RAYMOND JAMES

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Weekly Market Guide

Covid trends continue to move in the right direction with new cases and hospitalizations both down over 60% since early January, as vaccinations ramp up with over 12% of the US population already receiving at least one dose. This is allowing states to relax stay-at-home measures, and estimates show a supply surge could be coming (JNJ vaccine could receive emergency use authorization in days) that may allow for the majority of Americans to have access to a vaccine by summer. This supports our belief of an economic reopening as 2021 transpires, and the current trajectory suggests this could begin unfolding sooner rather than later.

In addition, fiscal and monetary policy remains very accommodative. Following $900B of fiscal stimulus to begin the year (4.2% of US GDP), Congress is currently in negotiations over a proposed $1.9T which is likely to be followed by an also enormous infrastructure spending package. At the same time, the Fed remains accommodative and has not wavered from its current dovish stance. Collectively, the economic reopening and unprecedented level of stimulus are likely to result in very strong economic growth this year (above consensus estimates).

Q4 earnings season continued the strong fundamental recovery exhibited over the past couple of quarters. 79% of companies beat their earnings estimates by an aggregate of 14.8% (well above the long term average of 4.5%). S&P 500 Q4 earnings are now set to finish positive on a y/y basis with a large fundamental rebound occurring in 2021. Current consensus estimates reflect S&P 500 earnings growth of 24% in 2021, and we see the potential for significant upside to this in the event that the economic re-opening and additional fiscal stimulus go as planned. Valuation is extended with the S&P 500 P/E at 27.5x and this should begin to normalize as earnings recover. Additionally, the rise in interest rates is a headwind to equity multiples, since record low rates contributed to their high valuations. However, rates remain very low still and are rising due to stronger economic growth expectations (not tighter monetary conditions). Accordingly, we do not believe multiple contraction will outweigh earnings growth in our expectation for higher equity prices in 2021.

We welcome today's market weakness as a necessary occurrence to wring out some excesses building in the equity markets. The first area to watch is near the 50 DMA (3806), which has generally been the lower bound of the S&P 500's upward trend since positive vaccine news in early November. Below this, we see technical support near 3680 and 3600 (4-7% below current levels). The pullback is occurring from a solid technical backdrop, and as it occurs will provide healthy gains for forward returns over the next 6-12 months. Given our positive view on the economic and fundamental recovery ahead, we would use the pullback as an opportunity to accumulate favored stocks.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
S&P 500	4.5%	21.7%
S&P 500 (Equal-Weight)	8.2%	21.6%
Dow Jones Industrial Avg	4.4%	14.3%
NASDAQ Composite	5.5%	47.5%
Russell 2000	15.7%	40.3%
MSCI All-Cap World	4.5%	21.5%
MSCI Developed Markets	3.3%	13.5%
MSCI Emerging Markets	6.6%	30.5%
NYSE Alerian MLP	16.9%	-15.5%
MSCI U.S. REIT	7.4%	-8.9%

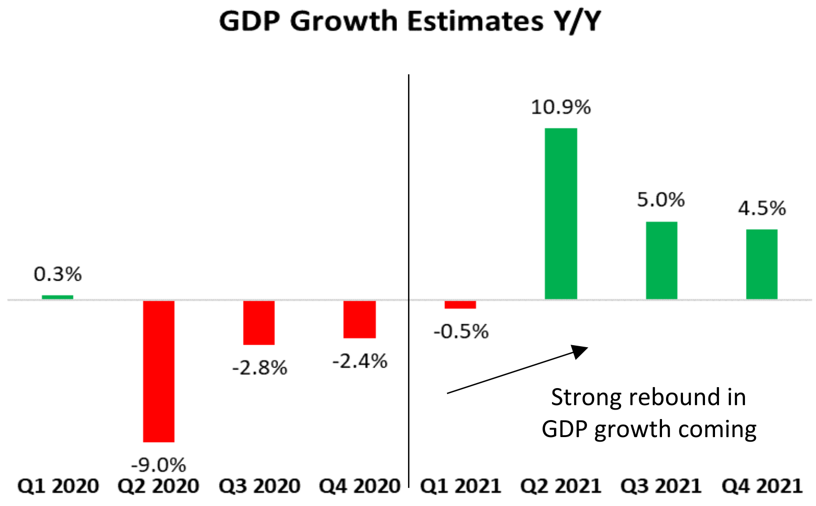
S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Energy	31.5%	2.9%
Financials	13.5%	11.3%
Communication Svcs.	7.3%	11.0%
Real Estate	5.5%	2.4%
Industrials	5.1%	8.4%
Materials	5.1%	2.6%
S&P 500	***4.5%***	-
Information Technology	3.1%	27.4%
Consumer Discretionary	2.5%	12.4%
Health Care	0.8%	13.0%
Consumer Staples	-4.1%	6.0%
Utilities	-4.7%	2.5%

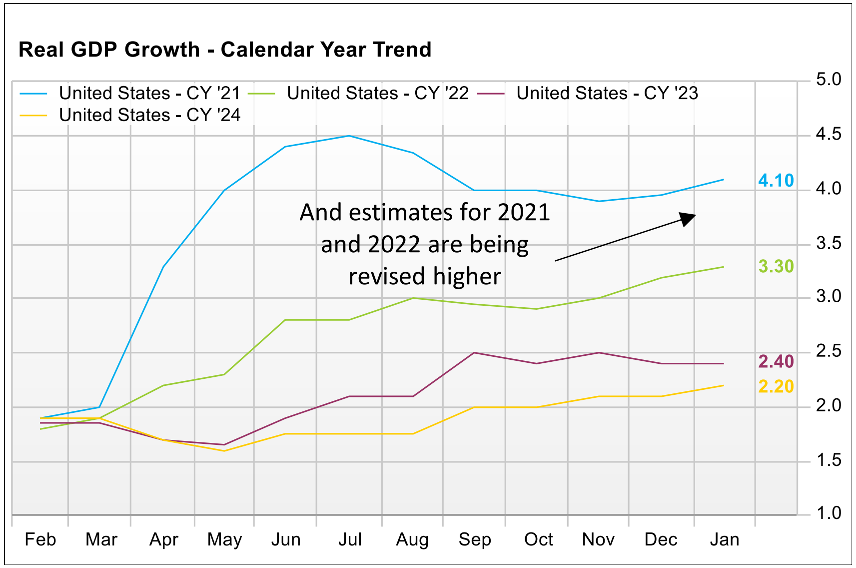
MACRO: US

Covid trends continue to move in the right direction with new cases and hospitalizations down substantially from their peaks in early January. The vaccine roll out is ramping up with over 12% of Americans having received one dose already. Also, the FDA endorsed Johnson & Johnson's single-shot vaccine yesterday, paving the way for FDA emergency use authorization which is expected in days. Estimates reflect the potential for the majority of Americans to have access to a vaccine by summer, bolstering the trajectory of an economic reopening.

This, along with the prospects for enormous amounts of fiscal stimulus and an accommodative Fed, have the potential for economic growth to rebound substantially this year (and above current consensus estimates). We see the potential for strong upside surprises to economic estimates in the event that the economic re-opening and additional fiscal stimulus go as planned. This would be a tailwind to S&P 500 earnings growth this year, potential for meaningful upside to our above consensus $175 earnings estimate. For example if US GDP growth reaches closer to ~6% this year, S&P 500 earnings are likely to be closer to $190.

Event	Period	Actual	Consensus	Prior
PMI Composite SA (Preliminary)	FEB	58.8	58.0	58.7
Markit PMI Manufacturing SA (Preliminary)	FEB	58.5	58.8	59.2
Markit PMI Services SA (Preliminary)	FEB	58.9	58.0	58.3
Existing Home Sales SAAR	JAN	6,690K	6,610K	6,650K
Leading Indicators SA M/M	JAN	0.50%	0.40%	0.40%
S&P/Case-Shiller comp.20 HPI M/M	DEC	1.3%	1.1%	1.5%
S&P/Case-Shiller comp.20 HPI Y/Y	DEC	10.1%	9.9%	9.2%
Consumer Confidence	FEB	91.3	90.0	88.9
Building Permits SAAR (Final)	JAN	1,886K	1,881K	1,881K
New Home Sales SAAR	JAN	923.0K	855.0K	885.0K
Continuing Jobless Claims SA	02/13	4,419K	4,484K	4,520K
Durable Orders ex-Transportation SA M/M (Preliminary)	JAN	1.4%	0.70%	1.7%
Durable Orders SA M/M (Preliminary)	JAN	3.4%	1.0%	1.2%
GDP SAAR Q/Q (Second Preliminary)	Q4	4.1%	4.0%	4.0%
GDP SA Y/Y (Second Preliminary)	Q4	-2.4%	-2.5%	-2.5%
Initial Claims SA	02/20	730.0K	820.0K	841.0K
Pending Home Sales Index SAAR	JAN	122.8	-	126.4
Pending Home Sales M/M	JAN	-2.8%	-1.0%	0.48%



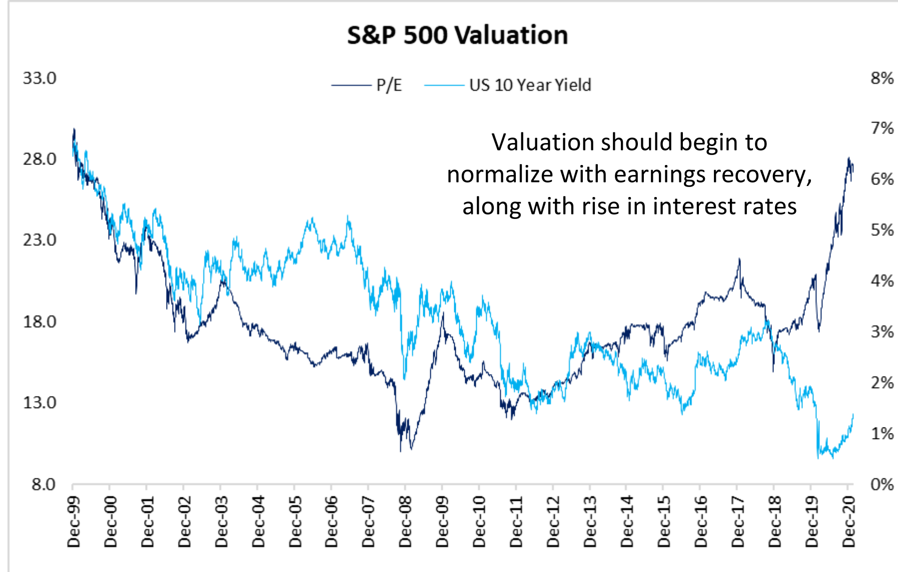


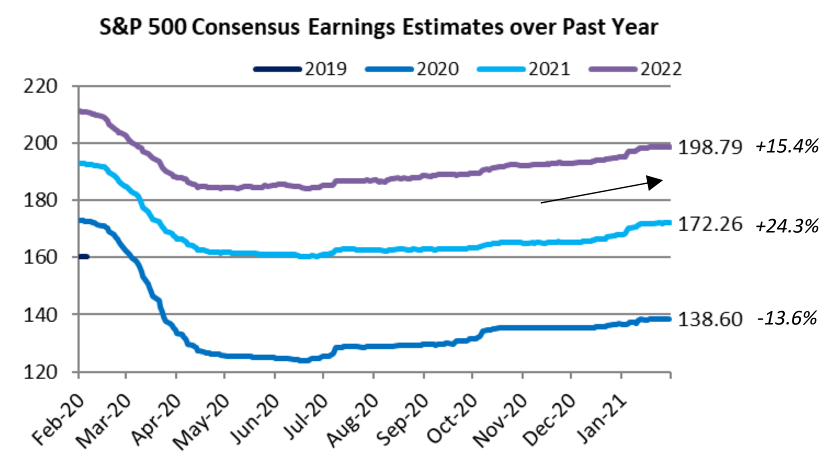
Source: FactSet, CDC.gov, Raymond James Equity Portfolio & Technical Strategy

FUNDAMENTALS

Q4 earnings season is approaching an end as 85% of companies and 93% of S&P 500 market cap has reported. In aggregate, results continued the strong fundamental recovery exhibited over the past couple of quarters. 79% of companies beat their earnings estimates by an aggregate of 14.7% (well above the long term average of 4.5%). Importantly, forward estimates are also being revised higher. S&P 500 Q4 earnings are now set to finish positive on a y/y basis with a large fundamental rebound occurring in 2021. Current consensus estimates reflect S&P 500 earnings growth of 24% in 2021, and we see the potential for significant upside to this in the event that the economic re-opening and additional fiscal stimulus go as planned.

Valuation is extended with the S&P 500 P/E at 27.5x and this should begin to normalize as earnings recover. Additionally, the rise in interest rates is a headwind to equity multiples, since record low rates contributed to their high valuations. Rates remain very low still, and are rising due to stronger growth expectations (not tighter monetary conditions). Accordingly, we do not believe multiple contraction will outweigh earnings growth in our expectation for higher equity prices in 2021.

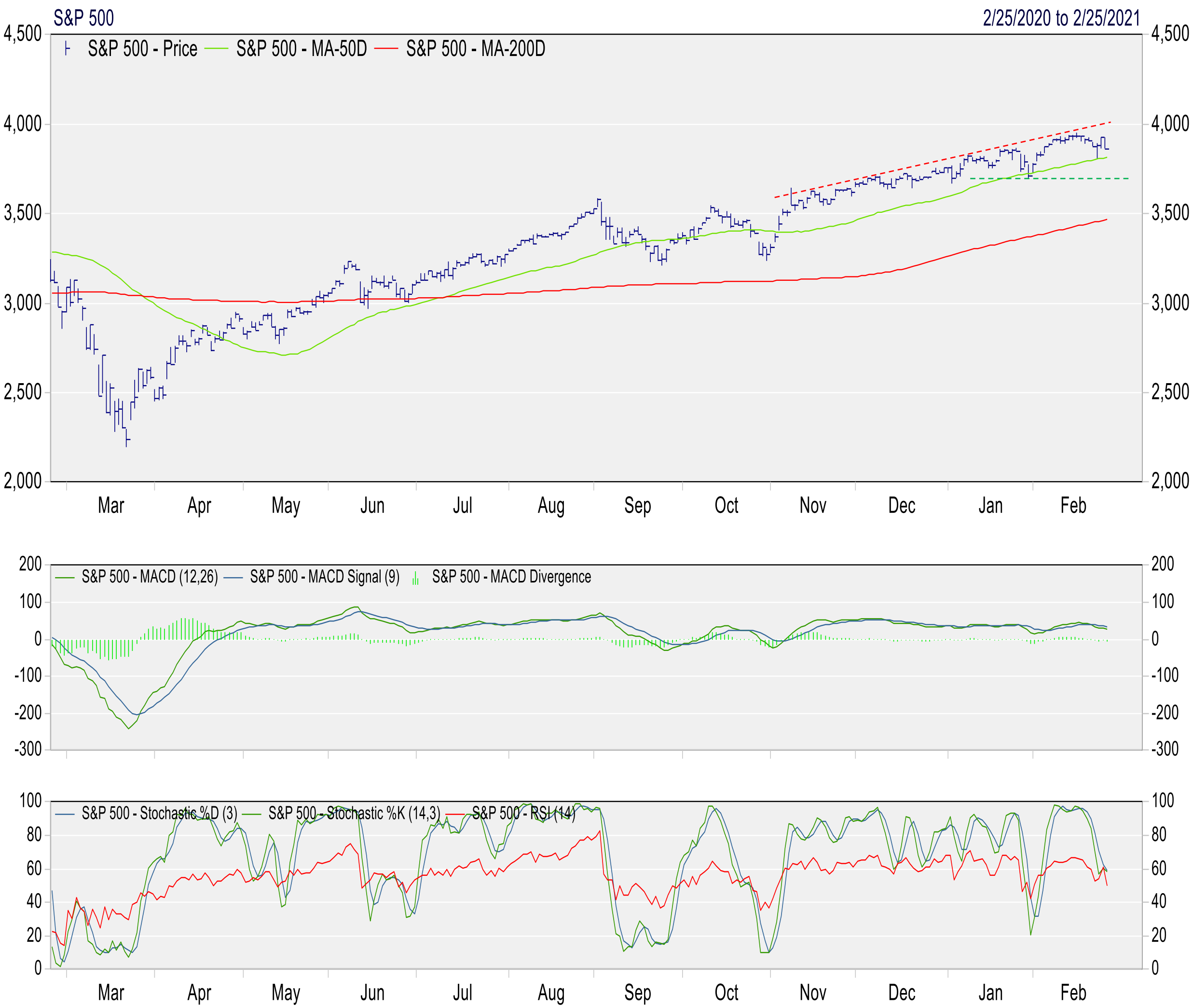




S&P 500 Sector	% Q4 Est. EPS Growth	% EPS Surprise	% Companies w/ Beats	Est. Change Since 1/14/21 Q4'20	Est. Change Since 1/14/21 2021
S&P 500	**1.2**	**14.7**	**78**	**13.0%**	**3.5%**
Materials	23.1	11.9	75	12.6%	5.2%
Information Technology	18.1	16.1	90	14.4%	4.8%
Financials	18.1	25.8	83	24.2%	6.1%
Health Care	11.7	6.6	81	5.8%	2.1%
Communication Services	9.9	25.9	96	26.8%	5.7%
Consumer Staples	4.7	4.4	70	3.3%	0.4%
Real Estate	-2.3	10.0	61	8.8%	0.9%
Utilities	-4.3	1.6	63	1.5%	0.0%
Consumer Discretionary	-9.5	37.2	75	26.9%	0.7%
Industrials	-53.4	-24.2	79	-25.8%	-1.9%
Energy	-104.3	-39.6	62	-23.6%	20.4%

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: S&P 500



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

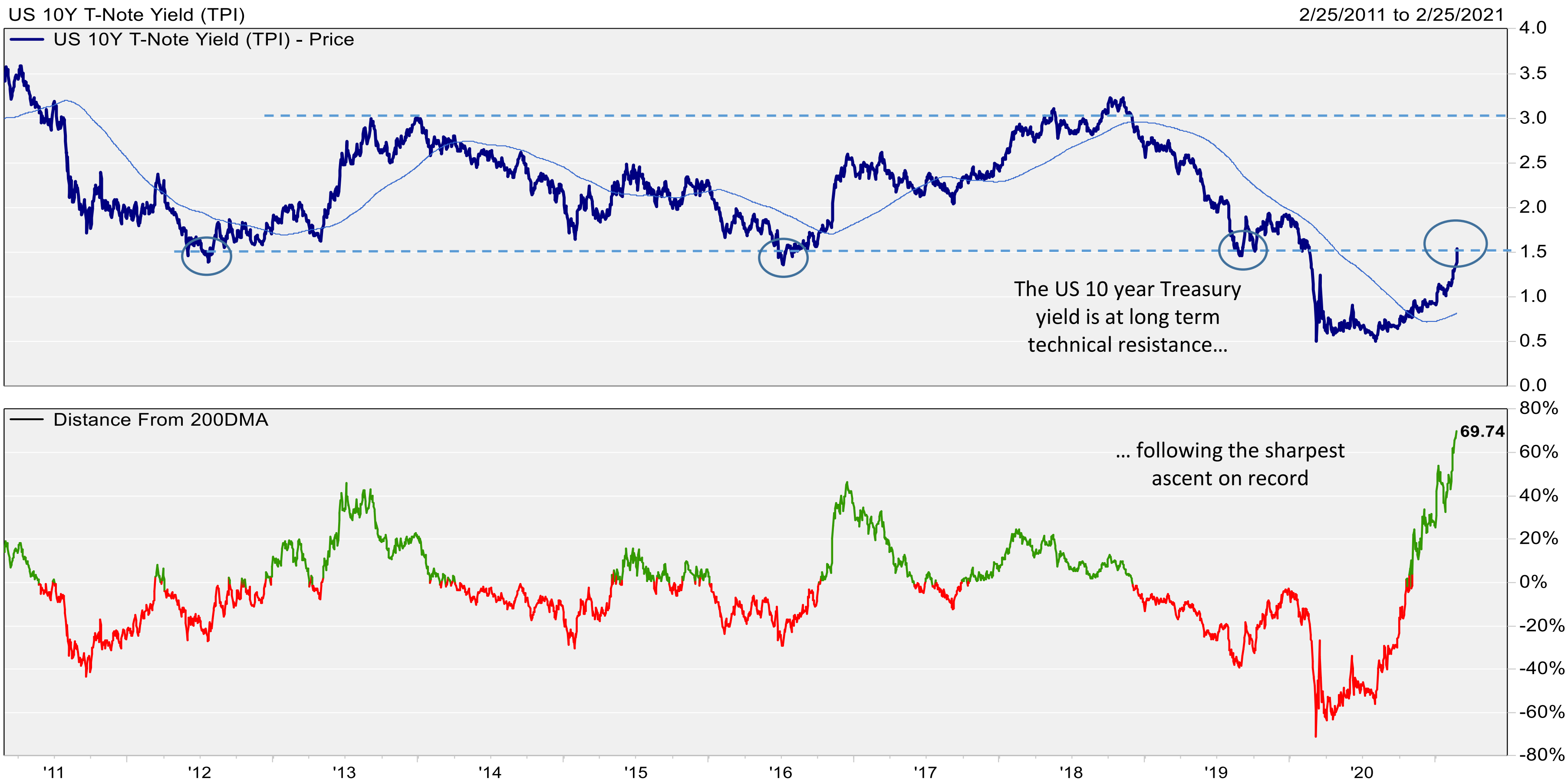
The S&P 500 as a whole has been consolidating in recent weeks with sharp rotations beneath the surface, namely into last year's most beaten-up areas. As interest rates approach last year's break-down point of 1.5%, equities are broadly moving lower today. This is due to record low rates contributing to high valuations in the equity markets; so as that dynamic changes a little bit, valuation multiples likely need to right-size a bit. And with short term stochastics not yet oversold, we could see this bout of weakness continue in the short term.

We view rates as moving higher due to expectations for more rapid economic growth than previously believed, not due to tighter monetary conditions. Credit spreads have not moved higher. A better economy is supportive of equity markets.

We welcome the weakness as a necessary occurrence to wring out some excesses building in the equity markets. The pullback brings prices to levels that allow healthy gains in the coming 6-12 months. Given our positive view on the economic and fundamental recovery ahead, we would use the pullback as an opportunity to accumulate favored stocks. The first area to watch is near the 50 DMA (3806), which has generally been the lower bound of the S&P 500's upward trend since positive vaccine news in early November. Below this, we see technical support near 3680 and 3600 (4-7% below current levels).

INTEREST RATES

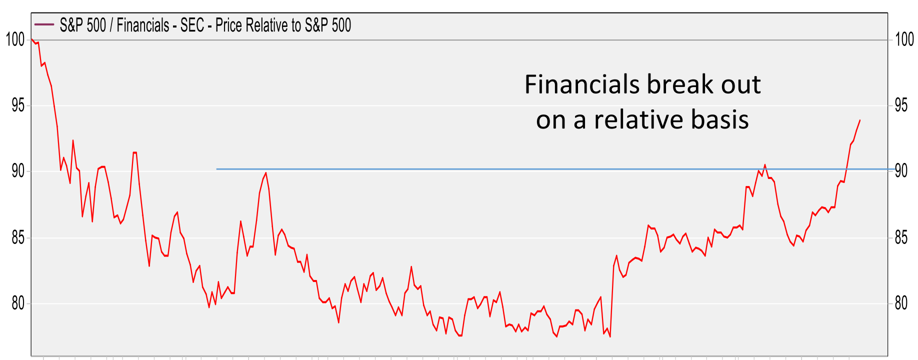
With optimism over the economic recovery, along with unprecedented levels of stimulus, the US 10 year Treasury yield has surged higher lately- now reaching a 1.5% yield today which is the break-down point from last February. The US 10 year yield is also now 70% above its 200 day moving average of 0.82%, which is the largest variance on record. With the 1.5% level being such a significant long-term technical level, and considering the historic pace of the surge, we would not be surprised for rates to at least pause.

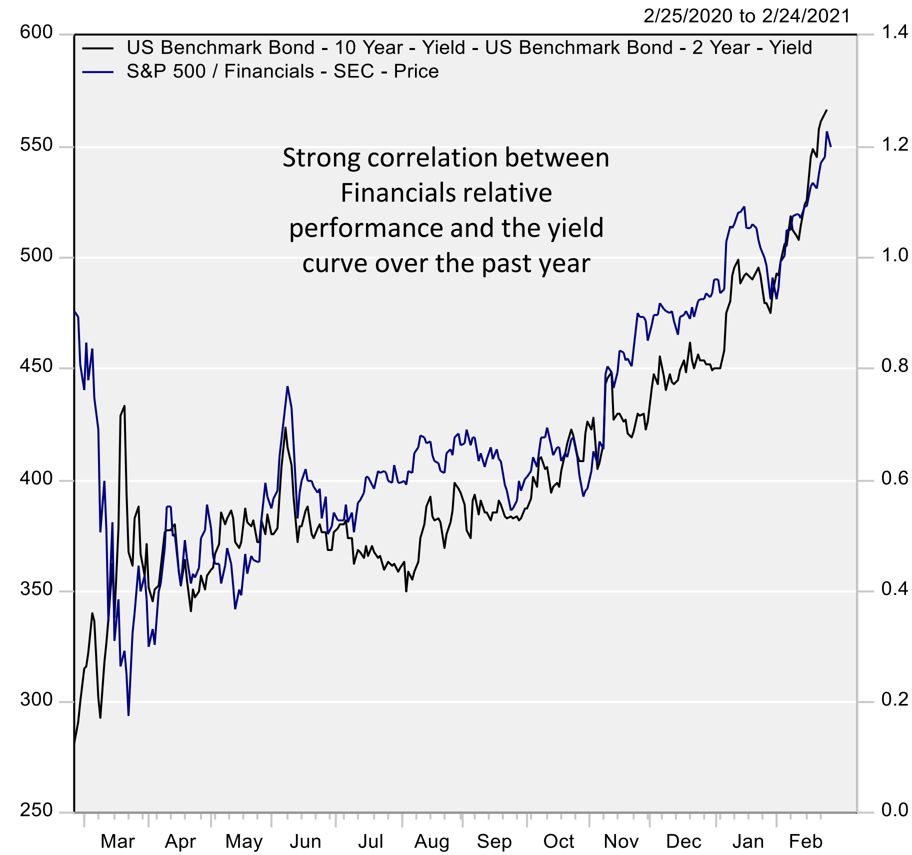


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FINANCIALS

The increase in the US 10 year Treasury yield is a boon for the Financials, as the yield curve has now risen to its widest level in about four years (with the Fed holding short term rates near 0%). This spread between short-term and long-term interest rates directly impacts the profitability of banks. Consequently, the Financials sector has surged in relative performance of late. Relative strength has now broken out, and this increases intermediate term conviction to the sector with valuation still attractive in our view. As discussed on the previous page, the US 10 year yield is now testing technical resistance and this could be the catalyst for a “cooling off” within the Financials improving trends. If this comes to fruition, we would use the consolidation or pullback as a buying opportunity.

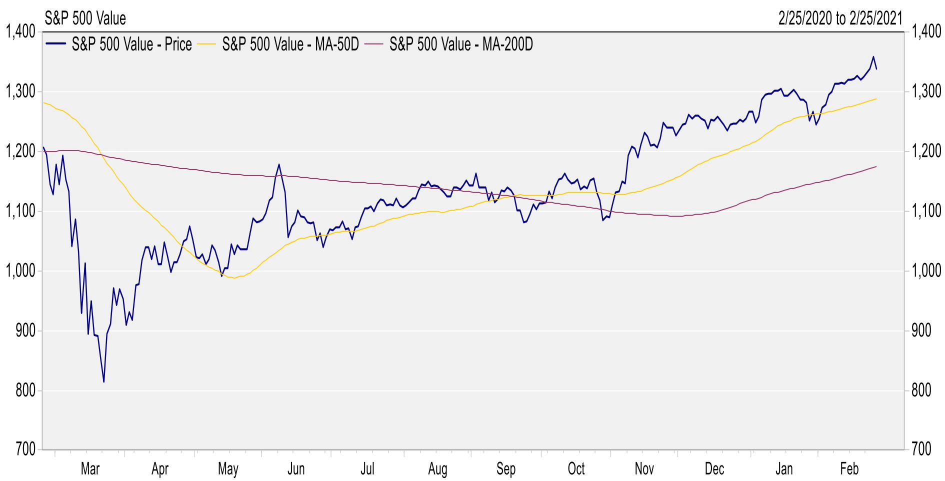


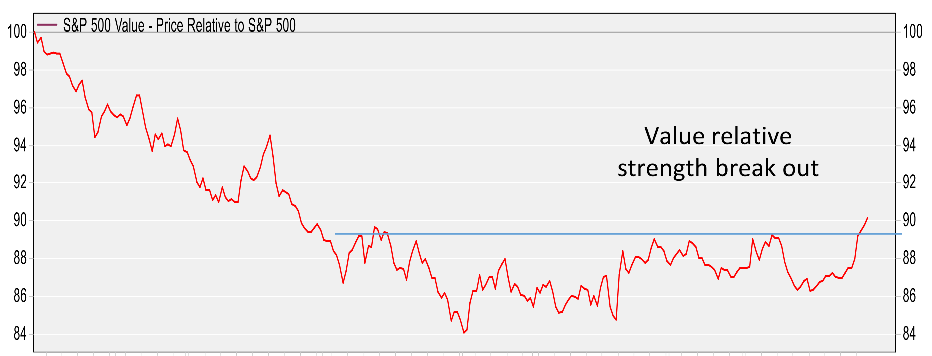


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

VALUE

Strong relative improvement from areas like the Financials and Energy sectors has Value breaking out on a relative basis. We would continue to increase Value exposure in portfolios, as these stocks generally have more leverage to the economic recovery. Additionally, valuation still remains relatively attractive in our view.





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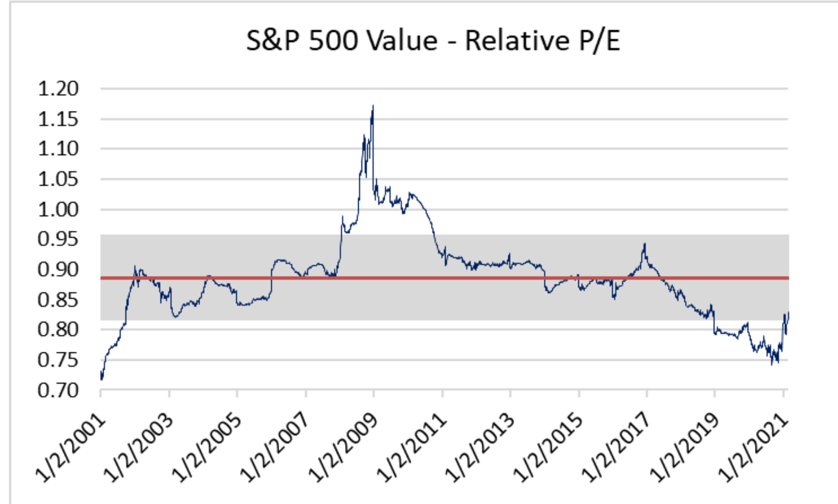
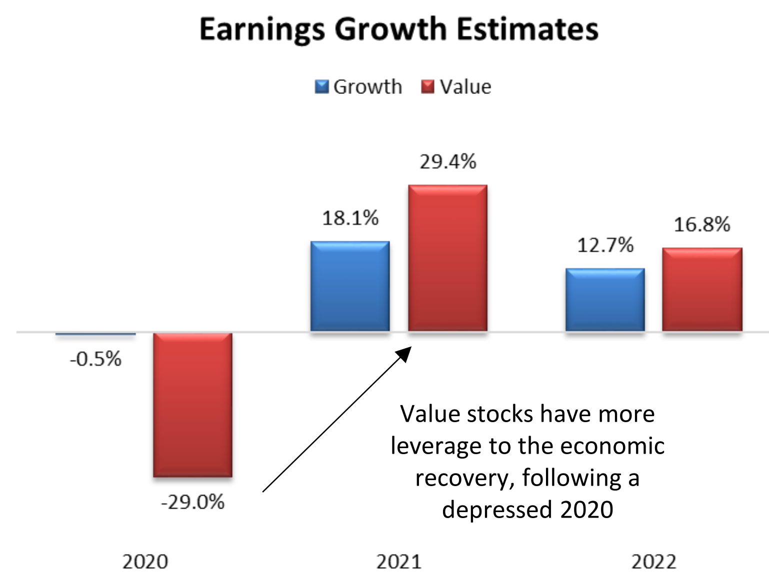
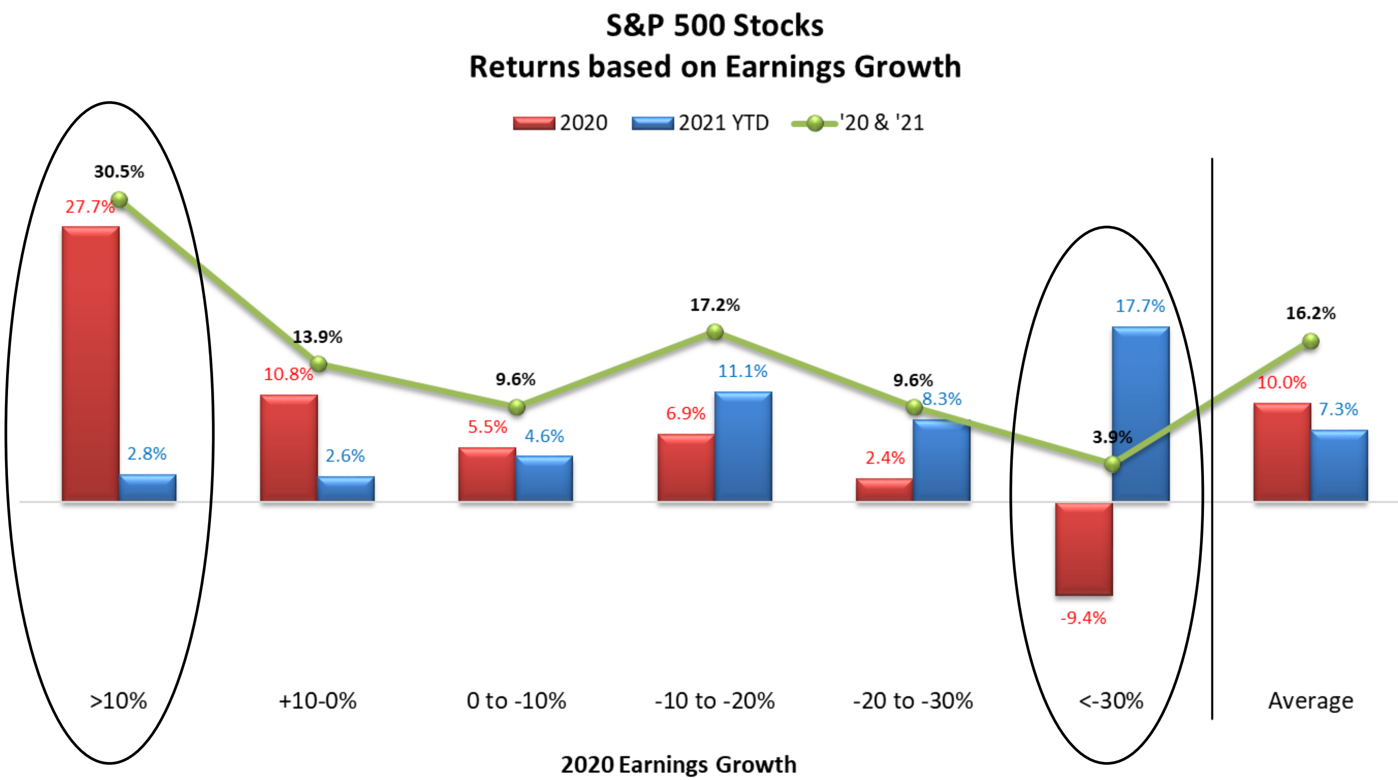




MARKET ROTATION

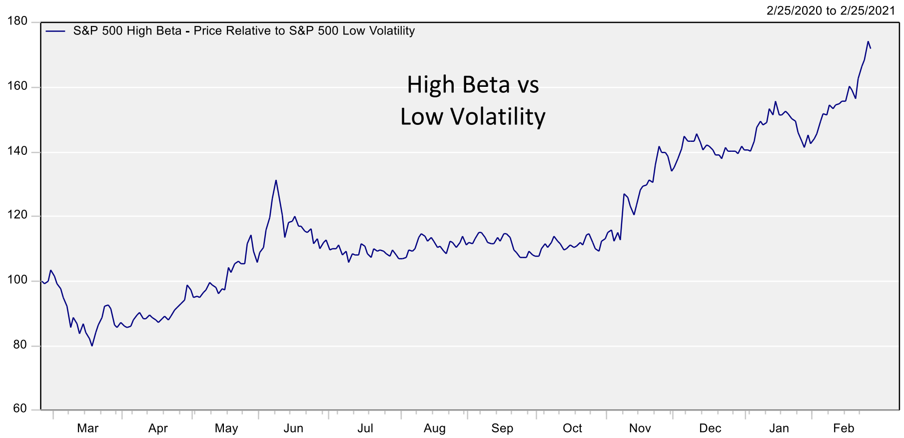
Investor rotation into the hardest-hit areas from the pandemic (with now the most leverage to the recovery) is reflected in the chart below. As you can see, S&P 500 stocks with earnings growth of at least 10% in 2020 saw an average return of 27.7% last year. This compares favorably to stocks with over 30% earnings contractions in 2020, which saw an average return of -9.4% last year. Now as we turn into 2021, with optimism toward the recovery, those same stocks hardest hit by the pandemic are up on average 17.7% to begin the year. This compares favorably to those companies operating best last year, which have seen an average return of just 2.8% this year. While we acknowledge the strongest short term momentum from the hardest-hit areas, we recommend a more balanced barbell approach to portfolio positioning- resulting in a healthy allocation to areas operating best through the pandemic (with secular growth stories) along with areas having the most leverage to the recovery.

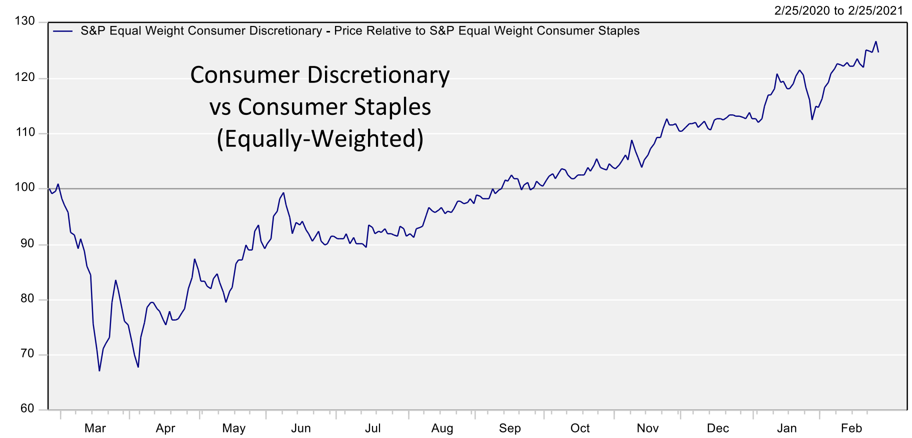


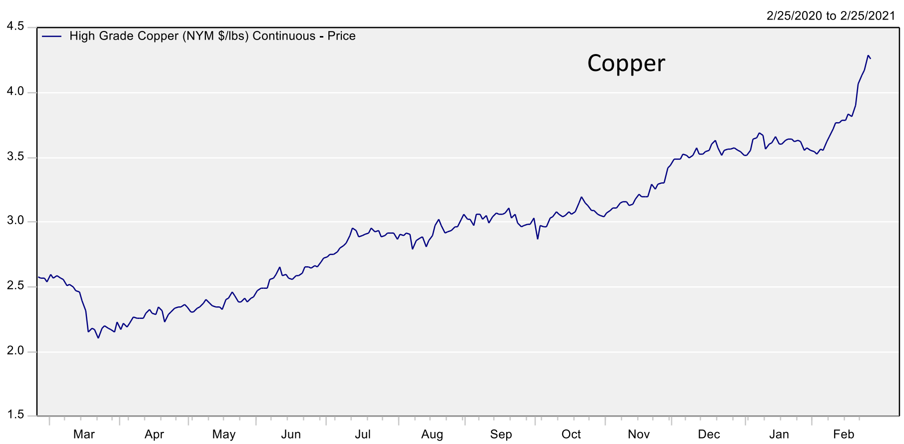
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

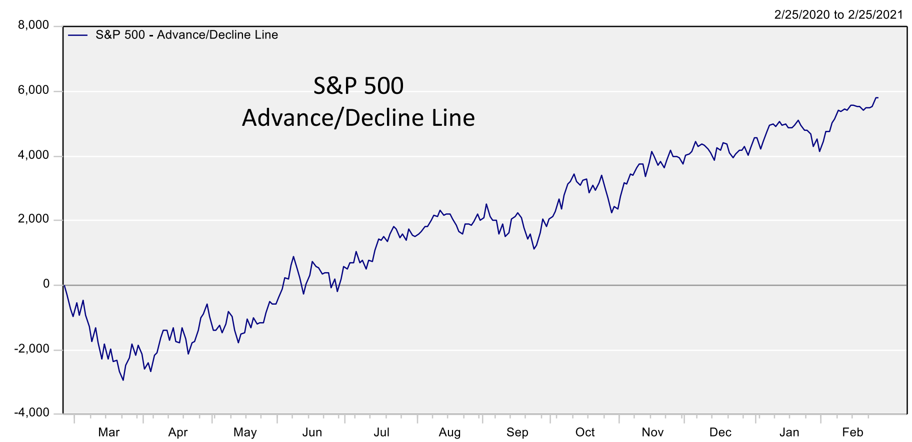
TECHNICAL BACKDROP

After breaking out, high beta has continued its advance vs low volatility. Likewise, the equally-weighted consumer discretionary sector has continued to outperform the equally-weighted consumer staples sector. Copper has also continued its advance, as has the S&P 500 advance/decline line. All of these indicators suggest a healthy technical backdrop with strong underlying breadth. This supports our pro-cyclical view for portfolio positioning, along with accumulating favored stocks and sectors as they undergo consolidations and pullbacks.









Source: FactSet, Raymond James Equity Portfolio & Technical Strategy (M21-3468819)

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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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