RAYMOND JAMES

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Weekly Market Guide

Roughly 3 months since the positive Pfizer/BioNTech vaccine news on 11/9, equity markets have continued their glide path higher. The S&P 500 is now 11.4% higher since then with outsized performance seen from the small caps (+39.5%), energy (+53.5%), and financials (+25.4%). The only hiccup at the S&P 500 index level was a 4-day 3.5% decline in late January that was quickly overcome by a 5% 6-day rally to new highs. The dominant narrative remains positive for equities- fiscal and monetary stimulus creating a strong tailwind and downside cushion, corporate earnings much better than expected (now positive y/y!), an improving vaccine rollout that may allow the economy to reopen faster, ultra-low interest rates supporting no alternative to equities, along with investor fear-of-missing-out.

At some point, this narrative will shift. The catalyst could eventually be a spark in inflation as the economy reopens, speculative trading activity, timing of the economic re-opening, and/or overly optimistic investor positioning. The one most discussed among investors at the moment is inflation; but with the economy still far from full employment and a Fed that is willing to let inflation run above target for a period of time, we are not overly concerned with the potential for a pick up in inflation (and a tightening of monetary conditions) at this time.

Market participation beneath the surface remains very broad with 88% of S&P 500 stocks trading above their 200 DMA. This supports positive technical trends over the intermediate term in our view. We are mindful of soft seasonality in February historically; but while the market is in its current mood, we expect pullbacks to likely be short and shallow. There are numerous levels of technical support in the 3800-3700 area (3-5% downside from current levels).

For investors looking to put money to work, we see plenty of opportunity at the stock level across sectors, particularly in health care, industrials, materials, and some energy. Real estate is also showing some technical improvement and looks like an opportunity to accumulate. For Value vs. Growth, we recommend a balanced approach; but with new capital, we would be accumulating Value as relative strength is attempting to build an uptrend in our view. We would increase conviction on a relative strength break out. Likewise, we have been discussing the improved trends from Energy and opportunity to accumulate in recent reports. The sector is approaching a break out to new recovery highs, along with a relative strength break out- both of which would be added momentum-confirming signs.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
S&P 500	4.1%	16.6%
S&P 500 (Equal-Weight)	5.2%	14.9%
Dow Jones Industrial Avg	2.7%	7.4%
NASDAQ Composite	8.4%	45.1%
Russell 2000	15.6%	36.9%
MSCI All-Cap World	4.9%	17.9%
MSCI Developed Markets	3.2%	9.6%
MSCI Emerging Markets	10.2%	30.9%
NYSE Alerian MLP	8.9%	-23.5%
MSCI U.S. REIT	5.3%	-9.8%

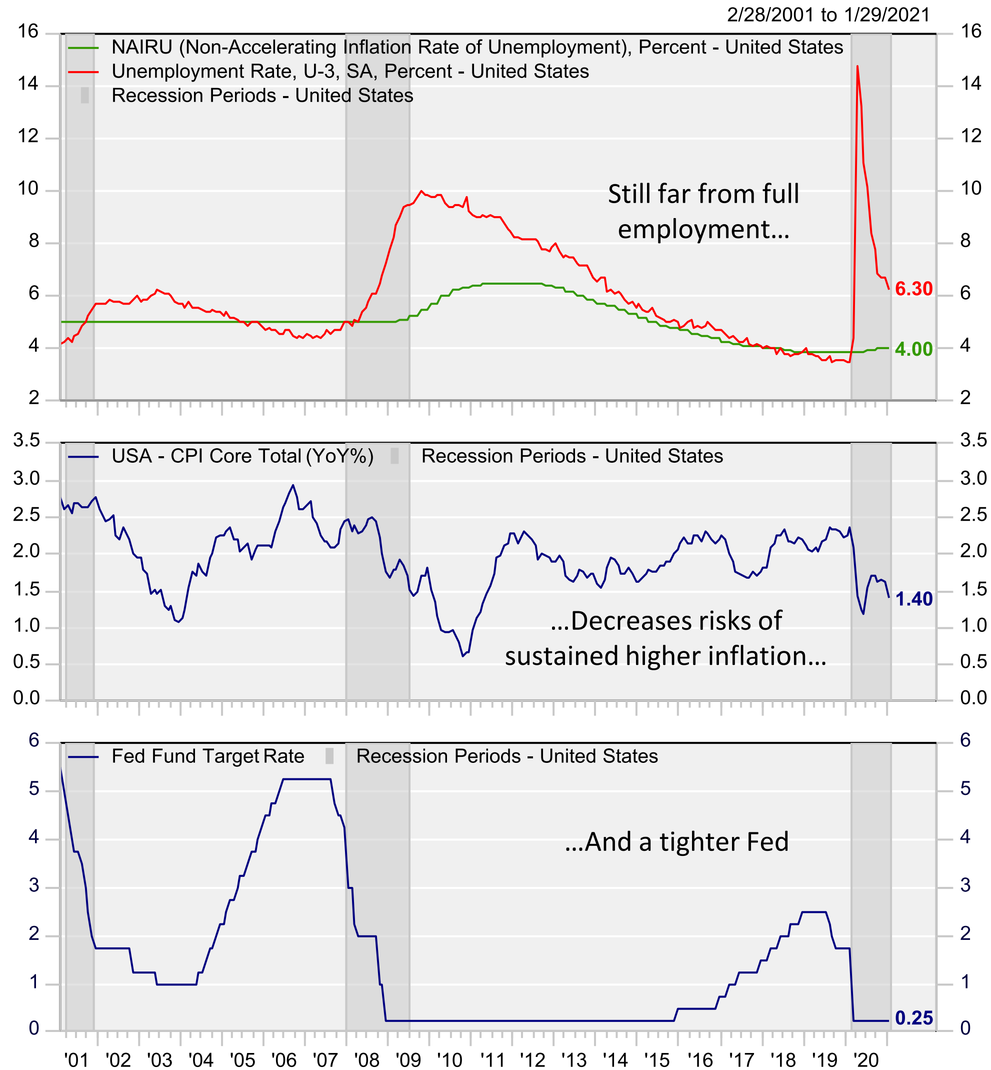
S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Energy	17.2%	2.6%
Communication Svcs.	6.9%	11.0%
Financials	5.9%	10.6%
Consumer Discretionary	5.2%	12.8%
Real Estate	5.0%	2.4%
Information Technology	4.6%	27.8%
S&P 500	***4.1%***	-
Health Care	2.2%	13.2%
Materials	1.3%	2.6%
Industrials	1.3%	8.2%
Utilities	1.0%	2.7%
Consumer Staples	-2.8%	6.1%

MACRO: US

January nonfarm payrolls disappointed, rising by 49m vs consensus of 100k, though seasonal adjustments are a significant factor in January. The unemployment rate was able to improve to 6.3%. While job losses from the pandemic remain high, we expect these figures to improve as stay-at-home measures are eased with vaccination and virus spread progress. Also, Congress is discussing an additional $1.9T in fiscal stimulus that will support the economic recovery.

January inflation also nudged lower to 1.4% in January and remains low for now. There is growing attention to the risk of inflation over the next year as a result of unprecedented stimulus and an economic reopening; but with the economy still far from full employment, we are not overly concerned by these potential risks at this time. Some inflation would be good for the economy, and the Fed has stated that core inflation would need to remain elevated for some time before tighter monetary conditions would be considered. An improving jobs market, very large fiscal stimulus, and an accommodative Fed remain supportive of equity markets.

US Economic Data This Week	Period	Actual	Consensus	Prior
Nonfarm Payrolls SA	JAN	49.0K	100.0K	-227.0K
Trade Balance SA	DEC	-$66.6B	-$65.7B	-$69.0B
Unemployment Rate	JAN	6.3%	6.7%	6.7%
Consumer Credit SA	DEC	$9.7B	$11.5B	$13.9B
NFIB Small Business Index	JAN	95.0	-	95.9
CPI ex-Food & Energy SA M/M	JAN	0.0%	0.20%	0.0%
CPI ex-Food & Energy NSA Y/Y	JAN	1.4%	1.5%	1.6%
CPI SA M/M	JAN	0.30%	0.36%	0.20%
CPI NSA Y/Y	JAN	1.4%	1.5%	1.4%
Hourly Earnings SA M/M (Final)	JAN	0.20%	0.30%	0.20%
Hourly Earnings Y/Y (Final)	JAN	5.4%	5.2%	5.4%
Wholesale Inventories SA M/M (Final)	DEC	0.30%	0.10%	0.10%
Treasury Budget NSA	JAN	-$162.8B	-$120.0B	-$143.6B
Continuing Jobless Claims SA	01/30	4,545K	4,490K	4,690K
Initial Claims SA	02/06	793.0K	757.0K	812.0K

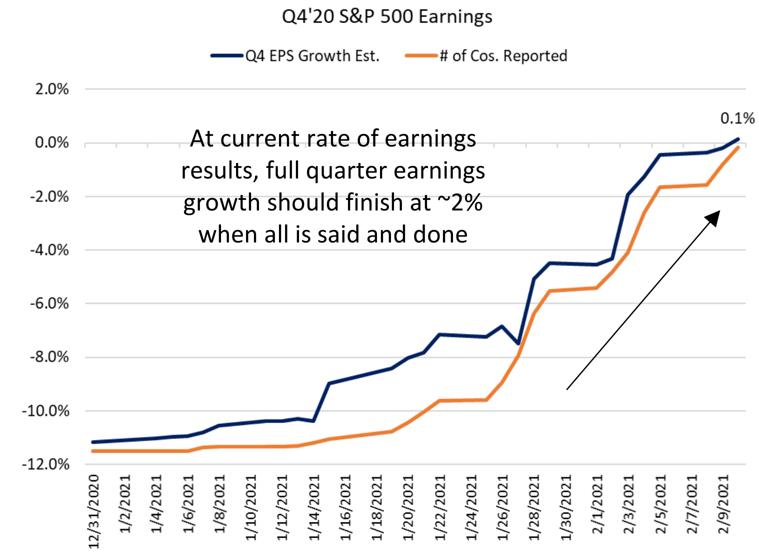


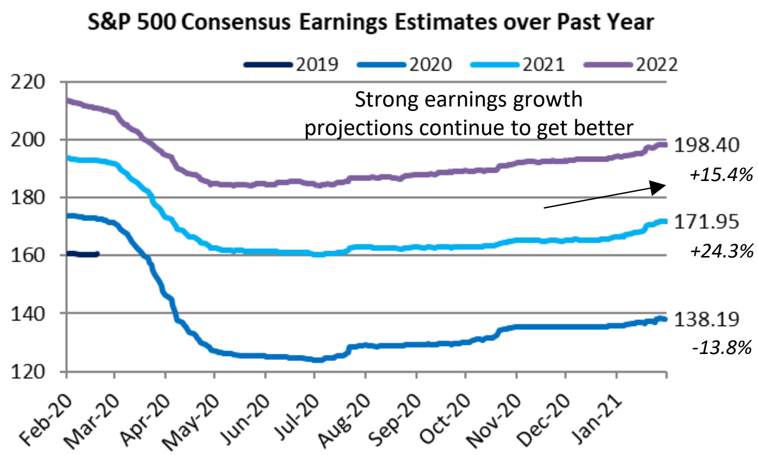
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FUNDAMENTALS

Earnings results continue to be strong in aggregate- 80% of S&P 500 companies are beating estimates by 15.1%, resulting in 7.5% earnings growth y/y at the median. Fundamental performance remains very bifurcated though with 56% of companies reporting earnings growth (median growth rate of 23%) and the other 44% reporting an earnings contraction (median rate of -22%). Full quarter S&P 500 earnings estimates are now positive (+0.1%), which at the current beat rate should finish at ~2% earnings growth when the quarterly reports are done. This is the first positive growth y/y for earnings in the last 4 quarters, and remarkable considering where expectations were just 6-9 months ago. Importantly, forward estimates also continue to trend higher. We remain above consensus in our 2021 base case earnings estimate of $175. And our bias is higher if the reopening comes earlier and enormous fiscal stimulus fuels a stronger economic recovery. Our bull case scenario earnings estimate is $190.

Valuation remains elevated with the S&P 500 trading at a P/E of 27.7x, but not abnormal in our view considering record low interest rates and the coming fundamental recovery. We do expect S&P 500 P/E multiples to recede over the next year to 23x as earnings normalize, but we do not believe this multiple contraction will outweigh earnings growth. Resulting in our base S&P 500 target of 4025. Our bull case target is 4180 (190 EPS, 22x P/E).





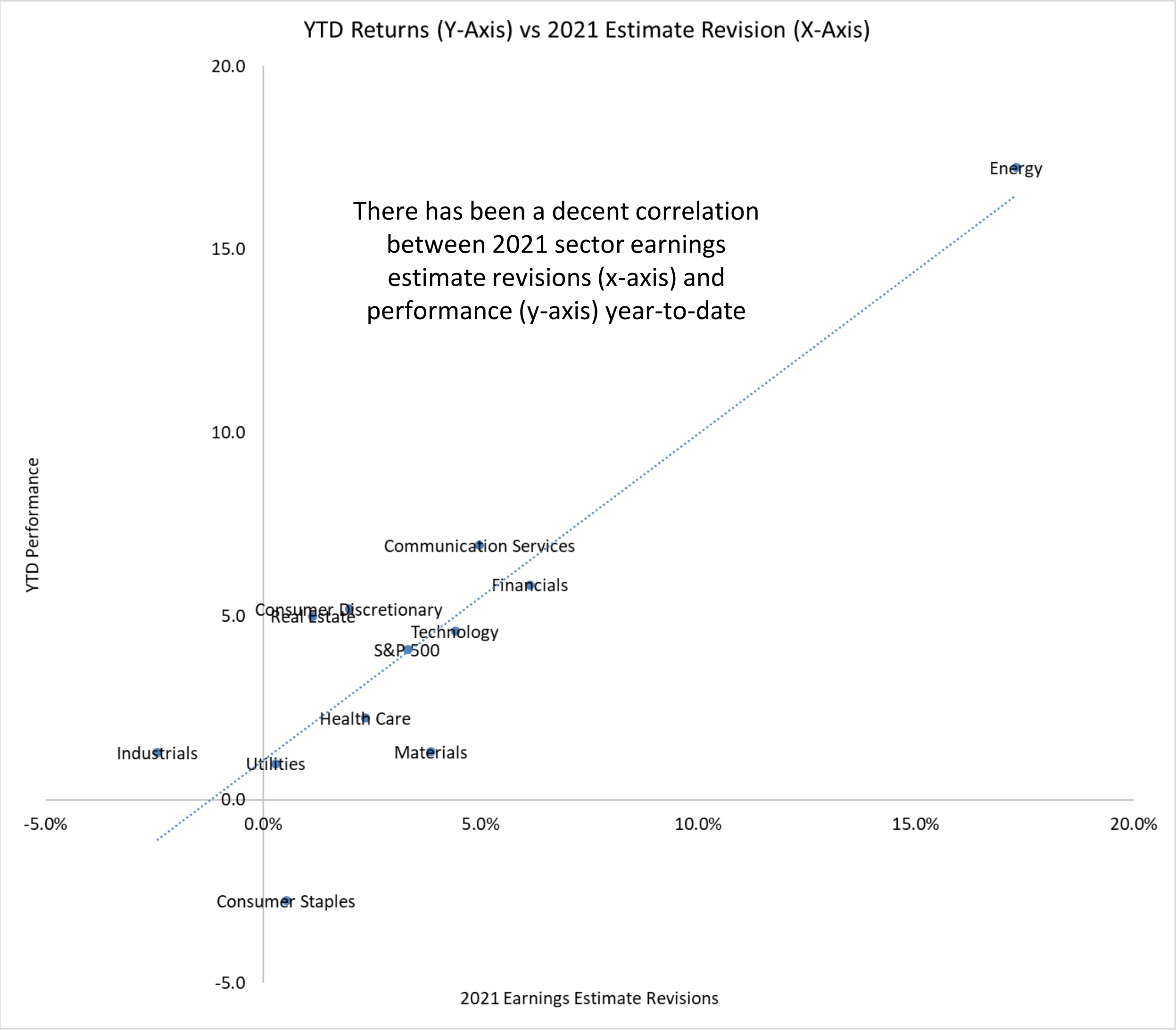
S&P 500 Sector	% Q4 Est. EPS Growth	% EPS Surprise	% Companies w/ Beats	Est. Change Since 1/14/21 Q4'20	2021
S&P 500	**0.1**	**15.1**	**80**	**11.7%**	**3.3%**
Materials	18.9	10.4	71	8.7%	3.9%
Financials	18.1	26.3	83	24.3%	6.1%
Information Technology	18.0	16.6	92	14.2%	4.4%
Health Care	10.6	6.1	82	4.7%	2.3%
Communication Services	5.8	21.5	94	22.0%	5.0%
Consumer Staples	4.8	7.8	80	3.4%	0.5%
Utilities	-4.6	4.3	80	1.2%	0.3%
Real Estate	-7.6	4.5	47	2.7%	1.1%
Consumer Discretionary	-9.6	48.4	74	26.6%	2.0%
Industrials	-55.8	-33.6	80	-29.6%	-2.4%
Energy	-103.3	33.6	67	32.3%	17.3%

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

SECTOR EARNINGS AND PERFORMANCE

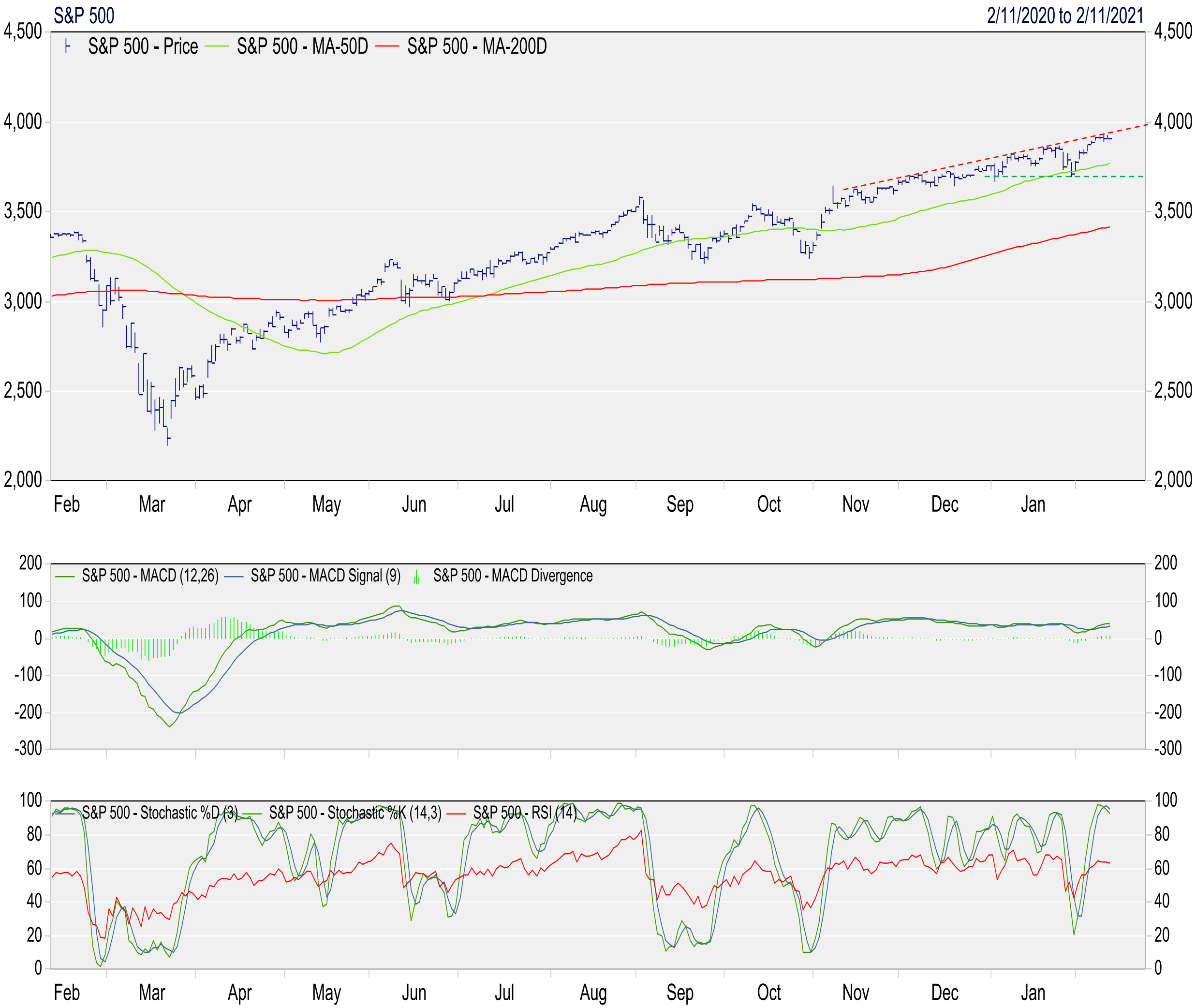
As shown on the previous page, forward earnings estimates continue to trend higher. The most positive estimate revisions since earnings season began have come from Energy, Communication Services, Financials, and Technology. Accordingly, these have been the best four sector performers year-to-date. This is why we watch estimate revision trends- that they are often indicative of performance trends. Particularly at this stage of the recovery and following some very strong gains in recent months, we believe forward estimates will remain important to monitor. This data also supports our barbell approach to sector positioning- a healthy exposure to pandemic leaders while also building exposure to areas more levered to the economic recovery.

S&P 500 Sector	2021 EPS Revision	Return YTD
S&P 500	**3.3%**	**4.18**
Energy	17.3%	14.34
Communication Services	5.0%	6.38
Financials	6.1%	5.63
Information Technology	4.4%	5.56
Consumer Discretionary	2.0%	5.30
Real Estate	1.1%	5.00
Health Care	2.3%	2.46
Materials	3.9%	1.40
Industrials	-2.4%	0.81
Utilities	0.3%	0.26
Consumer Staples	0.5%	-2.94



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: S&P 500



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

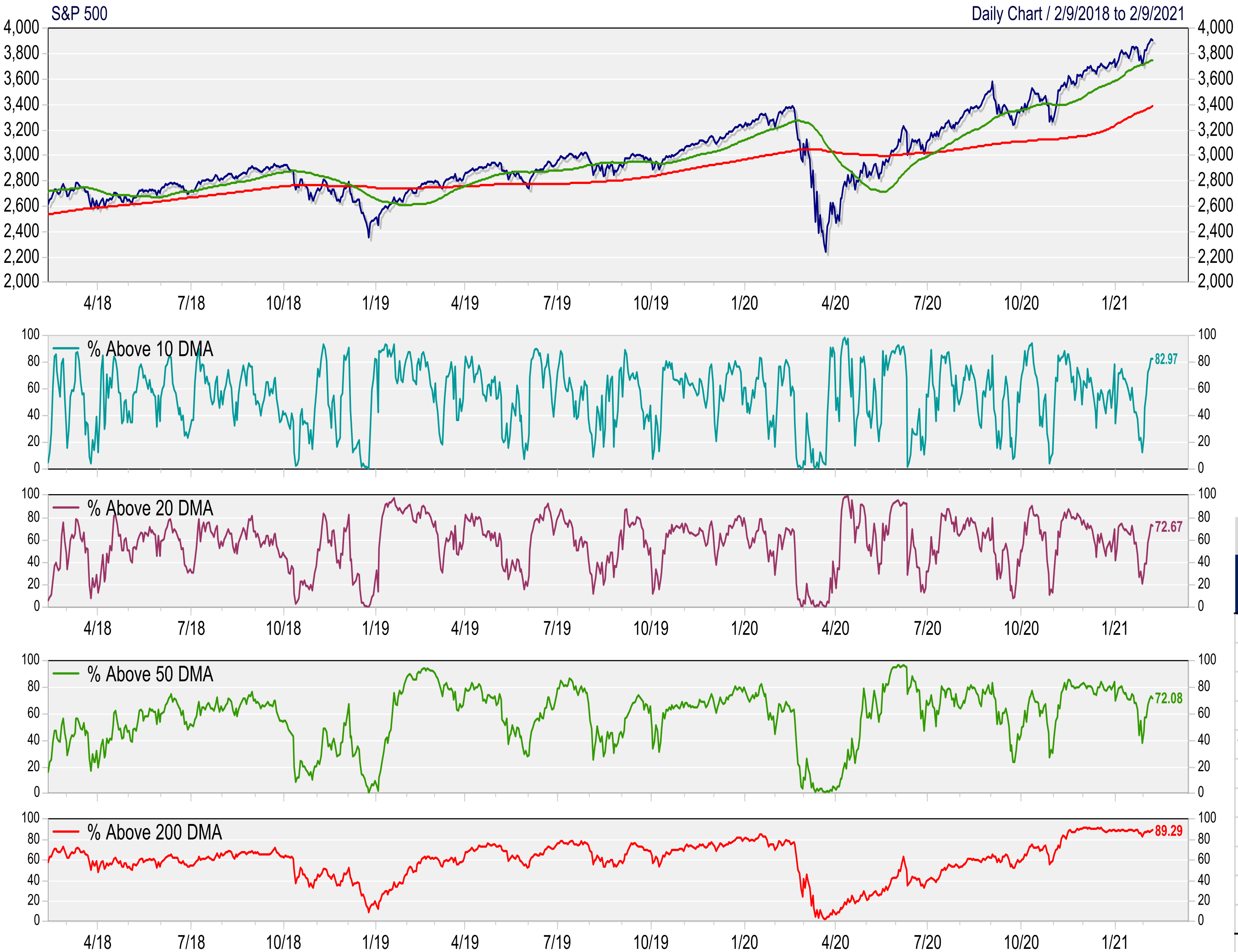
Since its break out to new highs in early November following positive vaccine news, the S&P 500 has glided higher over the past few months. The only hiccup was a 4-day 3.5% decline in late January that was quickly overcome by a 5% 6-day rally to new highs.

Along this move higher, the S&P 500 has seen several slight consolidations at the index level when reaching the upper-end of its trend channel. The index is reaching this now, which could correspond with another slight consolidation in the short term.

However, the overall market narrative remains positive and technical trends remain supportive of continued momentum. We are mindful of soft seasonality in February historically; but while the market is in its current mood, we expect pullbacks to likely be short and shallow. There are numerous levels of technical support in the 3800-3700 area (3-5% downside from current levels).

Beneath the surface, there have been more rolling pullbacks. We see plenty of opportunity at the stock and sector level to accumulate.

MARKET BREADTH REMAINS STRONG



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

Market participation beneath the surface remains very broad with 88% of S&P 500 stocks trading above their 200 DMA.

In addition, these strong breadth readings are seen across sectors. The only sectors with less than 80% of their stocks above the 200 DMA are the more defensive Consumer Staples and Utilities sectors.

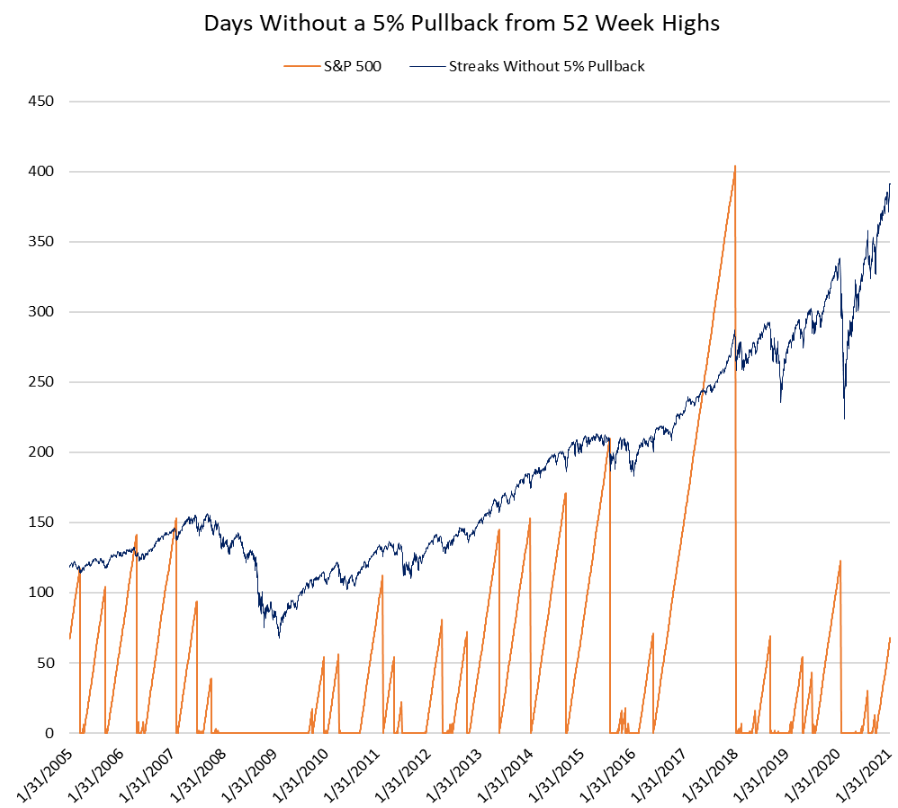
This supports positive technical trends over the intermediate term in our view. While short term pullbacks are normal, this strong technical backdrop adds to our view that they should be used as buying opportunities for the longer term.

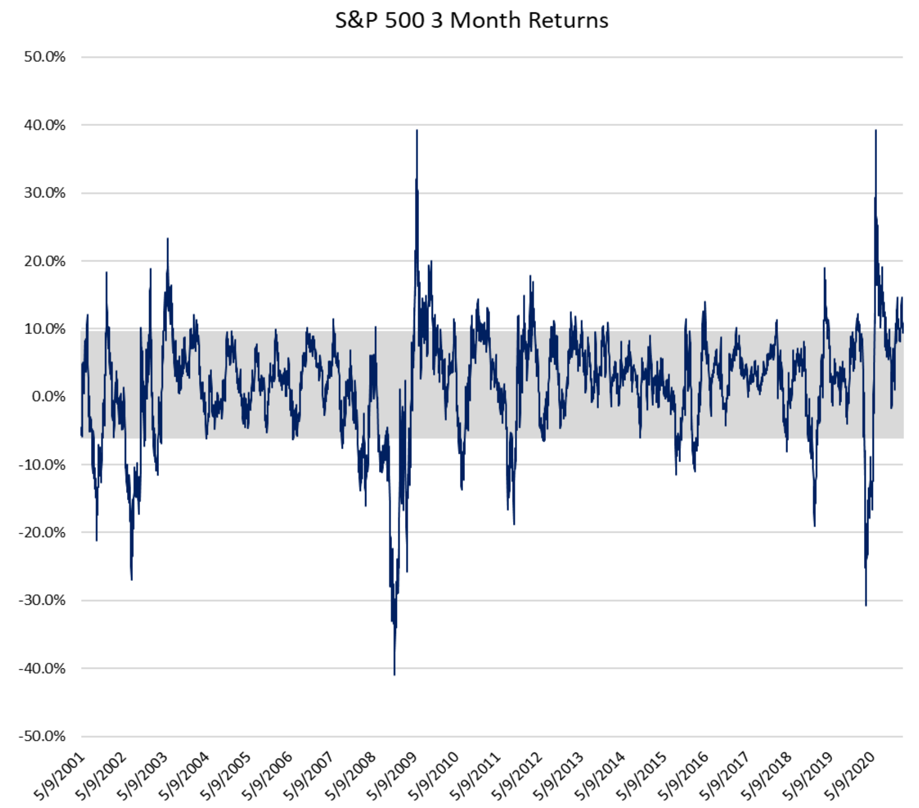
Sector Trends and Moving Averages

Sector	10 DMA % Above	20 DMA % Above	50 DMA % Above	200 DMA % Above
Cons. Discretionary	90	85	80	97
Energy	92	88	92	96
Financials	88	82	82	94
Real Estate	93	93	93	93
Technology	87	79	76	93
Industrials	90	79	67	93
Materials	79	54	46	93
Comm. Services	81	77	81	92
Health Care	65	56	65	84
Consumer Staples	72	56	53	66
Utilities	79	68	54	50
S&P 500	84	75	72	88

S&P 500 PERFORMANCE STREAKS AND 3 MONTH RETURNS

In an attempt to put the current market rally into context, we look at previous periods in terms of time and returns. It has now been 68 days since the S&P 500 was in at least a 5% pullback from 52 week highs. While this is elevated historically, it is not completely abnormal. As you can see in the bottom left chart, there have been numerous periods over the past 15 years with longer streaks. Similarly, the 11% gain over the past three months is also elevated but not too extreme either (bottom right chart). Additionally, these strong gains are typically seen out of recessions. At some point, the market will need to digest its strong gains; but pullbacks do not need to occur just because gains have been strong over the past three months. With more volatility seen beneath the surface, this where we believe the opportunity lies for accumulation of favored sectors and stocks.

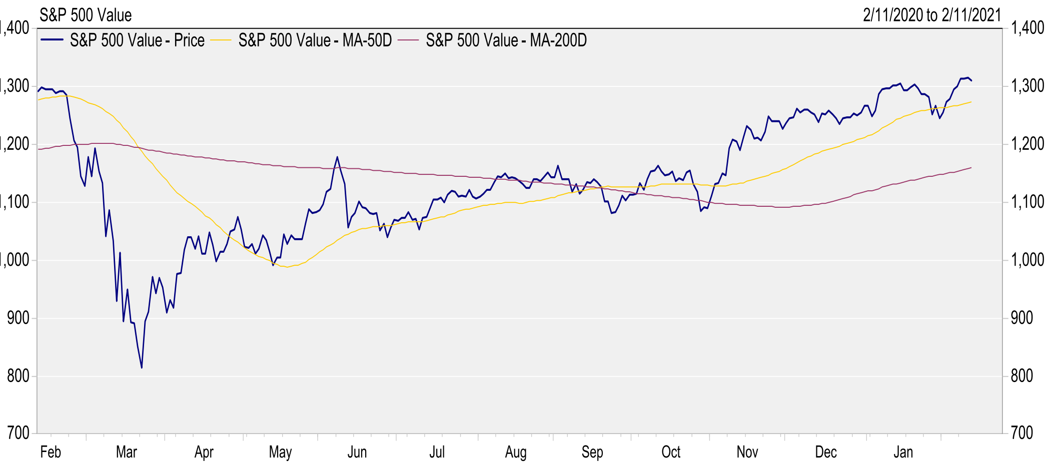


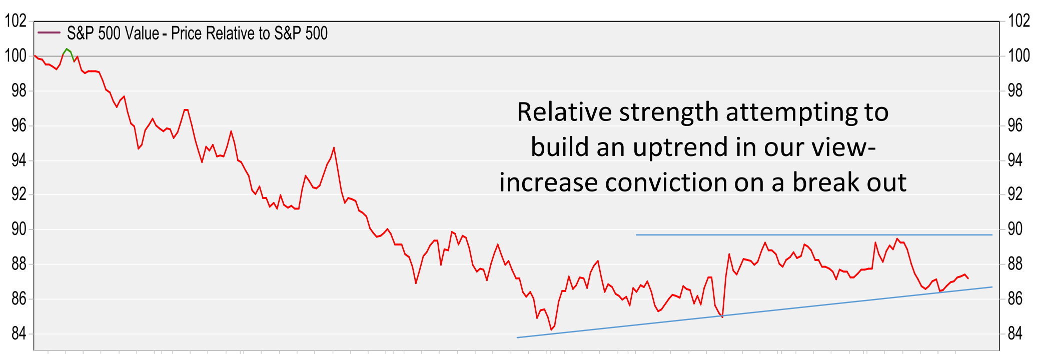


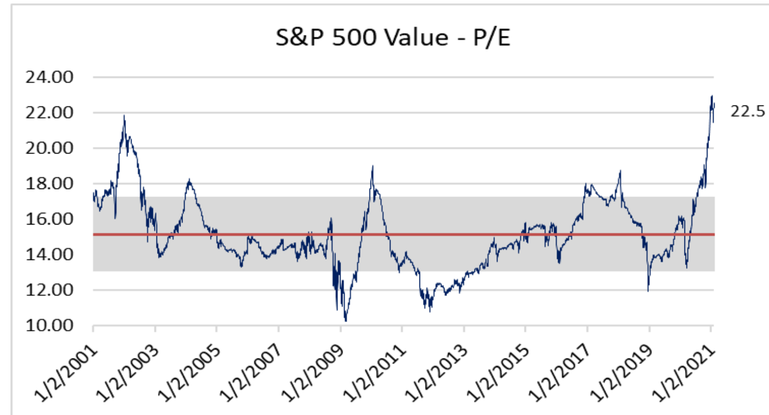
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

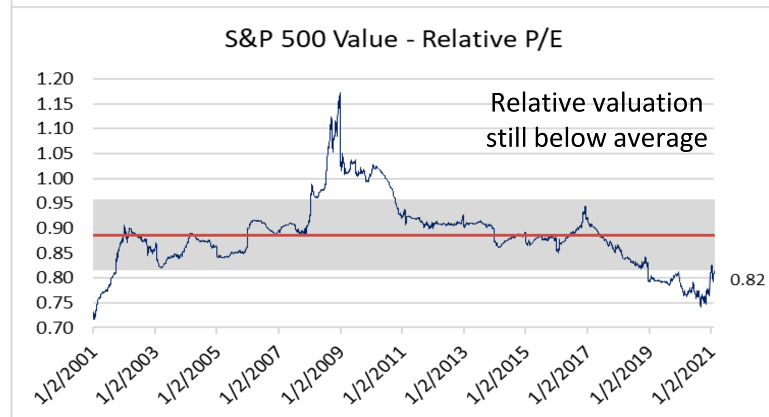
VALUE

The make-up of the Value index saw its earnings very hard hit in 2020 (-29% vs just -0.5% for Growth). This weighed on Value performance through the year, continuing its underperformance in place for the better part of 13 years. 2020's depressed fundamentals will become easier comparisons now, where Value earnings growth is expected to rebound 29% in 2021 and 17% in 2022. Valuation has spiked to its highest level in at least 20 years at a P/E of 22.5x, but this is still below Value's relative average vs Growth historically. The fundamental set up, along with technical improvement perks our interest. At this point, we recommend a more balanced approach to Growth and Value. But with new capital, we would be accumulating Value as relative strength is attempting to build an uptrend in our view. We would increase conviction on a relative strength break out.





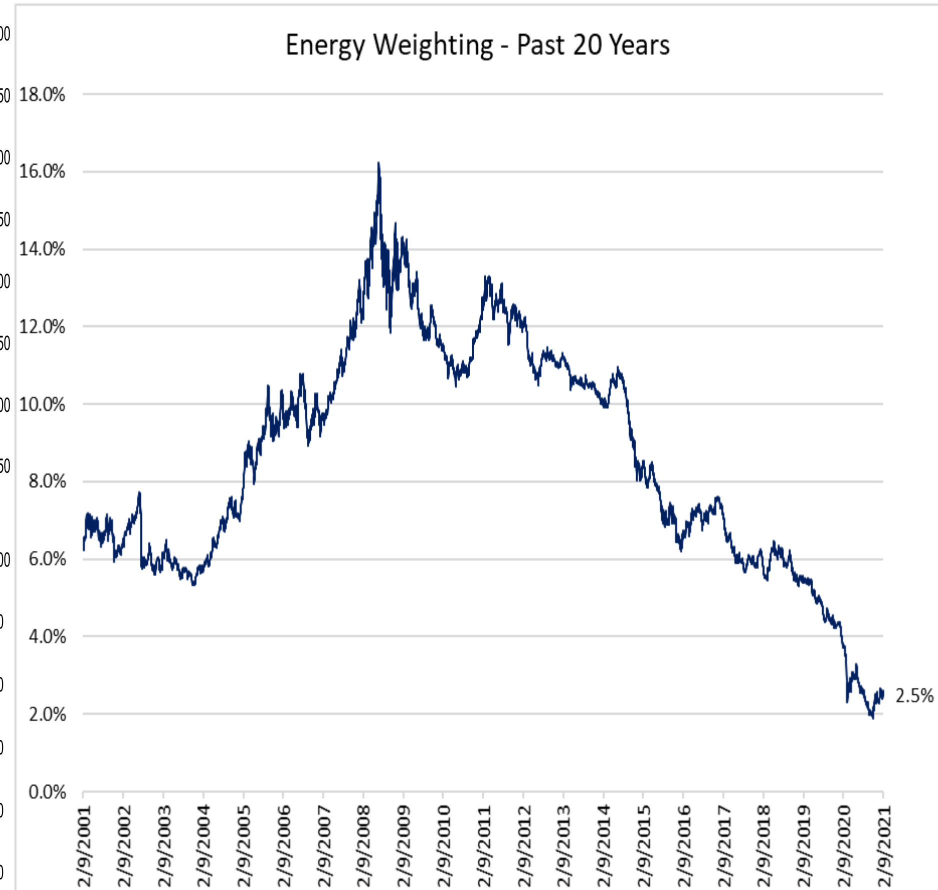




Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

ENERGY

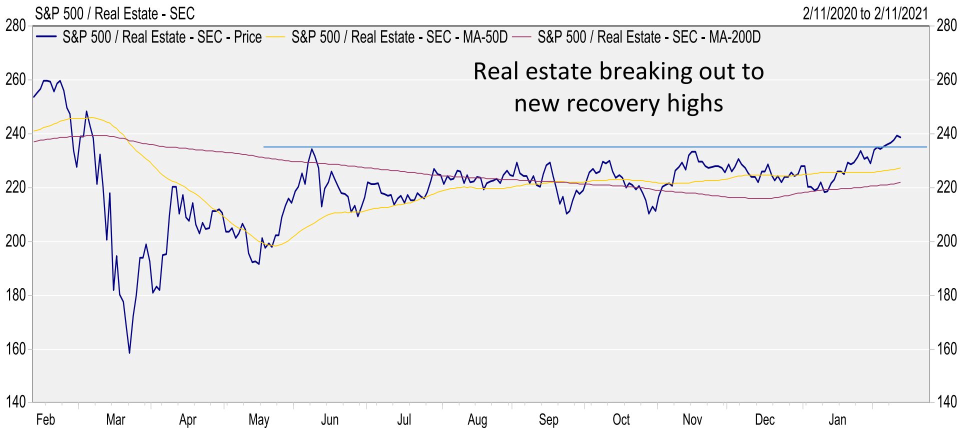
We have been discussing the improved trends from Energy and opportunity to accumulate in recent reports. The sector is approaching a break out to new recovery highs, along with a relative strength break out. We have been becoming increasingly constructive on the group due to higher oil prices, and supported by very depressed investor positioning. As you can see, Energy is just a 2.5% weighting of the S&P 500- about 20 year lows. Energy price and relative strength break outs would be added momentum-confirming signs.

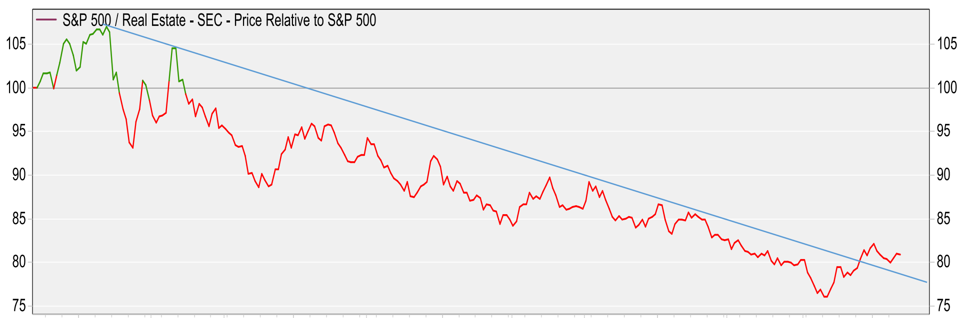


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

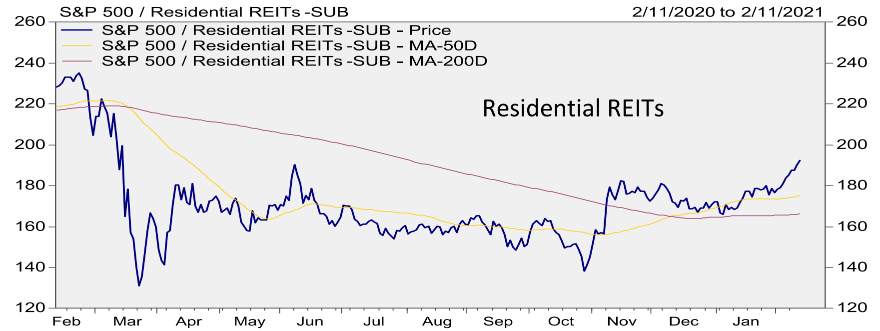
REAL ESTATE

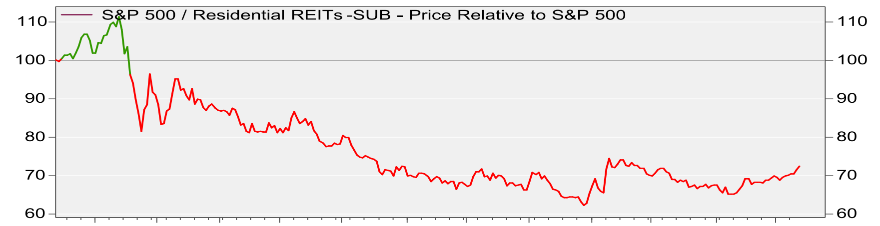
We have been underweight the Real Estate sector due to depressed fundamental and technical trends, along with long term structural concerns in certain areas of real estate (i.e. office, retail, apartments, health care, etc.) as a result of the pandemic. However technical trends are showing signs of improvement for Real Estate with the sector breaking out to recovery highs, and leadership coming from some of the hardest hit areas (i.e. residential and retail). For investors looking for names with improving short term technical momentum that are not overly extended, this is an area to accumulate in our view.

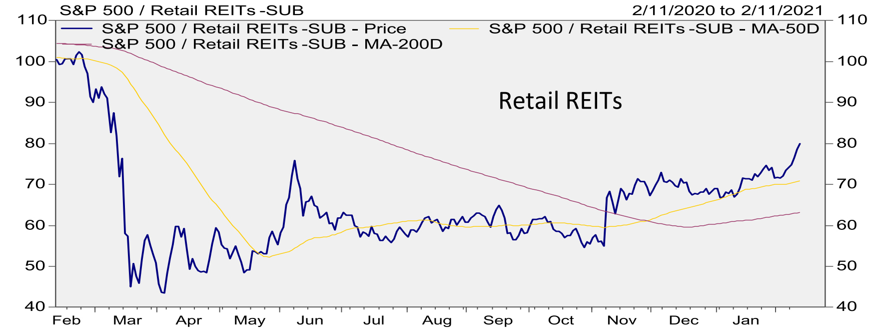


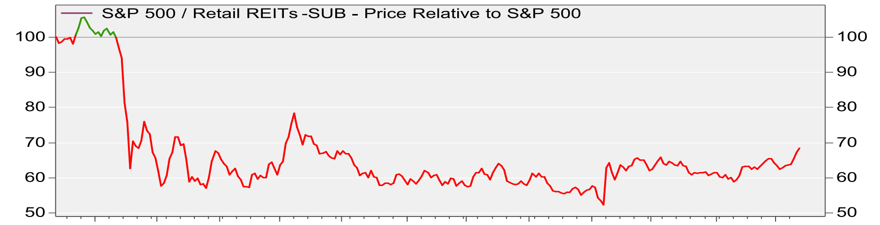


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy (M21-3449498)









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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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