MARKETS: MILD OR SPICY?

TEN THEMES FOR 2024

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RAYMOND JAMES
January 8, 2024

10 THEMES FOR 2024

1 **US Economy**:
The 'Rotisserie' Economy

2 **Monetary Policy**:
Chairman Powell, the 'Top Chef'

3 **Fixed Income**:
A Makeover 'Rescue'

4 **US Equities**:
The Critical Eye of Gordon Ramsay

5 **Sectors**:
New Ideas, Richer Flavors

6 **Small Cap**:
Do Not Pass Up The 'Dives'

7 **International Equities**:
US Remains 'Grade A'

8 **Oil**:
Maintaining Discipline in the Kitchen

9 **Volatility**:
Turning Up the Heat

10 **Asset Allocation**:
Pace Yourself at the Buffet

1 ECONOMY

The 'Rotisserie' Economy

INSIGHT:

The most talked about recession in history has yet to materialize. We still believe that a recession will start in 2Q24 as consumer spending weakens. However, as other subsets of the broader economy have already experienced a contraction, it will likely be the mildest ever, affecting the economy unevenly.

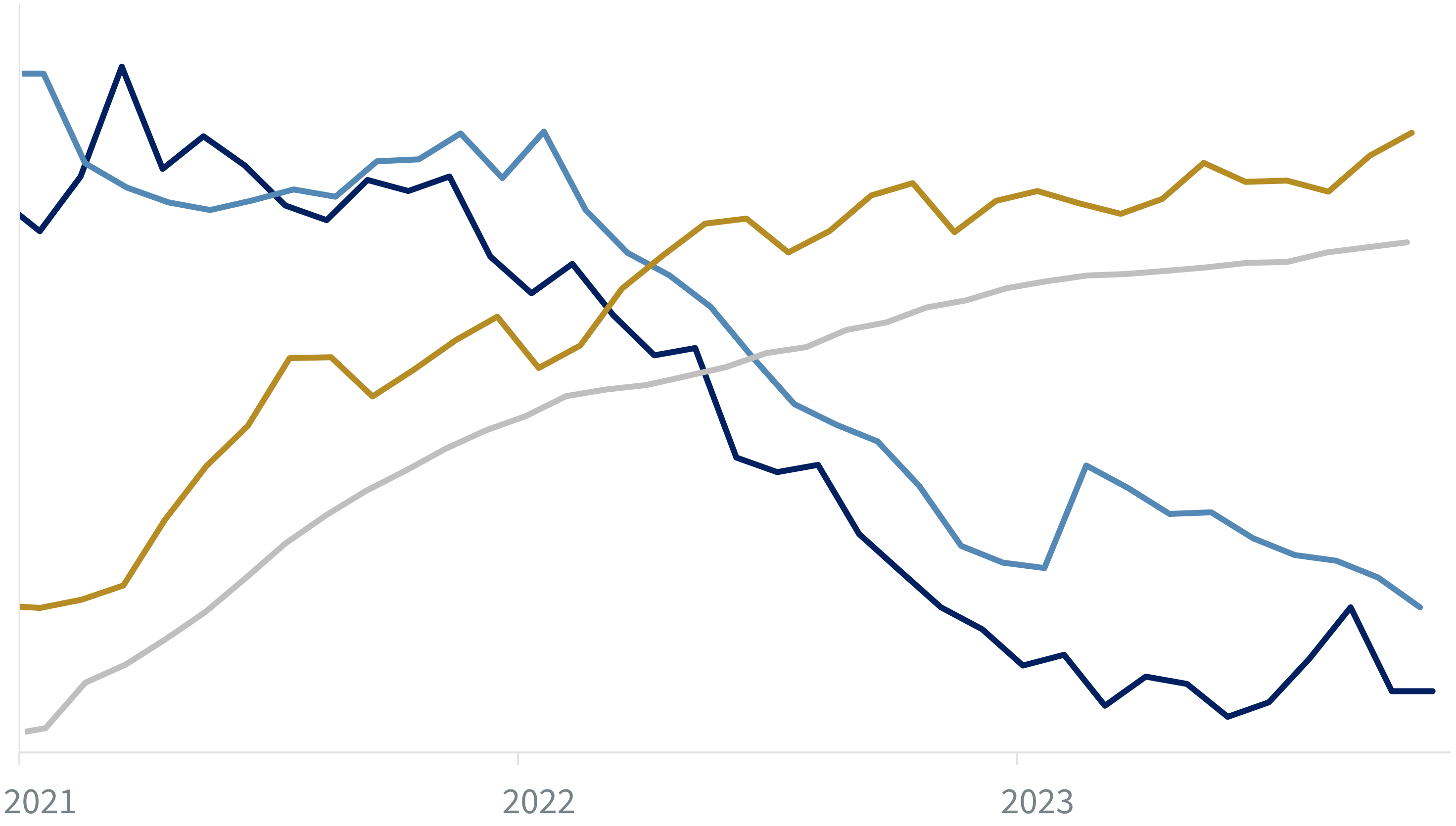
BOTTOM LINE:

Even with a mild recession, a recovery by year end should help US GDP warm to a 1% growth rate for the entire year.

THE ROTISSERIE ECONOMY

DIFFERENT AREAS OF THE ECONOMY HAVE BEEN HIT AT DIFFERENT TIMES

Consumers are Set to Come Under the Fire



Source: FactSet, Data as of 12/31/2023.

Excess Savings Sensitive Sectors:
Should weaken as savings are depleted

1. **Air Travel Spending** | **Increased 194%**
2. **Leisure and Hospitality** | **Increased 41%**

Interest-Rate Sensitive Sectors:
Should benefit from lower rates in 2H24

3. **Existing Home Sales** | **Decreased 44%**
4. **Manufacturing** | **Decreased 22%**

RECESSION IN LINE WITH HISTORICAL AVERAGE

REAL-TIME INDICATORS SUGGEST THAT THE ECONOMY IS SLOWING

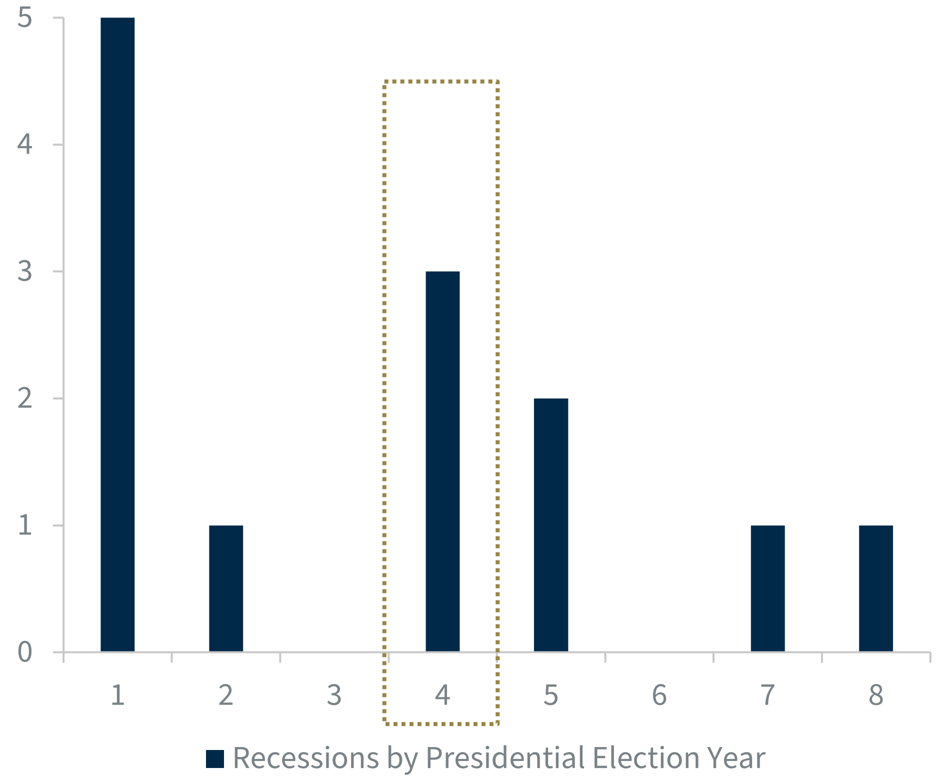
Real-Time Indicators Slowing

1. **Slowing Labor Market**
   Continuing Claims Rising, Temporary Help Easing
2. **Services Travel Spending Softening?**
   Hotel Occupancy at Seasonal Three-Year Low
3. **Restaurant Performance Slowing**
   Near Lowest Level in Three Years
4. **Luxury Watch Sales Easing**
   Luxury Watch Prices at Two-Year Low
5. **Architecture Billing Slowing**
   At Lowest Level Since January 2001

3

Number of Recessions in 4th Year of Presidential Term

Recession in Election Year Not Uncommon



Source: FactSet, Data as of 12/31/2023.

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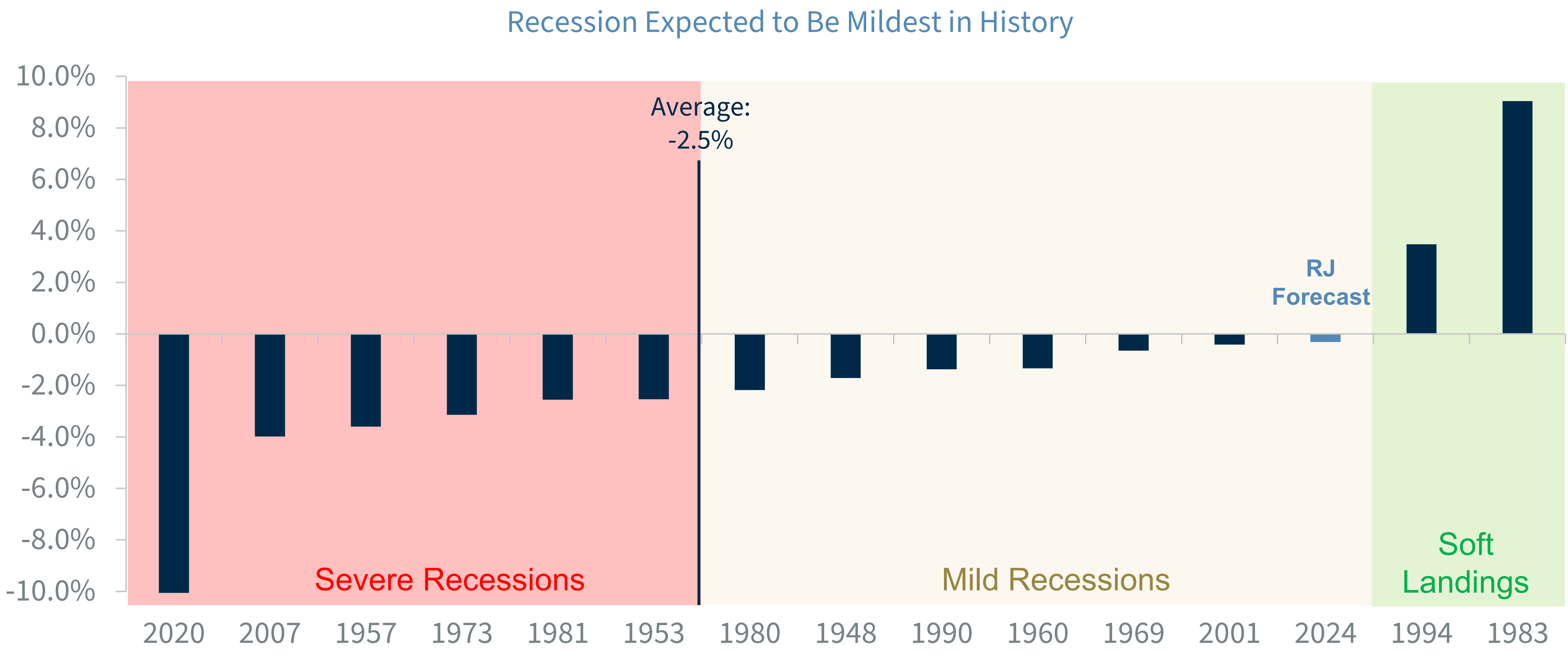
A MILD RECESSION FORECASTED

EXPECTING THE MILDEST RECESSION IN HISTORY



Source: FactSet, Data as of 12/31/2023. Bars represent peak to trough GDP decline during recession.

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REASONS WHY WE EXPECT A MILD RECESSION

REASONS WHY WE EXPECT THE UPCOMING RECESSION TO BE MILD

+1.0% 2024 US GDP Forecast

No Major Economic Shocks

Unlike the previous three recessions, we do not forecast any economic shocks such as a dot-com bubble, housing collapse or a pandemic outbreak.

Job Losses Historically Low

As businesses continue to struggle to hire workers and the number of job openings outpace the number of unemployed workers, we expect that employers will be reticent to lay off workers during this slowdown.

Positive Government Spending

Due to delayed effects from the Inflation Reduction Act and CHIPS Act, government spending will likely remain stimulative for the next few years.

Productivity Increasing

Labor productivity is at an all time high and rising at the fastest pace in two years. Increasing productivity (particularly as AI adoption increases) will be a tailwind for growth going forward.

Household Net Worth at Record

On the back of rising equity and bond prices, household net worth is at a record high. As rising net worth has been correlated with consumer spending over the longer term, this should support GDP growth.

Source: FactSet, Data as of 12/31/2023.

2 Monetary Policy

Chairman Powell, 'Top Chef'

INSIGHT:

A restrictive diet of interest rate hikes appears to be at an end. Now, the Fed will turn its attention to fattening the economy through rate cuts as growth concerns mount (i.e., a modest rise in unemployment and a potential recession).

BOTTOM LINE:

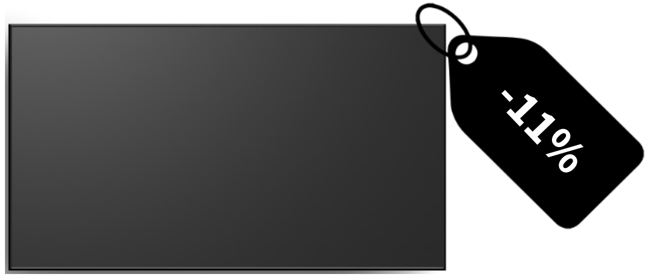
Markets are salivating over the possibility of as many as six rate cuts. We believe that is overly optimistic and expect three or four in 2024.

FED FINISHING THE MEAL

CHECKING OFF THE INGREDIENT LIST FOR THE FED TIGHTENING CYCLE

Goods Pricing Depressed

TVs

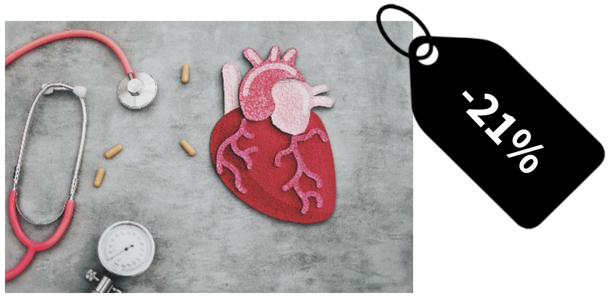


Appliances

Used Cars/Trucks

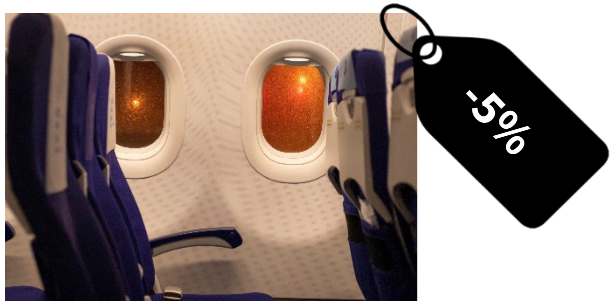
Services Rolling Over

Health Insurance

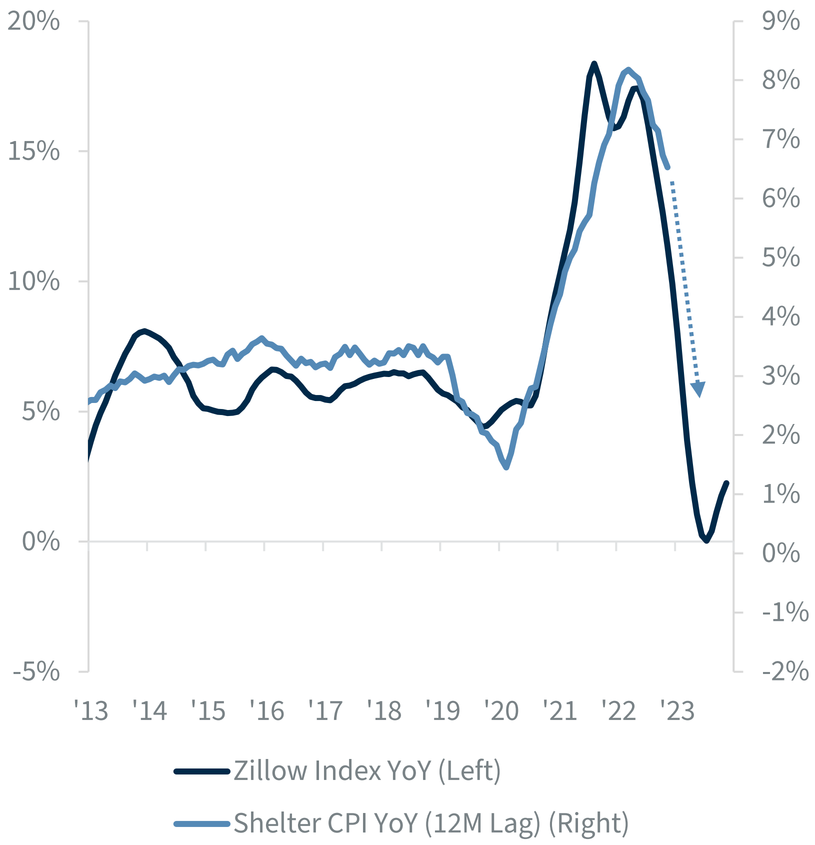


Utility Gas Service

Airline Fares



Shelter Currently Keeping Inflation Elevated

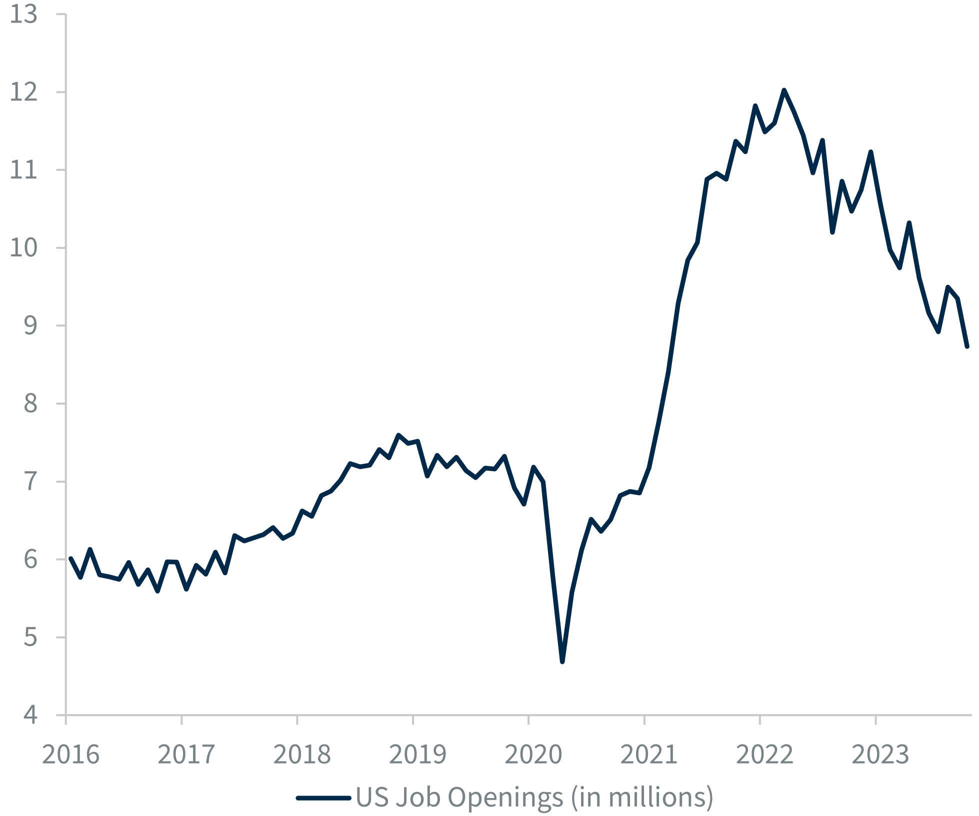


Source: FactSet, Gettyimages, Data as of 12/31/2023.

FED FINISHING THE MEAL

BOTH EMPLOYMENT AND ECONOMIC ACTIVITY HAS EASED IN RECENT MONTHS

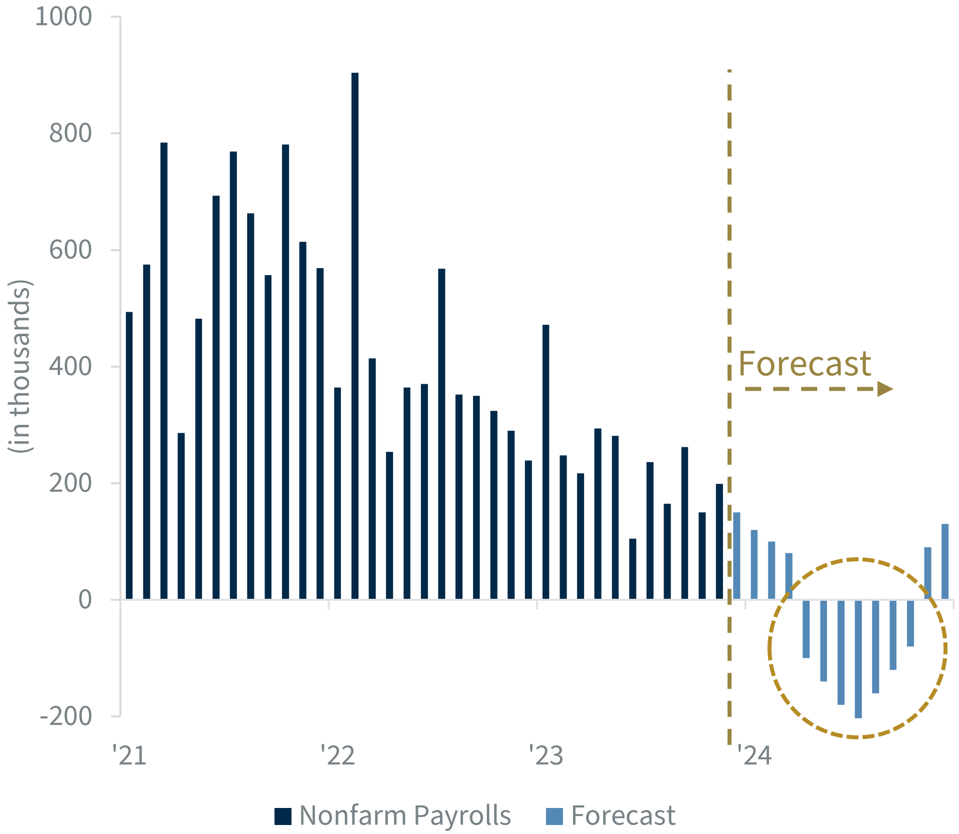
US Labor Market Easing



1 M

Forecast 1 million jobs lost vs the historical average of 3.5 million jobs lost during a recession.

Labor Market Turning Negative in 2Q24

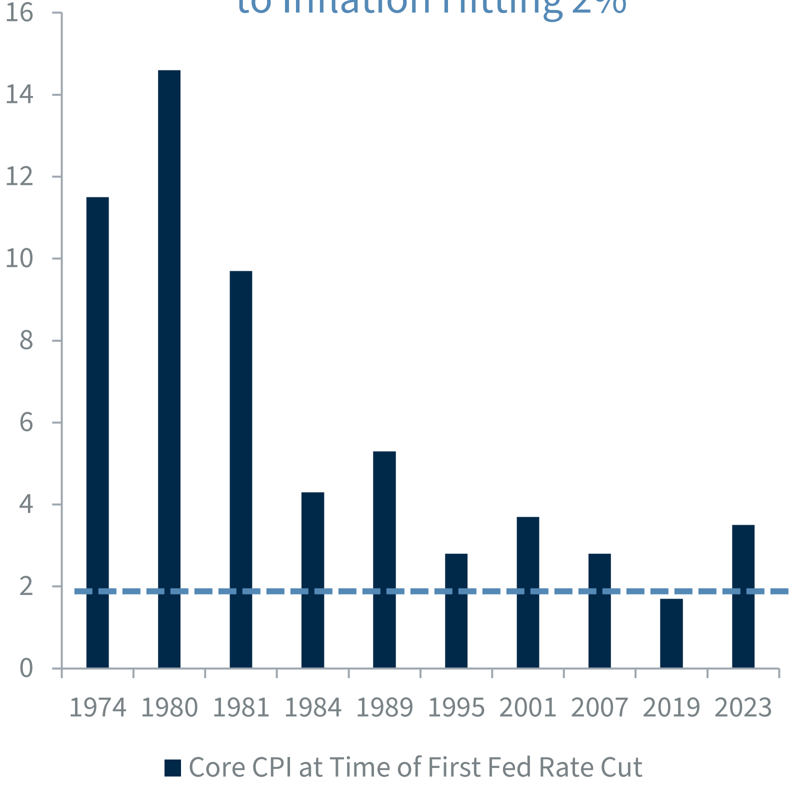


Source: FactSet, Data as of 12/31/2023.

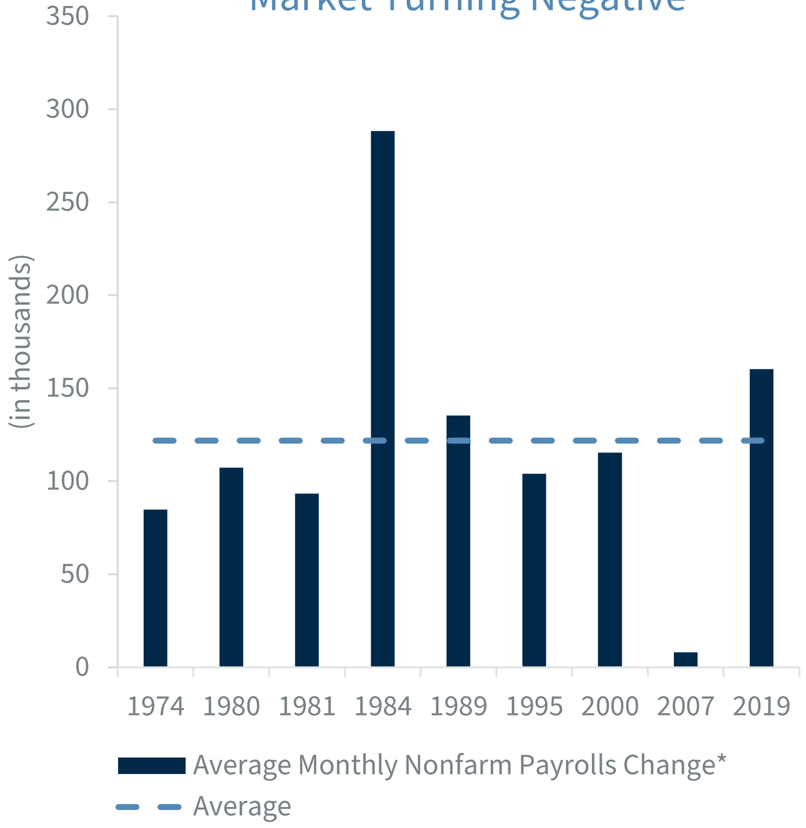
THE FED HAS LIKELY HIT THE FINISH LINE

ABOVE TARGET INFLATION AND AN ELECTION YEAR HAS HISTORICALLY NOT STOPPED THE FED FROM CUTTING RATES

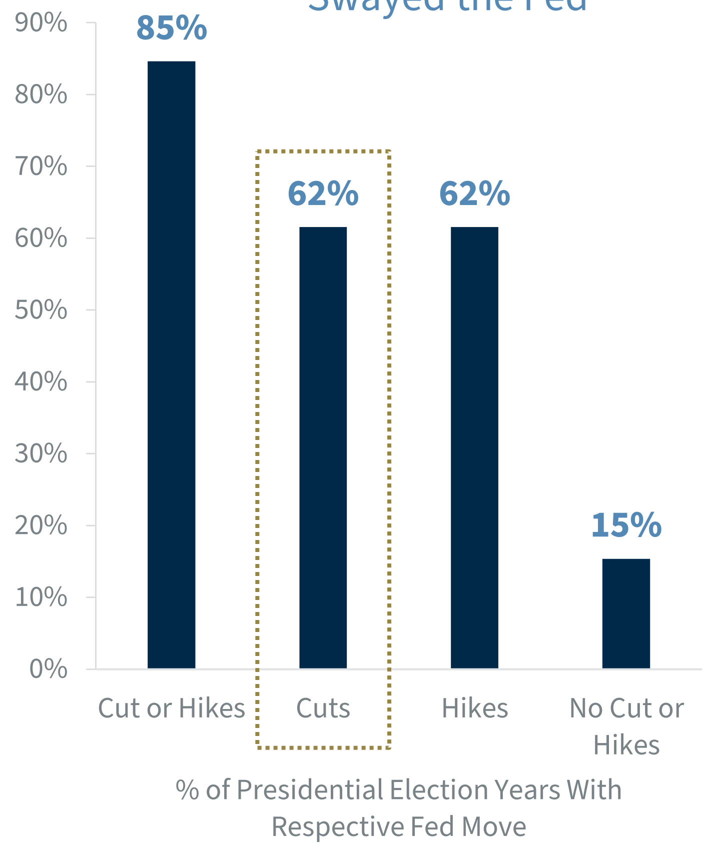
Fed Begins Cutting Rates Prior to Inflation Hitting 2%



Fed Begins Cutting Rates Prior to Job Market Turning Negative



Election Years Have Not Swayed the Fed



Source: FactSet, Data as of 12/31/2023.
*Average of the three months before the Fed's first rate cut

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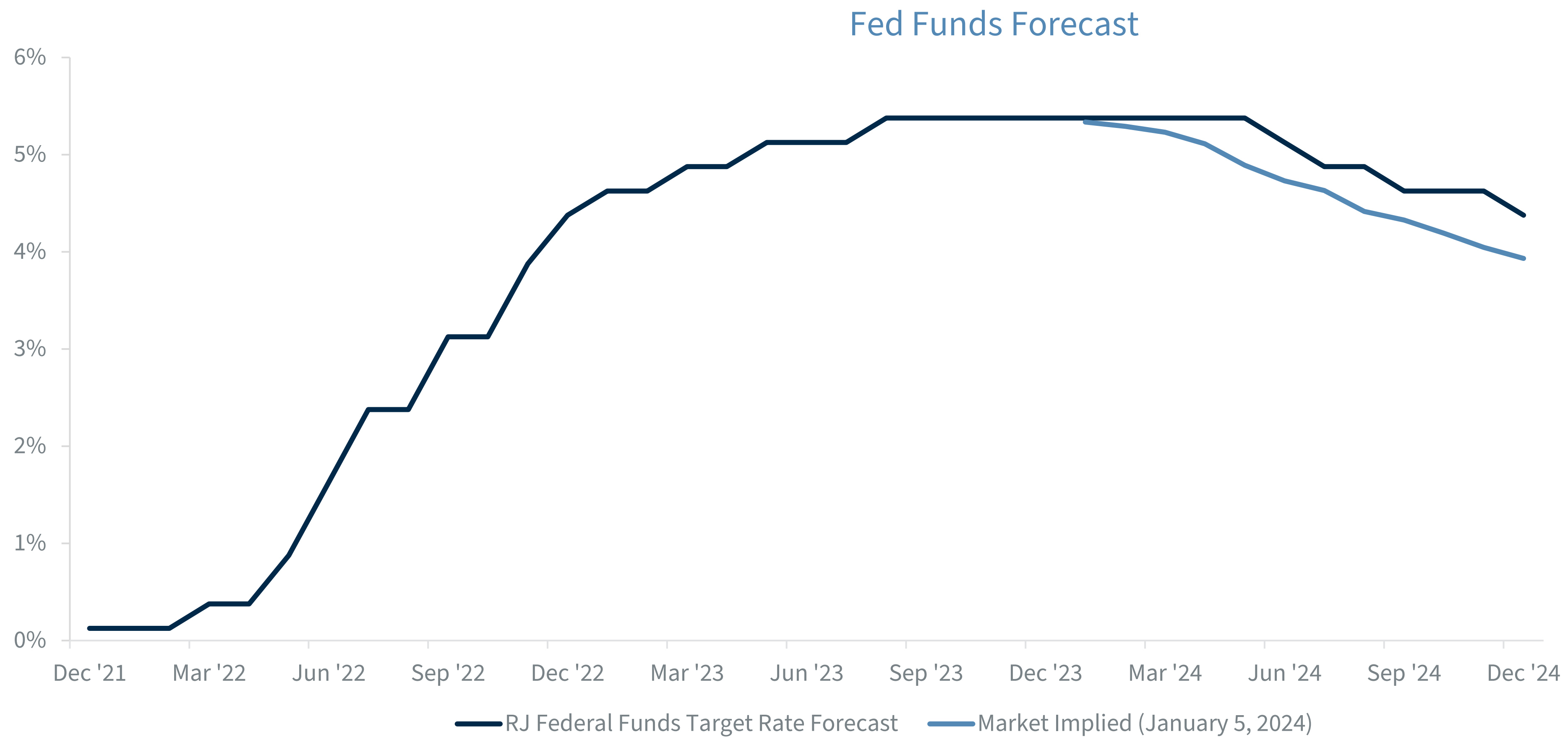
SHIFTING TO RATE CUTS

WE EXPECT THE FED TO CUT RATES THREE TO FOUR TIMES IN 2024, BELOW MARKET EXPECTATIONS OF SIX TIMES



3-4

Fed Interest Rate Cuts Forecasted for 2024

Source: FactSet, Data as of 12/31/2023.

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3 Fixed Income

A Makeover ‘Rescue’

INSIGHT:

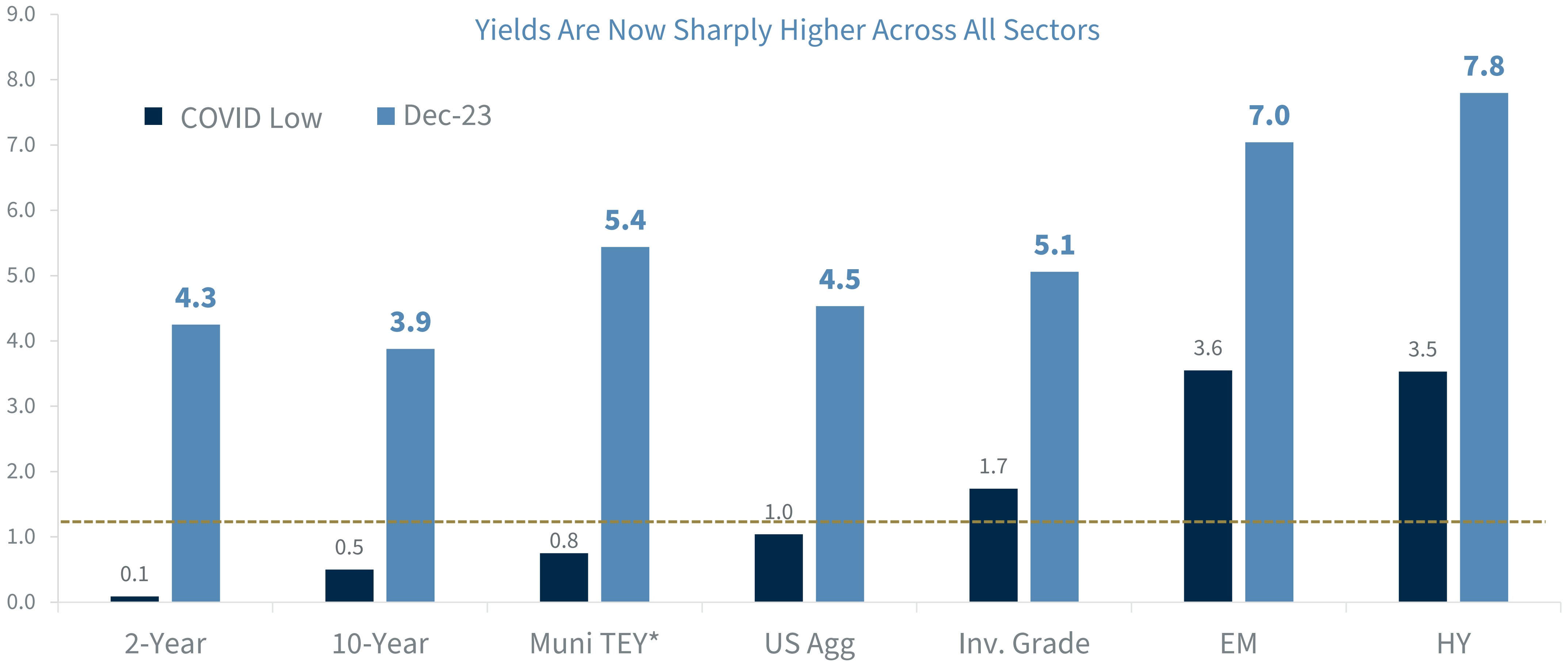
Like the guests on *Bar Rescue*, fixed income investors for the last few years may have felt as though they were in bad shape. But in both cases, the underlying business and fundamentals are in place and a makeover is all that’s needed.

BOTTOM LINE:

We expect the 10-year Treasury yield to fall to 3.5% in 2024. We favor investment grade corporates and municipals over the lower-rated segments of the market.

YIELD RESET HAS RESHAPED THE MARKET

THE BOND MARKET HAS HAD A COMPLETE MAKEOVER

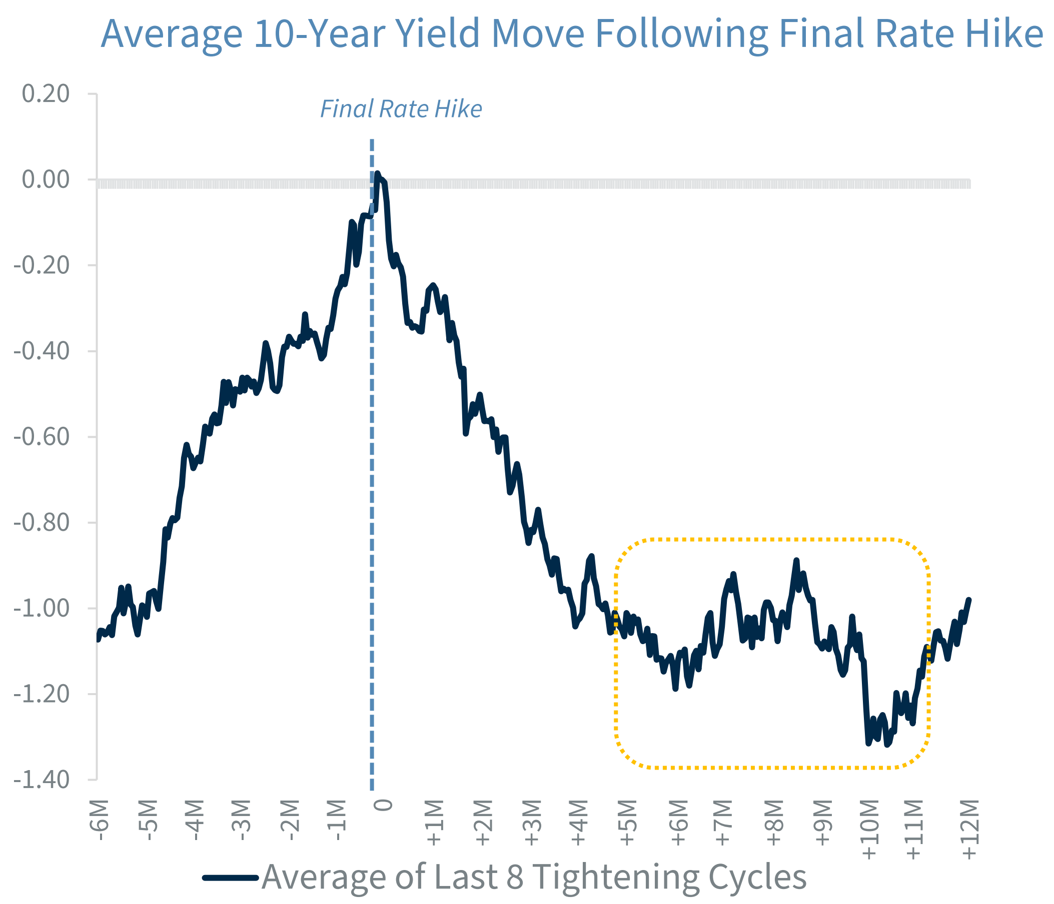


Source: FactSet, Data as of 12/31/2023.

* Tax Equivalent Yield using top rate of 40.8%

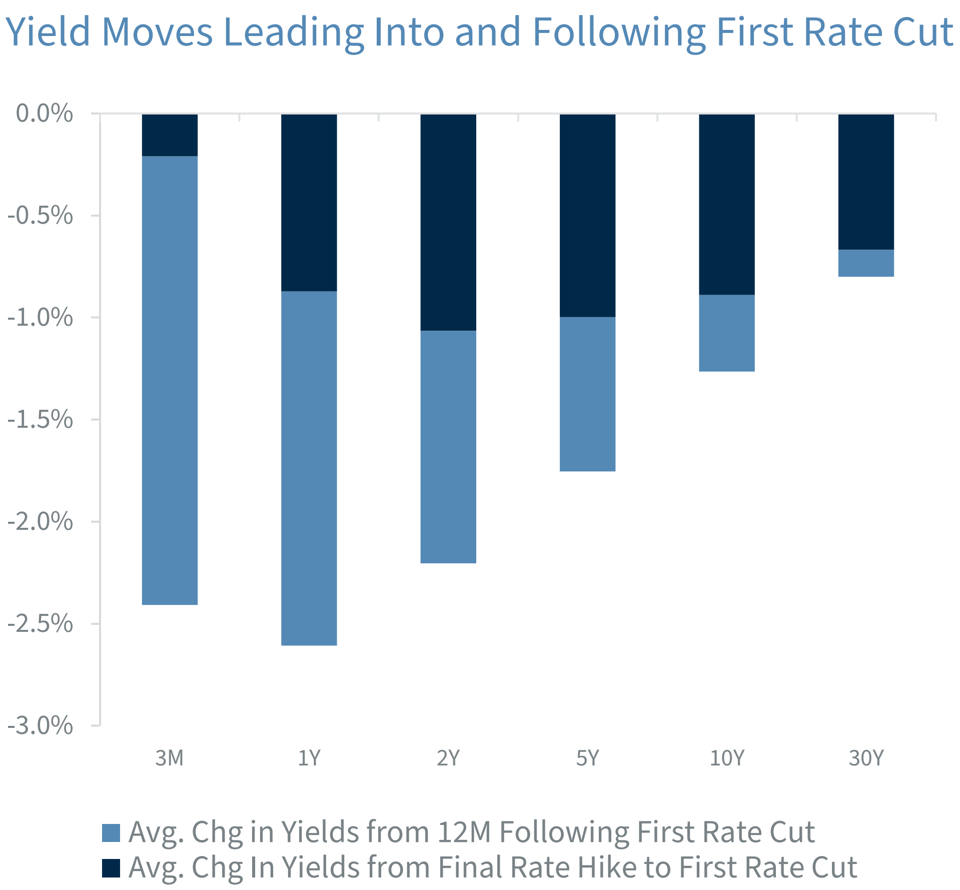
TREND IN YIELDS IS LOWER

YIELDS MOVE LOWER IN ADVANCE OF THE NEXT EASING CYCLE



3.5%

10-Year Treasury 2024 Year-End Forecast



Source: FactSet, Data as of 12/15/2023.

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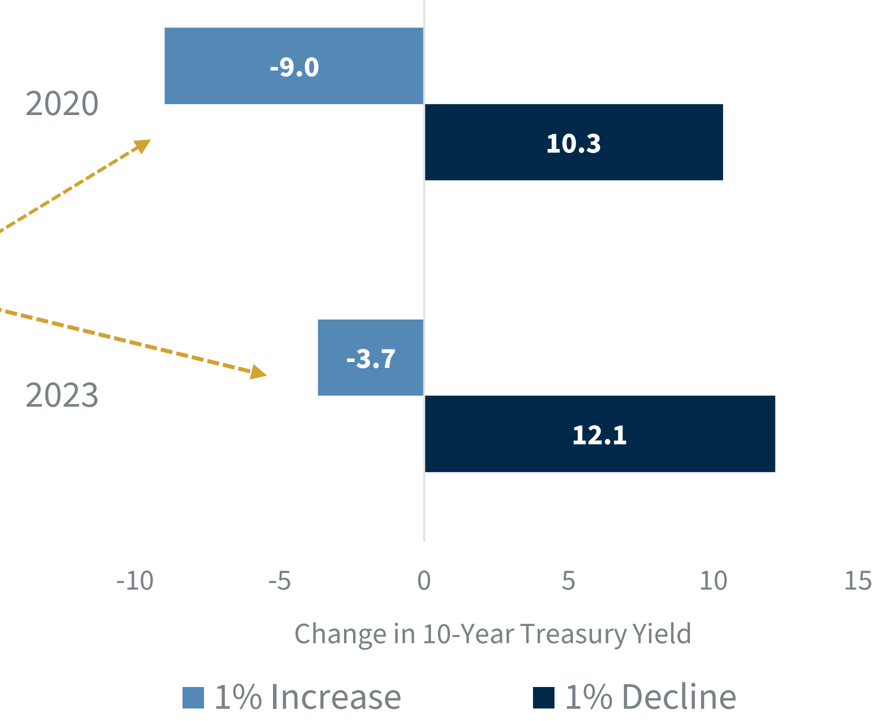
YIELD RESET HAS SIGNIFICANTLY IMPROVED RISK RETURN

BONDS NOW OFFER POTENTIAL UPSIDE

Prior To 2020, Ultra Low Yields Were A Source Of Risk

10Y-Treasury Hypothetical 1-Year Return



Source: FactSet, Data as of 12/12/2023.

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FIXED INCOME SECTOR OUTLOOK

REASONS WHY WE FAVOR HIGH-QUALITY OVER SPECULATIVE GRADE CREDITS

	Valuations	Default Rates	Corporate Health	Refinancing Risks	Macro Environment
INVESTMENT GRADE	*Yields remain near highest levels in 15-years. Spreads are tight, but unlikely to widen much.* ***Carry will remain key driver of returns.***	***Investment grade corporates rarely default****. The highest default rate in the last 20 years (0.75%) occurred in 2008.*	***Many corporations are entering 2024 in good health,*** *with strong balance sheets, low net interest costs and resilient profit margins.*	***Investment grade companies are better positioned*** *to deal with a higher cost of capital environment.*	*Despite a mild recession,* ***corporate earnings are unlikely to collapse****. This should provide some stability in spreads.*
HIGH YIELD CREDIT	*High absolute yields can provide some cushion against widening spreads and rising defaults. However,* ***spreads are not priced for a mild recession****.*	***Default rates should rise further*** *in 2024 as the economy slows and bankruptcies continue to climb.*	*Lower rated credits will be more vulnerable as the economy falls into a mild recession in 2024.* ***Nearly 50% of lower-tiered credits are at risk of a downgrade****.*	***The maturity wall will rise significantly in 2025.*** *Weaker credits will face refinancing risks as debt starts to come due.*	***Weaker growth and rising interest burdens are likely to become more challenging*** *for weaker credits to navigate in 2024.*

Source: FactSet, Data as of 12/31/2023.

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4 Equities

The Critical Eye of Gordon Ramsay

INSIGHT:
Just as chef Gordon Ramsay has a discerning eye for cooking, investors will need to be more discerning in 2024 with their sector, region, style, and market capitalization choices. That's because a lot of the good news has already been priced in and the market may be set up for disappointments.

BOTTOM LINE:
At $245 Earnings Per Share, we believe consensus expectations are too frothy. Our call is for earnings growth to be only 2% to $225 for 2024, with a year-end target of 4,850 for the S&P 500.

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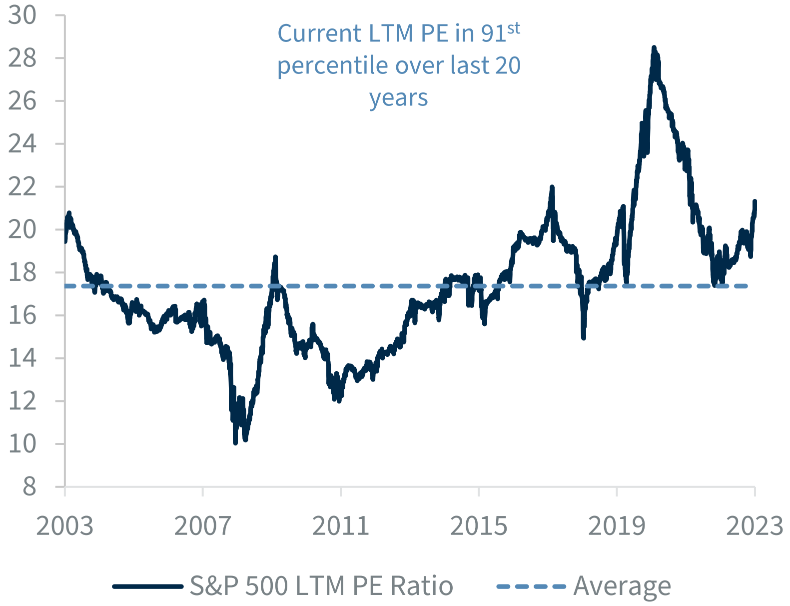
REASONS FOR DISCERNMENT

INVESTORS WILL NEED TO REMAIN ATTENTIVE TO DETAILS IN 2024

$225 EPS * **21.5x** P/E = **4,850** 2024 Target

Downside to Consensus Earnings

Valuations Near Upper End of Range



Muted Upside for Price Target—May Lead to Increased Volatility

5% Pullbacks

3-4 Times Per Year

Source: FactSet, Data as of 12/31/2023.

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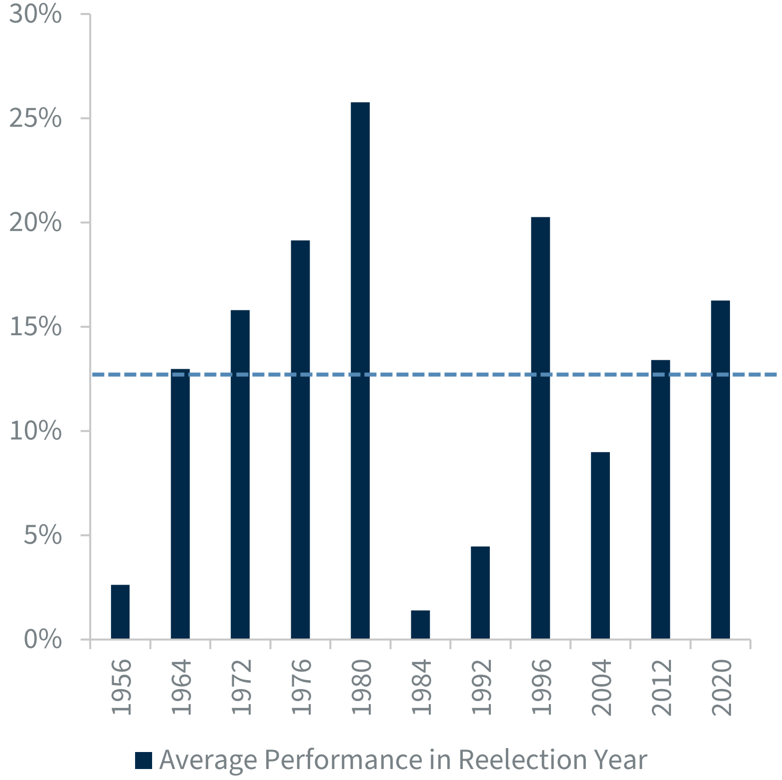
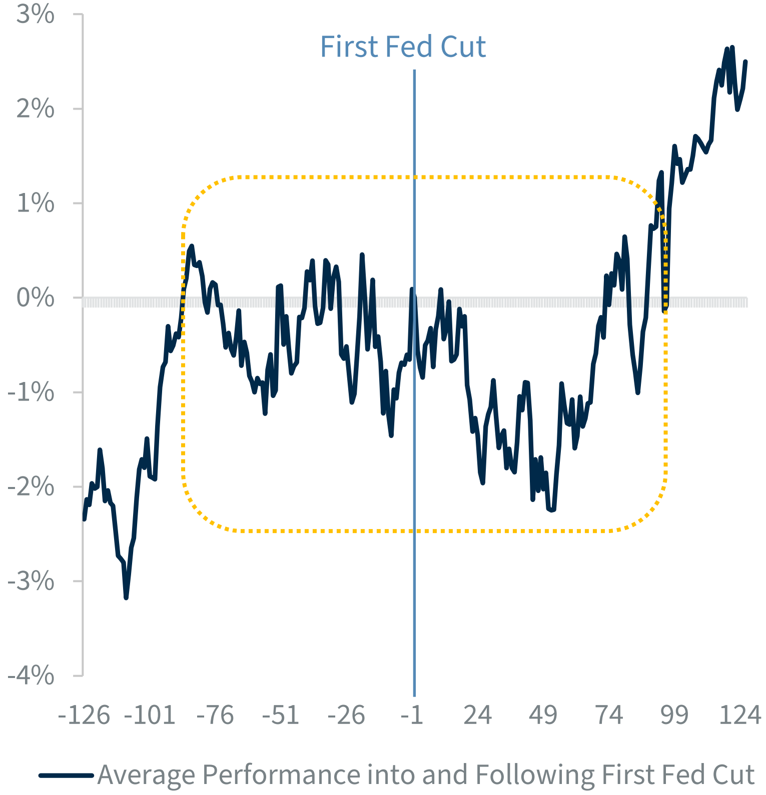
REASONS FOR OPTIMISM HEADING INTO 2024

POSITIVE CATALYSTS FOR THE EQUITY MARKET HEADING INTO 2024

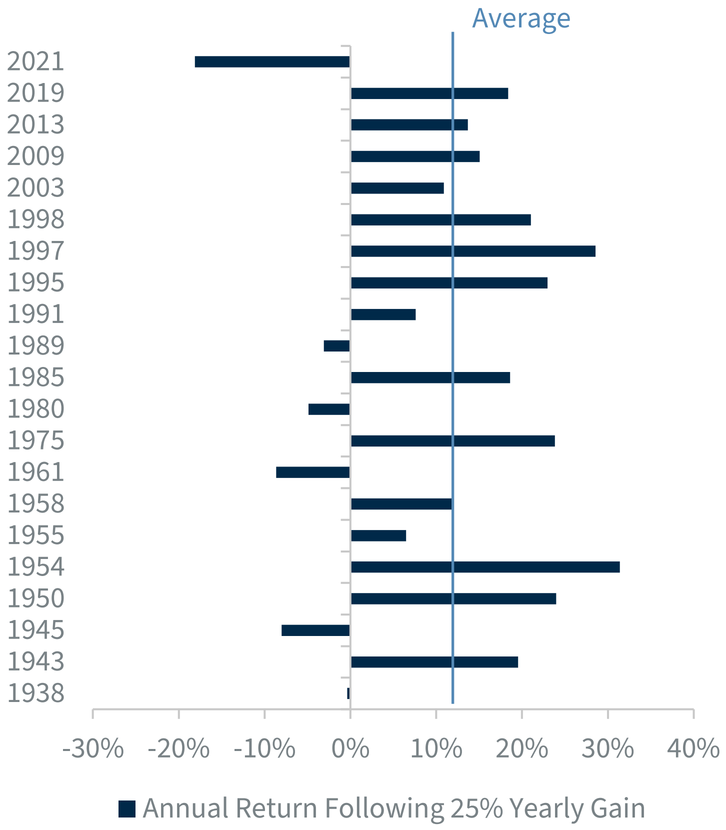
Market Positive in Each of Last 11 Reelection Years



Modest Positive Performance Following Fed Cuts



Momentum in Returns Typically Continues



Source: FactSet, Data as of 12/31/2023.

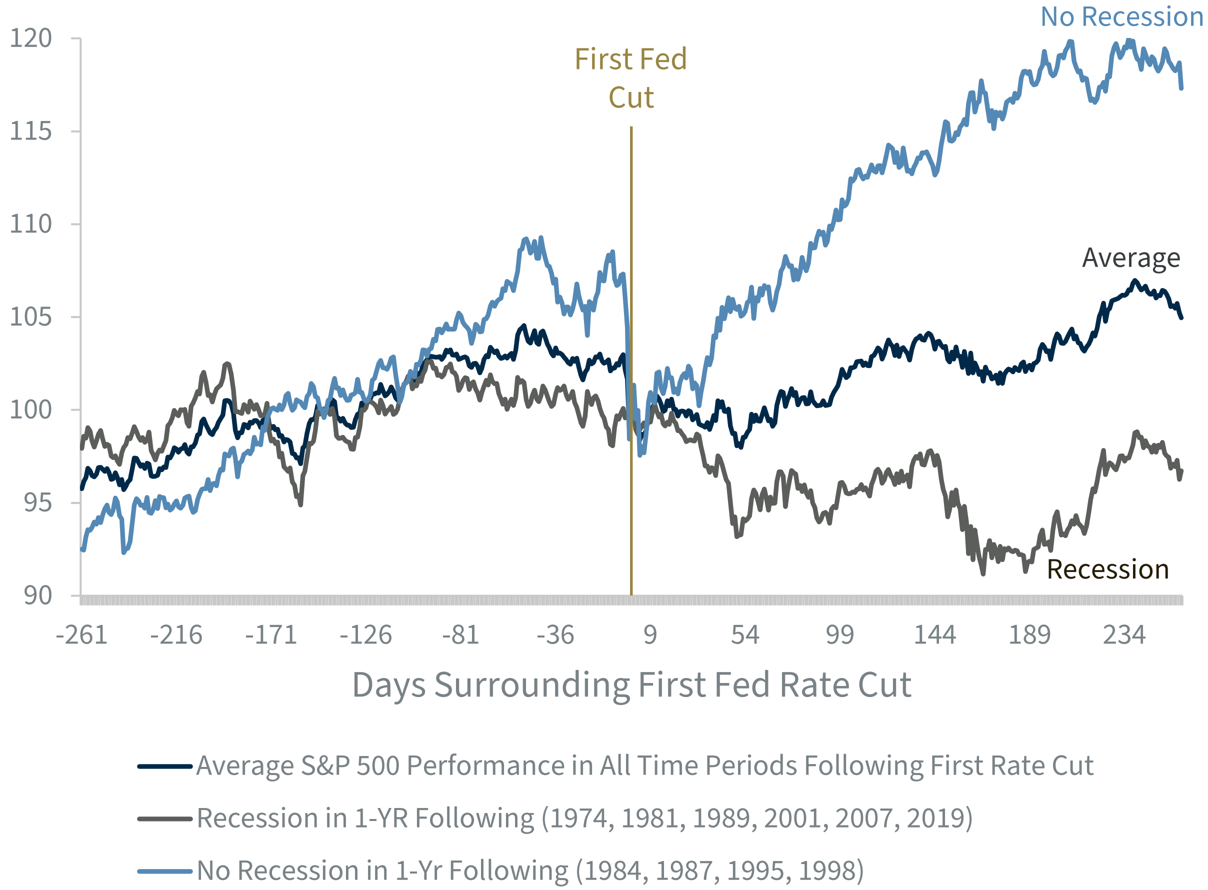
POTENTIAL MARKET SCENARIOS

OUTLINING POTENTIAL SCENARIOS FOR MARKETS IN 2024

Equity Market Scenarios for 2024

BULL (25% probability)	**5,200** **$245 EPS**	Economy **Avoids Recession** **Global Recovery** Unfolds **Margin** Expansion **Dollar** Weakening
BASE (60% probability)	**4,850** **$225 EPS**	**Mild Recession** Lasting 2 Quarters 3-4 Fed **Rate Cuts** **Stable** Margins
BEAR (15% probability)	**4,300** **$200 EPS**	**Severe** Recession **Hawkish** Policy Response **Contracting** Margins Weakening **Credit Markets** Strengthening **Dollar**

Impact of Fed Cuts Matter for Markets



Source: FactSet, Data as of 12/31/2023.

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5 Equity Sectors

New Ideas, Richer Flavors

INSIGHT:
Our 2024 Michelin Star sectors are like *America's Test Kitchen*: familiar spaces being improved by experimenting with new gadgets and ingredients. These improvements should drive continued investment within these spaces.

BOTTOM LINE:
Innovations in Technology and Health Care, along with continuing government spending and reshoring connected to Industrials, will be strong tailwinds for these sectors in 2024.

COMPANIES ARE IN THE TEST KITCHEN TO EARN MICHELIN STARS

Info Tech/AI

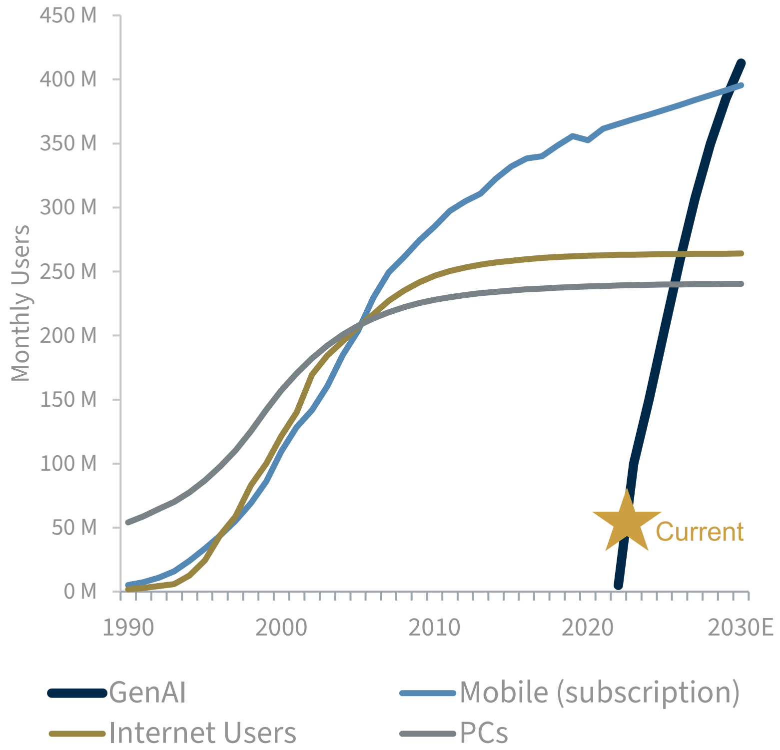
Health Care

Industrials

TAILWINDS FOR TECH/AI REMAIN

STRONG MARGINS, AI TAILWIND AND DIVERSIFIED COMPANIES BOOST THE TECH SECTOR

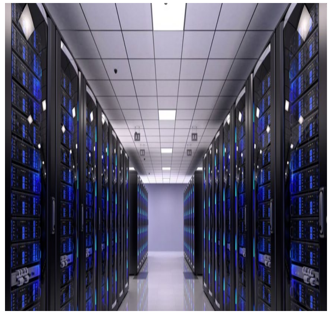
AI a Key Theme Going Forward

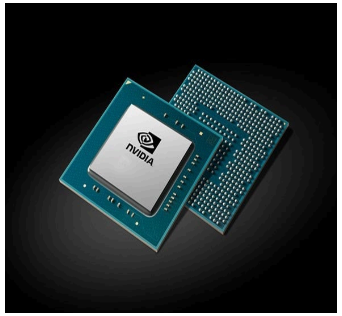


Source: FactSet, Data as of 12/31/2023.

AI Moving to the Next Step

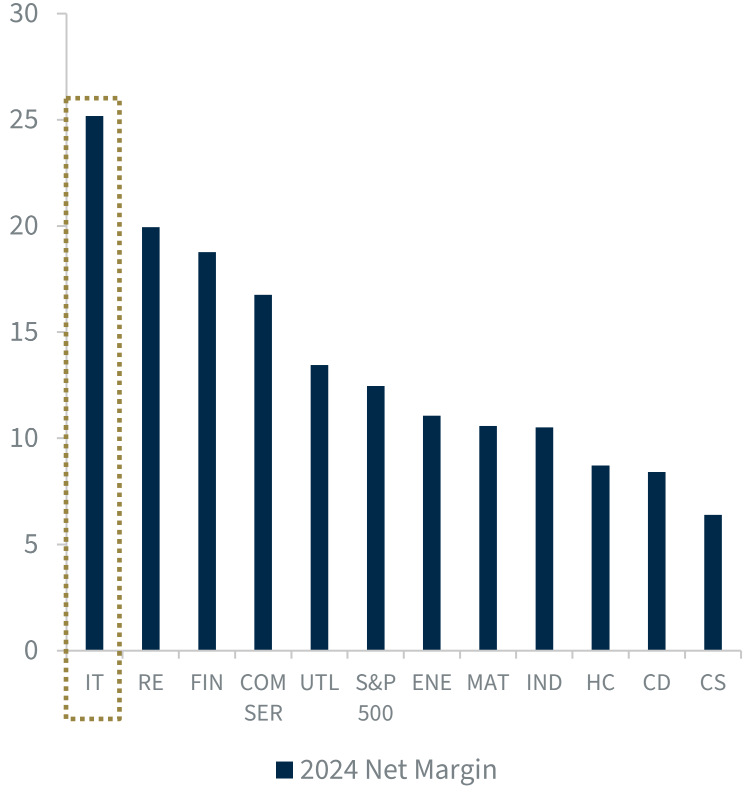
2023: Building Out Infrastructure





2024: Moving to Application

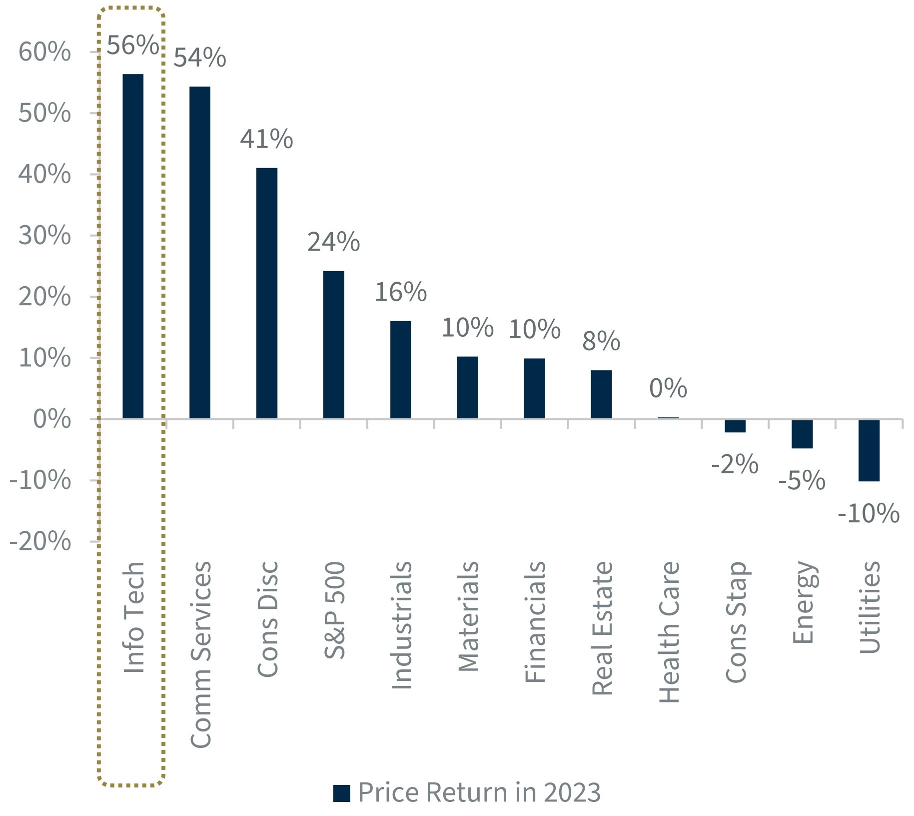
Best Margin of Any Sector



TAILWINDS FOR TECH/AI REMAIN

DESPITE 2023 OUTPERFORMANCE, TECH EARNINGS OUTPACING PRICE GROWTH

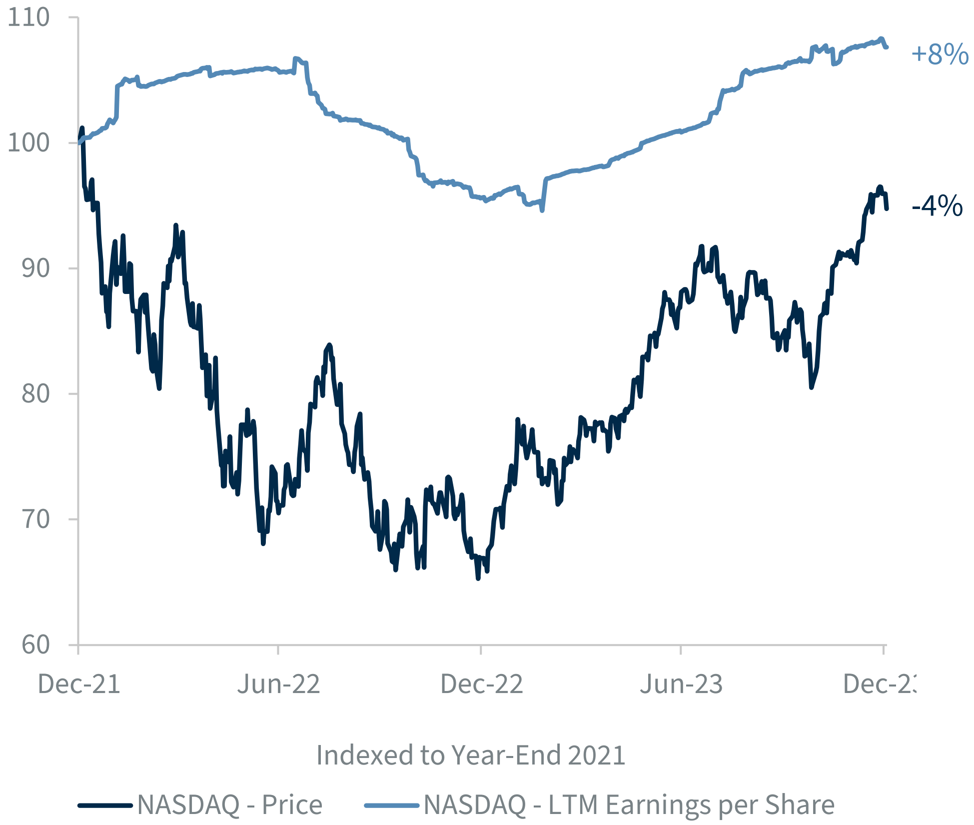
Tech-Related Sectors Lead the Charge in 2023



-13%

NASDAQ Underperformance of S&P 500 Over Last Three Years, Largest Over the Last 20 Years

Tech Earnings Outpacing Returns



Source: FactSet, Data as of 1/2/2024.

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HEALTHCARE INVESTMENT INCREASING

HEALTH CARE TO BOUNCE BACK FROM UNDERPERFORMANCE

Innovation Continues to Take Shape

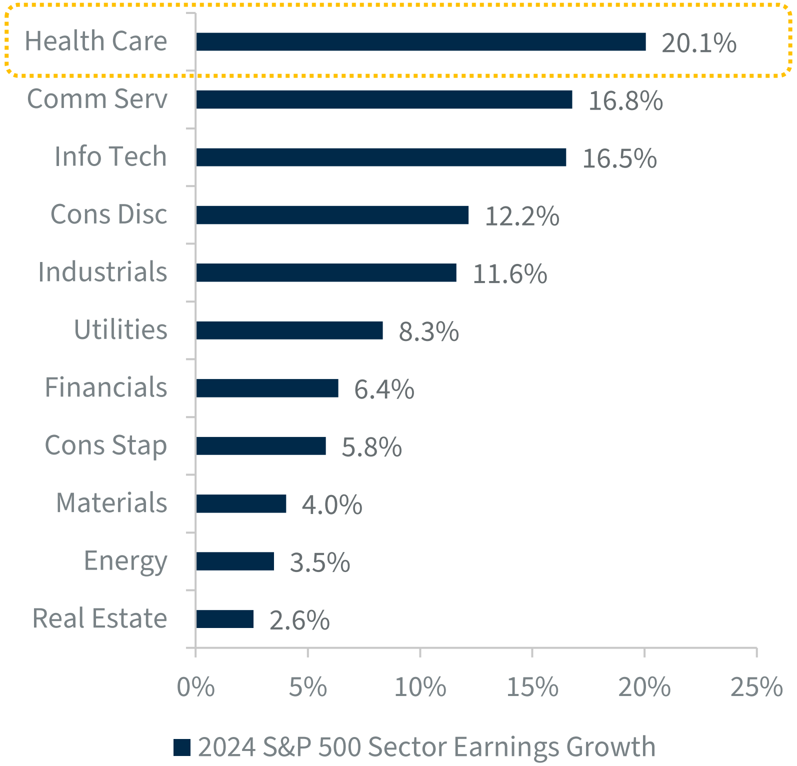
AI Impact

Upcoming Drugs

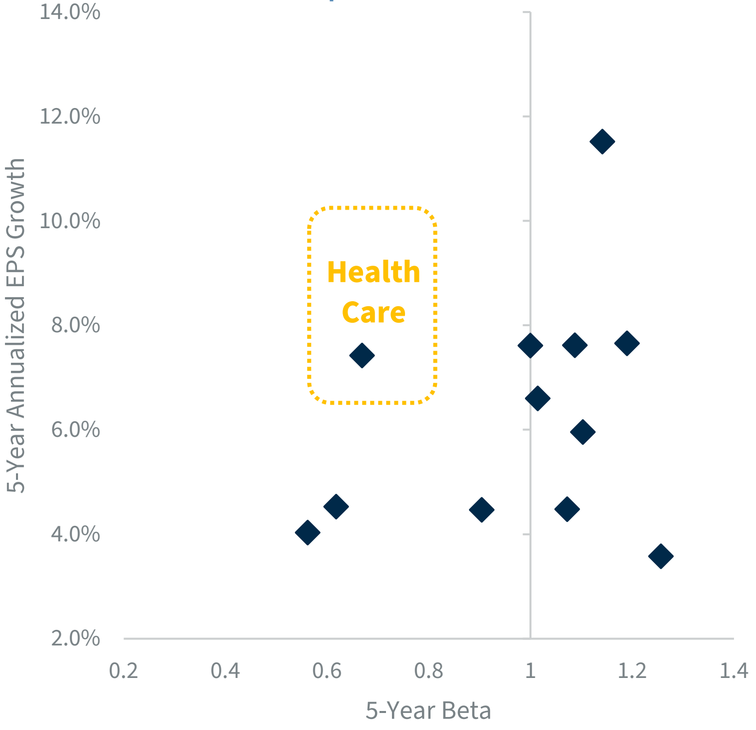
Novel Alzheimer's Trials Evaluate Senolytics, Semaglutide, CRISPR, and More

2024 will see a new weight-loss drug that trumps Wegovy and Ozempic

Strongest EPS Growth of Any Sector



Health Care Can Benefit on the Way Up and Down



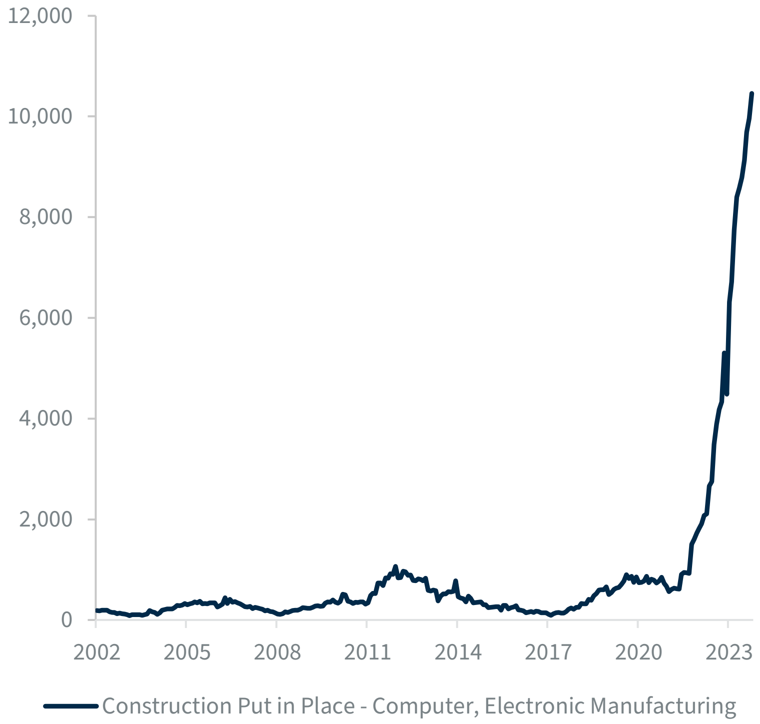
Source: FactSet, Data as of 12/31/2023.

INDUSTRIALS TO BENEFIT FROM MANUFACTURING BOTTOM

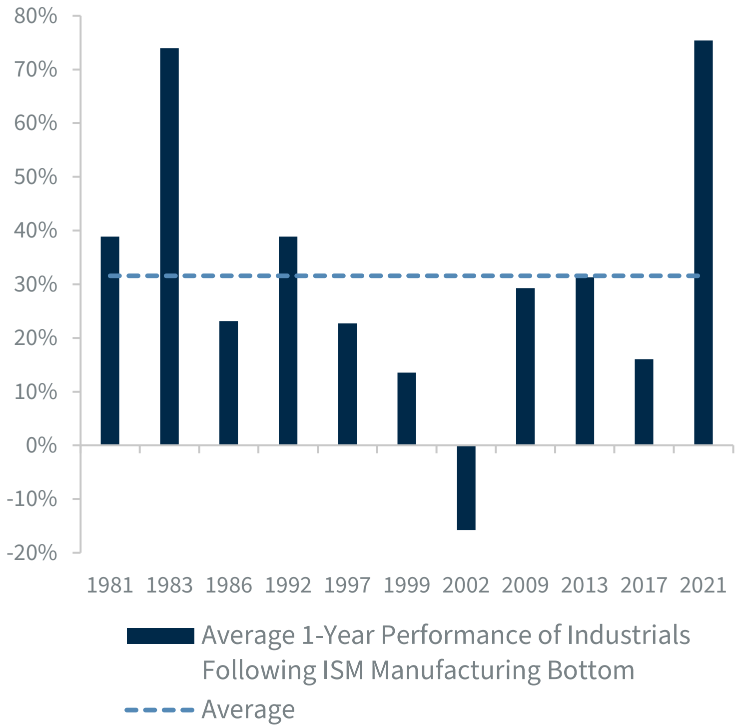
RESHORING AND GOVERNMENT SPENDING TO BOOST INDUSTRIALS

Reshoring to Provide a Boost

Industrials Benefitting From CHIPS and IRA Investment



Industrials Outperform Following ISM Bottom



Source: FactSet, Data as of 12/31/2023.

6 Small-Cap Equities

The 'Dives' Can Be the Best

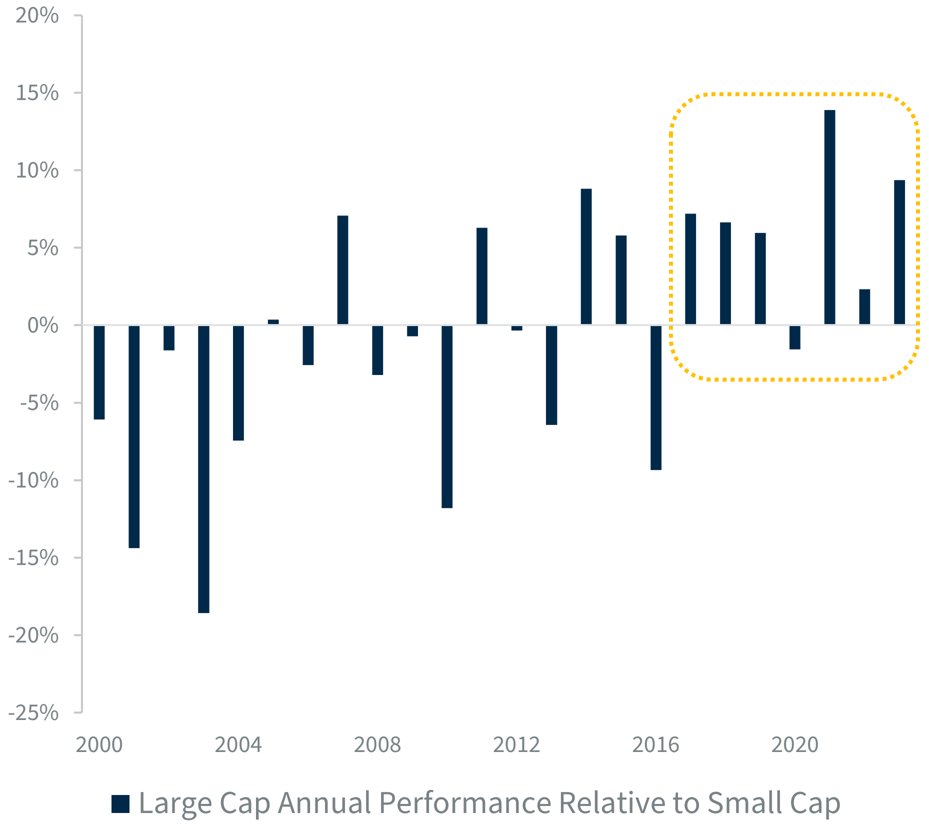
INSIGHT:
While some 'dive' restaurants look ugly on the outside, the food and atmosphere make up for it. Underperforming small-cap equities may appear unappealing at first glance, but we think they're worth visiting.

BOTTOM LINE:
Small caps are undervalued compared to large caps and historically perform well coming out of a recession, and we believe a mild recession is ahead in 2024.

SMALL CAP LOOKS LIKE A 'DIVE' OVER RECENT YEARS

SMALL-CAP UNDERPERFORMANCE SETTING UP FOR OPPORTUNITIES

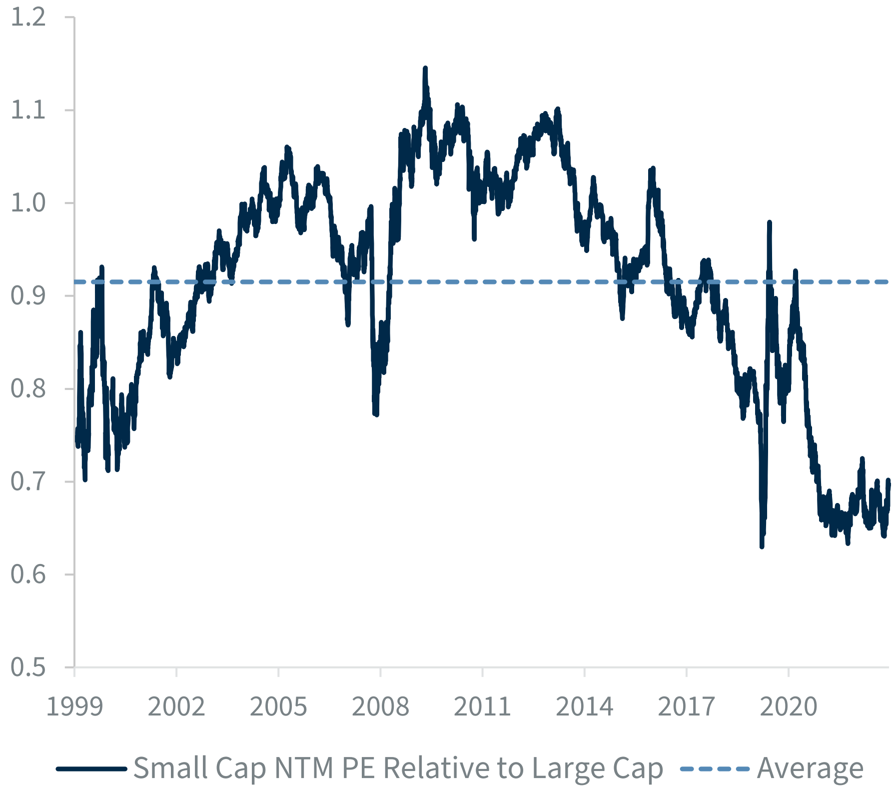
Small-Cap Underperformance Continues in 2023



75%

Cumulative Small-Cap Underperformance vs. Large Cap over the Last Seven Years

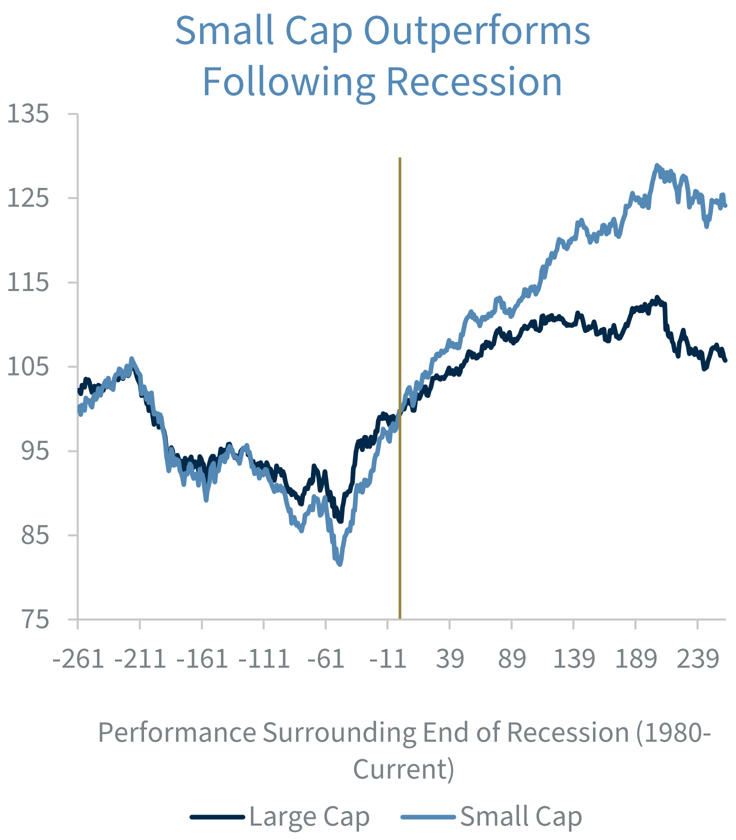
Attractive Valuations Lead to Upside

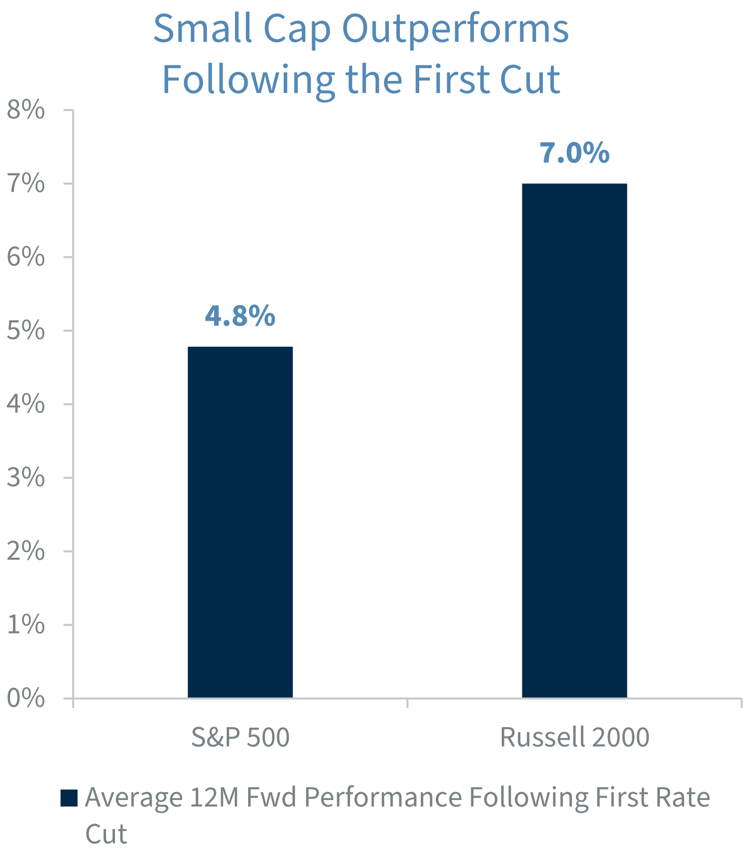


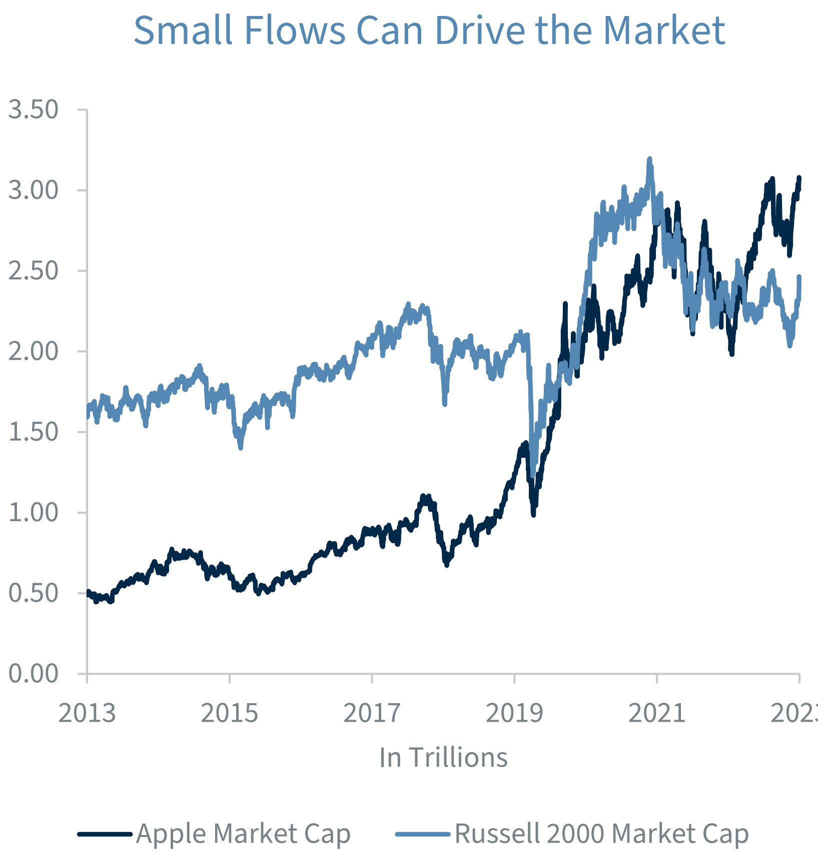
Source: FactSet , Data as of 12/31/2023.

SMALL CAP LOOKING MORE FAVORABLE IN 2024

FACTORS MAKING SMALL CAP MORE APPEALING FOR INVESTORS







Source: FactSet, Data as of 12/31/2023.

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7 International Equities

USA is Still 'Grade A'

INSIGHT:

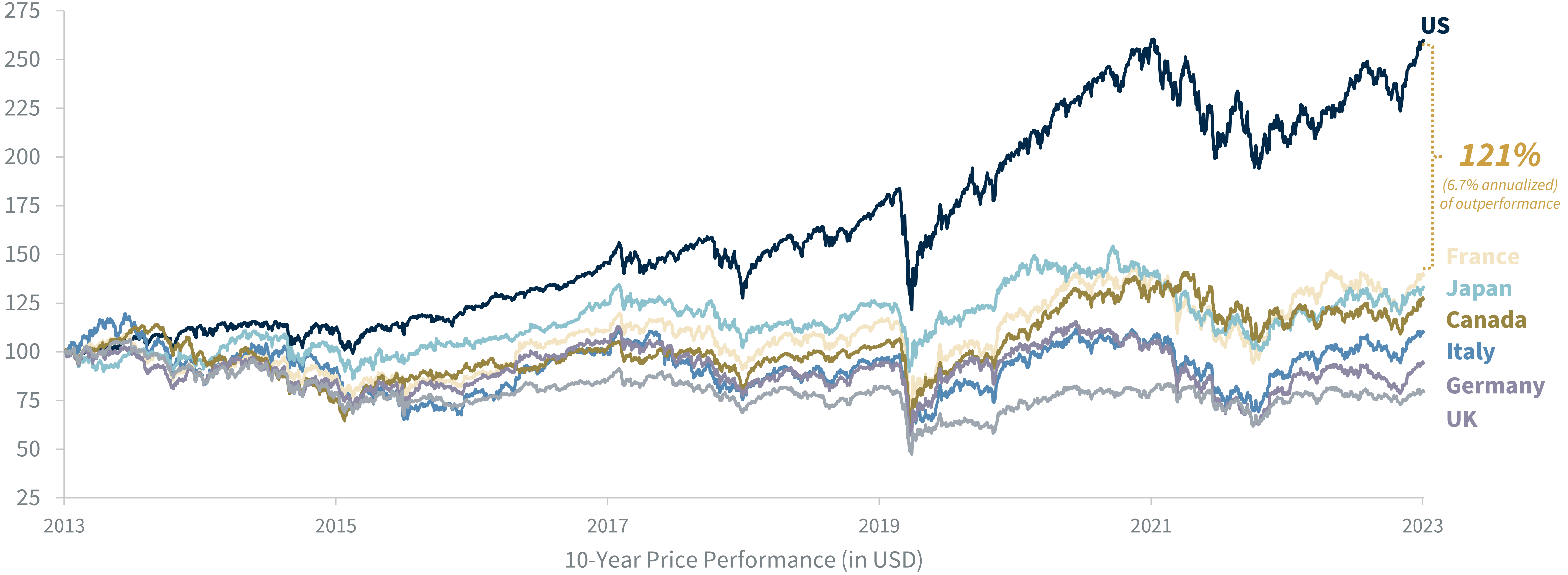
When looking at the global equity markets, US equities are still our 'prime' choice, but we continue to see opportunities in select emerging markets, particularly in India and Mexico.

BOTTOM LINE:

Europe remains weak but selectivity in emerging markets may yield flavorful results for investors.

US 'GRADE A' PERFORMANCE

US EQUITY PERFORMANCE HAS BEEN A STANDOUT VS. DEVELOPED MARKET COUNTERPARTS



Source: FactSet, Data as of 12/31/2023.

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FUNDAMENTALS SUPPORT THE US

US FUNDAMENTALS HAVE OUTSHINED OTHER DEVELOPED MARKET G7 COUNTRIES

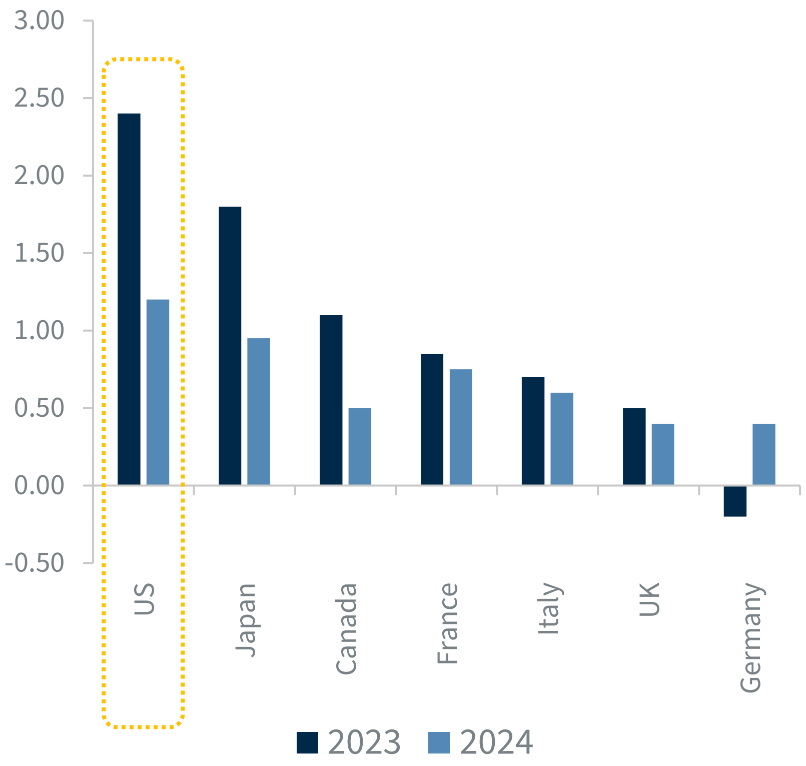
Rank	Nominal GDP Growth	Earnings Growth	Net Margins	Dividend Growth	Country Ranking Weighted Composite
1	US +4.8%	Italy +7.8%	Canada 13.7	US +6.6%	US 1.5
2	UK +1.8%	US +7.0%	US 11.9	Italy +5.6%	Canada 3.5
3	Germany +1.7%	France +4.8%	UK 11.0	Japan +5.4%	Italy 3.8
4	Canada +1.4%	Japan +3.8%	Italy 10.8	Canada +4.1%	France 4.5
5	France +0.8%	Canada +3.8%	France 9.8	France +2.3%	UK 4.8
6	Italy +0.2%	Germany +1.8%	Japan 6.6	Germany +1.5%	Japan 5.0
7	Japan -0.2%	UK +0.1%	Germany 6.4	UK -1.0%	Germany 5.5

Source: FactSet, Data as of 12/31/2023. GDP, EPS and Dividend growth are all 10-year annualized figures. Net margin is 2023.

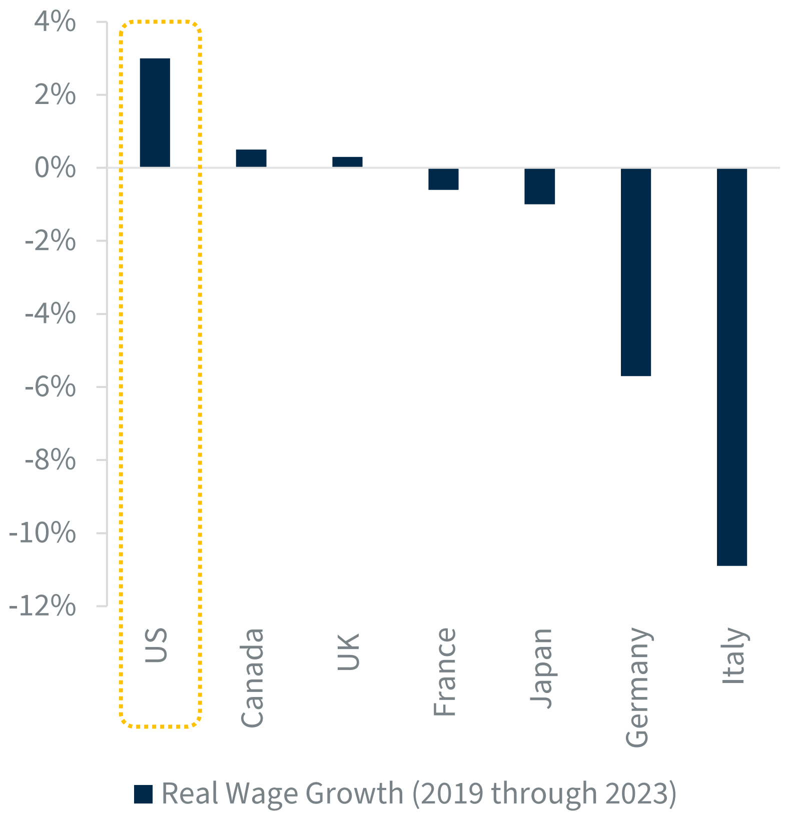
FUNDAMENTALS SUPPORT THE US IN 2024

US SHOULD CONTINUE TO BE SUPPORTED INTO 2024

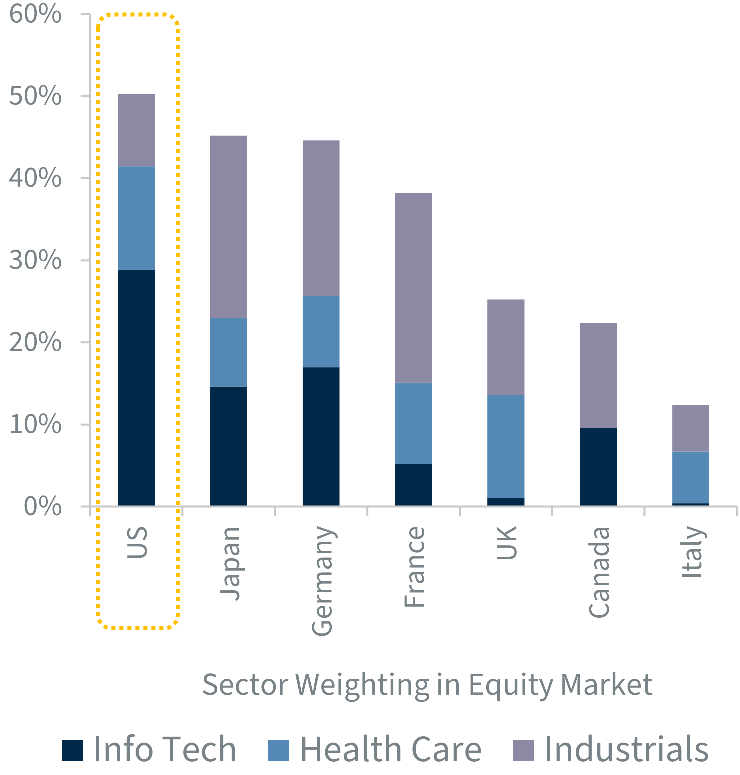
Stronger US Economic Growth in 2024



Stronger Consumer Dynamics in US



Sector Weightings Favor US Over International

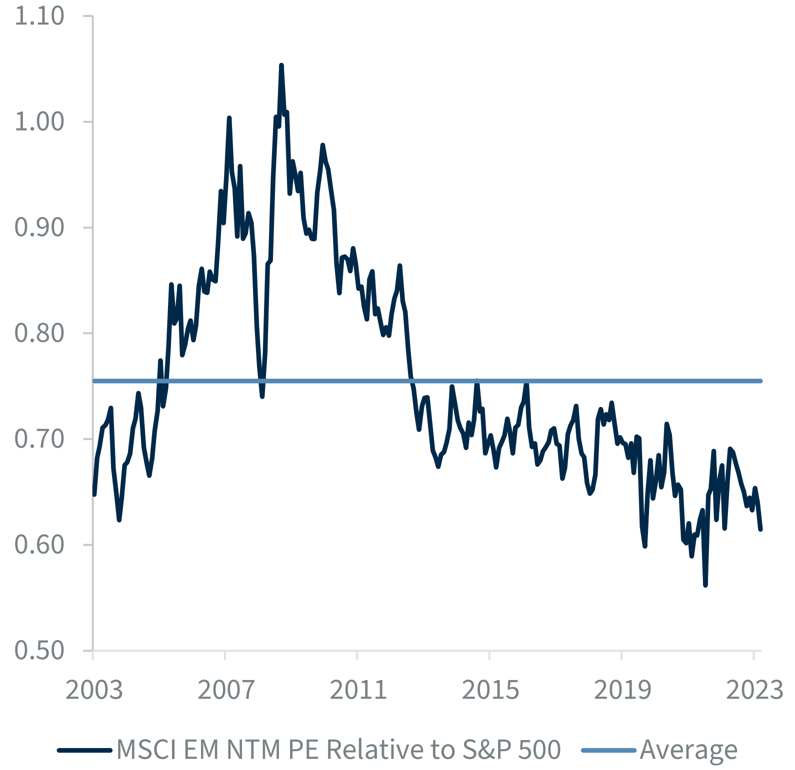


Source: FactSet, Data as of 12/31/2023.

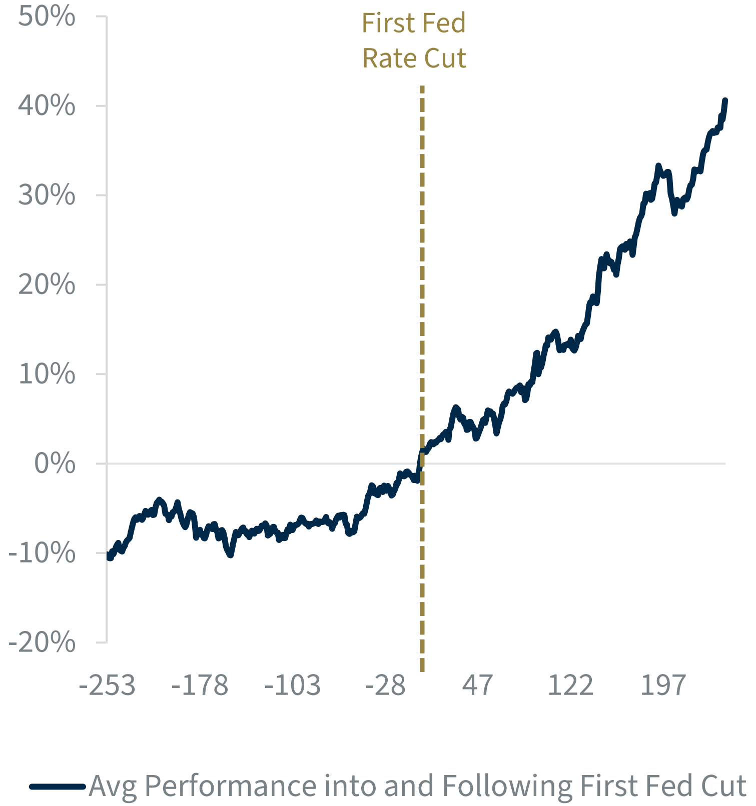
MACRO TAILWINDS TO BENEFIT EM

2024 SHAPING UP TO BE A POSITIVE YEAR FOR EMERGING MARKETS

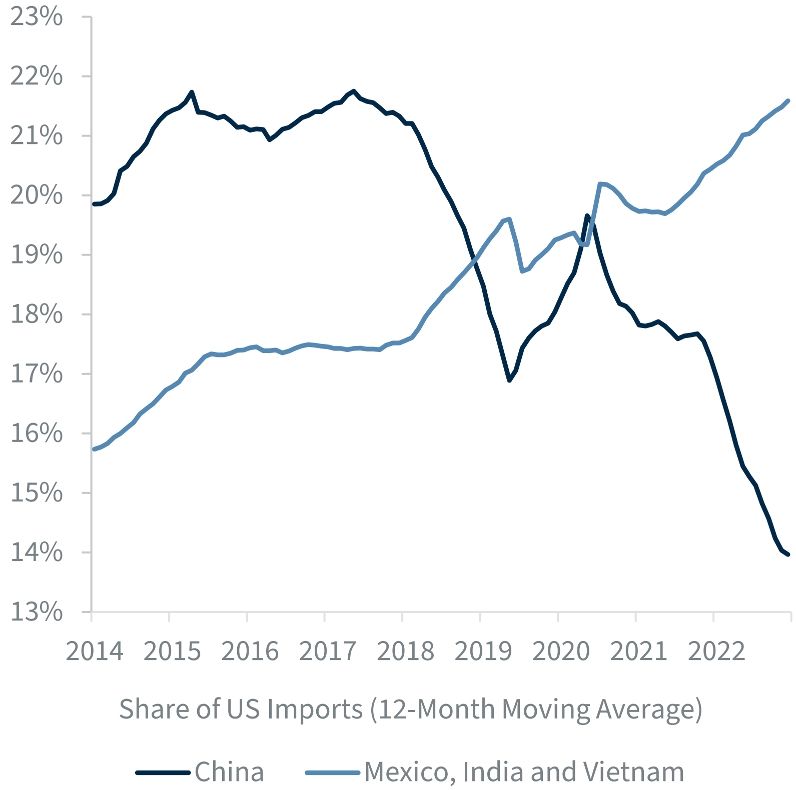
Attractive EM Valuations



EM Rallies Historically After First Rate Cut



Selectivity is Important – Follow Reshoring!



Source: FactSet, Data as of 12/31/2023.

8 Energy

Maintaining Discipline

INSIGHT:

Discipline is important when you're wielding a sharp knife or cooking over an open flame. It's even more important in the energy market—and we expect it to continue in 2024.

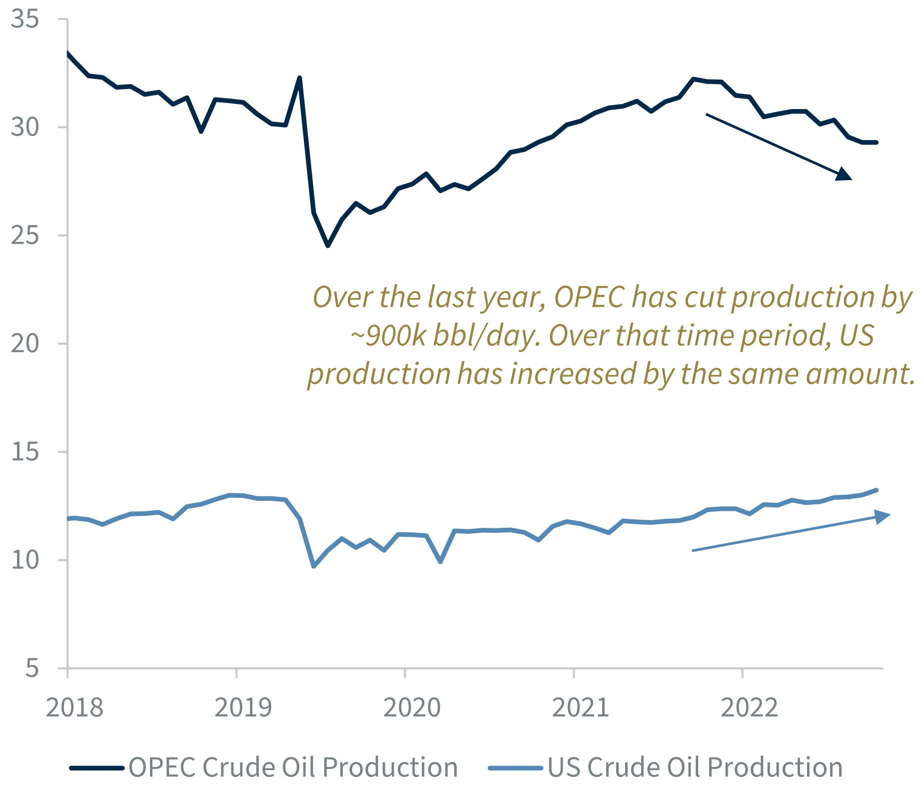
BOTTOM LINE:

We believe energy production discipline will continue to limit the growth of the oil supply, pushing the price per barrel for WTI crude to $85.

RISING US PRODUCTION, A DRIVER IN OIL PRICES

INCREASED US OIL PRODUCTION HAS OFFSET OPEC PRODUCTION CUTS. SUPPLY/DEMAND TO COME BACK IN LINE.

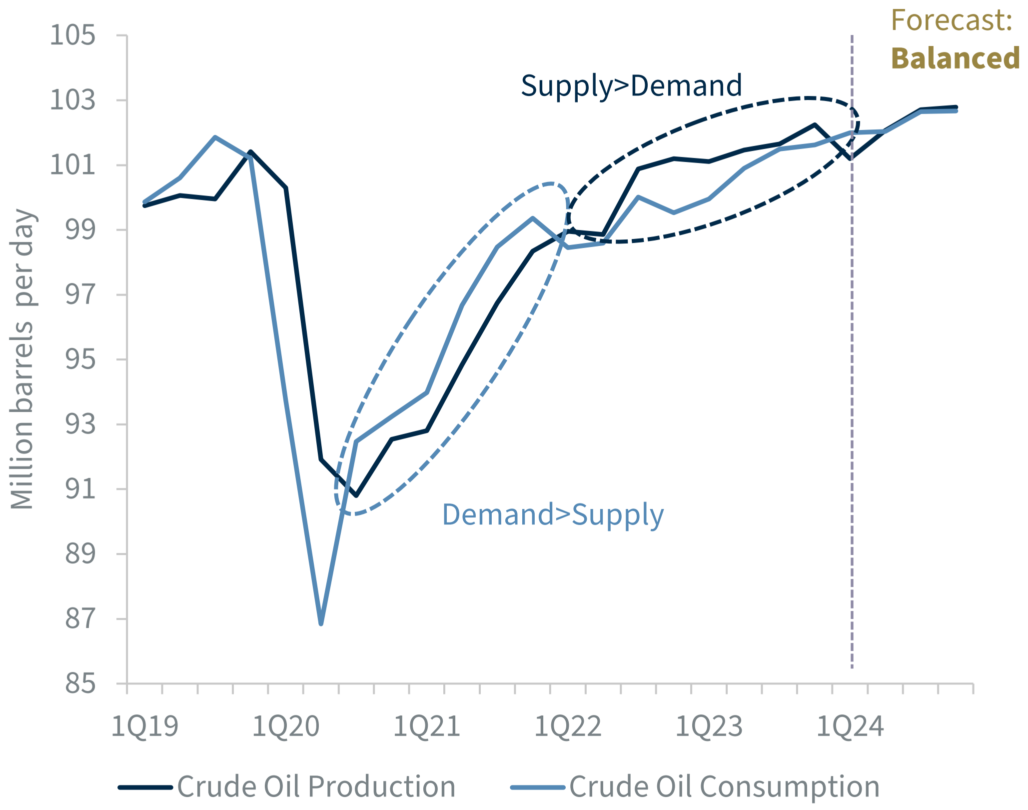
Increasing US Production Replacing OPEC Cuts



$85

Year-End 2024 Crude Oil Price Target

Productive of Rigs Increasing

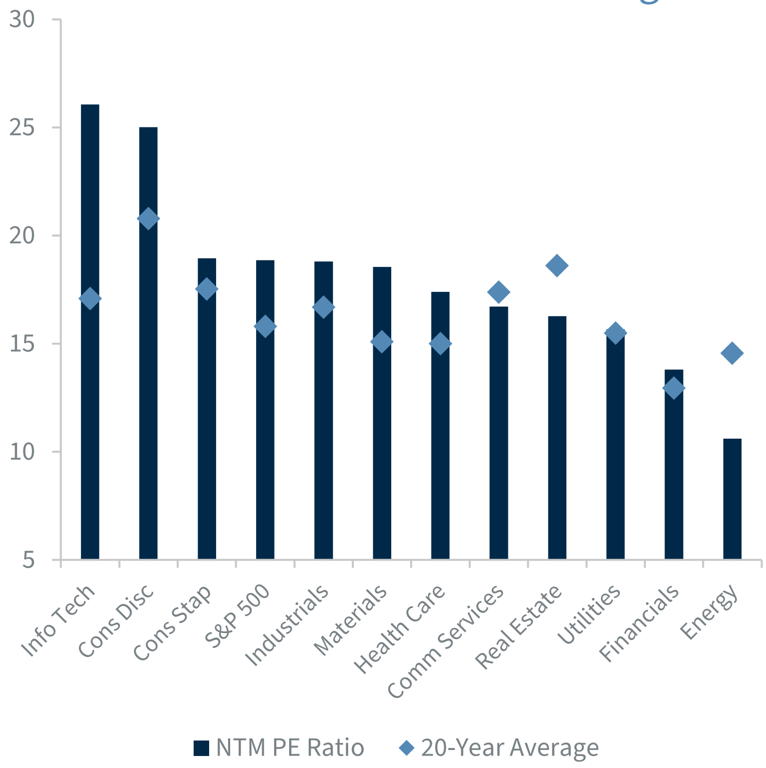


Source: FactSet, Data as of 12/31/2023.

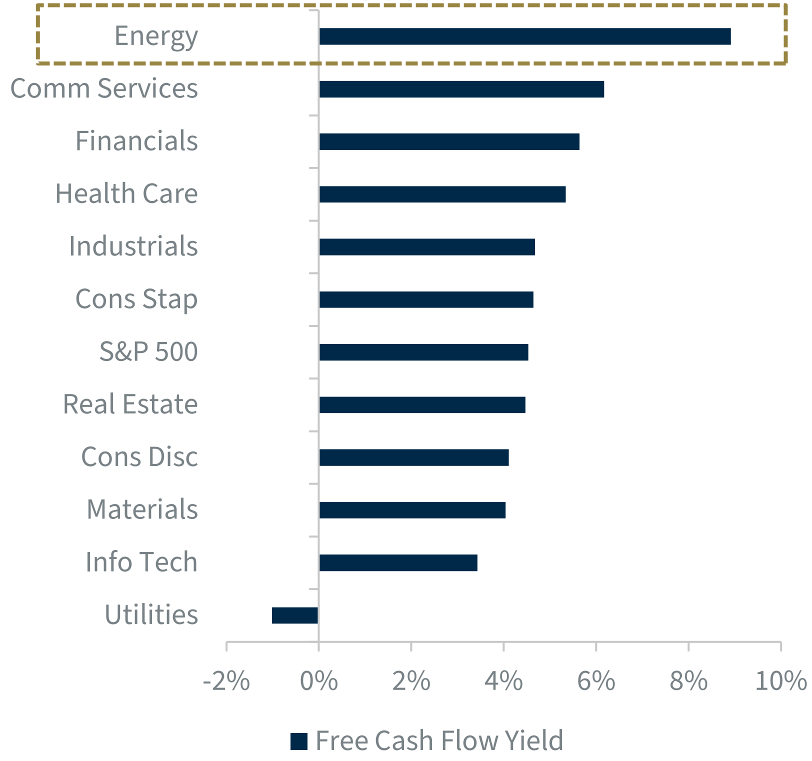
ENERGY SECTOR HAS UPSIDE

GIVEN ITS STRONG FUNDAMENTALS AND UPSIDE TO ENERGY PRICES, ENERGY SECTOR A POTENTIAL CONTRARIAN PLAY

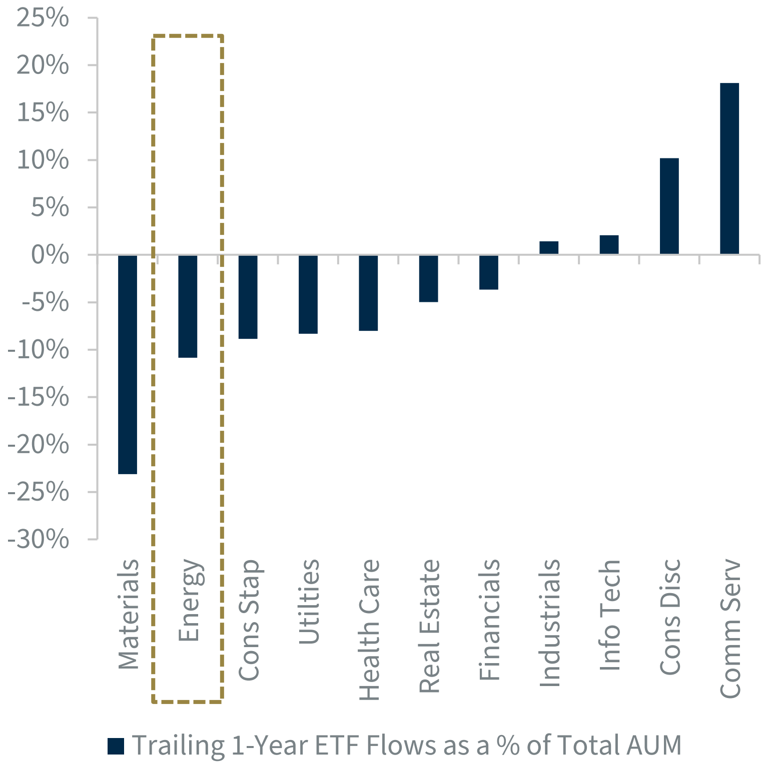
Energy Trading at the Largest Discount to Historical Average



Highest Free Cash Flow Yield of Any Sector



Strong Fund Outflows



Source: FactSet, Data as of 12/31/2023.

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9 Volatility

Turning Up the Heat

INSIGHT:
In 2023, the market had negative expectations in the face of recession calls, geopolitical conflict, and imploding earnings. In 2024, we see the opposite problem: uber-optimism that leaves the market vulnerable.

BOTTOM LINE:
Super-hot market expectations meeting cooler reality could contribute to increased volatility. There is also a US presidential election and more than 40 key elections around the world.

VOLATILITY LIKELY TO INCREASE IN 2024

2023 WAS A YEAR WHERE ALMOST EVERYTHING CAME IN BETTER THAN EXPECTED

2023—The Year of ***Positive*** Surprises

Market Pricing Heading Into Year		Actual Outcome
Mild Recession	**Economy**	No Recession, Acceleration in Growth
Inflation to be Higher for Longer	**Inflation**	Significant Deceleration/Transitory
Negative Year for Markets	**Equity Market**	S&P 500 Up 25%+; Led by Cyclical Sectors
Earnings to Decline on Weaker GDP	**Earnings**	Positive S&P 500 EPS Growth to New Record
Ukraine War to Lead to Higher Prices	**Oil**	Oil Prices Down 10% for the Year

Source: FactSet, Data as of 12/31/2023.

VOLATILITY LIKELY TO INCREASE IN 2024

FOLLOWING A POSITIVE YEAR, MARKET IS SET UP FOR DISAPPOINTMENTS

2024—The Year of ***Elevated Expectations***

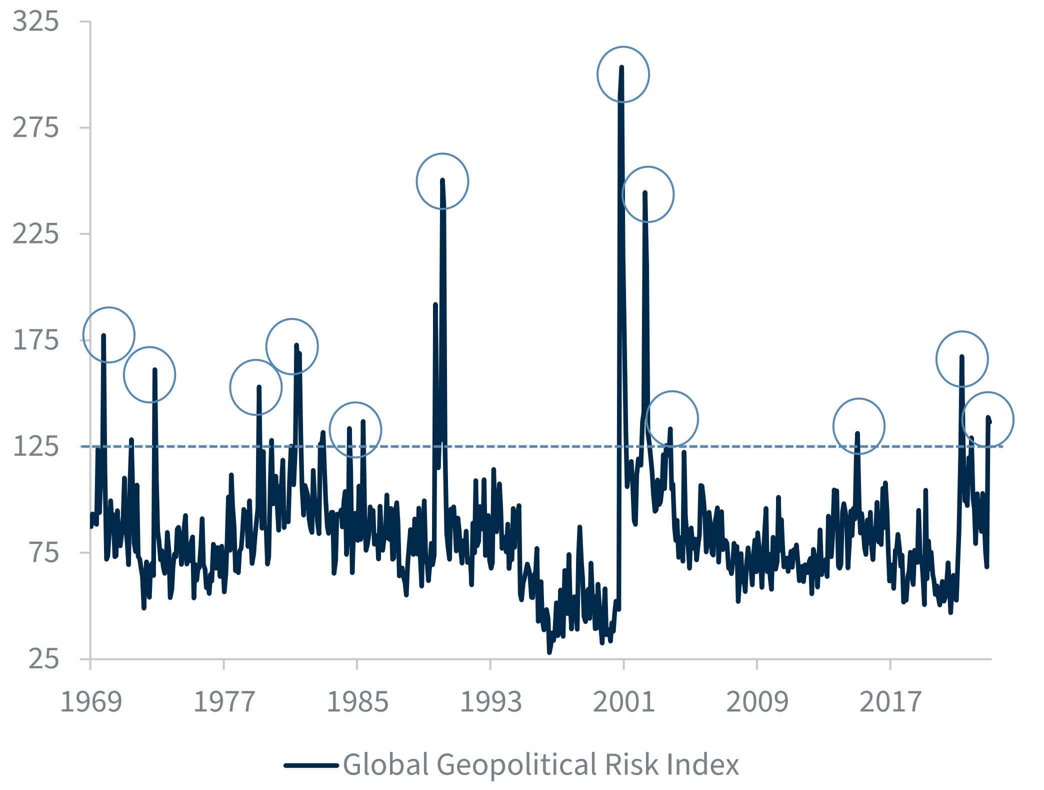
Market Pricing Heading Into Year		Our Forecast
Soft or No Landing	**Economy**	Mild Recession Beginning in 2Q
Six Fed Rate Cuts Priced in 2024	**Fed**	Only 3-4 Fed Rate Cuts in 2024
Consensus S&P 500 Target Nearing 5000	**Equity Market**	~3% Upside from Current Levels
$245 2024 S&P 500 Earnings	**Earnings**	$225 2024 S&P 500 Earnings
Slowing Activity to Hamper Oil Prices	**Oil**	Oil Prices to Rise on Resilient Demand

Source: FactSet, Data as of 12/31/2023.

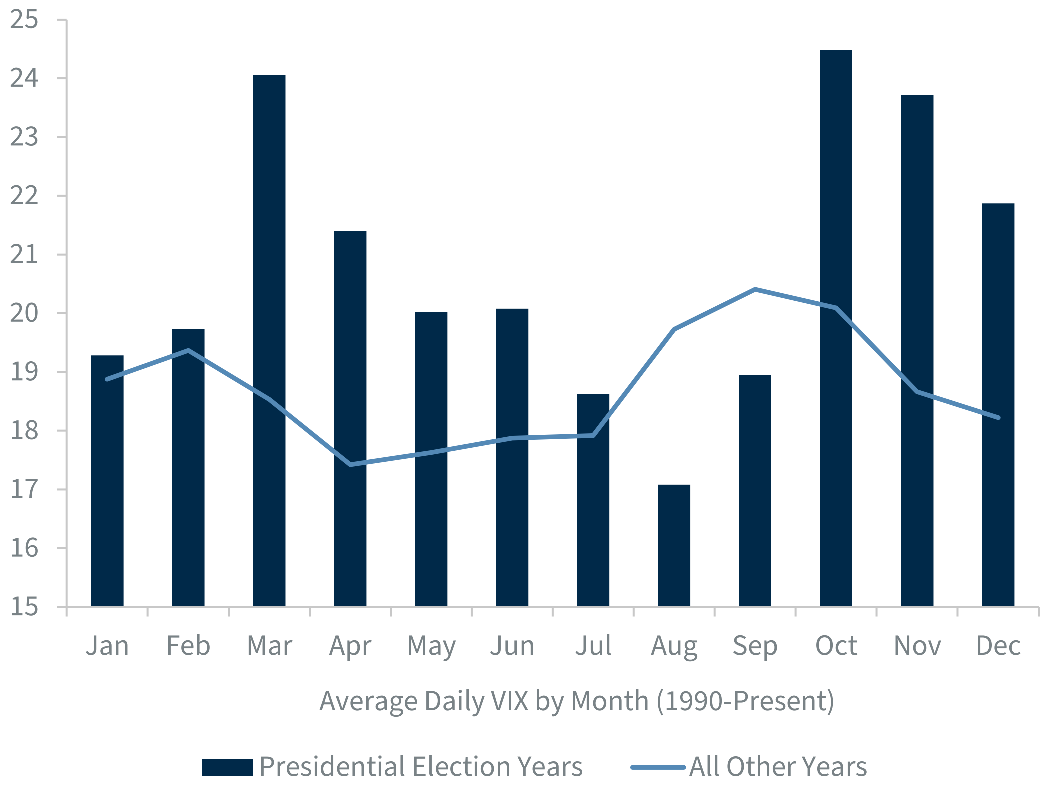
TURNING UP THE HEAT ON VOLATILITY IN 2024

REASONS FOR INCREASED VOLATILITY IN 2024

Geopolitical Risk Elevated from Historical Standpoint



Equity Volatility Increases in Presidential Election Year



Source: FactSet, Data as of 12/31/2023.

10 Asset Allocation

Don’t Go Overboard at the Buffet

INSIGHT:
We are factoring in a modest upside for most asset classes in 2024, but don’t let a so-called ‘everything rally’ distract you from maintaining a commitment to a well-structured asset allocation

BOTTOM LINE:
We want investors to experience well-crafted fare, which is why we place so much attention on building an asset allocation that matches your tastes.

BALANCED PLATE MORE BENEFICIAL THAN STUFFING ONE ITEM AT THE BUFFET

RARE FOR TOP ASSET CLASS TO REPEAT

Difficult for Asset Class to Be on Top Two Years in a Row

2006	2007	2008	2009	2010	2011	2012	2013	2014
Real Estate 43.7%	Non-US Equities 12.9%	Fixed Income 5.2%	Real Estate 41.3%	Real Estate 20.0%	Fixed Income 7.8%	Real Estate 29.8%	US Equities 32.4%	Real Estate 14.3%
Non-US Equities 26.2%	Commod. 11.1%	Cash 1.8%	Non-US Equities 34.4%	US Equities 15.1%	Blended Portfolio 2.3%	Non-US Equities 17.0%	Non-US Equities 21.6%	US Equities 13.7%
US Equities 15.8%	Blended Portfolio 7.0%	Blended Portfolio -21.2%	US Equities 28.3%	Commod. 16.7%	US Equities 2.1%	US Equities 16.0%	Blended Portfolio 17.0%	Blended Portfolio 8.0%
Blended Portfolio 12.7%	Fixed Income 7.0%	Commod. -36.6%	Blended Portfolio 20.3%	Blended Portfolio 11.6%	Cash 0.1%	Blended Portfolio 11.6%	Cash 0.0%	Fixed Income 6.0%
Cash 4.8%	US Equities 5.5%	US Equities -37.0%	Commod. 18.7%	Non-US Equities 9.4%	Real Estate -8.1%	Fixed Income 4.2%	Fixed Income -2.0%	Cash 0.0%
Fixed Income 4.3%	Cash 4.8%	Non-US Equities -43.2%	Fixed Income 5.9%	Fixed Income 6.5%	Non-US Equities -11.8%	Cash 0.1%	Commod. -9.6%	Non-US Equities -3.9%
Commod. -2.7%	Real Estate -4.7%	Real Estate -48.9%	Cash 0.2%	Cash 0.1%	Commod. -13.4%	Commod. -1.1%	Real Estate -25.8%	Commod. -17.0%

2015	2016	2017	2018	2019	2020	2021	2022	2023
US Equities 1.4%	Real Estate 15.3%	Non-US Equities 24.8%	Cash 1.8%	US Equities 31.5%	US Equities 18.4%	Real Estate 38.6%	Commod. 13.8%	US Equities 26.3%
Fixed Income 0.5%	US Equities 12.0%	US Equities 21.8%	Fixed Income 0.0%	Non-US Equities 23.2%	Blended Portfolio 12.5%	US Equities 28.7%	Cash 1.5%	Non-US Equities 18.6%
Blended Portfolio 0.5%	Commod. 11.4%	Blended Portfolio 15.0%	Blended Portfolio -4.0%	Blended Portfolio 21.1%	Non-US Equities 8.1%	Commod. 27.1%	Fixed Income -13.0%	Blended Portfolio 16.8%
Cash 0.0%	Blended Portfolio 6.9%	Fixed Income 3.5%	US Equities -4.4%	Real Estate 19.5%	Fixed Income 7.5%	Blended Portfolio 14.3%	Non-US Equities -13.8%	Real Estate 9.8%
Non-US Equities -2.6%	Non-US Equities 3.3%	Cash 0.8%	Real Estate -7.6%	Fixed Income 8.7%	Cash 0.5%	Non-US Equities 13.2%	Blended Portfolio -15.4%	Fixed Income 5.5%
Real Estate -24.2%	Fixed Income 2.6%	Commod. 0.7%	Commod. -13.0%	Commod. 5.4%	Commod. -3.5%	Cash 0.0%	US Equities -18.1%	Cash 5.1%
Commod. -24.7%	Cash 0.3%	Real Estate -0.2%	Non-US Equities -13.6%	Cash 2.2%	Real Estate -13.1%	Fixed Income -1.5%	Real Estate -27.5%	Commod. -12.6%

Source: FactSet, US Equities (S&P 500), Non-US Equities (MSCI World Ex. US), Fixed Income (Bloomberg US Aggregate), Cash (Bloomberg US T-Bill (1-3 months), Real Estate (FTSE NAREIT US), Commodities (Bloomberg Commodity Index), Blended Portfolio (45% US Equities / 15% Non-US Equities / 40% Fixed Income)

BALANCED PLATE MORE BENEFICIAL THAN STUFFING ONE ITEM AT THE BUFFET

RARE FOR TOP ASSET CLASS TO REPEAT

18 Years Later a $100,000 Portfolio Would Be Worth

$296,572
Invested in Blended Portfolio

$121,001
Invested in Prior Year's Worst

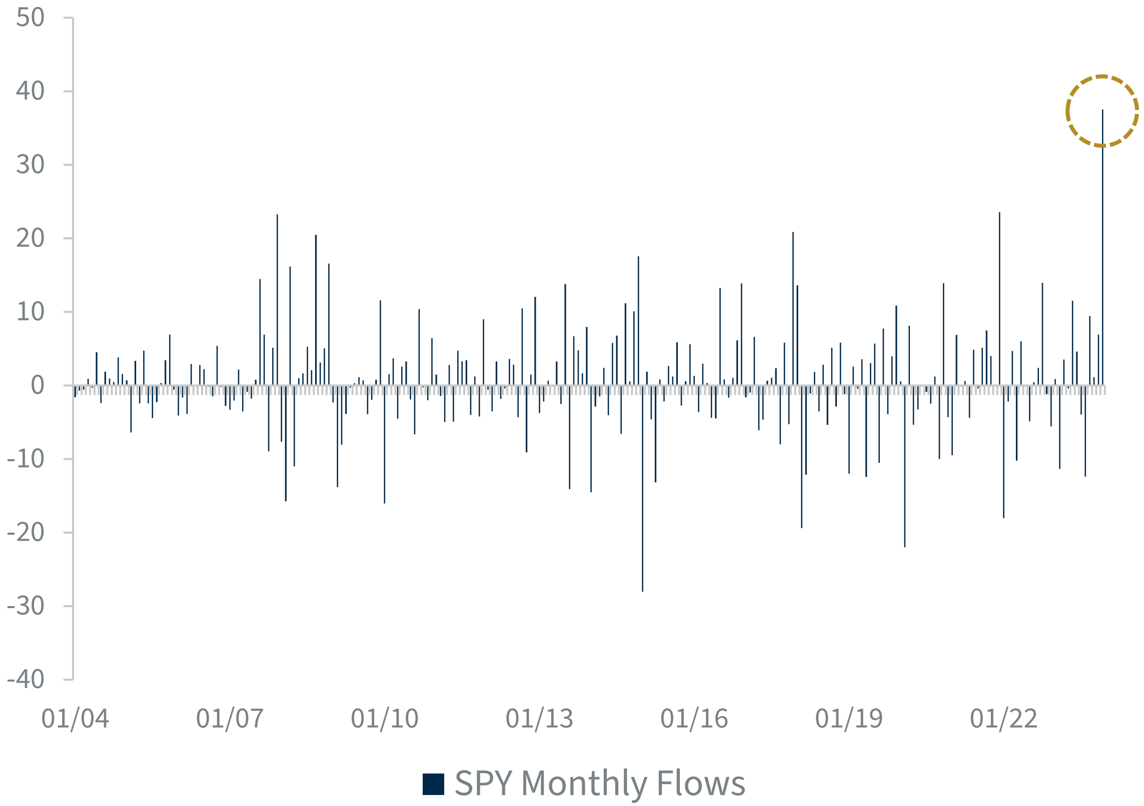
$40,156
Invested in Prior Year's Best

Source: FactSet, data range 2006-2023. US Equities (S&P 500), Non-US Equities (MSCI World Ex. US), Fixed Income (Bloomberg US Aggregate), Cash (Bloomberg US T-Bill (1-3 months), Real Estate (FTSE NAREIT US), Commodities (Bloomberg Commodity Index), Blended Portfolio (45% US Equities / 15% Non-US Equities / 40% Fixed Income)

NOT ALL WINNERS STAY WINNERS

CHASING THE WINNERS IS NOT A SUSTAINABLE INVESTMENT STRATEGY

Record Month of S&P 500 Inflows to End the Year



Source: FactSet, Data as of 12/31/2023. Monthly flows are in Millions.

Following the Flows Is Not Always a Positive Strategy

Month	SPY Monthly Inflow	Following 3 Month Return	Following 6 Month Return	Following 12 Month Return
23-Dec	**37.5**	**?**	**?**	**?**
21-Dec	23.6	-5%	-20%	-18%
07-Dec	23.3	-9%	-12%	-37%
17-Dec	20.9	-1%	3%	-5%
08-Sep	20.5	-22%	-30%	-7%
14-Dec	17.6	1%	1%	1%
08-Dec	16.5	-11%	3%	26%
08-Mar	16.2	-3%	-11%	-38%
07-Aug	14.5	1%	-8%	-11%
22-Oct	13.9	6%	9%	10%
20-Nov	13.9	6%	17%	28%
16-Dec	13.9	6%	9%	22%
13-Jul	13.8	5%	7%	17%
18-Jan	13.6	-6%	1%	-2%
16-Jul	13.3	-2%	6%	16%
12-Dec	12.1	11%	14%	32%
09-Dec	11.6	5%	-7%	15%
23-May	11.5	8%	10%	
14-Sep	11.2	5%	6%	-1%
19-Dec	10.8	-19%	-3%	18%
12-Sep	10.5	0%	10%	19%
Top 10 Average		**-4%**	**-5%**	**-5%**
Top 20 Average		**-1%**	**0%**	**5%**

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WISDOM FOR COOKING AND INVESTING

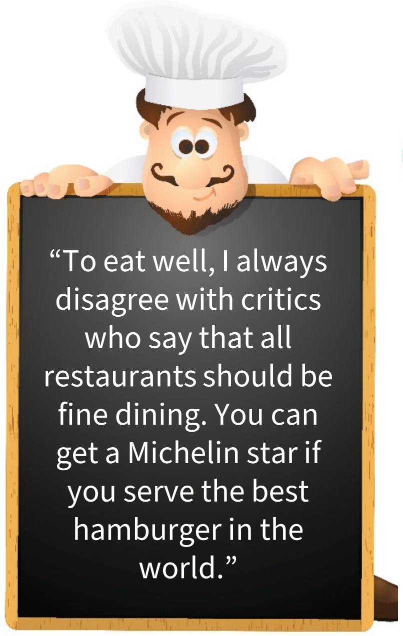
Finding The Right Balance

JEAN ANTHELME BRILLAT-SAVARIN

Do Not Panic; Adjust When Needed

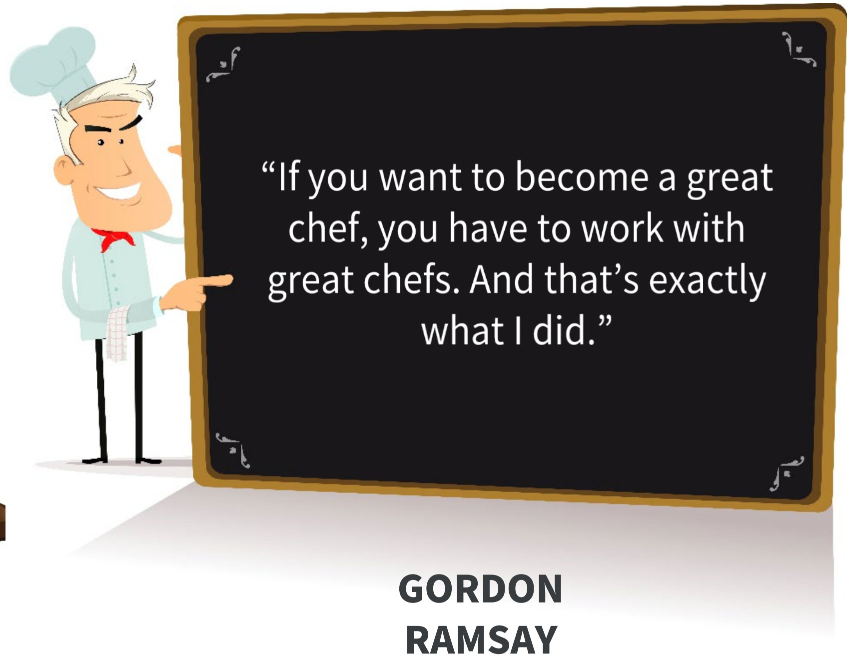
ELIZABETH BRIGGS

Don’t Follow the Herd!

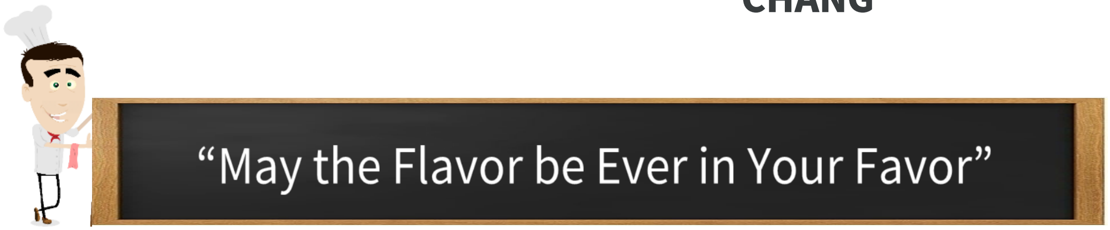


DAVID CHANG

Trust Your Sous Chef aka Advisor!



GORDON RAMSAY



GUY FIERI

2023 IN REVIEW | GRADING OUR 2023 TEN THEMES

	Themes	Rationale	Grade
1	**US Economy**: The US economy will experience a mild recession on the back of a slowing consumer.	Both the US economy and consumer proved to be resilient in 2023, as US economic growth accelerated from 1.9% in 2022 to 2.4% in 2023.	
2	**Monetary Policy**: The Fed will end its most aggressive tightening cycle since the 1980s as inflation will continue on its downward path.	As inflation cooled toward 3%, the Fed likely ended its tightening cycle in July and is poised to cut rates in 2024	
3	**Market Volatility to Decrease**: After significant volatility in 2022, market volatility is poised to decrease as much of the bad news has been priced in.	As the economy remained resilient and inflation continued on its downward path, risk asset volatility cooled markedly throughout 2023.	
4	**Globalization Is Not Dead, It Is Shifting**: Globalization will remain a key economic trend but will shift away from China to friendlier countries.	US imports have increased ~10% year-to-date, while the share of imports from China slowed markedly. Both India (+21%) and Mexico (+42%) outperformed broader EM.	
5	**Fixed Income**: The Bloomberg Agg is likely to be positive for the first time in three years on the back of higher starting yields. Favor quality.	Longer duration bond yields declined on a year-to-date basis, and the Bloomberg Agg was up ~6% for the year. Investment grade (+8.6%) was strongly positive.	
6	**Equity Market**: On the back of P/E expansion and resilient earnings, the US equity market is poised to bounce back in 2023.	Driven by P/E expansion (due to moderating inflation, falling yields) and resilient earnings, the S&P 500 rallied ~25% in 2023 to less than 1% from a record high.	
7	**Equity Sectors – Focus on Security**: Areas of national security will garner significant investment, focus on cyber, energy, defense and reshoring.	All major security themes (i.e., energy, defense, cyber security, and semiconductors) were in positive territory, with tech-related areas strongly outperforming the market.	
8	**International Equities**: Continue to favor the US over International. Opportunities building in EM, with a focus on LATAM.	The US strongly outperformed international equity markets by ~800 bps. Emerging markets (+10%) were in positive territory, led by LATAM (+34%).	
9	**Dispersion in Focus**: Selectivity will remain critical in 2023 as sector dispersion will remain elevated. Fundamentals will driver returns.	Sector dispersion remained above average in 2023, and most sectors with the highest EPS growth were the strongest performers throughout the year	
10	**Asset Allocation— Do Not Follow the Consensus**: Pundits were predicting a tough year for both the economy and risk assets. Favor beaten down Tech.	Market predictors were wrong again in 2023, as the economy avoided recession and the S&P 500 was up over 25%. Tech-related names were the strongest performers.	
		2023 Ten Themes Grade	**90%**

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UPCOMING WEBINARS

Feb 5 | 4:00 pm E.T.

Market Outlook and Timely Investment Topics

This presentation will discuss recent market and economic trends and impacts.

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INTERNATIONAL INVESTING | International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets. Investing in emerging markets can be riskier than investing in well-established foreign markets.

SECTORS | Sector investments are companies engaged in business related to a specific economic sector and are presented herein for illustrative purposes only and should not be considered as the sole basis for an investment decision. Sectors are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification.

OIL | Investing in oil involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.

WEST TEXAS INTERMEDIATE | West Texas Intermediate can refer to a grade or a mix of crude oil, and/or the spot price, the futures price, or the assessed price for that oil; colloquially WTI usually refers to the price of the New York Mercantile Exchange WTI Crude Oil futures contract or the contract itself.

CURRENCIES | Currencies investing are generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

GOLD | Gold is subject to the special risks associated with investing in precious metals, including but not limited to: price may be subject to wide fluctuation; the market is relatively limited; the sources are concentrated in countries that have the potential for instability; and the market is unregulated.

FIXED INCOME | Fixed-income securities (or “bonds”) are exposed to various risks including but not limited to credit (risk of default of principal and interest payments), market and liquidity, interest rate, reinvestment, legislative (changes to the tax code), and call risks. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise.

MUNICIPALS | Investments in municipal securities may not be appropriate for all investors, particularly those who do not stand to benefit from the tax status of the investment. Municipal bond interest is not subject to federal income tax but may be subject to AMT, state or local taxes.

US TREASURIES | US Treasury securities are guaranteed by the US government and, if held to maturity, generally offer a fixed rate of return and guaranteed principal value.

US TREASURY INDEX | An index based on recent auctions of US Treasury bills and is commonly used as a benchmark when determining interest rates, such as mortgage rates.

CAPEX | CAPEX Capital Expenditures are funds used by a company to acquire, upgrade, and maintain physical assets such as property, plants, buildings, technology, or equipment. CapEx is often used to undertake new projects or investments by a company.

FIXED INCOME DEFINITION

AGGREGATE BOND | **Bloomberg US Agg Bond Total Return Index:** The index is a measure of the investment grade, fixed-rate, taxable bond market of roughly 6,000 SEC-registered securities with intermediate maturities averaging approximately 10 years. The index includes bonds from the Treasury, Government-Related, Corporate, MBS, ABS, and CMBS sectors.

HIGH YIELD | **Bloomberg US Corporate High Yield Total Return Index:** The index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody’s, Fitch and S&P is Ba1/BB+/BB+ or below.

CREDIT | **Bloomberg US Credit Total Return Index:** The index measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities.

US DOLLAR | The U.S. Dollar Index is an index (or measure) of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies. The Index goes up when the U.S. dollar gains "strength" (value) when compared to other currencies.

200 DAY MOVING AVERAGE | The 200-day moving average is a popular technical indicator which investors use to analyze price trends. It is simply a security's average closing price over the last 200 days.

US INDEXES AND EQUITY SECTORS DEFINITION

S&P 500 | The **S&P 500 Total Return Index:** The index is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 7.8 trillion benchmarked to the index, with index assets comprising approximately USD 2.2 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

RUSSELL 2000 | **Russell 2000 Total Return Index:** This index covers 2000 of the smallest companies in the Russell 3000 Index, which ranks the 3000 largest US companies by market capitalization. The Russell 2000 represents approximately 10% of the Russell 3000 total market capitalization. This index includes the effects of reinvested dividends.

INTERNATIONAL EQUITY DEFINITION

EMERGING MARKETS EASTERN EUROPE | **MSCI EM Eastern Europe Net Return Index:** The index captures large- and mid-cap representation across four Emerging Markets (EM) countries in Eastern Europe. With 50 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

EMERGING MARKETS | **MSCI Emerging Markets Net Return Index:** This index consists of 23 countries representing 10% of world market capitalization. The index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 23 countries.

MSCI EAFE | The **MSCI EAFE** (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations.

GERMAN BUND | A bund is a debt security issued by Germany's federal government, and it is the German equivalent of a U.S. Treasury bond.

SMALL CAP | Investing in small-cap stocks generally involves greater risks, and therefore, may not be appropriate for every investor. The prices of small company stocks may be subject to more volatility than those of large company stocks.

LARGE-CAP STOCK | also known as big caps are shares that trade for corporations with a market capitalization of $10 billion or more. Large-cap stocks tend to be less volatile during rough markets as investors fly to quality and stability and become more risk-averse

MSCI AC WORLD EX-US | **The MSCI AC ex USA** Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 26 Emerging Markets (EM) countries*. With 2,215 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

LATAM | **MSCI EM Latin America Net Return Index:** The index captures large- and mid-cap representation across five Emerging Markets (EM) countries in Latin America. With 116 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

ASIA EX-JAPAN | **MSCI Pacific Ex Japan Net Return Index:** The index captures large- and mid-cap representation across four of 5 Developed Markets (DM) countries in the Pacific region (excluding Japan). With 150 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

JAPAN | **MSCI Japan Net Return Index:** The index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 319 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

COMMODITIES DEFINITION

BLOOMBERG COMMODITY INDEX | Bloomberg Commodity Index is a commodity group sub index of the Bloomberg CITR. The index is composed of futures contracts on crude oil, heating oil, unleaded gasoline and natural gas. It reflects the return on fully collateralized futures positions and is quoted in USD.

WTI | West Texas Intermediate can refer to a grade or a mix of crude oil, and/or the spot price, the futures price, or the assessed price for that oil; colloquially WTI usually refers to the price of the New York Mercantile Exchange WTI Crude Oil futures contract or the contract itself.

BLOOMBERG EMERGING MARKETS AGGREGATE BOND INDEX | The Bloomberg s Emerging Markets Aggregate Bond Index is a flagship hard currency Emerging Markets debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers.

ZILLOW OBSERVED RENT INDEX | A measure of the typical home value and market changes across a given region and housing type. It reflects the typical value for homes in the 35th to 65th percentile range. Available as a smoothed, seasonally adjusted measure and as a raw measure.

ADOBE DIGITAL PRICE INDEX | The Digital Price Index is the most comprehensive measure of inflation in the digital economy, and it's made possible by the ability of Adobe Analytics to turn terabytes of data into useable insights.

NAR HOUSING AFFORDABILITY INDEX | The Housing Affordability Index measures whether or not a typical family earns enough income to qualify for a mortgage loan on a typical home at the national and regional levels based on the most recent price and income data.

COX AUTOMOTIVE INDEX | The Cox Automotive/Moody's Analytics Vehicle Affordability Index measures the ability of a household earning the median income to afford the purchase of an average-priced automobile.

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