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Weekly Market Guide

Short-Term Summary: The S&P 500 has continued to climb higher over the past week, with incremental optimism on therapeutics and a relatively good earnings season providing fuel to the momentum. The big theme this week has been rotation playing out beneath the surface, as the year's laggards generally outperformed significantly while the year's leaders paused. For example, the top 100 S&P 500 performers year to date thru Friday are only up 0.1% this week, whereas the worst 100 performers were up 18.3% this week. Sector leadership was decidedly cyclical with Energy, Financials, Materials, and Industrials all making up ground. Additionally, the small caps have gained 10.4% this week, finally showing some outperformance vs. the large caps. We view this as healthy, as participation broadens out (supporting the intermediate technical backdrop).

Q1 earnings season has also been supportive with fairly positive results (ex-Financials). The banks have taken large loan loss provisions (as precaution), which investors have not rewarded. The average Financial stock has traded -0.6% lower on its announcement, whereas the average S&P 500 company (ex-Financials) has traded 1.4% higher. The best reactions have generally come from the more tech-oriented names, as the average Technology stock has beaten earnings estimates by 8.4% and rallied 2.7% on the results. This is important given the Technology sector's market leadership and large weighting within the S&P 500. With Q1 earnings season at the halfway point, the S&P 500 is now expected to see a -16% earnings contraction for the full quarter. Many companies have withdrawn guidance (due to uncertainty), however the consensus earnings estimate is now for a -35% earnings contraction in Q2, followed by directional improvement in Q3, Q4, and into 2021. Our 2020 S&P 500 earnings estimate remains $130 (-20% growth y/y), followed by $160 in 2021 (+23% y/y) in our base case outlook.

Record monetary and fiscal stimulus are outweighing the dramatic economic impact in the short term, as investors discount the eventual recovery. A plateau in new cases and hospitalizations, along with incremental positives on therapeutics and testing capacity are all supporting investor optimism. But while the 31% rally over the past 26 days has been impressive, valuation has gotten lofty considering the challenges and uncertainty of the trajectory and timeline of the economic recovery. The S&P 500 now trades at a forward P/E of 20.3x (vs 19.1x at the 2/19 market peak). On a technical basis, the S&P 500 is testing resistance at the 61.8% Fibonacci retracement level of the 2/19-3/23 selloff with the downward-trending 200 day moving average of 3005 just overhead. Therefore, our short term bias is to the downside. We expect more attractive risk/reward opportunities to present themselves in the coming months, and thus would reserve some buying power to take advantage of such periods

Equity Market	Price Return	
Indices	Year to Date	12 Months
S&P 500	-9.0%	-0.1%
S&P 500 (Equal-Weight)	-14.5%	-8.3%
Dow Jones Industrial Avg	-13.7%	-7.2%
NASDAQ Composite	-0.6%	9.2%
Russell 2000	-18.4%	-14.9%
MSCI All-Cap World	-12.9%	-6.1%
MSCI Developed Markets	-18.3%	-13.1%
MSCI Emerging Markets	-17.5%	-15.1%
NYSE Alerian MLP	-36.4%	-45.2%
MSCI U.S. REIT	-20.7%	-15.6%

S&P 500	Price Return	Sector
Sectors	Year to Date	Weighting
Information Technology	0.3%	25.6%
Health Care	-1.8%	15.3%
Consumer Discretionary	-3.5%	10.3%
Communication Svcs.	-6.1%	10.7%
Consumer Staples	-6.6%	7.4%
S&P 500	***-9.0%***	-
Utilities	-9.3%	3.3%
Real Estate	-11.8%	2.9%
Materials	-12.8%	2.5%
Industrials	-19.5%	8.0%
Financials	-24.0%	10.8%
Energy	-35.1%	3.1%

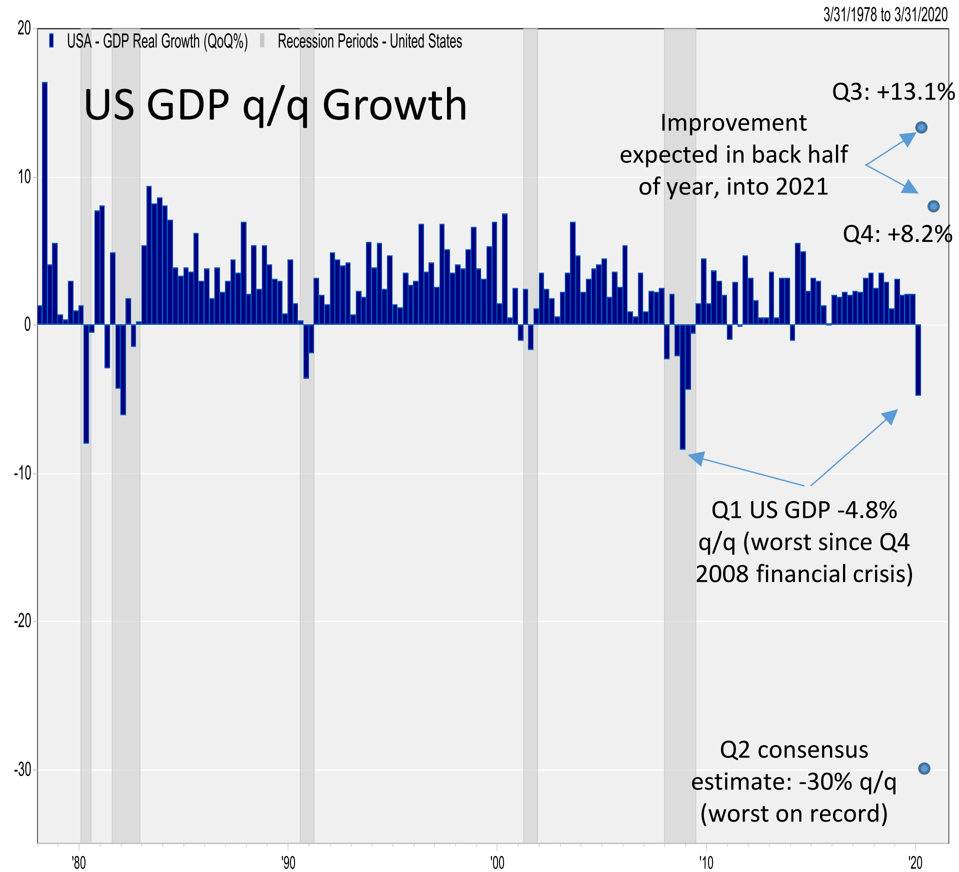
MACRO: US

Preliminary Q1 GDP numbers are being reported globally, and they are unsurprisingly weak. US Q1 GDP dropped -4.8% q/q, below the consensus estimate of -4.0% and lowest since Q4 2008 during the credit crisis. The details were even worse than the headline, as Private Domestic Final Purchases dropped even sharper than expected at -6.6%. It is also the same story globally, as Q1 GDP dropped -3.8% q/q for the Eurozone (lowest on record), following China's previously reported Q1 GDP contraction of -6.8% y/y.

With many of the global economic lockdowns coming later in Q1, Q2 economic data is expected to be even worse. For the US, Q2 GDP is expected to contract by -30% q/q- which would be the worst on record. However, investors know the economic environment is horrendous in the short term, and that the dramatic economic collapse is why the Fed and Congress have passed enormous monetary and fiscal stimulus in an attempt to bridge the gap until the economy can restart. We expect directional improvement in Q3, Q4, and into 2021; but it will be the trajectory of that recovery that will be paramount for equity markets. Data on the virus spread, as well as testing capacity, therapeutics, timing of the economic restart, and consumer behavior are all important variables that will affect this trajectory.

US economic data reported in the past week:

Event	Period	Actual	Consensus	Prior
Durable Orders ex-Transportation SA M/M (Preliminary)	MAR	-0.20%	-6.9%	-0.70%
Durable Orders SA M/M (Preliminary)	MAR	-14.4%	-12.0%	1.1%
S&P/Case-Shiller comp.20 HPI M/M	FEB	0.40%	0.45%	0.35%
S&P/Case-Shiller comp.20 HPI Y/Y	FEB	3.5%	3.0%	3.1%
Consumer Confidence	APR	86.9	85.0	118.8
GDP SAAR Q/Q (First Preliminary)	Q1	-4.8%	-4.0%	2.1%
GDP SA Y/Y (First Preliminary)	Q1	0.30%	0.30%	2.3%
Pending Home Sales M/M	MAR	-20.8%	-10.0%	2.3%
Continuing Jobless Claims SA	04/18	17,992K	-	15,818K
Initial Claims SA	04/25	3,839K	3,250K	4,442K
Core PCE Deflator Y/Y	MAR	1.7%	1.6%	1.8%
Personal Consumption Expenditure SA M/M	MAR	-7.5%	-5.0%	0.18%
Personal Income SA M/M	MAR	-2.0%	-1.4%	0.60%



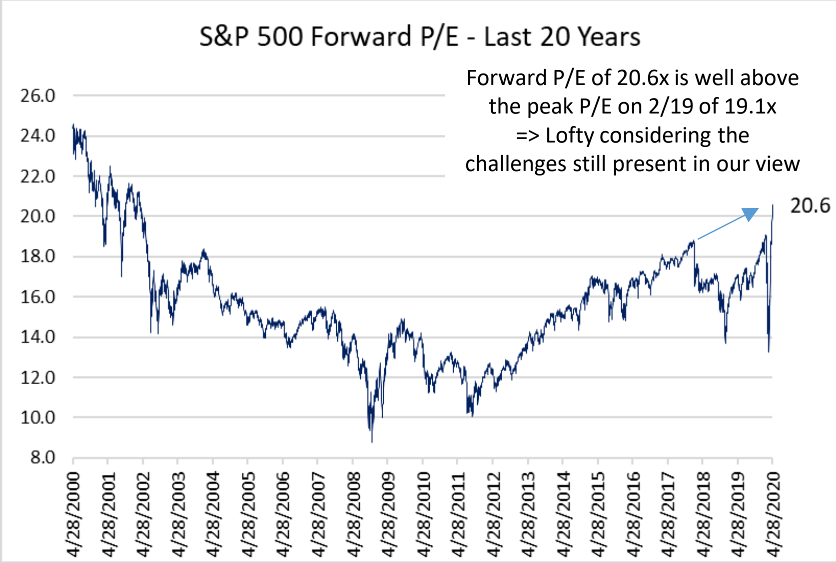
Consensus Estimates	CY '19	Q1 '20	Q2 '20	Q3 '20	Q4 '20	CY '20	CY '21	CY '22
Real GDP (%q/q)	2.3	-4.8	-29.9	13.1	8.2	-3.0	3.2	2.1
Real GDP (%y/y)	2.3	0.3	-8.5	-4.7	-3.2	-3.0	3.2	2.1

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FUNDAMENTALS

Q1 earnings season is at roughly the halfway point, and results have been supportive (ex Financials). The banks are having to take large loan loss provisions (as precaution), which investors have not rewarded. The average Financial stock has traded -0.6% lower on its announcement, whereas the average S&P 500 company (ex-Financials) has traded 1.4% higher. The best reactions have generally come from the more tech-oriented names, as the average Technology stock has beaten earnings estimates by 8.4% and rallied 2.7% on the results. This is important given the Technology sector's market leadership and large weighting within the S&P 500.

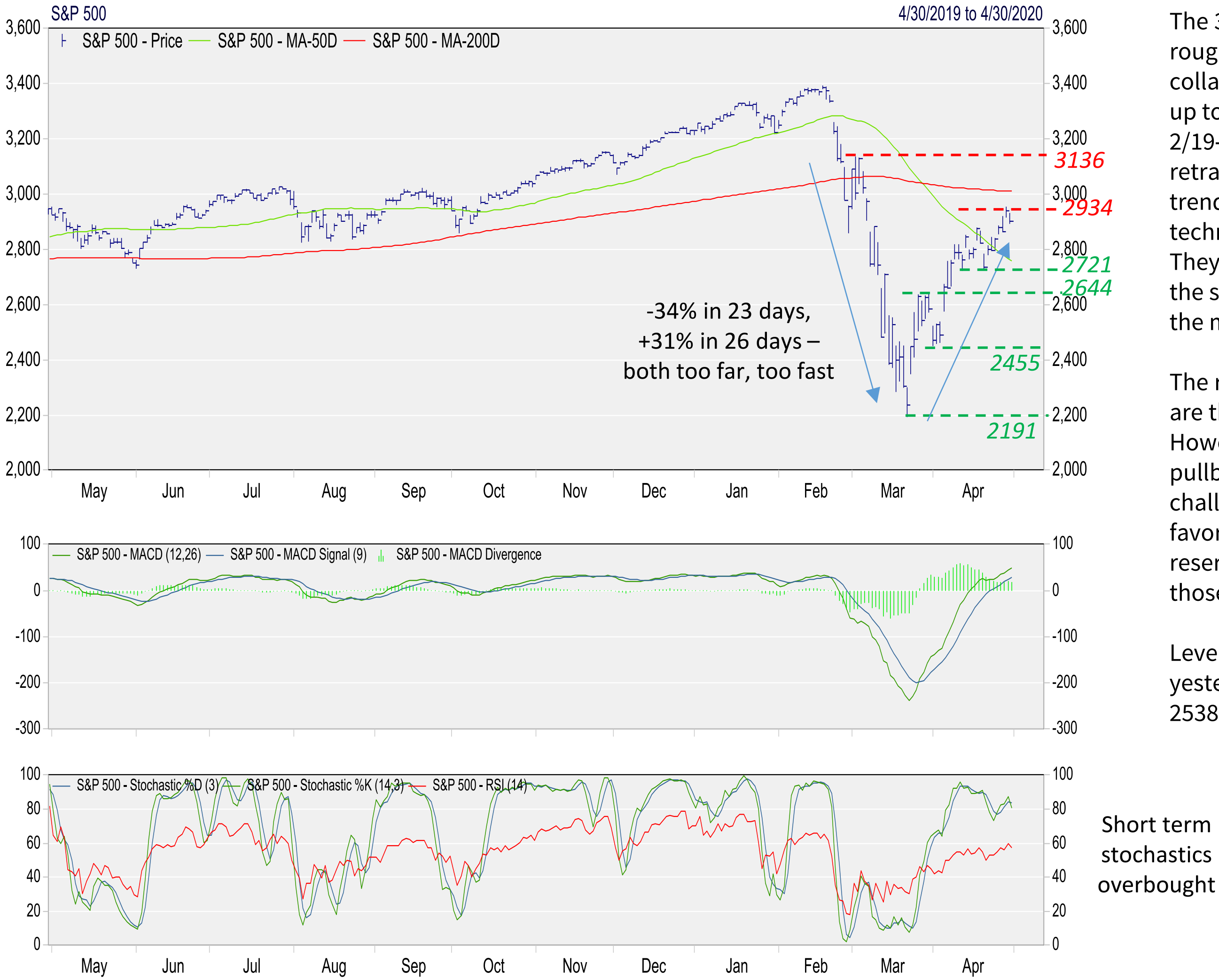
For the full quarter, the S&P 500 is now expected to see a -16% earnings contraction. Many companies have withdrawn guidance (as uncertainty on the outlook remains high), however the consensus earnings estimate is now for a -35% earnings contraction in Q2, followed by directional improvement in the back half of the year and into 2021. Our 2020 S&P 500 earnings estimate remains $130 (-20% growth y/y), followed by $160 in 2021 (+23% y/y) in our base case outlook. While earnings season has been generally better than expected, valuation has gotten lofty considering all of the challenges and uncertainty surrounding the trajectory and timeline of the economic recovery. The S&P 500 now trades at a forward P/E of 20.3x (vs 19.1x at the 2/19 market peak), contributing to our downward risk/reward bias for the short term.



						EPS Growth Ests.			EPS Δ Since 12/31/2019			
Sector	% Reported	% With Sales Beat	% With EPS Beat	Avg EPS Surprise	Avg Price Reaction	1Q20	2020	2021	1Q20	2020	2021	Price Δ Since 12/31/19
S&P 500	**47%**	**62%**	**63%**	**-2.92**	**0.97**	**-15.7%**	**-17.8%**	**25.8%**	**-20.1%**	**-24.8%**	**-14.5%**	**-9.0%**
Communication Services	38%	50%	40%	-1.19	2.12	2.8%	-8.9%	20.8%	-12.3%	-17.7%	-11.7%	-6.1%
Consumer Discretionary	40%	60%	44%	-16.14	2.76	-44.3%	-36.5%	57.9%	-46.3%	-43.0%	-19.9%	-3.5%
Consumer Staples	58%	58%	84%	5.74	-1.51	3.7%	-1.5%	7.7%	-0.4%	-6.7%	-6.1%	-6.6%
Energy	30%	25%	63%	14.80	1.40	-67.0%	-114.6%	-366.6%	-74.9%	-111.6%	-72.0%	-35.1%
Financials	76%	64%	48%	-22.54	-0.57	-39.5%	-32.9%	33.8%	-39.9%	-36.2%	-21.5%	-24.0%
Health Care	48%	76%	76%	2.75	0.28	3.8%	-0.4%	14.5%	-3.3%	-7.8%	-3.6%	-1.8%
Industrials	58%	60%	60%	3.68	1.51	-32.4%	-38.0%	60.4%	-32.2%	-46.9%	-23.9%	-19.5%
Information Technology	44%	74%	84%	8.37	2.68	2.6%	2.0%	15.6%	-3.0%	-5.6%	-3.5%	0.3%
Materials	39%	64%	82%	8.07	1.95	-25.6%	-14.3%	24.5%	-21.0%	-24.7%	-18.4%	-12.8%
Real Estate	26%	63%	50%	1.89	0.79	-1.2%	-3.0%	8.1%	-3.3%	-8.2%	-6.5%	-11.8%
Utilities	18%	0%	80%	4.76	0.91	1.6%	1.7%	5.5%	-0.5%	-1.1%	-0.4%	-9.3%

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: SHORT TERM



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

The 31% rebound over the past 26 days has recouped roughly 60% of the S&P 500's losses from the 34% collapse. The sharp recovery has taken the S&P 500 up to the 61.8% Fibonacci retracement level of the 2/19-3/23 selloff, often viewed as the "golden retracement level." This, along with the downward-trending 200 day moving average at 3005, are the key technical resistance levels to monitor just overhead. They also contribute to our message of patience for the short term, as we would not be surprised to see the market at least pause near these levels.

The rally has been impressive in our view, and odds are that we have seen the low of this bear market. However, there are also high odds of decent-sized pullbacks in the coming months (as economic challenges are realized) which will provide a more favorable risk/reward in our view. We would thus reserve some buying power to take advantage of those opportunities.

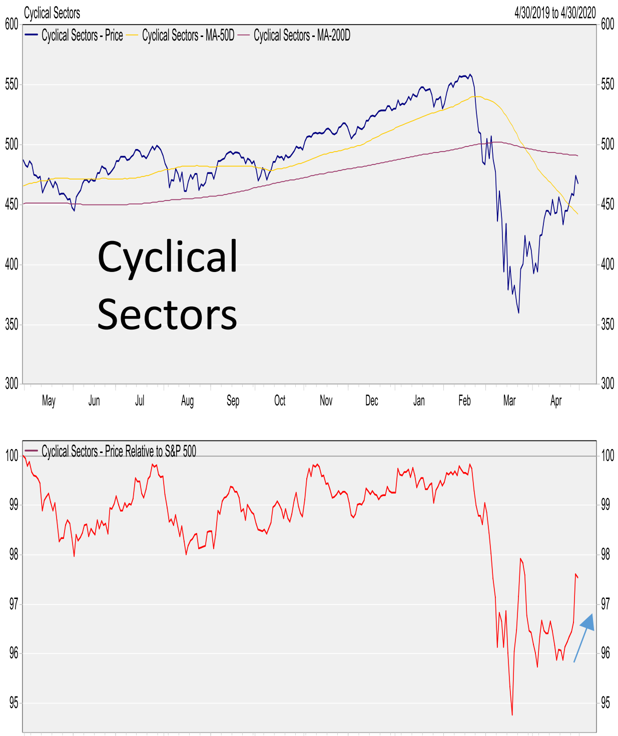
Levels of technical support include 2721 (-7% from yesterday's close of 2939), followed by 2644 (-10%), 2538, and 2455 (-16%).

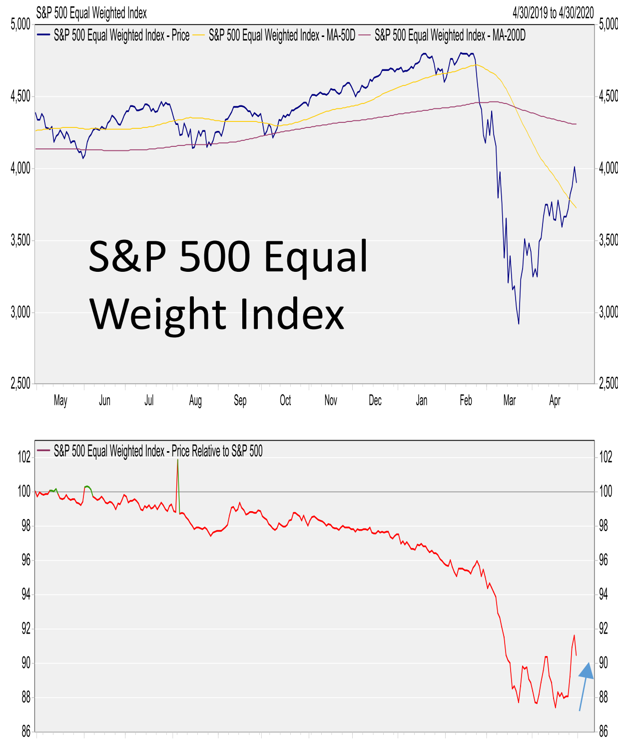
TECHNICAL: SHORT TERM

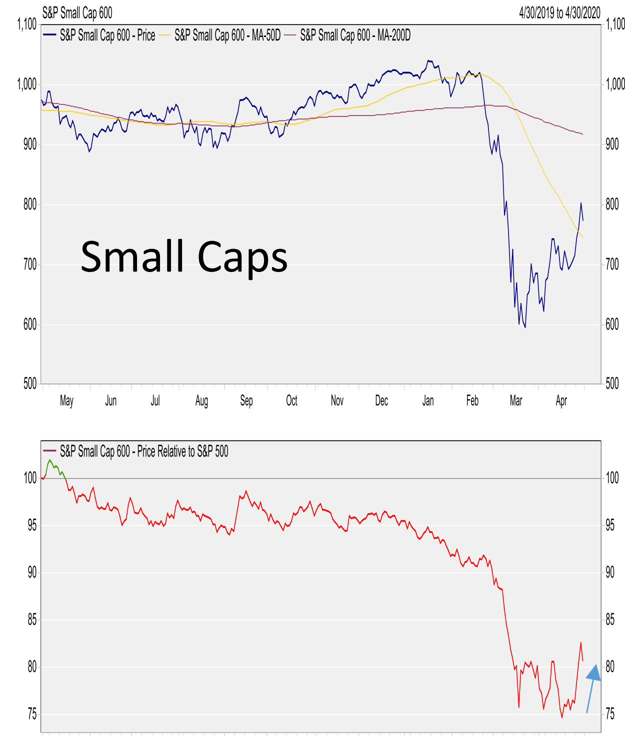
The big theme this week has been rotation playing out beneath the surface, as the year's laggards generally outperformed significantly while the year's leaders paused. For example, the top 100 S&P 500 performers year to date thru Friday are only up 0.1% this week, whereas the worst 100 performers are up 18.3% this week (table to the right). Sector leadership was decidedly cyclical with Energy, Financials, Materials, and Industrials all making up ground, as well as the average Consumer Discretionary stock. Additionally, the small caps have gained 10.4% this week, finally showing some outperformance vs. the large caps.

More work is needed to make these trends lasting, but we view the improved market breadth as healthy and supportive of the intermediate term technical backdrop.

S&P 500 Stocks	YTD thru 24-Apr	Price Chg since
Bottom 10	-70.2%	30.8%
Bottom 25	-65.0%	25.0%
Bottom 50	-59.3%	21.8%
Bottom 100	-51.4%	18.3%
Top 100	8.6%	0.1%
Top 50	16.7%	-0.8%
Top 25	24.1%	-1.3%
Top 10	33.4%	-0.6%

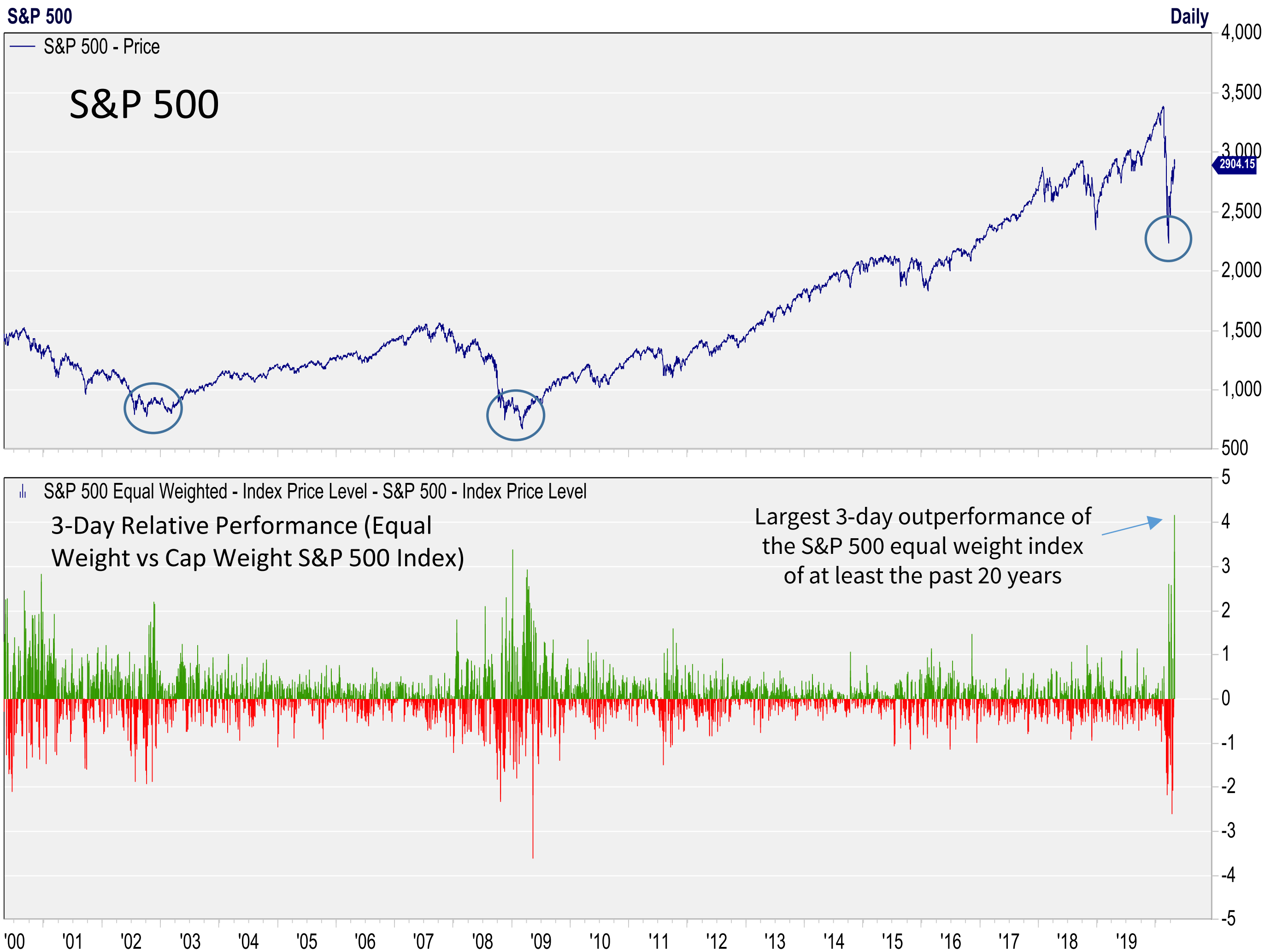






Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: SHORT TERM



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

The outperformance exhibited by the S&P 500 equal weight index over the past 3 days is the largest 3-day outperformance of at least the past 20 years (bottom portion of chart).

Expanded participation is a part of the bottoming process, and a good sign that the market is rebuilding itself internally.

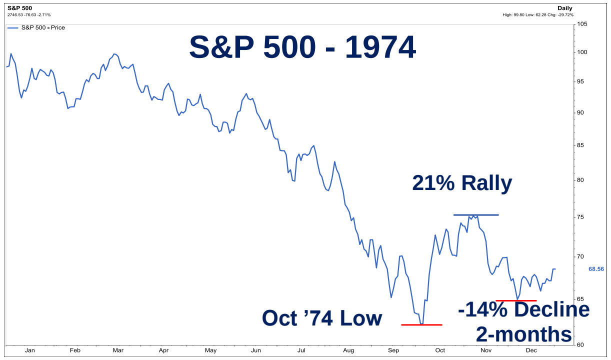
However, this does not mean that pullbacks cannot happen. In fact, we believe that pullbacks are also part of the bottoming process. As you can see, there was a large spike of outperformance by the equal weight index in January of 2009 before the index found an ultimate low in March of 2009. Similarly, there was a large spike of outperformance in November 2002, and equities were not able to make a durable move higher until March 2003.

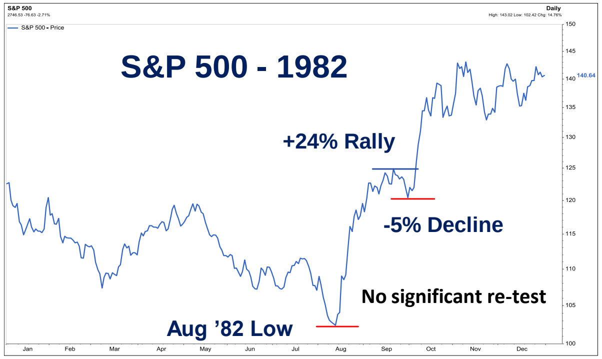
We continue to expect volatility in the coming weeks and months, and would use pullback periods as opportunities to accumulate equities for the next bull market.

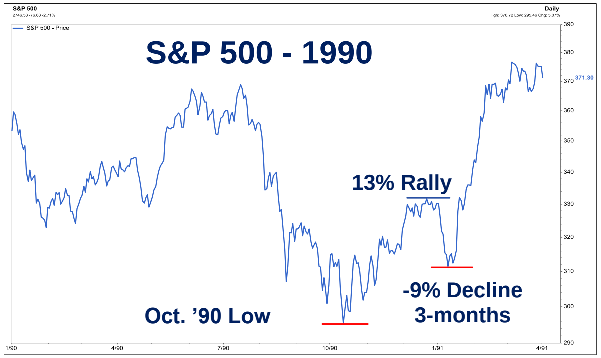
TECHNICAL: SHORT TERM

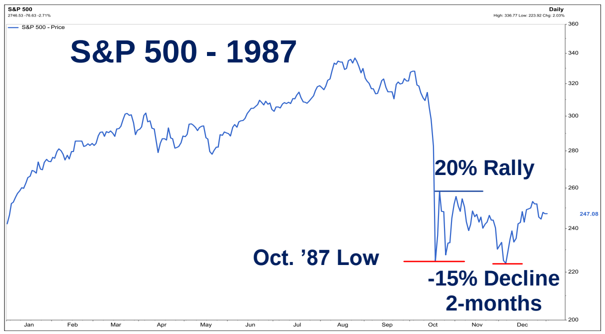
Markets don't always repeat, but they often rhyme. A sampling of bear market recovery periods (shown below) suggests retests or pullbacks are the norm over the ensuing months following a bear market low. 1982 is the exception, as it really did not have a meaningful pullback leading into the next bull market.

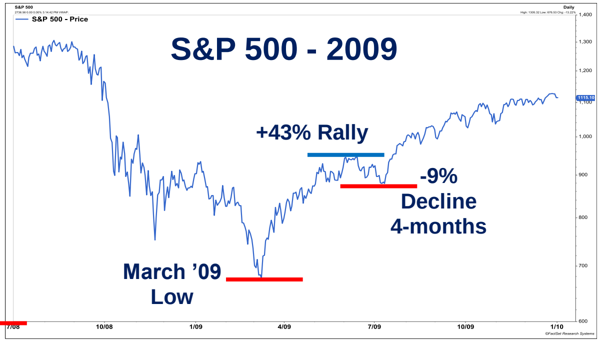
The weight of the evidence in our view is that a pullback at some point is a high probability (unless an effective therapeutic is found). The high degree of uncertainty toward the economic outlook and immense economic damage in the current period suggests a down-draft is likely at some point. We would reserve some buying power to accumulate equities if this scenario plays out.







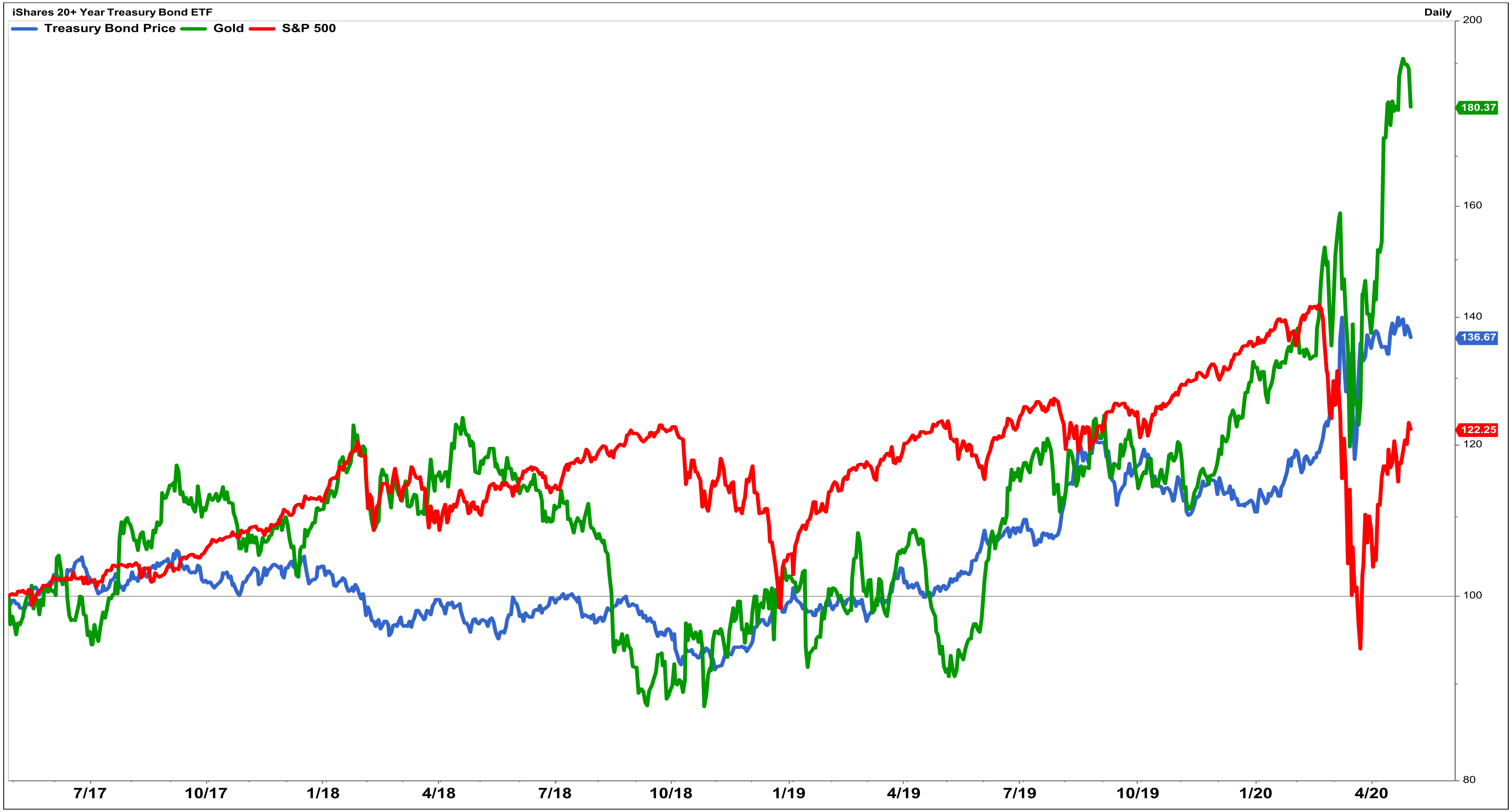




Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: SHORT TERM

Stocks, bonds, and gold are all trending higher currently. This is an uncommon occurrence, and one of the three will likely break down in the not too distant future.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

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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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