RAYMOND JAMES

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Weekly Market Guide

Short-Term Summary:

After the S&P 500 failed at 200 DMA resistance last Thursday, the index dropped sharply to the lows of its recent trend (~4191). So far, the S&P 500 has been able to hold these lows, which keeps the sideways, range-bound trading intact for now (~4200-4600). Also the -6.4% 4-day decline was extreme, and short-term bounces have typically followed them- so today's advance is normal. However, less-than-impressive internals suggest continued challenges technically. Importantly, the market's correction this year has been purely valuation-driven with Q1 results continuing the upward trend in earnings estimates. Consequently, valuation has become much more reasonable for the S&P 500 and compelling for many stocks.

The major issue (and risk) for equity markets remains questions surrounding inflation- with the recent China Covid lockdowns and some re-escalation in the Russia/Ukraine war further complicating the outlook. There have been continuous hiccups on the timeline for inflation improvement over the past 6 months. For example, coming out of the Delta variant headwinds last Fall, Omicron surfaced in November. As Omicron subsided, the Russia/Ukraine war broke out this year, and now China lockdowns are weighing on global shipping. The longer inflation stays sticky at high levels, the greater the odds become that the Fed will need to tighten swiftly in order to get inflation back under control- potentially to the point of economic contraction if necessary. The market-implied number of 25bp rate hikes this year has increased from 3 when the year began to 11 currently, with 50bp hikes expected at the next 4 consecutive meetings (beginning next Wednesday, May 4th).

Our view is that inflation could be near a peak (on a y/y basis). The supply/demand imbalance is narrowing with retail inventories/sales ex-auto on the rise. The prime age labor force participation rate has improved sharply coming out of the Omicron concerns, which should support slower wage growth. Also, base effects (as the calendar begins to lap the spike in inflation last year) should ease the year-over-year numbers ahead. We do not expect a linear improvement, but a moderation would ease pressure on the Fed. And if inflation can start moving in the right direction, we believe investors will be able to refocus their attention on fundamentals (which remain strong).

As such, we expect continued market choppiness while further information is gathered on the Russia/Ukraine war, inflation, and path of the Fed. Given our positive view on these issues, we believe equities can gain over the next 6-12 months back toward prior highs. We recommend long-term investors use the down-drafts as opportunity to accumulate favored stocks.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	-8.4%	-2.0%
S&P 500	-12.2%	-0.1%
S&P 500 (Equal-Weight)	-8.2%	0.6%
NASDAQ Composite	-20.2%	-11.4%
Russell 2000	-16.1%	-18.1%
MSCI All-Cap World	-13.4%	-7.3%
MSCI Developed Markets	-14.3%	-12.5%
MSCI Emerging Markets	-15.3%	-23.4%
NYSE Alerian MLP	16.8%	19.1%
MSCI U.S. REIT	-6.2%	12.9%

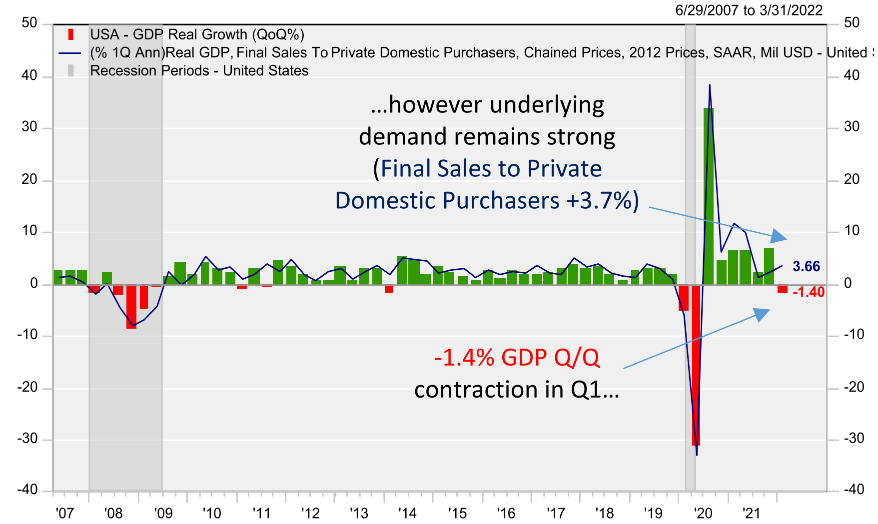
S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Energy	34.6%	4.1%
Consumer Staples	2.0%	6.8%
Utilities	1.5%	2.9%
Materials	-5.8%	2.7%
Health Care	-6.6%	14.2%
Real Estate	-7.4%	3.0%
Industrials	-8.7%	8.0%
Financials	-9.8%	11.1%
S&P 500	***-12.2%***	-
Consumer Discretionary	-18.0%	11.8%
Information Technology	-18.7%	27.0%
Communication Svcs.	-25.1%	8.5%

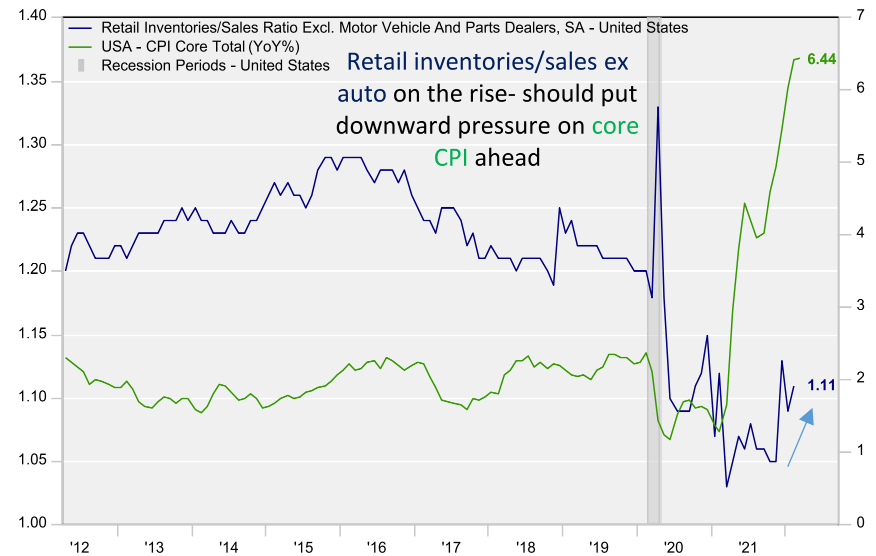
Source: FactSet, RJ Equity Portfolio & Technical Strategy

MACRO: US

Q1 GDP contracted -1.4% q/q, much weaker than expected though due to a large drag from net exports and slower inventory accumulation. Net exports subtracted an enormous 3.2% from overall GDP, and inventories subtracted an additional 0.8%. Importantly, underlying domestic demand was strong, as final sales to private domestic purchasers accelerated to a healthy 3.7% q/q. Also, business fixed investment grew by a large 9.2%, consumer spending was up 2.7%, and residential investment grew 2.1% (despite the sharp rise in rates). So while the headline figure was weak, the underlying data was much stronger. And a solid 55.1 April composite PMI reflects this growth into Q2. The data is unlikely to alter the Fed's decision next week, where the market is largely expecting a 50bp rate hike- the first 50 bp hike in what could be a string of them over consecutive meetings. Inflationary trends will be very influential on the pace of hikes moving forward. And while inflation is likely to remain elevated, we believe it could be near a peak y/y as underlying drivers such as retail inventories/sales ex-auto begin to normalize. We get plenty of inflationary readings over the coming weeks, i.e. Q1 ECI and March core PCE on Friday; followed by April ISM, Q1 unit labor costs and productivity, and the April jobs report next week; before April CPI the following week.

Event	Period	Actual	Consensus	Prior
PMI Composite SA (Preliminary)	APR	55.1	57.5	57.7
Markit PMI Manufacturing SA (Preliminary)	APR	59.7	58.0	58.8
Markit PMI Services SA (Preliminary)	APR	54.7	58.0	58.0
Building Permits SAAR (Final)	MAR	1,870K	1,873K	1,873K
Durable Orders ex-Transportation SA M/M (Preliminary)	MAR	1.1%	0.60%	-0.50%
Durable Orders SA M/M (Preliminary)	MAR	0.80%	1.1%	-1.7%
S&P/Case-Shiller comp.20 HPI M/M	FEB	2.4%	1.4%	1.7%
S&P/Case-Shiller comp.20 HPI Y/Y	FEB	20.2%	19.2%	18.9%
Consumer Confidence	APR	107.3	108.4	107.6
New Home Sales SAAR	MAR	763.0K	767.5K	835.0K
Wholesale Inventories SA M/M (Preliminary)	MAR	2.3%	1.0%	2.6%
Pending Home Sales Index SAAR	MAR	103.7	104.0	105.0
Pending Home Sales M/M	MAR	-1.2%	-1.3%	-4.0%
Continuing Jobless Claims SA	04/16	1,408K	1,430K	1,409K
GDP SAAR Q/Q (First Preliminary)	Q1	-1.4%	1.1%	6.9%
GDP SA Y/Y (First Preliminary)	Q1	3.6%	4.2%	5.5%
Initial Claims SA	04/23	180.0K	180.0K	185.0K

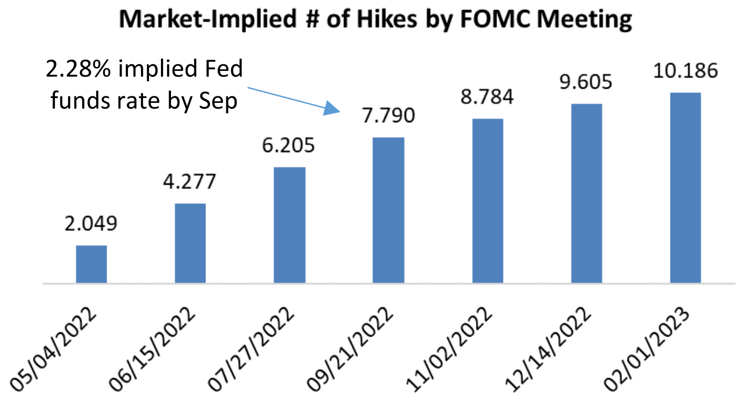




Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

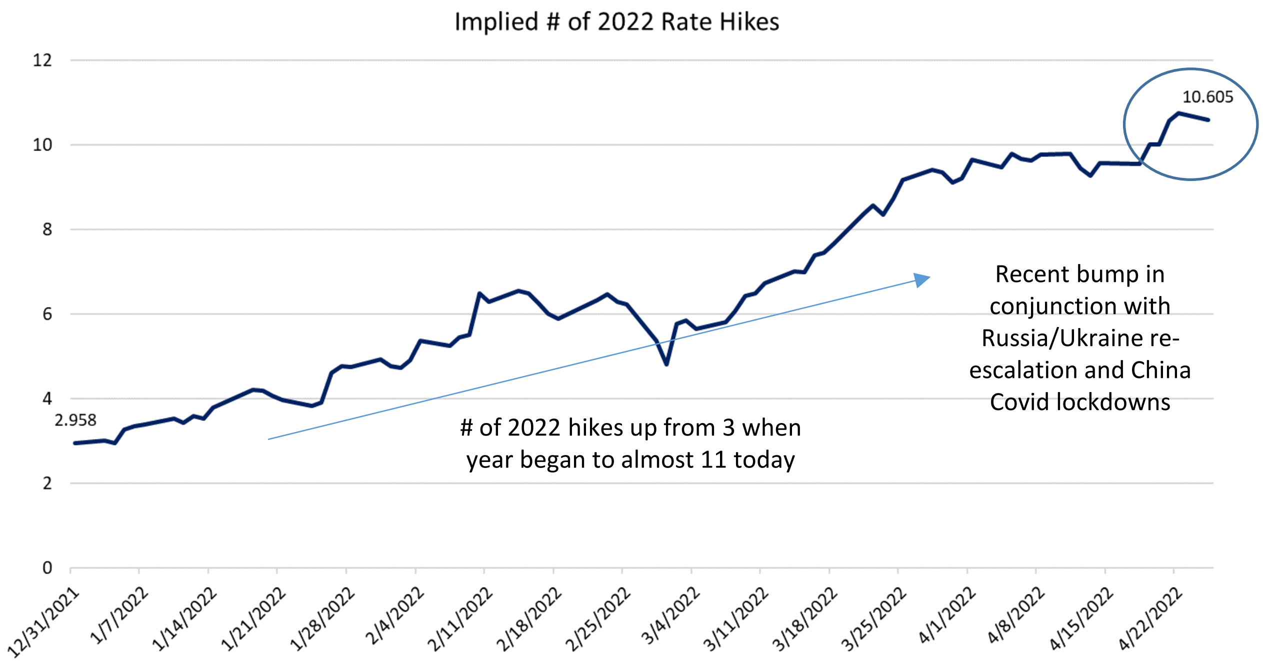
FED HIKES

The rise in inflation expectations to their highest level in over 20 years, bumped further lately with re-escalation in the Russia/Ukraine war along with China Covid lockdowns (as they implement a zero-tolerance policy), has added pressure on the Fed path ahead- leading to increased volatility in the equity market. The market is now pricing in 50bp hikes at the next 4 consecutive FOMC meetings (beginning next Wednesday, May 4th). Inflation remains the biggest risk to equities in our view; as the stickier it becomes at high levels, the higher the odds become that the Fed will need to hike swiftly in order to get inflation under control- potentially to the point of economic contraction if necessary.



This will ultimately be a very significant influence on the path of equities moving forward. Our view is that inflation could be near a peak year-over-year. The supply/demand imbalance is narrowing with retail inventories/sales ex-auto on the rise. The prime age labor force participation rate has improved sharply coming out of the Omicron concerns, which should support slower wage growth. Also, base effects (as the calendar begins to lap the spike in inflation last year) should ease the year-over-year numbers ahead.

We do not expect a linear improvement, but a moderation would ease pressure on the Fed (and market expectations for Fed hikes). If inflation can begin moving in the right direction, we believe investors will be able to refocus their attention on fundamentals (which remain strong) and equities should be able to climb back to prior highs (4725 base case S&P target).

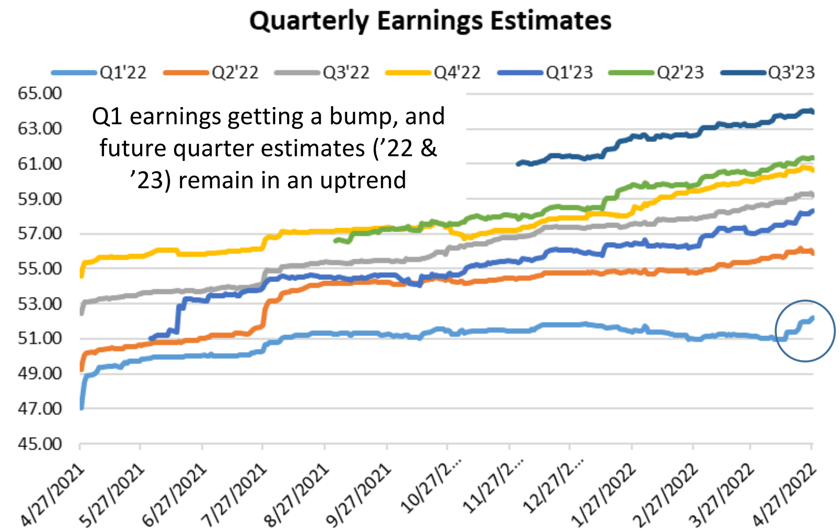


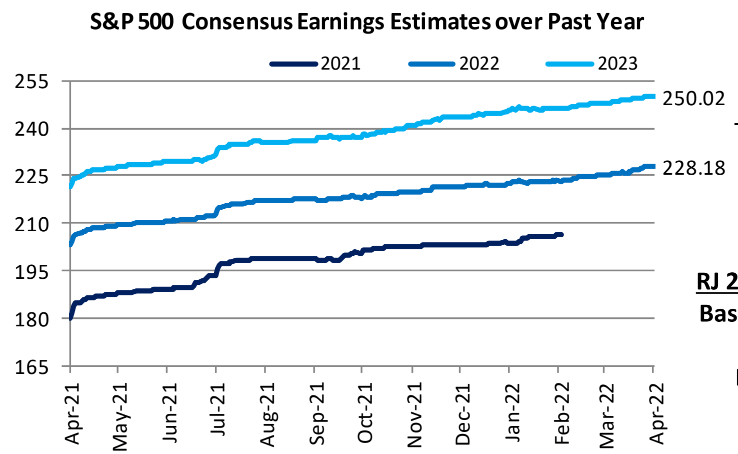
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FUNDAMENTALS

Despite higher interest rates, commodity prices, and inflation, demand remains strong. This is allowing strong sales growth and operating leverage to result in a still solid trajectory of earnings. Sales estimates continue to climb and margin estimates have actually ticked higher, resulting in 2022 and 2023 earnings estimates to sustain their upward trend.

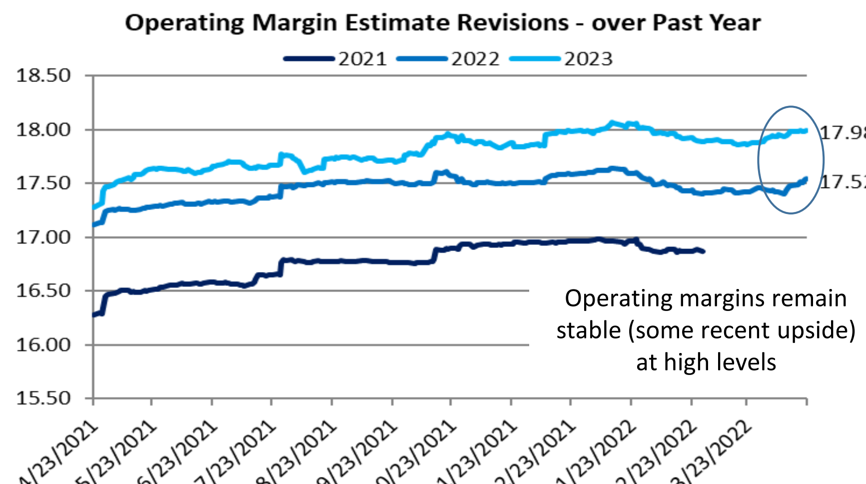
Almost half of the S&P 500's market cap has reported Q1 earnings, and results continue to come in solidly ahead of expectations. 80% of S&P 500 companies are beating by a healthy 6.2%. Technology results were a key item this week and continue to reflect fundamental momentum. IT spending (particularly cloud) remains strong, as does end-demand for semiconductors. And the fintech names suggested US payments volume stable from February thru April well ahead of pre-pandemic levels. Our 2022 S&P 500 earnings estimate of $225 reflects a 41% increase in S&P profits since 2019 (pre-pandemic); and with the S&P now only 25% above the February 2019 price high, the value proposition for equities has become more reasonable (continued next page).





EPS Growth Estimates	
2021	50.2%
2022	10.6%
2023	9.7%

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



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

VALUATION HAS BECOME MORE REASONABLE

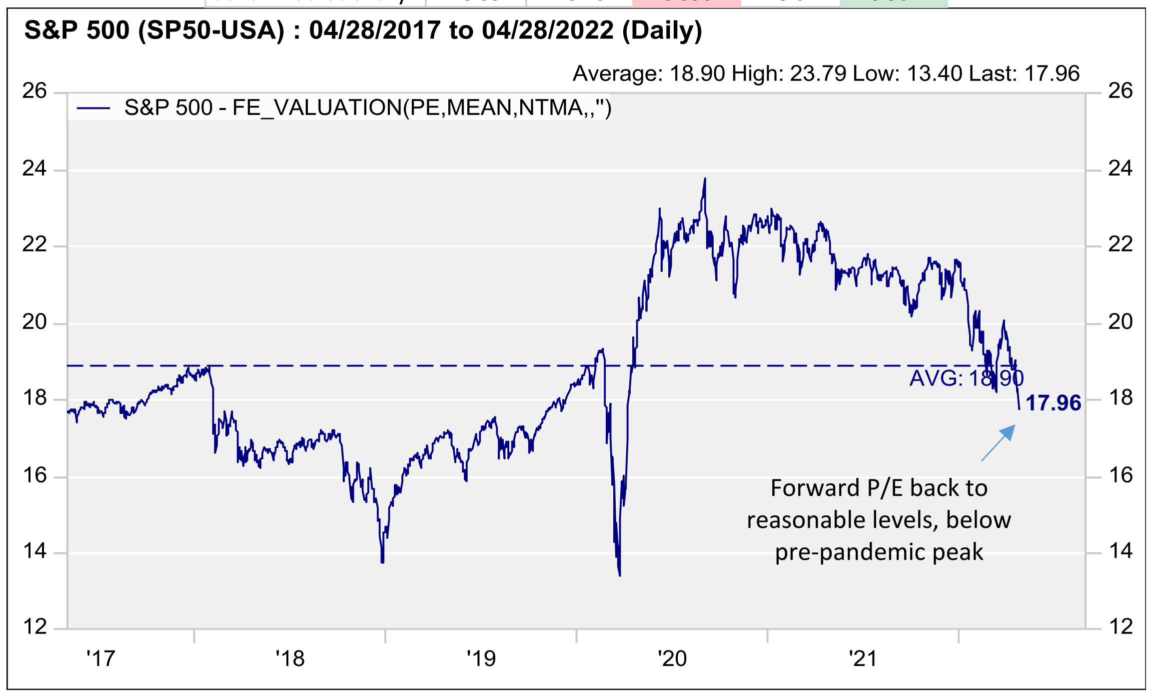
Strong earnings, combined with an upward estimate revision trend and the market's pullback, has resulted in a much more reasonable S&P 500 valuation.

The S&P 500 forward P/E multiple is now 18x, down from a pandemic-recovery peak of 23.8x and 21.5x when the year began. This is also now 7% below the pre-pandemic P/E of 19.3x and very near a "normal" forward P/E during the 2017-2019 timeframe.

In fact, almost every sector is now trading below its pre-pandemic and 5-year average forward P/E. Sectors that stand out as expensive are Utilities, Real Estate, and Consumer Staples, contributed in part by defensive rotation into these areas through the market's volatility.

Sticky inflation and sharply higher interest rates remain headwinds and risks to the equity market outlook. But if these issues can stabilize or improve, many stocks are trading at more compelling valuations.

Sector	NTM P/E	2/19/2020	vs 2/20	5yr Avg	vs 5yr Avg
Energy	9.73	16.77	0.580	7.99	1.218
Financials	12.68	13.21	0.960	13.28	0.955
Materials	14.91	18.94	0.787	17.44	0.855
Comm. Services	15.73	20.11	0.782	20.20	0.779
Health Care	16.07	16.85	0.954	16.38	0.981
S&P 500	**17.84**	**19.36**	**0.921**	**18.96**	**0.941**
Industrials	18.34	18.44	0.995	19.38	0.946
Utilities	20.66	21.36	0.968	18.47	1.119
Technology	21.55	23.47	0.918	21.37	1.009
Real Estate	21.67	21.32	1.016	19.70	1.100
Consumer Staples	22.04	20.74	1.063	19.72	1.117
Cons. Discretionary	25.99	26.10	0.996	28.64	0.907



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: S&P 500

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

After the S&P 500 failed at 200 DMA resistance last Thursday, the index dropped sharply to the lows of its recent trend (~4191). Along the way, there was heavy declining volume (94% down-volume on Friday and 93% down-volume on Tuesday).

So far, the S&P 500 has been able to hold these lows, which keeps the sideways, range-bound trading intact for now (~4200-4600). Also the -6.4% 4-day decline was extreme, and short-term bounces have typically followed them- so today's advance is normal.

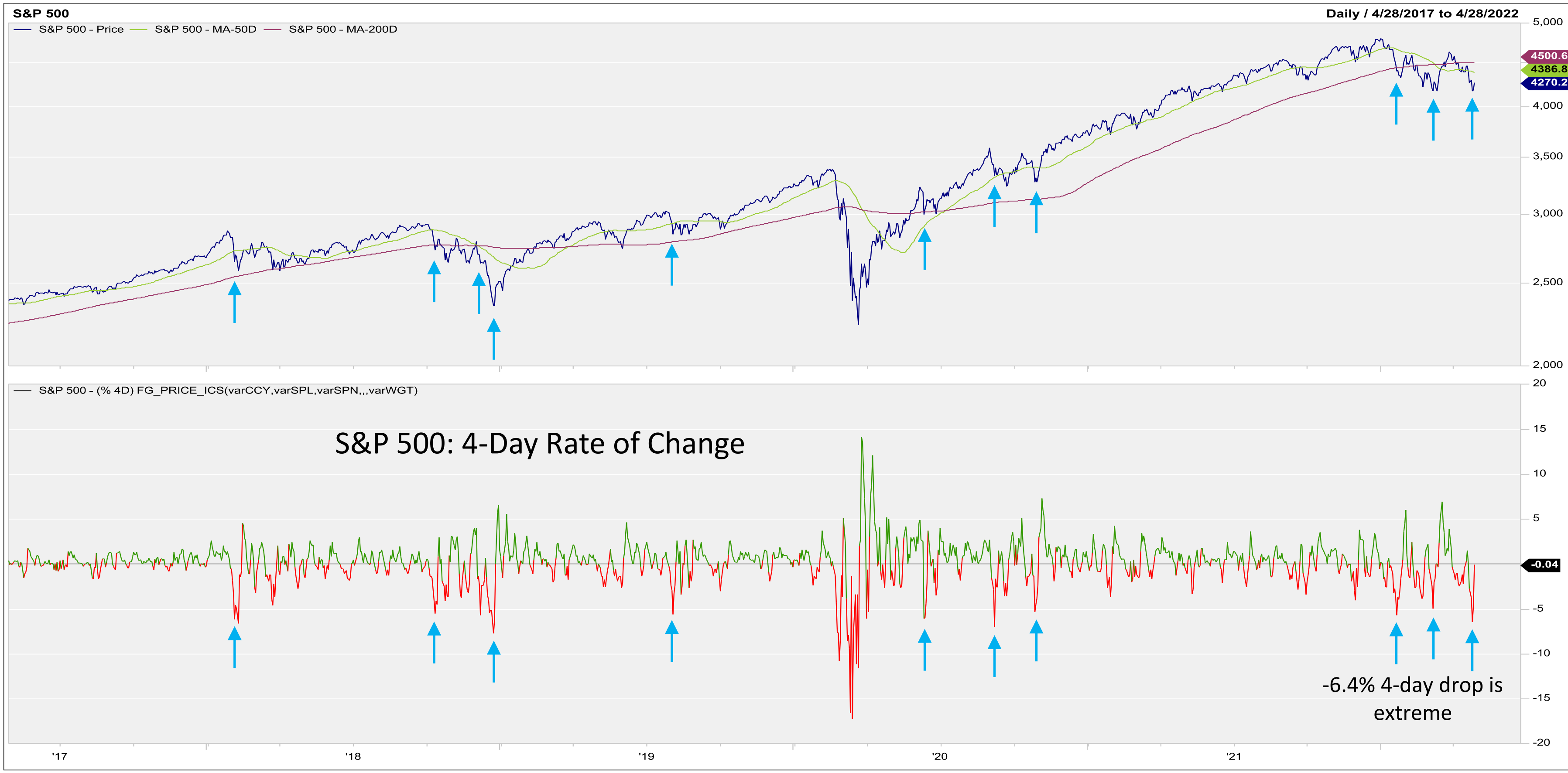
However, less-than-impressive internals suggest continued challenges technically. We will be monitoring internals and price action at resistance in the attempted market bounce for clues on the trend ahead.

Along the way, we will gather further information on the outlook for inflation and Fed path. This will ultimately be a major influence on whether equities are able to get their footing and begin to recover, or if they have more downside first.

As such, we expect continued market choppiness. Given our positive view on these issues, we believe equities can gain over the next 6-12 months back toward prior highs. We recommend long-term investors use the down-drafts as opportunity to accumulate favored stocks.

4-DAY RATE OF CHANGE WAS EXTREME

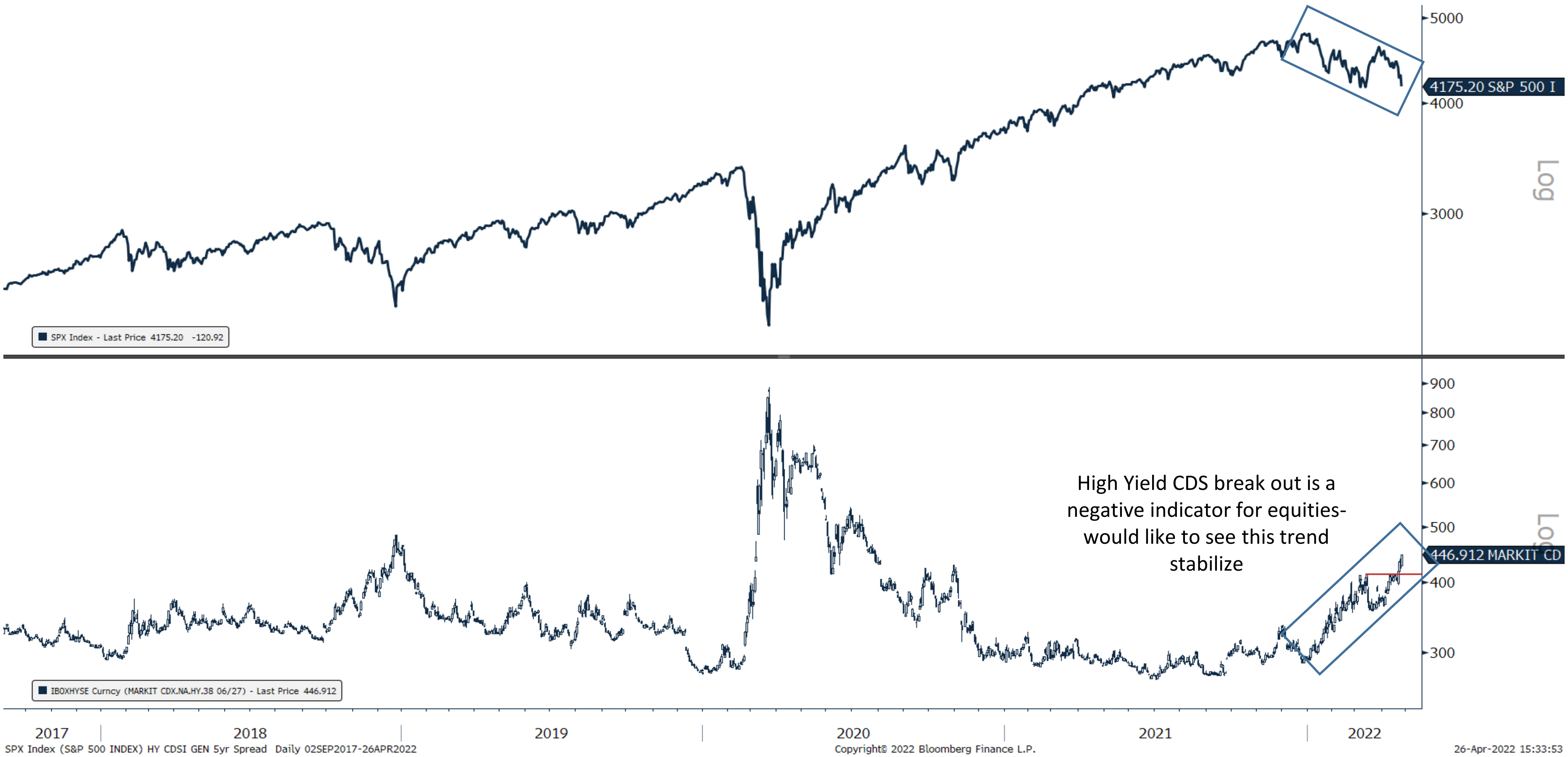
The 4-day drop of -6.4% from last Thursday to this Tuesday was extreme. As you can see in the chart below, this is a fairly uncommon occurrence and often followed by a short-term bounce. In fact, there have been two sharp drops to similar degrees this year- both of which saw short-term relief rallies. So, today's advance from oversold levels is normal. For now, the sideways, range-bound trading remains intact. What we will be monitoring in the rally is internal strength and price action at resistance levels. An inability for internals to firm up or prices to break through resistance will increase the odds that market trends remain challenged.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

HIGH YIELD CDS BREAK OUT

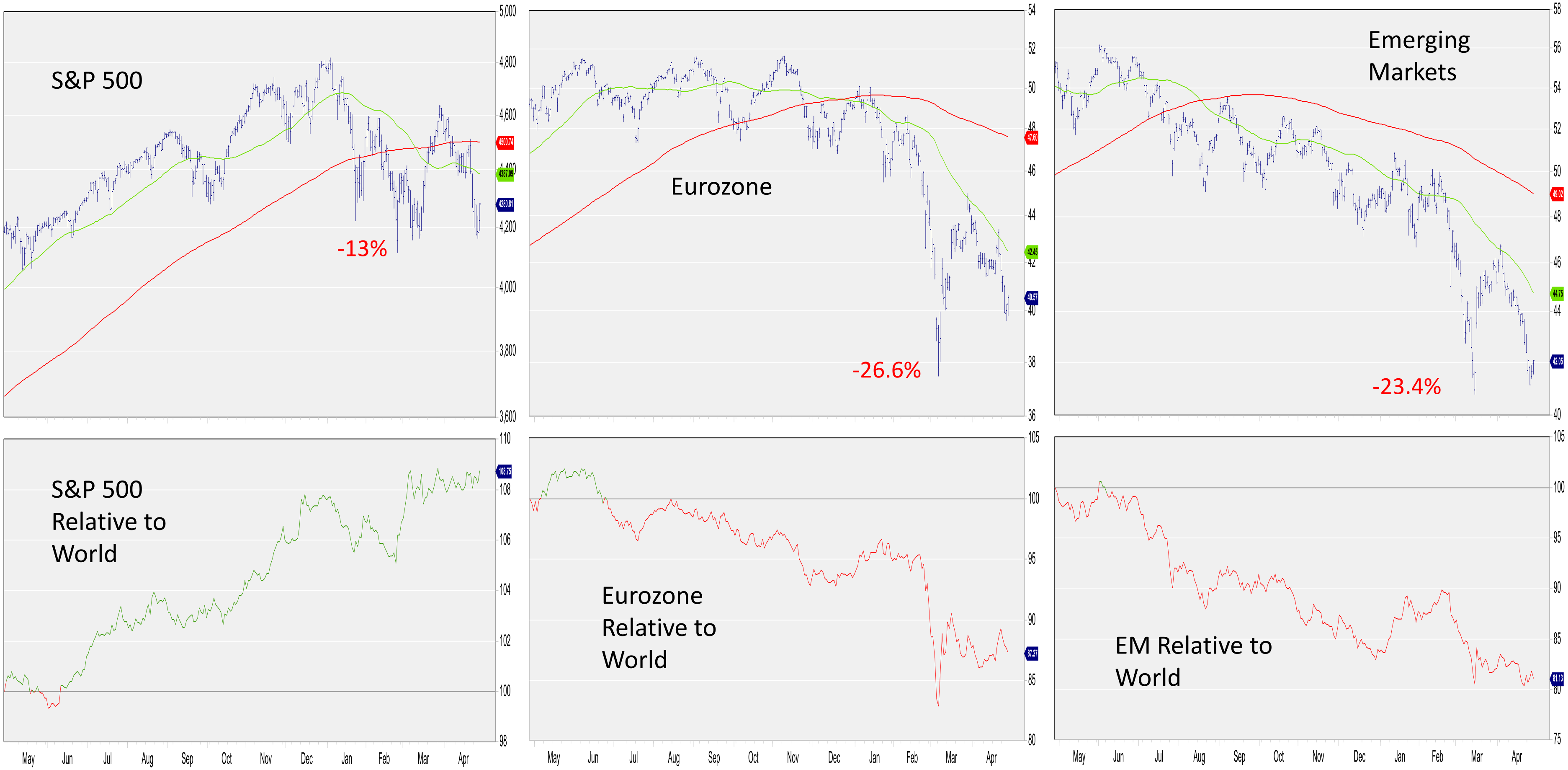
An unnerving data point last week that led us to believe that the S&P 500 was set to retest or undercut the recent lows was a breakout in High Yield Credit Default Swaps. There has been an inverse relationship between High Yield CDS and the S&P 500, so the move to new High Yield CDS highs indicates to us growing concerns beneath the surface. The S&P 500 has so far been able to hold its lows. What we would like to see is this advance in High Yield CDS to stabilize or improve- offering support to equities. On the other hand, a trend of higher highs would indicate to us increased odds of further equity market challenges.



Source: Bloomberg Charting Platform, Raymond James Equity Portfolio & Technical Strategy

GLOBAL EQUITIES

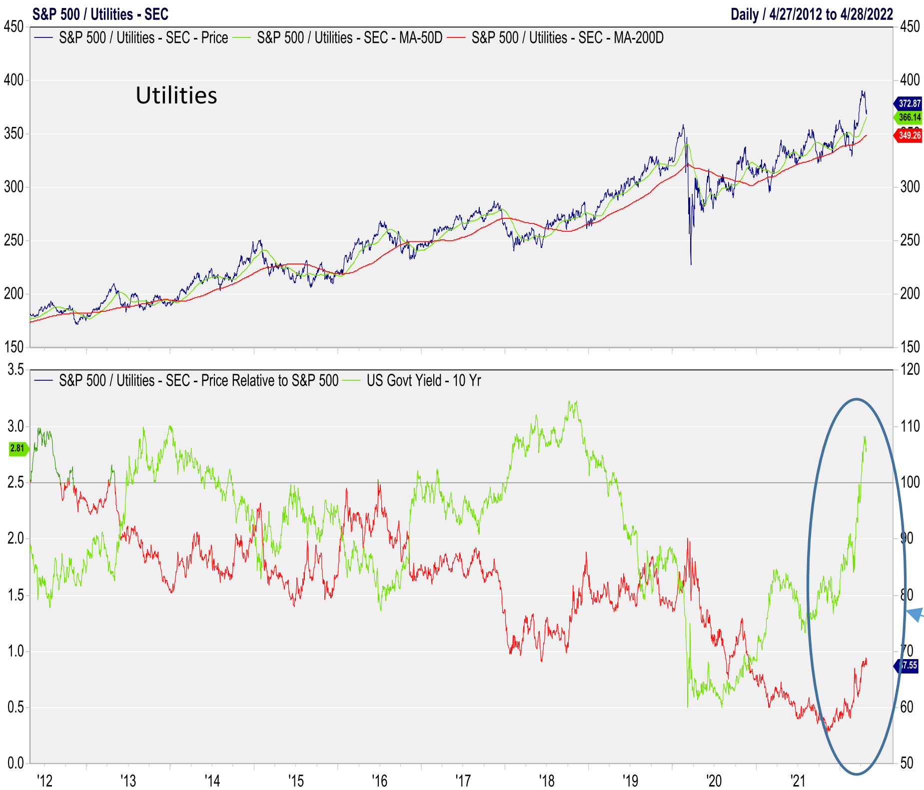
The US remains our favored area globally. The Eurozone and Emerging Markets have seen drastic downside, but the technical trends have not firmed up yet. Both indexes have failed at 50-day moving average resistance multiple times and remain in downtrends relative to the World. They will provide opportunity for long-term investors; but in terms of timing, we would rather wait for their trends to stabilize before increasing conviction.

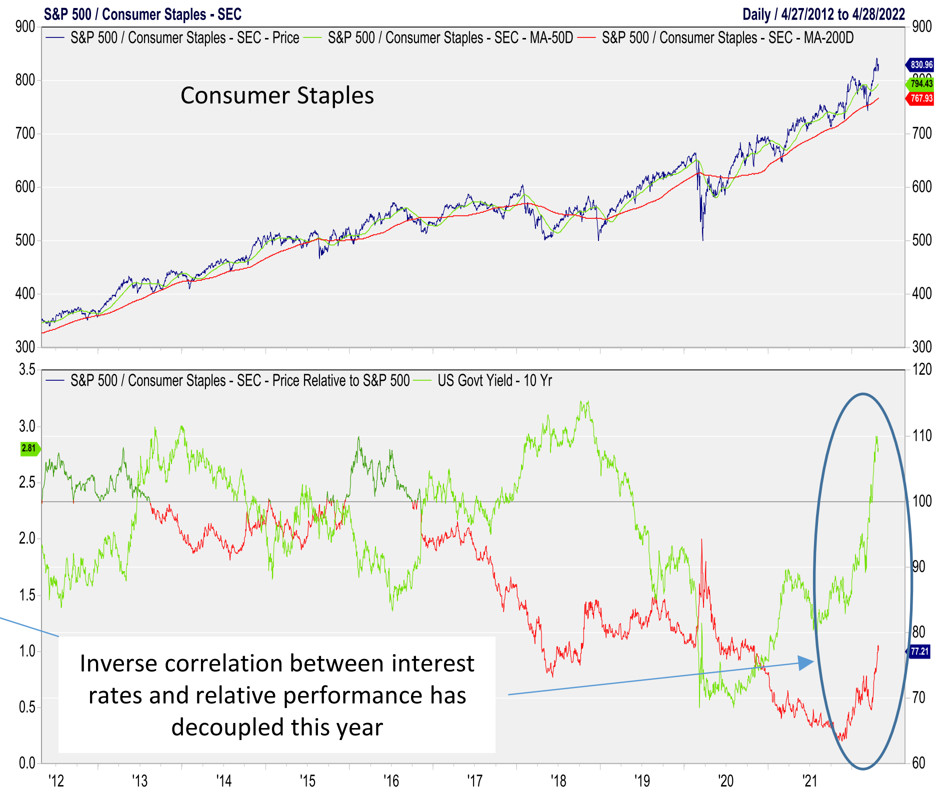


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

DEFENSIVE SECTORS

The more defensive Utilities and Consumer Staples sectors have outperformed through the market volatility- in the process, breaking the inverse correlation between their relative performance and interest rates (i.e. both have gone up this year). Timing is important because the longer macro concerns drag on or market weakness continues, these areas could outperform. However, if inflation can moderate and interest rates stabilize, these areas are likely to give-back performance. With both groups overbought and valuation not as attractive, along with our positive stance on equities over the next 6-12 months, we maintain our Underweight recommendations on both sectors. For investors looking to water-down volatility in this environment, Health Care remains our favored lower-beta area given attractive valuation, healthy fundamental trends, leverage to the economic reopening (elective care), and likelihood for increased health care focus and spending in the coming years post-Covid (particularly given aging US demographics).





Source: FactSet, Raymond James Equity Portfolio & Technical Strategy (M22-4716674)

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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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