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Weekly Market Guide

Short-Term Summary: There is no shortage of market-influencing variables at the moment. The on-again, off-again news flow of stimulus talks continues. We remain skeptical of additional fiscal aid ahead of the election with policy differences the major obstacle to a deal. This provides less of a cushion for consumers in the short term, but we believe the overall recovery can continue (potentially at a slower pace) and still believe fiscal stimulus is likely to come after the election.

The Presidential election is also just one month away with the betting odds trending in favor of a Biden win and a potential Democratic sweep. Emotional responses to the election outcome can often create short term volatility at the sector level. However, we do not believe dramatic changes to portfolios should be made based on the election alone. Overall, we do not believe the election outcome will alter the over-riding theme of this environment over the intermediate term, which is an economic recovery supported by stimulus in the early stages of a bull market.

Elsewhere, there has been encouraging COVID-19 therapeutic data from Eli Lilly and Regeneron over the past week. Importantly, both treatments- using neutralizing antibodies- are for non-hospitalized patients. This is promising as previous therapeutics have been for patient use in the hospital and on oxygen support. Additionally, RJ Biotechnology analyst Steve Seedhouse believes we could have two vaccines- Pfizer/BioNTech and Moderna- with emergency use authorization by the end of November. We expect better news on a vaccine and therapeutics to continue, and this contributes to our positive stance on equities over the next 12 months.

If that wasn't enough, Q3 earnings season begins next week. Estimates have been trending higher into the results on better than expected economic data, now reflecting a -21% earnings contraction y/y (but +18% q/q sequential improvement). We do not expect earnings to beat as drastically in Q3 as they did in Q2 (a historic ~25% surprise to the upside), but we do expect an overall positive quarter with continued earnings improvement moving forward.

Through all of this, market behavior has been encouraging. The S&P 500 was able to push above horizontal resistance at 3429 today, which (if able to hold) puts the path of least resistance up to prior highs at 3580. Market internals are also firming up for the next move higher in our view. The S&P 500 advance/decline line broke out to new highs. We note good leadership from the semiconductors and transports- positive indications of economic and equity market momentum. Also, participation is broadening out with the small caps breaking to new recovery highs. The potential for choppiness is there, but all of this bodes well for equity market momentum over the intermediate term.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
S&P 500	5.8%	16.4%
S&P 500 (Equal-Weight)	-3.2%	5.9%
Dow Jones Industrial Avg	-0.8%	6.9%
NASDAQ Composite	26.7%	42.8%
Russell 2000	-3.4%	7.6%
MSCI All-Cap World	1.8%	11.9%
MSCI Developed Markets	-7.5%	1.1%
MSCI Emerging Markets	-0.6%	11.4%
NYSE Alerian MLP	-49.2%	-51.2%
MSCI U.S. REIT	-15.8%	-17.4%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Information Technology	28.6%	27.9%
Consumer Discretionary	25.3%	11.7%
Communication Svcs.	7.5%	10.6%
Materials	6.4%	2.6%
S&P 500	***5.8%***	-
Health Care	4.9%	14.2%
Consumer Staples	3.1%	7.0%
Industrials	-2.1%	8.4%
Utilities	-3.5%	3.1%
Real Estate	-5.9%	2.7%
Financials	-19.2%	9.9%
Energy	-49.9%	2.0%

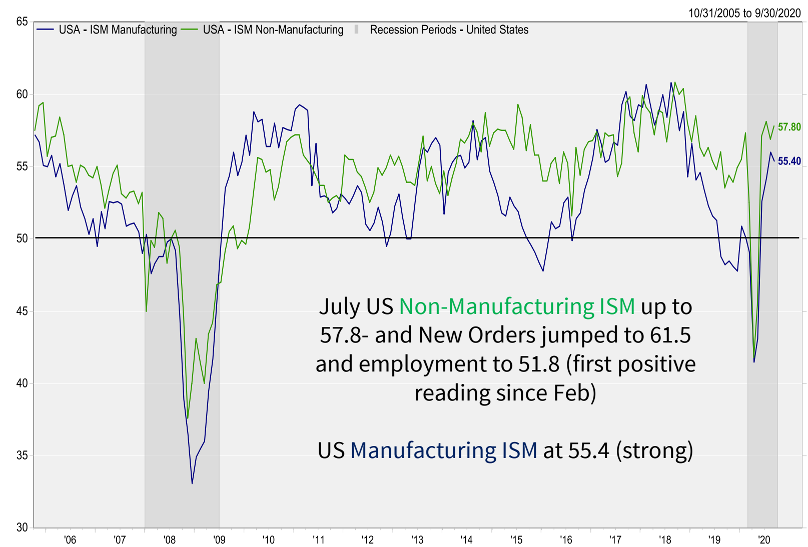
MACRO: US

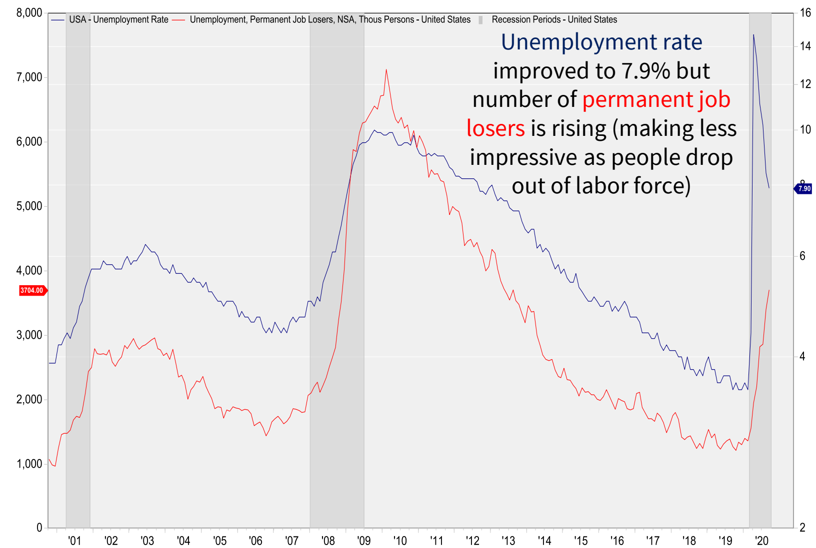
Overall, the economy continues to improve. ISM manufacturing and services are both at strong levels; and within the September services data, new orders jumped to 61.5 and employment strengthened to 51.8 (which is the first positive reading since February). These are very positive readings and show the resiliency of the consumer. Housing data has also been extraordinary- a bright spot of the economy- and the jobs recovery is underway though showing signs of slowing.

The unemployment rate was able to improve to 7.9% in September (better than the consensus estimate of 8.2%), however the number of permanent job losers is increasing- making the unemployment rate less impressive as people drop out of the labor force. This highlights the need for additional fiscal stimulus in the current environment. We view additional aid as very important but are skeptical it comes prior to the election. The Republicans are currently at $1.6T and Democrats at $2.2T, but policy differences are the major issue- assistance to state and local governments and who gets the aid are the biggest obstacles. Politics are getting in the way of a deal and this provides less of a cushion in the short term. Nonetheless, we believe the overall recovery can continue (maybe at a slower pace) and fiscal stimulus is still likely to come after the election.

US economic data reported in the past week:

Event	Period	Actual	Consensus	Prior
Hourly Earnings Y/Y (Preliminary)	SEP	4.7%	4.8%	4.6% R
Manufacturing Payrolls SA	SEP	66.0K	38.0K	36.0K R
Nonfarm Payrolls SA	SEP	661.0K	865.0K	1,489K R
Unemployment Rate	SEP	7.9%	8.2%	8.4%
Durable Orders ex-Transportation SA M/M (Final)	AUG	0.60%	0.40%	0.40% P
Durable Orders SA M/M (Final)	AUG	0.55%	0.40%	0.40% P
Factory Orders SA M/M	AUG	0.70%	1.1%	6.5% R
Michigan Sentiment NSA (Final)	SEP	80.4	78.9	78.9 P
PMI Composite SA (Final)	SEP	54.4	54.4	54.4 P
Markit PMI Services SA (Final)	SEP	54.6	54.6	54.6 P
ISM Non Manufacturing SA	SEP	57.8	56.1	56.9
Trade Balance SA	AUG	-$67.1B	-$66.3B	-$63.4B R
JOLTS Job Openings	AUG	6,493K	6,450K	6,697K R
Consumer Credit SA	AUG	-$7.2B	$13.5B	$14.7B R
Continuing Jobless Claims SA	09/26	10,976K	11,500K	11,979K R
Initial Claims SA	10/03	840.0K	837.0K	849.0K R



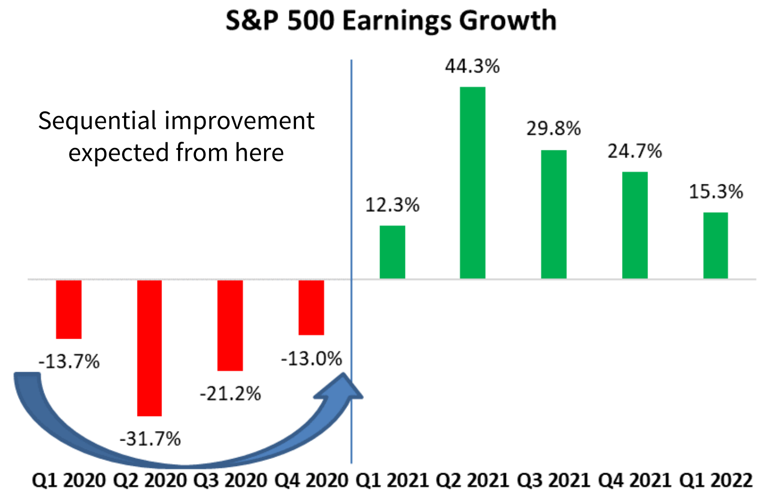


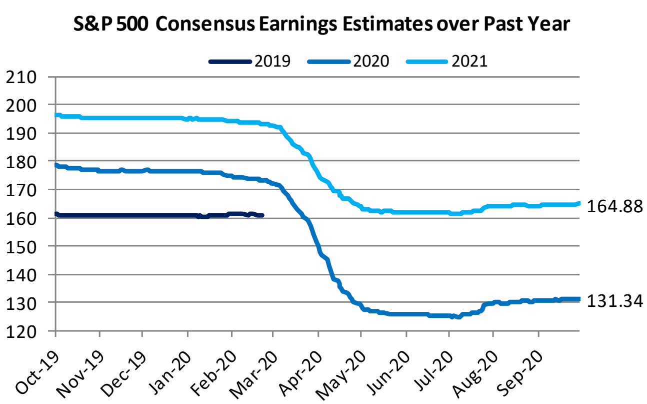
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FUNDAMENTALS

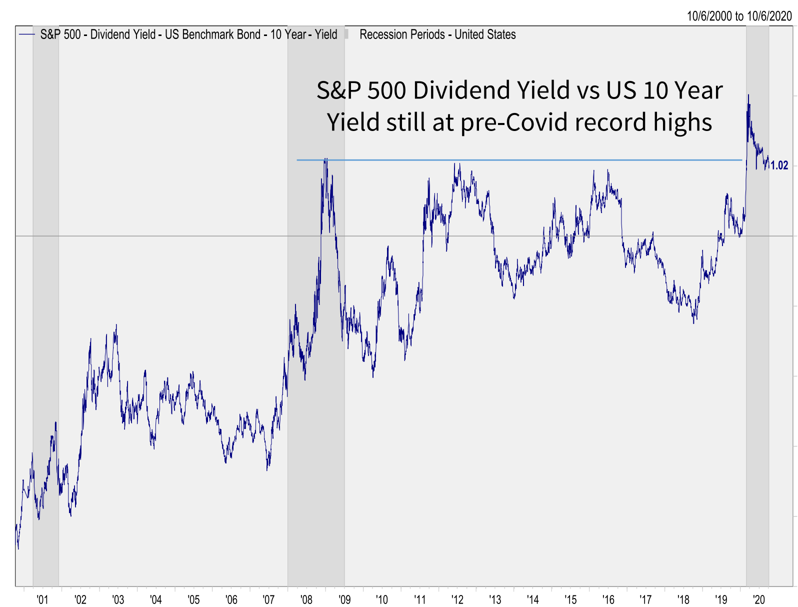
Q3 earnings season begins next week. S&P 500 estimates have been trending higher into the results on better than expected economic data, now reflecting a -21% earnings contraction y/y (but +18% q/q sequential improvement). We do not expect earnings to beat as drastically in Q3 as they did in Q2 (a historic ~25% surprise to the upside), but we do expect an overall positive quarter with continued earnings improvement moving forward. As the calendar turns, expected earnings growth will become very attractive for some of the harder-hit, cyclical areas. We also believe it is important to monitor estimate revision trends within those areas with Consumer Discretionary and Materials stocks exhibiting the best revisions lately. At the sector level, we would keep a foundation in the areas doing well (tech-oriented and health care) but also be looking to accumulate the more cyclical areas with more leverage to the economic recovery process- Consumer Discretionary, Industrials, and Materials stocks are at the top of our list.

Unprecedented global stimulus is unlikely to go away any time soon (additional fiscal aid is pushed out but will come eventually). The Fed is likely to keep rates lower for longer and continue to support credit markets (positive for risk assets). This creates an environment where valuation can stay elevated in our view given stimulus support, low interest rates, low inflation, and no attractive alternative to equities.



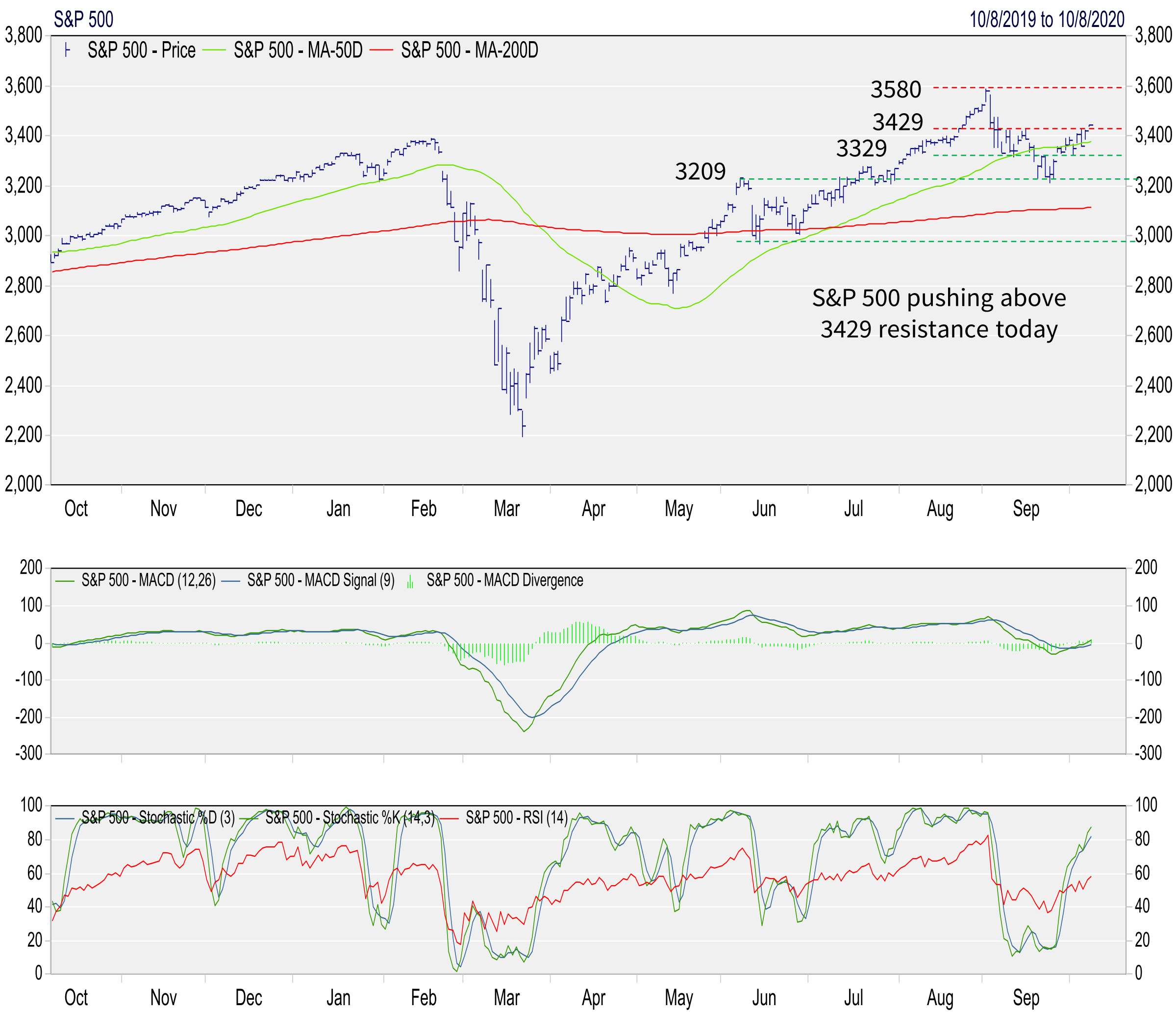


EPS Growth Estimates	
2019	1.4%
2020	-18.4%
2021	25.5%



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: S&P 500



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

There is no shortage of market-influencing variables at the moment- fiscal stimulus talks, the election, vaccine/therapeutics, and Q3 earnings season (among others).

Through all of this, market behavior has been encouraging. The S&P 500 underwent a normal pullback in September in our view, was able to hold support, and today is pushing above horizontal resistance at 3429. If the index is able to hold, this technically puts the path of least resistance higher to 3564-3580.

Market internals are also firming up for the next move higher in our view. The S&P 500 advance/decline line broke out to new highs. We note good leadership from the semiconductors and transports- positive indications of economic and equity market momentum. Also, participation is broadening out with the small caps breaking to new recovery highs.

The potential for choppiness is there, but all of this bodes well for equity market momentum over the intermediate term.

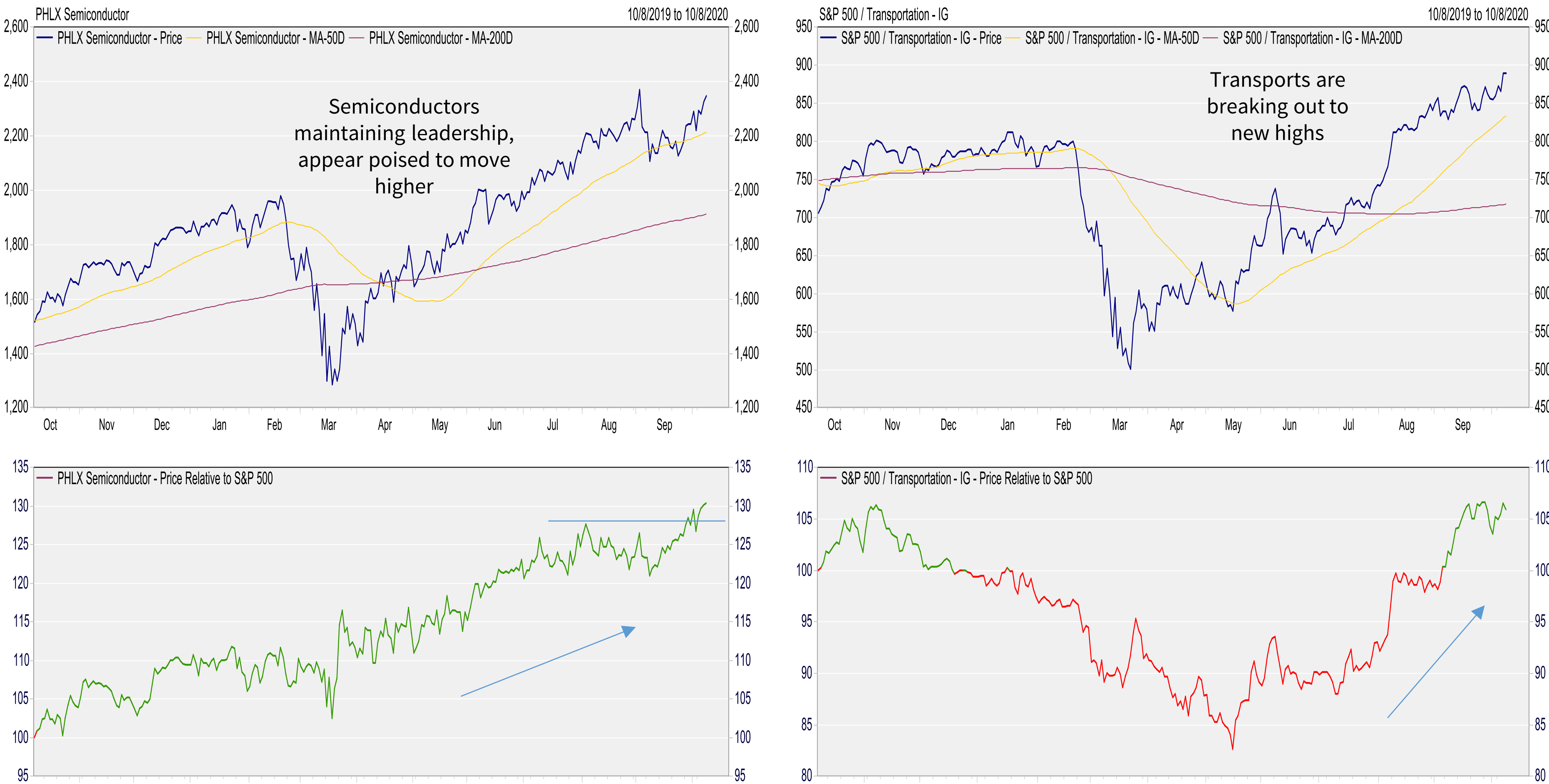
TECHNICAL: NEW HIGH IN S&P 500 A/D LINE

The S&P 500 advance/decline line was able to post a new high this week. This is continued evidence of improving internals and generally bodes well for intermediate term market momentum.

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: SEMICONDUCTORS AND TRANSPORTS

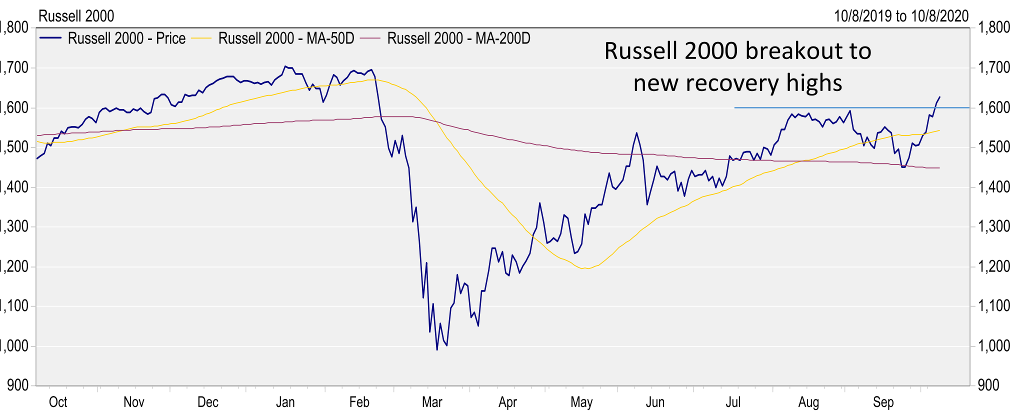
We note good leadership from the semiconductors and transports. The transports are breaking out to new highs today. The semiconductors are breaking out on a relative basis, which often precedes a price breakout. Both areas remain strong technically- a positive indication of economic and equity market momentum in our view.

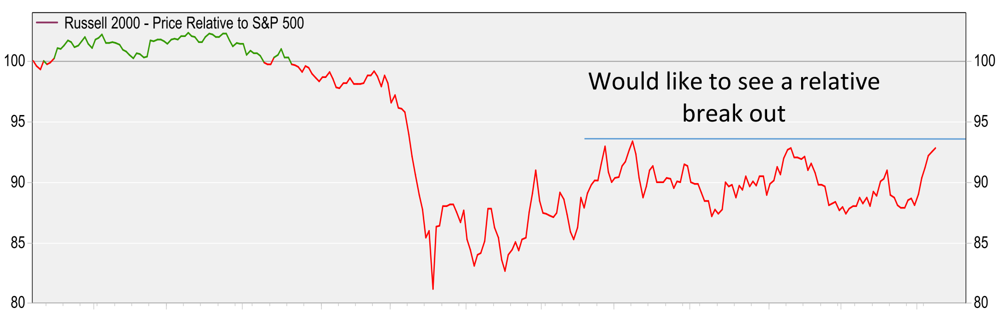


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: SMALL CAPS

The Russell 2000 was able to break out to recovery highs today, surging 12% (at current prices) in the past 10 days. We would like to see a relative break out to indicate the potential for a change in leadership. Nevertheless, historically, gains of >10% in only 10 trading days have led to very positive results in the following 1, 3, 6, and 12 month time frames. As you can see in the table to the right, the average return in these time frames and win rate (odds of positive return) are significantly higher than normal periods. For example, the average return over the next 12 months following a >10% 10-day surge is 19.3% wit an 84.6% chance of positive returns. This compares favorably to all 12 month returns that have averaged 10.6% with a 71.2% chance of an up-market.





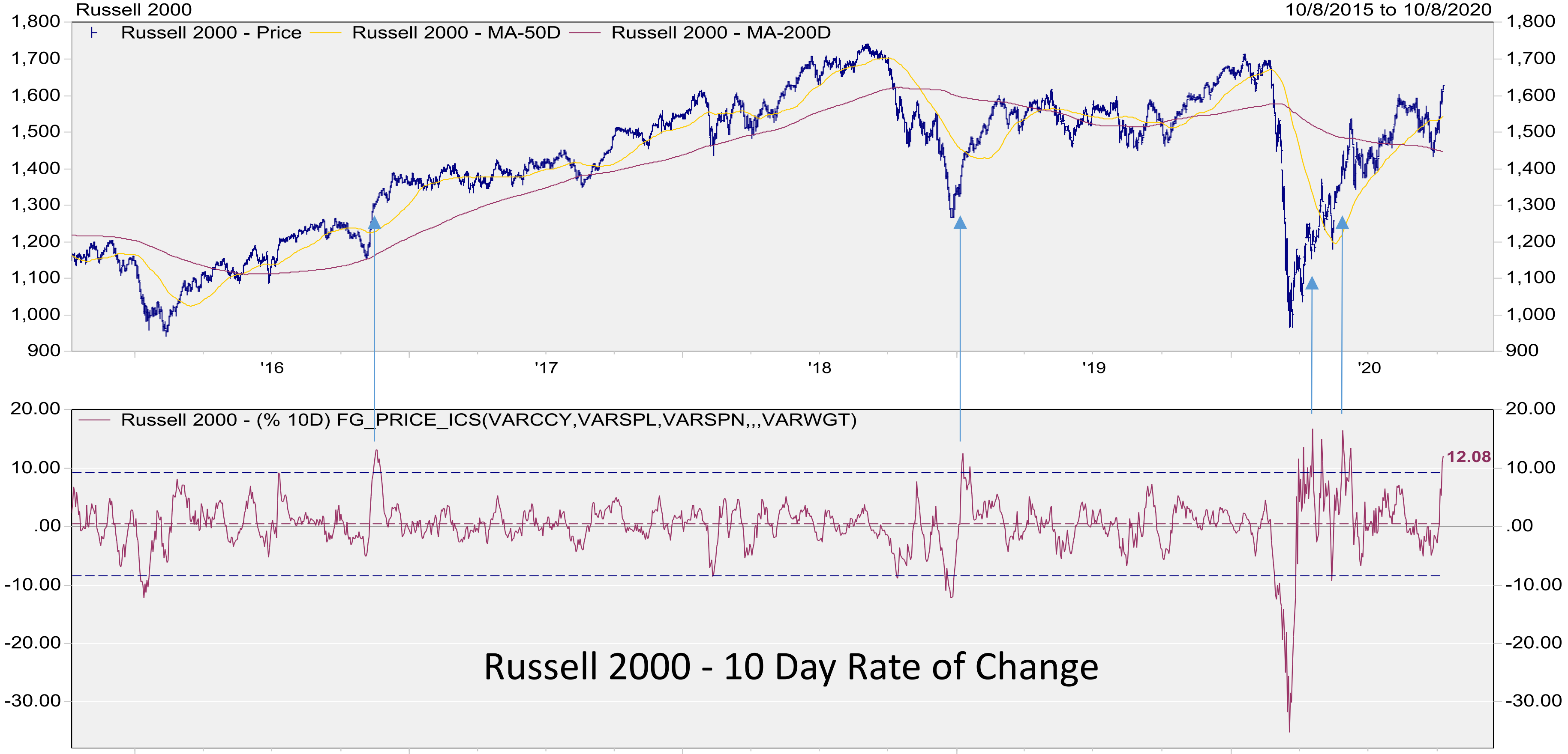
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

Date Of 10D Surge	10D Surge	1mo Return	3mo Return	6mo Return	12mo Return
10/9/1981	10.83%	2.87%	0.38%	-5.78%	3.47%
8/25/1982	10.49%	7.02%	28.47%	50.40%	72.08%
10/14/1982	10.37%	12.78%	21.65%	36.01%	48.26%
8/9/1984	10.20%	1.37%	-0.03%	14.19%	15.35%
1/12/1987	10.40%	6.80%	12.35%	12.22%	-17.74%
12/18/1987	12.04%	4.13%	19.98%	23.09%	20.86%
1/29/1991	11.04%	14.82%	23.25%	22.68%	46.15%
1/8/1992	10.23%	6.08%	-2.54%	-6.18%	11.29%
10/21/1998	11.69%	9.45%	17.66%	18.34%	14.98%
1/20/2000	10.95%	3.49%	-8.62%	1.29%	-7.55%
3/7/2000	10.02%	-8.79%	-13.21%	-8.93%	-18.66%
4/28/2000	11.53%	-9.64%	-3.30%	-5.33%	-4.52%
6/6/2000	11.48%	2.14%	4.68%	-9.51%	0.06%
10/23/2002	12.81%	8.42%	3.98%	7.04%	38.34%
6/5/2003	10.02%	-0.07%	11.43%	18.03%	24.32%
12/3/2008	10.03%	11.48%	-20.44%	15.20%	29.76%
3/17/2009	11.80%	18.78%	25.63%	52.50%	69.47%
5/4/2009	12.01%	4.90%	12.61%	11.11%	40.03%
6/4/2009	10.48%	-6.48%	7.30%	13.37%	19.24%
7/22/2009	10.22%	9.99%	16.02%	16.73%	20.20%
9/16/2009	11.07%	-0.19%	-1.00%	10.08%	4.93%
10/14/2011	10.60%	2.87%	7.26%	11.77%	15.53%
12/7/2011	10.65%	0.48%	6.68%	1.90%	10.20%
11/15/2016	10.54%	4.94%	7.84%	7.05%	12.44%
1/7/2019	10.93%	7.13%	12.61%	12.12%	18.00%
1/17/2019	10.25%	6.95%	6.84%	5.69%	15.84%
3/30/2020	11.65%	13.15%	24.44%	30.16%	n/a
5/27/2020	16.47%	-4.01%	8.93%	n/A	n/a
10/7/2020	10.99%	n/a	n/a	n/a	n/a

	1mo Return	3mo Return	6mo Return	12mo Return
Average Following 10D "Surge":	4.67%	8.24%	13.16%	19.32%
Average All Data:	0.95%	2.74%	5.33%	10.60%
Win Rate Following "Surge":	78.57%	75.00%	81.48%	84.62%
Win Rate All Data:	61.79%	63.30%	67.18%	71.16%

TECHNICAL: SMALL CAPS

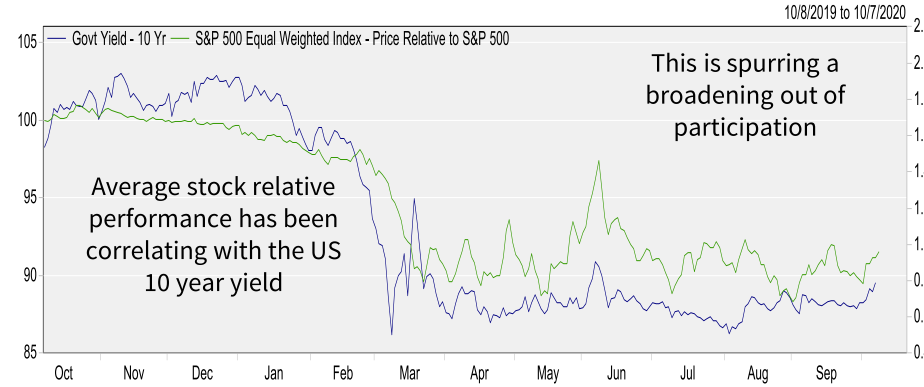
A 12% move in 10 days for the Russell 2000 is a statistically significant event. As discussed on the previous page, >10% moves are typically followed by above average strength over the next 1, 3, 6, and 12 months. We highlight the handful of times this has occurred over the past five years below (November 2016, January 2019, March and May 2020, and now). And as you can see, strength typically begets strength. We not only view this as a positive for the small caps but also the market in general, as it indicates a broadening out of participation beneath the surface.

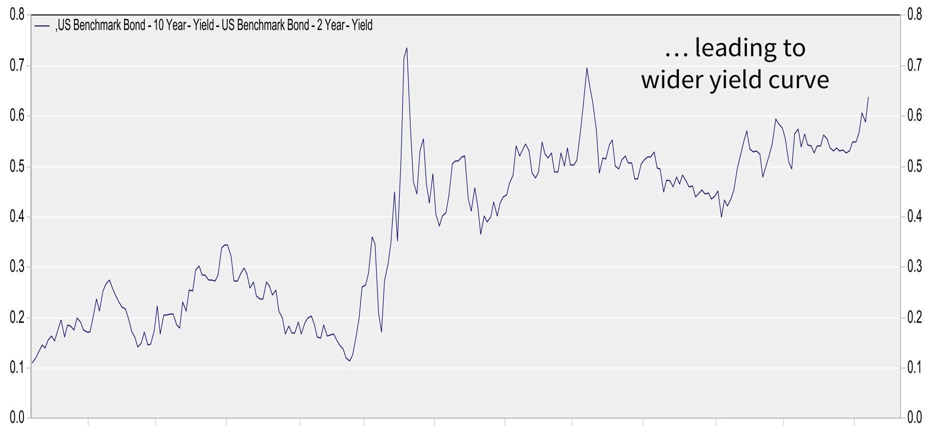


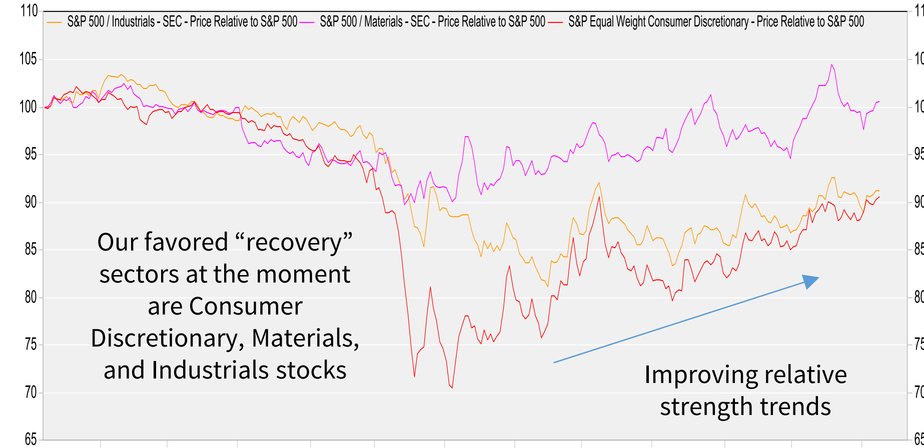
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: BOND YIELDS SPURRING A BROADENING OUT OF MARKET PARTICIPATION

We have been noting the correlation between bond yields and "recovery" areas (cyclical sectors, small caps, average stock) in prior reports. Despite the back-and-forth in fiscal stimulus talks and lack of a deal so far, bond yields have continued to inch higher- resulting in a wider yield curve. This is spurring a broadening out of market participation, as the average S&P 500 stock has seen its relative performance correlate with the US 10 year yield this year. This is also contributing to the small cap recent strength previously discussed. At the sector level, we would stick with a foundation of tech-oriented and health care names but would also continue to accumulate stocks in the Consumer Discretionary, Materials, and Industrials sectors as our favored "recovery" areas.







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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