Equity Intelligence Report

December 2023

GAMMA INVESTMENT CONSULTING

Gamma Global Macro Model Highlights

- **The S&P 500 and Nasdaq Models remained NEUTRAL (in cash) for December**. Despite last month's 8.9% gain in the S&P 500 and improvement in several short-term indicators, the combination of high valuation and a negative reading from the Gamma Liquidity Indicator kept the Models on the sidelines.
- **Financials and Gold Mining Shares vaulted to the top of the sector list as the only two Models with positive expected return forecasts for December.** Both sectors are benefiting from the expectation that slowing inflation will allow the Federal Reserve to start cutting interest rates by early 2024.
- **DR Horton (DHI) and Chubb Ltd. (CB) were added to our recommended list of stocks for December.** All the other names on the recommended list from last month were retained as the expected returns for all of them remained well above the expected return for the S&P 500 for December.

I. Equity Index Outlook

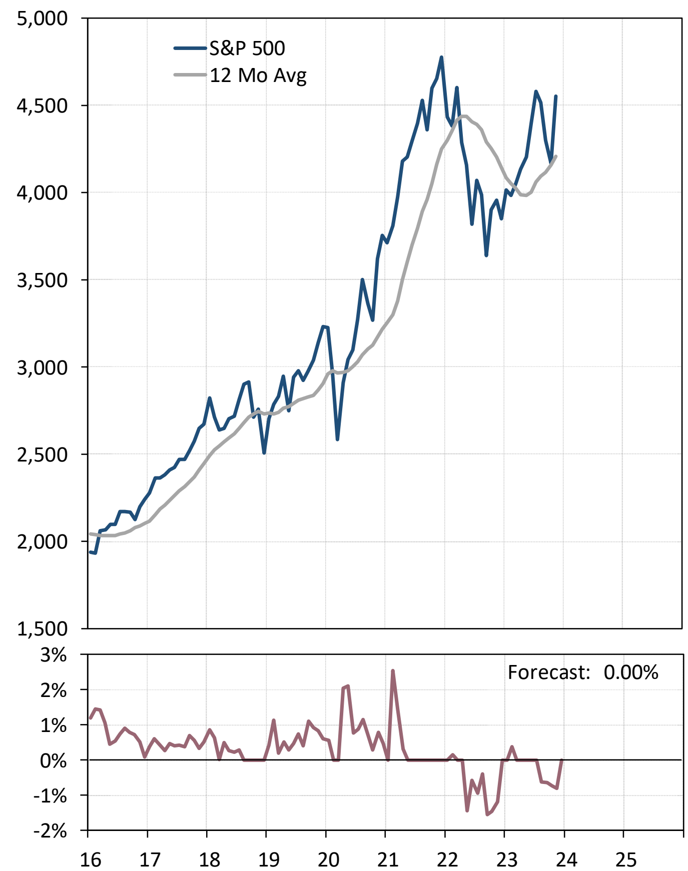
U.S. equities posted solid gains in November. The S&P 500 rose 8.9% during the month and was up 19.2% from its December 2022 low. Despite November's gain, however, the Index still finished the month -0.5% below the July high. The Nasdaq posted an even stronger 10.7% gain that left the Index up a whopping 34.7% from the end of 2022. Like the S&P 500, however, the Nasdaq still ended November -0.9% below its July peak. The stock market's resilience has been driven by recovering corporate earnings and slowing headline inflation that investors believe will allow the Federal Reserve to start cutting rates early in 2024.

Despite the improvement in several short-term indicators last month, the Gamma Models continue to indicate that investor confidence in a new bull market is premature (Chart 1).

- **Liquidity is still negative**. Liquidity has likely bottomed for this cycle but is not yet strong enough to support a sustained rally in stock prices. The Gamma Liquidity Indicator has recovered from its -2.0 standard deviation low hit in May (its most restrictive level since 1981, Chart 2). 12-month liquidity momentum has turned positive for the first time since late 2018. We have likely turned the corner on the

Chart 1

USA: S&P 500 Model Forecast



worst of the liquidity contraction for this cycle. Equity bulls need to be aware that this improvement has not occurred due to an actual *expansion* in liquidity. It has occurred due to *slower deterioration* in liquidity. In other words, liquidity is still negative; it's just not worsening as fast as it was previously. **The Liquidity Indicator's current reading of -1.25 standard deviations is still the weakest since September 1981.** History shows that many of the worst bear markets (2000-2001, 2008) occurred well after liquidity growth turned positive.

- **Short-term interest rates are still at a two-decade high**. The Federal Reserve has kept rates steady for the past four months, but they are still at their highest level since February 2021 (Chart 3). Fed Chairman Jerome Powell went so far last week to say that it was "premature" to conclude that monetary policy was "sufficiently restrictive" or to speculate on when

Chart 3

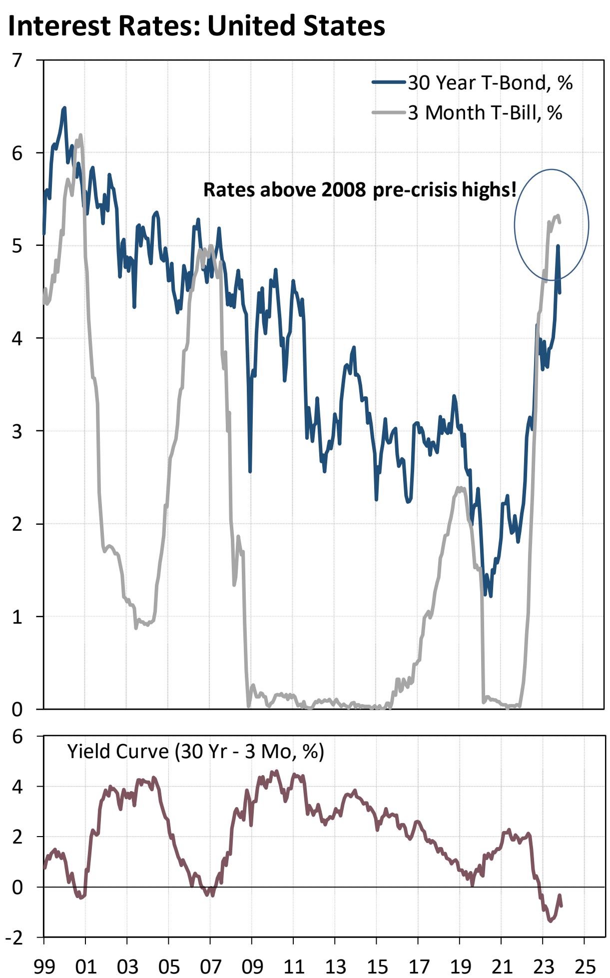
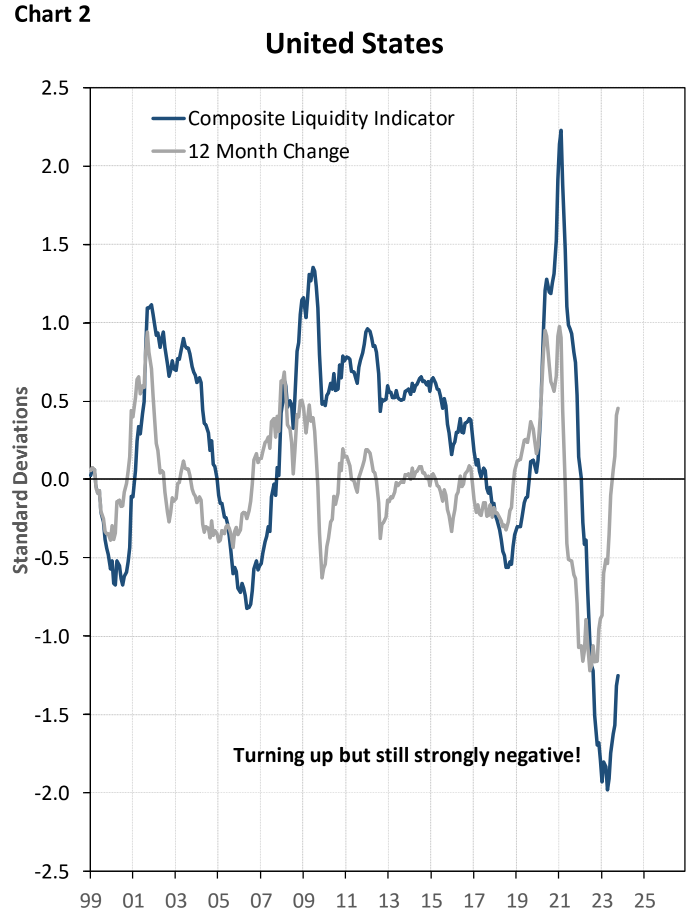


Chart 2



the central bank might start cutting rates. He even added that **the Fed is prepared to tighten further if needed**. Despite these comments (and the third-quarter's stunning 5.2% gain in real GDP), investors have aggressively moved forward their expectation of when the Fed will start to cut rates. Prior to Powell's comments, the odds of a Fed rate cut in January were effectively zero as Wall Street was targeting a cut in May or June at the earliest. After his speech, however, the odds jumped to 15% in January and 50% in March with a virtual certainty of lower rates by May.

So, what's driving these expectations, and are they realistic? The obvious explanation is that the inflation rate continues to fall faster than expected. Inflation as measured by the Fed's preferred measure, the personal consumption expenditure deflator (PCED), slipped to a 3.0% yr/yr rate last month (Chart 4). Inflation had stabilized at 3.4% the previous three months raising concerns that it might begin to reaccelerate. Inflation has fallen from a 7.1% rate in June 2022. Even excluding the volatile food and energy component which has helped slow the pace of improvement, inflation improved to a 3.5% yr/yr rate from a peak of 5.5%. Services inflation improved to a 4.4% rate from a 6.0% rate in January. The services component has been of concern. The persistently low unemployment rate has raised concerns that higher employment costs would prevent any further improvement in the overall inflation because of their impact on services.

The outlook for interest rates will depend heavily on whether the inflation rate continues to converge to the Fed's 2% target rate. The improvement in the headline number up to this point has been largely due to lower food, energy, and nondurable goods prices. Commodity price inflation, dominated by food and energy, peaked at a 93% yr/yr rate in late 2021 and has since fallen to a -11% rate (Chart 5). Nondurable goods inflation has fallen from a 13.1% rate to a 1.6% rate in November.

The core inflation rate at 3.5% is still well above that 2% level and may require a substantially weaker economy to get it much lower. Further improvement will likely depend on whether the long-anticipated slowing in the economy actually occurs. Economists have been expecting slower growth all year, yet economic growth has actually accelerated. Third quarter GDP jumped at a 5.2% annual rate following gains of 2.2% and 2.1% in the first and second quarters, respectively. This occurred despite the Index of Leading Indicators (LEI) falling for 19 consecutive months. The 19-month decline is the third worst stretch since 1950. The two worst stretches (1974-1975 and 2008-2009) ended with the two worst recessions since the 1930's. The LEI's pace of decline has accelerated in the past three months with the yr/yr change dropping to -7.8% in November. The massive increase in liquidity in 2020-2021 likely delayed a downturn in growth. If history is any guide, however, slower growth is coming.

If economic growth stays above 2%, the Federal Reserve is likely to keep rates steady for longer until inflation has clearly fallen to the target 2% rate which, given the current 3.5% core rate, would be unlikely before mid-2024. On the other hand, if the economy slows substantially (as the LEI indicates), the Fed may move more aggressively to cut rates. Whether this ends up being positive for equities depends on which dominates: lower interest rates or weaker earnings due to slowing growth.

Chart 4

Inflation Measures

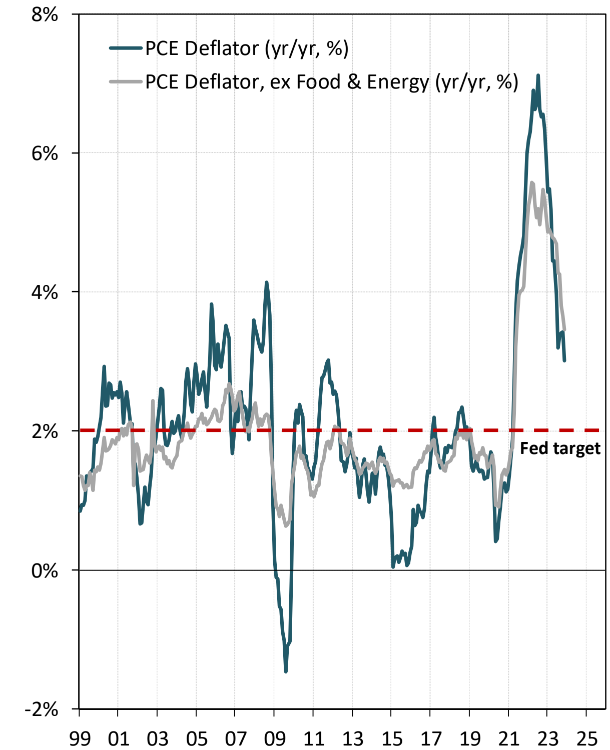
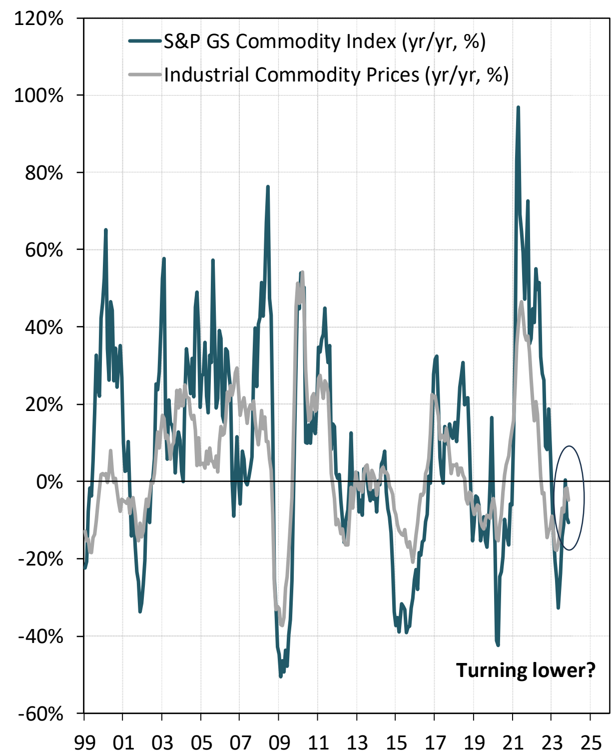


Chart 5

Commodity Price Inflation



- **Money growth remains negative**. All three major measures of real (inflation-adjusted) money growth remain strongly negative on an yr/yr basis (Chart 6). As of the end of November, yr/yr growth in real M1 was down -13.7%. Real True money Supply (TMS) and real M2 were both down -7.0%. Growth in all three has recovered somewhat from their record mid-year lows, but all three measures have yet to turn positive on even a six-month basis.

  Money growth is unlikely to turn higher until interest rates fall and the yield curve steepens. The 5.25% rise in interest rates since the Fed began tightening in March 2023 has caused loan demand to fall from a 12.2% growth rate a year ago to only a 3.8% rate last month. In addition, the inverted yield curve has created even less of an incentive for banks to lend. Banks, as financial intermediaries, normally borrow money short-term through deposits and CDs and lend that money long-term for such things as corporate loans, mortgages, and auto loans. An inverted yield curve implies that longer-term loans are financed at a loss since the cost of funds (CDs) is higher than the interest received on the loans. Add to that the fact that the Federal Reserve pays banks a market rate on balances held at the central bank which creates even less of an incentive for banks to lend.

- **The yield curve remains inverted**. The initial flattening of the yield curve from March 2022 through June 2023 – when the 3-30 curve moved from +212 to -135 basis points – occurred largely due to rising short-term interest rates. The Federal Funds rate over that period climbed a near-record 500 basis points. The 3-30 curve steepened sharply over the past summer as it moved from -136 to -32 basis points. While short-term interest rates rose only 25 basis points from May through October, the yield on the 30-year T-Bond soared over 1.30% (Chart 3). Much of that increase was due to the unexpected strength in the U.S. economy which caused bond traders to anticipate additional Fed rate hikes. Also, a surge in government borrowing helped keep upward pressure on long-term interest rates.

  Bond prices, however, rallied strongly in November as investors began pricing in the possible end of the Fed's tightening cycle and the likelihood of a real economic slowdown. The yield on the 30-year T-Bond fell almost 70 basis points from its

Chart 6

Real True Money Supply and M2

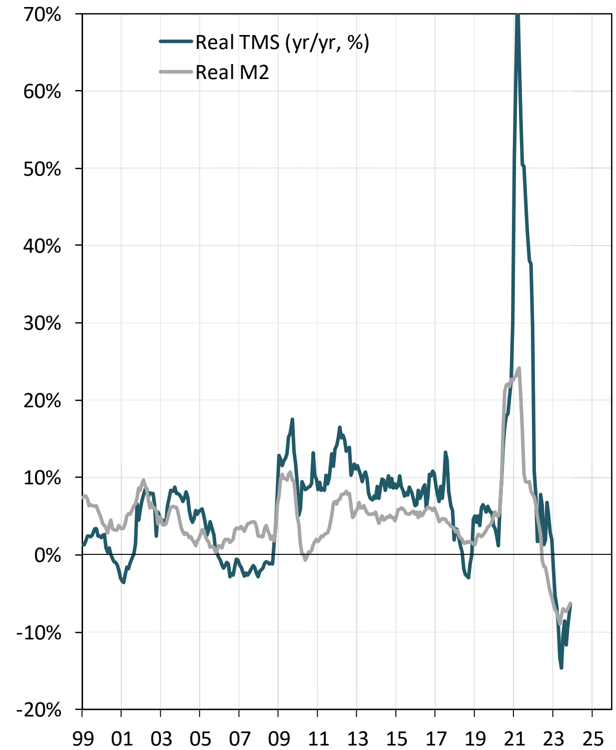
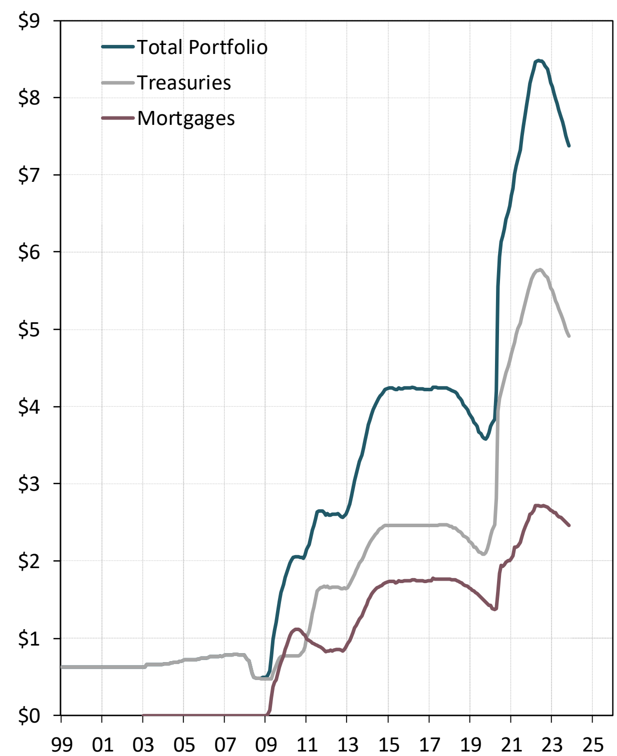


Chart 7

Federal Reserve Balance Sheet(Trillion $)



mid-November highs. The result was a renewed flattening of the yield curve. Long-term rates plummeted while short-term rates remained unchanged. In the short term, this renewed inversion of the yield curve indicates worsening liquidity. If lower long-term rates end up being an accurate predicator of Fed rate cuts, however, we are likely to see lower short- AND long-term rates and also a steeper yield curve which would support higher stock prices.

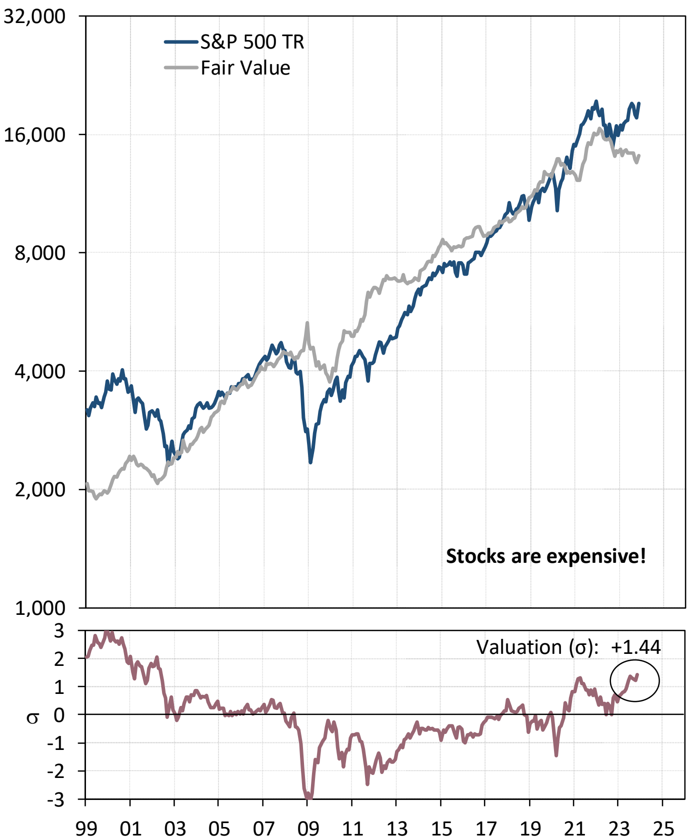
- **The Fed continues to reduce the size of its balance sheet**. The Federal Reserve reduced the size of its investment portfolio by an additional $64 billion last month (Chart 7). As part of its tightening process, the Federal Reserve has continued to shed Treasury securities and mortgages acquired during the Covid stimulus madness. The Fed's investment portfolio topped out at $8.5 trillion in June 2022. Through a combination of sales and runoffs, the Fed's portfolio has since fallen by over $1.1 trillion. While seemingly impressive, the portfolio still remains $3.6 trillion above its pre-Covid level suggesting that quite a lot of that stimulus is still around. We expect the Fed to continue to let the portfolio run off even if it chooses to cut rates early in 2024. This is likely to blunt some of the stimulus benefits of lower rates.

- **Stocks remain very overvalued**. Overvaluation is the greatest concern that we have about the longevity of any stock rally. It's at least plausible (if not likely) that an end to Fed rate hikes might be enough to spark a new bull market. The most extreme overvaluation since 2002, however, raises the question of just how far stocks could rise without pushing valuation to near-record levels (Chart 8).

The Gamma Equity Valuation Model indicates that the S&P 500 is currently 1.44 standard deviations overvalued (30%). The Nasdaq Model is a staggering 46% overvalued (1.55 standard deviations). A repeat of November's 8.9% gain would push equity valuation to the third highest level since WW II. The second highest, in 1973, ended with a 46% drop in the S&P 500 that until 2000-02 was the worst decline since the 1930's. The highest overvaluation occurred in February 2000 when the S&P 500 and Nasdaq hit 60% and 106% extremes, respectively. It took a 43% correction and 35 months for S&P 500 valuation to return to "neutral." **It also took almost thirteen years for the S&P 500 to reach a new high**. It took the Nasdaq 31 months and a 73% hit before it reached fair value. **It took the Nasdaq seven years to post a new high**.

Chart 8

USA: S&P 500 Valuation

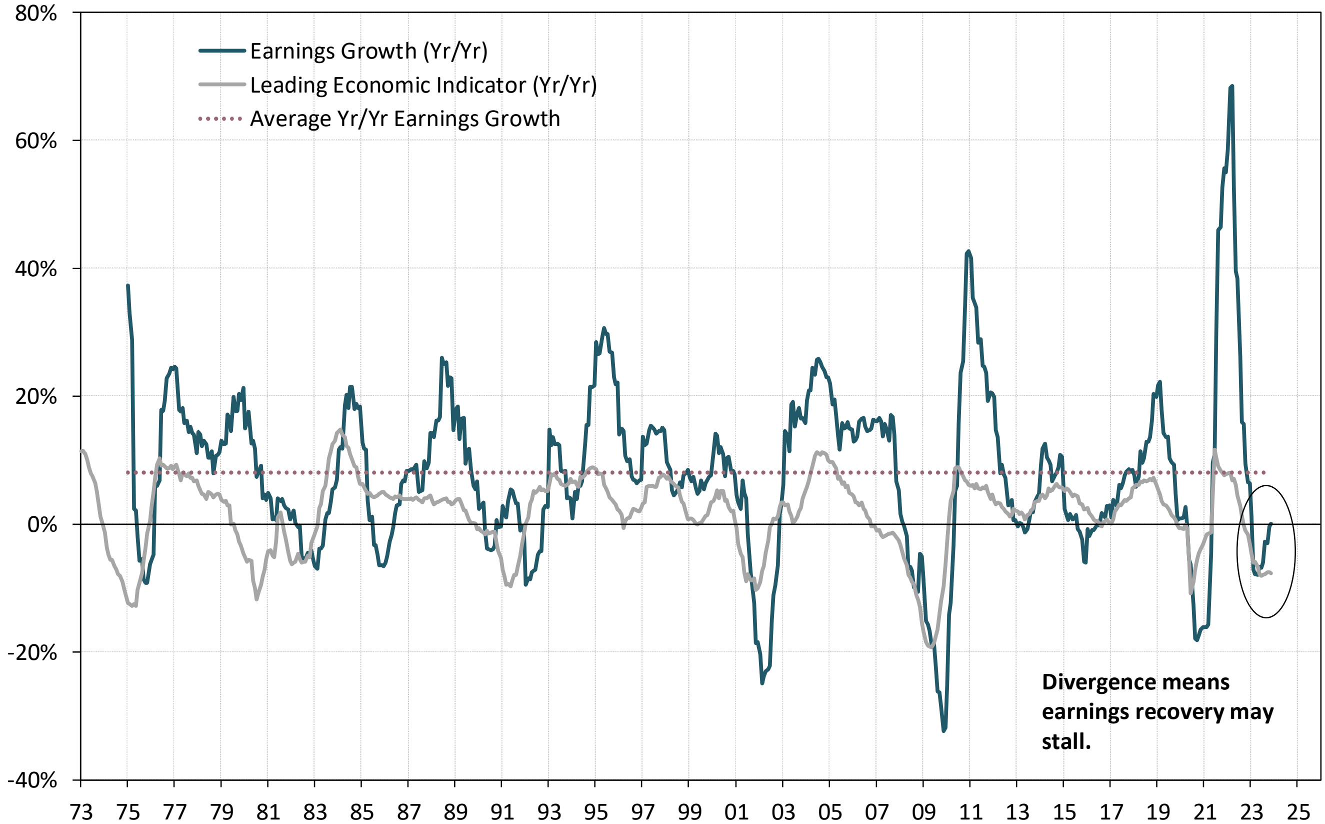


In the case of the dot com collapse, valuation for the major indexes fell to just below neutral before a new bull market started. This has been the exception rather than the rule. **Most bear markets have not bottomed out until valuation has fallen to an average of 20% UNDERVALUED. It is almost impossible to devise a scenario in which valuation could reach neutral without another 20%+ correction**.

For example, a 3.0% drop in short-term rates and a 1.5% fall in long-term rates (which would restore a normal yield curve) would still leave the S&P 500 30% overvalued. Adding a 60% increase in earnings would bring valuation back to neutral. How that would happen given that earnings growth has averaged 9% a year since 1973 is anyone's guess. Add to that the likelihood that a slowing economy will also hurt earnings and it's almost impossible to come up with a scenario that doesn't involve a meaningful pullback even with aggressive Fed rate cuts.

Chart 9

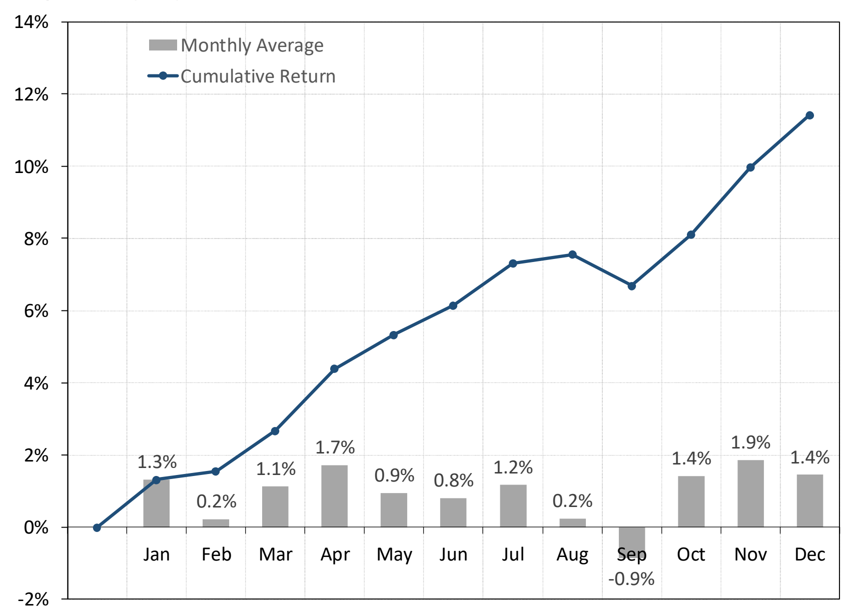
US Total Market Earnings Growth vs Leading Economic Indicator



- **<u>Earnings are recovering but may turn lower if the economy slows</u>.** Corporate earnings fell -8% from their Covid-stimulus-fueled-high in March 2022. Since bottoming in April 2023, 12-month trailing earnings have grown 4.8% and were unchanged in November on an yr/yr basis. If sustained, the recovery in earnings growth would provide support for additional stock price gains. The question is whether earnings can continue to recover given the 19-month drop in the Index of Leading Indicators. The LEI has historically led changes in corporate earnings by 6-12 months. With the LEI down -7.8% yr/yr and heading lower, the odds favor a second leg down in earnings growth (Chart 9).

Chart 10

Avg Mo Equity Returns: USA (1973 - Present)



- **<u>Sentiment is mildly bullish</u>.** While stocks have posted a solid recovery in November, market sentiment remains only moderately bullish. Long equity position by investment advisors, professional money managers, and individual investors were all less than one standard deviation above normal last month. The lack of extreme bullish sentiment suggests that the market has additional room to rally in the near term.

- **Seasonals are very bullish.** Equities are in the most bullish part of the year (Chart 10). November has historically been the strongest month of the year with the S&P 500 averaging a 1.92% gain. December has historically been up 1.43% with January up an additional 1.40%. There are two offsetting forces this year, however. Unusually strong or weak performance relative to seasonal patterns are often followed by corrections in the opposite direction in subsequent months. With stock prices jumping almost 9% in November, it's possible that December may experience a weaker-than-usual gain. Offsetting this is speculation over Fed rate cuts. The prospect of lower rates may provide an additional tailwind to favorable seasonals over the next several months.

II. Equity Sector Outlook

With the S&P 500 and Nasdaq Models continuing to hold neutral positions, only two sectors have positive expected performance for December (Table 1). The Financials and Gold Mining sectors top the list as both are highly sensitive to lower interest rates and a steepening of the yield curve – both likely developments if the market's expectation of Federal Reserve rate cuts materializes by next spring. Both sectors along with Energy and Consumer Staples also have below-average valuation which makes them attractive from both a directional and valuation perspective (Table 2).

At the other extreme are the Communications Services, Utilities, Technology, Materials, and Consumer Discretionary sector. With the economy likely to slow, these sectors remain vulnerable to a significant pullback. Technology, Consumer Discretionary, and Communications Services are also the three most overvalued sectors, averaging over 60% overvaluation. While not as extreme, both Materials and Utilities are over 20% overvalued.

Table 1
1 MONTH STOCK SECTOR MODEL FORECASTS (%)

Country	Stock Index	Index	1 Mo Forecast
Financials	XLF	3,432.50	+0.19%
Gold Mining	---	1,249.83	+0.05%
Health Care	XLV	8,936.46	0.00%
Industrials	XLI	5,910.16	0.00%
Consumer Staples	XLP	5,808.34	0.00%
Real Estate	XLRE	2,293.29	0.00%
Energy	XLE	2,132.75	0.00%
Consumer Discretionary	XLY	4,479.82	-0.41%
Materials	XLB	2,552.57	-0.59%
Technology	XLK	10,806.59	-0.67%
Utilities	XLU	595.95	-0.67%
Communications Services	XLC	5,466.62	-0.98%

Table 2
SECTOR VALUATION ANALYSIS

Sector	Valuation (σ)	Valuation (%)
Consumer Discretionary	+2.35	+59%
Communication Services	+2.15	+61%
Technology	+1.84	+61%
Utilities	+1.52	+22%
Health Care	+1.51	+34%
Materials	+1.19	+18%
Industrials	+0.90	+19%
Real Estate	+0.14	+4%
Consumer Staples	-0.32	-7%
Financials	-0.55	-13%
Gold Mining Shares	-0.75	-22%
Energy	-2.25	-46%

III. Stock Recommendations and Review

The Gamma Company Model starts December with thirteen names on our "hold long" list of companies – eleven carryovers from last month and two new names (Table 3). All eleven names from last month remained on the list due to expected returns well above the average forecast for the companies in the S&P 500 (-0.61%). Interestingly, the two companies with the largest drop in expected return were last month's additions: Huntington Ingalls Industries Inc. (HII) and Westrock Co. (WRK). Both had solid months in November. HII was up 7.8% and WRK gained 14.6%. In HII's case, its December expected return dropped to only 0.19% from 0.80% last month. Westrock's forecast also dropped sharply from 2.10% in November to 0.20% for December.

Table 3

GAMMA COMPANY MODEL - Recommended List Performance — **As of: Nov 30, 2023**

Sector	Ticker	Entry Price	Closing Price 11.30.23	% Change	Trade Date	S&P 500 % Change	Excess Return
Altria Group, Inc.	MO	$47.63	$42.04	-11.7%	12.2.22	12.2%	-18.7%
Chubb Ltd.	CB	$229.43	$229.43	0.0%	11.30.23	0.0%	0.0%
D R Horton Inc.	DHI	$127.67	$127.67	0.0%	11.30.23	0.0%	0.0%
EQT Corp.	EQT	$41.13	$39.96	-2.8%	6.30.23	3.0%	-11.4%
Henry Schein Inc.	HSIC	$78.31	$66.73	-14.8%	3.1.23	11.2%	2.9%
Huntingon Ingalls Industries Inc.	HII	$219.82	$237.02	7.8%	11.1.23	8.9%	-15.1%
Kroger Co.	KR	$47.57	$44.27	-6.9%	12.2.22	12.2%	8.4%
McKesson Corp.	MCK	$313.34	$470.56	50.2%	6.10.22	17.1%	-24.4%
ONEOKE Inc.	OKE	$68.20	$68.85	1.0%	2.6.23	11.1%	-7.6%
Pioneer Natural Resources Corp.	PXD	$237.93	$231.64	-2.6%	9.1.23	1.3%	37.8%
Pulte Group	PHM	$57.48	$88.42	53.8%	2.6.23	11.1%	-6.4%
WEC Energy	WEC	$87.35	$83.62	-6.8%	5.31.23	9.3%	7.4%
Westrock Co.	WRK	$35.93	$41.17	14.6%	11.1.23	8.9%	26.0%
						AVERAGE	-0.1%

The recommended portfolio of "long only" names essentially matched the S&P 500 last month, underperforming the broad index by only ten basis points. This is especially impressive given that the portfolio does not contain any of the seven "high-flier" tech names that have driven the Nasdaq and S&P 500 up this year. The portfolio's performance continues to be driven by two names: McKesson Corp., up 50.2%, and Pulte Group, up 53.8%. Last month's additions, HII and WRK, also contributed 7.8% and 14.6%, respectively, for the month.

Two new names are being added to this month's list: Chubb Ltd. (CB) and D.R. Horton (DHI).

D.R. Horton, Inc. (DHI: $127.67) at +1.91% has the highest expected return for December of all the S&P 500 stocks. While not part of the two sectors with positive forecasts, the Real Estate sector did move from a negative to a neutral position indicating increased upside momentum.

- D.R. Horton, Inc. is a leading national home construction company. Its segments include Homebuilding, Rental, Forestar, Financial Services and Others. It is active in over 100 U.S. markets.
- The company is the top-rated stock for December from our Gamma Company Model Forecast for the S&P 500, with a forecasted one-month price gain of +1.91% and a previous month (November) forecast gain of +0.50%.
- Analyst coverage: 24 analysts cover DHI. Recommendations are 4 strong buys, 12 buys, 7 holds, and 1 underperform. The price target range is from $107.00 - $178.00.
- Trades at a Forward P/E (NTM) of 9.4 and pays a dividend with a 0.98% yield.
- According to Bespoke Investment Group, DHI's earnings have beaten earnings expectations 76% of the time, and the stock advanced four of the last five earnings days. It has beaten analysts' EPS estimates in its last four quarters.

- The company is shifting to focus on volume, using pricing and incentives to increase demand.
- DHI has generally benefited from lower interest rates as it has a negative correlation to U.S. bond yields. The company would benefit from a sustained series of interest rate cuts.
- For the upcoming quarter, D.R. Horton's EPS is estimated to be $2.83, reflecting a 2.54% increase from same quarter last year.
- Berkshire Hathaway is betting on the housing crisis and has been adding to its position in DHI, calling it one of the best twelve value stocks. They acquired nearly 5.7 million shares of DHI in Q2 of 2023.
- Point72 Asset Management purchased over 905,000 shares in Q3 of 2023.

The second addition, **Chubb Ltd (CB: $229.43)** has an expected return of 0.77% for December and is part of the positive Financials sector.

- Chubb Ltd. is a Switzerland-based global insurance holding company providing property & casualty insurance and reinsurance products & services around the world.
- CB is the fourth-rated stock for December from our Gamma Company Model Forecast for the S&P 500, with a forecasted one-month price gain of +0.77% and a previous month (November) forecast gain of +0.68%.
- Analyst coverage: 23 analysts cover CB. Recommendations are 4 strong buys, 12 buys, 6 holds, and 1 underperform. The price target ranges from $203.00 - $277.00.
- Financials are Gamma's top- rated sector for December.
- Trades at a Forward P/E (NTM) of 11.4 and pays a dividend with a 1.50% yield.
- The company continues to gain from strategic acquisitions which have increased revenue growth and boosted its portfolio of products & services.
- Property & Casualty stocks have performed well this year due to improved pricing, prudent underwriting, increased exposure, streamlined operations, and solid capital positions.
- CB has increased dividends for 30 consecutive years. Its current dividend of $3.44 yields 1.5%, better than the industry average of 0.3%.
- The company's growth is fueled by a compelling portfolio, strong renewal retention, positive rate increases, and strategic initiatives.
- Chubb's growth strategy has focused on middle-markets and enhancing traditional core and specialty products.

- The company's exceptionally robust capital position combined with a conservative level of leverage and operating cash flow helps support effective capital deployment.
- Higher premium revenues and improved net investment income fueled Chubb Q3 2023's core operating income to $4.95 per share – beating Zacks Consensus Estimate by 17.6%.
- Chubb's earnings beat estimates in three of the last four quarters with the average being 6.51% higher.

-Karl Chalupa and N. Claude Colabella

Mr. Chalupa is the CIO and Co-Founder of Gamma Investment Consulting and Editor of the Gamma Intelligence Reports. He is also President of Gamma Capital LLC, a quantitative global macro investment firm. Mr. Chalupa developed the Gamma Investment Program used for previously trading the firm's $400 million global macro program. He was previously Director of Risk Management at Titan Advisors LLC, a $4.5 billion alternative investments firm. Mr. Chalupa was also Managing Director of the Currency and Alternative Investment Strategies Groups at State Street Global Advisors (SSGA) where he developed a $9 billion currency overlay program and launched SSGA's first hedge fund based on his Gamma Model. Mr. Chalupa spent 13 years at ABN Amro Bank where he traded interest rate and currency derivatives and was Manager of the Proprietary Trading and Economic Research Desk. He began his career as an economist for the Federal Reserve Bank of Chicago. Mr. Chalupa holds an MA in Economics from Brown University, graduated magna cum laude from Northern Illinois University with BAs in Economics and Political Science and is Series 3 registered.

Mr. Colabella is the Chief Operating Officer, Co-Founder of Gamma Investment Consulting and Co-Editor of the Gamma Equity Intelligence Report. He was previously Director of Communications and Investor Relations at Titan Advisors, LLC, a $4.5 billion alternative assets solutions firm. Mr. Colabella has equity research experience with working at Petroleum Research Group, Inc. (Rye, NY), an independent energy equity research boutique and at John S. Herold, Inc., a leading petroleum research and consulting firm. He was a Managing Partner at Alpha Beta Alternative Investments, Inc., an alternative investment boutique that managed Alpha Beta Partners, LP, a multi-strategy "fund of funds." Mr. Colabella holds an MBA in Finance from Duke University, Fuqua School of Business. He graduated magna cum laude from Manhattan College, with a BS BA in Economics and is Series 7 and 63 registered.

GAMMA

Gamma Equity Model Forecasts for December 2023

1 MONTH STOCK INDEX MODEL FORECASTS (%)

Country	Stock Index	Price	1 Mo Forecast	Previous Forecast	Position	Trade	Updated
USA	S&P 500	4,550.58	0.00%	-0.81%	Neutral	Cover Short	11/30/23
USA	Nasdaq	14,232.56	0.00%	-1.68%	Neutral	Cover Short	11/30/23
USA	Russell 2000	na	na	na	Long	Hold	11/30/23
Canada	S&P/TSX 60	1,214.20	0.00%	0.00%	Neutral	Hold	11/30/23
Mexico	IPC	53,036.65	+1.74%	0.00%	Long	Buy	11/30/23
Brazil	Bovespa	126,213.85	0.00%	0.00%	Neutral	Hold	11/30/23
Japan	TOPIX	2,374.93	0.00%	+0.16%	Neutral	Cover Long	11/30/23
China	Hang Seng CEI	5,857.54	+1.01%	0.00%	Long	Buy	11/30/23
Hong Kong	Hang Seng	16,223.94	0.00%	0.00%	Neutral	Hold	11/30/23
S. Korea	KOSPI	2,535.29	-1.53%	0.00%	Short	Sell	11/30/23
India	Nifty 500	17,987.95	+1.61%	+1.57%	Long	Hold	11/30/23
Australia	S&P/ASX 200	7,087.30	0.00%	0.00%	Neutral	Hold	11/30/23
Europe	STOXX 600	461.52	0.00%	0.00%	Neutral	Hold	11/30/23
UK	FTSE 100	7,472.92	+1.26%	0.00%	Long	Buy	11/30/23
Germany	DAX	16,223.94	0.00%	0.00%	Neutral	Hold	11/30/23
France	CAC 40	7,315.43	0.00%	-0.15%	Neutral	Cover Short	11/30/23
Italy	FTSE/MIB 30	29,813.44	0.00%	0.00%	Neutral	Hold	11/30/23
Switzerland	Swiss Market	10,841.92	0.00%	0.00%	Neutral	Hold	11/30/23
Russia	RTS 50	1,115.18	0.00%	0.00%	Neutral	Hold	11/30/23
S. Africa	FTSE/JSE 40	69,647.14	0.00%	+2.18%	Neutral	Cover Long	11/30/23

1 MONTH STOCK SECTOR MODEL FORECASTS (%)

Country	Stock Index	Index	1 Mo Forecast	Previous Forecast	Position	Trade	Updated
Financials	XLF	3,432.50	+0.19%	0.00%	Long	Buy	11/30/23
Gold Mining	---	1,249.83	+0.05%	0.00%	Long	Buy	11/30/23
Health Care	XLV	8,936.46	0.00%	-0.54%	Neutral	Cover Short	11/30/23
Industrials	XLI	5,910.16	0.00%	0.00%	Neutral	Hold	11/30/23
Consumer Staples	XLP	5,808.34	0.00%	0.00%	Neutral	Hold	11/30/23
Real Estate	XLRE	2,293.29	0.00%	-1.18%	Neutral	Cover Short	11/30/23
Energy	XLE	2,132.75	0.00%	0.00%	Neutral	Hold	11/30/23
Consumer Discretionary	XLY	4,479.82	-0.41%	-1.39%	Short	Hold	11/30/23
Materials	XLB	2,552.57	-0.59%	-1.07%	Short	Hold	11/30/23
Technology	XLK	10,806.59	-0.67%	-0.21%	Short	Hold	11/30/23
Utilities	XLU	595.95	-0.67%	-0.21%	Short	Hold	11/30/23
Communications Services	XLC	5,466.62	-0.98%	-1.53%	Short	Hold	11/30/23

Gamma Equity Model Forecasts for December 2023

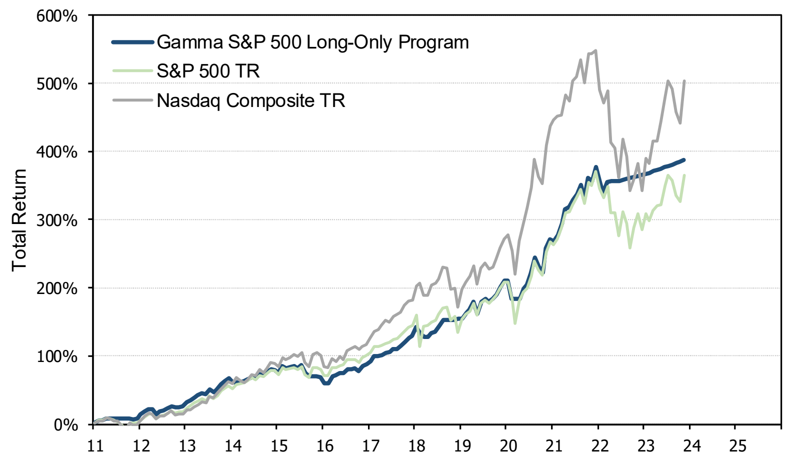
S&P 500: LARGE CAP STOCKS	Top 25 Picks Based on Expected Return and Factor Momentum	Forecast for:	Dec 2023

1 Month Company Stock Price Forecasts (%) Updated: Nov 30, 2023

Company	Ticker	Closing Price	1 Mo Forecast	Previous Forecast	Change	% Off 52 Wk High	Forward P/E	Dividend Yield	Factor Momentum
D R HORTON	DHI	$127.67	1.91%	0.50%	1.41%	0.0%	8.95	0.94%	Positive
ARCH CAP.GP.	ACGL	$83.69	1.26%	0.52%	0.74%	-3.4%	10.95	0.00%	Positive
EVEREST GROUP	EG	$410.55	1.19%	0.94%	0.25%	0.0%	6.66	1.71%	Positive
CHUBB	CB	$229.43	0.77%	0.68%	0.10%	0.0%	10.78	1.50%	Positive
STEEL DYNAMICS	STLD	$119.13	0.77%	0.68%	0.08%	-5.5%	11.09	1.43%	Positive
RALPH LAUREN CL.A	RL	$129.38	0.73%	0.64%	0.08%	-1.5%	12.70	2.32%	Positive
CENCORA	COR	$203.37	0.71%	0.38%	0.32%	0.0%	15.24	1.00%	Positive
NEXTERA ENERGY	NEE	$58.51	0.65%	0.62%	0.03%	-30.9%	17.28	3.20%	Positive
J M SMUCKER	SJM	$109.73	0.62%	0.59%	0.04%	-30.8%	10.80	3.86%	Positive
FLEETCOR TECHNOLOGIES	FLT	$240.50	0.62%	0.39%	0.23%	-11.5%	12.25	0.00%	Positive
WEC ENERGY GROUP	WEC	$83.62	0.62%	0.29%	0.33%	-15.7%	16.98	3.73%	Positive
PG&E	PCG	$17.17	0.59%	0.23%	0.36%	-2.5%	12.84	0.23%	Positive
AUTOZONE	AZO	$2,609.93	0.57%	0.26%	0.31%	-2.0%	17.03	0.00%	Positive
MOLSON COORS BEVERAGE COM	TAP	$61.54	0.53%	0.08%	0.44%	-11.8%	10.99	2.66%	Positive
W R BERKLEY	WRB	$72.55	0.46%	0.14%	0.31%	-4.9%	12.47	0.61%	Positive
CDW	CDW	$210.88	0.29%	0.11%	0.18%	-0.1%	20.68	1.18%	Positive
UNIVERSAL HEALTH SVS.'B'	UHS	$137.48	0.27%	0.11%	0.16%	-12.9%	12.00	0.58%	Positive
LYONDELLBASELL INDS.CL.A	LYB	$95.10	0.26%	0.10%	0.17%	-3.8%	9.88	5.26%	Positive
SYNCHRONY FINANCIAL	SYF	$32.36	0.23%	0.02%	0.21%	-13.9%	5.80	3.09%	Positive
PNC FINL.SVS.GP.	PNC	$133.96	0.22%	0.11%	0.10%	-20.4%	10.27	4.63%	Positive
PENTAIR	PNR	$64.54	0.14%	0.09%	0.05%	-8.1%	15.34	1.36%	Positive
PACKAGING CORP.OF AM.	PKG	$168.01	0.14%	0.09%	0.05%	0.0%	19.43	2.98%	Positive
LAMB WESTON HOLDINGS	LW	$100.03	0.13%	0.08%	0.05%	-13.0%	16.26	1.12%	Positive
GLOBE LIFE	GL	$123.13	0.12%	0.03%	0.09%	0.0%	10.58	0.73%	Positive
ATMOS ENERGY	ATO	$113.81	0.06%	0.05%	0.01%	-6.5%	17.13	2.83%	Positive

Gamma Equity Index Model Performance Summary – November 2023

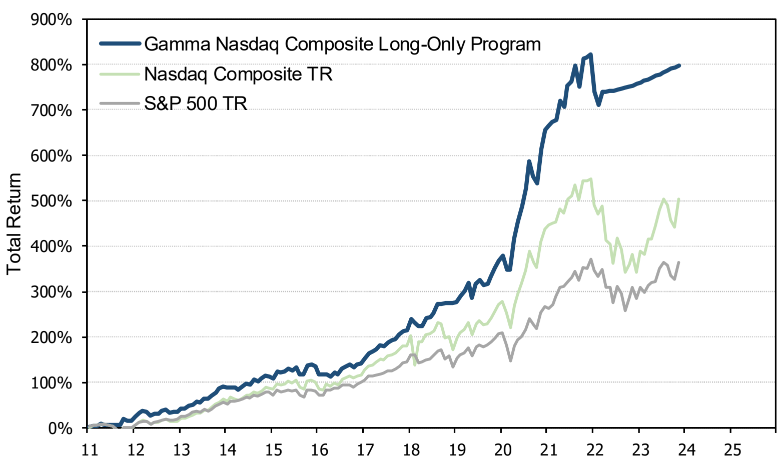
Gamma S&P 500 Long-Only Program — Jan 2011 - Nov 2023



Historical Performance	Program	BM1	BM2
Compound ROR	13.0%	12.6%	14.9%
Cumulative Return	487.5%	365.0%	503.3%
Cumulative VAMI	$4,875	$4,650	$6,033
Best Month	10.9%	13.9%	20.7%
Worst Month	-8.2%	-17.7%	-20.9%
% Positive Months	79.4%	69.7%	65.2%
Historical Risk	**Program**	**BM1**	**BM2**
Standard Deviation	9.7%	15.8%	18.9%
Sharpe Ratio (1.0% RFR)	1.03	0.61	0.63
Sortino Ratio (1.0% RFR)	1.40	0.95	1.07
Downside Deviation	7.2%	10.1%	11.1%
Maximum Drawdown	-14.1%	-23.8%	-31.8%
Months In Maximum Drawdown	18	23	23

BM1: S&P 500 Total return
BM2: Nasdaq Composite Total Return

Gamma Nasdaq Composite Long-Only Program — Jan 2011 - Nov 2023



Historical Performance	Program	BM1	BM2
Compound ROR	18.5%	14.9%	12.6%
Cumulative Return	897.5%	503.3%	365.0%
Cumulative VAMI	$8,975	$6,033	$4,650
Best Month	15.5%	20.7%	13.9%
Worst Month	-9.0%	-20.9%	-17.7%
% Positive Months	78.1%	65.2%	69.7%
Historical Risk	**Program**	**BM1**	**BM2**
Standard Deviation	12.7%	18.9%	15.8%
Sharpe Ratio (1.0% RFR)	1.22	0.63	0.61
Sortino Ratio (1.0% RFR)	1.85	1.07	0.95
Downside Deviation	8.4%	11.1%	10.1%
Maximum Drawdown	-12.0%	-31.8%	-23.8%
Months In Maximum Drawdown	23	23	23

BM1: Nasdaq Composite Total Return
BM2: S&P 500 Total Return

Past performance is not indicative of future results

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