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Weekly Market Guide

Short-Term Summary: Following a 13% 15-day up-move from 5/18 to 6/8, the S&P 500 has since been in a consolidation phase, currently trading just above its 200 DMA support level of 3020. Catalyst for the S&P 500's -5.4% pullback has been a rise in the virus spread as the economy reopens. While an increase in cases was inevitable in our view, the increasing number of hospitalizations and percentage of tests coming back positive are concerning. Monitoring hospitalizations will be key, as worries over hospital capacity will put added pressure on government officials' decisions in restarting local economies. We are encouraged by improvements in treatments, mortality rates, length of hospital stays, and the potential for a vaccine. However, we expect volatility in the spread in the weeks and months ahead. We continue to believe that the bar is high for broad economic shutdowns again, but there are increasing odds of delayed reopenings or reversing reopening steps. This will impact volatility in equity markets, but could also result in further monetary and fiscal stimulus.

For now, we view this as a normal consolidation phase following the market's historic rally off the March 23rd lows. If the narrative does not shift (from stimulus and the economic restart), we think downside support in the 2956-3000 area likely holds (1-3% downside from current levels). However, if a more challenging narrative develops (i.e. the virus spread continues to accelerate and concerns on hospital capacity rise), the S&P 500 could push lower with support in the 2850-2736 area (6-10% potential pullback from current levels). Upside technical resistance lies in the 3163-3233 area in both scenarios. In the longer term path ahead, we believe the positives (namely unprecedented stimulus) outweigh the potential negatives. It makes logical sense for the market to slow down or pause in the short term following such enormous strength off the March 23rd lows. Importantly though, historical performance following similar surges out of recessionary bear markets has been very favorable over the next 12 months. This contributes to our positive bias and view that pullbacks should be used as buying opportunities.

Beneath the surface, relative strength from the more technology-oriented stocks are masking the pressure felt by many other stocks in the market's volatility. While the S&P 500 index is just -5.4% from its highs on 6/8, the average S&P 500 stock is down 12% since then. The more economically-sensitive areas- i.e. small caps, average consumer discretionary stock, industrials, and financials- have all now pulled back to their 50 DMA support. These are also the areas that will be more volatile if the virus spread deepens though. If they are able to hold technical support, we would look to buy partial positions in these more cyclical areas with a long term view.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
S&P 500	-5.6%	3.6%
S&P 500 (Equal-Weight)	-13.8%	-6.8%
Dow Jones Industrial Avg	-10.8%	-4.8%
NASDAQ Composite	10.4%	23.8%
Russell 2000	-16.7%	-9.2%
MSCI All-Cap World	-7.8%	-0.4%
MSCI Developed Markets	-12.2%	-6.8%
MSCI Emerging Markets	-9.3%	-4.0%
NYSE Alerian MLP	-37.1%	-44.7%
MSCI U.S. REIT	-21.7%	-19.4%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Information Technology	11.7%	27.3%
Consumer Discretionary	5.6%	10.9%
Communication Svcs.	-0.3%	11.0%
Health Care	-4.1%	14.5%
S&P 500	***-5.6%***	-
Consumer Staples	-8.2%	7.0%
Materials	-10.9%	2.5%
Real Estate	-12.2%	2.8%
Utilities	-12.6%	3.1%
Industrials	-18.1%	7.9%
Financials	-25.2%	10.2%
Energy	-38.2%	2.8%

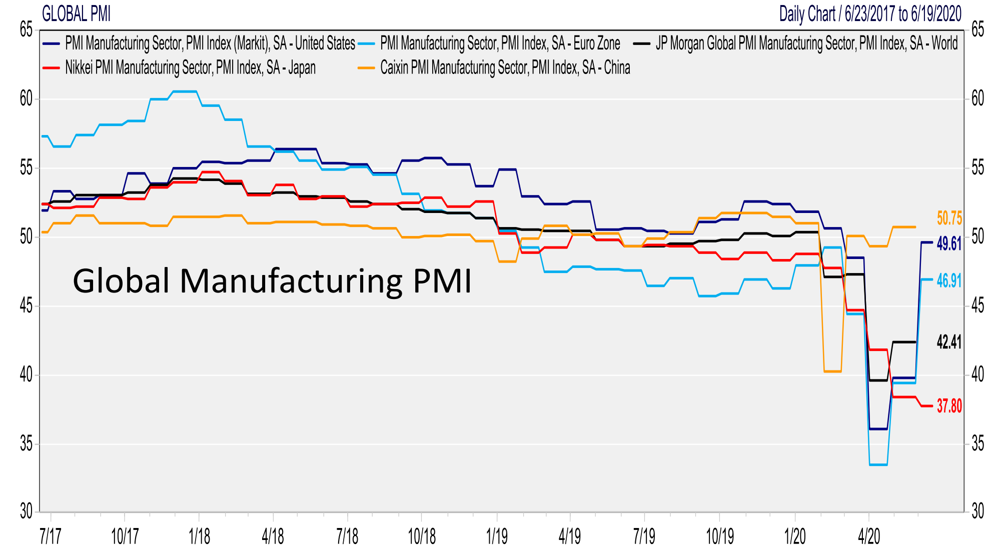
MACRO: US

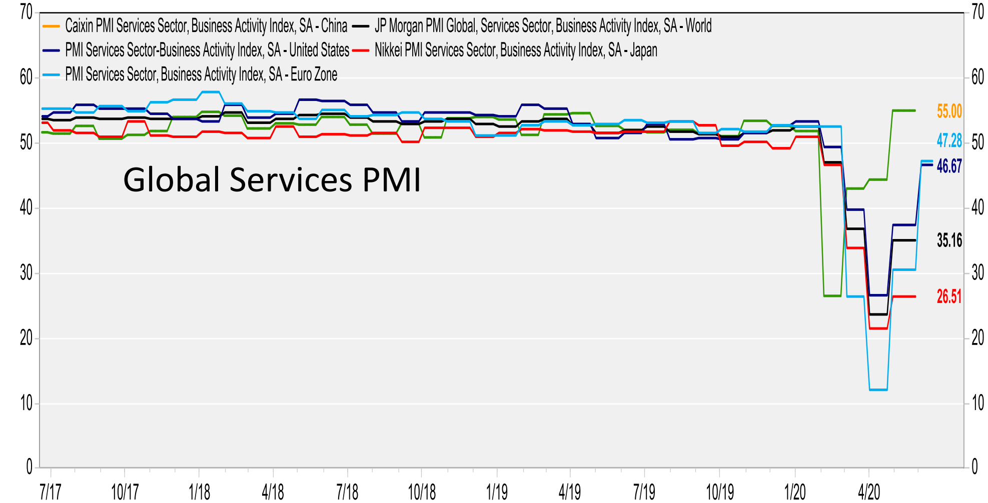
Global economic activity is restarting, evident in the PMI surveys. June US manufacturing PMI rose to 49.6 from 39.8 and services PMI rose to 46.7 from 37.5 (both above expectations). This was also the case in Europe with manufacturing PMI rising to 46.9 from 39.4 and services PMI rising to 47.3 from 30.5 (also both above expectations). These numbers are still short of expansion, but the sharp improvement is a welcome sign for the trajectory of the economic recovery.

Q1 GDP remained at -5% q/q in the final report. Looking ahead, Q2 is still expected to be the trough in economic growth with the consensus estimate for Q2 US GDP being -31.6% q/q. Importantly, forward estimates have generally been trending higher over the past couple months with Q3 GDP growth estimates reflecting 17.0% q/q growth, followed by 8% q/q growth in Q4. The sharp bounce back in economic data came from a very low prior base, so moving forward it will be important to see continued improvement. We expect the recovery to be mixed and gradual with the potential for more volatility in economic readings in the months ahead, particularly with uncertainty surrounding the virus spread.

US economic data reported in the past week:

Event	Period	Actual	Consensus	Prior
Chicago Fed National Activity Index	MAY	2.6	-4.5	-17.9
Existing Home Sales SAAR	MAY	3,910K	4,150K	4,330K
Building Permits SAAR (Final)	MAY	1,216K	1,220K	1,220K
PMI Composite SA (Preliminary)	JUN	46.8	44.0	37.0
Markit PMI Manufacturing SA (Preliminary)	JUN	49.6	46.0	39.8
Markit PMI Services SA (Preliminary)	JUN	46.7	45.0	37.5
New Home Sales SAAR	MAY	676.0K	632.0K	580.0K
Richmond Fed Index	JUN	0.0	-3.5	-27.0
FHFA Home Price Index	APR	288.3	-	287.7
Continuing Jobless Claims SA	06/13	19,522K	20,100K	20,289K
Durable Orders ex-Transportation SA M/M (Pr	MAY	4.0%	2.5%	-8.2%
Durable Orders SA M/M (Preliminary)	MAY	15.8%	10.6%	-18.1%
GDP SAAR Q/Q (Final)	Q1	-5.0%	-5.0%	-5.0%
GDP SA Y/Y (Final)	Q1	0.30%	0.30%	0.20%
Initial Claims SA	06/20	1,480K	1,325K	1,540K

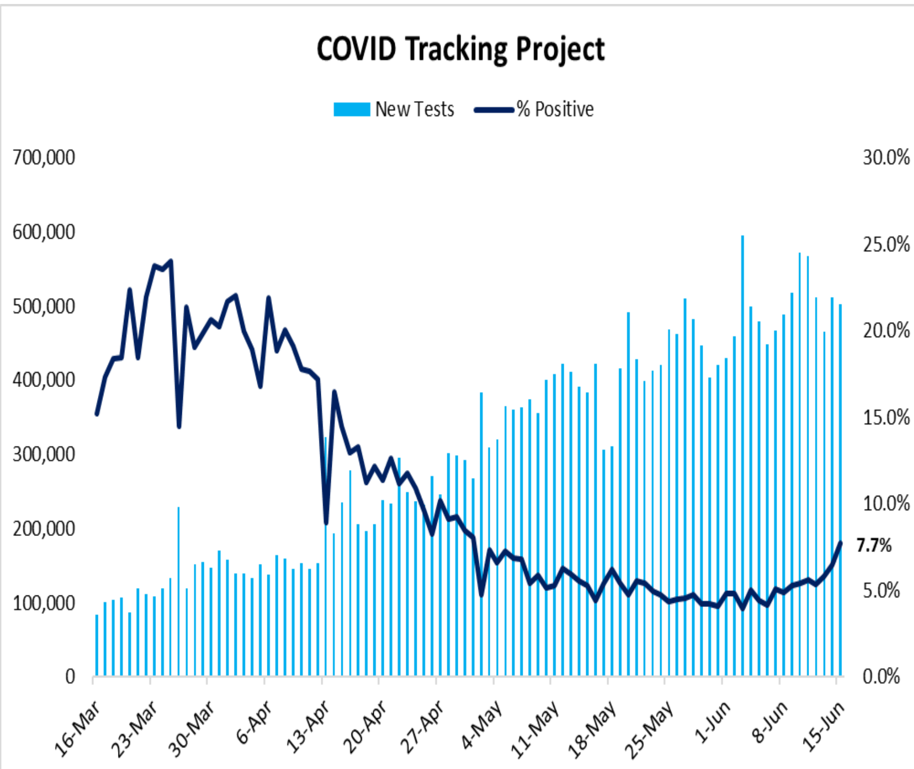


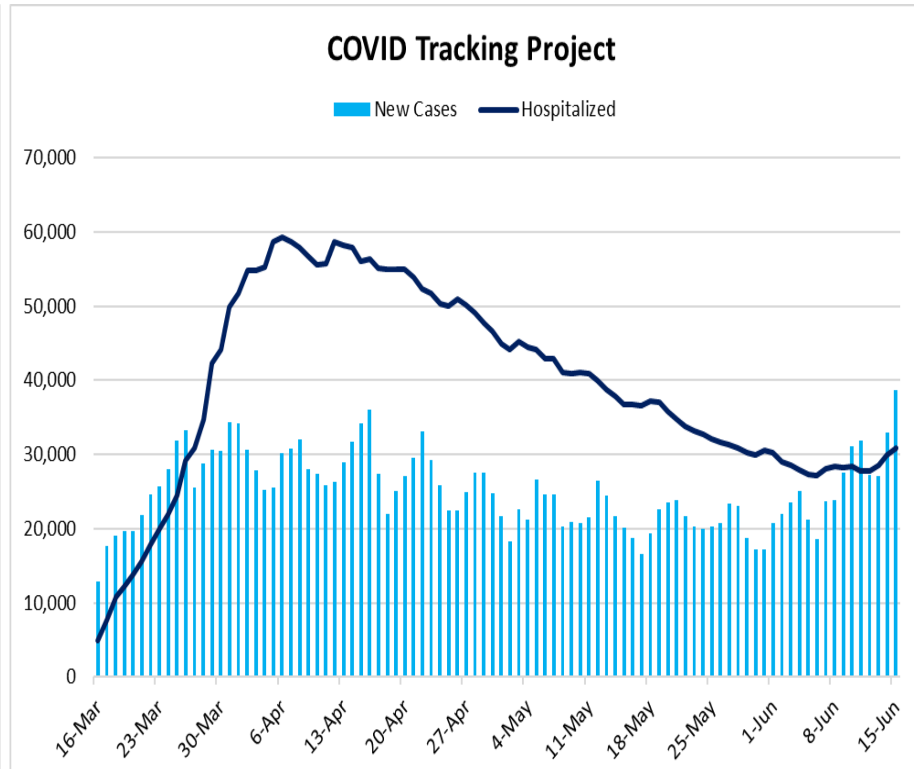


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

MACRO: VIRUS SPREAD

The virus spread remains a central focus of the market, and uncertainty surrounding its path remains very high. Over the past week, there has been a spike in new cases (highest new cases count since the pandemic began). While an increase in cases is inevitable as the economy reopens, the increasing number of hospitalizations and percentage of tests coming back positive are concerning. Hospitalizations are key because if hospitals become overwhelmed, tough decisions will need to be made by government officials. This is leading to volatility in the equity markets, as investors appropriately discount the uncertain path of the virus still ahead of us. We are encouraged by improvements in treatments, mortality rates, length of hospital stays, and the potential for a vaccine. However, we expect volatility in the spread in the months ahead, and these trends bear watching. We continue to believe that the bar is high for broad economic shutdowns again, but there are increasing odds of delayed re-openings or reversing some re-opening steps. Additionally, the increase in the virus spread is likely to put added pressure on Congress and the Fed for further stimulus.



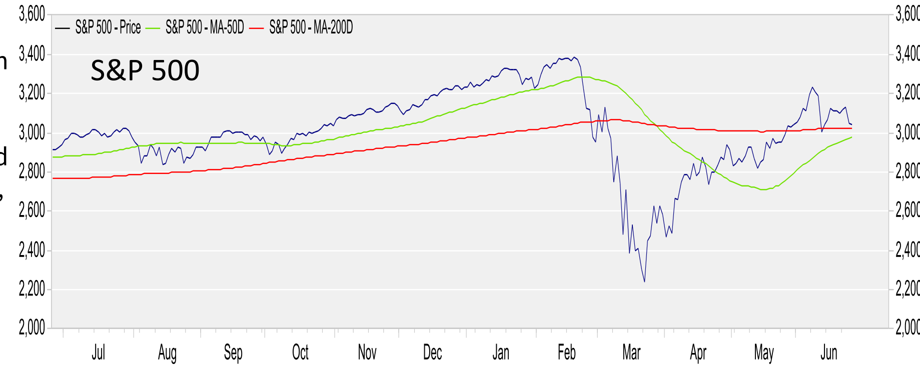


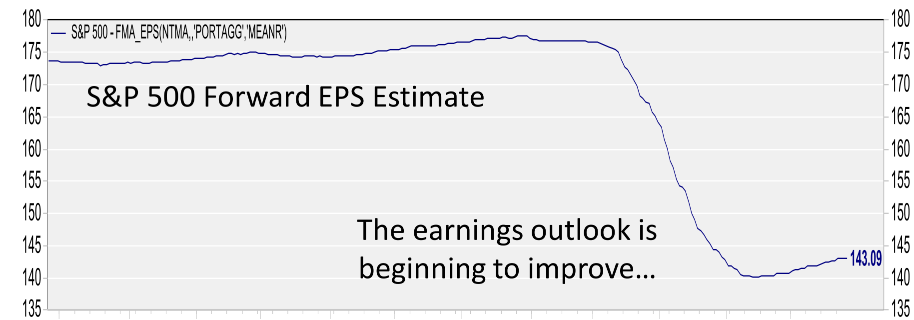
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

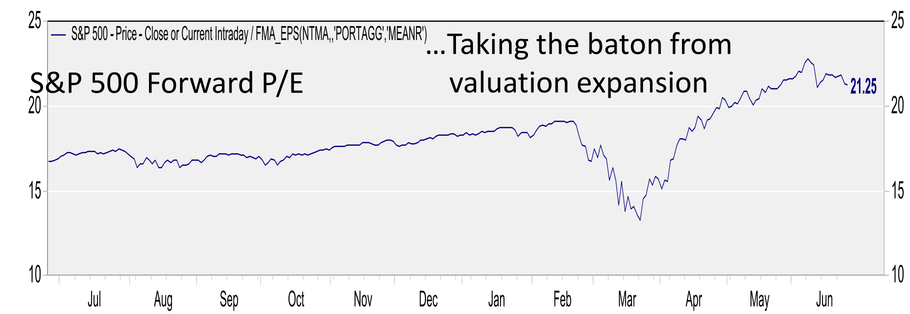
FUNDAMENTALS

With June approaching an end, Q2 earnings season will begin in a few weeks. Expectations are for S&P 500 earnings to contract by an enormous -43.3%, although a Q2 earnings trough has been known for a while now. All 11 sectors are expected to have earnings contractions this quarter with the most severe being the most economically-sensitive Energy, Consumer Discretionary, Industrials, Financials, and Materials sectors. Moving forward, 2020 and 2021 estimates have remained steady, resulting in an improving earnings outlook. With so much uncertainty surrounding the impact of the virus, it will be interesting to listen to company guidance on how they are functioning and see growth potential in the back half of this year.

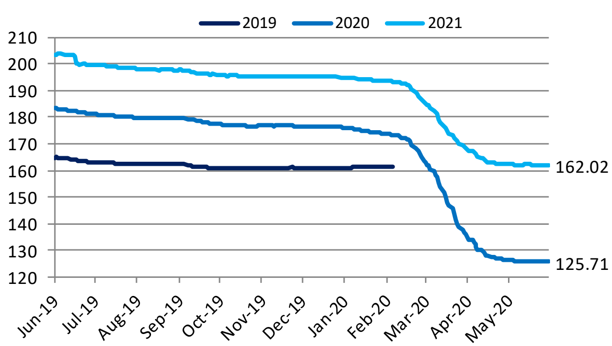
With forward earnings beginning to improve, we believe earnings will take over as the primary driver of market returns in the months ahead. However, we believe valuation can remain elevated given the unprecedented amount of stimulus, record-low interest rates (and likelihood they stay lower for longer), lack of inflation, and lack of attractive alternatives to equities. We use 3,111 as our base case S&P 500 price target for 2020. With the S&P 500 currently trading in line with this target, we would look to accumulate on pullbacks. Also our bull case target remains 3,384 (upside surprises to virus spread and consumer activity), and our bear case target remains 2431 (downside surprises to virus spread, consumer activity, as well as accelerating US/China trade tensions and odds of a Democratic swe







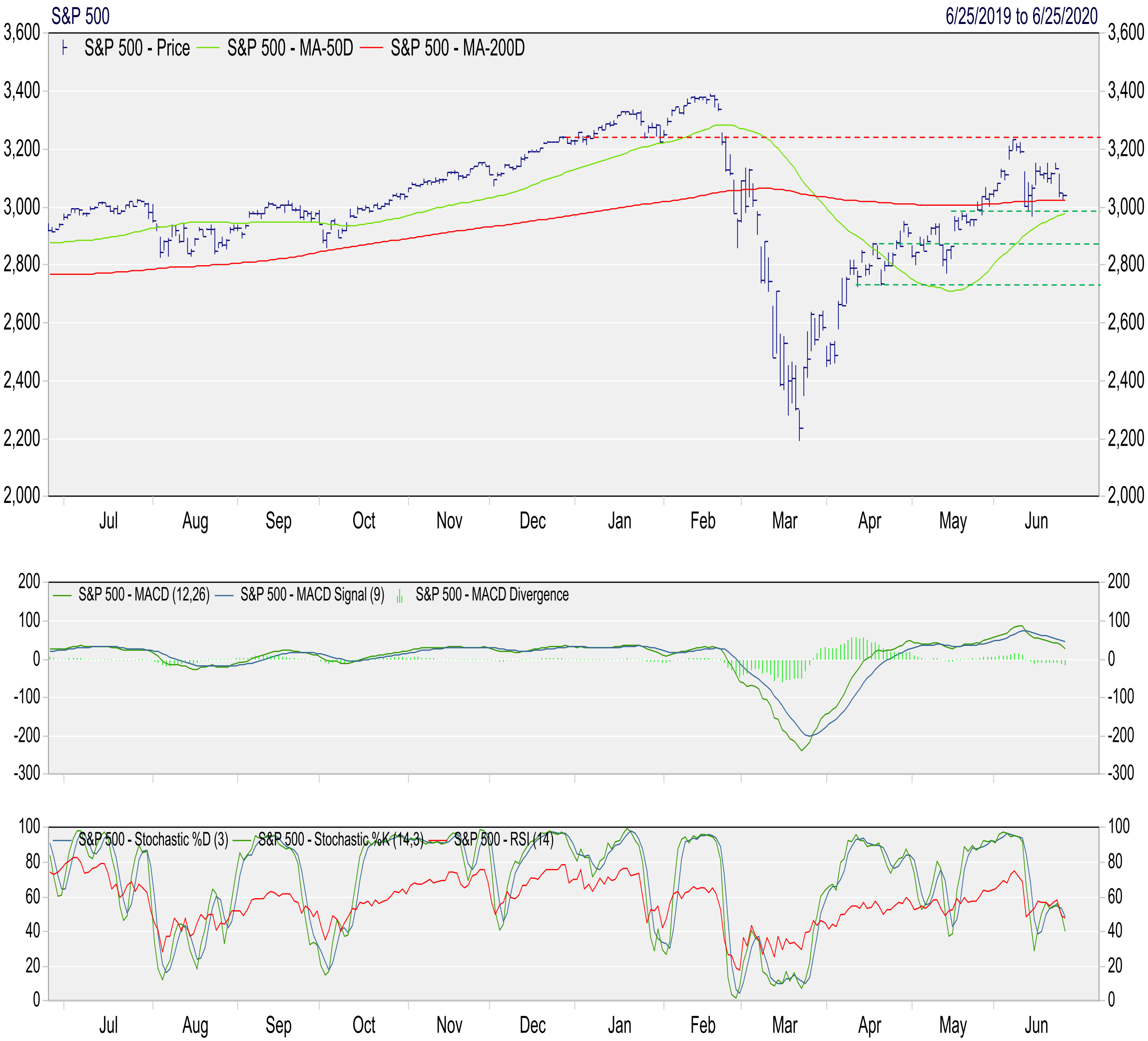
S&P 500 Consensus Earnings Estimates over Past Year



EPS Growth Estimates	
2019	1.5%
2020	-22.1%
2021	28.9%

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: SHORT TERM



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

Following a 13% 15-day up-move from 5/18 to 6/8, the S&P 500 has since been in a consolidation phase, currently trading just above its 200 DMA support level of 3020. Relative strength from the more technology-oriented stocks are masking the pressure felt by many stocks, with the average S&P 500 stock down 12% since recent market peak on 6/8. These stocks also saw outsized gains in the market rally though (average stock up 57% from 3/23-6/8).

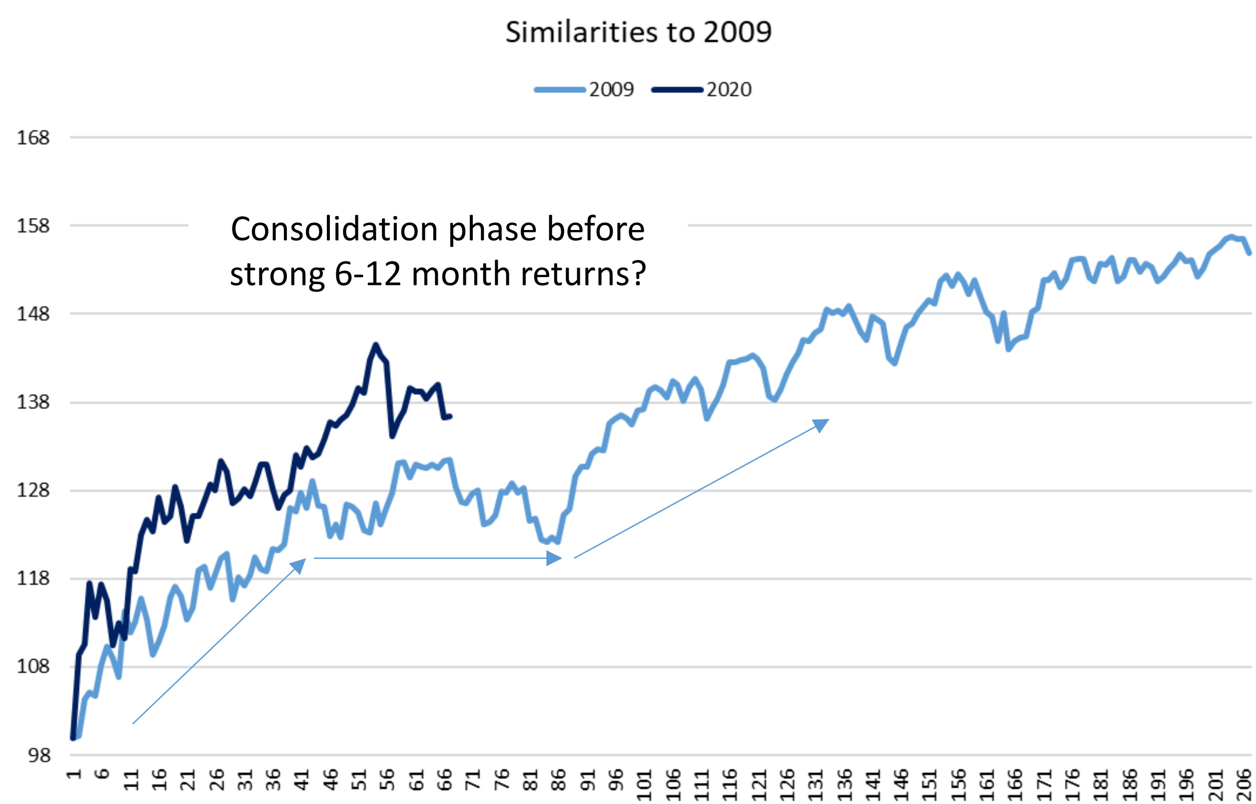
This makes logical sense for the market to slow down or pause in the short term following such enormous prior strength. Importantly though, historical performance following similar surges out of recessionary bear markets has been very favorable over the next 12 months. This contributes to our positive bias and view that pullbacks should be used as buying opportunities.

For now, we view this as a normal consolidation phase following the market's historic rally off the March 23rd lows. Short term stochastics are not yet oversold. If the narrative does not shift (from stimulus and the economic restart), we think downside support in the 2956-3000 area likely holds (~3% downside from current levels).

However, if a more challenging narrative develops (i.e. the virus spread continues to accelerate and concerns on hospital capacity rise), the S&P 500 could push lower with support in the 2850-2736 area (~10% potential pullback from current levels). Upside technical resistance lies in the 3163-3233 area in both scenarios.

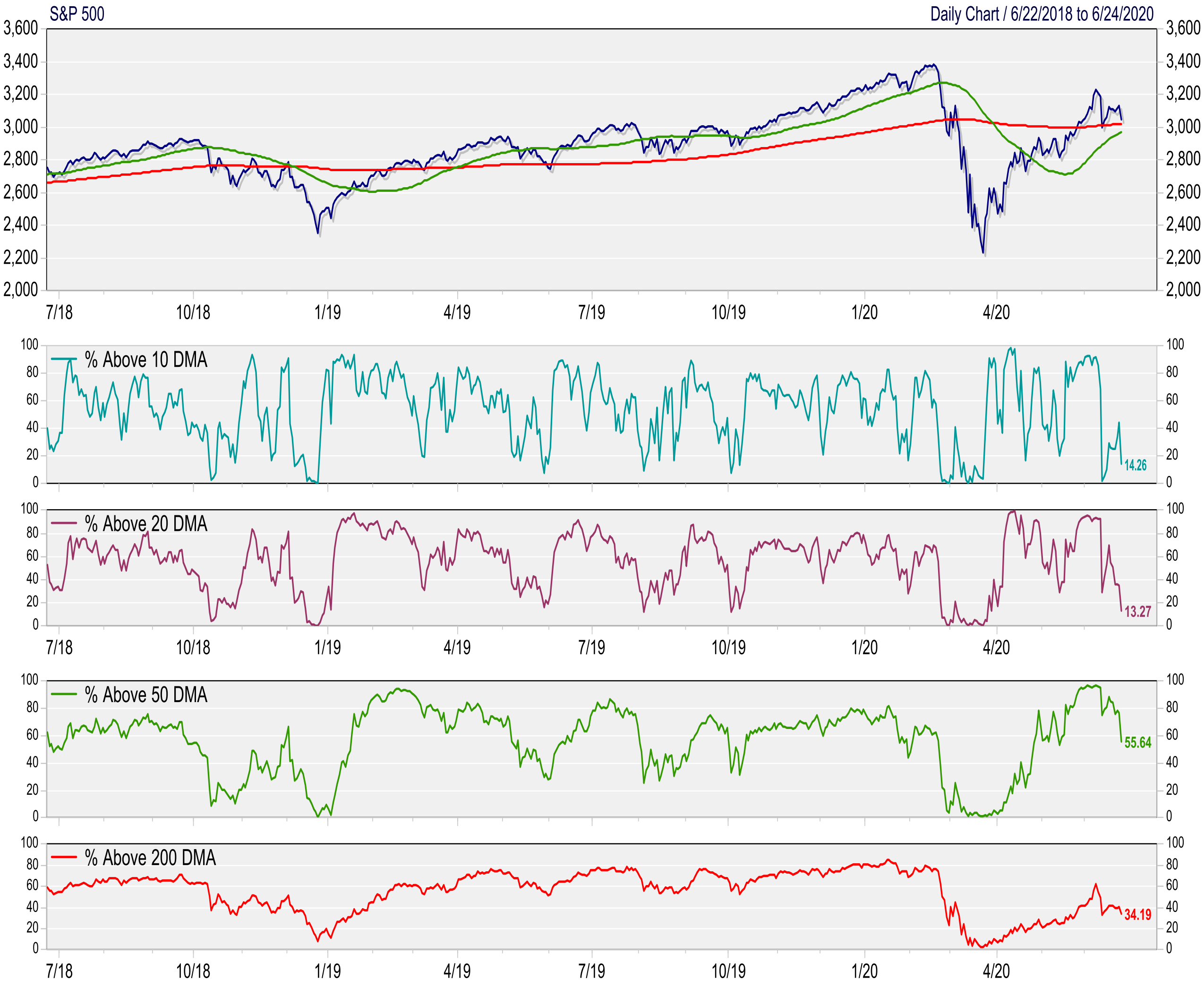
TECHNICAL: SIMILARITIES TO 2009

As we have shown in previous weekly updates, there are not many historical examples of surges to the extent that this recovery exhibited (up ~40% in 50 days)- with the only few similar periods also coming out of recessionary bear markets. The chart below shows the S&P 500 since the March 23rd low overlaid on the same chart with the S&P 500 recovery in 2009. As you can see, there are similarities in the price action. Following the initial surge higher, there was a pause/consolidation phase for a couple months before resuming higher into the next bull market. In the current environment, it makes logical sense for the market to slow down and bide some time in the short term as the fundamentals can begin to catch up to price. It is our view that this consolidation phase will likely be a good buying opportunity for the longer term, as similar periods historically have produced very strong gains in the next 6-12 months.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: SHORT TERM



The % of stocks above their 10 and 20 day moving averages is approaching oversold levels.

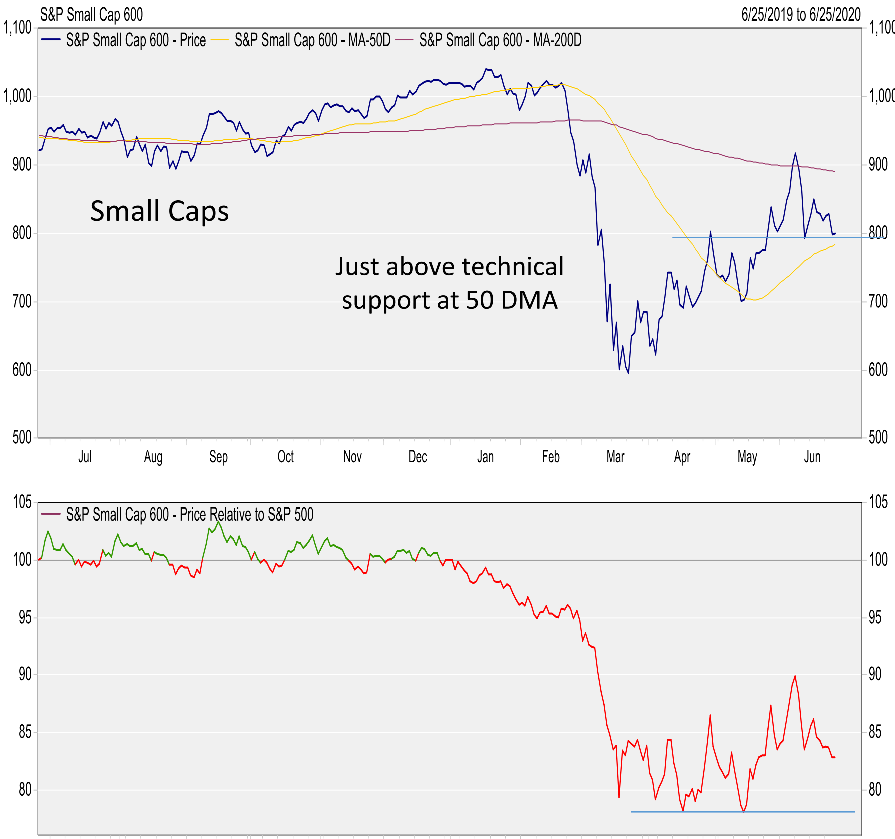
This follows a surge in the % of stocks above their 50 day moving average reaching over 95% at the end of May. 95% readings are very rare, but when they have happened historically, it is normal to experience a 5-10% drawdown as the market digests its prior strength.

Importantly though, following these consolidations, 6-12 month returns are often very strong. Once again, this contributes to our belief that pullbacks should be used as buying opportunities for the long term.

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: SMALL CAPS AND AVERAGE STOCK CONSOLIDATING JUST ABOVE 50 DMA SUPPORT

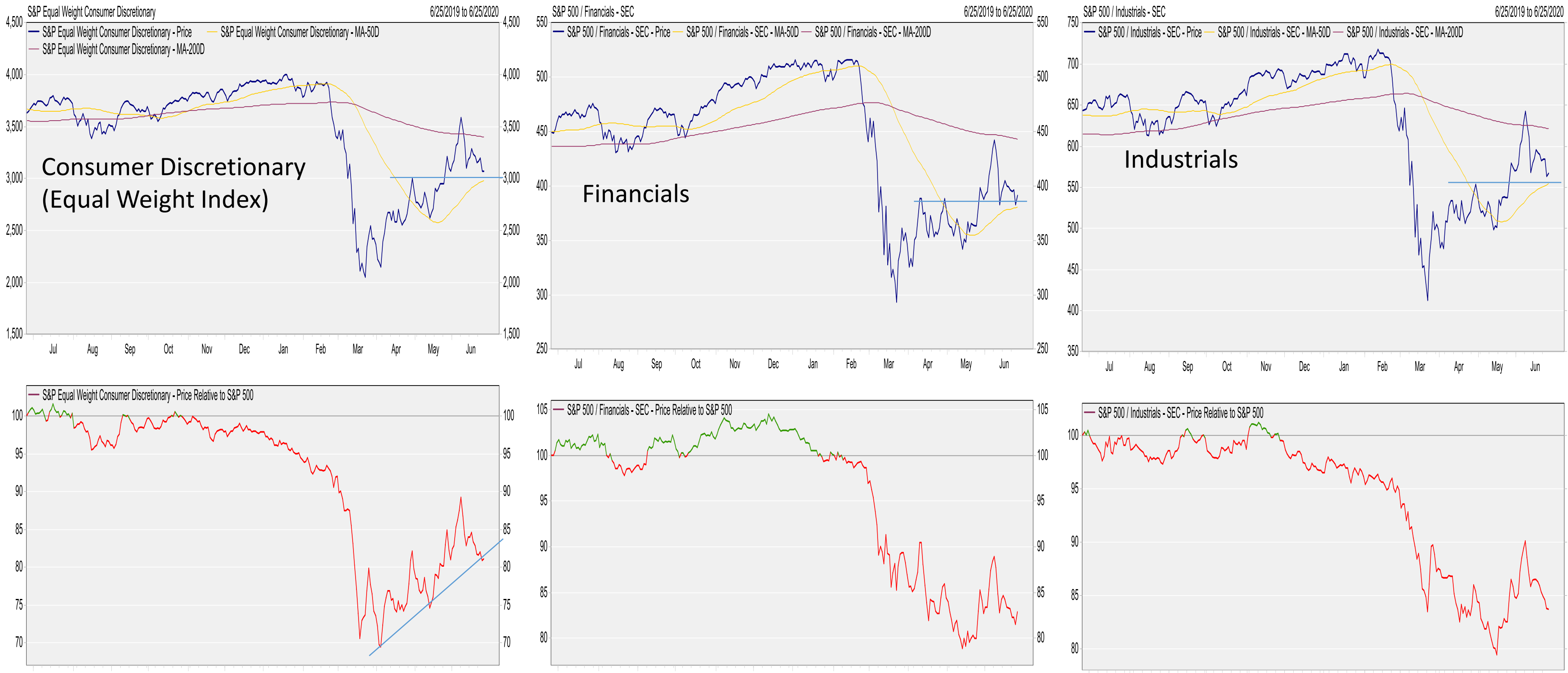
The small caps rallied 54% from March 23rd to the recent highs on June 8th, but quickly rolled over at 200 DMA resistance (pulling back -13% since then vs the S&P 500 at just -5.4%). For now, we view this as normal consolidation for the small caps to digest some of that prior strength. The S&P 500 equal weighted index (average stock) has experienced a similar trend, and both indexes have fluctuated just above their 50 DMA in recent weeks. We would like to see both hold support at the 50 DMA; and if they can, this warrants the purchase of partial positions in the small caps from a technical standpoint. It is important to remember that the small caps are very economically-sensitive and are bound to be more volatile if the virus spread worsens. However over the longer term, we are also interested in their ability to potentially outperform as the economy recovers over time.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: DEEP CYCLICAL AREAS CONSOLIDATING JUST ABOVE 50 DMA SUPPORT

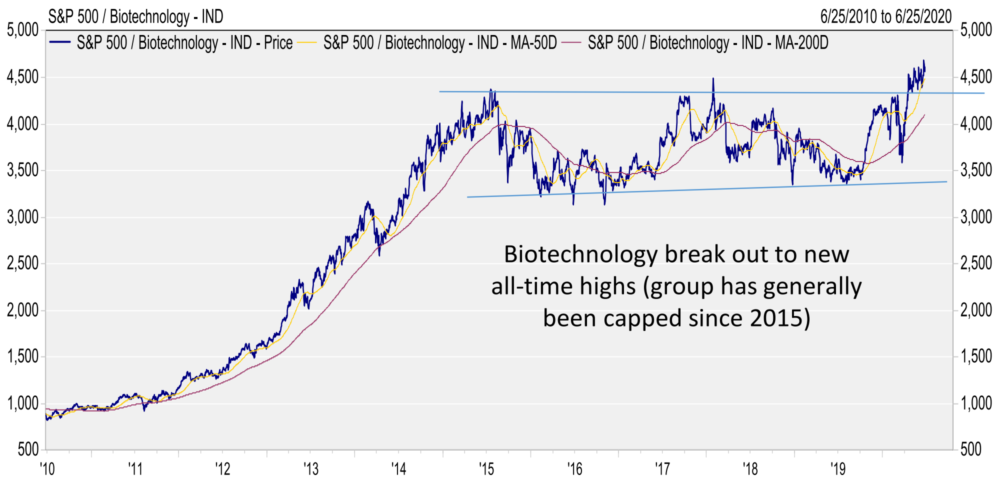
As mentioned previously, the Technology-oriented stocks have masked some of the larger deterioration beneath the surface in the past few weeks. For example, the S&P 500 is just -5.4% from its highs on 6/8, however Technology is actually 1% higher since 6/8, while Consumer Discretionary (AMZN-dominated cap-weight sector) and Communication Services are down just -2.6% and -3.0% respectively. These three sectors make up almost half of the S&P 500. On the flip side, the more economically-sensitive areas that recovered the most in the market rally from the March 23rd lows- i.e. average Consumer Discretionary stock, Industrials, and Financials- are down -14.8%, -12.5%, and -12.3% respectively since the 6/8 peak. All three of these areas are now trading just above technical support at their 50 DMA. We would like to see them hold support; and if they can, we would purchase partial positions in an attempt to add cyclical exposure for the long term economic recovery process.

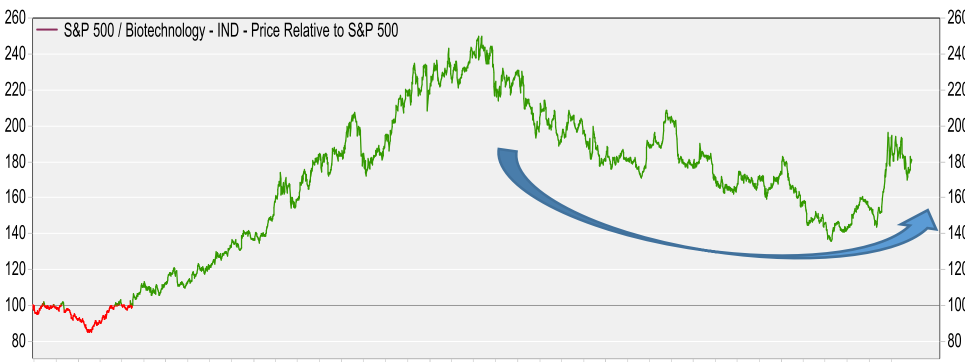


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

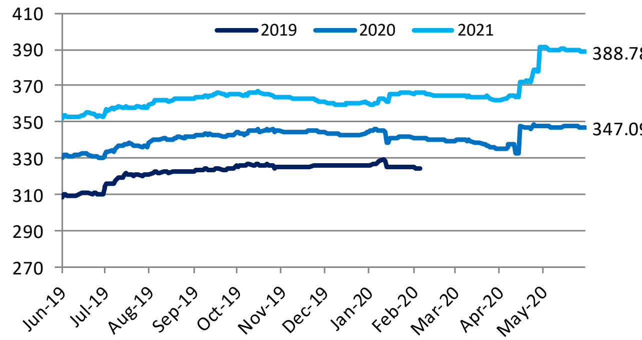
TECHNICAL: BIOTECHNOLOGY

The biotechnology subsector has traded very impressively of late. The group was able to break out of a 5-year range to new all-time highs (that have generally been set since 2015) and were able to hold on to those gains through the recent volatility. The subsector trades at just a 12.7x P/E, which is near its lowest P/E of the past 15 years and also a 40% discount to the S&P 500 P/E. Earnings can be volatile for the group but have held up very well lately- 2020 earnings estimates reflect 7.2% growth following 2019's 14.1%, and 2021 earnings are expected to grow by a further 12%. This is a good set up in our view for a subsector that is likely to receive heightened focus through the pandemic and on the other side of it.

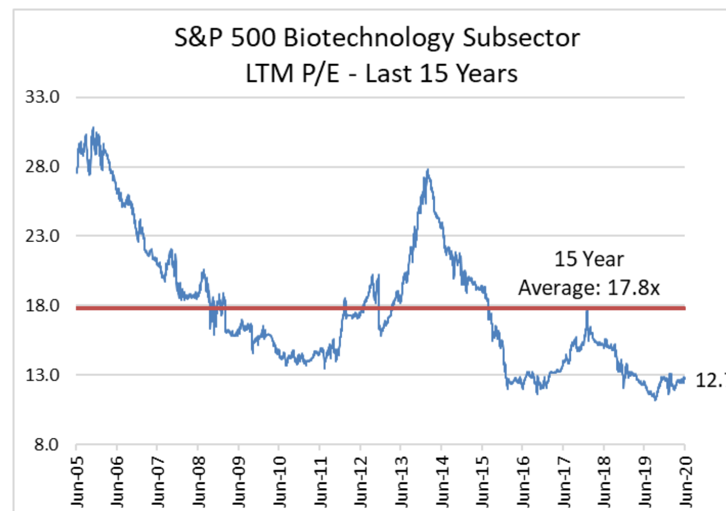




S&P 500 Biotechnology Consensus Earnings Estimates over Past Year



EPS Growth Estimates	
2019	14.1%
2020	7.2%
2021	12.0%



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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