**Michael Gibbs, Director of Equity Portfolio & Technical Strategy** | (901) 579-4346 | michael.gibbs@raymondjames.com
**Joey Madere, CFA** | (901) 529-5331 | joey.madere@raymondjames.com
**Richard Sewell, CFA** | (901) 524-4194 | richard.sewell@raymondjames.com
**Mitch Clayton, CMT, Senior Technical Analyst** | (901) 579-4812 | mitch.clayton@raymondjames.com

**APRIL 8, 2021 | 2:46 PM EDT**

## Weekly Market Guide

The S&P 500 has been able to continue its advance after a break out to new highs last week. Underlying participation in the move has been broad with roughly 1/3 of S&P 500 stocks trading to new highs with the index. There has also been a technology-oriented tone to the strength for the first time in a while, as the technology sector and "Big 5 index" (Apple, Microsoft, Amazon, Google, and Facebook) were able to break out to new highs. These five stocks make up 22% of the S&P 500 and have generally consolidated relative strength from the pandemic in aggregate over the past several months. Strength was also exhibited by Industrials, Consumer Discretionary, and Financials, supporting our pro-cyclical stance to portfolio positioning- a healthy allocation to the "recovery areas" while also maintaining a healthy allocation to technology-oriented areas.

As noted above, market performance is extremely broad with 94% of S&P 500 stocks above their 200-day moving average. This strong technical backdrop continues to bode well for intermediate term performance trends. The recent advance has pushed many stocks to short term overbought areas, but we continue to recommend using weakness (may occur in sector rotation) as an opportunity. Energy is a sector that we believe can be accumulated at current levels for those looking to increase their exposure. We view the sector as short-term oversold within an uptrend with many stocks resting just above their 50 DMA. The sector will continue to be heavily influenced by oil price movements, but we continue to see upside for stocks with oil prices back to pre-pandemic levels (~$60/bbl) and the Energy sector still 20% below.

The next major catalyst for stocks is Q1 earnings season, which unofficially begins next week with several banks. Now beginning to lap last year's economic shutdown, earnings growth is set to become robust (consensus estimates reflect 21.3% S&P 500 earnings growth this quarter). We also believe the strong macro data in Q1 supports a high level of earnings beats and upside to estimates, continuing the historically elevated trend of the past three consecutive quarters. In fact, 84% of the "early Q1 reporters" have beaten estimates so far by 10% (above 15-year averages of 69% and 4.7% respectively). The strongest earnings growth is expected from Financials, Consumer Discretionary, Materials, and Technology; and the best estimate revisions into earnings season have come from Energy, Financials, Materials, and Technology- a pro-cyclical mix that supports our stance on portfolio positioning mentioned above. For a more in-depth analysis of longer-term fundamentals and trends, please see our 2021 First Quarter Equity Market Update (click here) which was published this week.

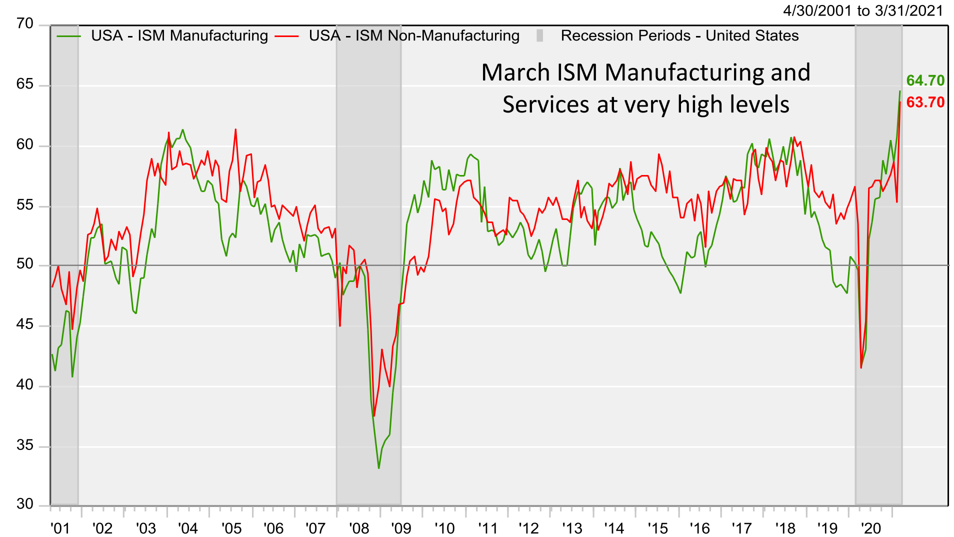
| Equity Market Indices | Price Return Year to Date | Price Return 12 Months |
|---|---|---|
| S&P 500 | 8.6% | 53.4% |
| S&P 500 (Equal-Weight) | 13.0% | 66.3% |
| Dow Jones Industrial Avg | 9.3% | 47.6% |
| NASDAQ Composite | 6.2% | 73.6% |
| Russell 2000 | 12.6% | 95.1% |
| MSCI All-Cap World | 6.6% | 52.1% |
| MSCI Developed Markets | 4.9% | 42.8% |
| MSCI Emerging Markets | 3.7% | 52.5% |
| NYSE Alerian MLP | 22.1% | 76.4% |
| MSCI U.S. REIT | 10.8% | 37.4% |

| S&P 500 Sectors | Price Return Year to Date | Sector Weighting |
|---|---|---|
| Energy | 29.7% | 2.7% |
| Financials | 18.1% | 11.3% |
| Communication Svcs. | 13.4% | 11.2% |
| Industrials | 12.1% | 8.7% |
| Real Estate | 11.1% | 2.5% |
| Materials | 9.2% | 2.6% |
| ***S&P 500*** | ***8.6%*** | - |
| Consumer Discretionary | 6.6% | 12.6% |
| Information Technology | 6.1% | 27.1% |
| Utilities | 3.4% | 2.6% |
| Health Care | 2.6% | 12.6% |
| Consumer Staples | 1.6% | 6.1% |

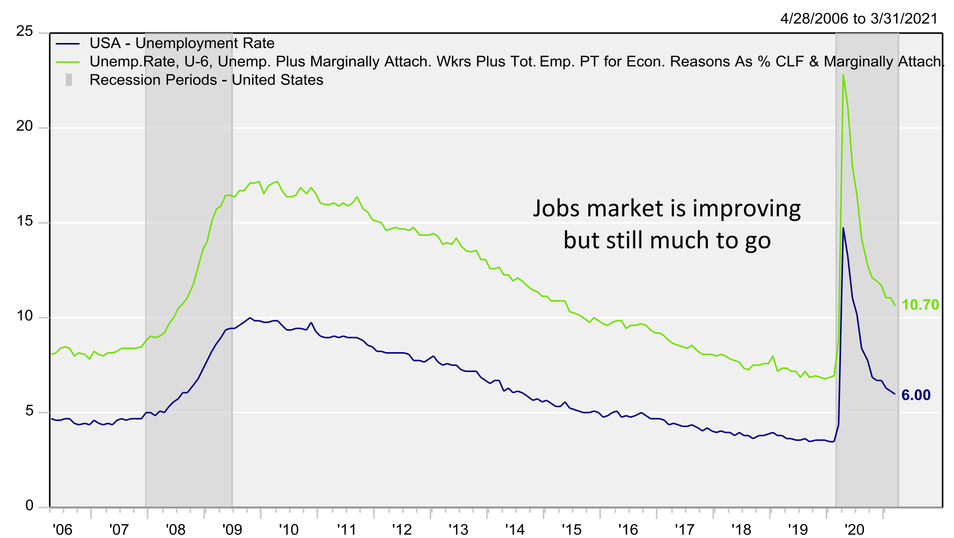
## MACRO: US

This week's March ISM Services reading met March ISM Manufacturing at historically elevated levels. The Services reading (63.7) was the highest on record (data begins in 1997), and ISM Manufacturing (64.7) was the highest since 1983. Easing stay-at-home restrictions due to a strong vaccine rollout (42% of 18+ year olds have now received at least one dose), along with enormous fiscal and monetary stimulus, are supporting optimism for the strongest US economic growth since 1984.

The jobs market also continues to improve with March nonfarm payrolls rising to 916k, well above the consensus estimate of 635k. The unemployment rate improved to 6.0%. But while there has been much jobs improvement from the low last April, total employment is still 9M short of pre-pandemic levels and the underemployment rate remains elevated at 10.7%. With the Fed focused on employment, we expect monetary policy to remain accommodative- a tailwind to equity markets.




| Event | Period | Actual | Consensus | Prior |
|---|---|---|---|---|
| BEA Total Light Vehicle Sales | MAR | 17.7M | 16.5M | 15.8M |
| Hourly Earnings SA M/M (Preliminary) | MAR | -0.10% | 0.20% | 0.30% |
| Hourly Earnings Y/Y (Preliminary) | MAR | 4.2% | 4.5% | 5.2% |
| Manufacturing Payrolls SA | MAR | 53.0K | 35.0K | 18.0K |
| Nonfarm Payrolls SA | MAR | 916.0K | 635.0K | 468.0K |
| Private Nonfarm Payrolls | MAR | 780.0K | 525.0K | 558.0K |
| Unemployment Rate | MAR | 6.0% | 6.0% | 6.2% |
| PMI Composite SA (Final) | MAR | 59.7 | 59.1 | 59.1 |
| Markit PMI Services SA (Final) | MAR | 60.4 | 60.0 | 60.0 |
| Durable Orders ex-Transportation SA M/M (Final) | FEB | -0.94% | -0.45% | -0.90% |
| Durable Orders SA M/M (Final) | FEB | -1.2% | -1.1% | -1.1% |
| Factory Orders SA M/M | FEB | -0.80% | -0.80% | 2.7% |
| ISM Non Manufacturing SA | MAR | 63.7 | 58.5 | 55.3 |
| JOLTS Job Openings | FEB | 7,367K | 6,900K | 7,099K |
| Trade Balance SA | FEB | -$71.1B | -$70.4B | -$67.8B |
| Consumer Credit SA | FEB | $27.6B | $10.6B | $0.09B |
| Continuing Jobless Claims SA | 03/27 | 3,734K | 3,650K | 3,750K |
| Initial Claims SA | 04/03 | 744.0K | 660.0K | 728.0K |

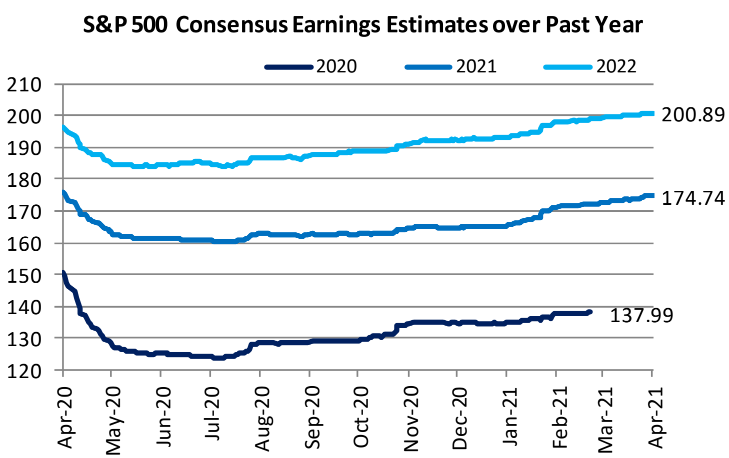



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

## FUNDAMENTALS

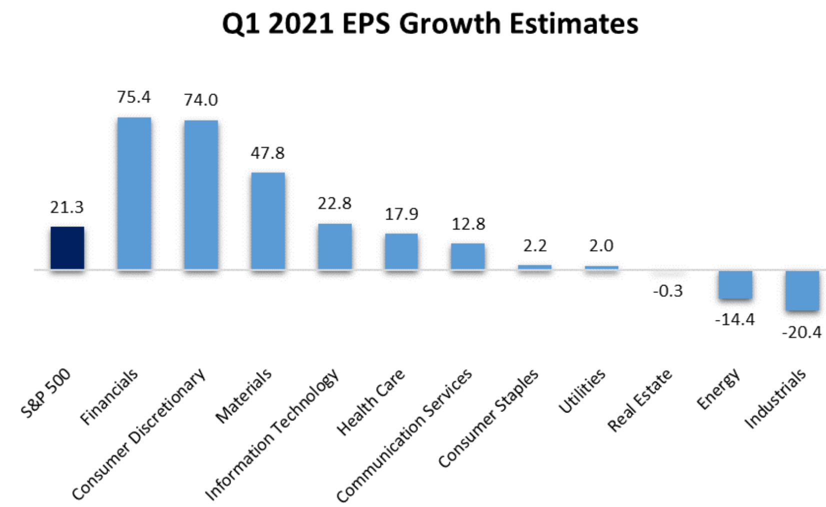
Q1 earnings season unofficially begins next Wednesday morning with several banks reporting results. The strong macro-economic data in Q1 supports upside to estimates in our view, continuing the pattern over the past three consecutive quarters of historically elevated beat rates and earnings surprises. In fact, 84% of the "early Q1 reporters" have beaten estimates so far by 10% (both above 15-year averages of 69% and 4.7% respectively). The strongest earnings growth is expected from Financials, Consumer Discretionary, Materials, and Technology; and the best estimate revisions into earnings season have come from Energy, Financials, Materials, and Technology. This pro-cyclical mix supports our stance on portfolio positioning- that being a healthy allocation to "recovery areas" while also maintaining a healthy allocation to technology-oriented areas.

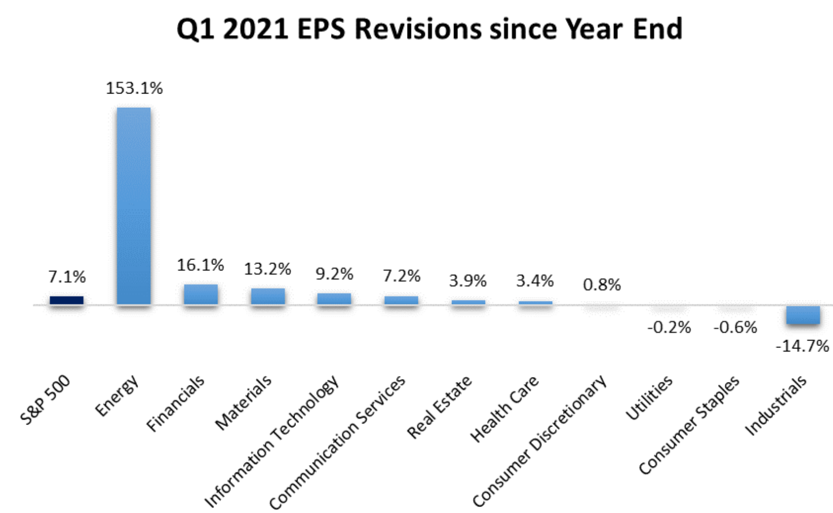
S&P 500 earnings estimates for all four quarters of 2021, along with 2022, continue to trend higher in unison. With valuations elevated, these upward revisions are supportive of equities. They also support our above consensus view to earnings- that being $190 and $220 for 2021 and 2022 (vs current consensus estimates of $175 and $201).




| EPS Growth Estimates | |
|---|---|
| 2020 | -14.0% |
| 2021 | 26.6% |
| 2022 | 15.0% |

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

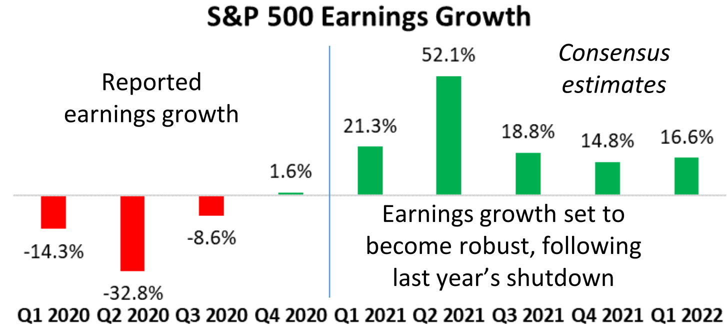


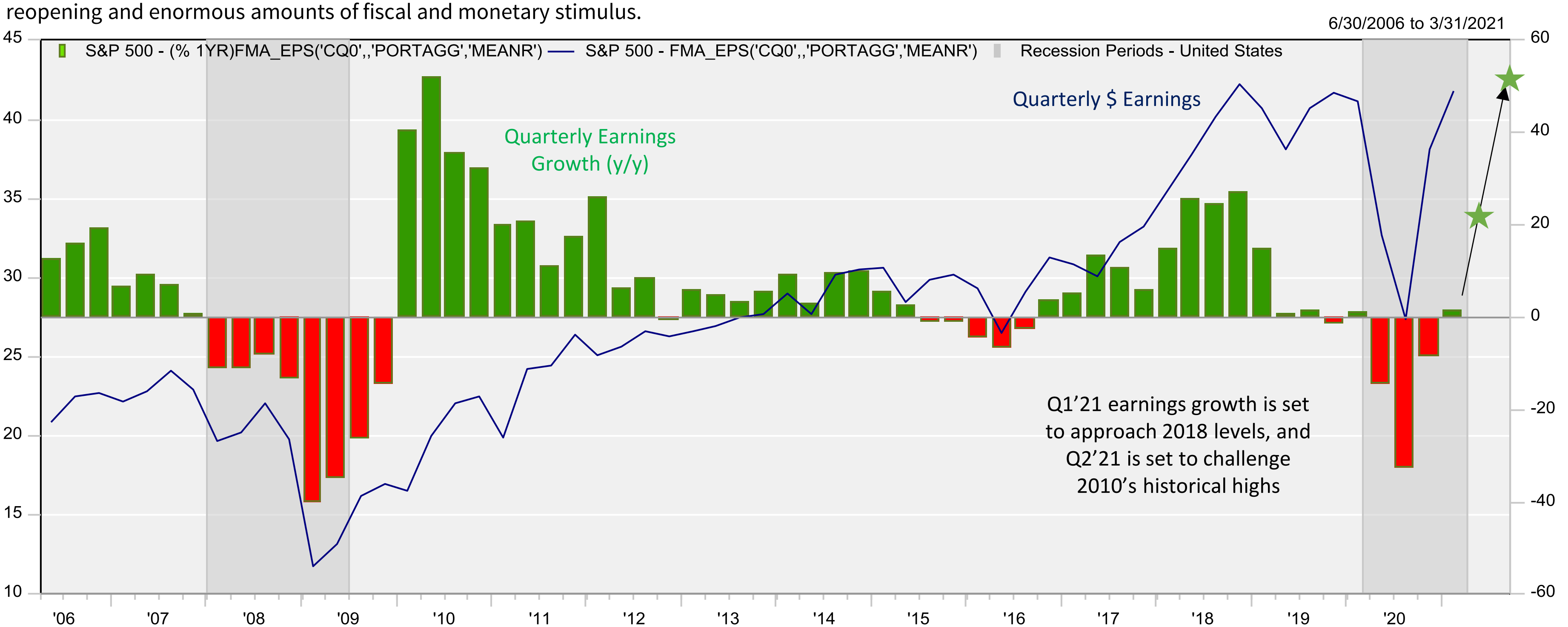



## EARNINGS GROWTH

The chart below shows quarterly earnings growth over the past 15 years. As we begin to lap last year's economic shutdown, earnings growth in Q1 (year-over-year) is expected to be the fastest since 2018's tax reform-boosted earnings growth.

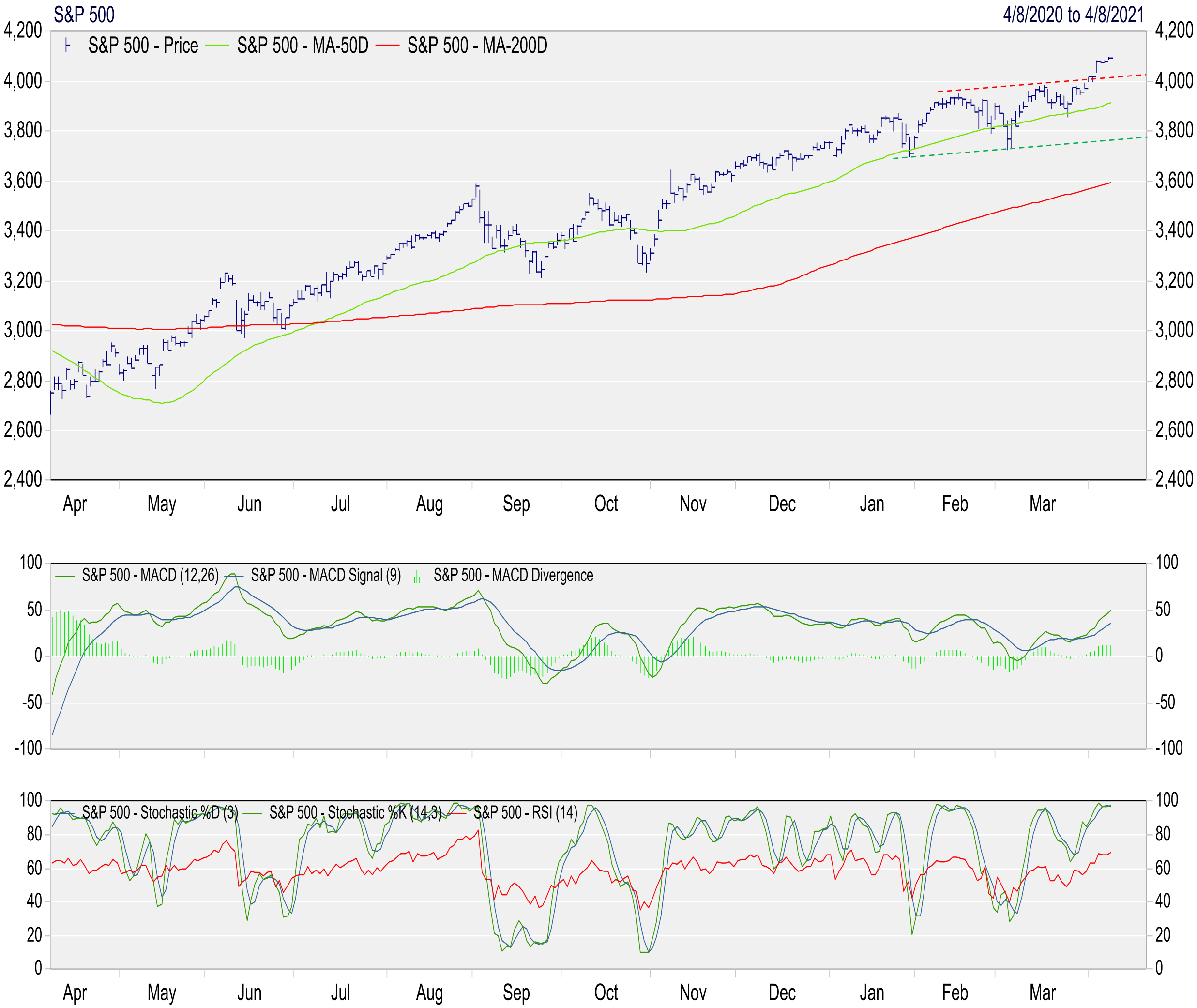
In addition, Q2 is expected to challenge Q1 2010's historically high 52.1% earnings growth out of the credit crisis. While consensus earnings estimates reflect historically strong earnings growth over the next two quarters, we expect upside to these estimates to continue- supported by our positive stance on an economic reopening and enormous amounts of fiscal and monetary stimulus.




Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

## TECHNICAL: S&P 500




Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

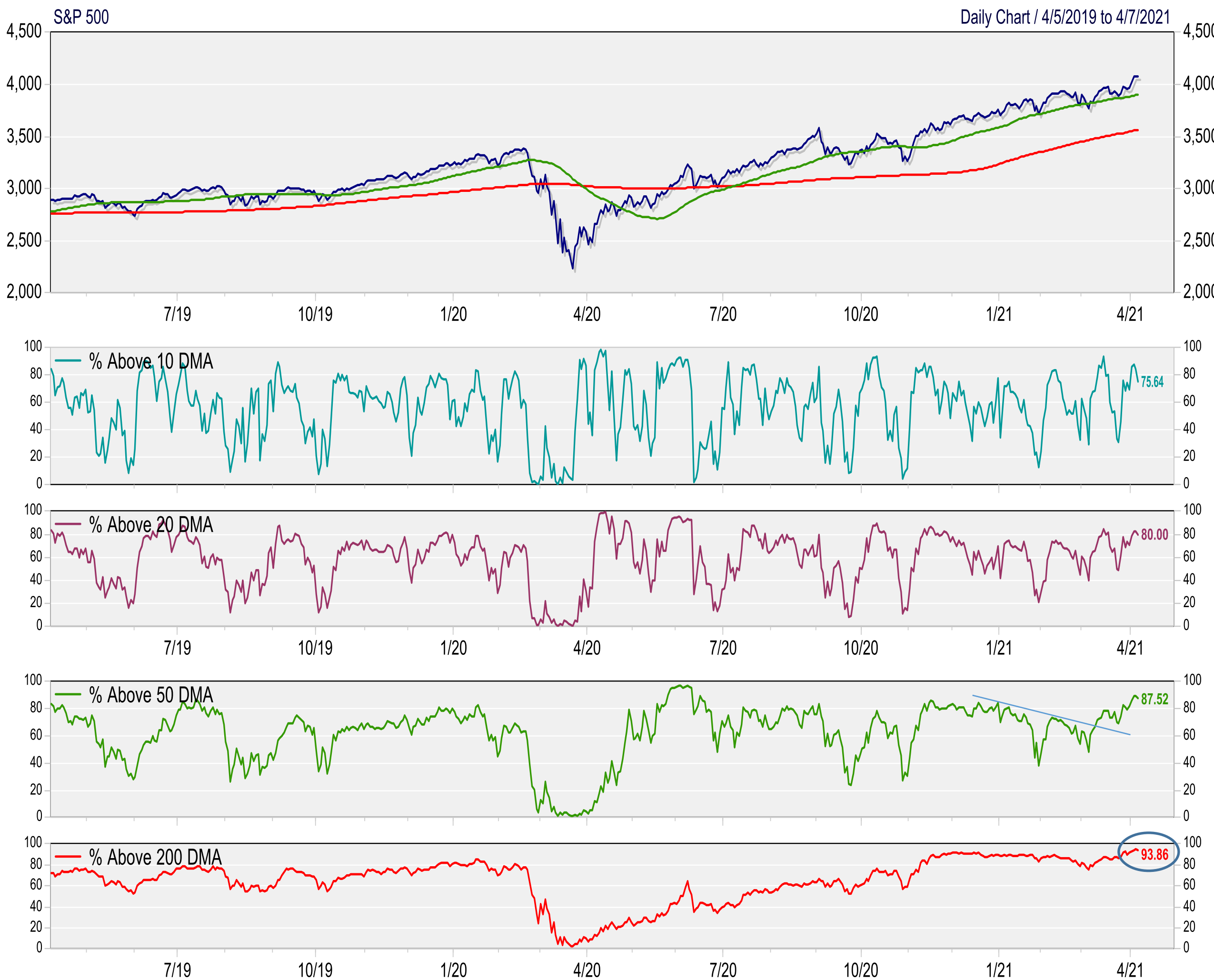
The S&P 500 has been able to continue its advance after a break out to new highs last week. Underlying participation in the move has been broad with roughly 1/3 of S&P 500 stocks trading to new highs with the index. There has also been a technology-oriented tone to the strength for the first time in a while, with strength also exhibited by Industrials, Consumer Discretionary, and Financials.

This price action supports our pro-cyclical stance to portfolio positioning- a healthy allocation to the "recovery areas" while also maintaining a healthy allocation to technology-oriented areas.

The S&P 500 has traded in a very tight pattern for the past few days. Many stocks are at short-term overbought levels. But within intermediate term uptrends, we expect pullbacks to be normal and recommend using them opportunistically.

We are watching 4100 for potential resistance, followed by 4274. There remain numerous areas of nearby support for pullbacks, including previous highs ~4000, followed by the upward-trending 50 DMA at 3906.

## TECHNICAL: S&P 500




A technical divergence we had been monitoring was the trend of lower highs for the % of stocks above their 50 DMA as the overall S&P 500 index moved higher. We were not overly concerned, but this can sometimes be a precursor to market weakness. However in the recent market break out to new highs, the % of stocks above their 50 DMA was able to push to new highs at 88%- indicating broad participation in the market's advance.

In addition, 94% of stocks are now above their 200 DMA which is the highest reading since 2013. This strong technical backdrop continues to bode well for intermediate term performance trends in our view. And while the recent market advance has pushed many stocks to short term overbought areas, we continue to recommend using weakness (may occur in sector rotation) as an opportunity.

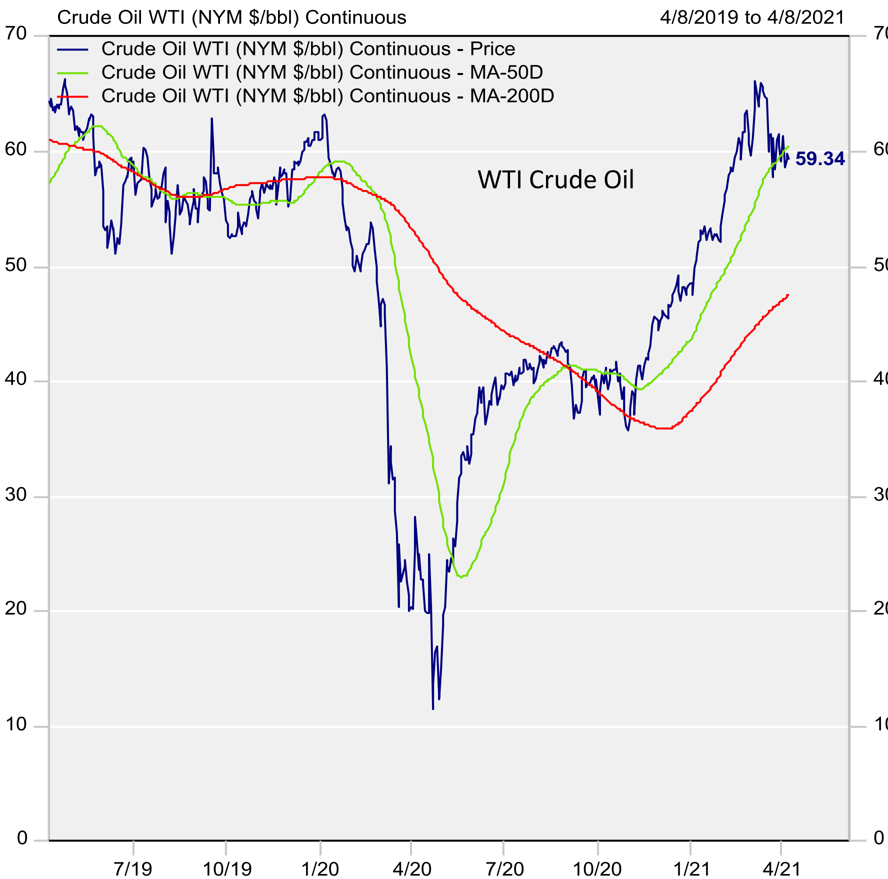
% of stocks above their 50 DMA was able to push higher

94% of S&P 500 stocks are above their 200 DMA- indicative of strong intermediate term technical trends

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

## ENERGY

Energy is a sector that we believe can be accumulated at current levels for those looking to increase their exposure. We view the sector as short-term oversold within an uptrend with many stocks resting just above their 50 DMA. The sector will continue to be heavily influenced by oil price movements (which are in a consolidation phase), but we continue to see upside for stocks with oil prices back to pre-pandemic levels (~$60/bbl) and the Energy sector still ~20% below.

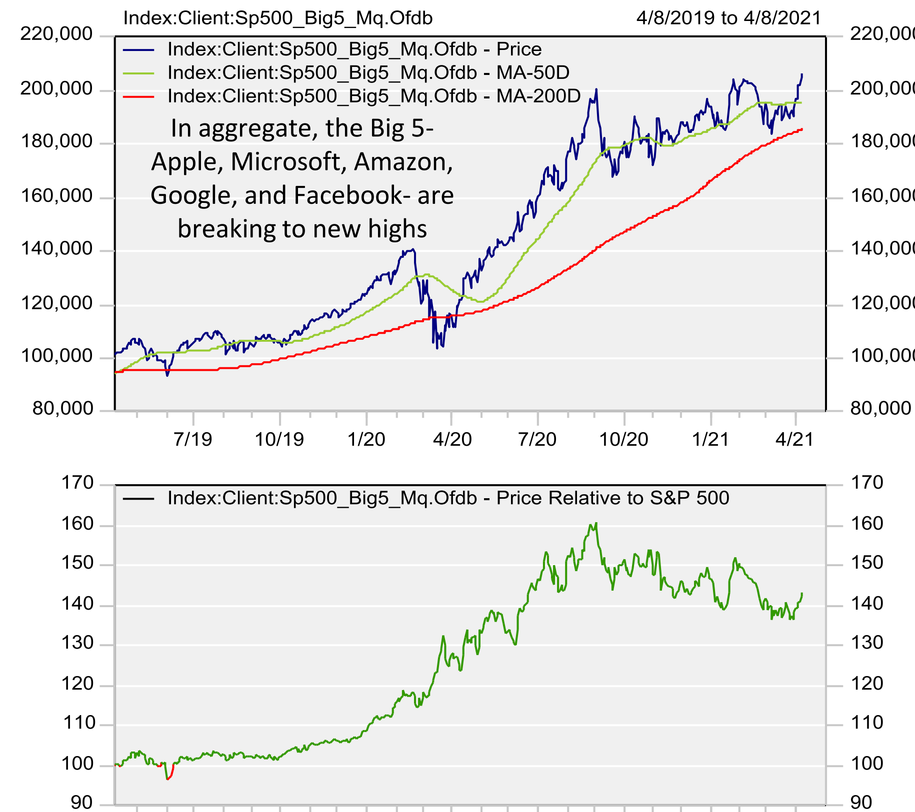




Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

## TECHNOLOGY

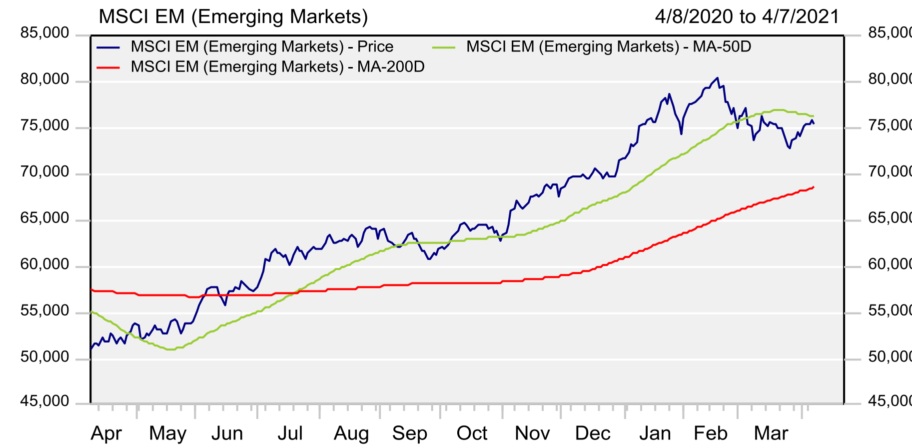
While the past several market breakout and advances have been driven by the deep cyclical areas, there has been a technology-oriented tone to the recent gains. This is notable, as the technology sector has largely been consolidating its strong market leadership during the pandemic for the past several months. The technology sector is breaking out to new highs, as are the “Big 5” (Apple, Microsoft, Amazon, Google, and Facebook). In aggregate, this “Big 5 index” make up 22% of the S&P 500 and have generally been consolidating sideways (very normal and healthy) for several months now. An improvement in their momentum (due to their size) would be a boost to S&P 500 performance. We maintain an overweight recommendation to Technology and are also encouraged by still solid trends from the equally-weighted Technology index.


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

## US DOLLAR AND EMERGING MARKETS

Historically, there is a fairly strong inverse correlation between the US dollar and Emerging Markets relative performance (contributed to by dollar-denominated emerging market debt). As such, the weak US dollar in 2020 corresponded with strong relative performance from Emerging Markets, and a bounce in the US dollar since February has contributed to some give-back in that relative strength vs the World. With a negative prevailing trend but short term uptrend remaining intact (despite the past week's setback), the US dollar is in a questionable position technically. Over the next week, we will be watching support levels. If the US dollar breaks lower, we would look to accumulate Emerging Markets. However, if the past week's weakness is just a consolidation period and the US dollar resumes higher, we recommend being patient with new purchases (or even lightening allocations) to Emerging Markets.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

M21-3540481

## IMPORTANT INVESTOR DISCLOSURES

This material is being provided for informational purposes only. Expressions of opinion are provided as of the date above and subject to change. Any information should not be deemed a recommendation to buy, hold or sell any security. Certain information has been obtained from third-party sources we consider reliable, but we do not guarantee that such information is accurate or complete. This report is not a complete description of the securities, markets, or developments referred to in this material and does not include all available data necessary for making an investment decision. Prior to making an investment decision, please consult with your financial advisor about your individual situation. Investing involves risk and you may incur a profit or loss regardless of strategy selected. There is no guarantee that the statements, opinions or forecasts provided herein will prove to be correct.

Sector investments are companies engaged in business related to a specific sector. They are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification.

Commodities and currencies investing are generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

Links to third-party websites are being provided for informational purposes only. Raymond James is not affiliated with and does not endorse, authorize, or sponsor any of the listed websites or their respective sponsors. Raymond James is not responsible for the content of any third-party website or the collection or use of information regarding any websites users and/or members.



**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.

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results. Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions.

**International Disclosures**

*For clients in the United Kingdom:*

**For clients of Raymond James Financial International Limited (RJFI):** This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in the FCA rules or persons described in Articles 19(5) (Investment professionals) or 49(2) (high net worth companies, unincorporated associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended)or any other person to whom this promotion may lawfully be directed. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is, therefore, not intended for private individuals or those who would be classified as Retail Clients.

**For clients of Raymond James Investment Services, Ltd.:** This document is for the use of professional investment advisers and managers and is not intended for use by clients.

*For clients in France:*

This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in "Code Monetaire et Financier" and Reglement General de l'Autorite des marches Financiers. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is, therefore, not intended for private individuals or those who would be classified as Retail Clients.

**For clients of Raymond James Euro Equities:** Raymond James Euro Equities is authorised and regulated by the Autorite de Controle Prudentiel et de Resolution and the Autorite des Marches Financiers.

*For institutional clients in the European Economic rea (EE ) outside of the United Kingdom:*

This document (and any attachments or exhibits hereto) is intended only for EEA institutional clients or others to whom it may lawfully be submitted.

*For Canadian clients:*

This document is not prepared subject to Canadian disclosure requirements, unless a Canadian has contributed to the content of the document. In the case where there is Canadian contribution, the document meets all applicable IIROC disclosure requirements.

**Broker Dealer Disclosures**

Securities are: NOT Deposits • NOT Insured by FDIC or any other government agency • NOT GUARANTEED by the bank • Subject to risk and may lose value