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Weekly Market Guide

The news seems to increasingly worsen (i.e. currency volatility, sharply higher bond yields, Nordstream pipeline leak, etc.), as is often the case during bear markets. And this impacts human emotion, as long-term investors get sucked into the short-term uncertainty and volatility. On the positive side, this is the type of reaction often seen closer to the end of a bear market- as investor psychology shifts from fear to panic and ultimately capitulation. In fact, the AAII investor sentiment survey shows the highest percentage of bears since March 2009 (lows of the credit crisis). We believe we are in the fear/panic phase currently, which suggests further downside in the near-term (weeks to months). However, we also believe we could be 3/4ths of the way through this bear market cycle.

We believe high inflation will take time to moderate, and volatility in the data is likely to correlate with volatile markets. Additionally, all of the Fed tightening will work with a lag on the economy- ultimately putting downward pressure on inflation, but also increasing the likelihood of economic contraction. This will weigh on corporate earnings ahead, and current estimates need to be revised markedly lower in our view. High yield credit default swaps, which have been a good indicator on market trends this year, broke out to new highs this week- suggesting further downside.

However, the question is how much is already priced in? Recessionary bear markets have historically contracted 33% on average over a 13-month span. We are already down 24% over 9 months. Timing an absolute bottom is extremely difficult when uncertainty and volatility runs high. The index often capitulates at the bottom, reaching a low in sharp fashion for a very quick period, with very rapid recoveries. On average, the S&P 500 is up 16% in the first 30 days of a recessionary bear market bottom- while the news is still very troubling. In a worst case scenario, we believe the S&P 500 could reach 3000-3200. This would be in line with the Covid low P/E of ~14x (from roughly 17x currently), but the index is oversold enough to bounce at any time. Economic data (specifically as it relates to inflation trends) is likely to remain the big influence. August PCE is reported tomorrow, September ISM Manufacturing on Monday, JOLTS Job Openings Tuesday, September ISM Services Wednesday, and the September jobs report (with wage growth) next Friday.

In sum: While it is easy to become increasingly more short-sighted in volatile periods, we remind investors that a lot of negative news has already been priced in at current levels. High inflation is an issue, but leading indicators suggest it should improve- the timing and degree are the unknowns. Equities likely still contain downside in the short-term (weeks to months), but don't lose sight of the long-term bull market opportunity on the other side of the current weak trend. Bull markets go up 152% on average and last for years.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	-18.3%	-13.5%
S&P 500	-22.0%	-14.6%
S&P 500 (Equal-Weight)	-19.3%	-13.6%
NASDAQ Composite	-29.4%	-24.0%
Russell 2000	-23.6%	-23.1%
MSCI All-Cap World	-25.0%	-20.9%
MSCI Developed Markets	-29.2%	-28.0%
MSCI Emerging Markets	-28.9%	-30.5%
NYSE Alerian MLP	13.9%	11.6%
MSCI U.S. REIT	-28.9%	-18.8%

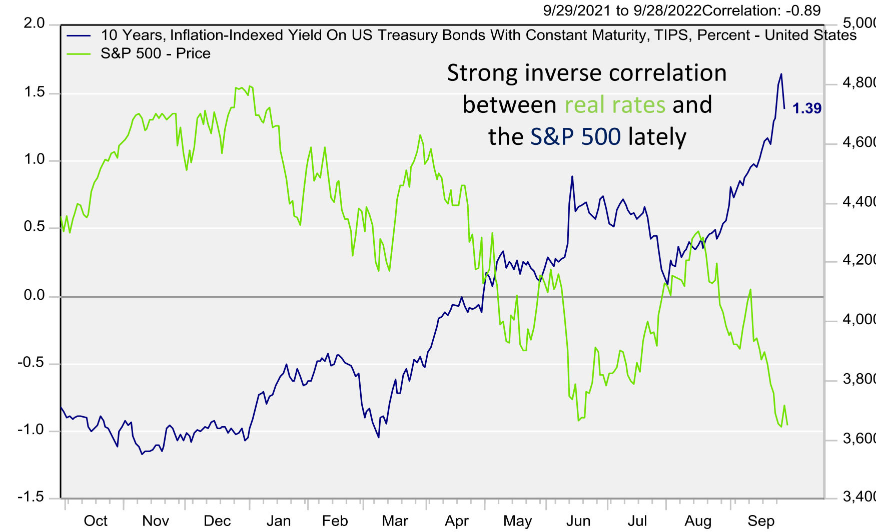
S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Energy	32.1%	4.4%
Utilities	-2.8%	3.1%
Consumer Staples	-10.5%	6.9%
Health Care	-12.1%	14.9%
Industrials	-19.2%	7.8%
Financials	-20.6%	10.9%
S&P 500	***-22.0%***	-
Materials	-23.5%	2.5%
Consumer Discretionary	-26.5%	11.9%
Information Technology	-28.6%	26.7%
Real Estate	-29.1%	2.8%
Communication Svcs.	-36.9%	8.1%

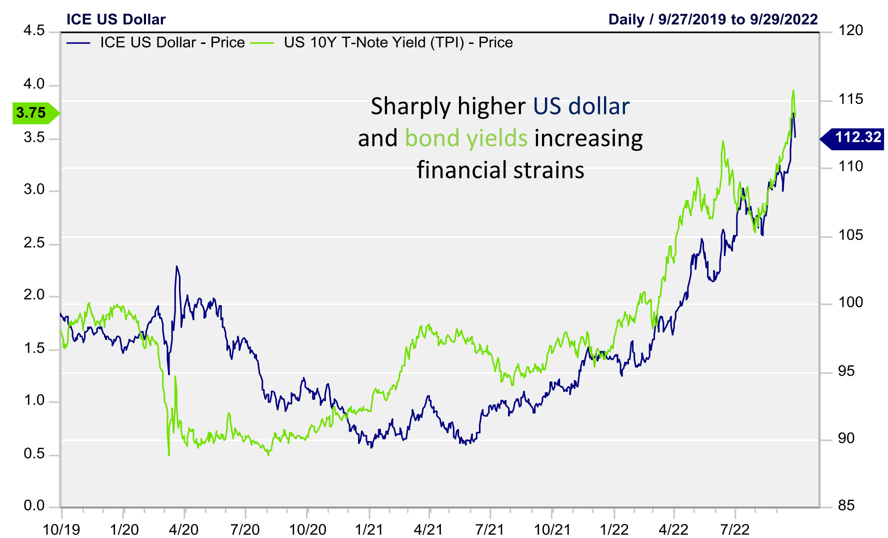
Source: FactSet, RJ Equity Portfolio & Technical Strategy

MACRO: US

Global economic pressures have intensified of late with currency volatility reaching extreme levels. The Euro, British pound, Chinese yuan, and Japanese yen have all plummeted, increasing concerns of financial strains within the global system. While this trend is not the market's friend, it is worth noting that these moves have been extreme in the short-term and may be due consolidation. Similarly, real rates (inflation-adjusted bond yields) have spiked higher, which have weighed on equity markets. In fact, there has been an 89% inverse correlation between real rates and the S&P 500 over the past 12 months. Technically, this move is also getting stretched to the upside and may need to consolidate- which would be supportive of an equity market bounce from oversold levels. With volatility so high, swings can be extreme in either direction; and economic data (particularly as it relates to inflation) will remain a significant influence.

Event	Period	Actual	Consensus	Surprise	Prior
PMI Composite SA (Preliminary)	SEP	49.3	47.6	1.7	44.6
Markit PMI Manufacturing SA (Preliminary)	SEP	51.8	51.2	0.60	51.5
Markit PMI Services SA (Preliminary)	SEP	49.2	45.0	4.2	43.7
Chicago Fed National Activity Index	AUG	0.0	0.25	-0.25	0.29
Dallas Fed Index	SEP	-17.2	-5.0	-12.2	-12.9
Building Permits SAAR (Final)	AUG	1,542K	-	-	1,517K
Durable Orders ex-Transportation SA M/M (Preliminary)	AUG	0.20%	0.20%	-0.0%	0.20%
Durable Orders SA M/M (Preliminary)	AUG	-0.20%	-0.30%	0.10%	-0.10%
FHFA Home Price Index	JUL	395.2	-	-	397.6
S&P/Case-Shiller comp.20 HPI M/M	JUL	-0.40%	0.20%	-0.60%	0.19%
S&P/Case-Shiller comp.20 HPI Y/Y	JUL	16.1%	17.3%	-1.2%	18.7%
Consumer Confidence	SEP	108.0	104.0	4.0	103.6
New Home Sales SAAR	AUG	685.0K	495.0K	190.0K	532.0K
Richmond Fed Index	SEP	0.0	-3.0	3.0	-8.0
Wholesale Inventories SA M/M (Preliminary)	AUG	1.3%	0.80%	0.50%	0.60%
Pending Home Sales Index SAAR	AUG	88.4	89.4	-1.0	90.2
Pending Home Sales M/M	AUG	-2.0%	-1.5%	-0.50%	-0.55%
Continuing Jobless Claims SA	09/17	1,347K	1,388K	-41.0K	1,376K
GDP SAAR Q/Q (Final)	Q2	-0.60%	-0.60%	0.0%	-0.60%
GDP SA Y/Y (Final)	Q2	1.8%	1.7%	0.10%	1.7%
Initial Claims SA	09/24	193.0K	216.0K	-23.0K	209.0K



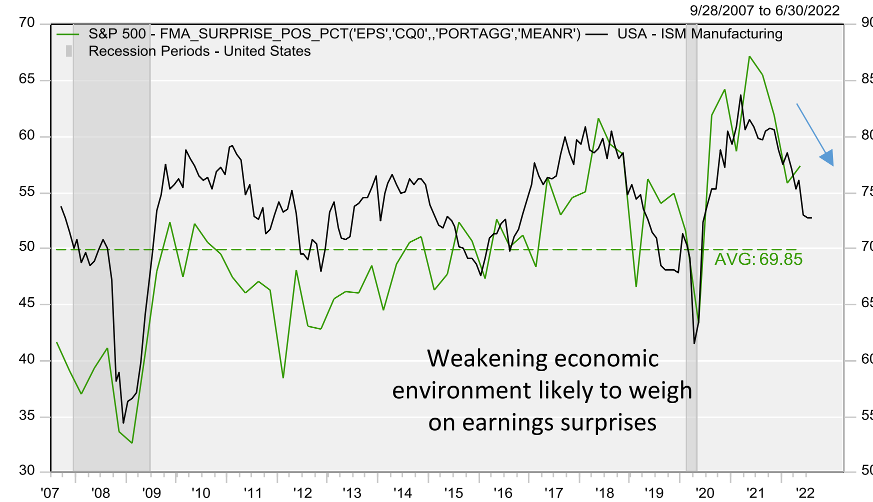


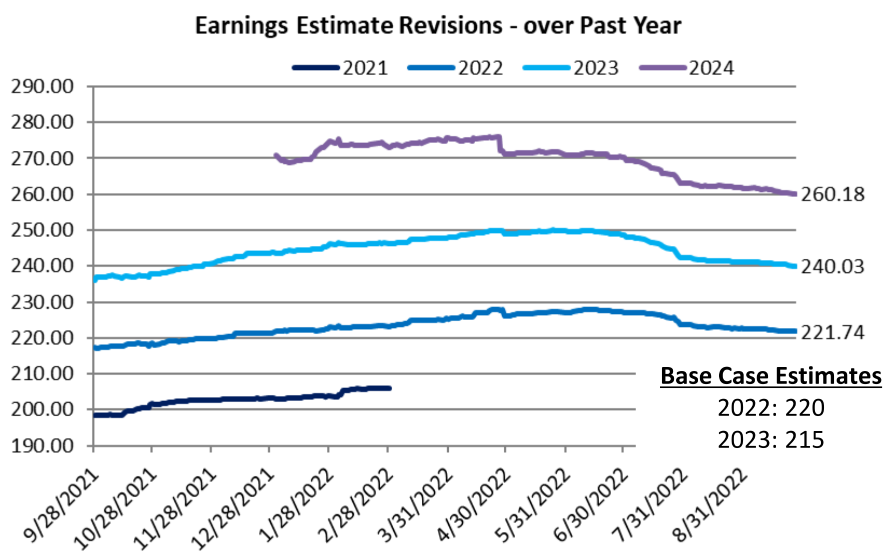
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

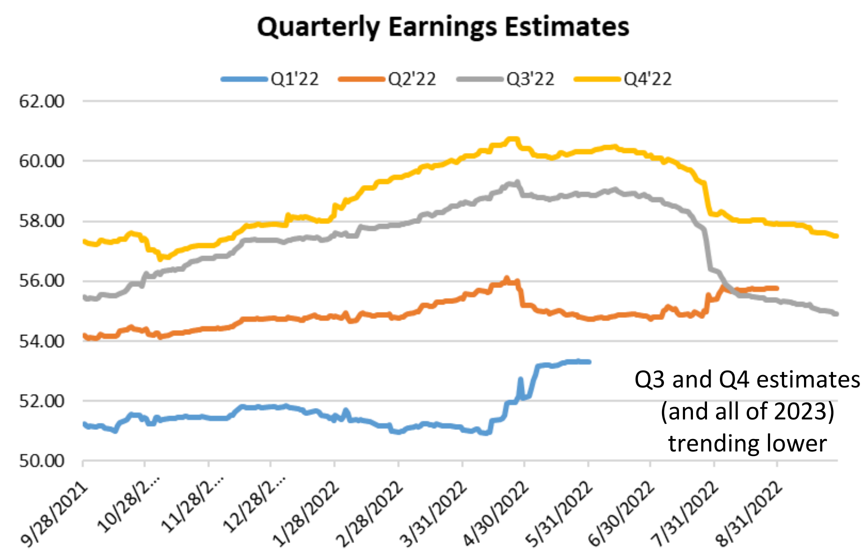
FUNDAMENTALS

With September coming to a close, Q3 earnings season will begin in two weeks with the banks. We expect the weakening economic environment to weigh on results and believe that company guidance will set expectations lower. Current Q3 estimates reflect a -1.5% earnings contraction q/q and +3.5% growth y/y. Of the "early reporters," only 47% have beaten estimates with an aggregate earnings miss of -4.2%.

Q3 and Q4 estimates continue to trend lower, pulling full year 2022 earnings expectations closer to our $220 estimate. And all 2023 quarters also continue to trend lower. We believe these estimates remain far too high, given our expectations for a mild recession, and have a $215 earnings estimate for 2023. While we believe there is downside to current estimates, it will be interesting to gauge how much negative guidance is priced in at current levels.



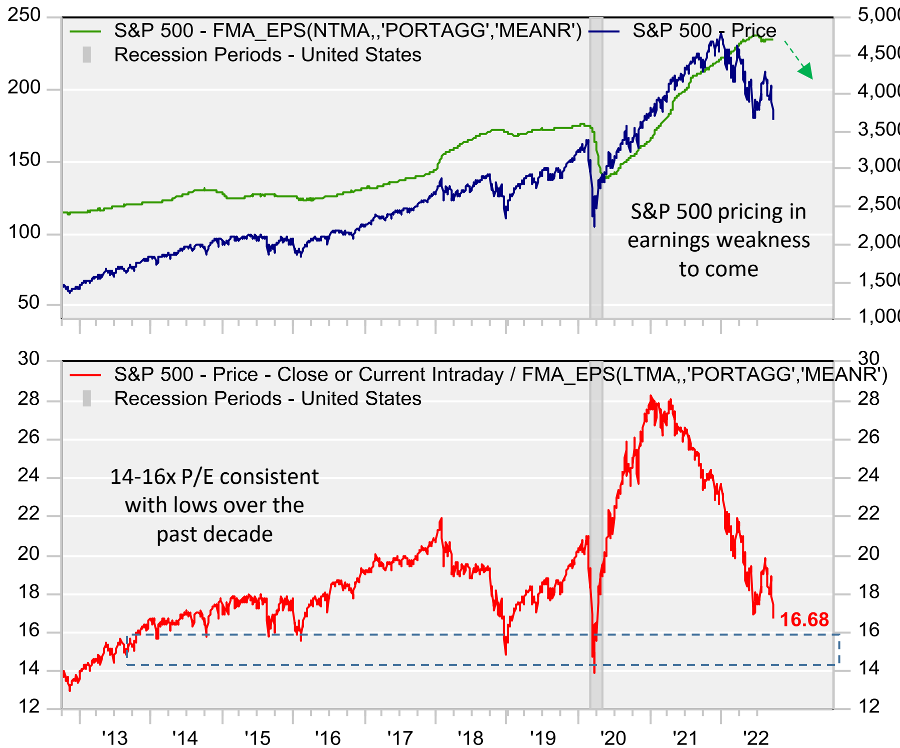




Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

VALUATION AND RECESSIONARY BEAR MARKETS

The #1 correlation with market returns over the long-term is earnings, but current S&P 500 weakness is pricing in earnings weakness to come. The question is how much has been priced in and how much needs to be priced in? The S&P 500 P/E has already contracted 40% to 16.7x. Further multiple compression is probable, and we believe downside could come to the 14-16x P/E area which has coincided with other weak periods over the past decade. 14x would be in line with the Covid low P/E, and take the S&P 500 down to the 3000-3200 in what we view as a worst case scenario. Despite the potential for further downside, we believe we may be 3/4ths of the way through this bear market cycle. Recessionary bear markets go down -33% on average over 13 months, but we are already -24% and 9 months into this one. Also, successfully timing bear market bottoms is a low probability as news is still awful at the bottom and stocks rally dramatically off of the lows in a short period (i.e., +16% in first 30 days on average). The most important thing is to not lose sight of the long-term bull market opportunity on the other side of the current weak trend. Bull markets go up 152% on average and last for years.



Recessionary Bear Markets

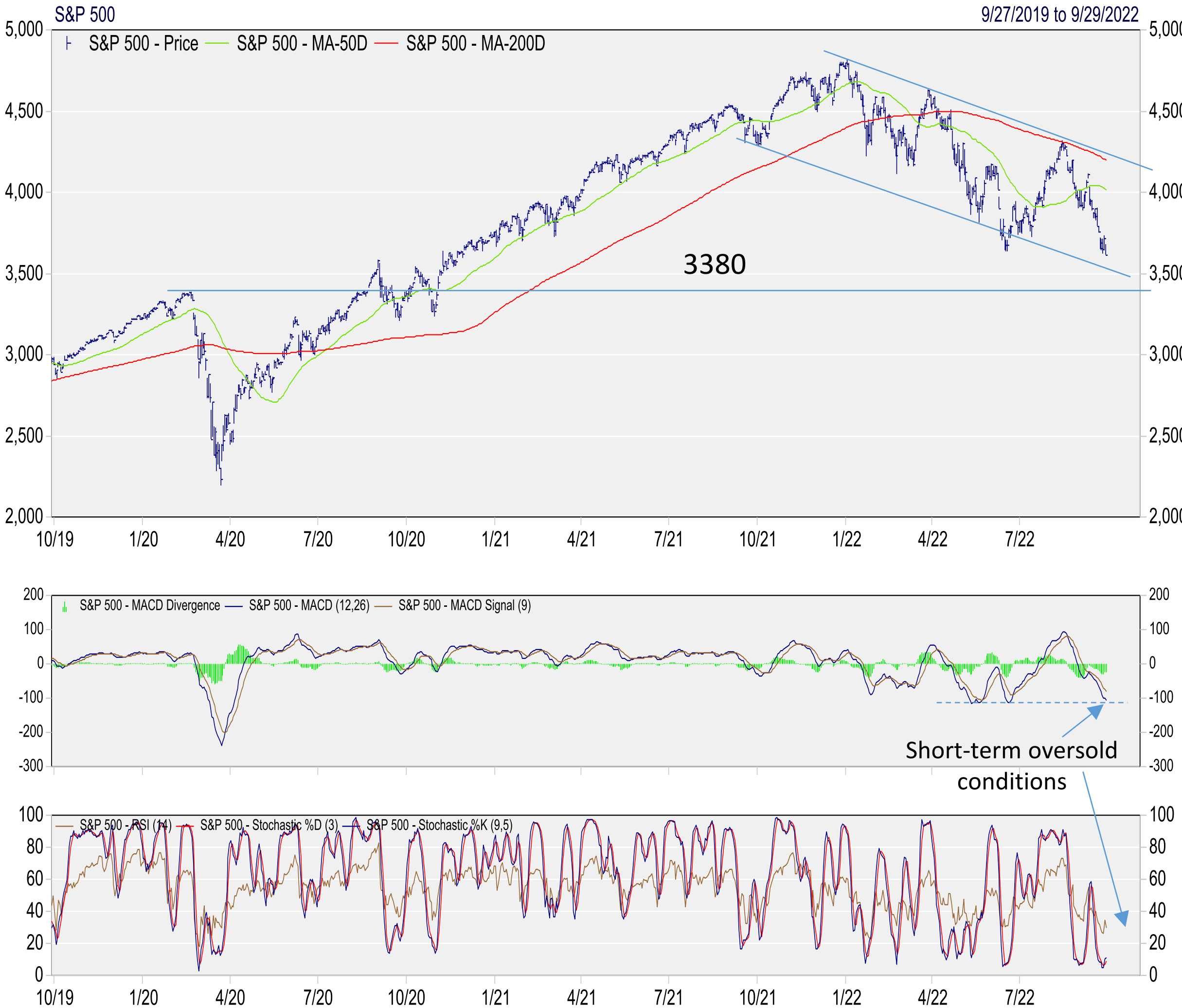
Market Top	Market Bottom	Total Months	Bear Market Decline	Months to return to high from bottom	% Decline of P/E	% Decline of Earnings
Jul-57	Oct-57	3	-20%	11	-24%	-23%
Jan-60	Oct-60	10	-18%	3	-27%	-15%
Nov-68	May-70	18	-36%	22	-32%	-18%
Jan-73	Oct-74	21	-48%	69	-64%	-22%
Feb-80	Apr-80	2	-21%	4	-31%	-6%
Nov-80	Aug-82	21	-27%	3	-27%	-26%
Jul-90	Oct-90	3	-21%	4	-18%	-35%
Mar-00	Oct-02	31	-49%	55	-45%	-26%
Oct-07	Mar-09	17	-59%	49	-43%	-33%
Feb-20	Mar-20	1	-34%	5	-32%	-17%
Average		***13***	***-33%***	***23***	***-34%***	***-22%***

Non-Recessionary Bear Markets

Market Top	Market Bottom	Total Months	Bear Market Decline	Months to return to high from bottom	% Decline of P/E	% Decline of Earnings
Dec-61	Jun-62	6	-28%	15	-35%	6%
Feb-66	Oct-66	8	-22%	7	-36%	-3%
Sep-76	Mar-78	18	-19%	18	-40%	13%
Aug-87	Dec-87	4	-34%	20	-38%	-13%
Jul-98	Oct-98	3	-23%	2	-20%	-1%
Apr-11	Oct-11	6	-19%	5	-39%	5%
Sep-18	Dec-18	3	-20%	4	-32%	5%
Average		***7***	***-24%***	***10***	***-34%***	***2%***
Jan-22		9	-24%		-39%	7%

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: S&P 500



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

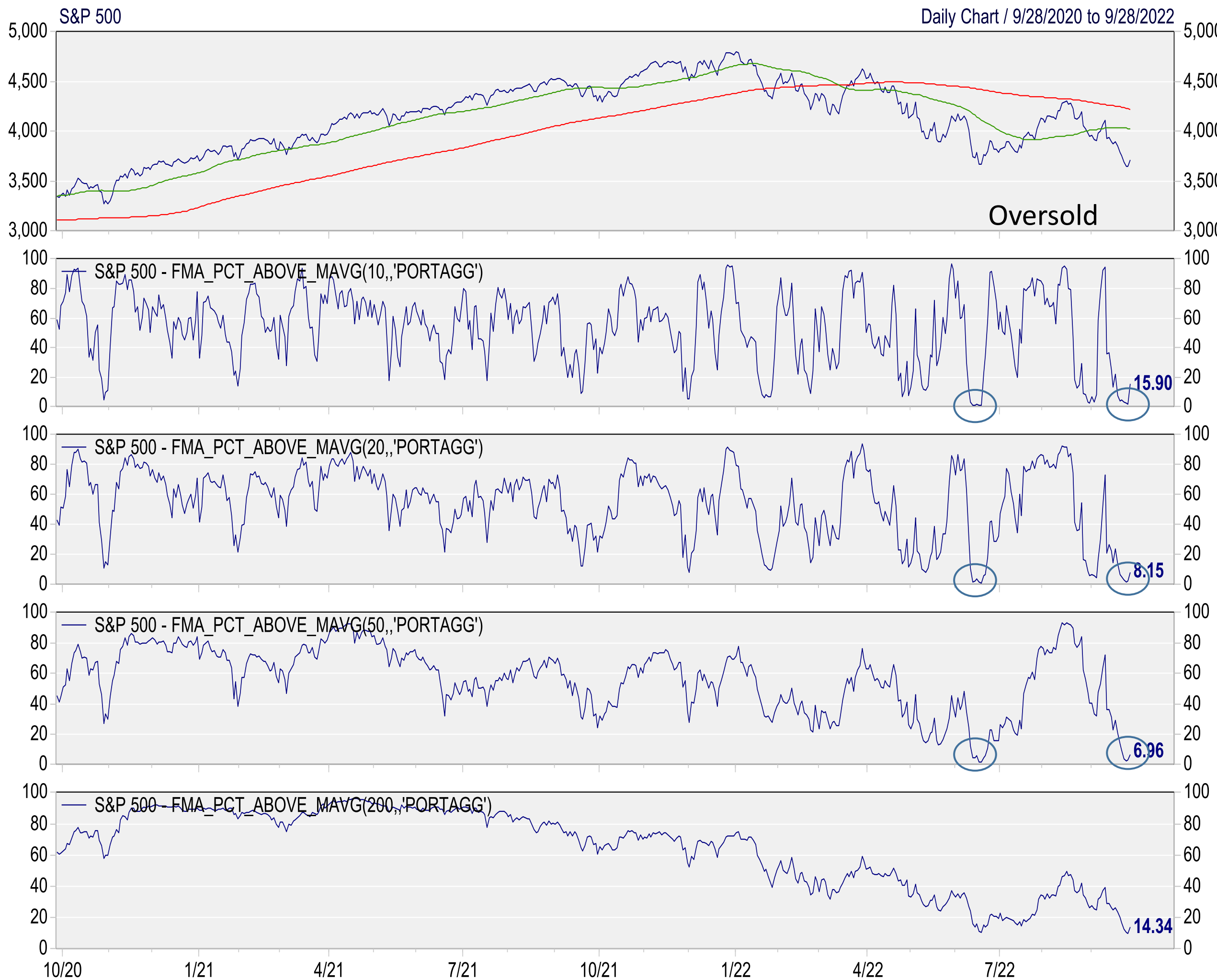
The S&P 500 is currently putting in new bear market lows, as the downdraft reaches -16% since August 16th.

Internals are oversold enough for a bounce at any time, and counter-trend rallies have averaged 12.5% over 19 days this year. A bounce from current levels would be consistent with 50-day moving average resistance at ~4000.

Overall, the predominant trend remains lower. The index is breaking below prior lows of 3636, but we need to give a 1-3 day time filter to see if this level can be regained.

Below this level, we see support at the lower end of this year's trend channel (~3500). This also reflects the 50% Fibonacci retracement level of the post-Covid ascent. Following this would be horizontal support at 3380 (consistent with a complete round-trip from the pre-Covid highs) and 3191 (61.8% Fibonacci retracement level of the post-Covid ascent).

MARKET BREADTH



The percentage of stocks above their 50-day moving average reaching >90% was a positive in the rally from mid-June lows, but the quick technical deterioration since mid-August has negated that optimism.

That is the nature of the current high stakes "data dependent" environment in our view. Volatile inflation data is likely to correspond with volatile markets.

During the more troubling periods (like now), the technical readings will show sell signals. All it takes is one less negative data point (like slowing inflation in July) for investors to rally stocks higher and turn technical indicators back positive.

And short-term technicals are oversold enough for a bounce at any time.

However, the percentage of stocks above their 200 DMA broke below the June lows which reflects deterioration in the technical backdrop. Out of lows, market breadth typically gets "less bad." This supports a stance for challenged trends.

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

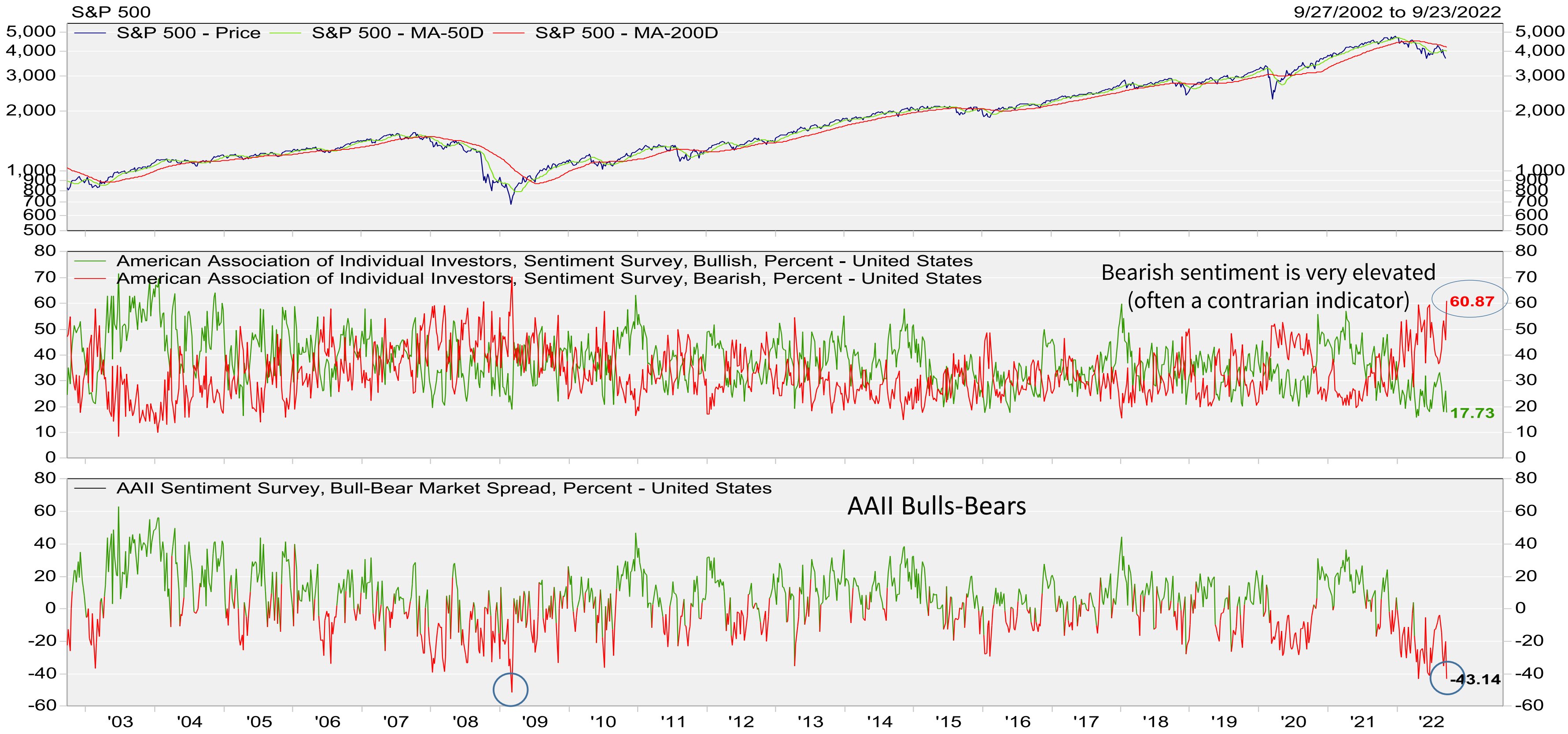
CREDIT DEFAULT SWAPS

High yield CDS spreads have been a good indicator for equity markets this year. As a reminder, credit default swaps are essentially the price paid for insurance on bonds- increasing in price with the odds of default as economic conditions worsen. Their breakout to new highs this week indicates to us that equity markets will likely break to new lows- which is currently happening at the time of this writing.

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

INVESTOR SENTIMENT

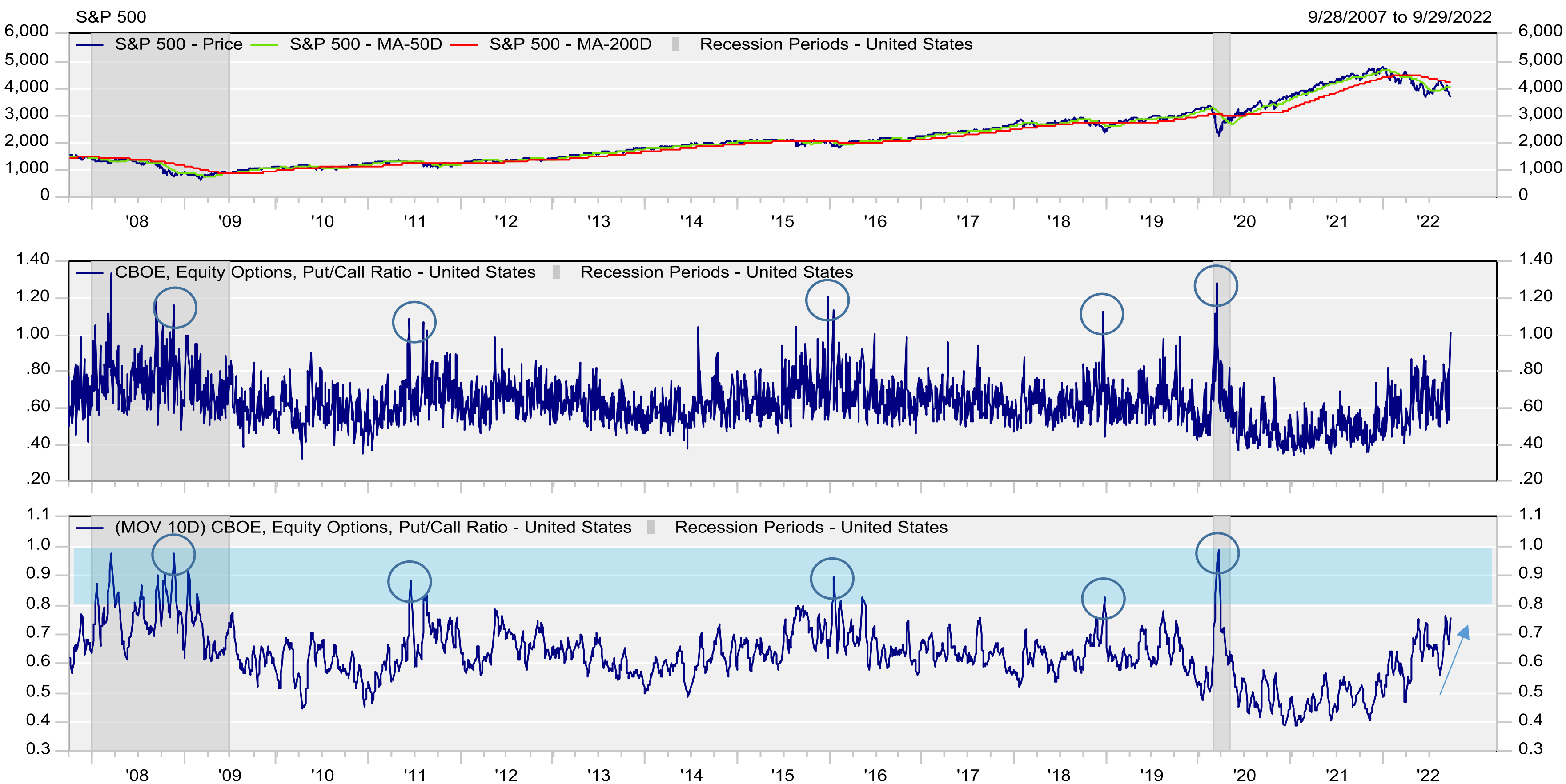
The news seems to increasingly worsen (i.e. currency volatility, sharply higher bond yields, Nordstream pipeline leak, etc.), as is often the case during bear markets. And this impacts human emotion, as long-term investors get sucked into the short-term uncertainty and volatility. On the positive side, this is the type of reaction often seen closer to the end of a bear market- as investor psychology shifts from fear to panic and ultimately capitulation. In fact, the AAII investor sentiment survey shows the largest percentage of bears since March 2009 (lows of the credit crisis). We believe we are in the fear/panic phase currently, which suggests further downside in the near-term (weeks to months). However, we also believe we could be 3/4ths of the way through this bear market cycle.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FEAR GAUGES- PUT/CALL RATIO

The CBOE equity put/call ratio is often used as a contrarian indicator, with spikes reflecting investor fear. This typically happens close to major market lows, as investors capitulate to "get me out any price." On the positive side, we are finally starting to see "investor fear" move to more elevated levels. The equity put/call ratio spiked above 1 this week (highest level this year), and its 10-day moving average is trending higher as well- not quite to other bear market lows yet, but getting closer.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy (M22-13818)

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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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