Michael Gibbs, Director of Equity Portfolio & Technical Strategy | (901) 579-4346 | michael.gibbs@raymondjames.com
Joey Madere, CFA | (901) 529-5331 | joey.madere@raymondjames.com
Richard Sewell, CFA | (901) 524-4194 | richard.sewell@raymondjames.com
Mitch Clayton, CMT, Senior Technical Analyst | (901) 579-4812 | mitch.clayton@raymondjames.com

JULY 30, 2020 | 1:41 PM EDT

Weekly Market Guide

Short-Term Summary: The market continues to wrestle between the stalled reopening process leading to a moderation in the trajectory of economic improvement and a much better than expected Q2 earnings season so far. In the coming days, investors will also be focused on an additional fiscal package with the current program expiring tomorrow. We view this aid as very important for the economy and market, and as such we believe it ultimately will come in size (likely in $1.5-2T range). In the short term, we remain steadfast in our view that the market is likely to continue in its grinding pattern with sector swings beneath the surface.

Market performance remains fairly narrow with strength from mega-cap tech-oriented stocks masking the weakness felt by many other areas. For example, the S&P 500 is just 5% from new highs but 42% of its stocks are still down over 20% from their highs. In fact, if just AAPL, MSFT, GOOGL, and AMZN were removed, the S&P 500's year-to-date performance would be 5% lower. These four companies make up 15% of the S&P 500 and are up 33% YTD on average. Also important to note is that three of these- AMZN, GOOGL, and AAPL- report Q2 results after the market close today. The positive relative strength trends of tech-oriented stocks, as well as large vs small and growth vs value have correlated with fundamental strength through the pandemic. The more beaten-up deep cyclical areas will have more leverage to the economic recovery over time, but will also be more volatile. Given our view of short-lived sector rotation as the market continues its generally range-bound move, we stick with the areas best positioned through the current environment for now (Technology, Health Care, Communication Services) along with Consumer Discretionary (e-commerce strength and stimulus supporting the consumer).

Fundamentally, Q2 earnings results continue to come in much better than feared. 83% of S&P 500 companies have beaten on the bottom line (above the 5-year average of 72%) with aggregate results 11.5% above estimates (also well above the 4.7% 5 year average). This has resulted in the S&P 500 Q2 EPS estimate being revised 6.7% higher so far, along with 2020 and 2021 estimates also being revised higher. The best Q2 estimate revisions have come from Health Care, Materials, and Consumer Discretionary sectors. Despite our expectation for volatility to occur (uncertainty surrounding virus spread, election, geopolitical tensions), we continue to believe that enormous stimulus globally fueling the global economic recovery outweighs these potential headwinds. Also, record low interest rates (and likelihood they stay lower for longer) support elevated valuations and continue to make equities relatively attractive (vs other asset classes). With our view of a grinding pattern for equities in the short term, we would reserve some buying power to take advantage of weakness as it occurs.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
S&P 500	0.9%	7.9%
S&P 500 (Equal-Weight)	-6.7%	-1.6%
Dow Jones Industrial Avg	-7.0%	-2.5%
NASDAQ Composite	17.5%	27.1%
Russell 2000	-10.1%	-4.4%
MSCI All-Cap World	-1.7%	4.8%
MSCI Developed Markets	-8.1%	-2.1%
MSCI Emerging Markets	-2.5%	3.9%
NYSE Alerian MLP	-39.5%	-47.2%
MSCI U.S. REIT	-16.9%	-13.9%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Information Technology	19.4%	27.2%
Consumer Discretionary	15.8%	11.1%
Communication Svcs.	5.9%	10.9%
Health Care	4.6%	14.7%
S&P 500	***1.4%***	-
Materials	0.8%	2.6%
Consumer Staples	-1.7%	7.0%
Utilities	-6.2%	3.1%
Real Estate	-9.3%	2.7%
Industrials	-10.7%	8.0%
Financials	-21.1%	10.0%
Energy	-37.3%	2.7%

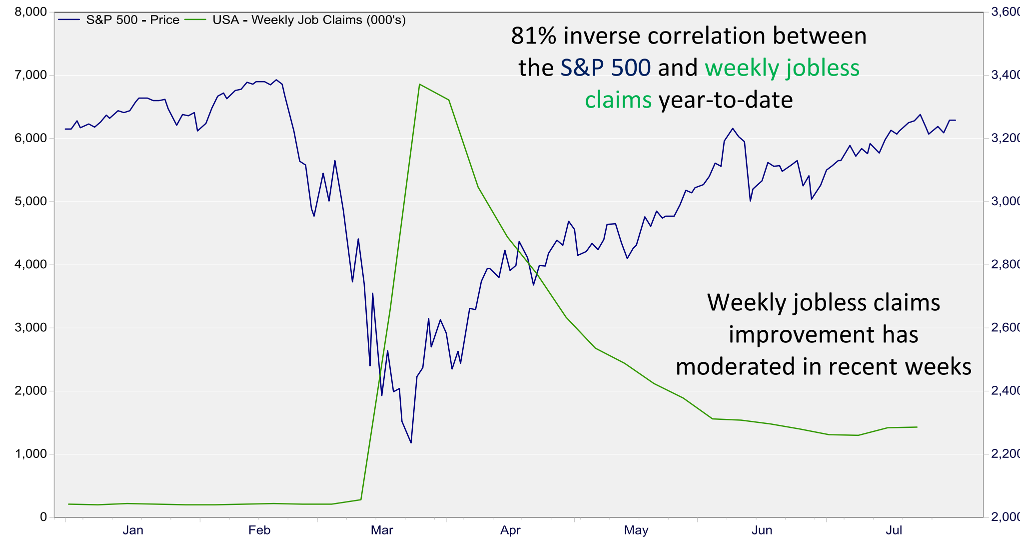
MACRO: US

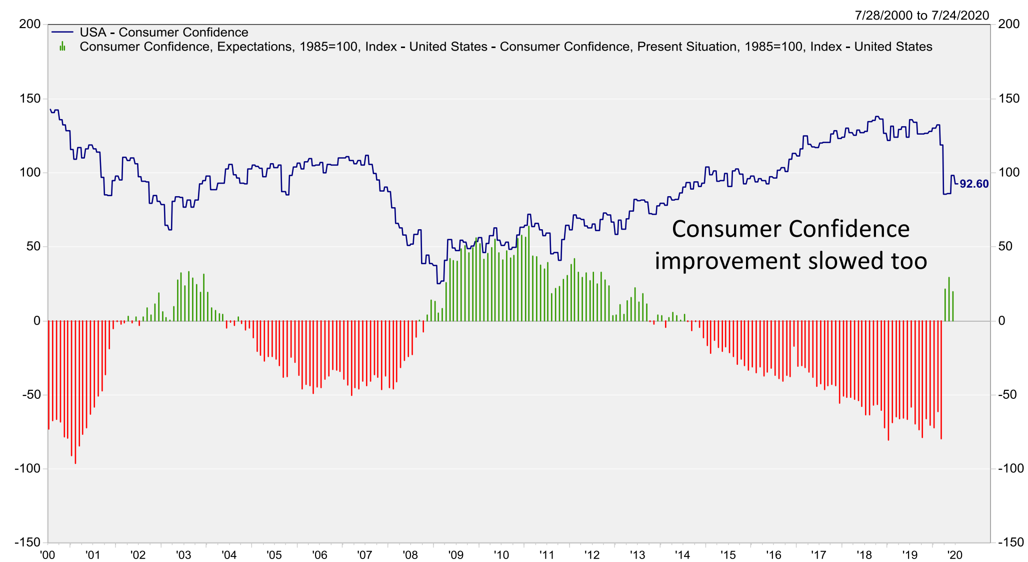
Increase in the virus spread since early June, along with the paused reopening process, is being reflected in a moderation of many economic indicators. This includes the jobs market, where initial jobless claims have hovered at a very elevated level in recent weeks. As you can see, consumer confidence improvement has also slowed which is reason for pause on overall consumer spending trends (important for an economy that is 2/3 consumer spending). With $600 unemployment assistance expiring tomorrow, additional fiscal aid is very important for the economy and markets. Because of this, we believe it ultimately will come in size (likely in $1.5-2T range).

On the monetary policy front, the Fed maintained the fed funds rate at near zero and continued to stress that the outlook remains extraordinarily uncertain (dependent on the path of the virus). Nonetheless, the Fed committed to continue using all tools necessary to support the economy while noting that fiscal support is also needed.

US economic data reported in the past week:

Event	Period	Actual	Consensus	Prior
Building Permits SAAR (Final)	JUN	1,258K	1,275K	1,241K
PMI Composite SA (Preliminary)	JUL	50.0	49.5	47.9
Markit PMI Manufacturing SA (Preliminary)	JUL	51.3	51.2	49.8
Markit PMI Services SA (Preliminary)	JUL	49.6	51.0	47.9
New Home Sales SAAR	JUN	776.0K	700.0K	682.0K
Durable Orders ex-Transportation SA M/M (Preliminary)	JUN	3.3%	3.5%	3.6%
Durable Orders SA M/M (Preliminary)	JUN	7.3%	6.8%	15.1%
S&P/Case-Shiller comp.20 HPI M/M	MAY	0.0%	0.45%	0.24%
S&P/Case-Shiller comp.20 HPI Y/Y	MAY	3.7%	4.1%	3.9%
Consumer Confidence	JUL	92.6	95.0	98.3
Wholesale Inventories SA M/M (Preliminary)	JUN	-2.0%	0.10%	-1.2%
Pending Home Sales Index SAAR	JUN	116.1	105.0	99.6
Pending Home Sales M/M	JUN	16.6%	15.3%	44.3%
Continuing Jobless Claims SA	07/18	17,018K	16,100K	16,151K
GDP SAAR Q/Q (First Preliminary)	Q2	-32.9%	-34.6%	-5.0%
GDP SA Y/Y (First Preliminary)	Q2	-9.5%	-9.6%	0.30%
Initial Claims SA	07/25	1,434K	1,400K	1,422K



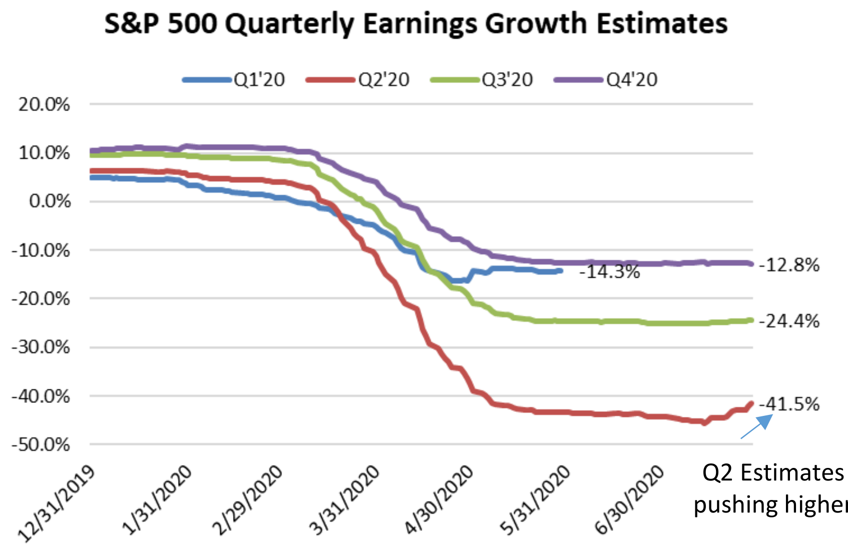


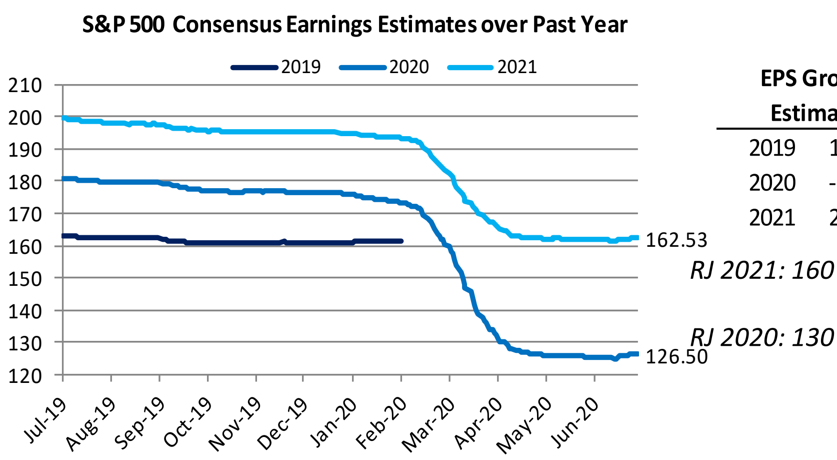
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FUNDAMENTALS

The heart of Q2 earnings season is upon us, as 48% of S&P 500 companies have reported already and another 33% of companies will report through the end of next week. So far, results are coming in well above depressed estimates. 83% of companies have beaten on the bottom line (above the 5 year average of 72%), led by Technology, Health Care, and Materials. This has led to aggregate results 11.5% above estimates (well above the 5-year average of 4.7%). As a result, full quarter S&P 500 Q2 earnings estimates have risen 6.7% since the start of earnings season with the most positive revisions coming from Health Care, Materials, and Consumer Discretionary sectors.

Looking ahead, forward S&P 500 estimates have begun ticking higher. This is a positive development coming out of an expected earnings trough in Q2. We view the enormous stimulus and economic recovery as supportive of fundamental trends in the period ahead, however the virus spread impact on the economic trajectory will remain very influential. For example, numerous companies have noted slower consumer trends over the past month as the rise in hospitalizations and stalled reopening process has taken shape. We are comfortable with our base case earnings estimates of $130 in 2020 and $160 in 2021.



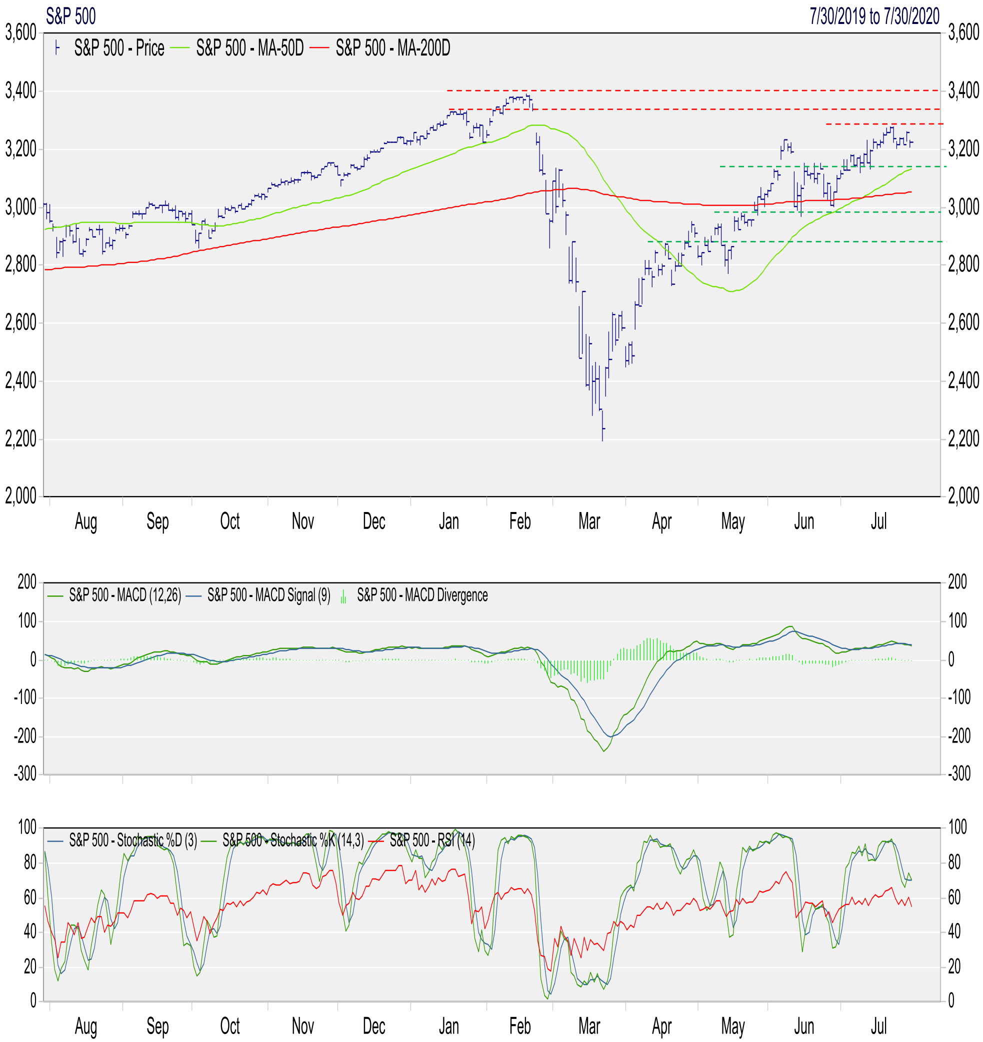


EPS Growth Estimates	
2019	1.5%
2020	-21.2%
2021	28.1%

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

Sector	% Reported	% With Sales Beat	% With EPS Beat	Q2 2020 Average Price Reaction		
				All	Beats	Misses
Communication Services	27%	57%	57%	-0.37	0.73	-2.19
Consumer Discretionary	37%	83%	65%	-0.45	0.54	-2.42
Consumer Staples	55%	83%	89%	0.57	1.84	-9.61
Energy	41%	27%	73%	-0.34	-1.13	2.28
Financials	79%	63%	81%	0.07	0.15	-0.25
Health Care	39%	96%	96%	1.00	1.29	-5.95
Industrials	64%	80%	89%	0.80	1.35	-3.78
Information Technology	45%	88%	97%	-1.03	-0.79	-8.77
Materials	43%	75%	92%	-1.72	-1.14	-8.64
Real Estate	39%	25%	58%	-0.22	-0.33	-0.07
Utilities	21%	0%	83%	1.15	1.86	-2.41
S&P 500	48%	71%	83%	**0.03**	**0.43**	**-2.15**

TECHNICAL: SHORT TERM



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

The S&P 500 has fluctuated near the top end of its recent range after briefly breaking above it slightly last week.

We remain steadfast in our view that the market is likely to remain range-bound in the short term. There continues to be plenty of rotation beneath the surface. And while relative strength improvement from the deeper cyclical areas over the past week is a positive, we do not want to see the prior leaders go down at the same time. We would like to see them move higher in unison.

Longer term, we expect the market to go higher. The economic data is likely to become more choppy, but we expect the economy and earnings to improve. Enormous stimulus remains supportive of the recovery, and record low interest rates globally continue to make equities attractive in our view.

That said, in the short term we would reserve some buying power to take advantage of pullbacks. Volatility is likely due to the virus spread, moderation in some of the high frequency economic data, election, and geopolitical tensions. Technically, the S&P 500 is coming down from short term overbought levels. We would approach potential weakness opportunistically.

Short term resistance levels:

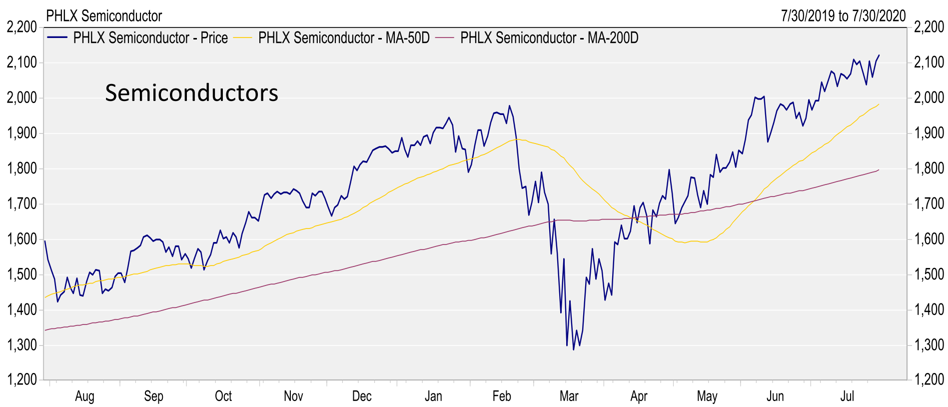
- 3280
- 3328
- 3389

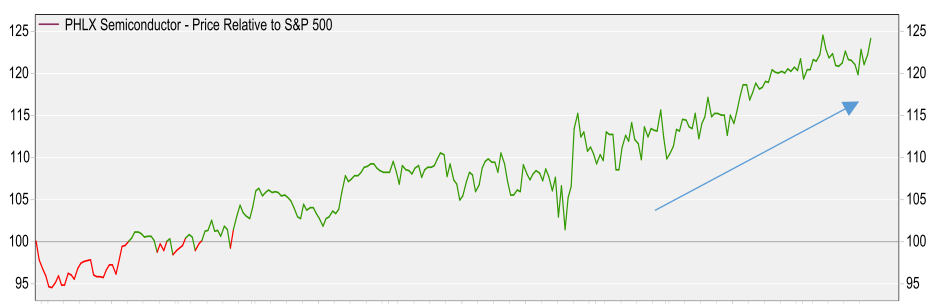
Short term support levels:

- 3115
- 2965
- 2865

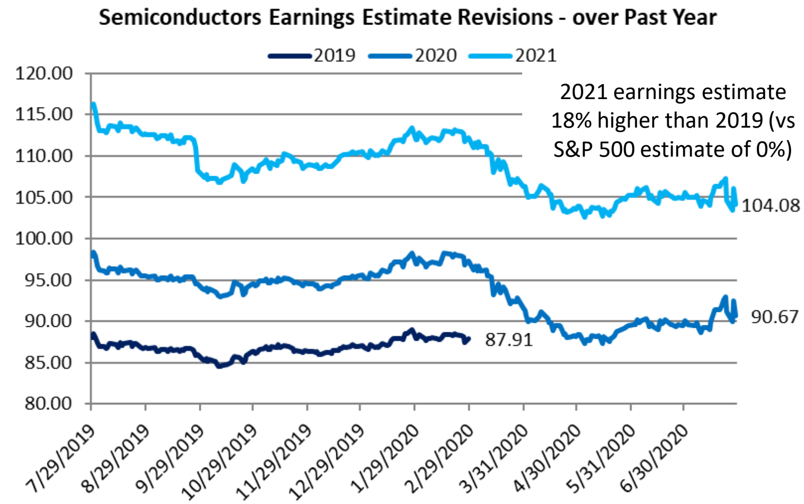
TECHNICAL: SEMICONDUCTORS

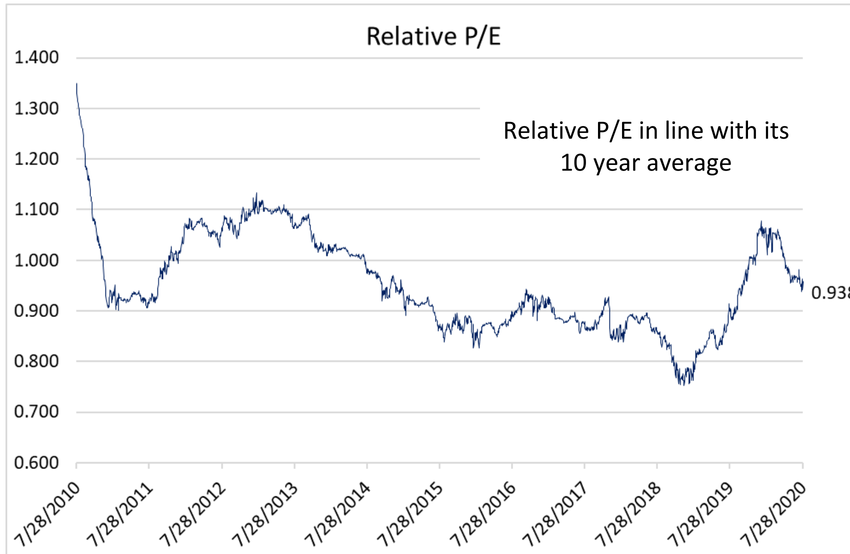
The semiconductors continue to exhibit one of the best technical trends of all subsectors in the market. This is also a positive indication of economic and overall market momentum. The technical strength is due to fundamental strength through the pandemic. For example, Q2 is expected to be the trough of S&P 500 earnings. While S&P 500 earnings are expected to contract -41% this quarter, the semiconductors are growing their bottom line by 8.9% (best of all industry groups) and estimates are being revised higher. Additionally, we view valuation as relatively attractive, as the group trades at a PEG ratio of just 1.3x. Thus, we continue to look favorably on the semiconductors.





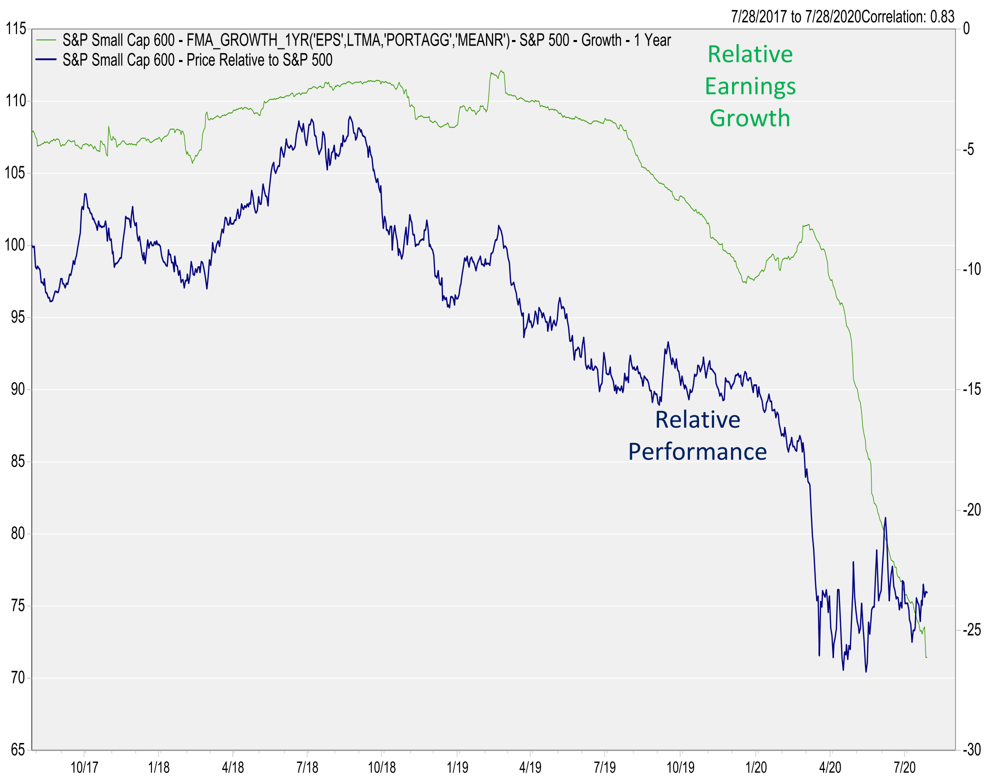
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

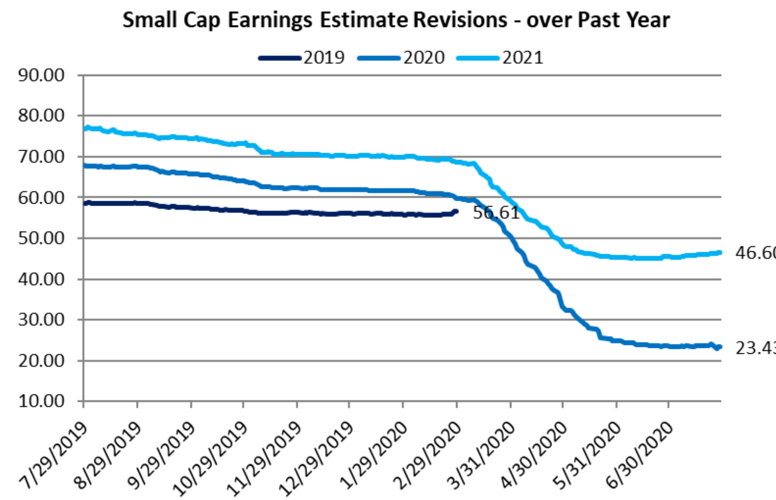


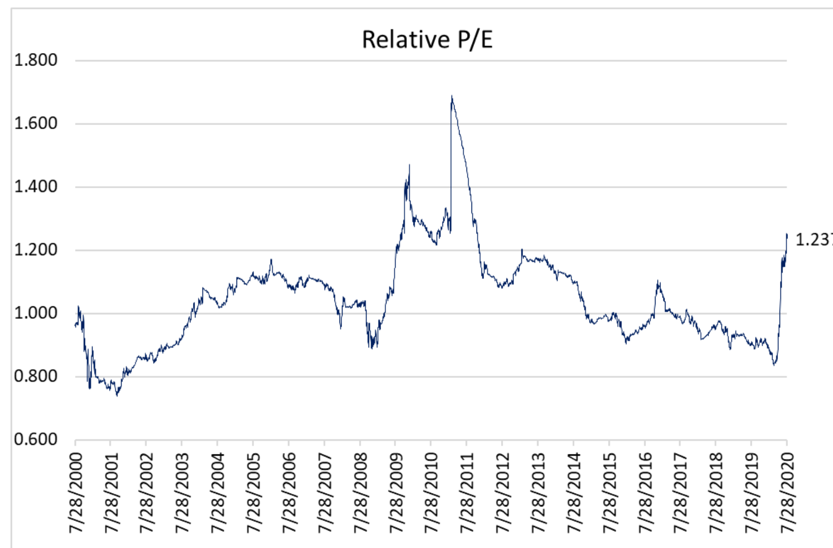


TECHNICAL: SMALL VS LARGE

Small cap relative performance (vs large caps) has been very correlated with its weak relative earnings growth (vs large caps) over the past year or so. Relative valuation for the small caps is expensive due to these depressed earnings from the shutdown, however the small caps are intriguing for the longer run as the economy normalizes over time. In the short term, the group will be more sensitive to the recovery process, which has stalled somewhat lately. So for now, we would stick with the large caps. But over time, we will be monitoring the small caps for signs that sustainable outperformance trends are building.



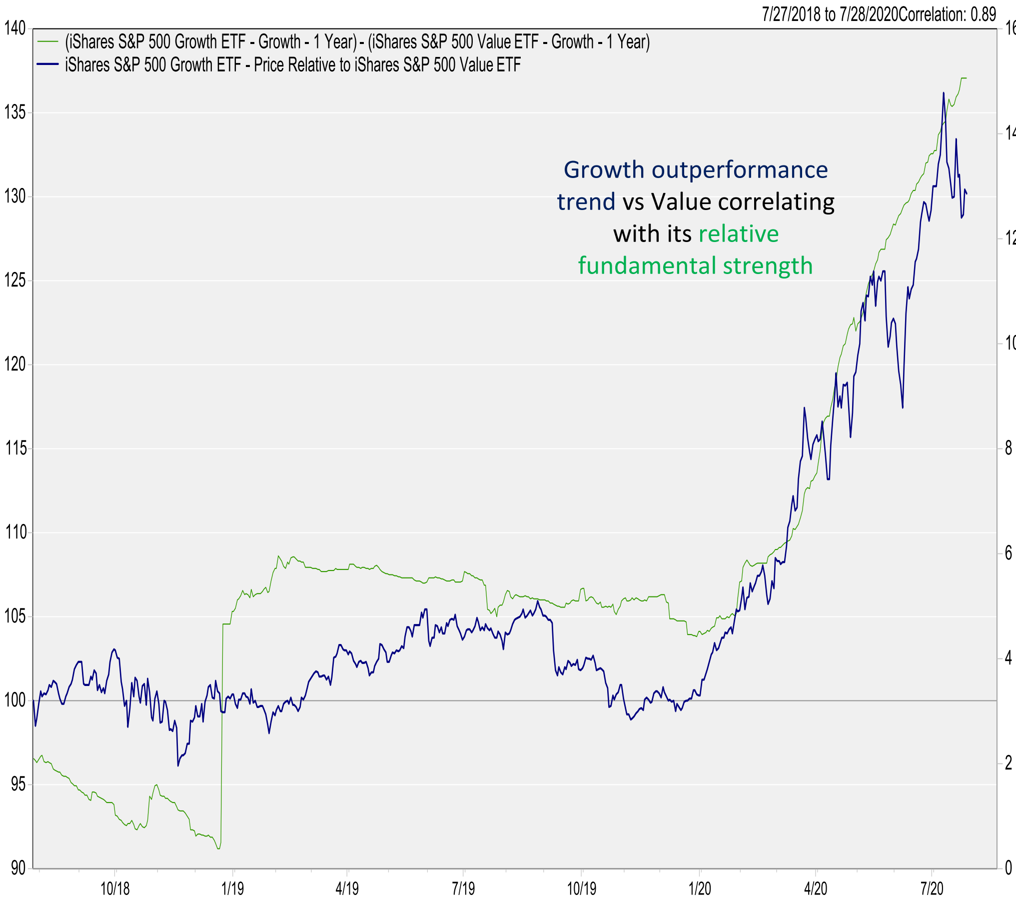


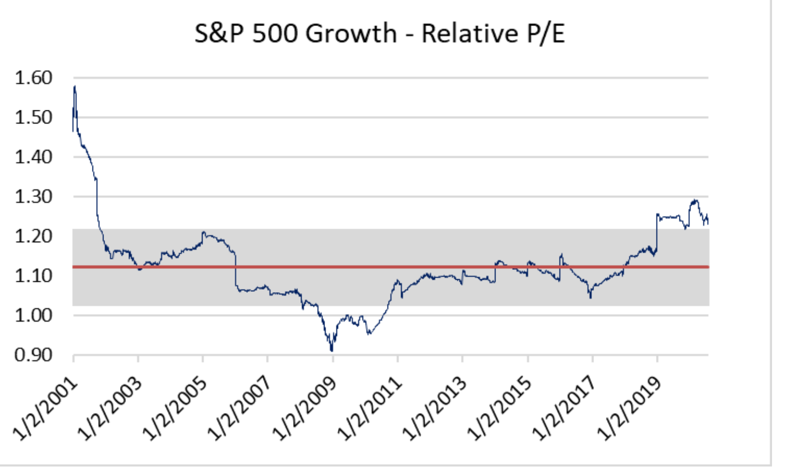


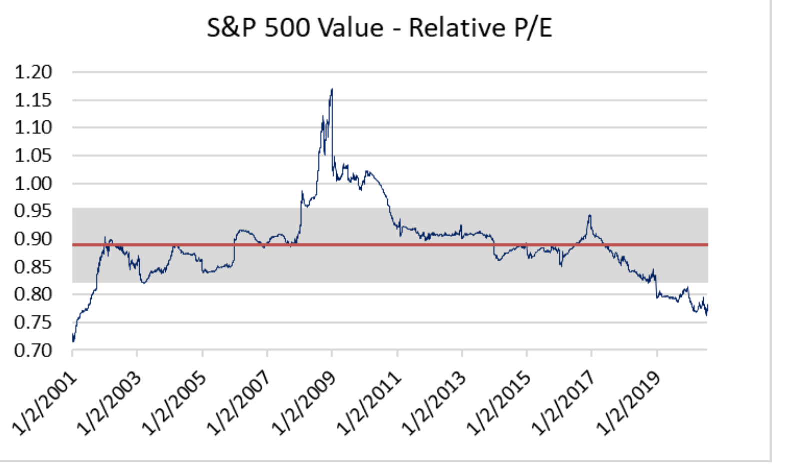
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: GROWTH VS VALUE

Growth has dominated performance in 2020, but the outperformance is justified by strong relative fundamental strength in our view. Value by definition is cheaper than Growth, but even so Value is at its cheapest relative P/E in almost 20 years. Eventually, valuation will matter and earnings growth will improve for more of the value-oriented areas that have seen earnings hit hard through the pandemic. But for now, we would stick with the technical and fundamental trends of Growth.







Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

M20-3184216

IMPORTANT INVESTOR DISCLOSURES

This material is being provided for informational purposes only. Expressions of opinion are provided as of the date above and subject to change. Any information should not be deemed a recommendation to buy, hold or sell any security. Certain information has been obtained from third-party sources we consider reliable, but we do not guarantee that such information is accurate or complete. This report is not a complete description of the securities, markets, or developments referred to in this material and does not include all available data necessary for making an investment decision. Prior to making an investment decision, please consult with your financial advisor about your individual situation. Investing involves risk and you may incur a profit or loss regardless of strategy selected. There is no guarantee that the statements, opinions or forecasts provided herein will prove to be correct.

Sector investments are companies engaged in business related to a specific sector. They are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification.

Commodities and currencies investing are generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

Links to third-party websites are being provided for informational purposes only. Raymond James is not affiliated with and does not endorse, authorize, or sponsor any of the listed websites or their respective sponsors. Raymond James is not responsible for the content of any third-party website or the collection or use of information regarding any websites users and/or members.

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.

International Disclosures

For clients in the United Kingdom:

For clients of Raymond James Financial International Limited (RJFI): This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in the FCA rules or persons described in Articles 19(5) (Investment professionals) or 49(2) (high net worth companies, unincorporated associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended)or any other person to whom this promotion may lawfully be directed. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is, therefore, not intended for private individuals or those who would be classified as Retail Clients.

For clients of Raymond James Investment Services, Ltd.: This document is for the use of professional investment advisers and managers and is not intended for use by clients.

For clients in France:

This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in "Code Monetaire et Financier" and Reglement General de l'Autorite des marches Financiers. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is, therefore, not intended for private individuals or those who would be classified as Retail Clients.

For clients of Raymond James Euro Equities: Raymond James Euro Equities is authorised and regulated by the Autorite de Controle Prudentiel et de Resolution and the Autorite des Marches Financiers.

For institutional clients in the European Economic rea (EE) outside of the United Kingdom:

This document (and any attachments or exhibits hereto) is intended only for EEA institutional clients or others to whom it may lawfully be submitted.

For Canadian clients:

This document is not prepared subject to Canadian disclosure requirements, unless a Canadian has contributed to the content of the document. In the case where there is Canadian contribution, the document meets all applicable IIROC disclosure requirements.

Broker Dealer Disclosures

Securities are: NOT Deposits • NOT Insured by FDIC or any other government agency • NOT GUARANTEED by the bank • Subject to risk and may lose value

Raymond James & Associates, Inc., member New York Stock Exchange/SIPC. **Raymond James Financial Services, Inc.,** member FINRA/SIPC. Raymond James® is a registered trademark of Raymond James Financial, Inc.