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AUGUST 18, 2022 | 3:54 PM EDT

Weekly Market Guide

Short-Term Summary:

After gaining nearly 19% on an intraday basis (from the low in June), the S&P 500 found resistance at the 200-DMA and remains overbought. However, the technical picture has improved drastically with two key signals we have been waiting on that were triggered in the last week (% of members above the 50-DMA getting above 90% and getting back above the 50% Fibonacci retracement level). Overall, we do not expect unbridled upside, but these signals likely increase the odds that pullbacks are buyable, as these signals have been consistent with markets moving back to highs instead of plummeting to new lows.

One area that we will continue to monitor will be performance at the sector level. Thus far, Utilities are the only area to get back above prior highs. This defensive posturing is not typically consistent with leadership in the early innings of a renewed bull market. However, it is likely signaling that more time is needed for the more Growth/cyclical sectors to improve before a move back to highs for the S&P 500 is possible.

With earnings season wrapping up, 2Q earnings surprised to the upside by 3.2%, with 74% of companies beating earnings expectations. This compares negatively to the 5-year average upside surprise of 8.8% for the S&P 500 with 77% of companies beating estimate. While 2Q'22 earnings have moved higher throughout earnings season, there was likely some pull forward as 3Q'22 earnings have declined and now are expected to decelerate compared to the 2Q. Earnings estimates continue their downward trend with consensus estimates now expected to be $223.29 (8.3% YoY) in 2022, which is approaching our base case estimate of $220. For 2023, consensus estimates are for $241.79, which we believe will need to be revised lower as the economic environment continues to soften. Our base case estimate for 2023 is $215, which assumes a mild recessionary environment.

In the short-term, the market is extended to the upside, which could result in some back filling over the coming days/weeks. However, given the improving technical picture, we believe investors can look to add on weakness. There remains significant overhead resistance at the 200-DMA (currently at 4324) and downtrend line (currently at 4340). However, if a pullback does transpire, we would look for support at 4164-4200, which corresponds closely with the 21-DMA.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	-6.5%	-3.9%
S&P 500	-10.3%	-3.9%
S&P 500 (Equal-Weight)	-7.3%	-2.1%
NASDAQ Composite	-17.3%	-11.7%
Russell 2000	-11.5%	-8.7%
MSCI All-Cap World	-13.2%	-10.2%
MSCI Developed Markets	-16.6%	-16.9%
MSCI Emerging Markets	-17.6%	-19.1%
NYSE Alerian MLP	19.8%	21.8%
MSCI U.S. REIT	-12.8%	-3.4%

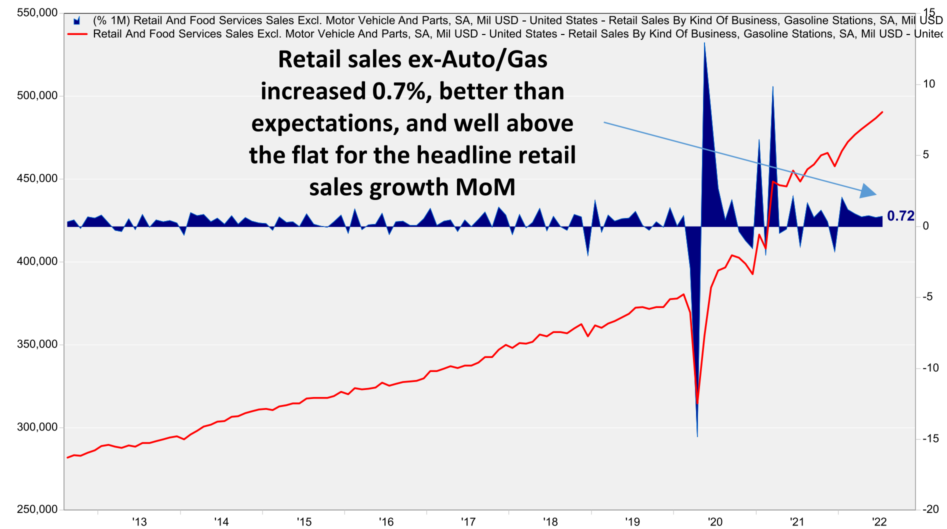
S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Energy	39.2%	4.2%
Utilities	7.8%	3.0%
Consumer Staples	-0.6%	6.6%
Health Care	-5.7%	13.9%
Industrials	-5.9%	7.9%
Financials	-9.0%	10.8%
S&P 500	***-10.3%***	-
Materials	-11.3%	2.5%
Real Estate	-12.5%	2.9%
Information Technology	-14.1%	28.1%
Consumer Discretionary	-16.4%	11.7%
Communication Svcs.	-25.0%	8.5%

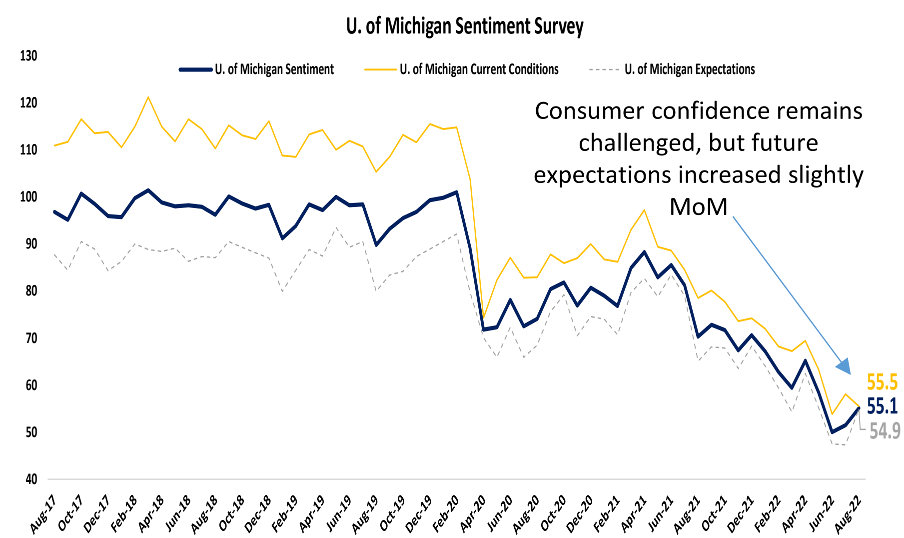
Source: FactSet, RJ Equity Portfolio & Technical Strategy

MACRO: US

Macro data continues to be mixed—housing continues to be under pressure, components of retails sales were positive, consumer confidence remains challenged, but future expectations increasing, and jobs market remains solid for now. While headline retail sales disappointed coming in flat MoM vs. consensus expectations of 0.1%, there were pockets of strength as retail sales ex-auto/gas saw an increase of 0.7% MoM vs. consensus of 0.4%. The retail sales control group, which is a contributor to GDP, was positive for July at 0.8% MoM vs. consensus of 0.6%. Consumer confidence remains nuanced with U of Michigan confidence in current conditions remaining pressured at 55.5 vs. consensus of 57.8, however, future expectations saw a nice increase to 54.9 vs. the prior reading of 47.3.

Event	Period	Actual	Consensus	Prior	Revised
Import Price Index MoM	Jul	-1.4%	-1.0%	0.2%	0.3%
Export Price Index MoM	Jul	-3.3%	-1.0%	0.7%	
U. of Michigan Sentiment	Aug P	55.1	52.5	51.5	
U. of Michigan Current Conditions	Aug P	55.5	57.8	58.1	
U. of Michigan Expectations	Aug P	54.9	48.5	47.3	
U. of Michigan 5-10 Yr. Inflation	Aug P	3.0%	2.8%	2.9%	
Empire Manufacturing	Aug	-31.3	5	11.1	
NAHB Housing Market Index	Aug	49	54	55	
Housing Starts	Jul	1,446k	1,527k	1,559k	1,599k
Housing Starts MoM	Jul	-9.6%	-2.1%	-2.0%	2.4%
Building Permits	Jul	1,674k	1,640k	1,685k	1,696k
Industrial Production MoM	Jul	0.6%	0.3%	-0.2%	0.0%
Capacity Utilization	Jul	80.3%	80.2%	80.0%	79.9%
MBA Mortgage Applications	12-Aug	-2.3%		0.2%	
Retail Sales Advance MoM	Jul	0.0%	0.1%	1.0%	0.8%
Retail Sales Ex-Auto MoM	Jul	0.4%	-0.1%	1.0%	0.9%
Retail Sales Ex-Auto/Gas MoM	Jul	0.7%	0.4%	0.7%	
Retail Sales Control Group	Jul	0.8%	0.6%	0.8%	0.7%
Business Inventories	Jul	1.4%	1.4%	1.4%	1.6%
Initial Jobless Claims	13-Aug	250k	264k	262k	252k
Continuing Claims	6-Aug	1,437k	1,455k	1,428k	1,430k
Philly Fed Business Outlook	Aug	6.20%	-5.00%	-12.30%	
Existing Home Sales	Jul	4.81m	4.86m	5.12m	5.11m
Leading Index	Jul	-0.4%	-0.5%	0.8%	0.7%





Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FUNDAMENTALS

Earnings estimates continue their downward trend with consensus estimates now expected to be $223.29 (8.3% YoY) in 2022, which is approaching our base case estimate of $220. For 2023, consensus estimates are for $241.79, which we believe will need to be revised lower as the economic environment continues to soften. Our base case estimate for 2023 is $215, which assumes a mild recessionary environment.

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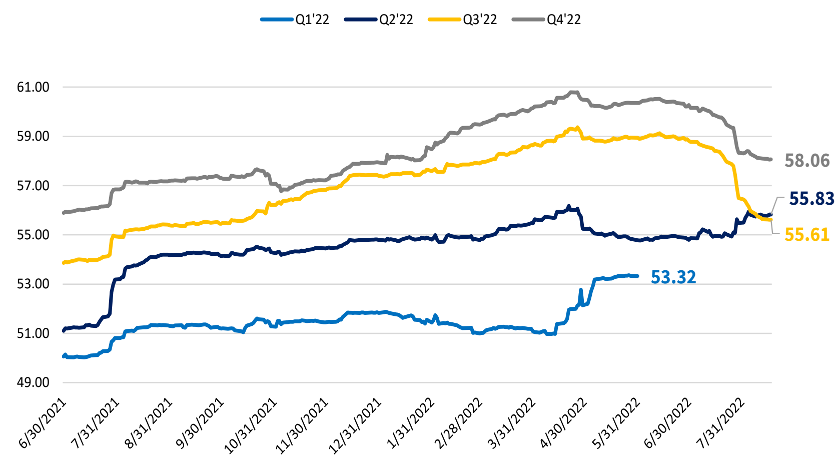
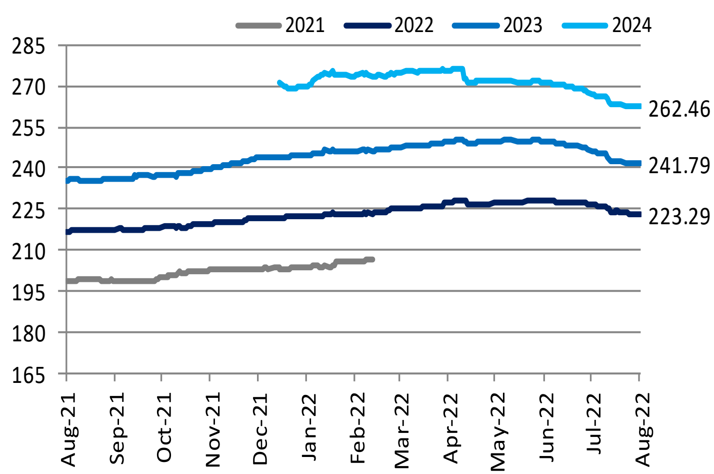
S&P 500 Quarterly Consensus Earnings

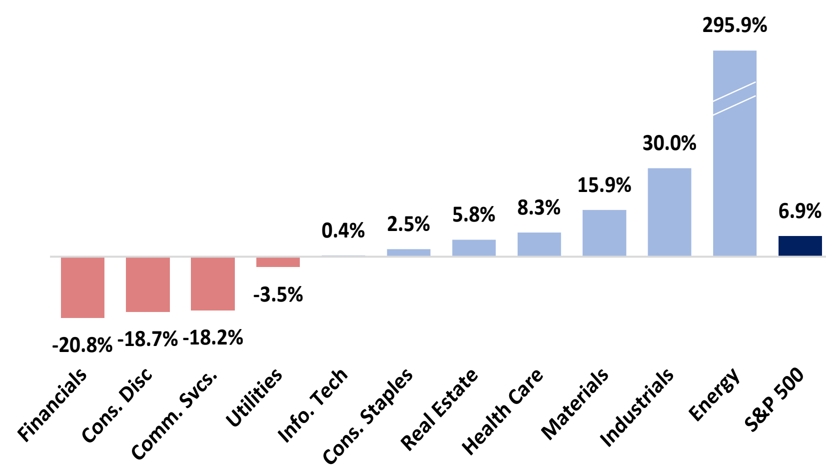


S&P 500 Consensus Earnings Estimates over Past Year



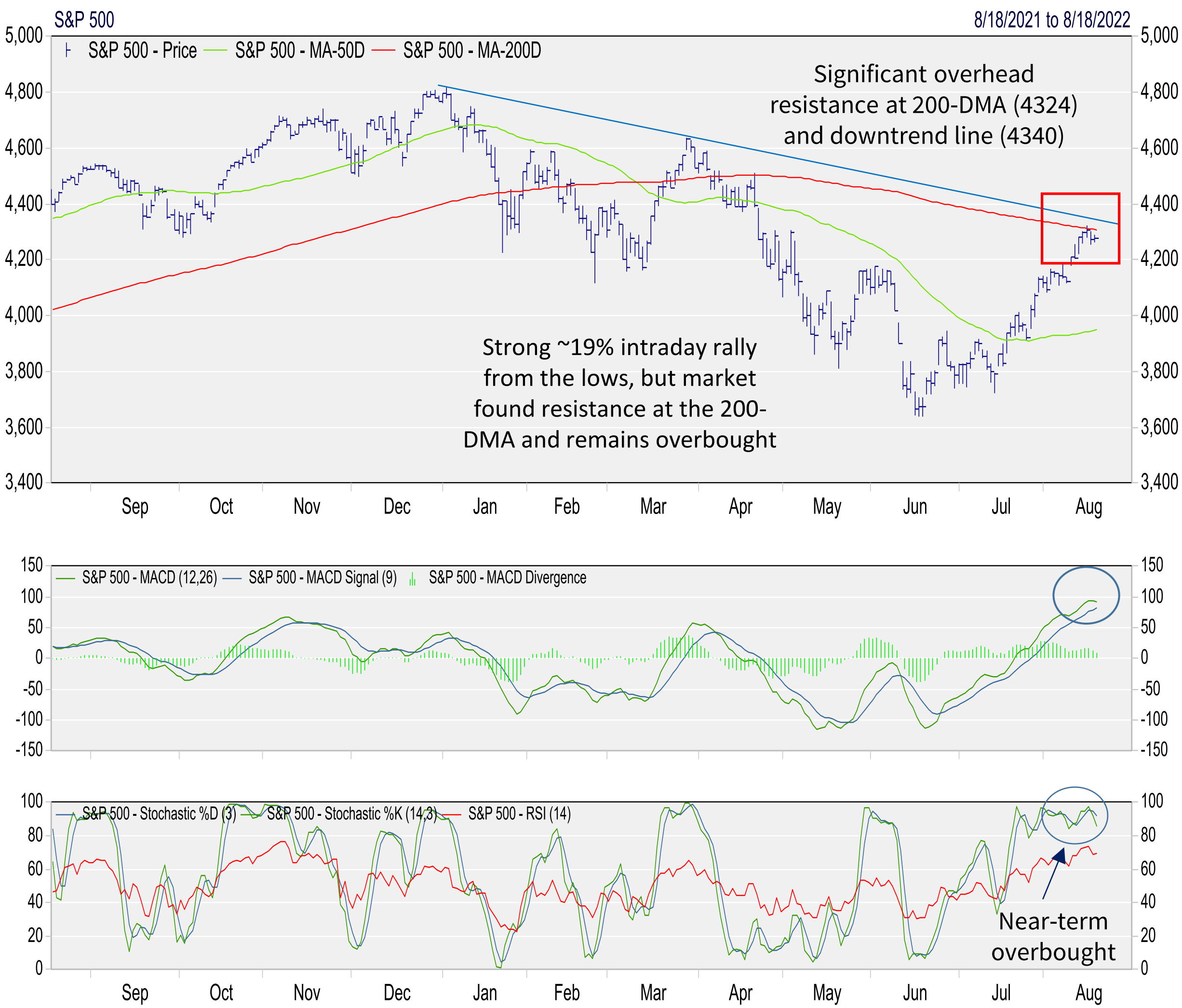
EPS Growth Estimates	
2021	50.1%
2022	8.3%
2023	8.3%
2024	8.5%

2Q'22 EPS Growth YoY



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: S&P 500



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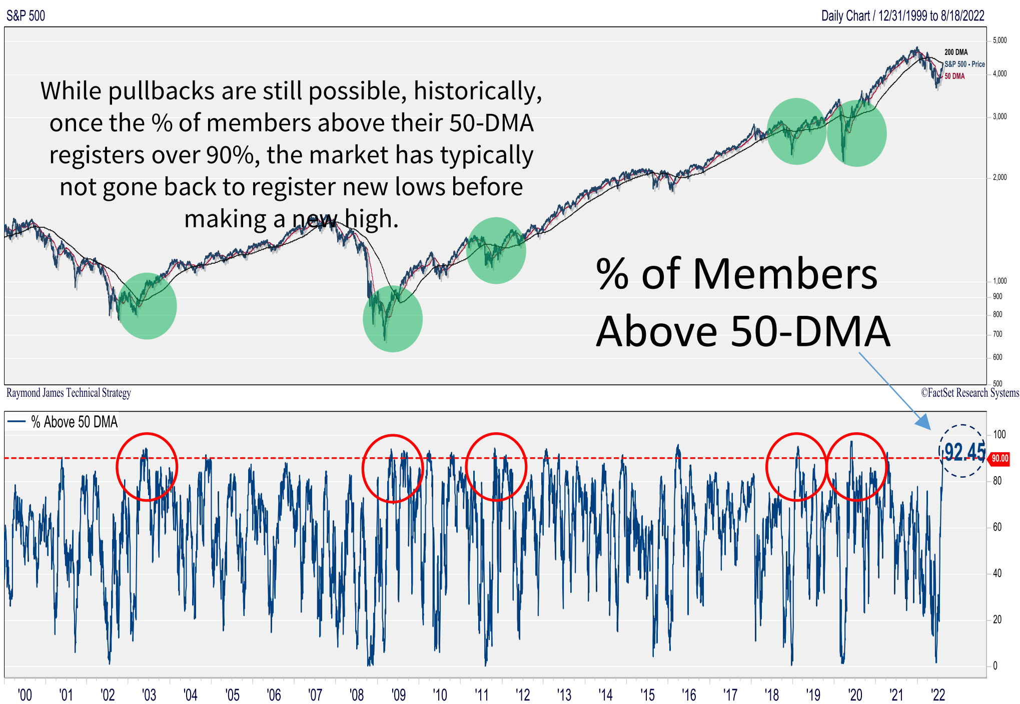
MARKET MOMENTUM

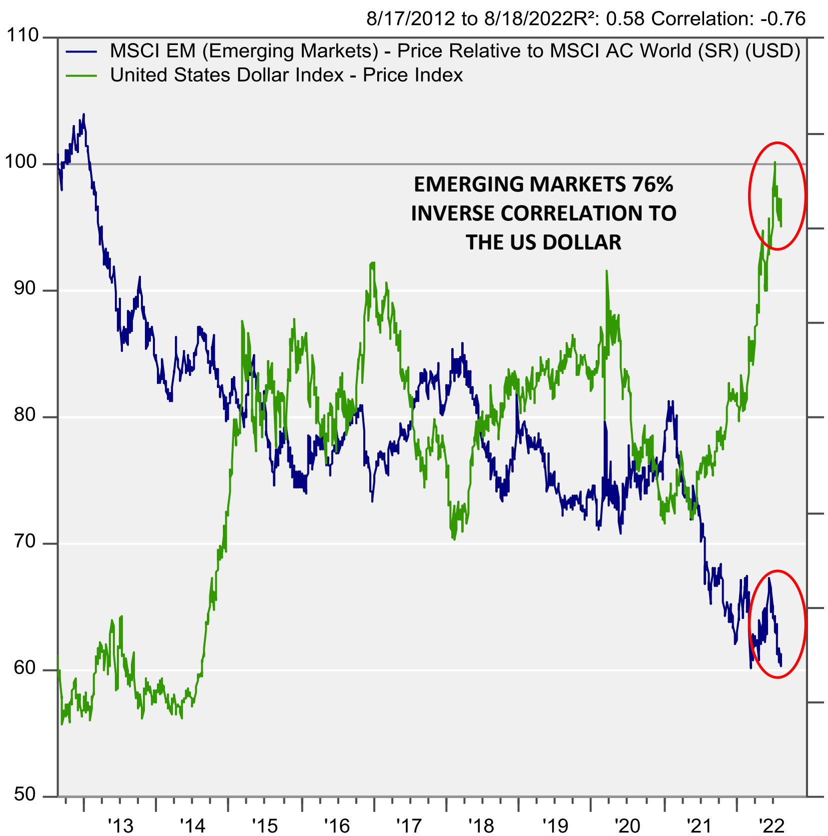
Late last week, we got two positive signals from the S&P 500, which increase the odds that pullbacks are buyable as momentum continues to improve. First, the percentage of S&P 500 stocks above their 50-day moving average is now 92.45%, which is above the 90% threshold we had been watching. Secondly, the S&P 500 was able to get above the 50% Fibonacci retracement (4231.67) from market peak in January to the June lows. Historically, following a 20% pullbacks on closing prices, the market has not returned back to lows after getting back above the 50% retracement (9 previous times since 1950). While there is overhead resistance and the market is short-term overbought, we are reluctant to chase at current levels, but the improvement in momentum is a good sign for the market and increases our conviction that pullbacks are now buyable.

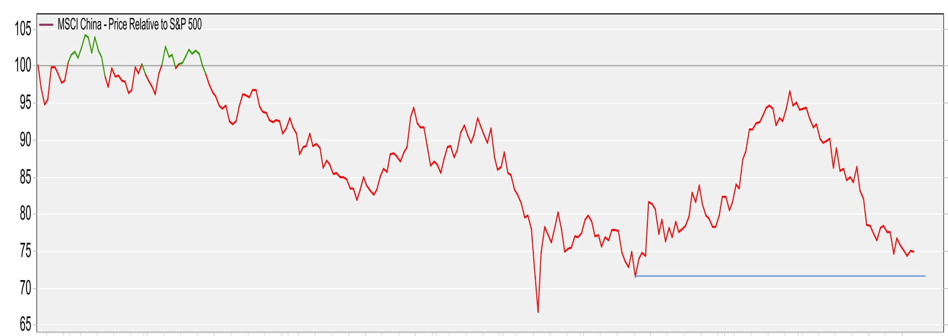


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

EMERGING MARKETS

There appears to be a divergence within Emerging Markets. As seen below, there has historically been a strong inverse correlation (-0.76) between the relative performance of the Emerging Markets and the US Dollar, for example, when the US Dollar declines, this is a positive for the relative performance in Emerging Markets. However, despite the recent pullback in the US Dollar, the relative performance of EM has moved back near lows. However, one of the largest components of EM, which is China, has not seen its relative performance break near lows. It continues to be too early for EM, but we will continue to monitor this divergence along with the direction of the US Dollar.

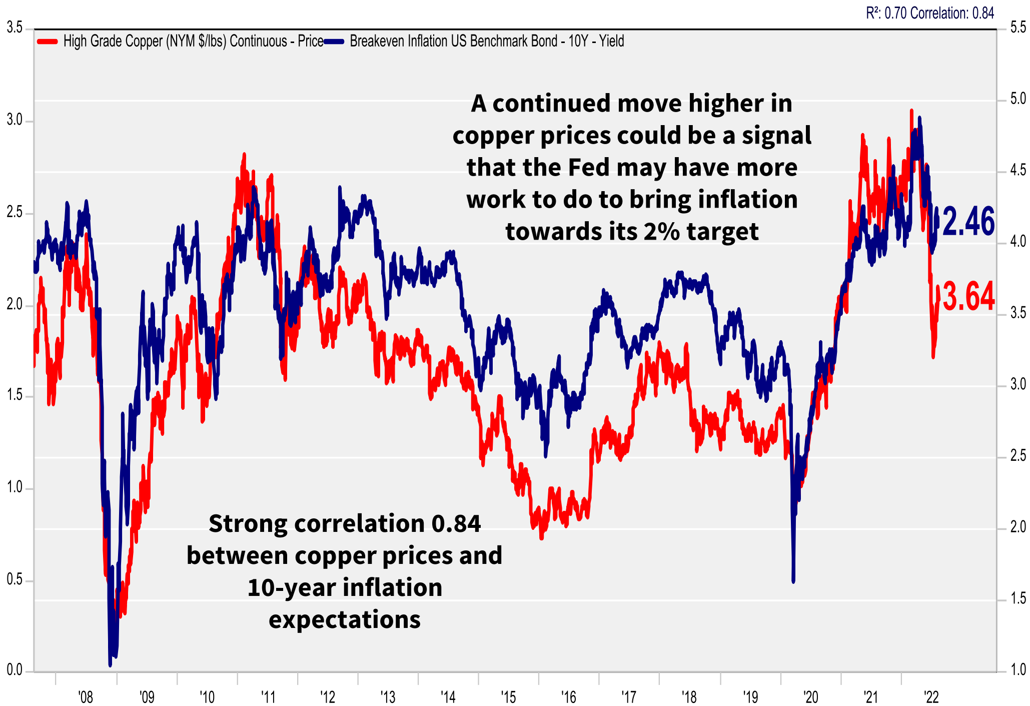


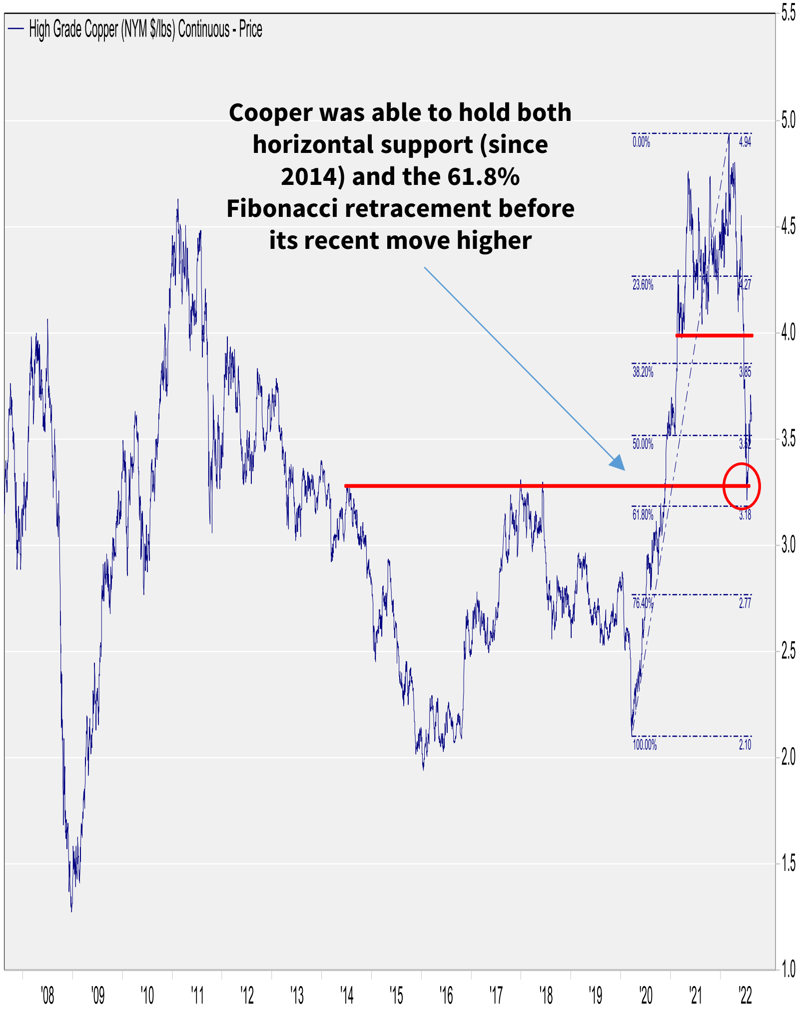


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

COPPER

The recent move higher for copper prices could be negative to the narrative that inflation will moderate back to the Fed's 2% target (without the FOMC remaining aggressive). Historically (over the last 15 years), there is a high correlation (0.84) between the 10-year break-even inflation expectation and the price of copper. As seen to the right, copper was able to hold both the horizontal support (since 2014) along with the 61.80% Fibonacci retracement level before its recent bounce, which corresponded to a recent increase in the 10-year breakeven. While the 2.46% 10-year inflation breakeven is a far cry from the recent inflation readings, higher prices could push expectations higher, which would suggest that further action from the Fed may be necessary to return to its target level of 2%.

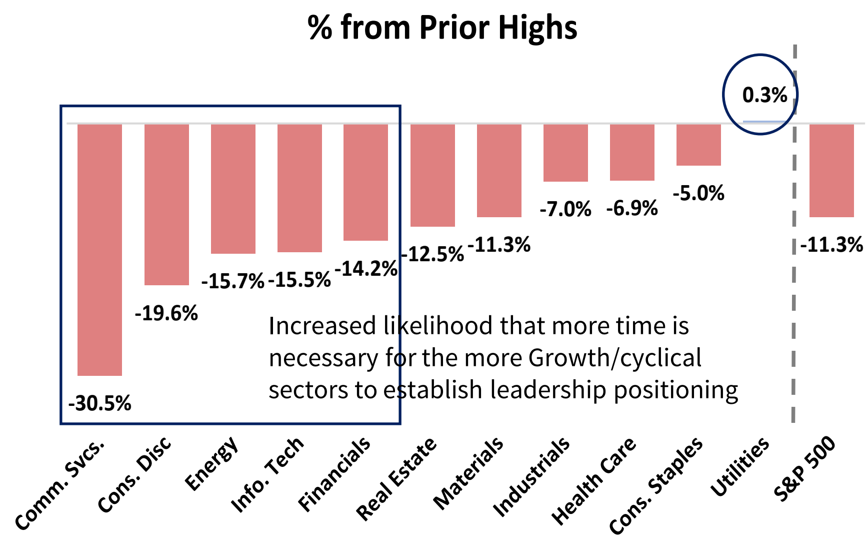




Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

UTILITIES

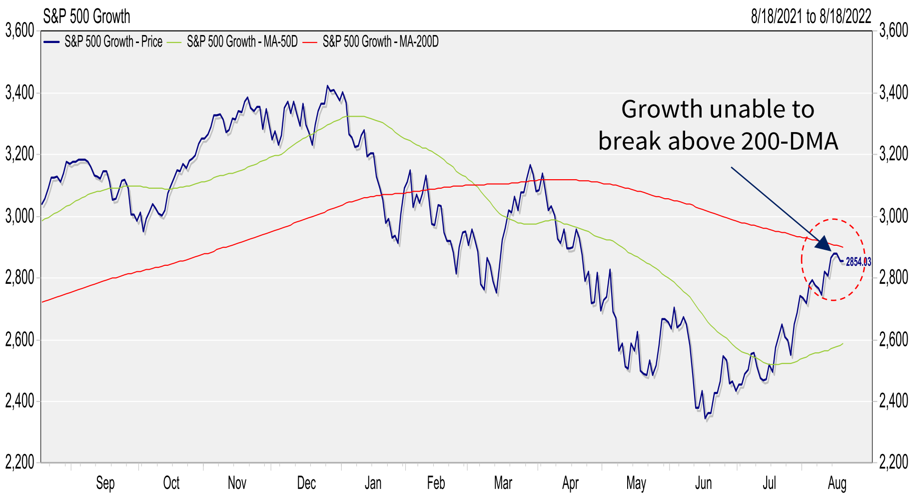
While the recent rally has seen some broadening out in participation, leadership continues to skew a little more defensive. Utilities were the first sector to break above its prior highs. This more defensive posturing from the market is unlikely leadership for a sustained move higher, which we believe increases the odds that more time is needed for more Growth/cyclical sectors to play catch up to the Defensive sectors.

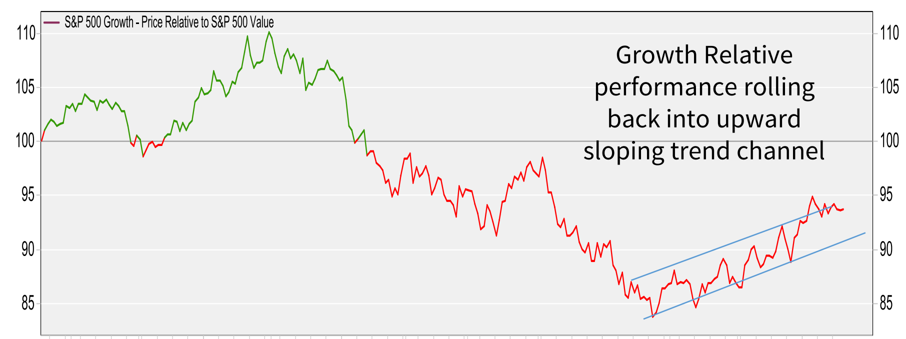


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

GROWTH VS VALUE

Despite the nice advance in Growth over the last month, the relative performance of Growth vs. Value is rolling back into the upward sloping trend channel (after a brief breakout) as it failed to break above its 200-DMA. If the 200-DMA remains a cap for Growth, this could lead to Value outperforming in the near-term. From a valuation perspective, Value remains attractive with the group trading at a ~17% discount to the S&P 500. However, if rates stay flat or move lower and the macro remains in question, Growth could see renewed upside as the broadening out in participation is positive for Growth.





Source: FactSet, Raymond James Equity Portfolio & Technical Strategy (M22-4909887)

	S&P 500	S&P 500 Growth	S&P 500 Value
Current P/E	19.7x	24.7x	16.4x
15-Year Average	17.4x	19.5x	15.2x
% from 15-Year Average	13.0%	26.8%	8.2%
Current Premium/Discount P/E to S&P 500		25.4%	-16.7%
15-Year Average Premium/Discount P/E to S&P 500		10.3%	-11.8%
Current Dividend Yield	1.51%	0.84%	2.20%
15-Year Average Dividend Yield	2.04%	1.53%	2.65%

Valuation on Value remains attractive

Sector Weightings by Style

S&P 500 Sector	S&P 500	Growth	Value
Information Technology	28.1	44.7	11.5
Consumer Discretionary	11.7	16.8	6.6
Health Care	13.9	11.2	16.6
Communication Services	8.5	10.9	6.3
Financials	10.8	6.7	14.8
Industrials	7.9	3.3	12.4
Real Estate	2.9	2.3	3.4
Consumer Staples	6.6	1.7	11.4
Materials	2.5	1.3	3.7
Energy	4.2	1.0	7.1
Utilities	3.0	0.1	5.9

Growth has more a tech-focused bias, while Value is skewed more defensively/ rate sensitive

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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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