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August 21, 2024

DJIA: 40834.97
SPX: 5597.12
NASDAQ: 17816.94

# US Strategy Weekly

## Discounted the Fed Rate Cut

Stocks bounced back quickly from a steep early August sell-off that was triggered by recession fears and the first rate hike by the Bank of Japan in 17 years. However, it was actually driven by a massive unwinding of the yen carry trade. This was followed by eight days of consecutive gains which were the longest winning streaks for the S&P 500 and the Nasdaq since November and December, respectively. And if the S&P 500 index had closed higher for one more day, the 9-day winning streak would have been the longest in 20 years. The streak was broken, nevertheless, it was the best week of the year for stocks. We would not be surprised if these gains prove difficult to sustain, particularly as representatives from central banks around the globe are expected to converge in Jackson Hole, Wyoming, this week for their annual Economic Symposium. Traders will be laser-focused on Federal Reserve Chair Jerome Powell who is expected to deliver remarks on Friday. Markets are currently pricing in a 69.5% likelihood of a 25 basis-point reduction of the Fed funds target rate at the conclusion of the Federal Open Market Committee meeting on September 17 and 18, with a 30.5% chance of a super-sized cut of 50 basis points, according to CME's FedWatch tool. In our view, the markets have been discounting a Fed rate cut all year and the actual event may prove to be less than satisfying for investors.

### Economic News

There were a number of economic releases in recent days and in summary, the results display a mixed economy with the exception of housing, which is clearly in a slump.

The University of Michigan consumer sentiment index was at 67.8 in August, up from July’s 66.4, and up for the first time in five months. Present conditions dropped to 60.9 from 62.7, its lowest reading in twenty months. But expectations were the driver of the overall index rising to 72.1, up from 68.8. The gain in expectations had an interesting twist and was led by a 6% uptick from Democrats in an apparent response to the Harris nomination. The expectations index for Republicans fell 5% and rose 3% for Independents. The survey showed that expectations for inflation remained the same and the job market, the housing environment, and political uncertainty continued to weigh on sentiment. See page 3. Conference Board confidence data for August will be released at the end of the month.

Investors were relieved that headline CPI rose the expected 0.1% in July versus a month earlier. On a year-over-year basis CPI fell 0.08% and, on a decimal-rounding basis, fell from 3.0% YOY in June to 2.9% YOY. Core CPI fell from 3.3% YOY to 3.2% YOY. Service sector inflation fell from 5.0% YOY to 4.9%. Services less rent of shelter fell from 4.8% YOY to 4.6%. Transportation services fell from 9.4% YOY to 8.8%. Hospital & related services fell from 7.1% YOY to 6.2%. In short, service inflation is trending lower but almost all segments remain substantially above 3% YOY. See page 4.

Retail sales were surprisingly buoyant in July, rising 1.0% for the month and up 2.7% YOY. This news helped to spark the equity market’s rebound, particularly since June’s report showed a 0.2% decline for the month and a lower 2.0% YOY gain. Excluding autos, year-over-year retail sales were up in July, but lower than a month earlier. Excluding autos, sales rose 3.1% (3.3% YOY in June) and excluding autos and gas sales increased 3.4% (3.6% in June). The strongest gain was seen in electronics and appliances where sales rose 5.2% YOY after being up only 1.0% YOY in June. Still, after inflation, retail sales fell 0.3% YOY in July following a 0.9% YOY loss in June. Retail sales have been negative on a YOY basis for 19 of the last 29 months, a pattern typically seen only during recessions. See page 5.

Consumer credit is an area we are monitoring. Total consumer credit rose 1.6% YOY in June and nonrevolving credit rose a mere 0.3% YOY. These decelerating growth rates in credit are critical because negative growth is a characteristic of a recession. And note that after adjusting for inflation, total consumer credit growth has been negative for the last 13 months. See page 6.

The National Association of Home Builders confidence indices deteriorated in August from negatively revised numbers in July. The headline NAHB index fell from 41 to 39, the lowest reading this year, and down to recessionary levels. Current sales of single-family homes fell from 46 to 44. Next six-month sales rose a notch from 48 to 49, but traffic of prospective buyers fell from 27 to 25, its lowest level in 8 months. Construction data was not any better. In July, housing starts fell 6.8 % MOM and 16.0% YOY. Permits fell 4.0% MOM and 7.0% YOY. Single-family permits were slightly better, falling 1.6% YOY. See page 7. By most measures, the housing sector is slowing significantly, and it will be interesting to see if August's decline in long-term interest rates buoys this market. See page 7.

## Valuation

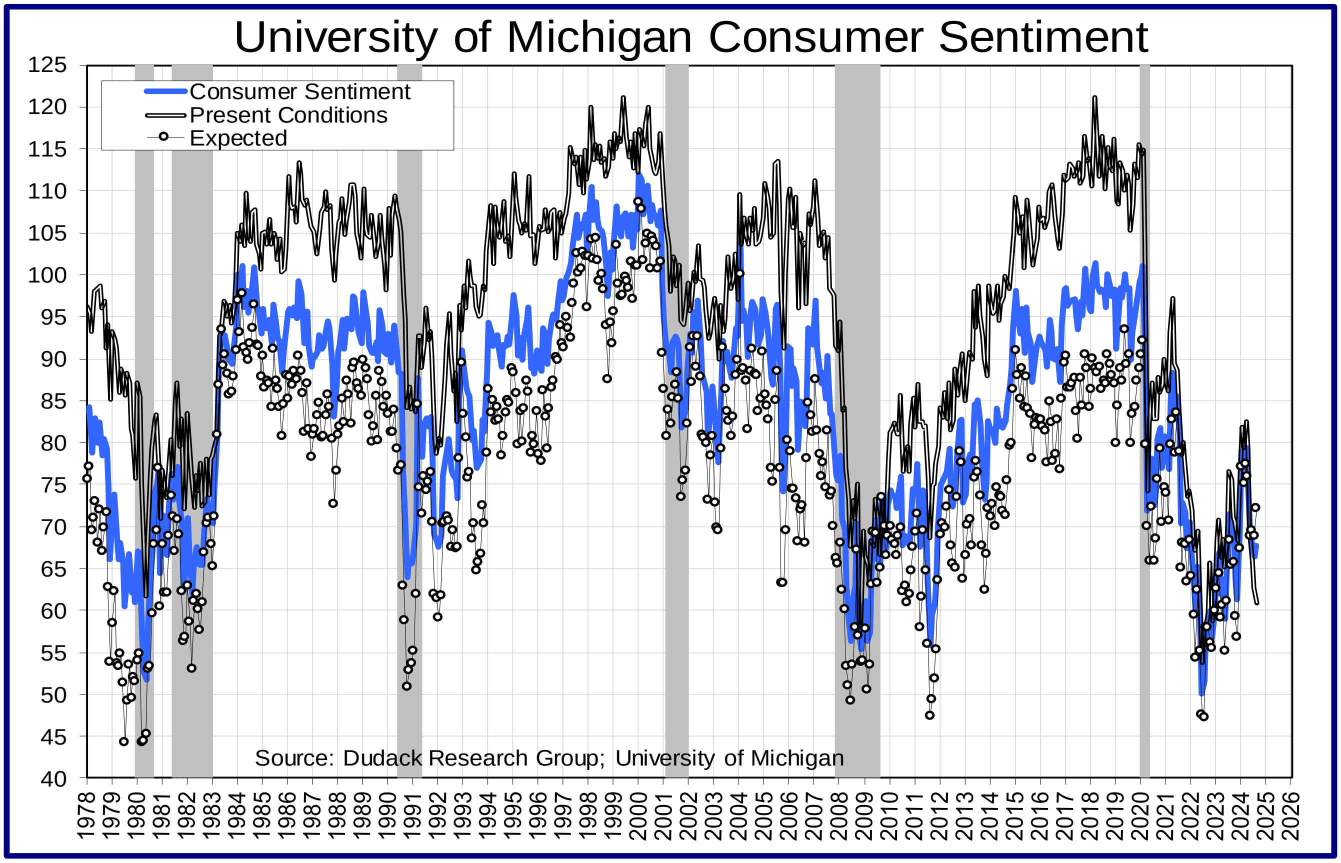
With stock prices backing up near record highs, and consensus earnings forecasts for this year and next year ratcheting lower, valuation benchmarks are getting worse. The SPX trailing 4-quarter operating multiple is now 24.8 times, and well above all long- and short-term averages. The 12-month forward PE multiple is 21.2 times and when this is added to inflation of 2.9%, it sums to 24.1 which is above the top of the normal valuation range of 14.8 to 23.8. By all measures, the equity market remains richly valued. Current valuation levels have only been seen during the 1997-2000 bubble, the financial crisis of 2008, or the post-COVID-19 earnings slump. See pages 8 and 9.

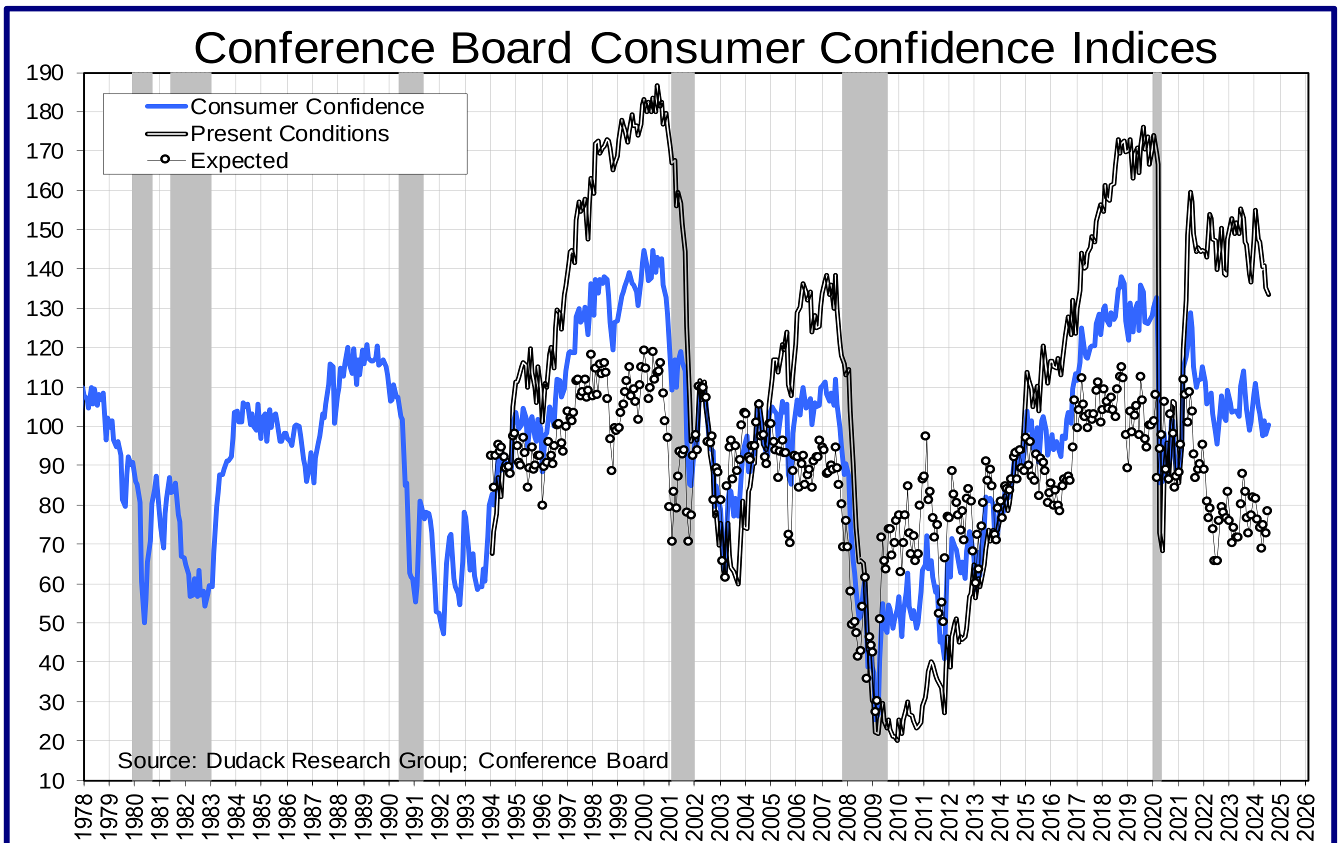
## Technical Update

The VIX index is a good measure of panic in the marketplace and is therefore helpful in defining lows. But as we pointed out last week, the extremes seen on August 5th were not the third highest in history or that unusual. Since 1986, there have been 286 higher closes in the VIX and 47 higher intraday highs. We dug deeper to see if days with both higher intraday and closing highs were important in defining significant price lows. What we found was there were 9 days of more extreme readings than August 5th between October 19, 1987 and October 29, 1987 and the market troughed on December 13, 1987. In 2008, there were 26 nonconsecutive days between October 10, 2008 and December 5, 2008, plus 132 consecutive trading days with higher closing VIX prices. The SPX had an interim trough of 752.44 on November 20, 2008 but eventually troughed at 676.53 on March 9, 2009. In 2020, 12 nonconsecutive extreme days between March 12, 2020 and March 30, 2020 did include a low made on March 23, 2020. Overall, the peak levels in the VIX index on August 5th appear to be neither historic nor predictive. Moreover, extremes in the index usually last substantially longer and precede major lows by several days and/or months. See page 10.

The equity indices have made a remarkable recovery from their early August lows and the Dow Jones Industrial Average and the S&P 500 index are now challenging their all-time highs. However, the easy part of the rebound is over, in our view, and we expect the old highs to be resistance due to the unlikelihood that the carry trade will be reinstated, the fact that earnings season is nearly over, and that the market has already factored in a rate cut in September. A new catalyst for further gains may be needed to drive prices higher.

The University of Michigan consumer sentiment index was at 67.8 in August, up from July's 66.4. Present conditions dropped to 60.9 from 62.7 but expectations were the highlight at 72.1, up from 68.8. The gain in confidence for the month was led by a 6% uptick from Democrats after the Harris nomination. Confidence of Republicans fell 5% and confidence of Independents rose 3%. Expectations for inflation remained the same but the job market, the housing environment, and political uncertainty weighed on sentiment. Conference Board confidence data for August will be released at the end of the month.

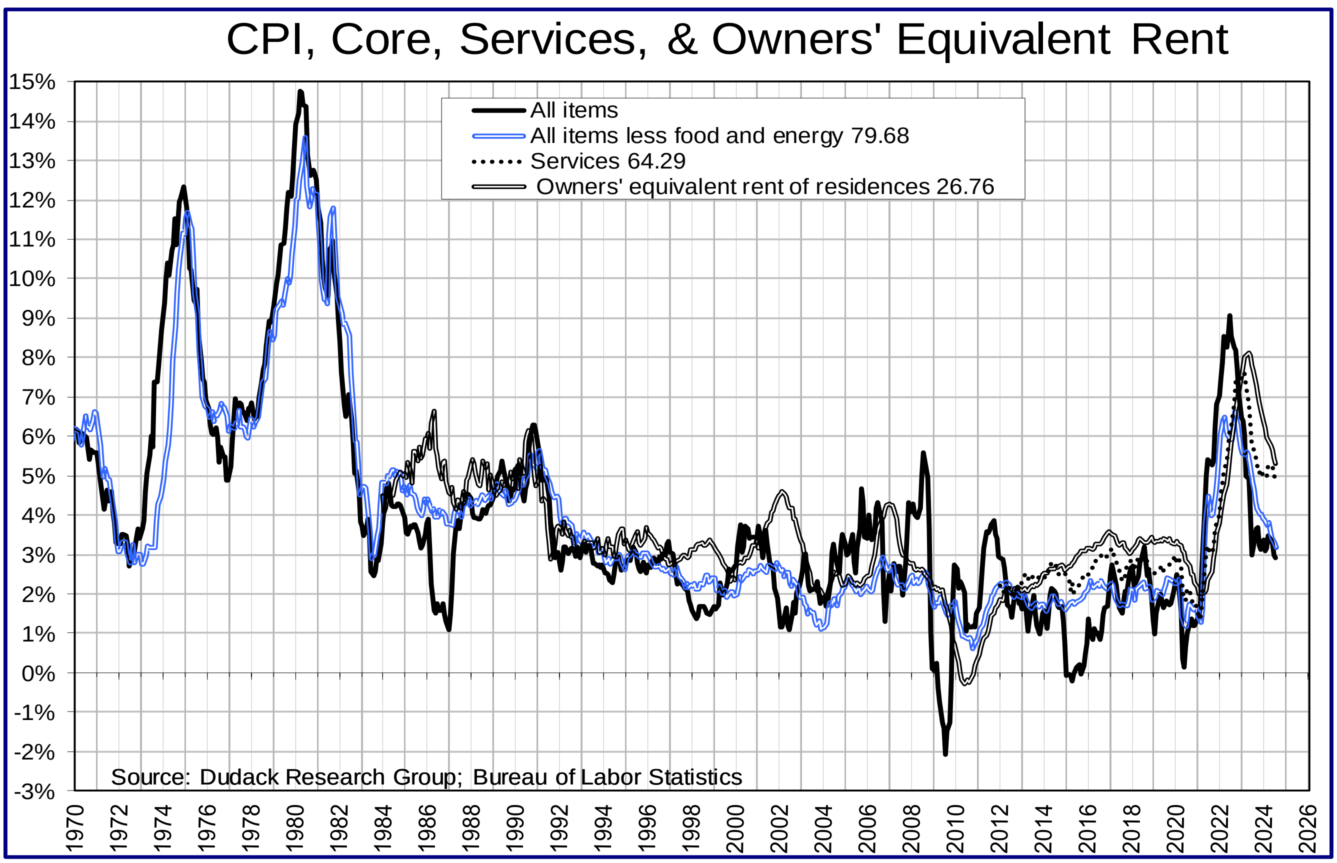


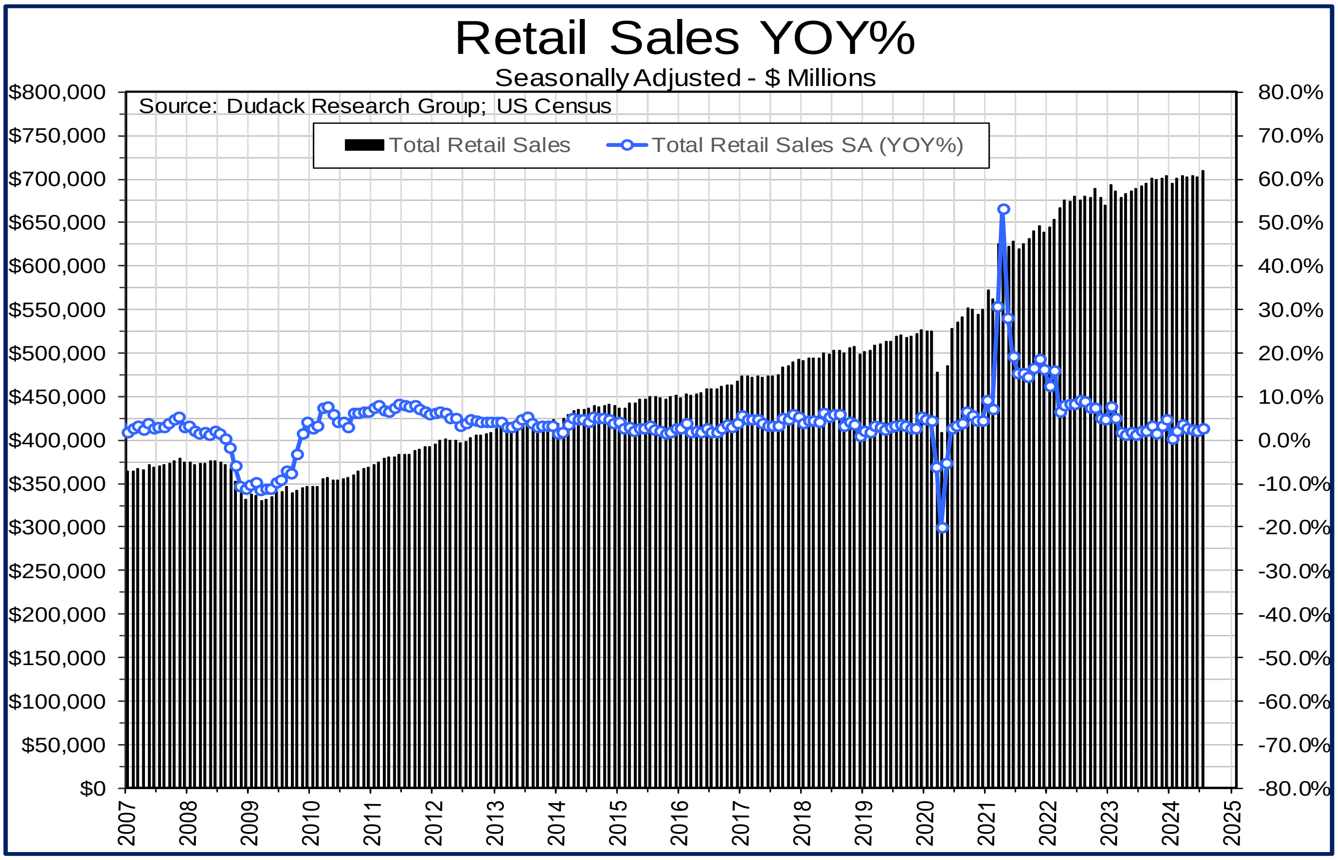
Headline inflation fell 0.08% on a YOY basis to 2.9% in July. Core CPI fell from 3.3% YOY to 3.2% YOY. Service sector inflation fell from 5.0% YOY to 4.9%. Services less rent of shelter fell from 4.8% YOY to 4.6%. Transportation services fell from 9.4% YOY to 8.8%. Hospital & related services fell from 7.1% YOY to 6.2%. In short, service inflation is trending lower but remains well above 3% YOY, even when rent of shelter is excluded.

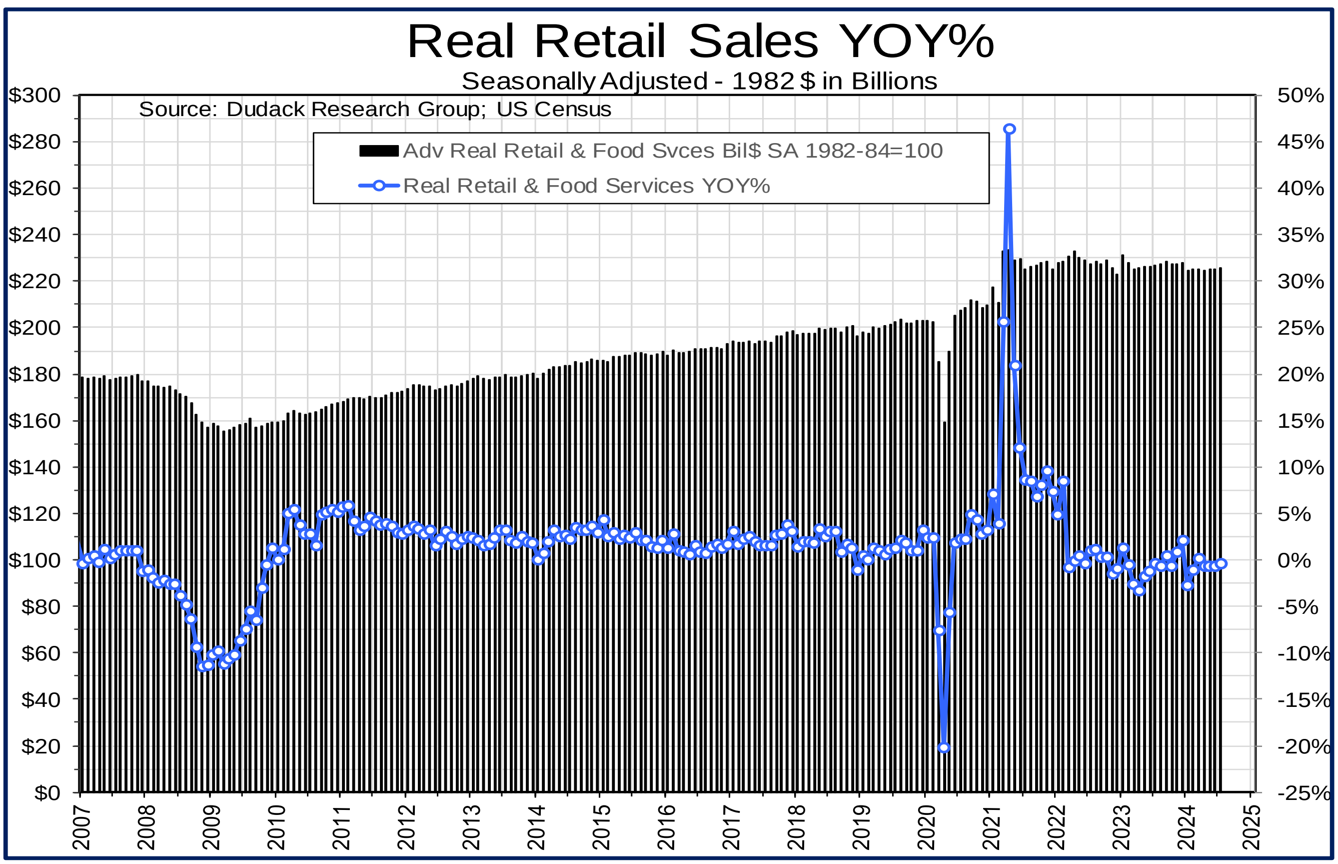
| CPI Components Heavy Weights - Not Seasonally Adjusted | Component Weight* | Fuel Weight | Price Chg YOY% | Price Chg MOM% |
|---|---|---|---|---|
| **Housing** | **45.1%** | **4.4%** | **4.4%** | **0.3%** |
| *Owners' equivalent rent of residences* | **26.8%** | | *5.3%* | 0.4% |
| **Fuels and utilities** | **4.4%** | | **4.1%** | **0.1%** |
| **Transportation** | **16.1%** | **2.5%** | **1.0%** | **-0.1%** |
| **Food and beverages** | **14.3%** | | **2.2%** | **0.4%** |
| *Food at home* | **8.0%** | | *1.1%* | 0.3% |
| *Food away from home* | **5.4%** | | *4.1%* | 0.2% |
| *Alcoholic beverages* | **0.8%** | | *1.9%* | 0.1% |
| **Medical care** | **8.0%** | | **3.2%** | **-0.2%** |
| **Education and communication** | **5.8%** | | **0.9%** | **0.2%** |
| **Recreation** | **5.2%** | | **1.4%** | **0.1%** |
| **Apparel** | **2.6%** | | **0.2%** | **-1.6%** |
| **Other goods and services** | **2.9%** | | **4.2%** | **0.2%** |
| Special groups: | | | | |
| Energy | 6.9% | | 1.1% | 0.4% |
| All items less food and energy | 79.7% | | 3.2% | 0.1% |
| **All items** | **100.0%** | | **2.9%** | **0.1%** |

Source: Dudack Research Group; BLS; *June 2024 weightings; Italics=sub-component; blue>headline

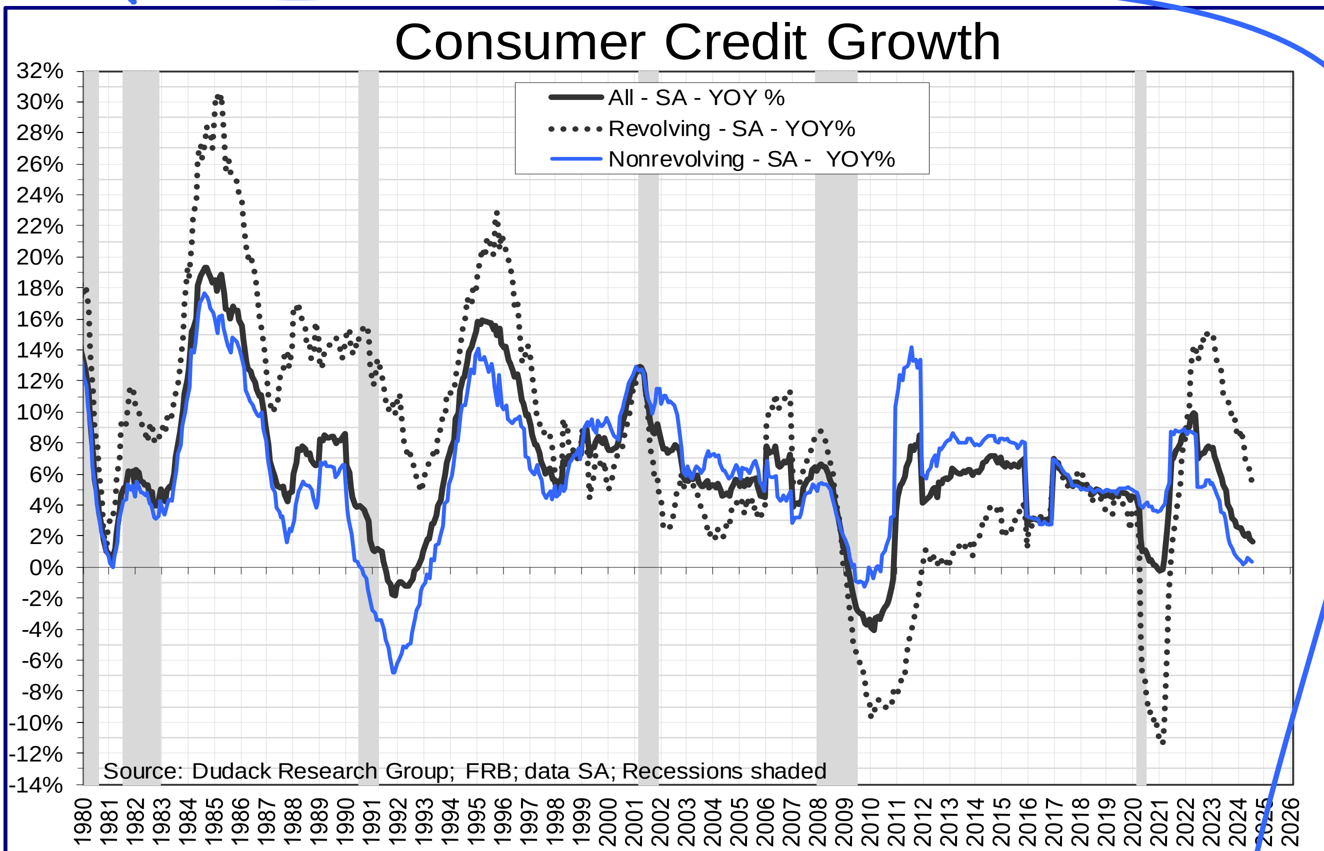


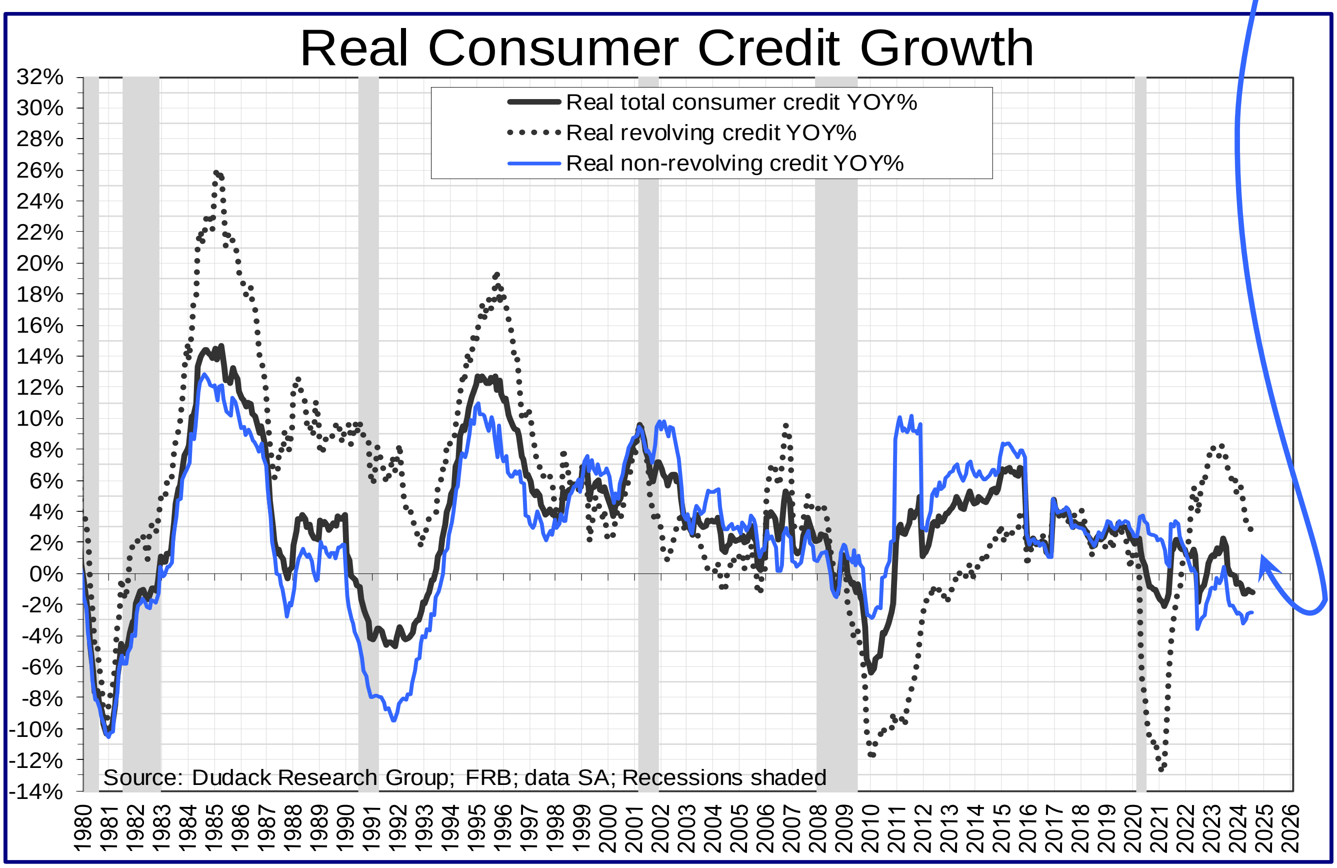
Retail sales were surprisingly buoyant in July, rising 1.0% for the month and up 2.7% YOY. This followed June's 0.2% decline for the month and a 2.0% YOY gain. But note that after inflation, retail sales fell 0.3% YOY in July following a 0.9% YOY loss in June. Retail sales have been negative on a YOY basis for 19 of the last 29 months, a pattern typical of recessions.



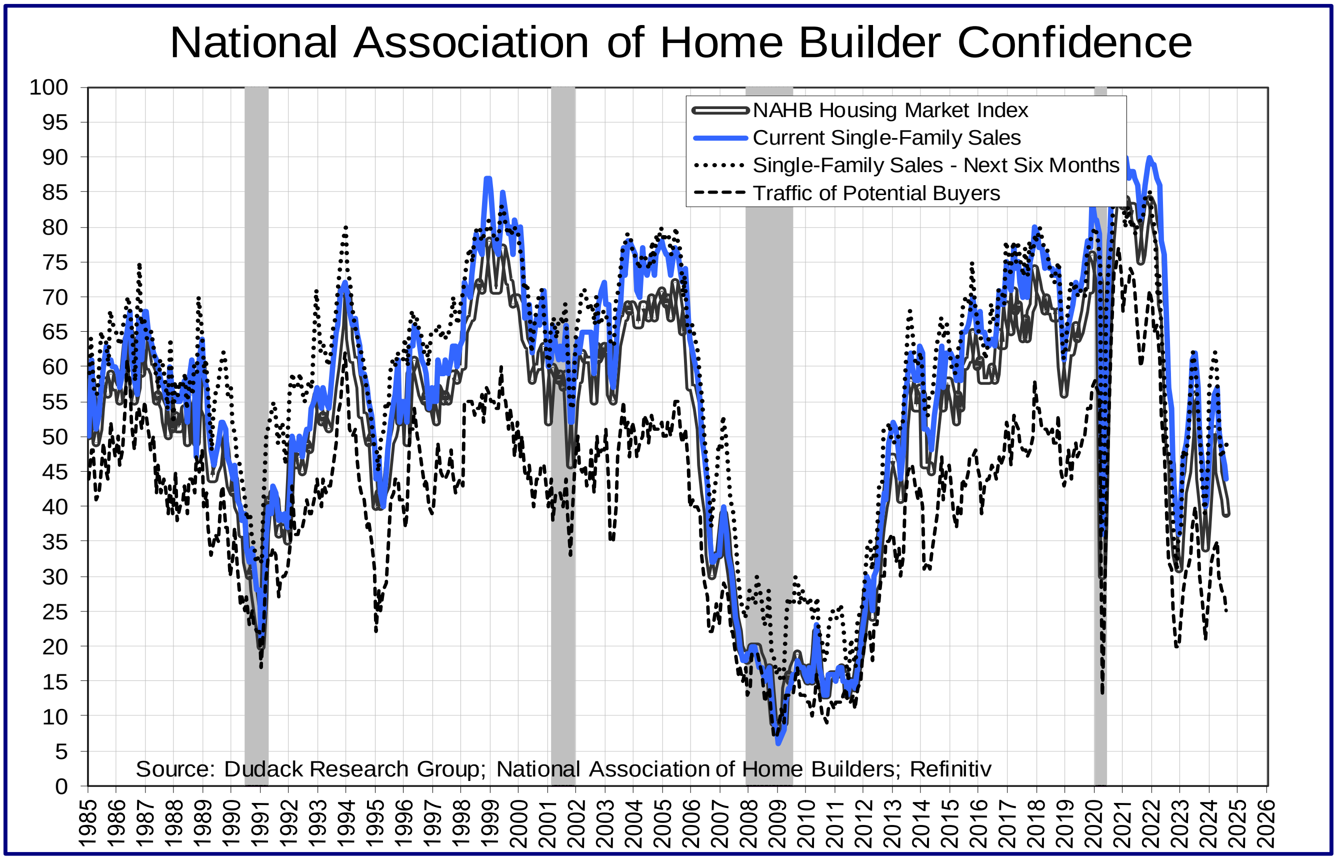



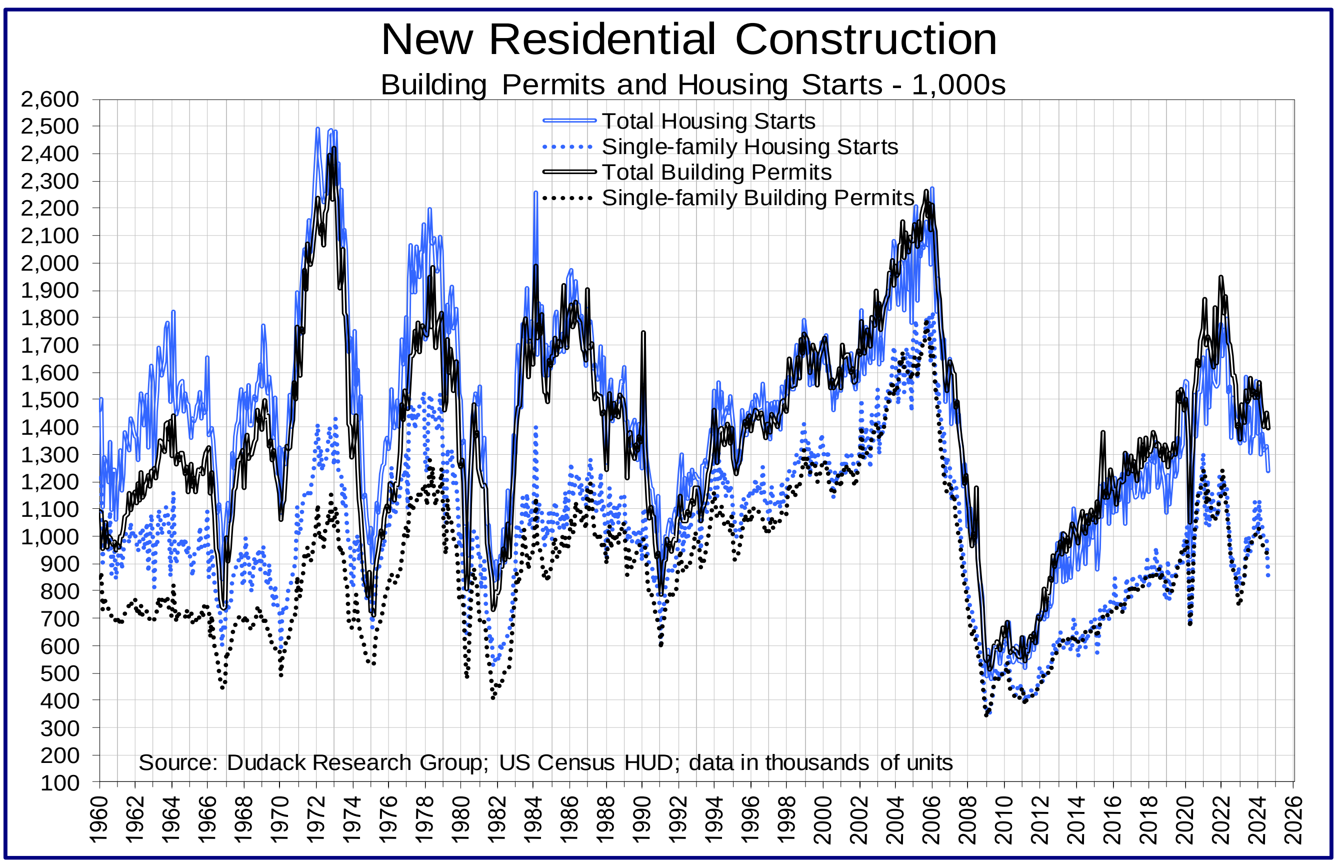
Total consumer credit rose 1.6% YOY in June and nonrevolving credit rose a mere 0.3% YOY. These growth rates are important because negative growth is a characteristic of a recession. However, adjusted for inflation, total consumer credit growth has been negative for the last 13 months.



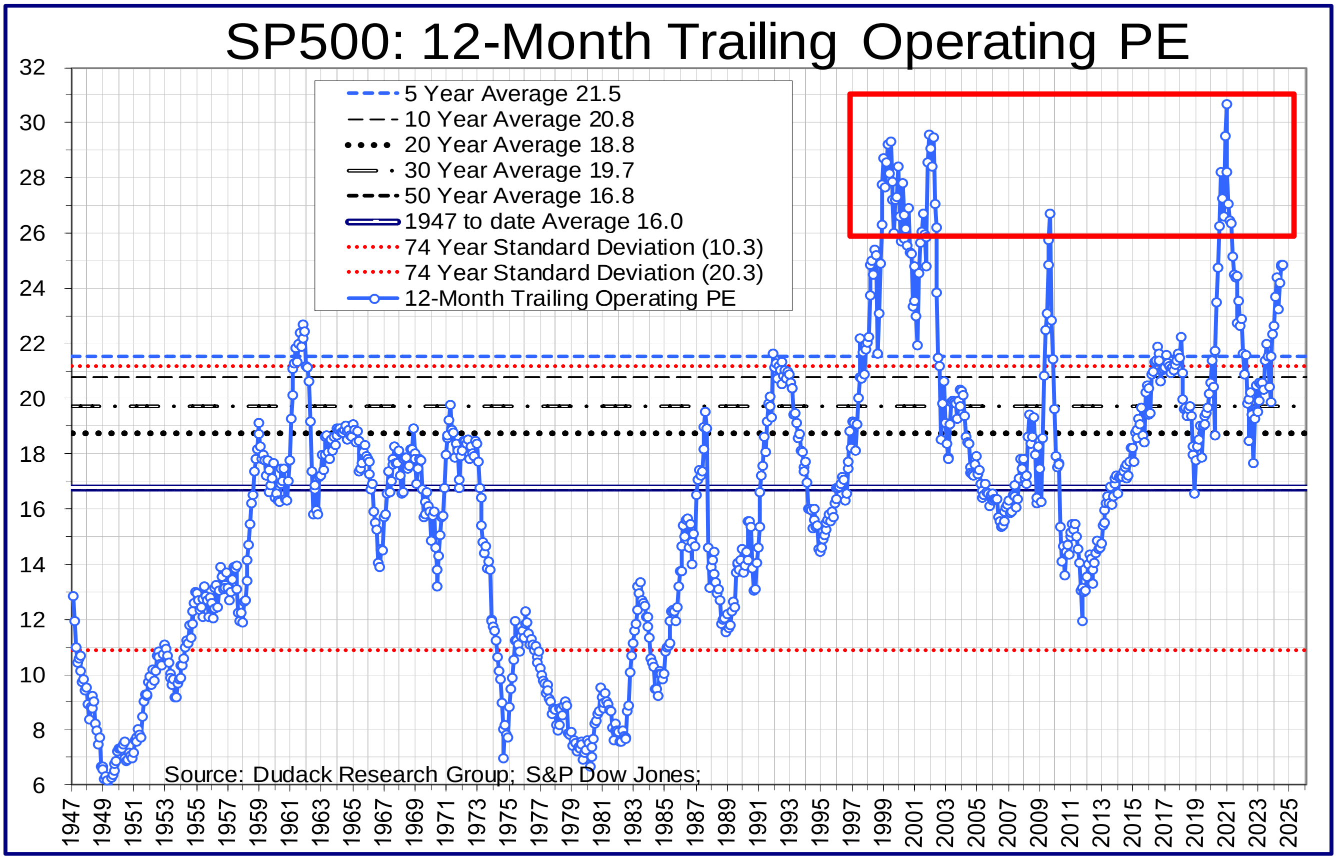



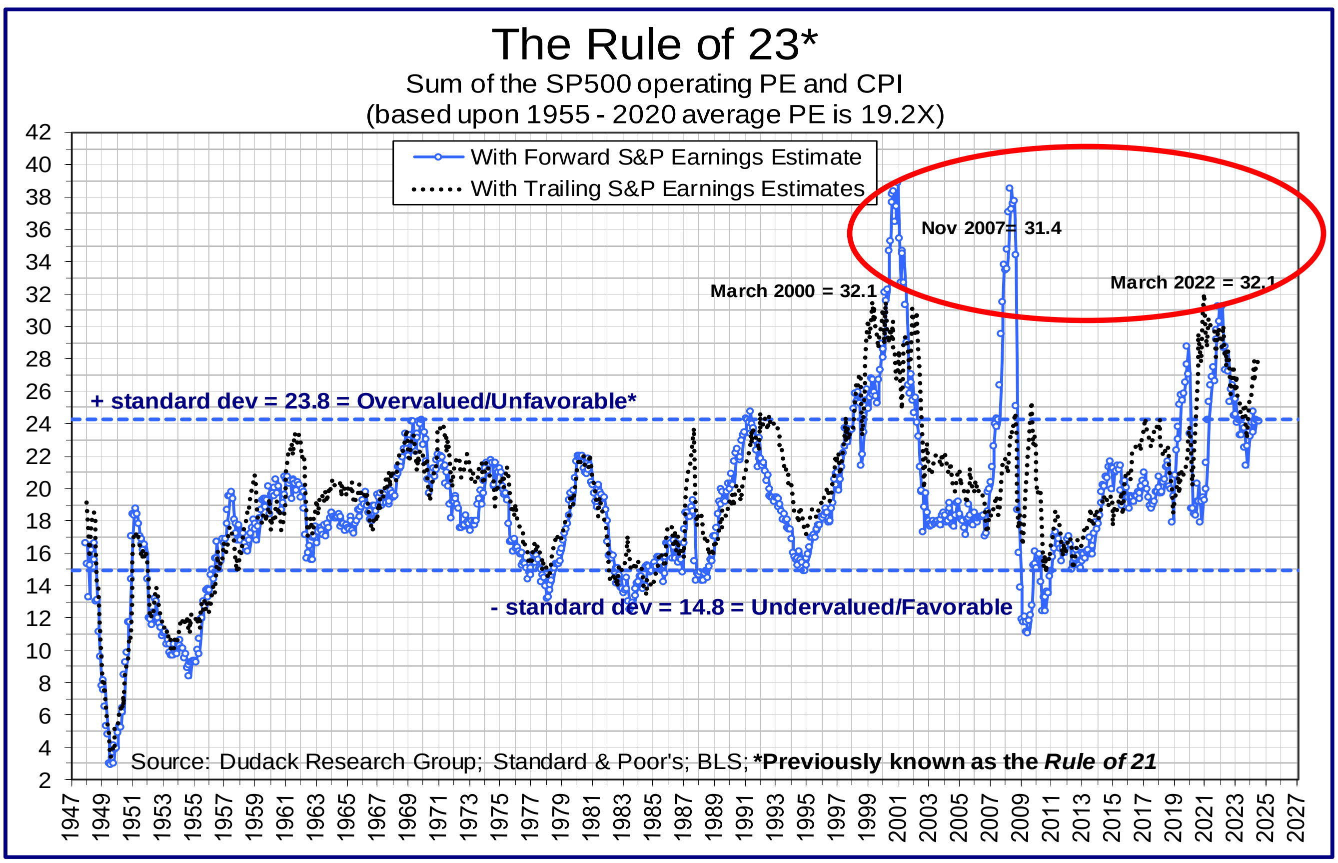
The NAHB confidence indices fell in August from negatively revised numbers in July. The headline index fell from 41 to 39. Current sales fell from 46 to 44. Next six month sales rose a notch from 48 to 49, and traffic of prospective buyers fell from 27 to 25, the lowest in 8 months. In July, housing starts fell 6.8 % MOM and 16.0% YOY. Permits fell 4.0% MOM and 7.0% YOY. Single-family permits were slightly better, falling 1.6% YOY.



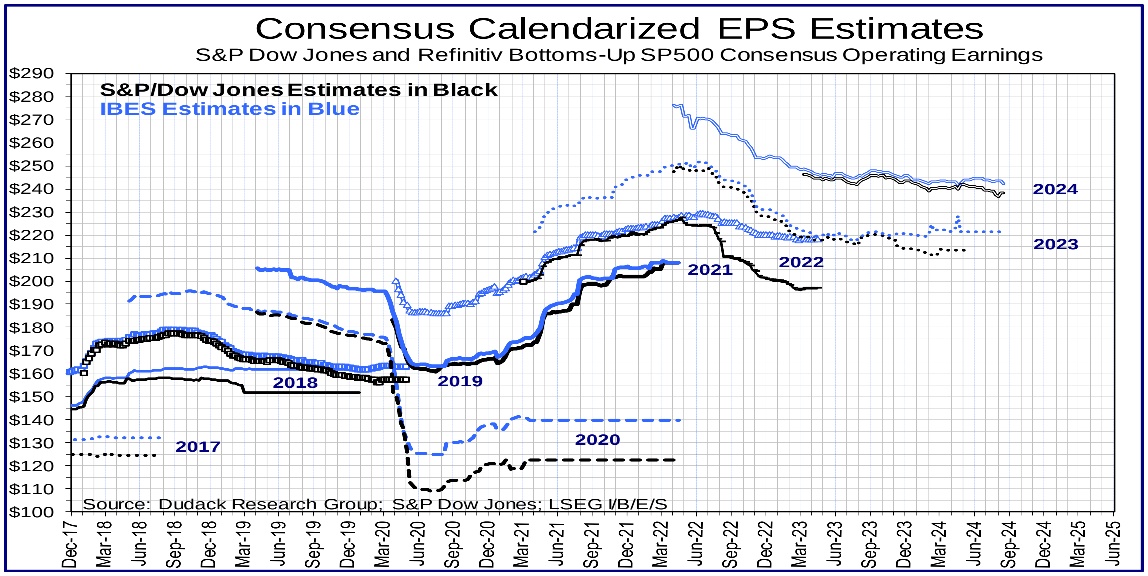



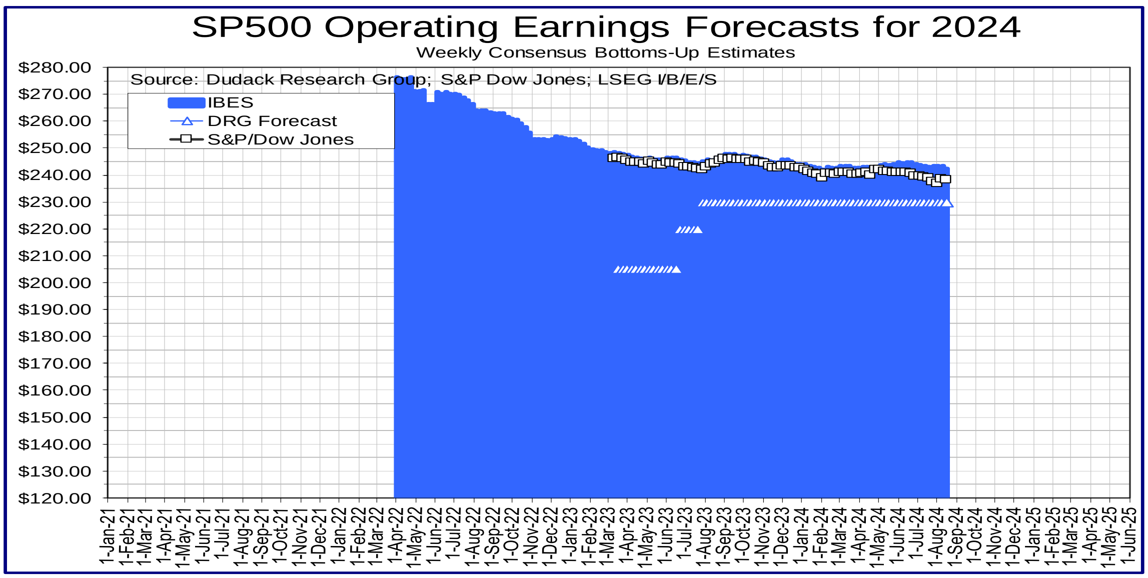
The SPX **trailing** 4-quarter operating multiple is now 24.8 times, and well above all long- and short-term averages. The **12-month forward** PE multiple is 21.2 times and when added to inflation of 2.9%, sums to 24.1 which is above the top of the normal range, of 23.8, this week. By all measures, the equity market remains richly valued. Current valuation levels have only been seen during the 1997-2000 bubble, the financial crisis of 2008, or the post-COVID-19 earnings slump.

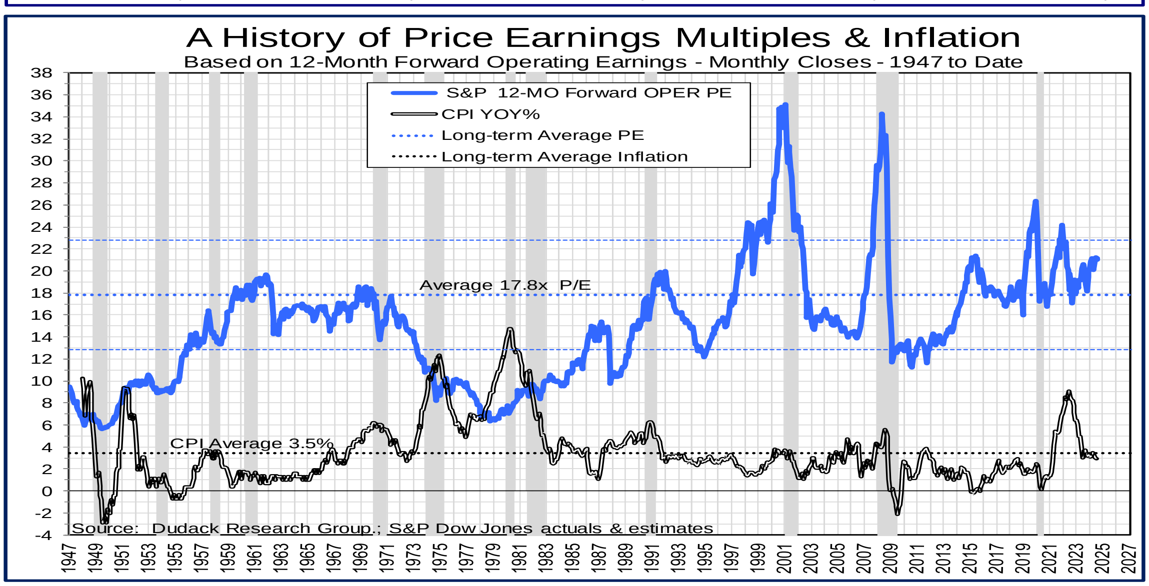


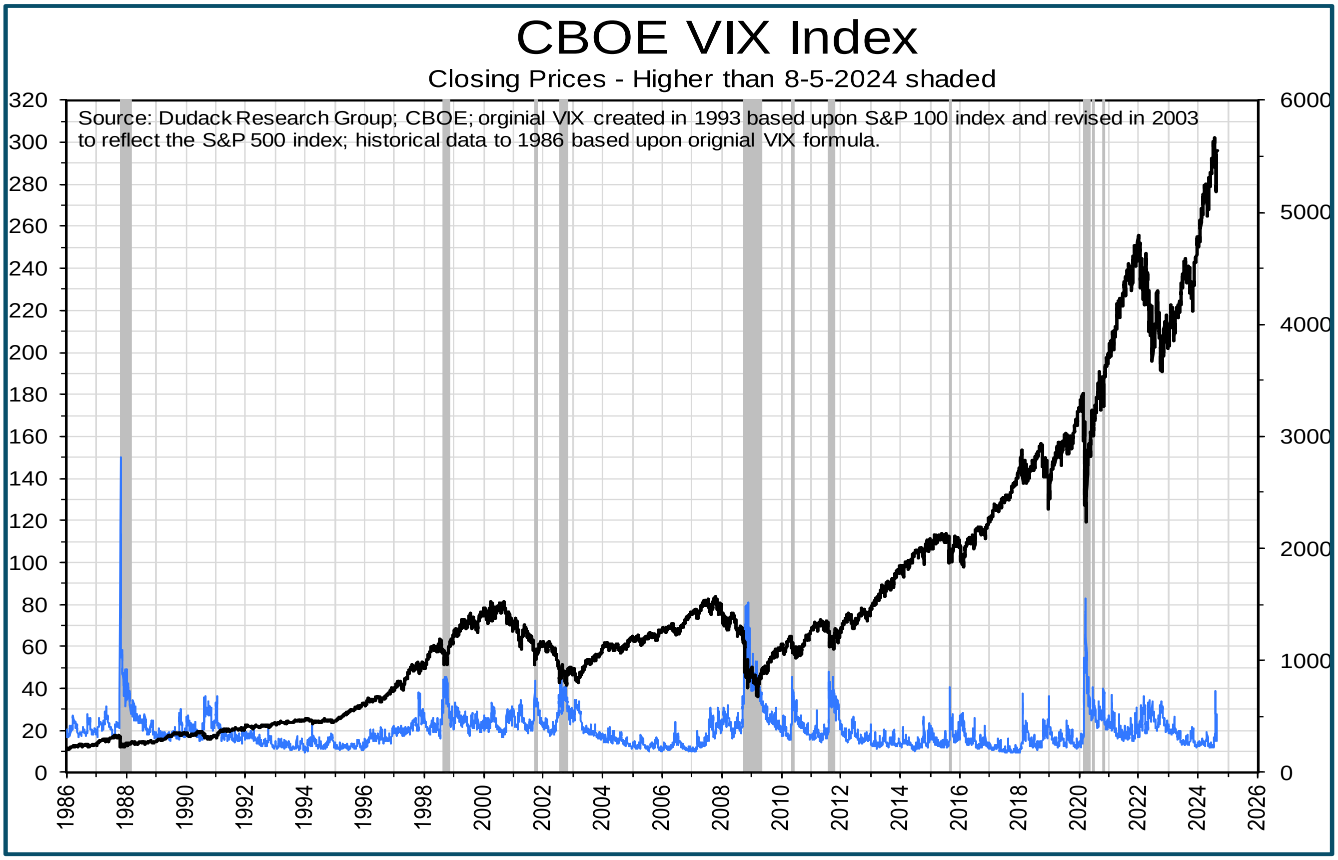
The S&P Dow Jones consensus estimate for calendar 2024 is $238.26, down $0.16 and the 2025 estimate is $277.17, down $0.33 this week. The LSEG IBES estimate for 2024 is $242.46, down $1.05 and for 2025 is $279.32, down $0.20. The IBES guesstimate for 2026 EPS is $315.36, down $0.04. Based upon the IBES EPS estimate for calendar 2024, equities remain richly valued with a PE of 23.1 times and inflation of 2.9%. This sum of 25.8 is above the 23.8 level that defines an overvalued equity market. Based upon 2025 EPS estimates the PE is 19.9 X and with inflation sums to 22.8 and is a point below the top of the range denoting extreme overvaluation.

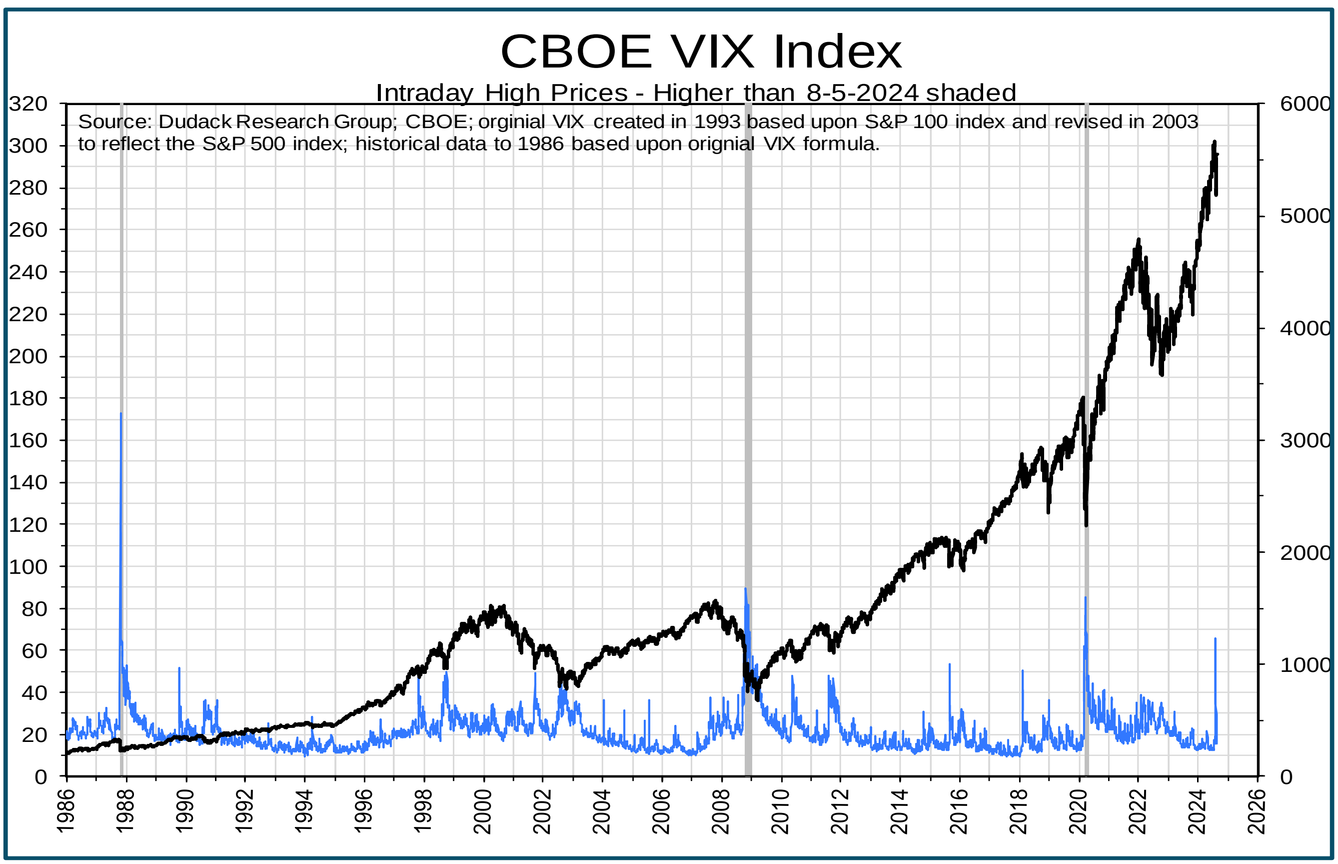


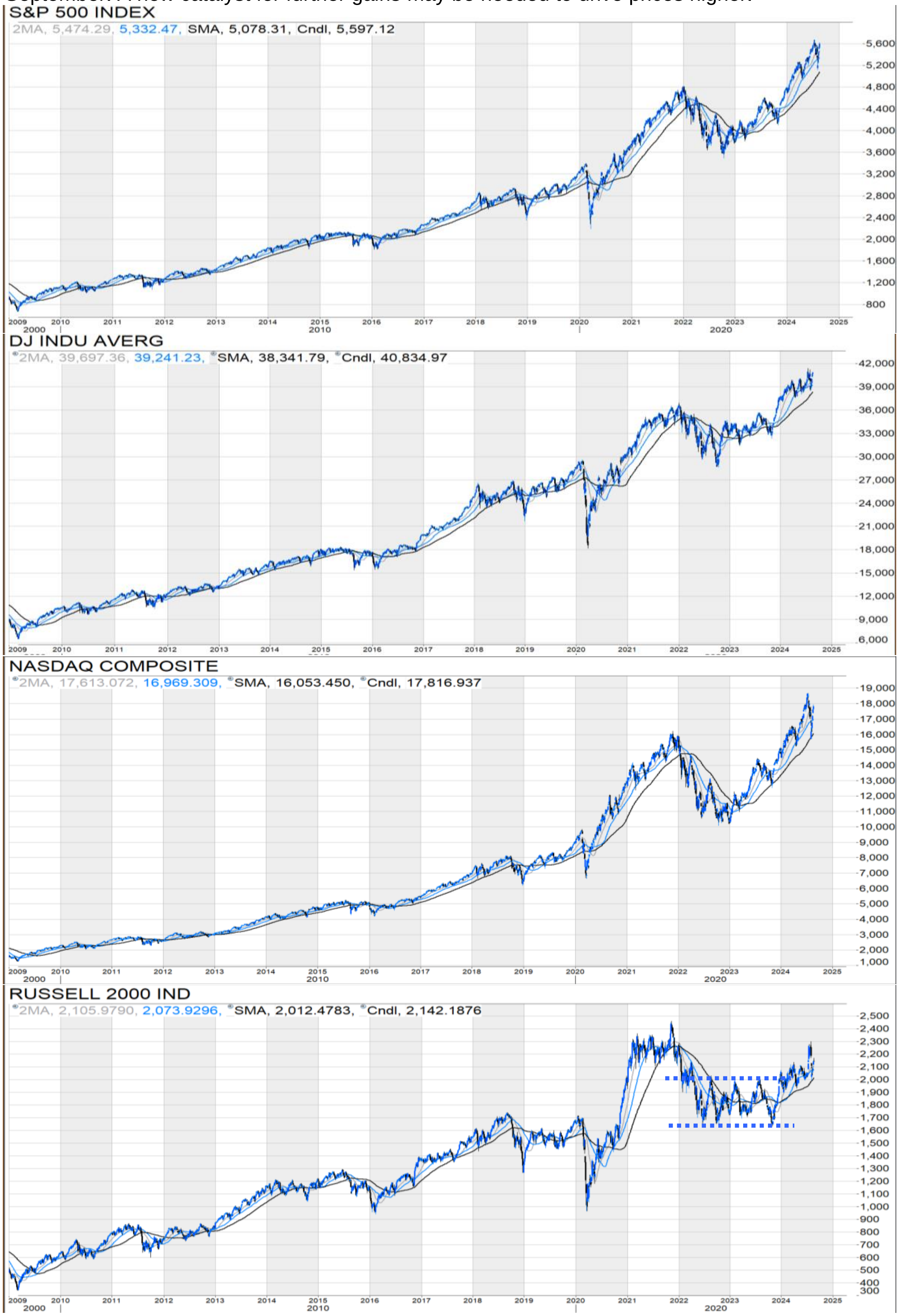



The VIX is a measure of panic in the marketplace and is therefore helpful in defining lows. But as we pointed out last week, the extremes seen on August 5th were not historic. Since 1986, there have been 286 higher closes and 47 higher intraday highs. We looked to see if days with both higher intraday and closing highs marked important lows. What we found was 9 more extreme days took place between 10/19/1987 and 10/2/1987 and the market troughed on 12/4/1987. In 2008, there were 26 nonconsecutive days between 10/10/2008 and 12/5/2008, plus 132 days with higher closing prices. The SPX had an interim trough of 752.44 on 11/20/2008 but eventually troughed at 676.53 on 3/9/2009. In 2020, 12 nonconsecutive days between 3/12/2020 and 3/30/2020 did include a low made on 3/23/2020. In sum, extremes in the index usually precede major lows by several months. However, August 5th appears to be neither historic nor predictive.



The equity indices have made a remarkable recovery from their early August lows and the DJIA and SPX are now challenging their all-time highs. However, the easy part of the rebound is over and we expect the highs to be resistance due to the unlikelihood that the carry trade is reinstated, earnings season is nearly over, and the market has already factored in a rate cut in September. A new catalyst for further gains may be needed to drive prices higher.

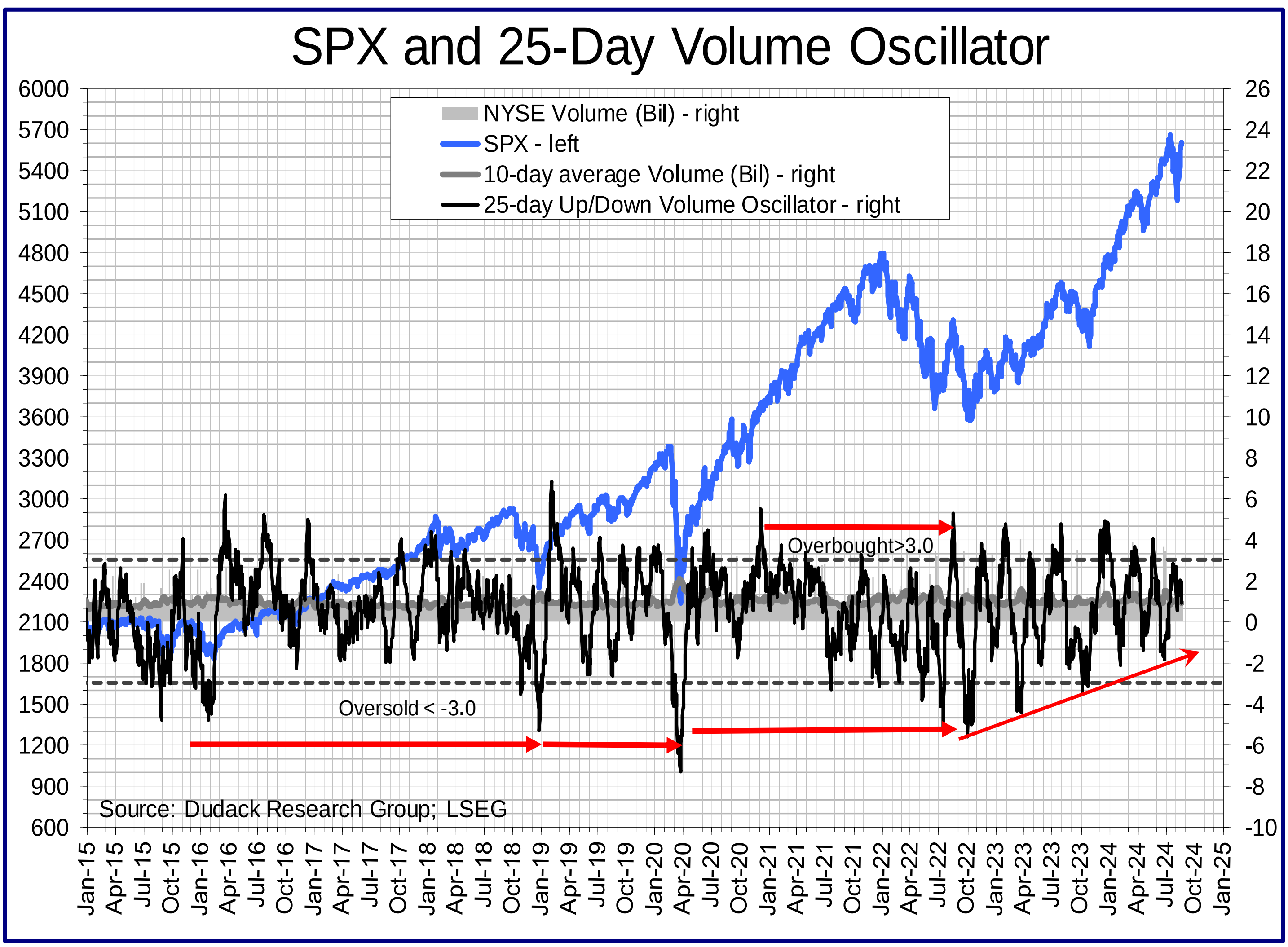



Source: Refinitiv

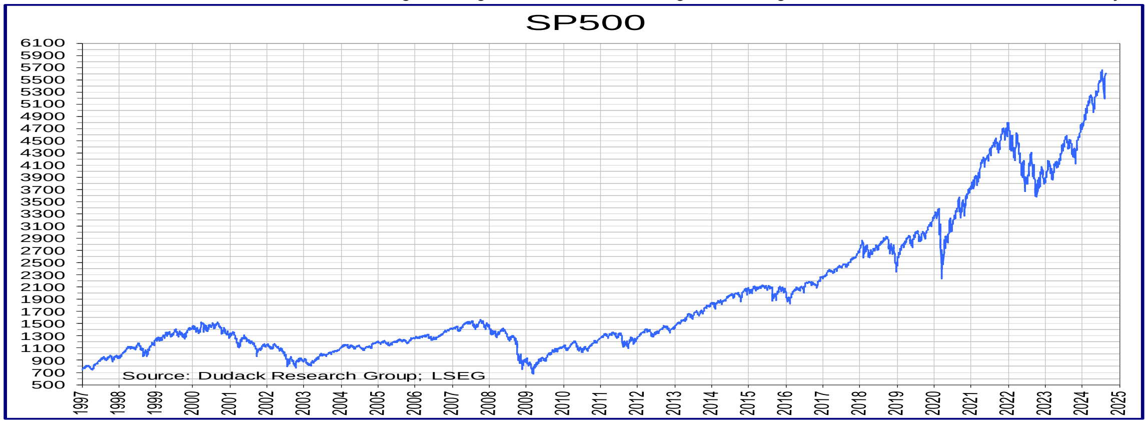
The 25-day up/down volume oscillator is 0.91, in neutral territory, and relatively down from a week ago. Despite a 92% down day on August 5, 2024, this oscillator never reached oversold. Previously, 90% down days were seen on April 12, 2024, February 13, 2024, and December 20, 2023. The last 90% up day was recorded on December 13, 2023. On the other hand, this oscillator failed to reach an overbought reading on the last rally and therefore did not confirm the advance.

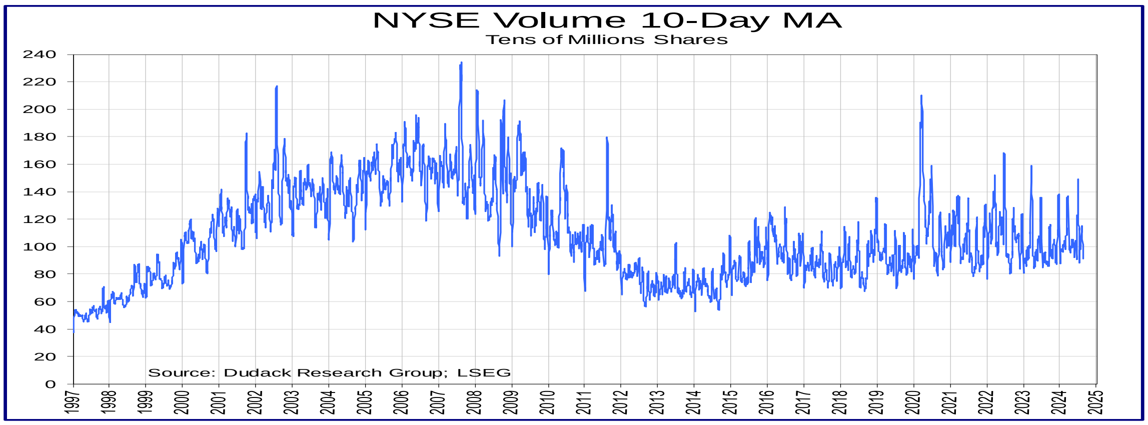
As the indices approach their all-time highs, it will be important for this indicator to confirm with an overbought reading of at least 5 consecutive days. If the rally which began in October actually was a new bull market advance, it should also include several extreme overbought readings of 5.0 or better, which are typical of the first stage of a major advance. This has been absent and represents, to date, a lack of persistent buying pressure.

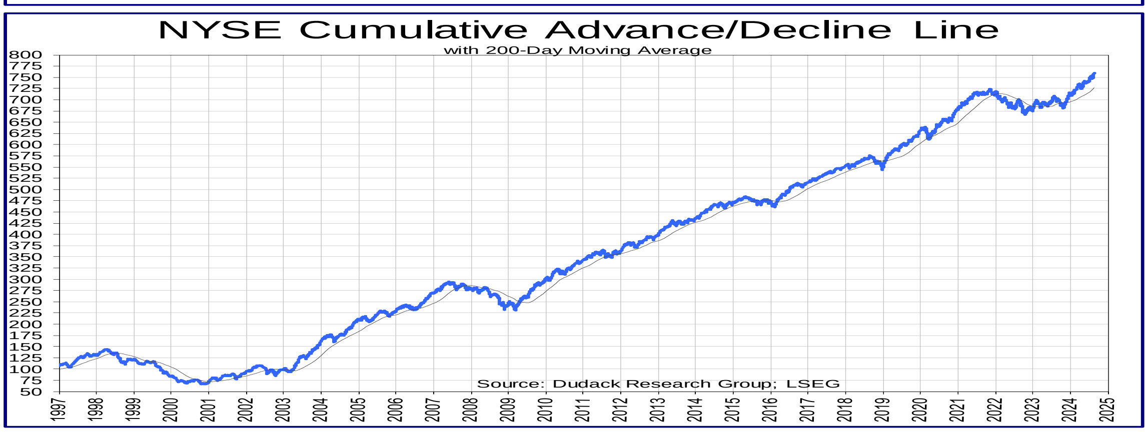
Meanwhile, <u>we are monitoring the uptrend in this oscillator (red line below) off the 2022 low, which remains intact. This lends a bullish bias to an otherwise neutral position of this index. Should this trend line be broken it would be a warning sign for the longer-term stock market</u>.

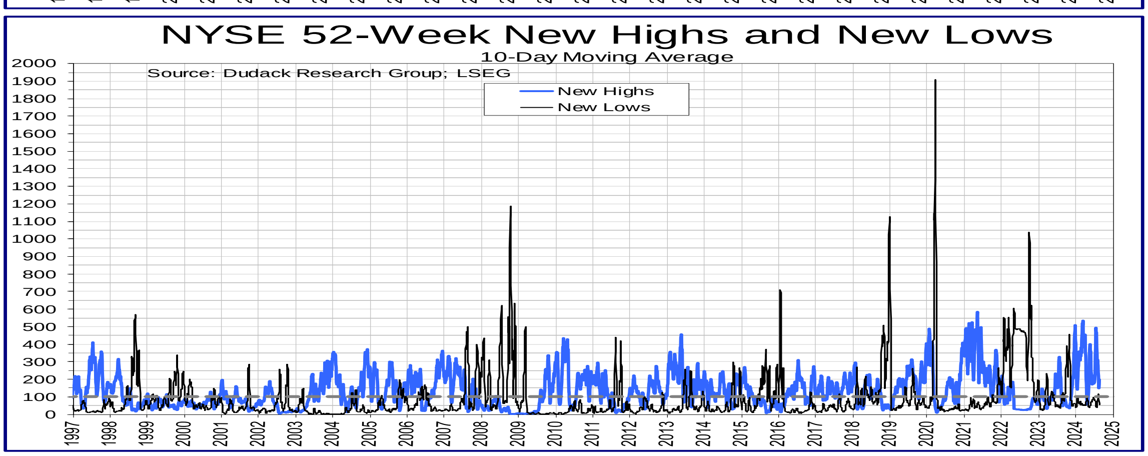


The 10-day average of daily new highs is 199 and new lows are 56. This combination of new highs above 100 and new lows below 100 is positive and more favorable than two weeks ago. The NYSE advance/decline line made a new record high on August 19, 2024, confirming the new highs made in the SPX and IXIC in late July.

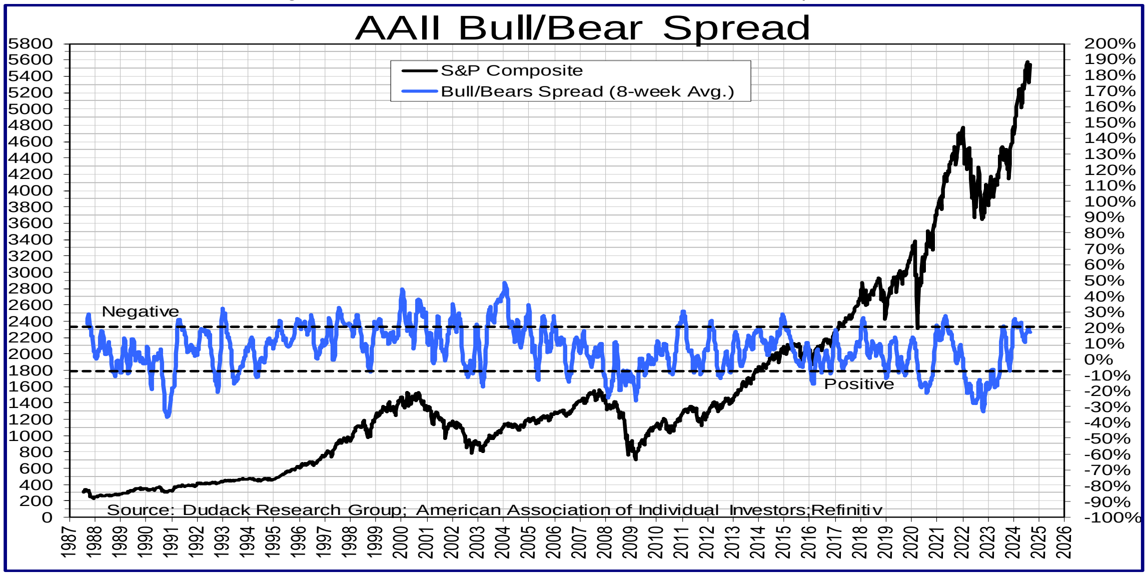


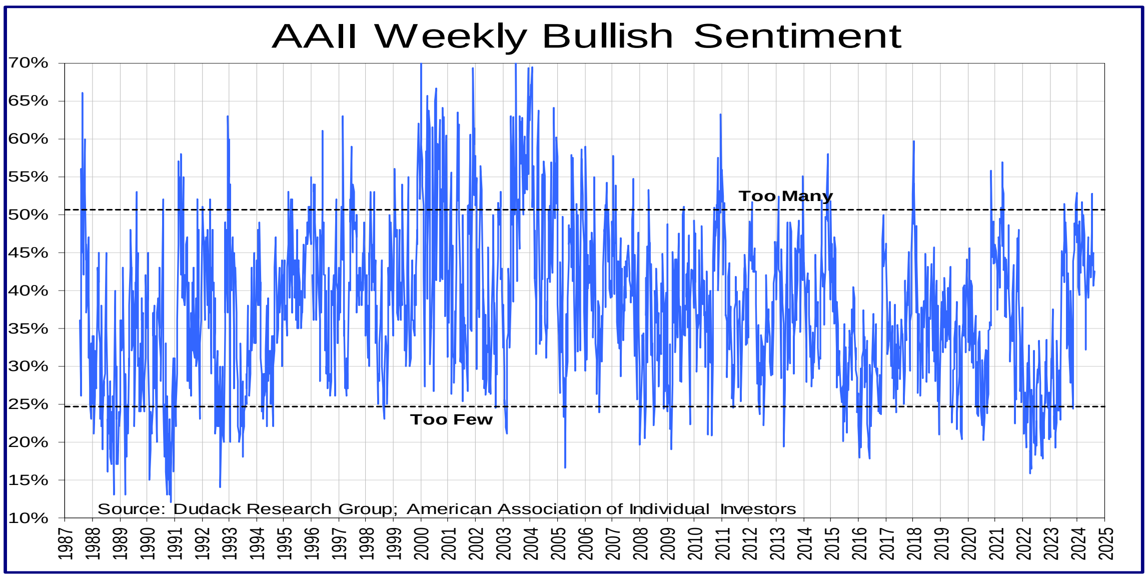



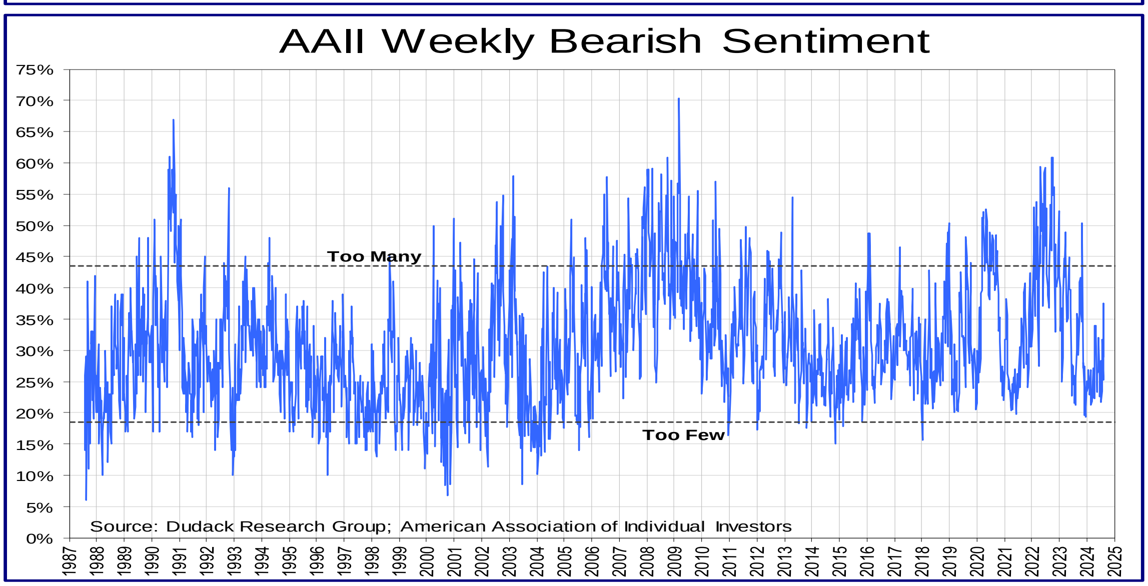



Last week's AAII survey showed bullishness increased 2.0% to 42.5% and bearishness fell 8.6% to 28.9%. Bullishness is still above average, and bearishness is back below average. On December 13, 2023, bearishness was 19.6%, its lowest level since the January 3, 2018 reading of 15.6% when bullishness was also high and above the 50% benchmark at 51.3%. The 8-week bull/bear ratcheted down to 17.1%, backing away from the 20.7% unfavorable level. The last unfavorable readings were the 7 consecutive weeks seen in March and April.



# GLOBAL MARKETS AND COMMODITIES - RANKED BY YTD TRADING PERFORMANCE

| Index/EFT | Symbol | Price | 5-Day% | 20-Day% | QTD% | YTD% |
|---|---|---|---|---|---|---|
| iShares Silver Trust | SLV | 28.13 | 5.7% | 0.8% | 1.0% | 23.5% |
| Silver Future | SIc1 | 29.46 | 6.4% | 1.3% | 0.7% | 23.5% |
| SPDR Gold Trust | GLD | 232.46 | 1.9% | 4.8% | 8.1% | 21.6% |
| iShares Russell 1000 Growth ETF | IWF | 367.80 | 3.7% | 1.7% | 0.9% | 21.3% |
| Communication Services Select Sector SPDR Fund | XLC | 87.18 | 1.7% | 2.4% | 1.8% | 20.0% |
| Nasdaq Composite Index Tracking Stock | ONEQ.O | 70.20 | 3.7% | 0.6% | 0.4% | 18.5% |
| Utilities Select Sector SPDR | XLU | 74.77 | 0.8% | 6.6% | 9.7% | 18.1% |
| iShares MSCI Malaysia ETF | EWM | 25.04 | 3.5% | 7.6% | 11.5% | 17.8% |
| iShares MSCI Taiwan ETF | EWT | 54.14 | 2.1% | 1.9% | -0.1% | 17.6% |
| **SP500** | .SPX | 5597.12 | 3.0% | 1.7% | 2.5% | 17.3% |
| **NASDAQ 100** | NDX | 19719.82 | 3.8% | 1.0% | 0.2% | 17.2% |
| Financial Select Sector SPDR | XLF | 43.87 | 3.2% | 2.4% | 6.7% | 16.7% |
| SPDR Homebuilders ETF | XHB | 111.56 | 1.9% | -0.5% | 10.4% | 16.6% |
| iShares Russell 1000 ETF | IWB | 305.77 | 3.0% | 1.7% | 2.8% | 16.6% |
| Technology Select Sector SPDR | XLK | 224.26 | 5.0% | 1.5% | -0.9% | 16.5% |
| iShares MSCI India ETF | INDA.K | 56.59 | 1.9% | 0.7% | 1.5% | 15.9% |
| Health Care Select Sect SPDR | XLV | 154.42 | 2.1% | 4.4% | 5.9% | 13.2% |
| Consumer Staples Select Sector SPDR | XLP | 81.18 | 2.6% | 4.0% | 6.0% | 12.7% |
| PowerShares Water Resources Portfolio | PHO | 68.32 | 1.3% | 0.9% | 5.3% | 12.3% |
| Industrial Select Sector SPDR | XLI | 127.39 | 2.0% | 2.0% | 4.5% | 11.8% |
| United States Oil Fund, LP | USO | 73.83 | -4.9% | -5.3% | -7.2% | 10.8% |
| iShares Russell 1000 Value ETF | IWD | 182.95 | 2.3% | 1.7% | 4.9% | 10.7% |
| SPDR S&P Bank ETF | KBE | 50.89 | 2.8% | -2.2% | 9.7% | 10.6% |
| iShares MSCI United Kingdom ETF | EWU | 36.48 | 1.4% | 2.7% | 4.6% | 10.4% |
| iShares MSCI Japan ETF | EWJ | 70.02 | 3.6% | 0.1% | 2.6% | 9.2% |
| iShares MSCI Singapore ETF | EWS | 20.29 | 4.9% | 3.3% | 5.7% | 8.5% |
| iShares Nasdaq Biotechnology ETF | IBB.O | 147.38 | 2.7% | 2.3% | 7.4% | 8.5% |
| SPDR DJIA ETF | DIA | 408.56 | 2.7% | 1.4% | 4.5% | 8.4% |
| **DJIA** | .DJI | 40834.97 | 2.7% | 1.4% | 4.4% | 8.3% |
| iShares China Large Cap ETF | FXI | 26.00 | 0.8% | 0.7% | 0.0% | 8.2% |
| Vanguard FTSE All-World ex-US ETF | VEU | 60.74 | 2.8% | 2.1% | 3.6% | 8.2% |
| iShares MSCI Emerg Mkts ETF | EEM | 43.49 | 1.9% | 1.8% | 2.1% | 8.2% |
| iShares Russell 2000 Growth ETF | IWO | 272.64 | 2.3% | -1.7% | 3.9% | 8.1% |
| iShares MSCI EAFE ETF | EFA | 81.06 | 3.1% | 1.9% | 3.5% | 7.6% |
| iShares MSCI Canada ETF | EWC | 39.45 | 2.7% | 2.8% | 6.4% | 7.6% |
| iShares MSCI Germany ETF | EWG | 31.71 | 3.9% | 2.7% | 3.6% | 6.8% |
| iShares MSCI BRIC ETF | BKF | 36.32 | 0.8% | 1.0% | 1.2% | 6.2% |
| Gold Future | GCc1 | 2890.10 | 0.2% | 0.8% | 1.3% | 6.1% |
| Materials Select Sector SPDR | XLB | 90.67 | 1.8% | 0.6% | 2.7% | 6.0% |
| **iShares Russell 2000 ETF** | IWM | 212.69 | 2.3% | -1.9% | 4.8% | 6.0% |
| SPDR S&P Retail ETF | XRT | 76.52 | 3.4% | 1.2% | 2.1% | 5.8% |
| Energy Select Sector SPDR | XLE | 88.68 | -0.3% | -4.0% | -2.7% | 5.8% |
| iShares MSCI Austria Capped ETF | EWO | 22.85 | 2.8% | 1.4% | 4.6% | 5.7% |
| iShares US Real Estate ETF | IYR | 96.35 | 0.9% | 3.7% | 9.8% | 5.4% |
| iShares Russell 2000 Value ETF | IWN | 161.32 | 2.3% | -2.1% | 5.9% | 3.9% |
| iShares MSCI Australia ETF | EWA | 25.26 | 2.6% | 1.2% | 3.4% | 3.8% |
| Consumer Discretionary Select Sector SPDR | XLY | 185.21 | 4.1% | -1.4% | 1.5% | 3.6% |
| SPDR S&P Semiconductor ETF | XSD | 232.78 | 4.3% | -6.5% | -5.9% | 3.6% |
| Oil Future | CLc1 | 74.04 | -5.5% | -7.6% | -9.2% | 3.3% |
| iShares US Telecomm ETF | IYZ | 23.18 | 3.7% | 3.9% | 6.7% | 1.8% |
| iShares MSCI South Korea Capped ETF | EWY | 66.32 | 4.3% | 1.7% | 0.3% | 1.2% |
| iShares iBoxx $ Invest Grade Corp Bond | LQD | 111.74 | 0.9% | 3.1% | 4.3% | 1.0% |
| iShares 20+ Year Treas Bond ETF | TLT | 98.67 | 1.4% | 6.2% | 7.5% | -0.2% |
| Shanghai Composite | .SSEC | 2866.66 | 0.0% | -3.9% | -3.4% | -3.6% |
| iShares DJ US Oil Eqpt & Services ETF | IEZ | 20.86 | -1.0% | -10.2% | -6.3% | -4.8% |
| iShares MSCI Hong Kong ETF | EWH | 15.59 | -0.2% | 0.6% | 1.9% | -10.2% |
| iShares MSCI Brazil Capped ETF | EWZ | 30.55 | 2.0% | 9.1% | 11.8% | -12.6% |
| iShares MSCI Mexico Capped ETF | EWW | 56.01 | 0.3% | -4.4% | -1.1% | -17.5% |

**Outperformed SP500**
Underperformed SP500

Source: Dudack Research Group; Refinitiv

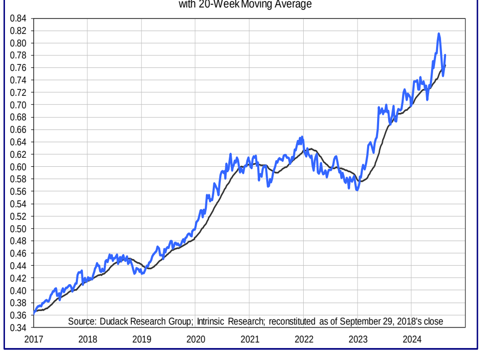
Priced as of August 20, 2024

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

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

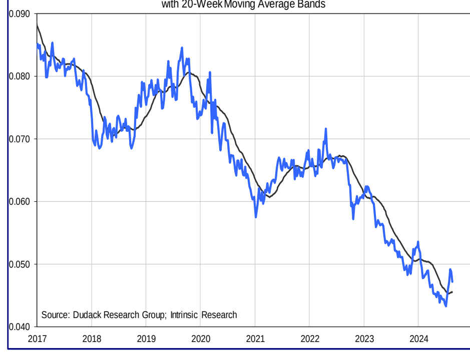
2/6/2024: Upgraded Communication Services from U to O; Technology & Healthcare from from N to O; Downgraded Industrials & Consumer Discretionary from O to N; Materials downgraded from O to U. Staples & Energy upgraded to N.

Technology* Sector relative to SPX
with 20-Week Moving Average

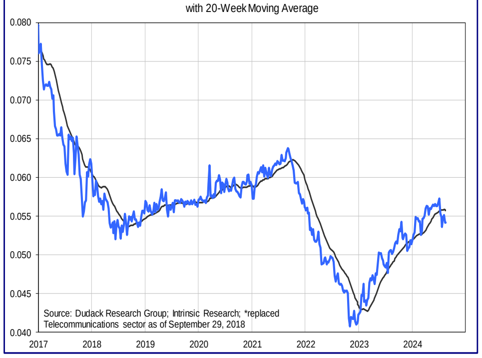



Consumer Discretionary* Sector relative to SPX
with 20-Week Moving Average

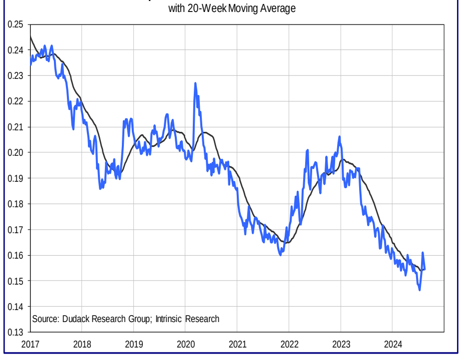

REITS Sector relative to SPX
with 20-Week Moving Average Bands



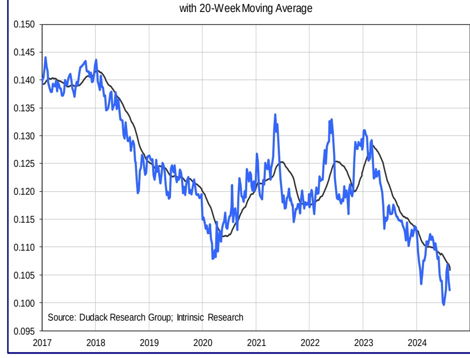

Communication Services* Sector relative to SPX
with 20-Week Moving Average



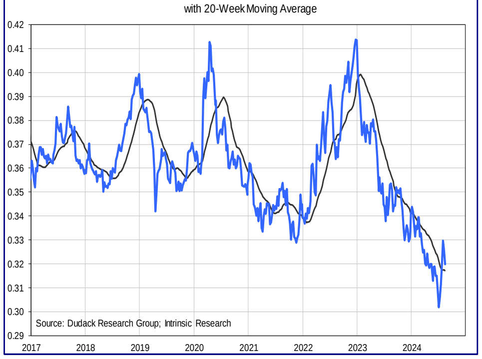

Staples Sector relative to SPX
with 20-Week Moving Average



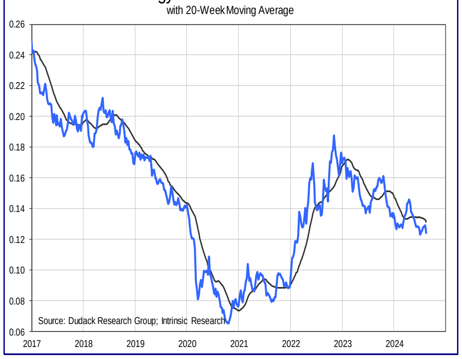

Material Sector relative to SPX
with 20-Week Moving Average



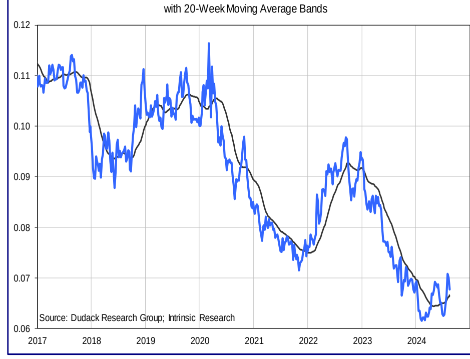

Healthcare Sector relative to SPX
with 20-Week Moving Average



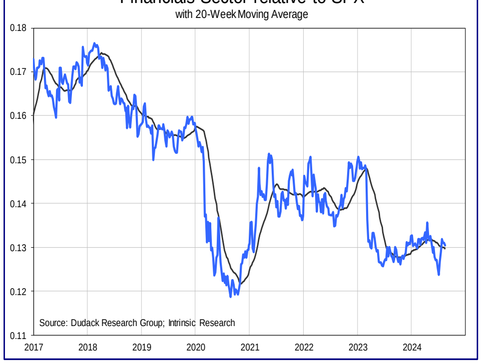

Energy Sector relative to SPX
with 20-Week Moving Average



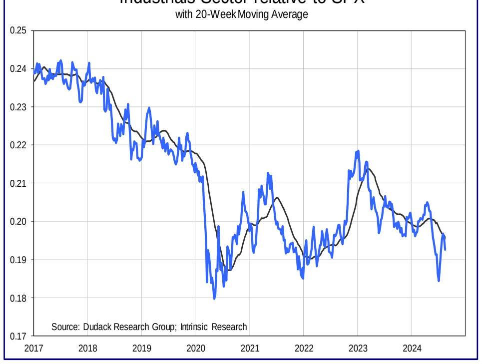

Utilities Sector relative to SPX
with 20-Week Moving Average Bands




Financials Sector relative to SPX
with 20-Week Moving Average




Industrials Sector relative to SPX
with 20-Week Moving Average




| 2024 Performance - Ranked | |
|---|---|
| SP500 Sector | % Change |
| S&P INFORMATION TECH | 28.5% |
| S&P COMMUNICATIONS SERVICES | 23.5% |
| S&P UTILITIES | 17.5% |
| S&P 500 | 17.3% |
| S&P FINANCIAL | 16.3% |
| S&P CONSUMER STAPLES | 14.0% |
| S&P HEALTH CARE | 13.0% |
| S&P INDUSTRIALS | 11.6% |
| S&P MATERIALS | 5.9% |
| S&P ENERGY | 5.7% |
| S&P REITS | 5.0% |
| S&P CONSUMER DISCRETIONARY | 5.0% |

Source: Dudack Research Group; Refinitiv; Monday closes

## US Asset Allocation

| | Benchmark | DRG % | Recommendation |
|---|---|---|---|
| Equities | 60% | 55% | Neutral |
| Treasury Bonds | 30% | 20% | Underweight |
| Cash | 10% | 25% | Overweight |
| | 100% | 100% | |

Source: Dudack Research Group; raised cash and lowered equity 15% on December 21, 2022

# 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 % | IBES Consensus Bottom-Up $ EPS** | Refinitiv 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 % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2007 | 1468.36 | $66.18 | $82.54 | $82.54 | -5.9% | $85.12 | -3.5% | 17.8X | 1.8% | 2.0% | $1,141.40 | -6.1% |
| 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% | 2.5% | $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% | 5.8% | $2,382.80 | 21.1% |
| 2022 | 3839.50 | $139.47 | $196.95 | $196.95 | -5.4% | $218.09 | 4.8% | 19.5X | 1.7% | 1.9% | $2,478.80 | 4.0% |
| 2023 | 4769.83 | $94.14 | $213.53 | $213.53 | 8.4% | $221.36 | 1.5% | 22.3X | 1.5% | 2.5% | $2,803.20 | 4.0% |
| 2024E | ~~~~~ | $197.87 | $238.26 | $234.00 | 9.6% | $242.46 | 9.5% | 23.5X | 1.4% | NA | NA | NA |
| 2025E | ~~~~~ | $172.75 | $277.17 | $255.00 | 9.0% | $279.32 | 15.2% | 20.2X | NA | NA | NA | NA |
| 2017 1Q | 2362.72 | $27.46 | $28.82 | $28.82 | 20.2% | $30.90 | 14.6% | 21.3 | 2.0% | 2.0% | $1,911.40 | 7.5% |
| 2017 2Q | 2423.41 | $27.01 | $30.51 | $30.51 | 18.7% | $32.58 | 10.0% | 20.9 | 1.9% | 2.3% | $1,896.90 | 9.5% |
| 2017 3Q | 2519.36 | $28.45 | $31.33 | $31.33 | 9.2% | $33.45 | 7.2% | 21.2 | 1.9% | 3.2% | $1,927.00 | 9.8% |
| 2017 4Q | 2673.61 | $26.96 | $33.85 | $33.85 | 21.3% | $36.02 | 15.1% | 21.5 | 1.8% | 4.6% | $1,977.10 | 9.4% |
| 2018 1Q | 2640.87 | $33.02 | $36.54 | $36.54 | 26.8% | $38.07 | 23.2% | 20.0 | 1.9% | 3.3% | $2,028.40 | 6.1% |
| 2018 2Q | 2718.37 | $34.05 | $38.65 | $38.65 | 26.7% | $41.00 | 25.8% | 19.4 | 1.9% | 2.1% | $2,071.00 | 9.2% |
| 2018 3Q | 2913.98 | $36.36 | $41.38 | $41.38 | 32.1% | $42.66 | 27.5% | 19.4 | 1.8% | 2.5% | $2,072.00 | 7.5% |
| 2018 4Q | 2506.85 | $28.96 | $35.03 | $35.03 | 3.5% | $41.18 | 14.3% | 16.5 | 2.1% | 0.6% | $2,099.60 | 6.2% |
| 2019 1Q | 2834.40 | $35.02 | $37.99 | $37.99 | 4.0% | $39.15 | 2.8% | 18.5 | 1.9% | 2.2% | $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% | 4.6% | $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% | 2.6% | $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% | -5.3% | $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% | 34.8% | $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% | 4.2% | $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% | 5.2% | $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% | 6.2% | $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% | -2.0% | $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% | 2.7% | $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% | 2.6% | $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% | 2.2% | $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% | 2.1% | $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% | 4.9% | $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% | 1.4% | $2,726.80 | 5.3% |
| 2024 2QE | 5521.50 | $56.40 | $58.80 | $58.12 | 6.0% | $60.51 | 11.5% | 25.1 | 1.3% | 2.8% | NA | NA |
| 2024 3QE* | 5597.12 | $54.75 | $61.08 | $60.75 | 16.3% | $61.56 | 5.4% | 24.5 | NA | NA | NA | NA |
| 2024 4QE | ~~~~~ | $58.13 | $63.75 | $60.50 | 12.2% | $64.45 | 12.8% | 23.5 | NA | NA | NA | NA |

Source: DRG; S&P Dow Jones **quarterly EPS may not sum to official CY estimates; LSEG IBES Consensus estimates *8/20/2024

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