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Weekly Market Guide

The S&P 500 has rebounded, looking like it will shake off last week's short term pullback of -3.5% in 3 days. The S&P 500 index as a whole did not get completely oversold, but short term stochastics have crossed over back to positive for the short term. We still view a February pause as likely (historically a seasonally softer month of the year), and use the recent highs and lows as initial technical resistance and support levels to monitor (~3700-3900 range). While the S&P 500 index has not moved much lately, there have been much wider differences beneath the surface. We see many opportunities to accumulate favored stocks as they have pulled back near support levels, particularly in the more "recovery-oriented areas."

45% of S&P 500 companies have reported Q4 earnings thus far, and in aggregate results have been strong. 81% of companies are beating bottom-line estimates by a 15.9% surprise. The strong Q4 results bode well for equities in 2021. An earnings recovery is expected this year, and consensus estimates continue to trend upward. This is supportive of equity market momentum, along with our above-consensus S&P 500 earnings estimate of $175 (base case). Price reactions to results, on the other hand, continue to be generally negative with the average price change being -0.9%. Since earnings season began, the technology-oriented areas have generally outperformed (on strong earnings) while the "recovery areas" have consolidated some. We view this as normal, following very strong gains since early November in those areas, which has created some buying opportunities there in our view.

For example, we recently upgraded the Energy sector to Equal Weight, and would use the recent pullback as a buying opportunity for investors that have been underweight (our favored subsector is Exploration & Production). The energy sector has underperformed tremendously since oil prices collapsed in 2014, underperformance that continued during the pandemic. However, technical trends have begun to improve and oil prices have advanced to $56/barrel- the highest level in a year. We believe this bodes well for Energy stocks, which are still ~25% below year ago levels. Additionally, many stocks across the various subsectors offer high dividend yields for investors in search of income.

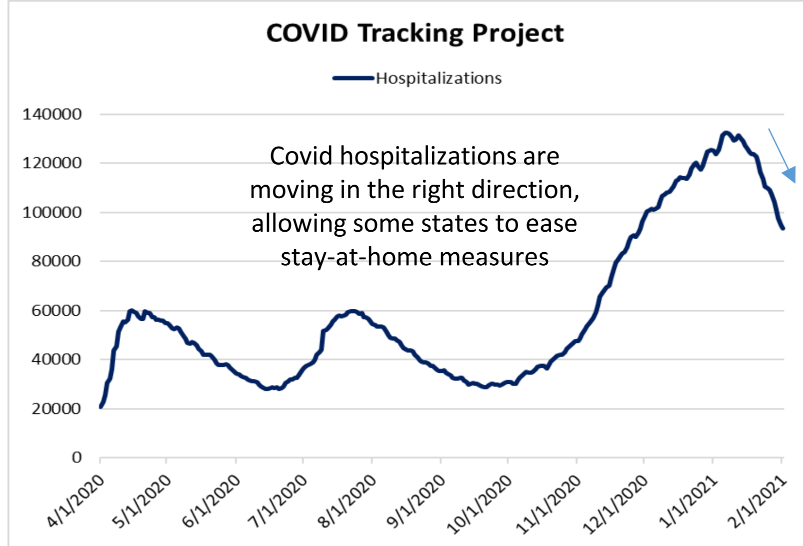
Also, the yield curve and interest rates have been major influences on the relative performance of Financials in recent years. Accordingly, a steepening of the yield curve in recent months has been supportive of Financials sector performance trends. After consolidating within its upward trend in recent weeks, the yield curve was able to break out to new recovery highs. This bodes well for Financials sector performance in our view and, as such, we would continue to accumulate favored stocks in the sector.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
S&P 500	2.0%	17.9%
S&P 500 (Equal-Weight)	1.9%	14.1%
Dow Jones Industrial Avg	0.4%	8.2%
NASDAQ Composite	5.6%	46.8%
Russell 2000	9.4%	32.3%
MSCI All-Cap World	2.6%	18.3%
MSCI Developed Markets	1.0%	9.2%
MSCI Emerging Markets	7.9%	31.3%
NYSE Alerian MLP	7.5%	-26.1%
MSCI U.S. REIT	2.3%	-10.2%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Energy	10.0%	2.5%
Consumer Discretionary	4.4%	13.0%
Communication Svcs.	4.0%	11.0%
Real Estate	2.8%	2.4%
Information Technology	2.5%	27.9%
Financials	2.1%	10.4%
S&P 500	***2.0%***	-
Health Care	1.2%	13.3%
Materials	0.2%	2.6%
Utilities	0.0%	2.7%
Industrials	-1.3%	8.1%
Consumer Staples	-4.5%	6.1%

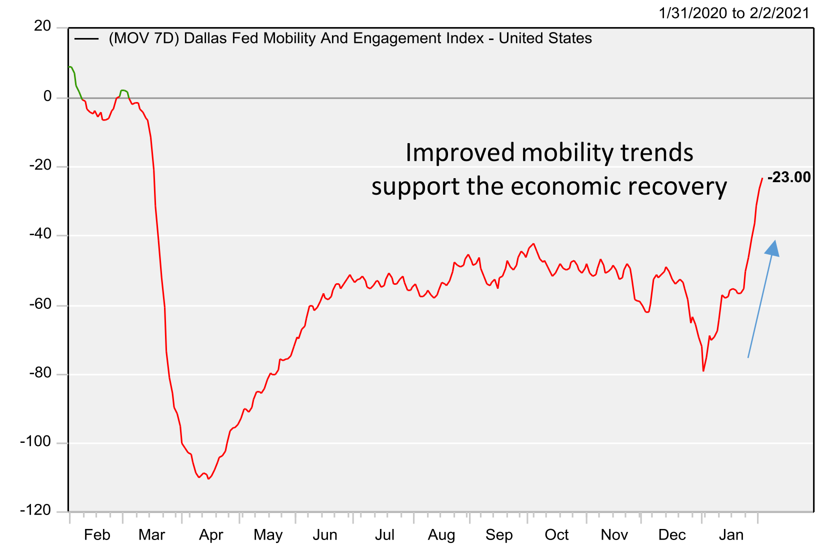
MACRO: US

Covid metrics, such as new cases and hospitalizations, have been trending downward in recent weeks. The percentage of tests coming back positive is still elevated at 7% nationally, but this down from 15% at the beginning of January. We are also encouraged by the ~1.3M/day current vaccination rate, along with expected FDA approval of the Johnson & Johnson vaccine. To be sure, there remain concerns (such as new variants), but the overall improving trends of the virus spread are allowing states to ease stay-at-home measures. This improved mobility in January, along with $900B fiscal stimulus, contributed to an upside surprise in January Non-manufacturing ISM- reaching a two-year high at 58.7. Strength in US manufacturing and services surveys also stand out on a global basis with US Manufacturing and Services PMI of 59.2 and 58.3 respectively both well above the Eurozone, China, Japan, and the World. We remain positive on the economic recovery, spurred by multiple vaccines allowing for a reopening as 2021 progresses, along with support from both fiscal and monetary stimulus.



US economic data reported in the past week:

Event	Period	Actual	Consensus	Prior
Personal Consumption Expenditure SA M/M	DEC	-0.20%	-0.40%	-0.70%
Personal Income SA M/M	DEC	0.60%	0.0%	-1.3%
Chicago PMI SA	JAN	63.8	58.6	58.7
Michigan Sentiment NSA (Final)	JAN	79.0	79.2	79.2
Pending Home Sales Index SAAR	DEC	125.5	124.0	125.9
Pending Home Sales M/M	DEC	-0.30%	-1.5%	-2.5%
Markit PMI Manufacturing SA (Final)	JAN	59.2	56.6	59.1
Construction Spending SA M/M	DEC	1.0%	0.70%	1.1%
ISM Manufacturing SA	JAN	58.7	60.0	60.5
ADP Employment Survey SA	JAN	174.0K	75.0K	-77.6K
PMI Composite SA (Final)	JAN	58.7	55.5	58.0
Markit PMI Services SA (Final)	JAN	58.3	54.3	57.5
ISM Non Manufacturing SA	JAN	58.7	56.7	57.7
Continuing Jobless Claims SA	01/23	4,592K	5,045K	4,785K
Initial Claims SA	01/30	779.0K	865.0K	812.0K
Unit Labor Costs SAAR Q/Q (Preliminary)	Q4	6.8%	3.8%	-7.0%
Productivity SAAR Q/Q (Preliminary)	Q4	-4.8%	-4.2%	5.1%
Durable Orders ex-Transportation SA M/M (Final)	DEC	1.1%	0.60%	0.70%
Durable Orders SA M/M (Final)	DEC	0.47%	0.30%	0.20%
Factory Orders SA M/M	DEC	1.1%	0.80%	1.3%

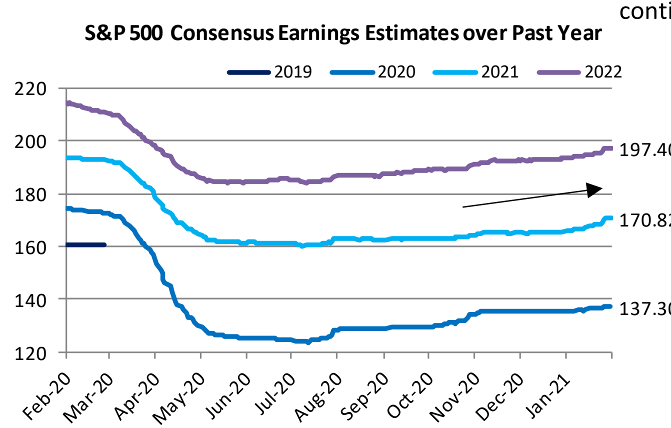


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FUNDAMENTALS

45% of S&P 500 companies have reported Q4 earnings thus far, and in aggregate results have been strong. 81% of companies are beating bottom-line estimates by a 15.9% surprise. Fundamentals across companies remain very bifurcated with 55% of S&P 500 companies growing earnings by a median of 22%, while 45% y/y are seeing earnings contract by a median of -20% y/y. Price reactions continue to be generally negative with the average price change being -0.9% following results. Since earnings season began, the technology-oriented areas have generally outperformed (on strong earnings) while the recovery areas have consolidated some. We view this as normal, following very strong gains since early November in these recovery areas, that has created some buying opportunities there in our view.

Importantly, the strong Q4 results bode well for equities in 2021. An earnings recovery is expected this year, and consensus estimates continue to trend upward. This is supportive of equity market momentum, along with our above-consensus S&P 500 earnings estimate of $175 (base case). In a bull case scenario, we believe earnings could reach $190.



Forward Estimates continue to trend upward

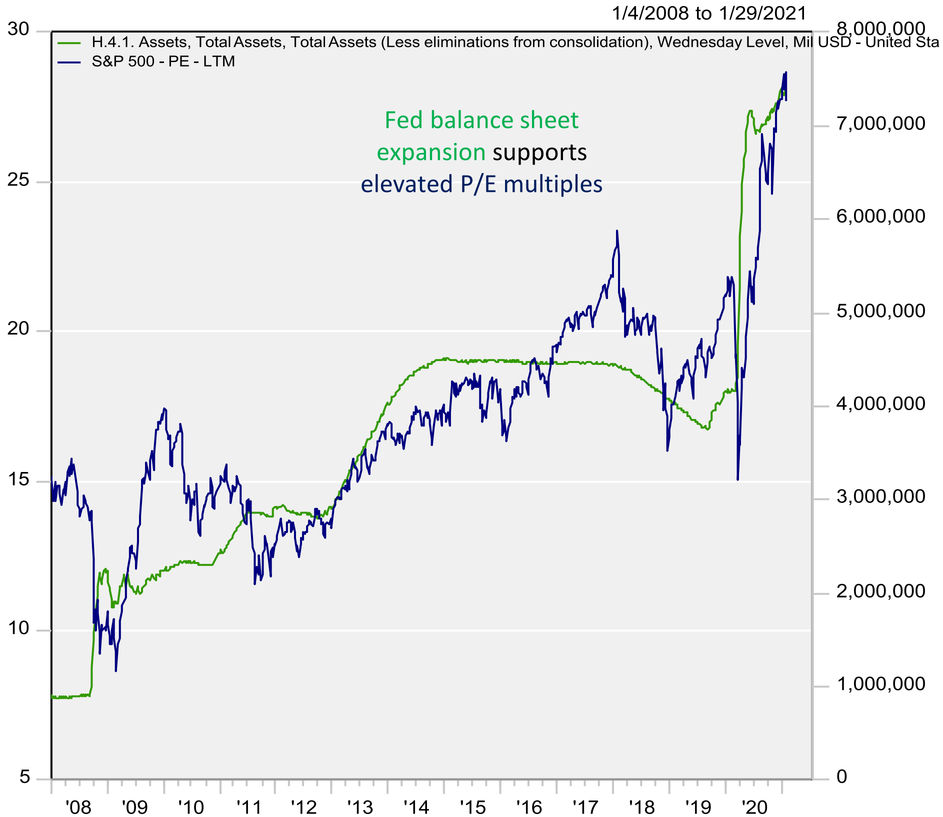
EPS Growth Estimates	
2019	0.0%
2020	-14.0%
2021	24.2%
2022	15.5%

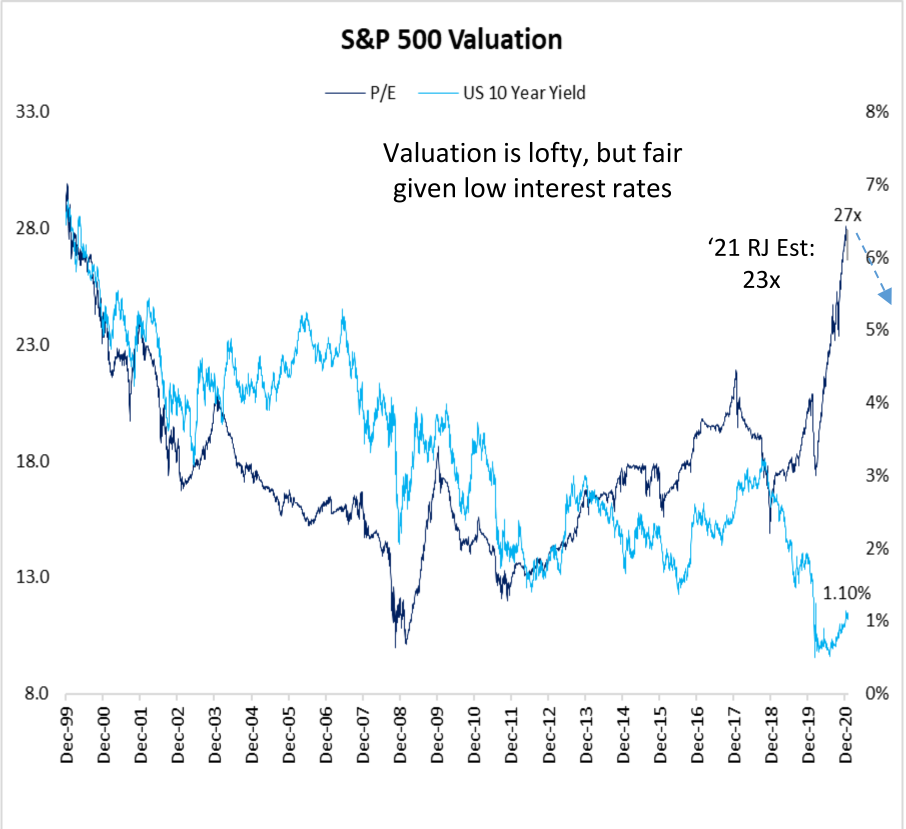
S&P 500 Sector	% Q4 Est. EPS Growth	% EPS Surprise	% Companies w/ Beats	# of Companies Reporting			Est. Change Since 1/14/21		Avg Price Reaction	Return since 11/8
				Positive	Inline	Negative	Q4'20	2021		
S&P 500	**-1.9**	**15.9**	**81**	**183**	**9**	**34**	**9.5%**	**2.9%**	**-0.9%**	**1.60**
Information Technology	17.2	19.4	97	29	0	1	13.4%	4.1%	-2.1%	4.46
Materials	16.3	11.9	69	9	1	3	6.3%	3.1%	-1.8%	-5.38
Financials	15.5	27.9	91	41	1	3	21.5%	6.0%	-1.3%	-2.43
Health Care	8.8	6.1	82	23	0	5	3.0%	1.9%	0.0%	-0.84
Communication Services	4.5	21.5	89	8	0	1	20.5%	4.2%	1.3%	8.35
Consumer Staples	2.6	5.9	73	11	1	3	1.2%	0.3%	-1.0%	-1.52
Utilities	-4.5	4.7	67	2	1	0	1.3%	0.2%	-1.0%	1.12
Real Estate	-7.9	6.9	50	4	2	2	2.5%	1.2%	-0.7%	5.08
Consumer Discretionary	-17.1	43.7	68	13	1	5	16.1%	1.4%	-1.8%	2.36
Industrials	-57.1	-45.9	78	35	2	8	-31.6%	-2.9%	-0.1%	-1.70
Energy	-103.1	-36.8	73	8	0	3	-37.2%	17.3%	-0.9%	-6.06

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

VALUATION

The S&P 500 trades at a P/E of 27x, which remains elevated historically. However, it is normal for valuation to spike out of recessions as investors discount the eventual recovery. Earnings should begin growing on a year-over-year basis, and accordingly we believe valuation will begin to normalize. We do believe valuation can remain relatively elevated though due to monetary stimulus and very low interest rates. The Fed's balance sheet has had a large influence on equity market valuation over the past year, and exceptionally low interest rates continue to support the value proposition of equities vs. bonds in our view. The Fed has also stated its intent to keep rates low for the foreseeable future, as they accommodate the economic recovery. So while we believe the S&P 500 P/E multiple is set to decline over the next year to 23x, we do not believe this multiple contraction will offset the earnings recovery.

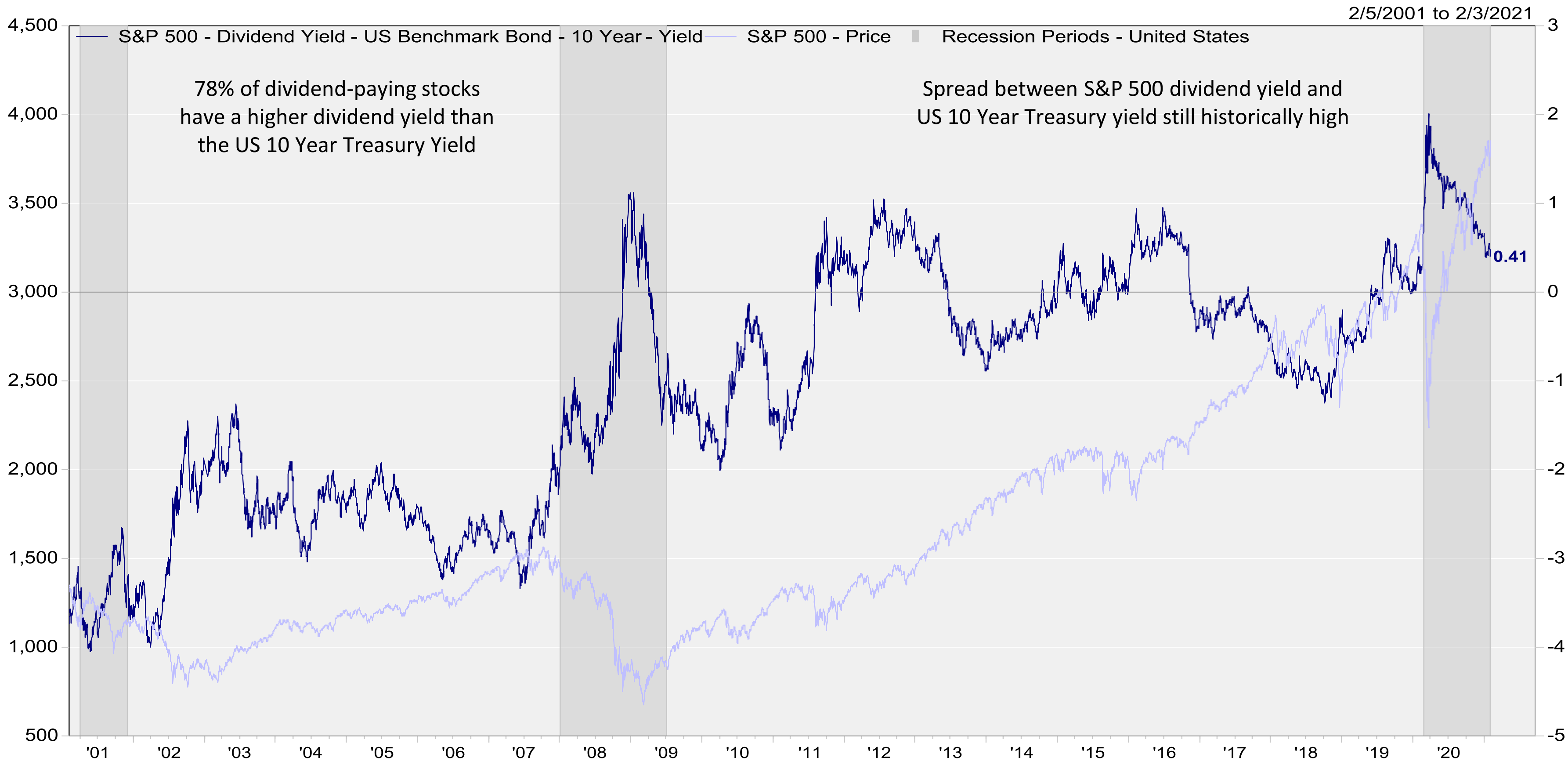




Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

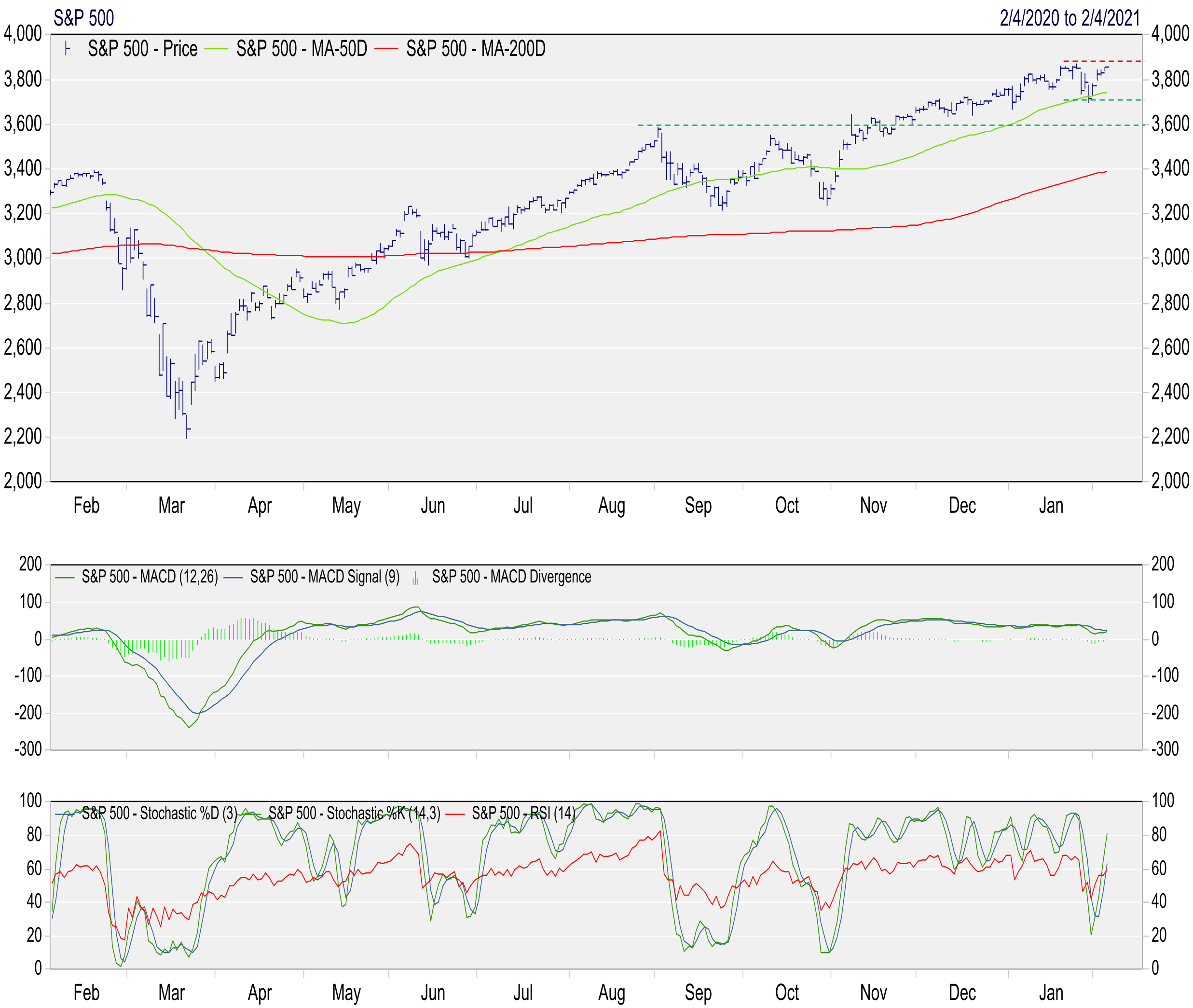
STOCKS VS BONDS

Continuing the discussion of relative value of equities vs bonds, below is a chart that shows the spread between the S&P 500 dividend yield and US 10 year Treasury yield. As you can see, the S&P 500 dividend yield is 0.4% higher than the US 10 year Treasury yield which is still in line with some of the largest spreads seen in history pre-Covid. The only higher spreads were seen in the credit crisis, EU debt crisis, and 2015-2016 manufacturing recession. In fact, 78% of dividend-paying S&P 500 companies have a higher yield than the US 10 year Treasury yield. So while equities are near all-time highs, they still remain relatively attractive vs. bonds in our view.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: S&P 500



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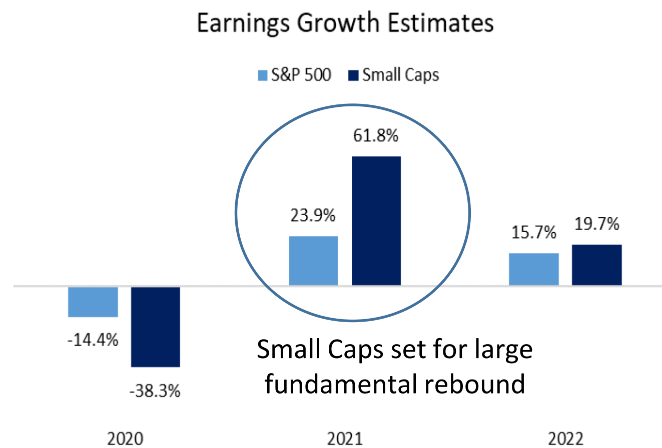
The S&P 500 has rebounded, looking like it will shake off last week's short term pullback of -3.5% in 3 days. The S&P 500 index as a whole did not get completely oversold, but short term stochastics have shifted back to positive.

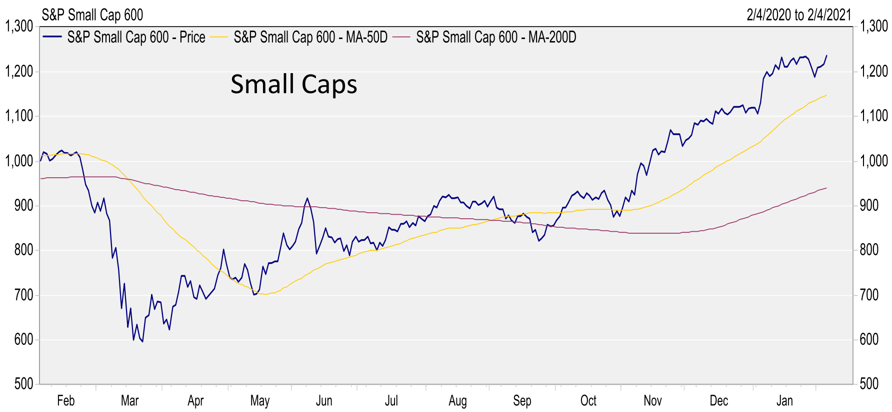
We still view a February pause as likely (historically a seasonally softer month of the year)- potentially choppier action with little headway higher but with limited downside. We use the recent highs and lows as initial technical resistance and support levels to monitor (~3700-3900 range). Above 3900, the next technical level to keep an eye on is 4274. Below 3700, we see good technical support at ~3600.

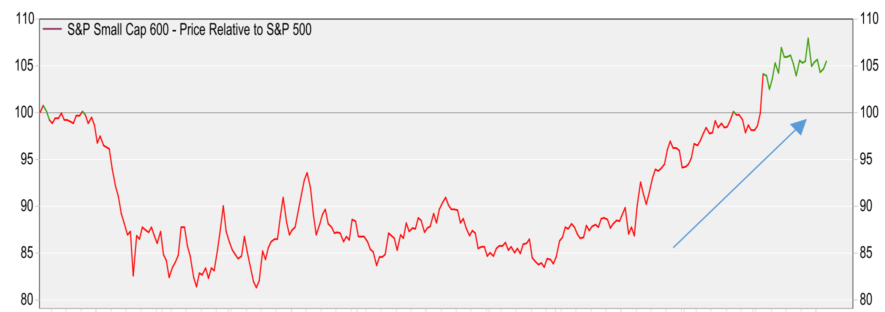
While the S&P 500 index has not moved much lately, there have been much wider differences beneath the surface. We see many opportunities to accumulate favored stocks as they have pulled back near support levels.

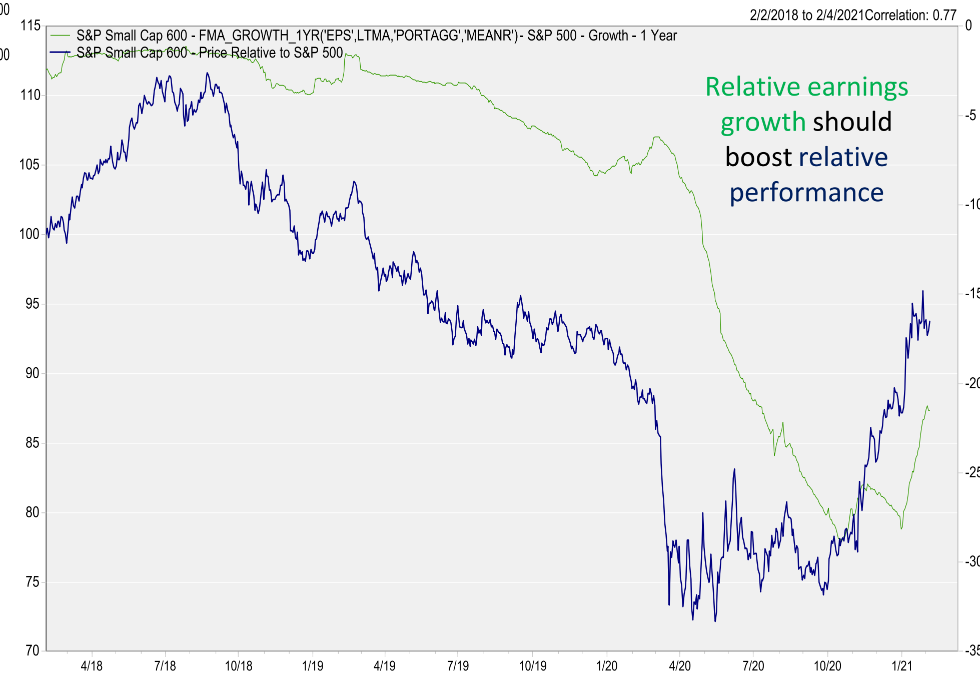
SMALL CAPS

Depressed fundamentals from the small caps (more economically-sensitive) have weighed on performance over the past two years. However, these disappointing earnings become easy comparisons in 2021 and, along with the expected recovery, should result in sharp earnings growth this year. The small caps have been able to outperform substantially since positive vaccine news in early November provided a "light at the end of the tunnel" for investors. And while consolidations and pullback periods are bound to occur, we believe the small caps can outperform over the next year as relative earnings momentum grows in their favor.









Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

SECTORS

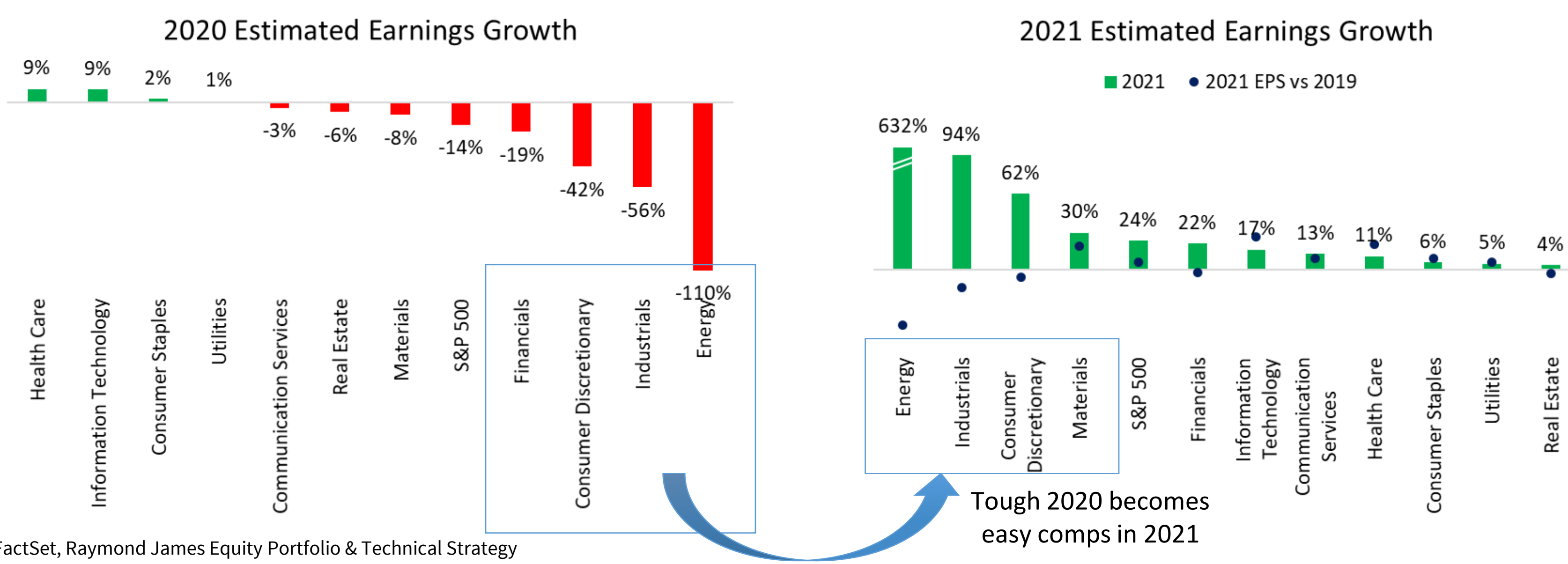
At the sector level, many of the hardest hit areas fundamentally from the pandemic (i.e. energy, industrials, select consumer subsectors) will also have the most to gain from an economic reopening. As you can see, these sectors are expected to see the largest fundamental bounce-backs in 2021, due to easy 2020 comparisons along with an economic recovery.

However, some of the strongest areas fundamentally through the pandemic (i.e. technology-oriented and health care) still offer solid earnings growth (particularly on a two-year stacked basis).

So while we recommend adding exposure to the more cyclical areas, we would also stick with some of the areas operating best through the pandemic. This leads us to a barbell approach for sector and stock selection, possessing a healthy mix of those less impacted by the pandemic as well as beneficiaries of a reopening. Over the past couple of weeks, many stocks in the industrials, energy, financials, and materials sectors have pulled in and offer good buying opportunities near support levels in our view.

RECOMMENDATIONS

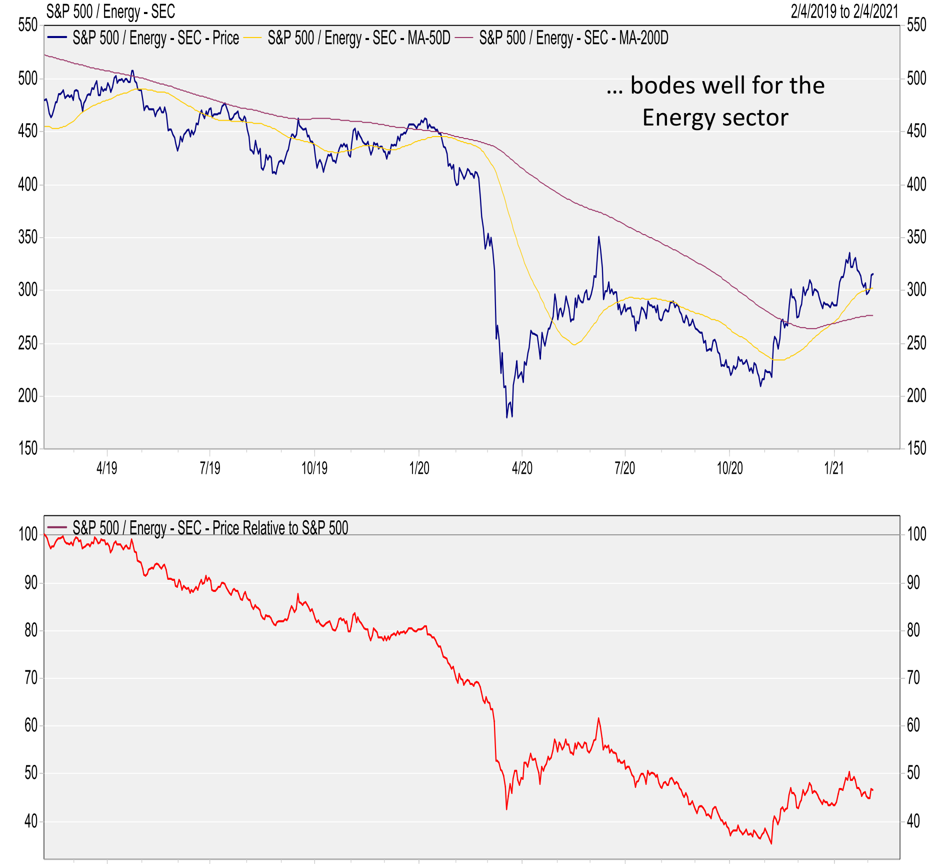
Sector	S&P 500 Weighting	Recommend
Information Technology	27.7%	Overweight
Health Care	13.6%	Overweight
Consumer Discretionary	13.0%	Overweight
Communications Services	10.7%	Overweight
Industrials	8.2%	Overweight
Financials	10.5%	Equal Weight
Materials	2.6%	Equal Weight
Energy	2.5%	Equal Weight
Consumer Staples	6.1%	Underweight
Utilities	2.7%	Underweight
Real Estate	2.4%	Underweight



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

ENERGY

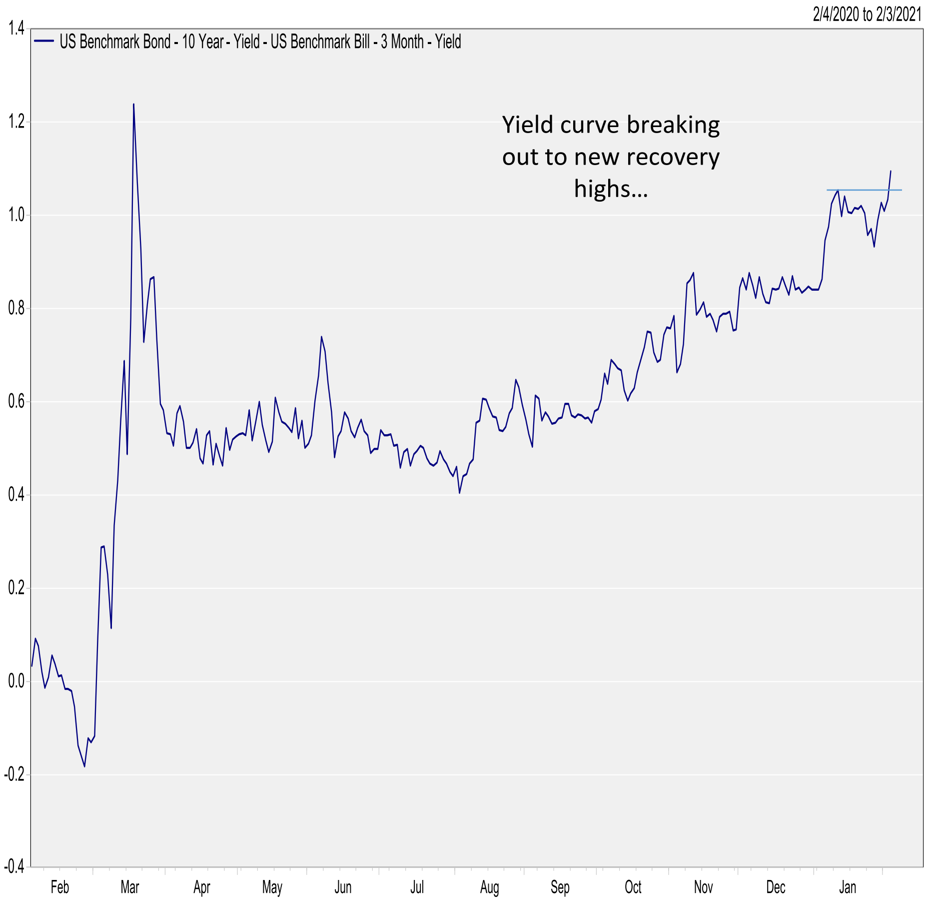
We recently upgraded the Energy sector to Equal Weight, and would use the recent pullback as a buying opportunity for investors that have been underweight. Our favored subsector is Exploration & Production. The energy sector has underperformed tremendously since oil prices collapsed in 2014, underperformance that continued in the pandemic. However, technical trends have begun to improve and oil prices have advanced to $56/barrel- the highest level in a year. We believe this bodes well for Energy stocks, which are still ~25% below year ago levels. Additionally, many stocks across the various subsectors offer high dividend yields for investors in search of income.

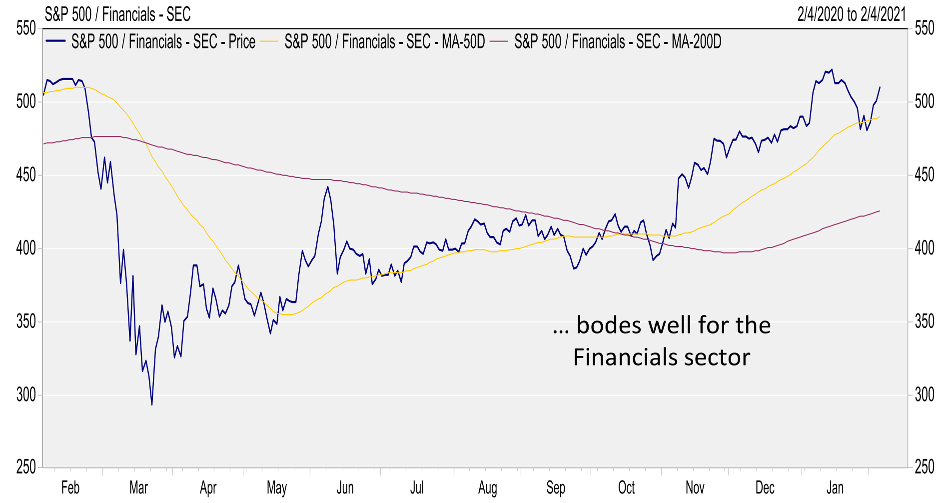


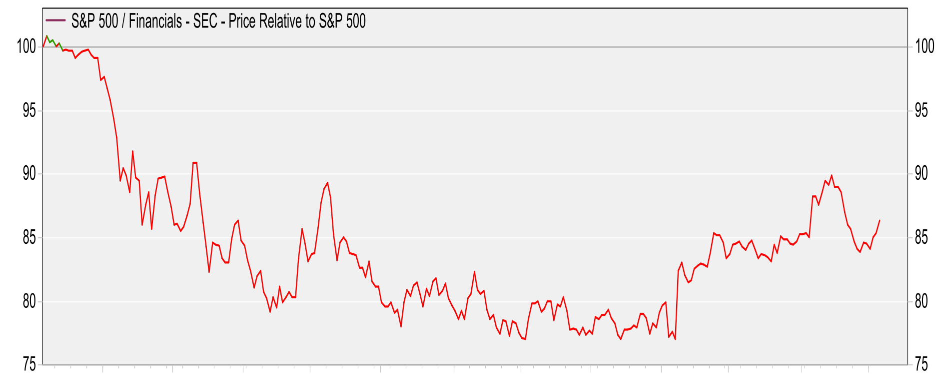
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FINANCIALS

The yield curve and interest rates have been major influences on the relative performance of Financials in recent years. Accordingly, a steepening of the yield curve in recent months has been supportive of Financials sector performance trends. After consolidating within its upward trend in recent weeks, the yield curve was able to break out to new recovery highs. This bodes well for Financials sector performance in our view and, as such, we would continue to accumulate favored stocks in the sector.







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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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