THOUGHTS OF THE WEEK

Larry Adam, Chief Investment Officer

Follow Larry Adam on Twitter: @LarryAdamRJ Follow Larry Adam on LinkedIn: Larry Adam

WEEKLY HEADINGS

Growth and inflation have remained remarkably resilient since the start of the year, causing the market to once again rethink the Fed's rate path. As a result, the odds of a June rate cut have collapsed, with the market pricing in less than a 20% probability of a rate move—down sharply from over 50% last week. The number of expected interest rate cuts has dwindled from six at the start of the year to fewer than two today. And with Treasury yields soaring to year-to-date highs, the equity market is starting to notice. To be sure, the latest data does not increase the Fed's confidence that inflation is moving sustainably down to its 2% target; however, there are four reasons the current uptick in inflation is not the start of a new trend:

Key Takeaways

- March CPI Data Came in Hotter Than Expected
- A Cooling Economy/Labor Market Should Ease Inflation
- We Continue to Expect the Fed to Cut Three Times in 2024

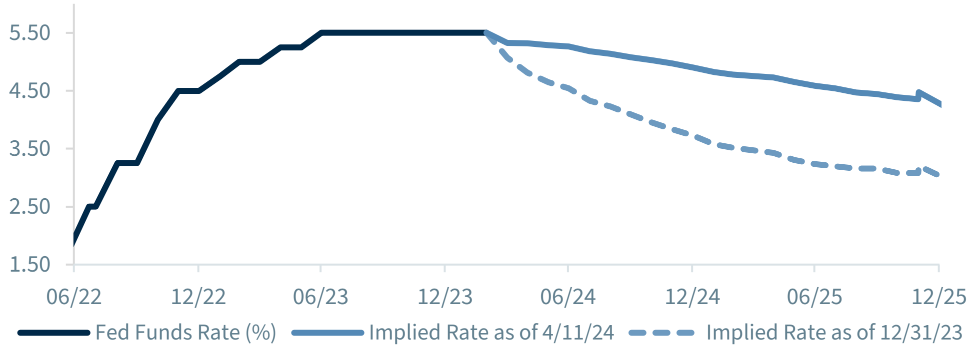
- **Economic Growth Should Start To Simmer Down |** While the economy has managed to avoid a recession (thus far), we do expect growth to slow from last year's strong pace. Why? First, small business optimism has fallen to its lowest level since 2012, and more importantly, the percentage of businesses reporting poor sales (one of our favored indicators) has climbed to its highest level in nearly three years. Second, with the latest back up in rates, borrowing costs are soaring again—mortgage rates have climbed back above 7.0%, credit card rates are hovering near record levels (above 22.0%) and the average interest rate on short-term loans for business shot up over 1% from 8.7% last month to 9.8%. High borrowing costs should dampen spending. This, plus a softening labor market, dwindling savings, high credit card balances and rising delinquencies suggest the momentum in consumer spending should start to slow, but not collapse. This should lead to GDP falling below 1% in the next two quarters.
- **Labor Conditions Will Gradually Ease |** The job market looks solid, as evidenced by the 303k jobs added last month and an unemployment rate that has been at or below 4% for 28 consecutive months. However, there are cracks forming that point to weaker labor conditions ahead. For example, the employment subsectors in both the ISM Manufacturing and ISM Services Indices have moved into contractionary territory. Small businesses have started dialing back their hiring plans in recent months. In fact, in the latest NFIB survey, small business hiring plans fell to the weakest level since May 2020. Temporary help services, viewed as a leading indicator of a softening labor market, have been trending lower for well over a year. While significant job losses are unlikely, these indicators suggest the labor market is likely to soften, keeping a lid on wages and dampening consumption.
- **Forward-Looking Metrics Point To More Downside |** While inflation has remained stubbornly high, more forward-looking metrics suggest the downward inflation trend remains intact. First, while services prices have been sticky (+5.4% YoY), the prices paid subsector within the ISM Services Index declined to the lowest level since March 2020—suggesting that services prices should decelerate over coming months.* Second, goods prices are likely to remain depressed as supply chains continue to normalize (the NY Fed Supply Chain Index fell to the lowest level since October) and the % of manufacturers reporting their inventory levels are "too high" rose to a 13-month high. This, combined with additional Amazon 'selling events' and slowing demand for motor vehicles point to further discounting in the goods space and leaves us confident that a material acceleration is unlikely.
- **Discrepancies With Real-Time Metrics |** The official government metrics within the CPI remain disconnected from the more 'real-time' metrics reported from third party sources. For example, rent prices (the largest component of the CPI) have risen ~6% YoY, whereas Apartment List (which tracks rental prices on public listing feeds) is down 1% YoY. Also, used vehicle prices in the CPI are down 2% YoY, while Manheim (which tracks ~5 million cars in auction per year) reports prices are down ~15% YoY. Third, food prices are up 2.2% within the CPI, while the UN Food Price Index reflects that food prices are down 10.5% YoY. Lastly in more niche categories, the CPI measure reports that wine and watch prices are up ~4% and down a paltry 1% respectively, whereas the real-time metrics suggest wine and watch prices are down more significantly, falling ~15% YoY and 7.4% YoY, respectively. If we replaced these components in the CPI with the real-time metrics, CPI would be less than 2% on a YoY basis!* The point is: there should be plenty of disinflation in the pipeline as CPI converges with some of these more real-time metrics.

Bottom Line | Hotter than expected inflation has reduced market hopes for rate cuts, as expectations for 2024 rate cuts have fallen from six at the start of the year to around two today. However, it is important to remember that the Fed's preferred measure of inflation is PCE, and much of the upward pressures on CPI (e.g., shelter, auto insurance) are not weighted as heavily within PCE. This should lead to continued downward pressure in the PCE; the Cleveland Fed expected core PCE to moderate to 2.6% YoY by April (which would be the slowest pace since March 2021). As we expect economic activity to moderate, the labor market to normalize and the downward trend in inflation to continue, we expect the Fed to cut rates three times in 2024.

CHART OF THE WEEK

Fed Rate Cut Expectations Dwindle After Hot CPI Report

Strong economic data and higher than expected inflation has caused the market to dial back expectations for Fed rate cuts in 2024 and beyond. Our economist is still expecting the Fed to cut rates three times this year.



RAYMOND JAMES

ECONOMY

- Both the headline Consumer Price Index (CPI) and the core CPI surprised to the upside, each growing at 0.4% month-over-month. That brought the year-over-year growth rate to 3.5% for CPI and 3.8% for core CPI. The driver was transportation and energy costs.*
- The Producer Price Index (PPI) for final demand increased by a lower than expected 0.2% month-over-month. On a year-over-year basis, the PPI for final demand increased by 2.1%. The PPI for goods was driven down by a 1.6% decline in energy prices.*
- The Michigan Consumer Sentiment Index was weaker than expected and declined to 77.9, but the report indicated that the Index has remained virtually unchanged for the past 4 months. Meanwhile, inflation expectations ticked up (1-yr ahead: 3.1%; 5-yr ahead: 3.0%).
- **Focus of the Week:** Next week will see a few important housing reports, starting with the NAHB Housing Market Index on Monday, Housing Starts/Building Permits on Tuesday, and Existing Home Sales on Thursday. We will look for further stabilization in the sector. The Retail Sales report on Monday will also be closely watched following the strong print (+0.6% MoM) the month prior.

April 15 – April 19

MON
Retail Sales
Business Inventories
NAHB Housing Market Index

TUE
Housing Starts/Building Permits
Indust./Manuf. Production

WED
Fed Beige Book

THU
Leading Economic Index
Jobless Claims
Existing Home Sales

FRI

FUTURE EVENTS
4/23 New Home Sales
4/25 GDP (1Q24 1st est.)
4/26 PCE

EQUITY

- Hotter than expected inflation data drove a sharp spike in yields which sparked an uptick in equity volatility this week. Admittedly, the weakness was not surprising as the S&P 500 typically experiences 3-4 pullbacks of 5% or more per year on average and a pullback of that magnitude has yet to materialize in 2024. Additionally, the Index has been trading above its 50DMA for 113 days, the 4th longest streak in the last 30 years. In the near term, we expect volatility to remain elevated and for the S&P 500 to test its 50DMA around ~5100 given the impact of yields on valuations.
- Fortunately for investors, the 1Q24 earnings season began today and will likely be a driver of sentiment over the next two months as investor attention shifts away from economic data and back to corporate fundamentals which are broadly improving in most sectors.* 1Q24 YoY earnings growth remains top heavy with Technology and Communication Services growing 20% and 26% respectively while Utilities' 23% YoY earnings growth is primarily attributable to an easy comp vs. 1Q23. Given the broadening we've seen in equity performance YTD, forward guidance for 2Q24 and CY24 will be critical as consensus is expecting 9 of 11 sectors to reach positive earnings growth beginning in 2Q24.
- **Focus of the Week:** Earnings season continues next week with 47 companies representing ~9% of the S&P 500 market cap reporting results led by the Financials sector. Our focus will be on credit card firms Discover and American Express to gauge spending patterns among consumers (Discover) and businesses (American Express). We believe US enterprise spending troughed in early 2023 while consumer spending likely still faces headwinds including stubborn inflation, rising delinquencies, and higher energy prices recently.

FIXED INCOME

- Higher inflation prints propelled Treasury yields higher this week, with the policy-sensitive 2-year yield climbing to ~4.9% and the 10-year rising to ~4.5%—both YTD highs.* The hot CPI print led to a massive repricing in Fed rate cut expectations, with the market now pricing in fewer than two rate cuts by year end (more hawkish than the Fed) and the timing of the first rate cut pushed back to September. There were a couple nuggets from the FOMC meeting minutes. First, nearly all committee members thought it would be appropriate to cut rates this year, although the strong data over the last month likely did not give policymakers the confidence they need to kick off an easing cycle. Second, the Fed reiterated that the tapering process would begin "fairly soon," with policymakers generally favoring slowing the pace of the balance sheet run-off from the current $95B per month pace by roughly half and potentially leaving the MBS runoff caps (currently $35B) intact. The timing could start as soon as June, even if rate cut odds are shrinking.
- Weak demand and soft foreign participation at the 3-, 10- and 30-year Treasury auctions added to the negative tone in the market this week. The results of the 10-year auction were particularly weak, with the internals showing the weakest bid-to-cover ratio (an indicator of demand) since December 2022 and the lowest indirect takedown (proxy for foreign participation) since October 2023. We'll continue keeping an eye on issuance metrics given the country's growing debt burden and price sensitive buyer base.
- **Focus of the Week:** As markets continue to digest the fallout from this week's inflation measures and implications for the Fed, next week brings the next release of the Fed's Beige Book, which should provide some good insights on current economic conditions, as well as several Fed speakers (i.e., Logan, Daly, Mester, Williams, Bostic and Goolsbee).

POLITICS

- President Biden unveiled a new student debt proposal that could bring relief for up to 30 million borrowers. Under the new plan, up to $20,000 in interest relief will be forgiven for over 20 million borrowers, provide more than 10 million borrowers with at least $5,000 in debt relief, and grant full forgiveness to over four million borrowers, among other provisions. From a market perspective, these changes are likely to have a significant impact on consumer discretionary spending, especially for new college graduates entering the workforce. The changes are expected to be fully implemented by next summer.

ENERGY

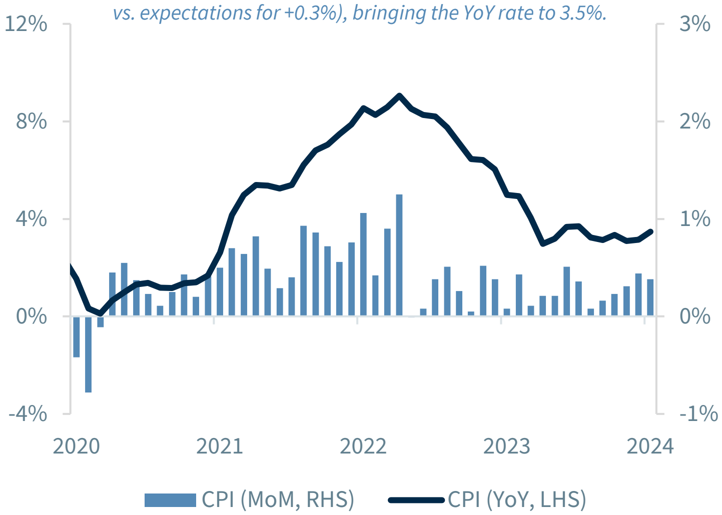
- This week, oil prices touched the highest level since October 2023, when the oil market experienced a knee-jerk reaction at the start of the Middle East's most urgent geopolitical crisis over the past decade. Following Israel's attack in early April on the Iranian embassy in Syria, Iranian leaders have vowed to respond, prompting Israel's foreign minister to threaten a direct strike against Iranian territory. If this rhetoric were to be followed by actual military action between Israel and Iran, it would be a serious escalation, and among the consequences could be a disruption of Iranian oil supply—and, therefore, even higher oil prices. But, as far as we can tell, it seems like neither side wants to escalate to such a degree.

*See Charts of the week on page 3.

Charts of the Week

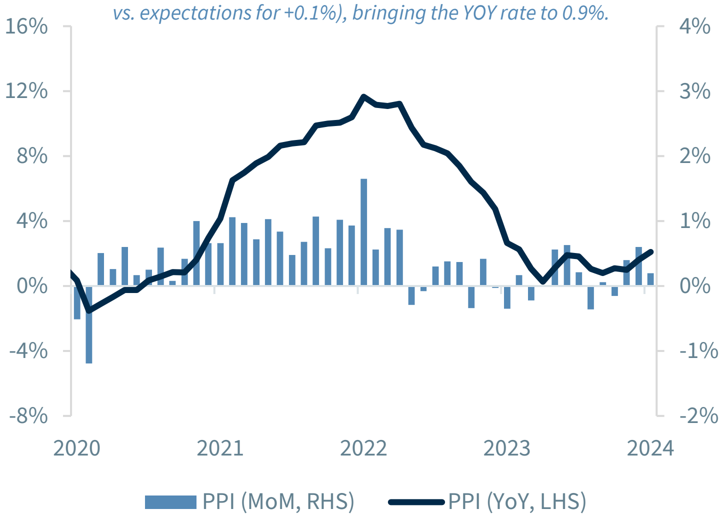
Inflation: Consumer Prices

The Consumer Price report surprised to the upside (+0.4 MoM vs. expectations for +0.3%), bringing the YoY rate to 3.5%.



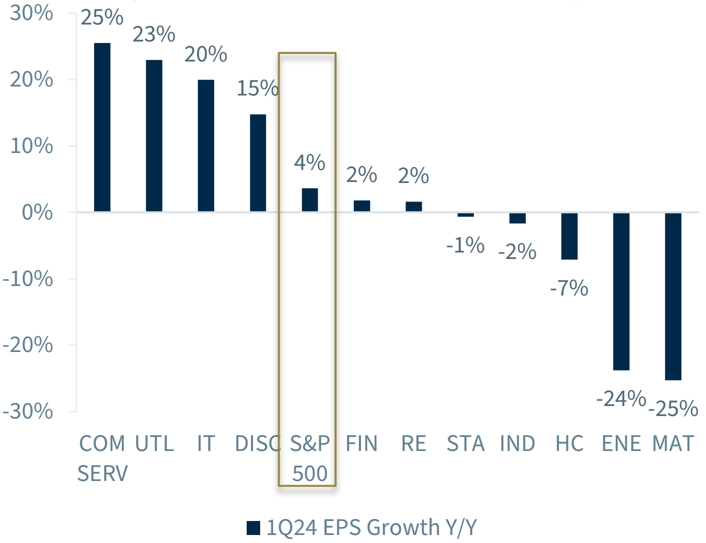
Inflation: Producer Prices

The Producer Price report surprised to the downside (+0.3 MoM vs. expectations for +0.1%), bringing the YOY rate to 0.9%.



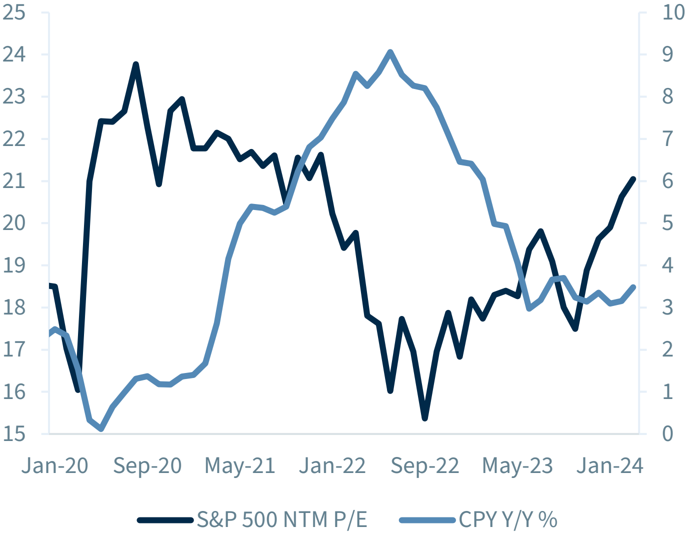
Fundamentals Remain Bifurcated

Earnings growth remains top-heavy, skewed toward secular growth themes while deep cyclicals remain challenged.



Multiple Expansion Should be Limited

A challenging last mile of disinflation could limit further multiple expansion while earnings drive returns.

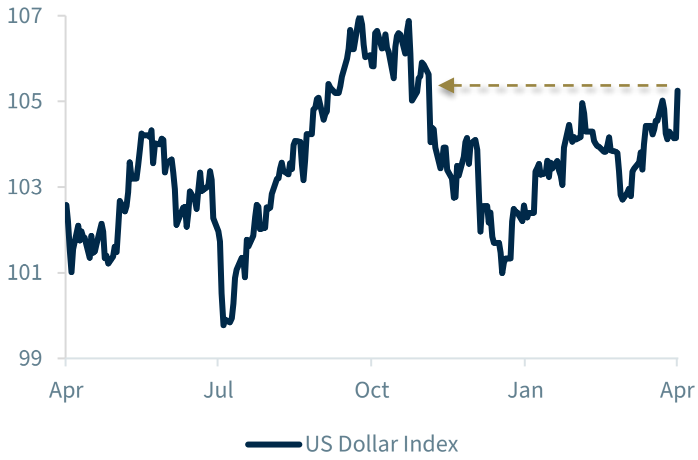


2-Year Treasury Yields Reach YTD High

Higher inflation propelled the policy-sensitive 2-year Treasury yield to ~4.9%—a YTD high.

USD's Biggest One Day Gain Post CPI Report

Following the CPI report, the USD Index jumped 1.1%—its biggest one-day gain in 13 months—and reached its highest since November.



* Index definitions can be found on the disclosure pages

Asset Class Performance | Distribution by Asset Class and Style (as of April 11)**

Weekly Returns (as of April 11)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	-0.6%	1.0%	2.2%
Mid Cap	-0.5%	-0.1%	0.9%
Small Cap	-0.9%	-0.5%	-0.1%

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	-0.8%	0.7%	1.1%
Mid Cap	-0.5%	-0.2%	0.5%
Small Cap	-0.1%	-0.1%	0.7%

Fixed Income (Bloomberg indices)

	1-3 YR	Medium	Long
Treasury	0.1%	-1.4%	-2.0%
Invest. Grade	-0.4%	-1.0%	-1.5%
High Yield	-0.1%	-0.5%	-0.8%

Year-to-Date Returns (as of April 11)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	6.2%	9.1%	11.6%
Mid Cap	5.1%	5.7%	7.2%
Small Cap	-1.2%	1.1%	3.7%

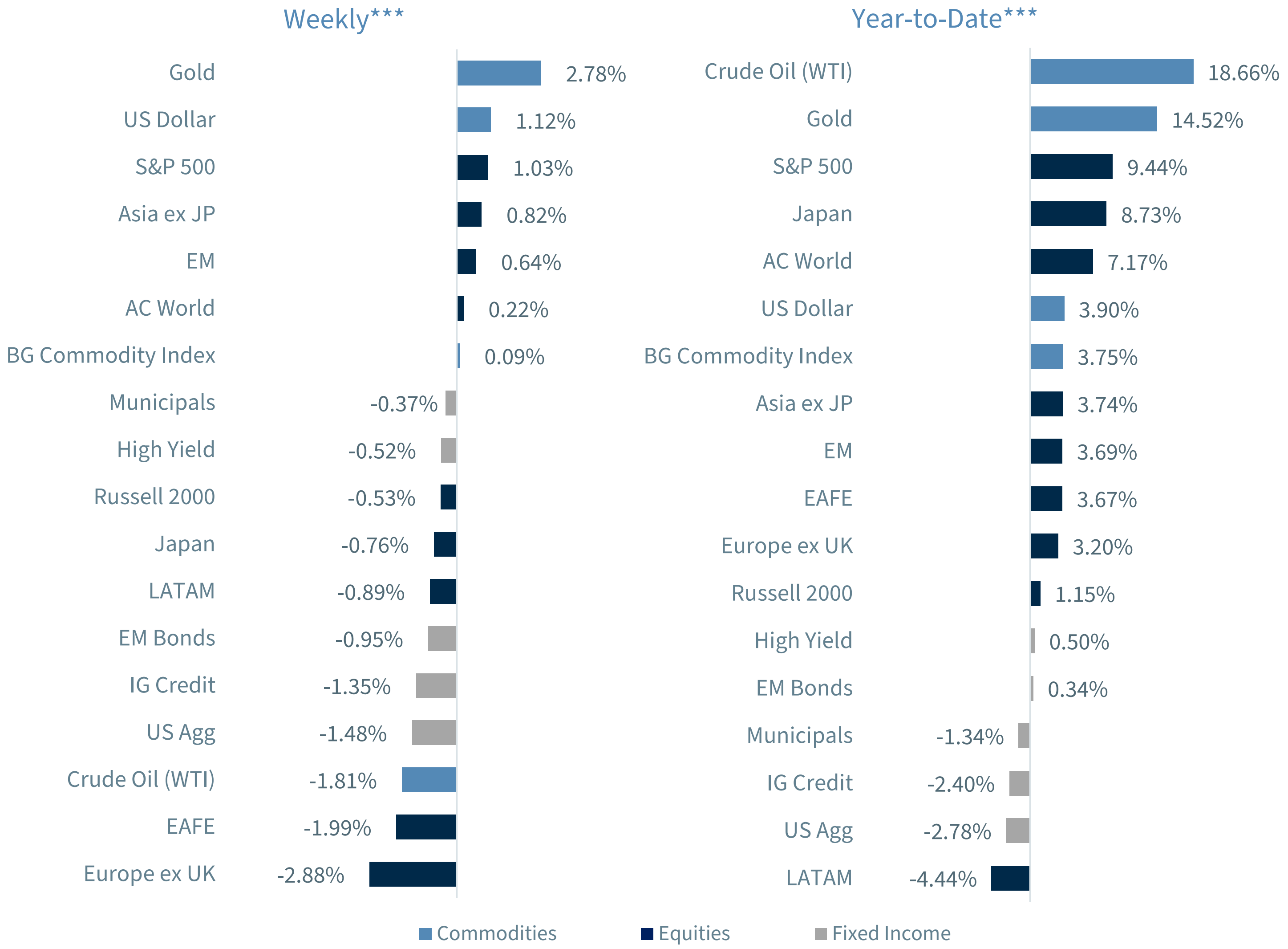
International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	9.2%	9.3%	6.7%
Mid Cap	6.9%	6.0%	3.9%
Small Cap	6.4%	4.1%	6.1%

Fixed Income (Bloomberg indices)

	1-3 YR	Medium	Long
Treasury	1.5%	-2.4%	-4.5%
Invest. Grade	0.4%	-1.0%	-2.3%
High Yield	1.6%	0.5%	0.6%

Asset Class Performance | Weekly and Year-to-Date (as of April 11)**



**Weekly performance calculated from Thursday close to Thursday close.

***Assumes all asset classes are priced in US dollars unless otherwise noted. Ranked in order of performances (best to worst).

Weekly Data**

Data as of April 11

US Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	5199.1	1.0	(1.0)	9.4	28.5	9.7	14.4	13.2
DJ Industrial Average	38459.1	(0.4)	(3.4)	2.0	14.2	4.4	8.0	9.1
NASDAQ Composite Index	16442.2	2.4	0.4	9.5	36.7	5.7	15.6	15.2
Russell 1000	5476.4	1.0	(1.1)	9.1	29.9	10.5	14.8	12.7
Russell 2000	5076.4	(0.5)	(3.8)	1.2	19.7	(0.1)	8.1	7.6
Russell Midcap	8411.2	(0.1)	(2.6)	5.7	22.3	6.1	11.1	9.9

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	576.4	(0.5)	(1.5)	7.3	15.9	6.7	12.2	9.3
Industrials	1051.7	0.3	(1.4)	9.4	27.4	9.1	12.3	11.3
Comm Services	294.2	2.7	3.6	20.0	53.1	6.2	13.7	9.7
Utilities	328.5	(0.4)	(1.5)	3.0	(3.9)	3.2	5.6	8.1
Consumer Discretionary	1471.3	1.9	(1.0)	4.0	30.8	2.2	10.6	12.9
Consumer Staples	790.2	(0.1)	(2.9)	4.4	2.9	6.5	9.4	9.0
Health Care	1643.8	(0.7)	(4.6)	3.8	7.1	7.9	11.3	11.7
Information Technology	3837.4	2.9	0.5	13.2	50.1	16.5	24.7	22.5
Energy	746.5	0.7	3.5	17.7	16.4	32.1	13.2	5.2
Financials	676.2	(1.3)	(3.5)	8.5	28.1	7.0	11.2	11.2
Real Estate	233.9	(1.3)	(4.8)	(5.9)	3.2	0.8	4.0	7.4

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	5.4	0.1	0.2	1.5	5.4	2.7	2.0	1.4
2-Year Treasury (%)	4.9	(0.5)	(0.5)	(0.2)	1.8	(0.5)	0.8	0.8
10-Year Treasury (%)	4.6	(2.0)	(2.8)	(4.5)	(5.5)	(5.3)	(1.3)	0.4
Bloomberg US Corporate HY	8.2	(0.5)	(1.0)	0.5	9.7	1.6	3.8	4.3
Bloomberg US Aggregate	5.2	(1.5)	(2.0)	(2.8)	(0.8)	(3.3)	(0.0)	1.3
Bloomberg Municipals	--	(0.4)	(1.0)	(1.3)	1.1	(0.9)	1.4	2.5
Bloomberg IG Credit	5.6	(1.3)	(2.0)	(2.4)	1.8	(2.8)	1.1	2.3
Bloomberg EM Bonds	7.3	(0.9)	(1.2)	0.3	6.8	(2.1)	0.8	2.7

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	85.0	(1.8)	2.2	18.7	4.3	12.7	6.0	(2.0)
Gold ($/Troy Oz)	2372.7	2.8	6.0	14.5	17.5	10.8	12.9	6.0
Bloomberg Commodity Index	102.3	0.1	2.9	3.8	(4.5)	6.8	4.5	(2.8)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	105.3	1.1	0.7	3.9	3.0	4.5	1.6	2.9
Euro	1.1	(1.5)	(0.9)	(3.1)	(1.9)	(3.4)	(1.0)	(2.6)
British Pound	1.3	(1.2)	(0.9)	(1.8)	0.7	(3.0)	(0.9)	(2.9)
Japanese Yen	153.3	(1.1)	(1.3)	(8.0)	(12.9)	(10.6)	(6.2)	(4.0)

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	774.9	0.2	(1.0)	7.2	22.1	6.0	10.8	9.3
MSCI EAFE	2297.6	(2.0)	(2.0)	3.7	12.4	3.7	7.0	5.2
MSCI Europe ex UK	2577.5	(2.9)	(2.7)	3.2	11.7	4.5	8.6	5.6
MSCI Japan	3984.3	(0.8)	(1.7)	8.7	24.5	2.9	7.6	7.3
MSCI EM	1055.1	0.6	1.5	3.7	9.2	(4.6)	2.3	3.2
MSCI Asia ex JP	662.6	0.8	1.6	3.7	5.3	(6.5)	2.0	4.3
MSCI LATAM	2518.6	(0.9)	(0.6)	(4.4)	18.7	10.3	3.6	1.6
Canada S&P/TSX Composite	16118.2	0.3	(0.3)	5.5	8.3	4.8	6.2	4.5

**Weekly performance calculated from Thursday close to Thursday close.

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The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Diversification and asset allocation do not ensure a profit or protect against a loss.

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.

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.

CURRENCIES | Currency investing is generally considered speculative because of the significant potential for investment loss. These 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. A credit rating of a security is not a recommendation to buy, sell or hold the security and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning Rating Agency. Ratings and insurance do not remove market risk since they do not guarantee the market value of the bond.

US TREASURYS | 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.

PRODUCER PRICE INDEX | The Producer Price Index (PPI) is a measure of wholesale inflation, while the Consumer Price Index measures the prices paid by consumers.

CONSUMER PRICE INDEX | The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

PERSONAL CONSUMPTION EXPENDITURES PRICE INDEX | The PCE price index, released each month in the Personal Income and Outlays report, reflects changes in the prices of goods and services purchased by consumers in the United States.

UNIVERSITY OF MICHIGAN CONSUMER SENTIMENT INDEX | The Michigan Consumer Sentiment Index (MCSI) is a monthly telephone survey of how consumers feel about the economy, personal finances, business conditions, and buying conditions.

NAHB HOUSING MARKET INDEX | The National Association of Home Builders (NAHB) Housing Market Index (HMI) rates the relative level of current and future single-family home sales. The data is compiled from a survey of around 900 home builders. A reading above 50 indicates a favorable outlook on home sales; below indicates a negative outlook.

IMPORT/EXPORT PRICE INDEX | The US Import and Export Price Indexes measure average changes in prices of goods and services that are imported to or exported from the United States.

LEADING ECONOMIC INDEX | The Composite Index of Leading Indicators, otherwise known as the Leading Economic Index (LEI), is an index published monthly by The Conference Board. It is used to predict the direction of global economic movements in future months. The index is composed of 10 economic components whose changes tend to precede changes in the overall economy.

ISM MANUFACTURING INDEX | The ISM manufacturing index, also known as the purchasing managers' index (PMI), is a monthly indicator of U.S. economic activity based on a survey of purchasing managers at more than 300 manufacturing firms.

ISM SERVICES INDEX | The Institute of Supply Management (ISM) Non-Manufacturing Index is an economic index based on surveys of more than 400 non-manufacturing (or services) firms' purchasing and supply executives.

NY FED SUPPLY CHAIN INDEX | The Global Supply Chain Pressure Index, created by the New York Federal Reserve, tracks the state of global supply chains using data from the transportation and manufacturing sectors.

UN FOOD PRICE INDEX | The UN Food Price Index is a measure of the monthly change in international prices of a basket of food commodities.

US DOLLAR INDEX | The U.S. Dollar Index is an index 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" when compared to other currencies

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DATA SOURCE | FactSet, Bloomberg as of 4/11/2024

DOMESTIC EQUITY DEFINITION

DOW JONES INDUSTRIAL AVERAGE (DJIA) | The **Dow Jones Industrial Average (DJIA)** is an index that tracks 30 large, publicly-owned companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

NASDAQ COMPOSITE INDEX | The **Nasdaq Composite Index** is the market capitalization-weighted index of over 3,300 common equities listed on the Nasdaq stock exchange.

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.

S&P 500 EQUAL WEIGHT INDEX | The **S&P 500 Equal Weight Index:** The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

LARGE GROWTH | **Russell 1000 Growth Total Return Index:** This index represents a segment of the Russell 1000 Index with a greater-than-average growth orientation. Companies in this index have higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values. This index includes the effects of reinvested dividends.

MID GROWTH | **Russell Mid Cap Growth Total Return Index:** This index contains stocks from the Russell Midcap Index with a greater-than-average growth orientation. The stocks are also members of the Russell 1000 Growth Index. This index includes the effects of reinvested dividends.

LARGE BLEND | **Russell 1000 Total Return Index:** This index represents the 1000 largest companies in the Russell 3000 Index. This index is highly correlated with the S&P 500 Index. This index includes the effects of reinvested dividends.

SMALL GROWTH | **Russell 2000 Growth Total Return Index:** This index represents a segment of the Russell 2000 Index with a greater-than-average growth orientation. The combined market capitalization of the Russell 2000 Growth and Value Indices will add up to the total market cap of the Russell 2000. This index includes the effects of reinvested dividends.

MID BLEND | **Russell Mid Cap Total Return Index:** This index consists of the bottom 800 securities in the Russell 1000 Index as ranked by total market capitalization. This index includes the effects of reinvested dividends.

SMALL BLEND | **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.

LARGE VALUE | **Russell 1000 Value Total Return Index:** This index represents a segment of the Russell 1000 Index with a less-than-average growth orientation. Companies in this index have low price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values. This index includes the effects of reinvested dividends.

MID VALUE | **Russell Mid Cap Value Total Return Index:** This index contains stocks from the Russell Midcap Index with a less-than-average growth orientation. The stocks are also members of the Russell 1000 Value Index. This index includes the effects of reinvested dividends.

SMALL VALUE | **Russell 2000 Value Total Return Index:** This index represents a segment of the Russell 2000 Index with a less-than-average growth orientation. The combined market capitalization of the Russell 2000 Growth and Value Indices will add up to the total market cap of the Russell 2000. This index includes the effects of reinvested dividends.

COMMODITY INDEX DEFINITION

BLOOMBERG COMMODITY INDEX (BCOM) | The Bloomberg Commodity Index is a broadly diversified commodity price index distributed by Bloomberg Index Services Limited.

DUTCH TTF | The Dutch Title Transfer Facility is a virtual trading hub for gas in the Netherlands and is the primary gas pricing hub for the European gas market.

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.

MUNICIPAL | **Bloomberg Municipal Total Return Index:** The index is a measure of the long-term tax-exempt bond market with securities of investment grade (rated at least Baa by Moody's Investors Service and BBB by Standard and Poor's). This index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds.

BLOOMBERG CAPITAL AGGREGATE BOND TOTAL RETURN INDEX | This index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. The index is designed to minimize concentration in any one commodity or sector. It currently has 22 commodity futures in seven sectors. No one commodity can compose less than 2% or more than 15% of the index, and no sector can represent more than 33% of the index (as of the annual weightings of the components).

BLOOMBERG EMERGING MARKET BOND INDEX | The Bloomberg USD Emerging Market Composite Bond Index is a rules-based, market-value-weighted index engineered to measure USD fixed-rate sovereign and corporate securities issued from emerging markets. The index includes both investment- grade and below-investment-grade securities.

GERMAN BUND | The German bund is a sovereign debt instrument issued by Germany's federal government to finance outgoing expenditures.

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.

EMERGING MARKETS ASIA | **MSCI EM Asia Net Return Index:** The index captures large- and mid-cap representation across eight Emerging Markets countries. With 554 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

EMERGING MARKETS LATIN AMERICA | **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.

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.

PACIFIC 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.

FOREIGN DEVELOPED MARKETS | **MSCI EAFE Net Return Index:** This index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. 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 21 countries.

EUROPE EX UK | MSCI Europe Ex UK Net Return Index: The index captures large and mid cap representation across 14 Developed Markets (DM) countries in Europe. With 337 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across European Developed Markets excluding the UK.

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.

MSCI ACWI | The MSCI All Country World Index (ACWI) is a stock index designed to track broad global equity-market performance. The index is comprised of the stocks of about 3,000 companies from 23 developed countries and 26 emerging markets.

CANADA S&P/TSX COMPOSITE | The S&P/TSX Composite Index is a capitalization-weighted equity index that tracks the performance of the largest companies listed on Canada's primary stock exchange, the Toronto Stock Exchange (TSX). It is the equivalent of the S&P 500 index in the United States, and as such is closely monitored by Canadian investors.

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Investment Strategy

Lawrence V. Adam III, CFA, CIMA®, CFP®
Chief Investment Officer
T. 410.525.6217
larry.adam@raymondjames.com

Eugenio J. Alemán, PhD
Chief Economist
T. 727.567.2603
eugenio.aleman@raymondjames.com

Matt Barry, CFA
Investment Strategist
T. 410.525.6228
matt.barry@raymondjames.com

Adolfo Cheong
Investment Strategy Analyst
T 410.525.6256
adolfo.cheong@raymondjames.com

Giampiero Fuentes, CFP®
Economist
T. 727.567.5776
giampiero.fuentes@raymondjames.com

Talley Léger
Senior Equity Strategist
T. 410.525.6234
talley.leger@raymondjames.com

Tracey Manzi, CFA
Senior Investment Strategist
T. 727.567.2211
tracey.manzi@raymondjames.com

Kyle Noonan
Investment Strategy Analyst
T 410.525.6231
kyle.noonan@raymondjames.com

Freddy Otero
Investment Strategy Analyst
T. 410.525.6237
freddy.otero@raymondjames.com

Mike Payne
Investment Strategy Analyst
T 410.525.6232
mike.payne@raymondjames.com

Anne B. Platt, AWMA®, RICP, AIF®
Vice President, Investment Strategy
T. 727.567.2190
anne.platt@raymondjames.com

Lindsay Smith
Investment Strategy Analyst
T. 727.567.3335
lindsay.smith@raymondjames.com

Matthew Ziyadeh, CFA, CIPM®
Investment Strategy Analyst
T. 727.567.8984
matthew.kurayaziyadeh@raymondjames.com

RAYMOND JAMES

INTERNATIONAL HEADQUARTERS: THE RAYMOND JAMES FINANCIAL CENTER

880 CARILLON PARKWAY // ST. PETERSBURG, FL 33716 // 800.248.8863

RAYMONDJAMES.COM