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Weekly Market Guide

Short-Term Summary: Historically oversold conditions and optimism over substantial fiscal stimulus has the S&P 500 now up 14% from its close on Monday. Today's positive return (if it holds) would be the first back-to-back-to-back up move since February 12th. The S&P 500 remains 25% off its highs of February 19th. Congress is reportedly very close to passing an enormous fiscal bill, which includes: $500B in direct payments to Americans, $367B in support for small businesses, $500B in support for larger businesses and states (including $50B for airlines and the travel industry), enhanced unemployment benefits, and $130B for hospitals. The Fed will also be provided a liquidity facility to lend $4T to businesses. We expect the bill to be passed in short order, given the necessity to support the economy through this dire situation. Today's initial jobless claims reading reflects the shock from the economic shutdown, as initial jobless claims rose to 3.283M this week- shattering the previous record of 665k seen at the depths of the credit crisis!

The White House and Federal Reserve are doing everything in their power to support the economy through the COVID-19 pandemic, but the key remains the spread of the virus. Confirmed cases in the US are spiking daily, up 12k/day to 69k total in the latest reading. This results in our continued caution in the short term, as the ultimate duration and magnitude of the COVID-19 pandemic remains highly uncertain. We would not be surprised to see the S&P 500 retest the recent lows or even undercut them. In fact, it has been normal historically to do so in the bottoming process of recessionary bear markets. Over the past few days, there have been some positive technical divergences that could be signaling the market is moving from a volatile straight down phase to more of a volatile up-and-down/consolidation phase. We see downside technical support at 2346 and 2191, followed by 2131.

Regardless of where stocks ultimately find a bottom, we view the current bear market as a tremendous opportunity for long term investors. Instead of focusing on "picking a bottom," developing a strategy to execute on the inevitable recovery is a better choice. With stocks down sharply, those with diversified portfolios and a long term outlook can buy partial positions (reserving some buying power). Even if the news is challenging and equities experience additional weakness, stocks will eventually find a bottom. As the market shifts from decline to advance, allocate additional capital. As previous bull market recoveries reveal, buying at the absolute bottom is not necessary to generate sizable returns. Bear market declines are often rapid, whereas bull markets typically last for much more extended periods of time. The average bull market since 1958 advanced by 155% (Price Change Only) over 41 months; whereas, the average bear market retreated 32% over a mere 10 months during the period.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
S&P 500	-23.4%	-11.5%
S&P 500 (Equal-Weight)	-29.4%	-20.6%
Dow Jones Industrial Avg	-25.7%	-16.9%
NASDAQ Composite	-17.7%	-3.3%
Russell 2000	-33.5%	-26.6%
MSCI All-Cap World	-24.4%	-15.1%
MSCI Developed Markets	-25.4%	-18.6%
MSCI Emerging Markets	-25.0%	-20.2%
NYSE Alerian MLP	-59.0%	-64.7%
MSCI U.S. REIT	-31.9%	-27.8%

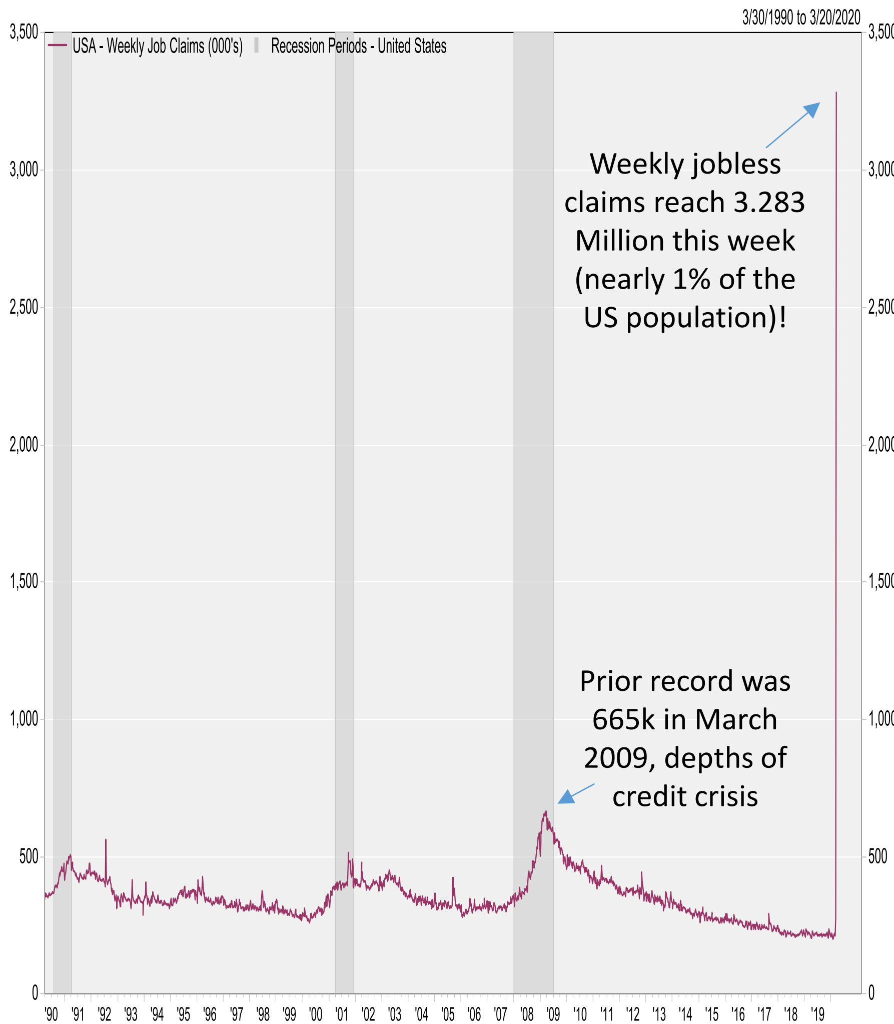
S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Information Technology	-15.4%	25.6%
Consumer Staples	-19.0%	7.6%
Health Care	-20.1%	14.8%
Consumer Discretionary	-20.5%	10.1%
Utilities	-20.9%	3.4%
Communication Svcs.	-21.0%	10.7%
S&P 500	***-23.4%***	-
Real Estate	-25.1%	2.9%
Materials	-28.5%	2.5%
Industrials	-28.9%	8.4%
Financials	-33.6%	11.2%
Energy	-51.8%	2.7%

MACRO: US

The economic shock from the COVID-19 pandemic is starting to be reflected in economic readings, as seen by the massive spike in initial jobless claims today- rising to 3.283 Million (nearly 1% of the US population) and shattering the previous record of 665k from March 2009. Global PMI surveys have collapsed (US March services PMI was 39.1!) and financial conditions have tightened considerably (resulting in global central bank easing) as the global economy has screeched to a halt. The Fed and White House are providing enormous amounts of monetary and fiscal stimulus to help support the economy, but the key ultimately comes down to the spread of the virus. The number of new cases are still spiking in the US, and we continue to believe this gets worse before it gets better. In our base case scenario (using RJ Health Care Policy analyst Chris Meekins's "Eventually We Get It" or Procrastinator" Scenario 2), we could see the number of new cases start to plateau around Memorial Day. In this scenario, we anticipate a pronounced economic slowdown at the end of Q1, throughout Q2, and lingering into Q3. This most likely results in a very sharp, but short recession, allowing time for the economy to start showing signs directionally of a recovery in the Fall and back half of the year.

US economic data reported in the past week (actual vs estimate):

Event	Period	Actual	Consensus	Prior
Chicago Fed National Activity Index	FEB	0.16	-0.40	-0.33
Building Permits SAAR (Final)	FEB	1,452K	1,450K	1,464K
PMI Composite SA (Preliminary)	MAR	40.5	43.0	49.6
Markit PMI Manufacturing SA (Preliminary)	MAR	49.2	42.5	50.7
Markit PMI Services SA (Preliminary)	MAR	39.1	43.2	49.4
New Home Sales SAAR	FEB	765.0K	745.0K	800.0K
Richmond Fed Index	MAR	2.0	-12.5	-2.0
Durable Orders ex-Transportation SA M/M (Preliminary)	FEB	-0.58%	-0.50%	0.58%
Durable Orders SA M/M (Preliminary)	FEB	1.2%	-0.95%	0.07%
FHFA Home Price Index	JAN	284.4	-	283.5
Continuing Jobless Claims SA	03/14	1,803K	1,820K	1,702K
GDP Chain Price SAAR Q/Q (Final)	Q4	1.3%	1.3%	1.3%
GDP Chain Price SA Y/Y (Final)	Q4	1.6%	1.6%	1.6%
GDP SAAR Q/Q (Final)	Q4	2.1%	2.1%	2.1%
GDP SA Y/Y (Final)	Q4	2.3%	2.3%	2.3%
Initial Claims SA	03/21	3,283K	750.0K	282.0K
Wholesale Inventories SA M/M (Preliminary)	FEB	-0.50%	-0.45%	-0.50%
Kansas City Fed Manufacturing Index	MAR	-17.0	-8.0	5.0



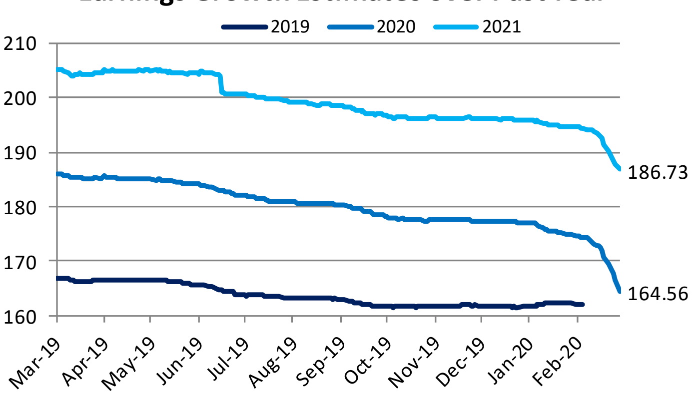
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FUNDAMENTALS

Our base case scenario economically (from previous page) results in our forecast of $155 in 2020 S&P 500 earnings, reflecting a -4% earnings contraction for the full year. From a valuation standpoint, the S&P 500 now trades at a ~15x P/E, below the long term average of 16.5x and 28% lower than the 20.7x peak P/E seen on February 19th. On average, bear markets historically have seen P/E multiples contract by 28%. Looking forward, it is important to remember that the stock market is a forward-looking mechanism- meaning valuation multiples will start to rise before economic data and corporate profits find a trough. Stocks have historically bottomed 4 months prior to recession end and 4-6 months before earnings trough. For example, the credit crisis P/E bottomed at 10x, and expanded to 17x by the time earnings troughed. For this reason, we maintain a 19.5x P/E year-end base case forecast as the market eventually discounts the eventual recovery (results in a S&P 500 base case 2020 target of 3023). Our downside case assumes a deeper recession that lingers, resulting in a -3% GDP contraction this year and $130 in S&P 500 earnings (-20% y/y earnings hit). We use a 16x P/E multiple, resulting in a 2080 downside S&P 500 target. At this point, uncertainty regarding the ultimate economic impact and, more importantly, the magnitude of recovery by year-end results in guarded confidence in our forecasts. In the coming weeks, additional information regarding the virus spread and need to keep business locked-down should improve forecasting ability.

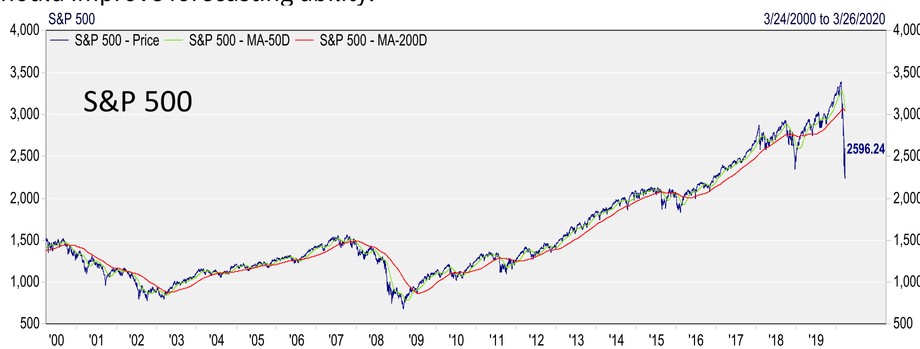
Earnings estimates need to come much lower in our view. We use a 2020 base case estimate of $155 now; $130 earnings estimate in bear case scenario

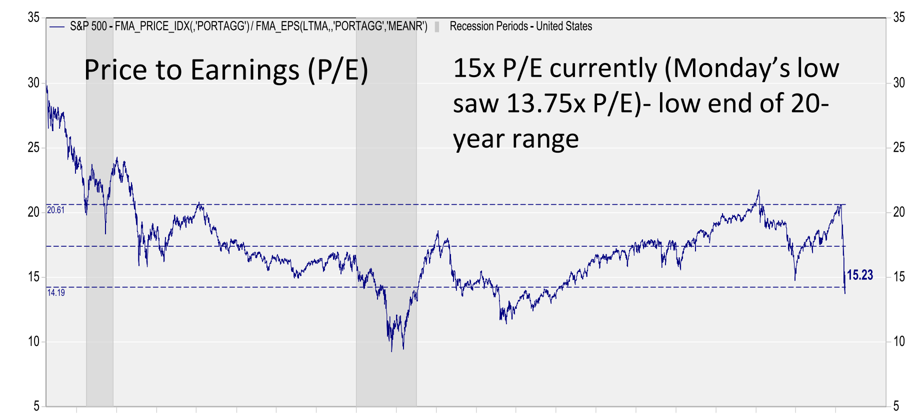
Earnings Growth Estimates over Past Year



EPS Growth Estimates	
2019	1.2%
2020	13.7%
2021	9.6%

RJ 2020 ests.
Base case:
$155 (-4%)
Bear case:
$130 (-20%)





Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: SHORT TERM

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

Technical: After falling -34% in a little over a month, the S&P 500 has bounced 14% from Monday's lows (still 25% from the highs on February 19th). If today's positive return holds into the close, it will be the first back-to-back-to-back up move since February 12th.

In the market's bounce, there have been some positive divergences. For example, when the S&P 500 moved lower on Monday, high beta actually outperformed low beta stocks (and has since). Additionally, consumer discretionary outperformed consumer staples, the small caps outperformed the S&P 500, and the transports did not make lower lows. Moreover, the VIX has moved lower since 3/18 and the number of new 52 week lows did not expand when the market moved to lows on Monday.

Since Monday, the average stock has outperformed the S&P 500 index by 3% with outsized gains from the most beaten-up areas. For example, the worst 50 S&P 500 performers from 2/19 to 3/23, are up 40% since Monday! On the other hand, the best 50 S&P 500 performers during the selloff are only up 5% on average since Monday.

These positive divergences could be signaling the market is moving from its volatile straight-down phase to more of a volatile up-and-down/consolidation phase as it digests the sharp decline.

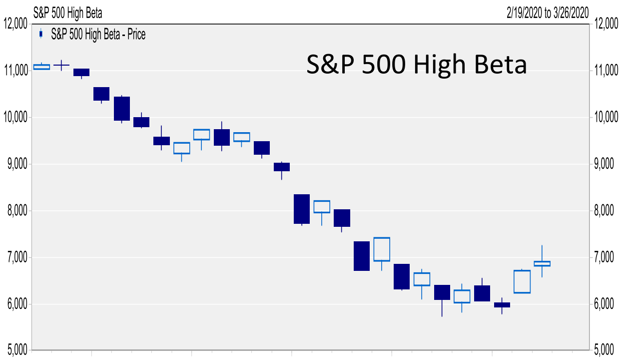
We would not be surprised to see the S&P 500 retest the recent lows or even undercut them. In fact, it has been normal historically to do so in the bottoming process of recessionary bear markets. We see downside technical support at 2346 and 2191, followed by 2131.

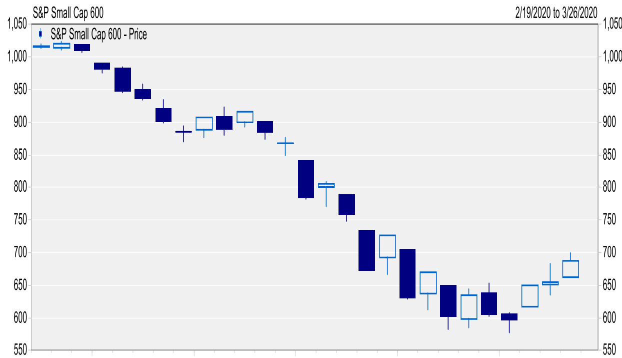
Regardless, we view the current bear market as a tremendous buying opportunity for long term investors. However, we would accumulate using partial positions due to uncertainty over the virus spread so high in the short term.

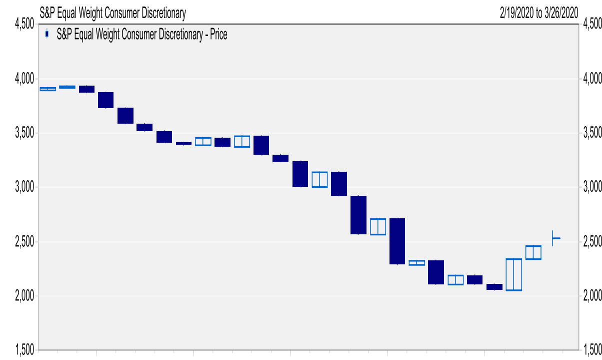
TECHNICAL: POSITIVE DIVERGENCES

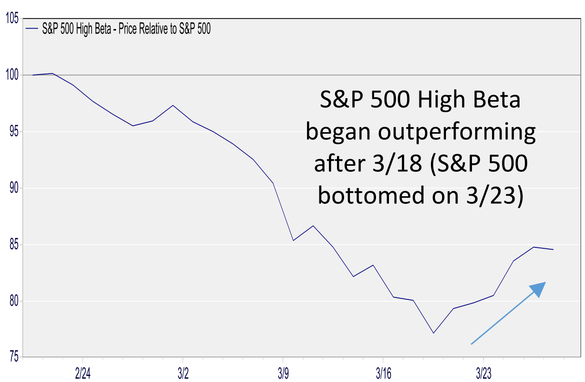
A few of the positive divergences noted on the previous page are shown here. For example, when the S&P 500 moved to new lows on Monday (3/23), the high beta stocks held their lows from the prior Wednesday (3/18) and actually gained relative performance. This is not what you would normally expect in a -3% down day for the S&P 500 that pushed to new lows. Similarly, the small caps have outperformed the large caps since 3/18 and consumer discretionary stocks have outperformed consumer staples. Since Monday, the most beaten up stocks have continued to outperform- snapping back viciously. As you can see the 50 worst performers from 2/19-3/23 are up 40% on average over the past 3 days! Whereas, the most stable 50 stocks are only up 5% in the past 3 days. These risk-on moves in a down tape are positive, as the market tries to develop a bottoming process.

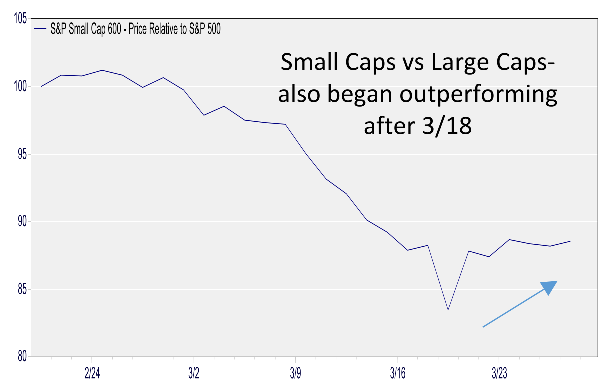
	Average Return	
S&P 500 Stocks	2/19 - 3/23	3/23 - Now
Top 50 Performers	-13.3%	5.2%
Worst 50 Performers	-66.7%	39.6%

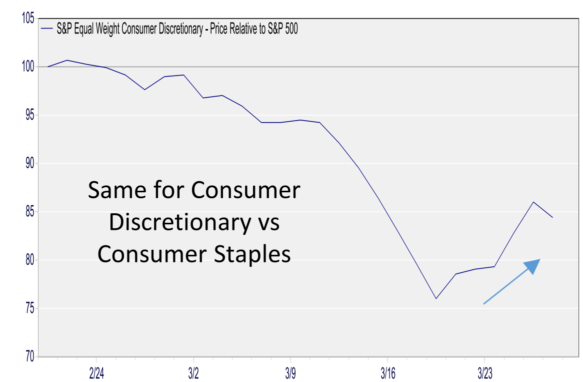








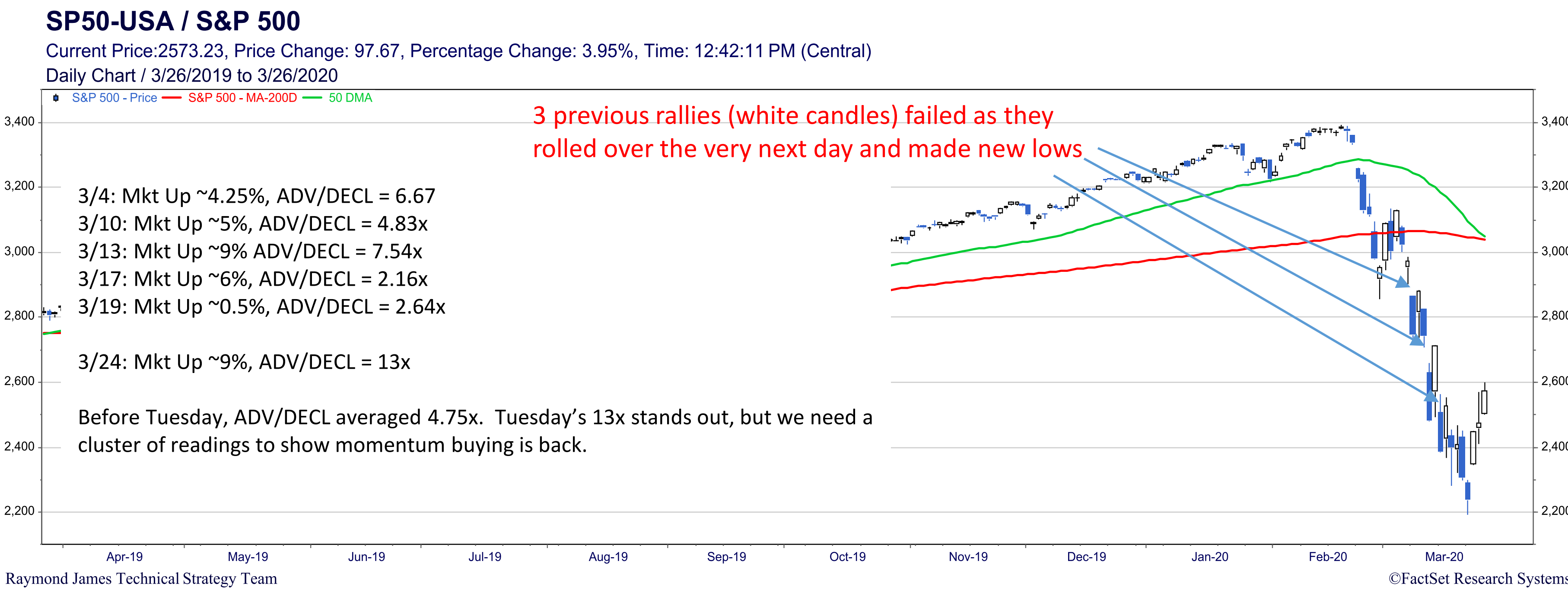




Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

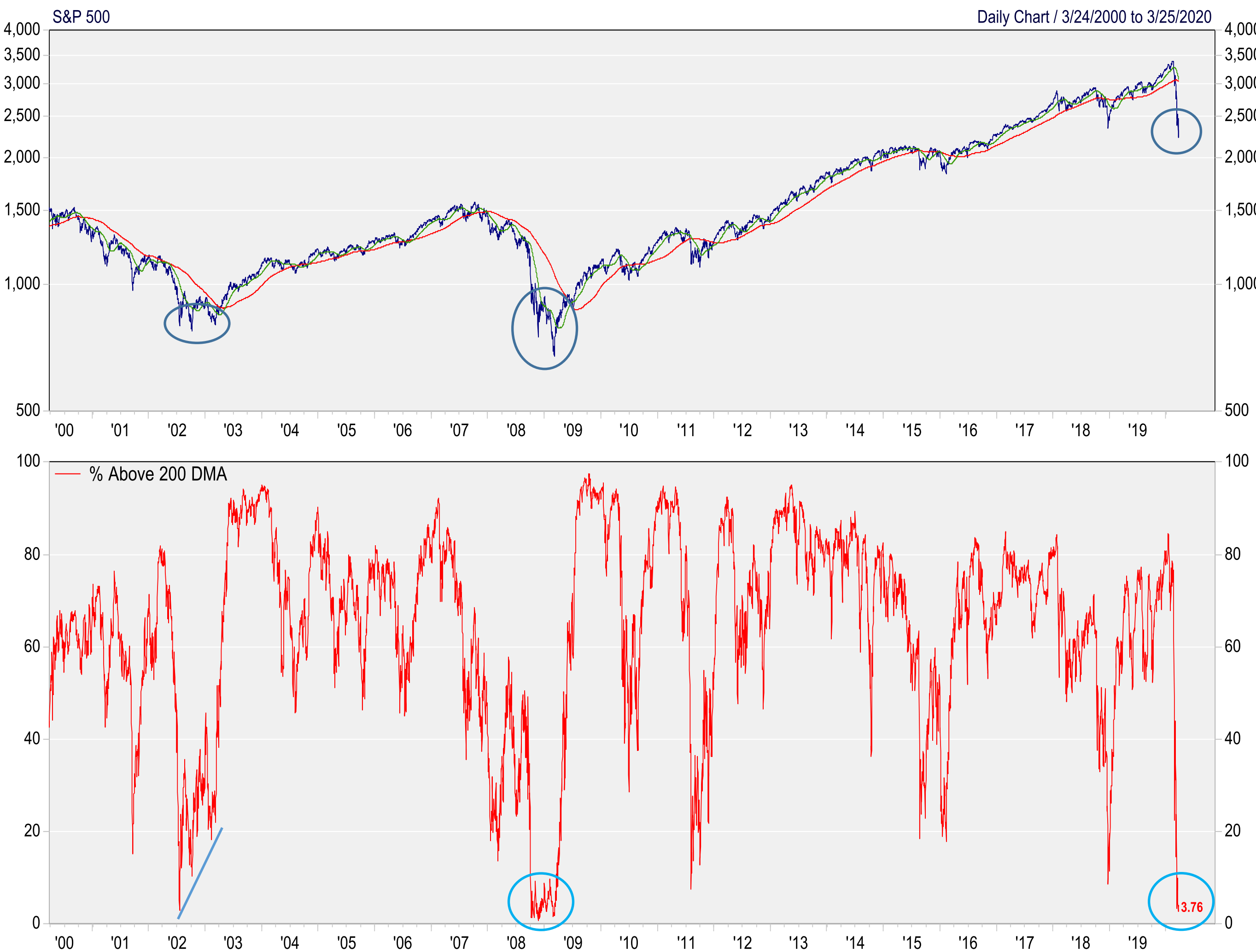
TECHNICAL: SHORT TERM

Tuesday's sharp 9% gain came on 97% advancing volume and advancers outnumbering decliners by 13x. The previous 5 up days (in this selloff) only saw advancers vs decliners reach 4.75x. So 13x stands out, but we need a cluster of readings to show momentum buying is back. Wednesday's rise had reached 7x before late day selling resulted in a 2.7x at the close. Today, it is 4.8x (at the time of this writing). Next, need follow-through over next week to continue to build the case- 1+% daily gains, 80+% up volume, advance/decline line solidly in double digits. This is not an all-clear sign, but it will raise the odds of additional gain. Be aware of 2002 and 2008 though, both periods tried to build momentum only to rollover and make significant additional down moves. For that to develop this time, virus outbreak data in coming days will need to worsen, credit markets will need to re-deteriorate, and/or the bad economic readings will need to be so dire investors begin to think the macro weakness will be prolonged.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: SHORT TERM



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

As noted previously, it is fairly normal in bear markets for internals to get deeply oversold, resulting in a short term bounce, only to see a retest of the lows (often times undercutting that low slightly).

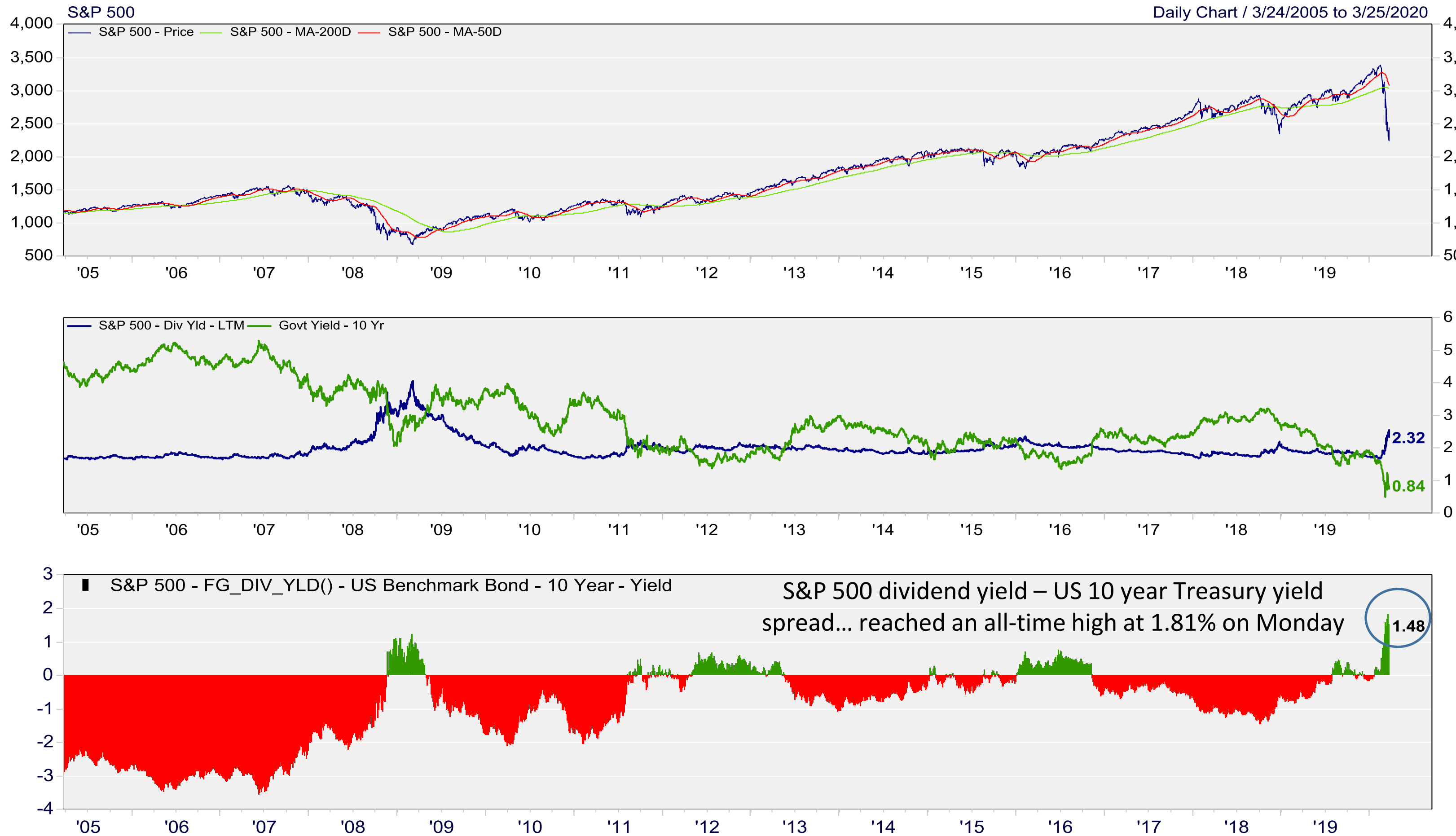
Looking at the 2002 recessionary bear market bottom, the % of S&P 500 stocks above their 200 day moving average put in a higher low when the S&P 500's initial price low was undercut. This ultimately signaled the low of that bear market.

In 2008, the % of S&P 500 stocks above their 200 DMA did not put in a similar series of higher lows. And stocks had another large wave of selling after reaching deeply oversold levels.

Through prior experiences, we would not be surprised to see the market retest (or even undercut the recent lows) before all is said and done. In fact, this would be normal historically. In the next pullback, we would like to see the number of new stocks above their 200 DMA rise from the 2.77% seen on Monday.

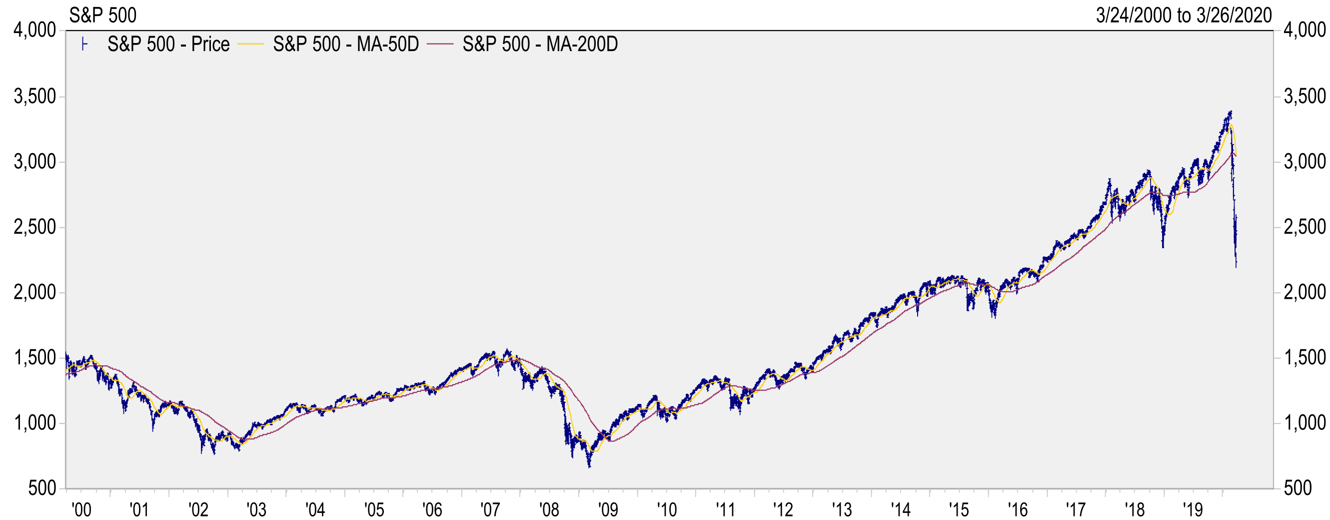
EQUITY YIELD VS BOND YIELD

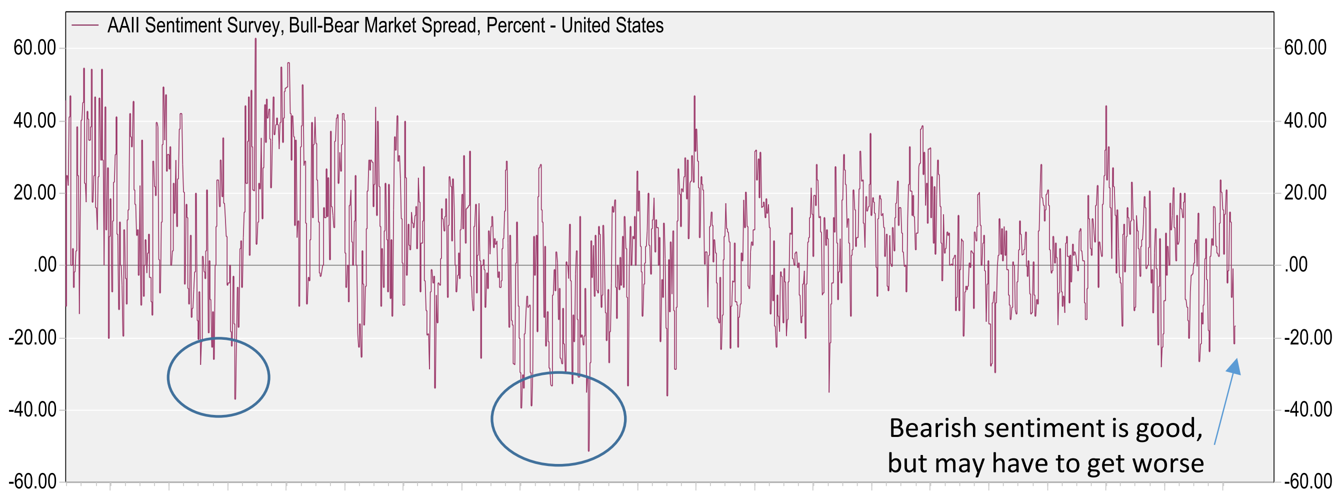
The equity market selloff and record low interest rates has resulted in a record spread in dividend yields vs bond yields. The spread between the S&P 500's dividend yield and the US 10 year Treasury yield reached an all-time high at 1.81% on Monday! The prior high was 1.22% at the credit crisis lows. Whether or not the ultimate lows of this bear market have been seen, we do view this as a good buying opportunity for long term investors.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: BULL-BEAR SENTIMENT





Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

Investor sentiment is often a good contrarian indicator to equity markets, particularly in downside stressed times.

A capitulation in sentiment is often part of the bottoming process. As you can see in the 2002 and 2008 recessionary bear markets, the weakest sentiment came just before the ensuing bull market began.

Currently, sentiment has finally pushed negative at a -20% bearish spread vs. the bulls. This is good from a contrarian standpoint, however sentiment may have to get more bearish before the ultimate lows are in. We will continue to monitor.

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The **S&P 500** is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.

The **Dow Jones Industrial Average (DJIA)** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ.

The **NASDAQ Composite** is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market.

The **MSCI World All Cap Index** captures large, mid, small and micro-cap representation across 23 Developed Markets (DM) countries. With 11,732 constituents, the index is comprehensive, covering approximately 99% of the free float-adjusted market capitalization in each country.

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 21 developed nations.

The **MSCI Emerging Markets Index** is designed to measure equity market performance in 23 emerging market countries. The index's three largest industries are materials, energy, and banks.

The **Russell 2000** index is an index measuring the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks.

The **NYSE Alerian MLP** is the leading gauge of energy infrastructure Master Limited Partnerships (MLPs). The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX).

The **Barclays Intermediate Government/Credit Bond** index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.

The **Euro Stoxx 50 Index** is a market capitalization weighted stock index of 50 large, blue-chip European companies operating within Eurozone nations. Components are selected from the Euro STOXX Index which includes large-, mid- and small-cap stocks in the Eurozone.

The **China CSI 300** is a capitalization-weighted stock market index designed to replicate the performance of top 300 stocks traded in the Shanghai and Shenzhen stock exchanges. It had a sub-indexes CSI 100 Index and CSI 200 Index.

The **S&P 500 Futures** is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **DJIA Futures** is a stock market index futures contract traded on the Chicago Mercantile Exchange`s Globex electronic trading platform. Dow Futures is based off the Dow 30 stock index.

The **Nasdaq 100 Futures** is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international companies listed on the NASDAQ.

Europe: DAX (Deutscher Aktienindex (German stock index)) is a blue chip stock market index consisting of the 30 major German companies trading on the Frankfurt Stock Exchange.

Asia: Nikkei is short for Japan's Nikkei 225 Stock Average, the leading and most-respected index of Japanese stocks. It is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

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