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Weekly Market Guide

Short-Term Summary: At 2500, the S&P 500 is up 12% from its closing lows on 3/23 (still 26% off its highs on 2/19). We view the recent bounce as part of the bottoming process, and believe there is still plenty of work to do before stocks can begin an enduring move higher. The key remains the spread of the virus, and we continue to believe things will get worse before they get better. Unfortunately, several weeks of very bad data are coming. Mid-April is when the White House thinks the number of new cases could peak (also NYC hydroxychloroquine results come around the same time- could prove positive). When the number of new cases plateau, we believe markets will begin trading a little better. The economic impact will continue to be cumbersome, but a slowing in the spread will provide more support to equities. In response to the global economy screeching to a halt, the Fed and White House are producing record stimulus to combat the deterioration, with monetary and fiscal stimulus estimated around 20% of US GDP (with the potential to increase toward 30%). The record stimulus has also come in record time- largely being anticipatory, rather than reactionary. So in the steps to stabilization, the Fed's signal of unlimited willingness to support liquidity and White House's stimulus package to limit economic damage are supportive. The final step is to stop/slow the virus outbreak, and this keeps us guarded on equity markets in the short term.

We believe the equity market is moving into a third wave currently. The first wave was the 23 day -34% "waterfall" selloff when uncertainty and fear of the situation was compounded by forced liquidations and credit concerns. The second wave was a 6-day 18% bounce as liquidity was restored and fiscal measures pass. We believe the next wave will be a pause or pullback as focus on the virus and potential length of the economic shutdown are contemplated. Outcomes (and forecasts) are all over the board, which is normal in a period of uncertainty due to a major catalyst. As a result, earnings estimates are impossible to have certainty. We would start turning focus toward 2021 estimates, and the question will be the trajectory of corporate fundamentals following their current weakness (i.e V-shaped, U-shaped, square root-shaped, etc.). Also, valuation will not provide support in the short term but will once again matter once the dust settles. The S&P 500 currently trades at a 15x P/E, below the long term average of 16.5x. Relative to bonds, the equity risk premium (earnings yield - bond yield) is up to 5.6%- at the high end of its historical range. Once equities find a bottom, low valuation will boost long term returns as earnings eventually normalize. Bottom line- We believe the current bear market will prove to be a tremendous opportunity for long term investors, but would accumulate in partial positions (reserving buying power as more clarity is gained on the duration and impact of the virus spread).

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
S&P 500	-23.5%	-13.8%
S&P 500 (Equal-Weight)	-30.7%	-24.2%
Dow Jones Industrial Avg	-26.6%	-20.2%
NASDAQ Composite	-18.0%	-6.0%
Russell 2000	-35.7%	-31.1%
MSCI All-Cap World	-24.6%	-17.2%
MSCI Developed Markets	-25.5%	-19.9%
MSCI Emerging Markets	-25.8%	-22.7%
NYSE Alerian MLP	-59.2%	-65.5%
MSCI U.S. REIT	-33.0%	-29.7%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Consumer Staples	-15.0%	8.0%
Information Technology	-16.4%	25.4%
Health Care	-16.4%	15.5%
Utilities	-19.4%	3.5%
Communication Svcs.	-20.5%	10.8%
Consumer Discretionary	-22.8%	9.8%
S&P 500	***-23.5%***	-
Real Estate	-24.7%	3.0%
Materials	-30.0%	2.4%
Industrials	-30.7%	8.2%
Financials	-36.4%	10.8%
Energy	-53.3%	2.6%

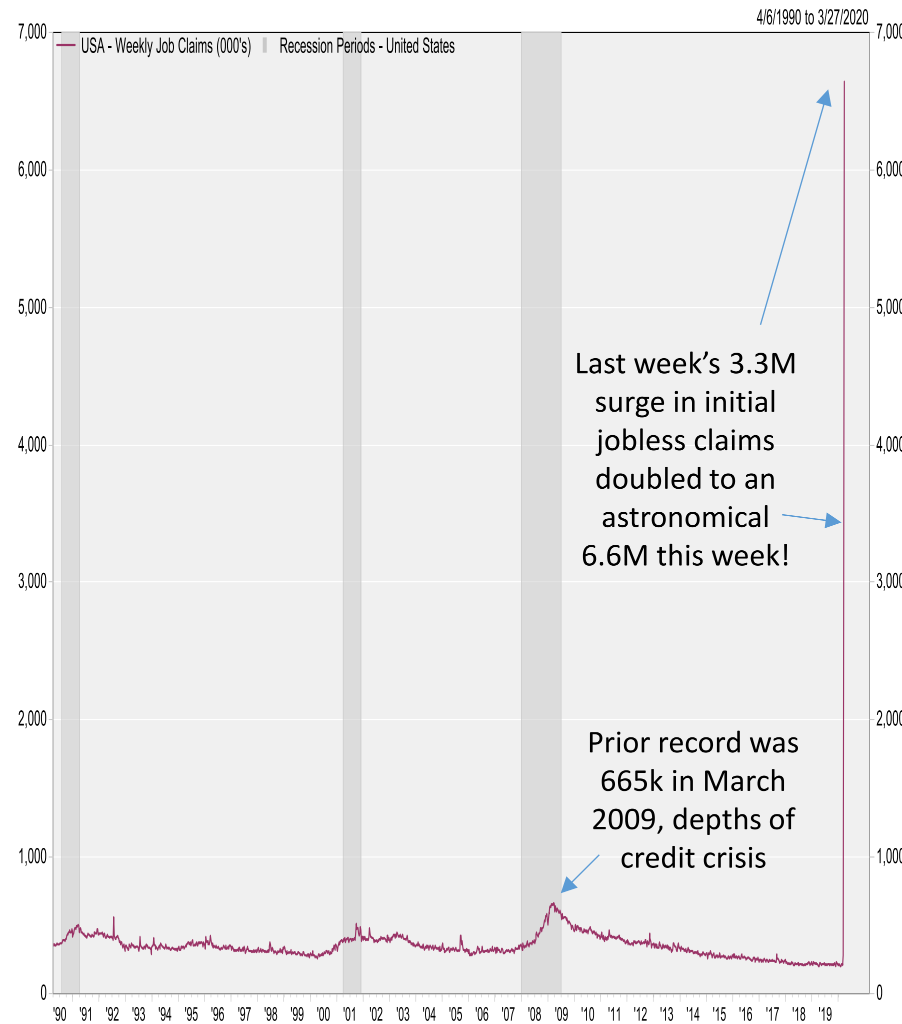
MACRO: US

It is clear that the global economy screeching to a halt is putting significant downward pressure on economic growth. In response, the Fed and White House are producing record stimulus to combat the deterioration, with monetary and fiscal stimulus estimated around ~20% of US GDP (with the potential to increase toward 30%). The record stimulus has also come in record time- largely being anticipatory, rather than reactionary. So in the steps to stabilization, the Fed's signal of unlimited willingness to support liquidity and White House's stimulus package to limit economic damage are supportive. **The final step is to stop/slow the virus outbreak, and we continue to believe things will get worse before they get better**.

The number of new US COVID-19 cases continues to spike, and the economic outlook continues to deteriorate. Today's initial jobless claims number, for example, jumped from an enormous 3.31 million last week to an astronomical 6.65 million this week (highest reading in the credit crisis was 665k)! Also, tomorrow's March jobs report and ISM Services readings are set to contract sharply, and will likely get worse in April.

US economic data reported in the past week:

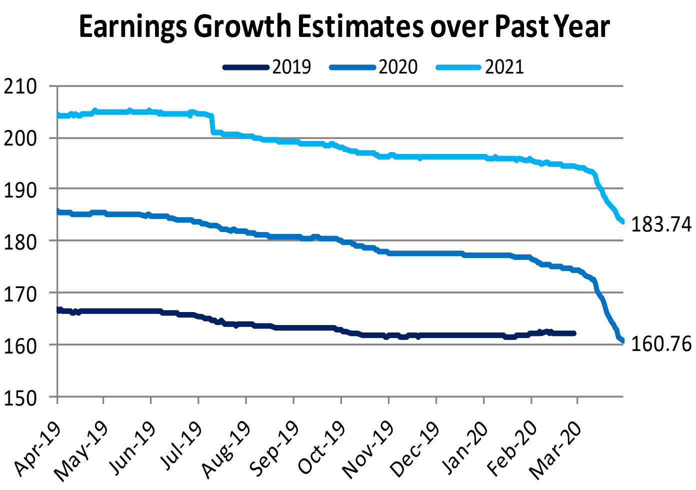
Event	Period	Actual	Consensus	Prior
Personal Consumption Expenditure SA M/M	FEB	0.20%	0.30%	0.23%
Personal Income SA M/M	FEB	0.60%	0.40%	0.60%
Michigan Sentiment NSA (Final)	MAR	89.1	90.1	95.9
Pending Home Sales M/M	FEB	2.4%	-1.6%	5.3%
Dallas Fed Index	MAR	-70.0	-10.0	1.2
S&P/Case-Shiller Home Prices M/M	JAN	0.30%	0.45%	0.41%
S&P/Case-Shiller Home Prices Y/Y	JAN	3.1%	3.2%	2.8%
Chicago PMI SA	MAR	47.8	40.0	49.0
Consumer Confidence	MAR	120.0	110.0	132.6
ADP Employment Survey SA	MAR	-27.0K	-178.5K	179.4K
Markit PMI Manufacturing SA (Final)	MAR	48.5	48.6	49.2
Construction Spending SA M/M	FEB	-1.3%	0.50%	2.8%
ISM Manufacturing SA	MAR	49.1	46.0	50.1
Initial Claims SA	03/28	6,648K	4,000K	3,307K
Durable Orders ex-Transp. SA M/M (Final)	FEB	-0.55%	-0.60%	-0.60%
Durable Orders SA M/M (Final)	FEB	1.2%	1.2%	1.2%
Factory Orders SA M/M	FEB	0.0%	0.20%	-0.54%



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

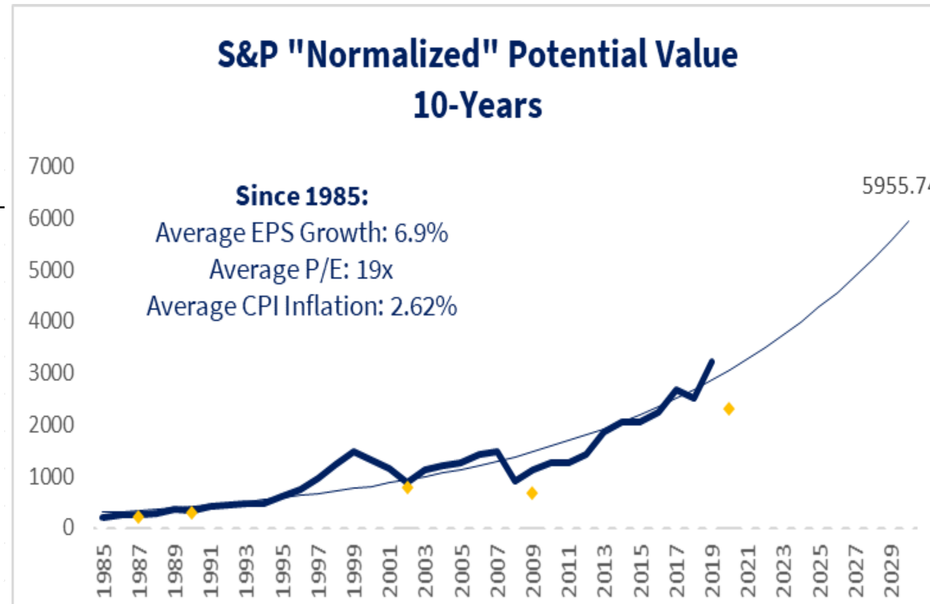
FUNDAMENTALS

The high degree of uncertainty surrounding how bad the COVID-19 impact could be to GDP leaves a high degree of uncertainty toward earnings estimates. Our base case estimate of $155 is likely too high, as it uses a full-year 2020 GDP estimate of -0.50%. Our bear case earnings estimate of $130 uses -3% as a 2020 GDP estimate. This is a 20% earnings contraction from 2019, and somewhere closer to $130 is looking more likely at the present time. We would turn your focus toward the eventual recovery, as 2021 earnings and the trajectory of the economic recovery (i.e. V-shaped, U-shaped, square root-shaped, etc.) will be more important. If we use $130 as our 2020 earnings estimate, 3% US GDP growth in 2021 could result in $160 in earnings for 2021. From $140 earnings in 2020, 3% US GDP growth in 2021 could result in earnings of $170. Normalized earnings may be a good way for investors to think about fundamentals with the degree of decline and timing of the recovery so uncertain in the short term. The bottom right chart shows this normalized earnings trend. In economic expansions, actual earnings move well above the 6.9% earnings growth trend. During economic contractions, they move well below the trend. Interestingly, the normalized earnings trend is $160.85 in 2020, $171.91 in 2021, and $183.73 in 2022. Ten years from now, this normalized trend hits $313.46 in 2029. Applying the average P/E of 19x since 1985 (this time period is used as inflation has been lower- 2.6% on average), results in a 2029 10-year S&P 500 price forecast of 5955.74. This is a 9.1% compounded annual total return from current levels. The goal of this exercise is not to say what the S&P 500 will be at 10 years from now, but to focus on the long term when short term volatility leads to thinking emotional. And this exercise supports our belief that the current bear market will prove to be a tremendous buying opportunity for the long term investor, as the economy normalizes from attractive valuation levels.



EPS Growth Estimates	
2019	1.6%
2020	-1.5%
2021	14.6%

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



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: SHORT TERM

The S&P 500 just experienced one of its worst quarters in history, down 20% (price only basis) in Q1 2020. We believe the equity market is moving into a third wave currently. The first wave was the 23 day -34% "waterfall" selloff when uncertainty and fear of the COVID-19 situation was compounded by forced liquidations and credit concerns. The second wave was a 6-day 18% bounce as liquidity was restored and fiscal measures passed. We believe the next wave will be a pause or pullback as focus on the virus and potential length of the economic shutdown are contemplated. We view downside technical support on the S&P 500 at 2455, 2191, and 2130. Upside technical resistance is at 2637, 2711, and 2901.

Instead of "trying to pick a bottom," we would focus on positioning for the eventual recovery. While we remain guarded on the short term with the virus spread and news flow set to get much worse in the next couple of weeks, we do believe the selloff will prove to be a good buying opportunity for long term investors. The worst quarterly returns of the past 40 years are shown in the table below. As you can see, these are typically followed by outsized returns over the following two years. As such we would accumulate the pullback in partial positions (reserving buying power as more clarity is gained on the duration and impact of the virus spread).

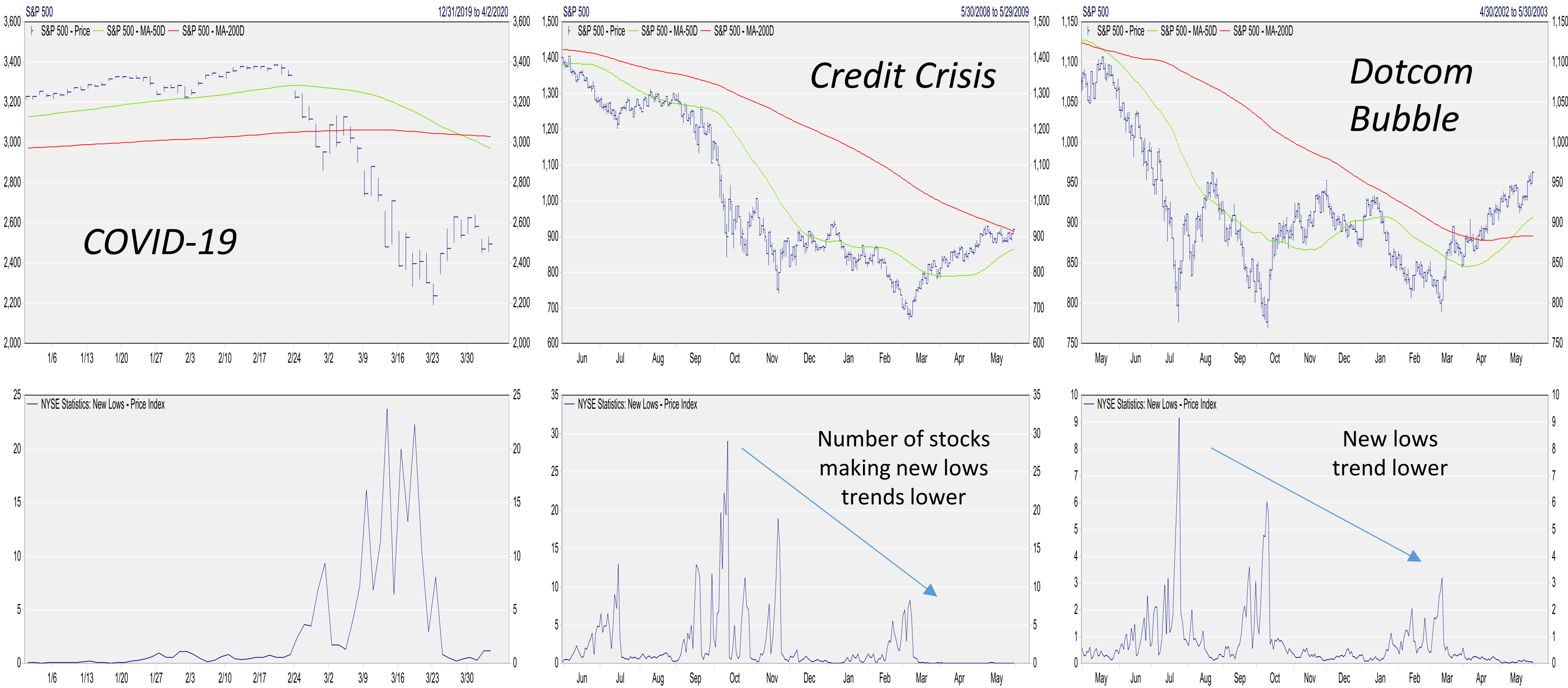
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

S&P 500 - Worst Quarters since 1978

Qtr End	Q Return	Next Q	Next 2Q	Next Yr	Next 2 Yrs
12/31/1987	-23.23	4.78	10.69	12.40	43.03
12/31/2008	-22.56	-11.67	1.78	23.45	39.23
3/31/2020	-20.00	-	-	-	-
9/30/2002	-17.63	7.92	4.04	22.16	36.71
9/28/2001	-14.99	10.29	10.23	-21.68	-4.32
9/28/1990	-14.52	7.90	22.60	26.73	36.51
9/30/2011	-14.33	11.15	24.49	27.33	48.62
12/31/2018	-13.97	13.07	17.35	28.88	-
6/28/2002	-13.73	-17.63	-11.11	-1.55	15.26
3/30/2001	-12.11	5.52	-10.29	-1.12	-26.90
6/30/2010	-11.86	10.72	22.02	28.13	32.16
3/31/2009	-11.67	15.22	32.49	46.57	66.17
9/30/1981	-11.50	5.48	-3.63	3.65	42.94
9/30/1998	-10.30	20.87	26.49	26.13	41.25
3/31/2008	-9.92	-3.23	-11.82	-39.68	-11.59
9/30/2008	-8.88	-22.56	-31.59	-9.37	-2.16
Average	-14.45	3.86	6.91	11.47	25.49
Median	-13.85	7.90	10.23	22.16	36.61
All Periods Average	2.34	2.31	4.78	9.91	20.76
All Periods Median	3.20	3.15	5.36	11.83	19.91

TECHNICAL: BOTTOMING PROCESS

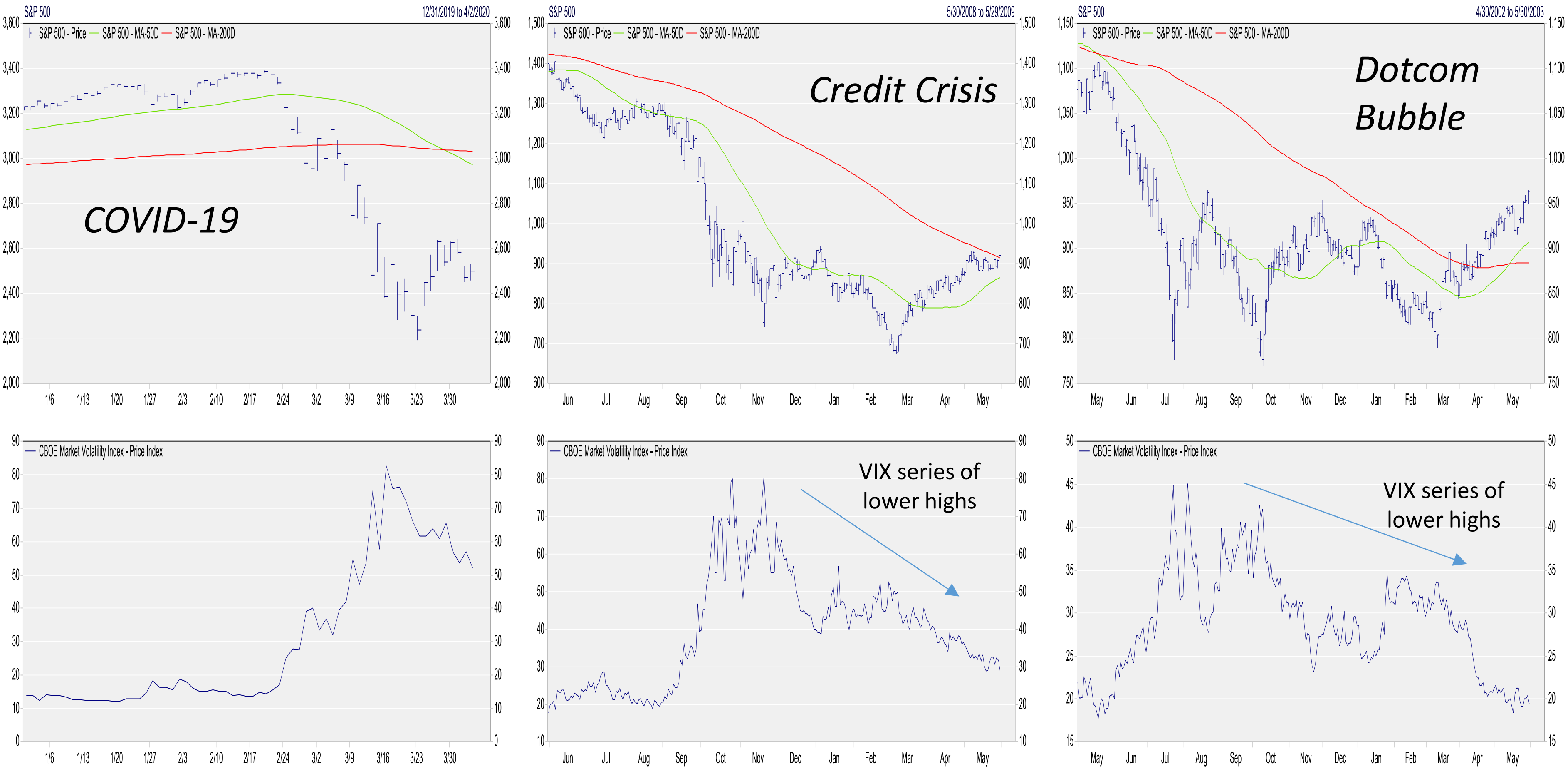
In evaluating the bottoming process, one thing we are watching is the number of new lows. As you can see below, in the last two recessionary bear markets, there was a volatile straight down phase, followed by a volatile up/down phase before ultimately a base was created for the next bull market. During this bottoming process, the number of stocks making new lows contracted as the market formed its bottoming process. For example, even though the credit crisis saw another selling wave lower into March 2009, many stocks had bottomed in the Fall 2008. The dotcom bubble was able to hold its initial selloff lows during retests over the ensuing months, while the number of stocks making a new low contracted. So this is what we are watching in the current environment. As equities continue their volatility, we would like to see the number of stocks making new lows contract during pullback periods. This would provide evidence that internals are improving and underlying technical momentum is building for a sustained move higher.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: BOTTOMING PROCESS

Continued from the previous page- Similarly, the VIX (Volatility index) was also able to put in a series of lower highs during pullback periods of the past two recessionary bear markets. After spiking to 82.69 at its recent peak, we would like to see the VIX trend lower in pullback periods over the coming weeks. This would be another factor supporting the bottoming process as the market attempts to rebuild its internals and momentum for the next bull market.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

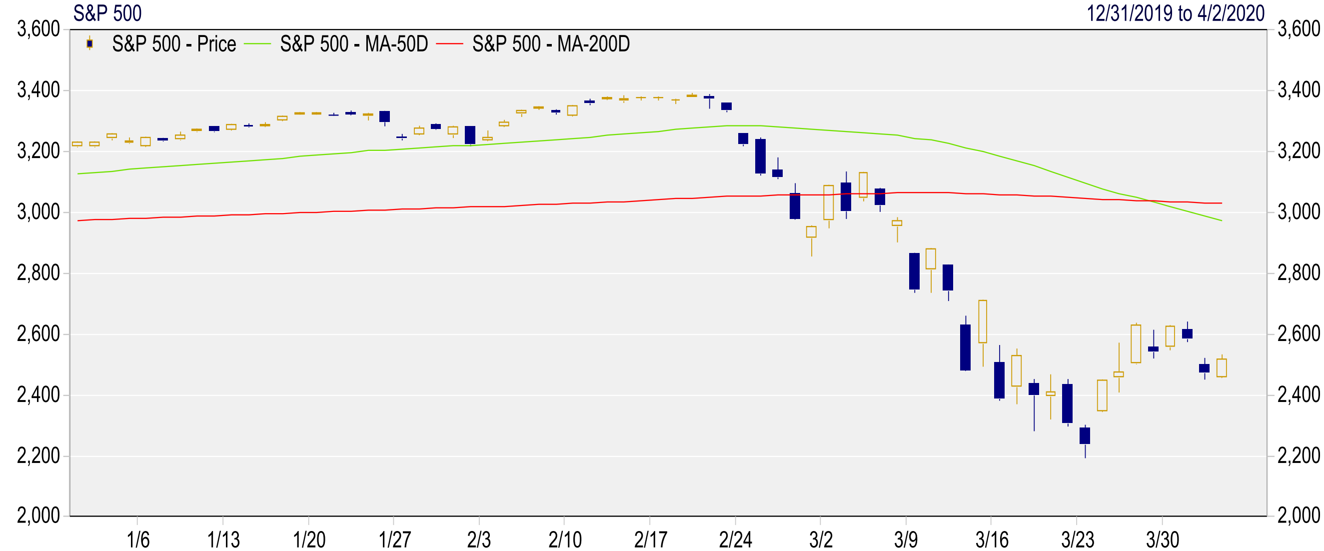
TECHNICAL: SHORT TERM

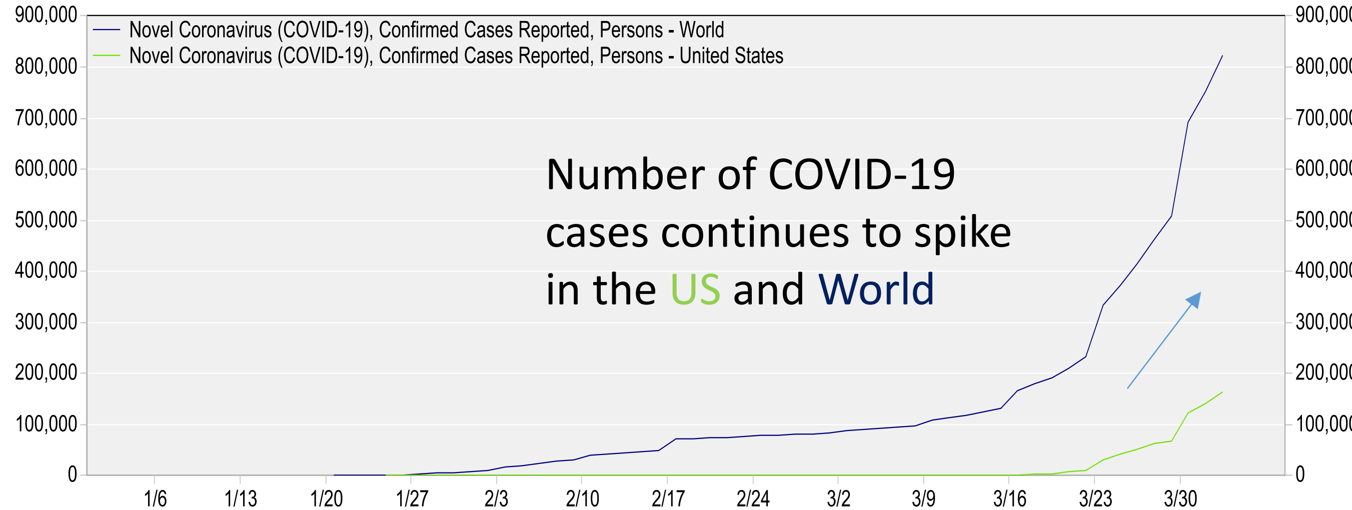
Ultimately this is likely the most important chart, as the key to the economic and market impact is the spread of the virus.

For now, the number of COVID-19 cases continues to spike in the US and globally; and we continue to expect it to get worse before it gets better.

Unfortunately, several weeks of very bad data are coming. Mid-April is when the White House thinks the number of new cases could peak. This is also around the time that the NYC hydroxychloroquine results could come out (mid-to-late April), which our biotech analyst is hopeful could prove effective as a treatment. There are also reportedly new tests being developed that can provide COVID-19 positive/negative tests in minutes rather than days.

When the number of new cases plateau, we believe markets will begin trading a little better. The economic impact will continue to be cumbersome, but a slowing in the spread will provide more support to equities.





Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

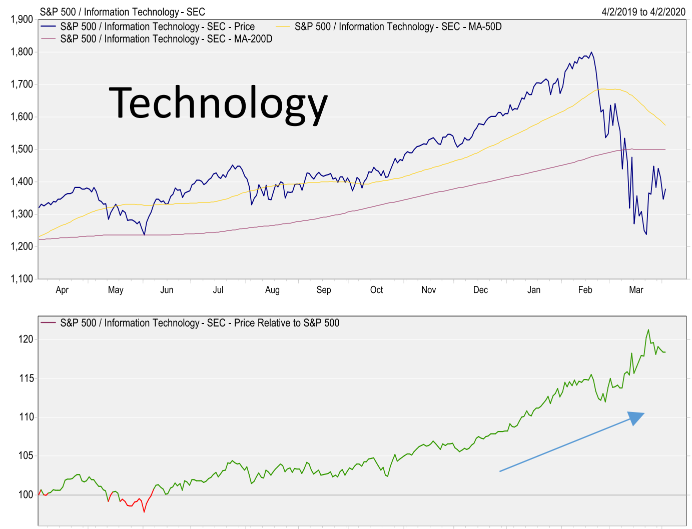
TECHNICAL: SECTORS

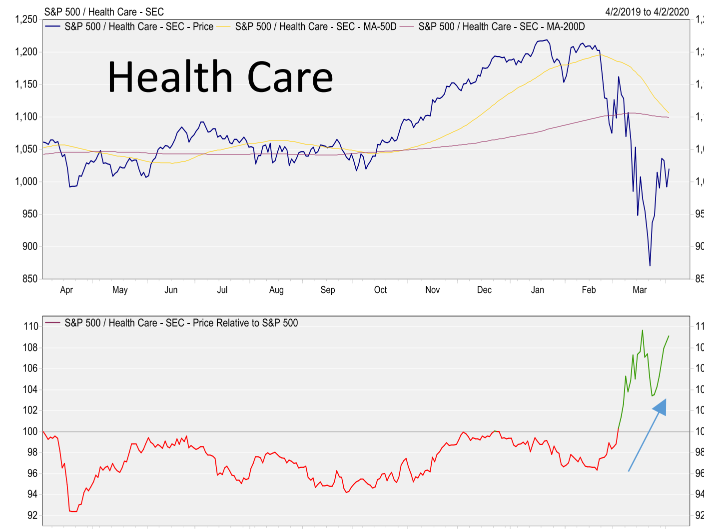
We recommend a barbell approach to our favorite sectors- allocate some to the leaders (Technology), some to the most beaten up areas (Financials), and some to relatively stable areas with good fundamentals (Health Care and Communication Services).

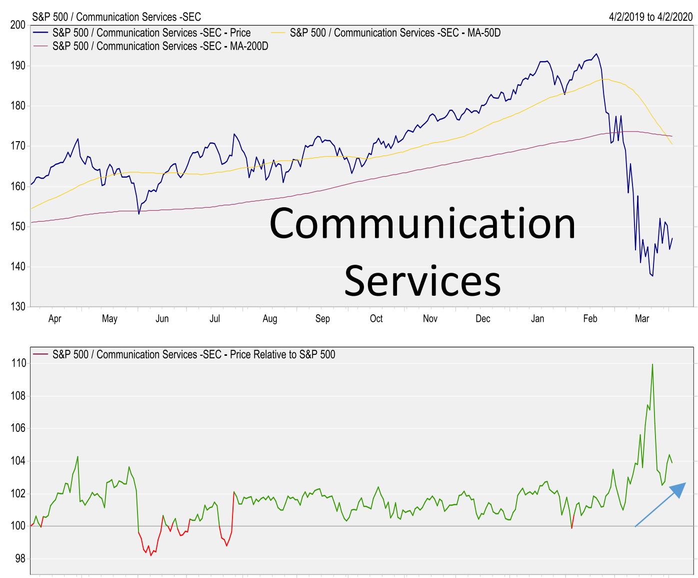
Technology was a leader prior to the selloff, has led during the selloff so far, and we expect it to lead in the next bull market.

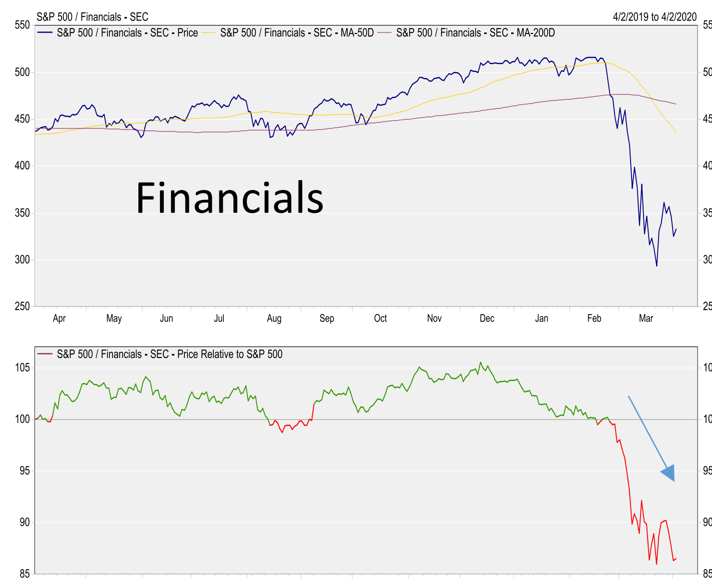
Health Care and Communication Services have a good combination of growth/defensive characteristics.

And the more economically-sensitive Financials have not fared well, but we view them as very well-capitalized with attractive valuations.









Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

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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.

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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.

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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.

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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.

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