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Weekly Market Guide

The bullish environment continues to prevail for equities, driven by an extremely rapid economic and earnings recovery, along with a Fed on hold. March retail sales rose by an enormous 9.8% m/m, boosted by \$1.9T stimulus passed during the month, along with increasingly relaxed stay-at-home measures (i.e. spending in bars and restaurants is now within 5% of pre-pandemic levels). Retail sales are now up at a 34.7% annualized rate in Q1'21 vs Q4'20. And with the vaccine rollout continuing to ramp up (3M Americans being vaccinated/day), we continue to have a positive bias to the economic recovery as the reopening transpires, boosted by unprecedented levels of stimulus and a still accommodative Fed.

The strong economic data in Q1 is being reflected in a strong start to Q1 earnings season so far. Full Q1 S&P 500 earnings growth estimates have already begun to gap higher- up to 24.7% from 21.6% in the first two days. Although it is still very early in earnings season, companies already reported have beaten estimates by 38% in aggregate- driven by a 63% earnings surprise from the Financials thus far (on large reserve releases). For the S&P 500, these early reports suggest significant upside to Q1 estimates, likely to follow the trend of the past three quarters- that being historically high surprise rates of 23.5%, 19%, and 14.8% (vs the 15 year average of 4.7%). Additionally, forward estimates for all quarters of 2021 and 2022 continue to trend higher, supportive of our above consensus earnings estimates to 2021 and 2022 of \$190 and \$220 respectively.

A moderation in the rise of interest rates, along with strong economic data and continued improvement in corporate credit spreads, have been supportive of elevated valuation multiples lately (28x S&P 500 P/E). We continue to believe that valuation is set to normalize this year as earnings recover, but can remain well above historical averages given enormous stimulus and still low interest rates. Moreover, we believe robust earnings growth will outweigh valuation normalization as the year transpires, resulting in upside to equities.

Technically, the S&P 500 has continued to climb following its break out to new highs on April 1st (now 5% higher in April). Leadership has come from the technology-oriented and growth stocks during the advance, in conjunction with a consolidation of interest rates. While rotation continues to take place at the sector and stock level beneath the surface, overall participation is extremely broad with over 95% of S&P 500 stocks above their 200 DMA and over 91% above their 50 DMA. The underlying strength of the technical backdrop continues to be supportive of market trends. We expect pullbacks to be normal in nature and recommend using them opportunistically.

Equity Market Indices	Price Return	
	Year to Date	12 Months
S&P 500	9.8%	44.9%
S&P 500 (Equal-Weight)	14.0%	56.8%
Dow Jones Industrial Avg	10.2%	40.8%
NASDAQ Composite	7.5%	62.7%
Russell 2000	13.8%	81.7%
MSCI All-Cap World	7.7%	45.7%
MSCI Developed Markets	5.8%	39.4%
MSCI Emerging Markets	3.5%	49.1%
NYSE Alerian MLP	23.0%	57.0%
MSCI U.S. REIT	10.7%	23.8%

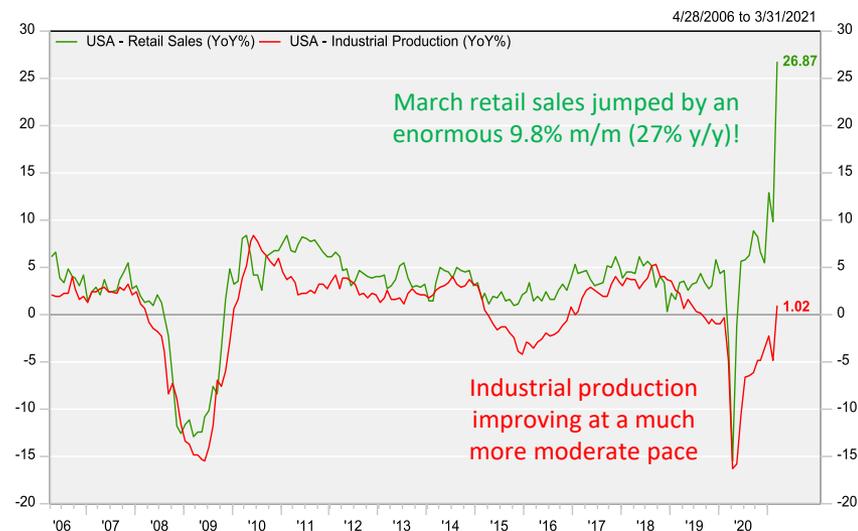
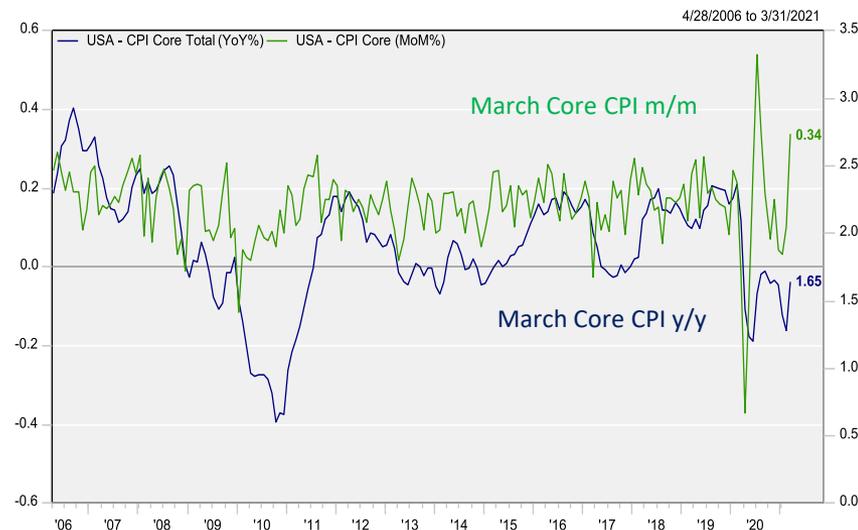
S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Energy	29.9%	2.7%
Financials	19.3%	11.3%
Industrials	13.4%	8.7%
Communication Svcs.	12.0%	10.9%
Real Estate	11.2%	2.4%
Materials	11.1%	2.7%
S&P 500	9.8%	-
Consumer Discretionary	8.8%	12.7%
Information Technology	8.0%	27.2%
Utilities	5.0%	2.6%
Health Care	4.3%	12.7%
Consumer Staples	1.5%	6.0%

MACRO: US

Inflation pressures showed signs of building in March with core CPI rising 0.3% m/m and core PPI rising 0.7% m/m (both at the high end of the past 15 year range). And following last year’s economic shutdown (and low base), inflation readings y/y are likely to rise in the coming months. However, the Fed has not wavered from its dovish stance, stating that these inflationary pressures should be transitory with the jobs market still far from full employment.

March retail sales rose by an enormous 9.8% m/m (27% y/y!), boosted by \$1.9T stimulus passed during the month, along with increasingly relaxed stay-at-home measures (i.e. spending in bars and restaurants is within 5% of pre-pandemic levels). Retail sales are now up at a 34.7% annualized rate in Q1’21 vs Q4’20. Industrial production is recovering at a slower rate with supply chain issues acting as a drag. Yet overall, these readings support upside to economic growth in Q1. And with the vaccine rollout continuing to ramp up (3M Americans being vaccinated/day), we continue to have a positive bias to the economic recovery as the reopening transpires, boosted by unprecedented levels of stimulus and a still accommodative Fed.

US Economic Data This Week	Period	Actual	Consensus	Prior
PPI ex-Food & Energy SA M/M	MAR	0.70%	0.20%	0.20%
PPI ex-Food & Energy NSA Y/Y	MAR	3.1%	2.7%	2.5%
PPI SA M/M	MAR	1.0%	0.45%	0.50%
PPI NSA Y/Y	MAR	4.2%	3.8%	2.8%
NFIB Small Business Index	MAR	98.2	-	95.8
CPI ex-Food & Energy SA M/M	MAR	0.30%	0.20%	0.10%
CPI ex-Food & Energy NSA Y/Y	MAR	1.6%	1.5%	1.3%
CPI SA M/M	MAR	0.60%	0.50%	0.40%
CPI NSA Y/Y	MAR	2.6%	2.5%	1.7%
Continuing Jobless Claims SA	04/03	3,731K	3,700K	3,727K
Initial Claims SA	04/10	576.0K	700.0K	769.0K
Retail Sales ex-Auto SA M/M	MAR	8.4%	4.9%	-2.5%
Retail Sales SA M/M	MAR	9.8%	5.5%	-2.7%
Capacity Utilization NSA	MAR	74.4%	75.7%	73.4%
Industrial Production SA M/M	MAR	1.4%	3.0%	-2.6%
NAHB Housing Market Index SA	APR	83.0	83.0	82.0

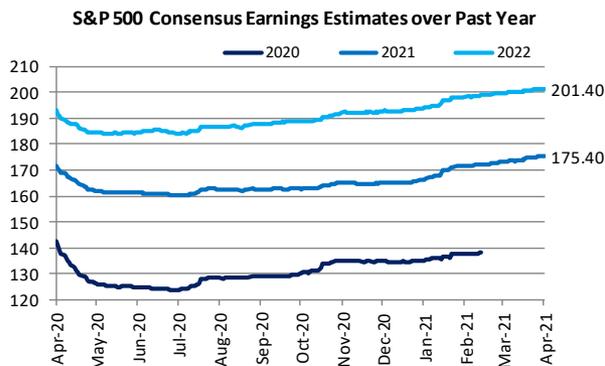


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FUNDAMENTALS

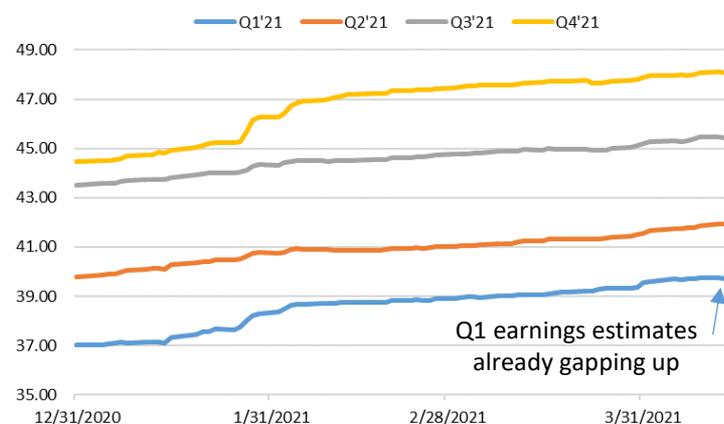
Q1 earnings season has begun with strong results and positive price reactions in aggregate so far (very early). Announcements are set to ramp up with 82 S&P 500 companies reporting next week and 173 the following week. Full Q1 earnings growth estimates have already begun to gap higher- up to 24.7% from 21.3% last week. Companies already reporting have beaten estimates by 38% in aggregate, driven by a 63% earnings surprise from the financials thus far (on large reserve releases). For the S&P 500, these early reports suggest significant upside to Q1 estimates, likely to follow the trend of the past three quarters- that being historically high surprise rates of 23.5%, 19%, and 14.8% (vs the 15 year average of 4.7%). For reference- if a 10% surprise rate comes to fruition through Q1 earnings season, Q1 S&P 500 earnings would finish at 34% growth (would be highest since 2010). Additionally, forward estimates for all quarters of 2021 and 2022 continue to trend higher, supportive of our above consensus earnings estimates to 2021 and 2022 of \$190 and \$220 respectively.

Valuation remains elevated with a S&P 500 P/E of 28x. A moderation in the rise of interest rates, along with strong economic data and continued improvement in corporate credit spreads, have been supportive. We continue to believe that valuation is set to normalize this year as earnings recover, but can remain well above historical averages given enormous stimulus and still low interest rates. Moreover, we believe robust earnings growth will outweigh valuation normalization as the year transpires, resulting in upside to equities.



EPS Growth Estimates	
2020	-14.0%
2021	27.1%
2022	14.8%

2021 Earnings Estimates

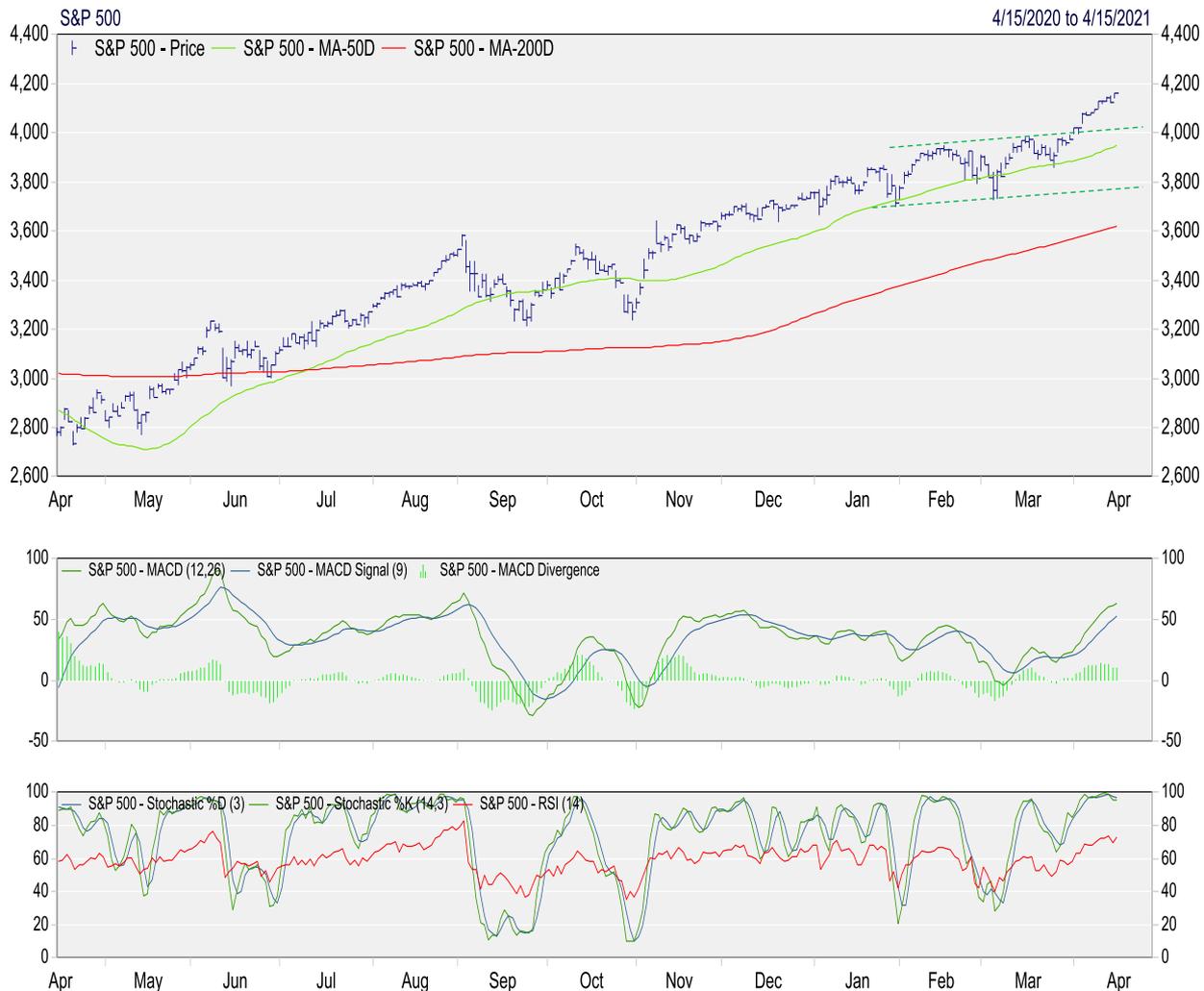


S&P 500 Earnings Growth



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 continued to climb over the past week, following a breakout to new highs on April 1st. Leadership has come from the technology-oriented and growth stocks during the advance, in conjunction with a consolidation of interest rates.

While rotation continues to take place at the sector and stock level beneath the surface, overall participation is extremely broad with over 95% of S&P 500 stocks above their 200 DMA and over 91% above their 50 DMA (highest since June).

To put this in perspective, there have only been two instances in the past 20 years where the % of S&P 500 stocks above their 50 and 200 DMA were greater than 90% and 95% respectively- September 2009 and May 2013. Trends remained positive in those two periods with above average returns in the next 6 months.

While short term stochastics are in overbought territory, the underlying strength of the technical backdrop continues to be supportive of market trends. We expect pullbacks to be normal in nature and recommend using them opportunistically.

Short-term support levels:

- The 50-day moving average will likely serve as initial support, upward-trending at 3943 currently.

Short-term resistance levels:

- Keep an eye on round numbers (4150, 4200), and then 4274 as potential resistance.

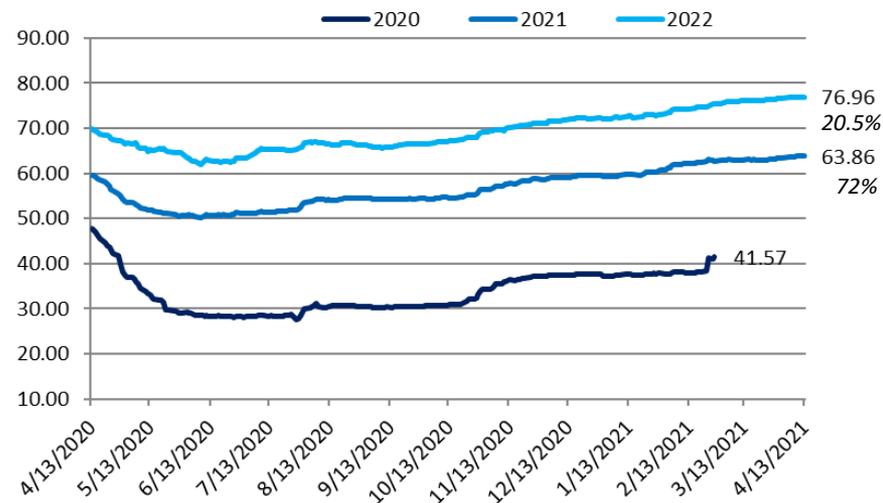
SMALL CAPS

The small caps have been in a consolidation phase lately, digesting enormous strength since early November. This is completely healthy and normal in our view, and this grind may ultimately have more to go. However fundamentally, small cap earnings growth is expected to be enormous in the recovery (estimate revisions are also positive); and the index is trading at its 20 year average relative P/E vs the S&P 500. For those building small cap allocations, we recommend accumulating the group at current levels.

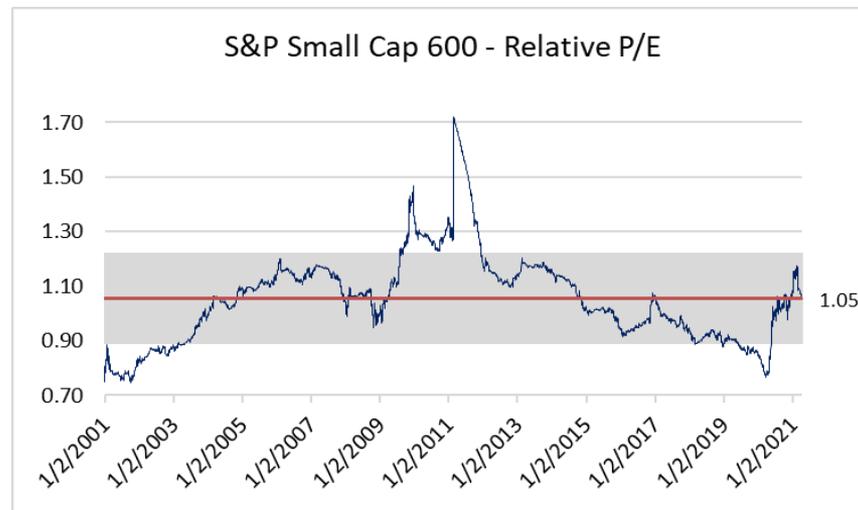


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

Earnings Estimate Revisions - over Past Year

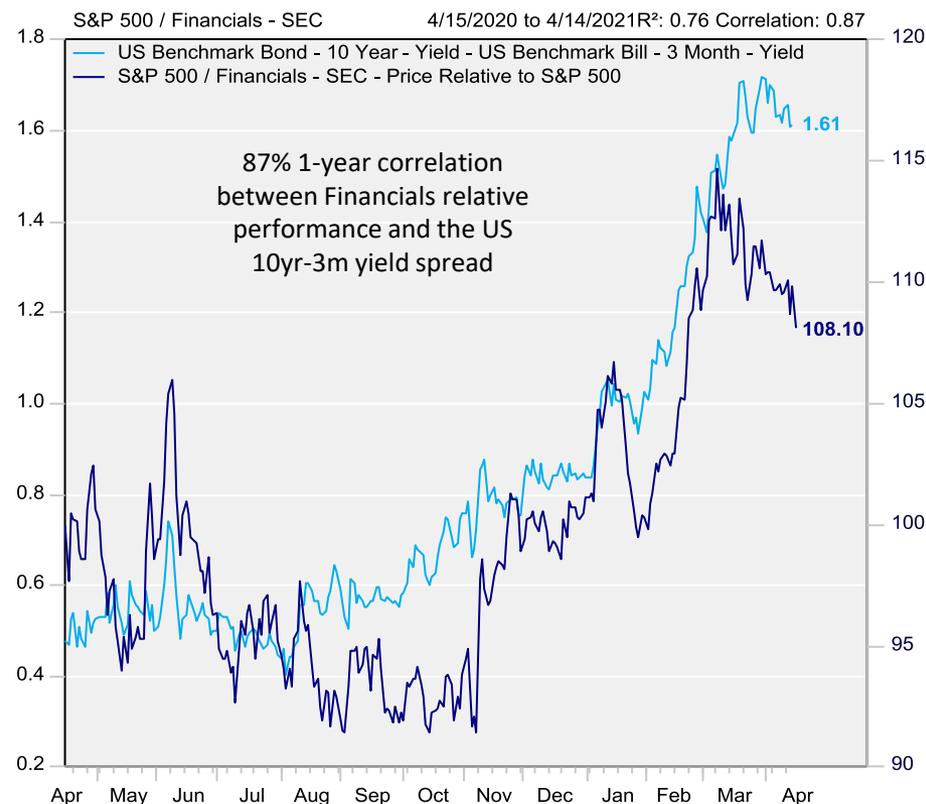
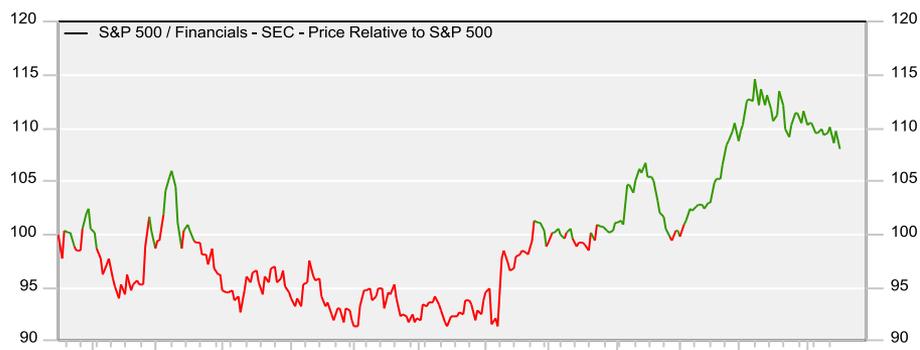


S&P Small Cap 600 - Relative P/E



FINANCIALS

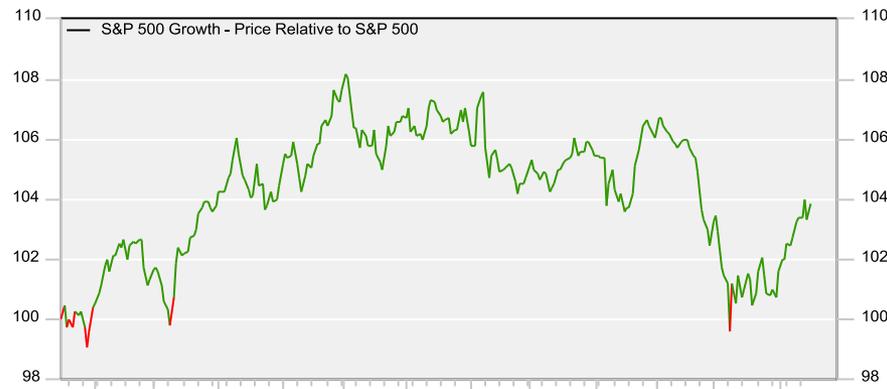
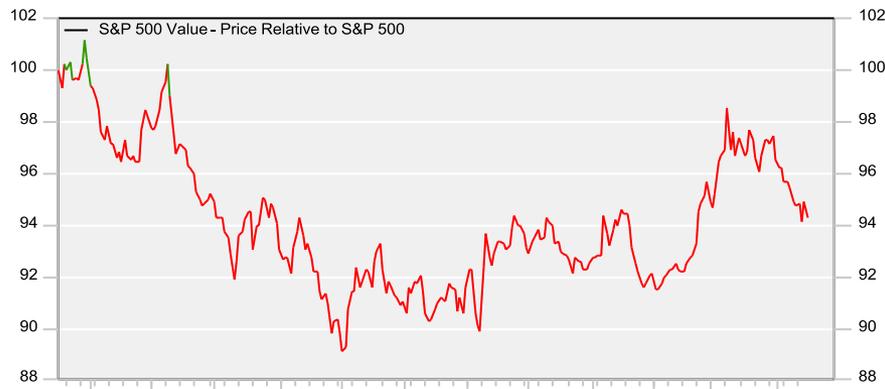
The Financials have seen a moderation in their relative strength trends lately, coming in conjunction with a moderation in the rise of interest rates. As you can see in the chart below, there has been a 87% correlation between the relative performance of Financials and the US 10yr-3m yield spread over the past year. The US 10 year Treasury yield has pulled in from a 1.78% high on 3/30 to 1.56% today, and approaching technical support at 1.50% (its 50 DMA). The Financials sector has experienced a strong start to Q1 earnings season fundamentally, and the economic outlook continues to strengthen in our view. We ultimately believe interest rates are likely to move higher, along with a wider yield curve as the Fed remains on hold. For these reasons, we would use the consolidation in Financials as a buying opportunity.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

GROWTH AND VALUE

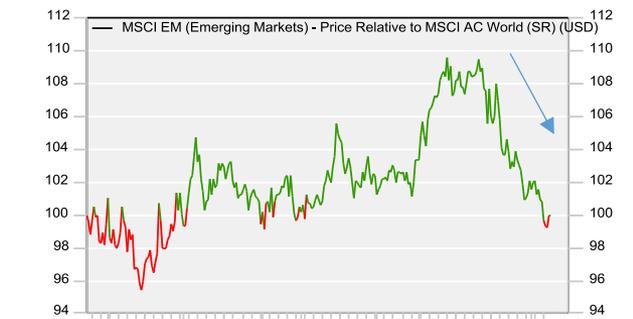
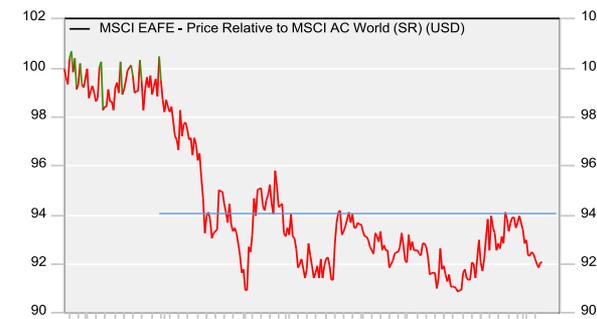
Both Growth and Value styles have broken to new highs in April, but leadership has come from Growth. We like both Growth and Value with plenty of attractive stocks across both investment styles. But for those investors building positions to Value, we would use its recent consolidation as a buying opportunity.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

GLOBAL EQUITIES

The US remains our favored place to invest globally with strong technical trends and robust economic growth in the midst of a relatively strong vaccine rollout and economic reopening. Developed markets ex-US have experienced solid absolute performance lately, but have not been able to break out on a relative basis vs the World. The US dollar strengthening (since December) has moderated lately, but emerging markets have still continued their sharp give-back in relative strength. The US dollar remains in a sloppy technical trend, and we will be monitoring the currency as it tests key support levels in the next week or so.



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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