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Weekly Market Guide

Short-Term Summary: November equity market returns were for the record books, as the S&P 500 posted a 10.75% gain, the Dow Jones Industrial Average was up 12% (the best month since 1987), and the Russell 2000 was up 18% for its best month on record. The MSCI All-Cap World index also posted its best month ever, up 12% in November. The announcements of 3 vaccines with 90%+ stated efficacy rates spurred an enormous global rotation into the most economically-sensitive areas of the market, as investors began to see a light at the end of the tunnel in our quest for a return to normalcy.

The enormous market strength over the past month bodes well for returns over the next 6-12 months in our view. We maintain a positive outlook for equities in the year ahead, due to our expectation for 3+ vaccines to fuel a reopening process as 2021 progresses along with still exceptionally low interest rates, as well as the potential for fiscal and monetary stimulus to boost the economy as needed. This view also hinges on the likelihood of a divided government which drastically reduces the chances of aggressive legislative changes that can alter the fundamental outlook over the longer term, including tax increases. In our base case 2021 scenario, we believe earnings can rebound to $175. And given the very low interest rate environment, we believe market multiples can remain relatively elevated particularly as investors discount the economic recovery. We apply a 23x P/E multiple (down from the current 26x P/E), which results in a base case potential S&P 500 target of 4,025 in 2021.

However, markets do not move in straight lines and it would be normal to see equities consolidate in the short term as they digest the past month's strength. Concerns over the virus spread and a continued rise in hospitalizations are resulting in increased shutdowns. This is seen in US mobility and engagement readings that have rolled over, and will likely result in economic softness over the coming weeks and months particularly in the continued absence of additional fiscal aid. We also need to monitor the two Georgia Senate runoffs on January 5th, which if both Democratic candidates win could drastically alter the legislative agenda in 2021.

We recommend pro-cyclical exposure to equity allocations; but following the recent run-up in many of these areas, we would patiently accumulate with new money at current levels and use consolidations or pullbacks as a better buying opportunity. With so much focus on the "recovery" areas right now, we also remind you not to forget about the areas operating best fundamentally through the pandemic (i.e. large cap tech-oriented, health care, and select consumer subsectors). Many stocks in these favored areas have been consolidating prior strength for the past several months and appear to be near better entry points for the short term.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
S&P 500	13.6%	17.8%
S&P 500 (Equal-Weight)	7.5%	11.2%
Dow Jones Industrial Avg	4.7%	7.6%
NASDAQ Composite	37.6%	44.1%
Russell 2000	10.2%	14.3%
MSCI All-Cap World	10.8%	15.3%
MSCI Developed Markets	2.2%	5.7%
MSCI Emerging Markets	10.2%	18.1%
NYSE Alerian MLP	-35.3%	-29.1%
MSCI U.S. REIT	-12.9%	-12.6%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Information Technology	36.2%	27.5%
Consumer Discretionary	29.3%	11.2%
Communication Svcs.	22.1%	11.2%
Materials	15.0%	2.7%
S&P 500	***13.6%***	-
Health Care	9.2%	13.7%
Industrials	7.7%	8.6%
Consumer Staples	6.2%	6.7%
Utilities	-1.9%	2.9%
Real Estate	-5.9%	2.5%
Financials	-7.2%	10.5%
Energy	-37.7%	2.4%

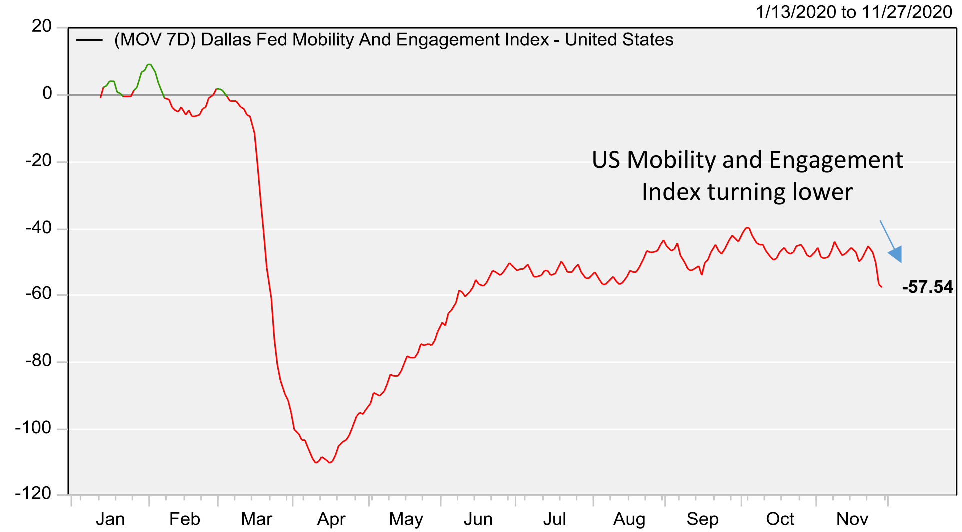
MACRO: US

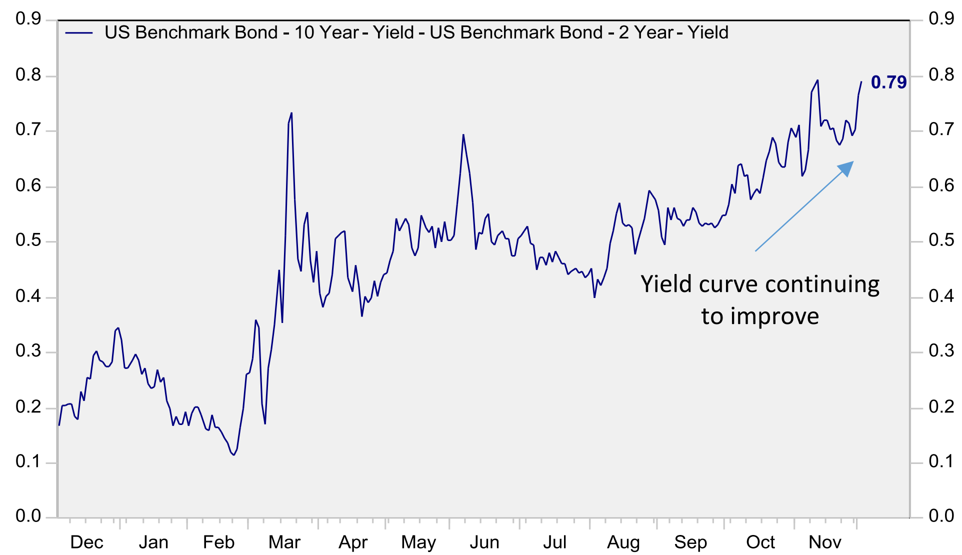
The current economic picture in our view is a balancing act between concerns over the virus spread in the short term along with optimism over the longer term. As you can see in the top right chart, the US mobility and engagement index has turned lower. This comes in the midst of an increasing number of localized shutdowns over concerns of rising COVID-19 hospitalizations. There are also fears on how the colder weather and holiday travel will impact these numbers in the coming weeks. This leads us to believe that there could be economic softness in the short term, particularly in the absence of additional fiscal aid.

However over the longer term, we are positive on the economic recovery as the potential for 3+ vaccines (with stated 90%+ efficacy rates) could allow for an economic reopening as 2021 progresses. We are encouraged by a continued improvement in the global manufacturing backdrop, led by the US (56.7 manufacturing PMI) and China (54.9) in November. Also, the steepening yield curve, which is on the verge of a 3-year high, indicates an improving macro environment and sentiment toward growth potential in the year ahead.

US economic data reported in the past week:

Event	Period	Actual	Consensus	Prior
Pending Home Sales Index SAAR	OCT	128.9	128.0	130.3 R
Pending Home Sales M/M	OCT	1.1%	0.35%	-2.0% R
Markit PMI Manufacturing SA (Final)	NOV	56.7	56.7	56.7 P
Construction Spending SA M/M	OCT	1.3%	0.75%	-0.46% R
ISM Manufacturing SA	NOV	57.5	57.5	59.3
ADP Employment Survey SA	NOV	307.0K	430.0K	403.9K R
BEA Total Light Vehicle Sales	NOV	15.6M	16.1M	16.3M R
Continuing Jobless Claims SA	11/21	5,520K	5,800K	6,089K R
Initial Claims SA	11/28	712.0K	778.0K	787.0K R
PMI Composite SA (Final)	NOV	58.6	56.2	57.9 P
Markit PMI Services SA (Final)	NOV	58.4	57.7	57.7 P
ISM Non Manufacturing SA	NOV	55.9	55.8	56.6





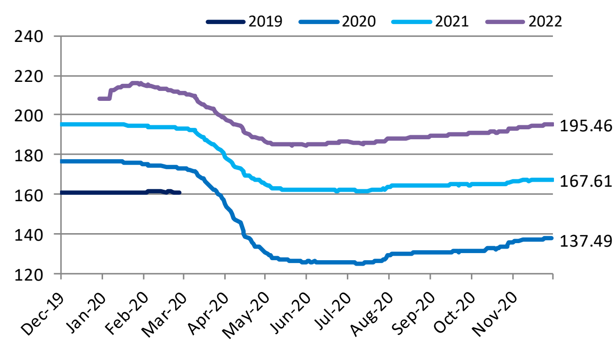
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FUNDAMENTALS

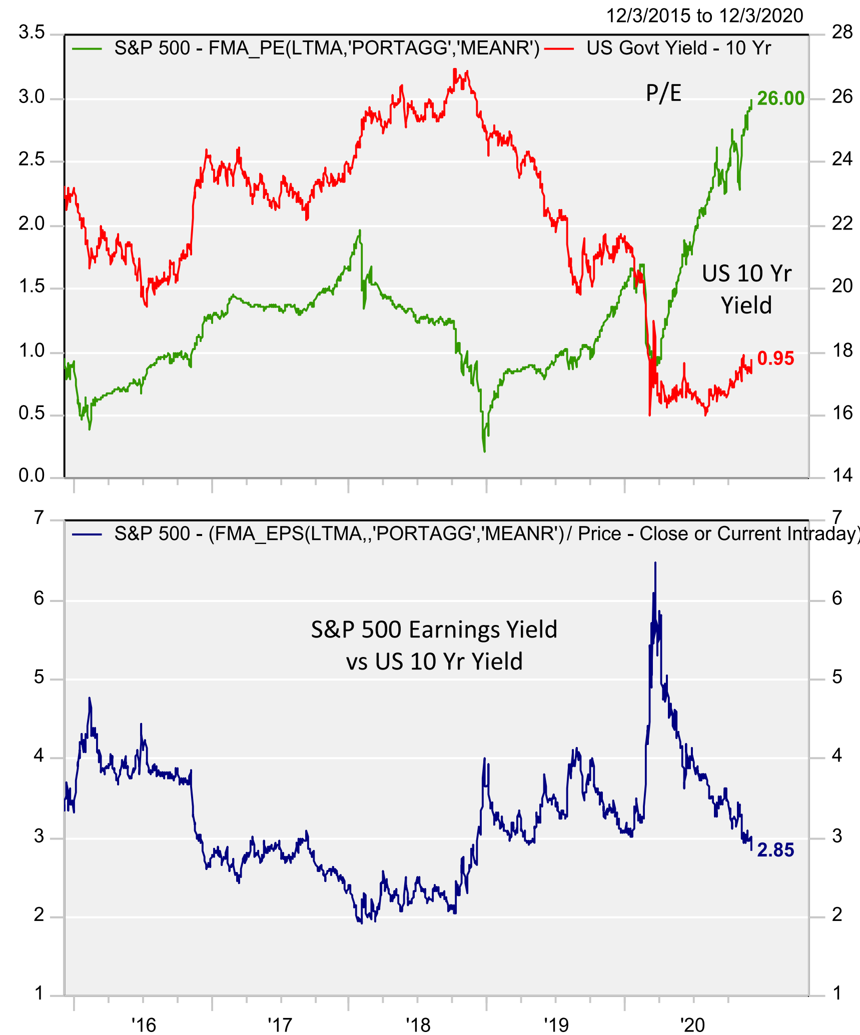
S&P 500 earnings have recovered well above what was feared just ~6 months ago. Q2 and Q3 earnings results were historically above estimates (by 24% and 18% respectively). This has fueled positive revisions to forward estimates. This is what we expected to see, as estimates typically are too low in dire economic times while typically too high in normal times. For example coming out of the last two recessions, S&P 500 earnings for the following year (2004 and 2010) trended higher from the bear market low to year end by 3-5% and continued in the following year by another 8-10%. In the current timeframe, 2021 estimates have been revised higher by 4% so far (in line with those previous periods), and our earnings estimate of $175 reflects just a 4.5% further move upward. This $175 estimate is a 27% snap-back in growth from 2020's pandemic-depressed earnings (and 9% above 2019 earnings).

We also believe valuation multiples can remain elevated given the very low inflationary and interest rate environment. The current S&P 500 P/E of 26x is well above the historical average of 16.5x. However when taken in conjunction with exceptionally low interest rates, the current valuation is fair in our view, particularly as investors discount the fundamental recovery coming out of a recession. For example, the equity risk premium (S&P 500 earnings yield vs US 10 year Treasury yield) is currently 2.9%. Despite equities being at all-time highs, this is in line with its pre-pandemic level last January and still well above the long term average of 0.6% (since 1954)- reflecting a still attractive environment for equities vs bonds.

S&P 500 Consensus Earnings Estimates over Past Year

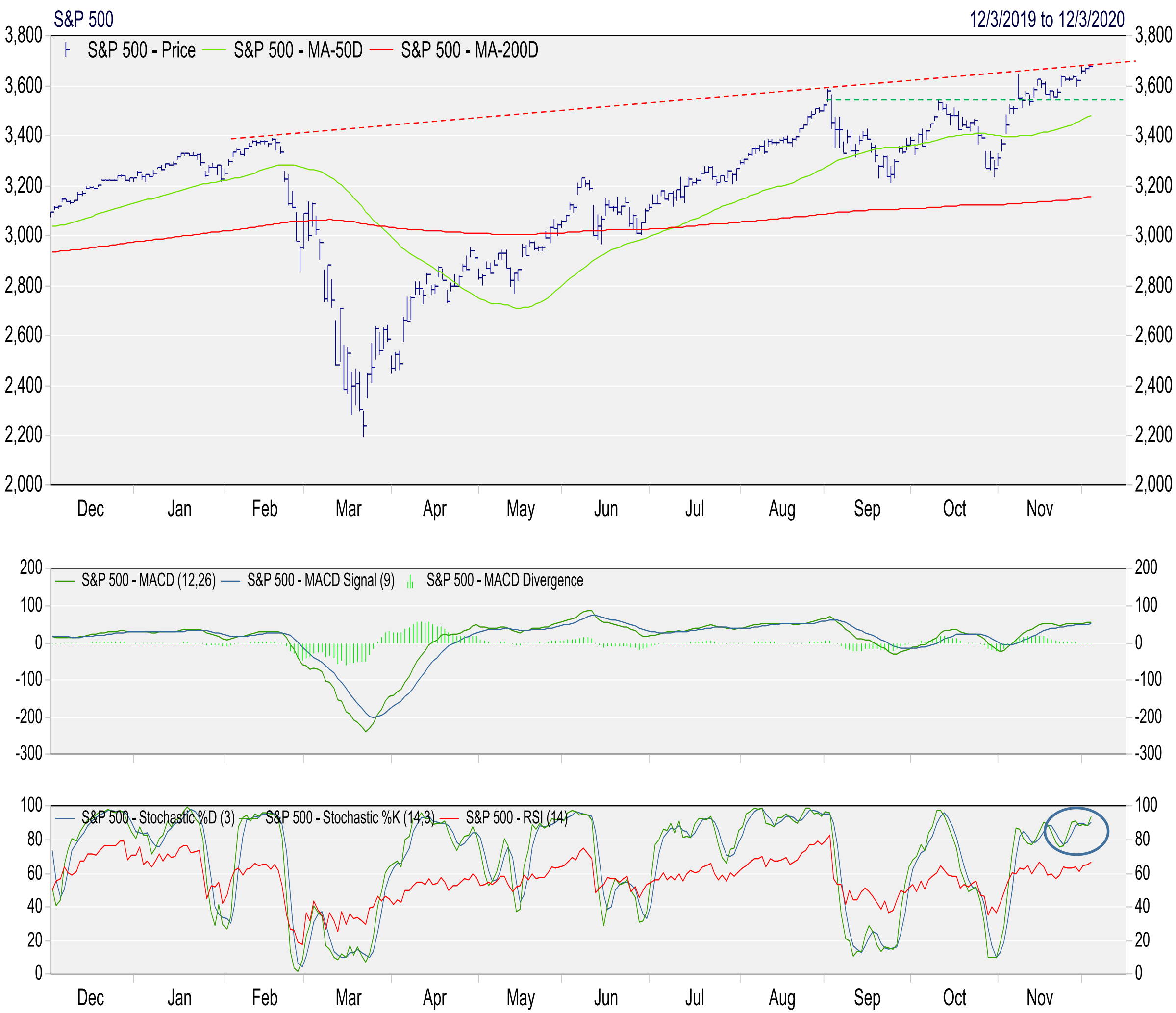


EPS Growth Estimates	
2019	1.5%
2020	-14.6%
2021	21.8%
2022	16.6%



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: S&P 500



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

Despite overbought conditions and a virus surge, the S&P 500 has maintained its strength at all-time highs. The broad rise in equities to new highs and ability to hold those gains bodes well for positive returns over the next 6-12 months. 92% of S&P 500 stocks now trade above their 200 day moving average, indicating strong internal momentum beneath the surface.

However, we still would not be surprised to see some consolidation of the market's recent strength or a slight pullback given numerous items on the agenda that can impact volatility (virus spread, fiscal aid talks, Dec. 11th budget deadline, Jan. 5th Georgia runoffs), but also simply by normal market fluctuations.

The S&P 500 is up 12.5% since the end of October, and markets very seldom move in straight lines. Consolidations and pullbacks are also likely to be more noticeable at the individual sector and stock level, given market rotation beneath the surface.

At current levels (following the recent run up), new money purchases should patiently accumulate favored areas and use weakness as a better buying opportunity.

The S&P 500 currently trades at trend line resistance from the past twelve month highs. If the index rolls over, watch horizontal support at 3550, followed by the 50 day moving average (currently 3475).

SEASONALITY

The November thru January period is historically the strongest three-month period of the year.

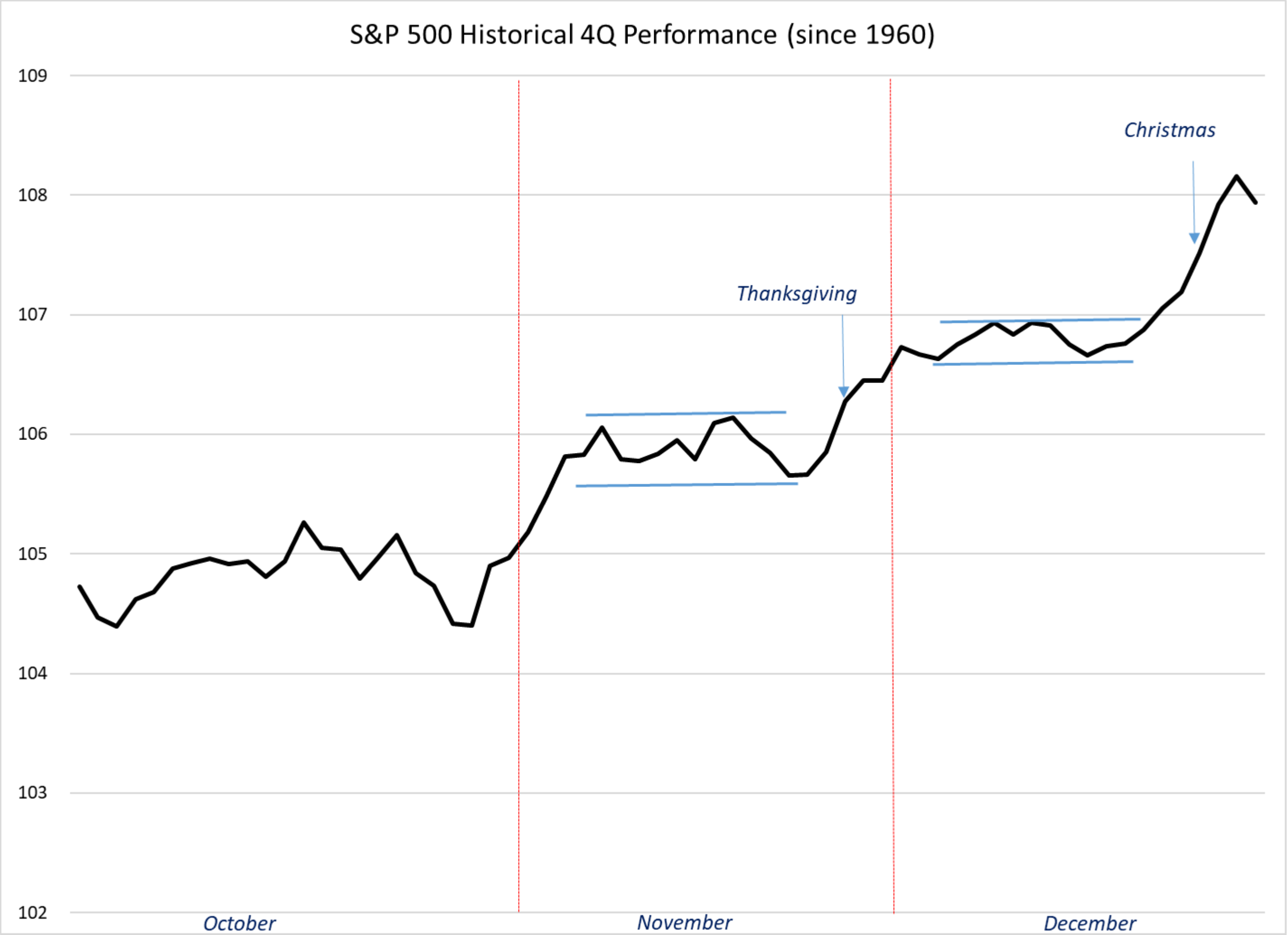
This seasonal strength typically follows the historically weakest period of the year in September and October (only two months with an average negative return since 1954).

This November was especially strong with many indexes reporting their best (or near best) monthly performance on record, spurred by COVID-19 vaccine optimism.

While we are positive over the next 6-12 months, we would not be surprised to see some consolidation in the short term as the market digests the past month's strength.

This would also fit with the seasonal trend in December, where it is not uncommon to see softness in the first few weeks of December before strength to finish the year.

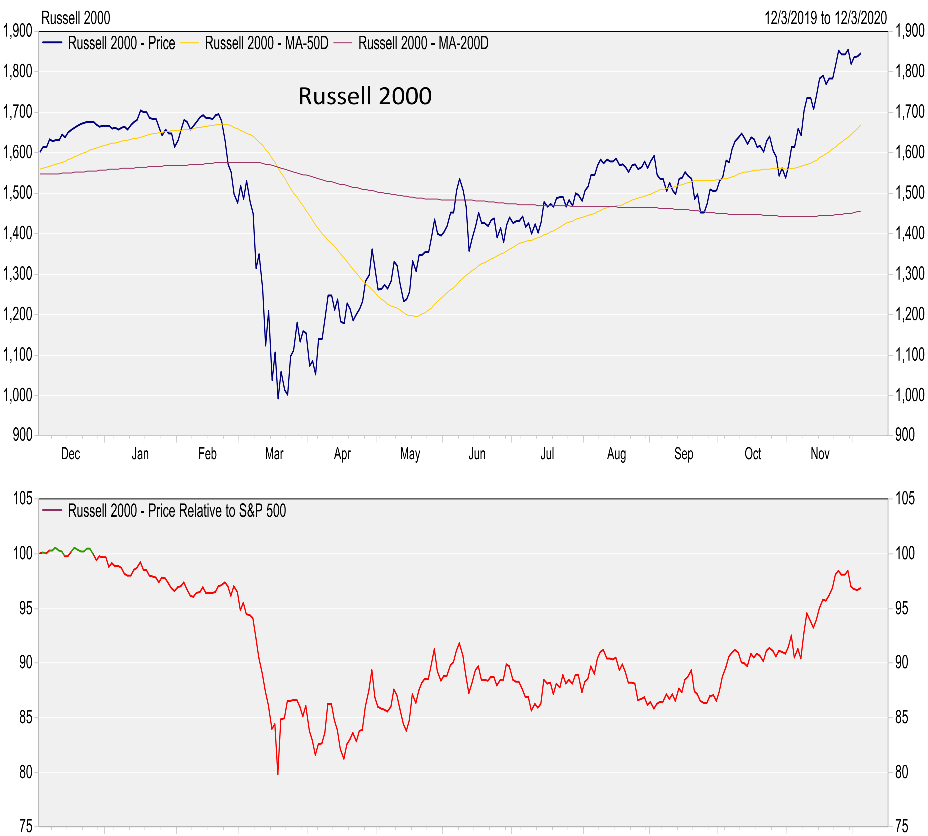
A normal consolidation period would be healthy in our view, and we would use it or any potential weakness as a buying opportunity.

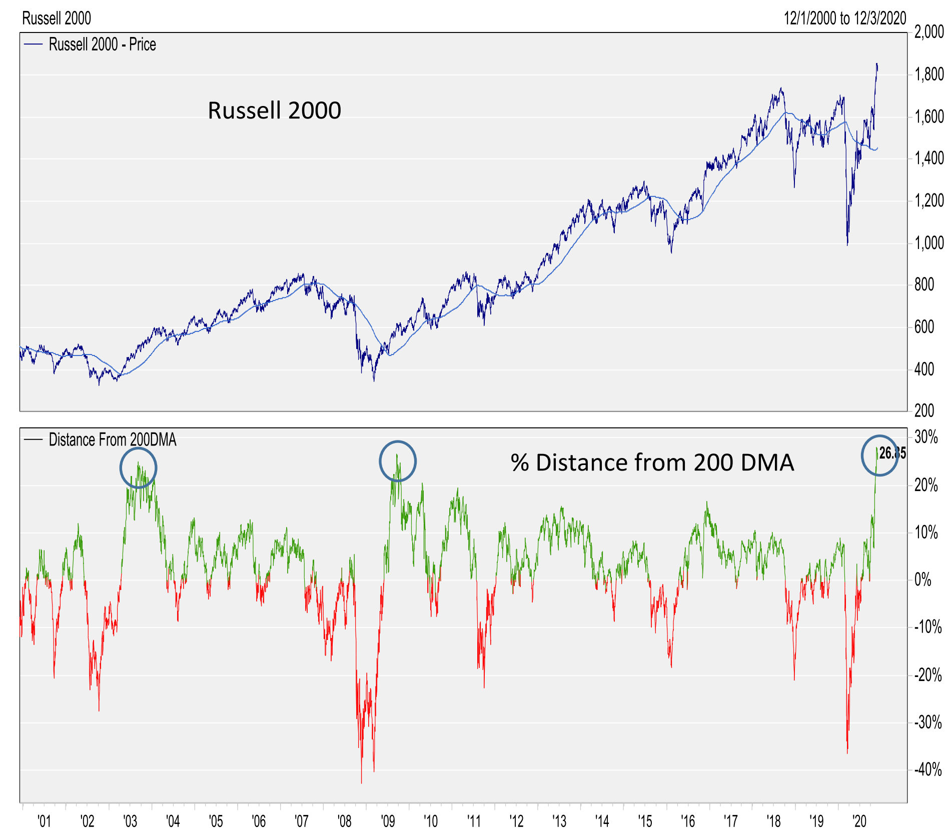


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

SMALL CAPS

After breaking to new highs in mid-November, the small caps sustained that strength to finish November 18% higher- its best monthly return on record. The Russell 2000 is stretched in the short term at 27% above its 200 day moving average. This is the strength we had been looking for, as it typically occurs coming out of recessions. As you can see, the Russell 2000 reached similar levels above its 200 DMA in the early stages of the last two economic recoveries ('03 and '09). From those levels, the rate of ascent slowed but the index was able to produce positive returns in the months ahead. For new money purchases (that missed the recent move), we would look to accumulate the small caps on their slight consolidation this week, and use any pullbacks as an opportunity to increase purchases with higher conviction.

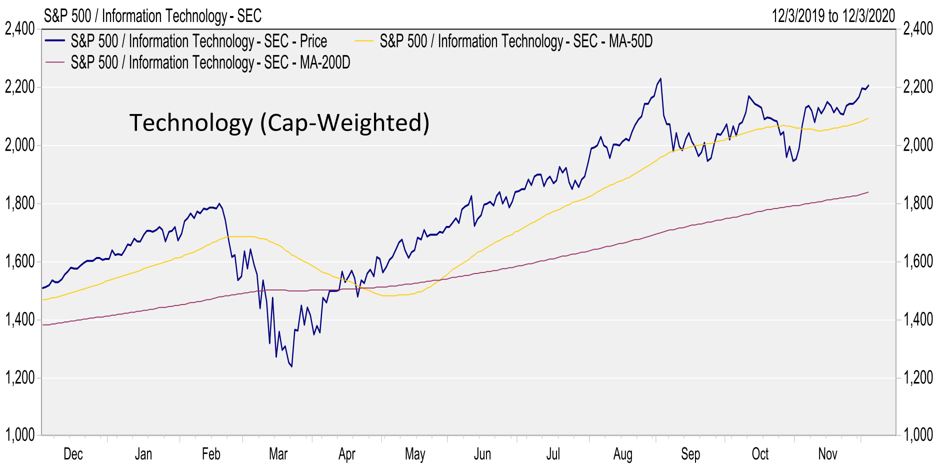


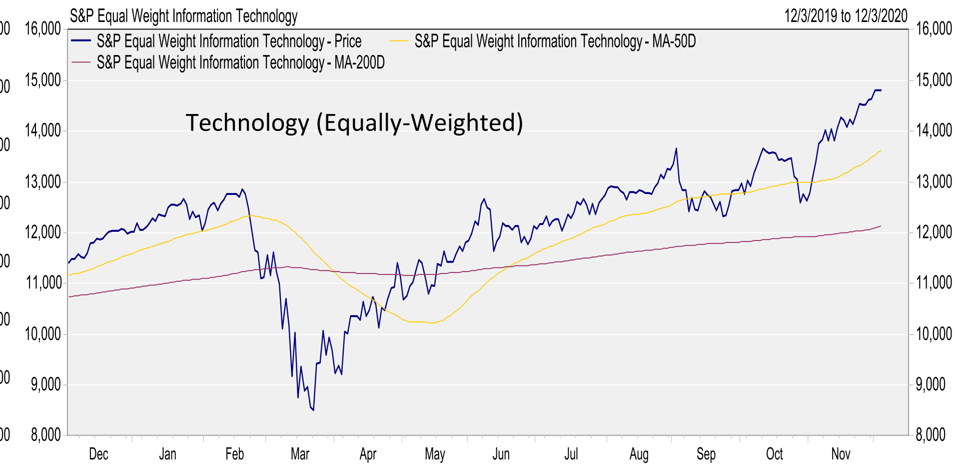


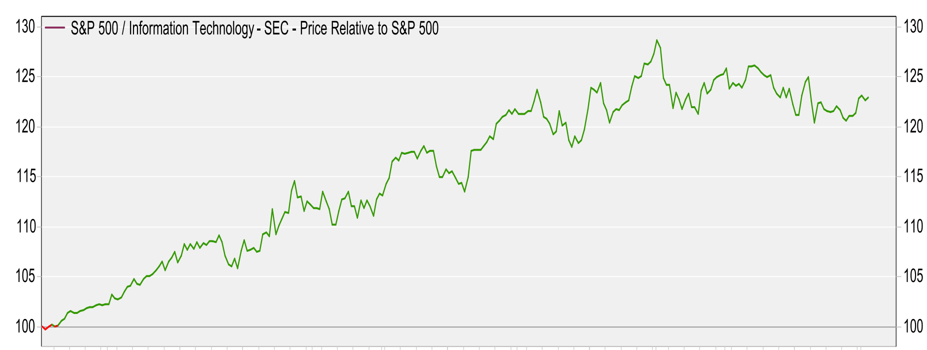
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

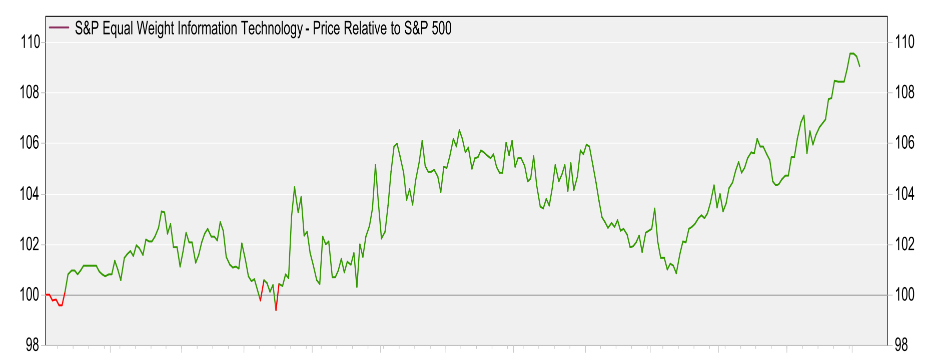
TECHNOLOGY

After outperforming drastically in the early stages of the pandemic, the cap-weighted Technology sector has grinded sideways for the past several months as investors have rotated into more of the "recovery" areas. This is a very normal and healthy consolidation for the sector. We note a broadening out of participation within the sector during that period as a positive indication of internal strength. The sector has exhibited very strong fundamental trends through the pandemic, which we expect to continue next year. With localized shutdowns increasing as a result of the virus spread, these stocks would likely hold up better in a normal market pullback and likely present a better entry point at current levels (vs some of the "recovery" areas).





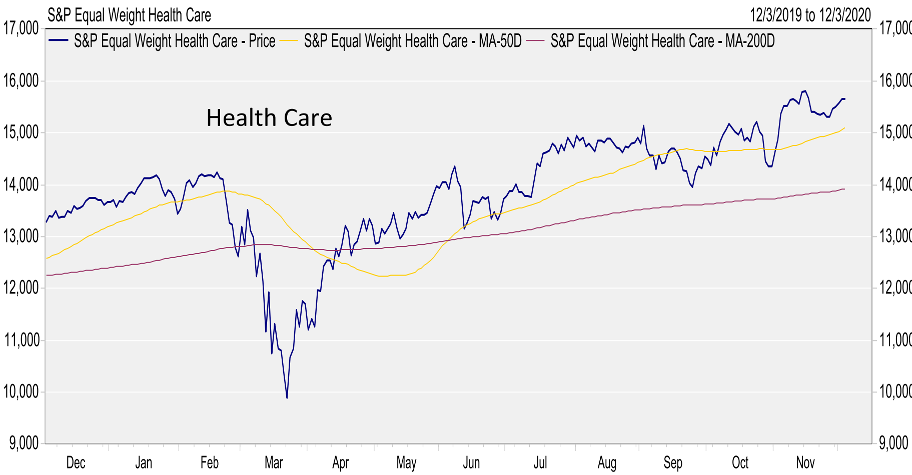


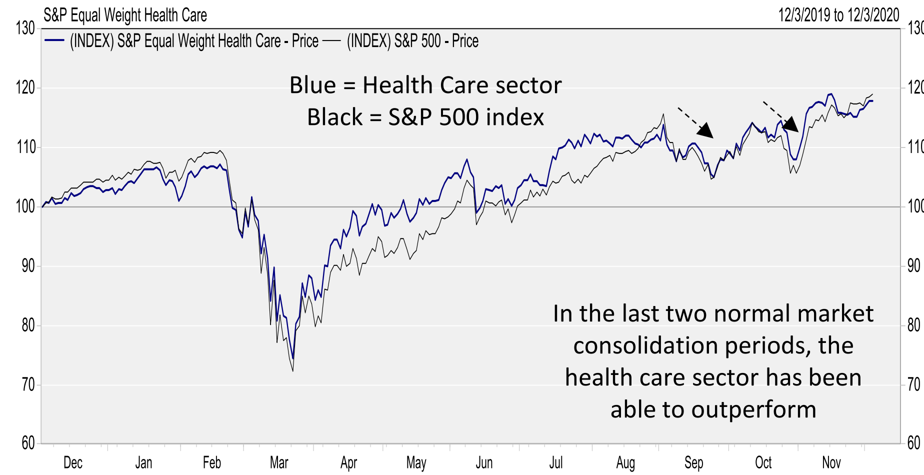


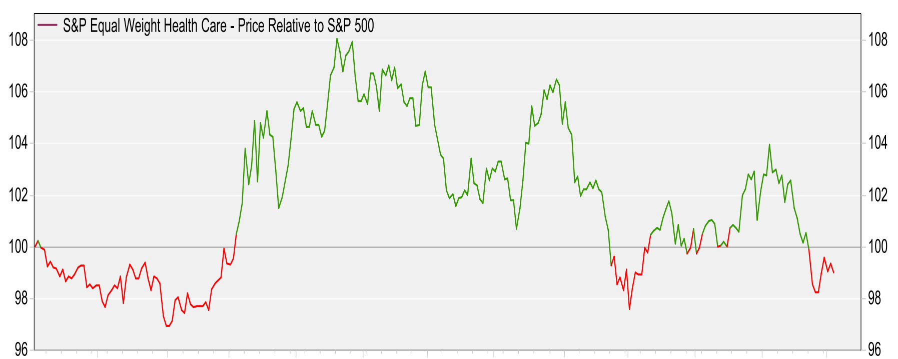
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

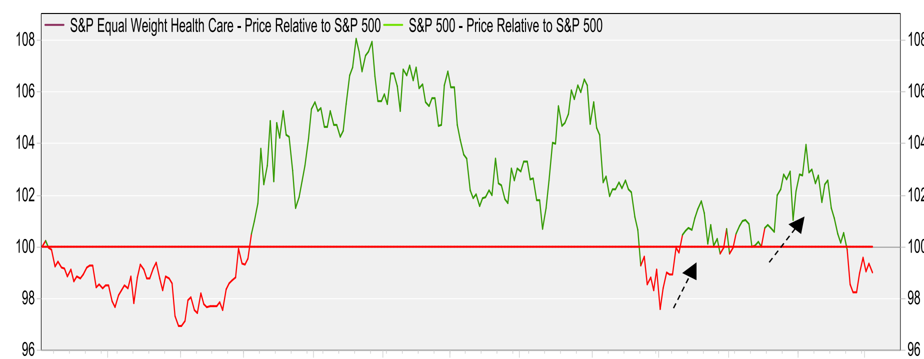
HEALTH CARE

The health care sector has also exhibited very strong fundamental trends throughout 2020. This relative fundamental performance led to strong relative price performance in the early stages of the pandemic. But as investors have begun to increasingly focus on the eventual recovery in the past several months, relative price performance has dropped off for the Health Care sector. That said, in the last two normal market pullback periods (shown with black arrows on the bottom right chart), the health care sector was able to gain relative strength as it held up much better than the S&P 500 index as a whole. With strong fundamental trends, attractive valuation, and a short term technical picture that is constructive and not extended, health care appears to be timely for new purchases.









Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

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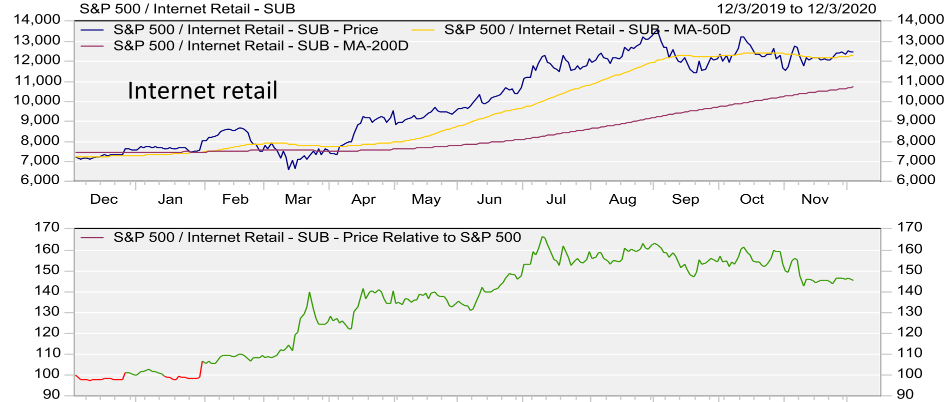
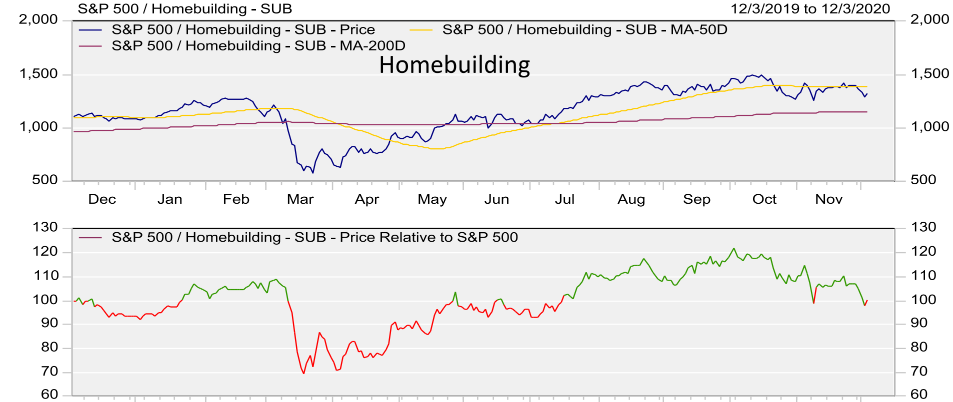
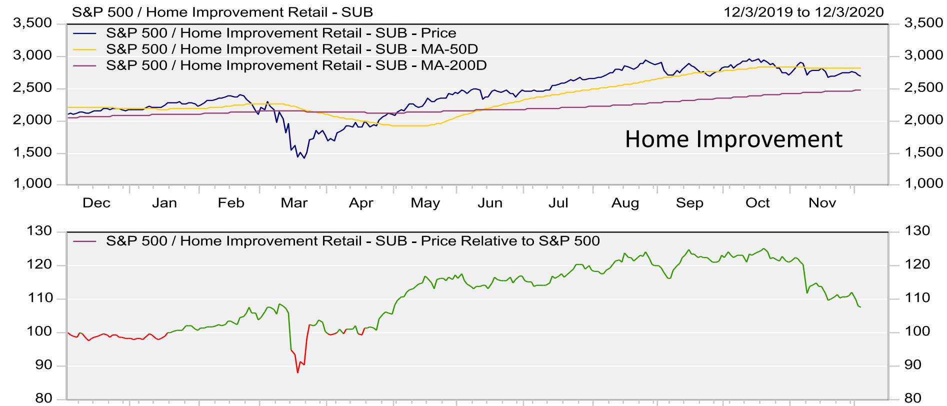
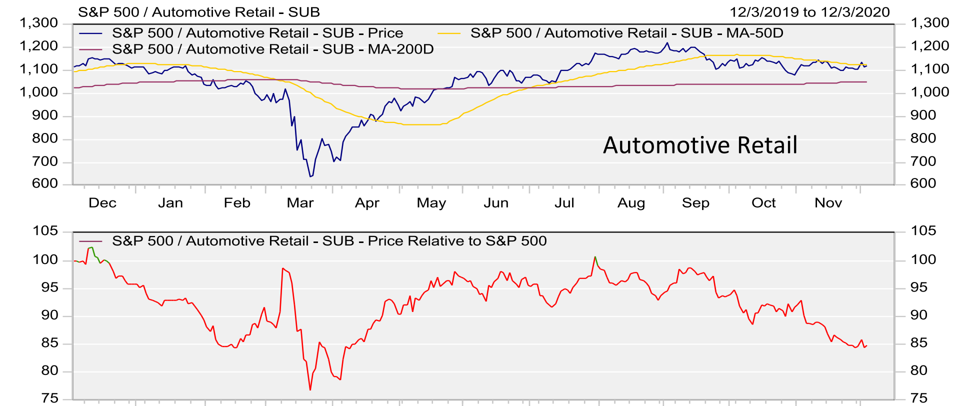
CONSUMER DISCRETIONARY

We are broadly positive on Consumer Discretionary stocks as the economic recovery unfolds, supporting jobs improvement and consumer spending trends. We also believe fiscal stimulus gets done- a question of "when and how much," rather than "if"- and view low interest rates and oil prices as supportive of sector fundamentals. The sector also has a clear split between areas benefitting from the stay-at-home environment (i.e. internet retail, homebuilding, home improvement, auto after-market retail) and those that have not (i.e. cruise lines, resorts, restaurants, brick-and-mortar retail), giving investors exposure to both groups. As investors have focused on the recovery areas in recent months, the prior winners have been consolidating their previous strength. Fundamentals remain strong in our view, and many stocks are fairly close to key support levels- likely presenting better entry points in the short term for new money looking to buy our favored sectors.









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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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