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Weekly Market Guide

The S&P 500 remains at all-time highs, as it continues to digest short-term overbought conditions along with very strong Q1 earnings results. The macro backdrop continues to improve with Q1 GDP growing 6.4% q/q (second strongest quarter in over 15 years), and the underlying data was even stronger (i.e. domestic final sales +10.6%). US real GDP is now just 0.9% from its pre-pandemic level, set to surpass its pre-recessionary level in just six quarters (a full two years quicker than the credit crisis recovery). And April PMI surveys pushed to their highest readings on record. We maintain our positive stance on the economic recovery, supported by a strong vaccine rollout (roughly 40% of adults fully vaccinated), pent-up demand for a reopening (21% savings rate vs 7.5% 15-year average), and still very low inventory levels, along with fiscal stimulus and a still accommodative Fed.

This strong economic growth is filtering into exceptional Q1 earnings. 40% of S&P 500 companies have reported so far with 86% of these beating on the bottom line by an aggregate 23.9%- which would be the highest earnings surprise on record if sustained. Q1 S&P 500 earnings growth estimates are now up to 35.5% (from 21.6% when earnings season began). Price reactions, however, remain muted on average and mixed across companies- suggesting much was priced in after the strong market gains into the quarter. Overall, full year 2021 and 2022 estimates (and all quarters within) continue to get revised higher, and we believe upside remains. We remain above consensus estimates for both years- $190 EPS for 2021 (vs 179.50 consensus) and $220 for 2022 (vs $203). Valuations remain elevated, but are supported by low interest rates and corporate credit spreads. We continue to believe that robust earnings growth will outweigh valuation normalization in the recovery ahead, providing upside to equities. We continue to expect normal pullbacks and market rotation to occur, but the structural backdrop remains solid technically. As such, look for opportunity at the sector and stock level.

Interest rates have been a large influence on market rotation and, after consolidating to its 50 DMA in recent weeks, the US 10 year Treasury yield appears set to move higher. Supporting this view is the relative performance of copper vs gold- a gauge of economic momentum and risk appetite- that has been correlated to bond yields and broke to new highs this week. If bond yields are set to show some upside, this is likely to be a boost to Financials relative performance (which has been correlated to bond yields). We recommend overweight exposure to Financials and would look to accumulate. Accordingly, we also recommend accumulating Value, which had experienced a consolidation in relative strength with the moderation in interest rates- both of which could be set to resume higher.

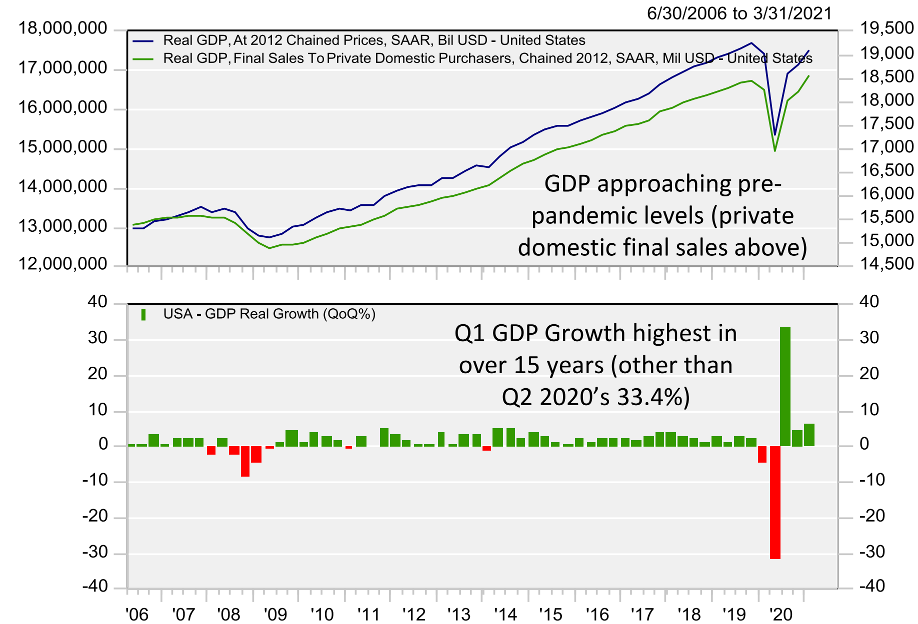
Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	10.5%	40.3%
S&P 500	11.4%	46.1%
S&P 500 (Equal-Weight)	16.3%	55.5%
NASDAQ Composite	9.0%	63.2%
Russell 2000	16.7%	77.5%
MSCI All-Cap World	9.2%	46.5%
MSCI Developed Markets	6.7%	39.7%
MSCI Emerging Markets	5.7%	51.2%
NYSE Alerian MLP	29.4%	40.3%
MSCI U.S. REIT	15.0%	32.1%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Energy	32.0%	2.7%
Financials	21.7%	11.3%
Real Estate	15.7%	2.5%
Industrials	14.9%	8.7%
Materials	14.9%	2.7%
Communication Svcs.	14.0%	11.0%
S&P 500	***11.4%***	-
Consumer Discretionary	9.8%	12.6%
Information Technology	8.6%	27.1%
Health Care	7.5%	12.9%
Utilities	4.5%	2.6%
Consumer Staples	1.4%	5.9%

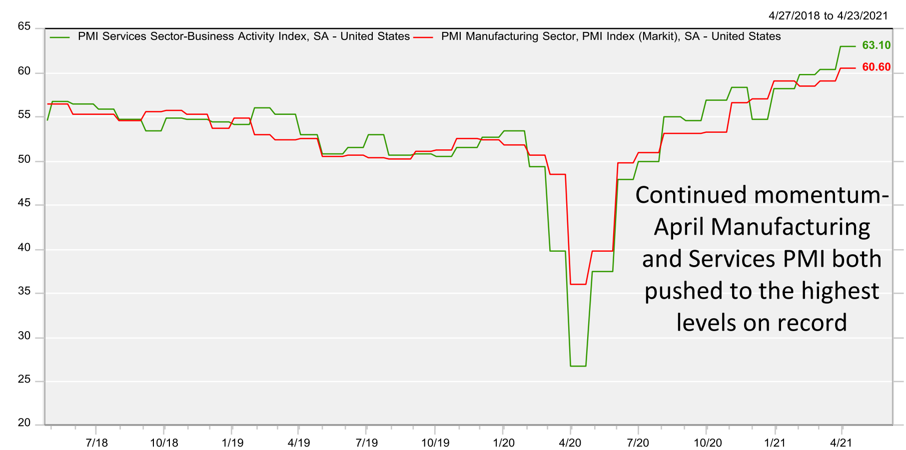
MACRO: US

Q1 GDP rose 6.4% q/q, which was the strongest quarterly growth (outside of 33.4% in Q3 2020) in over 15 years. The reading was even stronger beneath the surface, as private domestic final sales rose at a 10.6% pace, consumer spending 10.7%, business fixed investment 9.9%, and residential fixed investment 10.1%. US Real GDP is now just 0.9% from its pre-pandemic level, and will very likely surpass this in Q2. To put in perspective how rapid this recovery has been (fueled by unprecedented levels of fiscal and monetary stimulus), Q2 would be just 6 quarters to reach pre-recession GDP- a full 2 years quicker than the credit crisis recovery.

Looking forward, the April PMI surveys both pushed higher to their highest readings on record, reflecting continued momentum. Supporting this is a strong vaccine rollout (roughly 40% of adults fully vaccinated) and pent up demand for a reopening (21% savings rate vs 7.5% 15-year average), along with still very low inventory levels. And despite the strong data, the Fed did not waver from its accommodative stance, instead focusing on employment which still has plenty of recovery to go (8.4M less employed than pre-pandemic) and continuing to state their expectation that inflationary pressures are transitory.



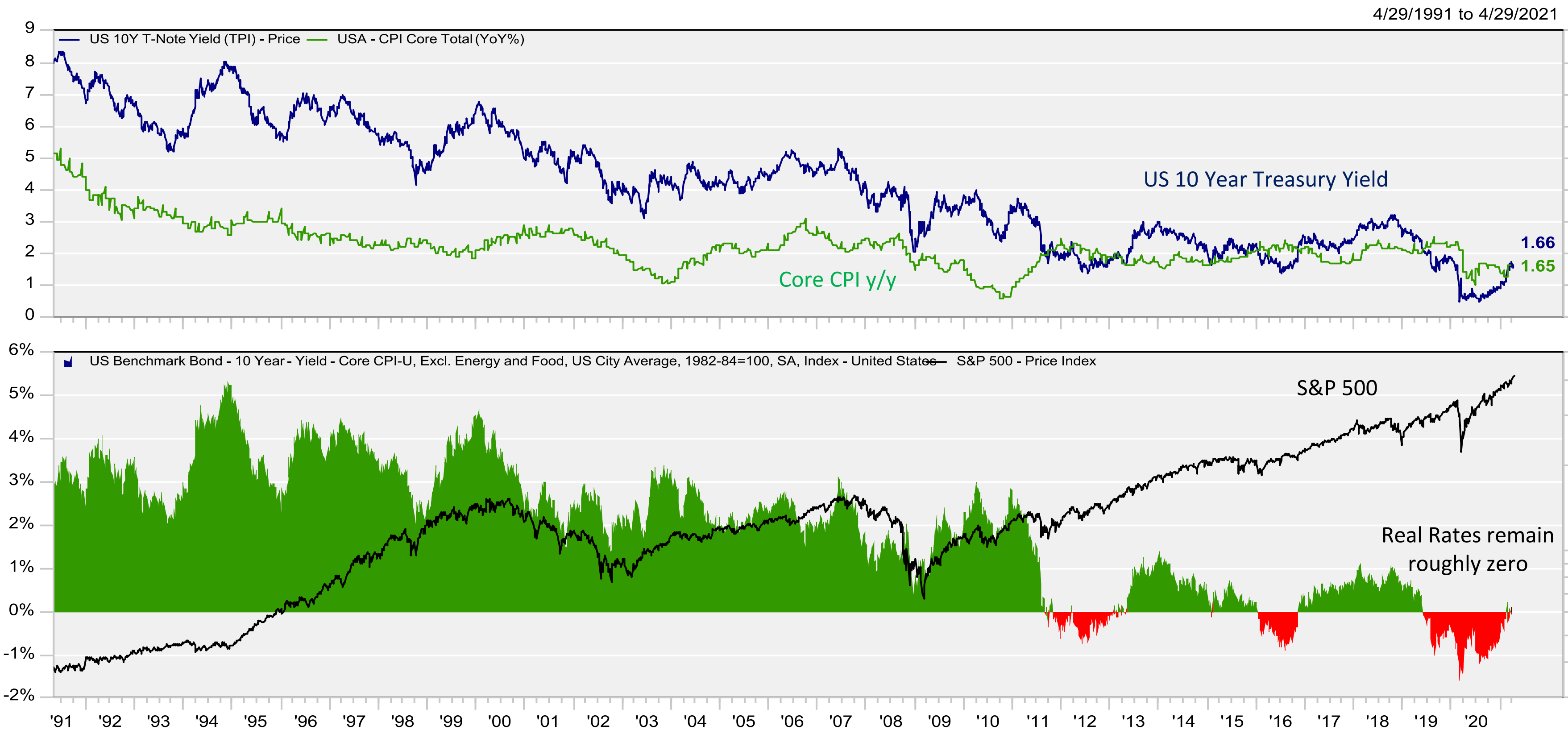
US Economic Data This Week	Period	Actual	Consensus	Prior
Building Permits SAAR (Final)	MAR	1,766K	1,766K	1,766K
PMI Composite SA (Preliminary)	APR	62.2	60.8	59.7
Markit PMI Manufacturing SA (Preliminary)	APR	60.6	60.0	59.1
Markit PMI Services SA (Preliminary)	APR	63.1	61.3	60.4
New Home Sales SAAR	MAR	1,021K	887.0K	846.0K
Durable Orders ex-Transportation SA M/M (Preliminary)	MAR	1.6%	1.5%	-0.30%
Durable Orders SA M/M (Preliminary)	MAR	0.50%	2.3%	-0.90%
S&P/Case-Shiller comp.20 HPI M/M	FEB	1.2%	1.1%	1.2%
S&P/Case-Shiller comp.20 HPI Y/Y	FEB	11.9%	11.8%	11.1%
Consumer Confidence	APR	121.7	112.0	109.0
Continuing Jobless Claims SA	04/17	3,660K	3,614K	3,651K
GDP SAAR Q/Q (First Preliminary)	Q1	6.4%	6.3%	4.3%
GDP SA Y/Y (First Preliminary)	Q1	0.40%	0.40%	-2.4%
Initial Claims SA	04/24	553.0K	555.0K	566.0K



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

REAL RATES

Despite the strong economic data and a pick up in inflationary pressures lately, monetary policy remains very accommodative and the US 10 year Treasury yield remains very low at 1.66% currently. A risk to the equity market outlook is sustainably higher inflation, and companies have cited inflation on their earnings calls this quarter the most in the past 10 years (according to FactSet). We will continue to monitor inflationary pressures, but agree with the Fed assessment that inflation is likely to be transitory for now with the economy far from full employment (wage growth remains low). That said, we do expect inflation to move higher in the months ahead. With real returns on bond yields remaining close to zero, we continue to view the economic backdrop as supportive of equity markets.

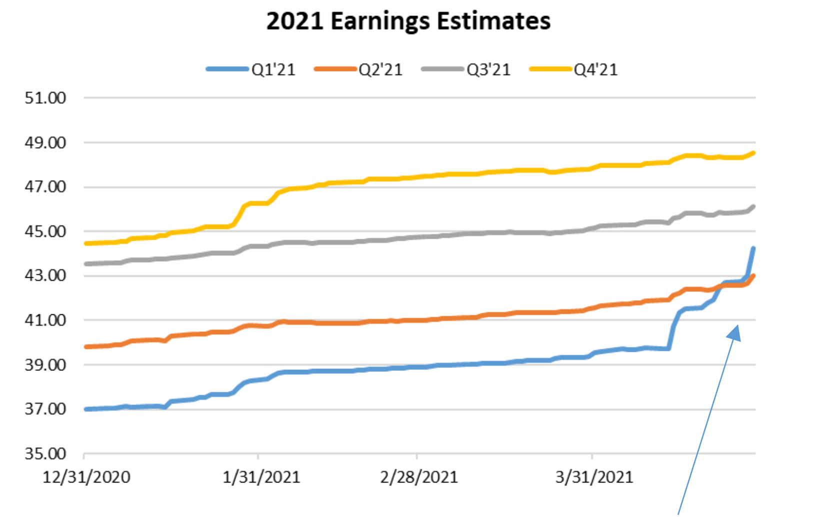


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

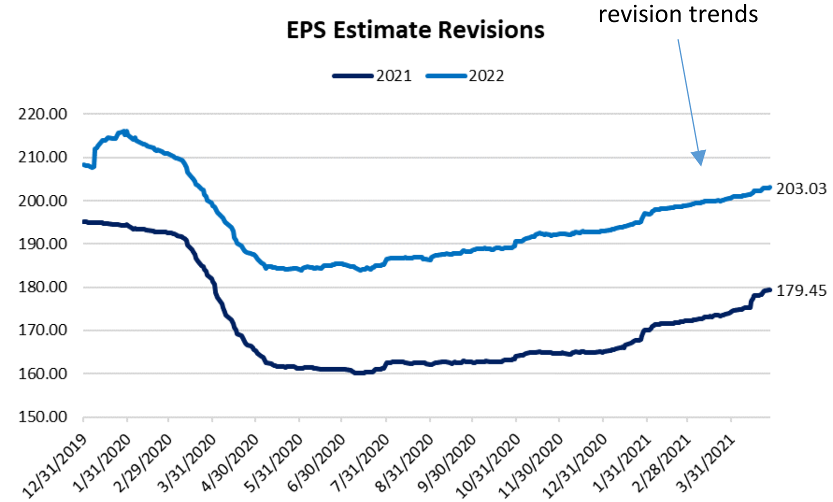
FUNDAMENTALS

40% of S&P 500 companies and 65% of its market cap have reported very strong Q1 results so far. 86% of these companies are beating on the bottom line by an aggregate 23.9%, which would be the highest on record if sustained. Q1 S&P 500 earnings growth estimates are now up to 35.5% (from 21.6% when earnings season began). The largest earnings surprises are coming from the Financials, Energy, Communication Services, and Consumer Discretionary sectors. Price reactions remain muted (-0.2% average) and mixed with roughly half of companies moving higher and half moving lower following results- suggesting much was priced in after the strong market gains into the quarter. Technology was a sector we were watching due to consolidating relative strength in recent months, and they have exhibited great results but still lackluster price reactions in aggregate.

Full year 2021 and 2022 estimates (and all quarters within) continue to get revised higher, and we believe upside remains. We remain above consensus estimates for both years- $190 EPS for 2021 (vs 179.50 consensus) and $220 for 2022 (vs $203).



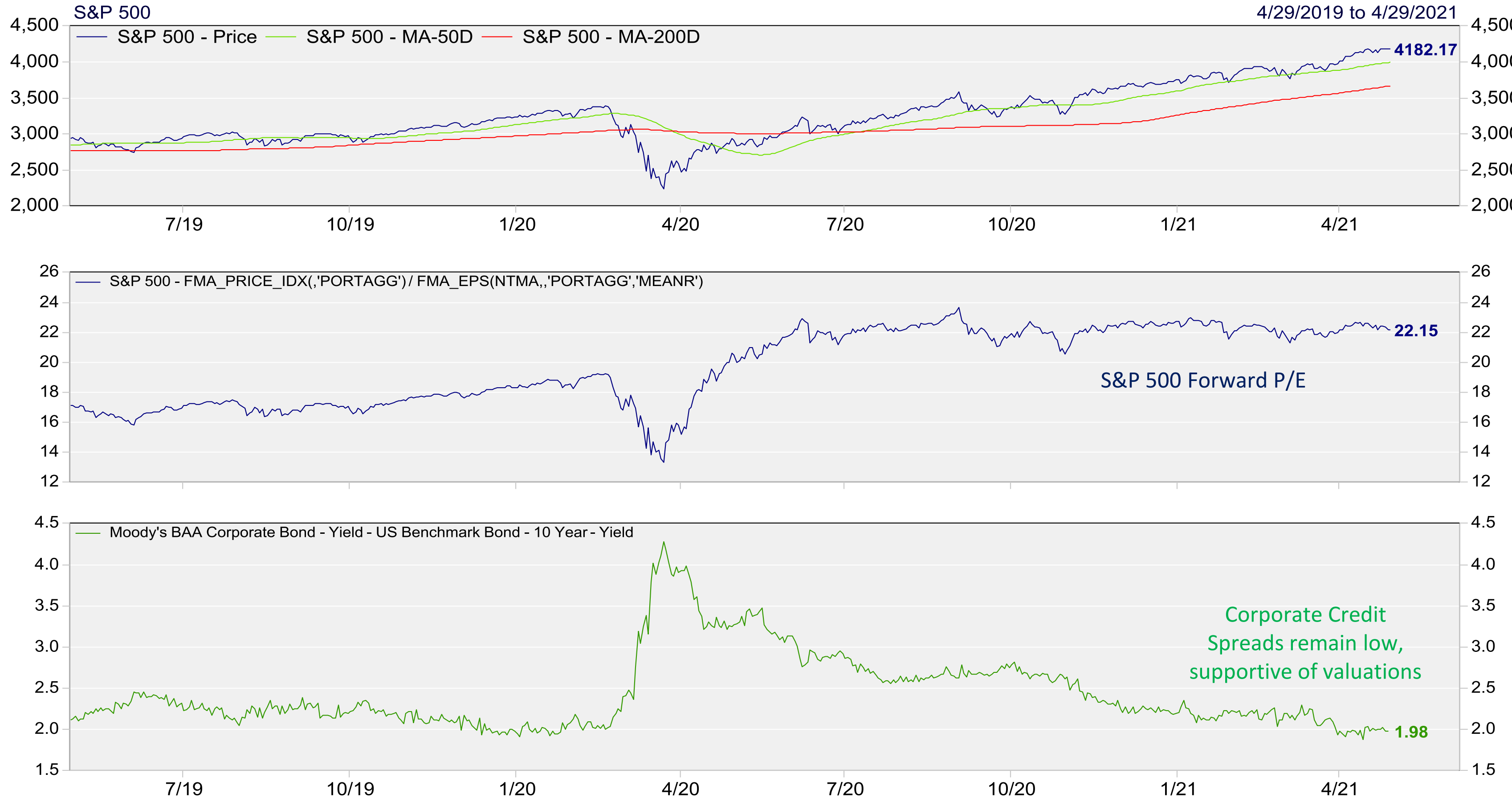
S&P 500 Sector	% Q1 Est. EPS Growth	% EPS Surprise	% Companies w/ Beats	Est. Change Since 1/1/21 Q1'21	2021	2022	Avg Price Reaction
S&P 500	**35.5**	**23.9**	**86**	**19.6%**	**9.9%**	**5.8%**	**-0.3%**
Financials	134.1	39.9	91	54.9%	27.7%	8.6%	-0.2%
Consumer Discretionary	80.3	32.0	85	4.5%	0.9%	3.8%	-0.7%
Materials	54.0	12.0	100	17.9%	23.1%	13.8%	-0.5%
Communication Services	36.8	32.6	78	30.1%	12.0%	7.1%	1.1%
Information Technology	28.7	11.5	96	14.5%	7.7%	7.2%	-2.6%
Health Care	22.6	10.8	84	7.4%	3.0%	1.4%	-0.8%
Consumer Staples	6.7	8.6	71	3.8%	0.7%	0.2%	1.2%
Utilities	3.3	8.6	83	1.2%	-1.5%	0.3%	-0.3%
Real Estate	1.0	2.9	75	5.2%	2.7%	0.7%	-0.1%
Energy	-0.9	179.5	88	193.0%	102.2%	30.8%	1.7%
Industrials	-15.3	24.1	80	-9.2%	-3.9%	3.1%	0.5%



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

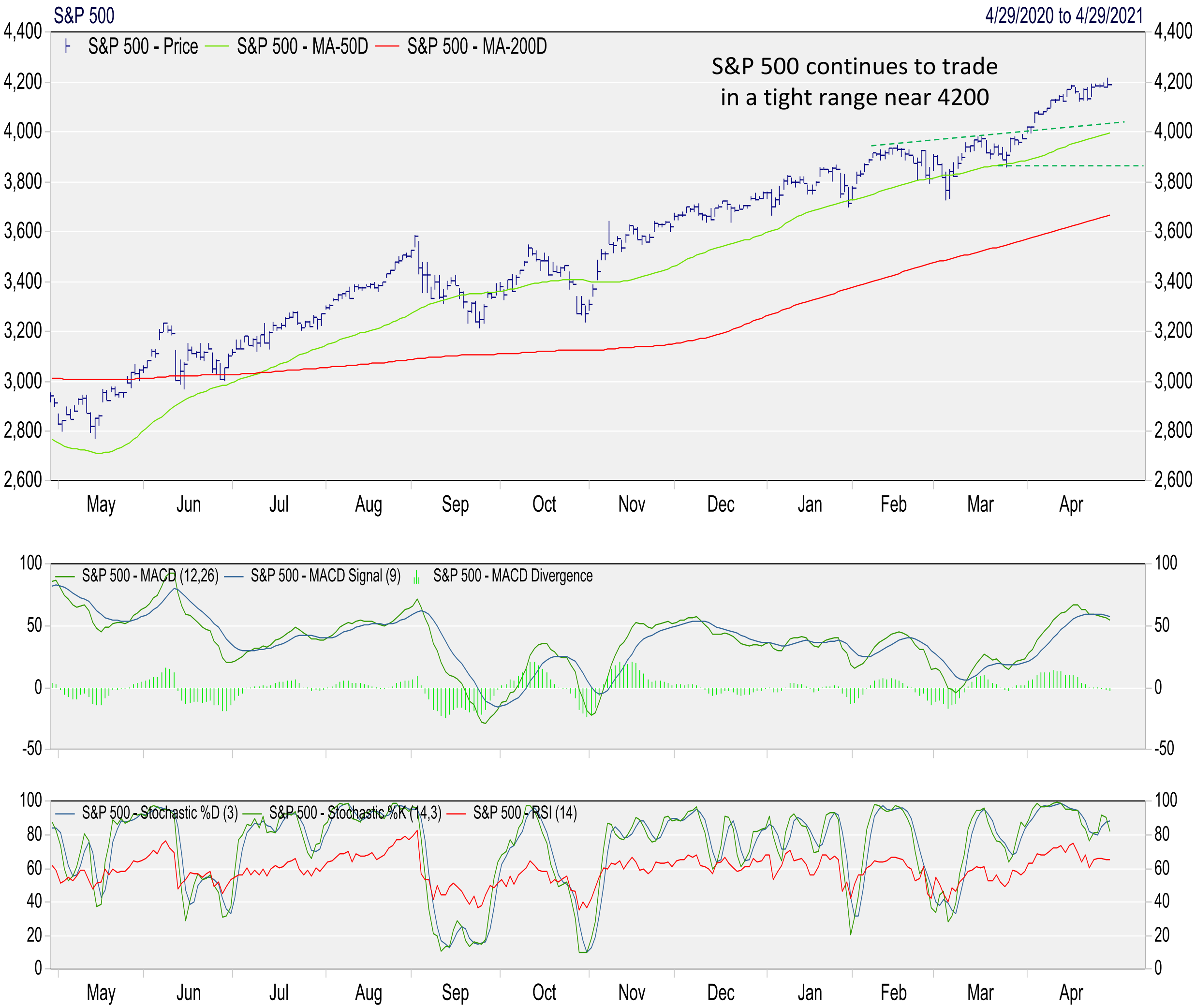
VALUATION

Very strong economic data, in conjunction with low interest rates and corporate credit spreads, has been supportive of equity market valuations. The forward P/E multiple of 22.15x is in line with its average over the past year, but is still at elevated levels historically. As earnings rapidly recover, we expect this multiple to normalize. Our estimates reflect a 19x forward P/E by year end, which would be in line with pre-pandemic levels. We continue to believe that robust earnings growth will outweigh valuation normalization in the recovery ahead, providing upside to equities.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: S&P 500



The S&P 500 remains at all-time highs, and continues to digest overbought conditions. We continue to expect normal pullbacks and market rotation to occur, but the structural backdrop remains solid technically. As such, look for opportunity at the sector and stock level.

The S&P 500 made a new all-time high today, but continues to trade in a tight range near 4200. This is the first area of technical resistance to monitor, followed by 4274 (Fibonacci extension).

For technical support, we see numerous levels nearby. The upward-trending 50 DMA at 3997 currently will be a key level to watch. Below this, potential support should be found near 3853.

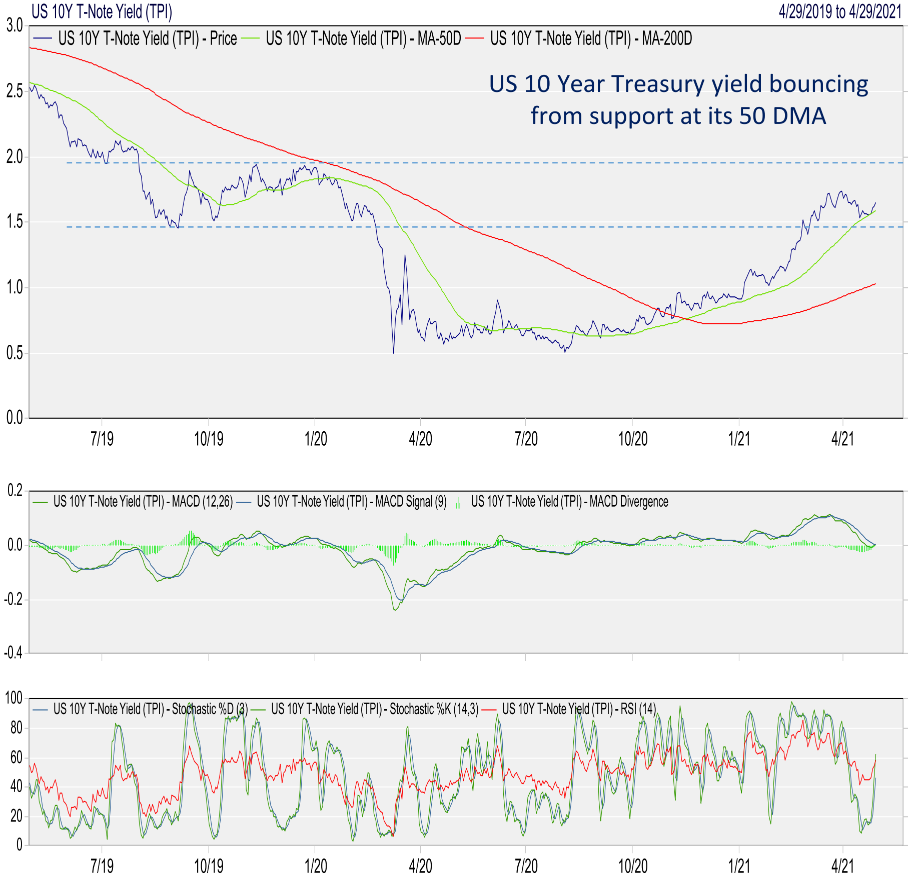
We do note a MACD crossover to the downside, which could leave the market more vulnerable to normal pullback periods.

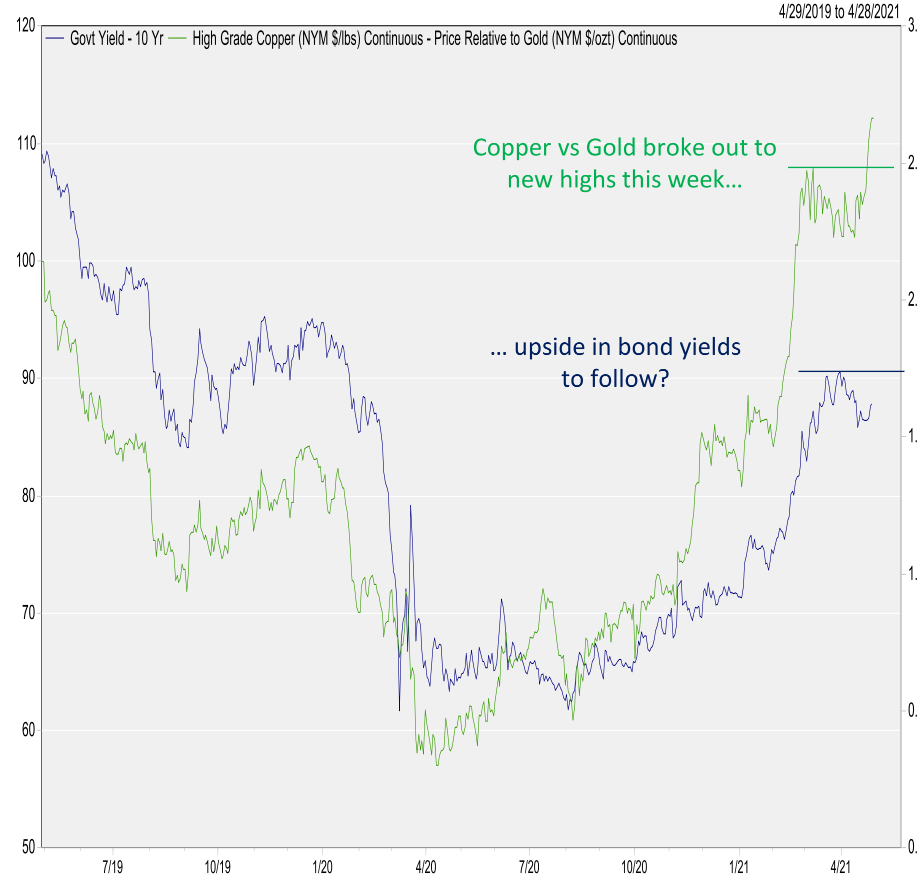
Digesting overbought conditions

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

BOND YIELDS

The US 10 year Treasury yield has consolidated a historically strong up-move in recent weeks back to its 50-DMA, very normal and healthy technically. With MACD threatening to turn back positive and short term stochastics turning up from oversold levels, we would not be surprised for interest rates to move higher in the short term. Additionally, bond yields have been correlated with the relative performance of copper vs gold (a gauge of economic momentum and risk appetite). This relative performance metric broke out to new highs this week, and supports the view that bond yields are also likely to move higher.

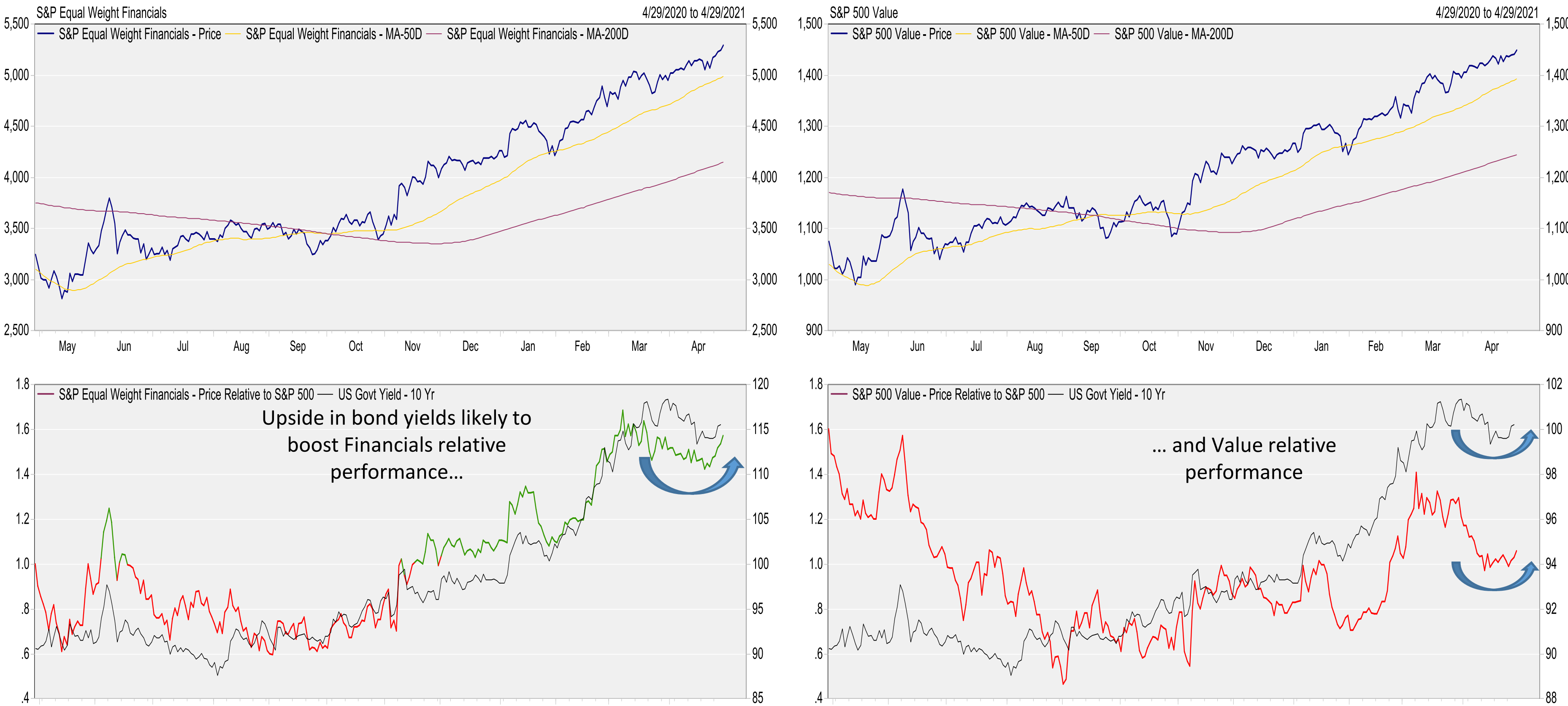




Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FINANCIALS AND VALUE

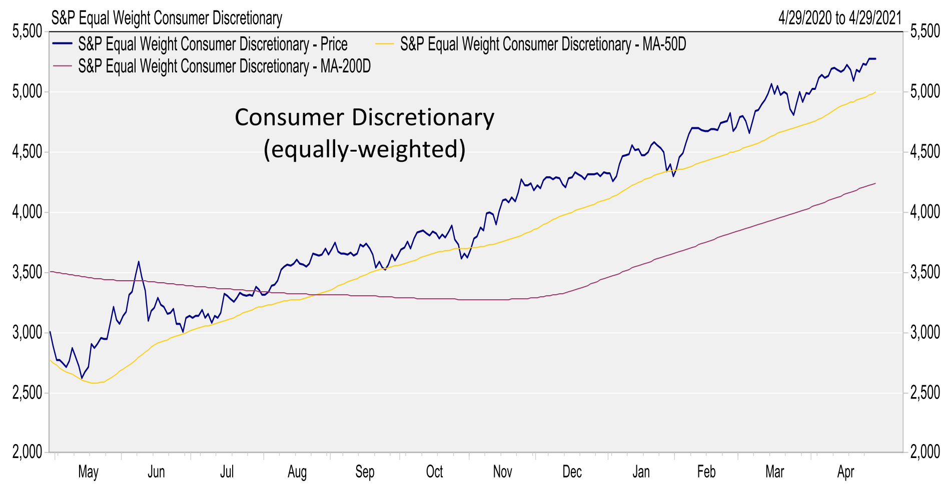
If bond yields are set to show some upside, this is likely to be a boost to Financials relative performance (which has been correlated with bond yields). We also favor the Financials fundamentally in our outlook, given solid balance sheets, favorable credit trends, and likelihood for increased loan growth (along with higher interest rates) as the economy rebounds. Valuation is also supportive in our view with the sector still trading near the lower end of its 15-year range in terms of relative P/E and P/Book. Consequently, we also recommend accumulating Value (largest weight is Financials). Value remains relatively undervalued with more leverage fundamentally to the economic recovery than Growth. After consolidating relative strength with the moderation in interest rates, relative performance could be set to resume higher.

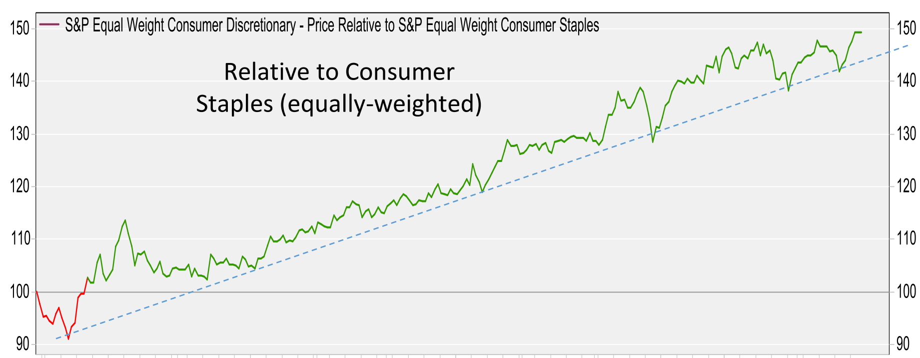


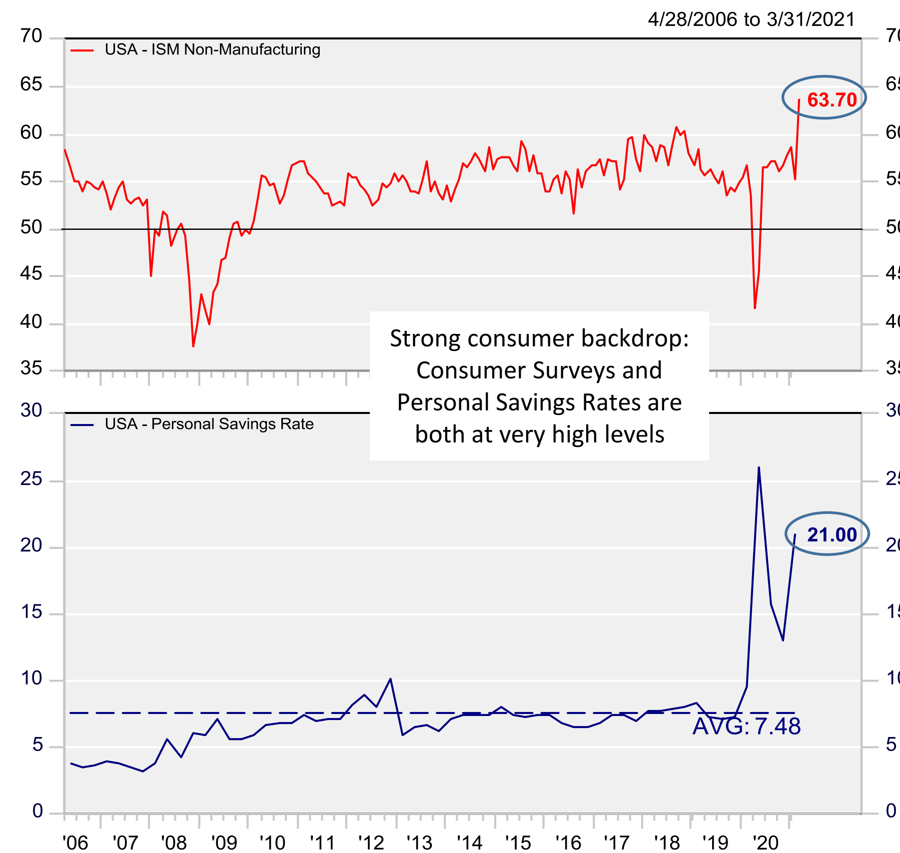
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

CONSUMER DISCRETIONARY

The strong consumer backdrop, backed by enormous fiscal stimulus and pent-up demand for a reopening, continues to support overweight exposure to Consumer Discretionary stocks. Q1 earnings season has been very strong so far with companies beating earnings estimates by 32% in aggregate, resulting in 80% estimated growth for the full quarter (largest component reports tonight). The sector was able to break out to new price highs this week, along with new relative strength highs vs Consumer Staples. This not only supports technical momentum for the broader market, but also performance trends for the Consumer Discretionary sector.



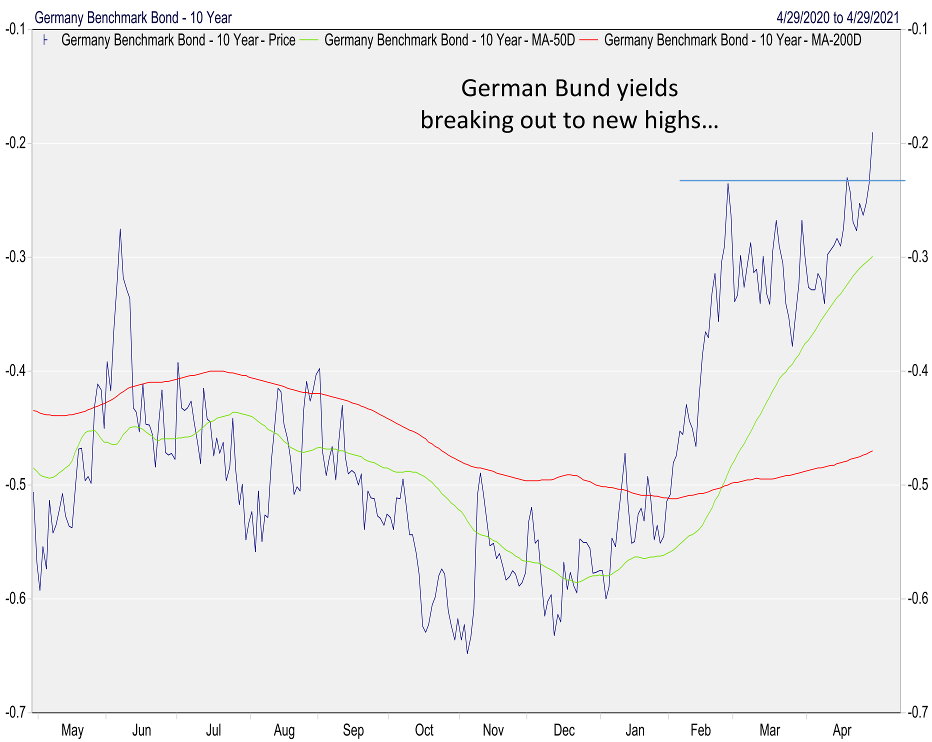


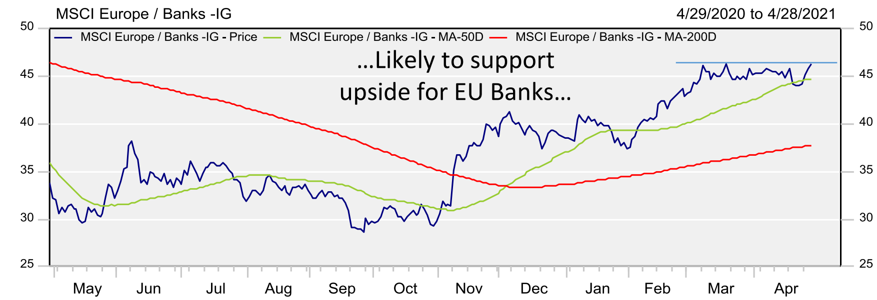


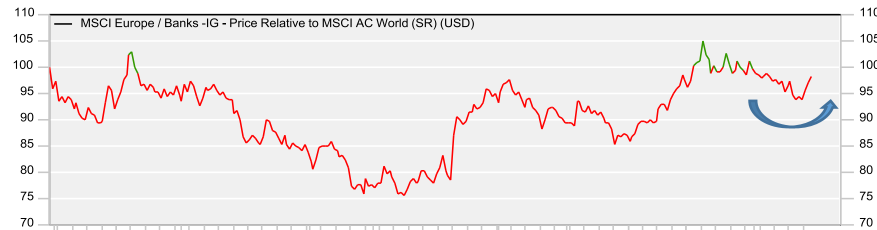
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

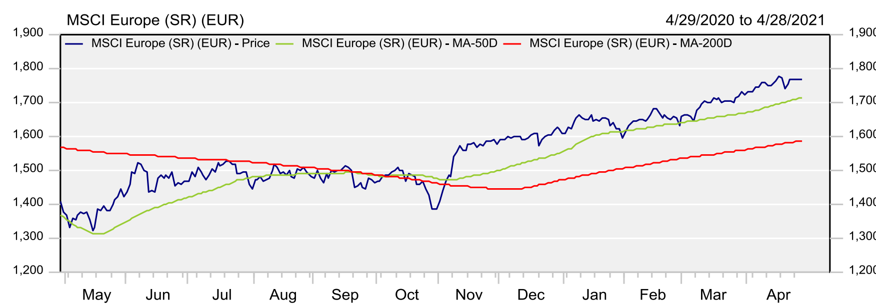
EU BANKS

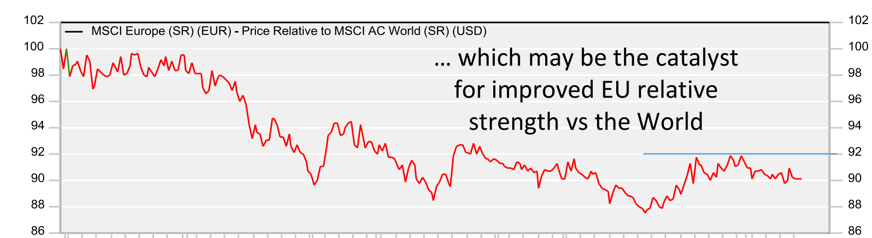
German Bund yields are breaking out to new highs, as stay-at-home measures in Europe start to get rolled back. The higher bond yields are likely to support EU bank performance, which are on the cusp of a breakout to new highs. Relative strength for EU banks vs the World appears to be turning higher; and with EU banks such a large weighting within the broader EU index, we will be interested to see if this results in better relative performance for Europe. With the risk of being early, global asset allocators can accumulate Europe. Those wishing to wait for momentum to turn higher, wait until relative strength for the EU index breaks above recent highs.











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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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