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

OCTOBER 21, 2021 | 3:42 PM EDT

Weekly Market Guide

Short-Term Summary:

With ~20% of the S&P 500's market cap having reported up to this point, Q3 earnings season has gotten off to a solid start. 83% of S&P 500 companies have beaten estimates by an aggregate earnings surprise of 13.3%. While this 13.3% rate is lower than the past five quarters, it is still very strong historically (well above the 5.2% 15-year average) and supportive of fundamental trends. Many companies are citing the difficult environment with the Delta variant's impact on global supply chains and inflation, but also noting elevated demand. Importantly, since the start of Q3 reports, forward S&P 500 earnings estimates are ticking higher for Q4 2021 and all quarters of 2022. Earnings are the most important driver of equities over the long term, so these positive revision trends are supportive of overall market trends. Looking ahead, earnings season is set to heat up from here with 173 more S&P 500 companies reporting by the end of next week, highlighted by the mega-cap Tech names (AAPL, MSFT, GOOGL, AMZN, and FB make up 22% of the S&P 500's market cap and all report next week).

Technically, "buy the pullback" wins again, as the S&P 500 broke above the 50-day moving average and is attempting to push to new highs. The downtrend has now transitioned to a horizontal base- more of a flat/ consolidation pattern than declining pattern, and we view it as a pause within the prevailing uptrend. Odds are the index breaks out to the upside. However, due to uncertainty surrounding the supply chain, Fed action, and inflation (labor market structure), we have a sideways to moderate upward bias over the coming weeks and months. Seasonal factors (Nov-Dec seasonally strong period of the year) and the potential for some clarity over the issues (with Delta past its peak) are next in line to produce the next leg higher. Earnings are the long-term driver of stock prices, and it is reassuring to see a solid start to Q3 earnings season being a key driver of the rally.

Declining Covid cases have supported upside in bond yields over recent weeks, which has significant implications on equity market performance beneath the surface. The improved growth expectations and less risk-off tone (following Delta's peak), along with the corresponding steeper yield curve, bodes well for the "average stock." The equal-weight S&P 500 index broke out to new highs yesterday, which not only supports underlying trends for equity markets (improved breadth in the rally) but also supports our positive stance on some of the more economically-sensitive areas. All in all, we recommend positioning portfolios with a diversified but pro-cyclical tilt (continuing to underweight the more interest-sensitive, defensive areas), and using weakness opportunistically.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	16.3%	25.8%
S&P 500	20.8%	31.7%
S&P 500 (Equal-Weight)	23.7%	40.3%
NASDAQ Composite	17.3%	31.3%
Russell 2000	15.9%	41.5%
MSCI All-Cap World	14.8%	27.9%
MSCI Developed Markets	8.8%	23.8%
MSCI Emerging Markets	0.8%	14.7%
NYSE Alerian MLP	45.7%	72.3%
MSCI U.S. REIT	28.8%	40.2%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Energy	55.0%	2.9%
Financials	36.4%	11.6%
Real Estate	29.4%	2.6%
Communication Svcs.	23.9%	11.0%
Information Technology	21.3%	27.8%
S&P 500	***20.8%***	-
Industrials	17.6%	8.1%
Materials	17.4%	2.5%
Consumer Discretionary	16.3%	12.4%
Health Care	15.0%	12.9%
Utilities	6.6%	2.4%
Consumer Staples	5.7%	5.6%

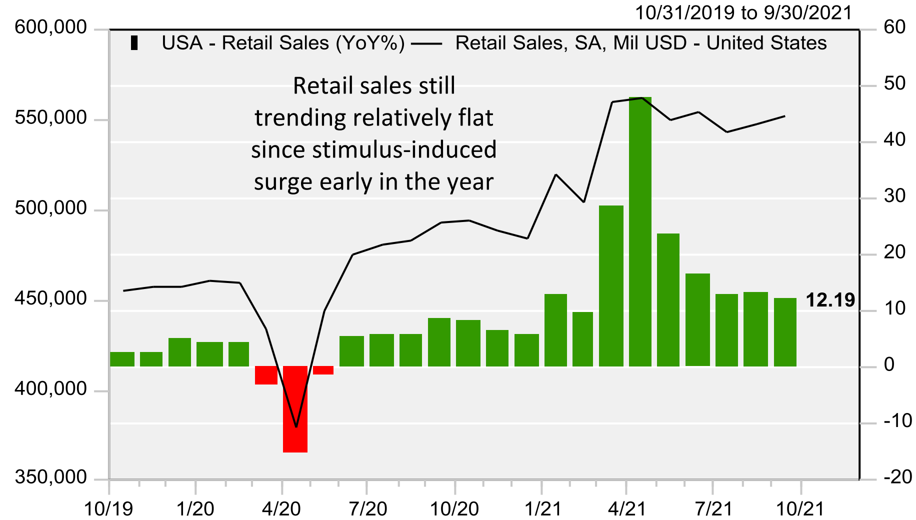
Source: FactSet, RJ Equity Portfolio & Technical Strategy

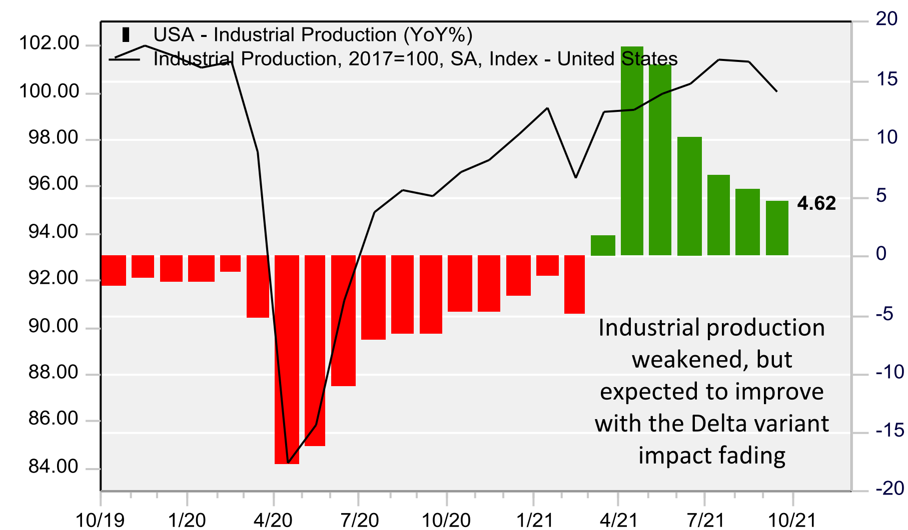
MACRO: US

September retail sales were better than expected, growing 0.7% m/m vs the -0.1% consensus estimate. Retail sales have basically trended flat following the early 2021 surge (from record fiscal stimulus) but remain 12.2% higher y/y. Also, this was the second consecutive month of sequential growth- a positive indication for consumer demand despite ongoing supply shortages and higher inflation.

On the other hand, September industrial production missed estimates- contracting -1.3% m/m vs the consensus estimate of 0.2% growth. Lingering effects from Hurricane Ida and the Delta variant both weighed on this report. As global Covid cases numbers and vaccination rates improve, we expect supply chain issues to ease and the manufacturing recovery to progress. We are also encouraged by strong manufacturing surveys for new orders (reflecting elevated demand).

Event	Period	Actual	Consensus	Prior
Retail sales ControlGroup M/M	SEP	0.82%	0.40%	2.6%
Retail sales Ex AutoFuel M/M	SEP	0.67%	0.40%	2.1%
Retail Sales ex-Auto SA M/M	SEP	0.80%	0.60%	2.0%
Retail Sales SA M/M	SEP	0.70%	-0.10%	0.90%
Business Inventories SA M/M	AUG	0.60%	0.60%	0.60%
Michigan Sentiment NSA (Preliminary)	OCT	71.4	74.0	72.8
Capacity Utilization NSA	SEP	75.2%	76.5%	76.2%
Industrial Production SA M/M	SEP	-1.3%	0.20%	-0.10%
Manufacturing Production M/M	SEP	-0.76%	0.30%	-0.40%
NAHB Housing Market Index SA	OCT	80.0	75.0	76.0
Building Permits SAAR (Preliminary)	SEP	1,589K	1,700K	1,721K
Housing Starts SAAR	SEP	1,555K	1,620K	1,580K
Housing Starts M/M	SEP	-1.6%	0.45%	1.2%
Continuing Jobless Claims SA	10/09	2,481K	2,550K	2,603K
Initial Claims SA	10/16	290.0K	299.0K	296.0K
Philadelphia Fed Index SA	OCT	23.8	24.0	30.7
Existing Home Sales SAAR	SEP	6,290K	6,110K	5,880K
Leading Indicators SA M/M	SEP	0.20%	0.45%	0.80%



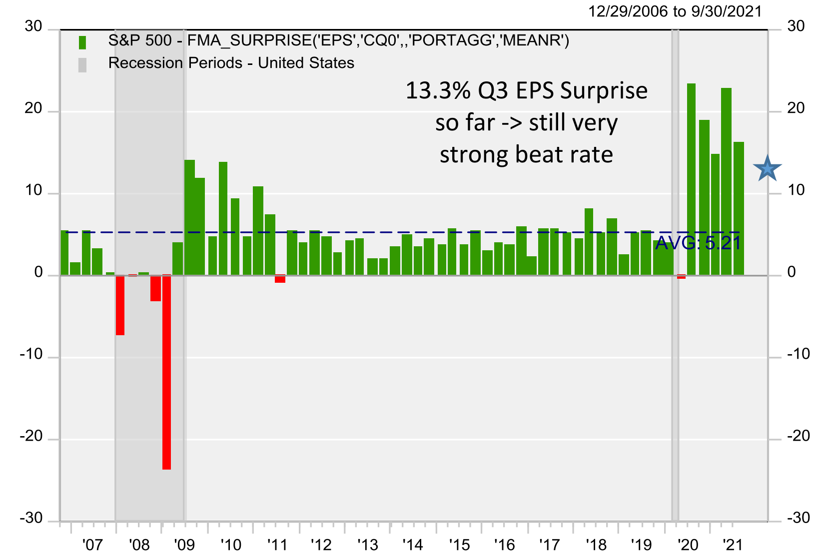


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

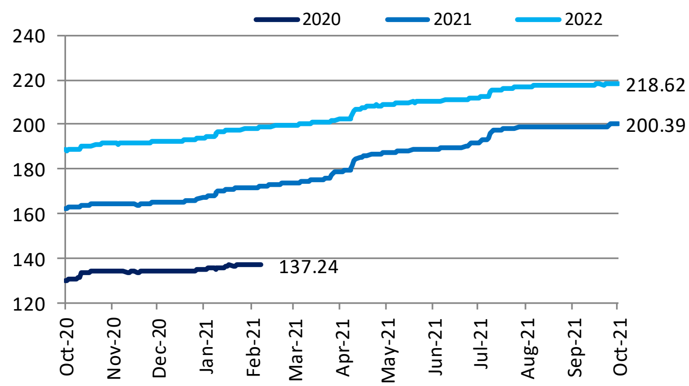
FUNDAMENTALS

About 20% of the S&P 500's market cap has reported Q3 results up to this point, and the early read is positive. 83% of S&P 500 companies reporting have beaten estimates by an aggregate earnings surprise of 13.3%. While this 13.3% rate is lower than the past five quarters, it is still very strong historically (well above the 5.2% 15-year average) and supportive of fundamental trends. Many companies are citing the difficult environment with the Delta variant's impact on global supply chains and inflation, but also noting elevated demand. 62% of S&P 500 companies are trading higher in the 3-day aftermath of results so far by an average of 0.8%. It is still very early, but the best price moves have come from Financials, Consumer Discretionary, and Health Care.

Forward earnings estimates are ticking higher for Q4 2021 and all quarters of 2022; and positive estimate revision trends are supportive of market trends. Also, the early read on results and guidance implies upside to our above-consensus $205 earnings estimate for 2021. At the current trend, Q3 earnings could finish at ~$55 (5% q/q growth vs current consensus estimates of -5%). Earnings season is set to heat up from here with 173 more S&P 500 companies reporting by the end of next week, highlighted by the mega-cap Tech names. The 5 largest S&P 500 companies- AAPL, MSFT, GOOGL, AMZN, and FB- make up 22% of the S&P 500's market cap and all report next week.



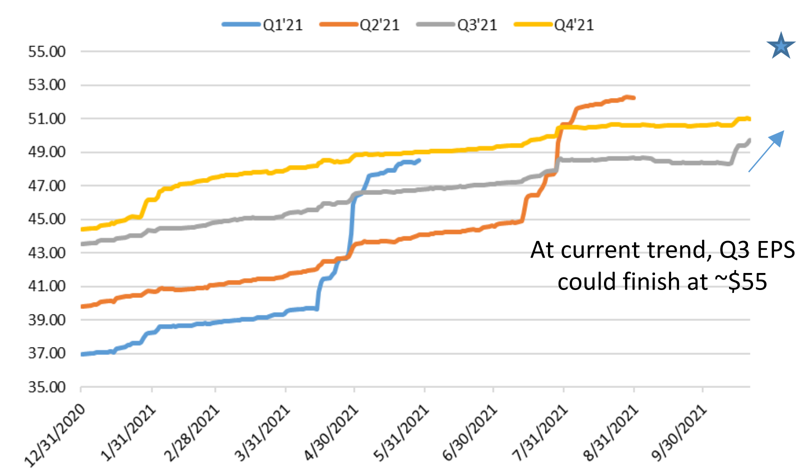
S&P 500 Consensus Earnings Estimates over Past Year



EPS Growth Estimates	
2020	-14.2%
2021	46.0%
2022	9.1%

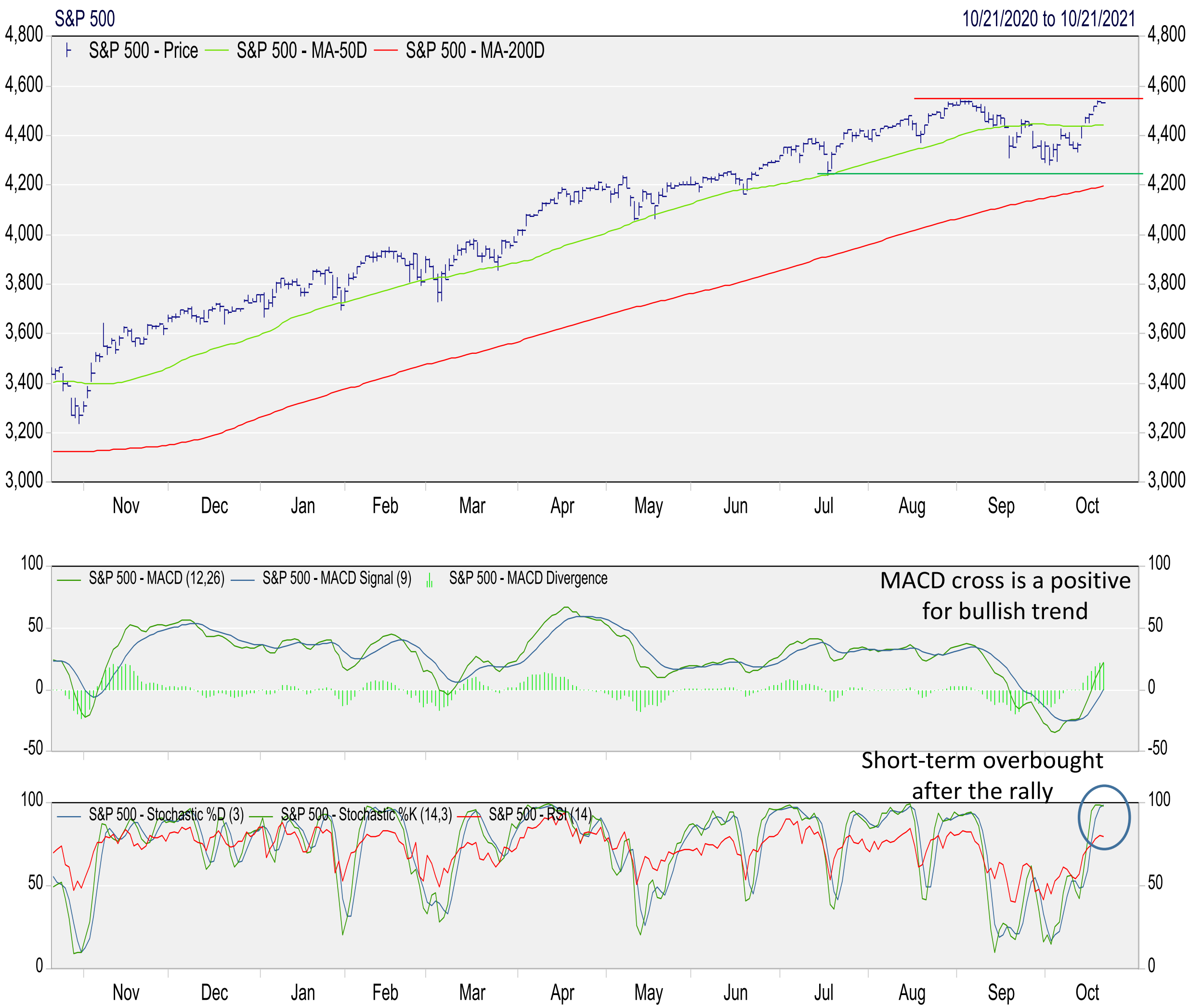
RJ Estimates
2021: 205
2022: 225
(includes 25% corporate tax)

2021 Earnings Estimates



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: S&P 500



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

Buy the pullback wins again. The S&P 500 broke above the 50-day moving average and is attempting to break to new highs.

Technical analysis is momentum driven

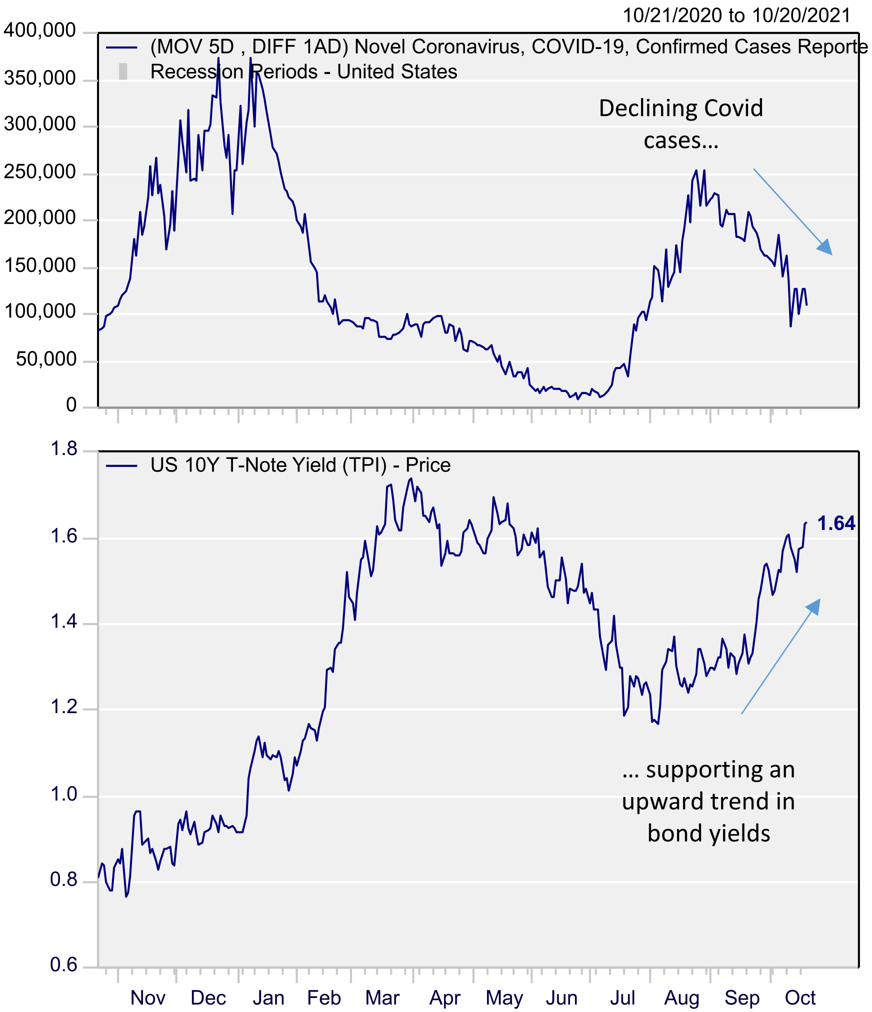
- The combination of lower highs and lower lows since August was a sign of growing downside momentum (short-term only since we are still in a bull market).
- But, over the past 5 days of trading, that momentum pattern was broken as the market registered a higher low, higher high, and took out the 50-DMA. A new high looks likely, which will reaffirm the bullish status.

The downtrend has now transitioned to a horizontal base- more of a flat/consolidation pattern than declining pattern, and we view it as a pause within the prevailing uptrend. Odds are the index breaks out to the upside. However, due to uncertainty surrounding the supply chain, Fed action, and inflation (labor market structure), we have a sideways to moderate upward bias over the coming weeks and months.

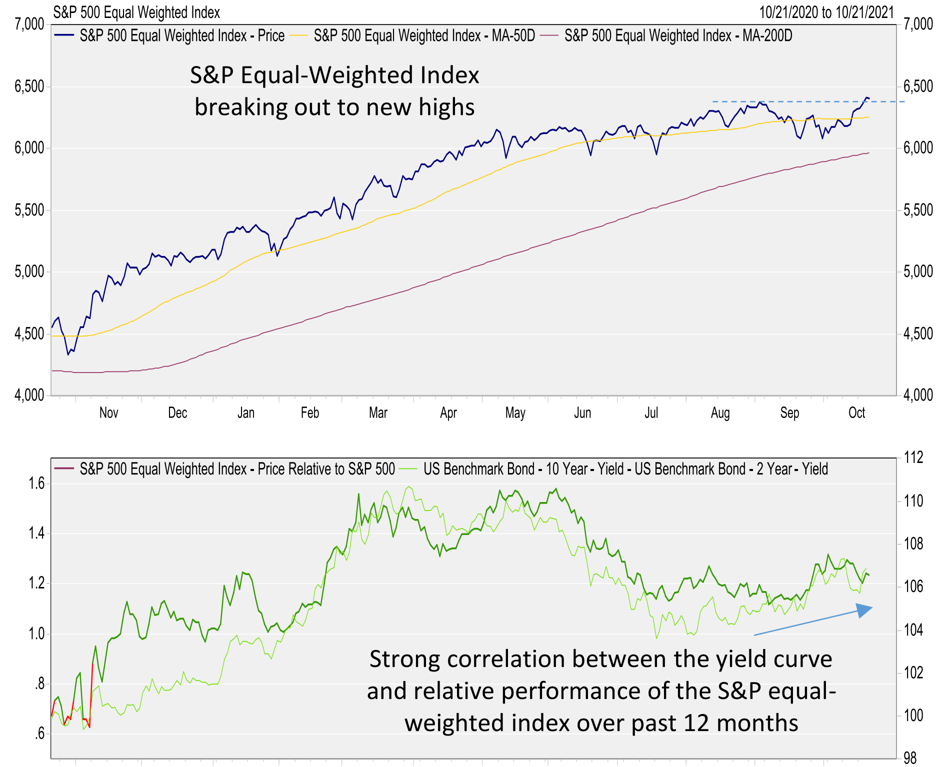
Seasonal factors (Nov-Dec seasonally strong period of the year) and the potential for some clarity over the issues with Delta past its peak are next in line to produce the next leg higher.

Earnings are the long-term driver of stock prices. It is reassuring to see a solid start to Q3 earnings season being a key driver of the rally.

COVID TRENDS, BOND YIELDS, AND EQUITY PERFORMANCE

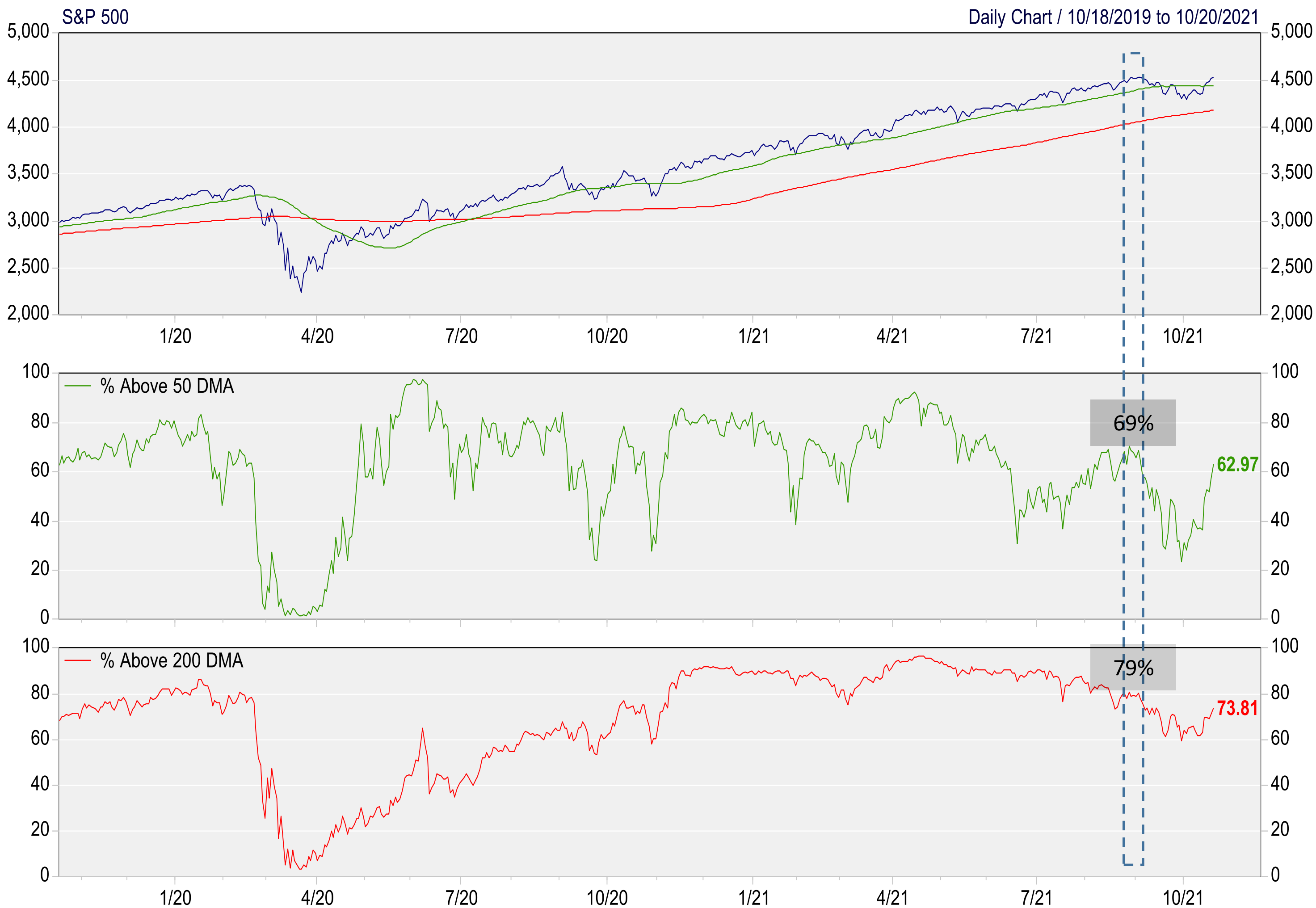


Declining Covid cases have supported upside in bond yields over recent weeks, which has significant implications on equity market performance beneath the surface. The improved growth expectations and less risk-off tone (following Delta's peak), along with the corresponding steeper yield curve bodes well for the "average stock." As you can see, there has been a strong correlation between relative performance of the S&P equal-weight index and the yield curve over the past year. The equal-weight index broke out to new highs yesterday, which not only supports underlying trends for equity markets (improved breadth in the rally) but also supports our positive stance on some of the more economically-sensitive areas.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

MARKET BREADTH

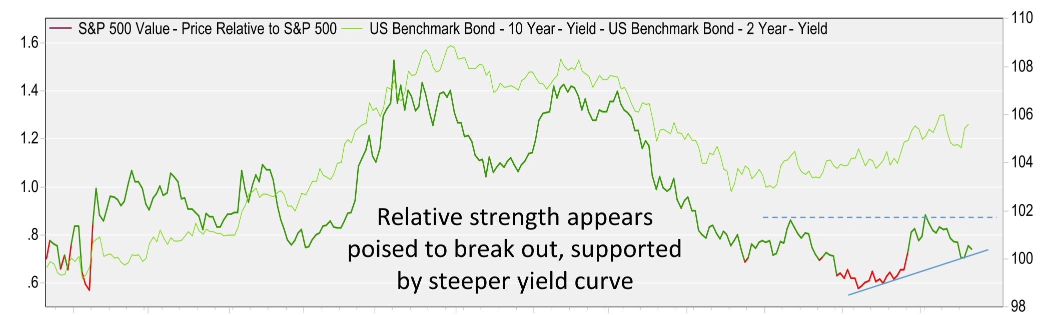


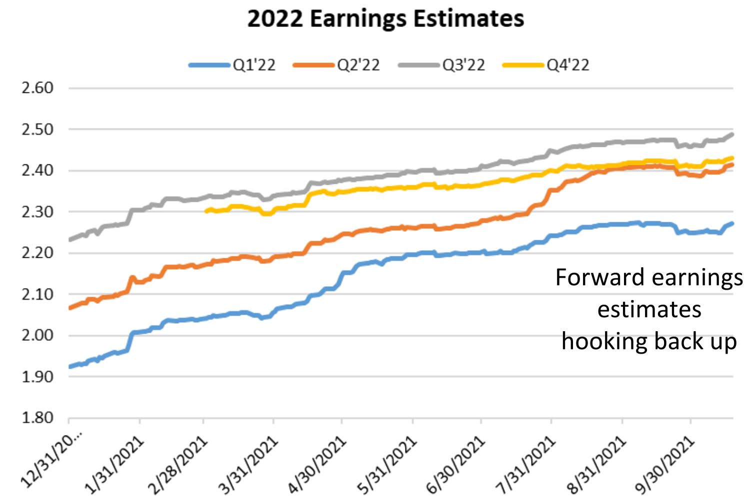
If the S&P 500 does make a clear breakout to new price highs, it will be reassuring to see the percentage of S&P 500 stocks above their 50- and 200-day moving averages surpass the highlighted levels at the prior market high- in order to snap the declining trend of participation at market highs in recent months. Stronger market breadth supports underlying technical momentum.

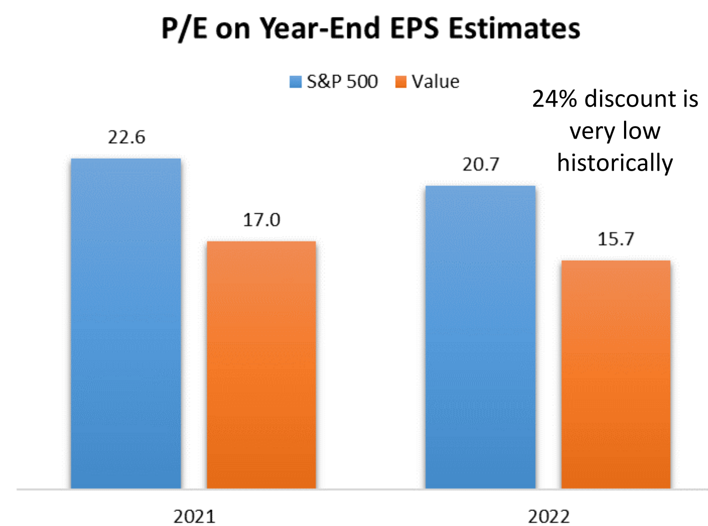
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

VALUE

Value is developing an interesting technical set-up in our view. Relative strength appears poised for a break out after a recent upward pattern of higher highs. We believe the steepening yield curve bodes well for the more Value-oriented areas, as the group underperformed through the Delta variant's rise (and narrower yield curve) in the summer months. Additionally, we are seeing forward earnings estimates hook back up (above the S&P 500) to begin Q3 earnings season, in conjunction with the decline in Covid cases. Current earnings growth expectations are largely in-line with the S&P 500 (slightly above for 2021 and slightly below for 2022), but valuation remains low historically. Value currently trades at a 24% discount to the S&P 500 P/E, double the 12% 20-year average discount.



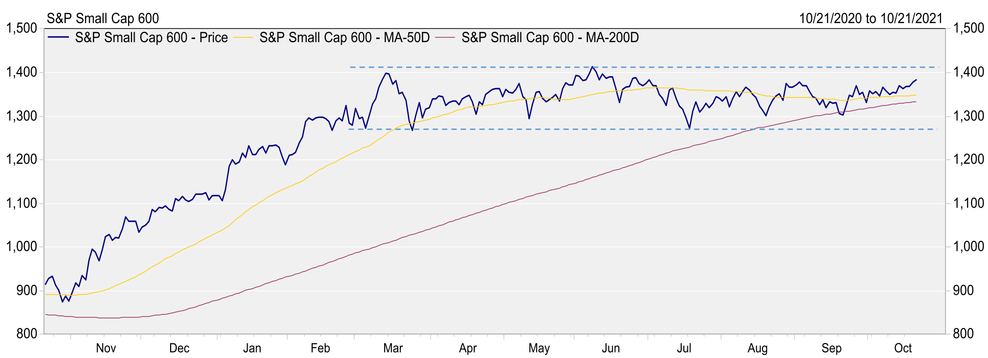


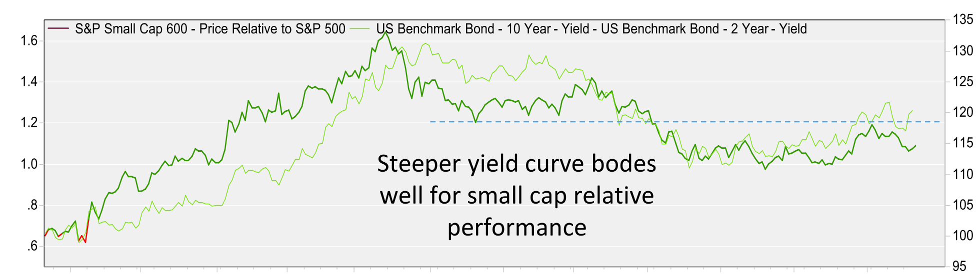


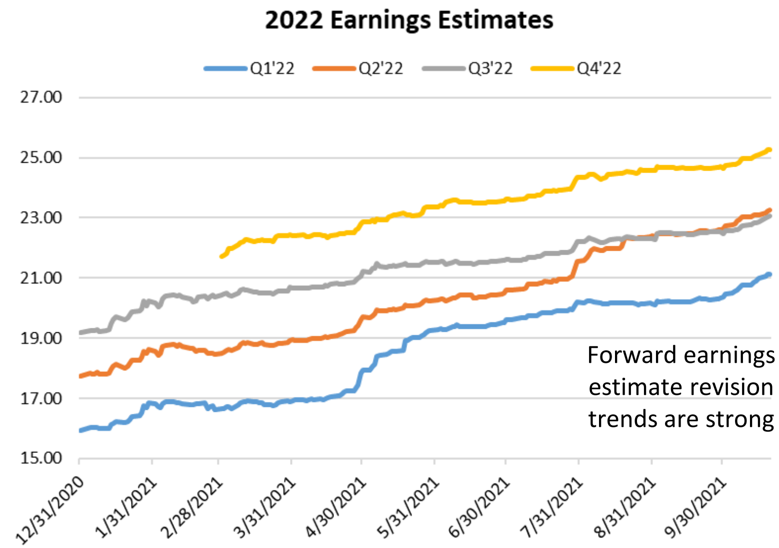
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

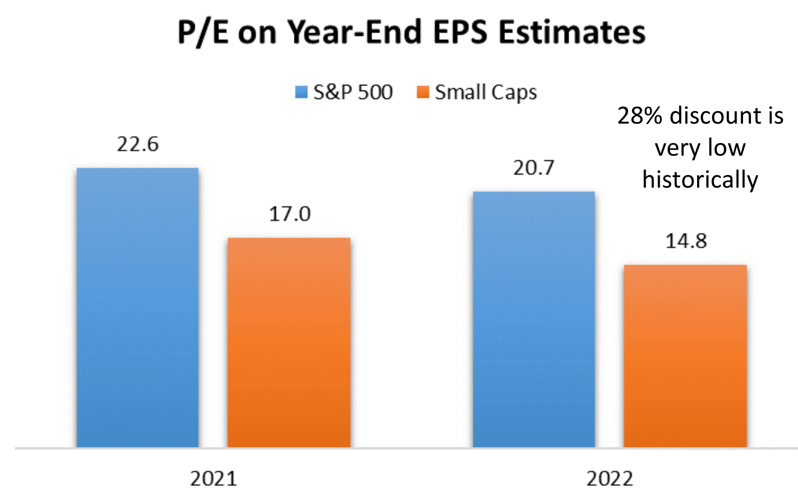
SMALL CAPS

The more economically-sensitive small caps have largely trended sideways for the past six months. In our view, this is due to the group's historically sharp rise from November to March (healthy consolidation to digest these gains, allowing moving averages to "catch up") along with the narrower yield curve since then, as the bond market correctly noticed some growing underlying concerns to the recovery (i.e. Delta variant, supply chains, inflation). The decline in Covid cases, along with rising vaccination rates globally, has contributed to a steeper yield curve in recent weeks- and we believe this bodes well for small cap relative performance. The fundamental outlook remains strong with upward estimate revision trends (on above-market earnings growth). Additionally, the small caps trade at a 28% discount to the S&P 500 on 2022 estimates (vs a 5% premium on average over the past 20 years). We recommend accumulating the small caps in their current basing phase and would increase conviction on a relative strength break out.





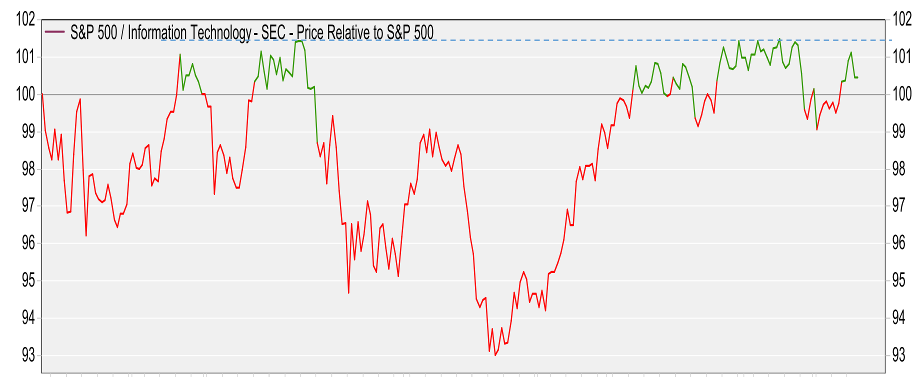


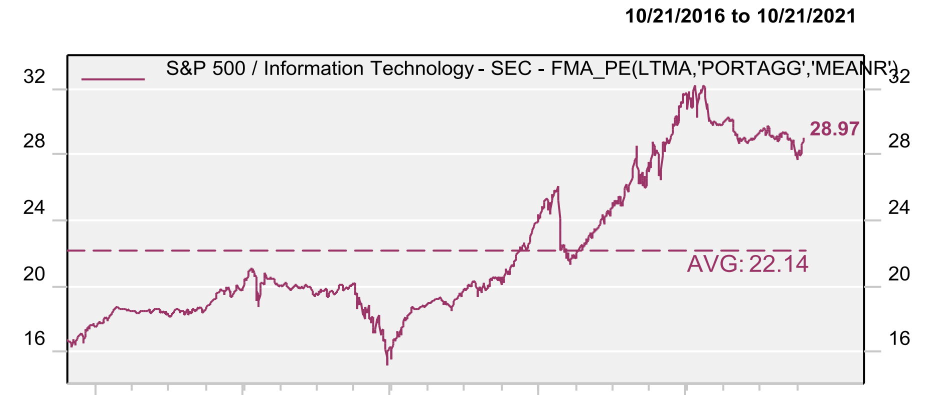


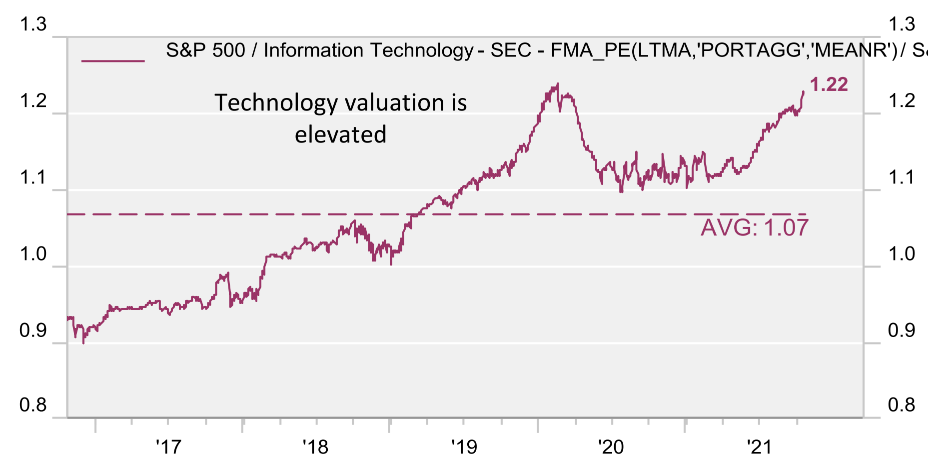
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNOLOGY

Technology relative strength has been unable to push to a new high. With sector earnings reports set to heat up next week, good results will likely push Tech to a new relative strength high; whereas a failure to move to a new high will further suggest the sector may be a market-performer for now. Despite strong fundamental trends, valuation remains a headwind (particularly with rising interest rates). Our view is that the Technology can continue to perform well, but that other areas can pull more weight as the economic recovery progresses.







Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

M21-3880001

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

Raymond James & Associates, Inc., member New York Stock Exchange/SIPC. **Raymond James Financial Services, Inc.,** member FINRA/SIPC. Raymond James® is a registered trademark of Raymond James Financial, Inc.