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Weekly Market Guide

Short-Term Summary:

The S&P 500 has bounced ~6% from its recent lows and is still ~19% off its highs. Underpinning the slight rally has been broad weakness in commodity prices and lower bond yields. The lower inflation expectations are progress, and we note the June ISM manufacturing reading this week as further reflecting thawing inflationary pressures. However, clear and convincing evidence that inflation is moderating to more comfortable levels is likely to take time. Additionally, lower commodity prices are coming in part due to rising concerns of economic weakness.

Lower bond yields recently have been a boost to the Growth segments. Technology-oriented stocks, in particular, have been weighed on this year with the sharp ascent in bond yields- resulting in downward pressure on valuation multiples. Consequently, the group has seen some relative strength lately as bond yields stalled. Next Wednesday's CPI report will be a key influence on the next wave of market trends. If inflation comes in hot, we may see an unwind of Growth's recent pickup vs Value, along with lower equities broadly. On the flip side, a lighter report (in conjunction with improvement in underlying inflationary indicators) may ease pressure on Fed expectations in the back half of this year.

Also coming up next week is the start of Q2 earnings season. We believe the slowing economic backdrop and high inflation are likely to weigh on results and guidance. Forward earnings estimates are too high and likely set for downward revisions ahead in our view. That said, a lot of negative news has been priced in with the S&P 500 -24% off its highs (and P/E multiple down to 17x from 28x). And importantly, the market will bottom before the economy and earnings. For example, in the last two recessions (2009 and 2020), equities were well off their lows by the time earnings bottomed due to multiple expansion (stocks discount the future). We are not yet ready to say P/E multiples have bottomed; but when they do, forward returns are likely to be positive despite lower earnings to come.

Technically, the predominant market trend remains downward, and this will be the case until the series of lower lows and lower highs breaks. Our bias continues to be that equities likely have more challenges and additional weakness before all is said and done, but a lot of negative news has been priced in already. Long-term investors should refrain from getting overly negative with the S&P 500 already down over 20% from its highs, and should turn their focus to bull market potential rather than what may be left on the downside of this bear market. Recessionary bear markets average -33% historically, but bull markets gain 152% on average. Don't lose sight of the opportunity on the other side of the current weak trend.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	-14.6%	-10.2%
S&P 500	-19.3%	-11.5%
S&P 500 (Equal-Weight)	-16.6%	-10.1%
NASDAQ Composite	-27.4%	-22.5%
Russell 2000	-23.1%	-24.0%
MSCI All-Cap World	-20.7%	-17.3%
MSCI Developed Markets	-22.4%	-21.7%
MSCI Emerging Markets	-20.4%	-27.1%
NYSE Alerian MLP	2.8%	-6.7%
MSCI U.S. REIT	-20.6%	-9.6%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Energy	23.6%	4.1%
Utilities	-2.0%	3.1%
Consumer Staples	-5.8%	7.0%
Health Care	-7.9%	15.1%
Industrials	-17.5%	7.7%
Financials	-18.9%	10.7%
Materials	-19.3%	2.5%
S&P 500	***-19.3%***	-
Real Estate	-20.2%	2.9%
Information Technology	-25.5%	27.1%
Communication Svcs.	-27.8%	9.1%
Consumer Discretionary	-30.4%	10.8%

Source: FactSet, RJ Equity Portfolio & Technical Strategy

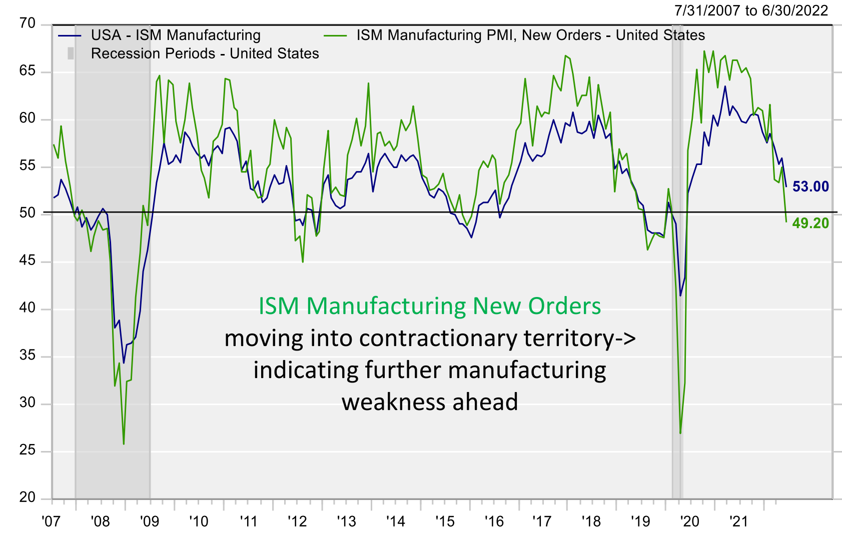
MACRO: US

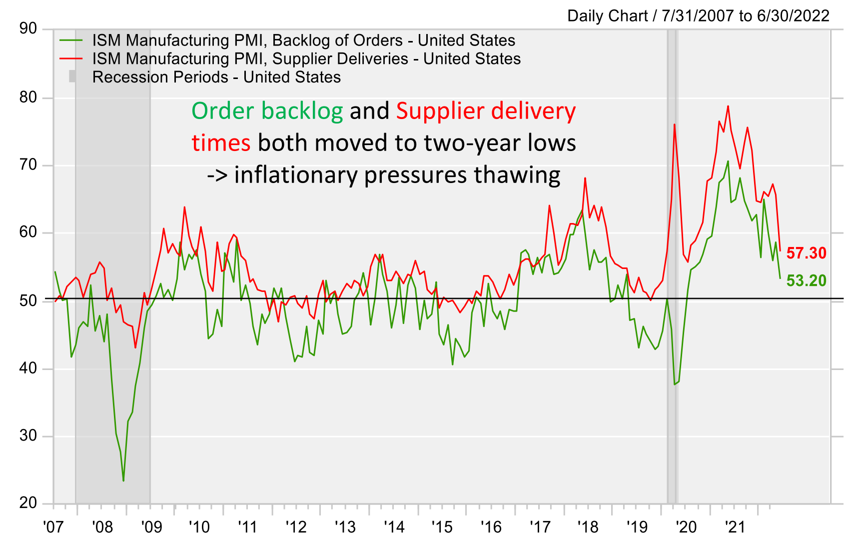
June ISM surveys were reported over the past week. ISM Manufacturing declined to 53.0 from 56.1, which is still positive territory. However, new orders moved into contraction at 49.2- indicating a likely continuation of the deteriorating backdrop. On the positive side, the backlog of orders and supplier delivery times both moved to two-year lows- signs of inflationary pressures thawing.

This message was not reverberated in the ISM services data which stayed relatively healthy at 55.3 (slightly lower than last month's 55.9) with new orders at 55.6 (from 57.6). Delivery times lengthened and order backlog actually rose, indicating more acute inflationary pressures on the services side this month. Prices paid remained very elevated at 80.1.

Overall, the reports should lighten concerns of an economic collapse, though the weight of the evidence is a clearly slowing economic backdrop. Inflation is also likely to moderate, but it is still high and may take time to get back to more comfortable levels.

Event	Period	Actual	Consensus	Prior
Markit PMI Manufacturing SA (Final)	JUN	52.7	52.4	52.4
Construction Spending SA M/M	MAY	-0.10%	0.30%	0.81%
ISM Manufacturing SA	JUN	53.0	55.0	56.1
BEA Domestic Auto Sales SAAR (Preliminary)	JUN	2.0M	-	1.9M
BEA Domestic Light Truck Sales SAAR (Preliminary)	JUN	8.3M	-	8.3M
BEA Total Light Vehicle Sales (Preliminary)	JUN	13.0M	13.5M	12.7M
Durable Orders ex-Transportation SA M/M (Final)	MAY	0.70%	0.20%	0.70%
Durable Orders SA M/M (Final)	MAY	0.81%	0.70%	0.70%
Factory Orders SA M/M	MAY	1.6%	0.50%	0.70%
PMI Composite SA (Final)	JUN	52.3	51.2	51.2
Markit PMI Services SA (Final)	JUN	52.7	51.6	51.6
ISM Services PMI SA	JUN	55.3	54.5	55.9
JOLTS Job Openings	MAY	11,254K	11,043K	11,681K
Continuing Jobless Claims SA	06/25	1,375K	1,337K	1,324K
Initial Claims SA	07/02	235.0K	230.0K	231.0K
Trade Balance SA	MAY	-$85.5B	-$84.8B	-$86.7B





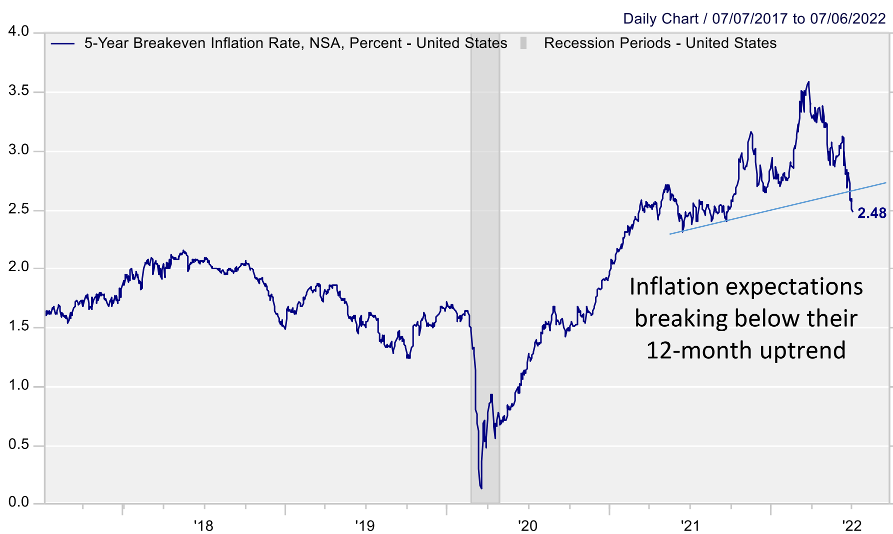
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

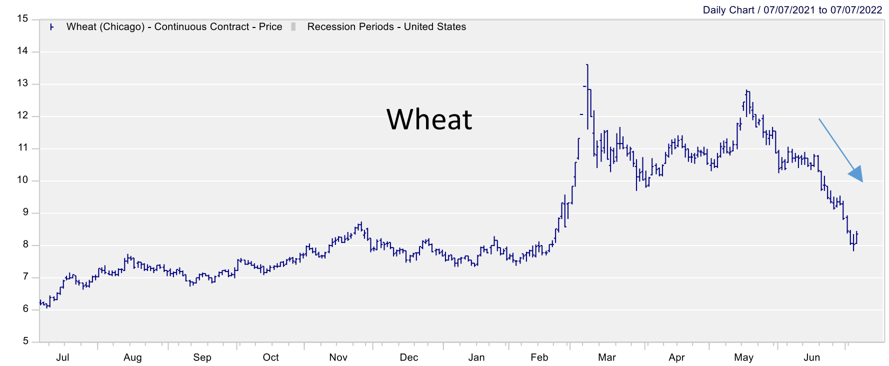
INFLATION EXPECTATIONS

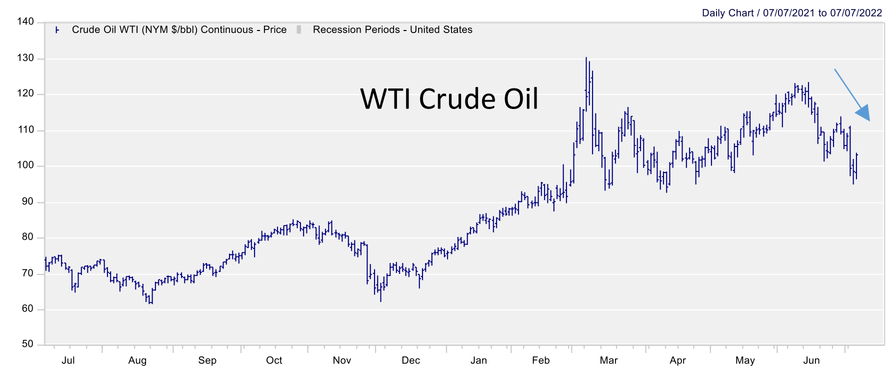
Broad weakness in commodity prices lately, contributed in part by growing macro concerns, have resulted in 5-year inflation expectations breaking below their 12-month uptrend. This is easing upward pressure on bond yields, which play a large influence on valuations, sector and style positioning, and overall market trends.

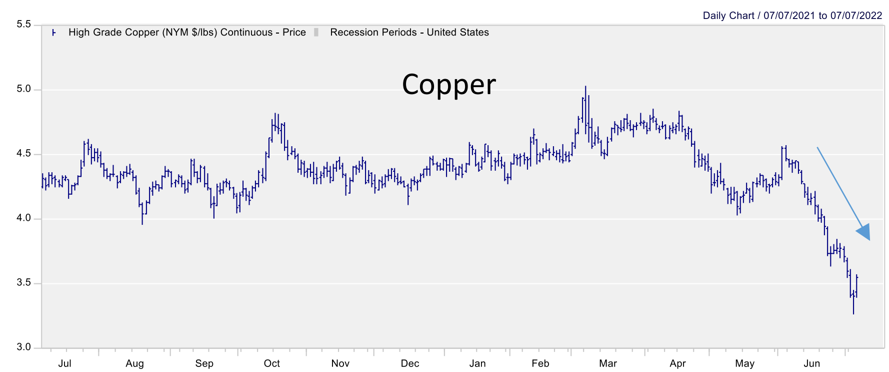
Next Wednesday's CPI reading will be a key report to monitor for the next move in inflation expectations and bond yields. A "hot" report may see inflation expectations and bond yields bounce from current levels and markets to pullback further; whereas a moderation in inflation may add support to the recent short-term market trends.

Overall, we are seeing some progress on inflationary pressures play out. But clear and convincing evidence of inflation moderating to more comfortable levels is likely to take time. In the meantime, the economy is likely to weaken.







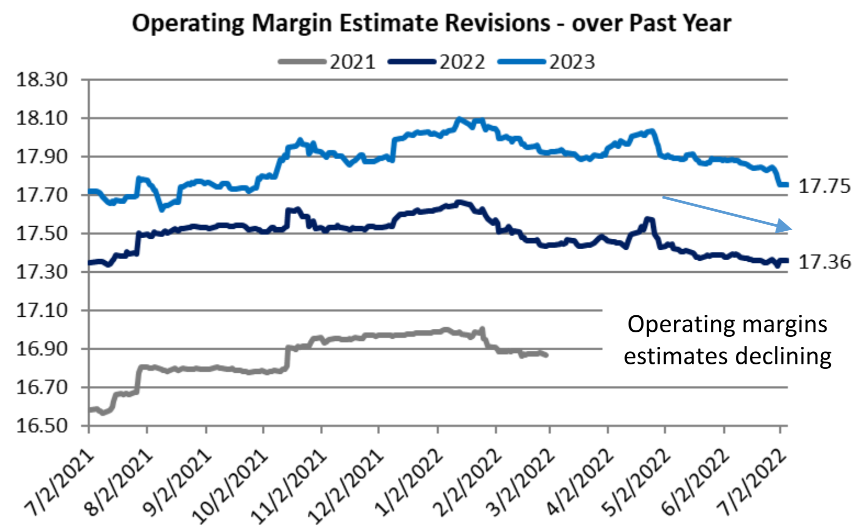


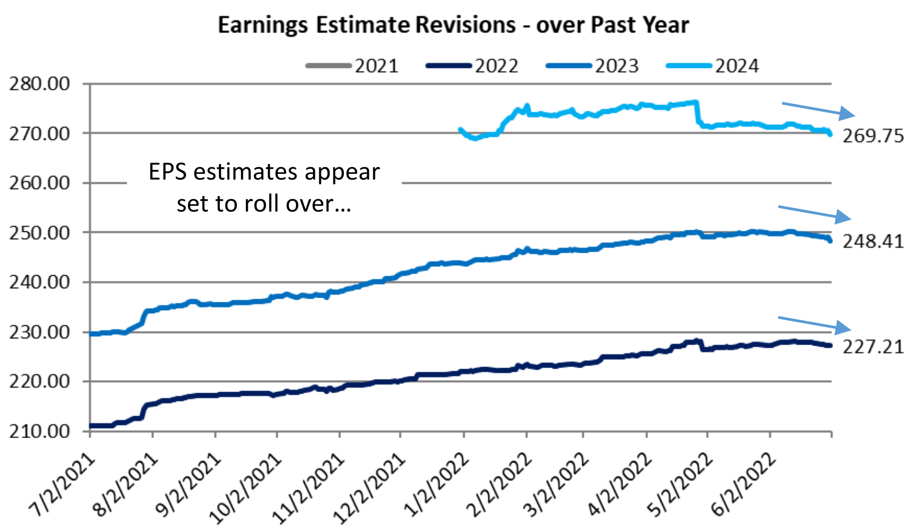
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

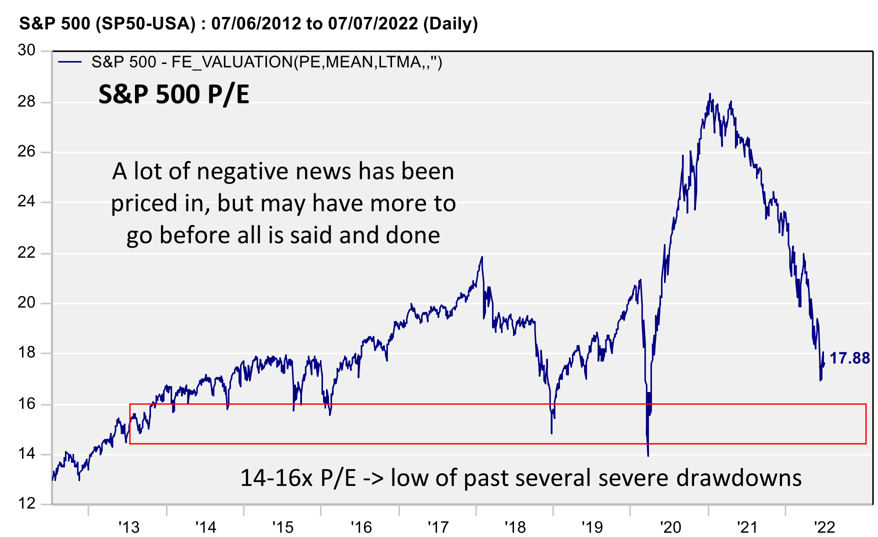
Q2 EARNINGS SEASON

Q2 earnings season kicks off next week with several of the banks. We believe the slowing economic backdrop and high inflation are likely to weigh on results and guidance. Forward earnings estimates are too high and likely set for downward revisions ahead in our view. We have a $220 earnings estimate for 2022, below the consensus estimate of $227- on slightly lower sales estimates and lower margin assumptions.

That said, a lot of negative news has been priced in with the S&P 500 -24% off its highs (and P/E multiple down to 17x from 28x). And importantly, the market will bottom before the economy and earnings. For example, in the last two recessions (2009 and 2020), equities were well off their lows by the time earnings bottomed due to multiple expansion (stocks discount the future). We are not yet ready to say P/E multiples have bottomed; but when they do, forward returns are likely to be positive despite lower earnings to come.



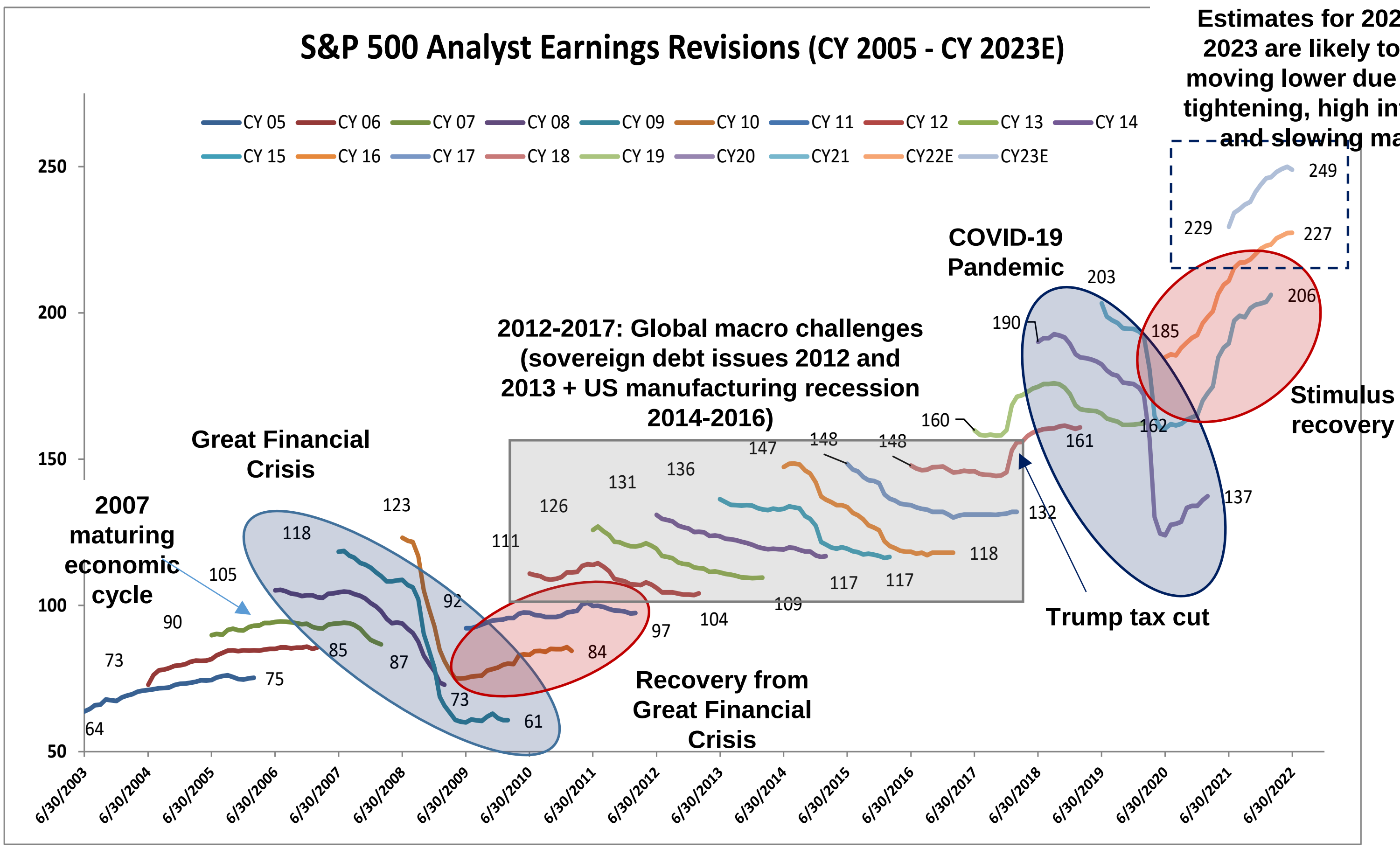




Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

EARNINGS TRENDS

Earnings estimates have been in an uptrend since the Covid recession, as analysts played catch-up to actual results (buoyed by enormous stimulus). However, the historic norm is for analyst estimates to start high and get revised lower into quarterly earnings reports- particularly in slowing macro environments. There have been plenty of earnings estimate reductions beneath the surface in recent months, but we believe aggregate S&P 500 estimates are likely to start moving lower for 2022 and 2023 due to Fed tightening, high inflation, and the slowing economic backdrop.



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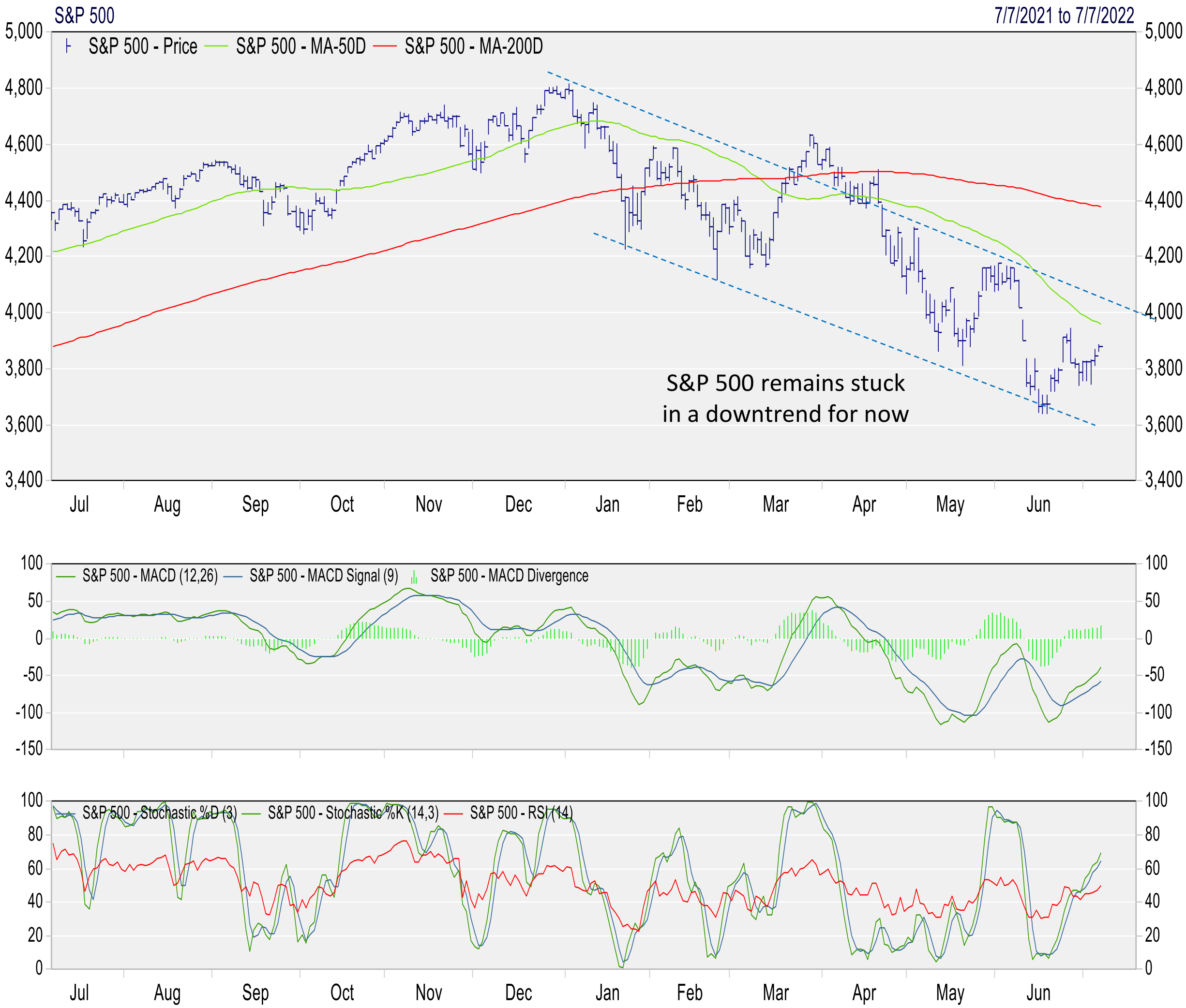
TECHNICAL: S&P 500



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

The predominant market trend remains downward, and this will be the case until the series of lower lows and lower highs breaks.

The S&P 500 is currently at the midpoint of its down channel. Nearby resistance resides at ~3977 (50 DMA). If the index continues to move higher, watch action in the RSI to see if we can finally reach overbought territory- this would be an encouraging sign that bullish momentum is coming back.

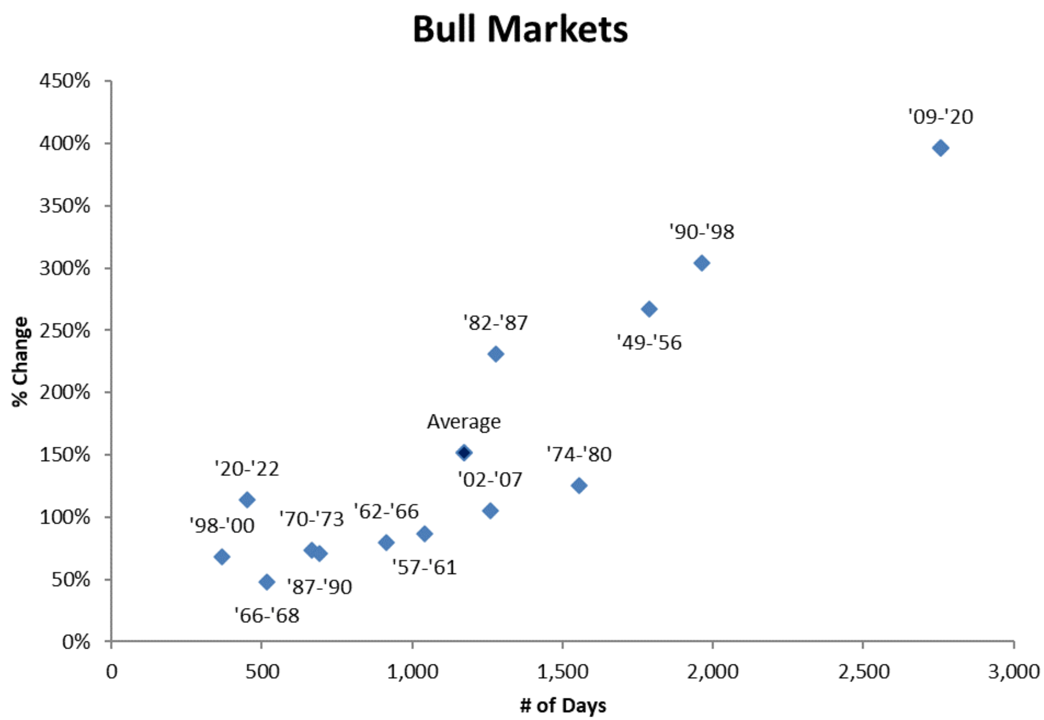
On the downside, watch for potential support between 3500-3600, which contains the 50% Fibonacci retracement measured from the Covid low to the January 2022 high. The 200-week moving average also comes in near the lower end of this range around 3517.

BULL MARKETS

Our bias continues to be that equities likely have more challenges and additional weakness before all is said and done, but a lot of negative news has been priced in already. Long-term investors (3+ year time horizons) should refrain from getting overly negative with the S&P 500 already down over 20% from its highs, and should turn their focus to bull market potential rather than what may be left on the downside of this bear market. Recessionary bear markets average -33% historically, but bull markets gain 152% on average. Don't lose sight of the opportunity on the other side of the current weak trend.

Bull Markets

Trough	Peak	Price Change	# of Days
6/13/1949	8/2/1956	267%	1,789
10/22/1957	12/12/1961	86%	1,042
6/26/1962	2/9/1966	80%	913
10/7/1966	11/29/1968	48%	516
5/26/1970	1/11/1973	74%	665
10/3/1974	11/28/1980	126%	1,555
8/9/1982	8/25/1987	231%	1,277
10/20/1987	7/16/1990	71%	691
10/11/1990	7/20/1998	304%	1,963
10/8/1998	3/24/2000	68%	368
10/10/2002	10/11/2007	105%	1,259
3/6/2009	2/19/2020	396%	2,758
3/23/2020	1/3/2022	114%	450
Average		***152%***	***1173***

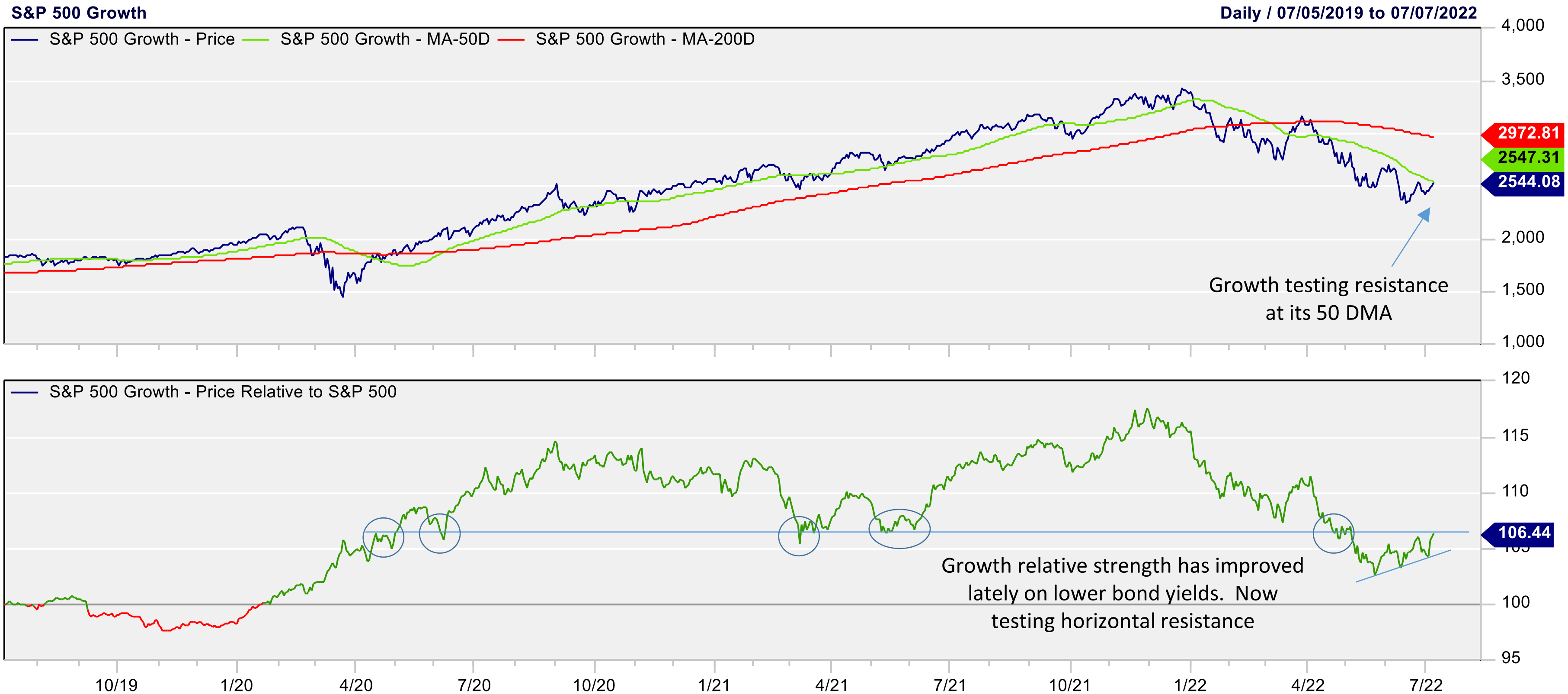


Don't lose sight of the bull market opportunity on the other side of the current bear market

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

GROWTH VS VALUE

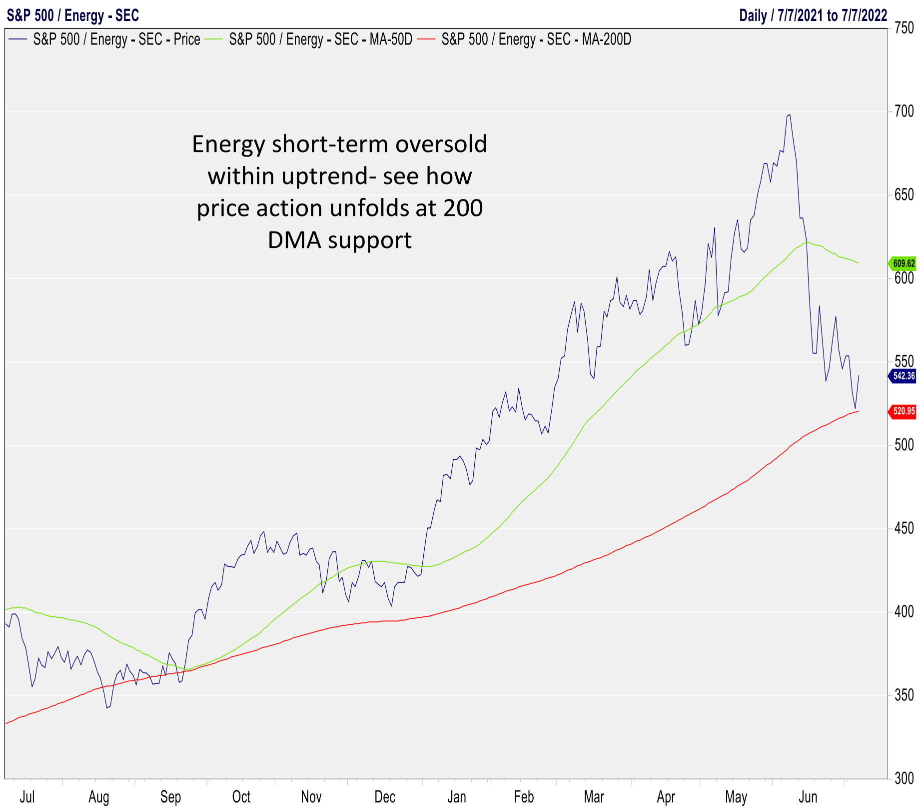
Lower bond yields recently have been a boost to the Growth segments. Technology-oriented stocks, in particular, have been weighed on this year with the sharp ascent in bond yields- resulting in downward pressure on valuation multiples. Consequently, the group has seen some relative strength lately as bond yields stalled. Growth relative strength is now testing horizontal resistance from its post-Covid trend, and its absolute price is up against the downward-trending 50 DMA. Next Wednesday's CPI report will be a key influence on the next wave of market trends. If inflation comes in hot, we may see an unwind of Growth's recent pickup vs Value, along with lower equities broadly. On the flip side, a lighter report (in conjunction with improvement in underlying inflationary indicators) may ease pressure on Fed expectations in the back half of this year and support a continuation of the recent upside. Upcoming earnings season will also act as a key influence.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

ENERGY

Energy stocks have quickly joined the bear market with the sector down 25% since June 8th, in conjunction with oil prices moving lower to $98.53/barrel (at yesterday's close) from $122 at the peak one month ago. To put into context, Energy is still far-and-away the best performing sector over the past 12 months (+36% vs S&P 500 -10%). The sector is now oversold in the short-term and still in an uptrend at 200-DMA support. However, the overall trend is becoming more challenged and the degree of the weakness may limit how dramatic the bounce will be. If the index can put in a stance near the 200-DMA, strong fundamentals will support adding to positions. For now, hold what you have (assuming you are not dramatically overweight- energy is 4.1% of SPX) with a goal of potentially adding when the momentum returns.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy (M22-4836540)

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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.

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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.

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