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

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Weekly Market Guide

Short-Term Summary:

A much better than expected Q2 earnings season, along with a reduction in nationwide COVID-19 hospitalizations, supported the S&P 500 drifting to its highest level since the February selloff began– just 2% from new all-time highs! While the 49% S&P 500 rally since March 23rd has been remarkable, market performance continues to be bifurcated with outperformance generally dominated by the large cap, technology-oriented stocks. Their strength is masking the weakness still felt by many other areas, and that fundamental gap between the winners and losers of this environment are having a dramatic impact on style returns, cap size returns, and asset allocations. For example, while the S&P 500 is just 2% from new highs, 40% of its stocks are still down over 20% from their highs.

Q2 earnings season has been far better than expected. But once it ends in the next week or so, investors may quickly shift their attention toward the election with Presidential candidate Joe Biden expected to announce his running mate next week (less than 90 days until election day). Historically, market performance in the three months leading up to the election has been a good predictor of the Presidential party outcome. For example, if the market is positive, the incumbent party typically wins; while if the market is negative, there is typically a change in party. This has occurred with an 83% win rate since 1928 and 100% of the time since 1980 (correctly predicting the last 9 elections). This could also be self-fulfilling in a way as market performance could be more cautious and volatile in the lead up to election day when a change in party is a higher likelihood (as it is now) due to increased uncertainty. We would not be surprised to see this trend play out in the coming months.

Over the longer term, we view the unprecedented amount of stimulus globally as supportive to the economic recovery. Record low interest rates also support elevated valuation multiples and make equities relatively attractive vs. alternative asset classes in our view. We are also encouraged by momentum in the S&P 500's fundamental recovery, as well as medical data surrounding COVID-19 therapeutics and a potential vaccine. We believe these positives outweigh the potential negatives, and would thus use weakness as a buying opportunity. But in the short term, we would not be surprised to see volatility pick up and the market grind (within an overall uptrend) to continue with sector swings beneath the surface. With that in mind, we would stick with the areas performing best through this current environment for now- Technology, Health Care, Communication Services, and Consumer Discretionary (due to e-commerce and stimulus supporting the consumer).

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
S&P 500	3.0%	17.0%
S&P 500 (Equal-Weight)	-6.1%	2.1%
Dow Jones Industrial Avg	-4.7%	5.8%
NASDAQ Composite	22.6%	42.4%
Russell 2000	-7.3%	4.0%
MSCI All-Cap World	-0.2%	12.5%
MSCI Developed Markets	-7.9%	2.3%
MSCI Emerging Markets	-1.0%	13.4%
NYSE Alerian MLP	-39.1%	-43.6%
MSCI U.S. REIT	-17.0%	-12.5%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Information Technology	24.3%	27.8%
Consumer Discretionary	18.1%	11.2%
Communication Svcs.	6.1%	10.8%
Health Care	4.5%	14.5%
S&P 500	***3.0%***	-
Materials	0.6%	2.6%
Consumer Staples	0.1%	7.0%
Utilities	-7.1%	3.0%
Real Estate	-7.2%	2.7%
Industrials	-9.5%	8.0%
Financials	-21.0%	9.8%
Energy	-38.1%	2.6%

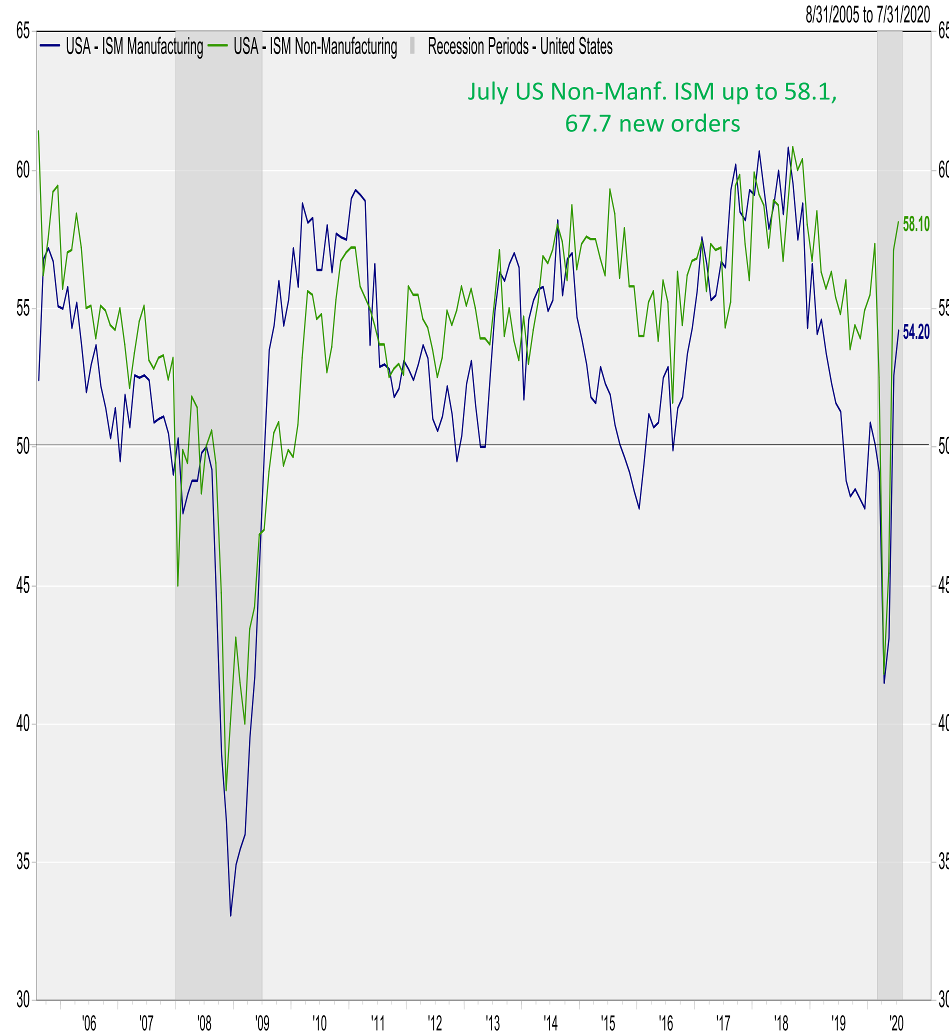
MACRO: US

July economic surveys continued to show strength in the global recovery. US ISM manufacturing advanced to 54.2 from 52.6, and above expectations of 53.6. Similarly, non-manufacturing ISM rose to 58.1 from 57.1 (well ahead of 55.0 expectations), and new orders surged to 67.7. This strength was seen across the world too, as Europe July Manufacturing PMI moved into positive territory for the first time since January 2019. China Manufacturing PMI also rose to 52.8 which was its highest level since January 2011.

We have been monitoring initial jobless claims as its recent stall has led to some pause in the trajectory of the recovery, especially with unemployment aid expired. We believe additional relief is very important for the economy and market, and expect it to come in size when all is said and done (likely $1.5-2T range). We are encouraged by this week's initial claims number moving lower, as well as the nationwide trend of COVID-19 new cases, % positive tests, and hospitalizations trending slightly lower. This is a big deal if it can continue and is supportive to the equity markets.

US economic data reported in the past week:

Event	Period	Actual	Consensus	Prior
Core PCE Deflator M/M	JUN	0.20%	0.20%	0.15%
Core PCE Deflator Y/Y	JUN	0.95%	1.0%	0.96%
Personal Consumption Expenditure SA M/M	JUN	5.6%	5.3%	8.5%
Personal Income SA M/M	JUN	-1.1%	-0.75%	-4.4%
Chicago PMI SA	JUL	51.9	44.0	36.6
Michigan Sentiment NSA (Final)	JUL	72.5	73.2	73.2
Markit PMI Manufacturing SA (Final)	JUL	50.9	51.3	51.3
Construction Spending SA M/M	JUN	-0.70%	1.0%	-1.7%
ISM Manufacturing SA	JUL	54.2	53.6	52.6
Durable Orders ex-Transportation SA M/M (Final)	JUN	3.6%	3.3%	3.3%
Durable Orders SA M/M (Final)	JUN	7.6%	6.2%	7.3%
Factory Orders SA M/M	JUN	6.2%	5.5%	7.7%
ADP Employment Survey SA	JUL	167.0K	1,200K	4,314K
Trade Balance SA	JUN	-$50.7B	-$50.1B	-$54.8B
PMI Composite SA (Final)	JUL	50.3	50.0	50.0
Markit PMI Services SA (Final)	JUL	50.0	49.6	49.6
ISM Non Manufacturing SA	JUL	58.1	55.0	57.1
Continuing Jobless Claims SA	07/25	16,107K	17,109K	16,951K
Initial Claims SA	08/01	1,186K	1,434K	1,435K

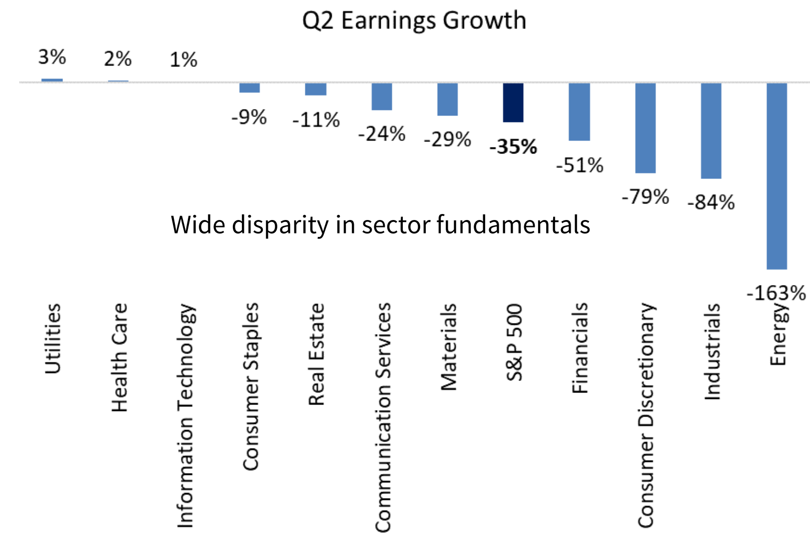


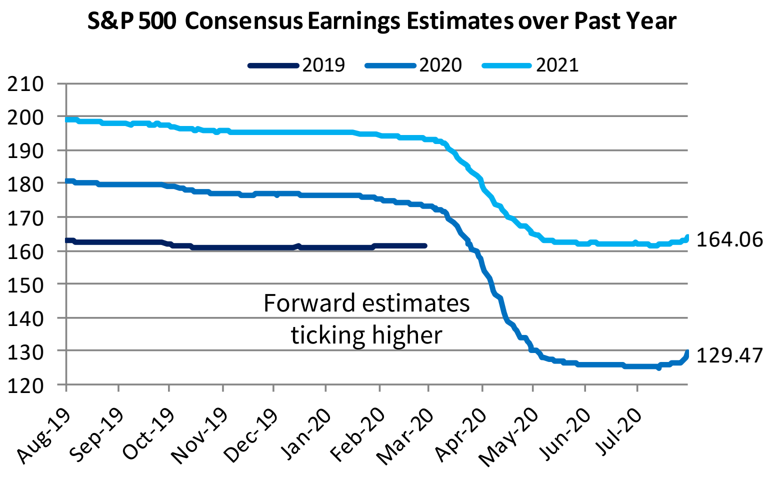
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FUNDAMENTALS

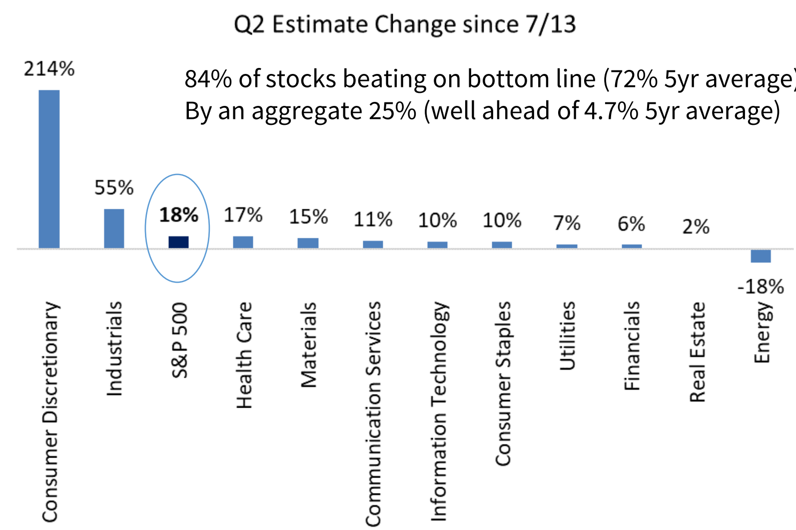
Q2 earnings season is approaching an end as 80% of S&P 500 companies have reported so far. Results show the wide disparity in sector fundamentals through the pandemic. For example, S&P 500 earnings are set to contract -35% for the quarter but some areas- like Health Care and Technology- have held up extremely well (eking out slight growth for the quarter), whereas areas like Energy, Industrials, various consumer areas, and the Financials have been hard hit. This fundamental difference is contributing to the wide disparity in sector returns this year.

Results have beaten very depressed estimates in impressive fashion. A record 84% of companies are beating on the bottom line (above the 5 year average of 72%) and aggregate results have been 25% above estimates (well above the 5 year average of 4.7%). The beats were fairly broad-based with notable strength from consumer discretionary and industrials. Looking forward, we expect the earnings outlook to improve from here. Additionally, it is typical for analysts to set the bar too low and have to raise their forward estimates coming out of recessions- we are seeing this play out right now as 2021 estimates have ticked higher to $164. Positive estimate revisions are also supportive of equity market momentum.





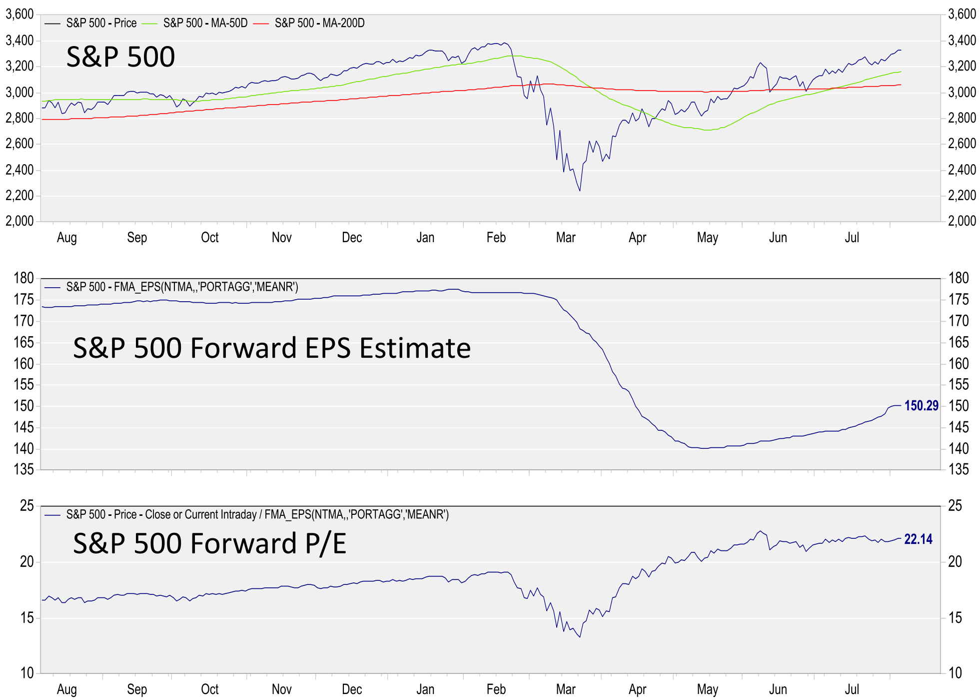
EPS Growth Estimates	
2019	1.5%
2020	-19.7%
2021	26.7%



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

VALUATION

The S&P 500 P/E has reached a historically elevated level north of 22x. However, it is normal for valuations to extend coming out of recessions as the market discounts the recovery. Additionally, we believe valuation can stay at these elevated levels due to the unprecedented amount of stimulus globally supporting the economic recovery and pushing interest rates to record low levels. For example, the difference in the S&P 500 earnings yield vs US 10 year Treasury yield is 3.8%- which is actually attractive historically and just in line with the 10 year average. Also inflation is very low, making the inflation-adjusted P/E just above its historical average. In sum, we believe record low interest rates and low inflation (and likelihood they stay lower for longer) are supportive of elevated equity market valuations.



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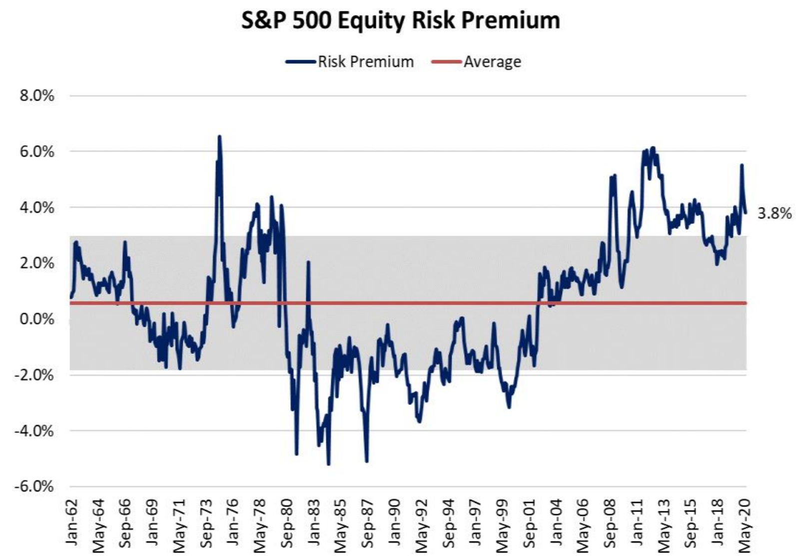
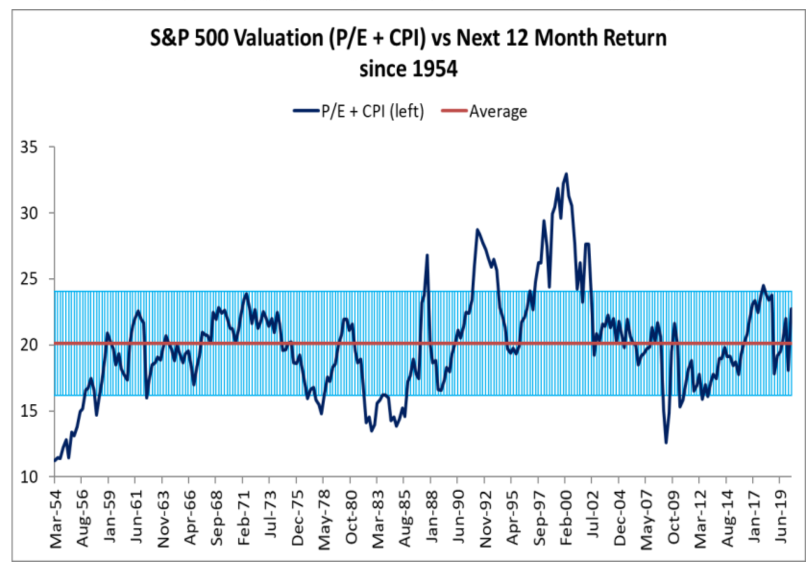




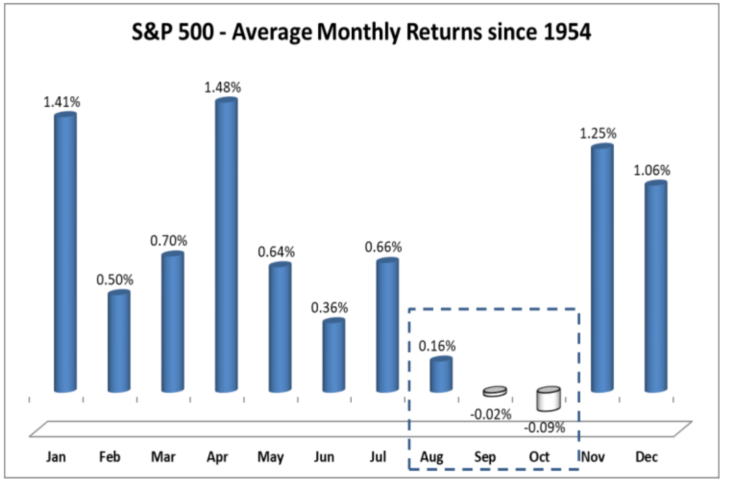
TECHNICAL: SHORT TERM

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

The trend is positive, as the S&P 500 was able to continue its advance and is now just 2% from new highs. We maintain our positive stance over the longer term, as enormous global stimulus fuels the economic recovery and record low interest rates make equities relatively attractive vs. alternative asset classes in our view. Technically, strong performance like we have experienced coming out of recessionary lows on March 23rd is also a good indication of positive returns over the next 12 months.

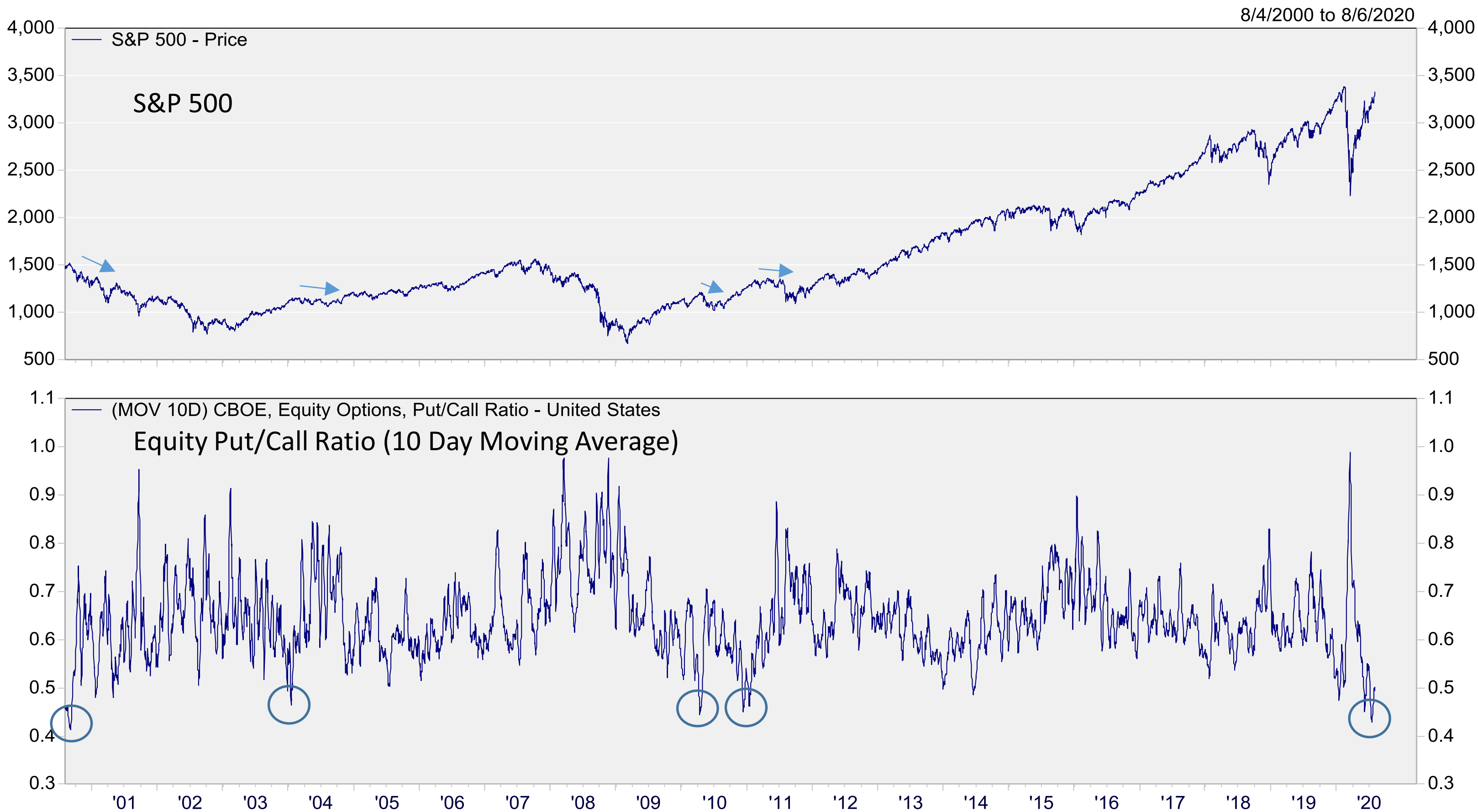
However, in the short term there are a lot of variables that lead us to believe a continued grind (albeit within an uptrend) is the most likely scenario. A good earnings season has contributed to investor complacency. With Q2 earnings season ending in the next week or so and Presidential candidate Joe Biden set to announce his running mate next week, investors may quickly shift their attention toward the upcoming election. We are also entering the seasonally softer period of the year (August-October timeframe), and this along with election uncertainty could result in a pick up in volatility.

With that in mind, we expect sector swings beneath the surface to continue, and would use weakness as a buying opportunity.



INVESTOR COMPLACENCY

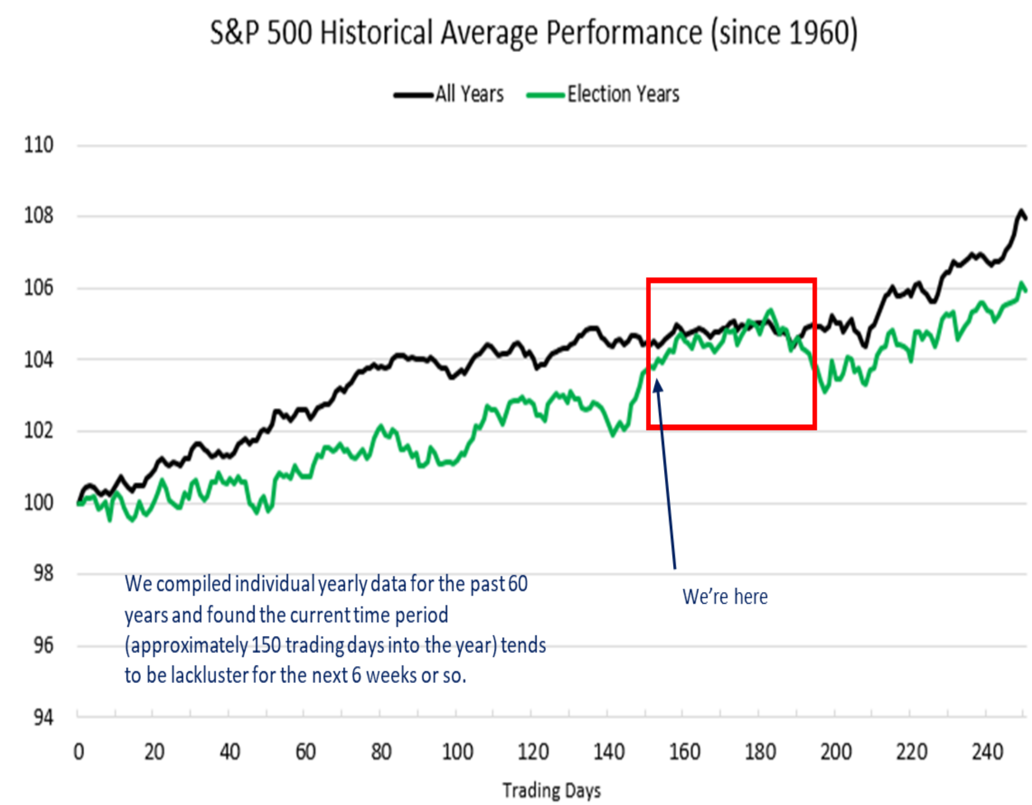
The Equity put/call ratio (10 day moving average) has reached very low levels, only seen a handful of times over the past 20 years. Interestingly, the last 3 instances were coming out of recessionary bear markets. In those periods, there was a bit of a stall in the market's advance as consolidation occurred in the short term. That said, those short term pullbacks or consolidations proved to result in good buying opportunities for the longer term. We would not be surprised for this to occur from current levels, as we enter the seasonally softer period of the year and the election upcoming.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

SEASONALITY HEADWINDS/ELECTION

Once we get through a good earnings season in the next week or so, investors may quickly shift their attention toward the election with Presidential candidate Joe Biden expected to announce his running mate next week (less than 90 days until election day). Historically, market performance in the three months leading up to the election has been a good predictor of the Presidential party outcome. For example, if the market is positive, the incumbent party typically wins; while if the market is negative, there is typically a change in party. This has occurred with a 83% win rate since 1928 and 100% of the time since 1980 (correctly predicting the last 9 elections). This could also be self-fulfilling in a way as market performance could be more volatile in the lead up to election day when a change in party is a higher likelihood (as it is now). As you can see, performance in the lead up to the election is often muted with potential volatility in the lead up. We would not be surprised to see this trend play out in the coming months.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

Election Day	S&P 500 Returns 3mo Before Election	President	Change of Party?	Stock Market Correct?
11/6/1928	16.22%	H Hoover	no	yes
11/8/1932	6.47%	FDR	yes	no
11/3/1936	8.33%	FDR	no	yes
11/5/1940	8.88%	FDR	no	yes
11/7/1944	2.78%	FDR	no	yes
11/2/1948	5.36%	H Truman	no	yes
11/4/1952	-3.34%	D Eisenhower	yes	yes
11/6/1956	-4.11%	D Eisenhower	no	no
11/8/1960	-0.60%	JFK	yes	yes
11/3/1964	2.40%	LB Johnson	no	yes
11/5/1968	6.70%	Nixon	yes	no
11/7/1972	3.21%	Nixon	no	yes
11/2/1976	-0.33%	J Carter	yes	yes
11/4/1980	6.46%	Reagan	yes	no
11/6/1984	4.96%	Reagan	no	yes
11/8/1988	1.48%	HW Bush	no	yes
11/3/1992	-1.01%	Clinton	yes	yes
11/5/1996	7.80%	Clinton	no	yes
11/7/2000	-2.12%	W Bush	yes	yes
11/2/2004	2.62%	W Bush	no	yes
11/4/2008	-20.20%	Obama	yes	yes
11/6/2012	2.69%	Obama	no	yes
11/8/2016	-1.98%	Trump	yes	yes
11/3/2020	0.36%	?	?	?
Avg Return	2.21%			
	Years Right	19		
	Total Years	23		
		83%		

MARKET NARROWNESS

On the earnings page, we showed the areas that have been performing well fundamentally and those that have not through the pandemic. It is those fundamental differences that have correlated with the wide disparity in performance beneath the surface. For the S&P 500 as a whole, over half of the index is made up of those areas operating well, namely technology-oriented stocks and health care. That is also leading to a decoupling between what the economy looks like and what the market looks like to a degree. Their strength is masking the weakness still felt by many other areas, and that fundamental gap between the winners and losers of this environment are having a dramatic impact on style returns, cap size returns, and asset allocations. For example, large caps are dominating small caps, growth is dominating value, and non-dividend payers are dominating dividend-paying companies. Eventually these trends will turn as the economy normalizes over time. But for now, we would generally stick with what is working considering our view of a market grind in the short term- and our overweight rated sectors are Technology, Communication Services, Health Care, and Consumer Discretionary (due to pockets of strength like e-commerce).

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Information Technology	24.3%	27.8%
Consumer Discretionary	18.1%	11.2%
Communication Svcs.	6.1%	10.8%
Health Care	4.5%	14.5%
S&P 500	***3.0%***	-
Materials	0.6%	2.6%
Consumer Staples	0.1%	7.0%
Utilities	-7.1%	3.0%
Real Estate	-7.2%	2.7%
Industrials	-9.5%	8.0%
Financials	-21.0%	9.8%
Energy	-38.1%	2.6%

Over ½ of the S&P 500 is Tech-oriented stocks and Health Care… doing well in this environment

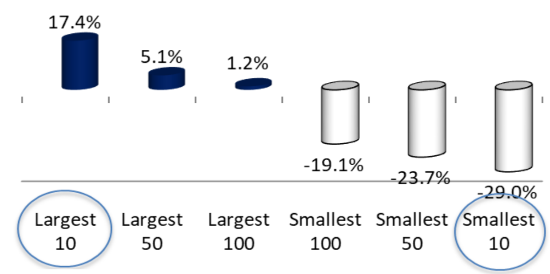
S&P 500 is only 2% from new highs, but 40% of its stocks are still down over 20% from their highs

S&P Styles

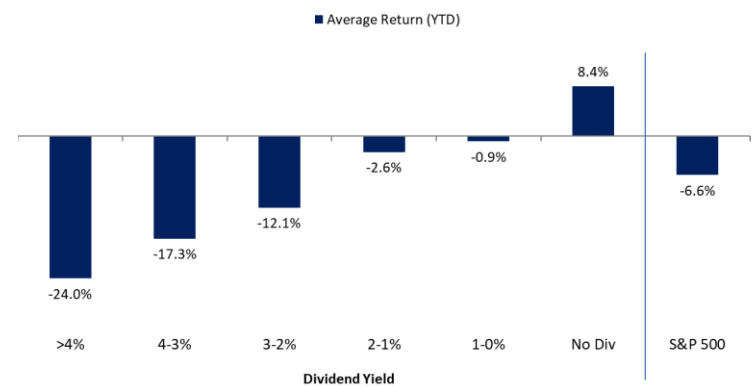
Year to Date (Price Return)

	Growth	Blend	Value
Large Cap	16.9%	3.0%	-12.7%
Mid Cap	2.9%	-6.9%	-17.5%
Small Cap	-3.9%	-11.8%	-20.1%

2020: S&P 500 Average Performance by Market Cap



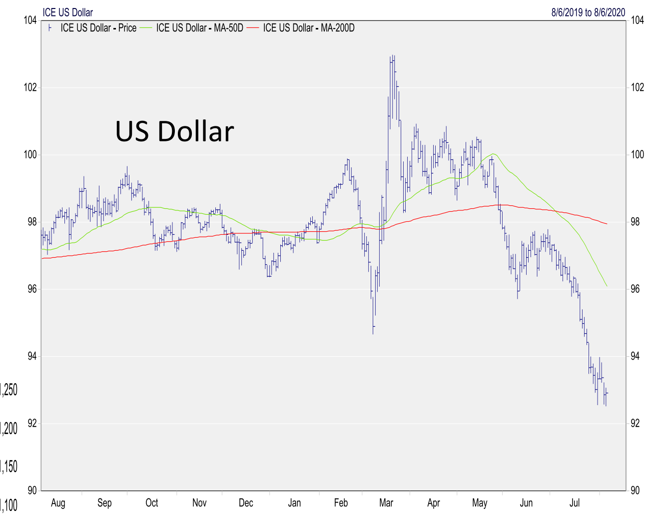
2020: S&P 500 Stocks YTD Returns based on Dividend Yield

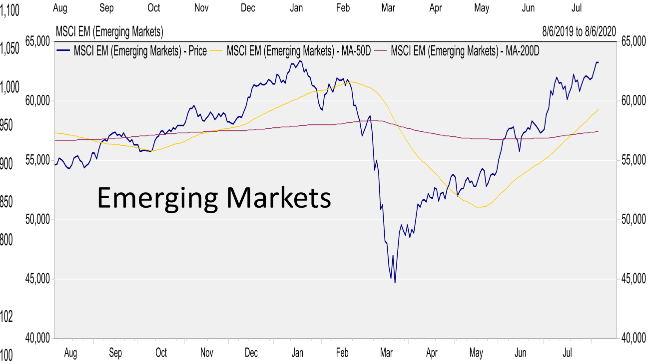


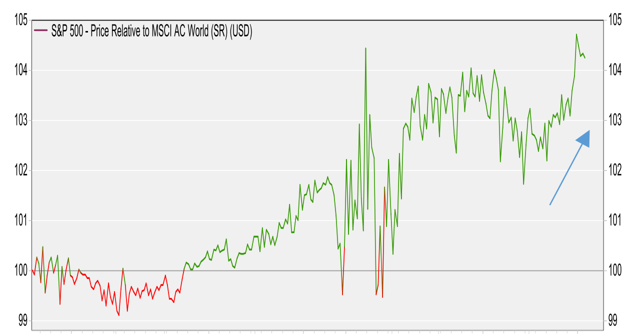
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

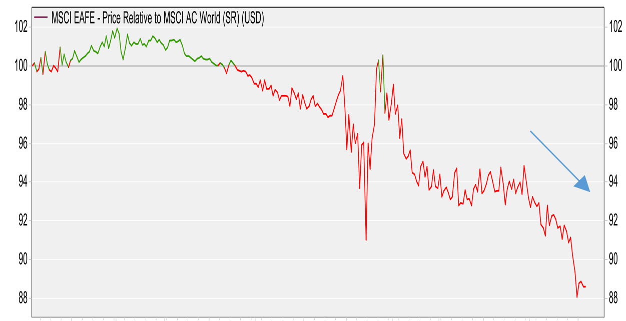
GLOBAL

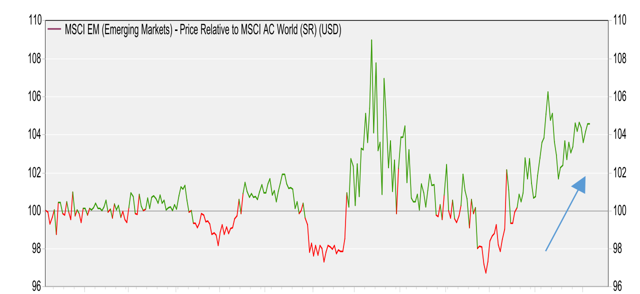
Globally, the US remains our favored area. The fundamental and technical strength of US technology is driving technical momentum vs the world. We would also look to increase exposure to the Emerging markets, especially for those that have been underweight. Emerging markets have a strong inverse correlation in their relative performance trends with the US dollar. While we expect the US dollar to trend lower over the intermediate term, it is oversold/extended in the short term. A consolidation or bounce could coincide with emerging markets consolidating, which we would view opportunistically. Not only does a lower US dollar improve emerging markets financial standing (much of their debt is dollar-denominated), but the area also has leverage to the global economic recovery which we believe has legs for the longer term.











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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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