Dudack Research Group
A Division of Wellington Shields & Co. LLC Member NYSE, FINRA & SIPC
Gail M. Dudack, CMT ● Chief Investment Strategist ● gail@dudackresearchgroup.com ● 212-320-2045
January 15, 2025

DJIA: 42518.28
SPX: 5842.91
NASDAQ: 19044.39

US Strategy Weekly
Inflation, Bonds, and Equity Yields

This strategy weekly is being written prior to the release of December's CPI report, and many commentators are suggesting that the report could be a market moving event. Most economists are expecting inflation to trend lower in 2024, but with the caveat that tariffs could increase inflation. However, December's CPI report is coming out before tariffs can be used as an excuse for inflation, and if inflation is higher than expected, the market is apt to respond poorly.

This belated fear of inflation – belated because inflation data has already been flat to higher for several months -- is hiding another issue which we have discussed previously. The underlying issue of this inflation fear, in our view, is that stock prices have been driven up by speculators betting on an accommodative and rate-cutting Federal Reserve to support the financial markets and their investments. In our view, a fear of inflation and higher interest rates is irrational at this juncture since a stronger economy that provides good corporate earnings growth should counterbalance the risk of higher interest rates. In other words, the real concern for investors should be earnings growth. Nonetheless, if inflation fears shake out speculation in the equity market, it is a good thing in the long run. Speculators are the icing on the cake, the real cake is investors who buy for fundamentals not momentum. Momentum works in the short-term; fundamentals work in the long term. In sum, focusing on fourth quarter earnings results and corporate projections for this year are the important issues in coming weeks.

However, as the 10-year Treasury bond yield rises to 4.78%, analysts have begun to focus on the S&P 500's earnings yield and are concerned. We see this shift in the consensus' focus from momentum to fundamentals to be a long-term positive.

The earnings yield (earnings divided by the S&P 500 price) is a good short cut for assessing the appeal of stocks versus bonds; however, like most fundamental benchmarks, it varies depending upon one's inputs. The current IBES 2025 earnings estimate of $273.91 creates an earnings yield of 4.7% and the S&P/Dow Jones estimate of $271.22 generates an earnings yield of 4.6%. These are in line with, or slightly below the current bond yield, however, stocks also have a dividend yield. The current dividend yield of 1.3% generates a total equity yield of 6% for equities. This means the earnings yield still favors equities, but by a slim margin. The risk is that things could change later this year. Bond yields, which are threatening the 5% level, could move higher this year, which is why some institutional investors are shifting money from equities to bonds. Still, earnings growth in 2025 could be better than expected and this would favor equities. However, if the economy is stronger than expected and interest rates move higher (a natural event in a strong economy), earnings growth could exceed expectations and continue to favor equities. In short, earnings growth and higher interest rates can exist together, and history shows that this is often the case.

Data Shows Strength

Most recent economic releases are pointing to a stronger economy. The NFIB small business optimism index jumped 3.4 points in December to 105.1, the highest level since October 2018 and the second consecutive month above the long-term average of 98. The uncertainty index plunged 12 points to 86, its lowest level in six months. Both indices are showing great optimism after the re-election of Donald Trump, which is not a surprise given the promise of less regulation, lower energy prices, and a business-friendly environment; however, this is the opposite of the tone of many financial articles. A bigger surprise in the survey was the improvement reported in actual sales and earnings in December. Although the net index remains in negative territory, the actual earnings index increased from a low of -37 in August to -26 in December. Similarly, actual sales trends improved from a low of -20 in October to -13 in December. Small business owners also showed great expectations for the economy (up 16 points to 52), sales expectations (up 8 to 22), and credit conditions (up 3 to -2). See pages 3 and 4.

December's employment report was much stronger than expected with an increase of 256,000 jobs and the unemployment rate inching down to 4.1%. What impressed us more was the improvement in the household survey which indicated an increase of 478,000 jobs and a decrease of 235,000 unemployed during the month. This combination lowered the unemployment rate to 4.1%.

Our favorite indicators are the year-over-year increases in jobs as reported by the establishment and the household surveys. In December, the establishment survey indicated job growth of 1.4% YOY, slightly below the long-term average of 1.7%, but still a healthy increase. The household survey showed jobs growing 0.3% YOY, which is low, however, it was an important reversal from the 0.4% YOY decline reported in November. The household survey has been on our radar because of the negative growth rate seen in November, so this report was good news. See page 5.

The December jobs report was also in line with the recently released JOLTS report for November. This report showed total nonfarm job openings of 259,000, with the majority of these openings in the professional and business services sector. This was a favorable development; however, it does not explain why the decline in the unemployment rate in December was greatest for those with less than a high school degree. The unemployment rate for this group had been as high as 7% in August but fell from 6% to 5.6% at yearend. The unemployment rate for those with a bachelor's degree or higher fell from 2.5% to 2.4%. In sum, the job market has been improving on many levels. See page 6. In addition, average weekly earnings grew 3.5% YOY in December, which remains above the level of inflation which is currently 2.75%. This means real earnings are increasing. See page 7.

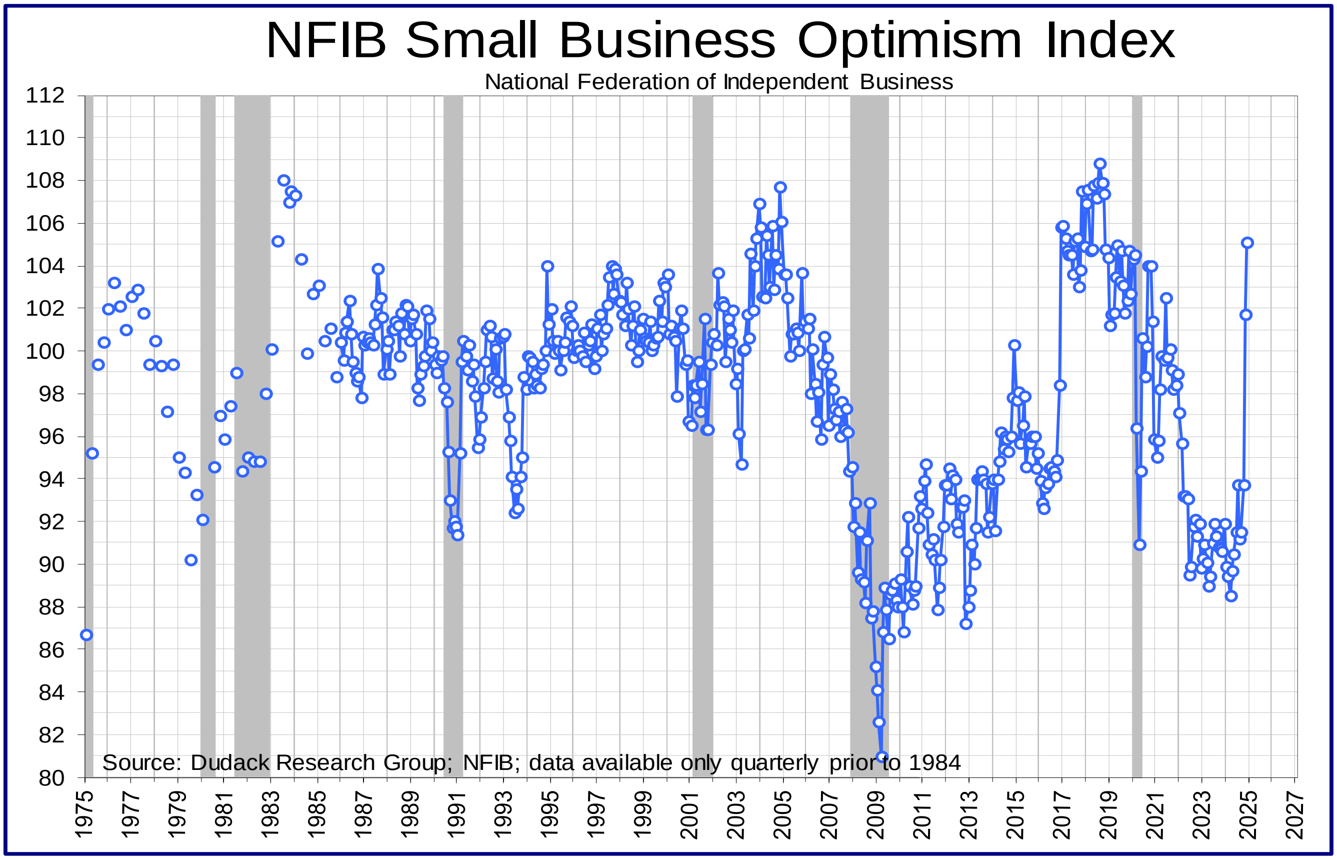
However, there is a potential problem for interest rates in 2025 and it may not be inflation. White House data indicates that the fiscal 2024 deficit was $1.5 trillion or 6.6% of GDP. This is well above the long-term average of deficits-to-GDP of 3.6%. The White House estimates the current fiscal 2025 deficit will be $1.4 trillion, representing 6.1% of GDP. These deficit levels are unsustainable and represent a major challenge for the incoming administration. Interest payments on government debt totaled $881.7 billion in fiscal year 2024 which was 13.1% of total government outlays and is up from 5.3% in fiscal 2020. See page 9. Our only consolation is that the incoming administration has focused on the deficit as a problem, rather than ignoring it.

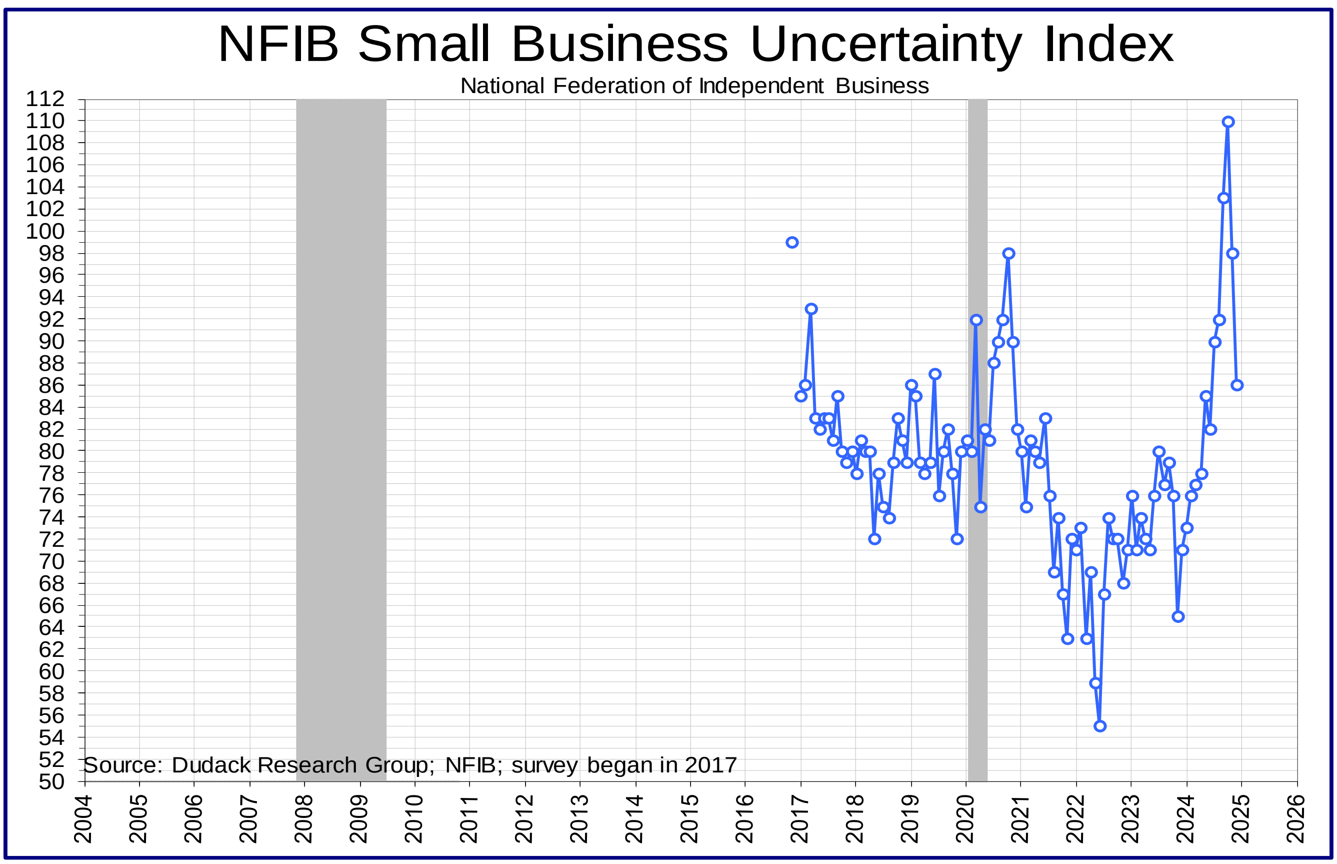
Market and Breadth

Many prognosticators are turning bearish for 2025, however, to date, the charts of the indices do not reflect anything other than a normal pause in an uptrend. The S&P 500 is testing its 100-day moving average, the DJIA is trading slightly below its average, and the Nasdaq Composite is trading well above this benchmark. The Russell 2000 is the index to watch since it is getting perilously close to testing its 200-day moving average. This will be an important test of market strength or weakness. See page 13.

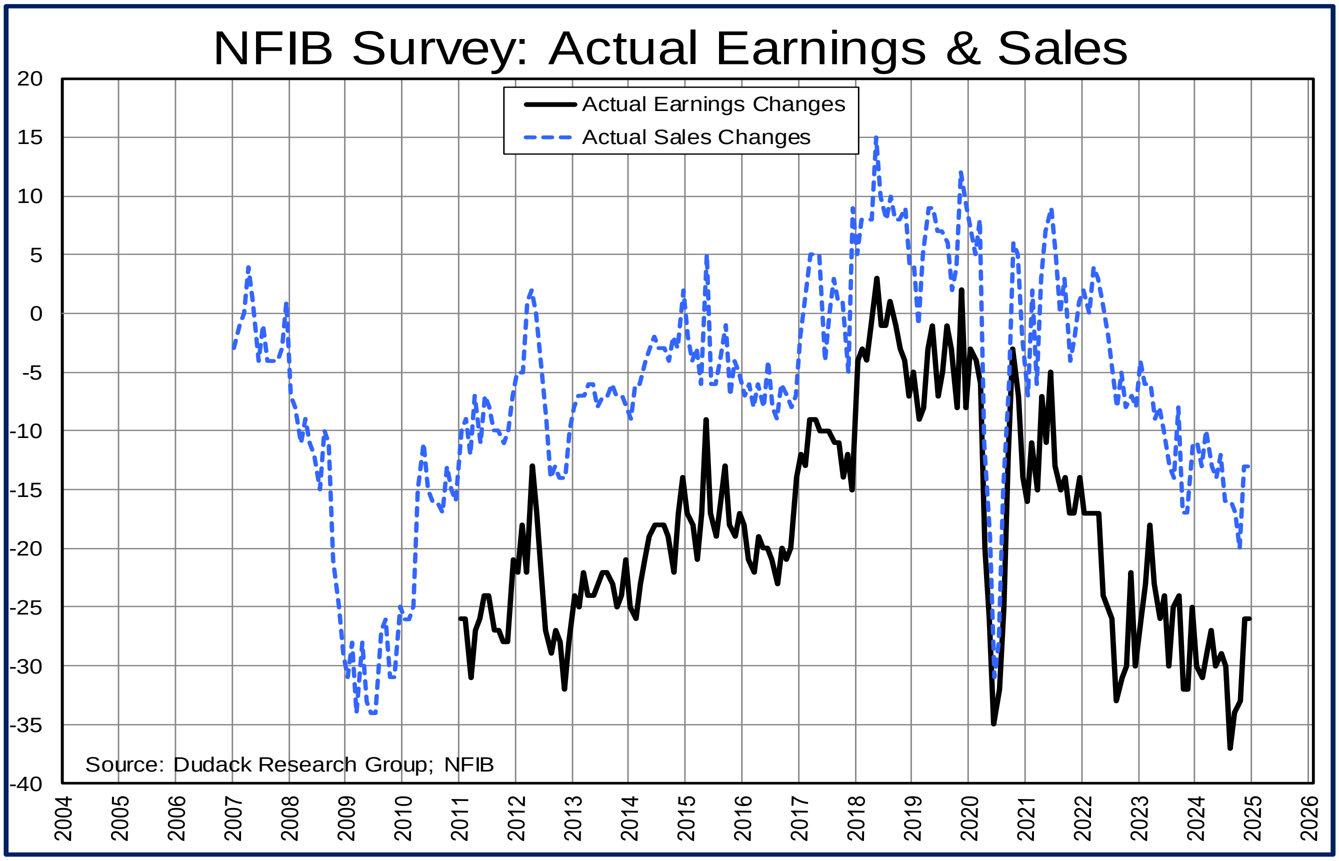
The 25-day up/down volume oscillator is at negative 2.01 this week, neutral, but down significantly from a week ago and potentially closing in on an oversold reading of minus 3.0 or less. An oversold reading that lasts more than five consecutive trading sessions is a warning and would be a signal that the bullish momentum that has been in place since the October 2022 low has been broken and a decline of more than 10% is on the horizon. Again, an important test is on the horizon for the equity market. See page 14.

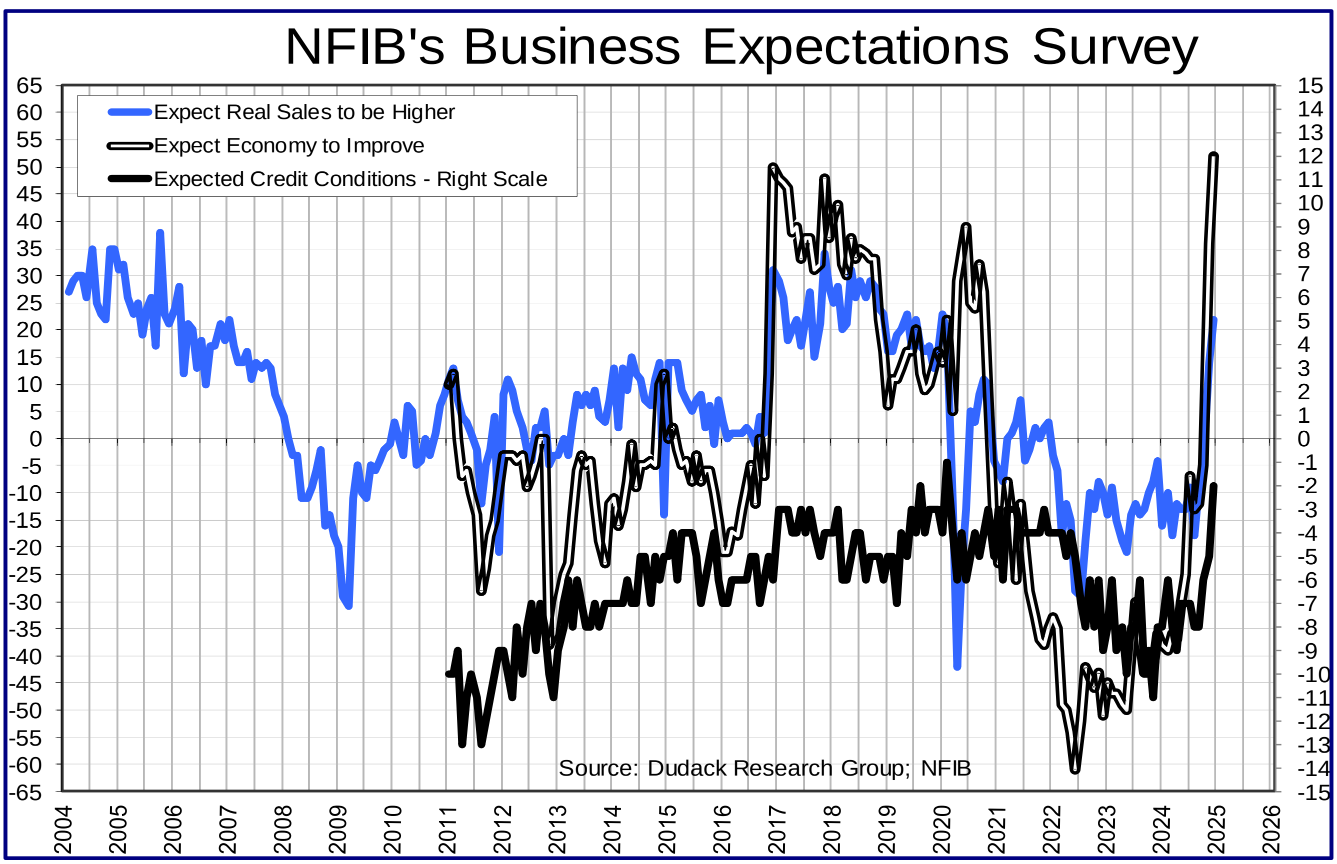
The NFIB small business optimism index jumped 3.4 points in December to 105.1, the highest level since October 2018 and the second consecutive month above the long-term average of 98. The uncertainty index plunged 12 points to 86, its lowest level in six months. Both indices are showing great optimism after the re-election of Donald Trump. This is not a surprise given the promise of less regulation, lower energy prices, and a business-friendly environment, but it is the opposite of the tone of many financial articles.





A bigger surprise in the NFIB survey was the substantial improvement reported in actual sales and earnings in December. Although the net index remains in negative territory, the actual earnings index increased from a low of -37 in August to -26 in December. Similarly, actual sales trends improved from a low of -20 in October to -13 in December. Small business owners also showed great expectations for the economy (up 16 points to 52), sales expectations (up 8 to 22), and credit conditions (up 3 to -2).



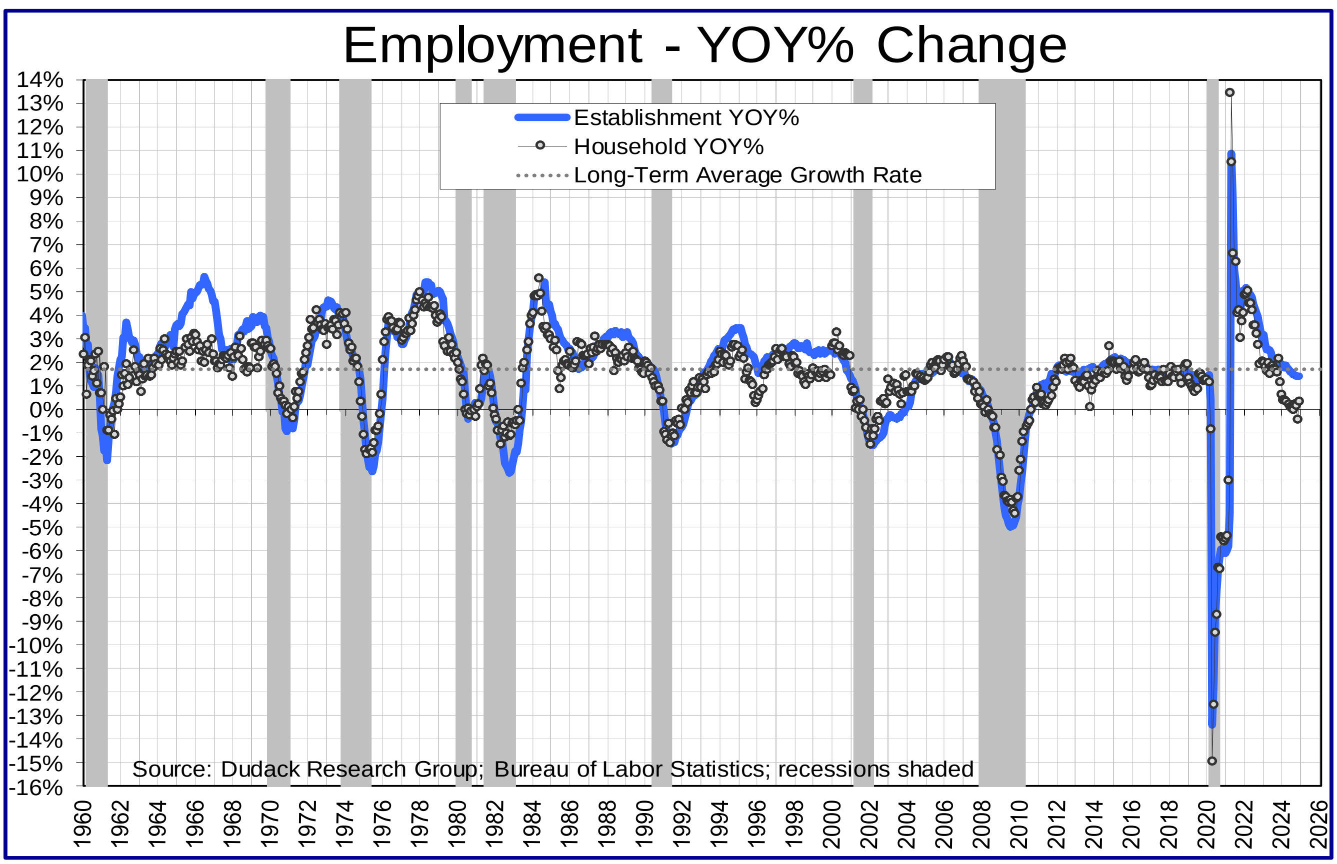


December's employment report was much stronger than expected with an increase of 256,000 jobs and the unemployment rate inching down to 4.1%. The November report showed an increase of 212,000 new jobs. What impressed us the most was the improvement in the household survey which showed an increase of 478,000 jobs and a decrease of 235,000 unemployed. This is what lowered the unemployment rate to 4.1%.

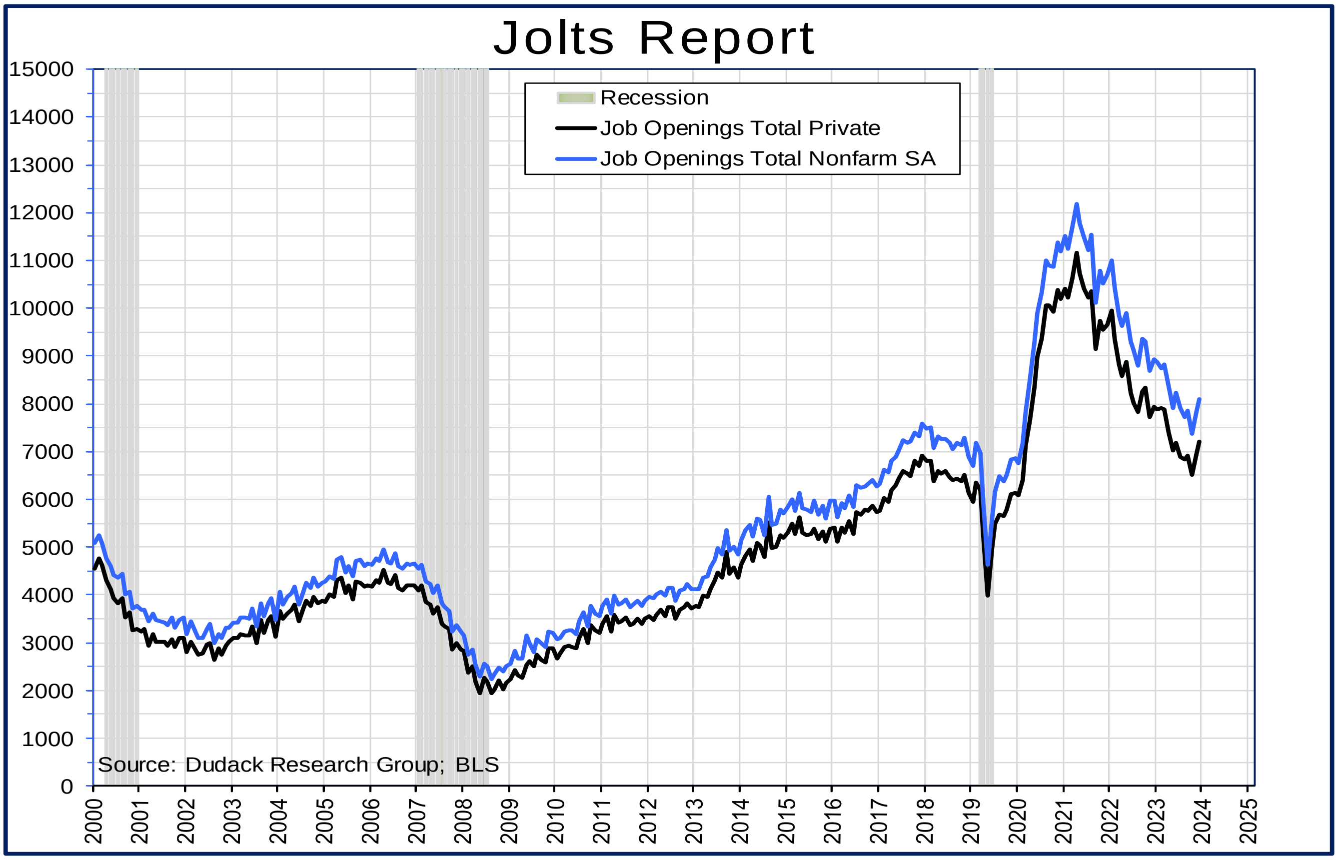
Our favorite employment indicator is the year-over-year increase in employment in both the establishment and household surveys. In December, the establishment survey grew 1.4% YOY, slightly below the long-term average of 1.7%, but a healthy increase. The household survey showed jobs growing 0.3% YOY, which is low, however, an important reversal from the 0.4% YOY decline seen in November. Keep in mind that January's employment report will include multiple seasonal and population adjustments. This is an annual affair, and it makes January employment statistics difficult to compare to previous months.

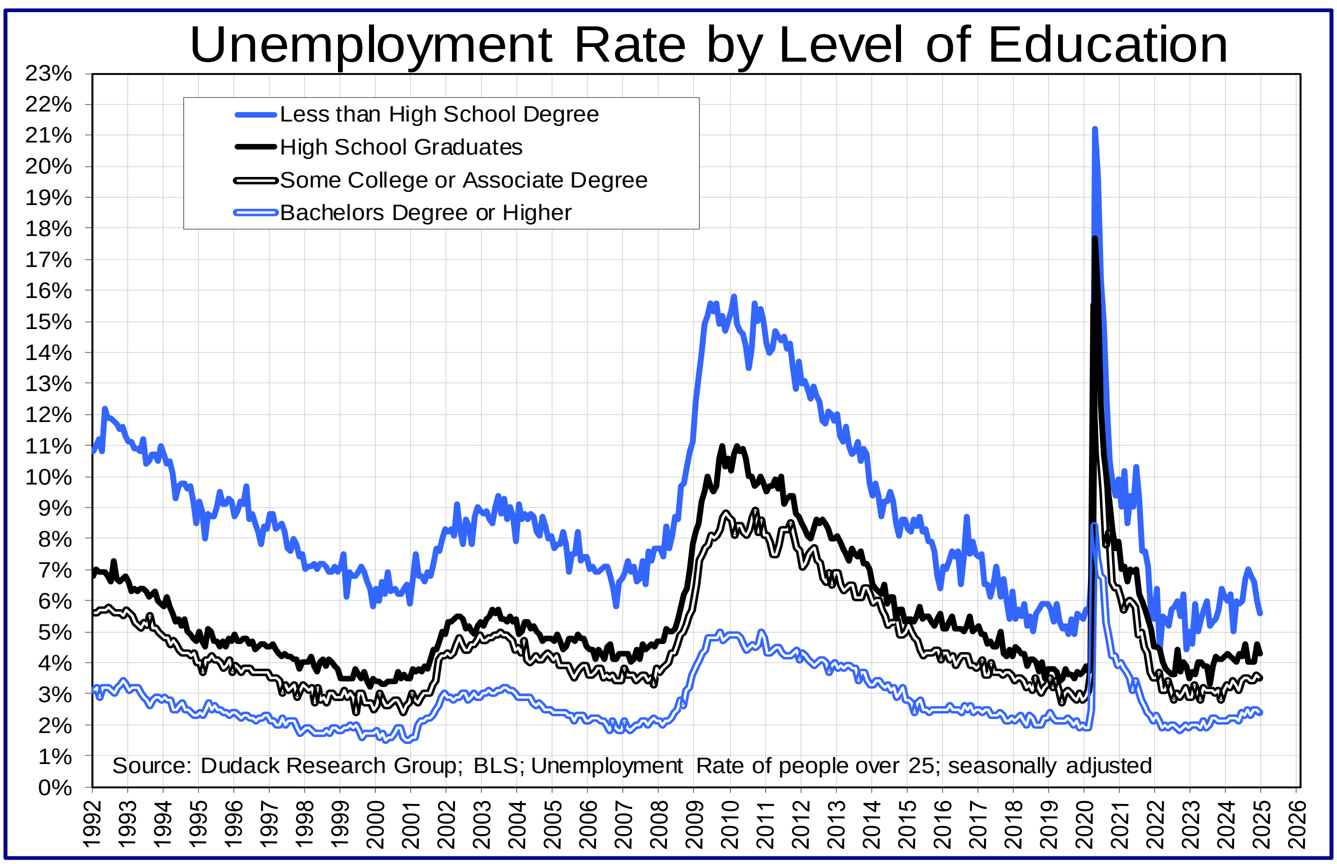
Employment Surveys (1,000s SA)	Dec-24	Nov-24	Change	Dec-23	Yr/Yr
Establishment Survey: NonFarm Payrolls	159,536	159,280	256	157,304	2,232
Household Survey Data (1,000s)					
Employed (A)	161,661	161,183	478	161,124	537
Unemployed (B)	6,886	7,121	(235)	6,315	571
Civilian labor force [A+B]	168,547	168,304	243	167,439	1,108
Unemployment rate [B/(A+B)]	4.1%	4.2%	-0.1%	3.8%	0.3%
U6 Unemployment rate	7.5%	7.7%	-0.2%	7.1%	0.4%
Civilian noninstitutional population (C)	269,638	269,463	175	267,991	1,647
Participation rate [(A+B)/C]	62.5	62.5	0.0	62.5	0
Employment-population ratio [A/C]	60.0	59.8	0.2	60.1	-0.1
Not in labor force	101,091	99,754	1,337	100,552	539

Source: Bureau of Labor Statistics

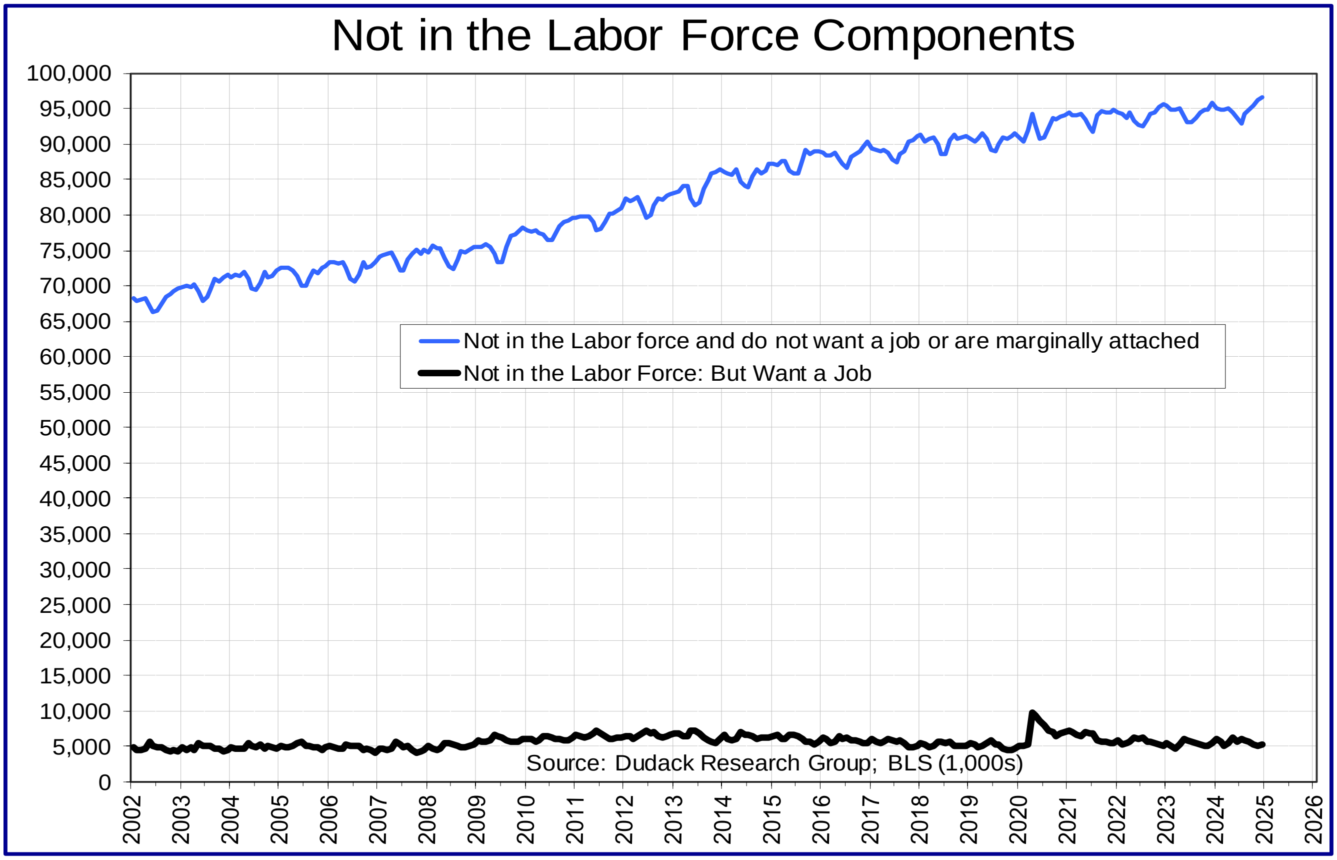


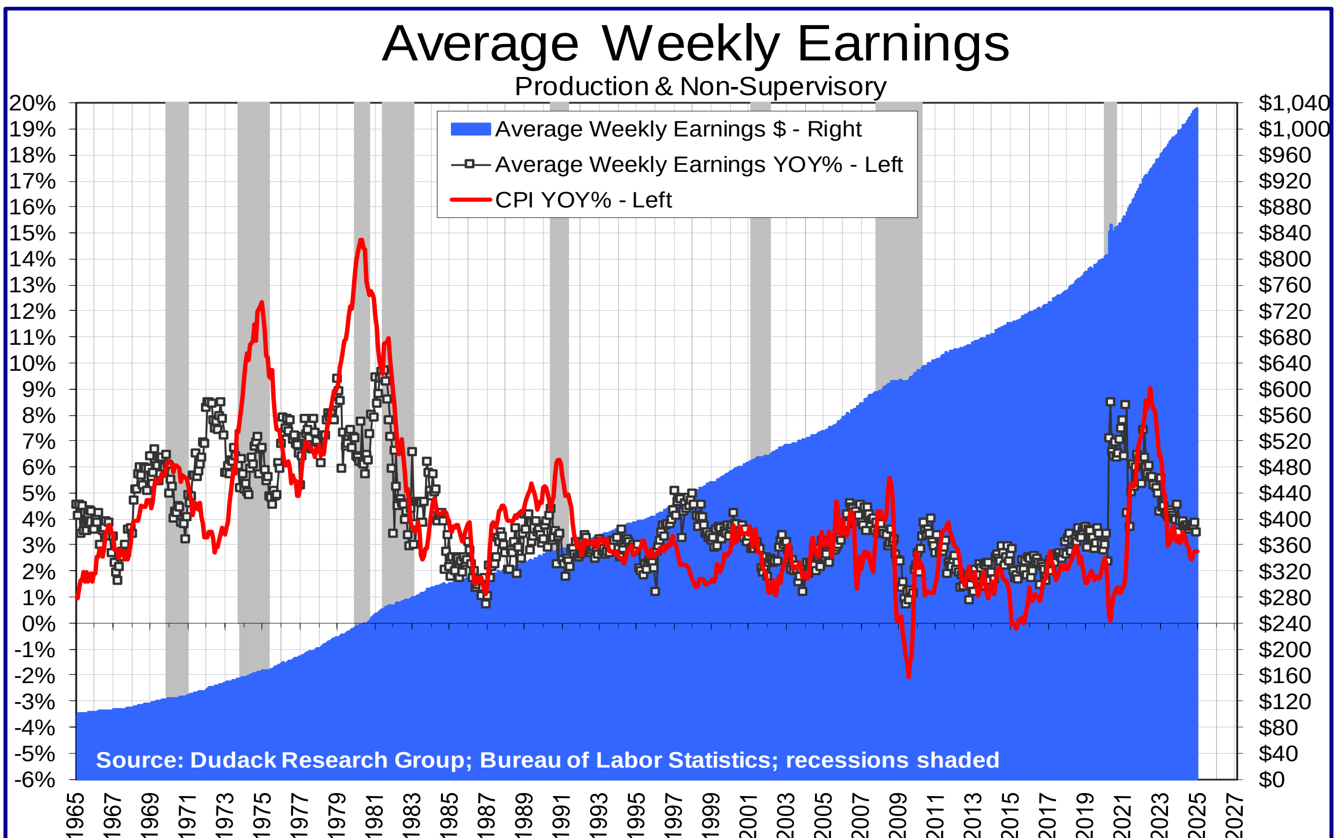
The December jobs report was in line with the recently released JOLTS report for November, which showed total nonfarm job openings of 259,000. The majority of these openings were in the professional and business services sector. However, this does not explain why the decline in the unemployment rate was the greatest in those with less than a high school degree. The unemployment rate for this group fell from 6% to 5.6% but was as high as 7% in August. The unemployment rate for those with a bachelor's degree or higher fell from 2.5% to 2.4%.



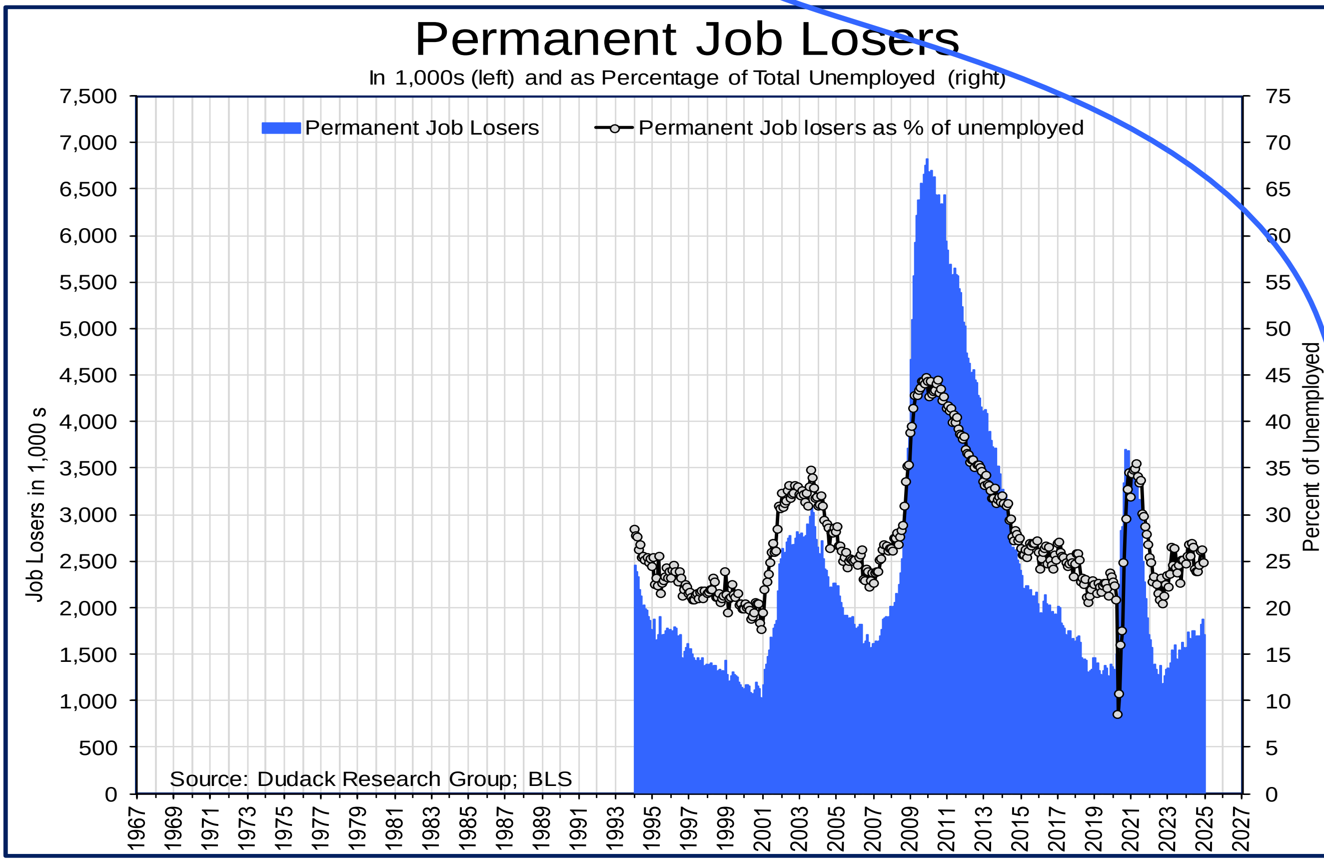


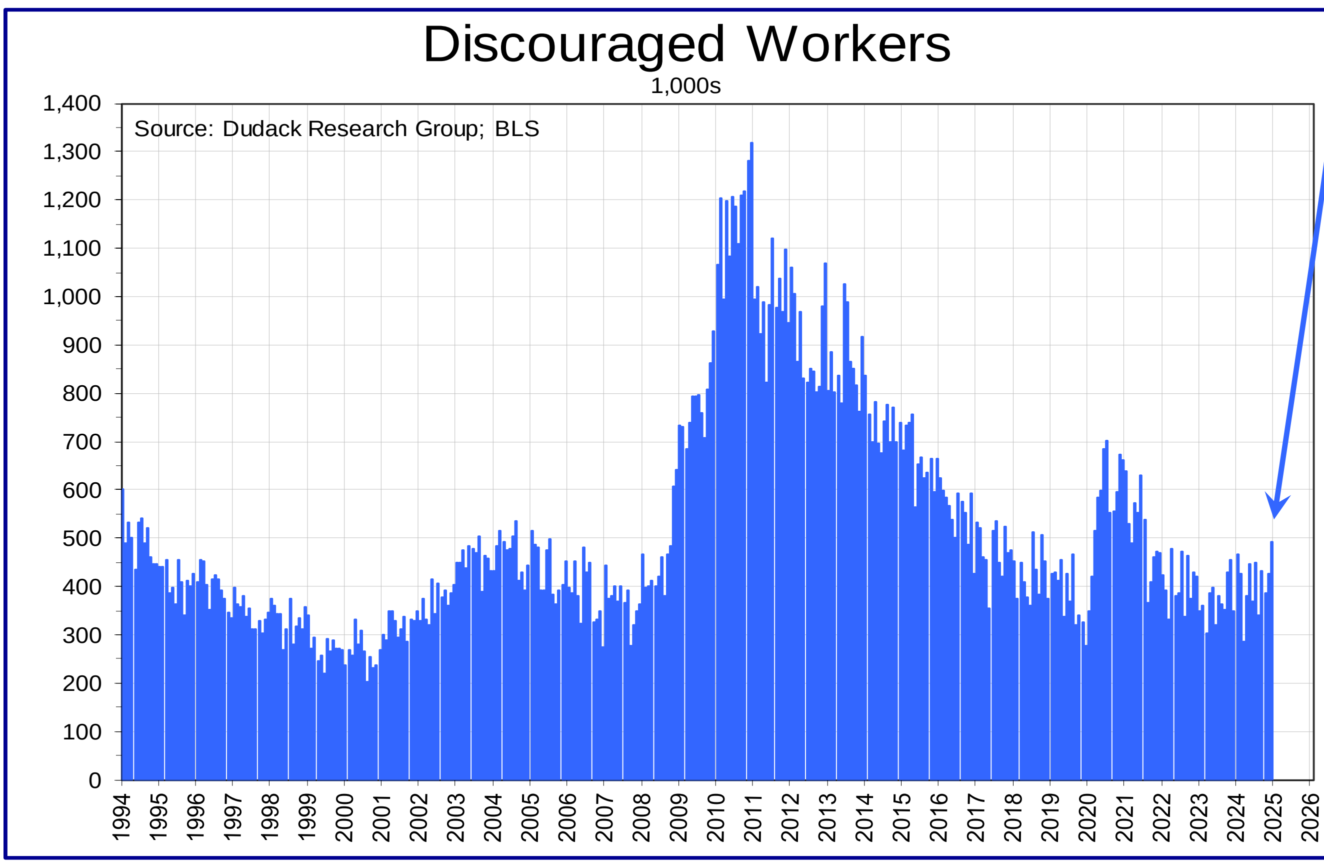
The household survey also tallies those workers who are no longer in the labor force and do not want a job or are marginally attached to the labor market. This category grew by 432,000 in December and is 733,000, almost three-quarters of a million greater than a year ago. This is likely due to the steady retirement of Baby Boomers. Average weekly earnings grew 3.5% YOY in December, which remains above the level of inflation which is currently 2.75%. In short, real earnings are increasing.



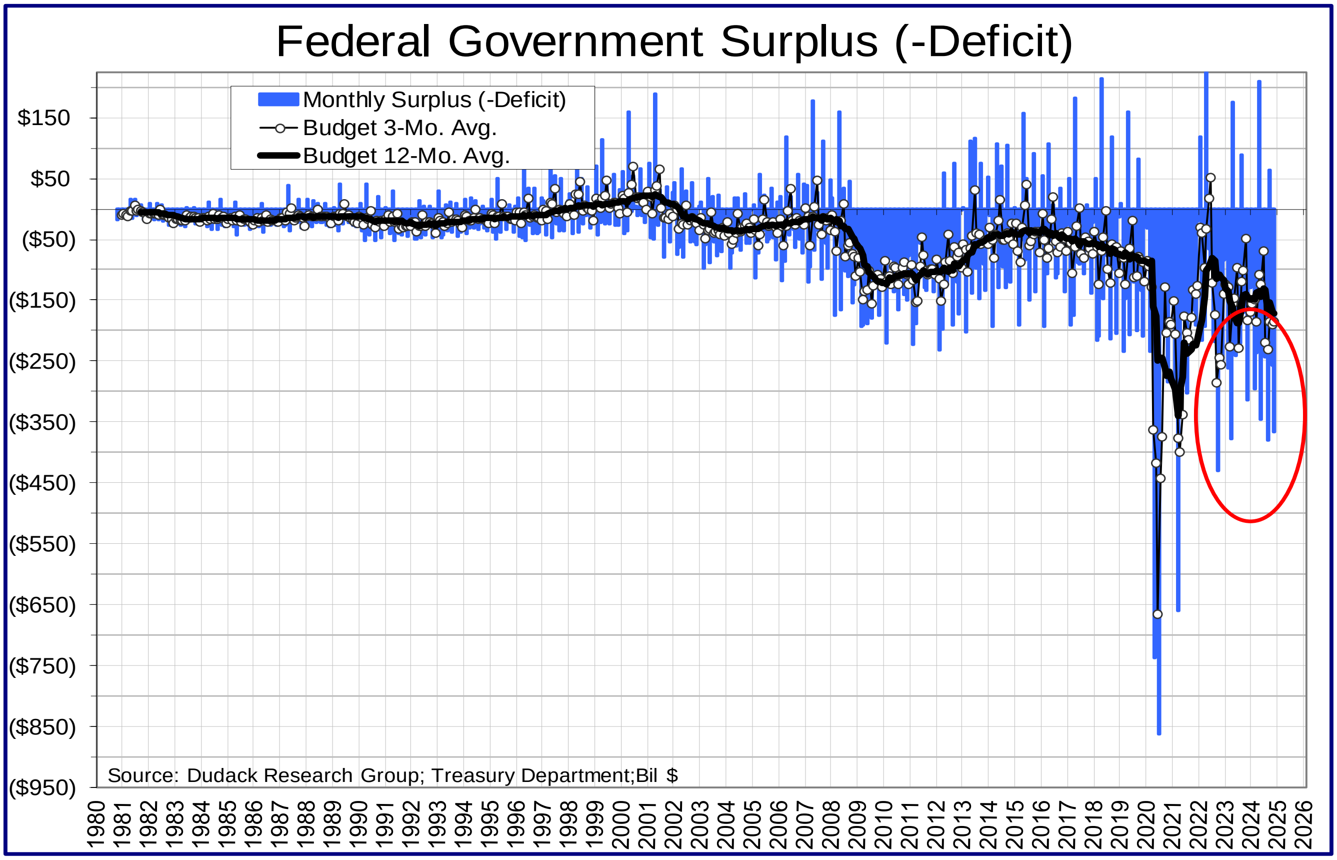


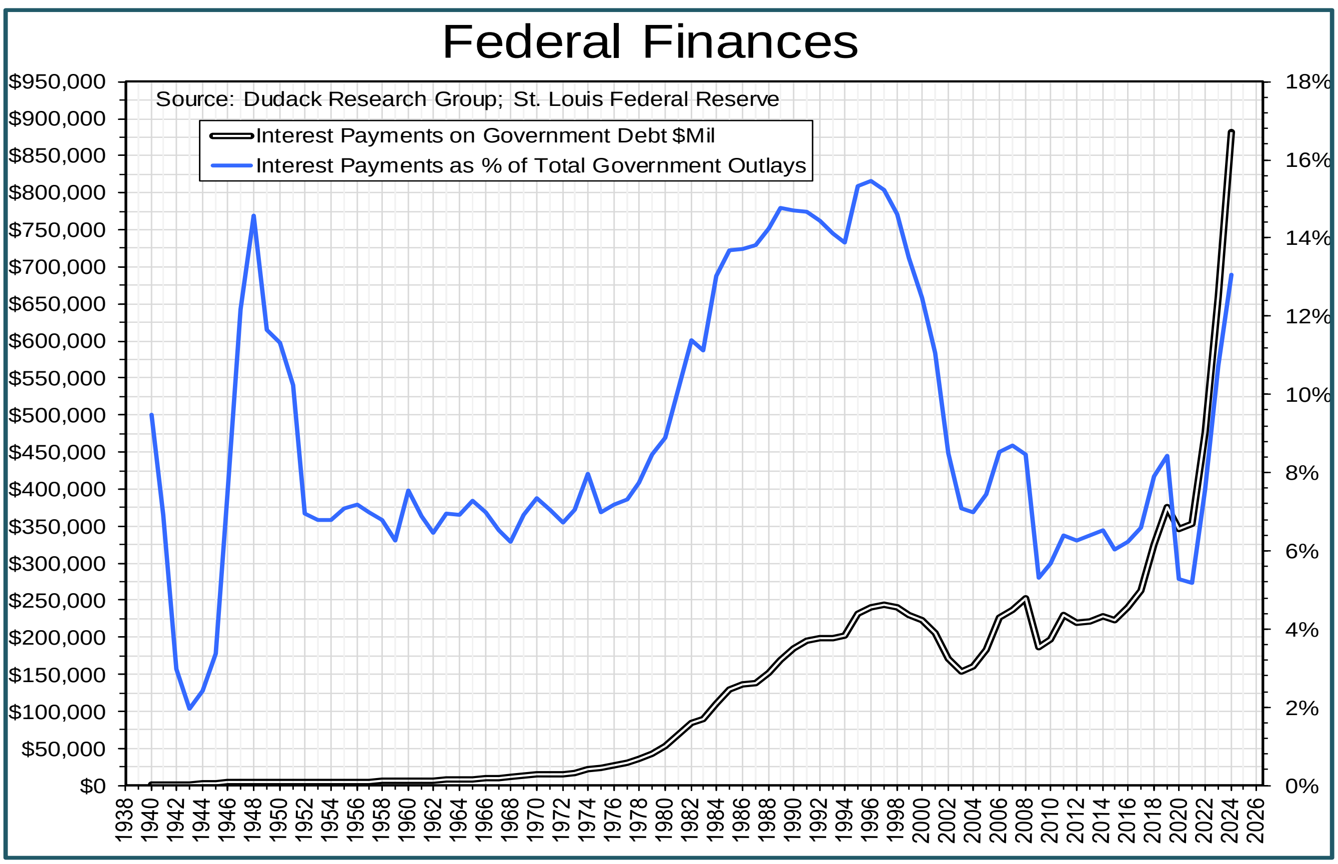
There were a few pockets of weakness in the report. Permanent job losers declined from 1.87 million to 1.7 million in December, but this continues to represent 25% of the unemployed. This may explain why the number of discouraged workers has increased by 150,000 since August.





White House data indicates that the fiscal 2024 deficit was $1.5 trillion or 6.6% of GDP. This is well above the long-term average of deficits/GDP at 3.6%. The White House estimates the fiscal 2025 deficit will be $1.4 trillion, or 6.1% of GDP. These levels are unsustainable and represent a major challenge for the incoming administration. Interest payments on government debt totaled $881.7 billion in fiscal year 2024 which was 13.1% of total government outlays. This ratio is up from 5.3% in fiscal 2020.





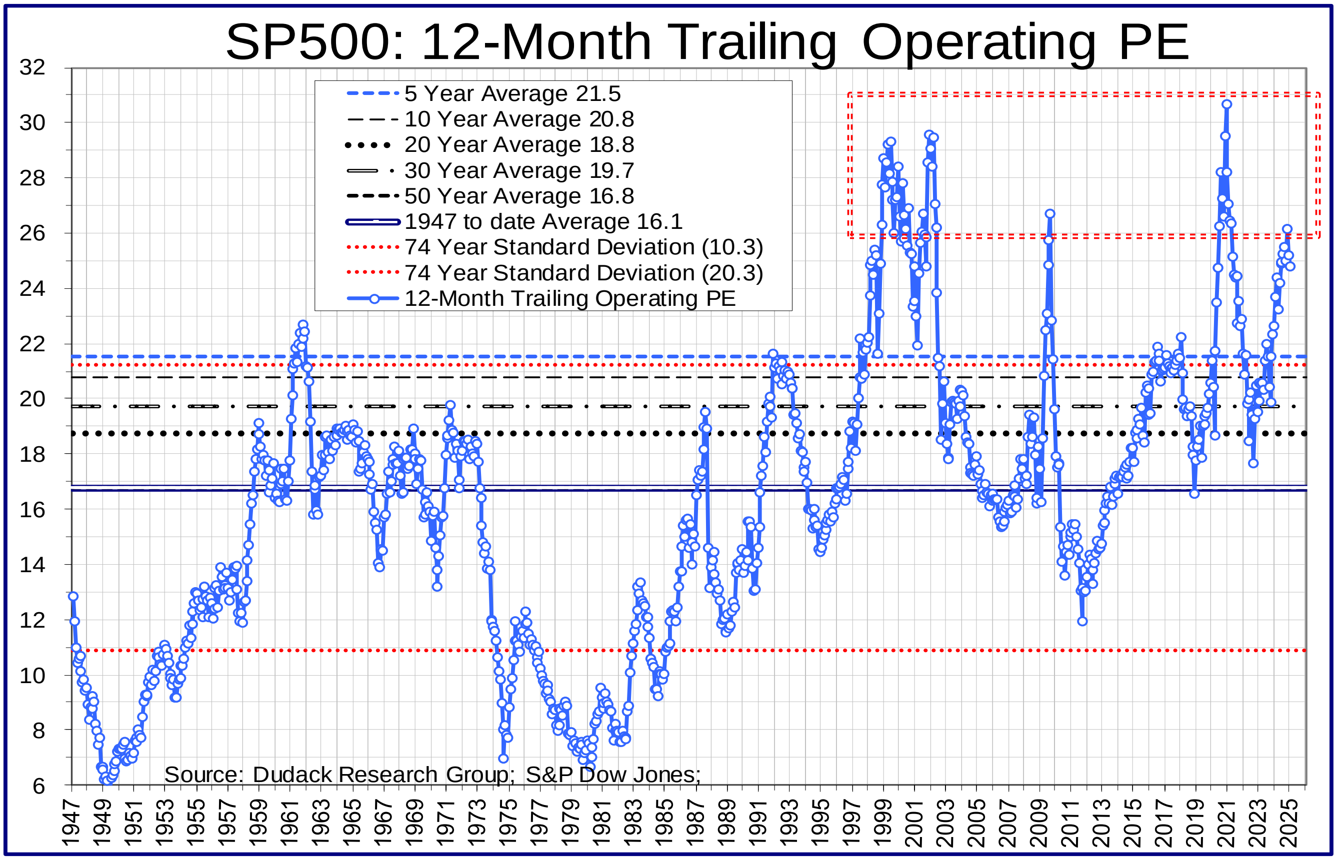
The DJIA, S&P 500, and Nasdaq Composite index all recorded double-digit gains in 2023 and 2024. Two years of double-digit gains are rare, and three consecutive years of double-digit gains are even rarer.

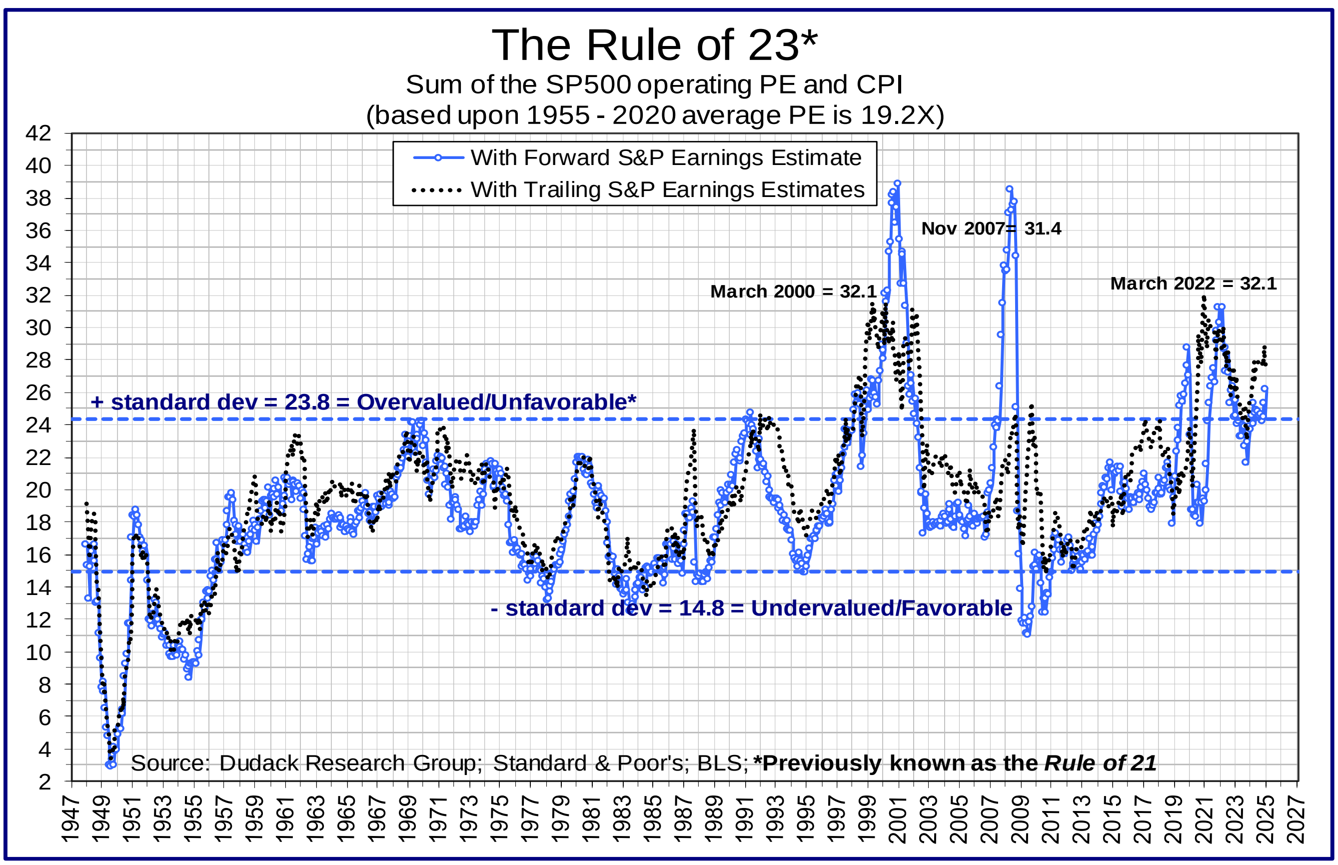
Annual Performance

	DJIA	SP500	NASQ		DJIA	SP500	NASQ		DJIA	SP500	NASQ
1901	-8.7%	---------	---------	1943	13.8%	19.4%	---------	1985	27.7%	26.3%	31.4%
1902	-0.4%	---------	---------	1944	12.1%	13.8%	---------	1986	22.6%	14.6%	7.4%
1903	-23.6%	---------	---------	1945	26.6%	30.7%	---------	1987	2.3%	2.0%	-5.3%
1904	41.7%	---------	---------	1946	-8.1%	-11.9%	---------	1988	11.8%	12.4%	15.4%
1905	38.2%	---------	---------	1947	2.2%	0.0%	---------	1989	27.0%	27.3%	19.3%
1906	-1.9%	---------	---------	1948	-2.1%	-0.7%	---------	1990	-4.3%	-6.6%	-17.8%
1907	-37.7%	---------	---------	1949	12.9%	10.3%	---------	1991	20.3%	26.3%	56.8%
1908	46.6%	---------	---------	1950	17.6%	21.8%	---------	1992	4.2%	4.5%	15.5%
1909	15.0%	---------	---------	1951	14.4%	16.5%	---------	1993	13.7%	7.1%	14.7%
1910	-17.9%	---------	---------	1952	8.4%	11.8%	---------	1994	2.1%	-1.5%	-3.2%
1911	0.4%	---------	---------	1953	-3.8%	-6.6%	---------	1995	33.5%	34.1%	39.9%
1912	7.6%	---------	---------	1954	44.0%	45.0%	---------	1996	26.0%	20.3%	22.4%
1913	-10.3%	---------	---------	1955	20.8%	26.4%	---------	1997	22.6%	31.0%	21.5%
1914	-30.7%	---------	---------	1956	2.3%	2.6%	---------	1998	16.1%	26.7%	40.1%
1915	81.7%	---------	---------	1957	-12.8%	-14.3%	---------	1999	25.2%	19.5%	85.6%
1916	-4.2%	---------	---------	1958	34.0%	38.1%	---------	2000	-6.2%	-10.1%	-39.3%
1917	-21.7%	---------	---------	1959	16.4%	8.5%	---------	2001	-7.1%	-13.0%	-21.1%
1918	10.5%	---------	---------	1960	-9.3%	-3.0%	---------	2002	-16.8%	-23.4%	-31.5%
1919	30.5%	---------	---------	1961	18.7%	23.1%	---------	2003	25.3%	26.4%	50.0%
1920	-32.9%	---------	---------	1962	-10.8%	-11.8%	---------	2004	3.1%	9.0%	8.6%
1921	12.7%	---------	---------	1963	17.0%	18.9%	---------	2005	-0.6%	3.0%	1.4%
1922	21.7%	---------	---------	1964	14.6%	13.0%	---------	2006	16.3%	13.6%	9.5%
1923	-3.3%	---------	---------	1965	10.9%	9.1%	---------	2007	6.4%	3.5%	9.8%
1924	26.2%	---------	---------	1966	-18.9%	-13.1%	---------	2008	-33.8%	-38.5%	-40.5%
1925	30.0%	---------	---------	1967	15.2%	20.1%	---------	2009	18.8%	23.5%	43.9%
1926	0.3%	---------	---------	1968	4.3%	7.7%	---------	2010	11.0%	12.8%	16.9%
1927	28.8%	---------	---------	1969	-15.2%	-11.4%	-0.8%	2011	5.5%	0.0%	-1.8%
1928	48.2%	---------	---------	1970	4.8%	0.1%	-13.7%	2012	7.3%	13.4%	15.9%
1929	-17.2%	---------	---------	1971	6.1%	10.8%	27.7%	2013	26.5%	29.6%	38.3%
1930	-33.8%	---------	---------	1972	14.6%	15.6%	17.2%	2014	7.5%	11.4%	13.4%
1931	-52.7%	---------	---------	1973	-16.6%	-17.4%	-31.1%	2015	-2.2%	-0.7%	5.7%
1932	-23.1%	-15.1%	---------	1974	-27.6%	-29.7%	-35.1%	2016	13.4%	9.5%	7.5%
1933	66.7%	46.6%	---------	1975	38.3%	31.5%	29.8%	2017	25.1%	19.4%	28.2%
1934	4.1%	-5.9%	---------	1976	17.9%	19.1%	26.1%	2018	-5.6%	-6.2%	-3.9%
1935	38.5%	41.4%	---------	1977	-17.3%	-11.5%	7.3%	2019	22.3%	28.9%	35.2%
1936	24.8%	27.9%	---------	1978	-3.1%	1.1%	12.3%	2020	7.2%	16.3%	43.6%
1937	-32.8%	-38.6%	---------	1979	4.2%	12.3%	28.1%	2021	18.7%	26.9%	21.4%
1938	28.1%	25.2%	---------	1980	14.9%	25.8%	33.9%	2022	-8.8%	-19.4%	-33.1%
1939	-2.9%	-5.5%	---------	1981	-9.2%	-9.7%	-3.2%	2023	13.7%	24.2%	43.4%
1940	-12.7%	-15.3%	---------	1982	19.6%	14.8%	18.7%	2024	12.9%	23.3%	28.6%
1941	-15.4%	-17.9%	---------	1983	20.3%	17.3%	19.9%	2025			
1942	7.6%	12.4%	---------	1984	-3.7%	1.4%	-11.2%	2026			

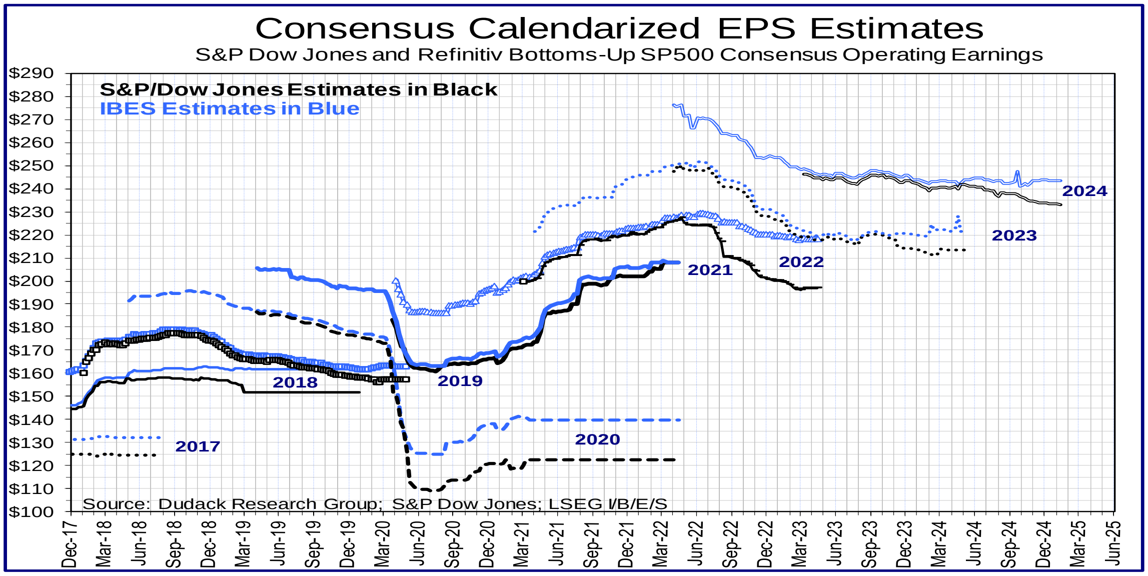
Source: Dudack Research Group; Refinitiv; Blue = 2 or 3 consecutive years of double digit gains

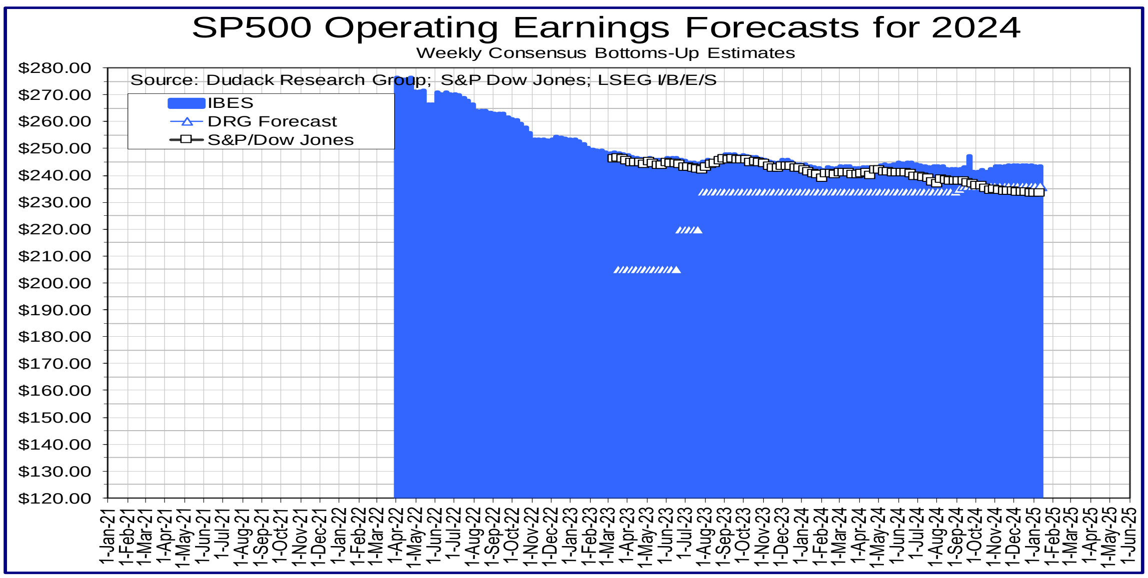
Valuation is not supportive of equities, but momentum, hope, and sentiment are now overruling valuation. The SPX **trailing** 4-quarter operating multiple is 24.8 times, and well above all long- and short-term averages. The **12-month forward** PE multiple is 23.3 times and when added to inflation of 2.8%, sums to 26.0, which is well above the top of the normal range of 14.8 to 23.8. By all measures, the equity market remains richly valued, but this is not new. Current valuation levels have been seen during the 1997-2000 bubble, the financial crisis of 2008, or the post-COVID-19 earnings slump.

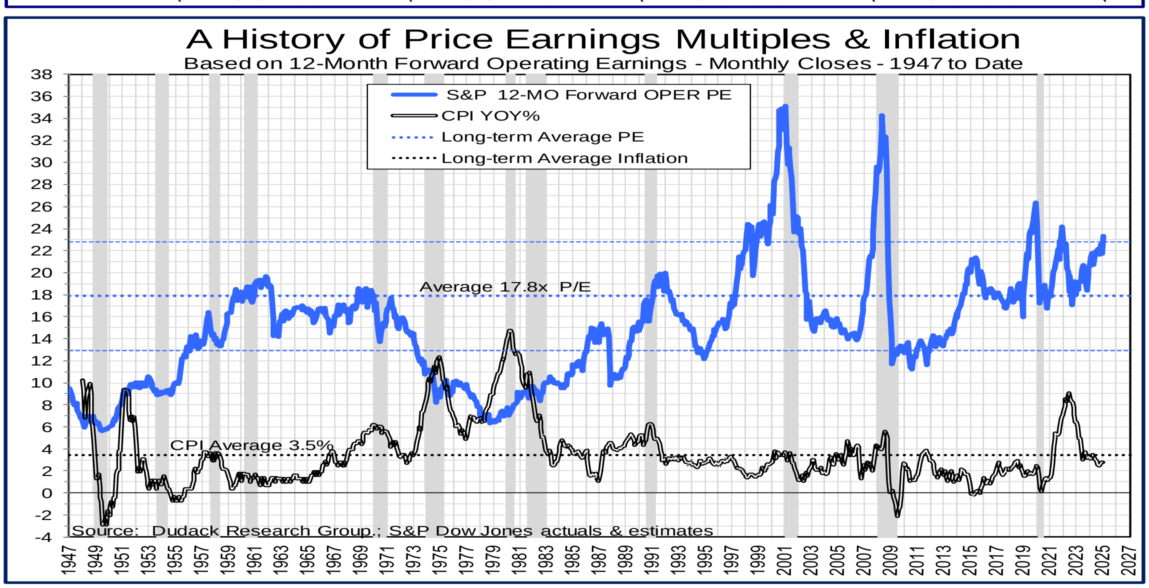




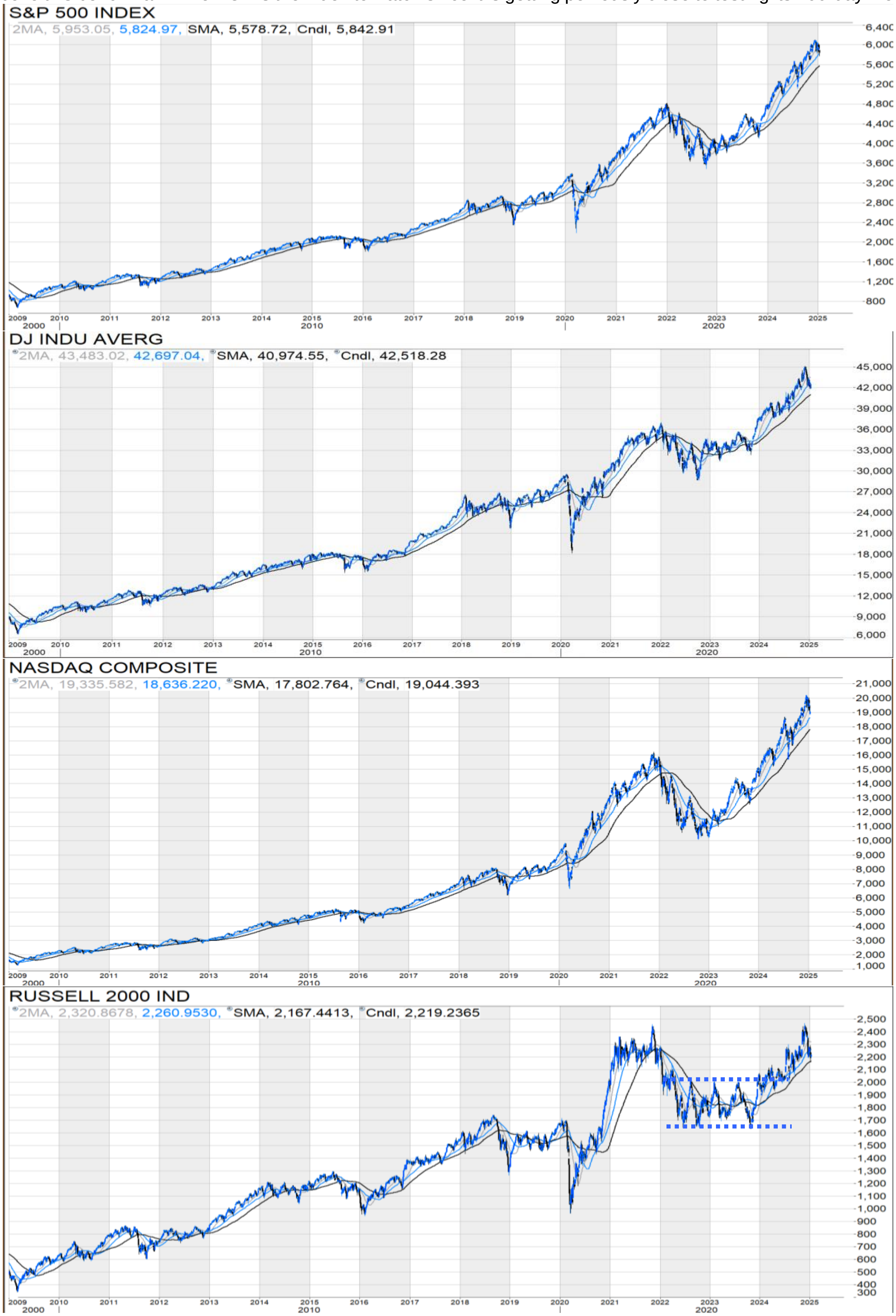
The S&P Dow Jones consensus estimate for calendar 2024 is $233.25, down $0.03 and the 2025 estimate is $271.22, down $0.03 this week. The LSEG IBES estimate for 2024 is $243.34, up $0.03 and the estimate for 2025 is $273.91, up $0.18. The IBES guesstimate for 2026 EPS is $310.32, up $0.43. The current rally is all PE expansion and based on hope that the new administration will improve the economy and earnings growth. This may prove to be true, but much good news is being priced in and is a concern.







Many prognosticators are turning bearish for 2025, however, to date, the charts of the indices do not reflect anything other than a normal pause in an uptrend. The SPX is testing its 100-day moving average, the DJIA is trading slightly below its average, and the Nasdaq is trading well above this benchmark. The RUT is the index to watch since it is getting perilously close to testing its 200-day moving average.

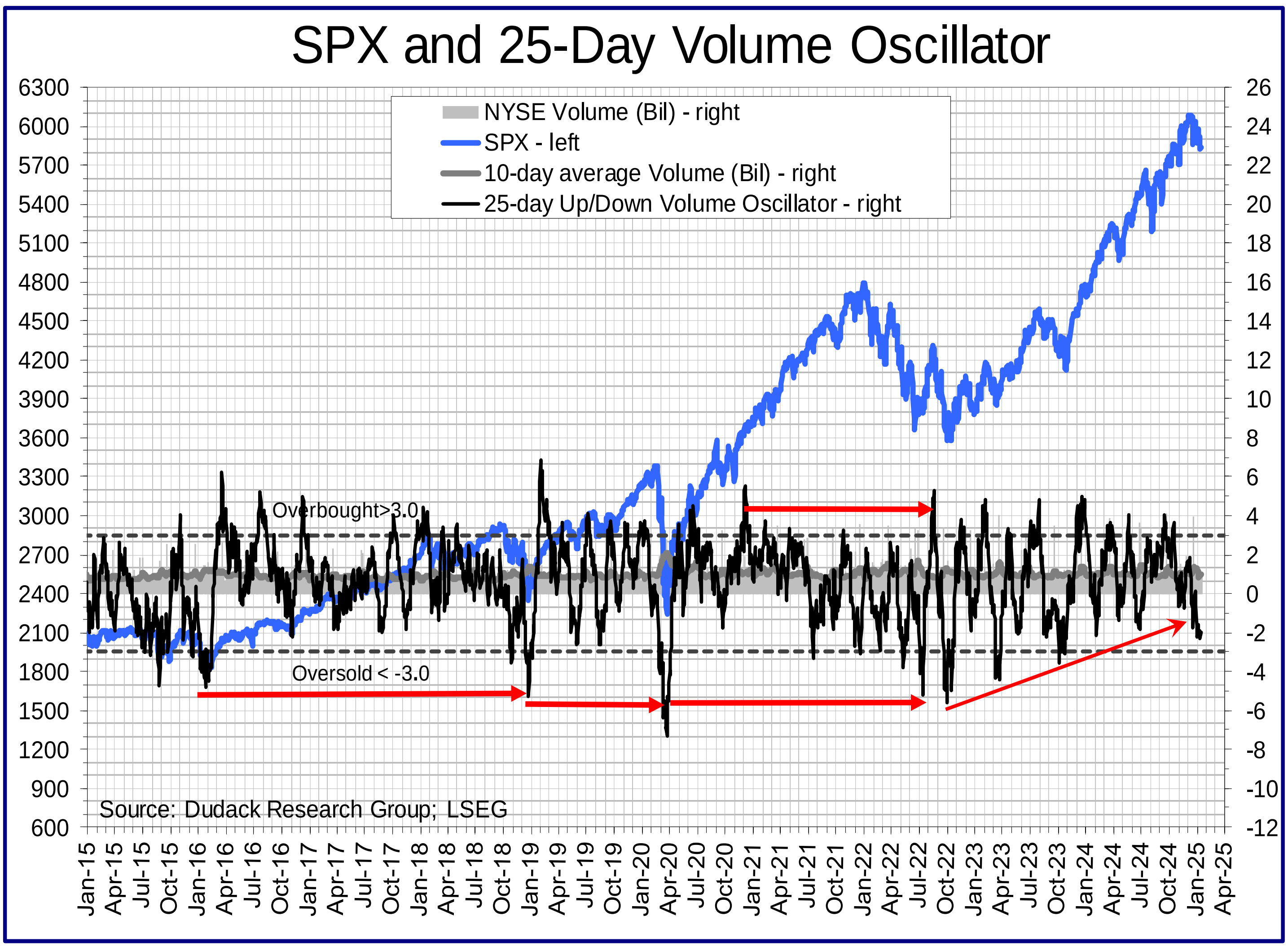


Source: LSEG Refinitiv

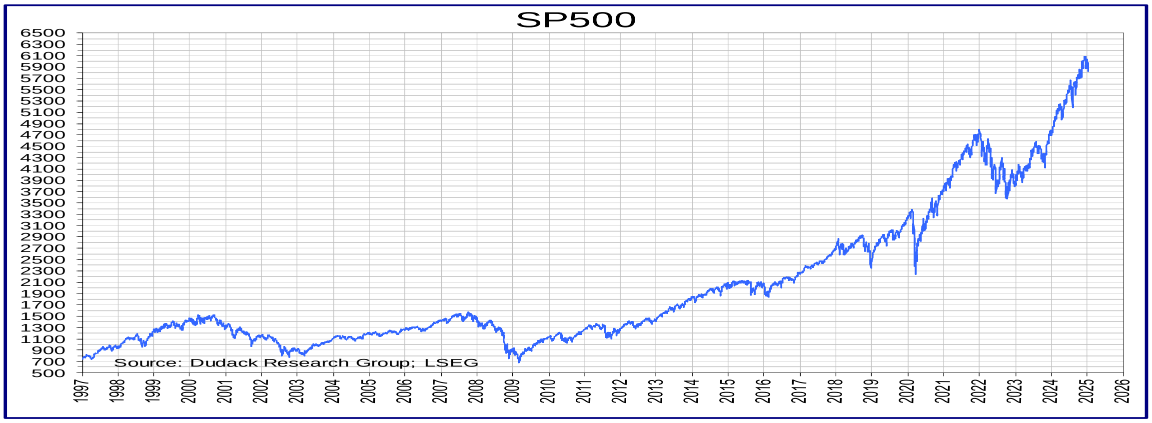
The 25-day up/down volume oscillator is at negative 2.01 this week, neutral, but down significantly from a week ago and potentially closing in on an oversold reading of minus 3.0 or less. The recent weakness in breadth data has resulted in this oscillator breaking the uptrend that has been in place in this indicator since the October 2022 low, which implies a negative shift in momentum.

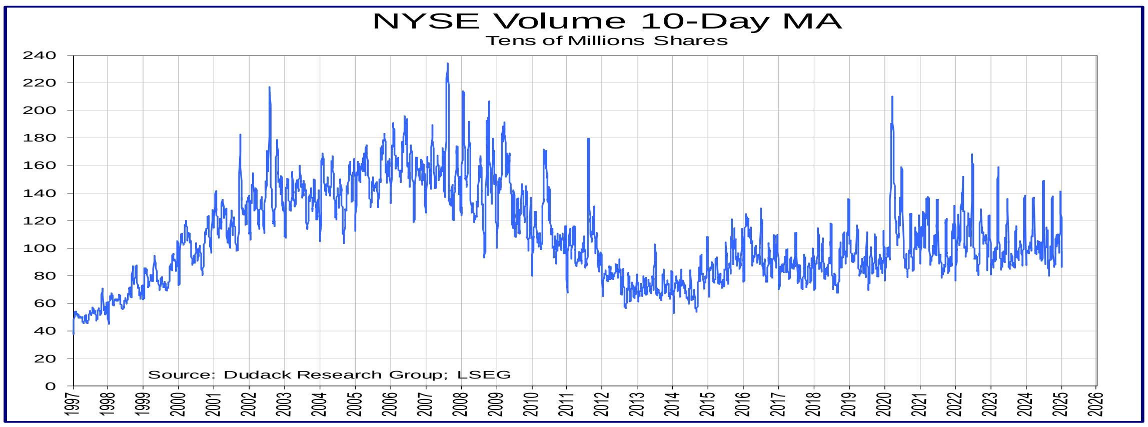
Since the October 2022 low, every oversold reading in this indicator has been met with solid bargain-hunting buying. In short, an important test may be on the horizon, and we will be watching to see if this indicator reaches an oversold reading and how long it lasts.

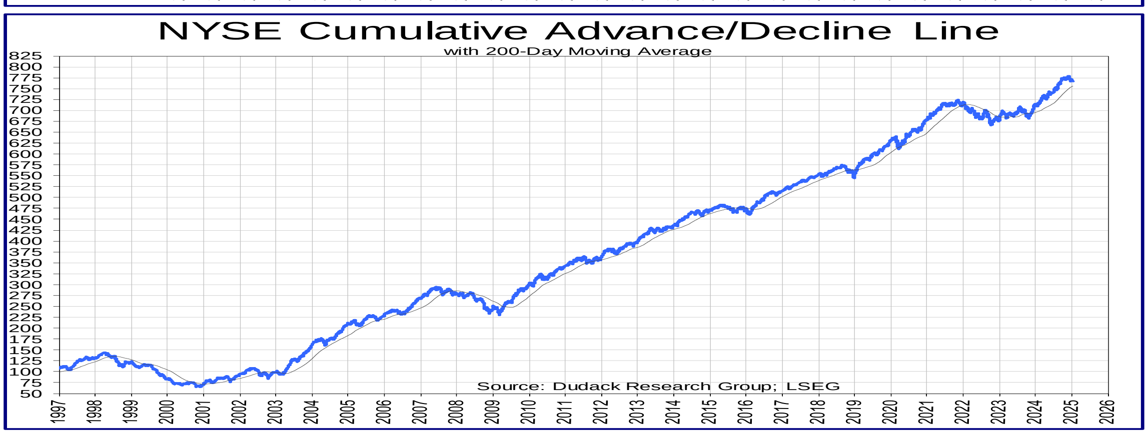
<u>An oversold reading that lasts more than five consecutive trading sessions is a warning and would be a signal that the bullish momentum that has been in place since the October 2022 low has been broken and a decline of more than 10% is on the horizon</u>.

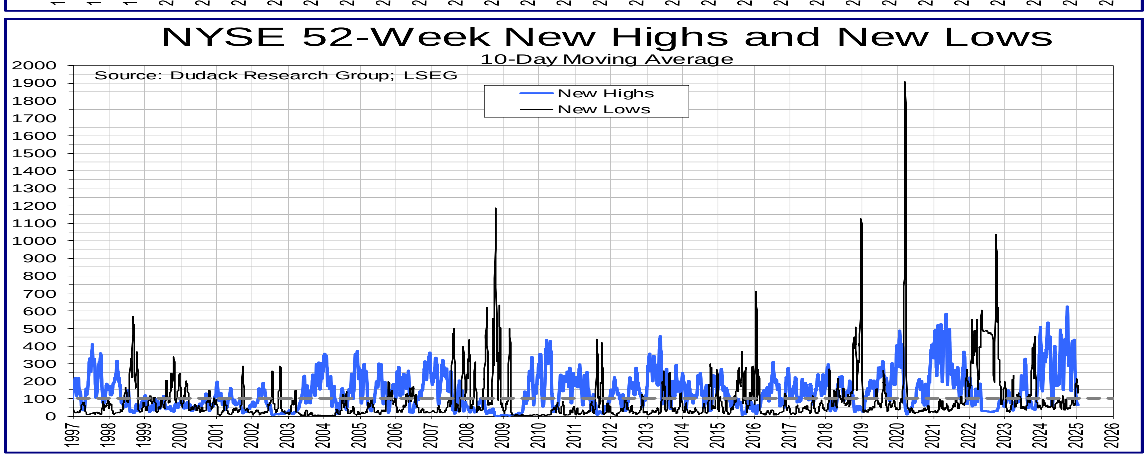


The 10-day average of daily new highs is 62 this week and new lows are averaging 174. This combination of new highs below 100 and new lows above 100 shifts this indicator from neutral to negative and is weaker than last week. The NYSE advance/decline line made a new record high on November 29, 2024. In sum, breadth indicators are uniformly negative.

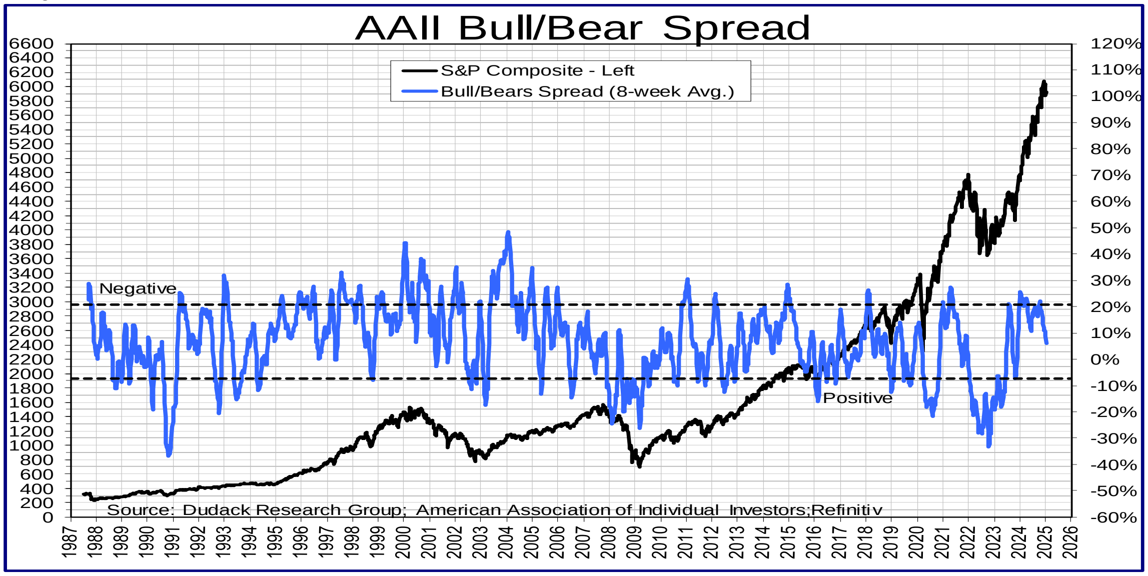


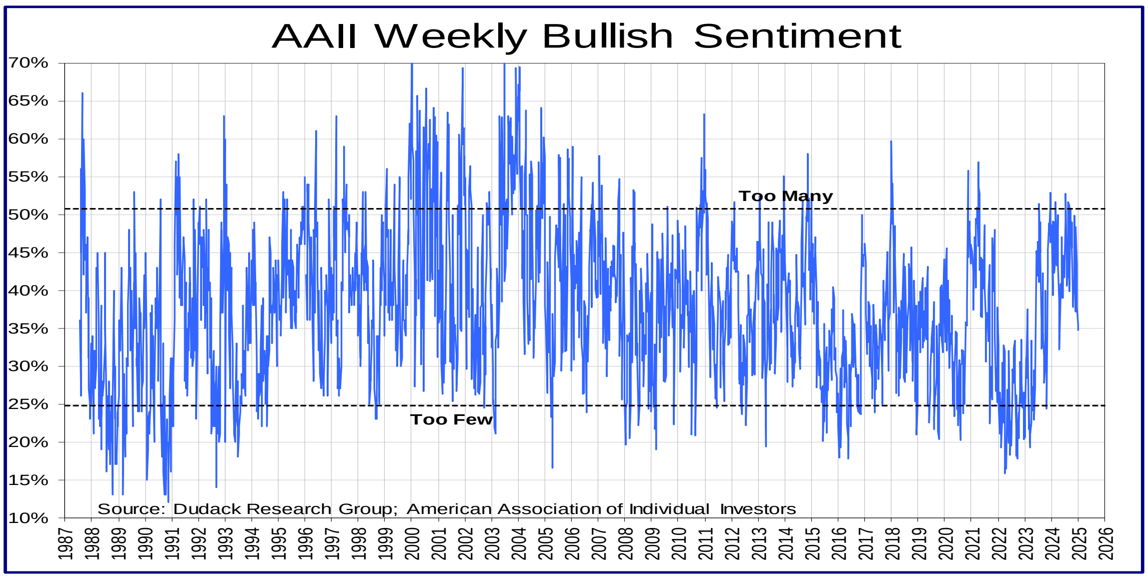


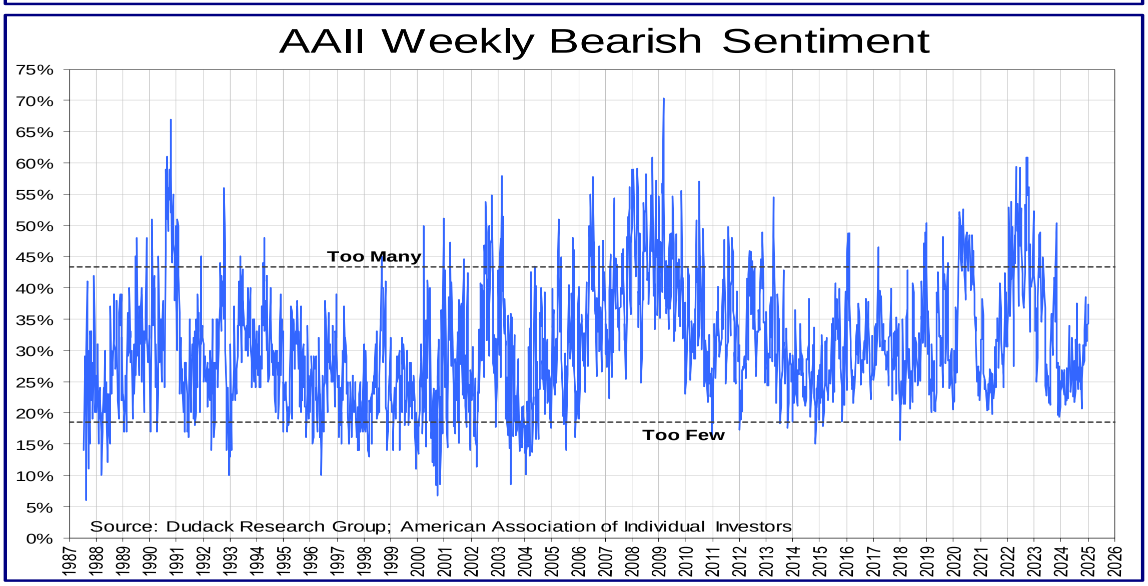




Last week's AAII survey showed bullishness fell 0.7% to 34.7% and bearishness rose 3.2% to 37.4%. Bullishness is now below average, and bearishness is above average for the second time in five weeks. Extreme sentiment readings -- a negative signal -- were seen on December 13, 2023, when bearishness was 19.6%, its lowest level since the January 3, 2018 reading of 15.6%, and bullishness was 51.3%. The 8-week bull/bear fell to 5.9% and is neutral. The last negative readings were recorded in mid-October 2024.







Global Markets and Commodities - Ranked by Last 5-day Trading Performance

Index/EFT	Symbol	Price	5-Day%	20-Day%	QTD%	YTD%
United States Oil Fund, LP	USO	81.67	4.5%	10.1%	8.1%	8.1%
Oil Future	CLc1	77.50	4.4%	8.7%	8.1%	8.1%
iShares DJ US Oil Eqpt & Services ETF	IEZ	21.11	1.9%	3.3%	6.6%	6.6%
Energy Select Sector SPDR	XLE	91.22	3.7%	2.2%	6.5%	6.5%
iShares MSCI South Korea Capped ETF	EWY	54.00	0.5%	-3.6%	6.1%	6.1%
Silver Future	SIc1	30.13	-1.0%	-1.7%	4.1%	4.1%
iShares Silver Trust	SLV	28.52	-0.5%	-2.0%	3.4%	3.4%
Materials Select Sector SPDR	XLB	86.22	3.0%	-3.4%	2.5%	2.5%
iShares MSCI Mexico Capped ETF	EWW	47.94	-1.3%	-8.6%	2.4%	2.4%
SPDR Homebuilders ETF	XHB	106.94	3.6%	-6.5%	2.3%	2.3%
iShares MSCI Brazil Capped ETF	EWZ	22.97	-0.9%	-9.0%	2.0%	2.0%
Industrial Select Sector SPDR	XLI	134.44	1.6%	-2.2%	2.0%	2.0%
SPDR Gold Trust	GLD	247.03	1.0%	1.1%	2.0%	2.0%
Health Care Select Sect SPDR	XLV	140.00	0.2%	-0.7%	1.8%	1.8%
iShares MSCI Germany ETF	EWG	32.22	-0.6%	-2.7%	1.3%	1.3%
PowerShares Water Resources Portfolio	PHO	66.50	2.1%	-4.3%	1.1%	1.1%
SPDR S&P Bank ETF	KBE	55.98	1.4%	-5.2%	0.9%	0.9%
iShares Russell 1000 Value ETF	IWD	186.82	0.4%	-2.7%	0.9%	0.9%
iShares MSCI Australia ETF	EWA	23.98	-1.0%	-4.5%	0.5%	0.5%
SPDR S&P Semiconductor ETF	XSD	249.55	-4.2%	-5.0%	0.4%	0.4%
Gold Future	GCc1	2994.10	0.2%	0.7%	0.3%	0.3%
iShares MSCI Austria Capped ETF	EWO	21.02	0.7%	-3.9%	0.2%	0.2%
Utilities Select Sector SPDR	XLU	75.68	-0.5%	-2.5%	0.0%	0.0%
DJIA	.DJI	42518.28	0.0%	-3.0%	-0.1%	-0.1%
SPDR DJIA ETF	DIA	425.15	0.0%	-3.2%	-0.1%	-0.1%
Financial Select Sector SPDR	XLF	48.25	-0.2%	-2.6%	-0.2%	-0.2%
iShares US Telecomm ETF	IYZ	26.75	-0.3%	-4.5%	-0.3%	-0.3%
iShares MSCI Singapore ETF	EWS	21.77	-1.0%	-5.1%	-0.4%	-0.4%
iShares Russell 2000 Growth ETF	IWO	286.70	-2.2%	-5.4%	-0.4%	-0.4%
iShares Russell 1000 ETF	IWB	320.86	-1.0%	-3.7%	-0.4%	-0.4%
iShares Nasdaq Biotechnology ETF	IBB.O	131.57	-2.9%	-3.7%	-0.5%	-0.5%
iShares Russell 2000 ETF	IWM	219.72	-1.3%	-5.7%	-0.6%	-0.6%
iShares MSCI Canada ETF	EWC	40.07	-1.3%	-4.6%	-0.6%	-0.6%
iShares Russell 2000 Value ETF	IWN	163.21	-0.6%	-6.3%	-0.6%	-0.6%
iShares MSCI EAFE ETF	EFA	75.12	-1.6%	-4.8%	-0.6%	-0.6%
SP500	**.SPX**	**5842.91**	**-1.1%**	**-3.4%**	**-0.7%**	**-0.7%**
Vanguard FTSE All-World ex-US ETF	VEU	56.84	-1.6%	-5.3%	-1.0%	-1.0%
Consumer Discretionary Select Sector SPDR	XLY	221.64	-0.3%	-5.9%	-1.2%	-1.2%
NASDAQ 100	NDX	20757.41	-2.0%	-4.7%	-1.2%	-1.2%
iShares MSCI Emerg Mkts ETF	EEM	41.27	-1.7%	-6.3%	-1.3%	-1.3%
Communication Services Select Sector SPDR Fund	XLC	95.53	-2.4%	-5.4%	-1.3%	-1.3%
Nasdaq Composite Index Tracking Stock	ONEQ.O	75.03	-2.1%	-4.7%	-1.4%	-1.4%
iShares MSCI Taiwan ETF	EWT	50.98	-4.0%	-6.7%	-1.5%	-1.5%
iShares iBoxx $ Invest Grade Corp Bond	LQD	105.22	-0.6%	-3.2%	-1.5%	-1.5%
iShares MSCI United Kingdom ETF	EWU	33.37	-2.3%	-6.0%	-1.6%	-1.6%
iShares Russell 1000 Growth ETF	IWF	395.30	-2.1%	-4.5%	-1.6%	-1.6%
iShares US Real Estate ETF	IYR	91.46	0.0%	-6.3%	-1.7%	-1.7%
Technology Select Sector SPDR	XLK	227.76	-2.7%	-4.7%	-2.0%	-2.0%
iShares 20+ Year Treas Bond ETF	TLT	85.29	-0.7%	-5.4%	-2.3%	-2.3%
SPDR S&P Retail ETF	XRT	77.61	-2.3%	-6.8%	-2.5%	-2.5%
Consumer Staples Select Sector SPDR	XLP	76.49	-1.0%	-6.8%	-2.7%	-2.7%
iShares MSCI Japan ETF	EWJ	65.29	-2.9%	-6.1%	-2.7%	-2.7%
iShares MSCI BRIC ETF	BKF	35.38	-1.5%	-7.7%	-3.0%	-3.0%
iShares MSCI India ETF	INDA.K	50.93	-2.9%	-8.3%	-3.2%	-3.2%
Shanghai Composite	.SSEC	3240.94	0.3%	-4.4%	-3.3%	-3.3%
iShares China Large Cap ETF	FXI	29.42	-0.7%	-5.4%	-3.4%	-3.4%
iShares MSCI Malaysia ETF	EWM	23.51	-3.1%	-5.1%	-4.2%	-4.2%
iShares MSCI Hong Kong ETF	EWH	15.89	-2.4%	-8.3%	-4.6%	-4.6%

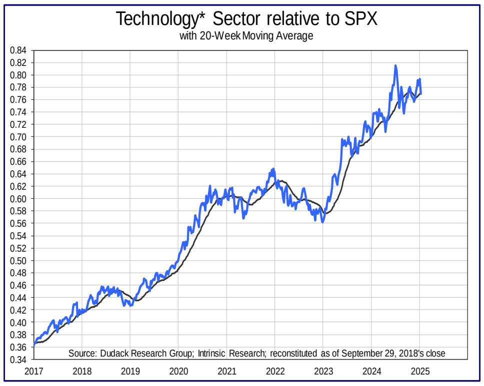
Outperformed SP500
Underperformed SP500

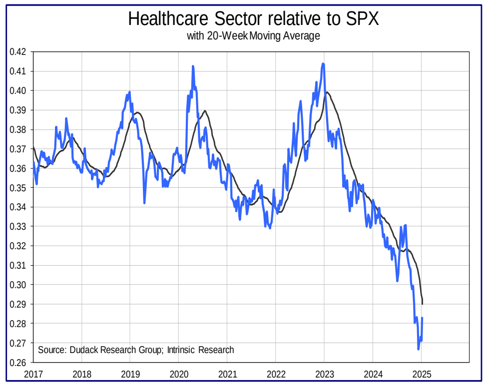
Source: Dudack Research Group; Refinitiv   Priced as of January 14, 2025

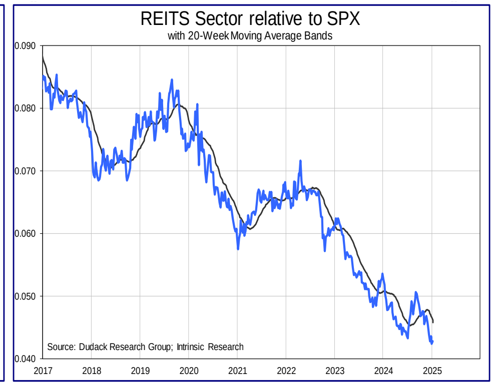
SECTOR RELATIVE PERFORMANCE – RELATIVE OVER/UNDER/ PERFORMANCE TO S&P 500

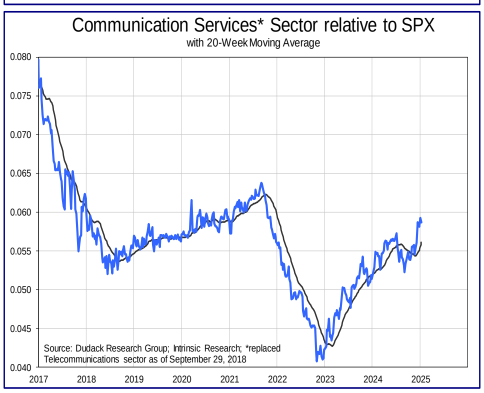
DRG Recommended Sector Weights		
Overweight	**Neutral**	**Underweight**
Communication Services Technology Consumer Discretionary Financials	Healthcare Staples Utililties Industrials	REITS Materials Energy

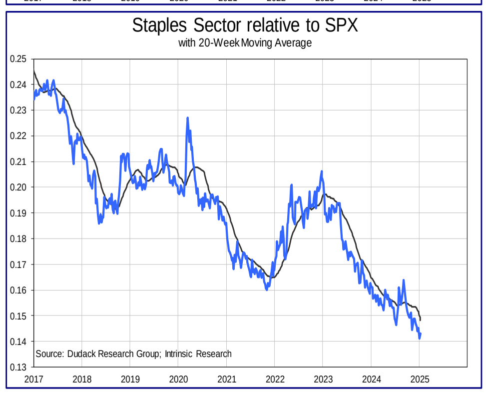
11/19/2024: Upgraded Consumer Discretionary from N to O; Downgraded Healthcare from O to N. 9/10/2024: Upgraded Utilities from U to N; Downgraded Energy from N to U.

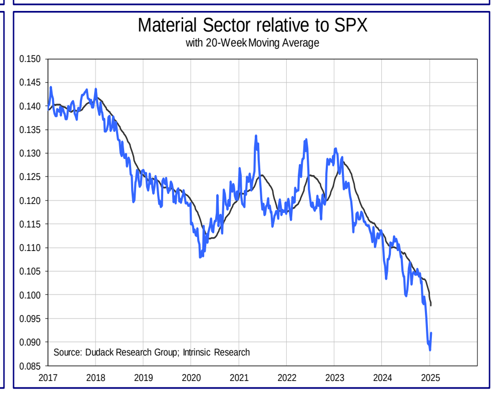


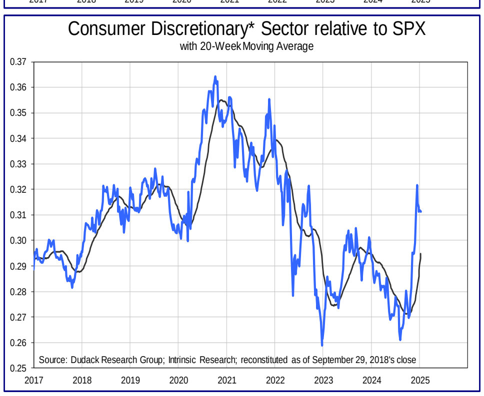


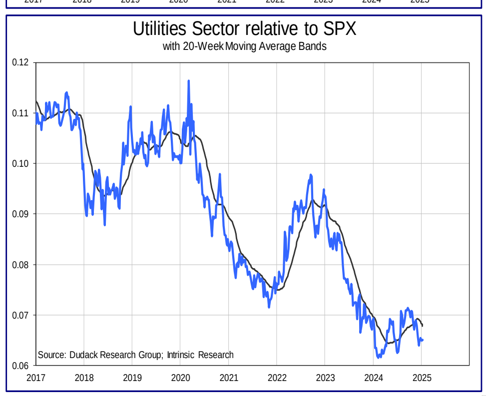


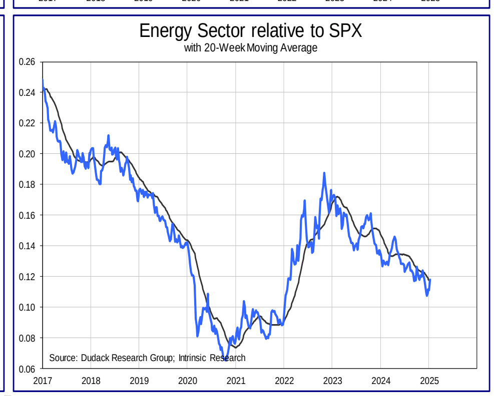


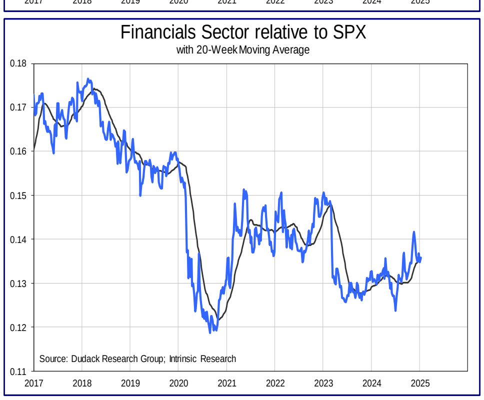


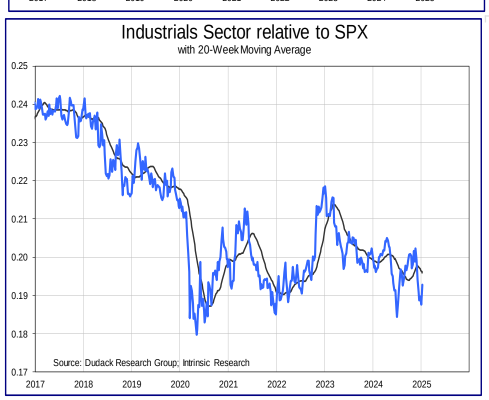












2025 Performance - Ranked	
SP500 Sector	% Change
S&P ENERGY	6.2%
S&P MATERIALS	2.5%
S&P INDUSTRIALS	2.0%
S&P HEALTH CARE	1.8%
S&P UTILITIES	-0.1%
S&P FINANCIAL	-0.2%
S&P 500	-0.7%
S&P COMMUNICATIONS SERVICES	-0.7%
S&P CONSUMER DISCRETIONARY	-1.1%
S&P REITS	-1.7%
S&P CONSUMER STAPLES	-2.3%
S&P INFORMATION TECH	-2.7%

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%	2.5%	$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%	$3,101.80	4.0%
2024P	5881.63	$197.87	$233.25	$233.42	9.3%	$243.34	9.9%	25.2X	1.4%	NA	NA	NA
2025E	~~~~~	$172.75	$271.22	$270.00	15.7%	$273.91	12.6%	21.5X	NA	NA	NA	NA
2026E	~~~~~	$192.43	NA	$310.50	15.0%	$310.32	13.3%	NA	NA	NA	NA	NA
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%	2.5%	$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%	-5.5%	$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	$53.75	$59.17	$59.17	13.2%	$63.30	8.4%	24.4	1.3%	2.8%	$3,128.50	16.0%
2024 4QE	5881.63	$56.57	$61.09	$61.26	13.7%	$61.77	8.1%	25.2	1.3%	NA	NA	NA
2025 1QE*	5842.91	$57.78	$62.22	$63.75	16.7%	$62.74	10.9%	24.3	NA	NA	NA	NA
2025 2QE	NA	$60.99	$66.47	$65.25	11.8%	$67.00	10.9%	23.5	NA	NA	NA	NA
2025 3QE	NA	$64.91	$70.51	$68.00	14.9%	$70.87	12.0%	22.4	NA	NA	NA	NA
2025 4QE*	NA	$67.30	$72.02	$73.00	19.2%	$72.31	17.1%	21.5	NA	NA	NA	NA

Source: DRG; S&P Dow Jones **quarterly EPS may not sum to official CY estimates; LSEG IBES Consensus estimates *1/14/2025

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

Other Disclosures
This report has been written without regard for the specific investment objectives, financial situation, or particular needs of any specific recipient, and should not be regarded by recipients as a substitute for the exercise of their own judgment. The report is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell securities or related financial instruments. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. The report is based on information obtained from sources believed to be reliable, but is not guaranteed to be accurate, nor is it a complete statement or summary of the securities, markets or developments referred to in the report. Any opinions expressed in this report are subject to change without notice and the Dudack Research Group division of Wellington Shields & Co. LLC. (DRG/Wellington) is under no obligation to update or keep current the information contained herein. Options, derivative products, and futures are not suitable for all investors, and trading in these instruments is considered risky. Past performance is not necessarily indicative of future results, and yield from securities, if any, may fluctuate as a security's price or value changes. Accordingly, an investor may receive back less than originally invested. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report.

DRG/Wellington relies on information barriers, such as "Chinese Walls," to control the flow of information from one or more areas of DRG/Wellington into other areas, units, divisions, groups, or affiliates. DRG/Wellington accepts no liability whatsoever for any loss or damage of any kind arising out of the use of all or any part of this report.

The content of this report is aimed solely at institutional investors and investment professionals. To the extent communicated in the U.K., this report is intended for distribution only to (and is directed only at) investment professionals and high net worth companies and other businesses of the type set out in Articles 19 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001. This report is not directed at any other U.K. persons and should not be acted upon by any other U.K. person. Moreover, the content of this report has not been approved by an authorized person in accordance with the rules of the U.K. Financial Services Authority, approval of which is required (unless an exemption applies) by Section 21 of the Financial Services and Markets Act 2000.
Additional information will be made available upon request.

Dudack Research Group, a division of Wellington Shields & Co. LLC.
Main Office:
Wellington Shields & Co. LLC
60 Broad Street
New York, NY 10004
212-320-3511
Research Sales: 212-320-2046

Florida office:
549 Lake Road
Ponte Vedra Beach, FL 32082
212-320-2045

Prices are the close of January 14, 2025