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Weekly Market Guide

Covid trends continue to move in the right direction with hospitalizations down over 70% from the peak in early January, new daily hospitalizations down 90%, and new cases down 78%. Vaccinations are also ramping up with 65% of all 65+ year old Americans and 28% of all 18+ year-olds having received at least one dose. This is allowing states to relax stay-at-home measures. And as the economy appears set for a reopening, the Treasury is sending out stimulus payments from the \$1.9T bill passed by Congress recently. Meanwhile, the Fed kept rates unchanged at its FOMC meeting this week, not wavering from its dovish stance and the majority of Fed officials expecting to maintain a 0-0.25% fed funds rate through 2023. All of this contributes to our positive view on the economic recovery set to transpire this year. In fact, the Fed increased its GDP growth estimate for 2021 to 6.5% (from 4.2%) and for 2022 to 3.3% (up from 3.2%).

The improving macro backdrop- vaccinations indicating a reopening of the economy as 2021 transpires, boosted by unprecedented levels of fiscal and monetary stimulus- continues to result in an upward trend to analyst earnings estimates. We have an above consensus \$190 S&P 500 earnings estimate for 2021 which reflects 37% earnings growth y/y. The best earnings growth is expected from the hardest-hit areas in 2020, and the best estimate revision trends continue to come from Energy, Materials, Financials, Tech, and Comm. Services.

As earnings recover, valuation should normalize from elevated levels. The surge higher in interest rates is resulting in a quicker re-rating for some of the higher relative valuation areas (i.e. tech-oriented), however credit spreads remain low- indicating a lack of pressure on corporations from higher rates beneath the surface. We continue to believe that rates are rising for the right reasons- better economic growth expectations- rather than tighter monetary conditions. In fact, the Fed reiterated its dovish stance yesterday and committed to maintain asset purchases of \$120B/month. For these reasons, we believe that valuation normalization will not outweigh rapid earnings growth in the year ahead. We use a 22x base case P/E assumption (from 27.2x now) to achieve our 4180 S&P 500 price target.

Technically, the S&P 500 was able to rebound from its ~4.5% pullback to reach new highs this week. As has been the case in recent months, the advance was broad and driven by the most cyclical areas. The strong market breadth (in tandem with the rise in rates) not only supports intermediate term technical momentum, but also our view that rates are rising for the right reasons. In the short term, the market may need to consolidate its 5.5% two-week advance, but we continue to recommend using weakness in favored sectors and stocks as buying opportunities.

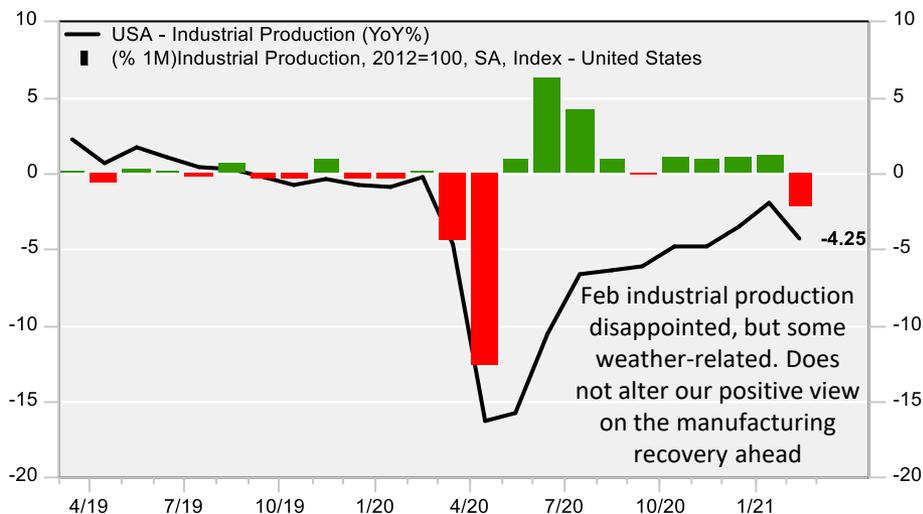
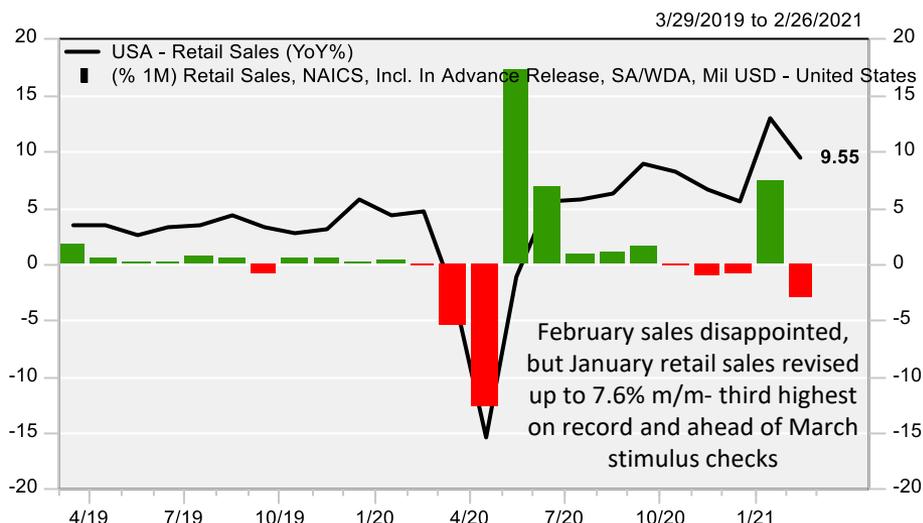
Equity Market Indices	Price Return	
	Year to Date	12 Months
S&P 500	5.8%	57.1%
S&P 500 (Equal-Weight)	11.0%	69.8%
Dow Jones Industrial Avg	7.9%	55.5%
NASDAQ Composite	4.9%	84.4%
Russell 2000	18.3%	111.2%
MSCI All-Cap World	4.9%	59.9%
MSCI Developed Markets	3.8%	55.0%
MSCI Emerging Markets	4.0%	62.4%
NYSE Alerian MLP	24.1%	103.7%
MSCI U.S. REIT	9.6%	37.2%

S&P 500 Sectors	Price Return		Sector Weighting
	Year to Date		
Energy	35.7%	2.9%	
Financials	16.3%	11.5%	
Communication Svcs.	9.8%	11.1%	
Industrials	9.4%	8.7%	
Materials	8.3%	2.7%	
Real Estate	7.3%	2.5%	
S&P 500	5.8%	-	
Consumer Discretionary	3.9%	12.4%	
Information Technology	2.4%	26.8%	
Health Care	0.8%	12.8%	
Utilities	-1.5%	2.6%	
Consumer Staples	-2.5%	6.0%	

MACRO: US

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Event	Period	Actual	Consensus	Prior
PPI ex-Food & Energy SA M/M	FEB	0.20%	0.30%	1.2%
PPI ex-Food & Energy NSA Y/Y	FEB	2.5%	2.7%	2.0%
PPI SA M/M	FEB	0.50%	0.45%	1.3%
PPI NSA Y/Y	FEB	2.8%	2.8%	1.7%
Retail sales Ex AutoFuel M/M	FEB	-3.3%	-0.50%	8.5%
Retail Sales ex-Auto SA M/M	FEB	-2.7%	-0.50%	8.3%
Retail Sales SA M/M	FEB	-3.0%	-0.50%	7.6%
Capacity Utilization NSA	FEB	73.8%	75.5%	75.5%
Industrial Production SA M/M	FEB	-2.2%	0.40%	1.1%
NAHB Housing Market Index SA	MAR	82.0	83.0	84.0
Building Permits SAAR (Preliminary)	FEB	1,682K	1,750K	1,886K
Housing Starts SAAR	FEB	1,421K	1,570K	1,584K
Housing Starts M/M	FEB	-10.3%	0.60%	-5.1%
Initial Claims SA	03/13	770.0K	701.0K	725.0K
Leading Indicators SA M/M	FEB	0.20%	0.40%	0.50%

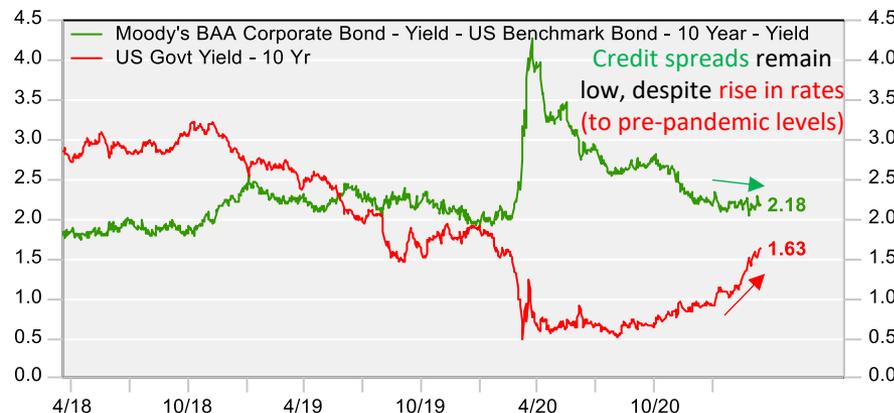
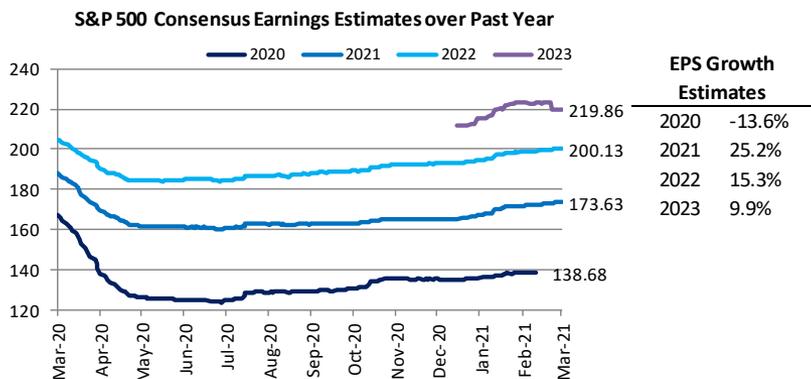
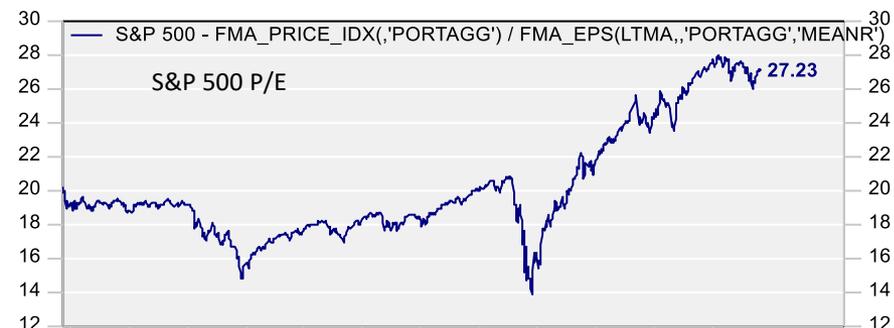


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

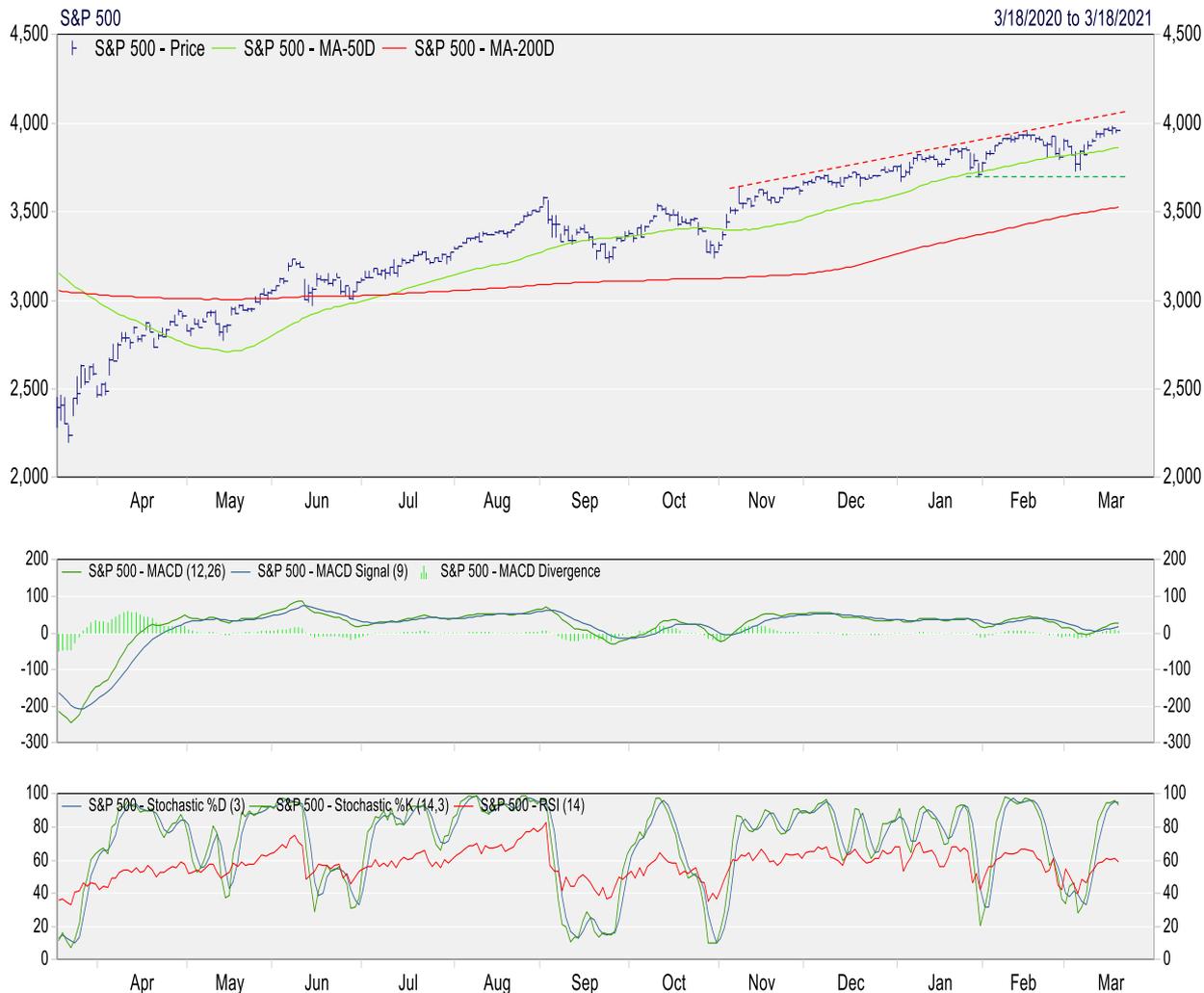
FUNDAMENTALS

The improving macro backdrop- vaccinations indicating a reopening of the economy as 2021 transpires, boosted by unprecedented levels of fiscal and monetary stimulus- continues to result in an upward trend to analyst earnings estimates. We have an above consensus \$190 S&P 500 earnings estimate for 2021 which reflects 37% earnings growth y/y. The best earnings growth is expected from the hardest-hit areas in 2020, and the best estimate revision trends are coming from Energy, Materials, Financials, Tech, and Comm. Services.

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Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: S&P 500

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

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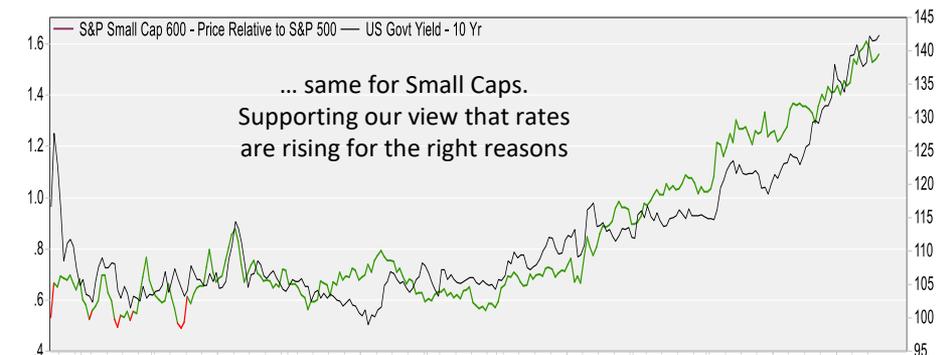
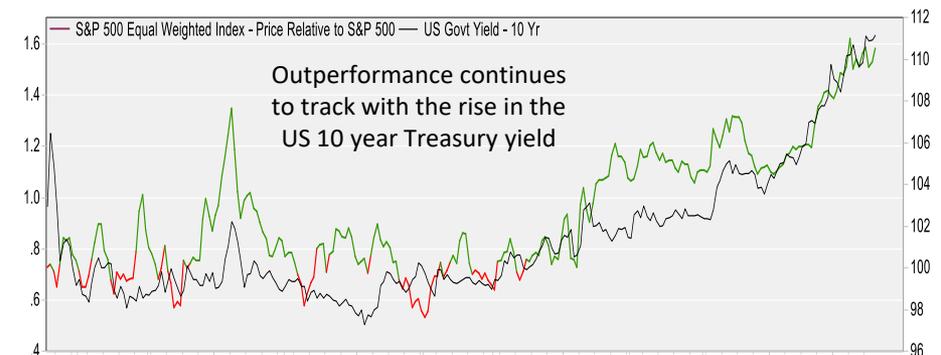
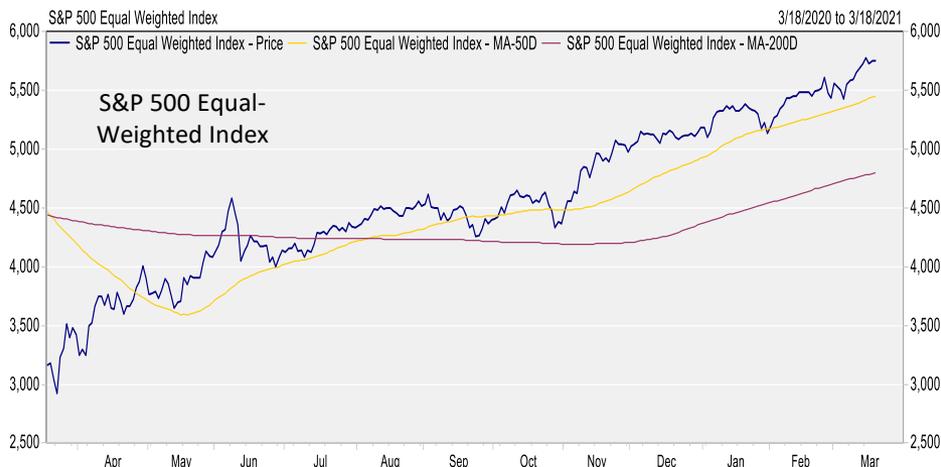
The strong market breadth continues to support equity market momentum over the intermediate term. The 5.5% two-week rebound has pushed the index to overbought areas in the short term, so the market may need to consolidate some or grind sideways. We continue to recommend using weakness at the sector and stock level as buying opportunities.

Interest rate movements are driving daily fluctuations at the sector level beneath the market surface. The US 10 year Treasury yield has moved from 1.0% to 1.75% in the past two months, reaching 2H 2019 pre-pandemic levels in the 1.5-2% range. The 1.75% rate remains very low historically and has not surged to a level to upset equities broadly yet. But the move is weighing on the higher relative valuations of tech-oriented stocks and resulting in rotation into value and recovery areas. Volatility in rates will continue to be an influence on sector fluctuations in our view.

For the S&P 500 as a whole, continue to watch round numbers for minor technical resistance (4000, 4100, etc.), and then the next Fibonacci projection at 4274. Initial support could be found around the 50DMA (currently at 3860) followed by the long-term uptrend line and horizontal support around 3700.

STRONG MARKET BREADTH

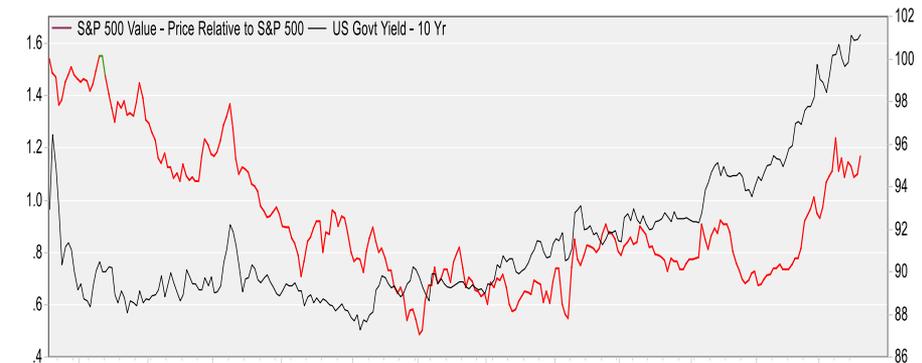
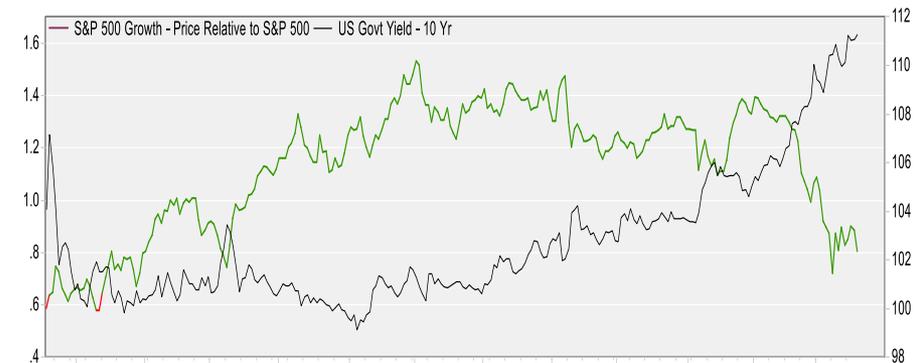
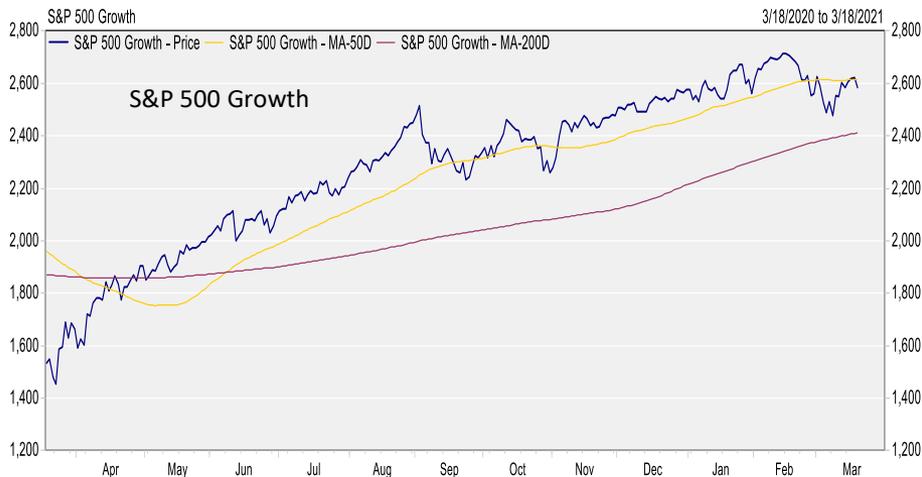
There has been a strong correlation over the past year between relative performance of the equal-weight S&P 500 and the US 10 year Treasury yield. This is also the case for the small caps, and these trends have continued recently. This supports our view that interest rates are rising for the right reasons, as these more economically-sensitive areas have continued to drive market upside with the increase in bond yields. The small caps have “stair-stepped” higher this year with breakouts to new highs being followed by brief consolidation periods. This may prove to be the case again- with a basing period potentially following the past two-week advance to new highs. We continue to favor the small caps, and would accumulate on weakness.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

GROWTH VS VALUE

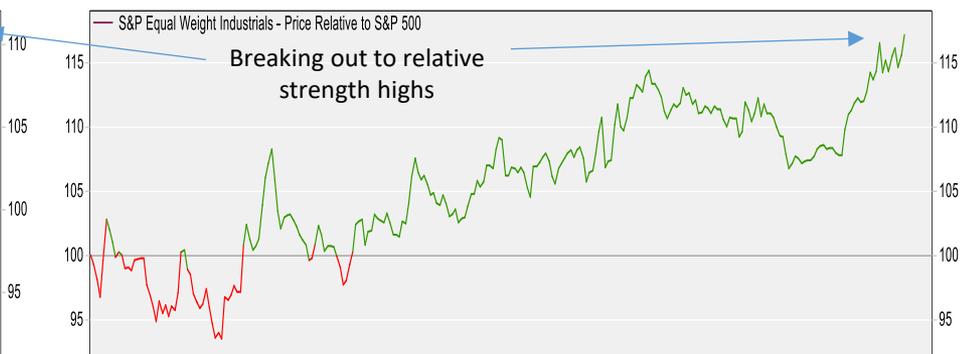
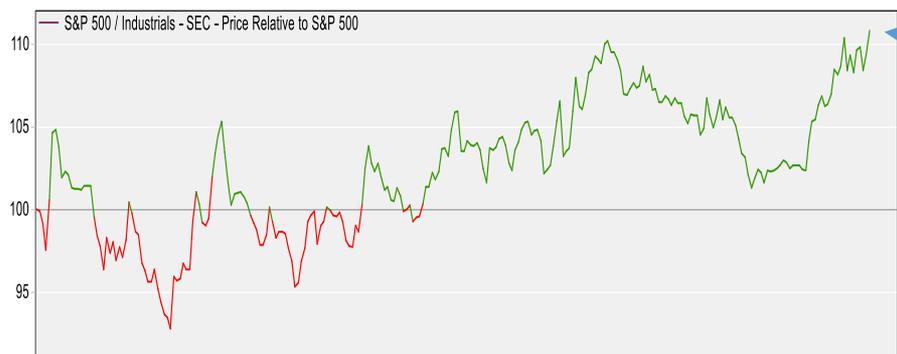
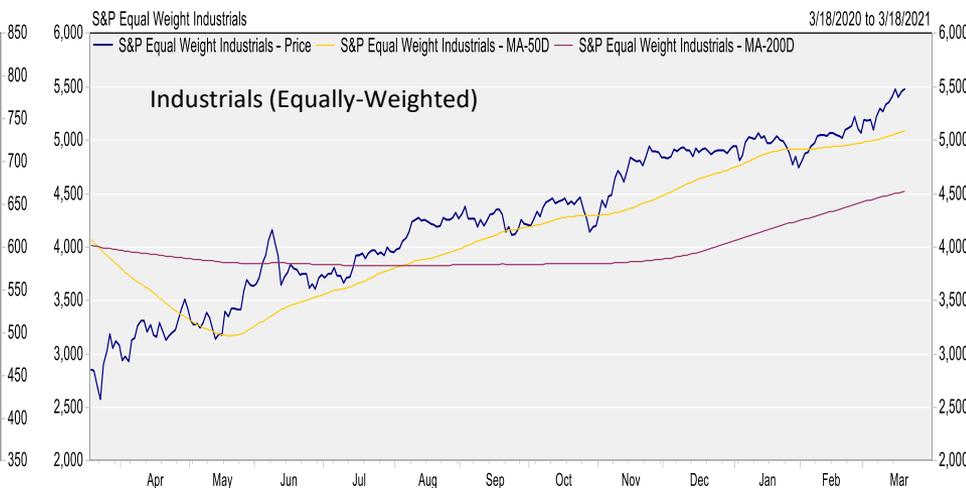
The surge higher in interest rates is weighing on Growth. Many of these stocks operated very well during the pandemic last year and valuation reached lofty levels on the belief that interest rates would remain lower for longer. Interest rates still remain historically low, but the pace of the move higher is causing a re-rating in some of these stocks with higher relative valuations. The group is being used as a source of capital for Value and “recovery” areas perceived to have the most leverage to the economic recovery. We continue to favor Value with new purchases; and for those looking to trim back an overweight position in Growth, now is an opportunity with the index bouncing to technical resistance at the 50 DMA.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

INDUSTRIALS

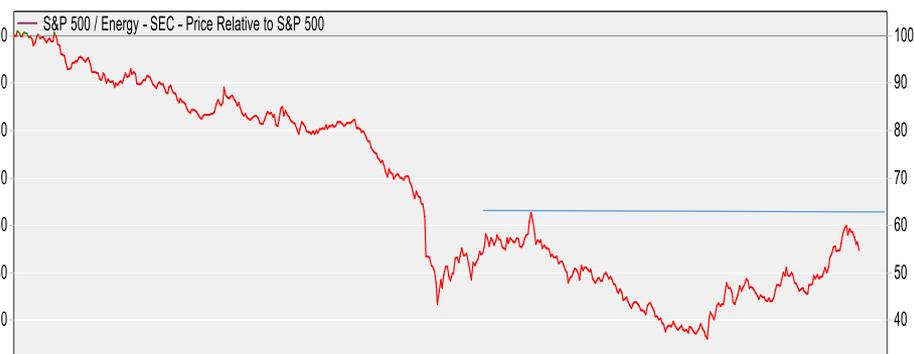
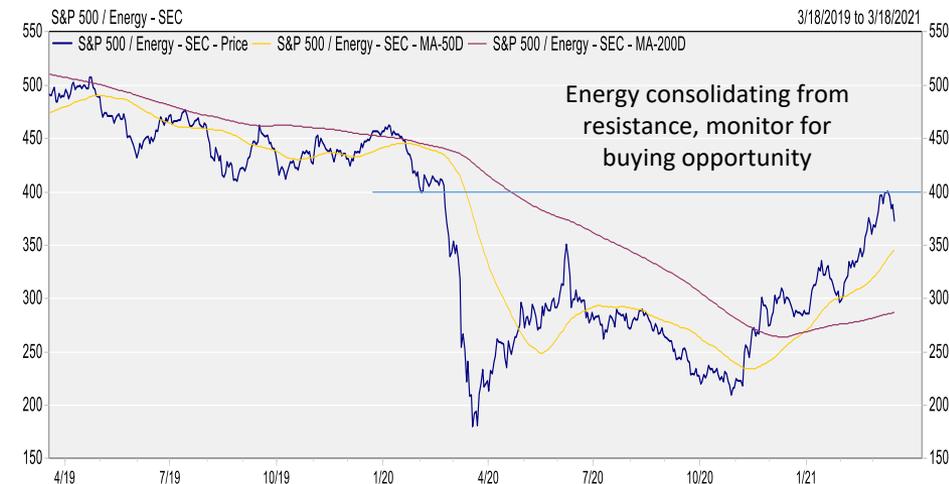
After generally grinding sideways through a lot of the market strength from late November to February, the Industrials were able to break out to new price highs in late February, and are now doing so on a relative basis. This strength is also fairly broad with many of its subsectors exhibiting some technical momentum. In fact, the average Industrials stock is trading at new price and relative strength highs vs the S&P 500. This technical momentum bodes well for performance trends, and supports our overweight recommendation on the sector.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

ENERGY

WTI crude oil prices are down -8% today with headlines suggesting struggles on Covid progress in Europe as the catalyst. Crude oil closed below the lower end of its trend channel in place since October, and the energy sector is consequently pulling in today. We do note that WTI crude oil's 50 DMA is nearby at \$58.22; but after the commodity's near 90% climb since October, we could see further consolidation in the short term. We recommend monitoring WTI crude oil to see where it can stabilize, as well as favored Energy stocks as they approach support levels for an opportunity to accumulate.

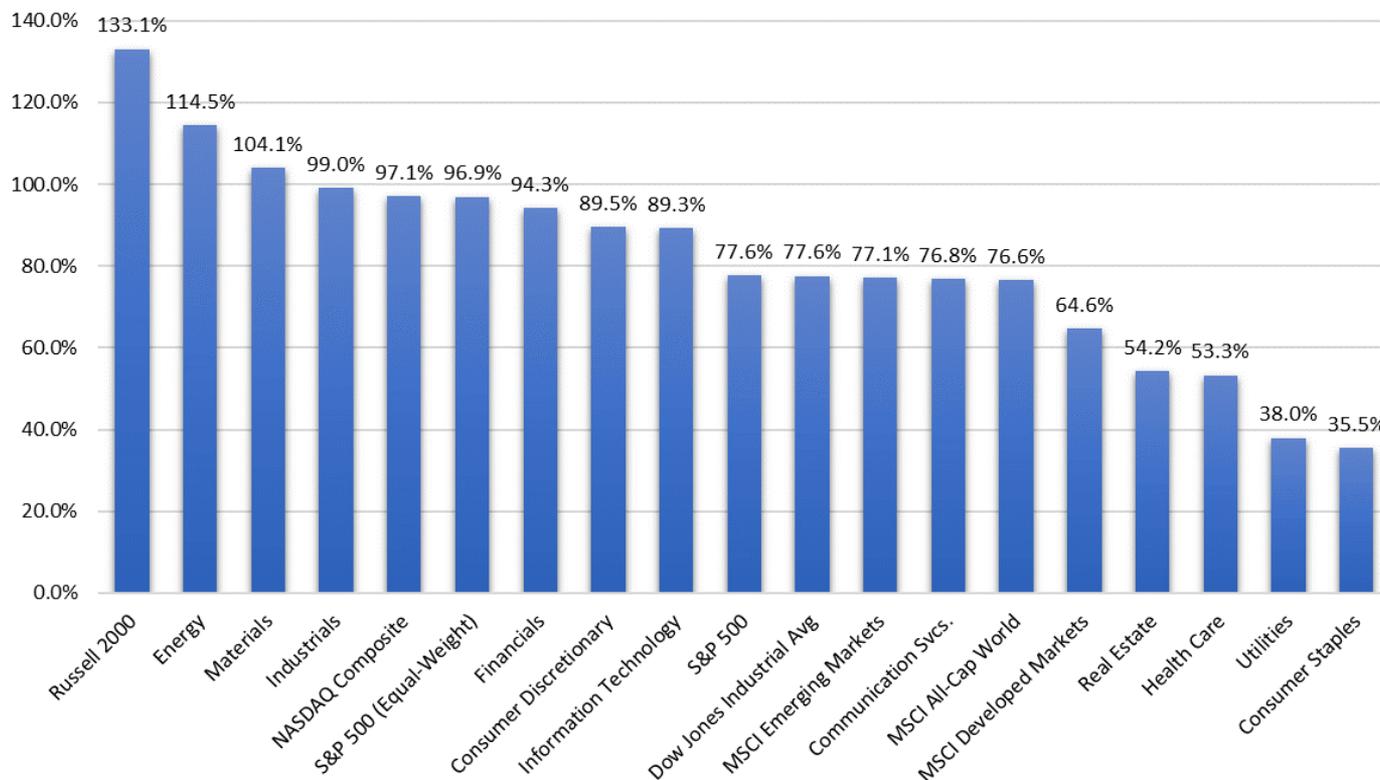


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

APPROACHING 1 YEAR ANNIVERSARY OF 3/23 MARKET LOWS

Next Tuesday, March 23rd will mark the one year anniversary since last year's market lows. One year ago, the economy was being shut down, market fear indicators (i.e. VIX and Put/Call ratio) were near all-time highs, and the S&P 500 had dropped -34% in about one month. The chart below shows the unbelievable recovery that has taken place since then, led by the most economically-sensitive areas (which were hit harder during the collapse). We remain positive on equities in the next year, due to our expectation for a robust economic and fundamental recovery supported by record amounts of stimulus. However, we would not be surprised for the path to be bumpier along the way. We remind you that volatility is normal and bound to happen, but we would use those periods as buying opportunities.

Returns since 3/23/20 Market Low



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

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Index Definitions

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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