RAYMOND JAMES

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Weekly Market Guide

Short-Term Summary: The remarkable rally in US equities continued over the past week, taking the past 50-day move up to 40%- the largest experienced since the 1930s. 25+% up-moves in 50 days are extremely rare with the other three times since 1940 coming out of recessionary bear markets in 2009, 1982, and 1975. In these other three periods, the S&P 500 then stalled for a 1-2 month period with a 6-7% pullback occurring within. We remind investors that it is a normal function of the market to often experience its sharpest gains, following its sharpest pullbacks. And it is also normal for the market to "cool off" or consolidate these sharp gains in the weeks to months ahead. While we believe the odds are high that the S&P 500 digests its gains in the short term, we also believe that a normal pullback should be used as a buying opportunity. Extremely sharp up-moves and overbought conditions are often also indicative of above average forward returns over the next 12 months.

The enormous fiscal and monetary stimulus (with more likely to come) continues to fuel the market and outweigh the current economic contraction. There has also been optimism on vaccines and therapeutics in recent weeks, along with a bottoming (and start to the recovery) of economic activity. Beneath the surface, the market has continued to broaden out with the cyclical sectors and small caps "catching up." The pick up in economic activity and risk-on move came in conjunction with the US 10 year yield breaking out above the upper end of its recent range at 0.75%, as well as the US dollar making a sharp move lower. We believe the market is in the early stages of a bull market, and this improvement in risk-on positioning supports our view.

Fundamentally, low inflation and extremely low interest rates (and likelihood that they both stay lower for longer), make the S&P 500's current P/E multiple of 21x much more realistic in our view. For example, the equity risk premium (difference in S&P 500 earnings yield and US 10 year bond yield) is still at 4% following the market's rally. This remains over one standard deviation above the long term average, and the S&P 500 forward 3-year return has never been negative following a 4% or higher reading. Additionally, the S&P 500's dividend yield (1.84%) remains over 1% above the US 10 year Treasury yield (0.80%), keeping it near its highest relative value of all-time. 93% of dividend-paying S&P 500 stocks have a higher dividend yield than the US 10 year Treasury yield.

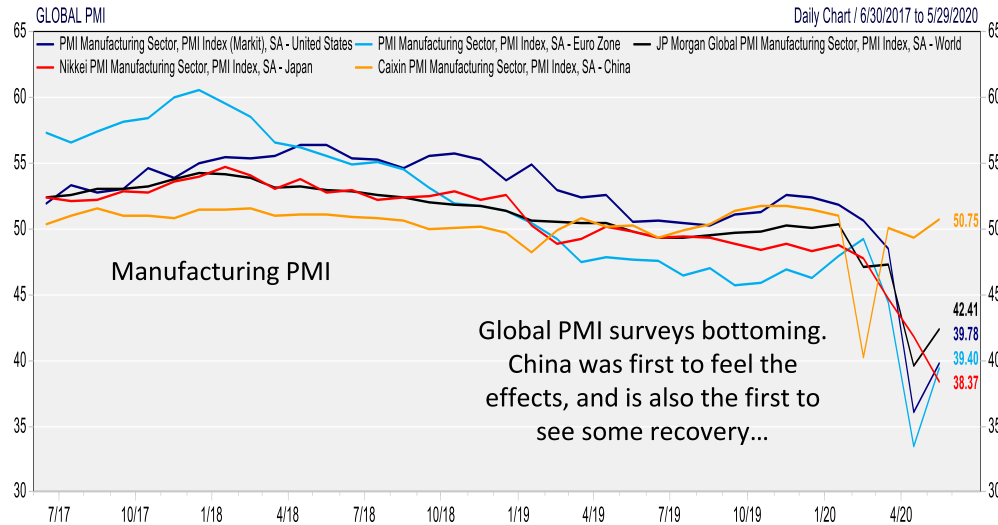
In sum: The exceptionally strong market recovery is indicative of above average forward returns in our view, however we recommend patience and selectivity in the short term for new purchases. We would not be surprised to see the S&P 500 consolidate its sharp gains in the coming weeks and months, and would use pullbacks within that period to accumulate stocks more aggressively for the longer-term bull market opportunity that remains.

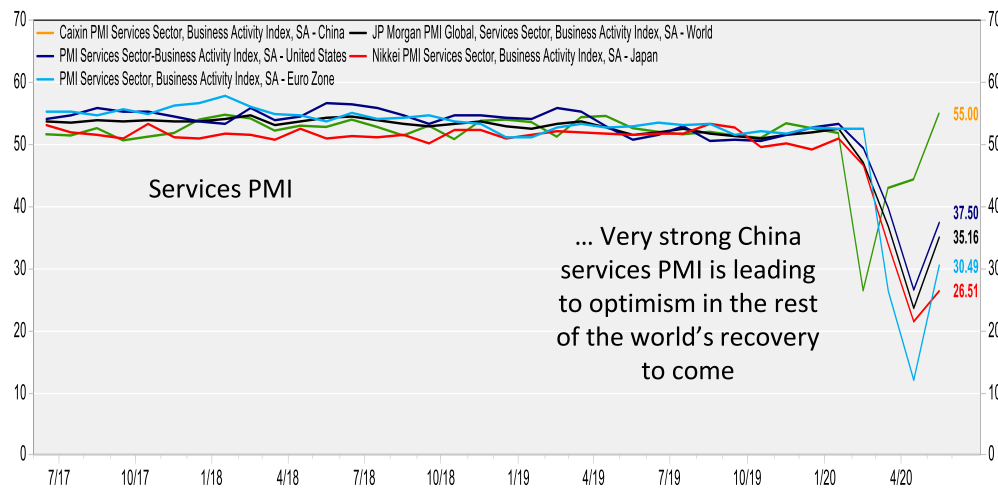
Equity Market Indices	Price Return Year to Date	Price Return 12 Months
S&P 500	-3.3%	13.8%
S&P 500 (Equal-Weight)	-8.4%	4.9%
Dow Jones Industrial Avg	-7.9%	5.8%
NASDAQ Composite	7.9%	32.0%
Russell 2000	-13.0%	-1.2%
MSCI All-Cap World	-6.4%	7.4%
MSCI Developed Markets	-11.0%	-0.6%
MSCI Emerging Markets	-11.4%	-2.0%
NYSE Alerian MLP	-30.3%	-38.1%
MSCI U.S. REIT	-16.4%	-12.0%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Information Technology	8.6%	26.0%
Consumer Discretionary	4.8%	10.6%
Communication Svcs.	1.1%	10.9%
Health Care	0.2%	14.8%
S&P 500	***-3.3%***	-
Utilities	-5.3%	3.3%
Consumer Staples	-5.4%	7.0%
Materials	-5.5%	2.6%
Real Estate	-6.2%	2.9%
Industrials	-12.6%	8.2%
Financials	-19.8%	10.8%
Energy	-31.3%	3.1%

MACRO: US

Economic data is beginning to show a recovery, as economies re-open. China was the first to feel the effects of COVID-19 and was in turn one of the first to shutdown and begin mitigation efforts. Accordingly, it is now one of the first to recover and global investors are watching for clues on the trajectory of recoveries in other parts of the world. This week, China services PMI surged to 55.0- well ahead of the 47.3 consensus and highest level since 2010. This is leading to optimism in the pace of other global economies' path of recovery, and corresponded with a bounce in the US 10 year bond yield to 0.8% (above the upper end of its recent range). Inflation and growth remain very low, so bond yields are likely to remain lower for longer. However, the pick up in bond yields and lower US dollar are suggestive of building risk-on appetite for investors globally.





Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

US economic data reported in the past week:

Event	Period	Actual	Consensus	Prior
Core PCE Deflator M/M	APR	-0.39%	-0.30%	-0.05%
Core PCE Deflator Y/Y	APR	1.0%	1.1%	1.7%
Personal Consumption Expenditure SA M/M	APR	-13.6%	-12.6%	-6.9%
Personal Income SA M/M	APR	10.5%	-6.3%	-2.2%
Wholesale Inventories SA M/M (Preliminary)	APR	0.40%	-1.0%	-1.0%
Chicago PMI SA	MAY	32.3	40.1	35.4
Michigan Sentiment NSA (Final)	MAY	72.3	74.0	73.7
Markit PMI Manufacturing SA (Final)	MAY	39.8	39.8	39.8
Construction Spending SA M/M	APR	-2.9%	-6.0%	0.02%
ISM Manufacturing SA	MAY	43.1	43.0	41.5
ADP Employment Survey SA	MAY	-2760K	-9500K	-19557K
PMI Composite SA (Final)	MAY	37.0	36.4	36.4
Markit PMI Services SA (Final)	MAY	37.5	36.9	36.9
Durable Orders ex-Transportation SA M/M (Final)	APR	-7.7%	-7.4%	-7.4%
Durable Orders SA M/M (Final)	APR	-17.7%	-17.6%	-17.2%
ISM Non Manufacturing SA	MAY	45.4	44.0	41.8
BEA Domestic Auto Sales SAAR	MAY	1.9M	-	1.5M
BEA Domestic Light Truck Sales SAAR	MAY	7.2M	-	5.2M
BEA Total Light Vehicle Sales	MAY	12.2M	11.0M	8.7M
Continuing Jobless Claims SA	05/23	21,487K	-	20,838K
Initial Claims SA	05/30	1,877K	1,800K	2,126K
Unit Labor Costs SAAR Q/Q (Final)	Q1	5.1%	4.8%	4.8%
Productivity SAAR Q/Q (Final)	Q1	-0.90%	-2.3%	-2.5%

FUNDAMENTALS

We updated our S&P 500 fair value price targets this week, raising our base case target to 3,111. We continue to believe that earnings in 2021 will be more important for investors (than the current contraction), and kept our 2021 earnings estimate of $160 steady while increasing the P/E to 21x (discounted back by 8% to get a 2020 year end target). The higher valuation of 21x is supported by unprecedented stimulus globally that is unlikely to go away soon (with more likely to come), and is outweighing the economic contraction. This is in line with the current P/E multiple, as well as the S&P 500 P/E at the market peak in February. Despite our reluctance to rely on elevated multiples to support a higher S&P 500 price target, we feel valuation influences- ranging from policy stimulus, low inflation and record-low interest rates, better than feared progression with the virus outbreak and vaccine potential, along with the tendency of P/E's to increase coming out of recessionary periods- will keep valuation elevated for a while. While we acknowledge limited room for upside in our base case, we understand that markets can overshoot (on the upside) and undershoot (on the downside) fair value for periods of time before normalizing, and we believe our upside case accounts for this potential. Moreover, historically, pullbacks are normal and with the number of potential issues/risks, we are comfortable with our updated base case, for now.

In our upside case, we use a price target of 3,384 ($170 2021 Earnings, 21.5x P/E, discounted back by 8%). This scenario includes vaccine success before year-end, a re-opening that goes better than expected (with no second wave), consumer spending improving and jobless claims normalizing, and valuation discounting some of the better fundamental momentum. It is also normal for analyst estimates to be too low coming out of recessions (the opposite of normal times when they start high and are revised lower).

There are also risks that could weigh on markets toward a downside case scenario. We use 2,431 as a downside case target ($150 2021 EPS, 17.5x P/E, discounted back by 8%). Risks include China/US tensions accelerate and become a central influence on markets, Presidential election and rising odds of a Democratic sweep (raises chances of higher taxes- likely not before 2022 but still a forward concern), muted recovery in consumer behavior, virus concerns linger for longer, and economic snapback is muted.

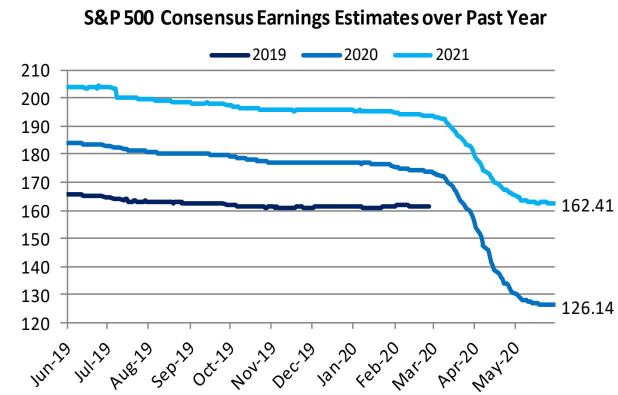
Please see our full S&P 500 Price Target Revision report here for more information.

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

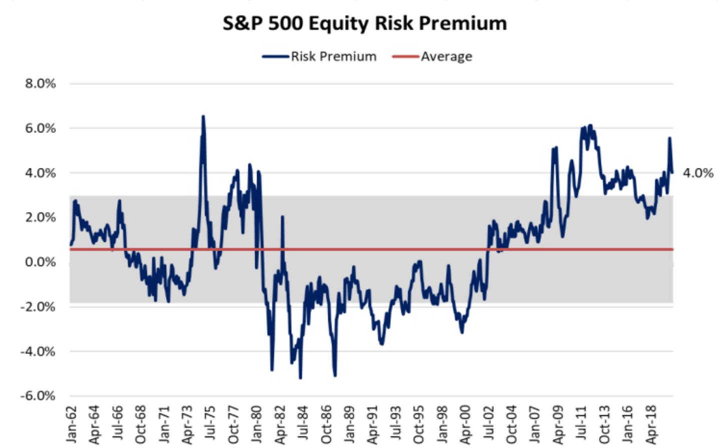
Year End 2020 Price Target

	2021 EPS	Year End 2021 P/E Multiple	Discount Rate	Year End 2020 Price Target
Upside	$ 170	21.50x	8.0%	3,384
Base	$ 160	21.00x	8.0%	3,111
Downside	$ 150	17.50x	8.0%	2,431

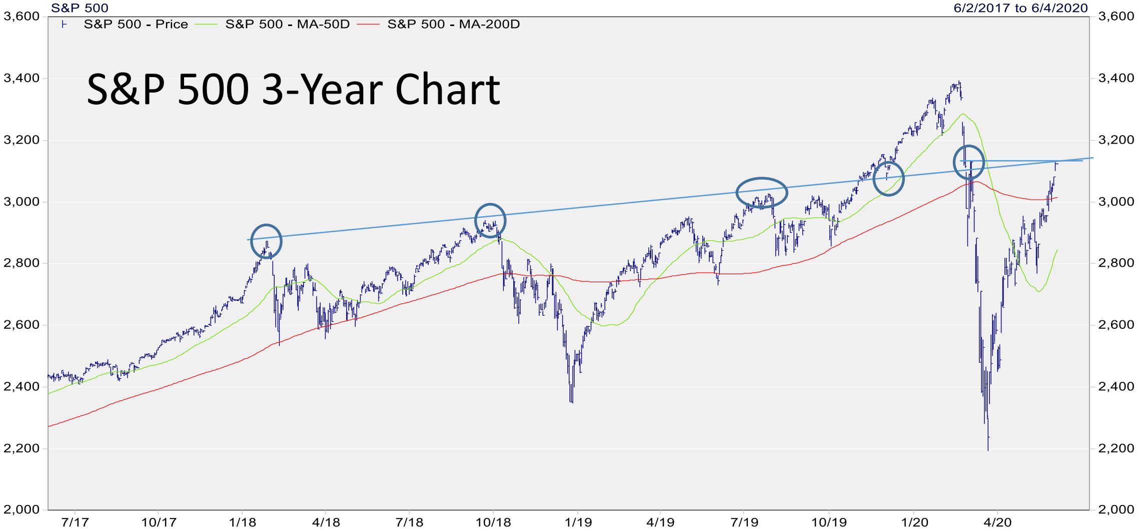
Source: RJ Equity Portfolio & Technical Strategy

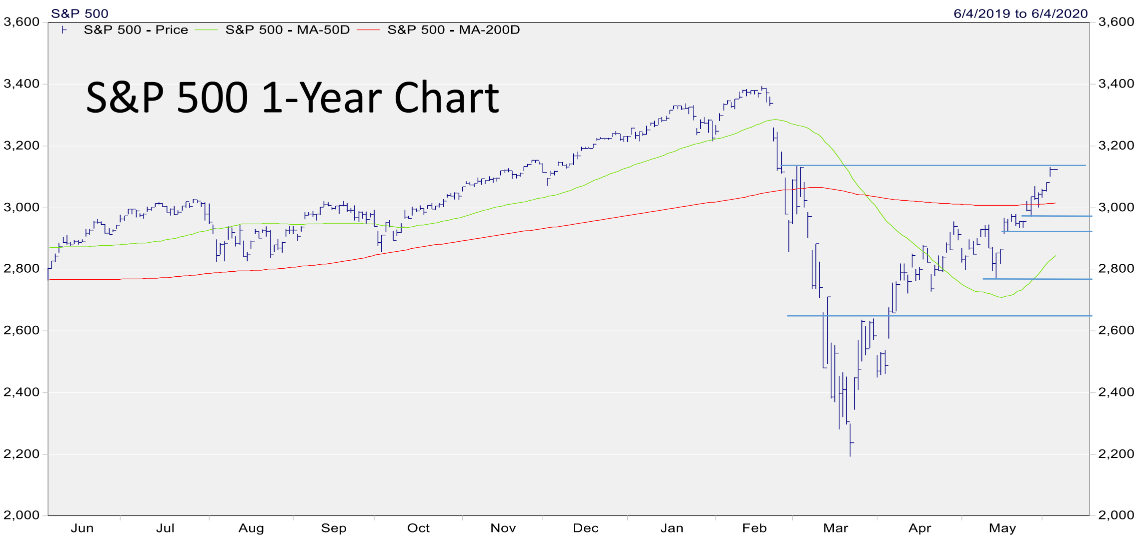


EPS Growth Estimates	
2019	1.5%
2020	-21.9%
2021	28.8%



TECHNICAL: SHORT TERM





Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

The 40% rally in the past 50 days has been very impressive, and improvement from the more cyclical areas recently supports the intermediate term technical backdrop, broadening out participation beneath the surface.

The S&P 500 has generally glided through many perceived resistance levels with momentum exceptionally strong, and combined with the enormous stimulus, outweighing the economic contraction and risks still present in the outlook.

However, it is a normal function of the market to have pullbacks. The S&P 500 has run up to another technical resistance level that could be the catalyst of some consolidation. This 3136 technical resistance level coincides with an upward-trend line from peaks and lows over the past couple of years, as well as horizontal resistance from the initial stages of this year's selloff.

We would not be surprised to see the S&P 500 stall its ascent in the short term, and digest its gains. However, unless something changes, we expect pullbacks to be normal in the 3-7% range. For those looking to put new money to work, we would be patient and selective in the short term; and use those normal pullback periods to accumulate with more conviction.

Short term resistance:
3136- horizontal and upward-trendline
3260- horizontal resistance from February gap-down

Short term support:
2956 and 2865- horizontal support levels just above 50 DMA
2736 and 2630- horizontal support levels

TECHNICAL: SHORT TERM

As noted previously, the past 50 day price change of 39.6% is the largest since 1940. 25+% moves in 50 days are extremely rare, as only three instances have occurred prior to this one (since 1940). They are 1982 (+35.5%), 2009 (+34.2%), and 1975 (+26.9%).

These three prior periods saw a stall for 1-2 months, and all three experienced a normal 6-7% pullback within that sideways grind.

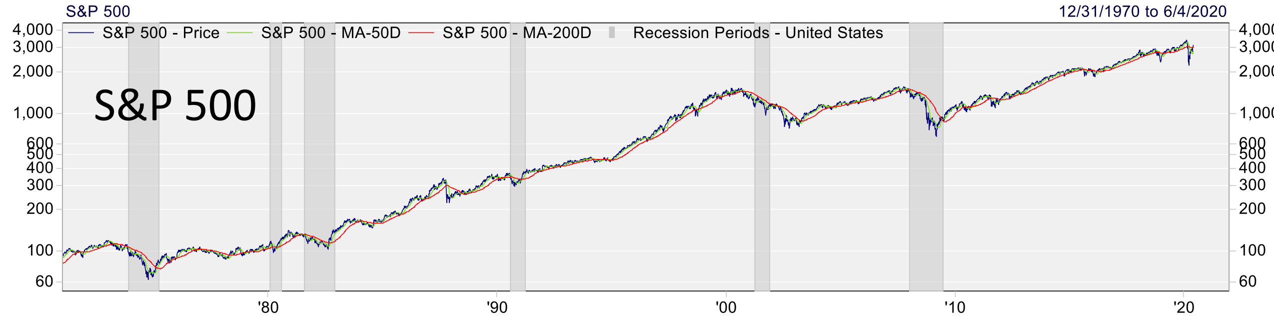
With this historical precedent as a guide, we would not be surprised to see the S&P 500 consolidate its sharp recovery in the short term and digest some of these gains. The sharp rate of change does not mean that a large pullback needs to happen, but it does suggest equities are due for a "cool off" phase.

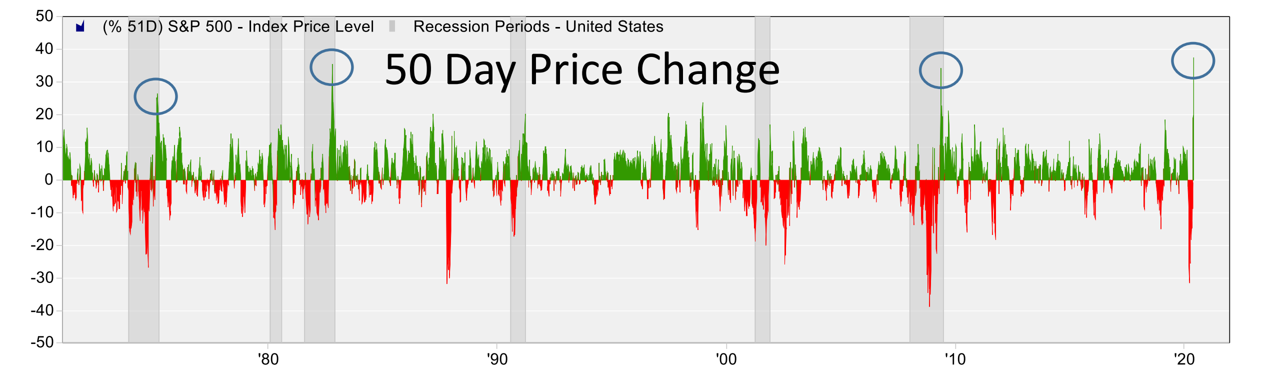
Importantly, these strong 50 day price changes are also indicative of above average forward returns over the longer term. As you can see, the average return in the next 120 days (roughly 6 months) has been 10.7% and next 250 days (roughly 1 year) has been 22.1%. These compare favorably to all 6 and 12 month periods historically that have averaged 3.5% and 7.5% respectively.

Thus, while we expect some consolidation in the weeks and months ahead, we would use those periods to accumulate for the long term.

S&P 500 Performance Following 25%+ Up-Moves in 50 Days - since 1940

Date	50D ROC	10days	20days	40days	80days	120days	250days
6/3/2020	39.6%						
10/22/1982	35.5%	2.4%	-1.3%	-1.9%	6.8%	13.9%	20.9%
5/19/2009	34.2%	2.6%	0.3%	3.6%	14.8%	17.7%	25.2%
3/6/1975	26.9%	-0.1%	-3.4%	6.6%	13.7%	0.3%	20.2%
Average	34.1%	1.6%	-1.5%	2.8%	11.8%	10.7%	22.1%
Median	34.9%	2.4%	-1.3%	3.6%	13.7%	13.9%	20.9%
% Positive		67%	33%	67%	100%	100%	100%
All Historical Data							
Average	1.5%	0.3%	0.6%	1.2%	2.3%	3.5%	7.5%
% Positive	62%	58%	60%	61%	64%	66%	69%

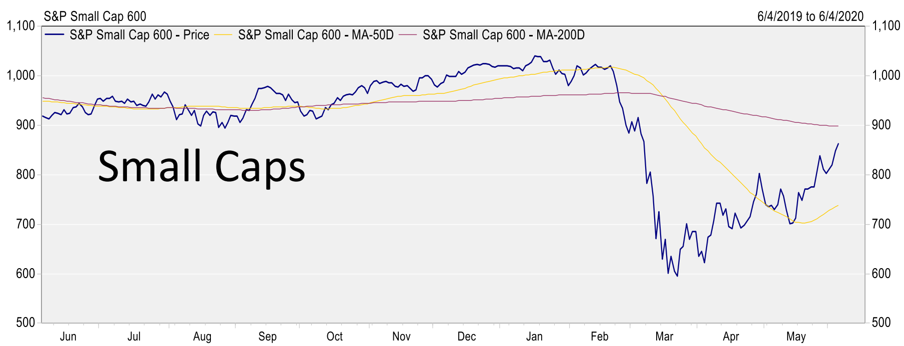


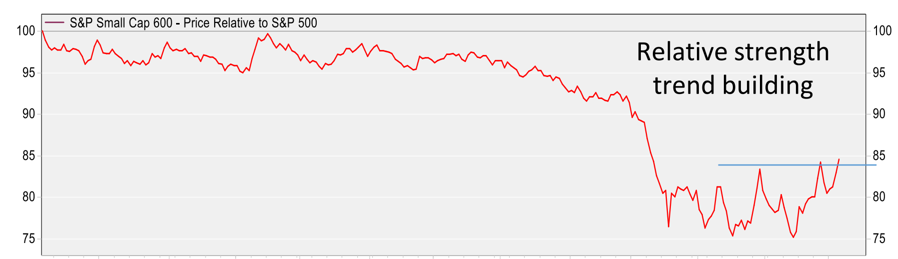


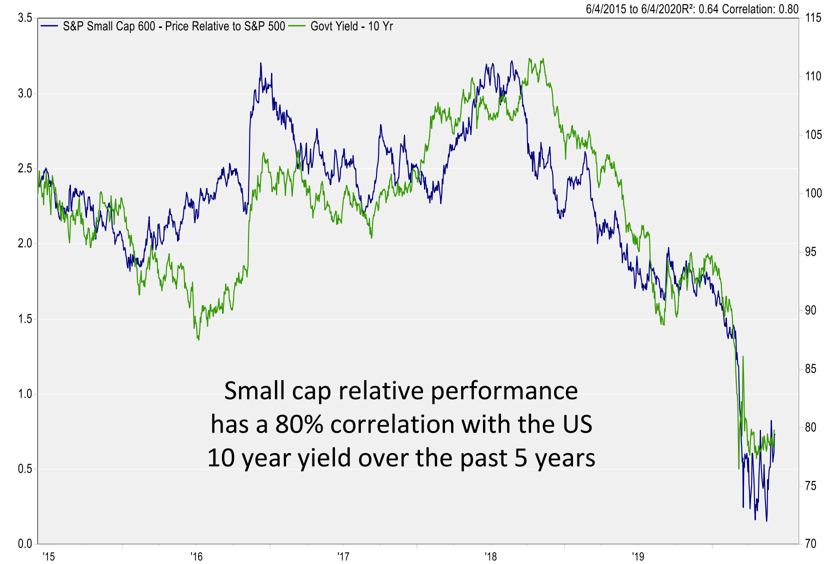
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

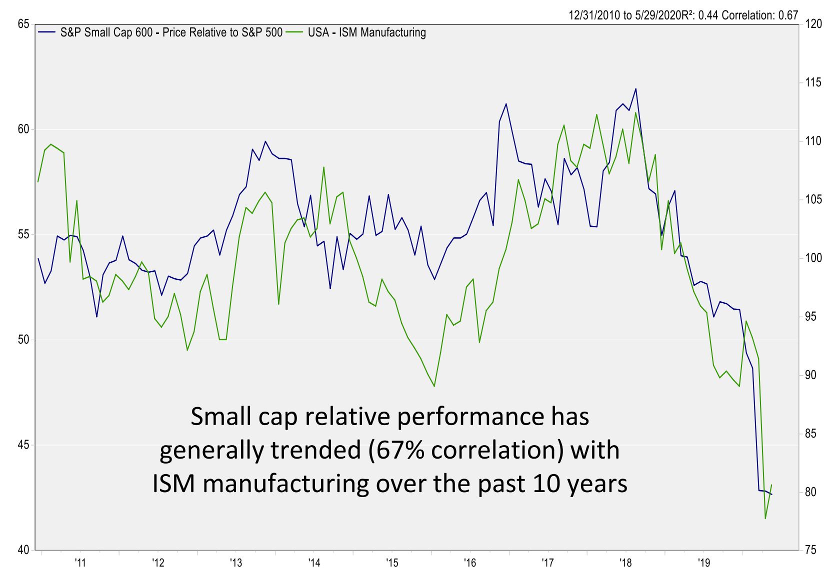
TECHNICAL: SMALL CAPS

The small caps have continued to catch up over the past week with yesterday's sharp improvement in the China PMI data corresponding with an increase in risk-on sentiment. The small caps are breaking out to new relative strength gains today and still have a large runway to catch-up further vs the large caps. The 200 DMA may act as technical resistance in the short term (it did not stop the S&P 500 though), however we believe investors should be buying partial positions as they accumulate the small caps for the longer term opportunity. Small cap relative performance should benefit in the months ahead from a pick up in economic activity, having generally trended with manufacturing trends over the past 10 years. There has also been a stronger correlation between small cap relative performance and the US 10 year yield. The recent move higher in bond yields is supporting the small caps; and though we do not believe interest rates are set to move appreciably higher, some pick up in bond yields (on improving economic growth) should benefit small cap trends over the longer term in our view.





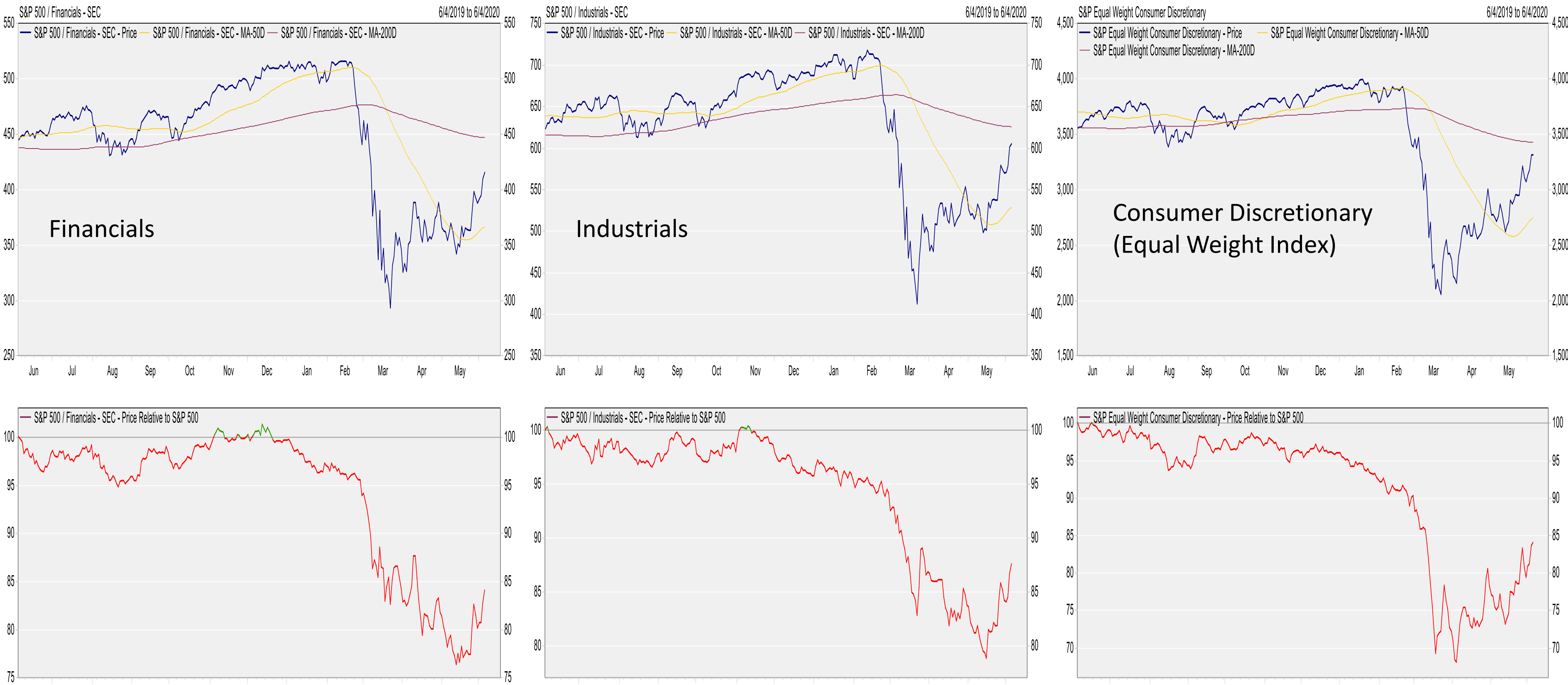




Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: CYCLICAL SECTORS CATCHING UP

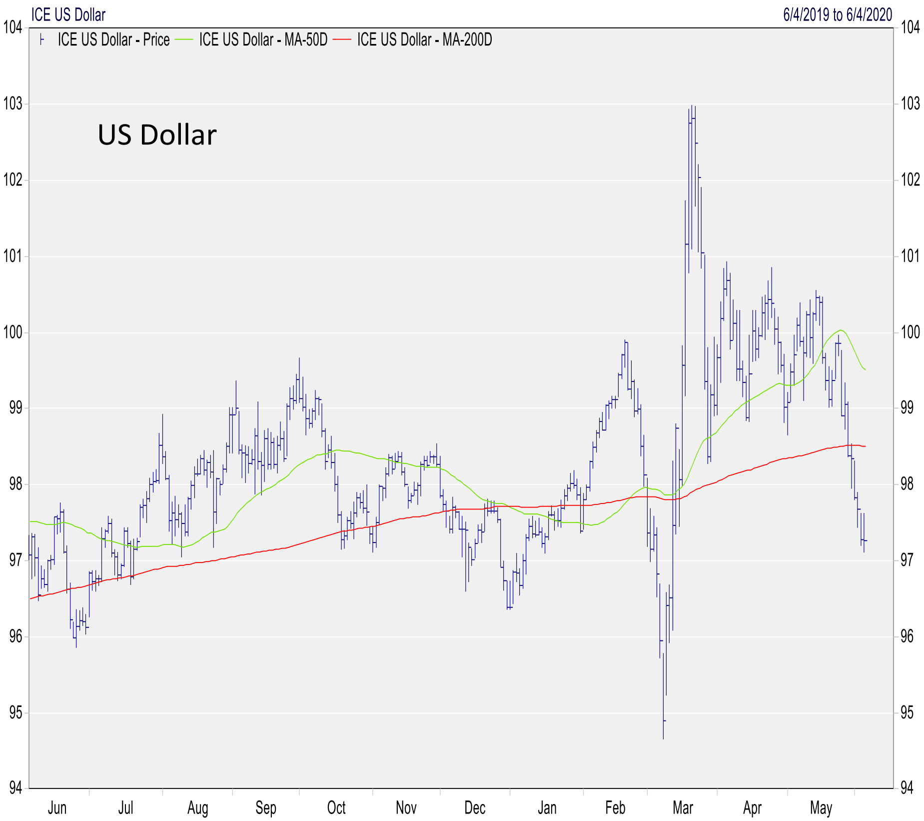
The past couple of weeks' continuation of the rally has importantly been driven by the deeper cyclical areas that are feeling the brunt of the economic shutdown fundamentally. This was a needed improvement in terms of market breadth and produces a more supportive intermediate term technical backdrop. Like the small caps, these areas are benefitting from a more risk-on posture to markets as the economic reopening is occurring. Also like the small caps, many of these areas are now approaching their 200 DMA as they "catch up." This could result in a pause or short term consolidation, however these areas in general likely stand to benefit from the longer run path of economic recovery. As such, we would look to buy partial positions for those of you underweight; and depending on the data and technical trends moving forward, potentially increase conviction toward a more durable longer term opportunity.

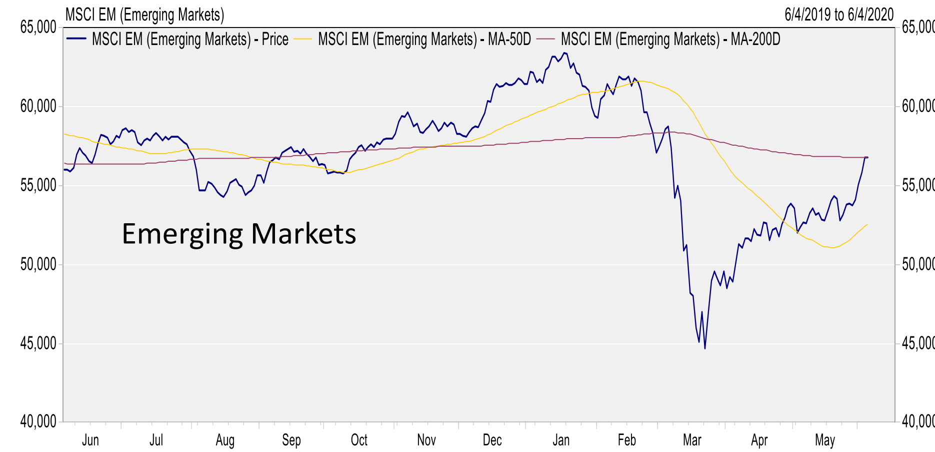


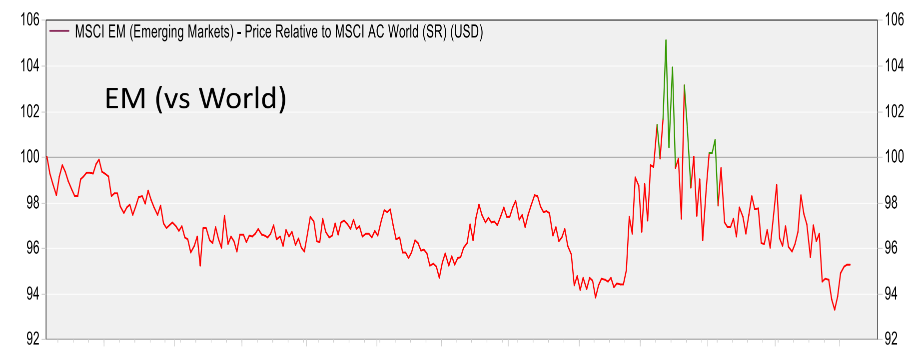
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: EMERGING MARKETS

The risk-on move in global markets has also pushed the US dollar lower, breaking down technically. The sharp move lower may result in some consolidation, but if the US dollar is set to start trending lower (as it did coming out of the past two recessions- 2003 and 2009) the emerging markets likely stand to benefit. There has been a 86% inverse correlation between the US dollar and relative performance of the emerging markets over the past 10 years. The emerging markets have only seen a slight uptick in relative performance (vs the World) thus far and are up against their 200 DMA. If they do pull in slightly, in conjunction with a little give-back in the US dollar move, we would look to accumulate Emerging Markets. They should benefit from a global economic recovery over the longer term. Also, China is the largest weighting of the emerging markets index and is building some upside momentum despite the latest ramp up in US/China rhetoric.







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.

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results. Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions.

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