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Weekly Market Guide

Interest rate movements continue to have an outsized influence on sector rotation, remaining the dominant underlying theme driving day-to-day activity. Difficulties in Europe's vaccine rollout and virus spread are resulting in new stay-at-home restrictions in the region. And this (among other things) has contributed to a pause in the sharp rate of ascent for bond yields. Consequently, there has been some consolidation in the "reflation trade" of late. For example, Small Caps, Energy, and Financials have pulled in by 10%, 10%, and 4% respectively from their recent highs. These areas are reaching short term oversold levels near their 50 DMA within intermediate term uptrends, and we would use this as an opportunity to accumulate for those building positions in them.

The market has become more of a grind lately, and this may become more of the norm as we enter year two of the recovery. A year ago when the economy was shutting down from Covid and the S&P 500 had just experienced its worst 1-month decline (-33%) since the 1930s, the message was volatility is likely to remain high but forward returns over the next 12 months are typically well above average following historic drawdowns. Flash forward to now and the S&P 500 has just experienced its best 1-year return since the 1930s (+75%). Looking at other periods of exceptional 12-month returns historically, there are still high odds of gains in the next year; but the rate of return becomes more normal. And these periods (like most) do not move in straight lines, as drawdowns will occur along the way. This is not troubling, but expect weakness (may be seen more at sector level) and take advantage as it occurs.

Underlying technical momentum remains solid for equities for the intermediate term, as the economic and fundamental picture improves. Momentum is also building toward an infrastructure stimulus package (which may come in two phases), and taxation will become part of the discussion as a way to pay for it. We view the spending (in conjunction with already passed fiscal and monetary stimulus) as a net positive for equities, and believe the upward trend in earnings estimates continues. Our 2021 earnings estimate of $190 remains well above consensus estimates of $174. At the sector level, the deep cyclical areas are driving this upside, although technology continues its fundamental strength too. With valuation elevated, robust earnings growth will drive market performance this year in our view. And if our estimates prove true, the S&P 500 will reach pre-pandemic forward valuation multiples by year end- reflecting a more normalized economic and fundamental backdrop. Our base case S&P 500 target for 2021 is 4180, resulting in an increased value proposition for equities as weakness occurs.

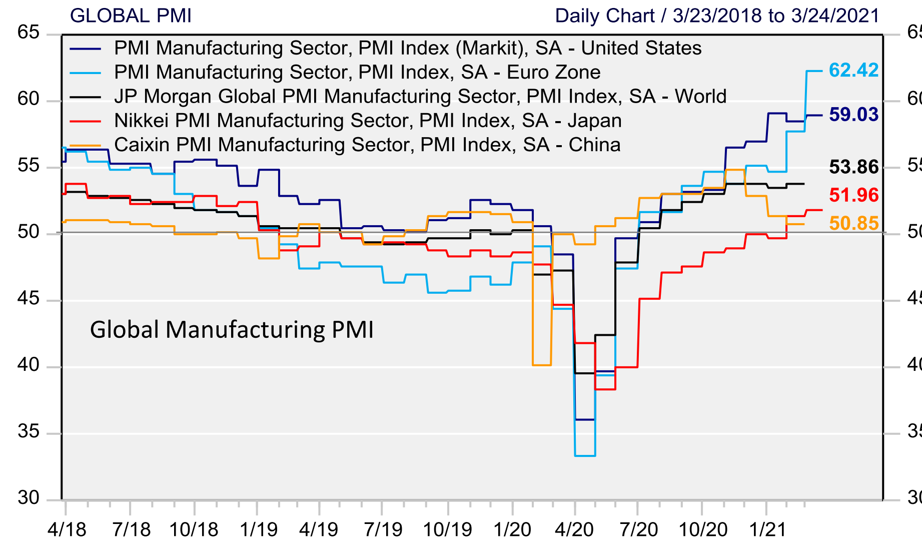
Equity Market Indices	Price Return Year to Date	Price Return 12 Months
S&P 500	3.5%	58.9%
S&P 500 (Equal-Weight)	8.2%	73.6%
Dow Jones Industrial Avg	5.9%	56.6%
NASDAQ Composite	0.6%	74.7%
Russell 2000	8.1%	94.6%
MSCI All-Cap World	2.6%	59.2%
MSCI Developed Markets	2.2%	51.3%
MSCI Emerging Markets	0.6%	62.0%
NYSE Alerian MLP	15.9%	91.2%
MSCI U.S. REIT	6.7%	46.8%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Energy	29.5%	2.9%
Financials	12.9%	11.3%
Industrials	7.3%	8.8%
Communication Svcs.	7.1%	11.1%
Real Estate	6.2%	2.5%
Materials	5.7%	2.7%
S&P 500	***3.5%***	-
Health Care	0.8%	13.0%
Consumer Discretionary	0.3%	12.4%
Utilities	-0.2%	2.7%
Information Technology	-0.7%	26.6%
Consumer Staples	-1.7%	6.1%

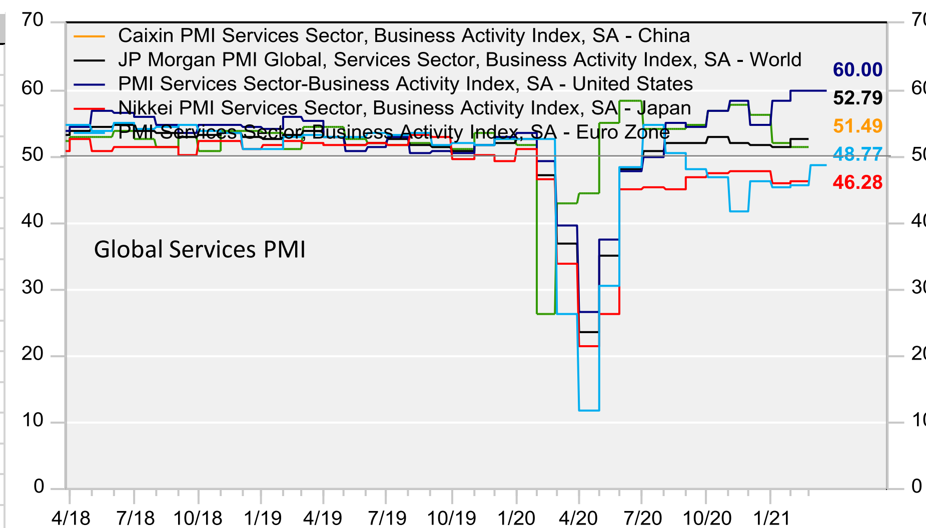
MACRO: US

February economic data continued to come in soft, as durable orders contracted -1.1% m/m vs estimates for a 1% rise. Bad weather affected the month, but importantly March data has been strong (influenced by the $1.9T fiscal stimulus package). Manufacturing PMI rose to 59.0 in March, and services PMI rose to 60.0 (recovery high). Also, US weekly jobless claims dropped to 684k, which is still high but a new recovery low.

The underlying economic trend to begin 2021 has been strong in our view, and these US PMI readings generally are leading the world. EU manufacturing PMI surprised to the upside in March; but with increased mitigation measures due to the virus spread and difficulties with the EU vaccine rollout, this is likely to subside. The strong economic growth readings in the US, fueled by massive stimulus along with a relatively good vaccine rollout, contributes to our positive stance on US equities relative to global equities.



US Economic Data in the Past Week	Period	Actual	Consensus	Prior
Chicago Fed National Activity Index	FEB	-1.1	0.72	0.75
Existing Home Sales SAAR	FEB	6,220K	6,500K	6,660K
Building Permits SAAR (Final)	FEB	1,682K	1,682K	1,682K
Current Account SA	Q4	-$188.5B	-$188.9B	-$180.9B
New Home Sales SAAR	FEB	775.0K	880.0K	948.0K
Richmond Fed Index	MAR	17.0	14.5	14.0
Durable Orders ex-Transportation SA M/M (Preliminary)	FEB	-0.90%	0.50%	1.6%
Durable Orders SA M/M (Preliminary)	FEB	-1.1%	1.0%	3.5%
PMI Composite SA (Preliminary)	MAR	59.1	60.0	59.5
Markit PMI Manufacturing SA (Preliminary)	MAR	59.0	59.4	58.6
Markit PMI Services SA (Preliminary)	MAR	60.0	60.1	59.8
Continuing Jobless Claims SA	03/13	3,870K	4,043K	4,134K
GDP SAAR Q/Q (Final)	Q4	4.3%	4.1%	4.1%
GDP SA Y/Y (Final)	Q4	-2.4%	-2.4%	-2.4%
Initial Claims SA	03/20	684.0K	730.0K	781.0K
Kansas City Fed Manufacturing Index	MAR	-	27.0	24.0

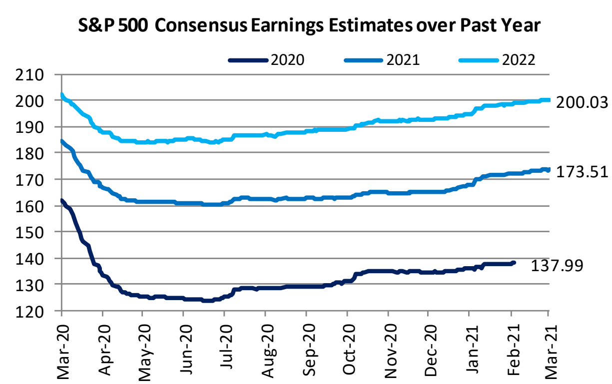


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FUNDAMENTALS

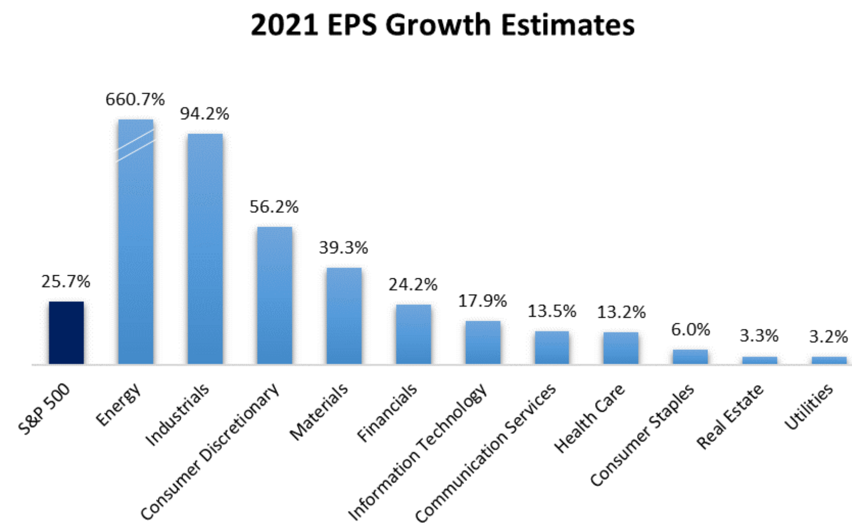
As the economic and fundamental backdrop improves, analysts are ratcheting up their earnings estimates. Revisions in the deep cyclical areas are driving this upside as you can see the Energy, Materials, and Financials sectors are leading the way. These, along with Industrials and Consumer Discretionary, are also expecting the largest earnings growth in the 2021 recovery. This contributes to our positive stance on potential performance for the more cyclical areas this year. However, the technology-oriented areas are also set to continue their strong earnings growth from 2020 and are also seeing solid upside to estimates. This supports our barbell approach to sector positioning, given our positive view on the economic and fundamental recovery as 2021 transpires. On the other side, weak earnings growth and muted revision trends from the more defensive, interest-sensitive sectors (i.e. Utilities, Real Estate, Consumer Staples) contribute to our underweight recommendation there.

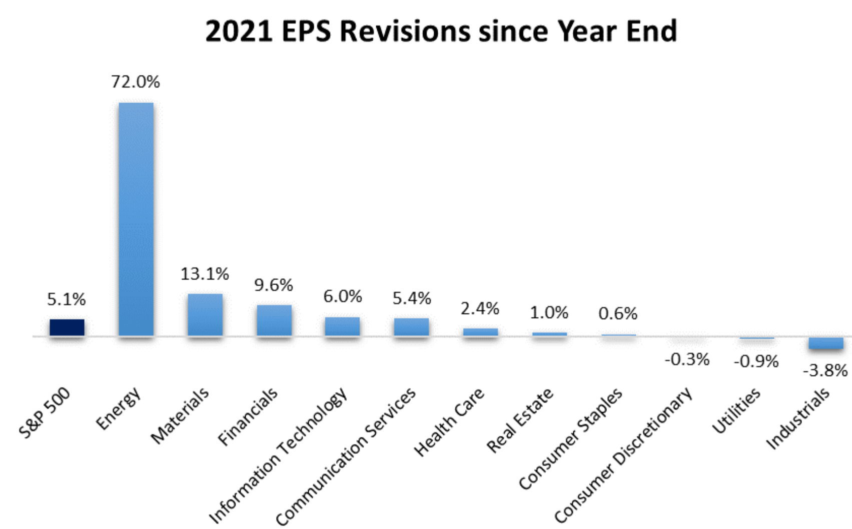
Our 2021 earnings estimate of $190 remains well above consensus estimates of $174. With valuation elevated, robust earnings growth will drive market performance this year. And if our estimates prove true, the S&P 500 will reach pre-pandemic forward valuation multiples by year end- reflecting a more normalized economic and fundamental backdrop. Our base case S&P 500 target for 2021 is 4180, resulting in an increased value proposition for equities as weakness occurs.



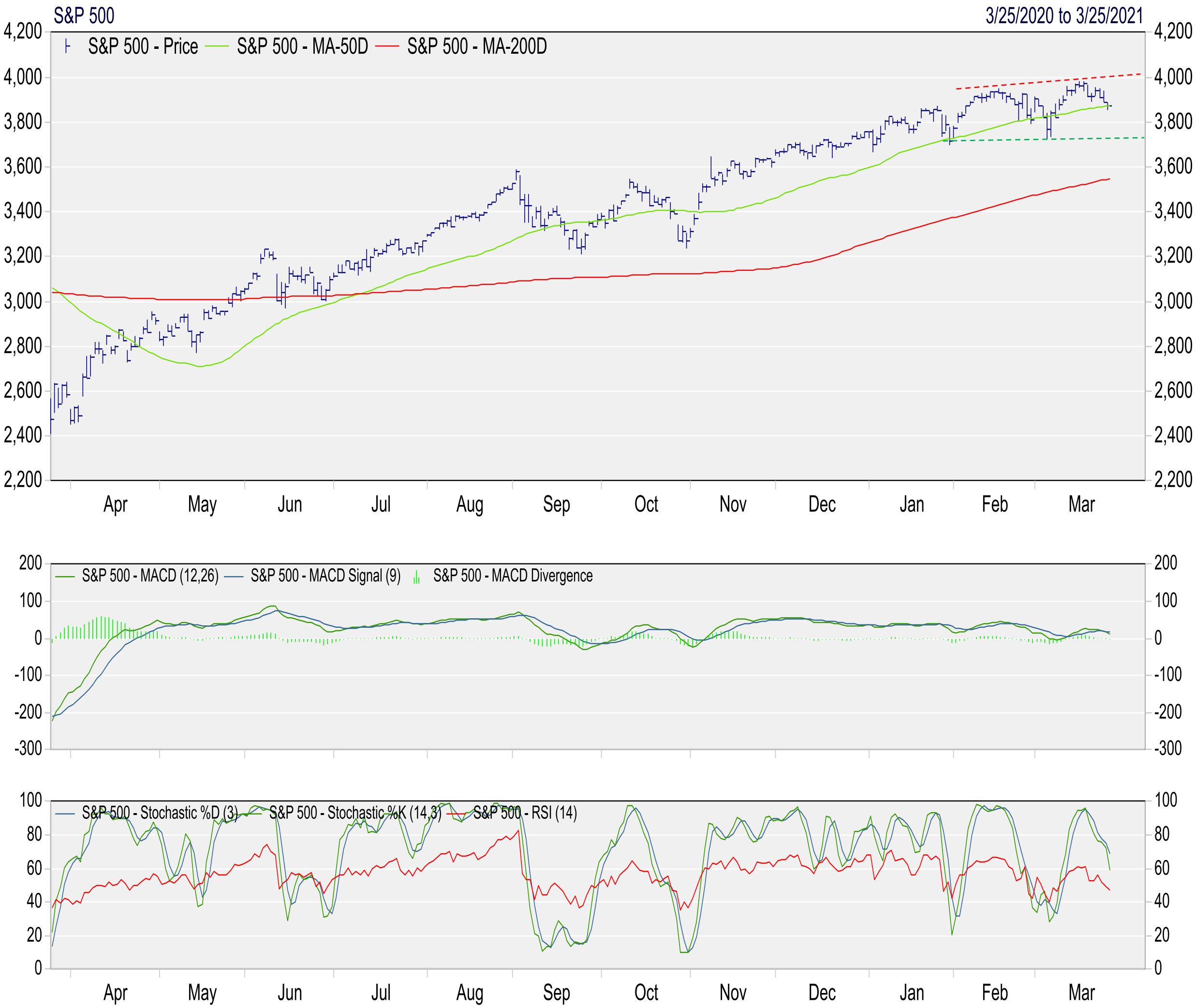
EPS Growth Estimates	
2020	-14.0%
2021	25.7%
2022	15.3%

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy





TECHNICAL: S&P 500



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

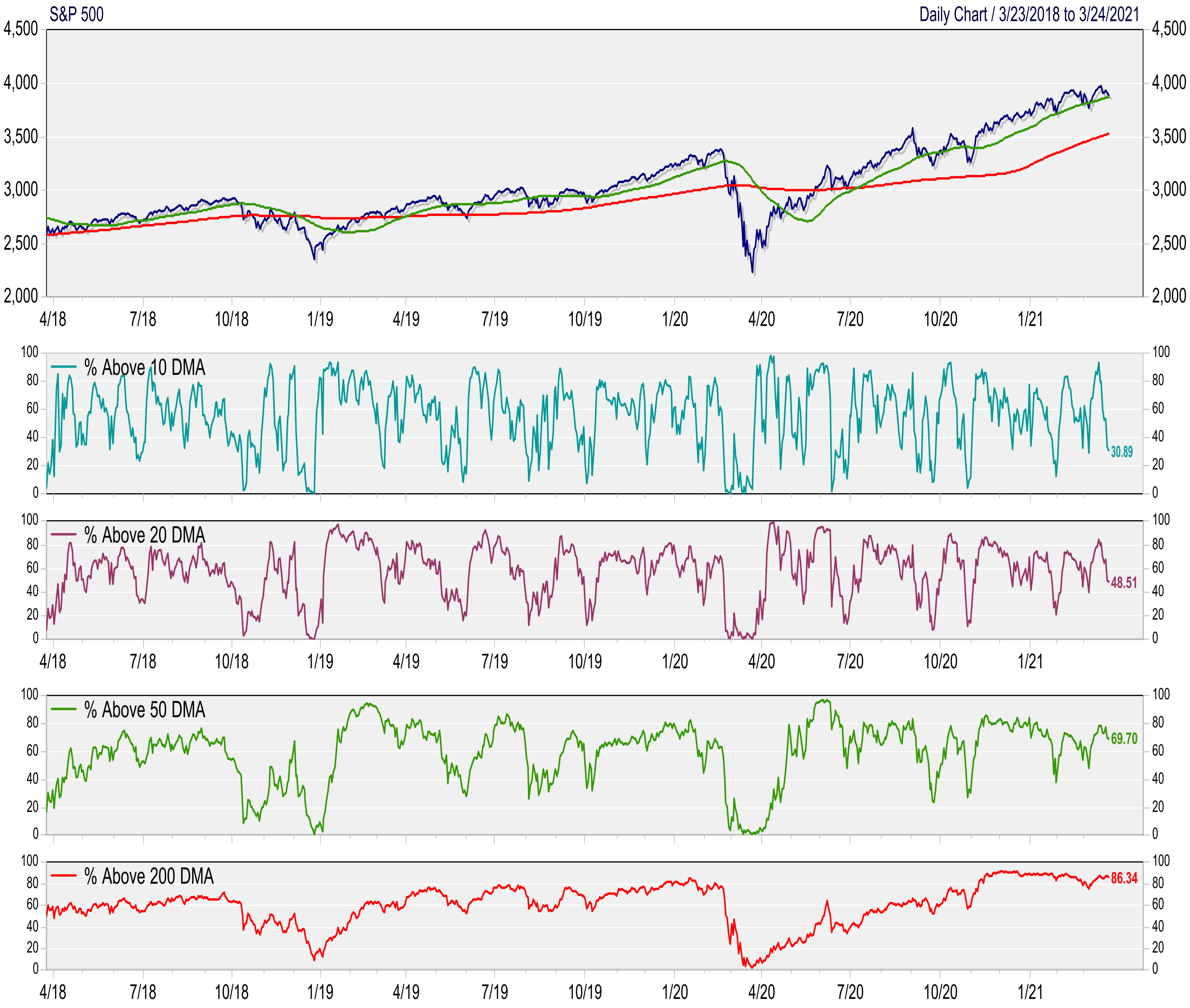
Sector rotation remains the dominant underlying theme driving daily equity market activity. A pause in the "reflation trade" recently has resulted in some modest pullbacks in areas like the small caps, energy, and financials. The broad S&P 500 is sitting right on its 50 DMA today (3872). We continue to monitor this level for initial support, and the equal-weight S&P 500 index is consolidating just above its 50 DMA.

Following the 50 DMA (3872), we see S&P 500 technical support at ~3700 which has both horizontal support and is close to the long-term uptrend line. On the upside, watch the 3980 area for initial resistance.

We could be reaching that point in time where the rapid rate of ascent from the recovery slows. This is not troubling, but expect normal market weakness and take advantage as it occurs.

Intermediate term technical momentum remains solid. And many stocks are reaching short term oversold levels within upward trends. We would use the recent consolidation (seen more in the deep cyclical areas) as an opportunity to accumulate for those building positions in these areas.

TECHNICAL: S&P 500



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

The percentage of S&P 500 stocks above their 10 and 20 day moving averages is approaching short term oversold levels within a solid intermediate term technical backdrop- supporting our view that the pullback should be used as a buying opportunity.

And as has been the case, this consolidation is being seen more meaningfully at the individual sector level. Many of the more cyclical areas such as Energy, Financials, and Consumer Discretionary, along with the Small Caps, are already at short term oversold levels. These have only 13%, 14%, 19%, and 3% of stocks above their 10 DMA respectively. Importantly, these areas are in long term uptrends with healthy participation beneath the surface. For example, these same Small Caps, Energy, Financials, and Consumer Disc. areas have 91%, 100%, 98%, and 95% of stocks above their 200 DMA respectively. This contributes to our view that their pullbacks should be used as an opportunity to accumulate.

Sector Trends and Moving Averages

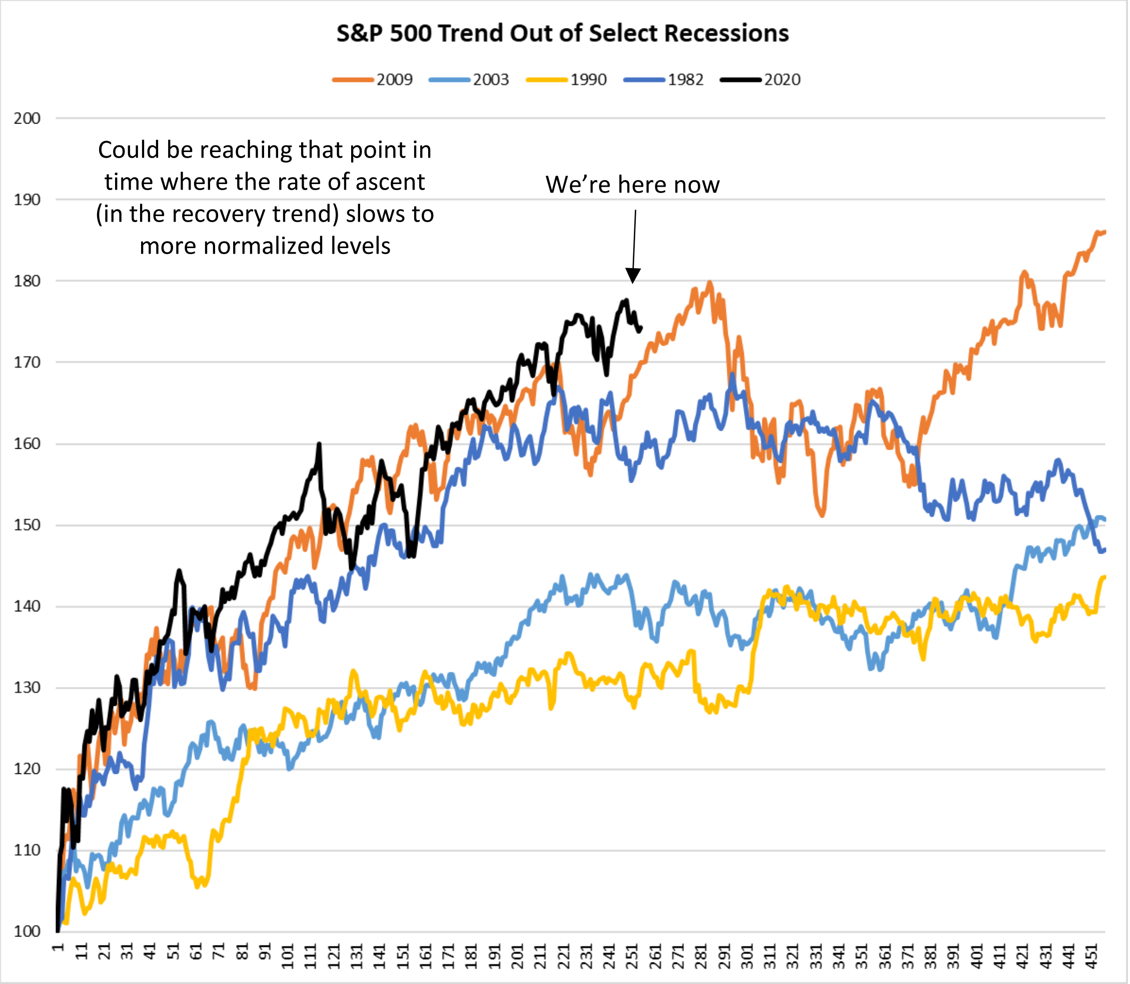
Sector	10 DMA % Above	20 DMA % Above	50 DMA % Above	200 DMA % Above
Energy	13	17	87	100
Financials	14	29	89	98
Cons. Discretionary	19	43	63	95
Comm. Services	19	31	73	88
Materials	21	43	71	93
Technology	24	36	47	84
Industrials	39	61	86	92
Real Estate	41	66	90	86
Health Care	43	52	33	73
Consumer Staples	47	81	78	63
Utilities	71	89	86	68
S&P 500	31	49	70	86

RECOVERY TRENDS

The market has become more of a grind lately, and this may become more of the norm as we enter year two of the recovery. A year ago when the economy was shutting down from Covid and the S&P 500 had just experienced its worst 1-month decline (-33%) since the 1930s. And while never easy with uncertainty and volatility elevated, history following historic drawdowns suggested returns over the next 12 months could be well above average. Flash forward to today and the S&P 500 has just experienced its best 1-year return since the 1930s (+75%). Looking at other periods of exceptional 12-month returns historically (shown below), there are still high odds of gains in the next year; but the rate of return becomes more normal. And these periods (like most) do not move in straight lines, as drawdowns will occur along the way. This is not troubling, but expect weakness (may be seen more at sector level) and take advantage as it occurs.

Best 1-Year S&P 500 Returns since 1940

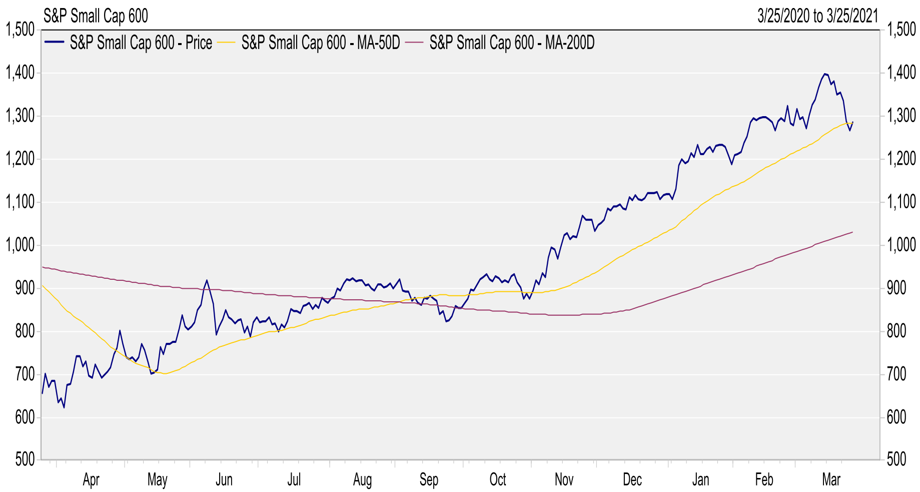
Date	1Yr	+1Mo	+3Mo	+1Yr	+2Yr
3/19/2021	74.9%				
3/5/2010	68.3%	5.2%	-6.7%	14.9%	20.5%
7/26/1983	59.1%	-1.4%	-2.9%	-12.2%	14.9%
4/27/1943	53.7%	5.6%	5.2%	1.7%	28.0%
4/8/1998	49.3%	1.2%	5.8%	20.4%	36.0%
5/20/1971	46.2%	-1.5%	-1.9%	5.5%	5.2%
1/3/1955	46.2%	0.4%	0.9%	22.9%	26.1%
3/9/2004	41.8%	-1.4%	-0.4%	7.4%	12.9%
Average	54.9%	1.1%	0.0%	8.7%	20.5%
% Positive	100%	57%	43%	86%	100%
All Observations since 1940					
Average	8.4%	1.0%	2.1%	8.6%	17.9%
% Positive	72%	62%	65%	73%	81%

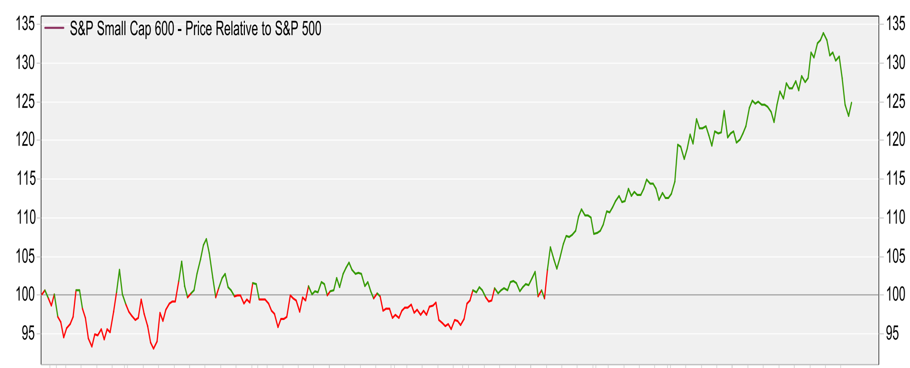


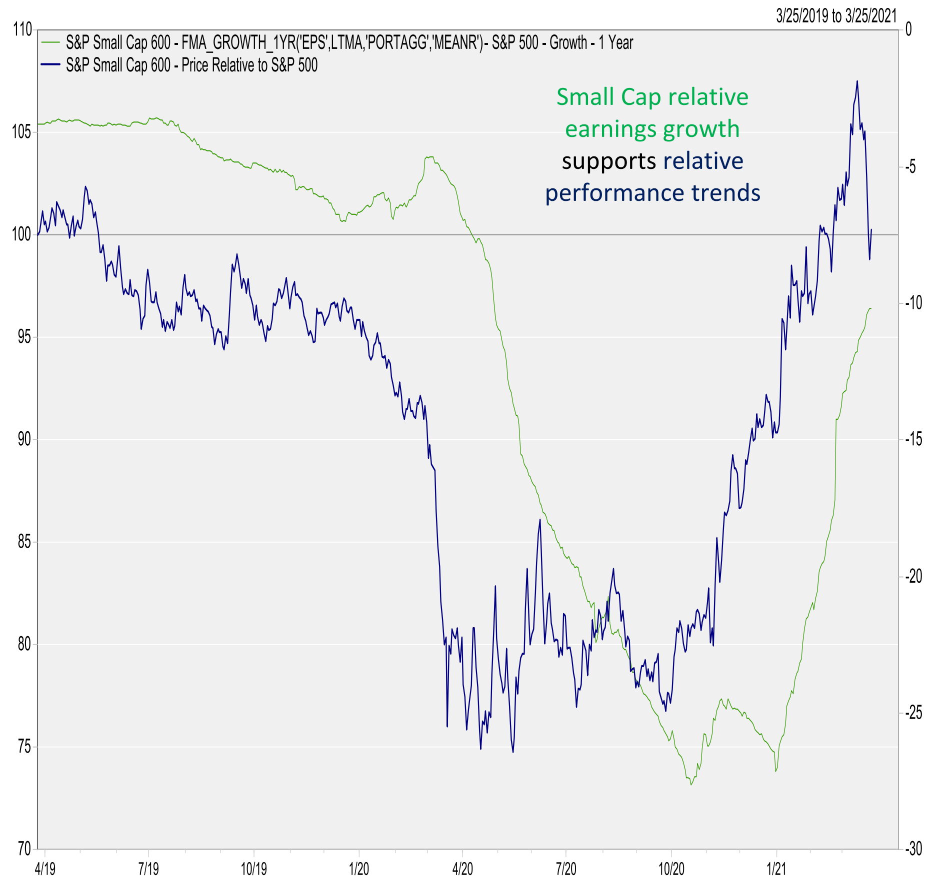
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

SMALL CAPS

The small caps have pulled in 10% from their recent highs, reaching oversold levels at the 50 DMA within a strong longer term uptrend. The small caps had gotten historically extended (38% above its 200 DMA- now 25%) and the rapid rate of ascent could be due to slow, but we believe this is a good buying opportunity. The small caps are expected to exhibit robust earnings growth in the recovery this year, and relative valuation is still attractive in our view (forward P/E multiples slightly below large caps). For those building positions in the small caps, accumulate here.



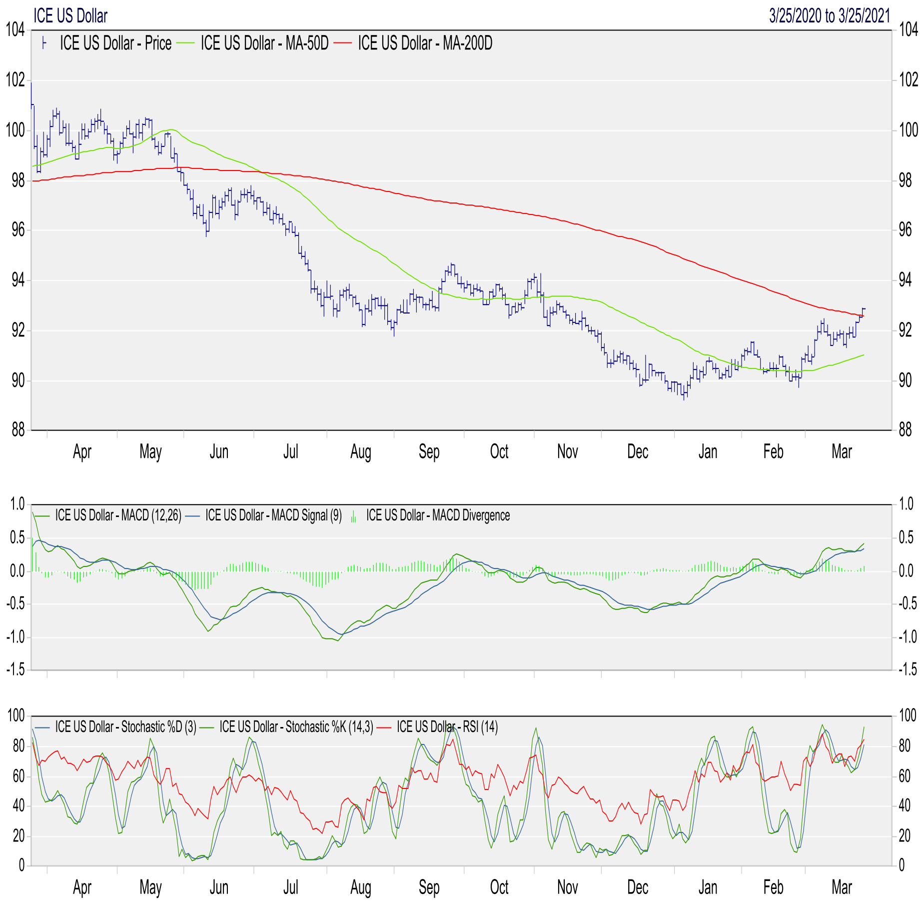




Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

US DOLLAR AND EMERGING MARKETS

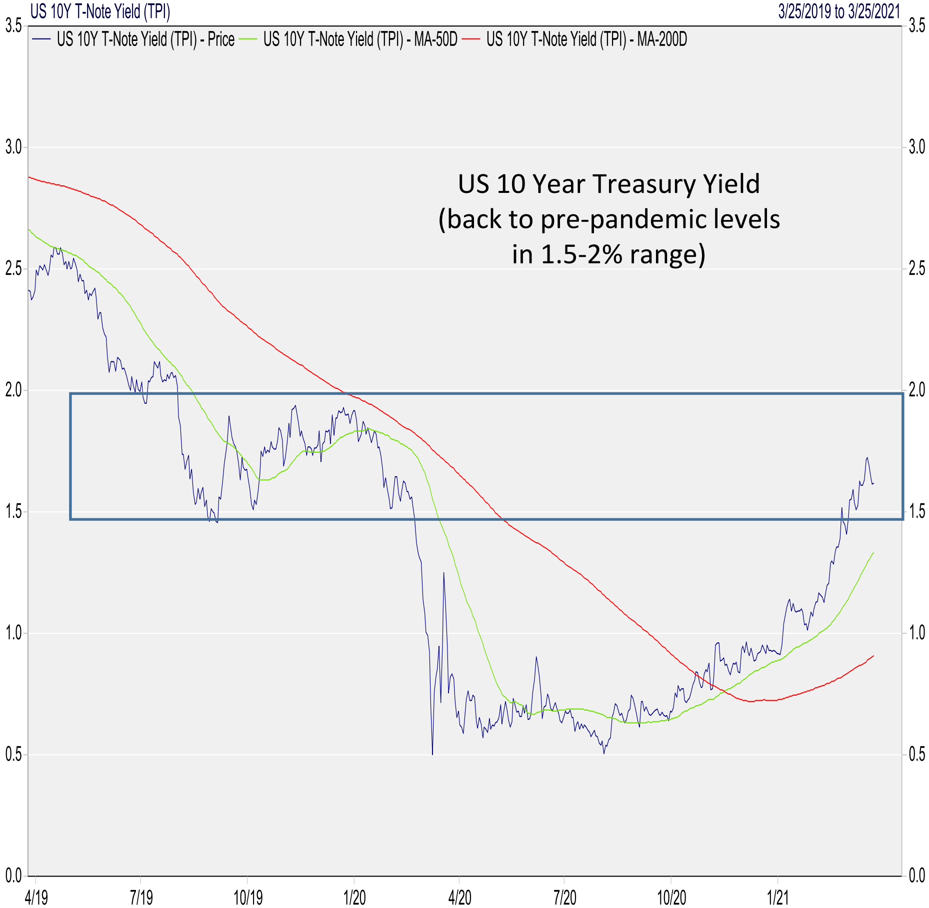
The US dollar has risen over the past month and is moving above its 200 DMA today. While the longer term trend remains downward, we would not be surprised to see this move higher continue in the short term, given the improving US economic backdrop (supported by massive stimulus and a relatively successful vaccine rollout) vs. other areas around the World (i.e. Europe halting its reopening). The move higher in the US dollar is a headwind to Emerging Markets equities. And given our view on the US dollar, we would be patient with buying the pullback in Emerging Markets for now. Let the dollar move play out a bit longer.

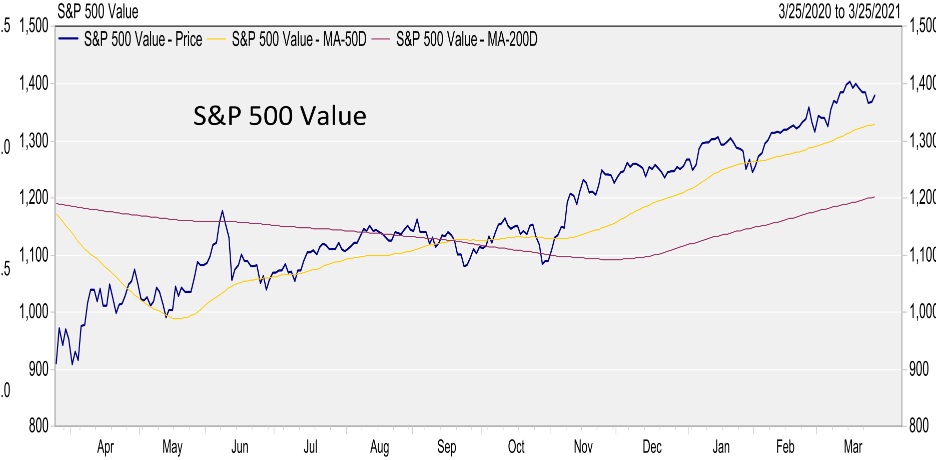


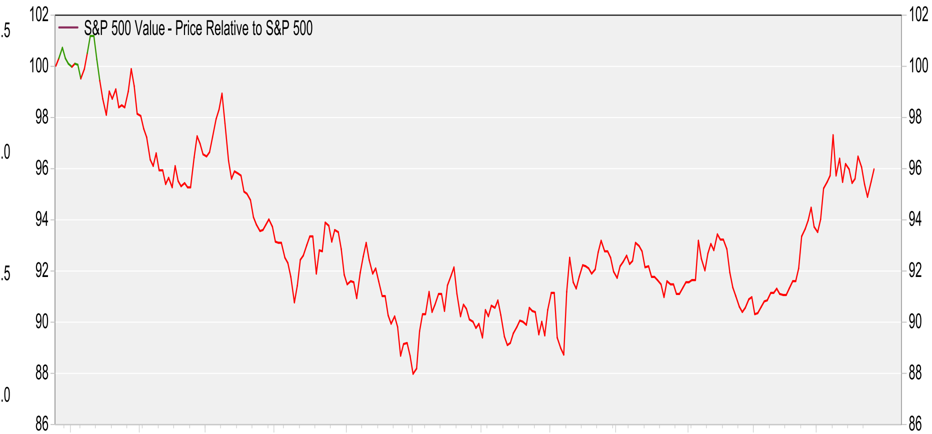
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

VALUE

The US 10 year Treasury yield has briefly paused its historic rate of ascent back to pre-pandemic levels (1.5%-2%) recently, in conjunction with global difficulties in the vaccine rollout and virus spread. This "cooling off" period has contributed to some consolidation in Value. Value is expected to see a robust earnings recovery (above Growth) and relative valuation is still below historic averages. Those building positions in Value can accumulate here.



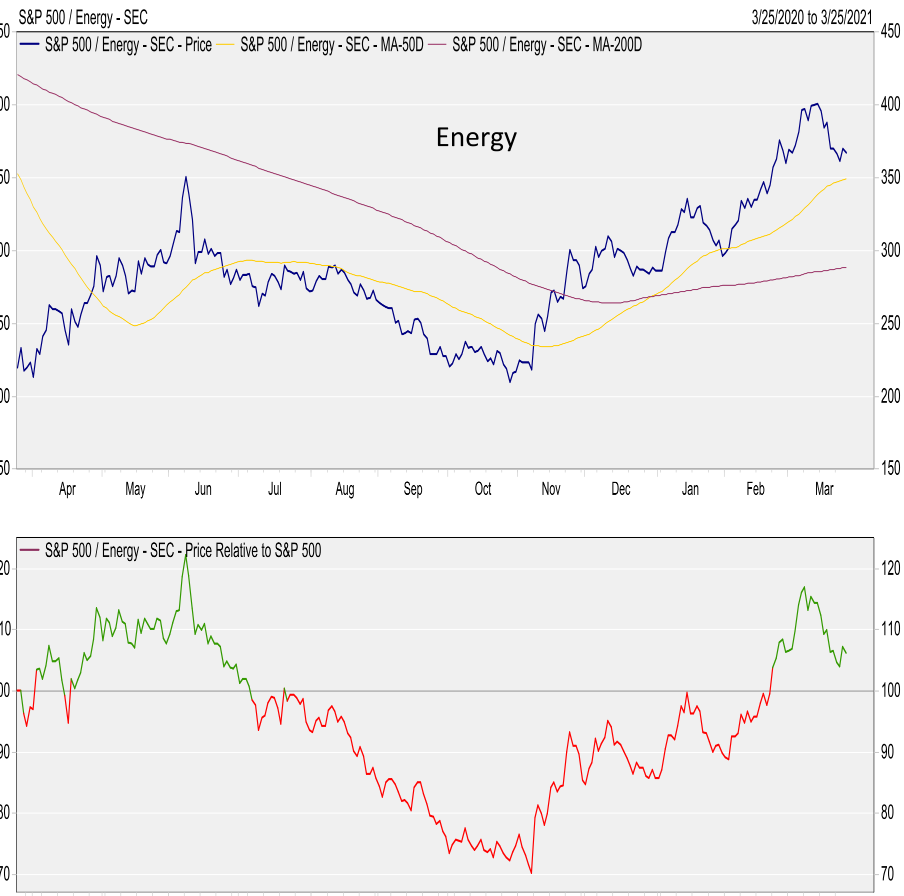


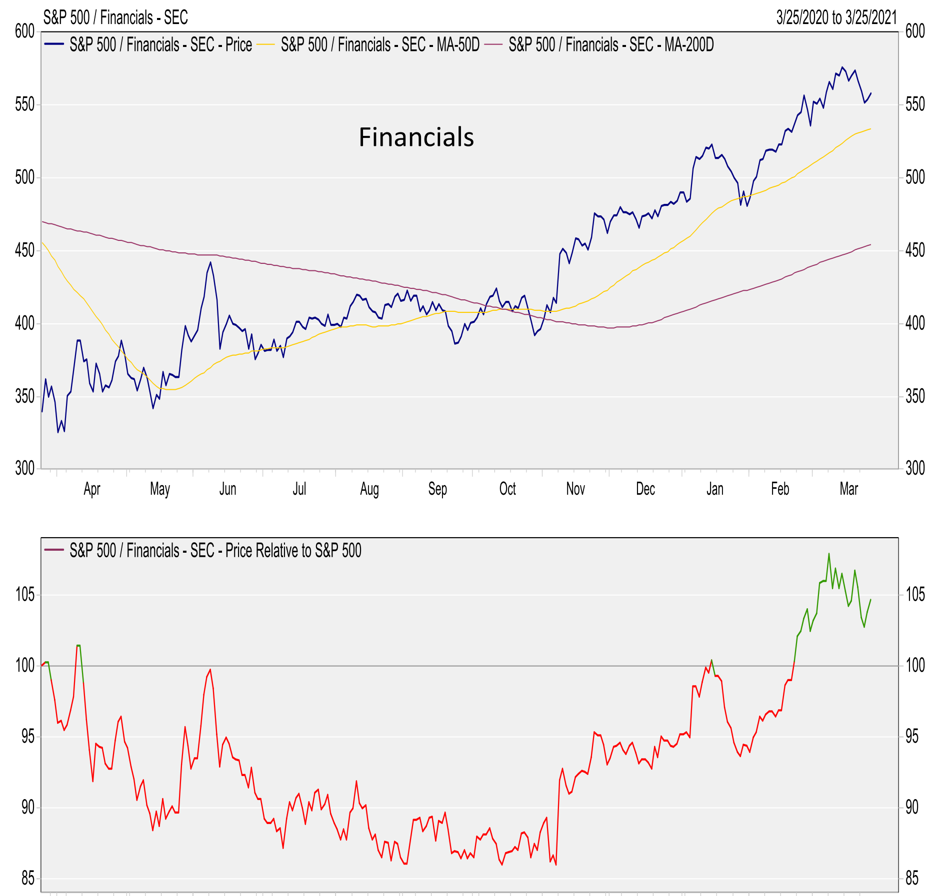


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

ENERGY AND FINANCIALS

The two best-performing sectors year-to-date (Energy and Financials) have consolidated some recently with the respective pullbacks in oil prices and interest rates. Both have moved significantly since November, and we view this as a normal digestion of strength. Energy is short-term oversold, and we believe providing a buying opportunity just above its 50 DMA. Financials have not pulled in to the same degree as Energy, but we would use the consolidation as an opportunity to accumulate for those building positions in Financials.

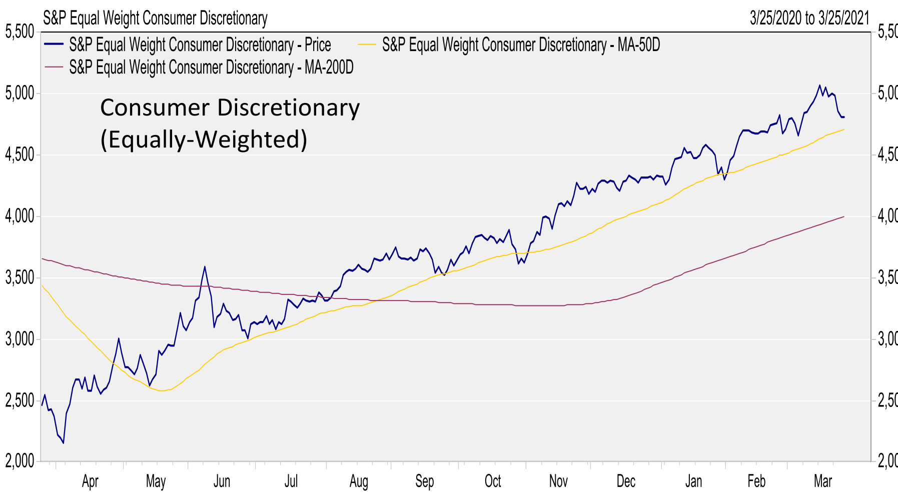


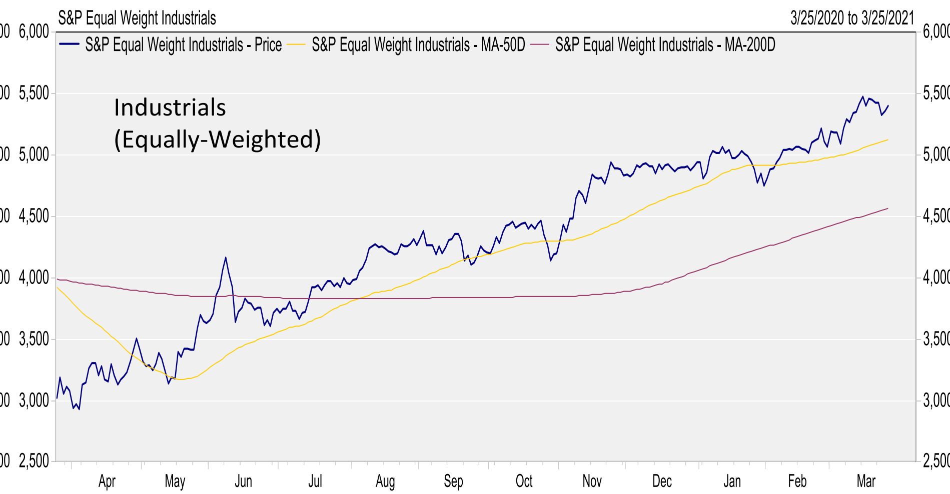


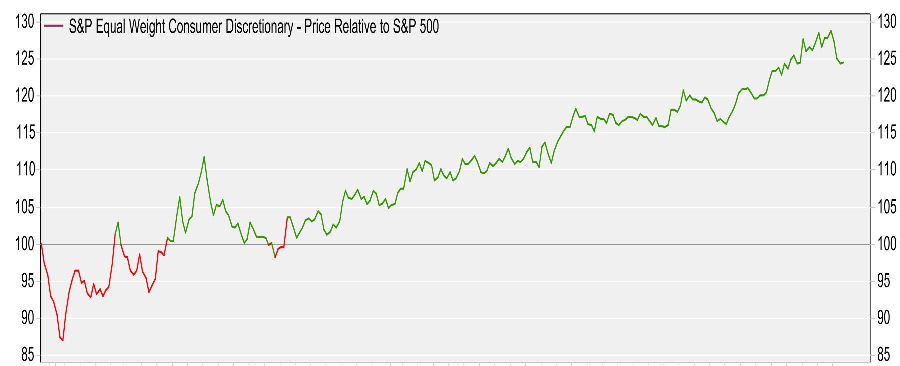
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

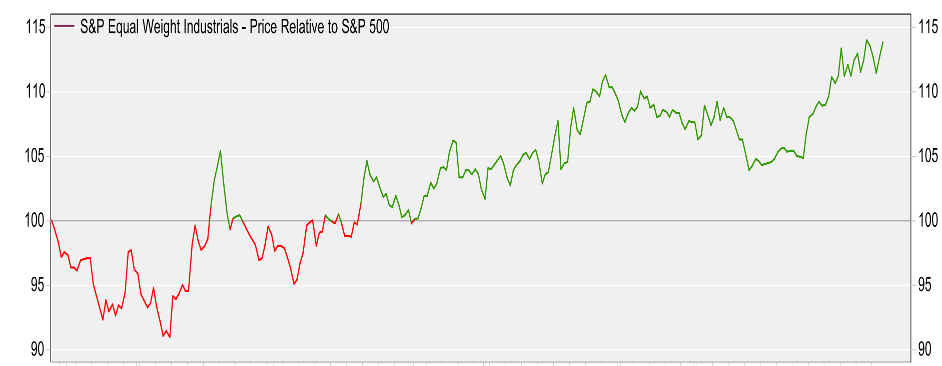
CONSUMER DISCRETIONARY AND INDUSTRIALS

We view the consumer outlook as strong in the reopening with high savings rates and direct payments supporting fundamental trends of Consumer Discretionary stocks. The index has consolidated toward its 50 DMA, also reaching oversold levels in the short term which can be used as an opportunity to accumulate. The Industrials are building technical momentum with an added boost from momentum in infrastructure stimulus discussions. Like Consumer Discretionary, we view the fundamental outlook as attractive and would use weakness as a buying opportunity.









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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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