DRG Dudack Research Group
A Division of Wellington Shields & Co. LLC Member NYSE, FINRA & SIPC
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January 8, 2025

DJIA: 42528.36
SPX: 5909.03
NASDAQ: 19489.68

US Strategy Weekly
The Fear of Good News

The stock market made a steady string of all-time highs in the first half of December. But equities lost their luster after the December FOMC meeting held on December 17-18. The news from Chair Jerome Powell was that the Federal Reserve Board was now anticipating two, not four rate cuts in 2025. This halving of rate cuts was not a surprise to us given the level of inflation and the strength in the economy, so we were surprised at how poorly stocks reacted to the news. However, the market's response revealed how much investors were counting on easy monetary policy to support their equity holdings; and as we noted in December, it also disclosed the level of speculation in the stock market.

In our view, only speculators would rank Fed policy, and the number of fed funds rate cuts as the number one driver of stocks in 2025. In reality, the real fed funds rate has fallen from 280 basis points in August of 2024 to 160 basis points and this suggests that the current fed funds rate is already dovish. Rate cuts should be less important this year than the strength of the economy, the ability of the economy to grow jobs, and corporate America's ability to produce profits. We would also place federal deficits at the top of the list of drivers for 2025. Nevertheless, equities weakened again this week after the JOLTS report showed job openings were greater than expected and the ISM nonmanufacturing index showed prices paid were significantly higher. This reaction to the price index exposes a growing sensitivity to potential inflation.

Market commentators are suddenly sensitive to inflation and the rise in the 10-year Treasury yield to 4.6%, which is a big jump from the 4.1% seen in late November, but still within the 3.7% to 4.9% range it has maintained since June of 2023. And strategists are suddenly worried about the comparison of the S&P 500's earnings yield (earnings divided by the S&P's price) and the Treasury yield. In fact, little has changed in recent history, and the trailing earnings yield (based upon S&P Dow Jones data) is 4% and the 12-month forward earnings yield is 4.6%. These have been the average for both earnings yields throughout 2024. However, when the dividend yield of 1.3% is factored in, the total forward earnings yield for equities is actually 5.9%. In short, little has changed in the last few quarters, equities remain competitive with bonds, yet market commentators are suddenly worried.

Equity valuation has been an issue for a long time, but the total expected return from equities continues to favor equities over bonds in our view. We think too many market forecasters are simply worried that fiscal and monetary easing will no longer be supporting equities. We, on the other hand, have been worried that fiscal and monetary easing were the drivers of equities rather than job and earnings growth. In our opinion, jobs and earnings are the two factors that will matter most in 2025.

This is why December's job report this week will be important. There has been a disconnect between the establishment and the household surveys throughout 2024, and we will be looking primarily at the household survey for clues as to whether the job market is weakening or improving. The incoming administration has been working overtime on getting foreign companies to invest in the US and to grow the job market. This is a plus. And while newscasters are forecasting higher inflation in 2025 as a result of potential tariffs, it could be that the threat of tariffs is what will keep manufacturers in the US and entice foreign companies to invest here as well. If so, this will be good for job growth, household income, GDP, and corporate profits. Time will tell.

Good News?

Good news is a matter of perspective. Investors appear worried this week that job and economic growth will inspire inflation and increase interest rates. If so, this is exactly why the Federal Reserve should not be cutting interest rates! However, historically interest rates will rise as economic activity improves. This is fine as long as earnings also grow. From this perspective, stronger economic activity is a plus. And there were a number of good economic signs in recent days.

The ISM manufacturing index rose 0.9 points to 49.3 in December, with 8 of 10 components increasing in the month. This was favorable; the only outlier was employment, which fell from 48.1 to 45.3. The ISM nonmanufacturing index rose 2 points to 54.1, with six of 9 components increasing in the month. However, the biggest increase was in prices paid, which jumped from 58.2 to 64.4. This is the part that spooked the market this week. Order backlog fell from 47.1 to 44.3 and employment eased from 51.5 to 51.4. We are more concerned that both employment indices fell in December! See page 3.

After a long stretch of weakness in the housing market in 2022, 2023, and most of 2024, tiny green shoots appeared at the end of the year. The November NAHB confidence index had a big uptick in single-family sales expected over the next six months and the pending home sales index rose to 79, its best reading in nearly two years. This pending home sales uptick represented a 6.9% increase from a year earlier and sales were strong in most areas of the country with the exception of the Northeast. See page 4.

The housing cycle had been artificially boosted in 2020-2021 due to stay-at-home mandates issued during the pandemic; and this pandemic boom was followed by a housing slump in 2022-2024. But the housing cycle may finally be normalizing. New home sales grew 8.7% YOY in November, the best improvement in over a year. Existing home sales similarly rose 6.1% YOY, its best increase since June 2021. In both cases, the sales trends have been improving in recent months. The housing market will also be supported in 2025 by historically low existing single-family home inventory which fell to 3.7 months in November. See page 5.

Total retail sales picked up at year end, growing 3.4% YOY in November. Sales excluding motor vehicles & parts and gas stations were even stronger, increasing 3.6% YOY. What is most encouraging is that November's unit sales of vehicles hit 17.0 million on an annualized basis, the best level seen since May 2021. Despite the fact that interest rates remain high, total vehicle sales were finally approaching their pre-pandemic levels at the end of the year. See page 6.

Dear Santa Claus

The market failed to have a Santa Claus Rally this year and market breadth has weakened. As a result, many prognosticators are turning bearish for 2025. However, at present, the charts of the indices do not reflect anything other than a normal pause in an uptrend. Only the DJIA and the Russell 2000 index have tested their 100-day moving averages, while the SPX and Nasdaq are trading well above these benchmarks. In short, the jury is still out on the recent market weakness which still appears to be a normal pullback. See page 10.

The 25-day up/down volume oscillator is at negative 1.74, neutral, and down significantly from last week, and below an uptrend that has been in place since the October 2022 low. 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. An oversold reading that lasts more than five consecutive trading sessions is a warning and would be a sign 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. In short, there are reasons to be cautious in the near term.

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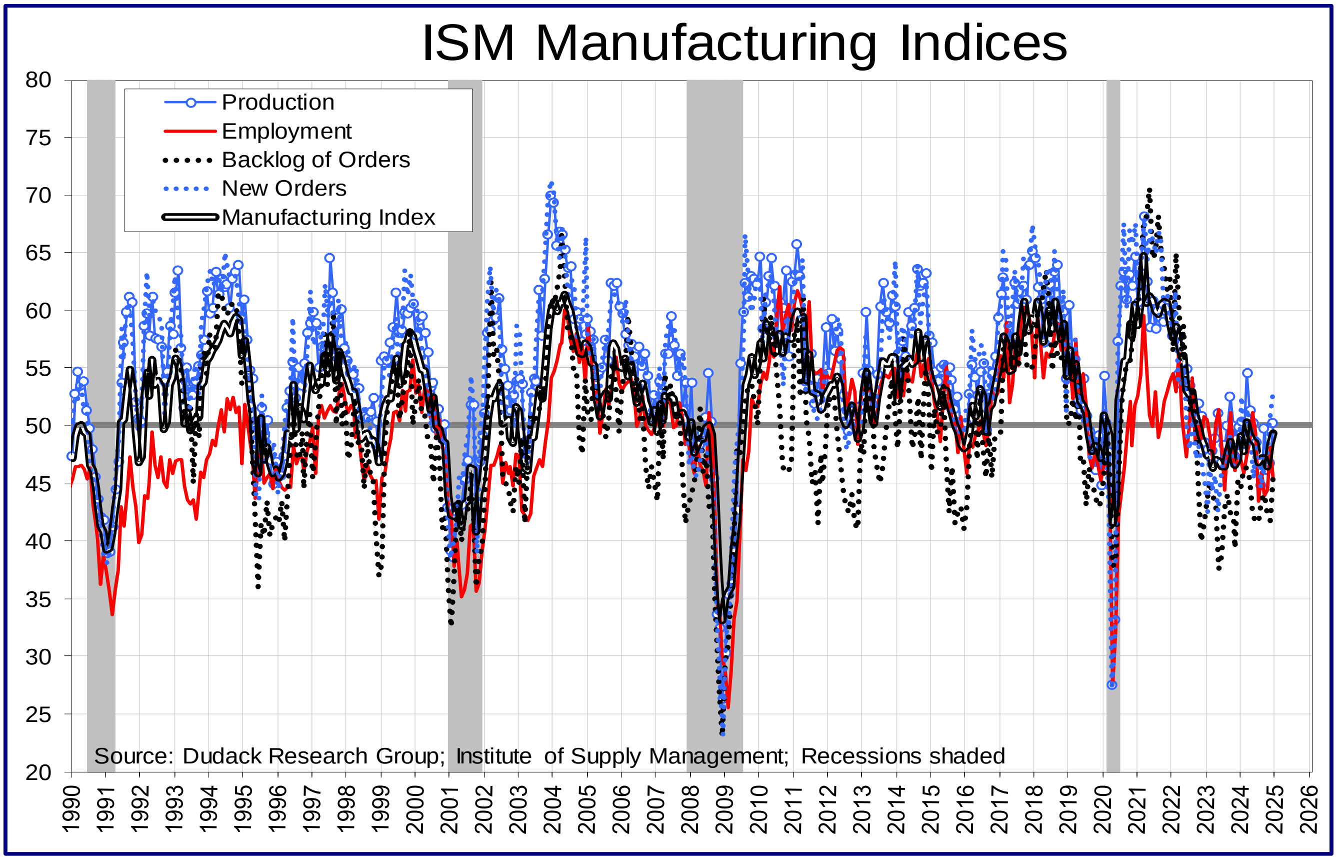
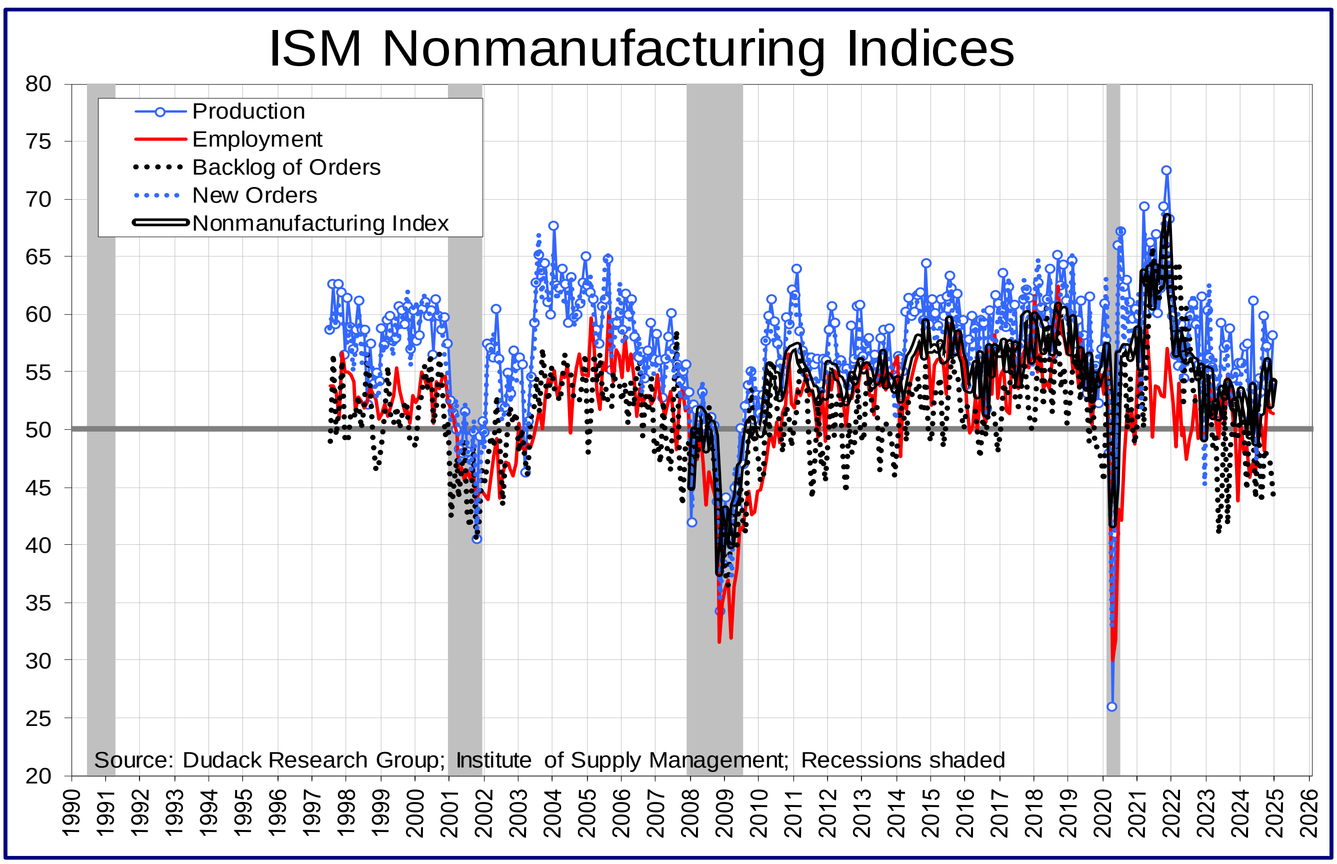
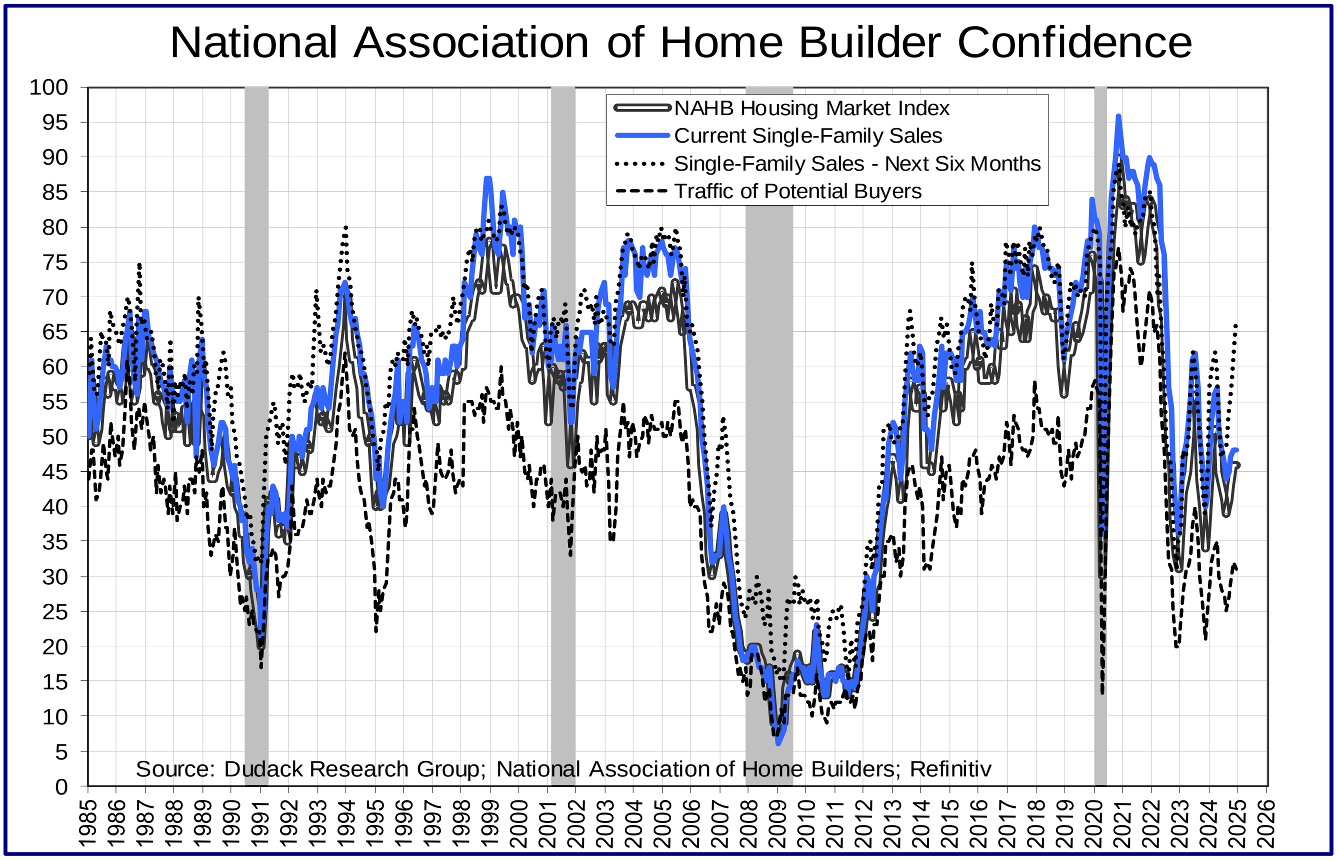
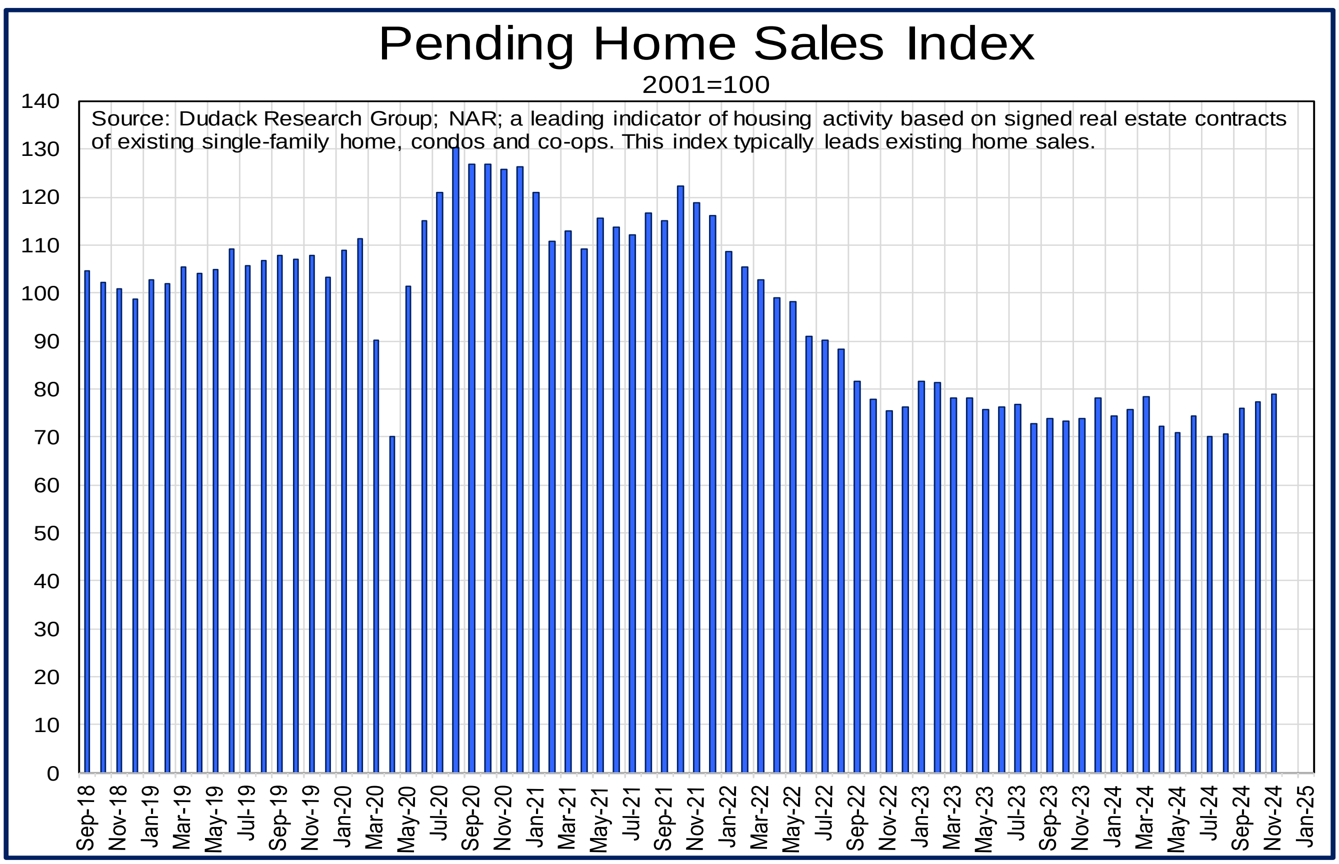




After a long stretch of weakness in the housing market throughout 2022, 2023, and most of 2024, modest green shoots began to appear at the end of the year. The November NAHB confidence index had a big uptick in single-family sales expected over the next six months and the pending home sales index rose to 79, its best reading in nearly two years. This pending home sales uptick represented a 6.9% increase from a year earlier. Sales were strong in most areas of the country with the exception of the Northeast.





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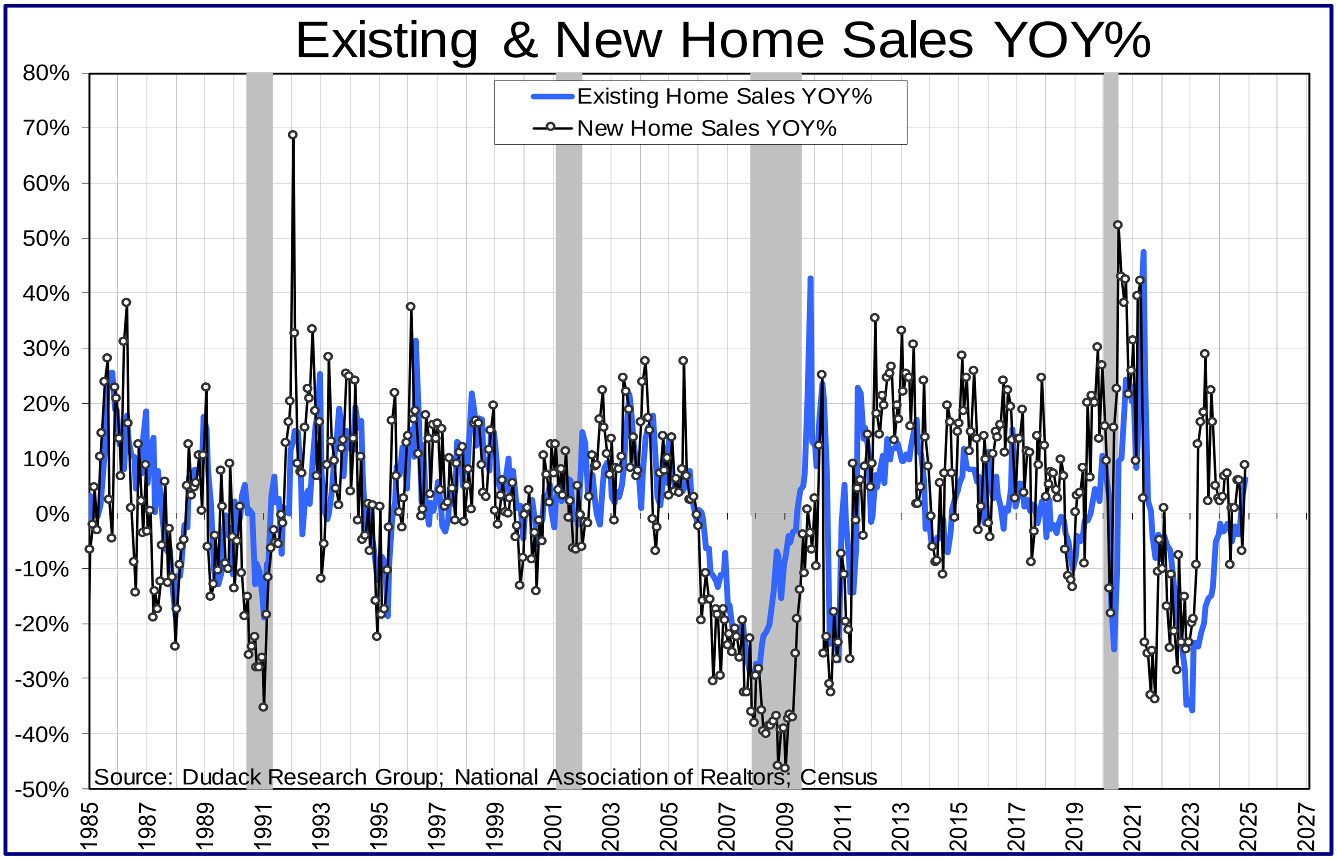

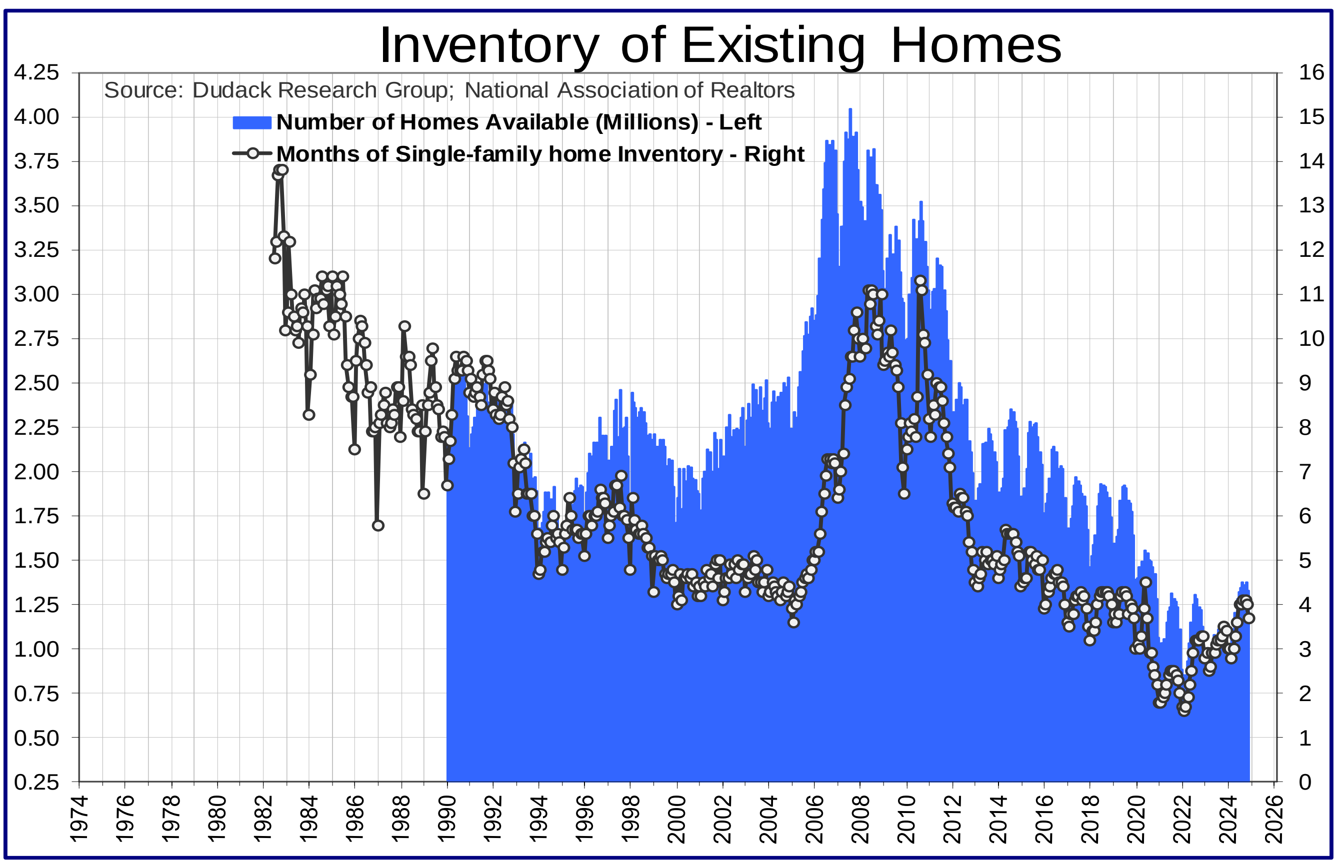

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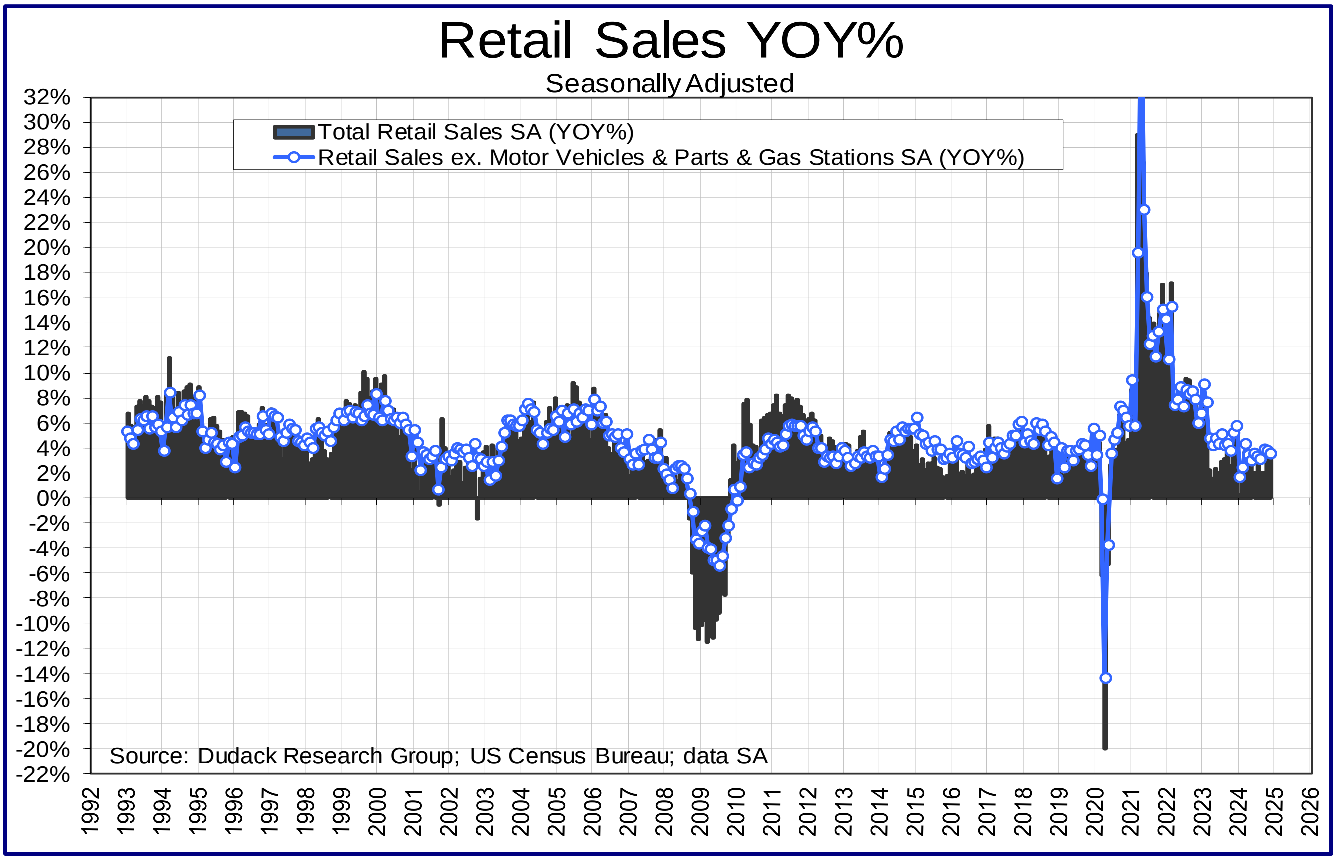
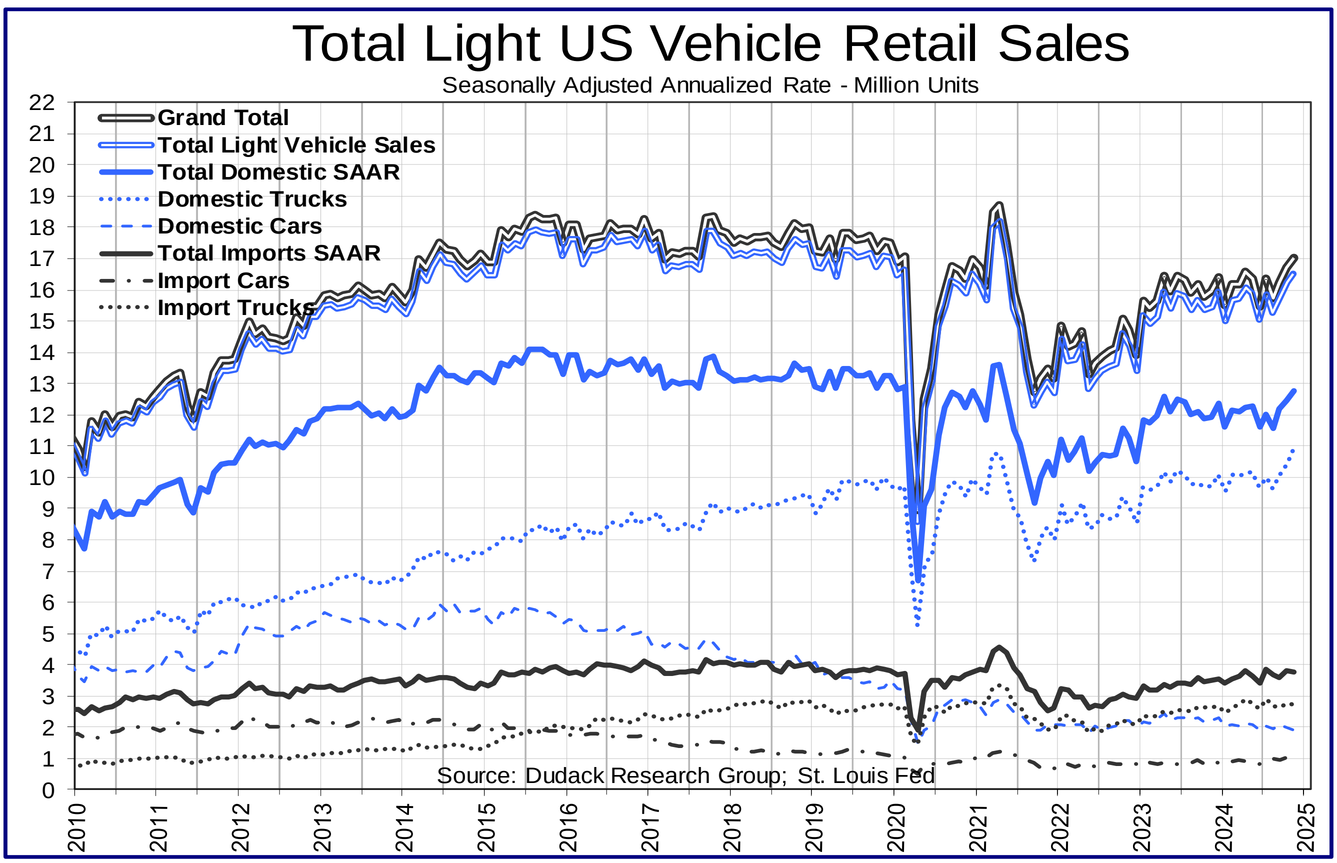




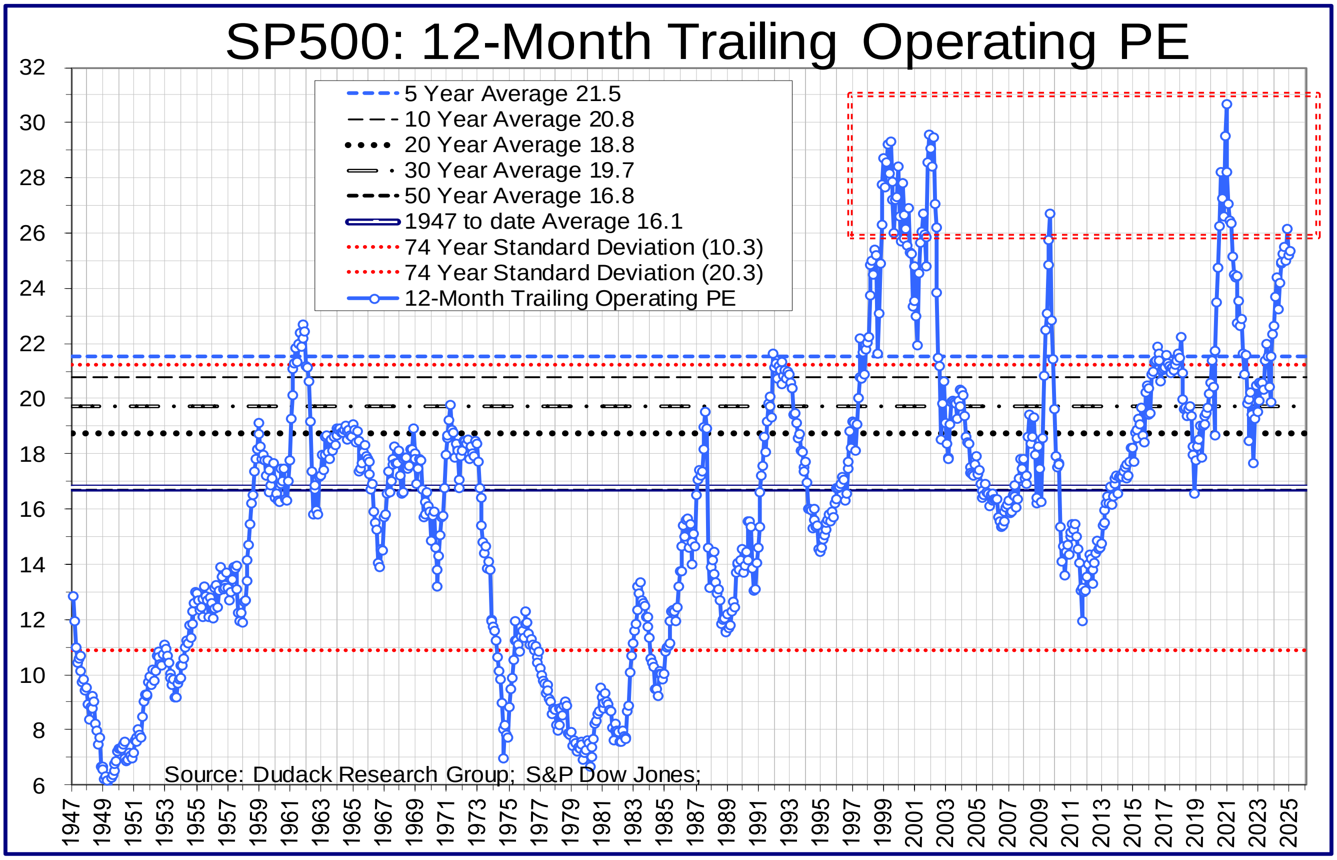
The DJIA, S&P 500, and Nasdaq Composite index all recorded double-digit gains in 2023 and 2024. Two years of double-digit gains are rare, and three consecutive years of double-digit gains are even rarer.

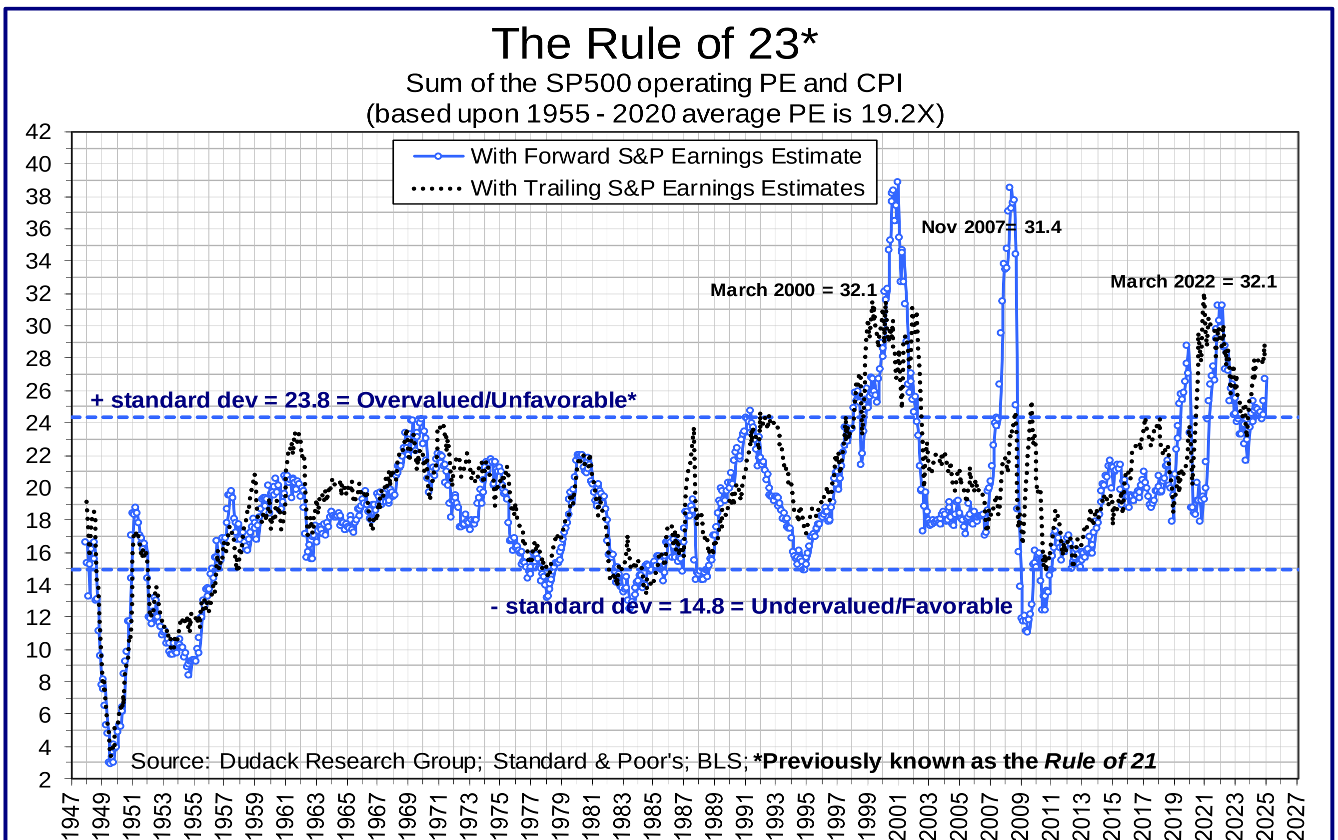
Annual Performance

	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**			

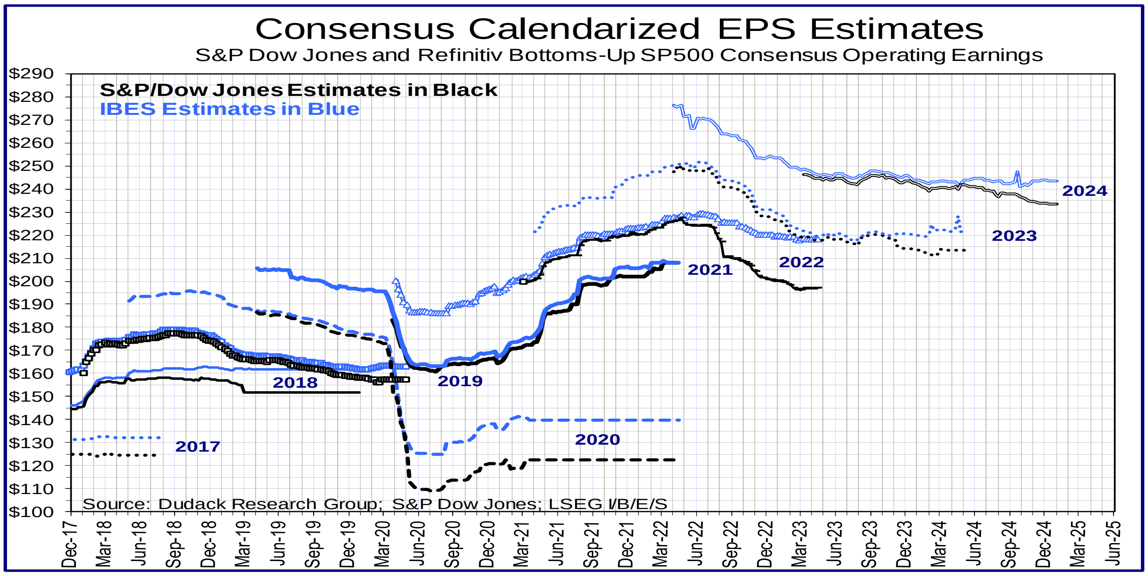
Source: Dudack Research Group; Refinitiv; Blue = 2 or 3 consecutive years of double digit gains

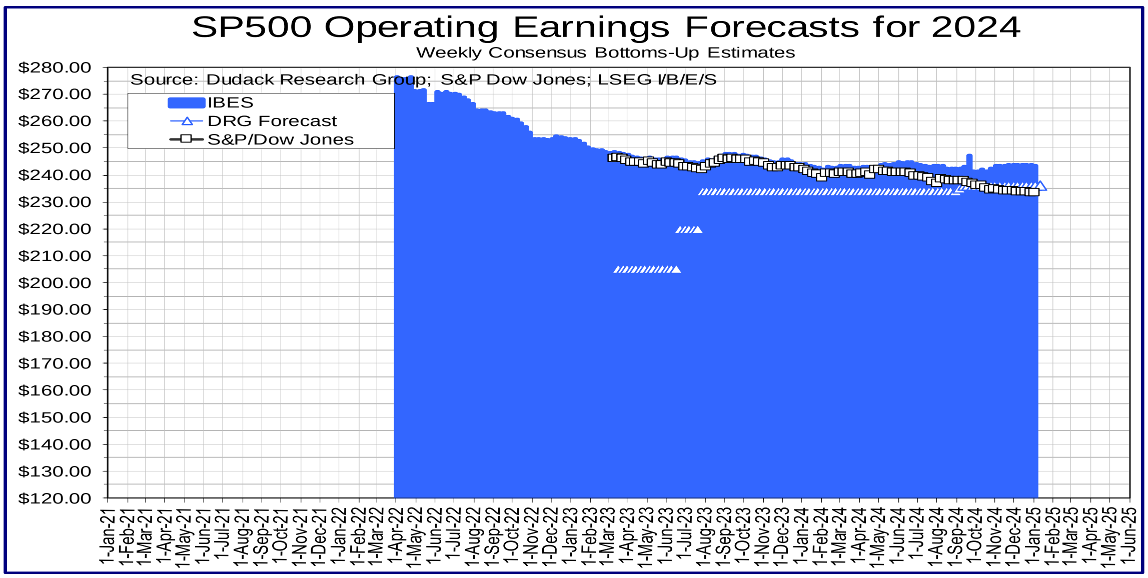
Valuation is not supportive of equities, but momentum, hope, and sentiment are now overruling valuation. The SPX **trailing** 4-quarter operating multiple is 25.3 times, and well above all long- and short-term averages. The **12-month forward** PE multiple is 23.85 times and when added to inflation of 2.8%, sums to 26.65, 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.

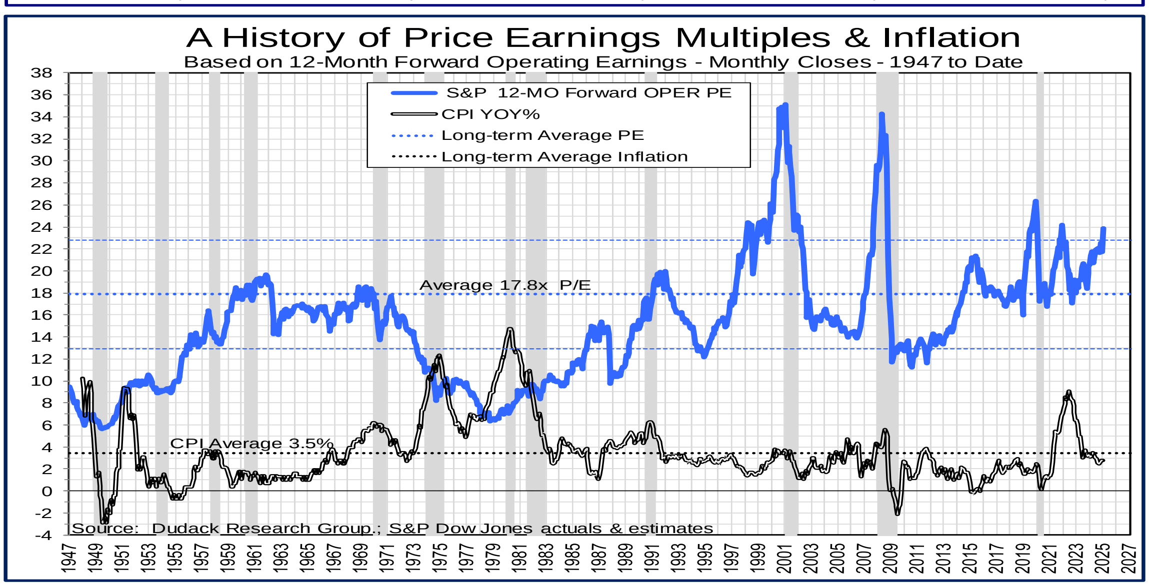




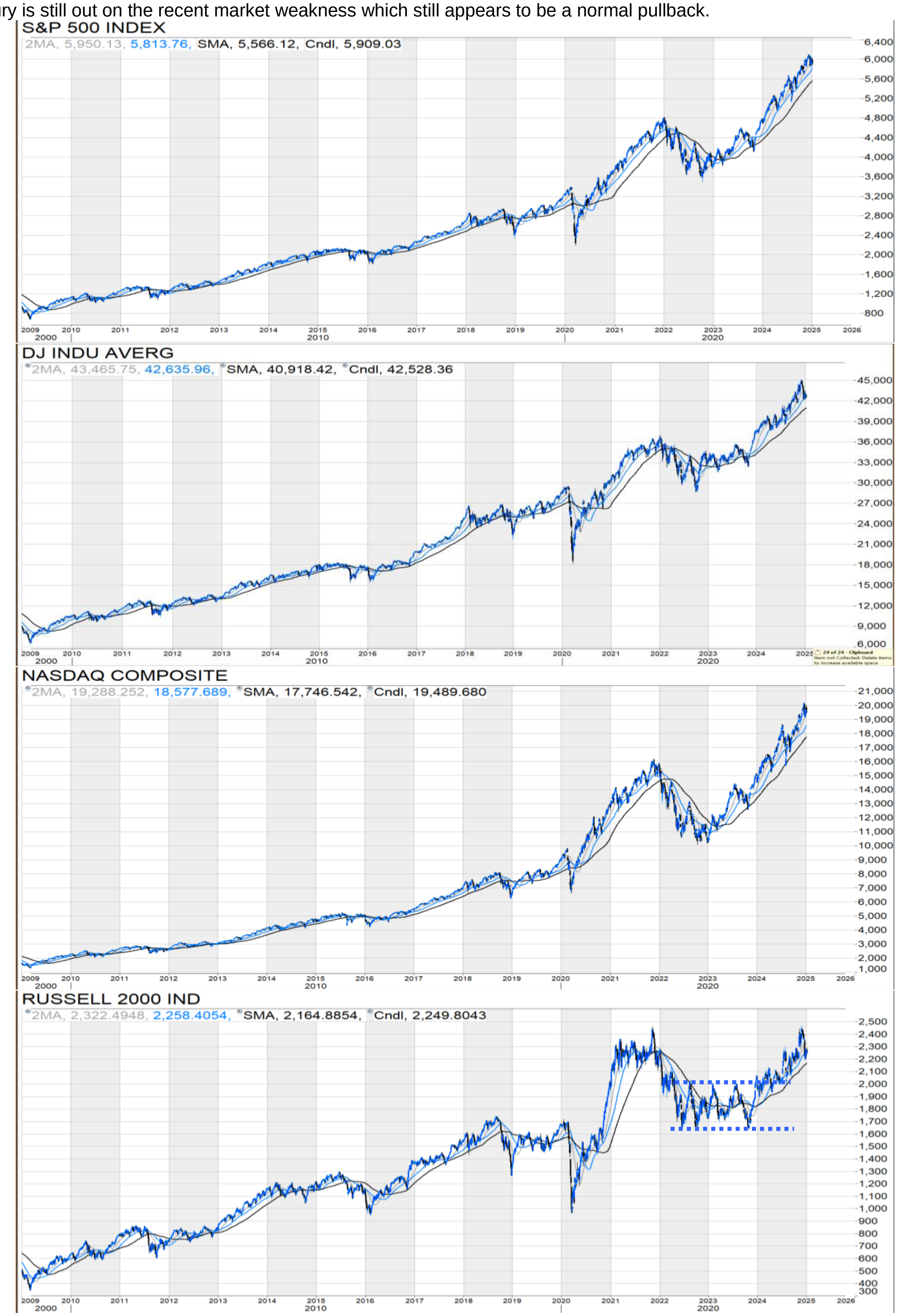
The S&P Dow Jones consensus estimate for calendar 2024 is $233.28, down $0.35 and the 2025 estimate is $271.25, down $1.18 this week. The LSEG IBES estimate for 2024 is $243.31, down $0.33 and the estimate for 2025 is $273.73, down $1.34. The IBES guesstimate for 2026 EPS is $309.89, down $0.26. The 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.







The market failed to have a Santa Claus Rally this year and breadth has weakened. As a result, many prognosticators are turning bearish for 2025. However, the charts of the indices do not reflect anything other than a normal pause in an uptrend. Only the DJIA and the Russell 2000 index have tested their 100-day moving averages, while the SPX and Nasdaq are trading well above these benchmarks. In short, the jury is still out on the recent market weakness which still appears to be a normal pullback.

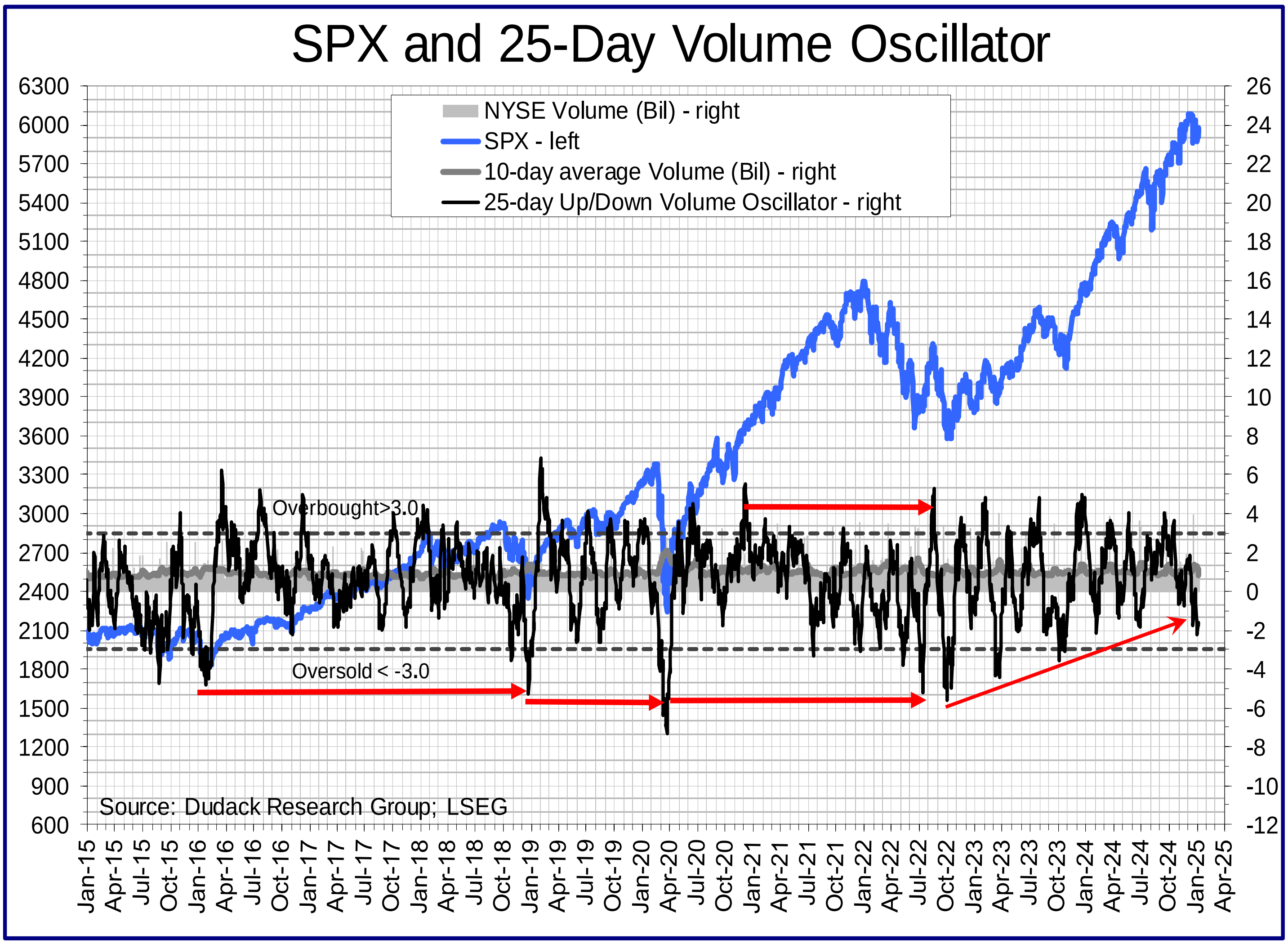


Source: LSEG Refinitiv

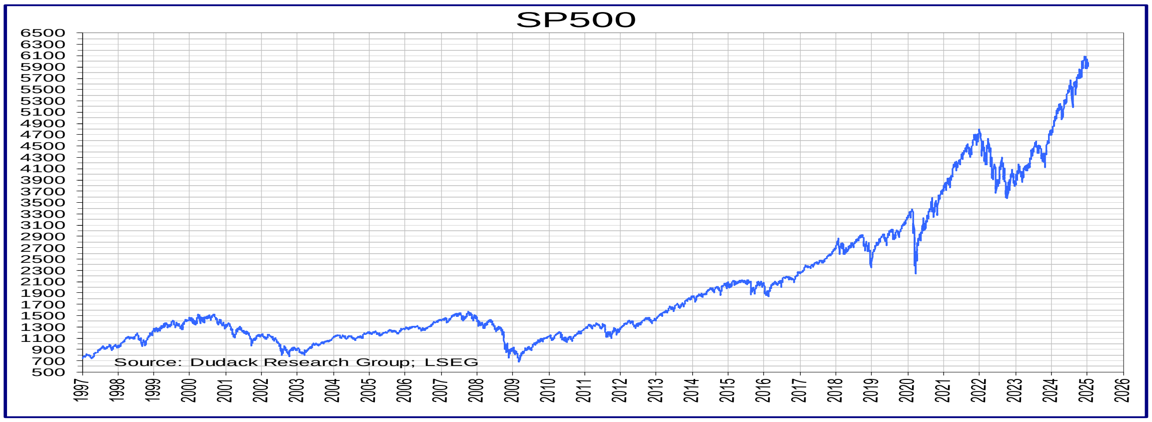
The 25-day up/down volume oscillator is at negative 1.74, neutral, and down significantly from last week. The recent weakness in breadth data has resulted in this oscillator breaking the uptrend that has been in place in this indicator since the October 2022 low. This implies a shift in momentum.

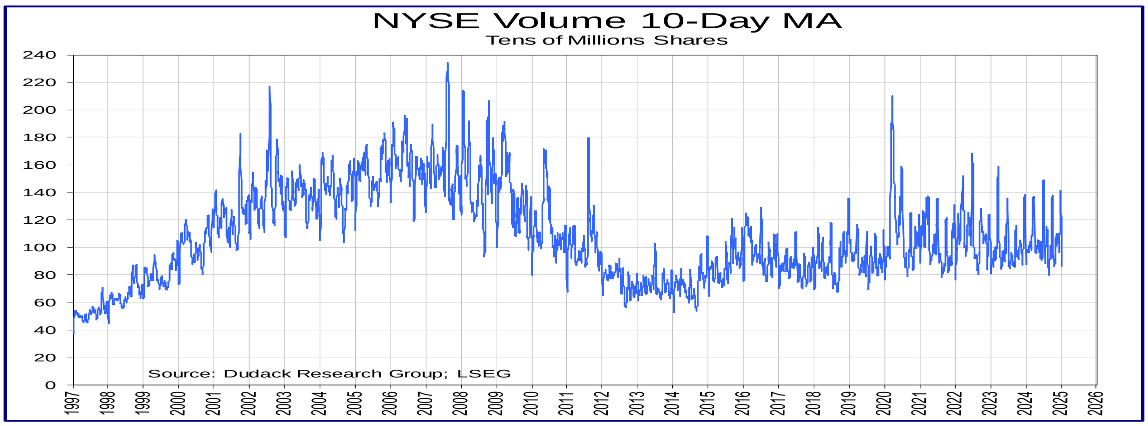
Since the October 2022 low, every oversold reading in this indicator has been met with solid bargain-hunting buying. In short, an important test may be on the horizon, and we will be watching to see if this indicator reaches an oversold reading and how long it lasts.

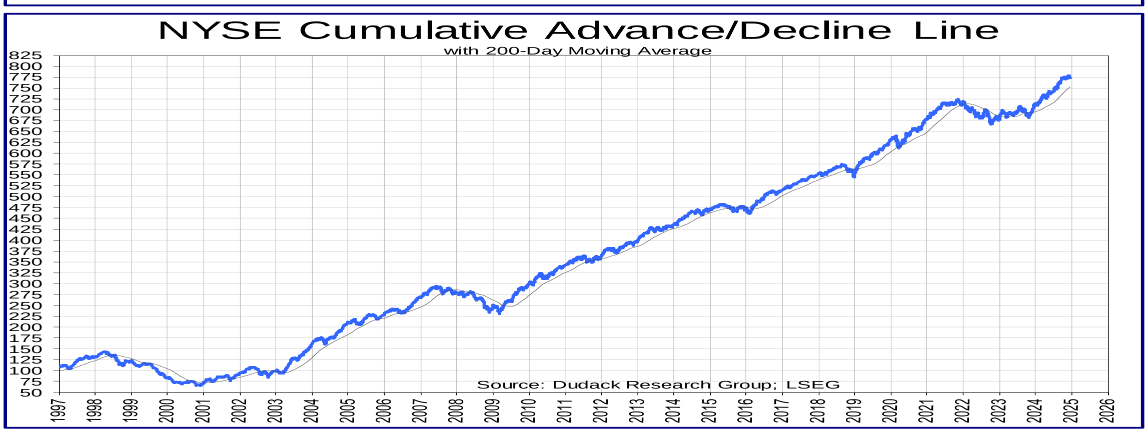
An oversold reading that lasts more than five consecutive trading sessions is a warning and would be a signal that the bullish momentum that has been in place since the October 2022 low has been broken and a decline of more than 10% is on the horizon.

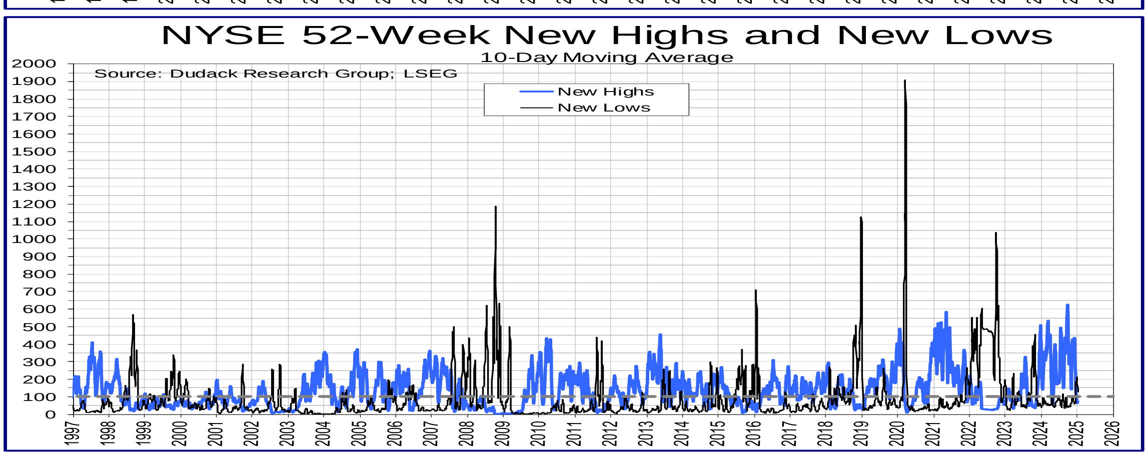


The 10-day average of daily new highs is 73 this week and new lows are averaging 128. This combination of new highs below 100 and new lows above 100 shifts this indicator from neutral to negative and is weaker than last week. The NYSE advance/decline line made a new record high on November 29, 2024. In sum, breadth indicators are uniformly negative.

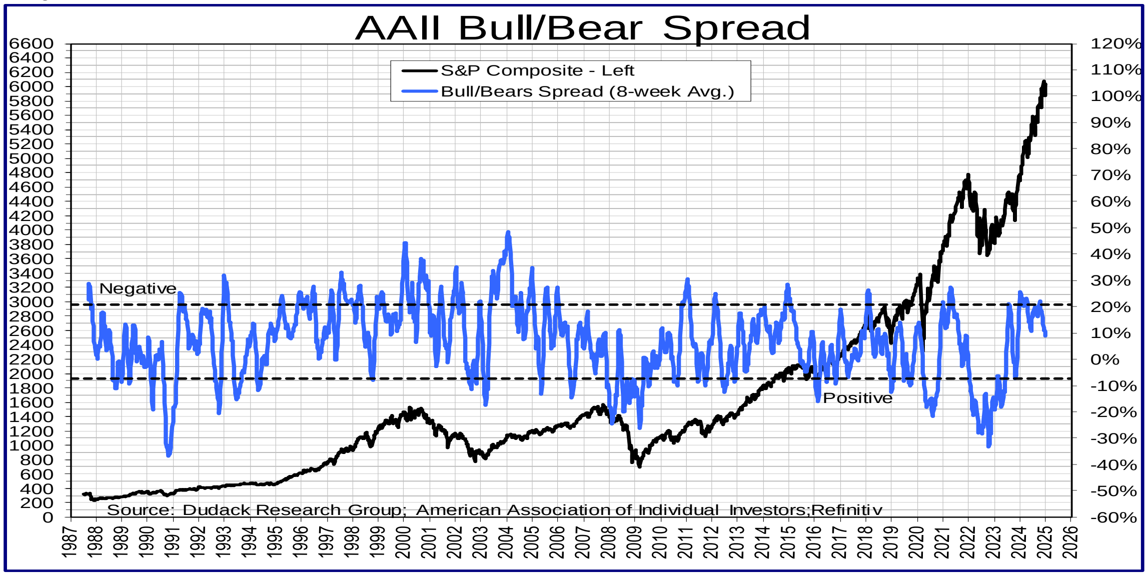


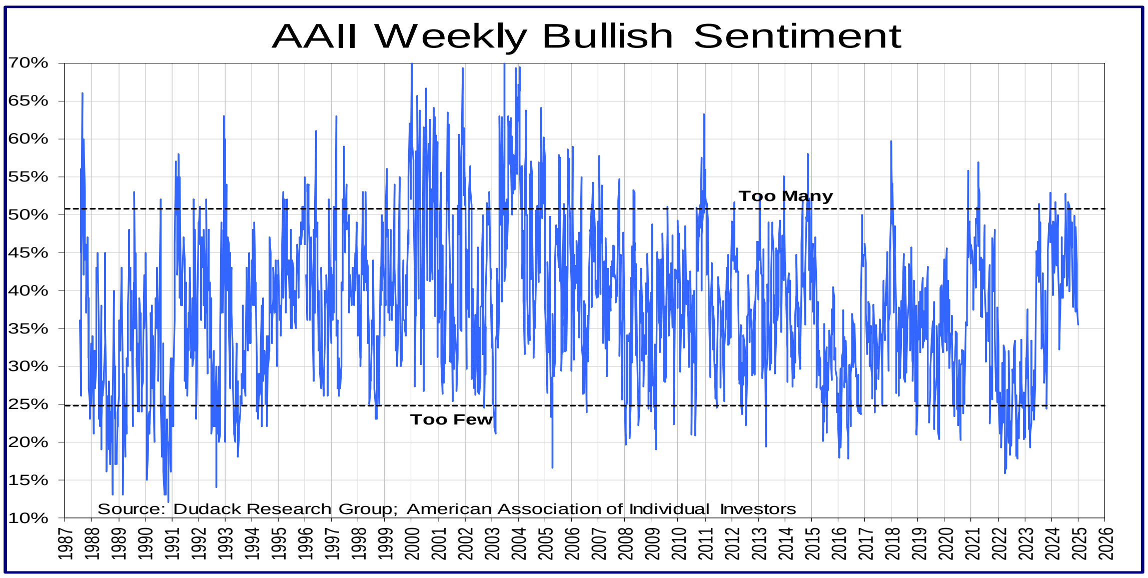


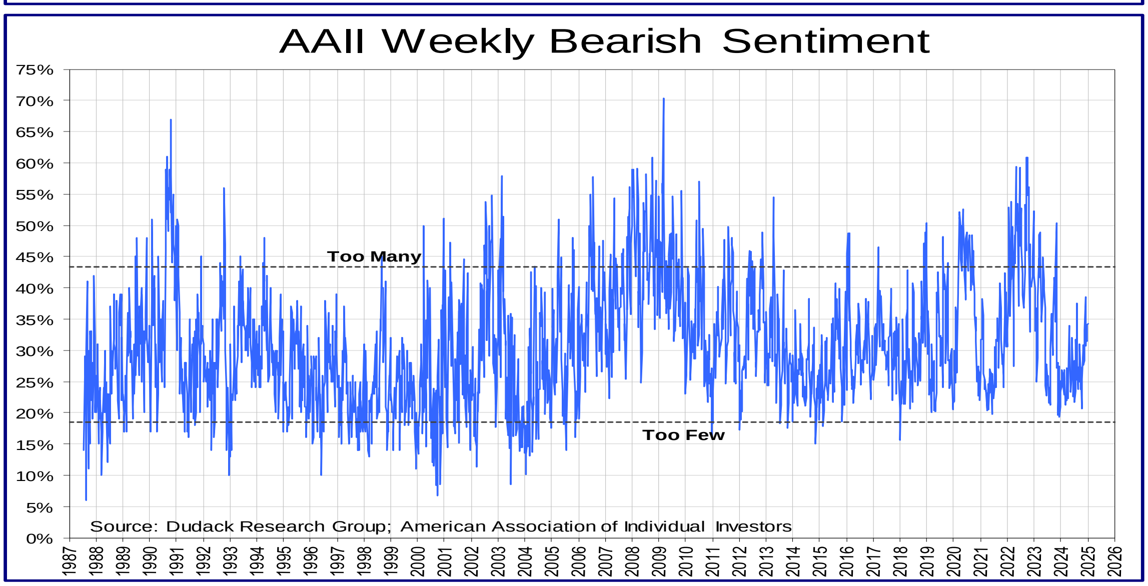




Last week's AAII survey showed bullishness fell 2.4% to 35.4% and bearishness rose 0.1% to 34.2%. Bullishness is now below average, and bearishness is above average for the first time in five weeks. Extreme sentiment readings -- a negative signal -- were seen on December 13, 2023, when bearishness was 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 8.9% 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%
iShares MSCI South Korea Capped ETF	EWY	53.72	5.6%	-2.3%	5.6%	5.6%
Silver Future	SIc1	30.45	5.2%	-2.4%	5.2%	5.2%
SPDR S&P Semiconductor ETF	XSD	260.45	4.8%	1.0%	4.8%	4.8%
iShares DJ US Oil Eqpt & Services ETF	IEZ	20.72	4.6%	1.4%	4.6%	4.6%
iShares Silver Trust	SLV	28.66	4.0%	-3.2%	4.0%	4.0%
iShares MSCI Mexico Capped ETF	EWW	48.56	3.7%	-6.1%	3.7%	3.7%
Oil Future	CLc1	74.25	3.5%	10.5%	3.5%	3.5%
United States Oil Fund, LP	USO	78.17	3.5%	11.3%	3.5%	3.5%
iShares MSCI Brazil Capped ETF	EWZ	23.18	3.0%	-8.3%	3.0%	3.0%
Energy Select Sector SPDR	XLE	87.94	2.7%	-3.4%	2.7%	2.7%
iShares MSCI Taiwan ETF	EWT	53.09	2.6%	-3.2%	2.6%	2.6%
iShares Nasdaq Biotechnology ETF	IBB.O	135.47	2.5%	-4.1%	2.5%	2.5%
iShares MSCI Germany ETF	EWG	32.42	1.9%	-2.9%	1.9%	1.9%
iShares Russell 2000 Growth ETF	IWO	293.02	1.8%	-6.4%	1.8%	1.8%
Health Care Select Sect SPDR	XLV	139.71	1.6%	-3.2%	1.6%	1.6%
iShares MSCI Australia ETF	EWA	24.22	1.5%	-5.8%	1.5%	1.5%
Communication Services Select Sector SPDR Fund	XLC	97.84	1.1%	-3.1%	1.1%	1.1%
SPDR Gold Trust	GLD	244.56	1.0%	0.7%	1.0%	1.0%
iShares MSCI EAFE ETF	EFA	76.34	1.0%	-4.7%	1.0%	1.0%
Nasdaq Composite Index Tracking Stock	ONEQ.O	76.67	0.8%	-2.1%	0.8%	0.8%
iShares Russell 2000 ETF	IWM	222.72	0.8%	-6.8%	0.8%	0.8%
iShares MSCI United Kingdom ETF	EWU	34.16	0.8%	-4.8%	0.8%	0.8%
NASDAQ 100	NDX	21173.04	0.8%	-2.1%	0.8%	0.8%
iShares MSCI Canada ETF	EWC	40.58	0.7%	-5.4%	0.7%	0.7%
iShares MSCI Singapore ETF	EWS	22.00	0.7%	-4.3%	0.7%	0.7%
Vanguard FTSE All-World ex-US ETF	VEU	57.79	0.7%	-4.6%	0.7%	0.7%
Technology Select Sector SPDR	XLK	233.96	0.6%	-2.9%	0.6%	0.6%
iShares Russell 1000 ETF	IWB	323.99	0.6%	-3.5%	0.6%	0.6%
iShares Russell 1000 Growth ETF	IWF	403.79	0.6%	-2.2%	0.6%	0.6%
iShares Russell 1000 Value ETF	IWD	186.02	0.5%	-5.1%	0.5%	0.5%
SP500	.SPX	5909.03	0.5%	-3.0%	0.5%	0.5%
Utilities Select Sector SPDR	XLU	76.03	0.4%	-4.6%	0.4%	0.4%
iShares MSCI Emerg Mkts ETF	EEM	42.00	0.4%	-4.2%	0.4%	0.4%
Industrial Select Sector SPDR	XLI	132.30	0.4%	-5.9%	0.4%	0.4%
iShares MSCI Japan ETF	EWJ	67.27	0.3%	-5.4%	0.3%	0.3%
Gold Future	GCc1	2989.10	0.1%	0.7%	0.1%	0.1%
iShares Russell 2000 Value ETF	IWN	164.21	0.0%	-7.4%	0.0%	0.0%
Financial Select Sector SPDR	XLF	48.33	0.0%	-4.1%	0.0%	0.0%
iShares US Telecomm ETF	IYZ	26.82	0.0%	-4.8%	0.0%	0.0%
DJIA	.DJI	42528.36	0.0%	-4.7%	0.0%	0.0%
SPDR DJIA ETF	DIA	425.33	0.0%	-4.9%	0.0%	0.0%
SPDR S&P Retail ETF	XRT	79.41	-0.2%	-5.0%	-0.2%	-0.2%
iShares MSCI India ETF	INDA.K	52.43	-0.4%	-5.8%	-0.4%	-0.4%
iShares MSCI Austria Capped ETF	EWO	20.88	-0.4%	-2.8%	-0.4%	-0.4%
SPDR S&P Bank ETF	KBE	55.20	-0.5%	-9.2%	-0.5%	-0.5%
Materials Select Sector SPDR	XLB	83.70	-0.5%	-8.9%	-0.5%	-0.5%
Consumer Discretionary Select Sector SPDR	XLY	222.38	-0.9%	-4.5%	-0.9%	-0.9%
iShares iBoxx $ Invest Grade Corp Bond	LQD	105.84	-0.9%	-4.4%	-0.9%	-0.9%
PowerShares Water Resources Portfolio	PHO	65.13	-1.0%	-8.6%	-1.0%	-1.0%
iShares MSCI Malaysia ETF	EWM	24.27	-1.1%	-2.9%	-1.1%	-1.1%
SPDR Homebuilders ETF	XHB	103.26	-1.2%	-13.3%	-1.2%	-1.2%
iShares MSCI BRIC ETF	BKF	35.93	-1.5%	-5.9%	-1.5%	-1.5%
iShares 20+ Year Treas Bond ETF	TLT	85.92	-1.6%	-9.0%	-1.6%	-1.6%
iShares US Real Estate ETF	IYR	91.48	-1.7%	-8.2%	-1.7%	-1.7%
Consumer Staples Select Sector SPDR	XLP	77.24	-1.7%	-6.2%	-1.7%	-1.7%
iShares MSCI Hong Kong ETF	EWH	16.28	-2.3%	-5.8%	-2.3%	-2.3%
iShares China Large Cap ETF	FXI	29.62	-2.7%	-3.7%	-2.7%	-2.7%
Shanghai Composite	.SSEC	3229.64	-3.6%	-5.1%	-3.6%	-3.6%

Outperformed SP500
Underperformed SP500

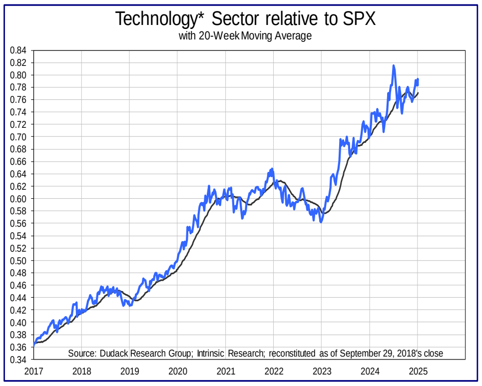
Source: Dudack Research Group; Refinitiv

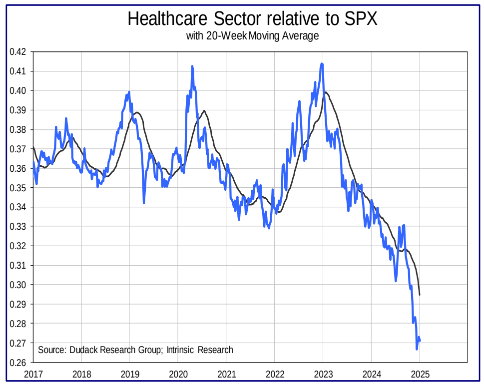
Priced as of January 7, 2025

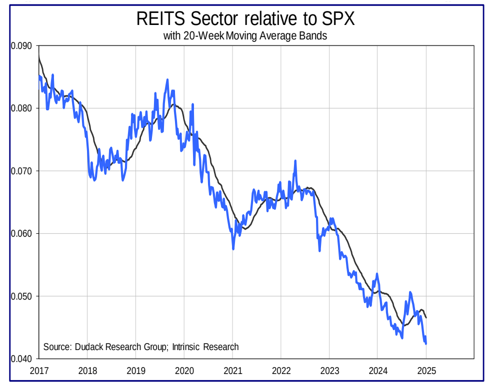
SECTOR RELATIVE PERFORMANCE – RELATIVE OVER/UNDER/ PERFORMANCE TO S&P 500

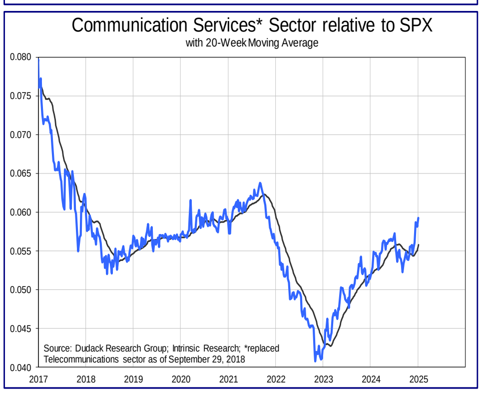
DRG Recommended Sector Weights		
Overweight	**Neutral**	**Underweight**
Communication Services Technology Consumer Discretionary Financials	Healthcare Staples Utililties Industrials	REITS Materials Energy

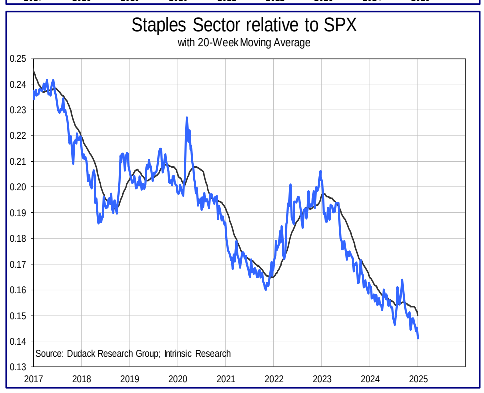
11/19/2024: Upgraded Consumer Discretionary from N to O; Downgraded Healthcare from O to N. 9/10/2024: Upgraded Utilities from U to N; Downgraded Energy from N to U.

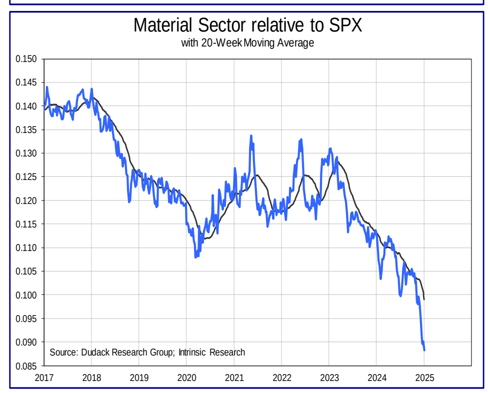


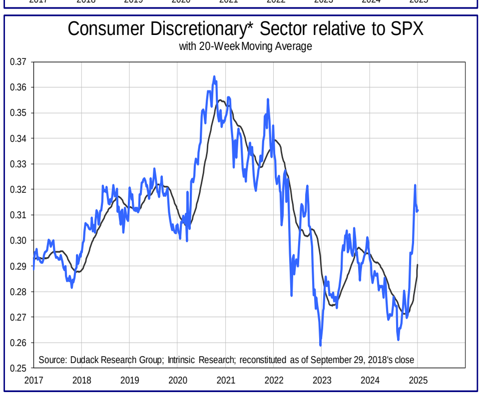


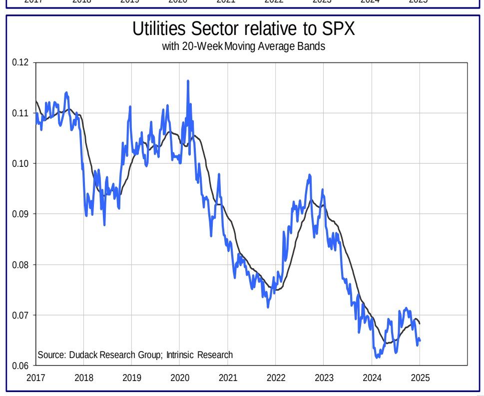


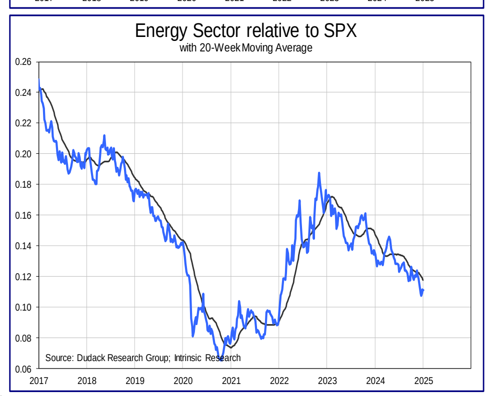


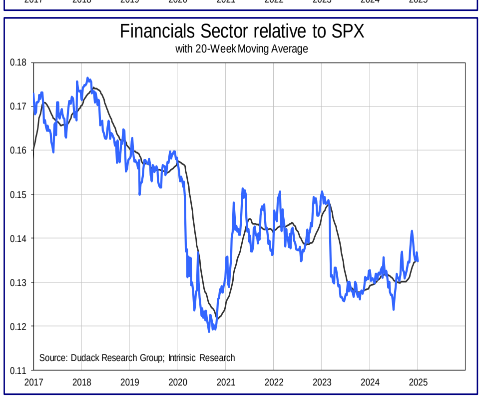


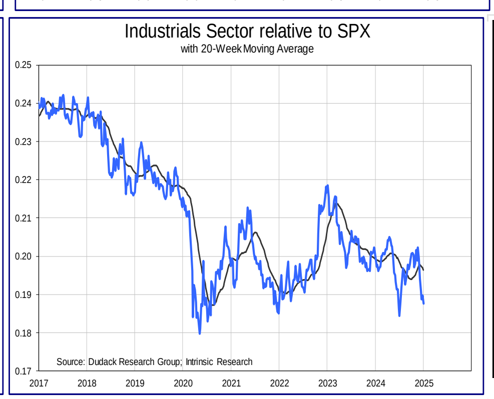












2025 Performance - Ranked	
SP500 Sector	% Change
S&P ENERGY	2.6%
S&P COMMUNICATIONS SERVICES	2.5%
S&P HEALTH CARE	1.6%
S&P 500	0.5%
S&P UTILITIES	0.4%
S&P INDUSTRIALS	0.4%
S&P INFORMATION TECH	0.4%
S&P FINANCIAL	0.0%
S&P MATERIALS	-0.5%
S&P CONSUMER DISCRETIONARY	-0.5%
S&P CONSUMER STAPLES	-1.6%
S&P REITS	-1.8%

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%
2024E	~~~~~	$197.87	$233.28	$233.42	9.3%	$243.31	9.9%	25.2X	1.4%	NA	NA	NA
2025E	~~~~~	$172.75	$271.25	$270.00	15.7%	$273.73	12.5%	21.8X	NA	NA	NA	NA
2026E	~~~~~	$192.43	NA	$310.50	15.0%	$309.89	13.2%	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 3QP	5521.50	$53.75	$59.55	$60.75	16.3%	$63.30	8.4%	24.4	1.3%	2.8%	$3,128.50	16.0%
2024 4QE	5881.63	$56.40	$61.12	$61.26	13.7%	$61.78	8.1%	25.2	NA	NA	NA	NA
2025 1QE*	5909.03	$57.27	$62.25	$63.75	16.7%	$62.78	11.0%	24.5	NA	NA	NA	NA
2025 2QE	NA	$60.75	$66.47	$65.25	11.8%	$66.95	10.8%	23.7	NA	NA	NA	NA
2025 3QE	NA	$64.67	$70.51	$68.00	11.9%	$70.77	11.8%	22.7	NA	NA	NA	NA
2025 4QE*	NA	$67.02	$72.02	$73.00	19.2%	$72.17	16.8%	21.8	NA	NA	NA	NA

Source: DRG; S&P Dow Jones **quarterly EPS may not sum to official CY estimates; LSEG IBES Consensus estimates *1/7/2025

Regulation AC Analyst Certification

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

IMPORTANT DISCLOSURES

RATINGS DEFINITIONS:

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

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Prices are the close of January 7, 2025