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Weekly Market Guide

Short-Term Summary: This week's positive news on a potential COVID-19 vaccine has fueled a sharp rotation within the market as the relative beneficiaries of the stay-at-home environment gave way to the areas most impacted by the pandemic. For example, the underperforming industry groups year-to-date have gained 6.1% on average since last Friday, whereas all other areas are roughly flat (0.5%) on average since then. This rotation on vaccine optimism shining a "light at the end of the tunnel" is spurring questions around portfolio re-positioning toward the laggards.

Although this time the rotation may finally last, we recommend a more pragmatic approach to portfolio changes and prefer to build positions as the technical trends are sustained over time (particularly with the virus spreading rapidly right now). Our favored areas for portfolio rotation adjustments are the small caps, industrials, and materials, followed by the financials. Capital to increase exposure to these areas can come from select areas of Technology. Portfolio diversification is building importance once again, as the market becomes less dependent on a small segment of stocks that have dominated the stay-at-home environment. This not only creates more opportunity broadly across all areas of the market, we also view it as a positive for overall market strength.

Technically, the sharp S&P 500 up-move over the last 10 days (9.2%) is suggestive of above average returns over the intermediate term. After such sharp gains historically, it is normal to see some consolidation in the short term; however, moves of this magnitude are very often also followed by strong returns over the next 6-12 months. For example over the past 15 years, the S&P 500 has experienced a >7% initial move in 10 days only 20 times before this week. The average return over the next 6 and 12 months has been 14.3% and 20.2% respectively (with 88% and 94% positive rates). This compares favorably to 6 and 12 month returns in all periods of 5.3% and 10.8% respectively (with 76% and 82% positive rates).

Fundamentally, a very strong Q3 earnings season has continued the upward trend in S&P 500 earnings estimates. And while interest rates have moved marginally higher recently, the S&P 500 equity risk premium (S&P 500 earnings yield vs 10 year Treasury yield) is 3.0%. This remains historically elevated and supports our view that valuation multiples can remain lofty given exceptionally low interest rates. Since 1962 (following at least a 3% reading), the S&P 500 has seen positive returns over the next 3 years every time with an average annualized return above 8%. Headwinds remain (i.e. rapid virus spread, Senate control, size and timing of fiscal aid), but we would use pullbacks as buying opportunities for the longer term.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
S&P 500	10.6%	15.7%
S&P 500 (Equal-Weight)	3.2%	7.2%
Dow Jones Industrial Avg	3.0%	6.2%
NASDAQ Composite	31.4%	39.2%
Russell 2000	4.1%	8.9%
MSCI All-Cap World	7.0%	11.6%
MSCI Developed Markets	-1.5%	1.5%
MSCI Emerging Markets	5.8%	12.0%
NYSE Alerian MLP	-43.4%	-40.2%
MSCI U.S. REIT	-12.7%	-12.4%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Information Technology	32.3%	27.5%
Consumer Discretionary	26.0%	11.2%
Communication Svcs.	16.4%	11.0%
Materials	12.9%	2.7%
S&P 500	***10.6%***	-
Health Care	8.9%	14.1%
Consumer Staples	5.9%	6.9%
Industrials	4.2%	8.6%
Utilities	2.8%	3.1%
Real Estate	-4.6%	2.6%
Financials	-12.2%	10.2%
Energy	-44.4%	2.2%

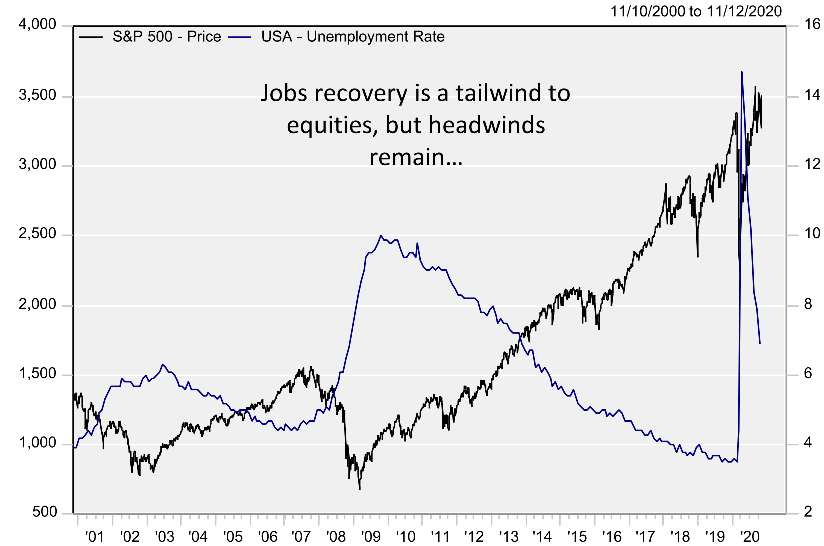
MACRO: US

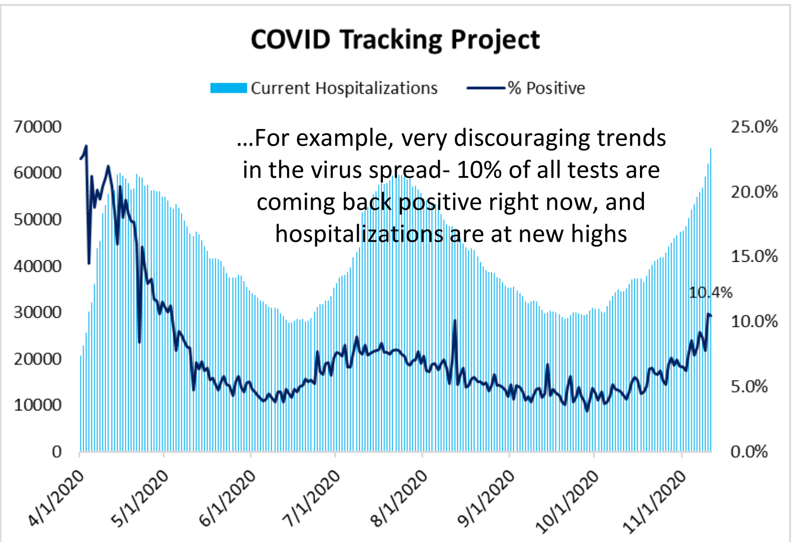
Friday’s jobs report was very strong with a 638k rise in nonfarm payrolls (despite 147k drop in temporary census employees) and a 15k positive revision to prior month estimates. The unemployment rate dropped to 6.9% from 7.9%. This improving jobs market, which continued this week with another drop in initial jobless claims, is important for the economic recovery, especially in the continued absence of additional fiscal aid.

While the economic recovery continues and positive vaccine data this week provided optimism for the eventual return to normalcy, the virus is spreading rapidly in the short term. New daily cases have surged higher (reaching 144k), hospitalizations have also now reached new highs at 65k, and daily deaths are trending higher. This is leading to increased mitigation measures that will likely impact the data in the weeks and months ahead. Headwinds to the economic outlook remain (i.e. rapid virus spread, Senate control- Georgia runoffs, timing and size of additional fiscal stimulus) that can impact market volatility. However, we maintain a positive bias over the intermediate term, due to the likelihood for continued positive news flow on vaccines and therapeutics, along with eventual fiscal aid, and a Fed that remains on hand to support the recovery as needed.

US economic data reported in the past week:

Event	Period	Actual	Consensus	Prior
Manufacturing Payrolls SA	OCT	38.0K	50.0K	60.0K R
Nonfarm Payrolls SA	OCT	638.0K	580.0K	672.0K R
Unemployment Rate	OCT	6.9%	7.7%	7.9%
Wholesale Inventories SA M/M (Final)	SEP	0.40%	-0.10%	-0.10% P
Consumer Credit SA	SEP	$16.2B	$10.0B	-$6.9B R
NFIB Small Business Index	OCT	104.0	-	104.0
JOLTS Job Openings	SEP	6,436K	6,500K	6,352K R
CPI ex-Food & Energy SA M/M	OCT	0.0%	0.20%	0.20%
CPI ex-Food & Energy NSA Y/Y	OCT	1.6%	1.7%	1.7%
Initial Claims SA	11/07	709.0K	735.0K	757.0K R
Continuing Jobless Claims SA	10/31	6,786K	7,000K	7,222K R
CPI SA M/M	OCT	0.0%	0.20%	0.20%
CPI NSA Y/Y	OCT	1.2%	1.3%	1.4%
Hourly Earnings SA M/M (Final)	OCT	0.10%	0.10%	0.10% P
Hourly Earnings Y/Y (Final)	OCT	4.5%	4.5%	4.5% P



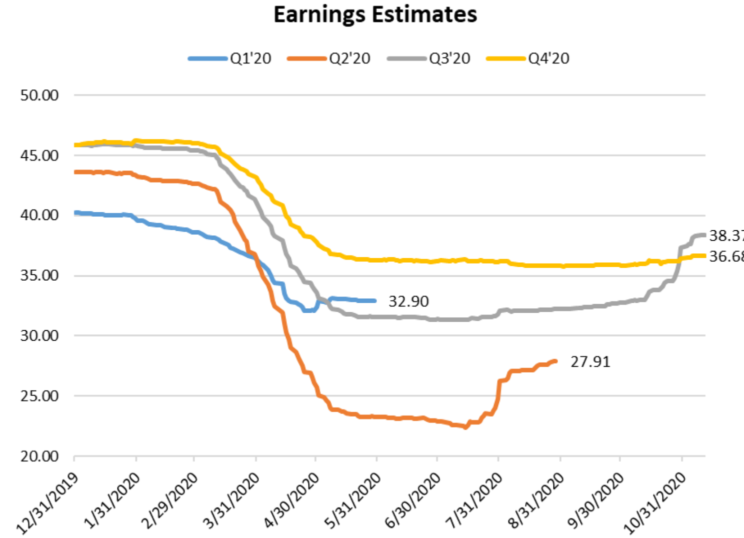


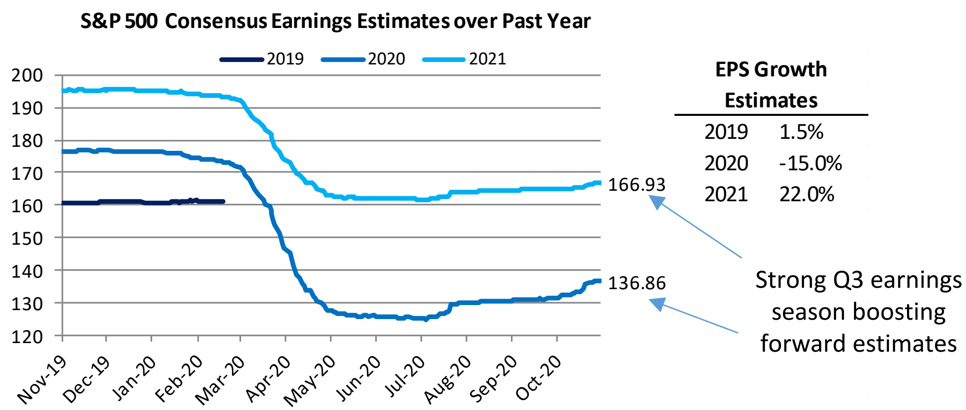
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FUNDAMENTALS

Q3 earnings season has been very strong, coming in 16.4% ahead of expectations for just a -7.9% contraction y/y. Five sectors actually had earnings growth on a y/y basis- Health Care (9.8%), Technology (6.2%), Consumer Staples (3.3%), Utilities (1.7%), and Communication Services (1.1%). The biggest laggards remained Energy, Industrials, and Consumer Discretionary. As the calendar turns into next year, it will be these most impacted areas that show the most leverage to the economic recovery. Areas like Technology and Health Care that operated so well in 2020 are still expecting solid growth next year, but there will be more opportunity for strong fundamental performers across all sectors.

Given the positive vaccine news this week and the likelihood that other drug companies follow with additional success, our bias is to focus on the S&P 500 moving toward our bull case scenario of 3910 in 2021, instead of our current base case target of 3600. This 3910 target applies a 23x P/E to $170 earnings (vs. current consensus estimate of $167 and P/E of 25x). Our bull case scenario has hinged on a vaccine by year end, divided government (removing headwind of higher taxes), the economy and earnings recovering ahead of expectations, and low interest rates- all of which are currently playing out. There are obviously still risks to the outlook, including the rapid virus spread, timing of additional fiscal aid, and Georgia Senate run-offs on January 5th. But the intermediate term backdrop is becoming more bullish for equities than it was just a couple weeks ago.





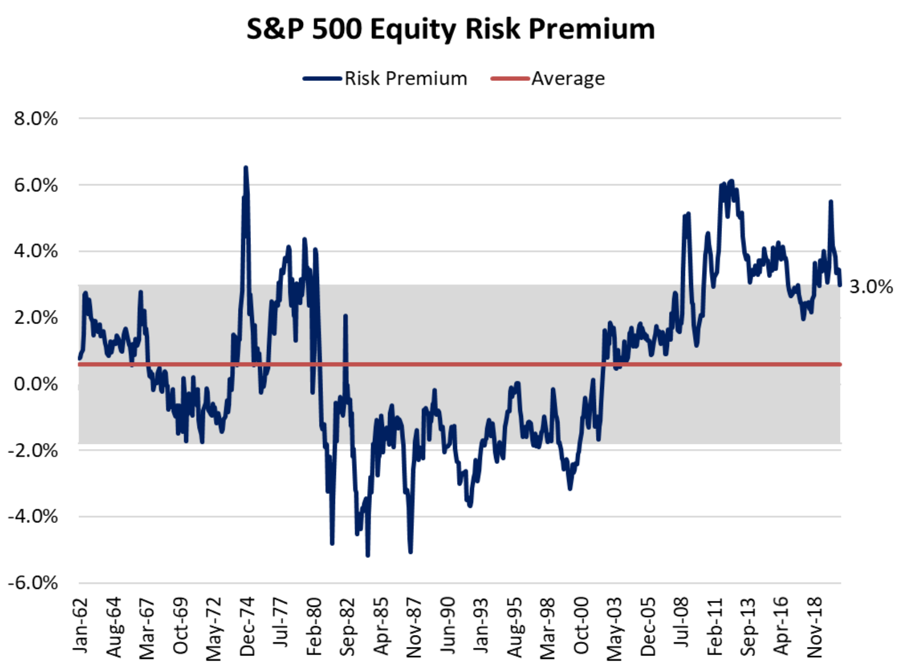
EPS Growth Estimates	
2019	1.5%
2020	-15.0%
2021	22.0%

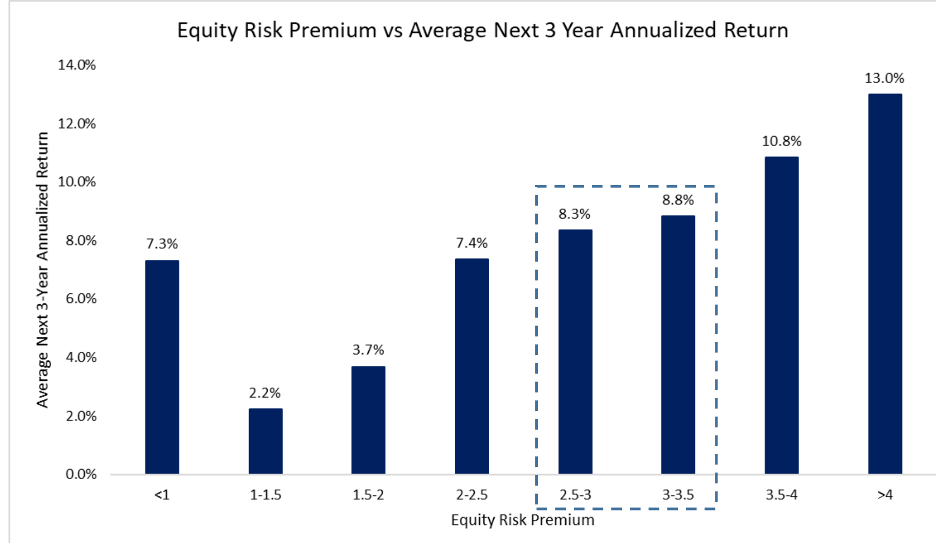
S&P 500 Sector	S&P 500 Weighting	EPS Growth Est. 2020	EPS Growth Est. 2021	2021 EPS Est. vs 2019 EPS
Energy	2.2%	-107.7%	630.9%	-59.1%
Industrials	8.6%	-48.5%	74.8%	-10.0%
Consumer Discretionary	11.2%	-37.2%	61.2%	1.2%
Materials	2.7%	-11.0%	28.1%	14.0%
S&P 500	**100.0%**	**-15.0%**	**22.0%**	**3.6%**
Financials	10.2%	-25.4%	20.1%	-10.5%
Communication Services	11.0%	-5.9%	15.1%	8.3%
Information Technology	27.5%	5.4%	14.3%	20.4%
Health Care	14.1%	6.9%	10.8%	18.4%
Consumer Staples	6.9%	1.0%	6.3%	7.3%
Real Estate	2.6%	-7.0%	5.0%	-2.4%
Utilities	3.1%	0.7%	4.9%	5.6%

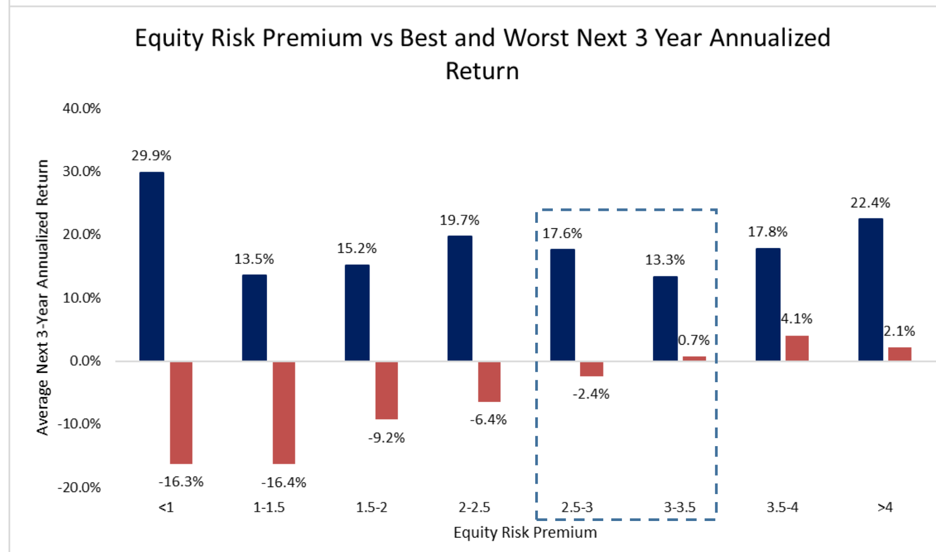
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

VALUATION

While interest rates have moved marginally higher recently, we believe they are likely to remain low with the near-term overhang of Covid cases and the potential need for increased mitigation measures. The S&P 500 equity risk premium (S&P 500 earnings yield vs 10 year Treasury yield) is still 3.0%. This remains historically elevated and supports our view that valuation multiples can remain lofty given exceptionally low interest rates. Since 1962 (following at least a 3% reading), the S&P 500 has seen positive returns over the next 3 years every time with an average annualized return above 8%. Headwinds remain, but we believe equities remain attractive and would use pullbacks as buying opportunities for the longer term.

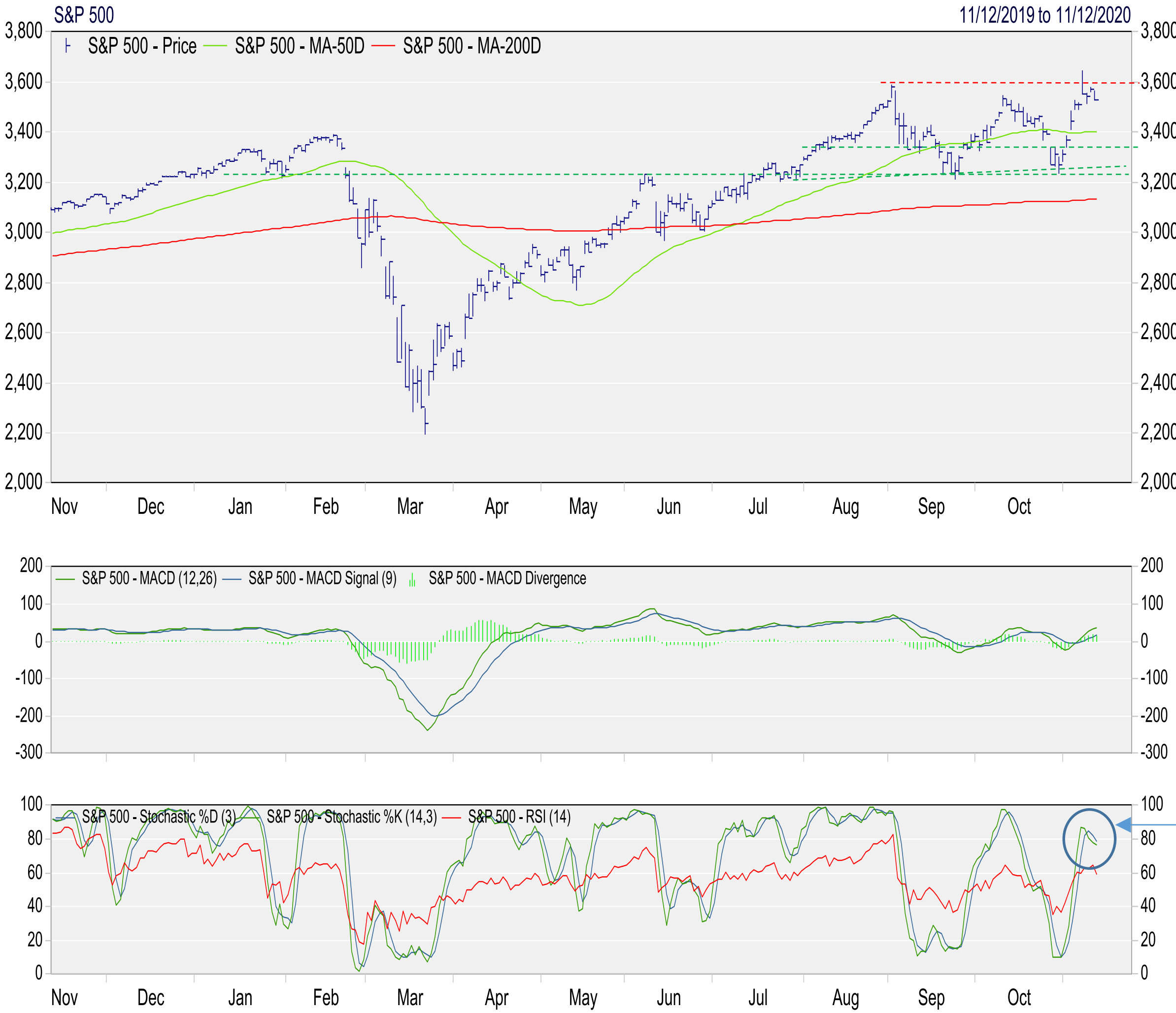






Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: S&P 500



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

The S&P 500 is pulling back slightly today on concerns of increased mitigation measures to battle the rapidly spreading virus. The pullback comes from short term overbought levels and just below overhead resistance at 3588.

Continue to watch the 50 day moving average as potential support on the downside (~3400), followed by horizontal support at 3329 and then trend line support in the low-3200s.

A move above technical resistance (to new highs) at 3588 on a closing basis likely leads the S&P 500 to the 3753 area (which is a Fibonacci projection).

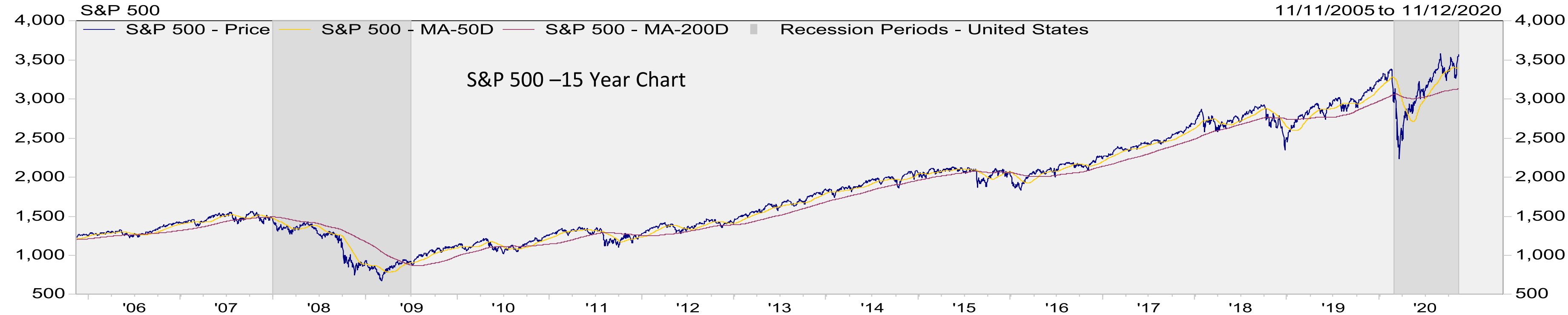
As discussed previously, there are numerous headwinds that can impact market volatility, including the virus spread, Senate control- Georgia runoffs, timing and size of additional fiscal stimulus. However, we remain positive on the outlook over the next 6-12 months and would use pullbacks as a buying opportunity for the longer term.

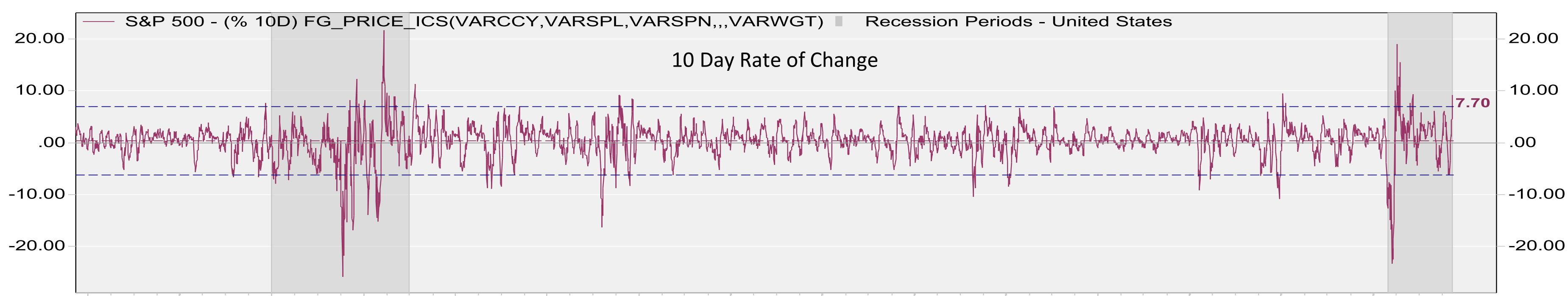
S&P 500 consolidating after reaching short term overbought levels

S&P 500 – 10 DAY PRICE SURGE

The sharp S&P 500 up-move over the last 10 days (9.2% yesterday) is suggestive of above average returns over the intermediate term. After such sharp gains historically, it is normal to see some consolidation in the short term; however, moves of this magnitude are very often also followed by strong returns over the next 6-12 months. For example over the past 15 years, the S&P 500 has experienced a >7% initial move in 10 days only 20 times before this week. The average return over the next 6 and 12 months has been 14.3% and 20.2% respectively (with 88% and 94% positive rates). This compares favorably to 6 and 12 month returns in all periods of 5.3% and 10.8% respectively (with 76% and 82% positive rates).

S&P 500 Performance Following 2 Standard Deviation 10-Day Gain						
	10D	**30D**	**60D**	**90D**	**180D**	**360D**
Price Change	0.7%	0.6%	2.7%	6.1%	14.3%	20.2%
% Positivity Rate	61%	61%	67%	67%	88%	94%
All Occurrences						
	10D	**30D**	**60D**	**90D**	**180D**	**360D**
Price Change	0.3%	0.9%	1.9%	2.8%	5.3%	10.8%
% Positivity Rate	62%	66%	70%	71%	76%	82%



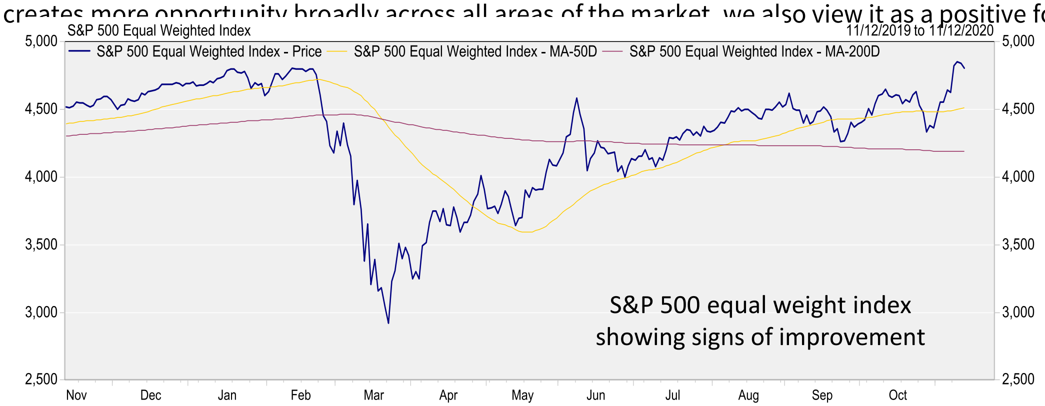


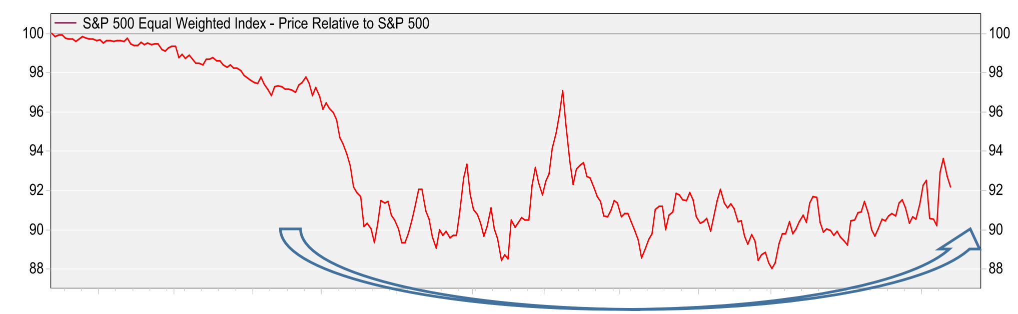
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

MARKET ROTATION

This week's positive news on a potential COVID-19 vaccine fueled sharp rotation within the market as the relative beneficiaries of the stay-at-home environment gave way to the areas most impacted by the pandemic. For example, the underperforming industry groups year-to-date have gained 6.1% on average since last Friday, whereas all other areas are roughly flat (0.5%) on average since then (as you can see in bottom right table). The move resulted in a new high for the average S&P 500 stock. This rotation on vaccine optimism shining a "light at the end of the tunnel" is spurring questions around portfolio re-positioning toward the laggards.

Although this time the rotation may finally last, we recommend a more pragmatic approach to portfolio changes and prefer to build positions as the technical trends build sustainability (particularly with the virus spreading rapidly right now). Our favored rotation areas for portfolio adjustments are the small caps, industrials, and materials, followed by the financials. Capital to increase exposure to these areas can come from select areas of Technology. Portfolio diversification is building importance once again, as the market becomes less dependent on a small segment of stocks that have dominated the stay-at-home environment. This not only creates more opportunity broadly across all areas of the market, we also view it as a positive for overall market strength.





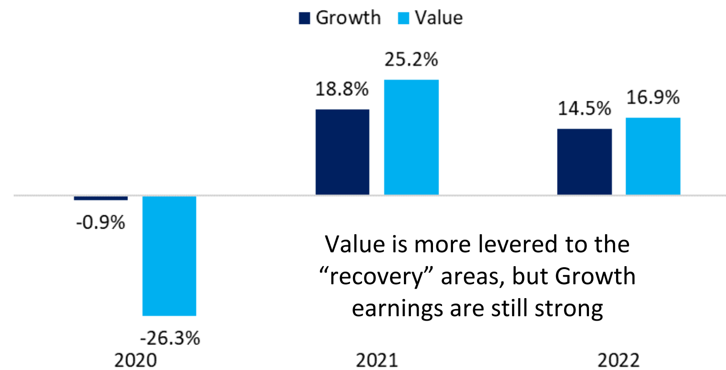
Industry Group	2020 EPS Growth	Performance 12/31 - 11/6	Performance Since 11/6
Retailing	-3.2%	44.7%	-2.7%
Technology Hardware & Equipment	4.8%	40.4%	1.7%
Semiconductors & Semiconductor Equipment	6.2%	34.1%	-1.3%
Software & Services	5.4%	28.2%	-0.5%
Media & Entertainment	-3.4%	24.6%	-0.6%
Commercial & Professional Services	-0.7%	16.1%	2.8%
Household & Personal Products	9.8%	14.9%	-0.3%
Food & Staples Retailing	-0.9%	13.1%	1.1%
Transportation	-120.6%	12.0%	2.3%
Health Care Equipment & Services	3.1%	11.1%	2.2%
Materials	-11.0%	10.7%	1.2%
Consumer Durables & Apparel	-9.0%	8.7%	0.2%
S&P 500	-15.0%	8.6%	1.6%
Pharmaceuticals Biotechnology & Life Sciences	9.6%	4.9%	-0.2%
Utilities	0.7%	-0.8%	2.5%
Automobiles & Components	-45.5%	-4.0%	6.0%
Diversified Financials	-14.0%	-4.5%	5.3%
Capital Goods	-21.9%	-5.5%	4.4%
Food Beverage & Tobacco	-0.2%	-6.2%	4.1%
Real Estate	-7.0%	-8.1%	3.9%
Consumer Services	-133.9%	-9.2%	3.1%
Insurance	-8.0%	-14.0%	6.1%
Telecommunications Services	-15.5%	-14.1%	3.6%
Banks	-39.7%	-34.1%	9.5%
Energy	-107.7%	-52.1%	15.0%

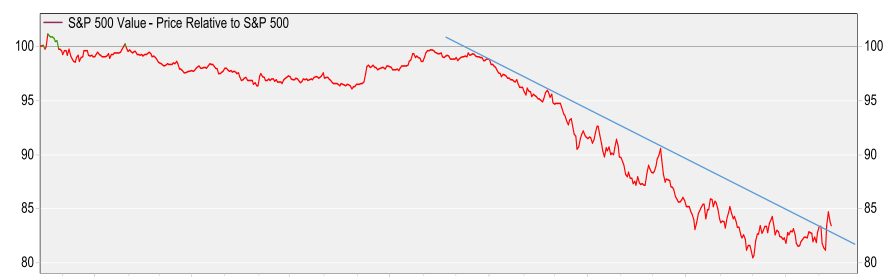
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

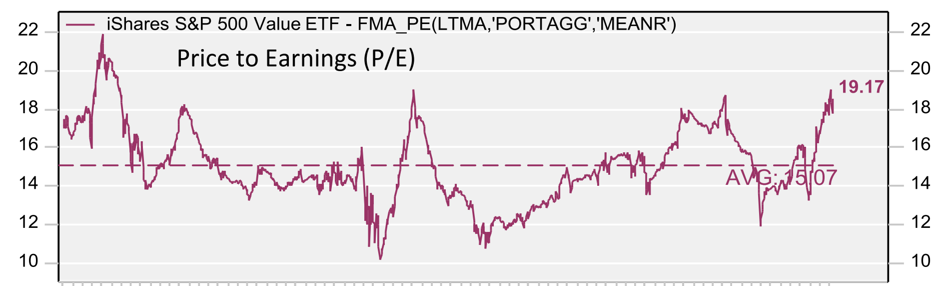
VALUE

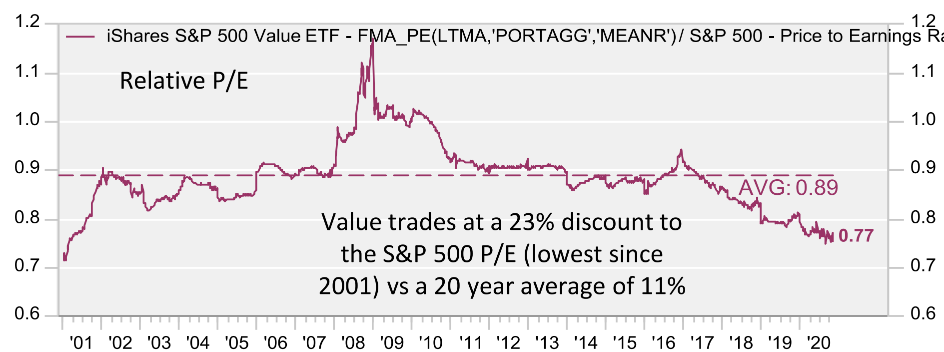
This week's move on positive vaccine news resulted in a new recovery high for Value, as well as a relative strength break out above the downward trend line that has been in place for the past year. Due to Value's drastic underperformance (for over a decade) and subsequent very cheap relative valuation vs Growth, we would use the improved trends as an opportunity to increase exposure to Value. However as discussed previously, we recommend portfolio tweaks rather than wholesale changes and would be pragmatic in building exposure over time as the trend shows sustainability. Value is more levered to the "recovery" areas; but with the virus spread ramping up, this rotation does have headwinds in the short term. Also, growth stocks are still strong fundamental performers and are important for portfolios too. The increasing importance of diversification and opportunity across the market is a positive for active managers.

S&P 500 Growth and Value Earnings Growth Estimates





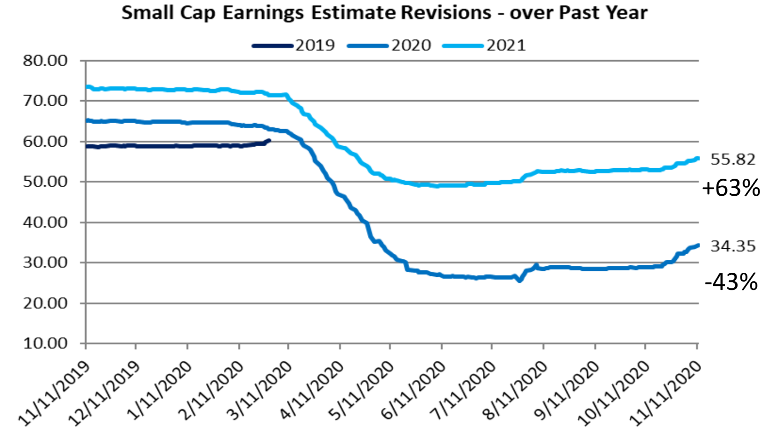


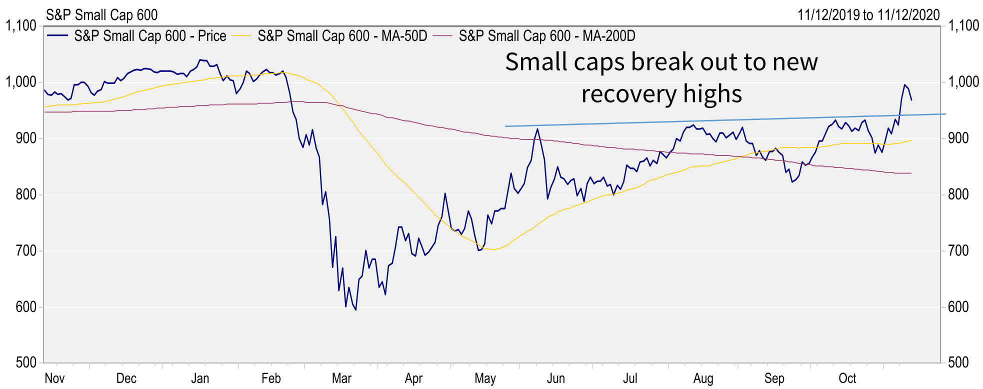


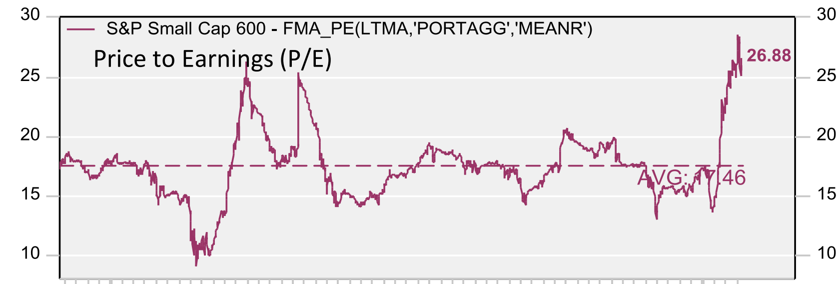
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

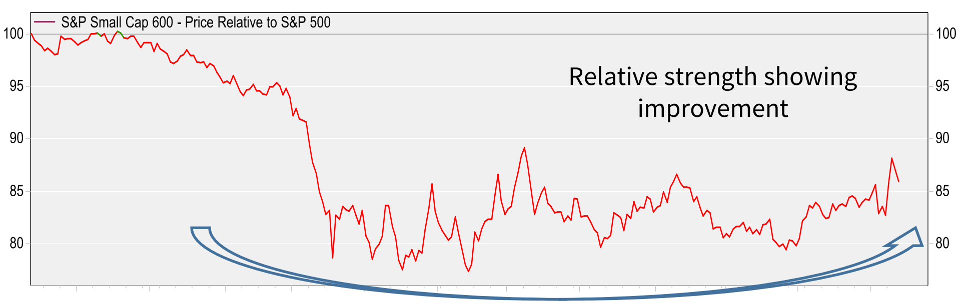
SMALL CAPS

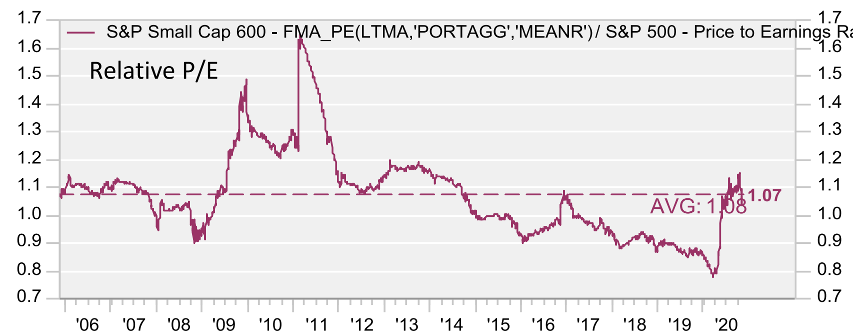
The small caps are also showing improving strength- able to break out to new recovery price highs on improving relative strength trends. The group has outsized leverage to the economic recovery. For example, 2021 earnings are upward trending and expected to see a 63% snap-back recovery after a -43% earnings contraction in 2020 (2020 estimates are also improving). Accordingly, the group is also more levered to concerns over the virus spread right now, along with the timing and size of additional fiscal aid. Valuation is elevated, but only in line with the 15-year average on a relative basis (to the S&P 500). We view this is as relatively attractive considering the strong potential earnings growth in the year ahead (PEG ratio of just 0.49x). We would accordingly be looking to accumulate the small caps on pullbacks for the longer term.











Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

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IMPORTANT INVESTOR DISCLOSURES

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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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