RAYMOND JAMES

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Weekly Market Guide

Short-Term Summary: The S&P 500 trades at the high end of the range in place since June 8th. But although the index has generally moved sideways in recent weeks, there has been plenty of shuffling beneath the surface. After reaching extended levels in the short term, many of the large tech-oriented companies have consolidated in recent days. On the flip side, many of the more economically-sensitive cyclical areas have gained strength this week on optimism over a COVID-19 vaccine. We view this cyclical rotation as healthy for the market. Technology stocks have generally carried the market thus far, so these other areas will need to improve in order to push the S&P 500 materially higher.

Technically, S&P 500 resistance at the June 8th peak of 3233 remains in place. We would not be surprised for choppiness to continue in the short term, as numerous high-frequency economic indicators have stalled over the past several weeks. This comes in conjunction with a rise in the virus spread, accompanied by many communities pausing or even back-tracking on their economic reopening processes. Q2 earnings season is also underway, which is expected to mark the fundamental trough of the virus impact (S&P 500 earnings expected to contract -44%). Due to a lack of guidance in Q1 and vast uncertainty in the current environment, analyst estimates are historically wide. This can lead to large surprises and also large swings on results. For example, 11 financials stocks have reported thus far with 7 trading up by an average of 2.1% while 4 traded lower by an average of -4.1% on their announcements. On the whole, 21 S&P 500 stocks have reported and experienced an average price reaction of 0.15%. Q2 earnings season ramps up next week with 79 S&P 500 companies reporting. The most stable earnings are expected from the Utilities, Technology, and Health Care sectors. Since the end of Q1 earnings season, the best estimate revisions have also come from these three sectors with particular strength from Health Care.

Despite our belief that the market could experience more sideways grind as it continues its range-bound trading in the short term, we continue to believe that weakness should be used to opportunistically accumulate favored stocks for the longer term. We acknowledge the potential for volatility to occur (virus spread, election, China tensions), but believe the enormous global stimulus outweighs these potential concerns. Technically, the S&P 500 experienced a golden cross over the past week (50 day moving average crosses back above the 200 DMA). Historically, when this has occurred out of bear markets, the returns are very bullish. In the prior 9 times since 1930, every period saw the S&P 500 move higher over the next 12 months by an average of 23.8%.

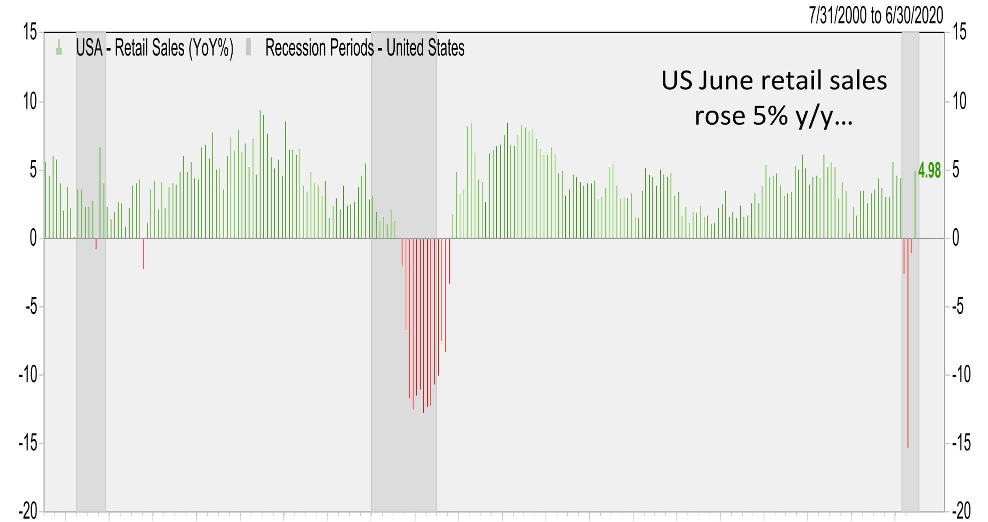
Equity Market Indices	Price Return Year to Date	Price Return 12 Months
S&P 500	-0.1%	7.0%
S&P 500 (Equal-Weight)	-8.5%	-3.4%
Dow Jones Industrial Avg	-5.8%	-1.8%
NASDAQ Composite	17.6%	27.8%
Russell 2000	-11.4%	-5.3%
MSCI All-Cap World	-2.7%	3.5%
MSCI Developed Markets	-8.5%	-3.2%
MSCI Emerging Markets	-4.3%	0.8%
NYSE Alerian MLP	-41.2%	-50.1%
MSCI U.S. REIT	-20.2%	-18.2%

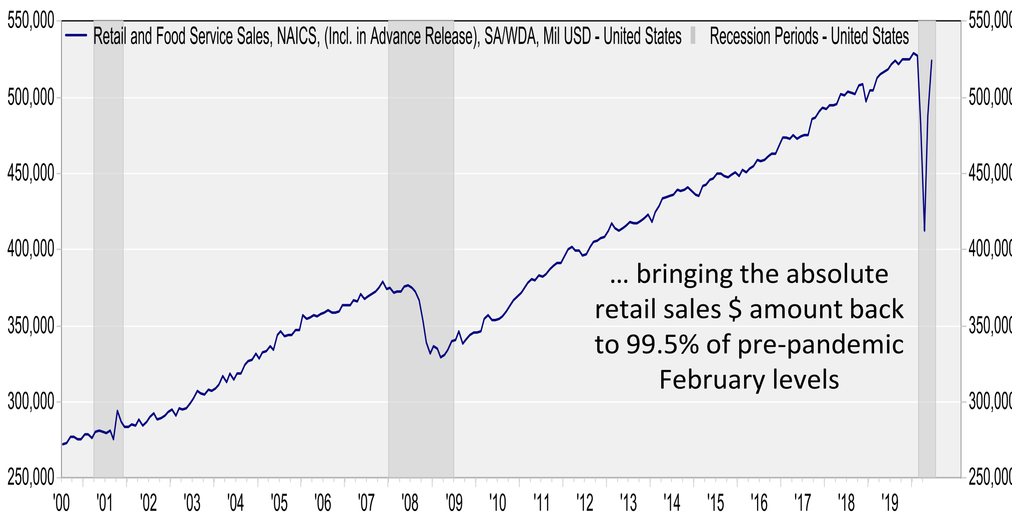
S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Information Technology	17.5%	27.2%
Consumer Discretionary	13.4%	11.1%
Communication Svcs.	5.1%	11.0%
Health Care	2.6%	14.7%
S&P 500	***-0.1%***	-
Materials	-1.4%	2.6%
Consumer Staples	-3.0%	7.0%
Real Estate	-9.7%	2.7%
Utilities	-10.1%	3.0%
Industrials	-12.1%	8.0%
Financials	-21.5%	10.1%
Energy	-37.8%	2.7%

MACRO: US

June US retail sales surprised to the upside, growing 7.5% m/m vs expectations of 5.3%. This follows an 18.2% m/m surge in May that followed an exceptionally weak April (height of the economic shutdown). The past two month's gains have taken the total amount of US retail sales back in line with pre-pandemic February levels. This is pretty extraordinary and we believe reflects how enormous stimulus has supported the consumer through the economic shutdown. The NAHB housing market index, which rose to a strong 72 this week, also reflects this economic support and record low interest rates.

Moreover, further stimulus is expected to come. Congress is debating the next fiscal package (likely will be greater than $1T) that will support local and state governments, schools, and individuals. The labor market also continues to recover, which should support consumer spending in the period ahead (important as the consumer is ~70% of the US economy).





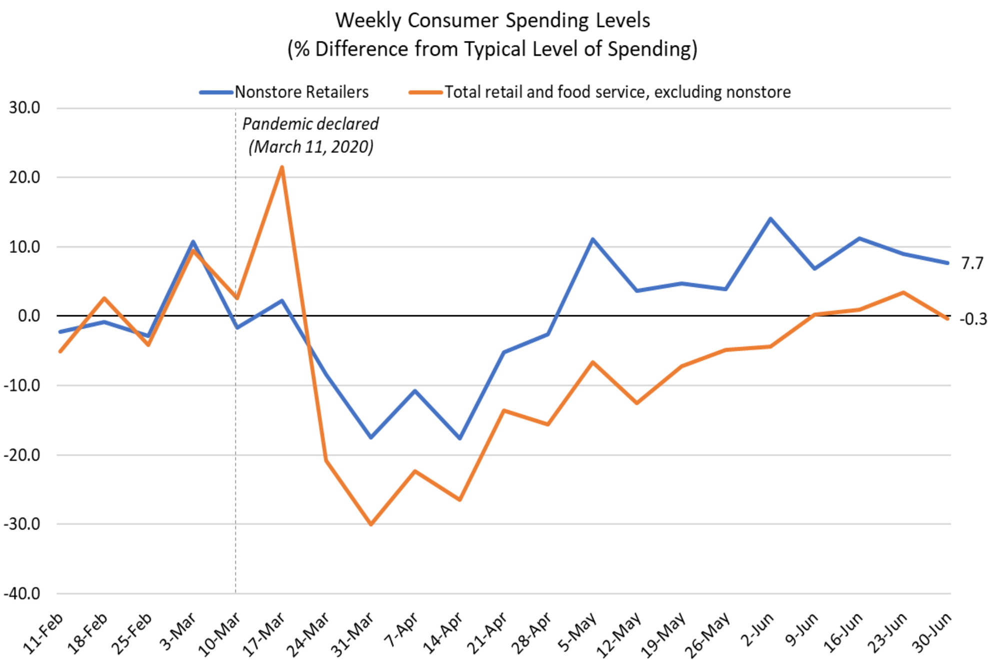
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

US economic data reported in the past week:

Event	Period	Actual	Consensus	Prior
PPI SA M/M	JUN	-0.20%	0.40%	0.40%
PPI NSA Y/Y	JUN	-0.84%	-0.25%	-0.84%
Treasury Budget NSA	JUN	-$864.1B	-$864.0B	-$398.8B
NFIB Small Business Index	JUN	100.6	-	94.4
CPI SA M/M	JUN	0.60%	0.50%	-0.10%
CPI NSA Y/Y	JUN	0.60%	0.60%	0.10%
Export Price Index NSA M/M	JUN	1.4%	0.80%	0.40%
Import Price Index NSA M/M	JUN	1.4%	1.0%	0.80%
Empire State Index SA	JUL	17.2	10.0	-0.20
Capacity Utilization NSA	JUN	68.6%	67.5%	65.1%
Industrial Production SA M/M	JUN	5.4%	4.3%	1.4%
Continuing Jobless Claims SA	07/04	17,338K	17,700K	17,760K
Initial Claims SA	07/11	1,300K	1,250K	1,310K
Philadelphia Fed Index SA	JUL	24.1	20.0	27.5
Retail Sales ex-Auto SA M/M	JUN	7.3%	5.0%	12.1%
Retail Sales SA M/M	JUN	7.5%	5.3%	18.2%
Business Inventories SA M/M	MAY	-2.3%	-2.3%	-1.4%
NAHB Housing Market Index SA	JUL	72.0	61.0	58.0

CONSUMER TRENDS

Retail sales have quickly recovered back to pre-pandemic levels in aggregate, as shown on the previous page. This is also reflected below, as you can see that total retail spending is back to typical spending levels, according to the Bureau of Economic Analysis. However, beneath the surface there are obviously clear winners and losers in the current environment. For example, Sporting Goods, Hobby, Musical Instruments, and Book Stores are leading the way at 21% above typical spending levels; whereas Accommodation is still 58% below typical spending levels. Non-store retailers (e-commerce) have also clearly taken share from brick-and-mortar stores in this environment, as non-store retailers are seeing spending 7.7% above what is considered typical. We would not focus on the absolute numbers since these are estimates and also only track card transactions. Decreased usage of cash transactions in this environment could be impacting the data. However, we do view the general trends as valuable for gleaning subsector fundamentals. Also, in aggregate we believe the data also reflects why the market has been more range-bound lately. As you can see, the consumer spending trends have generally stalled out since early June, in conjunction with the S&P 500 as well as a pick up in the spread of the virus (and increased mitigation measures by local governments). If the virus spread deepens, we would expect the areas running above typical spending levels to relatively benefit. Whereas, if the virus spread subsides and reopenings accelerate, the hardest hit areas (with the longest roads to recovery) could see outsized gains in their stock prices as they catch up.

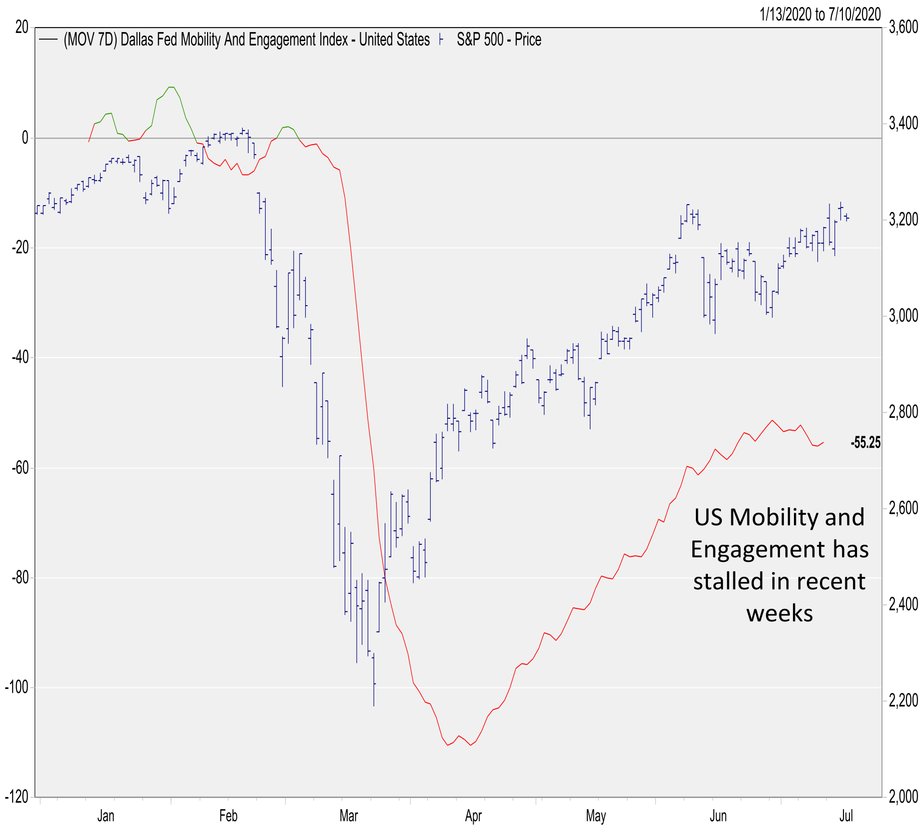


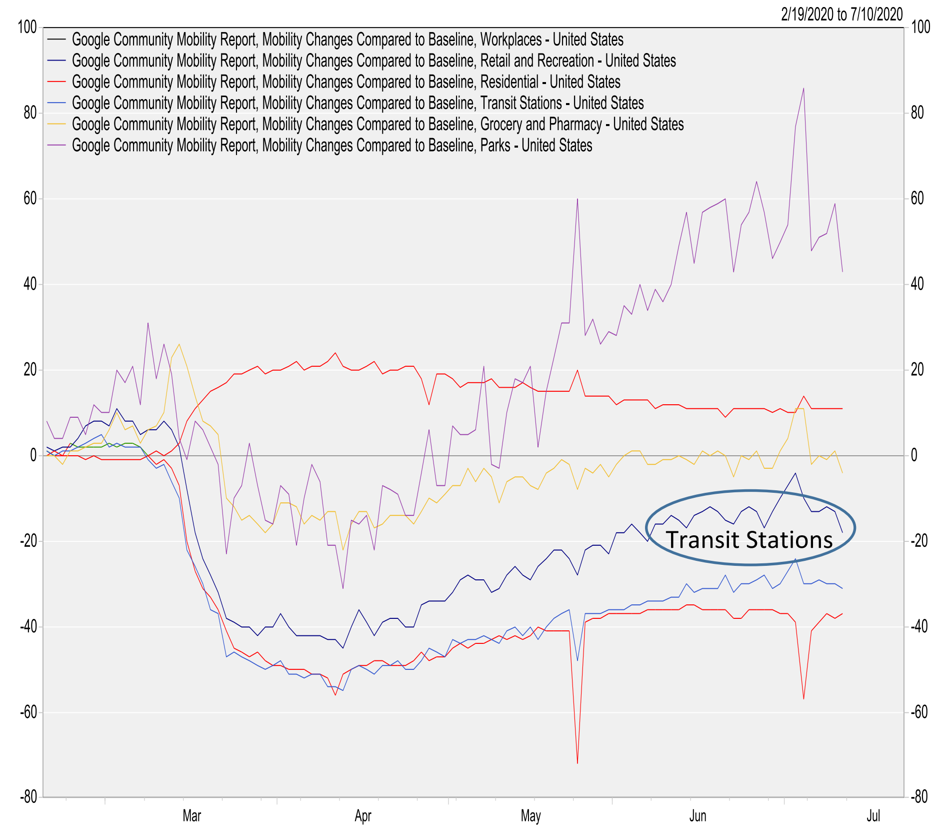
Industry	Week ending June 30th
Sporting Goods, Hobby, Musical Instr, and Book Stores	21.4
Building Material and Garden Equip and Supplies Dlrs	20.5
Automotive Parts, Accessories, and Tire Stores	19.3
Furniture and Home Furnishings Stores	17.6
Food and Beverage Stores	14.5
Electronics and Appliance Stores	13.0
General Merchandise Stores	11.6
Nonstore Retailers	**7.7**
Repair and Maintenance	2.1
Health and Personal Care Stores	-3.7
Ambulatory Health Care Services	-6.4
Miscellaneous Store Retailers	-8.5
Clothing and Clothing Accessories Stores	-10.2
Gasoline Stations	-24.6
Food Services and Drinking Places	-35.3
Amusement, Gambling, and Recreation Industries	-49.2
Accommodation	-57.9
Total retail and food service1	**0.2**
Total retail and food service, excluding nonstore	**-0.3**

Source: FactSet, Bureau of Economic Analysis (BEA), Raymond James Equity Portfolio & Technical Strategy

MOBILITY AND ENGAGEMENT INDICATORS

The Dallas Fed Mobility and Engagement index can also be used as a measure of individual activity relative to what is considered normal. As you can see, mobility and engagement in the US has slowed in recent weeks, in tandem with a rise in US hospitalizations from COVID-19. This corresponds with Google Community Mobility data that also indicates mobility relative to typical levels. Google Mobility of transit stations (dark blue line of bottom right chart), which should give a glimpse of activity, has slowed since mid-June at roughly 20% below normal levels. These indicators support the notion that consumer activity has stalled in recent weeks as the virus spread has intensified and local communities have increased their mitigation efforts. We view this as a headwind for the short term, which contributes to our stance that equities could continue their range-bound trading.

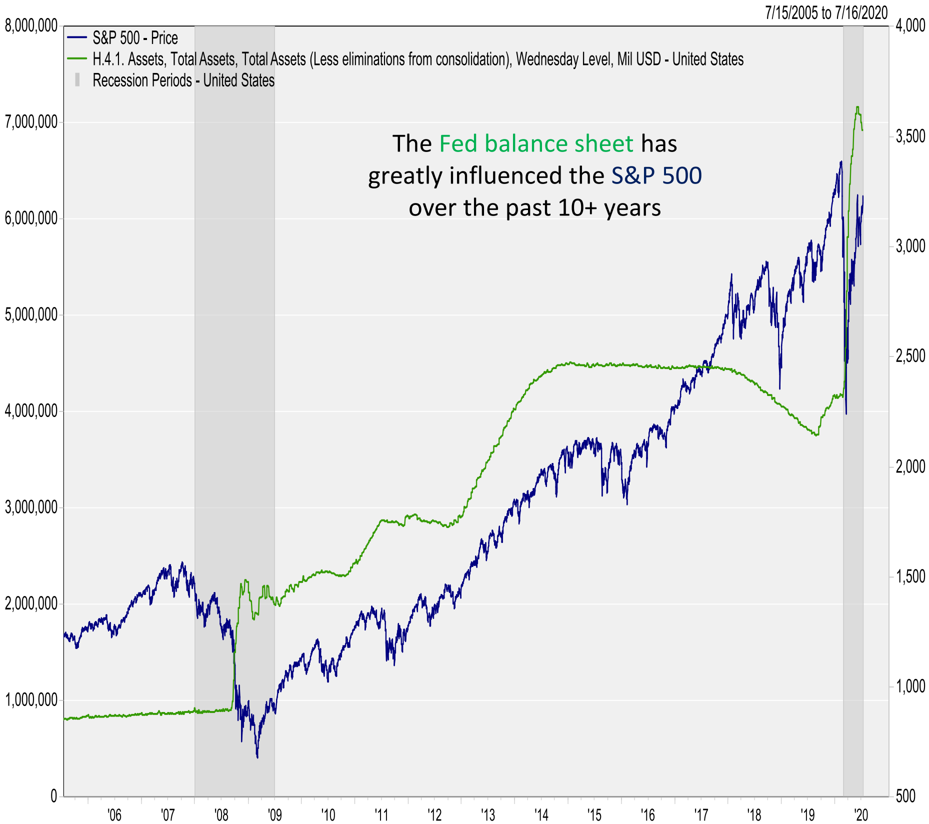


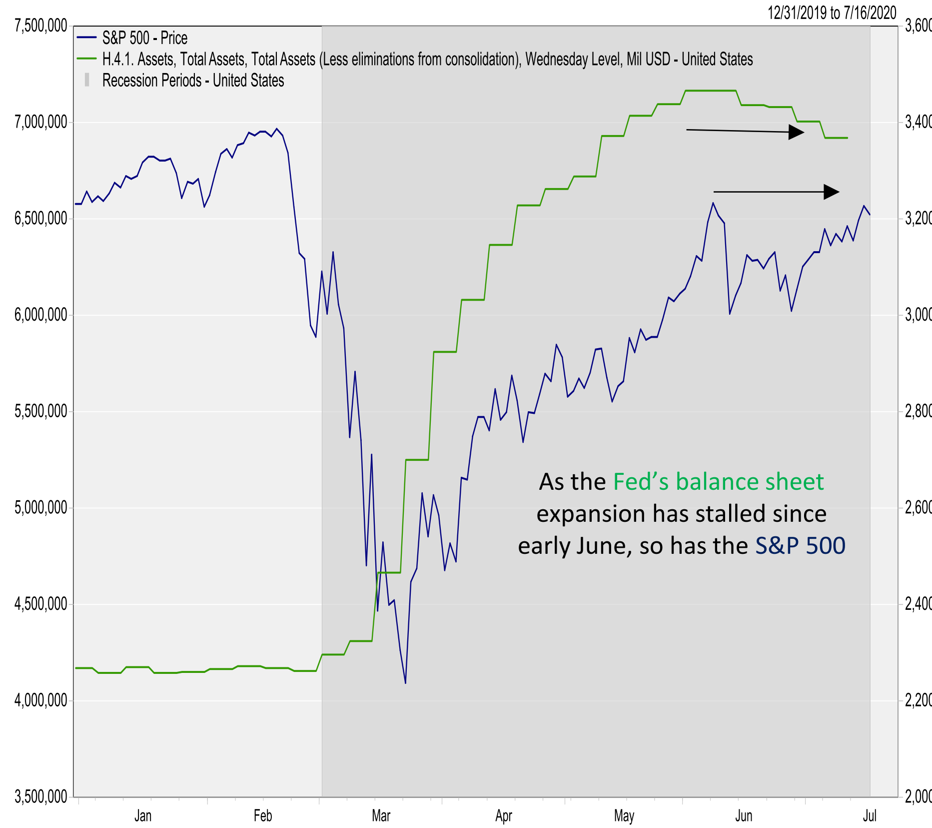


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FED BALANCE SHEET

In addition to some of the high-frequency economic data stalling out in recent weeks as the virus spread has increased, monetary stimulus has also subsided. Monetary stimulus has had a large impact on the equity markets since the 2008-2009 financial crisis (bottom left chart). As you can see in the bottom right chart, the S&P 500 rally was fueled by enormous monetary stimulus. As the Fed's balance sheet has stalled since early June, the S&P 500 has grinded sideways. We continue to view monetary stimulus as supportive, and the Fed has the ability and intent to use further stimulus as needed in the economic recovery. So in the short term, less stimulus contributes to our view that the market could continue its range-bound trading (mid-3200s to mid-2900s). However, we would use potential weakness toward the bottom end of this range as opportunity to continue accumulating favored sectors and stocks.

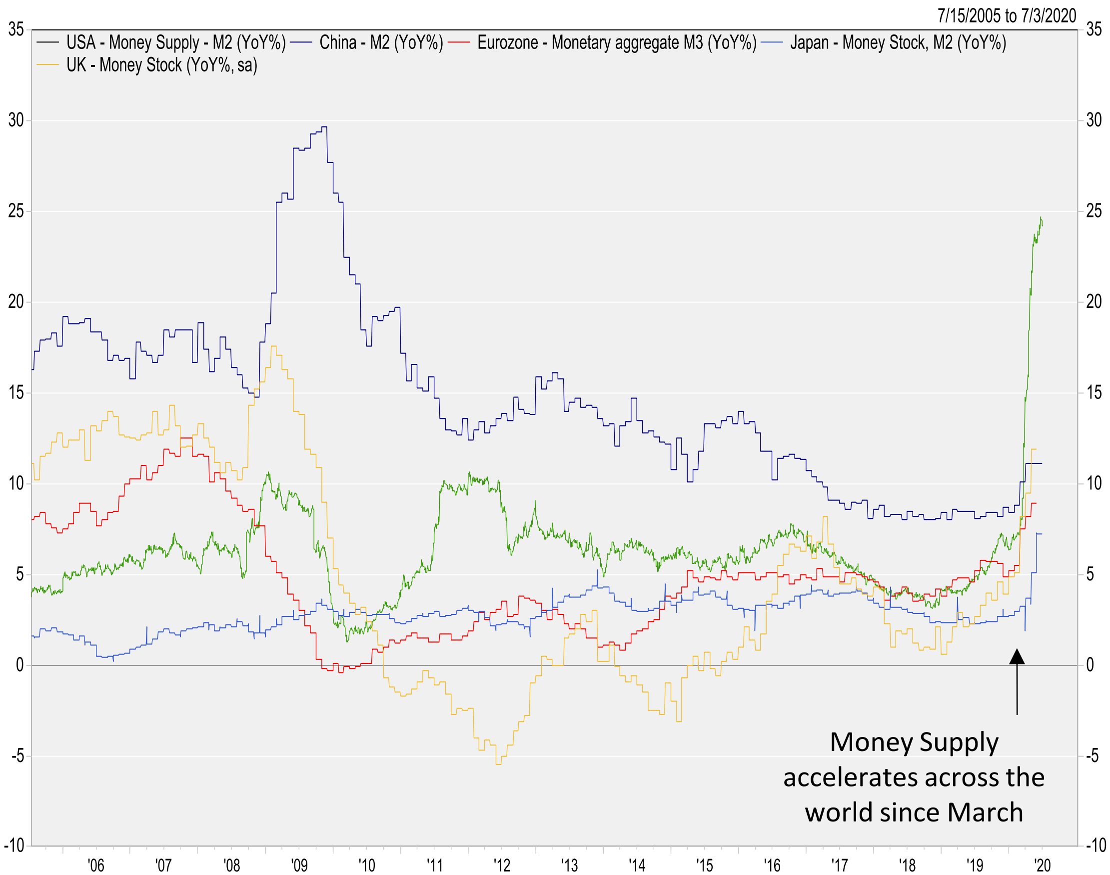


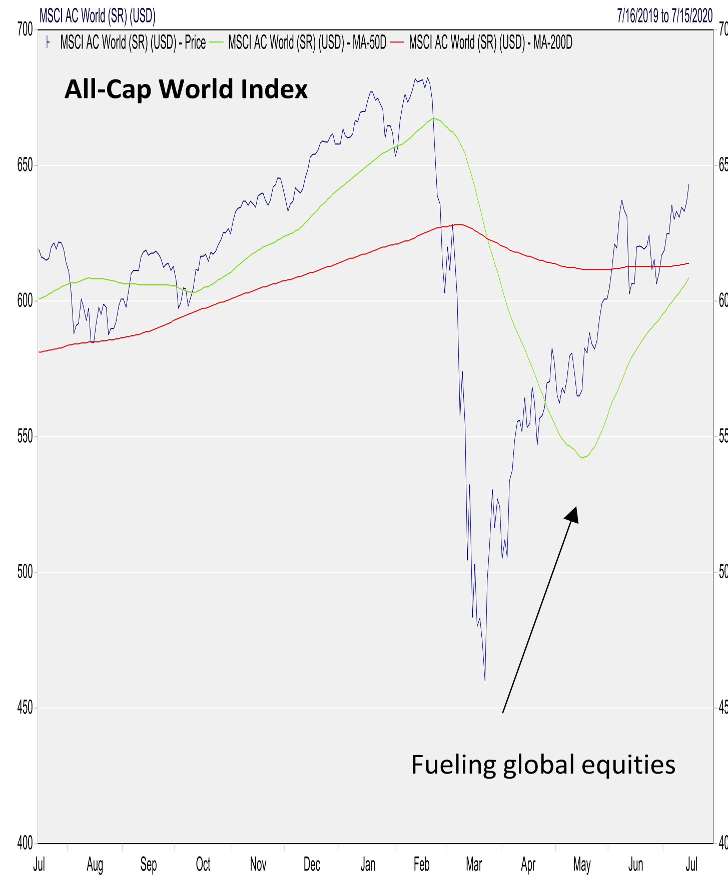


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

CENTRAL BANK BALANCE SHEETS

Stimulus is not just a US phenomenon, as central banks and governments all around the world have enacted an enormous policy response through the shutdown. This is seen below with the money supply/velocity of money for various countries and regions. As the velocity of money has accelerated since March in these economies, so have global equities. Once again, we view this stimulus (with more likely to come) as a tailwind to the economic recovery process and global equities.





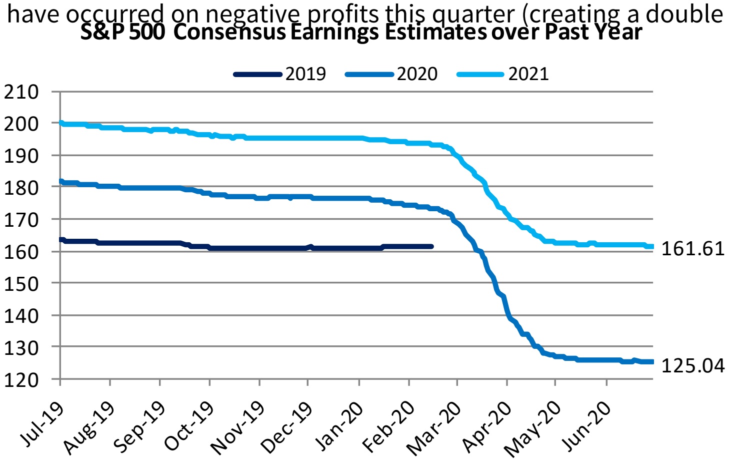
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FUNDAMENTALS

Q2 earnings season got underway this week, which is expected to mark the fundamental trough of the virus impact. S&P 500 earnings are expected to contract -44% this quarter and see directional improvement over the next year, as earnings are expected to get back to 2019 levels by the end of 2021. Due to a lack of guidance in Q1 and vast uncertainty in the current environment, analyst estimates are historically wide. This can lead to large surprises and also large swings on results. For example, 11 financials stocks have reported thus far with 7 trading up by an average of 2.1% while 4 traded lower by an average of -4.1% on their announcements. On the whole, 21 S&P 500 stocks have reported thus far and experienced an average price reaction of 0.15%.

Q2 earnings season ramps up next week with 79 S&P 500 companies reporting. The most stable earnings are expected from the Utilities, Technology, and Health Care sectors (table to top right). Since the end of Q1 earnings season, the best estimate revisions have also come from these three sectors with particular strength from Health Care. Health care has seen its Q2 earnings estimate rise 8.2%, led by positive revisions from the equipment & services stocks. Please note, Consumer Discretionary and Energy estimate revisions look positive, but that is because negative revisions have occurred on negative profits this quarter (creating a double negative).

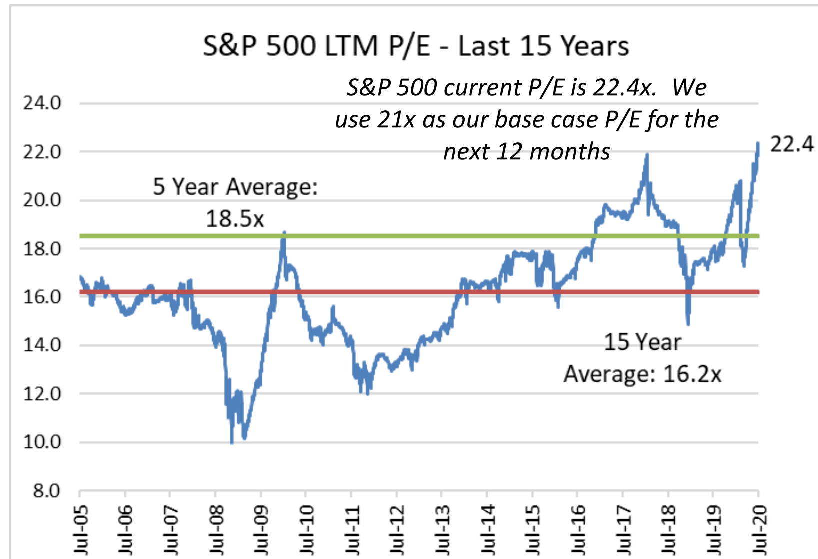
Sector	Q2 Est. EPS Growth	Q2 EPS Est Chg Since 12/31/2019	Q2 EPS Est Chg Since 5/31/2020
Utilities	-4%	-7.8%	1.3%
Technology	-8%	-14.7%	0.7%
Health Care	-10%	-14.2%	8.2%
Real Estate	-13%	-17.1%	-0.5%
Consumer Staples	-17%	-20.8%	-1.0%
Communication Services	-32%	-37.2%	-0.7%
Materials	-38%	-45.7%	-3.2%
S&P 500	**-44%**	**-47.2%**	**-0.8%**
Financials	-50%	-49.6%	-3.7%
Industrials	-90%	-91.7%	-18.6%
Consumer Discretionary	-118%	-116.6%	55.2%
Energy	-154%	-153.5%	16.4%



EPS Growth Estimates	
2019	1.5%
2020	-22.6%
2021	29.5%

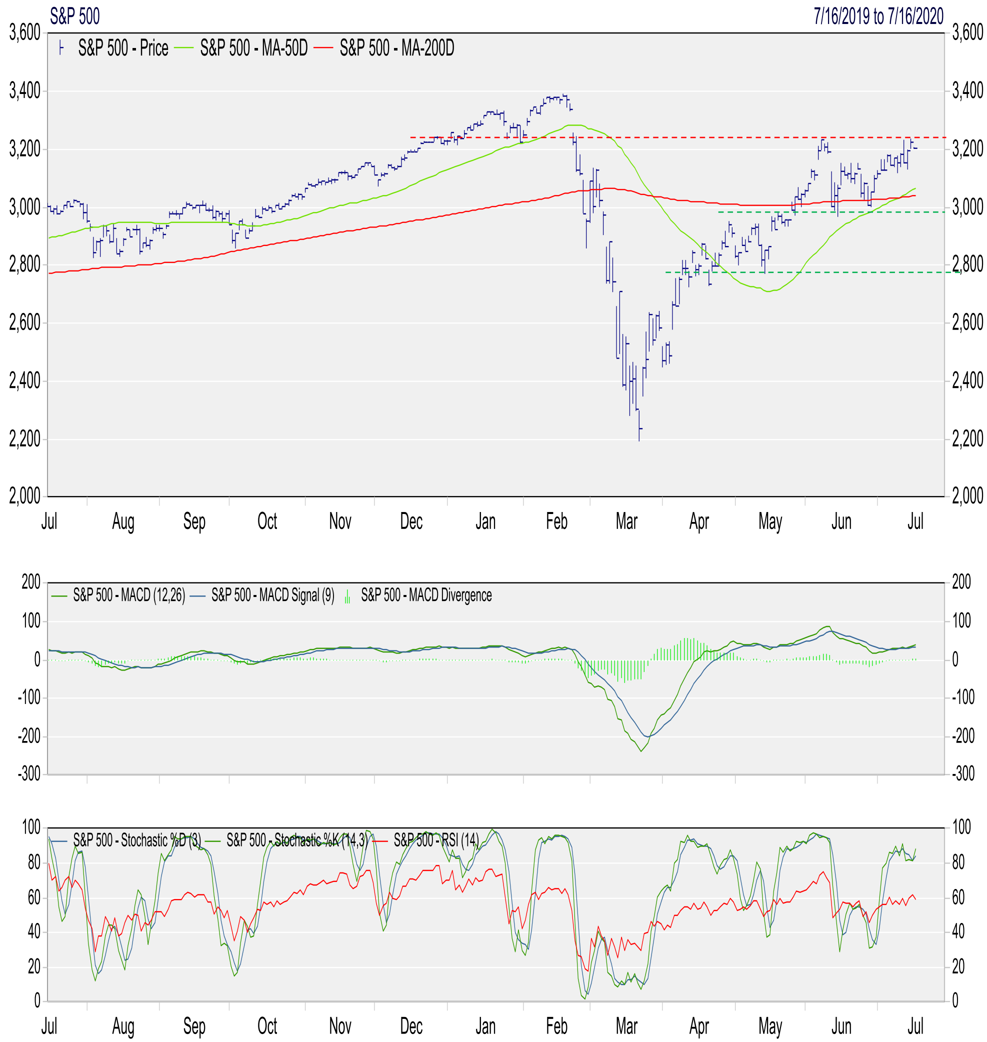
RJ 2021: 160

RJ 2020: 130



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: SHORT TERM



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

The S&P 500 trades at the high end of its range that has been in place since June 8th. Resistance at 3233 stands for now. Above 3233, we will focus on technical resistance at 3260 and 3328. On the downside, we will monitor support at 2965, followed by 2865 and 2798.

Despite our belief that the market could experience more sideways grind as it continues its range-bound trading in the short term, we continue to believe that weakness should be used to opportunistically accumulate favored stocks for the longer term. We acknowledge the potential for volatility to occur (virus spread, election, China tensions), but believe the enormous global stimulus outweighs these potential concerns.

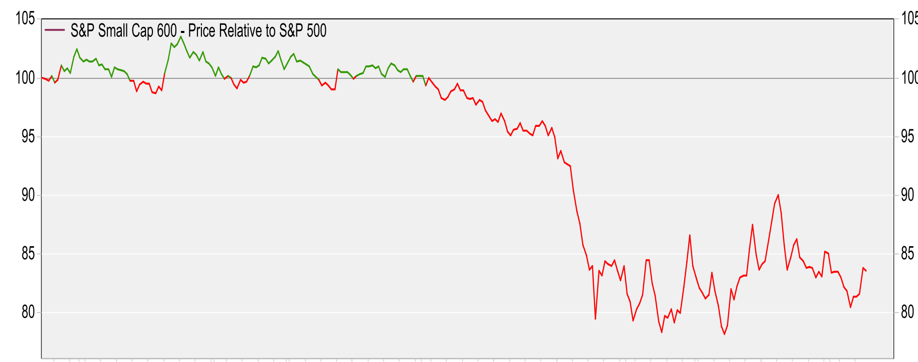
Technically, the S&P 500 experienced a golden cross over the past week (50 day moving average crosses back above the 200 DMA). Historically, when this has occurred out of bear markets, the returns are very bullish. As you can see below, in the prior 9 times this has occurred since 1930, every period saw the S&P 500 move higher over the next 12 months with an average return of 23.8%.

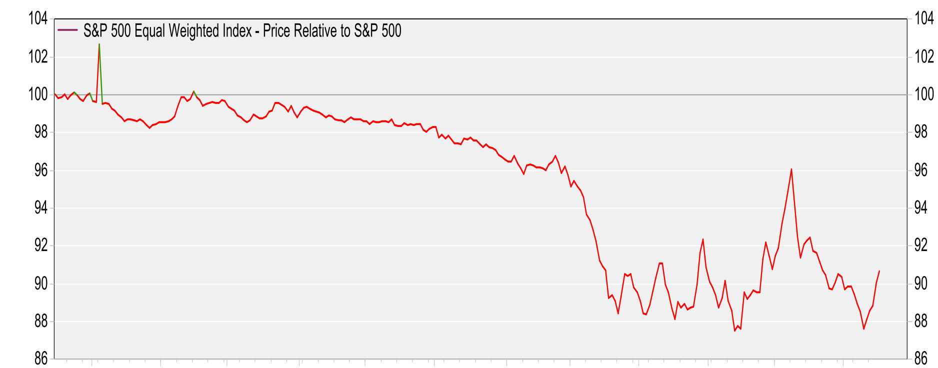
Forward Returns Following S&P 500 Golden Cross (Out Of A Bear Market)

Date	3mo Return	6mo Return	12 mo Return
9/19/1932	-5.04%	-9.67%	50.41%
8/31/1949	5.52%	13.14%	21.02%
1/3/1963	5.71%	9.76%	18.49%
10/21/1970	12.59%	23.55%	14.27%
3/7/1975	9.70%	1.57%	17.57%
9/28/1982	15.37%	22.72%	34.27%
6/28/1988	-1.19%	1.75%	19.65%
5/14/2003	5.45%	11.83%	16.65%
6/23/2009	18.52%	25.19%	22.00%
7/10/2020	?	?	?
Average	**7.40%**	**11.09%**	**23.81%**
Win Rate	**77.78%**	**88.89%**	**100%**

TECHNICAL: SMALL CAPS AND S&P 500 EQUAL WEIGHT INDEX

Although the S&P 500 has generally moved sideways in recent weeks, there has been plenty of shuffling beneath the surface. After reaching extended levels in the short term, many of the large tech-oriented companies have consolidated in recent days. On the flip side, many of the more economically-sensitive cyclical areas have gained strength this week on optimism over a COVID-19 vaccine. We view this cyclical rotation as healthy for the market. Technology stocks have generally carried the market thus far, so these other areas will need to improve in order to push the S&P 500 materially higher. We do believe these areas will generally provide good opportunity for long term investors as the economy normalizes over time, but this will also likely come with more volatility. For those that are too underweight these areas, we would selectively be looking to add some exposure with relative strength improving off of their lows.





Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

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Index Definitions

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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