



# US Strategy Weekly

## Lower Inflation Ahead

We like to find “crowded trades” or extremes in sentiment regarding an investment and then find the flaws in the view. One of these crowded views is the global stance on the US dollar. According to a recent Bank of America survey, global fund managers have the most bearish outlook on the US greenback in over a decade. Analysts attribute this weakness to concerns regarding US policy predictability and Federal Reserve independence. In both cases, we feel the fear is overhyped and would not hold up to scrutiny. Nevertheless, pessimism has been correct with the dollar down over 11% since its peak in early January 2025. But we would point out that part of the dollar’s weakness is a result of the narrowing of the trade deficit since this results in less demand for dollars. Analysts may simply be using policy and the Fed as the reason for the weakness. Ironically, a weaker dollar makes US exports more attractive so in the long run a weaker currency can be good for the economy. In our opinion, a weaker dollar is not a major concern -- although it can be inflationary -- and the reason is simple. Modern currency is fiat money backed only by trust and confidence in a country. This trust is based upon the stability and transparency of its government and banking system, the strength of its economy, the relative level of inflation, and geopolitical and military power. In sum, the US has more of these important qualities than any other competing currency. Dollar weakness could simply be the greenback’s adjustment to the narrowing of the trade deficit.

In terms of measuring US economic strength and relative inflation there were two important reports last week. January payrolls are always a problem -- for several reasons. Each January, the establishment survey is benchmarked to new data gathered from the Quarterly Census of Employment and Wages – QCEW – which counts jobs covered by the unemployment insurance tax system. In addition, seasonal adjustments are reworked with more current data. This January the BLS also changed the birth-death model to include current sample information.

The household survey also undergoes an annual adjustment for new population data from the Census Bureau in January; however, this adjustment was delayed this month. And finally, the BLS noted that severe winter storms resulted in the household data response rate falling to 64.3%. In short, the January jobs report was riddled with issues making any worthwhile analysis impossible. Nevertheless, we did see the growth rate for total household employment fall from 1.5% YOY to 0.4% YOY. The establishment growth rate was also low at 0.2% YOY and has been relatively unchanged since October. In short, recent data releases suggest weak job growth. See page 3.

We have been writing about the weak growth in total employment which began in 2024 and continued in 2025. One risk is that AI will continue to dull job growth. If so, we worry that this could lead to a recession, particularly since a recession is best defined as a year-over-year decline in total employment. Nonetheless, the unemployment rate fell from 4.4% to 4.3% in January. The underlying data showed a significant divergence in unemployment rates among levels of education. The rate for those with less than a high school diploma fell from 5.6% to 5.2%. High school graduates saw unemployment jump from 4.0% to 4.5%. The rate for those with some college or an associate degree fell from 3.8% to

3.6%; whereas a college degree or higher saw a rate increase from 2.8% to 2.9%. These were unusual changes, but due to the various adjustments and low survey response in the January jobs report we believe the numbers are too unreliable to draw any conclusions. See page 4.

January's inflation numbers were better than expected with the headline CPI index falling from 2.7% YOY to 2.4% YOY and core inflation falling from 2.6% YOY to 2.5% YOY. However, many of the components of the CPI grew faster than headline, especially the index for fuels and utilities which rose 1.1% for the month and 6.1% YOY. This inflation in utilities and energy services is taking place even though energy commodities fell 6.6% YOY in January after falling 3.0% YOY in December. This contradiction is due to supply and demand disruptions at the consumer end. The previous administration's environmental policies resulted in the subtraction of nearly 17 gigawatts of reliable baseload power generation in the US. These 17 gigawatts are enough to power 12 to 15 million homes or the equivalent of the output of 17 large nuclear reactors. This huge decline on the supply side was coupled with soaring demand for energy from large data centers which support AI and crypto mining. These two factors are the likely causes for the differentiation between falling raw material prices and soaring energy services pricing. See page 5.

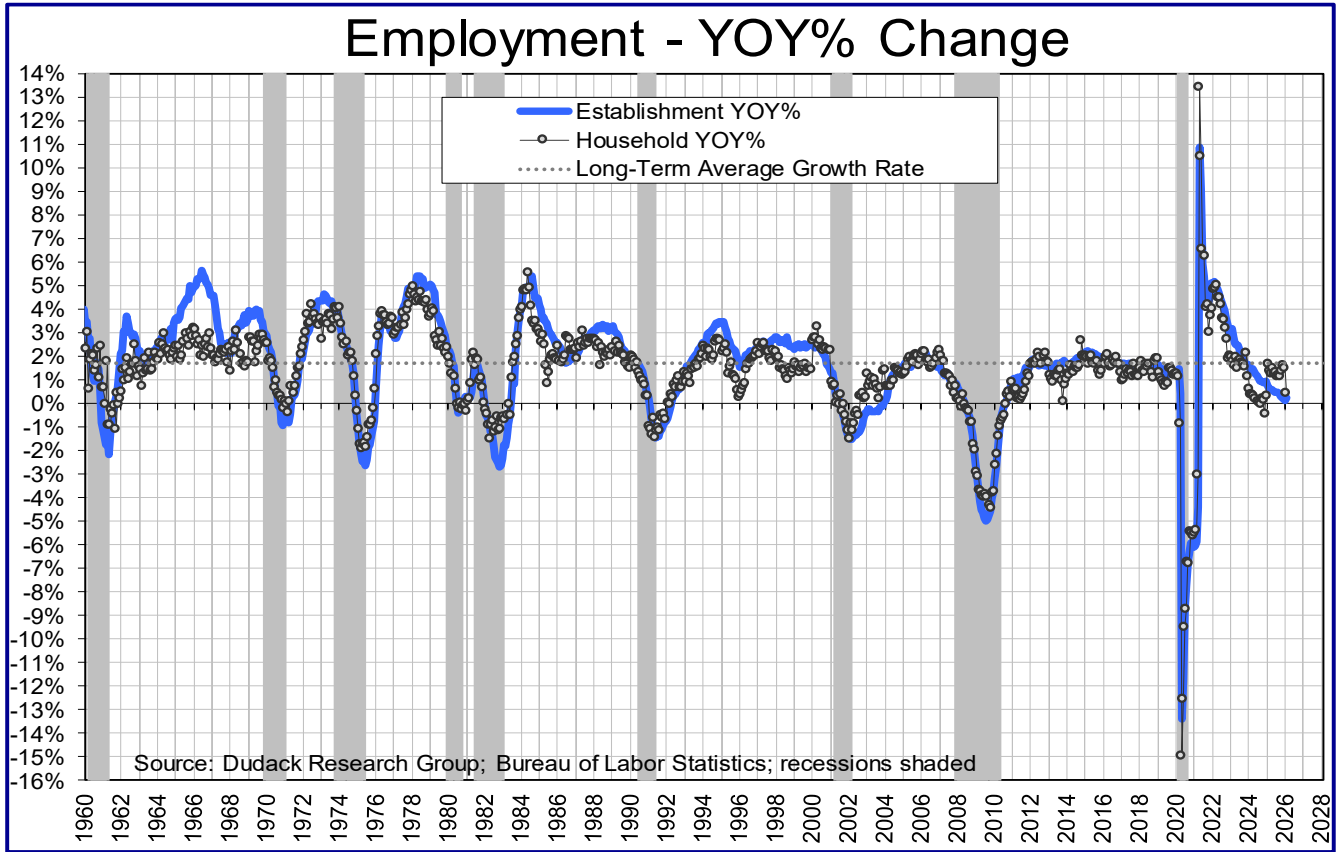
The debate regarding the inflationary impact of tariffs on consumers is answered by the chart on page 6. There was some increase in durable and nondurable consumer prices in the middle of 2025, but this never rose to more than 1.9% YOY in durables and 2.3% YOY in nondurable. In January 2026, the price indices for durables rose 0.4% YOY and nondurables rose 1.3% YOY. However, service sector inflation rose 3.2% YOY. Service inflation has been high, first driven by housing prices, then by motor vehicle insurance, followed by a spike in hospital & related services, and more recently led by household insurance pricing. These rolling spikes in pricing have kept service inflation above 3% YOY for the last four years. Nevertheless, the 3.2% YOY seen in January matches the November 2025 level, both of which were the lowest since August 2021. Note that service sector inflation is closely tied to employment costs and the employment cost index (ECI) was 3.4% in the fourth quarter, the lowest since the second quarter of 2021. AI should also help to keep employment costs low and employee productivity high in coming years. See page 6.

Core CPI indices have been steadily decelerating since the cyclical peak made in September and are now clustered in a range of 1.8% YOY to 2.4% YOY. In all cases, core indices are equal or down from January a year ago. This is good news for consumers. But a few sticking points remain, and these currently include necessities such as utility and housing insurance costs. See page 7.

A main reason for our optimistic inflation forecast of 2.2% or less in 2026 is that crude oil prices continue to be negative on a year-over-year basis. Inflation has rarely if ever moved substantially higher when energy commodity prices are falling. However, as we noted, policy factors and demand changes have impacted energy services pricing. We expect the current administration will address both supply and demand issues this year. If so, the fed funds rate could move lower in 2026, but we would not be surprised if the FOMC required several more months of data before cutting rates. Traders are currently pricing in a 63% chance of a 25-basis-points rate cut at the June meeting, which is a recent upward shift. Note that in March 2022 the real fed funds rate was at its lowest and most dovish level in over 75 years! See page 8. This was a contributing factor to the 9.1% YOY peak in the CPI in June 2022. If the Fed delays cutting rates again in the face of a weakening job market, they risk being wrong one more time.

Technical indicators favor the bulls, particularly the NYSE cumulative advance/decline line which made a new high on February 17, 2026. However, the 10-day average of daily new lows has moved above 100, shifting this indicator from positive to neutral. The rotation of leadership and questioning of AI-related fundamentals is a positive factor for the longer run in our view; but we would not be surprised if the S&P index spends more time consolidating below the 7,000 level. We remain a buyer of weakness.

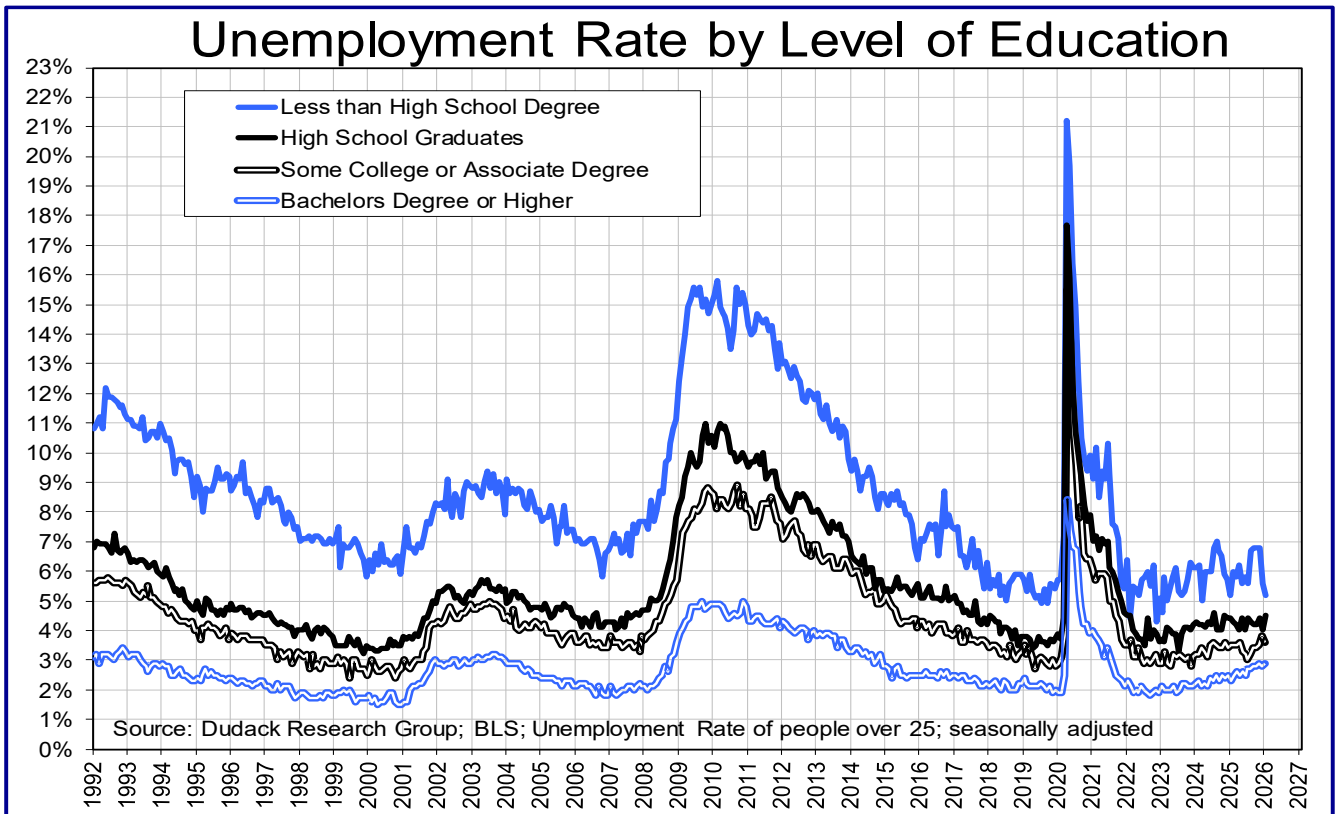
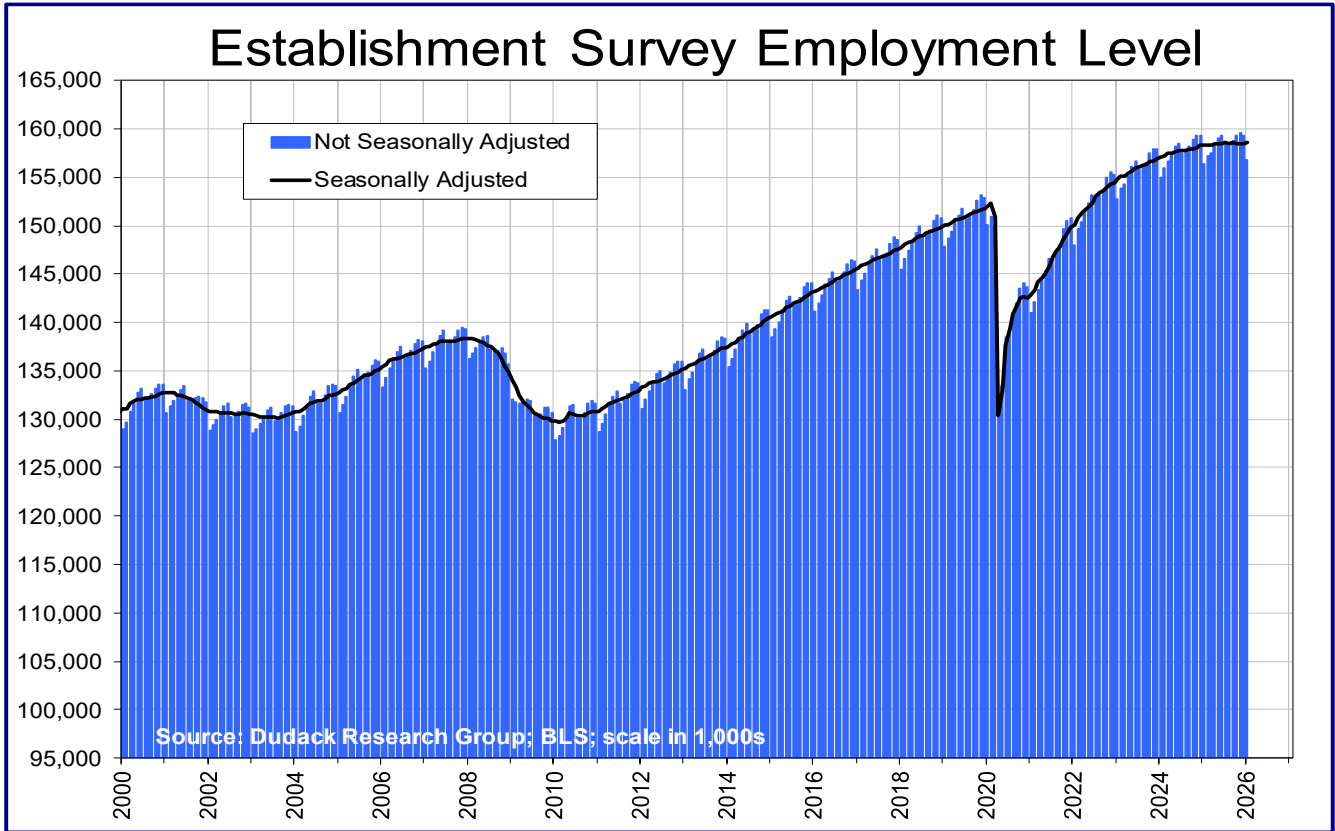
January payrolls are always problematic for several reasons. Each January, the establishment survey is benchmarked to new data gathered on jobs covered by the unemployment insurance tax system, seasonal adjustments are revised, and the BLS also changed the birth-death model this January to include current sample information. Every January the household survey undergoes an annual adjustment for new population data from the Census Bureau; however, this adjustment was delayed this month. And finally, the BLS noted that severe winter storms resulted in the household data response rate falling to 64.3%. In short, no conclusions should be made on January data. Nevertheless, we did see the growth rate for household employment falling from 1.5% YOY to 0.4% YOY. The establishment growth rate was also low at 0.2% YOY, and relatively unchanged since October. This is weak job growth.



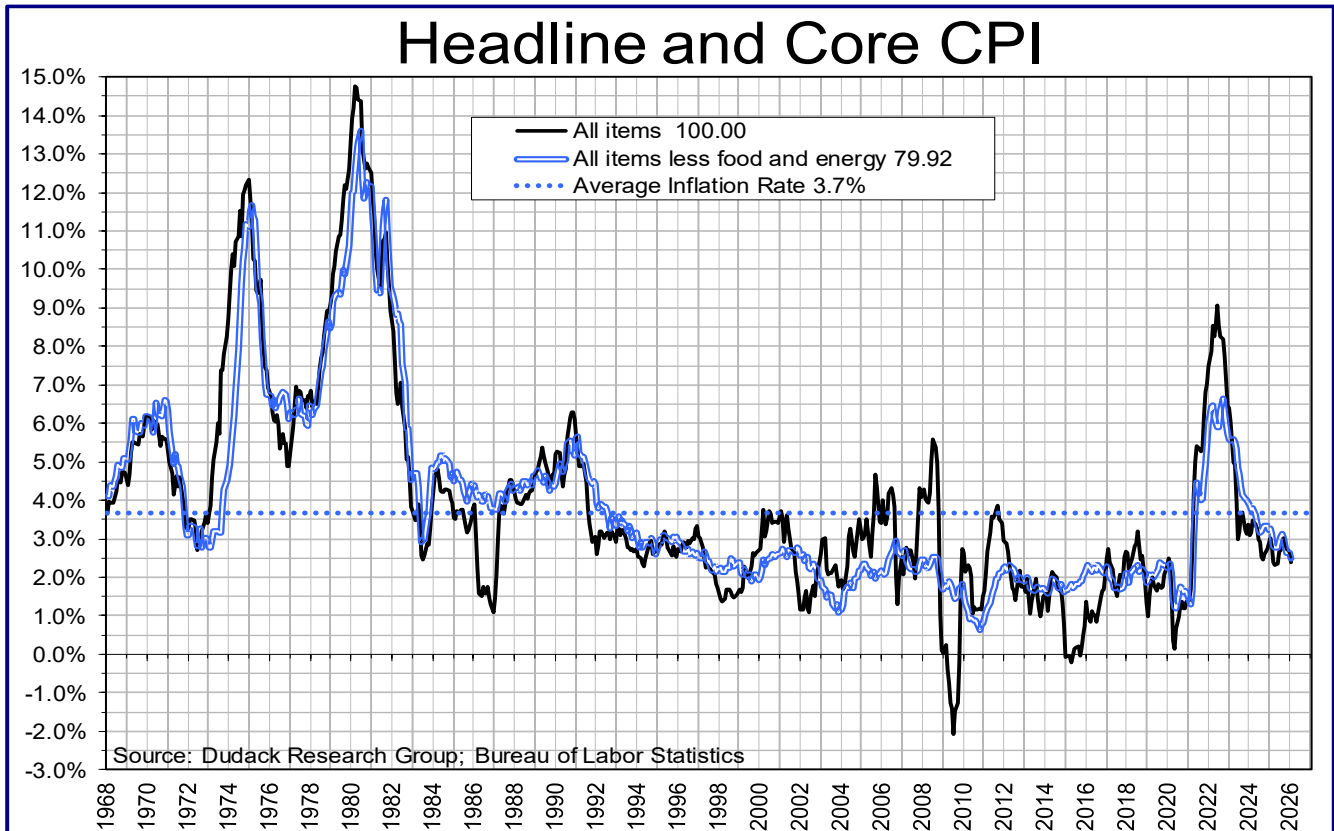
Employment Surveys (1,000s SA)	Jan-26	Dec-25	Change	Jan-25	Yr/Yr
<b>Establishment Survey: NonFarm Payrolls</b>	158,627	158,497	130	158,268	359
<b>Household Survey Data (1,000s)</b>					
Employed (A)	164,520	163,992	528	163,831	689
Unemployed (B)	7,362	7,503	(141)	6,865	497
Civilian labor force [A+B]	171,882	171,495	387	170,696	1,186
Unemployment rate [B/(A+B)]	4.3%	4.4%	-0.1%	4.0%	0.3%
U6 Unemployment rate	8.0%	8.4%	-0.4%	7.5%	0.5%
Civilian noninstitutional population (C)	274,982	274,816	166	272,685	2,297
Participation rate [(A+B)/C]	62.5	62.4	0.1	62.6	-0.1
Employment-population ratio [A/C]	59.8	59.7	0.1	60.1	-0.3
Not in labor force	103,100	99,669	3,431	100,142	2,958

Source: Bureau of Labor Statistics

Growth in employment began to slow in 2024 and this weakness continued in 2025. The risk is that AI will be a dampener to job growth and this weakness could lead to a recession. Nonetheless, the unemployment rate fell from 4.4% to 4.3% in January, but there was a notable divergence in unemployment rates among levels of education. The rate for those with less than a high school diploma fell from 5.6% to 5.2%. High school graduates saw unemployment rise from 4.0% to 4.5%. The rate for those with some college or an associate degree fell from 3.8% to 3.6%; whereas a college degree or higher saw a rate increase from 2.8% to 2.9%. All in all, due to adjustments and low survey response the January jobs report was too unreliable for us to draw any conclusions.



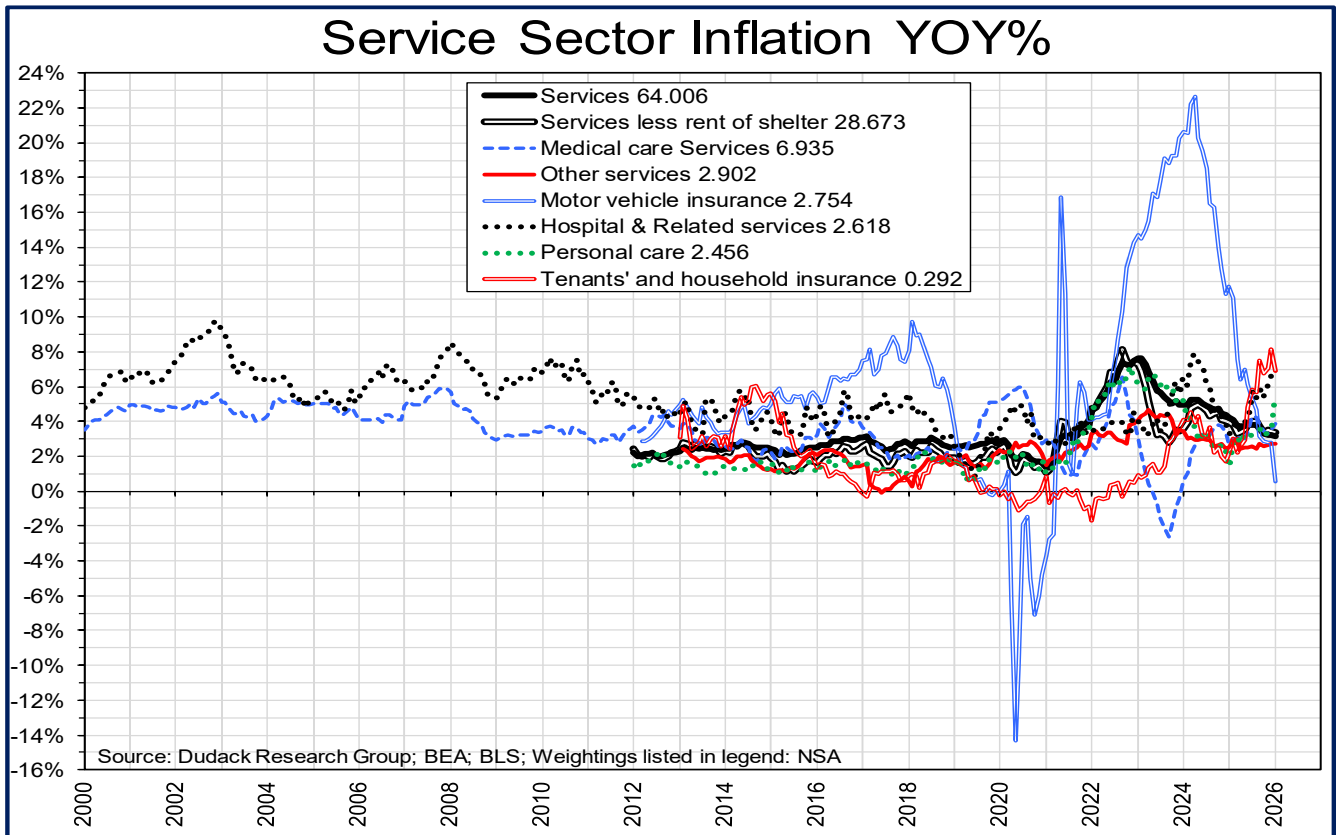
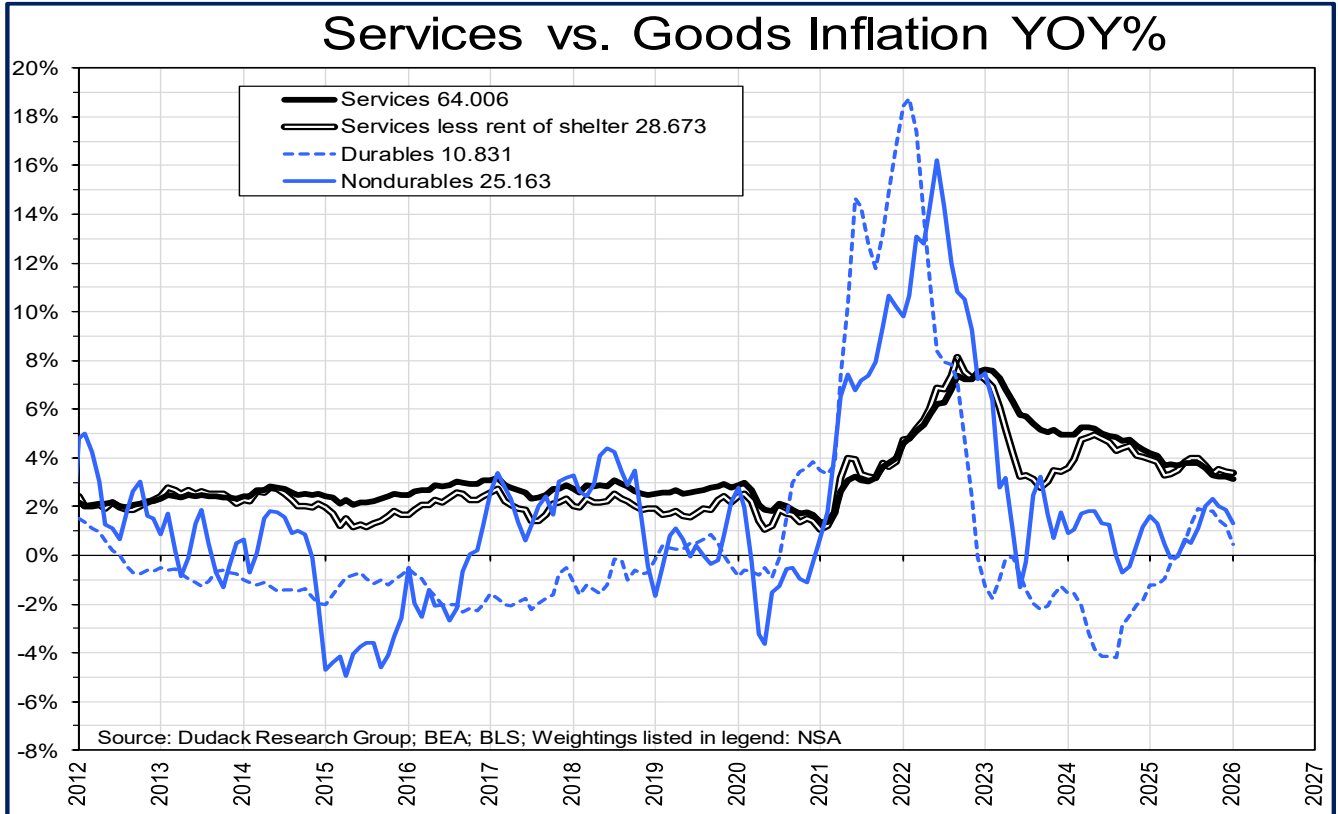
January inflation numbers were better than expected with the headline CPI index falling from 2.7% YOY to 2.4% YOY and core inflation falling from 2.6% YOY to 2.5% YOY. However, many of the components of the CPI grew faster, especially the index for fuels and utilities which rose 1.1% for the month and 6.1% YOY. This inflation in utilities and energy services is taking place even though energy commodities fell 6.6% YOY in January and fell 3.0% YOY in December. The previous administration's subtraction of nearly 17 gigawatts of reliable baseload power generation (enough to power 12 to 15 million homes or the equivalent of the output of 17 large nuclear reactors) coupled with the soaring demand for energy from large data centers which support AI and crypto mining are the likely causes for the differentiation between falling raw material prices and soaring energy services pricing.



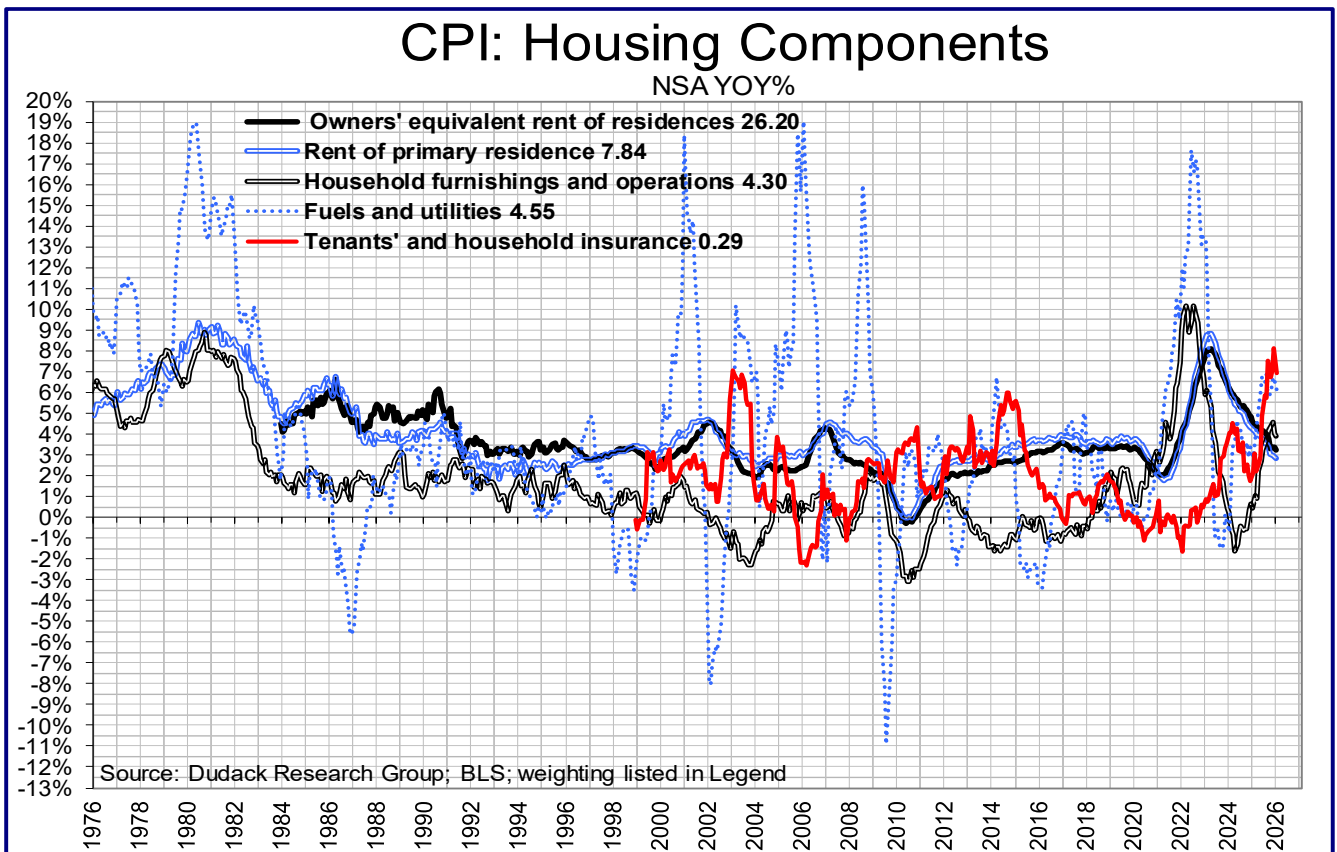
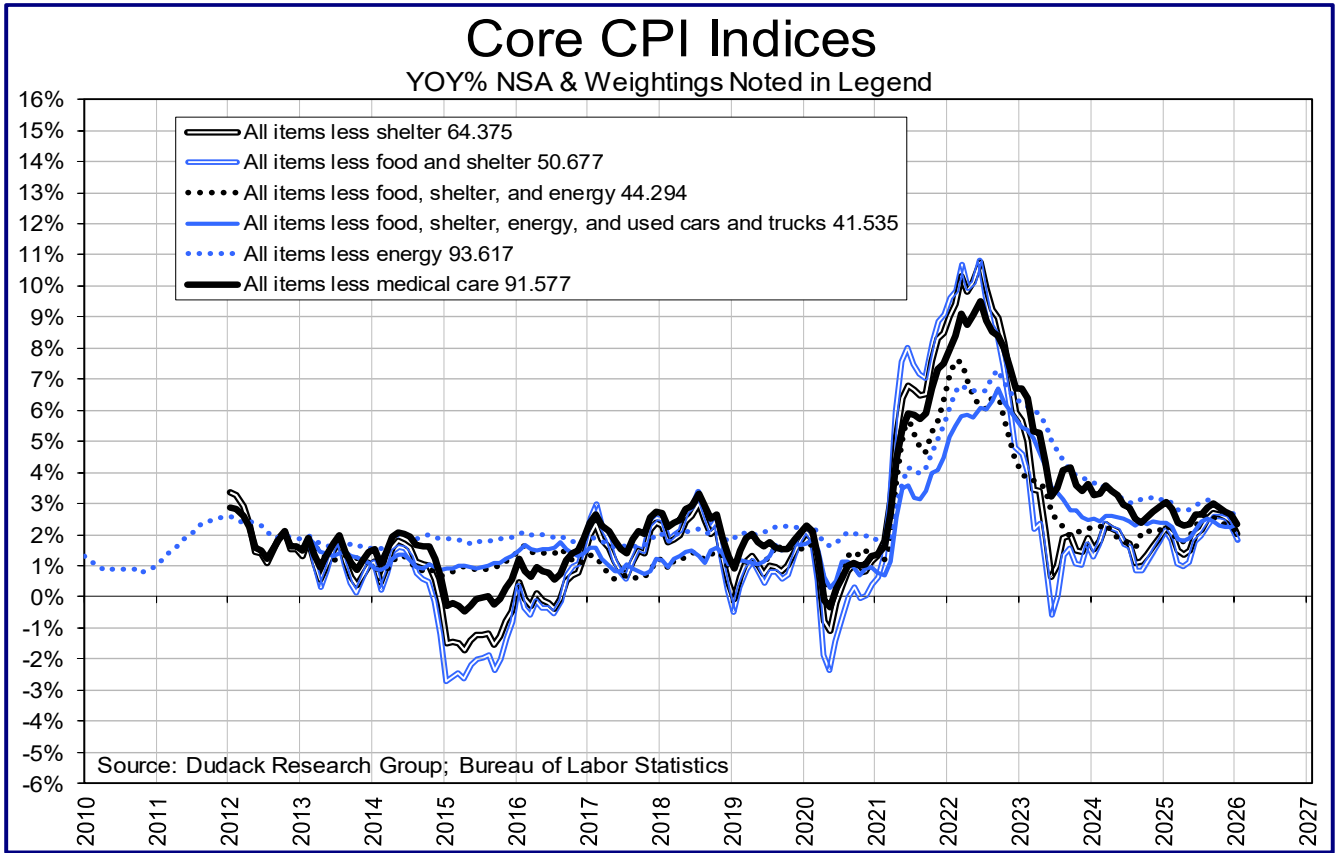
CPI Components Heavy Weights - Not Seasonally Adjusted	Component Weight*	Fuel Weight	Price Chg YOY%	Price Chg MOM%
<b>Housing</b>	<b>44.5%</b>	<b>4.5%</b>	<b>3.4%</b>	<b>0.4%</b>
<i>Owners' equivalent rent of residences</i>	<i>26.2%</i>		<i>3.3%</i>	<i>0.2%</i>
<b>Fuels and utilities</b>	<b>4.5%</b>		<b>6.1%</b>	<b>1.1%</b>
<b>Transportation</b>	<b>16.3%</b>	<b>1.8%</b>	<b>-1.1%</b>	<b>-0.4%</b>
<b>Food and beverages</b>	<b>14.5%</b>		<b>2.8%</b>	<b>0.4%</b>
<i>Food at home</i>	<i>8.3%</i>		<i>2.1%</i>	<i>0.6%</i>
<i>Food away from home</i>	<i>5.4%</i>		<i>4.0%</i>	<i>0.1%</i>
<i>Alcoholic beverages</i>	<i>0.8%</i>		<i>2.0%</i>	<i>0.2%</i>
<b>Medical care</b>	<b>8.4%</b>		<b>3.2%</b>	<b>0.5%</b>
<b>Education and communication</b>	<b>5.8%</b>		<b>0.5%</b>	<b>0.3%</b>
<b>Recreation</b>	<b>5.1%</b>		<b>2.5%</b>	<b>0.8%</b>
<b>Apparel</b>	<b>2.4%</b>		<b>1.7%</b>	<b>2.0%</b>
<b>Other goods and services</b>	<b>2.9%</b>		<b>5.9%</b>	<b>1.5%</b>
Special groups:				
Energy	6.4%		-0.1%	-0.5%
All items less food and energy	79.9%		2.5%	0.4%
<b>All items</b>	<b>100.0%</b>		<b>2.39%</b>	<b>0.37%</b>

Source: Dudack Research Group; BLS; \*Dec. 2025 w eightings; Italics=sub-component; blue>headline

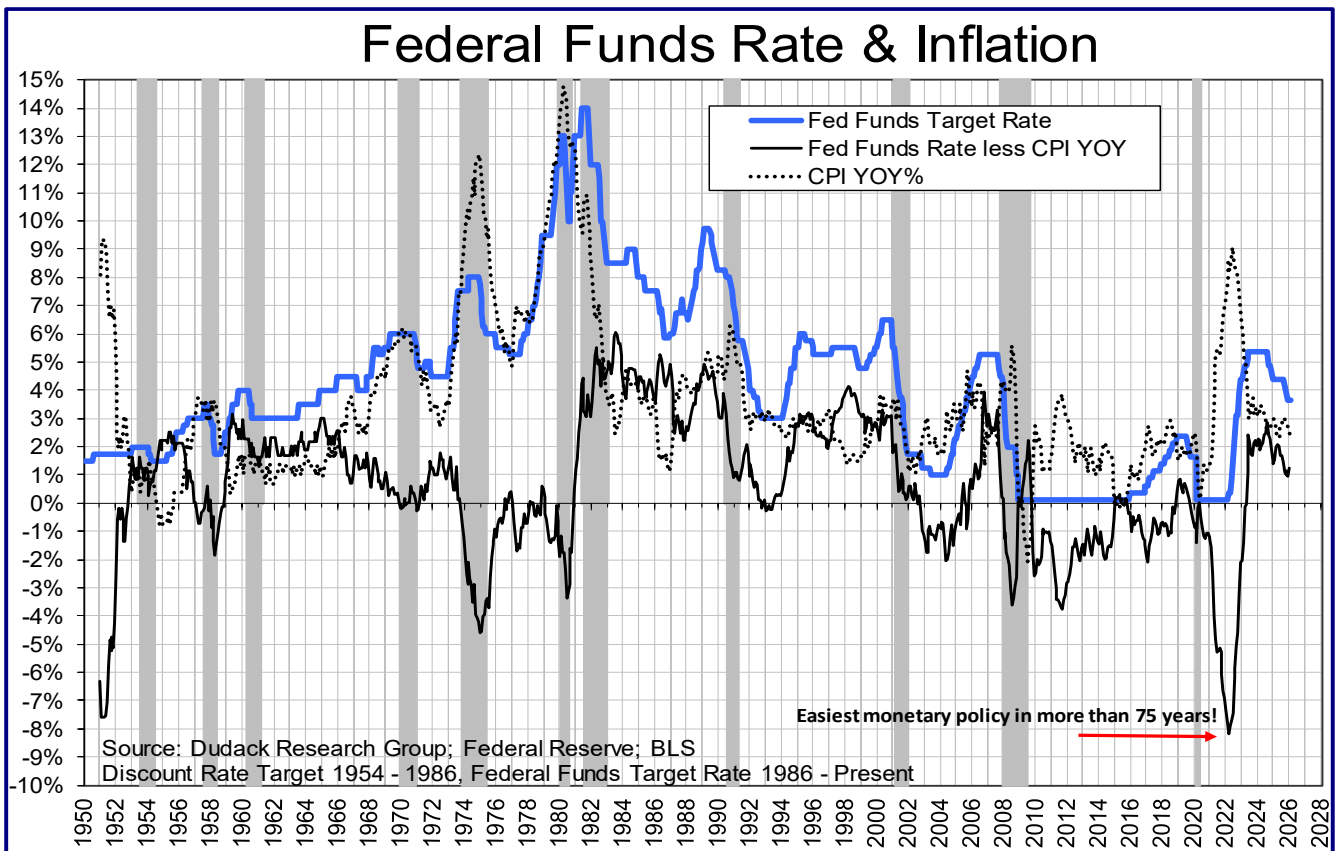
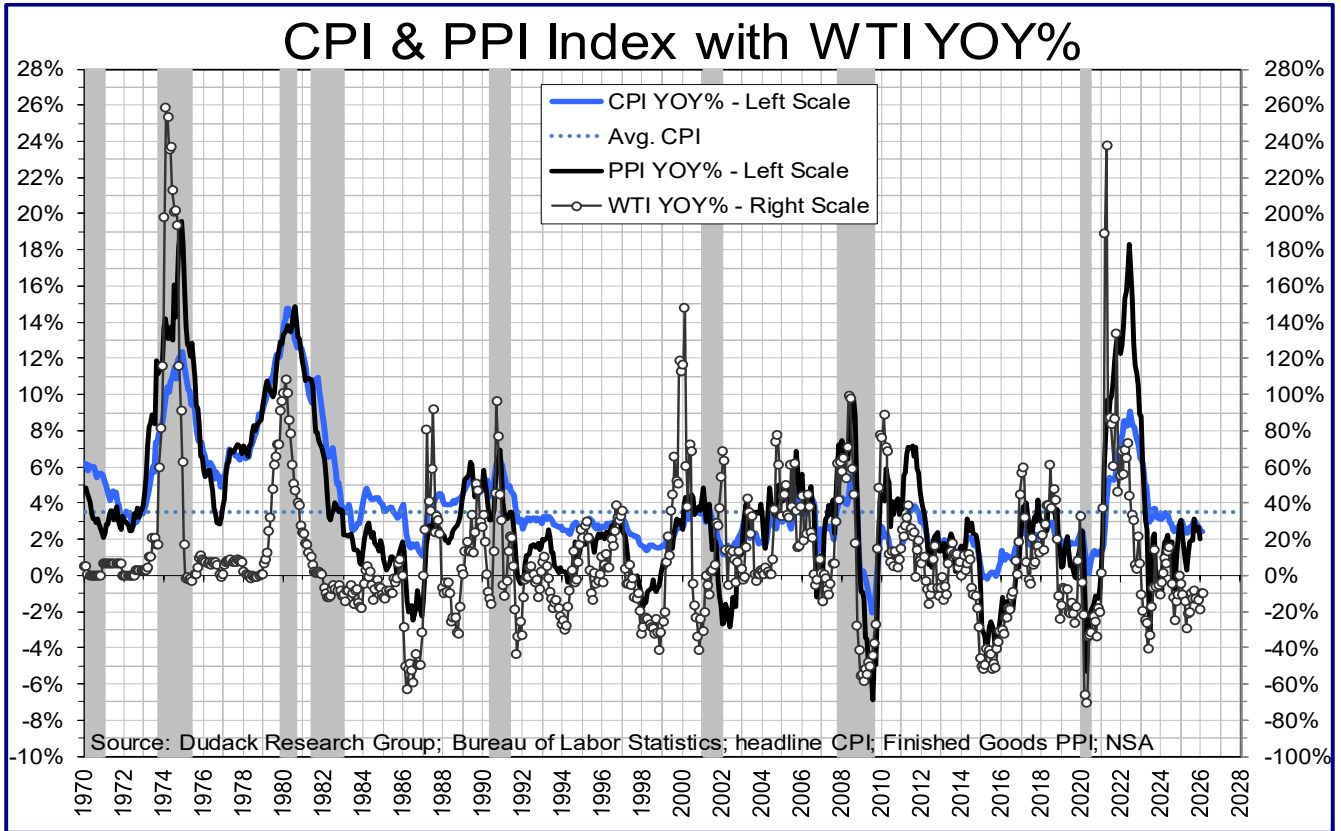
The debate regarding the inflationary impact of tariffs is answered by the chart below. There was some increase in durable and nondurable prices in the midpoint of 2025, but this never rose to more than 1.9% YOY in durables and 2.3% YOY in nondurable. However, service inflation, first driven by housing prices, then by motor vehicle insurance, followed by hospital & related services, and more recently led by household insurance pricing has kept service inflation above 3% YOY for the last four years. Nevertheless, service sector inflation fell to 3.2% YOY in January, matching November's level, both of which were the lowest since August 2021. Service inflation is linked to employment costs, and the employment cost index (ECI) was 3.4% in the fourth quarter, the lowest since the second quarter of 2021. AI should continue to keep employment costs low and employee productivity high in coming years.



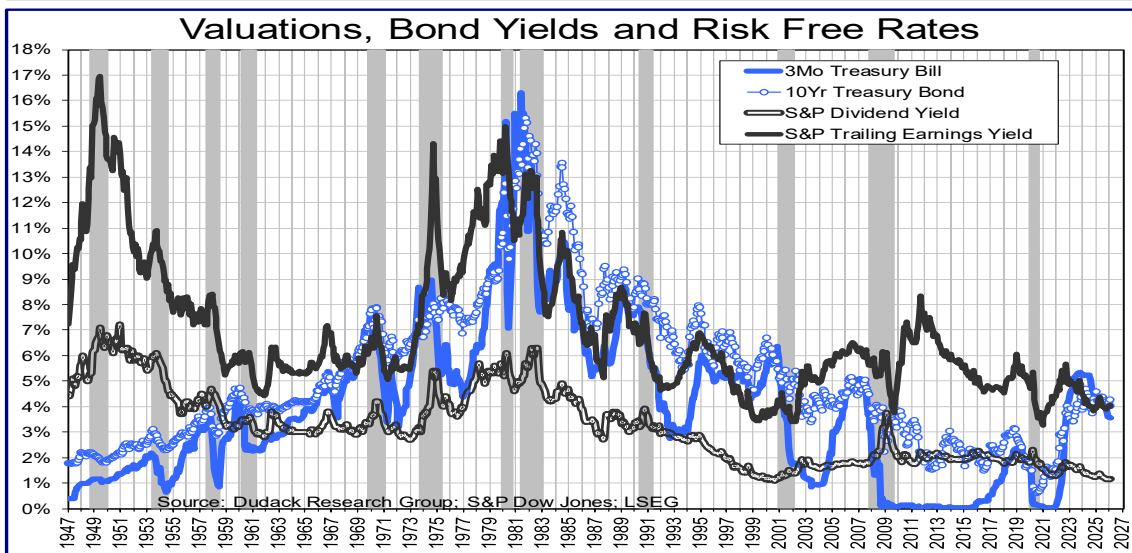
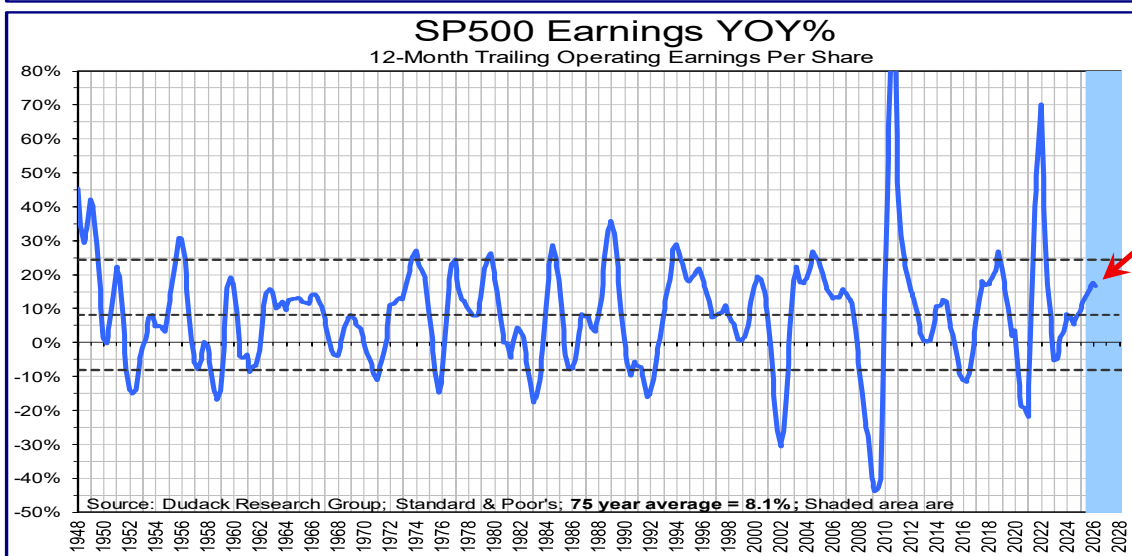
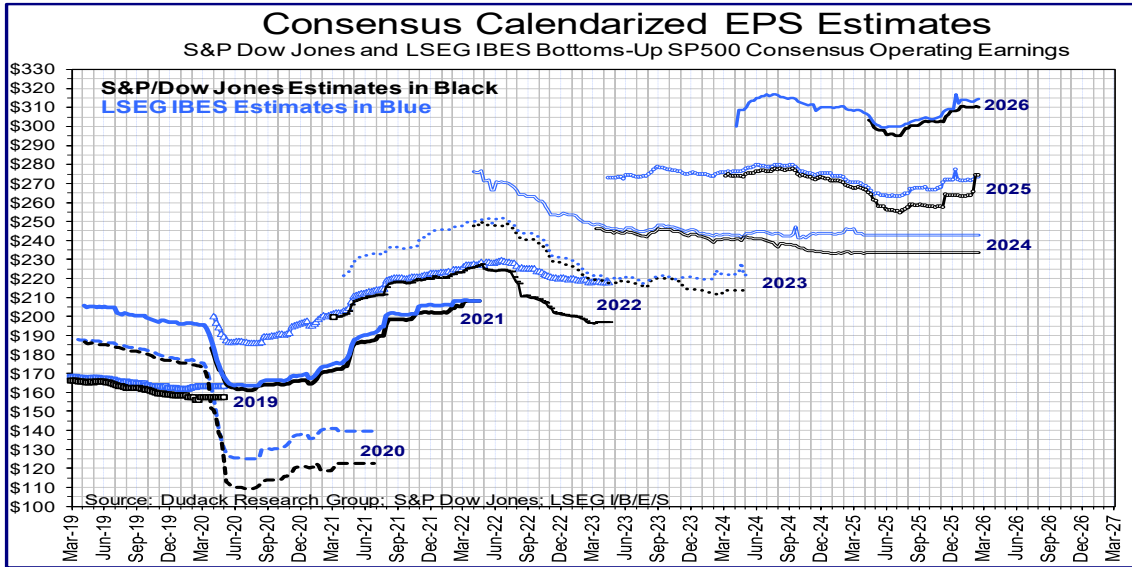
The CPI core indices have been decelerating since the cyclical peak made in September and are now clustered in a range of 1.8% YOY to 2.4% YOY. In all cases, core indices are equal or down from January a year ago. This is good news for consumers. But a few sticking points remain, and these include necessities such as utility and housing insurance costs.



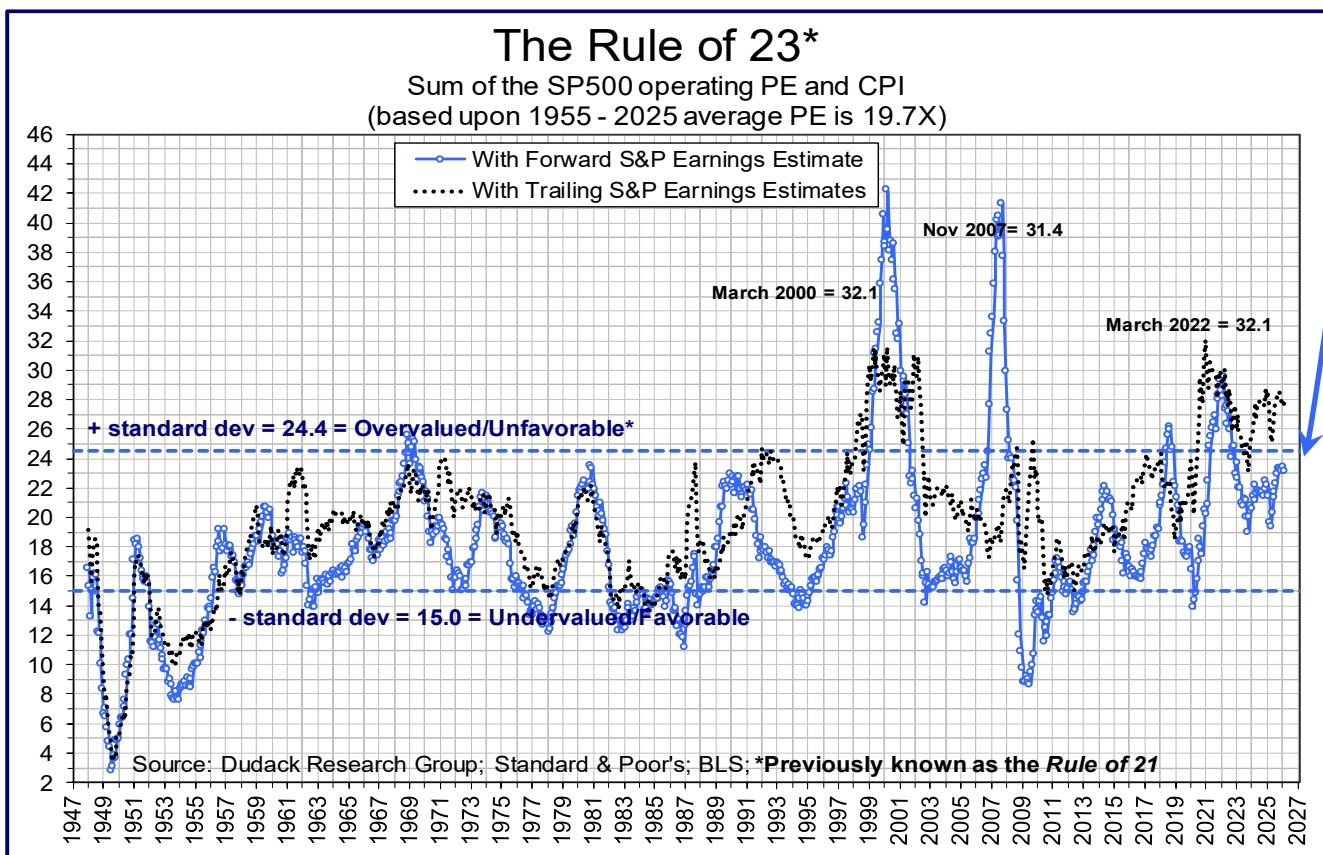
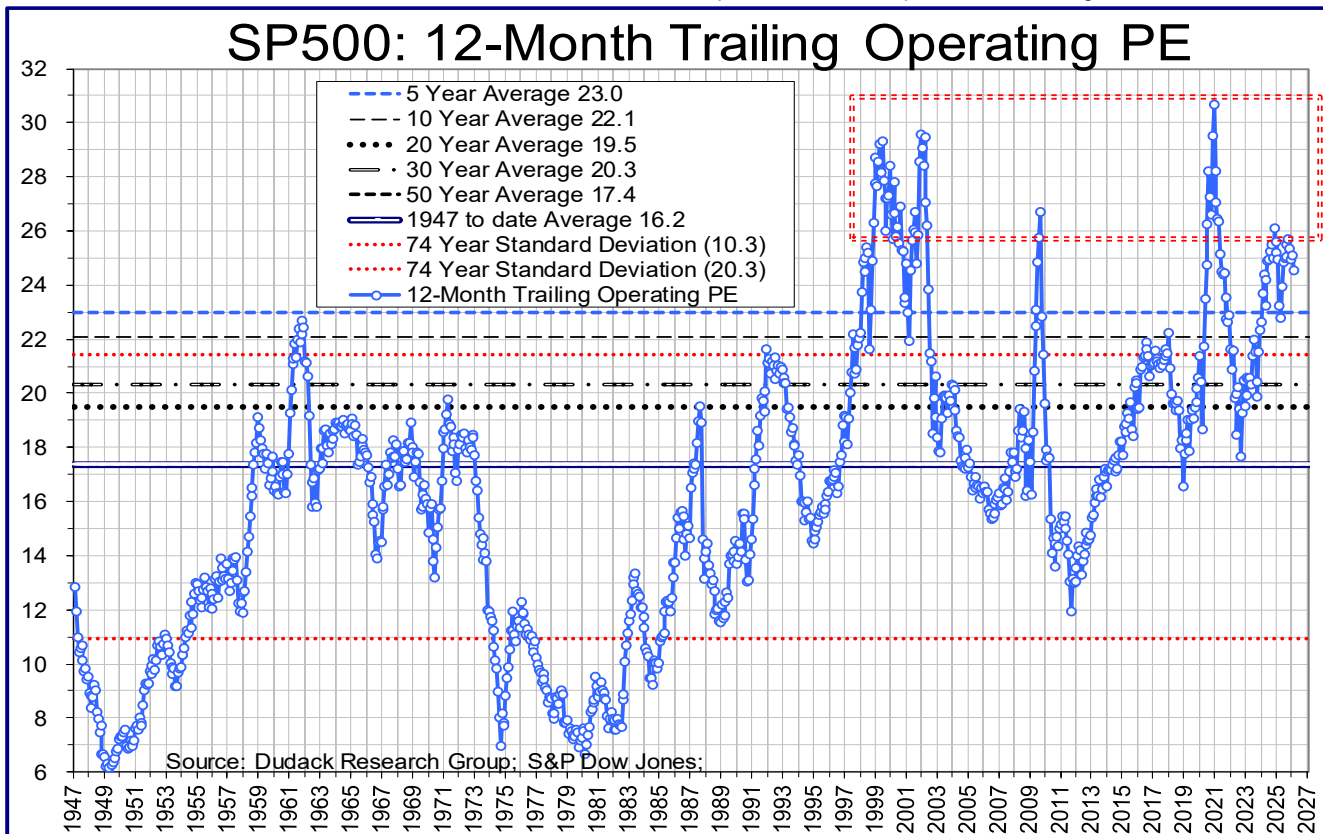
A main reason for our optimistic forecast for inflation to fall to 2.2% or less in 2026 is the low cost of energy which continues to show prices are declining on a year-over-year basis. Inflation has not moved substantially higher when energy commodity prices are falling. However, as we noted, policy factors and demand changes have impacted energy services, but we anticipate that new policy changes will correct this in time. This suggests the fed funds rate could move lower in 2026, but we expect the FOMC may require more data before cutting rates. Note that in March 2022 the real fed funds rate was at its lowest and most dovish level in over 75 years. This was a contributing factor that helped to drive the CPI to a peak of 9.1% YOY in June 2022.



The LSEG IBES consensus earnings estimate for 2025 fell \$0.15 to \$273.44 this week and the 2026 estimate rose \$0.21 to \$314.45. The 2027 forecast rose \$0.97 to \$364.00. The S&P Dow Jones estimate for 2025 was unchanged at \$274.40 and the 2026 estimate fell \$0.25 to \$310.39. Although PE multiples are rich, the forward earnings yield of 4.75% and dividend yield of 1.1% compare well to a 10-year Treasury bond yield of 4.04%. Plus, the 12-month sum of operating earnings shows a gain of 16.7% YOY, far better than the 75-year average of 8.1% YOY.



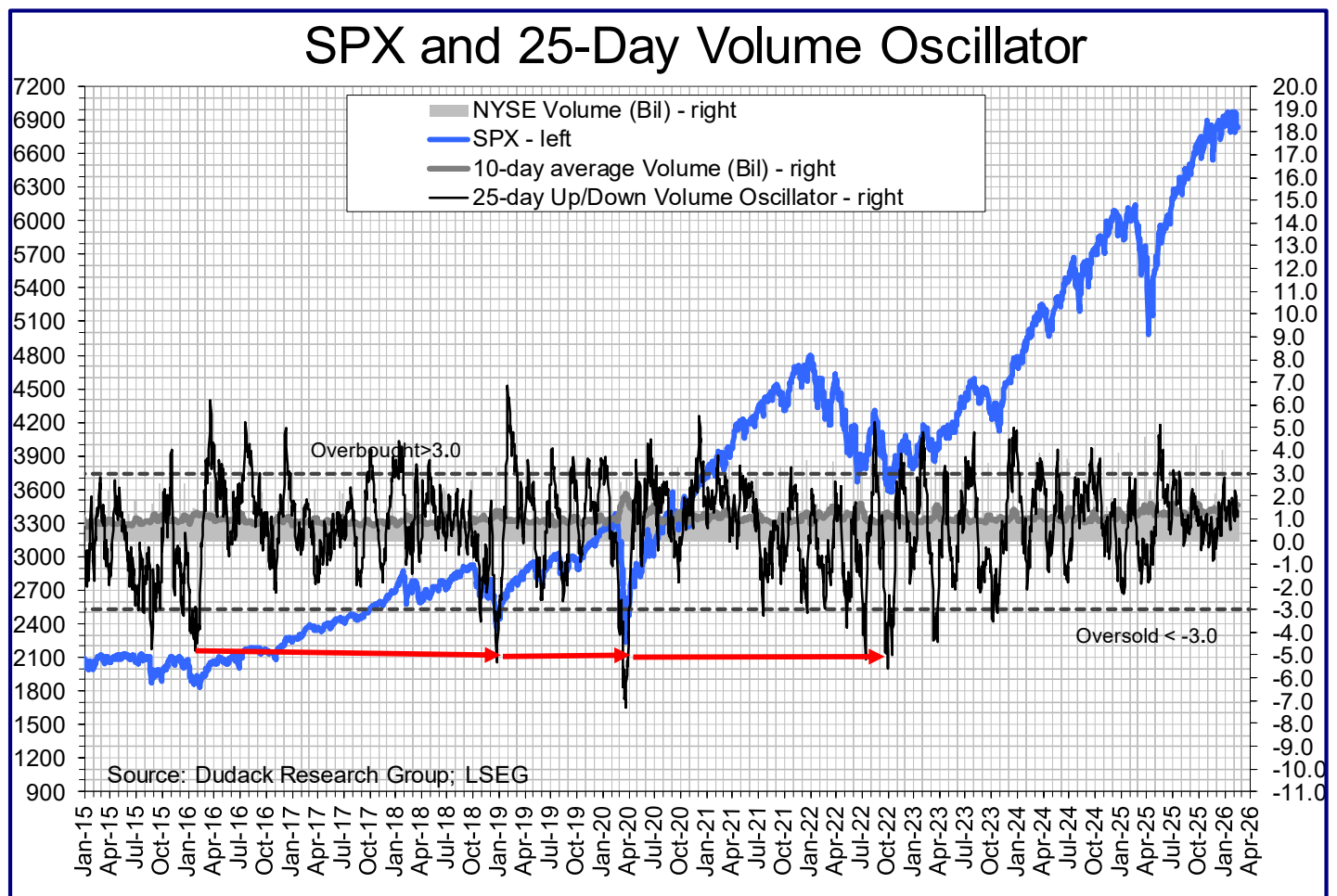
The SPX **trailing** 4-quarter operating earnings multiple is 24.5 after reaching an attractive intra-month low of 20.7 times earnings in early April. PE multiples remain stable in the face of rising stock prices due to higher earnings results, but the trailing PE is above both the 50-year average of 17.3 times and the 5-year average of 23.1. Including 2026 S&P Dow Jones estimates, the **12-month forward** PE multiple is 20.4 times and well above its long-term average of 17.9 times. When this PE is added to inflation of 2.4%, it comes to 22.8, which places it near the top of the normal range of 15.0 to 24.4, but neutral.



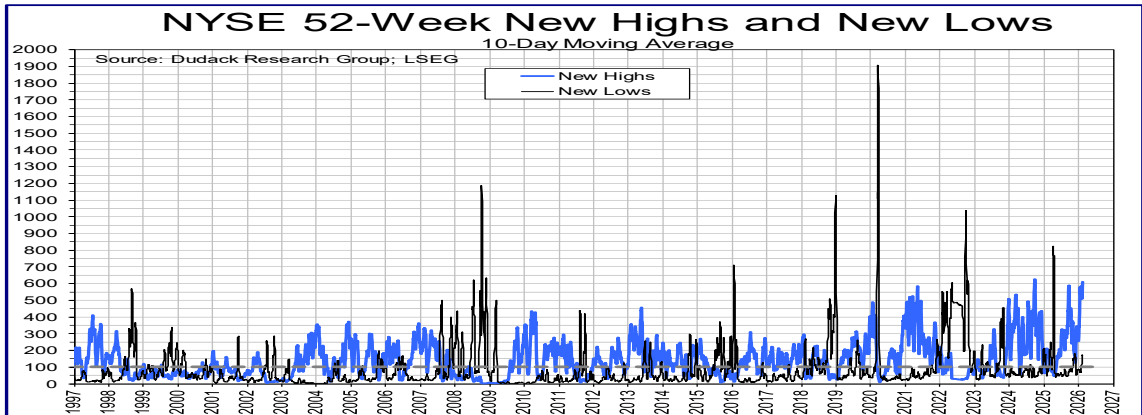
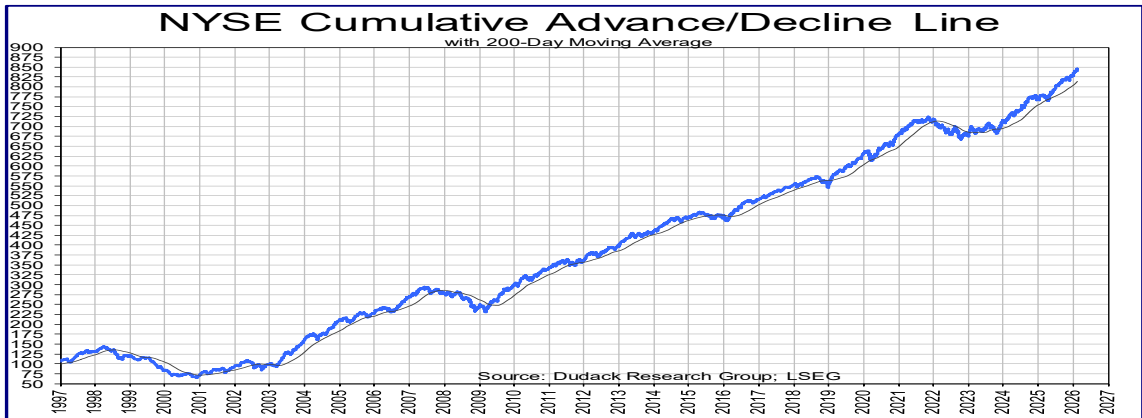
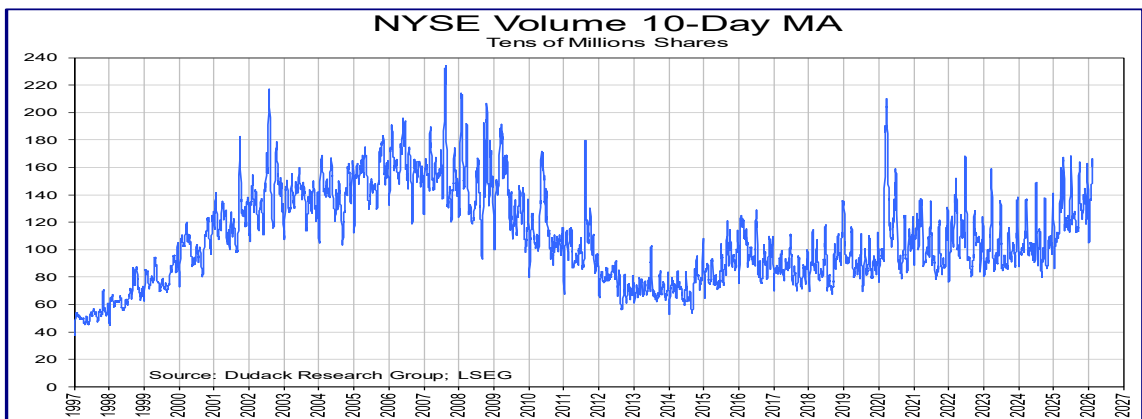
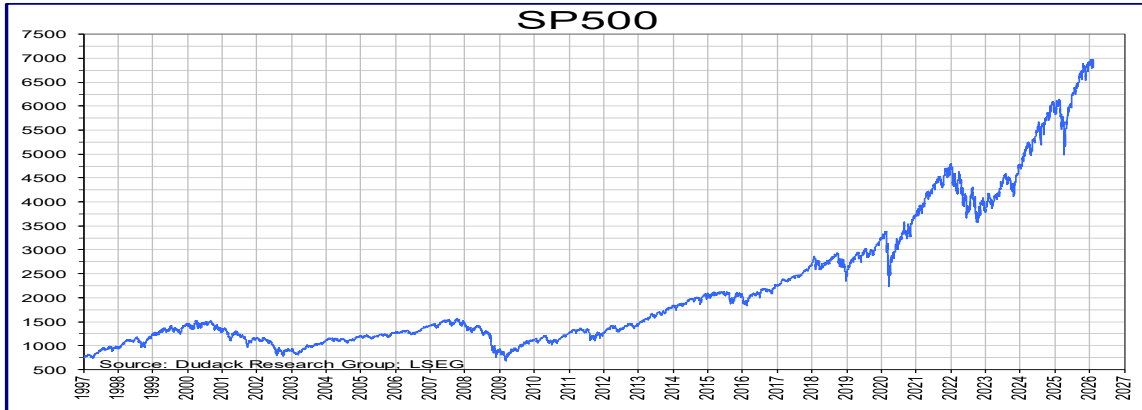
The 25-day up/down volume oscillator is 1.08, down slightly from last week, but still neutral.

The last positive readings in this indicator were the one-day overbought readings of 3.15 on July 3 and 3.05 on July 25. These readings followed the indicator being overbought for nine of eleven days in May during which it reached a peak of 5.10 on May 16. The 5.10 reading was bullish and was the highest overbought reading since August 18, 2022, which appeared shortly after the market rebounded from its low of June 16, 2022. Overall, this was incredibly positive performance and characteristic of a bull market cycle.

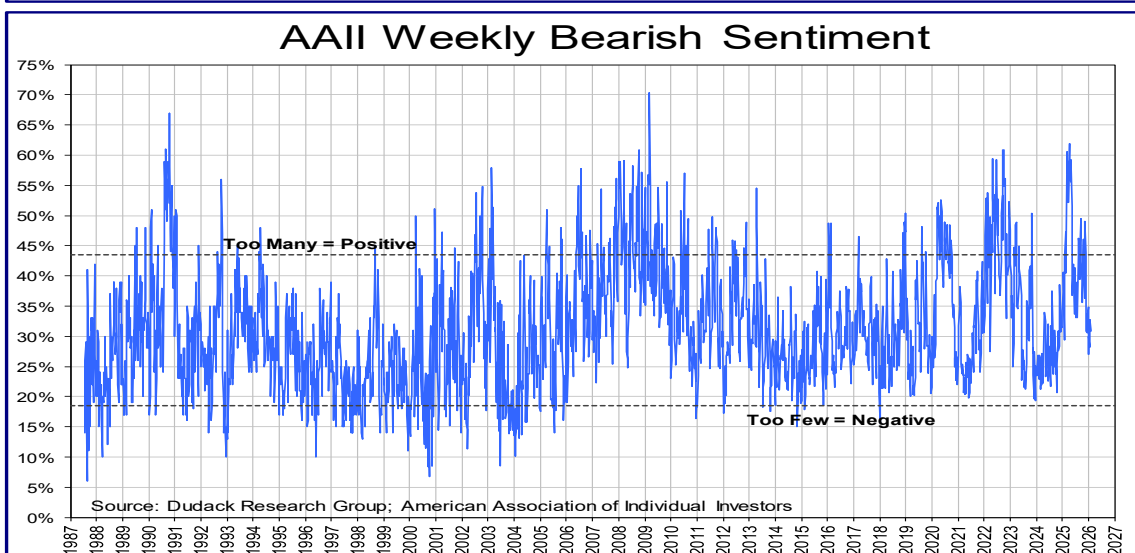
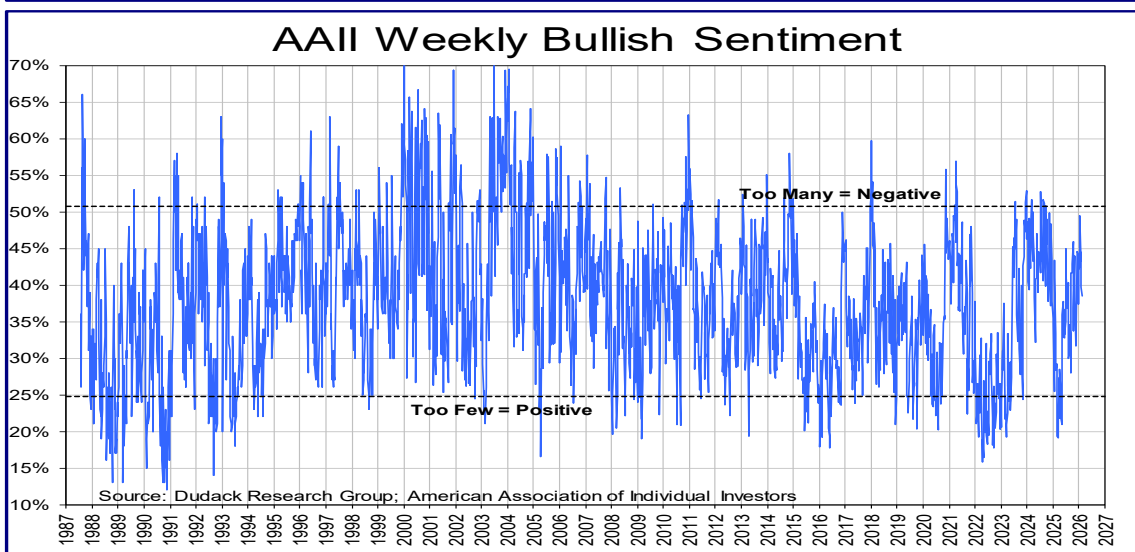
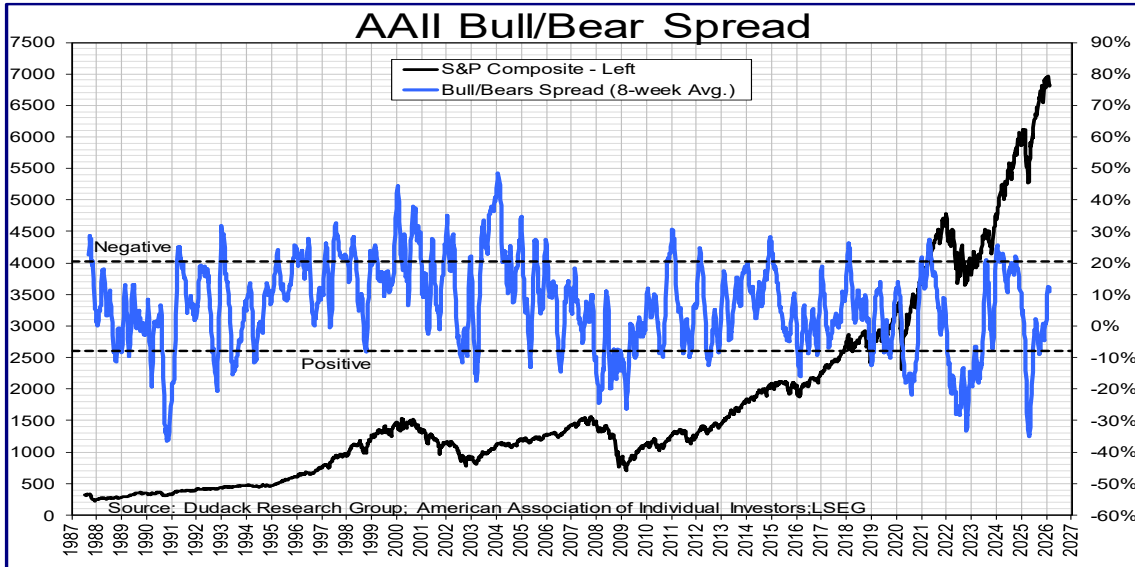
Nevertheless, this indicator is yet to confirm the string of new highs made by the popular indices from August 2025 to date. To confirm, the oscillator should record an overbought reading of 3.0 or higher for a minimum of five consecutive trading days. At present, this indicator suggests advancing volume has been weak and the longer this disparity continues, the greater the risk is that equities experience a near-term pullback.



The 10-day average of daily new highs was 606 this week and new lows were higher at 161. This combination of daily new highs above 100 and new lows above 100 lowered this indicator to neutral in early February. 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 made a new high on February 14, 2026, and is bullish.



Last week's AAI survey showed bullishness fell 1.2% to 38.5% and bearishness rose 9.1% to 38.1%. Bullishness is still above average, but bearishness is now also above average. In the first week of 2026, bearishness was at its lowest level since October 2024. On April 2, 2025, the reading of 61.9% bearishness was a new high for this cycle and the most positive since November 21, 1990, of minus 36.3% (just after the S&P 500 low on October 11, 1990, at 295.47, down 20%). The 8-week bull/bear is 10.8% and neutral. It was last in positive territory in late September.



## 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	130.68	5.0%	16.4%	34.4%	34.4%
iShares DJ US Oil Eqpt & Services ETF	IEZ	27.48	1.6%	15.1%	31.7%	31.7%
Energy Select Sector SPDR	XLE	53.75	0.3%	12.7%	20.2%	20.2%
iShares MSCI Brazil Capped ETF	EWZ	37.74	-1.5%	13.8%	18.8%	18.8%
SPDR Homebuilders ETF	XHB	120.14	-0.2%	4.9%	16.7%	16.7%
iShares MSCI Mexico Capped ETF	EWX	80.76	0.3%	9.1%	16.5%	16.5%
Materials Select Sector SPDR	XLB	52.70	-0.4%	8.3%	16.2%	16.2%
iShares MSCI Taiwan ETF	EWT	72.89	2.0%	8.2%	14.7%	14.7%
iShares MSCI Japan ETF	EWJ	91.87	-1.3%	7.5%	13.8%	13.8%
iShares US Telecomm ETF	IYZ	38.53	-0.9%	14.1%	13.7%	13.7%
Consumer Staples Select Sector SPDR	XLP	88.20	1.2%	7.4%	13.5%	13.5%
<b>SPDR Gold Trust</b>	<b>GLD</b>	<b>448.20</b>	<b>-3.1%</b>	<b>6.4%</b>	<b>13.1%</b>	<b>13.1%</b>
Industrial Select Sector SPDR	XLI	175.08	0.7%	4.9%	12.9%	12.9%
SPDR S&P Semiconductor ETF	XSD	360.07	-0.1%	1.3%	12.0%	12.0%
iShares MSCI Australia ETF	EWA	29.32	2.4%	9.6%	12.0%	12.0%
iShares MSCI Emerg Mkts ETF	EEM	60.87	0.4%	5.2%	11.3%	11.3%
<b>Silver Future</b>	<b>SLc1</b>	<b>77.85</b>	<b>-3.0%</b>	<b>-11.6%</b>	<b>11.0%</b>	<b>11.0%</b>
iShares MSCI Hong Kong ETF	EWH	23.43	-1.0%	3.9%	10.3%	10.3%
iShares Russell 2000 Value ETF	IWN	199.66	-0.6%	2.2%	10.2%	10.2%
<b>Oil Future</b>	<b>CLc1</b>	<b>62.89</b>	<b>-1.7%</b>	<b>5.8%</b>	<b>9.5%</b>	<b>9.5%</b>
<b>United States Oil Fund, LP</b>	<b>USO</b>	<b>75.73</b>	<b>-2.9%</b>	<b>5.7%</b>	<b>9.5%</b>	<b>9.5%</b>
Vanguard FTSE All-World ex-US ETF	VEU	80.34	0.0%	4.7%	9.2%	9.2%
iShares MSCI Austria Capped ETF	EWO	38.59	-0.5%	6.3%	8.8%	8.8%
Utilities Select Sector SPDR	XLU	46.38	4.9%	6.9%	8.6%	8.6%
iShares MSCI EAFE ETF	EFA	104.22	0.0%	4.7%	8.5%	8.5%
iShares MSCI Malaysia ETF	EWM	29.65	-0.1%	5.3%	8.4%	8.4%
iShares MSCI United Kingdom ETF	EWU	47.42	1.5%	5.0%	7.8%	7.8%
iShares US Real Estate ETF	IYR	101.21	1.9%	2.9%	7.8%	7.8%
SPDR S&P Bank ETF	KBE	65.37	-1.9%	3.3%	7.7%	7.7%
<b>iShares Russell 2000 ETF</b>	<b>IWM</b>	<b>263.04</b>	<b>-1.2%</b>	<b>-1.0%</b>	<b>6.9%</b>	<b>6.9%</b>
iShares Russell 1000 Value ETF	IWD	223.20	-0.5%	1.9%	6.1%	6.1%
iShares MSCI Singapore ETF	EWS	28.58	0.0%	1.9%	3.9%	3.9%
iShares Russell 2000 Growth ETF	IWO	335.27	-1.8%	-4.1%	3.8%	3.8%
iShares MSCI Germany ETF	EWG	44.04	-0.4%	1.6%	3.6%	3.6%
iShares MSCI Canada ETF	EWC	55.86	-1.5%	1.3%	3.6%	3.6%
SPDR DJIA ETF	DIA	495.85	-1.2%	0.5%	3.2%	3.2%
iShares Nasdaq Biotechnology ETF	IBB.O	174.02	1.1%	2.4%	3.1%	3.1%
iShares 20+ Year Treas Bond ETF	TLT	89.87	1.5%	2.4%	3.1%	3.1%
<b>DJIA</b>	<b>.DJI</b>	<b>49533.19</b>	<b>-1.3%</b>	<b>0.4%</b>	<b>3.1%</b>	<b>3.1%</b>
<b>iShares Silver Trust</b>	<b>SLV</b>	<b>69.70</b>	<b>-9.6%</b>	<b>-18.0%</b>	<b>3.0%</b>	<b>3.0%</b>
Shanghai Composite	.SSEC	4082.07	-1.1%	-0.5%	2.9%	2.9%
PowerShares Water Resources Portfolio	PHO	72.40	-2.0%	-2.6%	2.8%	2.8%
SPDR S&P Retail ETF	XRT	87.40	-0.1%	-3.3%	2.5%	2.5%
iShares MSCI BRIC ETF	BKF	44.55	-1.9%	-0.1%	1.7%	1.7%
Health Care Select Sect SPDR	XLV	157.37	1.3%	1.0%	1.7%	1.7%
iShares iBoxx \$ Invest Grade Corp Bond	LQD	111.70	0.8%	1.0%	1.4%	1.4%
<b>Gold Future</b>	<b>GCc1</b>	<b>3257.10</b>	<b>0.1%</b>	<b>0.5%</b>	<b>0.8%</b>	<b>0.8%</b>
iShares China Large Cap ETF	FXI	38.52	-2.6%	-2.0%	0.6%	0.6%
iShares Russell 1000 ETF	IWB	374.31	-1.4%	-1.4%	0.2%	0.2%
<b>SP500</b>	<b>.SPX</b>	<b>6843.22</b>	<b>-1.4%</b>	<b>-1.4%</b>	<b>0.0%</b>	<b>0.0%</b>
iShares MSCI India ETF	INDA.K	53.27	-0.9%	0.8%	-1.4%	-1.4%
NASDAQ 100	NDX	24701.60	-1.7%	-3.2%	-2.2%	-2.2%
Communication Services Select Sector SPDR Fund	XLC	114.40	-2.7%	-0.7%	-2.8%	-2.8%
Consumer Discretionary Select Sector SPDR	XLY	116.04	-1.9%	-5.1%	-2.8%	-2.8%
<b>Nasdaq Composite Index</b>	<b>.IXIC</b>	<b>22578.38</b>	<b>-2.3%</b>	<b>-4.0%</b>	<b>-2.9%</b>	<b>-2.9%</b>
Technology Select Sector SPDR	XLK	139.48	-2.2%	-4.2%	-4.4%	-4.4%
Financial Select Sector SPDR	XLF	52.20	-2.5%	-4.1%	-4.7%	-4.7%
iShares Russell 1000 Growth ETF	IWF	449.35	-2.2%	-4.5%	-5.1%	-5.1%

Outperformed SP500  
Underperformed SP500

Source: Dudack Research Group; LSEG

Priced as of February 17, 2026

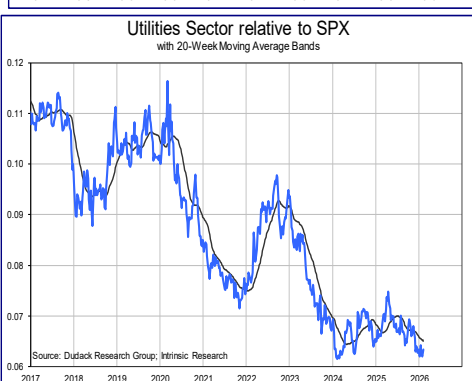
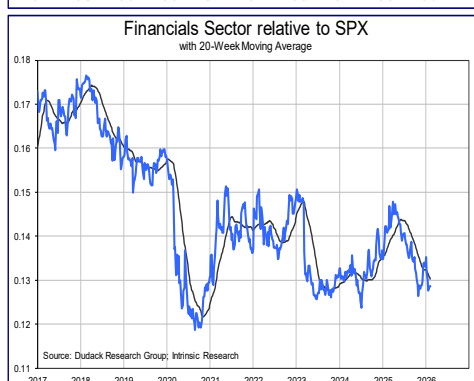
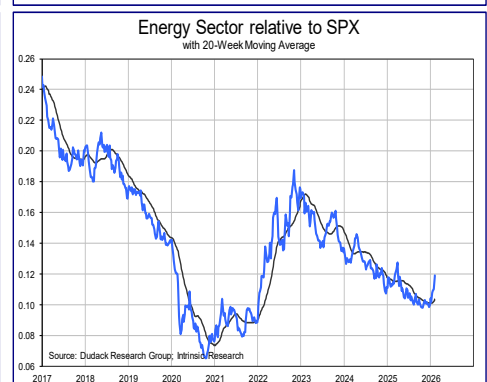
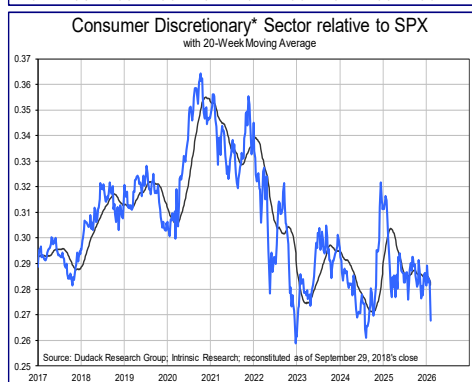
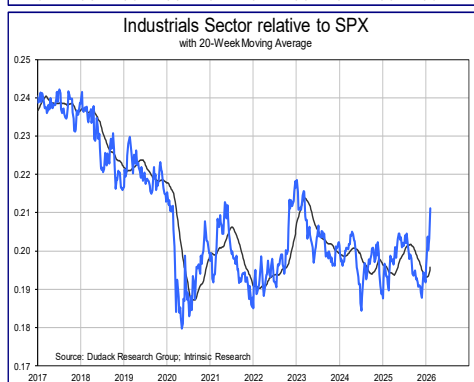
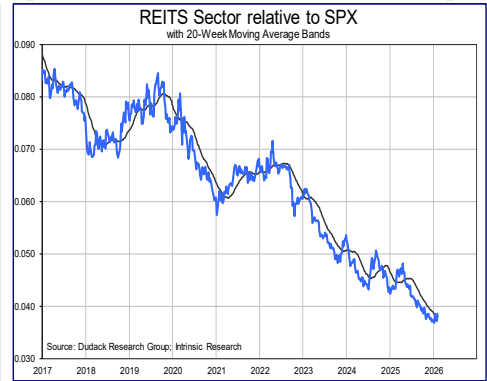
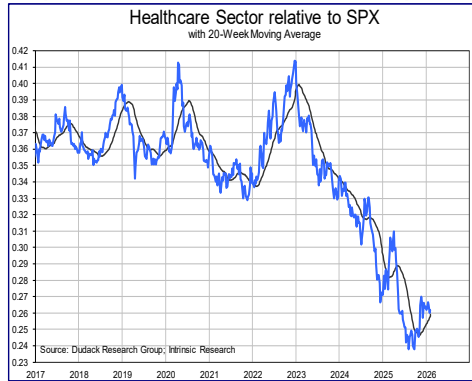
Blue shading represents non-US and yellow shading represents commodities

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

**DRG Recommended Sector Weights**

<b>Overweight</b>		<b>Neutral</b>		<b>Underweight</b>
Communication Services Technology Industrials Financials		Healthcare Staples Utilities Consumer Discretionary		REITS Materials Energy

12/23/2025: Shifted Consumer Discretionary from overweight to neutral and Industrials from neutral to overweight.



2026 YTD Performance - Ranked	
SP500 Sector	% Change
S&P ENERGY	19.7%
S&P MATERIALS	15.2%
S&P CONSUMER STAPLES	13.8%
S&P INDUSTRIALS	12.8%
S&P REITS	9.5%
S&P UTILITIES	8.3%
S&P HEALTH CARE	1.5%
S&P 500	0.0%
S&P COMMUNICATIONS SERVICES	-3.1%
S&P INFORMATION TECH	-4.5%
S&P FINANCIAL	-5.0%
S&P CONSUMER DISCRETIONARY	-5.0%

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	\$139.47	\$157.12	\$157.12	3.6%	\$162.93	0.6%	20.6X	1.8%	2.6%	\$2,065.60	2.1%
2020	3756.07	\$94.14	\$122.38	\$122.38	-22.1%	\$139.72	-14.2%	30.7X	1.6%	-2.2%	\$1,968.10	-4.7%
2021	4766.18	\$197.87	\$208.17	\$208.17	70.1%	\$208.12	49.0%	22.9X	1.3%	6.1%	\$2,382.80	21.1%
2022	3839.50	\$172.75	\$196.95	\$196.95	-5.4%	\$218.09	4.8%	19.5X	1.7%	2.5%	\$2,478.80	4.0%
2023	4769.83	\$192.43	\$213.53	\$213.53	8.4%	\$221.36	1.5%	22.3X	1.5%	2.9%	\$3,132.90	26.4%
2024	5614.66	\$210.17	\$233.36	\$233.36	9.3%	\$242.73	9.7%	24.1X	1.3%	2.8%	\$3,270.60	4.4%
2025E	6845.50	\$246.47	\$274.44	\$270.00	15.7%	\$273.44	12.7%	24.9X	1.2%	2.8%	\$3,270.60	0.0%
2026E	~~~~~	\$294.00	\$310.39	\$315.00	16.7%	\$314.45	15.0%	22.0X	NA	2.8%	\$3,270.60	0.0%
2027E		NA	NA	\$350.00	11.1%	\$364.00	15.8%	NA	NA	2.8%	\$3,270.60	0.0%
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	4.7%
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	3.7%
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	7.2%
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	4.8%
2020 1Q	2584.59	\$11.88	\$19.50	\$19.50	-48.7%	\$33.13	-15.4%	18.6	2.3%	-5.2%	\$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%	-28.0%	\$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%	34.9%	\$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%	4.6%	\$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%	5.7%	\$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%	7.0%	\$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%	3.3%	\$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%	7.0%	\$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%	0.6%	\$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%	2.9%	\$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%	2.8%	\$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%	2.9%	\$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%	2.5%	\$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%	4.7%	\$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%	3.4%	\$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%	0.8%	\$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%	3.6%	\$3,110.60	19.6%
2024 3Q	5521.50	\$51.99	\$59.16	\$59.16	13.2%	\$63.21	8.2%	24.4	1.3%	3.3%	\$3,078.50	14.1%
2024 4Q	5881.63	\$57.69	\$61.21	\$61.21	13.6%	\$65.00	13.7%	25.2	1.3%	1.9%	\$3,270.60	16.7%
2025 1Q	5611.85	\$53.89	\$62.91	\$57.51	5.3%	\$63.07	11.5%	23.2	1.4%	-0.6%	\$3,252.40	19.3%
2025 2Q	6204.95	\$58.96	\$66.34	\$64.00	9.7%	\$66.68	10.4%	24.9	1.2%	3.8%	\$3,259.40	4.8%
2025 3Q	6688.46	\$63.52	\$71.88	\$72.03	21.8%	\$72.77	15.1%	25.5	1.2%	4.4%	\$3,411.70	10.8%
2025 4QE	6845.50	\$70.10	\$73.31	\$76.46	24.9%	\$72.73	11.9%	24.9	1.2%	NA	NA	NA
2026 1QE*	6843.22	\$65.54	\$69.40	\$66.14	15.0%	\$70.22	11.3%	24.4	NA	NA	NA	NA
2026 2QE	NA	\$70.84	\$75.81	\$73.60	15.0%	\$76.58	14.8%	23.6	NA	NA	NA	NA
2026 3QE	NA	\$76.24	\$81.33	\$82.83	15.0%	\$82.02	12.7%	22.8	NA	NA	NA	NA
2026 4QE	NA	\$81.38	\$83.85	\$87.93	15.0%	\$84.91	16.7%	22.0	NA	NA	NA	NA

Source: DRG; S&amp;P Dow Jones \*\*quarterly EPS may not sum to official CY estimates; LSEG IBES Consensus estimates

2/17/2026

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#### 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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