RAYMOND JAMES

PORTFOLIO STRATEGY | PUBLISHED BY RAYMOND JAMES & ASSOCIATES

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Weekly Market Guide

The S&P 500 has rallied ~15% from the lows in mid-October, underpinned by better-than-expected inflationary reports over the past week. Last Thursday's CPI reading of 0.27% m/m came in well below consensus estimates, providing a welcome sign to investors that improving leading indicators (on inflation) could finally be showing up in the actual, hard data. This feeling of promise was supported by the Producer Price index this week, which showed core PPI (ex-food and energy) flat in October- not only well below the 0.4% estimate but also following a downward revision to the September reading.

The better inflationary data resulted in lower Fed expectations, sharply lower bond yields, and higher equity markets- with clear rotation from this year's winners into the biggest laggards. For example, some of the more Consumer and Technology-oriented areas are up over 10% in the past week while some of the more defensive areas are relatively flat. We believe this action provides a glimpse of what will transpire over time, as the market eventually turns out of the current bear market on lower inflationary pressures. Of course, timing and risk tolerance are very important because these areas will also likely underperform in another down-leg for the market.

While the better inflation data and underlying technical improvement are encouraging, we expect more time and challenges ahead before equities can show durable upside. The Fed shift to a more forward-looking approach to rate hikes is a positive development, taking into consideration the cumulative effects of 400bps of tightening already this year working with a lag on the economic outlook. Accordingly, we believe the Committee will reduce its pace of hikes in December to 50bps. However, the Fed is still in tightening mode and inflation may take time to show definitive evidence that it is indeed declining to a more reasonable level.

We do expect inflation to moderate significantly over the next year and for equity markets to be climbing out of bear market lows, but the predominant trend for equities still remains lower for now. With the Fed still tightening and weaker economic growth expected ahead, volatile data may correlate to continued volatile equity markets in the coming weeks and months. Accordingly, we are reluctant to chase rally periods and more interested in using the pullback periods (which may be 10%+) as opportunity.

In the short term, the market appears overbought with technical resistance just overhead in the 4000-4100 area. The S&P 500 is getting to the top end of its downtrend, the US dollar is oversold at support, and real yields are at the bottom end of their range. Odds are we see a pause or pullback in the short-term.

We wish you and your families a Happy Thanksgiving! Barring a market-changing event, the Weekly Market Guide will continue on December 1st

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	-7.7%	-7.2%
S&P 500	-16.9%	-15.8%
S&P 500 (Equal-Weight)	-11.4%	-11.0%
NASDAQ Composite	-28.5%	-30.0%
Russell 2000	-17.5%	-22.9%
MSCI All-Cap World	-18.3%	-18.8%
MSCI Developed Markets	-17.7%	-18.6%
MSCI Emerging Markets	-22.5%	-26.1%
NYSE Alerian MLP	25.3%	17.8%
MSCI U.S. REIT	-25.8%	-22.0%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Energy	66.7%	5.4%
Consumer Staples	-4.2%	6.9%
Utilities	-4.5%	3.0%
Health Care	-5.8%	15.0%
Industrials	-6.7%	8.5%
Financials	-10.0%	11.6%
Materials	-11.5%	2.7%
S&P 500	***-16.9%***	-
Information Technology	-24.7%	26.4%
Real Estate	-27.0%	2.7%
Consumer Discretionary	-31.2%	10.5%
Communication Svcs.	-37.2%	7.5%

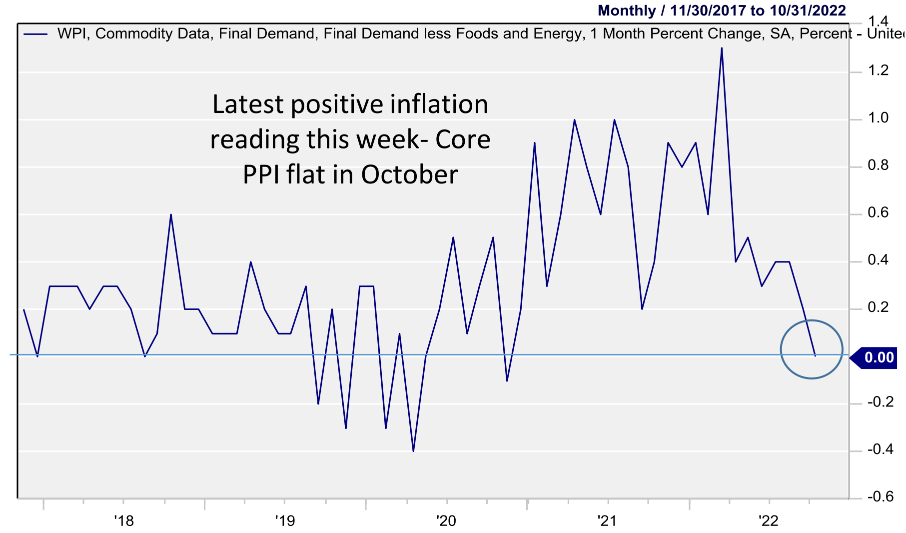
Source: FactSet, RJ Equity Portfolio & Technical Strategy

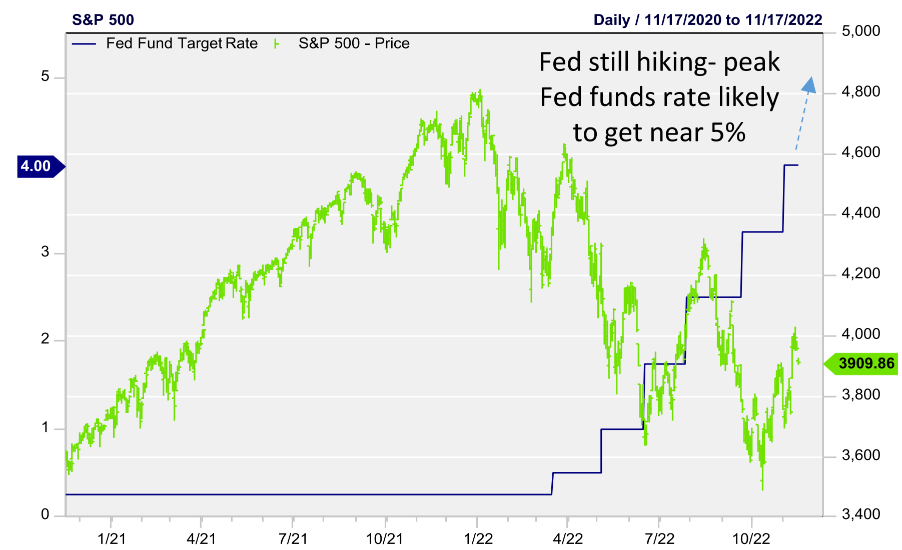
MACRO: US

October PPI grew just 0.2% m/m (below the 0.5% estimate), and the prior month was revised down to 0.2% from 0.4%. Additionally, Core PPI ex-food and energy was flat in October vs. the 0.4% estimate and despite September's downwardly-revised 0.2% (was 0.3%). These were the latest inflationary readings showing a potential "light at the end of the tunnel" for investors. But with inflation still very high, the Fed remains in tightening mode and will need a consistent series of improving data points over time to gain conviction that inflation is heading on a more reasonable path.

Event	Period	Actual	Consensus	Surprise	Prior
Michigan Sentiment NSA (Preliminary)	NOV	54.7	59.5	-4.8	59.9
Empire State Index SA	NOV	4.5	-6.8	11.3	-9.1
PPI ex-Food & Energy SA M/M	OCT	0.0%	0.35%	-0.35%	0.20%
PPI ex-Food & Energy NSA Y/Y	OCT	6.7%	7.1%	-0.42%	7.1%
PPI SA M/M	OCT	0.20%	0.50%	-0.30%	0.20%
PPI NSA Y/Y	OCT	8.0%	8.3%	-0.33%	8.4%
Export Price Index NSA M/M	OCT	-0.30%	-0.20%	-0.10%	-1.5%
Import Price Index NSA M/M	OCT	-0.20%	-0.30%	0.10%	-1.1%
Retail sales ControlGroup M/M	OCT	0.68%	0.40%	0.28%	0.63%
Retail sales Ex AutoFuel M/M	OCT	0.91%	0.10%	0.81%	0.58%
Retail Sales ex-Auto SA M/M	OCT	1.3%	0.50%	0.80%	0.10%
Retail Sales SA M/M	OCT	1.3%	1.0%	0.30%	0.02%
Capacity Utilization NSA	OCT	79.9%	80.4%	-0.50%	80.1%
Industrial Production SA M/M	OCT	-0.10%	0.20%	-0.30%	0.10%
Manufacturing Production M/M	OCT	0.15%	0.25%	-0.10%	0.24%
Business Inventories SA M/M	SEP	0.40%	0.50%	-0.10%	0.90%
NAHB Housing Market Index SA	NOV	33.0	36.0	-3.0	38.0
Building Permits SAAR (Preliminary)	OCT	1,526K	1,510K	16.0K	1,564K
Continuing Jobless Claims SA	11/05	1,507K	1,503K	4.5K	1,494K
Housing Starts M/M	OCT	-4.2%	-0.60%	-3.6%	-1.3%
Housing Starts SAAR	OCT	1,425K	1,416K	9.0K	1,488K
Initial Claims SA	11/12	222.0K	221.0K	1.0K	226.0K
Philadelphia Fed Index SA	NOV	-19.4	-8.0	-11.4	-8.7
Kansas City Fed Manufacturing Index	NOV	-6.0	-	-	-7.0

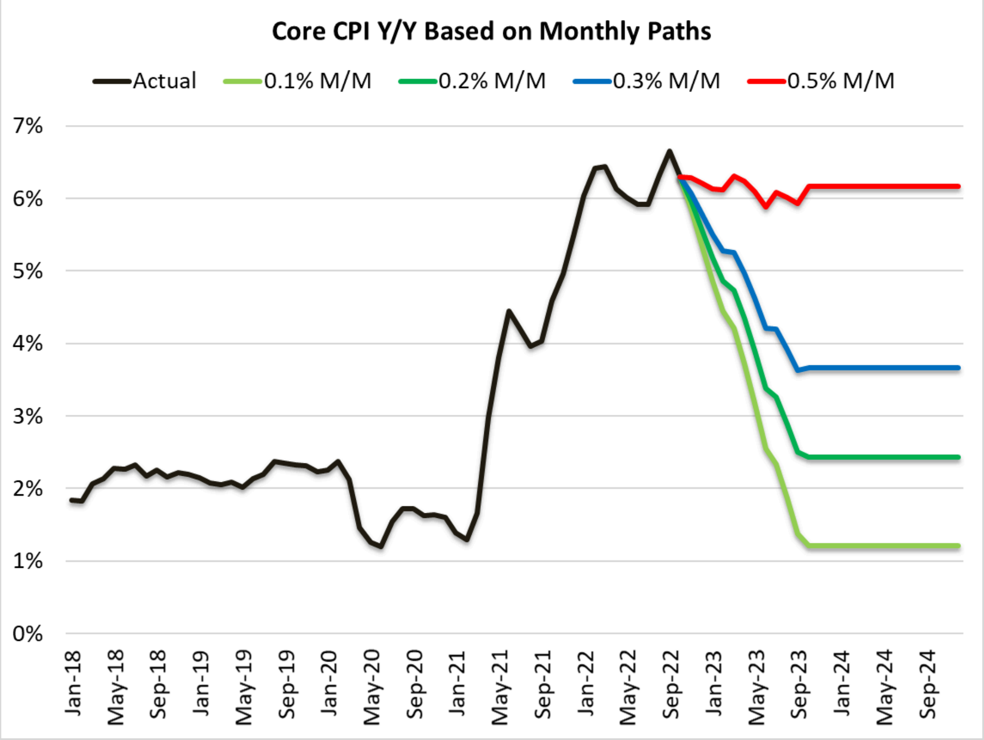
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

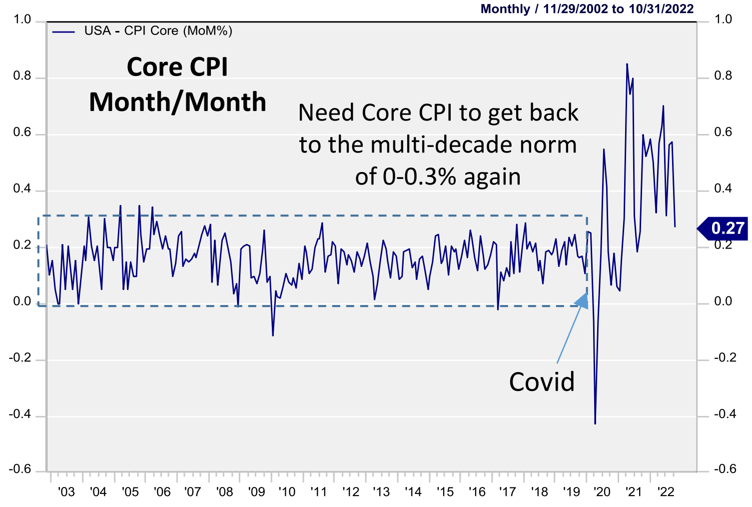




POTENTIAL PATHS OF INFLATION

The below graphic shows what it will take for Core CPI to get back to the Fed's target range of ~2.5% y/y. October's Core CPI reading of 0.27% m/m was the lowest in a year, providing some relief from the very elevated ~0.5% average that has persisted recently. But it will take sustained readings below 0.3% m/m in order for the Fed to get more comfortable. The 0.0-0.3% range was the norm for about 20 years pre-Covid, and we believe that is where it is heading. But with the stakes high (inflation very elevated and Fed hiking), investors will need to see this transpire in order to gain clarity on the outlook. This will take time, and the data may be volatile. The Fed, and therefore market, will remain very data-dependent on the incoming data flow.





Core CPI Y/Y Based on Monthly Growth Rates

Date	0.1%	0.2%	0.3%	0.5%
10/31/2022	6.3%	6.3%	6.3%	6.3%
11/30/2022	5.9%	6.0%	6.1%	6.3%
12/31/2022	5.4%	5.6%	5.8%	6.2%
1/31/2023	4.9%	5.2%	5.5%	6.1%
2/28/2023	4.4%	4.9%	5.3%	6.1%
3/31/2023	4.2%	4.7%	5.3%	6.3%
4/30/2023	3.7%	4.3%	5.0%	6.2%
5/31/2023	3.2%	3.9%	4.6%	6.1%
6/30/2023	2.6%	3.4%	4.2%	5.9%
7/31/2023	2.3%	3.3%	4.2%	6.1%
8/31/2023	1.9%	2.9%	3.9%	6.0%
9/30/2023	1.4%	2.5%	3.6%	5.9%
10/31/2023	1.2%	2.4%	3.7%	6.2%
11/30/2023	1.2%	2.4%	3.7%	6.2%
12/31/2023	1.2%	2.4%	3.7%	6.2%

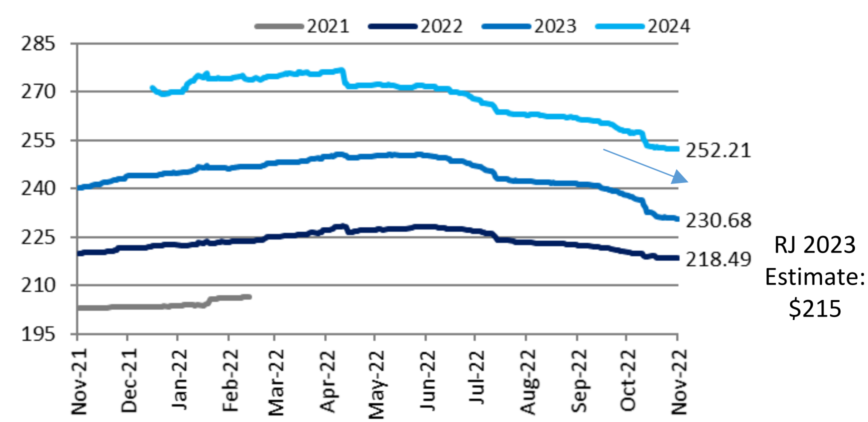
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

Q3 EARNINGS SEASON

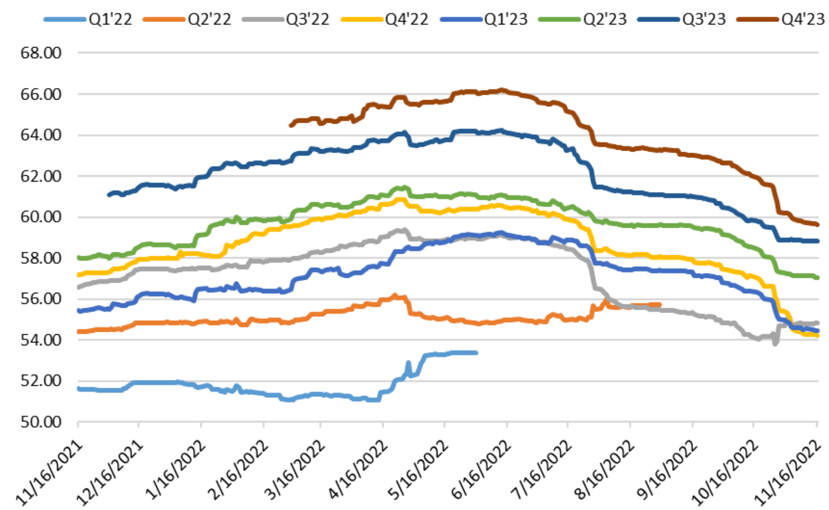
Q3 earnings season is nearing an end with a handful of companies still to report next week- a few consumer and tech companies, and one health care and industrial bellwether. 69% of S&P 500 companies beat on the bottom line by an aggregate surprise of 1.6%. As expected, companies reduced their fundamental outlooks due to the economic slowdown and uncertainty. S&P 500 earnings estimates are heading lower with all sectors except Energy seeing negative revision trends for 2023 earnings.

We believe the downward trend is set to continue as Fed tightening acts with a lag on the economy. Slower economic growth and inflation will result in lower sales growth which, in conjunction with high costs, will weigh on margins and earnings. Given our view of a mild economic recession in 2023, we believe that 2023 earnings may finish closer to $215 (vs the current consensus of $230). Of course, the question is how much has already been priced in- and we believe a lot of negative news has up to this point. Valuations will bottom well ahead of the fundamentals, but inflationary trends and the Fed will be large determinants on the level of multiples.

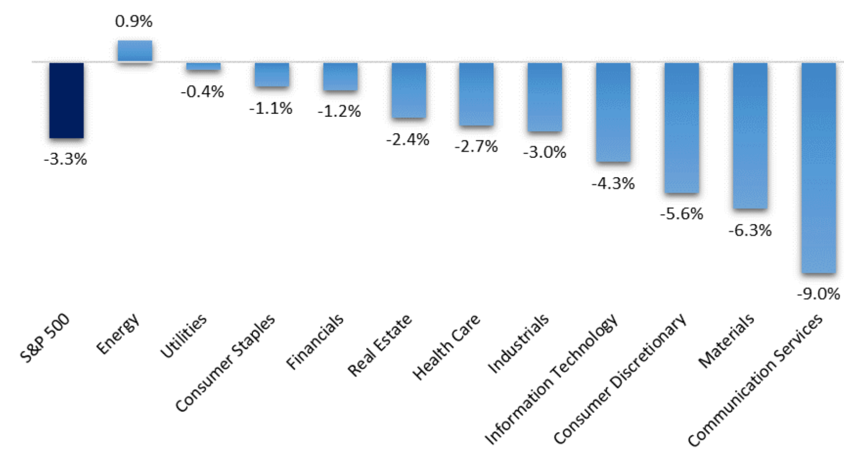
S&P 500 Consensus Earnings Estimates over Past Year



Quarterly Earnings Estimates

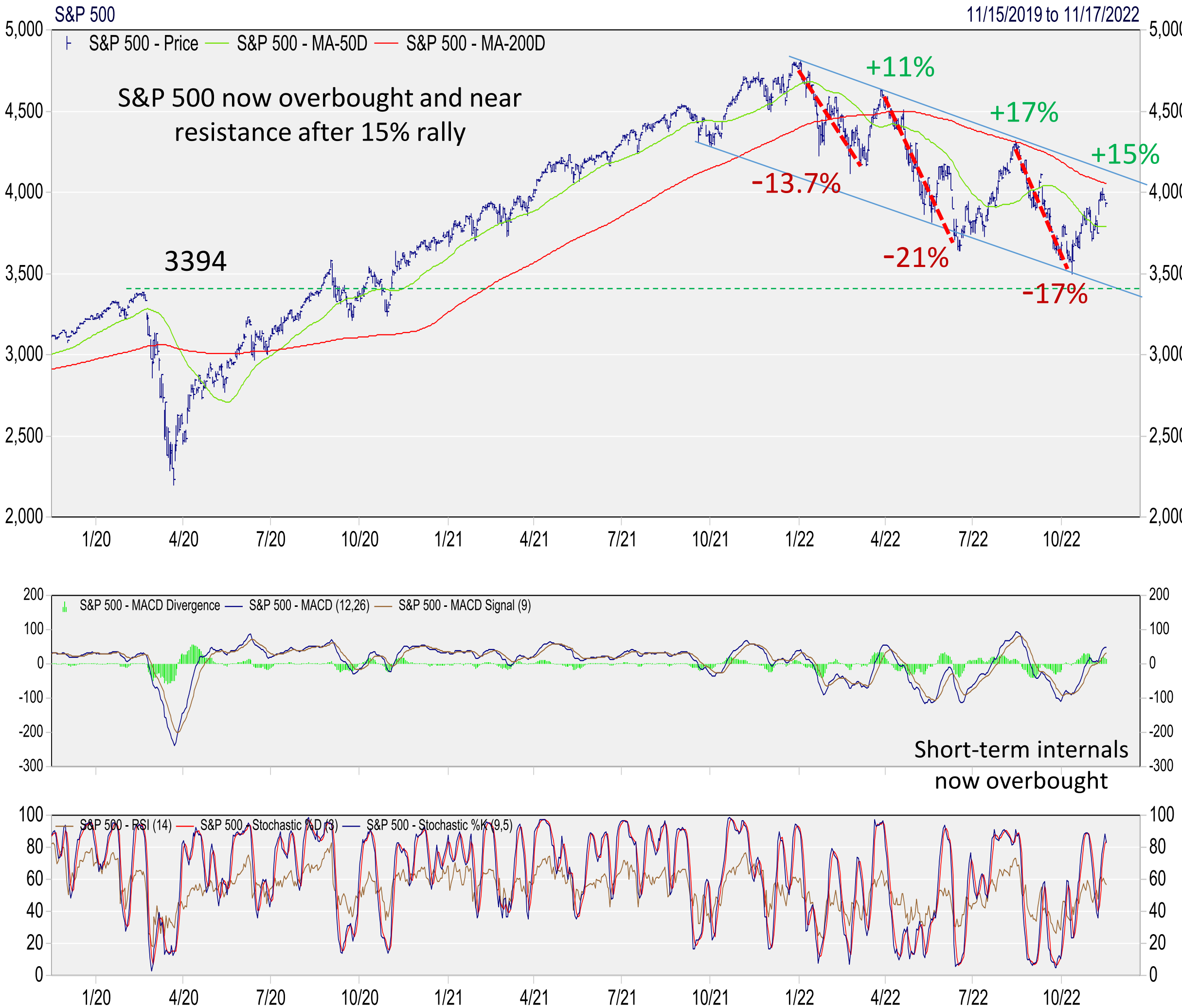


2023 EPS Revisions since Q3 EPS Season Began



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: S&P 500



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

After a 15% rally from the lows, the market appears overbought with resistance just overhead in the 4000-4100 range. This is in line with the 200-day moving average and upper-end of this year's downtrend channel.

Additionally, the US dollar is oversold at support, real yields are at the bottom end of their range, and we see 10/11 sectors as overbought right now. Odds are we see a pause or pullback in equity markets in the short-term.

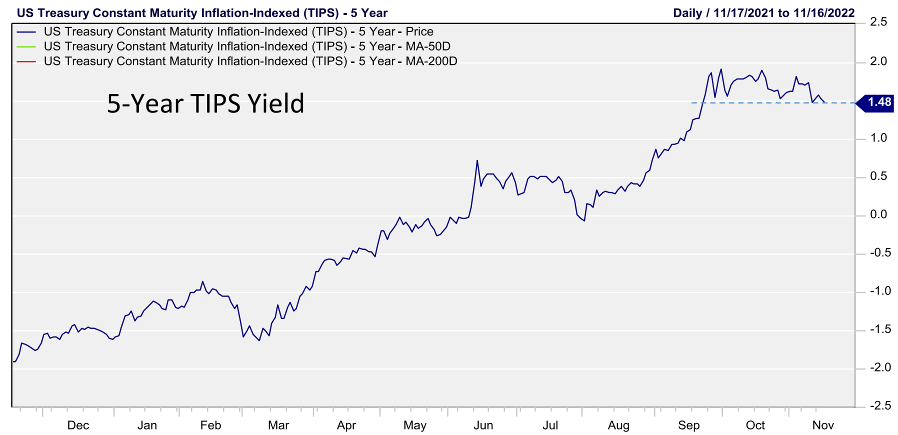
While there have been some positives technically, we believe more time and challenges are likely ahead before the market can show durable upside.

With this in mind, we are reluctant to chase the rallies but would use the pullback periods as opportunity to accumulate favored names.

Technically, we will be monitoring resistance in the 4000-4100 area. And on the flip side, we will be monitoring support around 3910 and 3800. We would like to see the trend of lower highs and lower lows come to an end.

MARKET INFLUENCES

The aftermath of last week's CPI report saw the US dollar, bond yields, and real yields pull back- contributing to market upside (given their inverse relationships over the past year). These are positive developments, and we are hopeful that the uptrend in real yields and the US dollar may be subsiding. However, these market influences are also now oversold near support in the short-term. This raises the odds in our view, in conjunction with the S&P 500 overbought at resistance, that equities may be set for a pause or pullback in the short-term.



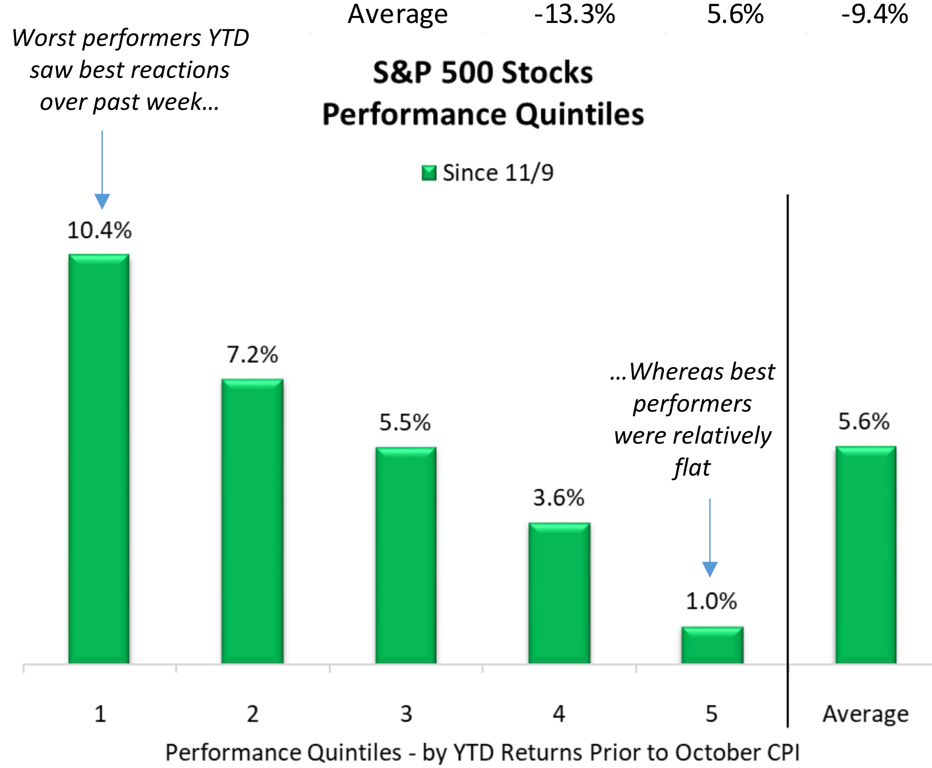
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

MARKET ROTATION SINCE CPI REPORT LAST WEEK

The past week's positive inflationary response saw clear rotation from the year-to-date winners into the laggards. Some short-covering and program trading was likely involved. But we do believe this provides a glimpse into what will transpire over time, as the market eventually turns out of the current bear market. The areas under the most pressure likely provide outsized opportunity. Of course, timing and risk tolerance are very important because these areas also likely underperform in another down-leg for the market. Thus, we recommend not chasing the rallies and using the downdraft periods as opportunity to accumulate favored names as needed.

Performance Quintile	Average Return YTD thru 11/9	Average Return Since 11/9	Average Return 2022 YTD
1	-47.4%	10.4%	-42.1%
2	-28.6%	7.2%	-23.5%
3	-16.7%	5.5%	-12.2%
4	-3.6%	3.6%	-0.2%
5	29.9%	1.0%	31.2%
Average	-13.3%	5.6%	-9.4%

S&P 500 Industry Group	YTD thru 11/9	11/9 - Now
Media & Entertainment	-46.8%	11.9%
Consumer Durables & Apparel	-42.0%	11.8%
Semiconductors & Semiconductor Equipment	-39.7%	10.6%
Retailing	-36.6%	10.1%
Technology Hardware & Equipment	-24.7%	9.0%
Software & Services	-30.7%	8.1%
Diversified Financials	-15.4%	6.2%
Food & Staples Retailing	-8.6%	6.0%
Transportation	-21.9%	6.0%
S&P 500	-21.4%	5.6%
Materials	-16.0%	5.4%
Real Estate	-30.6%	5.2%
Automobiles & Components	-47.0%	5.1%
Consumer Services	-16.7%	4.7%
Commercial & Professional Services	-12.6%	4.6%
Utilities	-8.3%	4.2%
Household & Personal Products	-20.3%	4.2%
Energy	60.8%	3.7%
Banks	-19.5%	2.8%
Capital Goods	-4.9%	2.5%
Pharmaceuticals Biotechnology & Life Sciences	-4.1%	2.1%
Insurance	4.5%	1.8%
Food Beverage & Tobacco	1.3%	1.1%
Telecommunications Services	-11.6%	0.6%
Health Care Equipment & Services	-10.4%	-0.3%



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy M22-54345

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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.

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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