RAYMOND JAMES

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Weekly Market Guide

Short-Term Summary:

The 10% 10-day move in the S&P 500 was impressive (has only occurred a few times over the past decade) and came in the face of negative newsflow. Headlines do suggest some positive developments on the Russia/Ukraine war with potential de-escalation, but the situation remains very fluid. In the event of a ceasefire, we are not convinced the S&P 500 is set to move appreciably higher given our view that investor focus will shift back toward an increasingly hawkish Fed as it attempts to stave off high inflation. The market currently expects 8 more 25bps rate hikes this year (at the remaining 6 meetings), implying a 2.37% Fed funds rate by year-end. With the 2-year Treasury yield used as a gauge of where the market sees the Fed funds rate heading, the 10yr-2yr spread has become very narrow (just 3bps today).

This narrow yield curve is resulting in investor concern, considering its historical precedent of inverting prior to economic contractions and bear markets. To be sure, an inverted yield curve is a negative indicator for credit conditions, leaving the economy and equity market more susceptible to negative macro shocks. But we would refrain from a knee-jerk reaction should the 10y/2y spread invert given the long lead time that can occur before market weakness. For example, bull markets have peaked on average ~12 months following the past six 10y/2y inversions (since 1978). Also, we view the 10-year vs 3-month yield as a better indicator of economic conditions, due to it being preferred by the Fed along with it utilizing one market yield (10-year) and one policy rate (3-month) rather than two market yields (10-year and 2-year). The 10-year vs 3-month is still wide at 181bps; and the ultimate pace of Fed rate hikes over the next 12 months will be highly influenced by the economic environment and inflationary trends. Our base case expectation remains that inflation will moderate over the course of the year, and this may ease pressure on the Fed's rate hike cycle.

Technically, the market's advance over the past couple of weeks pushed above multiple resistance levels-breaking the downtrend that has been in place year-to-date. We remain positive on the market backdrop and believe equities will be higher over the next 12-months, but we would not be surprised for further choppiness over the coming months as the market digests the recent volatility while gaining further information/clarity on the obvious headwinds (i.e. Russia/Ukraine war, high inflation, Fed policy). With this in mind, we would use weakness in favored stocks as opportunity.

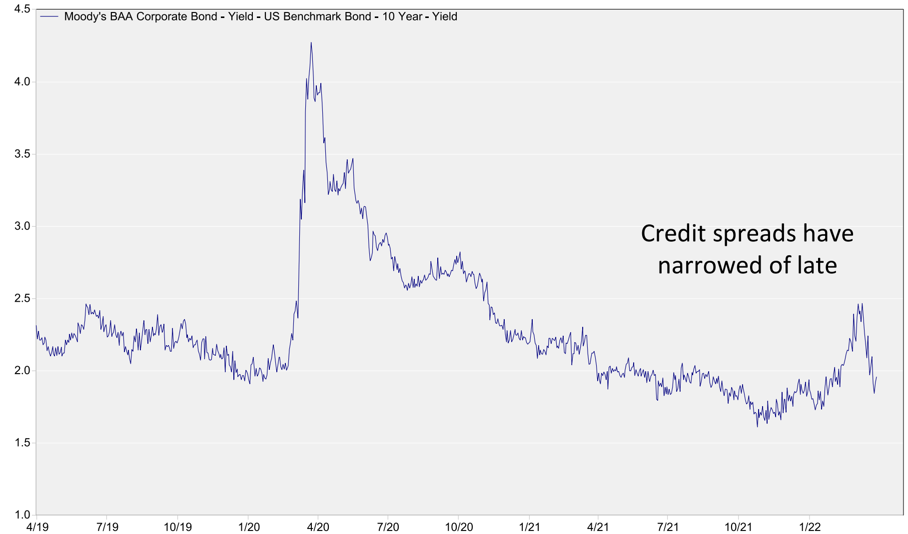
Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	-3.1%	6.5%
S&P 500	-3.4%	16.3%
S&P 500 (Equal-Weight)	-1.8%	12.7%
NASDAQ Composite	-7.7%	10.7%
Russell 2000	-6.9%	-4.8%
MSCI All-Cap World	-4.5%	7.3%
MSCI Developed Markets	-5.6%	-0.5%
MSCI Emerging Markets	-6.7%	-12.9%
NYSE Alerian MLP	17.9%	29.5%
MSCI U.S. REIT	-3.4%	23.0%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Energy	39.6%	3.9%
Utilities	4.1%	2.7%
Financials	0.4%	11.2%
Industrials	-1.2%	7.9%
Consumer Staples	-1.2%	6.0%
Materials	-1.5%	2.6%
Health Care	-1.8%	13.6%
S&P 500	***-3.4%***	-
Real Estate	-5.8%	2.7%
Information Technology	-7.1%	28.0%
Consumer Discretionary	-7.4%	12.1%
Communication Svcs.	-10.3%	9.4%

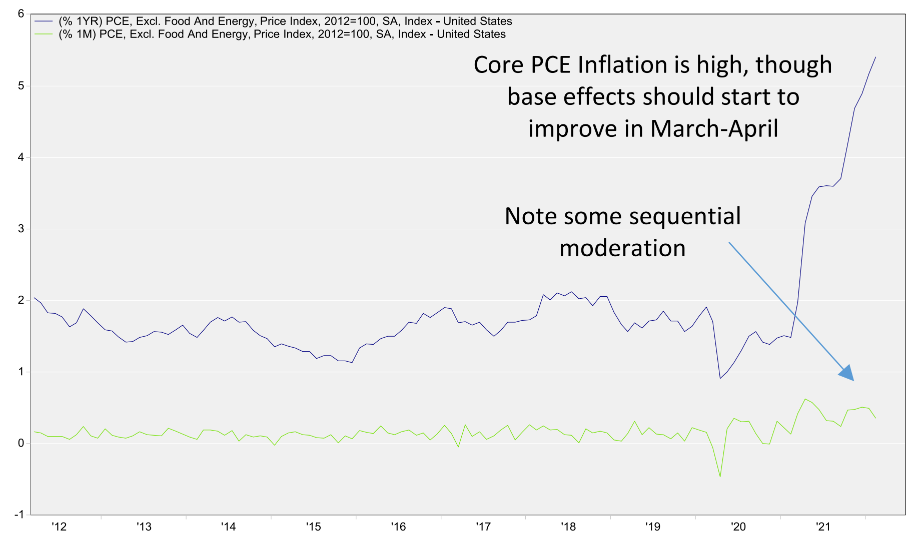
Source: FactSet, RJ Equity Portfolio & Technical Strategy

MACRO: US

Personal spending rose just slightly in February, but is still on track for ~4% y/y growth in Q1. Also within the report, services spending continued to take share vs. goods spending (0.6% services growth vs -2.1% drop in goods spending) as the economy reopens. The Core PCE Deflator remains high, rising to 5.4% y/y. However, some positives are that this was below expectations (of a rise to 5.5%) and there was sequential moderation (0.35% m/m vs 0.49% prior). The March-April period starts to become more beneficial for base effects as we begin to lap the advance in inflation from last year. For example, March and April 2021 Core PCE were 2.0% and 3.1% respectively. We continue to believe that thawing bottlenecks, narrowing supply/demand imbalance, and base effects will result in a moderation over the course of the year- and in turn, may ease pressure on the Fed's rate hike cycle as it fights high inflation. We also note a narrowing in credit spreads of late- this is supportive of equity markets. We would like to see this spread stabilize and not put in a higher high on market weakness- in order to increase conviction that the market lows have been seen.



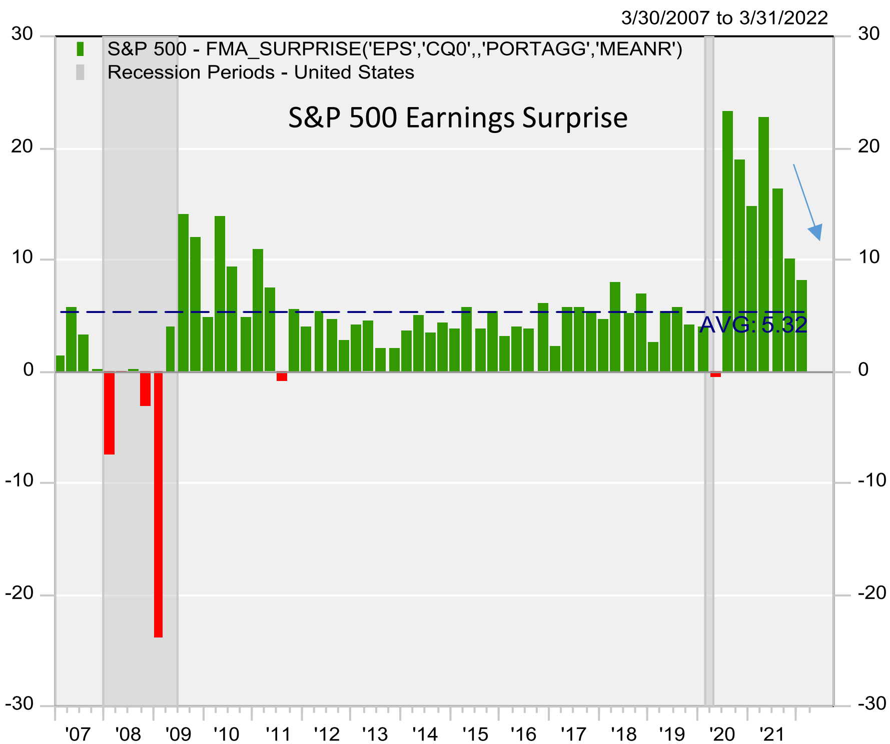
Event	Period	Actual	Consensus	Prior
Pending Home Sales Index SAAR	FEB	104.9	109.5	109.4
Pending Home Sales M/M	FEB	-4.1%	1.0%	-5.8%
S&P/Case-Shiller comp.20 HPI M/M	JAN	1.8%	1.4%	1.4%
S&P/Case-Shiller comp.20 HPI Y/Y	JAN	19.1%	18.6%	18.6%
Consumer Confidence	MAR	107.2	107.0	105.7
JOLTS Job Openings	FEB	11,266K	-	11,283K
ADP Employment Survey SA	MAR	455.0K	444.0K	485.7K
GDP SAAR Q/Q (Final)	Q4	6.9%	7.0%	7.0%
GDP SA Y/Y (Final)	Q4	5.5%	5.6%	5.6%
Continuing Jobless Claims SA	03/19	1,307K	1,355K	1,342K
Initial Claims SA	03/26	202.0K	195.0K	188.0K
Core PCE Deflator M/M	FEB	0.35%	0.40%	0.49%
Core PCE Deflator Y/Y	FEB	5.4%	5.5%	5.2%
Personal Consumption Expenditure SA M/M	FEB	2.7%	0.70%	2.7%
Personal Income SA M/M	FEB	0.50%	0.50%	0.10%

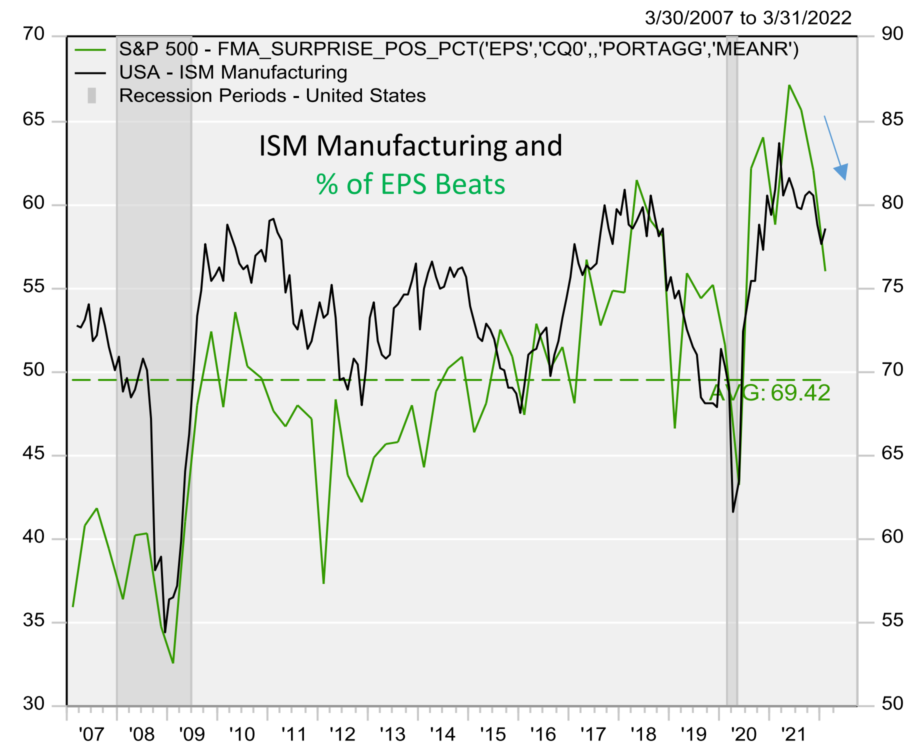


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

Q1 EARNINGS SEASON

With today marking the end of Q1, earnings season is set to begin in roughly two weeks- beginning Wednesday, April 13th with several Financials. The pre-announcements and reports recently have been more muted than we have become accustomed to in aggregate. As you can see in the chart to the left, the level of earnings beats has been moderating in recent quarters though still above the 15-year average of 5.3%. "Early Q1 reporters" have only been surprising by 1.1% thus far. Additionally, only 69% of these "early reporters" have beaten on the bottom-line. While this is in line with the 15-year average, it would be the lowest since Q1'20 (bottom right chart). It also would be below what recent ISM New Orders imply earnings beats could be. There has been a decent correlation between ISM New Orders and the % of Positive Earnings Surprises over the past 15-years, and ISM New Orders have remained elevated lately. We are interested to hear companies update their results and outlooks regarding input costs, consumer demand, and margins. And while results may be closer to long-run averages, we do expect continued upside.



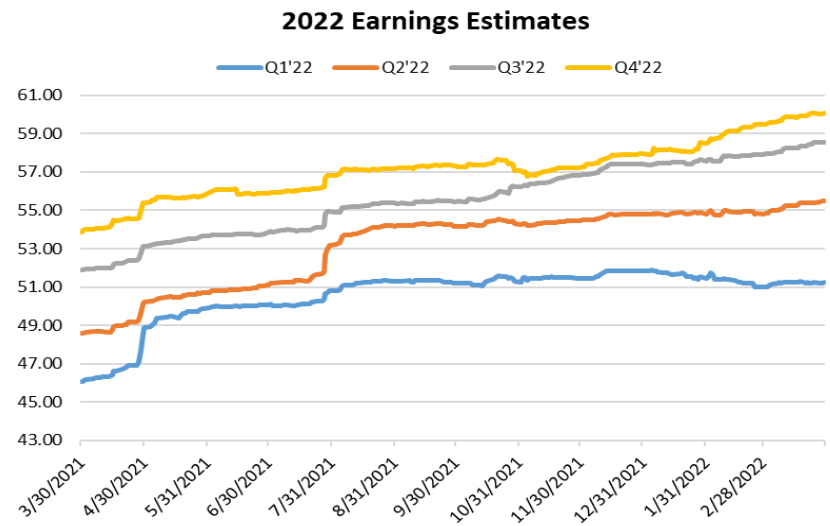


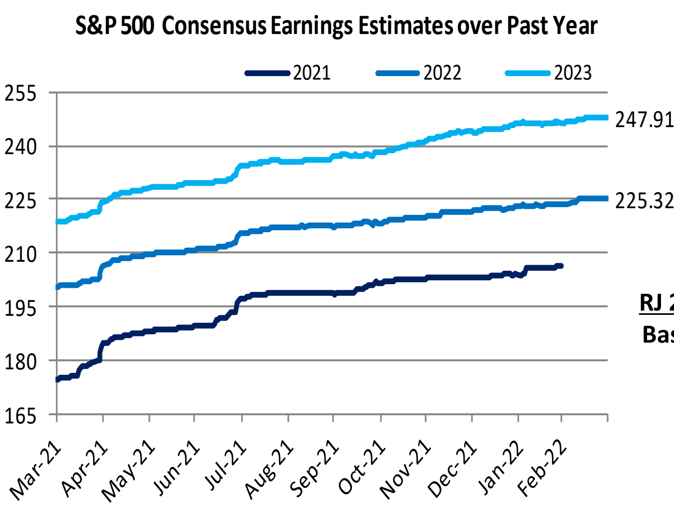
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FUNDAMENTALS

Q1 S&P 500 earnings estimates have stabilized of late, still -1.1% lower from the start of the year but reflecting 5.5% growth y/y. The worst revisions in aggregate for sectors have come from Consumer Discretionary, Industrials, and Communication Services while the best revisions year-to-date are Energy (by a wide margin), Real Estate, and Technology. S&P 500 estimates for Q2-Q4 continue to move higher, bringing 2022 earnings up to $225- in line with our base case forecast.

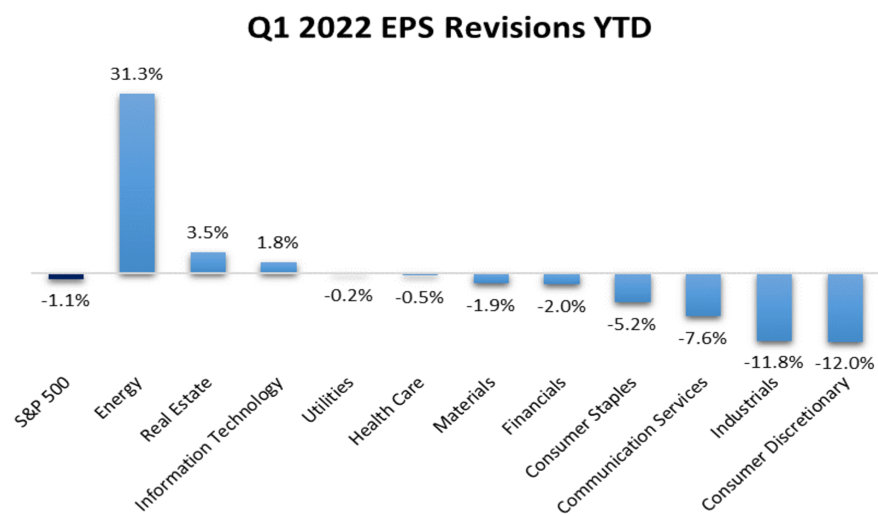
While inflation is hot, interest rates are higher, and commodity prices are rising, consumer demand has remained very resilient. This has allowed sales growth to offset the higher costs, resulting in stable margin estimates and higher earnings. The longer those pressures persist, the bigger the headwind will become to fundamentals. But for now, earnings trends remain solid- supportive of equity markets.





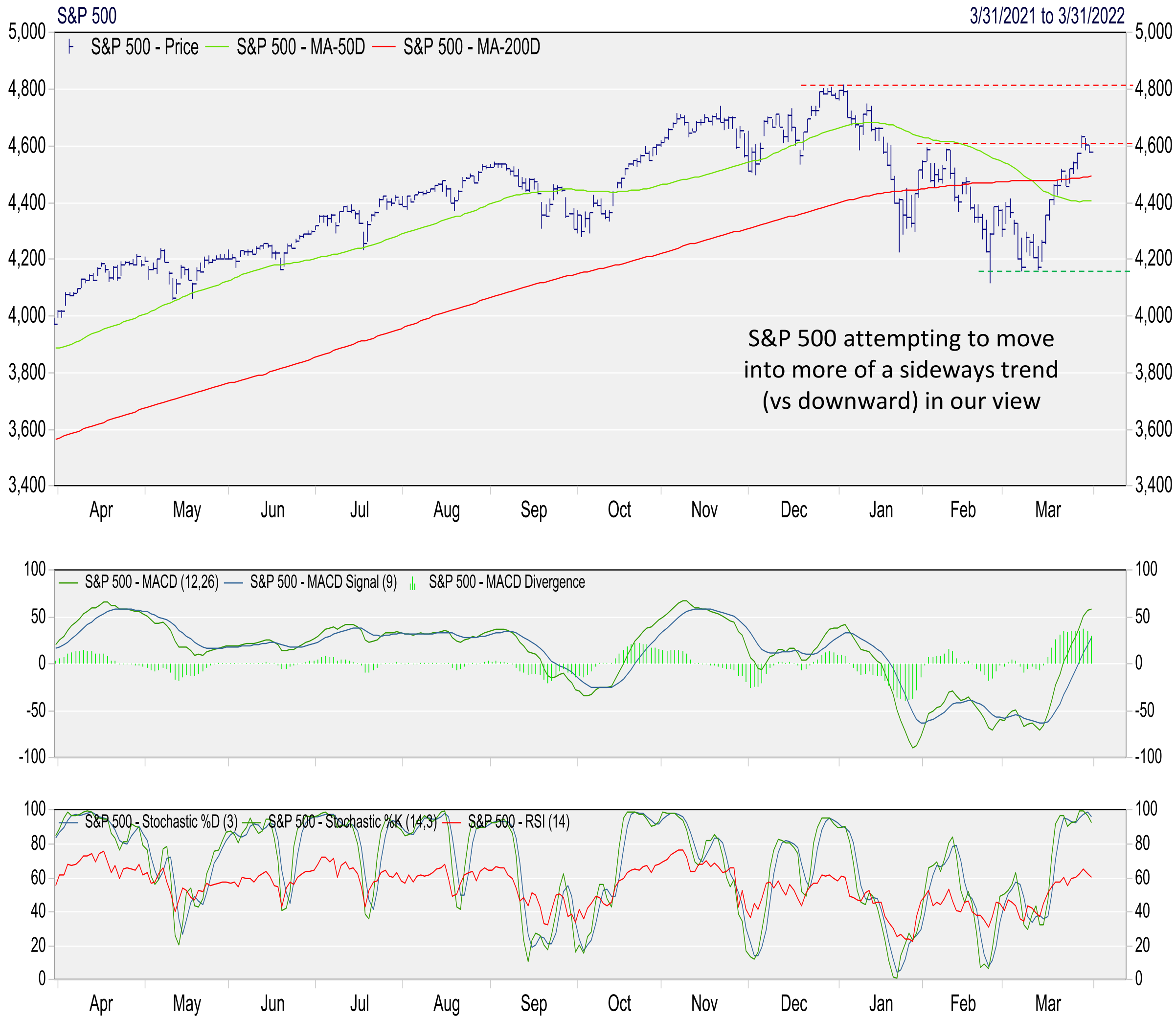
EPS Growth Estimates	
2021	50.2%
2022	9.2%
2023	10.1%

RJ 2022 Earnings Est.:
Base Case: 225 (+9%)
Bull Case: 235
Bear Case: 215



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: S&P 500



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

After a strong 10% rally from the lows over 10 days, a short-term consolidation would not be unusual from the ~4600 horizontal resistance level.

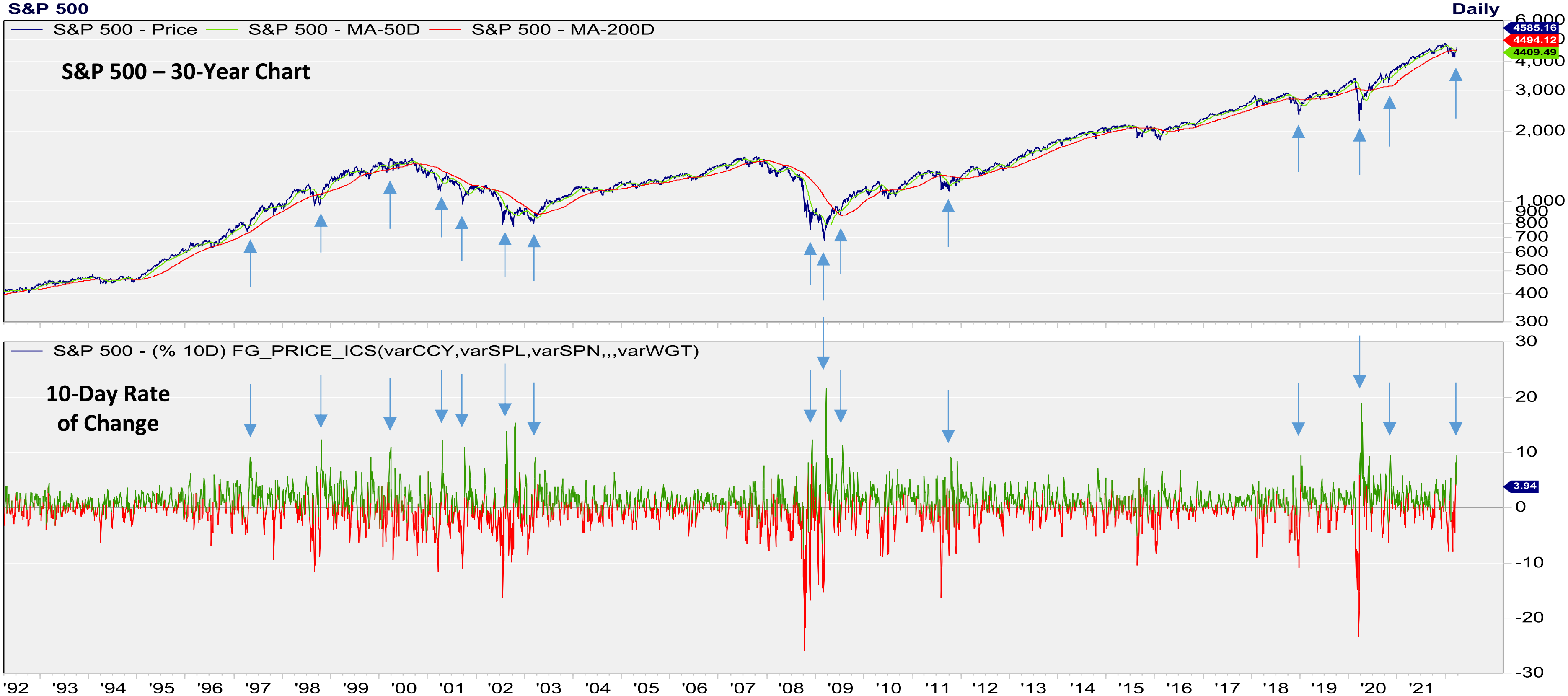
While the index is short-term overbought, the power of the rally technically does raise the odds that we may not need a retest of the lows. Obviously, headlines can change this dramatically.

In the short-term, we would like to either see markets pull back in an orderly fashion on light volume, or consolidate in a tight pattern with a slight down tilt. Either of these scenarios would increase the chances of a continuation of the move higher in coming months.

Watch ~4450 for initial support (near 50 and 200 DMA), followed by the 21DMA (4389). We will focus on 4748 followed by all-time highs around 4818 for resistance.

10-DAY RATE OF CHANGE

The 10% 10-day rate of change in the S&P 500 was very impressive and a very rare occurrence historically- only happening a handful of times over the past 30 years (arrows below). For the most part, powerful price surges like this have been followed by strong returns in the aftermath. However, we do note several surges within the 2000-2003 recessionary bear market that were false signals and ultimately moved to lower levels, along with another surge in late 2008 during the financial crisis before the eventual bottom in March 2009. We remain positive on the market backdrop and believe equities will be higher over the next 12-months, but we would not be surprised for further choppiness as the market digests the recent volatility while gaining further information/clarity on the obvious headwinds (i.e. Russia/Ukraine war, high inflation, Fed policy). With this in mind, we would use weakness in favored areas as opportunity.



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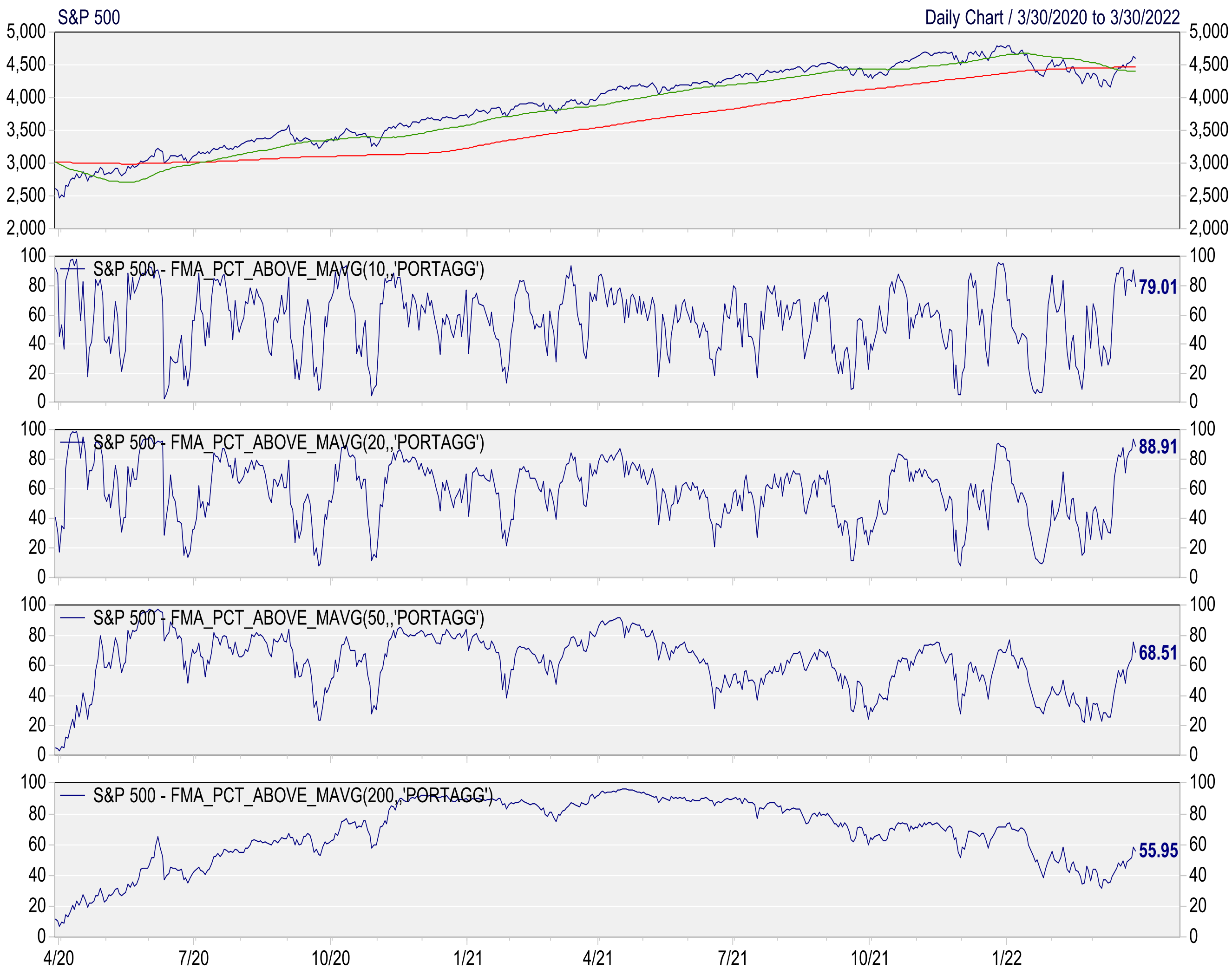
MARKET BREADTH



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

The S&P 500 pushed to short-term overbought levels, but the percentage of stocks trading above their 20-day moving average traded up to 94% on Tuesday.

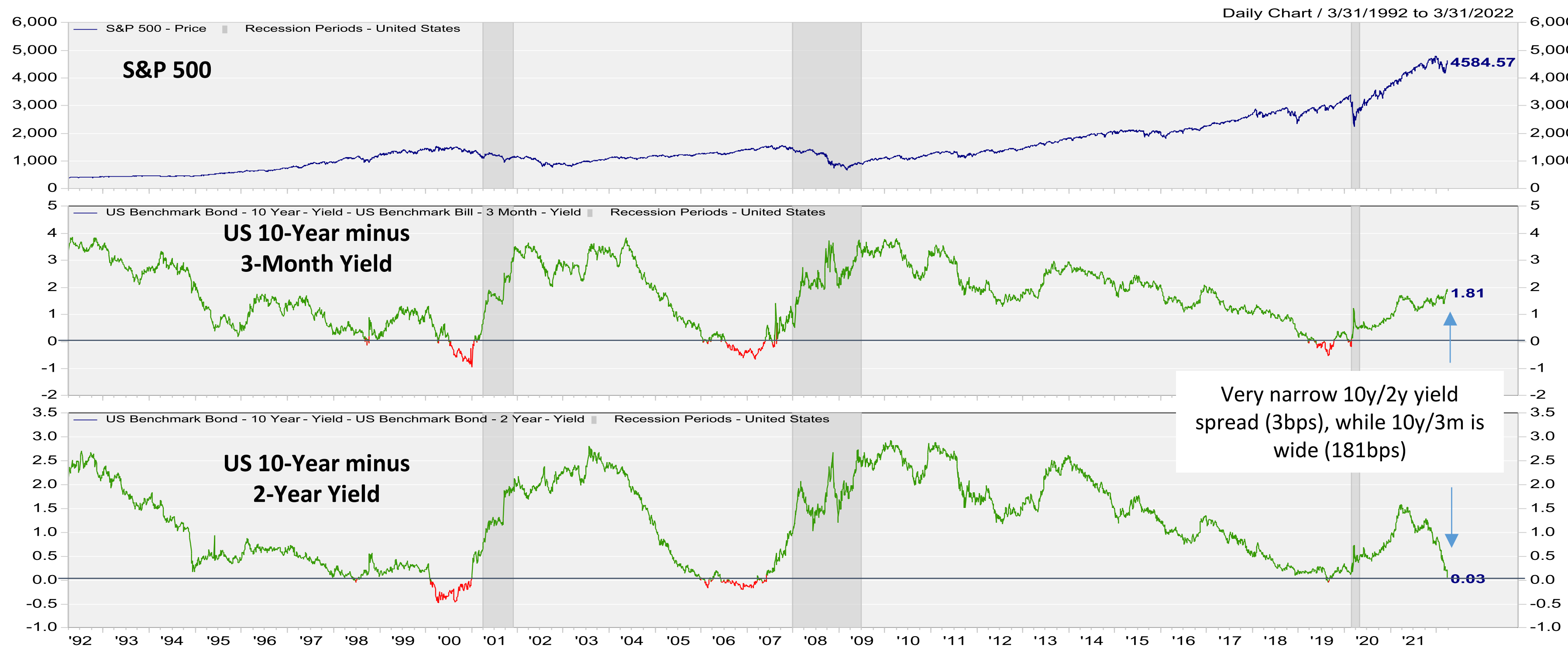
This was the highest level since June 2020 and 90%+ readings are positive technically. Historically, such levels often signal the worst is over. No one technical indicator is to be relied on in isolation, but this one goes to the positive side of the technical ledger.

Additionally, the expansion in percentage of stocks above their 50-day moving average is another positive development. The 75% reached on Tuesday is just below the 77% seen as the S&P 500 peaked in early January.

These improving breadth metrics provide support technically for the market as it attempts to rebuild itself internally for renewed upside.

FED POLICY AND YIELD CURVE

With the 2-year Treasury yield used as a gauge of where the market sees the Fed funds rate heading, the 10yr-2yr spread has become very narrow (just 3bps today). This narrow yield curve is resulting in investor concern considering its historical precedent of inverting prior to economic contractions and bear markets. To be sure, an inverted yield curve is a negative indicator for credit conditions, leaving the economy and equity market more susceptible to negative macro shocks. But we would refrain from a knee-jerk reaction should the 10y/2y spread invert given the long lead time that can occur before market weakness. For example, bull markets have peaked on average ~12 months following the past six 10y/2y inversions (since 1978). Also, we view the 10-year vs 3-month yield as a better indicator of economic conditions, due to it being preferred by the Fed along with it utilizing one market yield (10-year) and one policy rate (3-month) rather than two market yields (10-year and 2-year). The 10-year vs 3-month is still wide at 181bps; and the actual pace of Fed rate hikes over the next 12 months will be highly influenced by the economic environment and inflationary trends. Our base case expectation remains that inflation will moderate over the course of the year, and this may ease pressure on the Fed's rate hike cycle.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy (M22-4653478)

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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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