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Weekly Market Guide

Short-Term Summary: Since the end of October, there have been numerous data points bolstering our bullish bias to equities over the next 6-12 months, starting with success on the vaccine front. There are now two vaccine candidates with reported ~95% efficacy rates that will be asking the FDA for emergency use authorization in the coming weeks (positive news flow from other companies is likely too). Estimates suggest that ~30M Americans could be vaccinated by the end of 2020 and nearly 1/3 of the US population by the end of Q1. This is a big deal, as vaccinations in the most needed areas (i.e. those most vulnerable, health care, essential workers) should allow economies to reopen as 2021 progresses. Additionally, the likelihood of divided government drastically reduces the potential for tax increases acting as a headwind to the outlook (Georgia runoff for 2 Senate seats on January 5th still). Economic data and corporate earnings reports have continued to improve above expectations. And the Fed remains on hand to support the economic recovery as needed. All of this provides a sense of optimism for the year ahead, and our favored S&P 500 target for 2021 is currently 3910.

However in the short term, the virus spread is surging. 10% of all tests nationally are coming back positive right now. Hospitalizations are at pandemic highs and continue to climb, putting pressure on local communities to implement targeted shutdowns. Additionally, there remains no progress on additional fiscal stimulus and questions remain over its potential timing and size. Sentiment polls and positioning have become more bullish, and many stocks are at overbought levels for the short term. For example, the average S&P 500 stock is up 12% and Russell 2000 is up 15% since the end of October. At the sector level, vaccine optimism has spurred large gains in the most economically sensitive areas- i.e. Energy is up 22%, Industrials up 14.8%, and Financials up 14.5% in just 13 days. This increases the odds of a normal pause or pullback as the market digests this strength.

So while we are positive over the next 6-12 months, we would not be surprised for the road to be bumpy in the coming weeks and months. For this reason, we would use pullbacks as buying opportunities and would be pragmatic in repositioning portfolios toward the areas with more leverage to the economic recovery- i.e. small caps, industrials, materials, financials, and select consumer areas. We recommend accumulating these groups, for investors that have been underweight, as they go through consolidation periods. And would also maintain healthy portfolio exposure to the areas operating best through the pandemic- i.e. technology, health care, communication services, and areas within consumer discretionary. Opportunities at the individual stock level have improved across all areas of the market- a positive for active management as well as overall market trends.

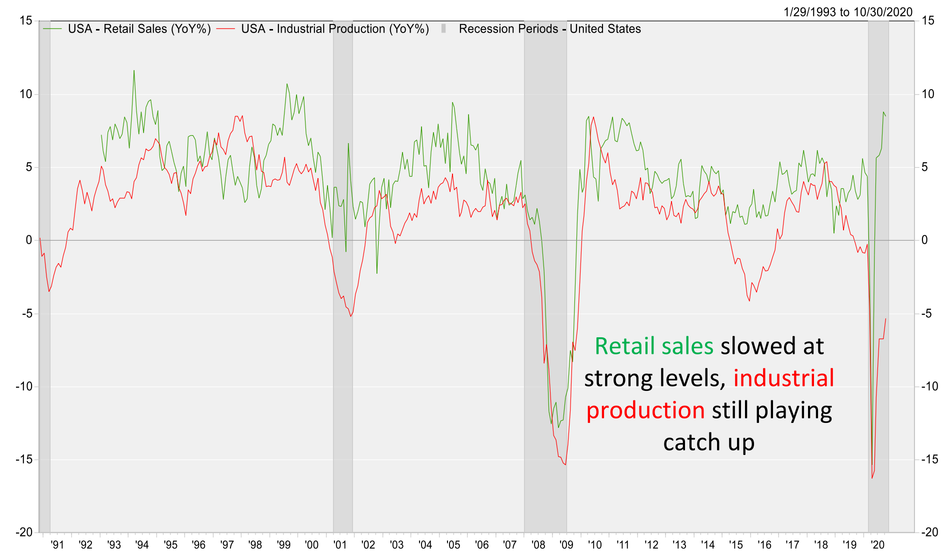
Equity Market Indices	Price Return Year to Date	Price Return 12 Months
S&P 500	10.4%	14.3%
S&P 500 (Equal-Weight)	4.5%	7.6%
Dow Jones Industrial Avg	3.2%	5.0%
NASDAQ Composite	31.5%	38.0%
Russell 2000	6.0%	11.1%
MSCI All-Cap World	7.9%	11.7%
MSCI Developed Markets	0.2%	2.9%
MSCI Emerging Markets	8.3%	14.8%
NYSE Alerian MLP	-39.8%	-34.7%
MSCI U.S. REIT	-12.6%	-13.8%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Information Technology	31.2%	27.3%
Consumer Discretionary	26.1%	11.3%
Communication Svcs.	16.5%	11.0%
Materials	13.1%	2.7%
S&P 500	***10.4%***	-
Industrials	7.0%	8.8%
Health Care	6.9%	13.8%
Consumer Staples	5.9%	6.9%
Utilities	-1.1%	3.0%
Real Estate	-4.4%	2.6%
Financials	-11.3%	10.4%
Energy	-42.0%	2.3%

MACRO: US

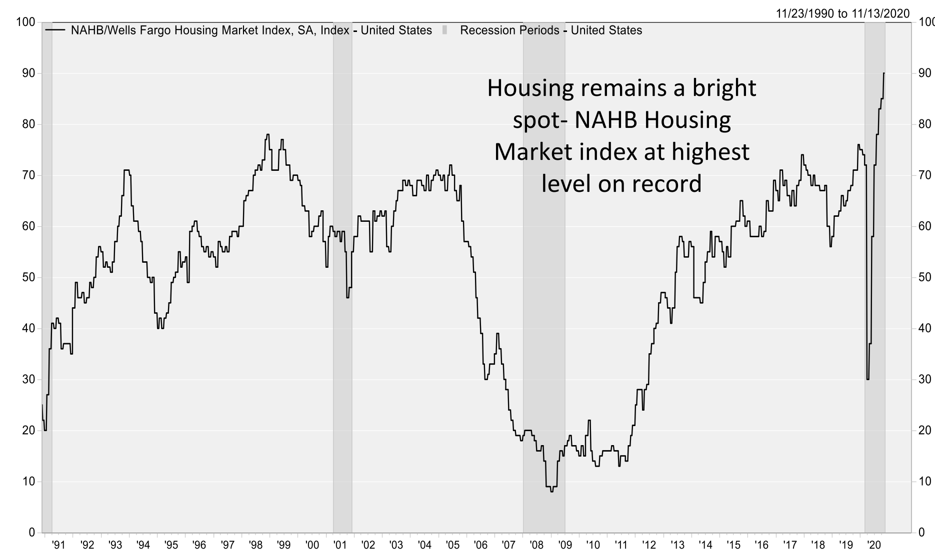
There have been some indications of momentum slowing in the economic recovery lately. US retail sales slowed in October, growing by 0.3% m/m vs 1.6% prior. Also, November Michigan Sentiment came in below expectations at 77.0 (vs 81.8), and weekly jobless claims ticked slightly higher. While a normalization of growth rates is to be expected (for example retail sales are still up 8.5% y/y), the ongoing virus surge and accompanied localized shutdowns do increase the likelihood of more choppy economic data in the months ahead, particularly in the absence of additional fiscal aid. That said, some areas such as housing remain a bright spot with continued momentum- the NAHB housing market index continued its advance in November at the highest levels on record.

There is also the potential for current localized shutdowns to spur urgency in Congress passing some fiscal support, maybe even as part of budget discussions with funding due by December 11th. Additionally, inflationary pressures remain low and the Fed (on hand to support the recovery as needed) may step in due to the D.C. stalemate.



US economic data reported in the past week:

Event	Period	Actual	Consensus	Prior
PPI ex-Food & Energy SA M/M	OCT	0.10%	0.20%	0.40%
PPI ex-Food & Energy NSA Y/Y	OCT	1.1%	1.2%	1.2%
PPI SA M/M	OCT	0.30%	0.20%	0.40%
PPI NSA Y/Y	OCT	0.51%	0.40%	0.42%
Michigan Sentiment NSA (Preliminary)	NOV	77.0	81.8	81.8
Retail sales Ex AutoFuel M/M	OCT	0.19%	0.80%	1.2% R
Retail Sales SA M/M	OCT	0.30%	0.50%	1.6% R
Capacity Utilization NSA	OCT	72.8%	72.2%	72.0% R
Industrial Production SA M/M	OCT	1.1%	1.0%	-0.40% R
NAHB Housing Market Index SA	NOV	90.0	84.0	85.0
Building Permits SAAR (Preliminary)	OCT	1,545K	1,560K	1,545K
Housing Starts SAAR	OCT	1,530K	1,455K	1,459K R
Housing Starts M/M	OCT	4.9%	2.3%	6.3% R
Continuing Jobless Claims SA	11/07	6,372K	6,250K	6,801K R
Initial Claims SA	11/14	742.0K	700.0K	711.0K R
Existing Home Sales SAAR	OCT	6,850K	6,450K	6,570K R
Leading Indicators SA M/M	OCT	0.70%	0.70%	0.70%



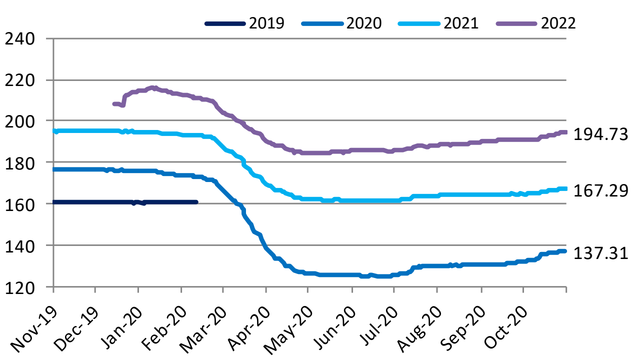
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FUNDAMENTALS

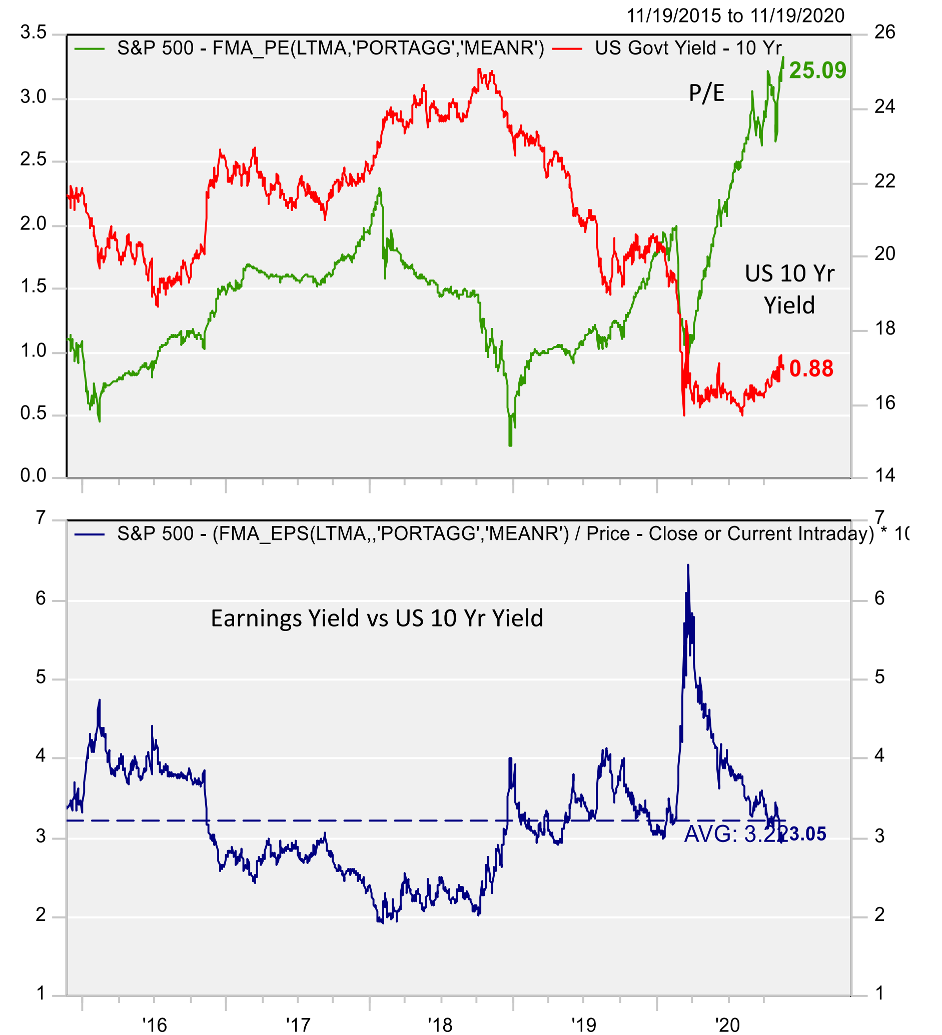
Q3 earnings season finished an exceptional 17.8% above estimates for a -6.8% earnings contraction in aggregate. However, results were bifurcated with clear winners and losers of the pandemic. Remarkably, the median S&P 500 company actually exhibited slightly positive earnings growth y/y (by 0.6%). Additionally, the upside momentum continues as forward estimates maintain their upward trajectory. We note that positive estimate revision trends are typical coming out of recessions, as analysts set the bar too low when the economic outlook is darkest (the opposite of normal times when estimates start too high and are revised lower into results). We believe $170 is well within reason for earnings in 2021 as the economic recovery takes shape.

We also believe that valuation can remain lofty (25.1x P/E currently) given the anticipated recovery, along with exceptionally low interest rates and lack of inflation. As you can see in the right chart, the equity risk premium (earnings yield minus US 10 year yield) is just in line with the midpoint of its range over the past 5 years (and well above average over the longer term), making equities still attractive vs. other asset classes such as bonds. Our bias is to focus on the S&P 500 moving toward our bull case scenario of 3910 in 2021, which applies a 23x P/E to $170 earnings. This indicates ~10% upside from current levels. Accordingly while near term headwinds remain, we would use pullbacks as buying opportunities.

S&P 500 Consensus Earnings Estimates over Past Year

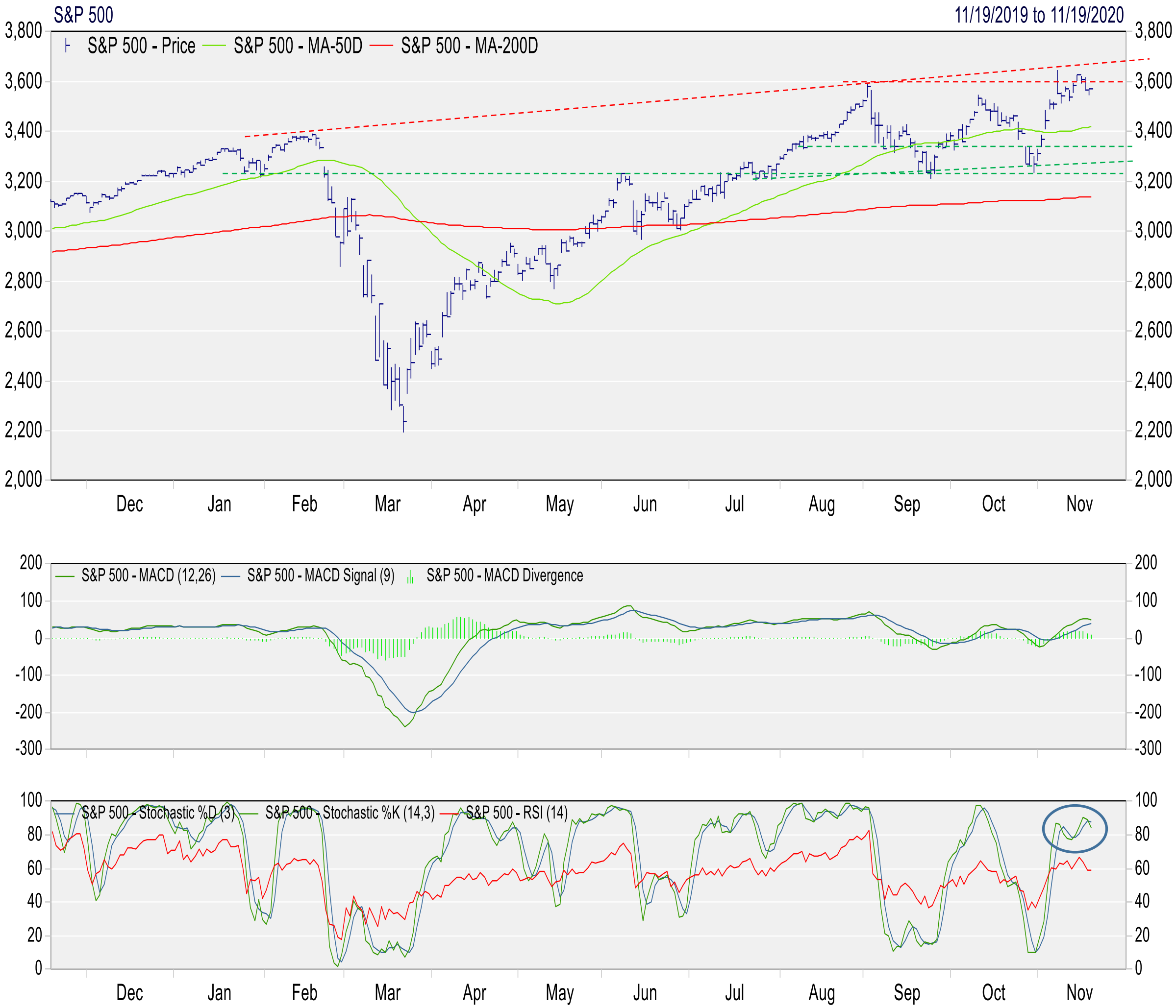


EPS Growth Estimates	
2019	1.4%
2020	-14.7%
2021	21.8%
2022	16.4%



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: S&P 500



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

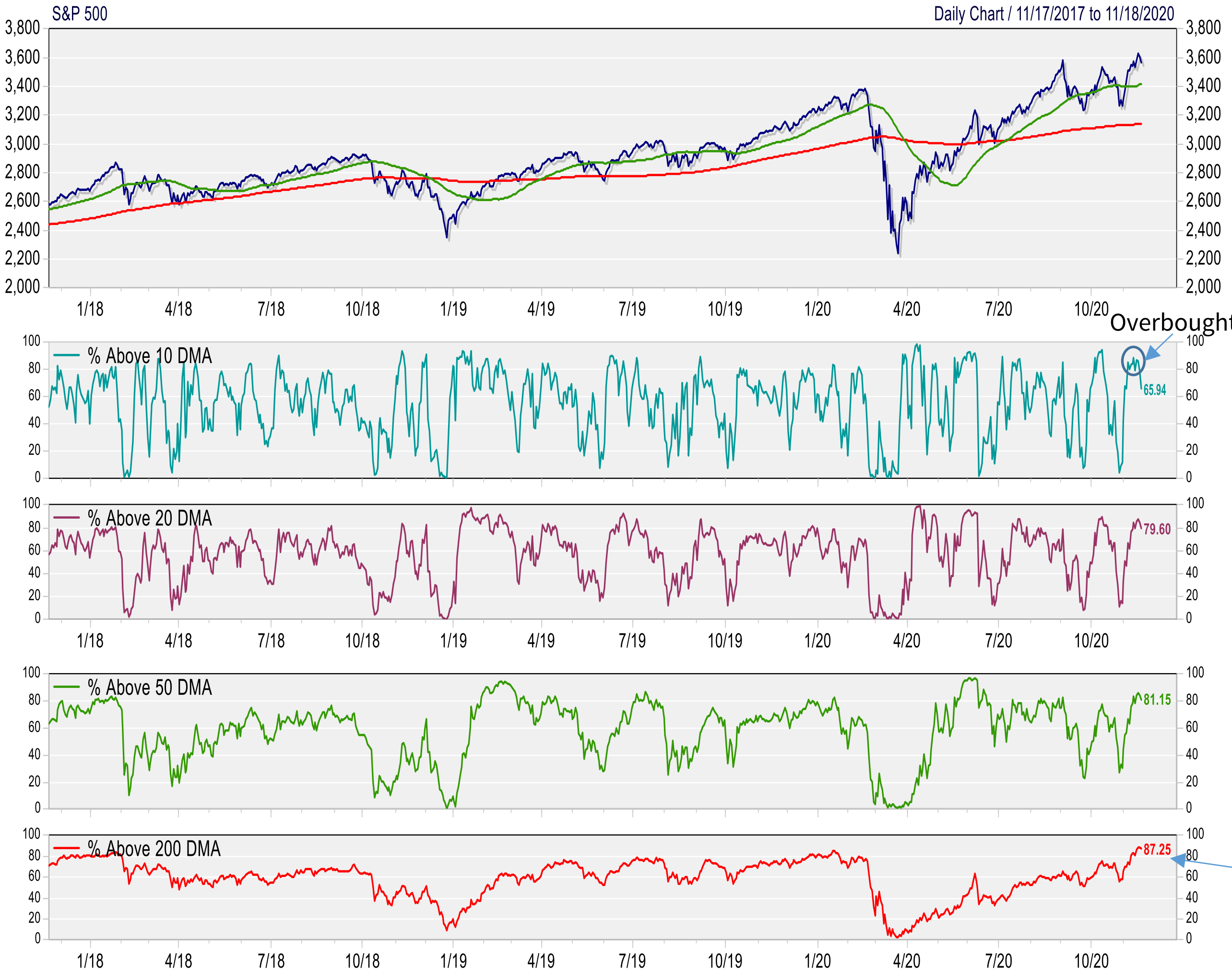
The S&P 500 was able to post a new closing high but has generally stalled at previous highs over the past week. On 11/9 following the positive Pfizer vaccine data, the S&P 500 had a "climactic-type" price move. However, the positive price action since makes that reading less of a concern.

We continue to see technical resistance at the ~3600 level, along with the upward trend line currently at ~3660. With many stocks overbought in the short term and localized shutdowns as a result of the virus surge ongoing, the odds are elevated for a normal pause or pullback in the short term. This is also likely to be more noticeable at an individual sector and stock level.

The average S&P 500 stock is up 12% and Russell 2000 index is up 15% since the end of October. At the sector level, vaccine optimism has spurred large gains in the most economically sensitive areas. For example Energy is up 22%, Industrials up 14.8%, and Financials up 14.5% in just 13 days. This increases the odds of consolidation for the market to digest these sharp gains.

However, the S&P 500 break out to new highs on improved breadth points to higher prices over the intermediate term. Therefore, we recommend using weakness as a buying opportunity. 3580-3530 looks like the first level of good technical support, followed by the 50 day moving average (currently 3423).

MARKET BREADTH: SHORT-TERM OVERDONE, LONG TERM SUPPORTIVE



As the S&P 500 posted a new closing high this week, market breadth confirmed the strength.

89% of stocks were above their 200 day moving average, which is the highest mark in the last 5 years. This strength in participation underneath the surface bodes well for forward gains.

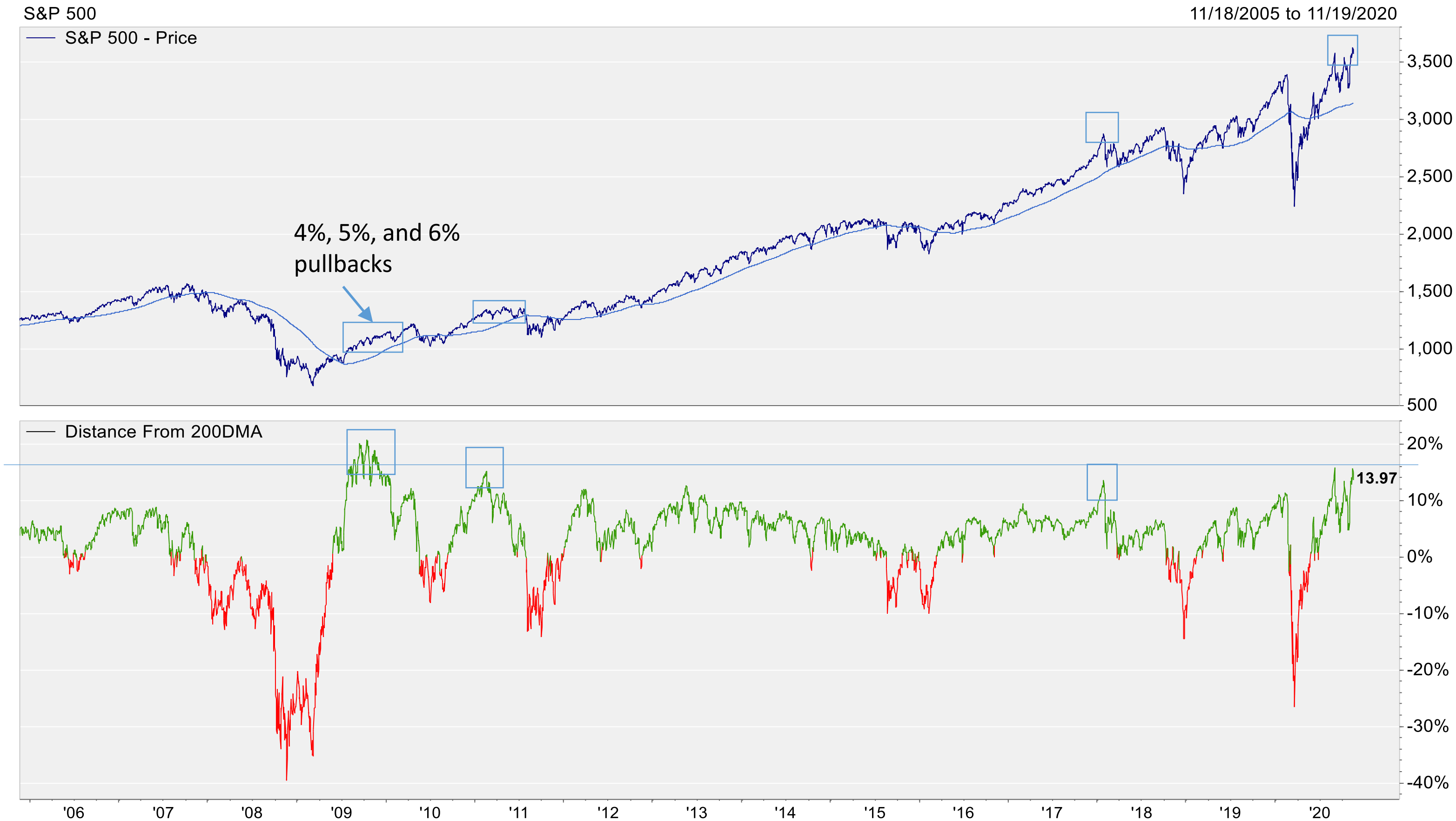
However, short term breadth is overdone as many stocks reached overbought levels. Therefore, we would be selective with new purchases at current levels (particularly in light of the surging virus spread) but use consolidation as a buying opportunity.

This strength bodes well for forward gains

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

S&P 500 – DISTANCE FROM 200 DMA

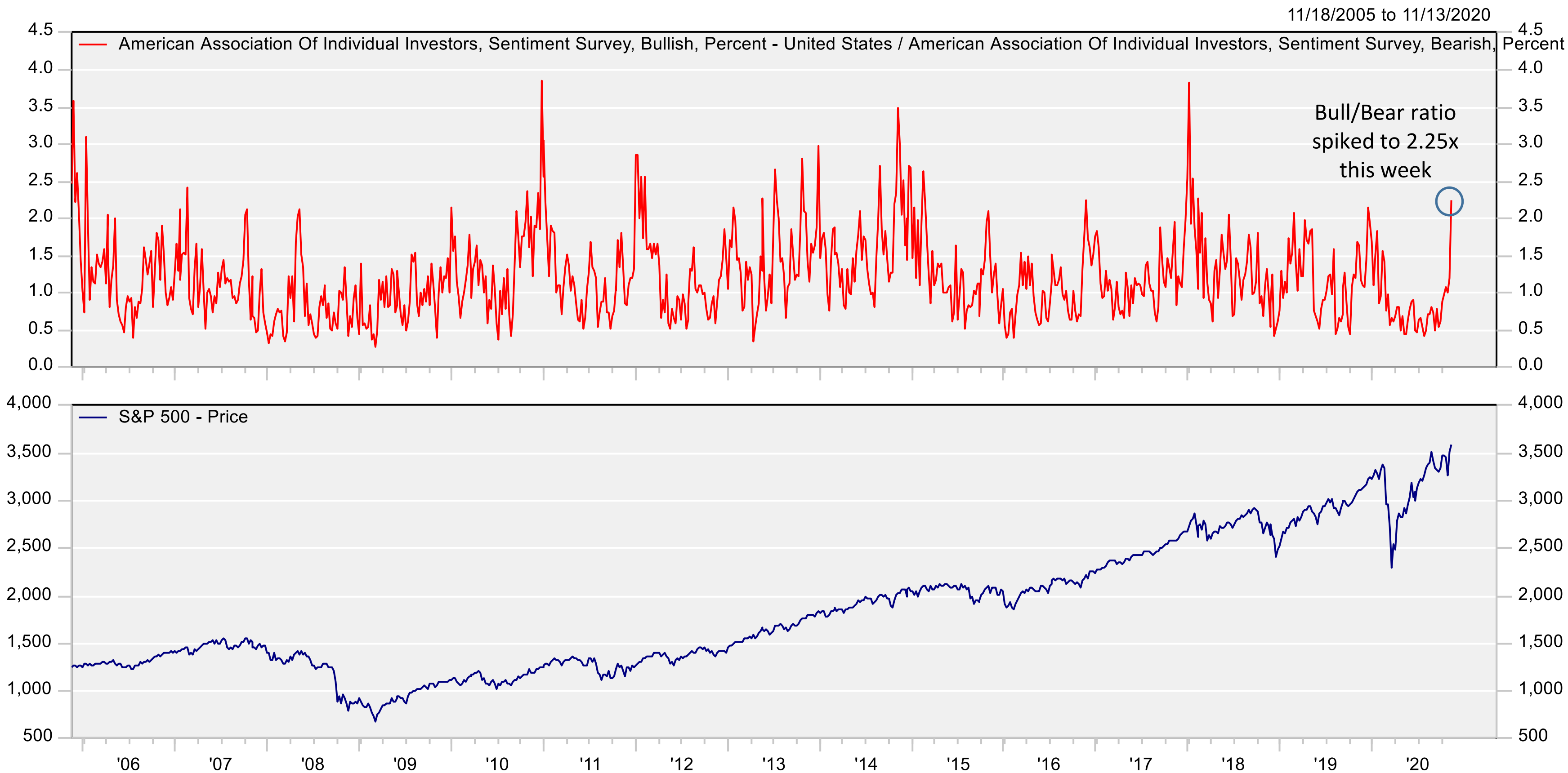
The S&P 500 reached 15% above its 200 DMA this week, which is a very elevated level historically. As you can see in the chart below, it is normal to see consolidation periods following elevated readings where the index is able to digest its sharp gains. In the early stages of the recovery following the 2008 credit crisis, the S&P 500 was able to get to an even higher level (15-20% above the 200 DMA) but did see 4-6% pullbacks within that timeframe. We would not be surprised to see some short term consolidation but, as discussed previously, would use it opportunistically.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

BULL/BEAR SENTIMENT

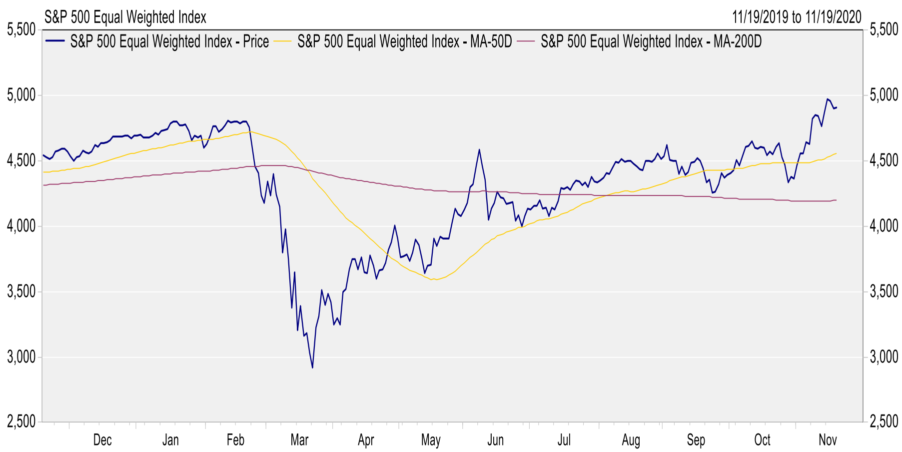
The percentage of bullish sentiment spiked this week to 55.84%, bringing the bull/bear ratio to 2.25x, which is the highest reading since January 2018. This has not been a good indicator to signal a major change of market direction, but it is often a precursor (weeks/months) to a pullback or consolidation. While we are increasingly constructive over the next 12 month outlook in light of vaccine progress, we would not be surprised for the road to be bumpy in the coming weeks and months.

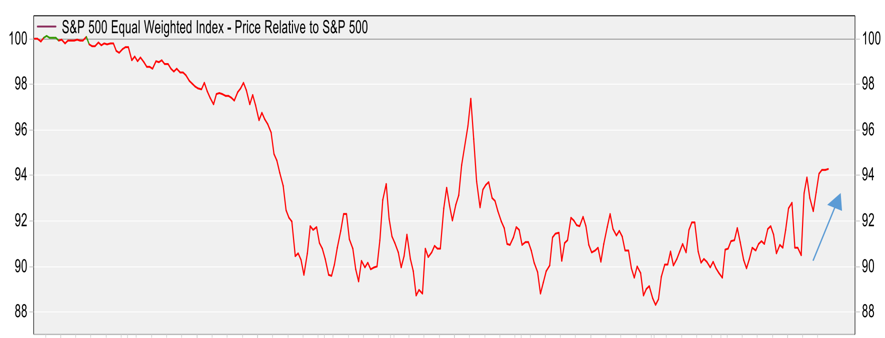


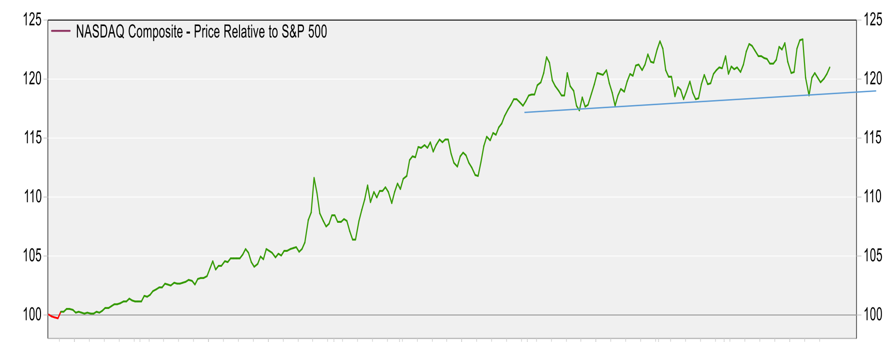
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

SECTOR POSITIONING

Vaccine optimism has spurred sharp rotation into the “recovery” areas. As you can see, the average stock has seen outsized gains in November, however the previous tech-oriented leaders have also held their own trading near highs on still positive intermediate term trends. With the virus spread surging, we would be pragmatic in repositioning portfolios toward the areas with more leverage to the economic recovery- i.e. small caps, industrials, materials, financials, and select consumer areas. We recommend accumulating these groups, for investors that have been underweight, as they go through consolidation periods. And we would also maintain healthy portfolio exposure to the areas operating best through the pandemic- i.e. technology, health care, communication services, and areas within consumer discretionary. Opportunities at the individual stock level have improved across all areas of the market- a positive for active management as well as overall market trends.







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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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