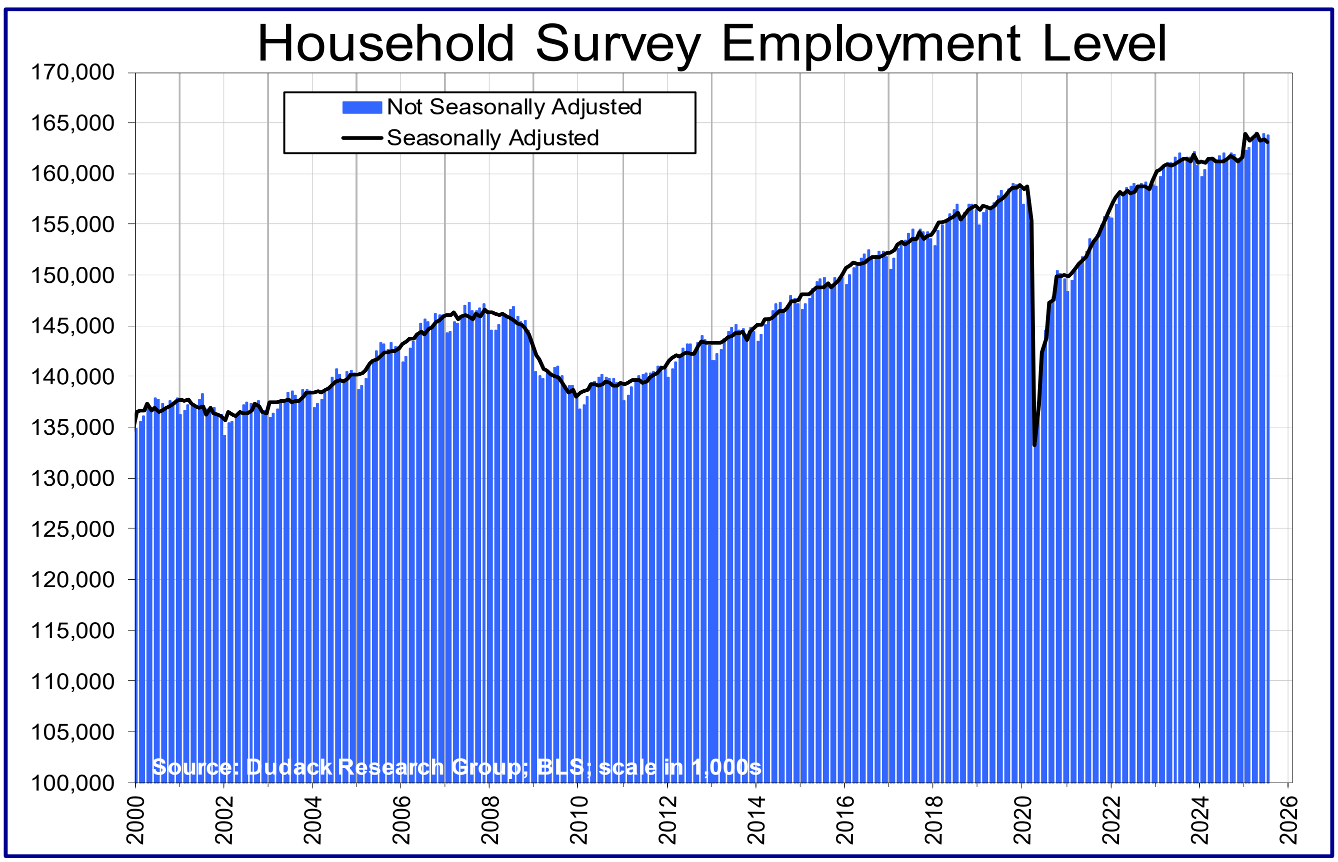
Like most BLS surveys, the response rate for the JOLTS report has declined from 67% in April 2015 to 35.2% in March 2025. The last report for June indicated that job openings and new hires all fell during the month. The job openings rate fell from 4.6% in May to 4.4% in June. The hires rate fell from 3.4% in May to 3.3% in June. The declines in job openings were greatest in leisure & hospitality, private education & health services, and manufacturing.



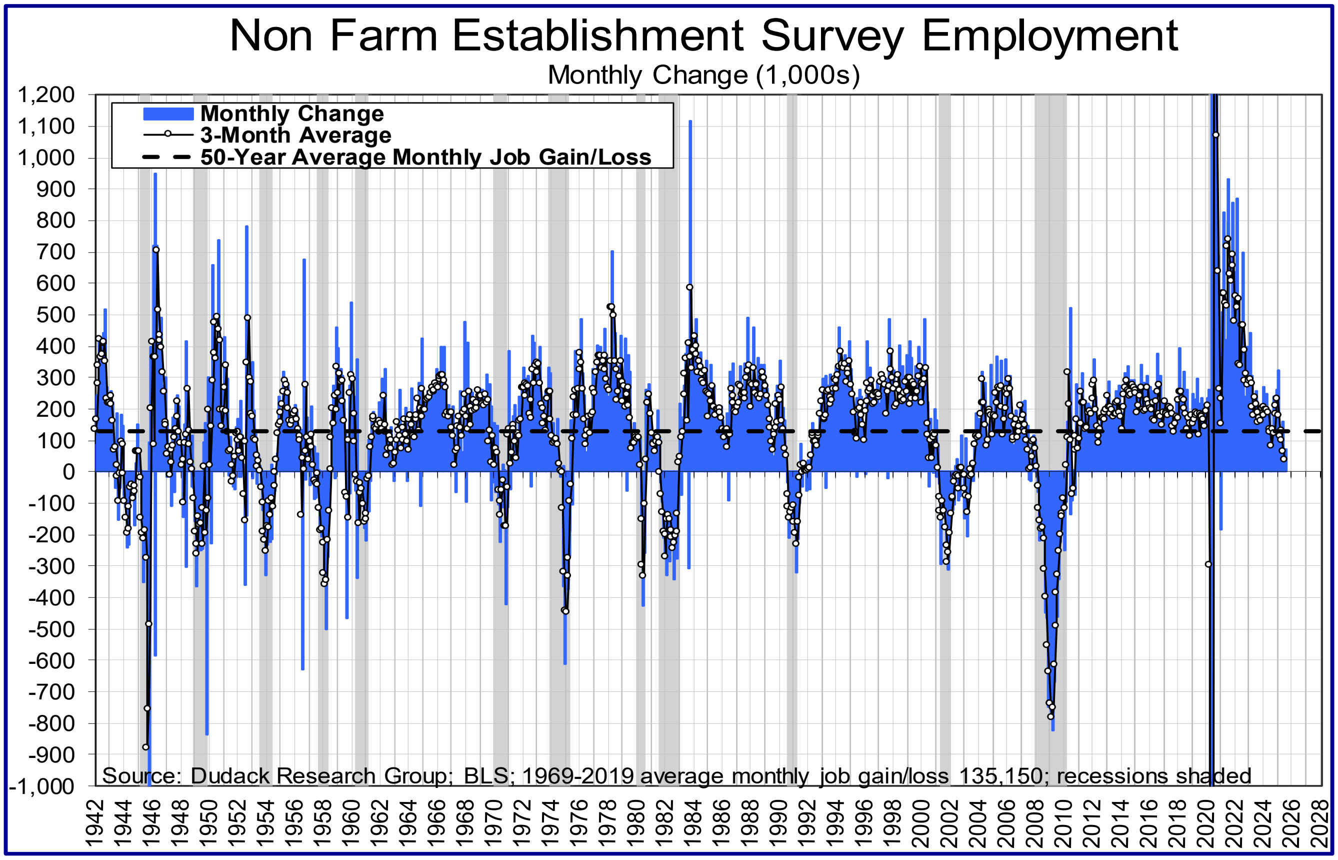


The reasoning behind a seasonally adjusted payroll number is made clear by these charts. There is a seasonal pattern of job losses in July (education) and January (private sector). The seasonal adjustment smooths the trend and is regularly revised as new data is accumulated. We believe mathematicians should have ignored data from the pandemic period since this disrupted all the normal seasonal patterns; however, this was not done, and seasonal adjustments have become erratic.





The negative revisions to previous months of job creation in the establishment survey have damaged the trend. The 3-month average of job creation was 126,670 in April but fell to 35,330 in July. When the 3-month average of job creation is over 100,000 it is considered favorable and when it exceeds 250,000 it is considered strong. A negative 3-month average is a sign of a recession. In short, this sharp decline is ominous. While the 3-month average of job creation in the household survey is quite volatile, in July this average fell into negative territory. Although both surveys show job growth to be positive year-over-year, it is below average, and the trend is declining. All of this requires monitoring.



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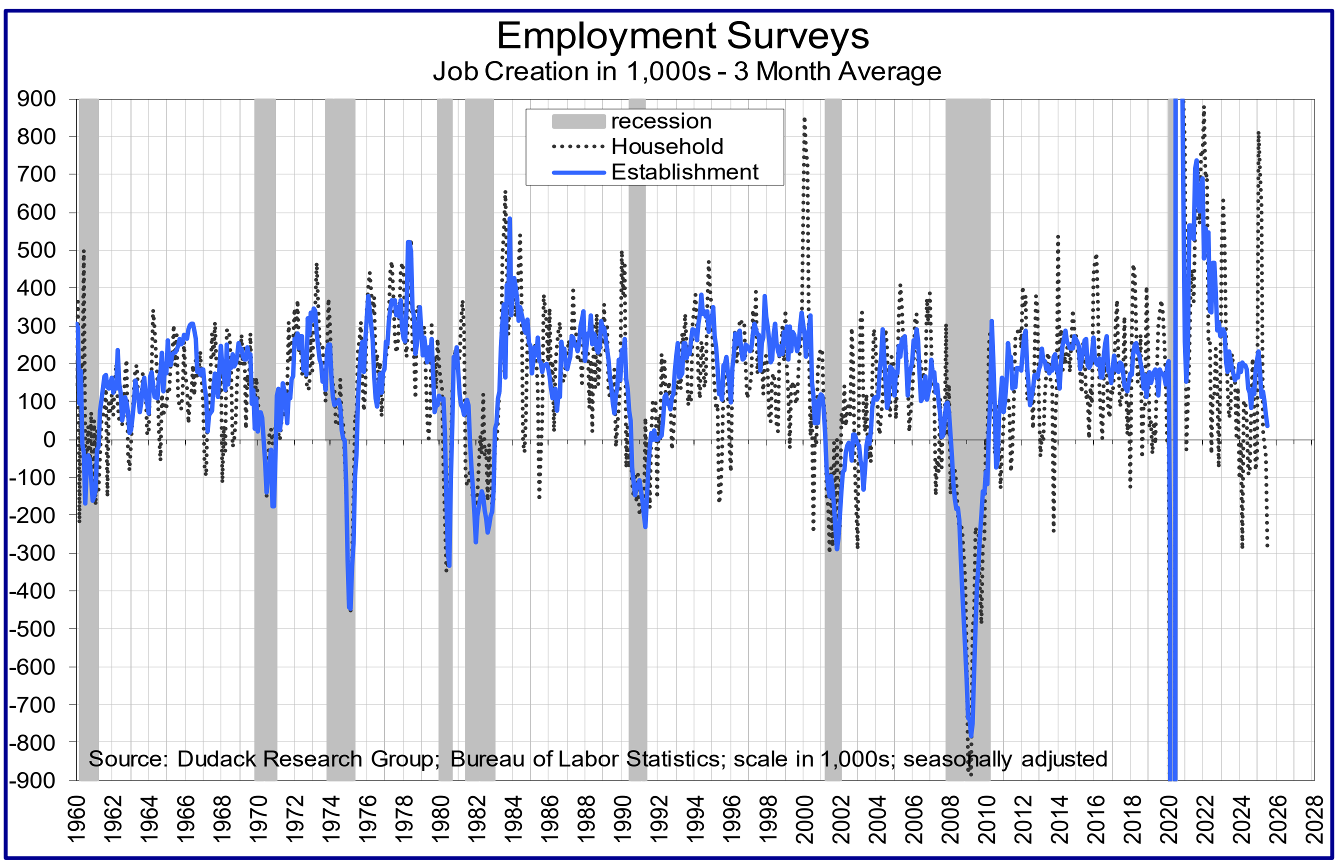
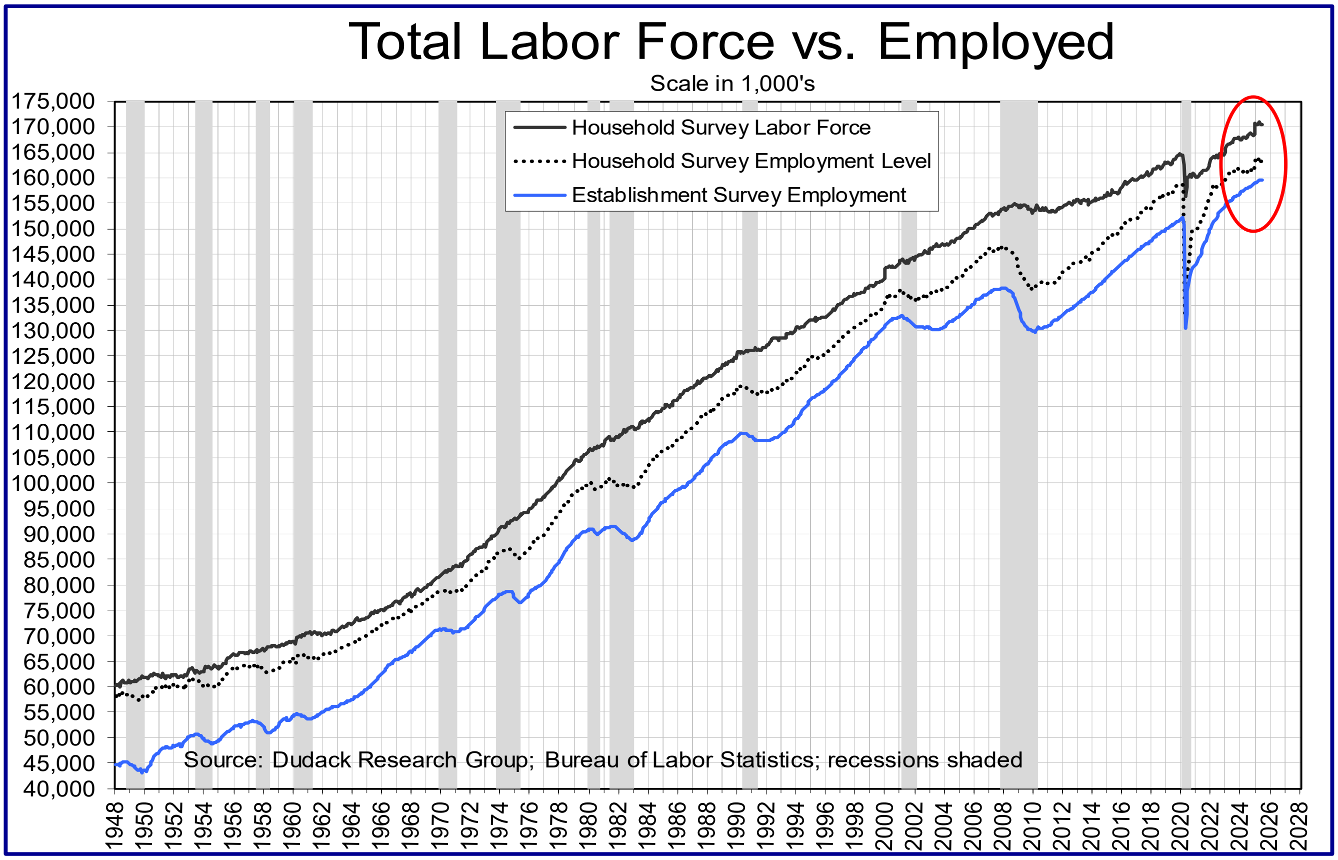
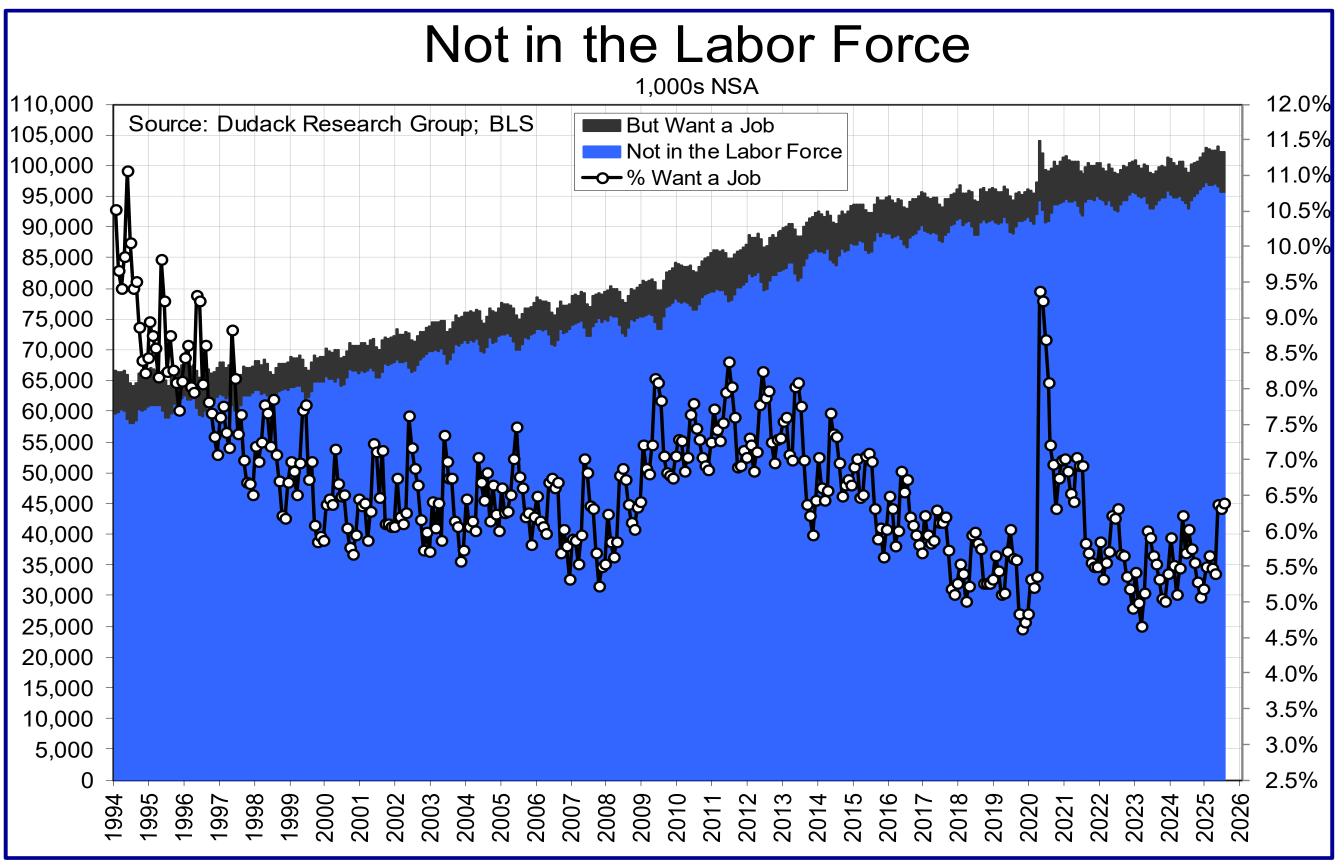
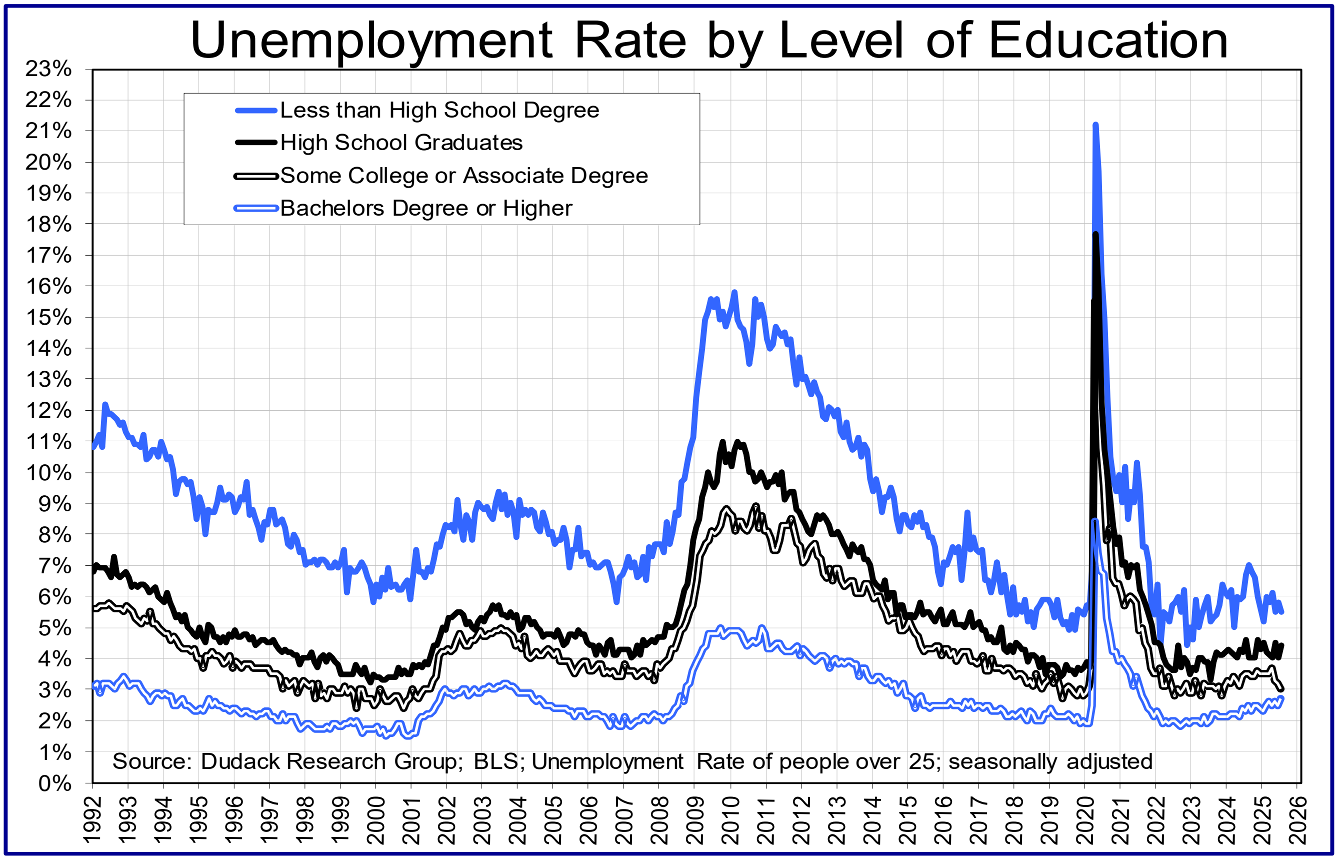


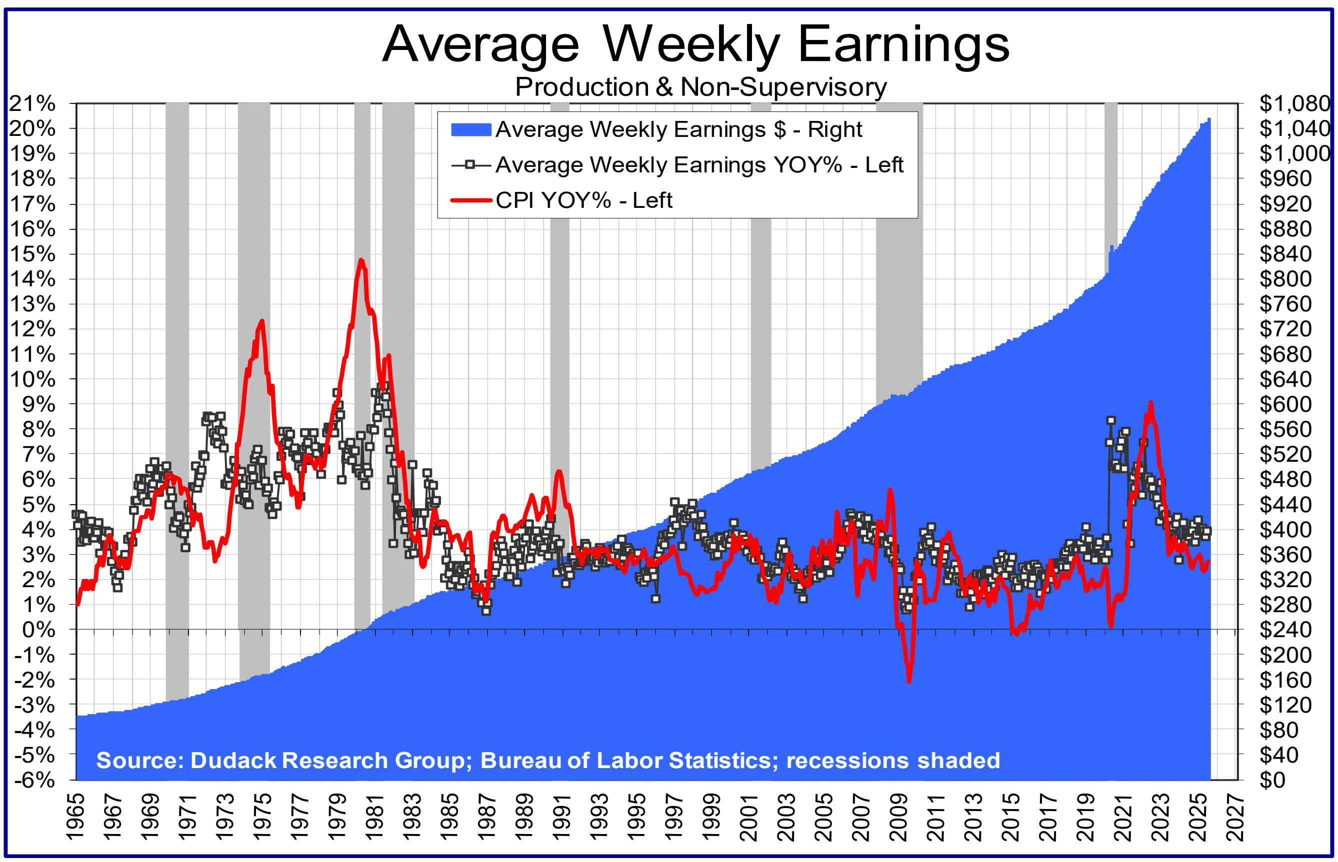
Note that the establishment survey has shown a steady increase in the level of employment since the pandemic, whereas the household survey shows both the labor force and the level of employment have been declining since April. Note that there will be an adjustment to this survey in September after the publication of the quarterly survey of consumers. In the last three months, the number of people indicating they want a job but are no longer considered part of the labor force rose from 5.4% to 6.4%.



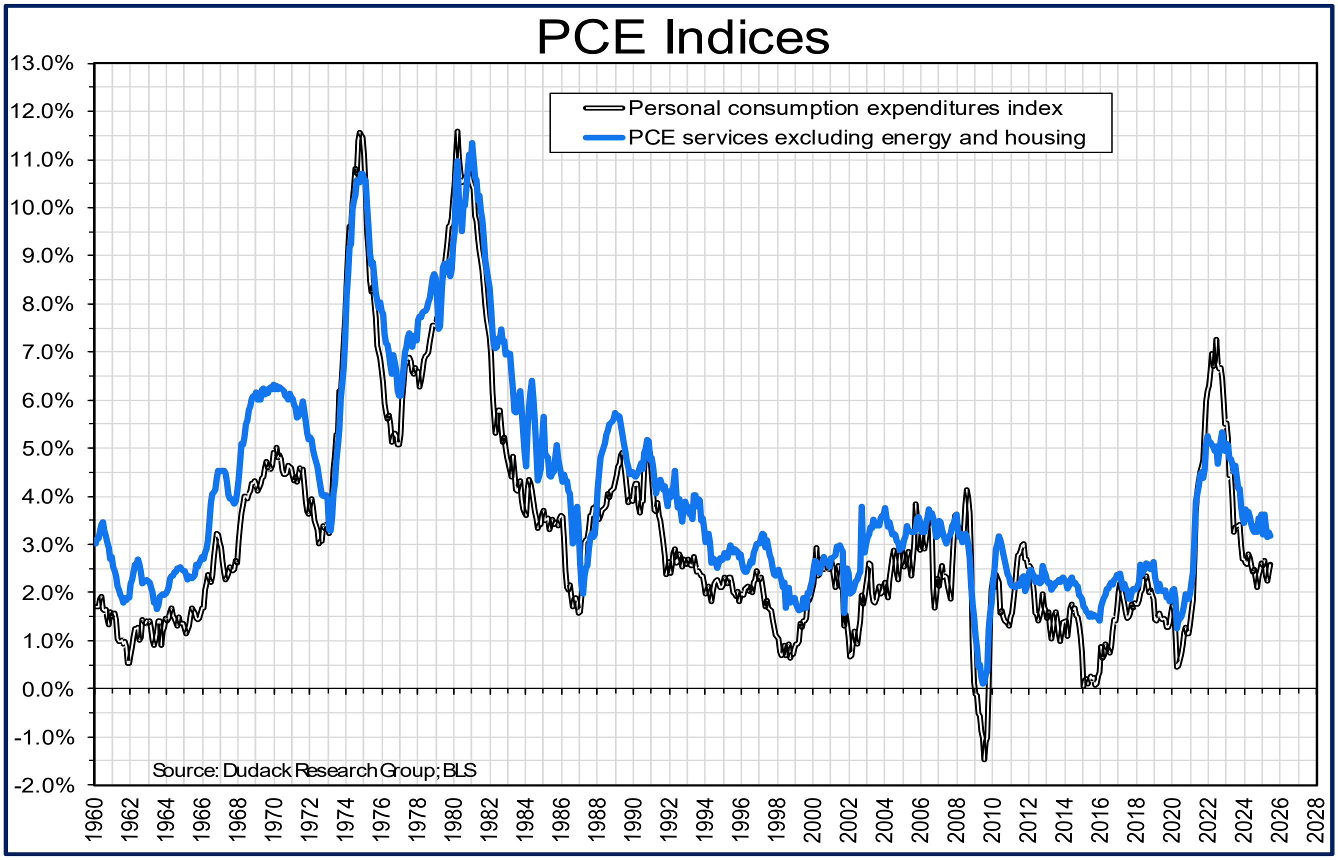


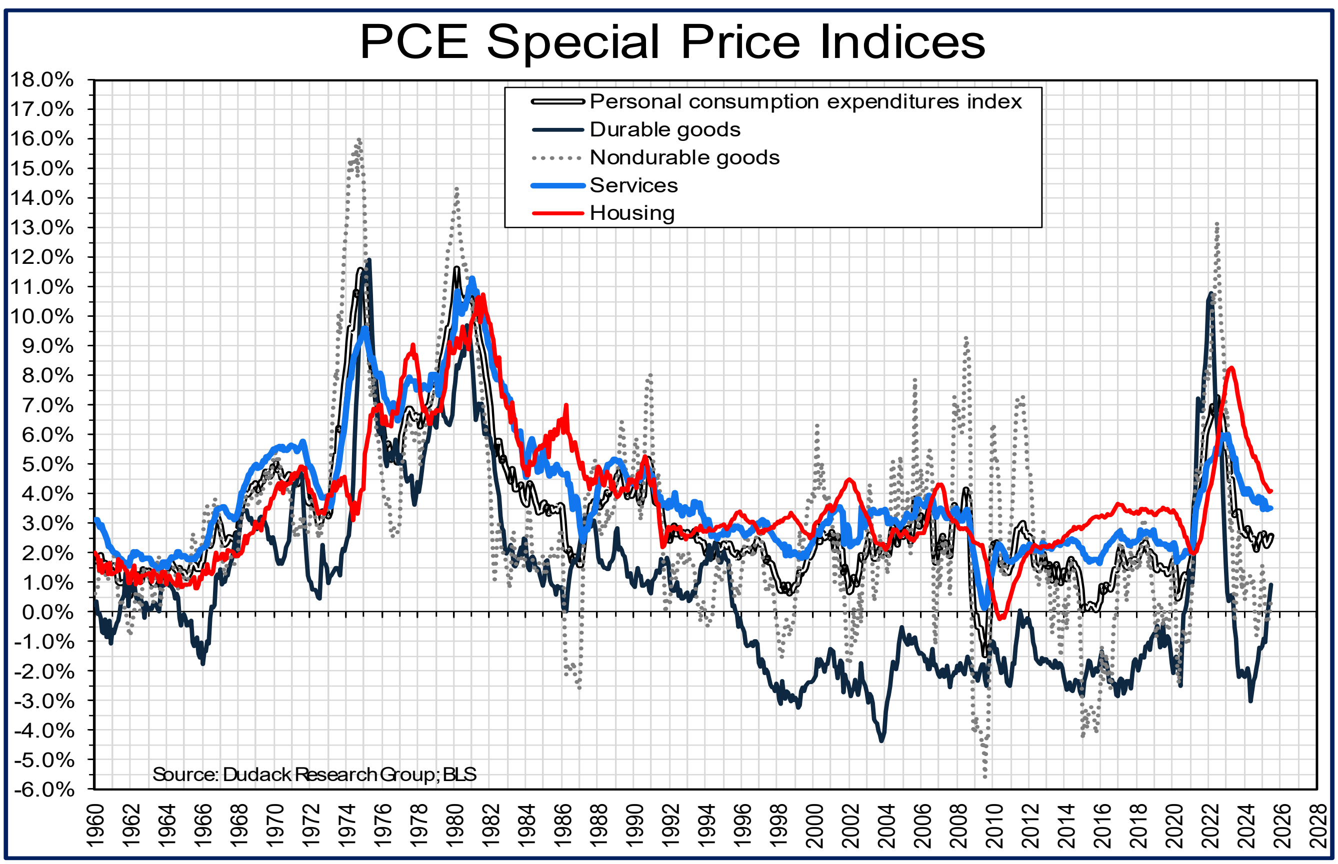
Unemployment rates by level of education show rising rates for high school and college graduates but falling trends for those with less than a high school degree and for those with some college or an associate degree. Note that the labor force for those with a bachelor's degree is the largest and nearly equals the sum of high school and associate degree graduates. It is nearly 8 times as large as that of those with no high school degree. In short, it is the most important category, and it shows a rising unemployment rate. Average weekly earnings rose 3.9% YOY in July, or 1.2% above the rate of inflation. This is favorable.



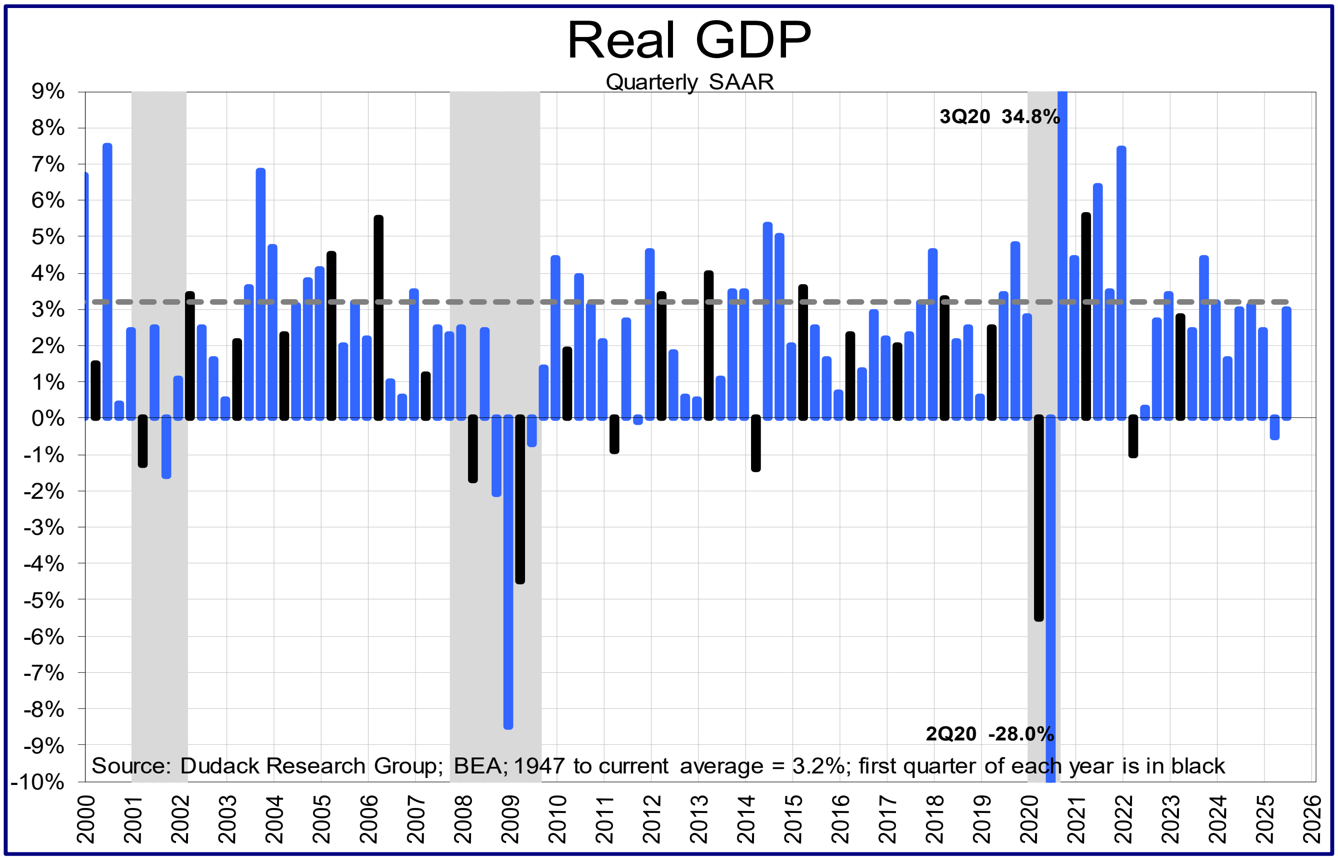


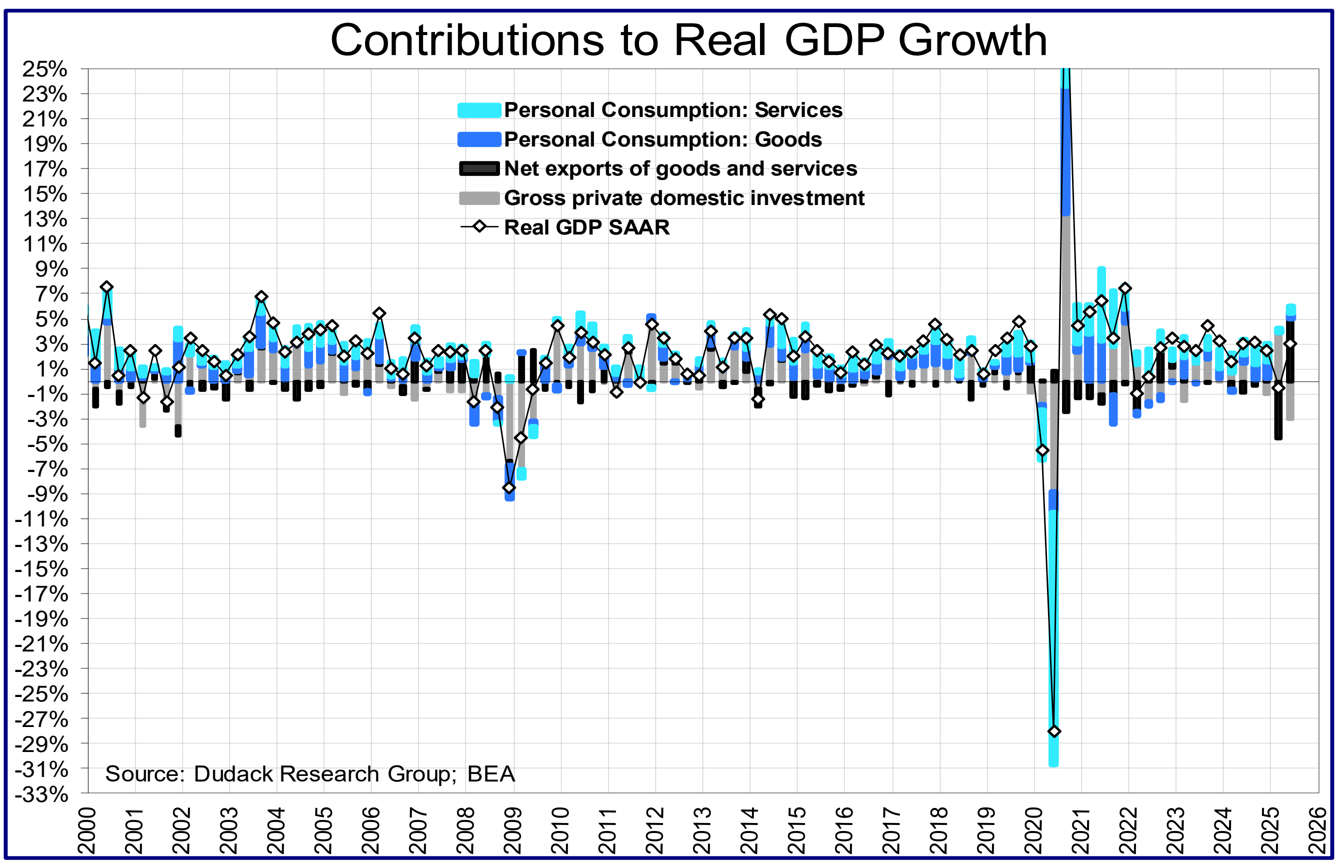
The personal consumption expenditure index (PCE) rose 2.6% YOY in June, up from 2.4% in May. The core PCE index was unchanged at 2.8% YOY. However, the details are important. Goods inflation was very subdued at 0.6% YOY, up marginally from 0.1% YOY in May. Goods are at the core of tariffs, yet inflation was subdued. Durable goods rose 0.9% YOY, up from 0.5% YOY and nondurable goods prices rose 0.5% YOY, up from negative 0.15% YOY. Real inflation was found in services where prices held steady at 3.5% YOY. Housing, which has been a source of inflation, was also unchanged at 4.1% YOY. (Note that the quarterly PCE index announced with the GDP report showed the 2Q25 index at 2.1% YOY vs. 3.7% YOY in 1Q25.)



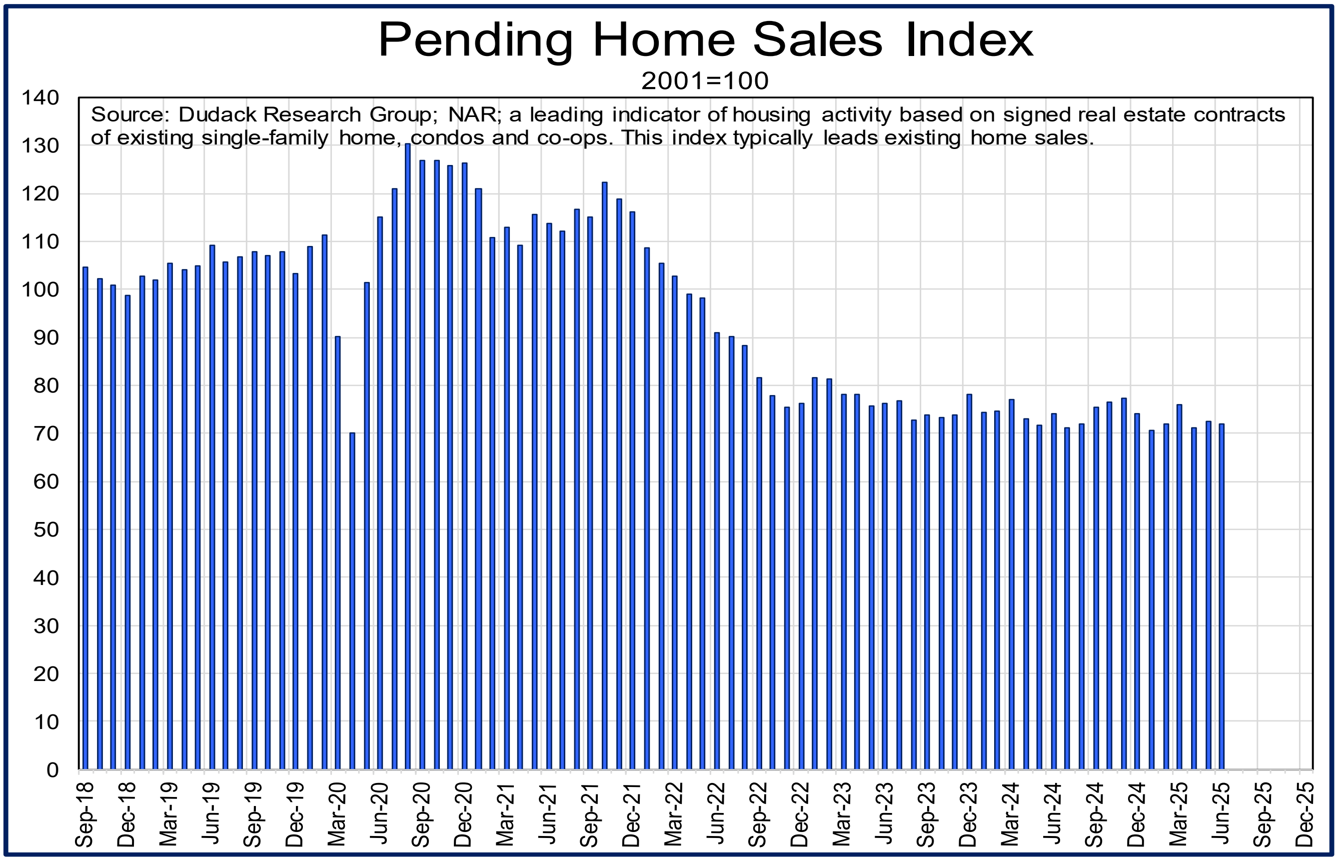


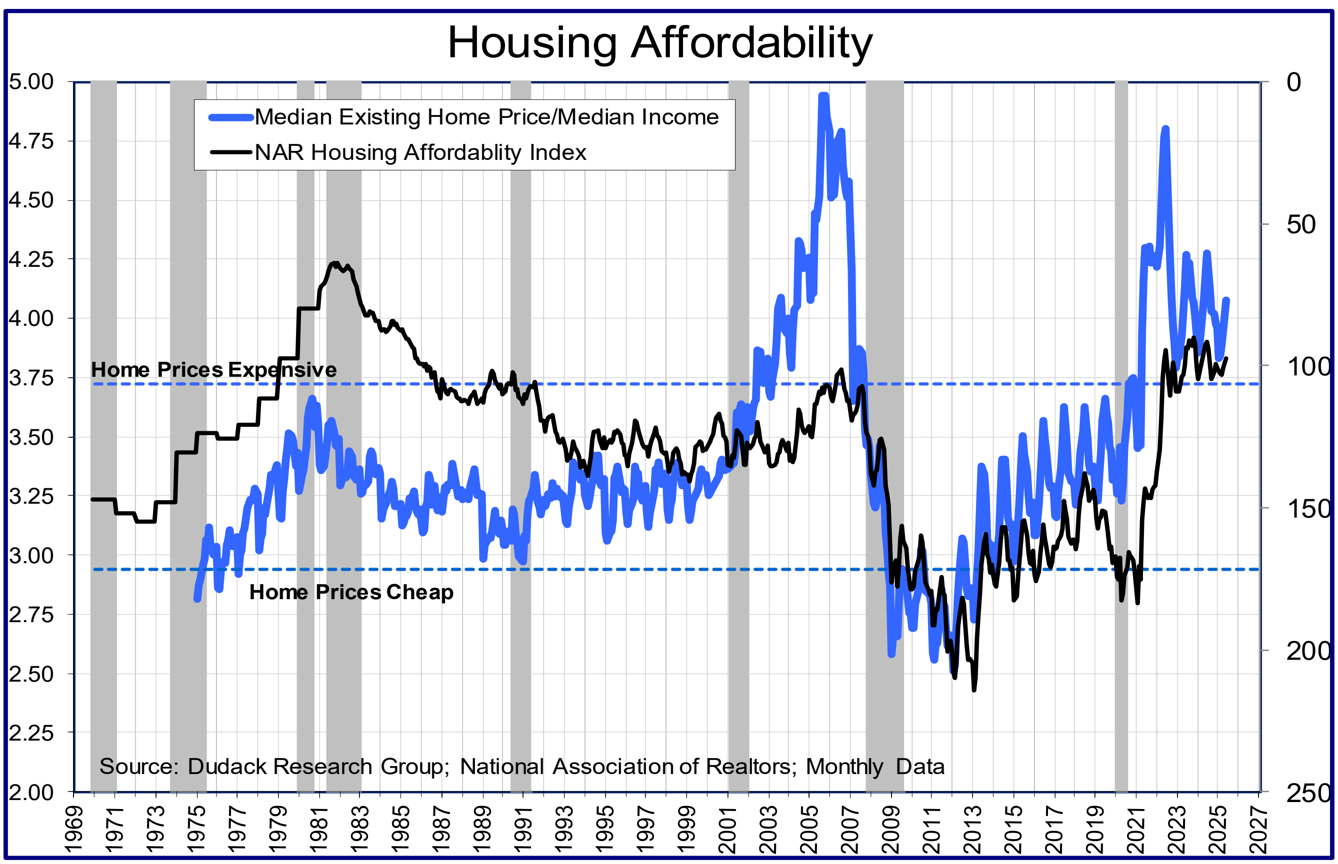
Second quarter GDP increased 3.0% (SAAR), a big improvement from the negative 0.5% in the first quarter. Imports played a large part in the growth swing since the surge in imports deducted from growth in the first quarter and their decline in the second quarter added to growth. As a result, inventories were the largest drag, subtracting 3.2% from second quarter due to a decumulation of inventory build. Federal spending also reduced growth by 0.2%, with all of the decline coming from non-defense expenditures. Consumer spending added 1% to growth versus 0.3% in the first quarter.



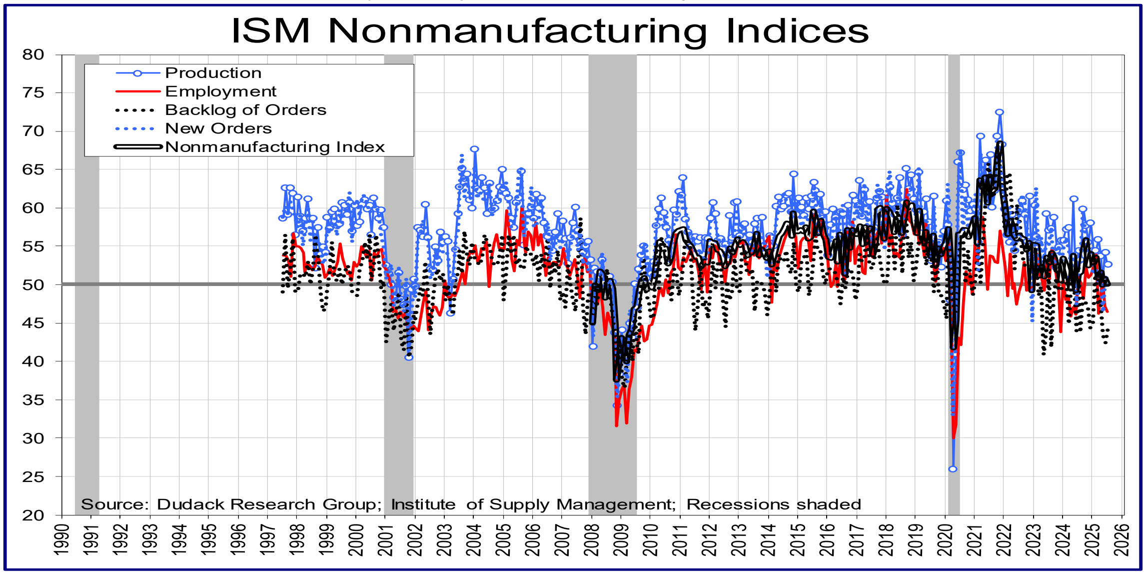


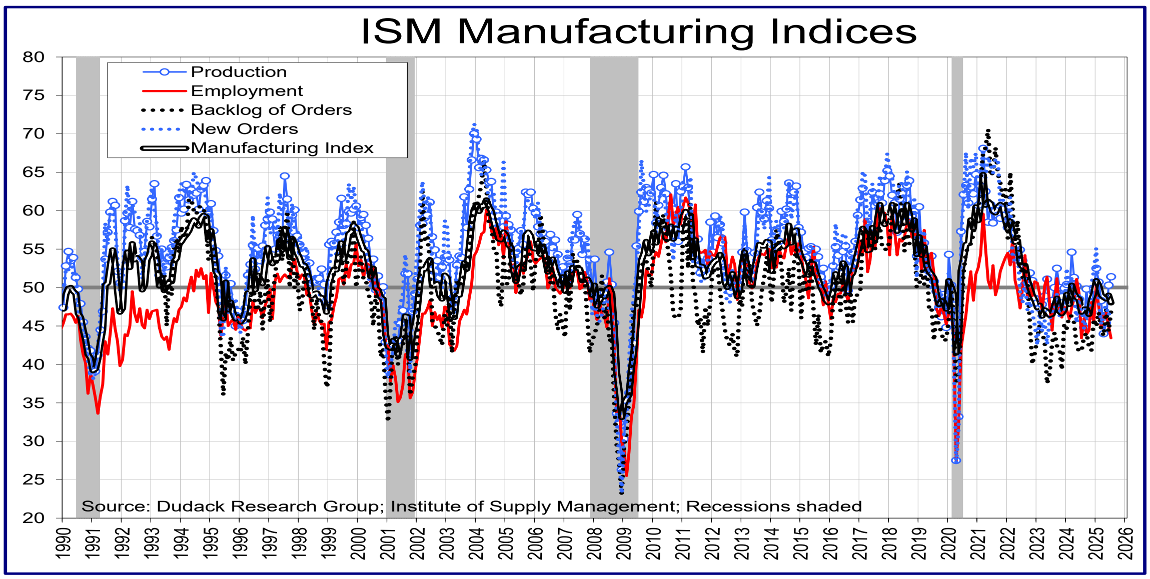
Pending home sales fell to 72.0 in June from 72.6 in May. This is not surprising since housing affordability indices show homes to be expensive for the average household due to high prices and high interest rates.

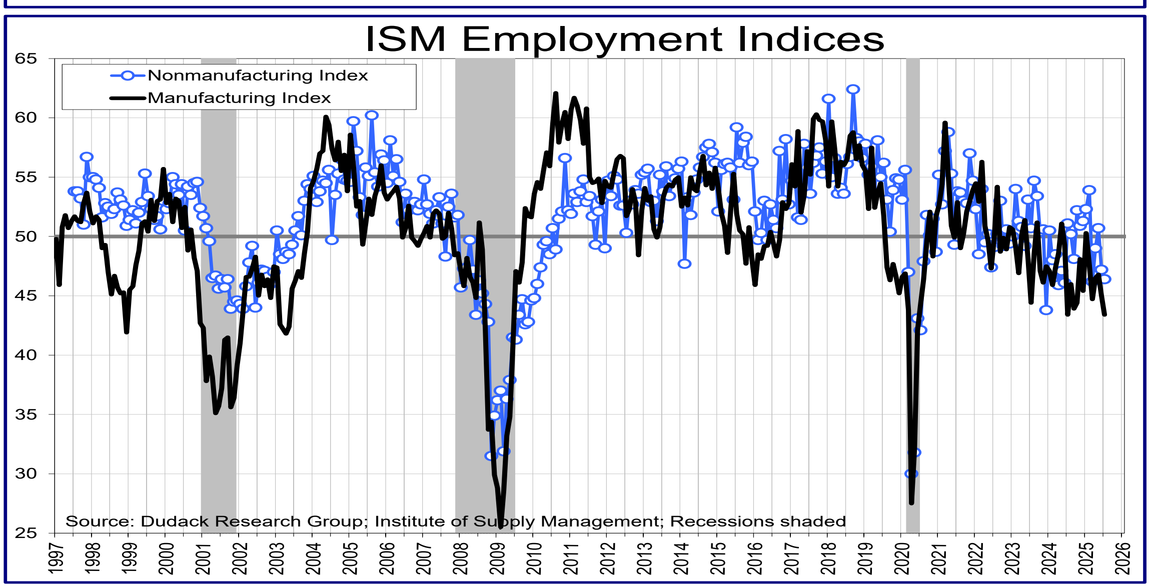




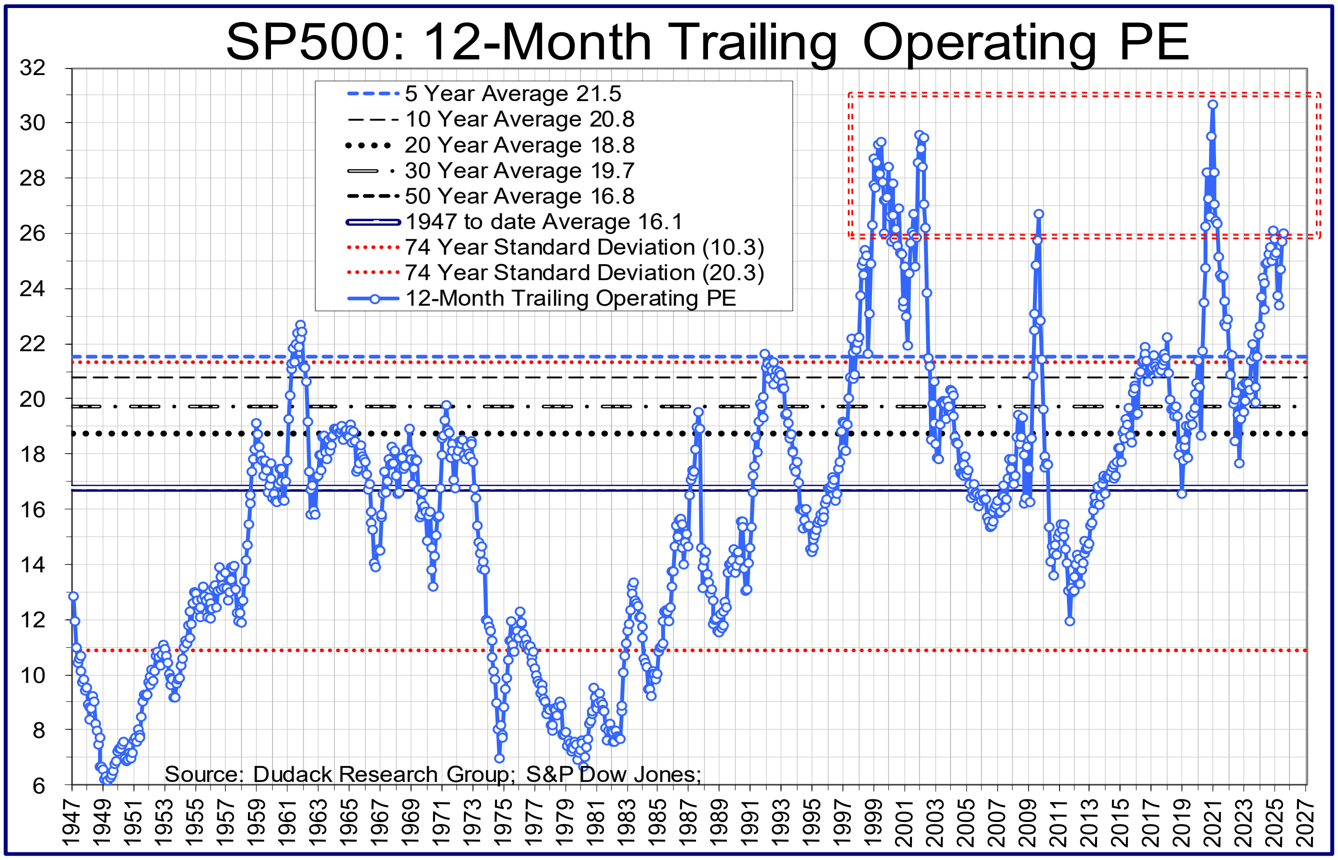
The ISM manufacturing index was 48.0 in July, down from 49.0 and most all components, with the exception of prices paid to suppliers, were below 50, an indication of contraction. However, the brightest spot in July was the increase in production from 50.3 to 51.4. The nonmanufacturing survey inched lower to 50.1 showing a tepid expansion. The employment index was below 50 for the fourth month in the last five. It is an ominous sign when both surveys show employment under 50. This adds to the possibility that the job market is weakening.

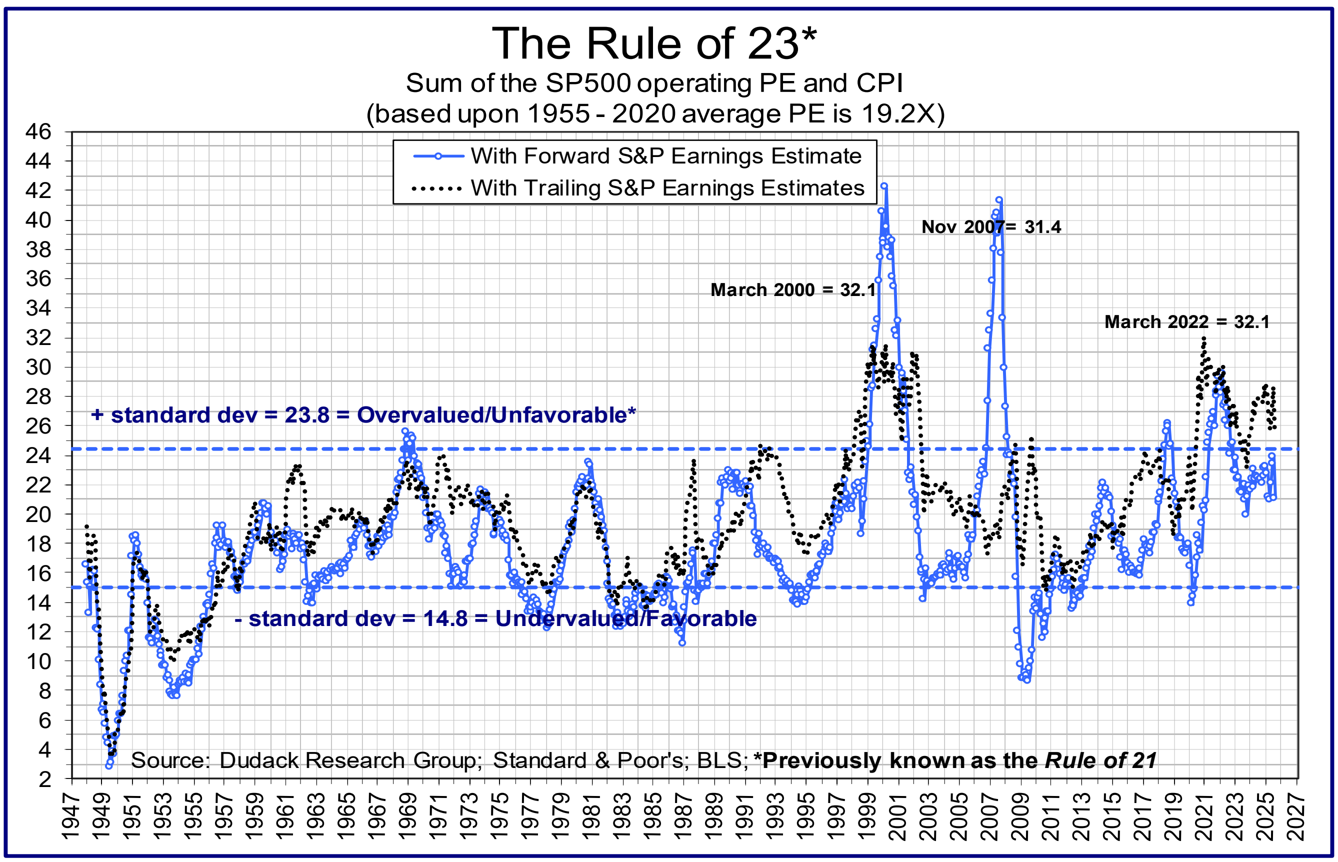




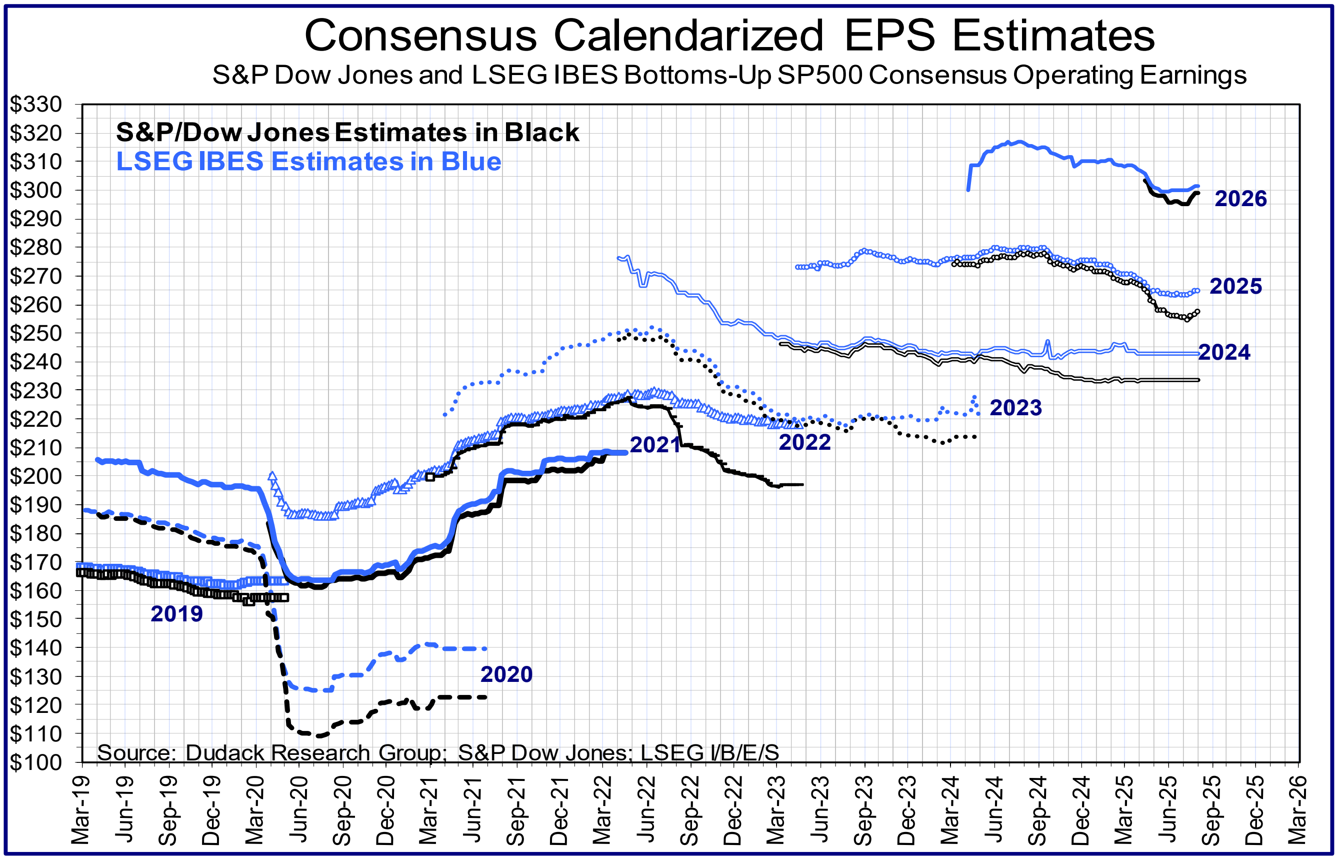


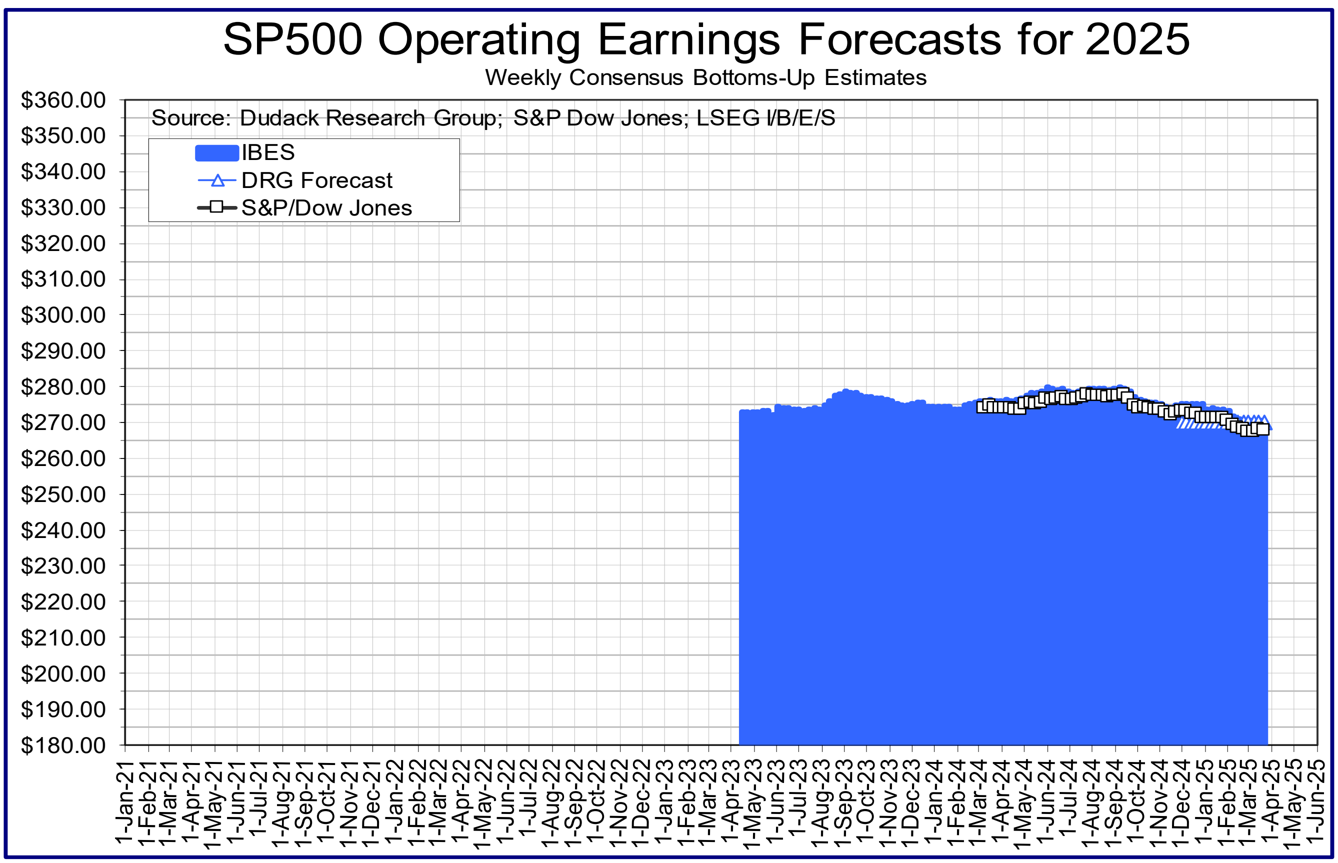
The SPX **trailing** 4-quarter operating earnings multiple is 25.6 times after reaching a recent intra-month low of 20.7 times earnings in early April. It is down this week due to higher earnings results, but it remains above both the 50-year average of 16.8 times and the 5-year average of 21.5. Including 2026 S&P Dow Jones estimates, the **12-month forward** PE multiple is 21.1 times and back above its long-term average of 17.9 times. When this PE is added to inflation of 2.7%, it comes to 23.8, which places it at the top of the normal range of 15.0 to 24.1.





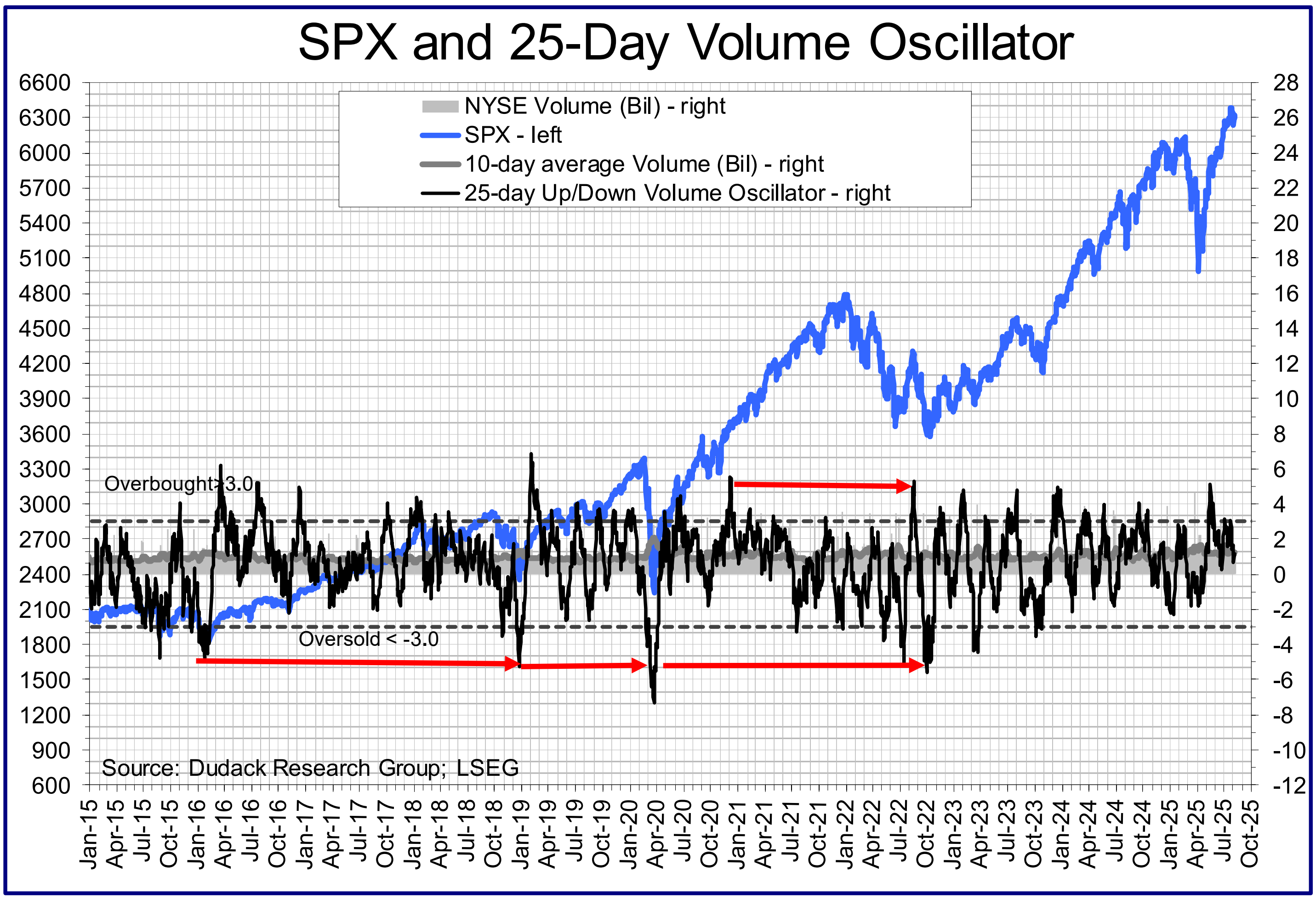
The S&P Dow Jones consensus earnings estimate for calendar 2025 was $257.19, up $0.60, this week. The earnings forecast for 2026 was $299.28, up $0.03. The LSEG IBES estimate for 2025 is $264.86, up $0.35, and the 2026 estimate is $301.44, up $0.05. The IBES estimate for 2027 is $340.33, up $0.42.



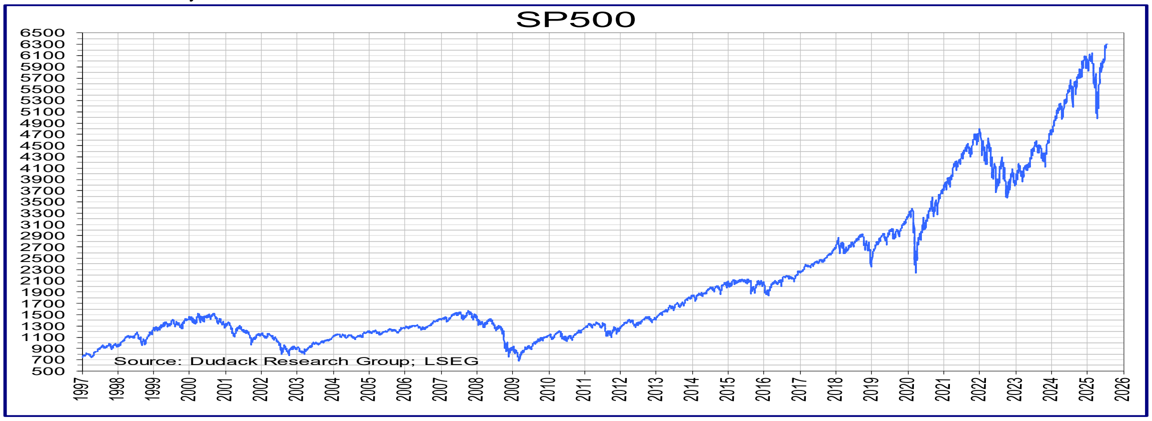


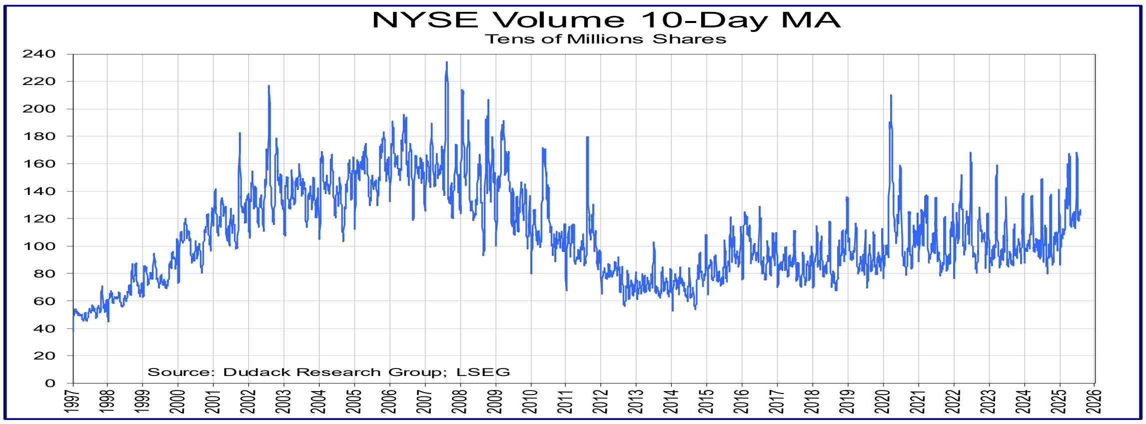
The 25-day up/down volume oscillator is at 1.09 this week, neutral after recording one-day overbought readings of 3.15 on July 3 and 3.05 on July 25. This followed the indicator being overbought for 9 of eleven days in May during which it reached a high of 5.10 on May 16. The 5.10 reading was the highest overbought reading since August 18, 2022 which appeared shortly after the market rebounded from its June 16, 2022 low. This was very positive performance and is a characteristic of a bull market cycle.

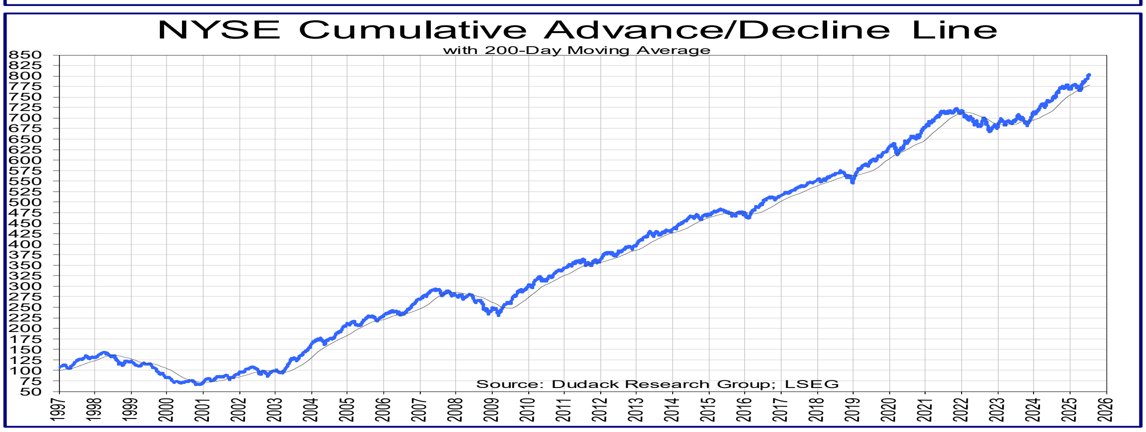
However, despite the two one-day overbought readings made in July, this indicator is yet to confirm the string of recent new highs made by the indices by reaching an overbought reading of 3.0 or more for a minimum of five consecutive trading days. At present, this indicator suggests advancing volume is weaker in August.

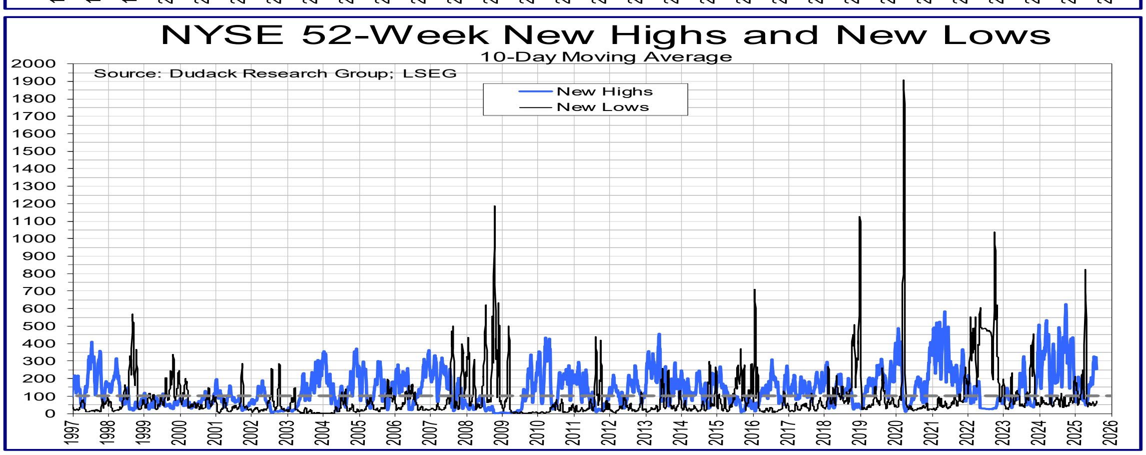


The 10-day average of daily new highs is 253 this week and new lows are averaging 70. This combination of daily new highs above 100 and new lows below 100 is positive. On April 11, the 10-day new low index (823) was the highest since the September-October 2022 low (882). The NYSE cumulative advance/decline line has recently made a string of new highs, the latest was on July 23, 2025. In sum, technical indicators are bullish.

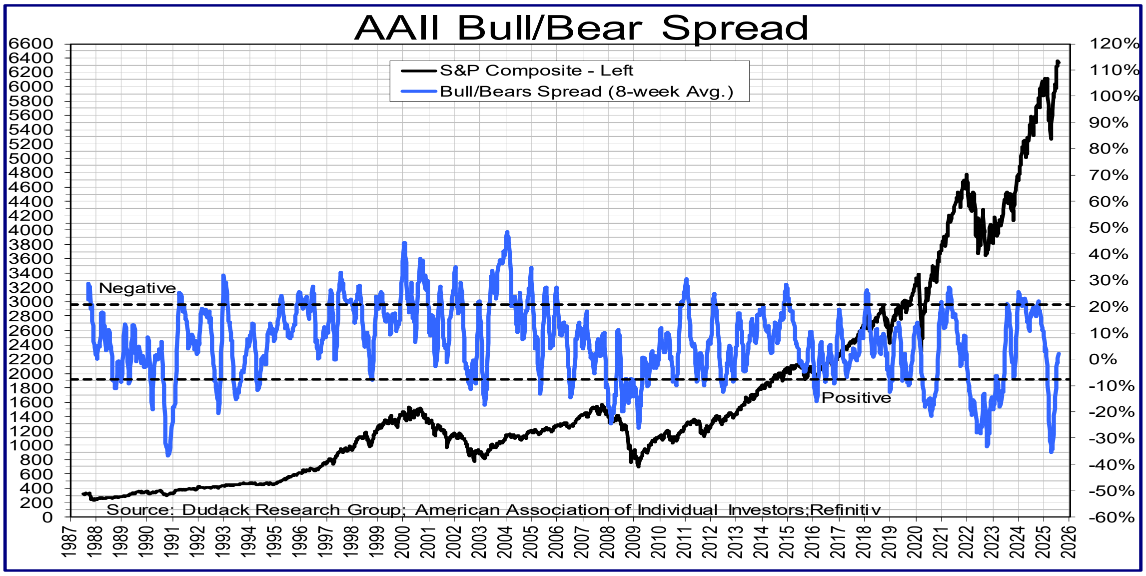


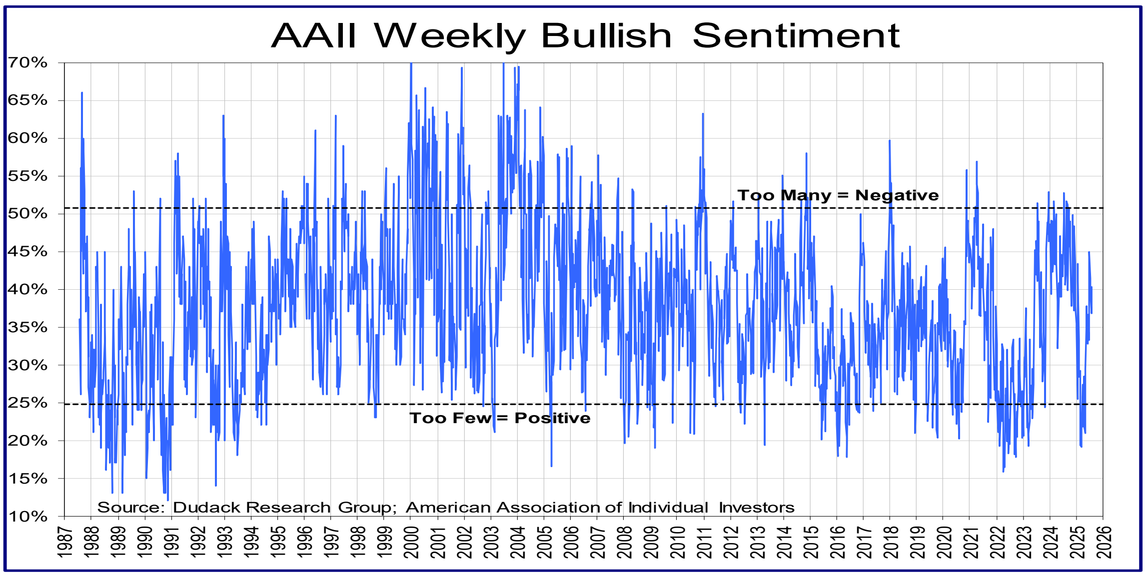


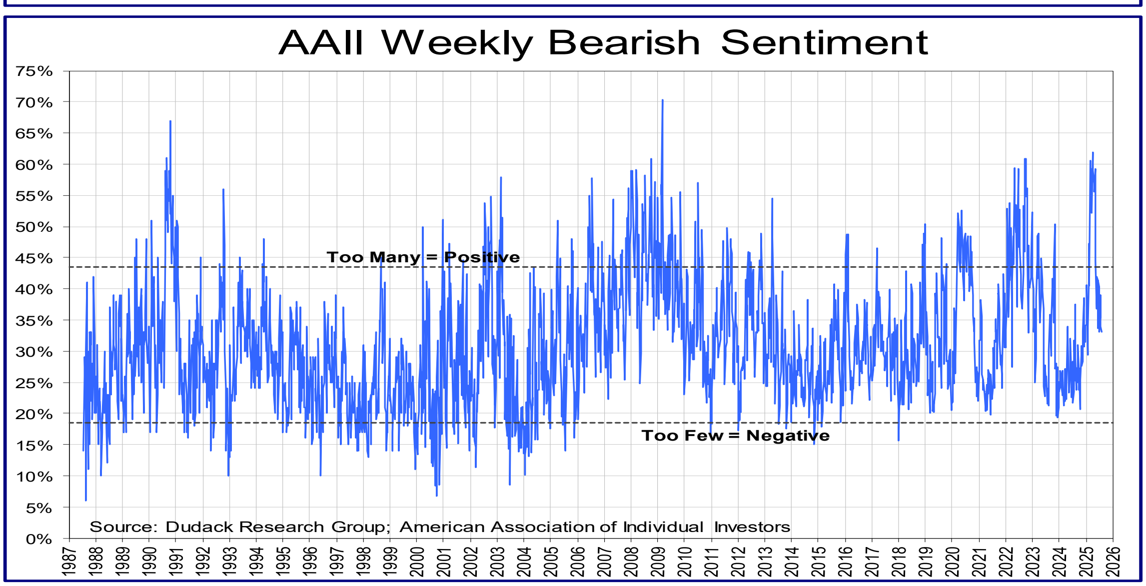




Last week's AAII survey showed bullishness rose 3.5% to 40.3% and bearishness fell 1.0% to 33.0%. Bullishness is now above average, but bearishness is also above average. The combination is neutral. The April 2, 2025 reading of 61.9% bearishness was a new high for this cycle and favorable. The 8-week bull/bear is minus 1.3% and neutral for the 4th consecutive week after being positive for the 17 consecutive weeks in February through mid-June. These readings were the most positive since the November 21, 1990 reading of minus 36.3%, just after the S&P 500 low on October 11, 1990 at 295.47, down 20%.







Global Markets and Commodities - Ranked by Year-to-Date Trading Performance

Index/EFT	Symbol	Price	5-Day%	20-Day%	QTD%	YTD%
iShares MSCI South Korea Capped ETF	EWY	72.89	-0.8%	0.3%	1.5%	43.2%
iShares MSCI Austria Capped ETF	EWO	29.79	-0.1%	1.8%	1.3%	42.1%
iShares Silver Trust	SLV	36.01	-0.9%	2.5%	4.6%	30.6%
iShares MSCI Germany ETF	EWG	41.49	-1.0%	-1.7%	-1.9%	30.4%
Silver Future	SIc1	37.69	-1.0%	2.5%	5.1%	30.2%
iShares MSCI Mexico Capped ETF	EWW	60.19	-1.2%	-2.4%	-0.6%	28.6%
SPDR Gold Trust	GLD	311.16	1.6%	1.3%	2.1%	28.5%
iShares MSCI Hong Kong ETF	EWH	20.83	-1.7%	3.3%	4.9%	25.0%
iShares China Large Cap ETF	FXI	37.64	-1.5%	3.8%	2.4%	23.7%
iShares MSCI Singapore ETF	EWS	26.79	-0.9%	3.5%	3.1%	22.6%
iShares MSCI Brazil Capped ETF	EWZ	27.02	1.0%	-7.8%	-6.3%	20.0%
iShares MSCI United Kingdom ETF	EWU	40.23	-0.4%	1.0%	1.3%	18.7%
Vanguard FTSE All-World ex-US ETF	VEU	67.32	-0.5%	-0.4%	0.1%	17.3%
iShares MSCI EAFE ETF	EFA	88.44	-0.8%	-1.2%	-1.1%	17.0%
iShares MSCI Emerg Mkts ETF	EEM	48.84	-0.7%	0.2%	1.2%	16.8%
iShares MSCI Canada ETF	EWC	46.93	0.3%	0.6%	1.6%	16.5%
Industrial Select Sector SPDR	XLI	150.81	-1.3%	0.9%	2.2%	14.5%
Utilities Select Sector SPDR	XLU	86.39	2.1%	5.6%	5.8%	14.1%
iShares MSCI BRIC ETF	BKF	41.55	-1.1%	0.3%	0.2%	13.9%
iShares MSCI Taiwan ETF	EWT	58.92	0.5%	-0.9%	2.6%	13.8%
Technology Select Sector SPDR	XLK	260.12	-1.5%	1.2%	2.7%	11.9%
iShares MSCI Japan ETF	EWJ	75.03	1.6%	0.6%	0.1%	11.8%
Communication Services Select Sector SPDR Fund	XLC	107.32	1.1%	-0.7%	-1.1%	10.9%
iShares MSCI Australia ETF	EWA	26.41	0.2%	-0.3%	0.3%	10.7%
iShares US Telecomm ETF	IYZ	29.66	-0.2%	-0.7%	-0.4%	10.5%
NASDAQ 100	NDX	23018.56	-1.2%	0.7%	1.5%	9.5%
iShares Russell 1000 Growth ETF	IWF	436.92	-0.5%	2.0%	2.9%	8.8%
Nasdaq Composite Index Tracking Stock	ONEQ.O	82.36	-0.8%	1.7%	2.8%	8.3%
Shanghai Composite	.SSEC	3617.60	0.2%	4.5%	5.0%	7.9%
PowerShares Water Resources Portfolio	PHO	70.95	0.1%	-0.7%	1.5%	7.8%
iShares Russell 1000 ETF	IWB	345.17	-1.1%	0.4%	1.6%	7.1%
SPDR S&P Semiconductor ETF	XSD	266.13	-1.1%	0.4%	3.8%	7.1%
SP500	.SPX	6299.19	-1.1%	0.3%	1.5%	7.1%
Financial Select Sector SPDR	XLF	51.70	-2.1%	-2.8%	-1.3%	7.0%
Materials Select Sector SPDR	XLB	88.49	-2.4%	-3.2%	0.8%	5.2%
iShares Russell 1000 Value ETF	IWD	194.60	-1.7%	-1.4%	0.2%	5.1%
Gold Future	GCc1	3131.10	0.2%	0.7%	0.8%	4.9%
DJIA	.DJI	44111.74	-1.2%	-1.6%	0.0%	3.7%
SPDR DJIA ETF	DIA	441.14	-1.2%	-1.6%	0.1%	3.7%
iShares US Real Estate ETF	IYR	95.95	-1.8%	0.2%	1.2%	3.1%
iShares iBoxx $ Invest Grade Corp Bond	LQD	109.90	0.4%	0.8%	0.3%	2.9%
SPDR Homebuilders ETF	XHB	107.26	1.7%	4.5%	8.8%	2.6%
Consumer Staples Select Sector SPDR	XLP	80.47	-0.9%	-2.1%	-0.6%	2.4%
iShares Russell 2000 Growth ETF	IWO	292.98	0.4%	0.3%	2.5%	1.8%
SPDR S&P Bank ETF	KBE	56.27	-2.2%	-4.3%	0.9%	1.4%
iShares 20+ Year Treas Bond ETF	TLT	88.33	1.2%	1.6%	0.1%	1.1%
iShares Nasdaq Biotechnology ETF	IBB.O	133.41	-0.3%	2.6%	5.5%	0.9%
SPDR S&P Retail ETF	XRT	79.58	-0.8%	-1.3%	3.3%	0.0%
iShares Russell 2000 ETF	IWM	220.85	-0.8%	-1.0%	2.3%	0.0%
Energy Select Sector SPDR	XLE	85.51	-3.9%	-1.7%	0.8%	-0.2%
iShares MSCI India ETF	INDA.K	52.41	-2.0%	-6.1%	-5.9%	-0.4%
United States Oil Fund, LP	USO	75.02	-6.0%	-0.2%	2.6%	-0.7%
iShares MSCI Malaysia ETF	EWM	24.24	0.8%	-0.7%	-0.4%	-1.2%
iShares Russell 2000 Value ETF	IWN	160.99	-2.0%	-2.4%	2.0%	-1.9%
Consumer Discretionary Select Sector SPDR	XLY	218.91	-2.5%	-1.0%	0.7%	-2.4%
Health Care Select Sect SPDR	XLV	132.50	-1.4%	-2.2%	-1.7%	-3.7%
Oil Future	CLc1	65.16	-5.9%	-2.7%	0.1%	-9.1%
iShares DJ US Oil Eqpt & Services ETF	IEZ	17.87	-5.0%	0.7%	5.3%	-9.8%

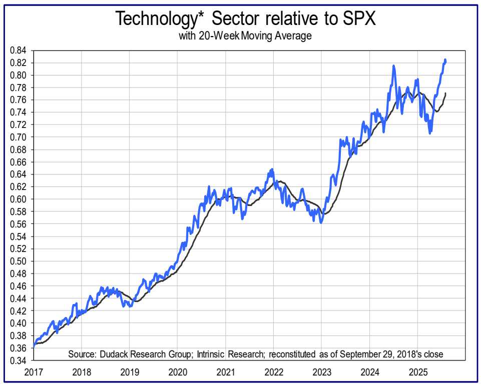
Outperformed SP500
Underperformed SP500

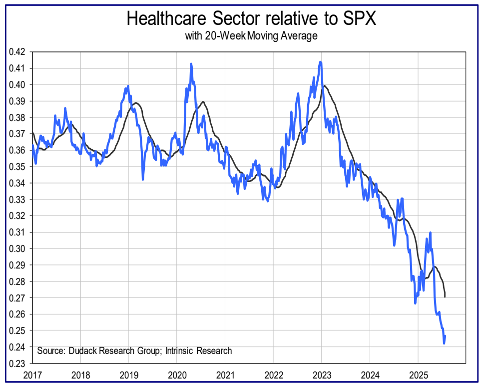
Source: Dudack Research Group; LSEG
Priced as of August 5, 2025
Blue shading represents non-US and **yellow** shading represents commodities

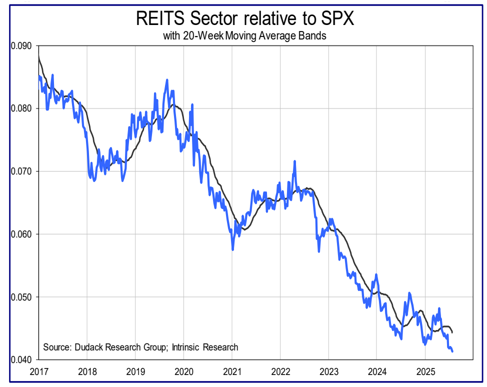
SECTOR RELATIVE PERFORMANCE – RELATIVE OVER/UNDER/ PERFORMANCE TO S&P 500

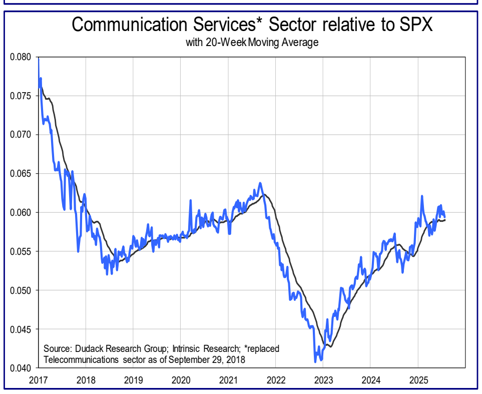
DRG Recommended Sector Weights		
Overweight	**Neutral**	**Underweight**
Communication Services Technology Consumer Discretionary Financials	Healthcare Staples Utililties Industrials	REITS Materials Energy

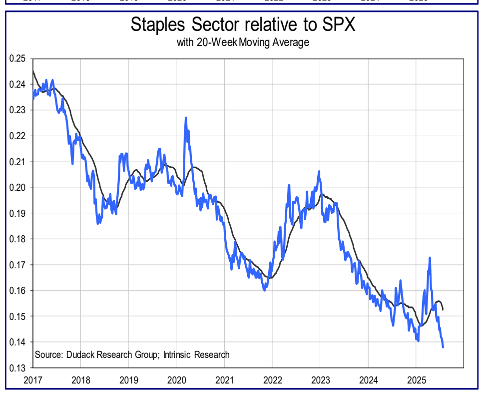
11/19/2024: Upgraded Consumer Discretionary from N to O; Downgraded Healthcare from O to N. 9/10/2024: Upgraded Utilities from U to N; Downgraded Energy from N to U.

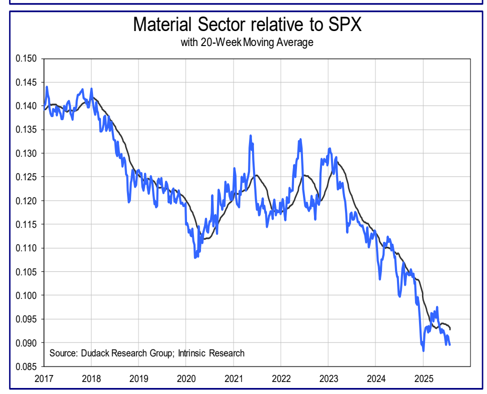


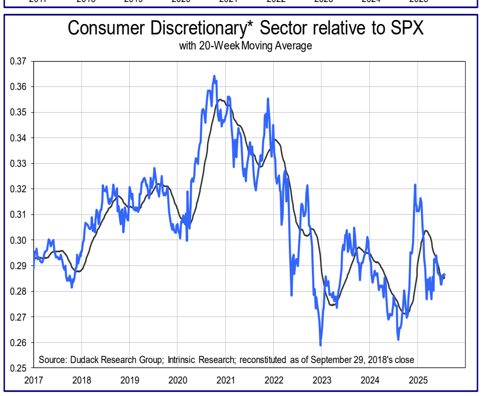


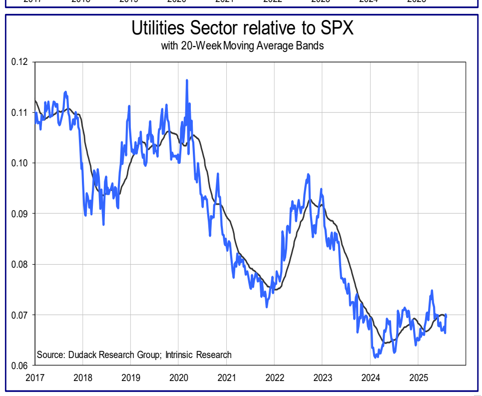


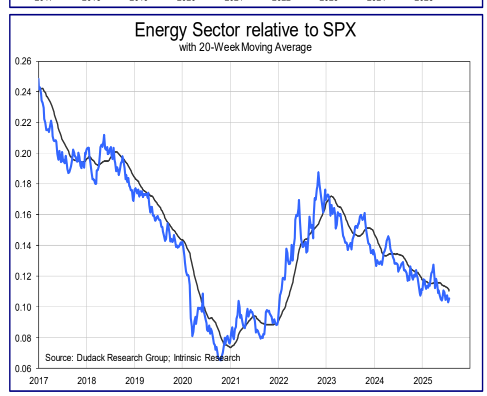


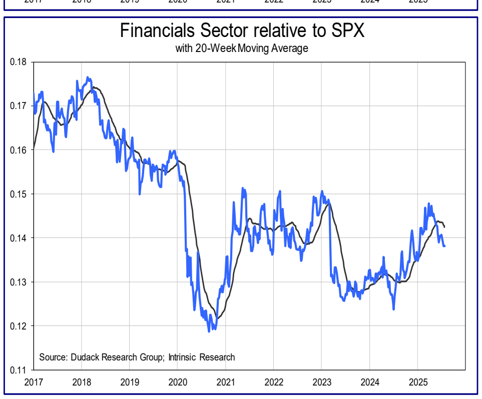


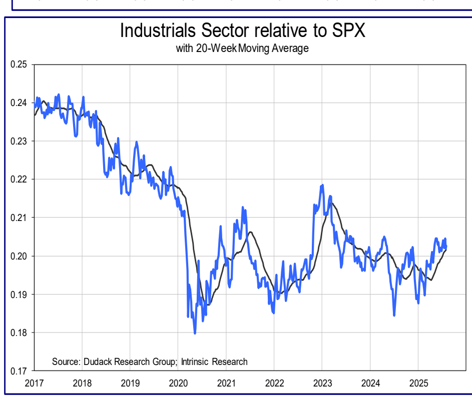












2025 Performance - Ranked	
SP500 Sector	% Change
S&P INDUSTRIALS	14.4%
S&P UTILITIES	13.9%
S&P COMMUNICATIONS SERVICES	13.2%
S&P INFORMATION TECH	12.3%
S&P 500	7.1%
S&P FINANCIAL	6.8%
S&P MATERIALS	6.0%
S&P CONSUMER STAPLES	3.3%
S&P REITS	2.4%
S&P ENERGY	2.3%
S&P HEALTH CARE	-3.9%
S&P CONSUMER DISCRETIONARY	-4.3%

Source: Dudack Research Group; Refinitiv; Monday closes

US Asset Allocation

	Benchmark	DRG %	Recommendation
Equities	60%	60%	Neutral
Treasury Bonds	30%	30%	Neutral
Cash	10%	10%	Neutral
	100%	100%	

Source: Dudack Research Group; 11/26/2024: moved 5% cash to equities

DRG Earnings and Economic Forecasts

	S&P 500 Price	S&P Dow Jones Reported EPS**	S&P Dow Jones Operating EPS**	DRG Operating EPS Forecast	DRG EPS YOY %	LSEG IBES Consensus Bottom-Up $ EPS**	LSEG IBES Consensus Bottom-Up EPS YOY%	S&P Op PE Ratio	S&P Divd Yield	GDP Annual Rate	GDP Profits post-tax w/ IVA & CC	YOY %
2008	903.25	$14.88	$49.51	$49.51	-40.0%	$65.47	-23.1%	18.2X	2.5%	0.1%	$1,029.90	-9.8%
2009	1115.10	$50.97	$56.86	$56.86	14.8%	$60.80	-7.1%	19.6X	2.6%	-2.6%	$1,182.90	14.9%
2010	1257.64	$77.35	$83.77	$83.77	47.3%	$85.28	40.3%	15.0X	1.9%	2.7%	$1,456.50	23.1%
2011	1257.60	$86.95	$96.44	$96.44	15.1%	$97.82	14.7%	13.0X	2.0%	1.6%	$1,529.00	5.0%
2012	1426.19	$86.51	$96.82	$96.82	0.4%	$103.80	6.1%	14.7X	2.1%	2.3%	$1,662.80	8.8%
2013	1848.36	$100.20	$107.30	$107.30	10.8%	$109.68	5.7%	17.2X	2.0%	2.1%	$1,648.10	-0.9%
2014	2127.83	$102.31	$113.02	$113.01	5.3%	$118.78	8.3%	18.8X	2.2%	2.5%	$1,713.10	3.9%
2015	2043.94	$86.53	$100.45	$100.45	-11.1%	$117.46	-1.1%	20.3X	2.1%	2.9%	$1,664.20	-2.9%
2016	2238.83	$94.55	$106.26	$106.26	5.8%	$118.10	0.5%	21.1X	1.9%	1.8%	$1,661.50	-0.2%
2017	2673.61	$109.88	$124.51	$124.51	17.2%	$132.00	11.8%	21.5X	1.8%	2.5%	$1,816.60	9.3%
2018	2506.85	$132.39	$151.60	$151.60	21.8%	$161.93	22.7%	16.5X	1.9%	3.0%	$2,023.40	11.4%
2019	3230.78	$94.55	$157.12	$157.12	3.6%	$162.93	0.6%	20.6X	1.8%	2.6%	$2,065.60	2.1%
2020	3756.07	$109.88	$122.38	$122.38	-22.1%	$139.72	-14.2%	30.7X	1.6%	-2.2%	$1,968.10	-4.7%
2021	4766.18	$132.39	$208.17	$208.17	70.1%	$208.12	49.0%	22.9X	1.3%	6.1%	$2,382.80	21.1%
2022	3839.50	$139.47	$196.95	$196.95	-5.4%	$218.09	4.8%	19.5X	1.7%	2.5%	$2,478.80	4.0%
2023	4769.83	$94.14	$213.53	$213.53	8.4%	$221.36	1.5%	22.3X	1.5%	2.9%	$3,101.80	25.1%
2024	5614.66	$197.87	$233.36	$233.41	9.3%	$242.73	9.7%	25.2X	1.3%	2.8%	$3,312.00	6.8%
2025E	~~~~~	$172.75	$257.20	$270.00	15.7%	$264.86	9.1%	22.9X	1.4%	NA	NA	NA
2026E	~~~~~	$192.43	$299.24	$310.50	15.0%	$301.44	13.8%	19.7X	1.4%	NA	NA	NA
2019 1Q	2834.40	$35.02	$37.99	$37.99	4.0%	$39.15	2.8%	18.5	1.9%	2.5%	$2,124.50	#REF!
2019 2Q	2941.76	$34.93	$40.14	$40.14	3.9%	$41.31	0.8%	19.0	1.9%	3.4%	$2,147.20	#REF!
2019 3Q	2976.74	$33.99	$39.81	$39.81	-3.8%	$42.14	-1.2%	19.5	1.9%	4.8%	$2,220.30	#REF!
2019 4Q	3230.78	$35.53	$39.18	$39.18	11.8%	$41.98	1.9%	20.6	1.8%	2.8%	$2,199.60	#REF!
2020 1Q	2584.59	$11.88	$19.50	$19.50	-48.7%	$33.13	-15.4%	18.6	2.3%	-5.5%	$1,993.80	-6.2%
2020 2Q	4397.35	$17.83	$26.79	$26.79	-33.3%	$27.98	-32.3%	35.1	1.9%	-28.1%	$1,785.00	-16.9%
2020 3Q	3363.00	$32.98	$37.90	$37.90	-4.8%	$38.69	-8.2%	27.3	1.7%	35.2%	$2,386.80	7.5%
2020 4Q	3756.07	$31.45	$38.19	$38.19	-2.5%	$42.58	1.4%	30.7	1.6%	4.4%	$2,137.60	-2.8%
2021 1Q	3972.89	$45.95	$47.41	$47.41	143.1%	$49.13	48.3%	26.4	1.5%	5.6%	$2,401.00	20.4%
2021 2Q	4297.50	$48.39	$52.03	$52.03	94.2%	$52.58	87.9%	24.5	1.3%	6.4%	$2,596.30	45.5%
2021 3Q	4307.54	$49.59	$52.02	$52.02	37.3%	$53.72	38.8%	22.7	1.4%	3.5%	$2,553.30	7.0%
2021 4Q	4766.18	$53.94	$56.71	$56.71	48.5%	$53.95	26.7%	22.9	1.3%	7.4%	$2,521.90	18.0%
2022 1Q	4530.41	$45.99	$49.36	$49.36	4.1%	$54.80	11.5%	21.6	1.4%	-1.0%	$2,497.90	4.0%
2022 2Q	3785.38	$42.74	$46.87	$46.87	-9.9%	$57.62	9.6%	18.5	1.7%	0.3%	$2,712.60	4.5%
2022 3Q	3585.62	$44.41	$50.35	$50.35	-3.2%	$56.02	4.3%	17.6	1.8%	2.7%	$2,754.60	7.9%
2022 4Q	3839.50	$39.61	$50.37	$50.37	-11.2%	$53.15	-1.5%	19.5	1.7%	3.4%	$2,700.10	7.1%
2023 1Q	4109.31	$48.41	$52.54	$52.54	6.4%	$53.08	-3.1%	20.5	1.7%	2.8%	$2,588.60	3.6%
2023 2Q	4450.38	$48.58	$54.84	$54.84	17.0%	$54.29	-5.8%	21.4	1.5%	2.4%	$2,601.80	-4.1%
2023 3Q	4288.05	$47.65	$52.25	$52.25	3.8%	$58.41	4.3%	20.4	1.6%	4.4%	$2,697.90	-2.1%
2023 4Q	4769.83	$47.79	$53.90	$53.90	7.0%	$57.16	7.5%	22.3	1.5%	3.2%	$2,803.20	3.8%
2024 1Q	5254.35	$47.37	$54.63	$54.63	4.0%	$56.56	6.6%	24.4	1.3%	1.6%	$2,726.80	5.3%
2024 2Q	5521.50	$53.12	$58.36	$58.36	6.4%	$60.40	11.3%	25.2	1.3%	3.0%	$3,141.60	20.7%
2024 3Q	5521.50	$51.99	$59.16	$59.16	13.2%	$63.21	8.2%	24.4	1.3%	3.1%	$3,128.50	16.0%
2024 4Q	5881.63	$57.69	$61.21	$61.26	13.7%	$65.00	13.7%	25.2	1.3%	2.4%	$3,312.00	18.2%
2025 1QP	5611.85	$53.89	$57.51	$63.75	16.7%	$63.07	11.5%	23.8	1.4%	-0.5%	$3,203.60	17.5%
2025 2QE	6204.95	$60.14	$63.40	$65.25	11.8%	$64.89	7.4%	25.7	1.2%	3.0%	NA	NA
2025 3QE*	6299.19	$61.80	$66.73	$68.00	14.9%	$67.26	6.4%	24.9	1.4%	NA	NA	NA
2025 4QE	NA	$64.22	$69.56	$73.00	19.2%	$69.87	7.5%	24.5	0.0%	NA	NA	NA
2026 1QE	NA	$64.34	$69.92	$73.31	15.0%	$70.39	11.6%	23.4	NA	NA	NA	NA
2026 2QE	NA	$70.41	$72.96	$75.04	15.0%	$73.63	13.5%	22.6	NA	NA	NA	NA
2026 3QE	NA	$71.44	$77.06	$78.20	15.0%	$77.49	15.2%	21.8	NA	NA	NA	NA
2026 4QE	NA	$73.46	$79.34	$83.95	15.0%	$79.91	14.4%	21.0	NA	NA	NA	NA

Source: DRG; S&P Dow Jones **quarterly EPS may not sum to official CY estimates; LSEG IBES Consensus estimates *8/5/2025

Regulation AC Analyst Certification

I, Gail Dudack, hereby certify that all the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly related to the specific views contained in this report.

IMPORTANT DISCLOSURES

RATINGS DEFINITIONS:

Sectors/Industries:
"Overweight": Overweight relative to S&P Index weighting
"Neutral": Neutral relative to S&P Index weighting
"Underweight": Underweight relative to S&P Index weighting

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