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Weekly Market Guide

Short-Term Summary: The S&P 500 experienced a -7% pullback in three days, which has been relatively commonplace in this recovery process- having happened 5 times since the March lows. In these previous instances, the pullback was sharp and swift, as the S&P 500 was able to recover fairly quickly. Eventually that will not be the case as equities become too stretched to the upside and will need more time to consolidate. But odds are the current pullback is a buying opportunity, especially when the longer term trend is considered.

We view the current pullback as a normal digestion of the market's recent strong gains, particularly in some of the more tech-oriented areas that were in need of a "breather." We have been noting investor complacency for a while now, as reflected in very low put/call ratios. The current pullback was able to relieve some of that complacency, and the equity put/call ratio is now in line with its average of the past 12 months. The 7% selloff in 3 days also did not come in conjunction with a move lower in bond yields, which would indicate a more "risk-off" approach by investors. Instead, bond yields are actually slightly above levels from the recent September 2nd equity market peak. Additionally, some of the most beaten-up equity market areas- i.e. the hotels, restaurants, and leisure industry group- were actually able to move higher over the past week (to the highest level of this recovery). These data points support our view that the market pullback is a normal consolidation period.

The S&P 500 was able to hold its 50 DMA and bounce so far. We will be looking for follow-through in the coming days. The average stock has also been able to hold its 50 DMA, down just under 5% in the pullback and within a continuation of its sideways grind that has been in place for the better part of three months. With equities just above support levels and the most short-term oversold they have been since March (along with our positive long term view), we would be looking to accumulate favored sectors and stocks. In general, we would stick with what is working in this environment. Our favored sectors remain Technology, Communication Services, Health Care, and Consumer Discretionary. But we also would be looking to accumulate Industrials and Materials for those of you who have been underweight those areas.

Moreover, we do not believe this is the time to make major shifts to Value or Small Cap. Those areas can remain below benchmark weightings until technical momentum improves. Fundamental strength has been the driving force for Growth vs Value and Large vs Small over the past year or so. This trend of better relative earnings growth for Growth vs Value and Large vs Small remains in place, and as such we would stick with Large Cap Growth for now.

Equity Market Indices	Price Return	
	Year to Date	12 Months
S&P 500	5.2%	14.1%
S&P 500 (Equal-Weight)	-4.9%	2.0%
Dow Jones Industrial Avg	-2.1%	4.1%
NASDAQ Composite	24.2%	37.8%
Russell 2000	-8.5%	0.1%
MSCI All-Cap World	1.0%	9.6%
MSCI Developed Markets	-7.1%	0.5%
MSCI Emerging Markets	-2.6%	7.4%
NYSE Alerian MLP	-45.6%	-49.0%
MSCI U.S. REIT	-16.5%	-17.1%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Information Technology	27.0%	27.8%
Consumer Discretionary	23.9%	11.5%
Communication Svcs.	10.9%	11.0%
Materials	5.4%	2.6%
S&P 500	5.2%	-
Health Care	3.6%	14.1%
Consumer Staples	3.0%	7.0%
Industrials	-5.0%	8.2%
Real Estate	-6.7%	2.7%
Utilities	-8.1%	2.9%
Financials	-19.4%	9.8%
Energy	-44.7%	2.3%

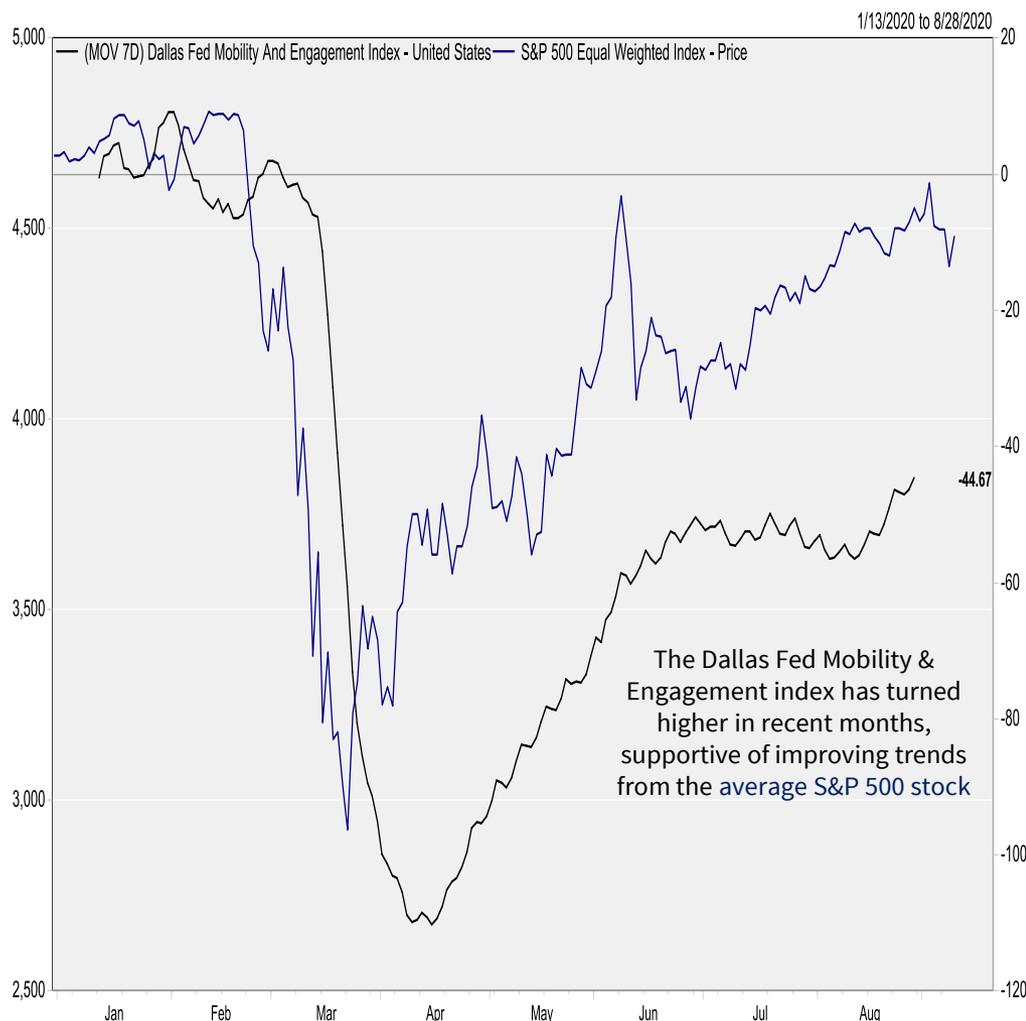
MACRO: US

The US jobs market continued to recover in August. Nonfarm payrolls rose by 1.371M (in line with the consensus estimate of 1.385M), and the unemployment rate improved to 8.4% from 10.2% previously. The drop was surprising and could be a little misleading as the number of permanent job losses increased to 3.411M from 2.877M. Initial jobless claims have also been moving lower, but remain very high still at 884k. The July JOLTS jobs openings was encouraging, showing a rise above expectations. This is important due to an improved jobs market contributing to improved consumer spending (~2/3rd of US GDP).

Some of the high frequency mobility indicators have turned higher lately, reflecting improving consumer behavior. This gauge of the reopening process is a positive sign, particularly as it comes in conjunction with a continued downward trend in nationwide COVID-19 new cases and hospitalizations. There still remains a long way to go, but we maintain a positive bias to the economic recovery.

US economic data reported in the past week:

Event	Period	Actual	Consensus	Prior
Hourly Earnings SA M/M (Preliminary)	AUG	0.40%	0.0%	0.10%
Hourly Earnings Y/Y (Preliminary)	AUG	4.7%	4.5%	4.7%
Nonfarm Payrolls SA	AUG	1,371K	1,385K	1,734K
Unemployment Rate	AUG	8.4%	9.8%	10.2%
NFIB Small Business Index	AUG	100.2	-	98.8
Consumer Credit SA	JUL	\$12.2B	\$14.0B	\$11.4B
JOLTS Job Openings	JUL	6,618K	6,000K	6,001K
Continuing Jobless Claims SA	08/29	13,385K	12,600K	13,292K
Initial Claims SA	09/05	884.0K	831.5K	884.0K
PPI ex-Food & Energy SA M/M	AUG	0.40%	0.20%	0.50%
PPI ex-Food & Energy NSA Y/Y	AUG	0.59%	0.30%	0.34%
PPI SA M/M	AUG	0.30%	0.20%	0.60%
PPI NSA Y/Y	AUG	-0.17%	-0.30%	-0.42%

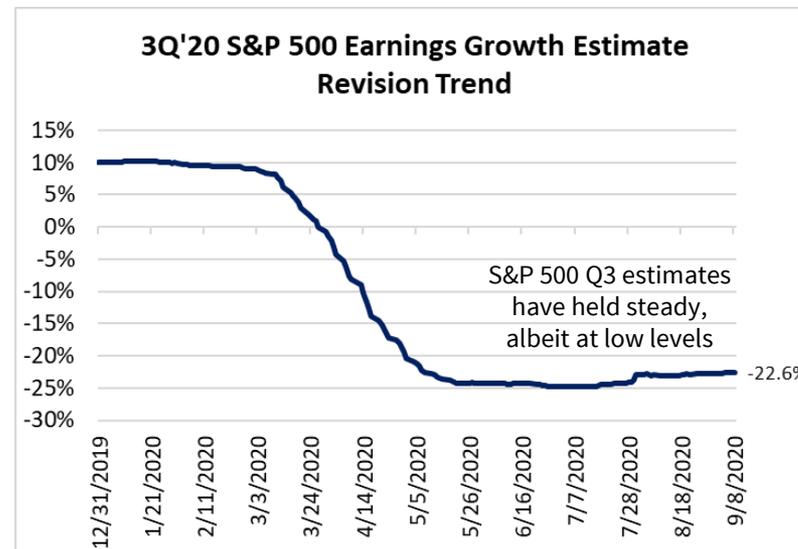


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

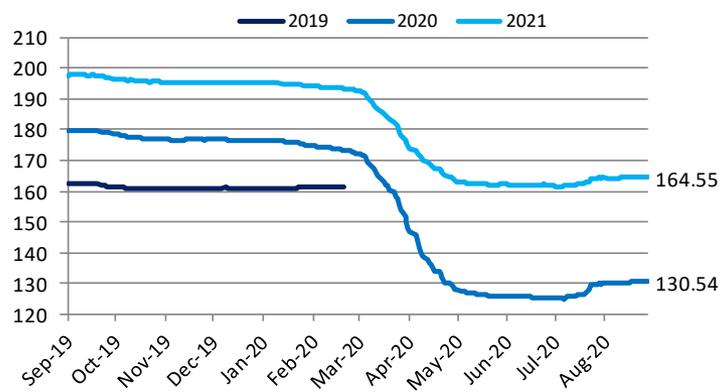
FUNDAMENTALS

Earnings estimates have continued to tick slightly higher with notable positive revisions from the Industrials, as well as Technology, in the past two weeks. Now that the worst of the COVID-19 fundamental impact should be behind us in Q2, those depressed earnings will become easy comparisons as the calendar turns. This is beginning to play out, as you can see the more cyclical Industrials, Consumer Discretionary, and Materials sectors, followed by even Energy, have the strongest expected earnings growth over the next 12 months.

We believe it is also important to watch the estimate revision trend though, which has been positive for the Industrials, Materials, and Consumer Discretionary names but not so for Energy. The positive estimate revisions on improving growth potential is supportive of those sectors, and as such they have seen some of the best technical trends lately. For those underweight these areas, we would look to increase exposure. That said, we would not abandon the areas that are exhibiting the best fundamental trends through the pandemic. For example, Technology and Health Care stand out in terms of expected earnings in 2021 relative to 2019- and remain two of our favored sectors. This broadening out of participation beneath the surface is a natural progression and healthy for the overall market in our view.



S&P 500 Consensus Earnings Estimates over Past Year



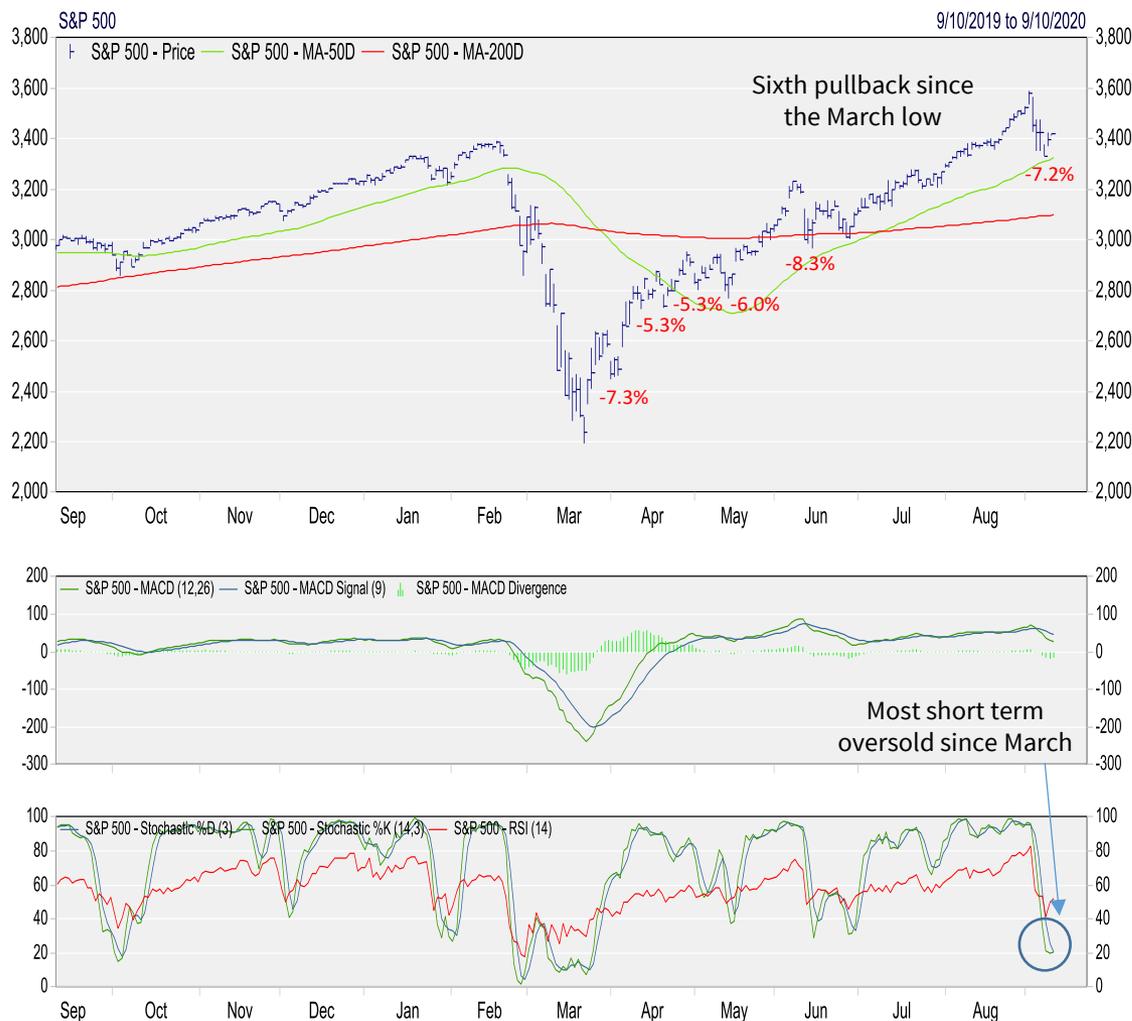
EPS Growth Estimates

2019	1.5%
2020	-19.0%
2021	26.0%

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

S&P 500 Sector	EPS Growth		EPS Est. Relative to 2019	
	NTM	2Yr	2020	2021
Industrials	21.7%	63.0%	-51.2%	-7.6%
Consumer Discretionary	20.4%	65.9%	-45.2%	-4.3%
Materials	12.3%	29.0%	-17.4%	6.2%
Energy	11.1%	170.1%	-103.7%	-52.2%
Information Technology	11.0%	20.5%	4.7%	19.0%
Health Care	10.2%	22.2%	3.4%	17.0%
S&P 500	9.9%	29.7%	-16.8%	5.0%
Communication Services	8.8%	28.6%	-13.0%	4.6%
Financials	5.3%	29.2%	-33.4%	-12.3%
Consumer Staples	4.5%	12.4%	-1.7%	5.6%
Utilities	3.7%	9.5%	-0.3%	5.2%
Real Estate	2.0%	10.1%	-8.0%	-1.6%

TECHNICAL: SHORT TERM



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

The S&P 500 experienced a -7% pullback in three days, which has been relatively commonplace in this recovery process—having happened 5 times since the March lows. In these previous instances, the pullback was sharp and swift, as the S&P 500 was able to recover fairly quickly. Eventually that will not be the case as equities become too stretched to the upside and will need more time to consolidate. But odds are the current pullback is a buying opportunity, particularly when the long term trend is considered.

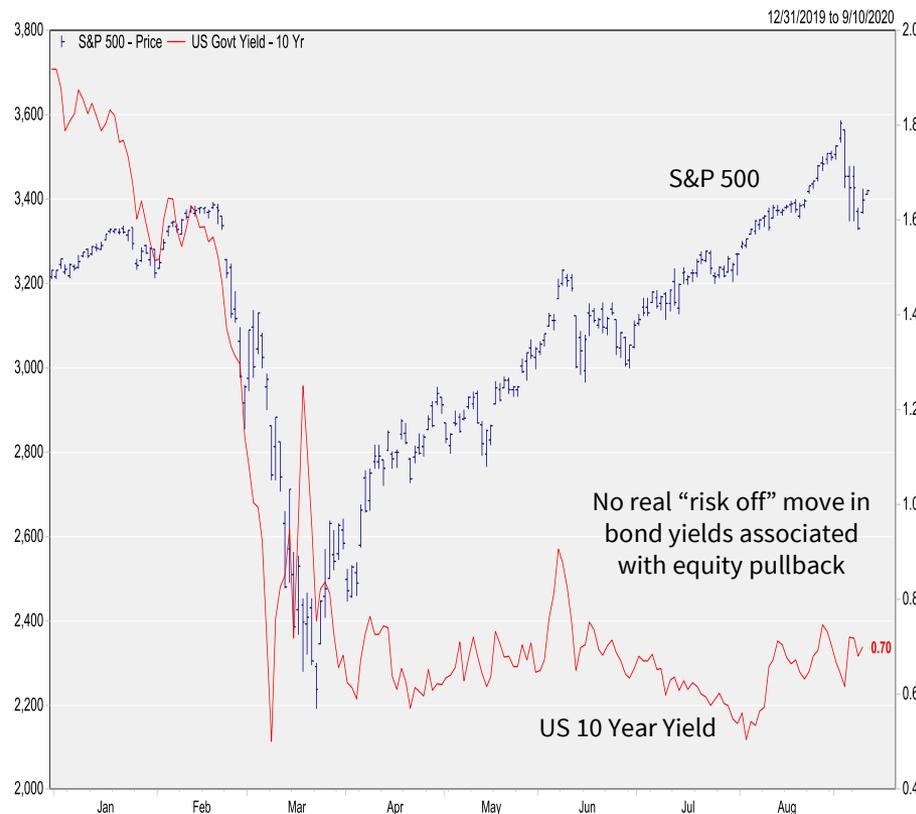
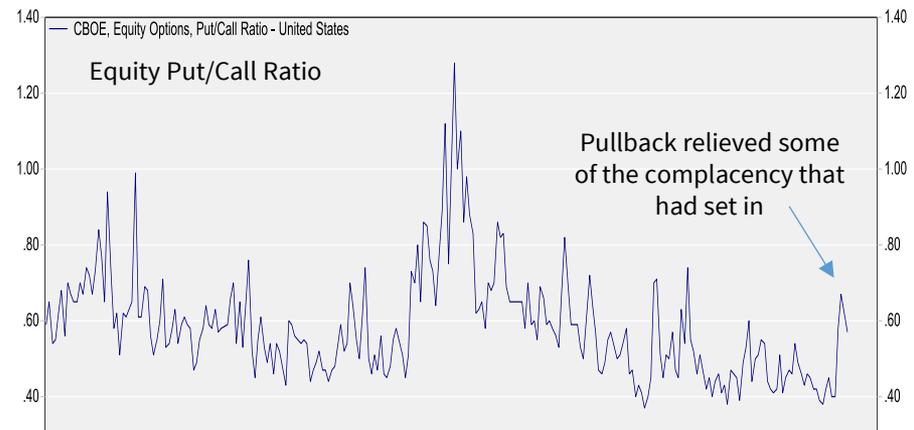
We view the current pullback as a normal digestion of the market’s strong recent gains, particularly in some of the more tech-oriented areas that were in need of a “breather.” The S&P 500 was able to hold its 50 DMA and bounce so far. We will be looking for follow-through in the coming days. A break below the 50 DMA opens the door to test the July break out around 3200; and a break below 3200 increases the chances of a test of the 200 DMA (currently at 3100).

The average stock has also been able to hold its 50 DMA, down just under 5% in the pullback and within a continuation of its sideways grind that has been in place for the better part of three months.

With equities just above support levels and the most oversold in the short term they have been since March, we would be looking to accumulate favored sectors and stocks. In general, we would stick with what is working in this environment. Our favored sectors remain Technology, Communication Services, Health Care, and Consumer Discretionary. But we also would be looking to accumulate Industrials and Materials for those of you who have been underweight those areas.

TECHNICAL: SHORT TERM

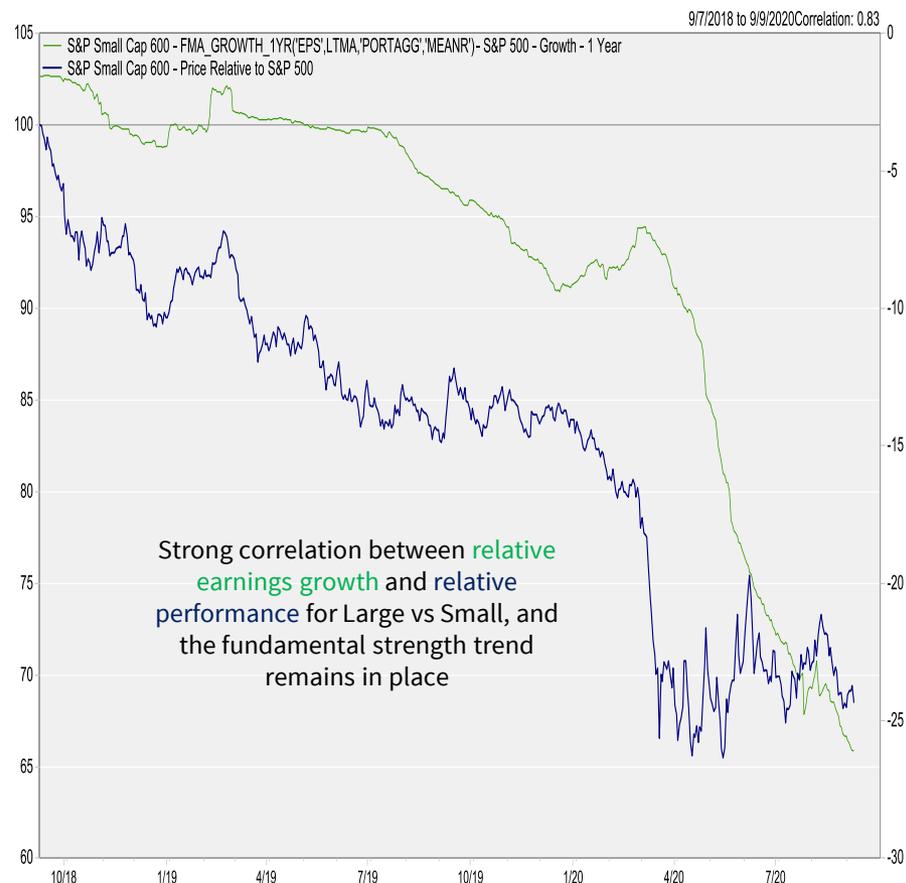
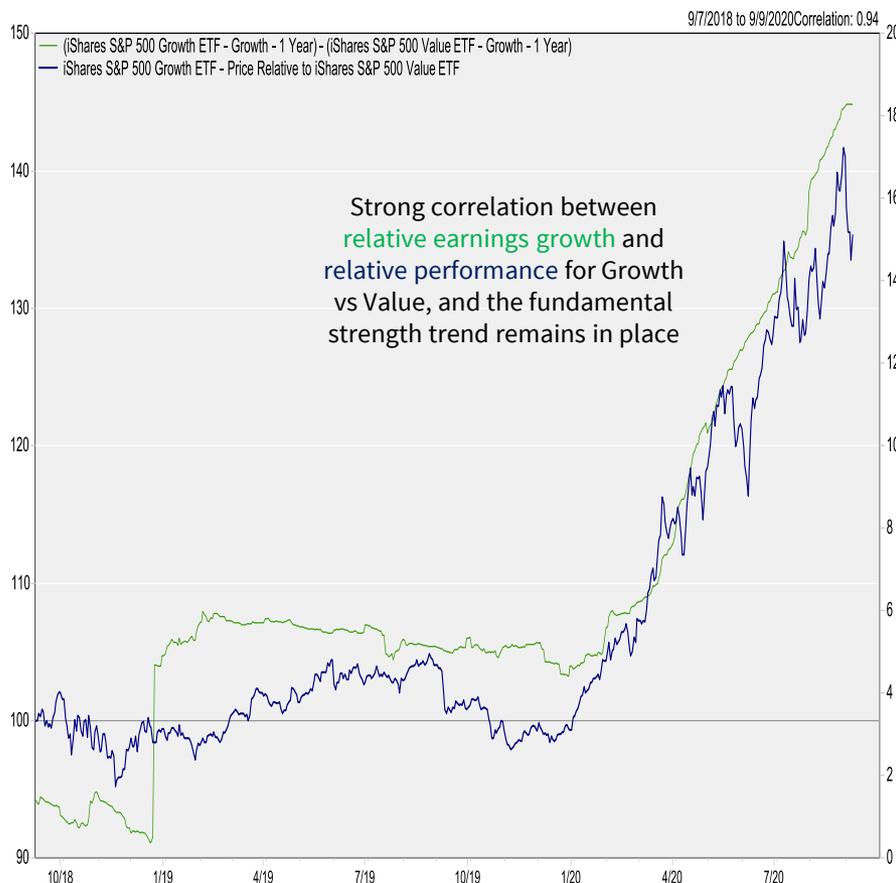
We have been noting investor complacency for a while now, as reflected in very low put/call ratios. The current pullback was able to relieve some of that complacency, as you can see in the bottom left chart. The equity put/call ratio is now in line with its average of the past 12 months. The 7% selloff in 3 days also did not come in conjunction with a move lower in bond yields, which would indicate a more “risk-off” approach by investors. Instead, bond yields are actually slightly above levels from the recent September 2nd equity market peak. Additionally, some of the most beaten-up equity market areas- i.e. the hotels, restaurants, and leisure industry group- were actually able to move higher over the past week (to its highest level of this recovery). These data points support our view that the market pullback is a normal consolidation period and provides a better entry point for investors.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

STICK WITH LARGE CAP GROWTH

We do not believe this is the time to make major shifts to Value or Small Cap. Those areas can remain below benchmark weightings until technical momentum improves. Fundamental strength has been the driving force for Growth vs Value and Large vs Small over the past year or so. This trend of better relative earnings growth for Growth vs Value and Large vs Small remains in place, and as such we would stick with Large Cap Growth for now.



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FAVORED SECTORS

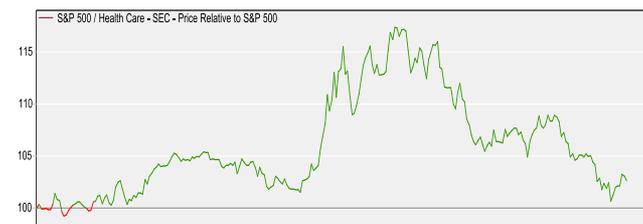
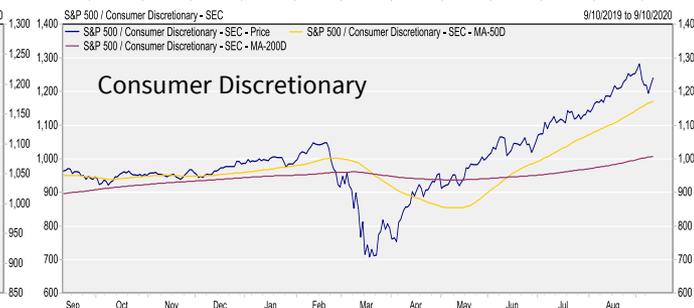
We continue to favor the areas benefiting from the current environment.

Technology- beneficiaries of work/play/stay at home environment and likely to remain as accelerated trajectory into the digital economy continues.

Health Care- fundamental and valuation attractiveness. Positive earnings growth this year followed by 13% expected earnings growth in 2021. Increased health care attention and needs likely to grow on other side of pandemic (health care spend is 16% of GDP and growing).

Communication Services- dynamic “new economy” stocks populate the sector, along with macro sensitive areas (telecom, media) that will benefit as the economy recovers. 5G and increased connectivity will be tailwinds.

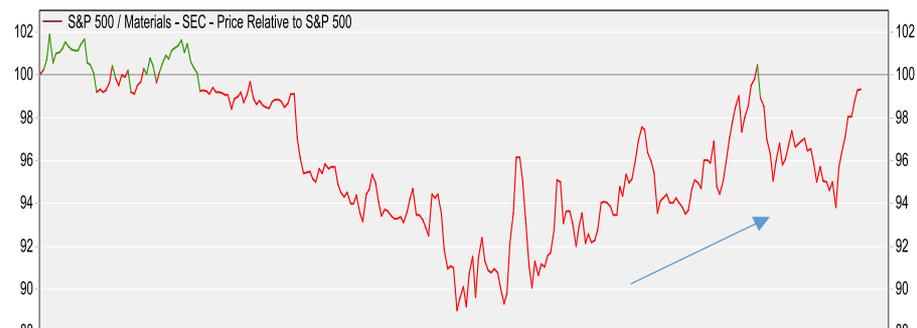
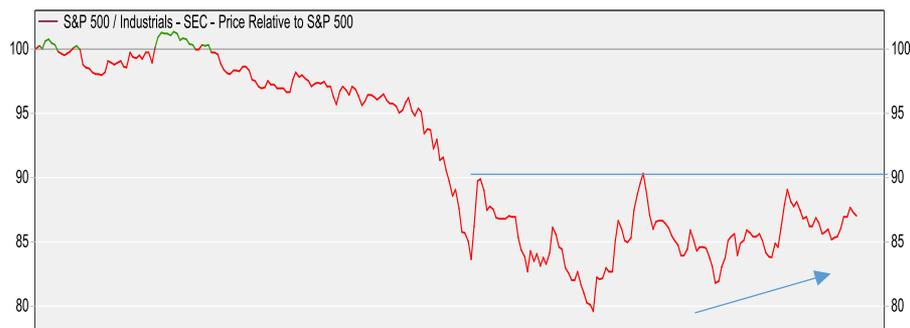
Consumer Discretionary- E-commerce, auto aftermarket retail, home improvement retail, and the homebuilders are notable winners in the pandemic. But the sector also provides leverage to more hard-hit areas in the recovery process. The average stock has held up well in the pullback and is developing an upward relative strength trend.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

OTHER SECTORS WORTH SOME EXPOSURE

We would also begin to add some exposure to those areas with upside as the economic recovery takes place. The manufacturing backdrop is improving, and the need for inventory replenishment will continue to support the Industrials sector in our view. The sector is developing an improving relative strength trend, which we would like to see break above its early June highs for increased conviction. Some of the best Industrials technical trends continue to reside in Trucking and Rail. We would also look to add exposure to Materials. The sector has outsized leverage to the global manufacturing recovery, along with a lower US dollar. We favor both of those trends over the intermediate term. Relative strength trends have also improved of late, as the sector has held up very well in the market pullback after breaking to new highs.



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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