RAYMOND JAMES

PORTFOLIO STRATEGY | PUBLISHED BY RAYMOND JAMES & ASSOCIATES

Michael Gibbs, Director of Equity Portfolio & Technical Strategy | (901) 579-4346 | michael.gibbs@raymondjames.com
Joey Madere, CFA | (901) 529-5331 | joey.madere@raymondjames.com
Richard Sewell, CFA | (901) 524-4194 | richard.sewell@raymondjames.com
Mitch Clayton, CMT, Senior Technical Analyst | (901) 579-4812 | mitch.clayton@raymondjames.com

MARCH 9, 2023 | 4:50 PM EST

Weekly Market Guide

Narrative shift, after narrative shift- that is the road ahead. Good economic data and better-than-expected inflationary readings in January led to investor talk of a soft-landing (and even "no-landing") with a resulting surge higher in equities. Of course, this was then followed by hotter inflation readings in February, pumping the brakes on investor enthusiasm over the past month. Expected Fed rate hikes have moved up significantly over this time frame with the market now implying 67% odds of a 50bp hike at the March 22nd FOMC meeting (and a total of 5 hikes in 2023 to reach a peak rate of 5.6%).

Due to uncertainty and the stakes being so high on inflation, emotional sentiment swings are likely to continue for the market as investors digest the incoming dataflow. The next measures to watch include the February jobs report tomorrow morning, followed by February CPI next Tuesday. This incoming data will be important for the Fed, and accordingly will be highly influential on market moves. But just as January optimism was unjustified, the current adjustment may be too far in the other direction. In the coming weeks and months, we expect the shifting narrative to continue- and it is why we believe that equities may trade between a potential 3700-4300 range.

In periods of high uncertainty and volatility, it is easy for long-term investors to lose focus and become increasingly short-term thinking. But a lot of these market fluctuations are noise for the long-term investor. In fact, some positives can be gained in the recent move. Following Fed Chair Powell's testimony this week, higher rate expectations coincided with lower inflation expectations- reflecting Powell's message that the Fed remains committed to bringing inflation lower (and keeping it there). Accordingly, 5- and 10-year inflation expectations pulled back and sit within the Fed's targeted 2-2.5% range. This is a big deal for long-term potential values, as equities typically trade at their highest valuations when inflation is in that 2-3% "sweet spot." **Just as the Fed is willing to take some short-term pain for long-term gain, we believe that long-term investors should too.**

In the short-term, our bias is for some caution ahead of the incoming data. The S&P 500 is near the midpoint of our expected 3700-4300 potential range and breaking below support today, as concerns increase on the economy. Additionally, the 2-year Treasury yield, TIPS yield, and US dollar are trending higher, which have been negative influences on equities over the past year.

In sum: First we need to need to conquer inflation, and then assess how much damage will be inflicted on the economy. Until we get a degree of clarity on inflation, the odds are low that the market is able to trade back to new highs. However, technical characteristics over recent months also indicate that October may have been the bear market lows. This lends itself to a bottoming and recovery process that are likely more elongated this cycle. Expect volatility to persist in the short-term, but don't lose focus on the long-term. We recommend using the drawdown periods as opportunity to accumulate favored areas within a long-term perspective.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	-1.1%	0.5%
S&P 500	4.0%	-4.3%
S&P 500 (Equal-Weight)	3.6%	-1.0%
NASDAQ Composite	10.6%	-9.5%
Russell 2000	6.7%	-4.3%
MSCI All-Cap World	4.4%	-3.5%
MSCI Developed Markets	5.8%	4.0%
MSCI Emerging Markets	2.3%	-10.8%
NYSE Alerian MLP	4.5%	8.4%
MSCI U.S. REIT	5.1%	-15.5%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Information Technology	12.5%	27.9%
Communication Svcs.	11.1%	7.8%
Consumer Discretionary	10.3%	10.4%
Materials	5.2%	2.8%
S&P 500	***4.0%***	-
Industrials	3.9%	8.6%
Real Estate	3.0%	2.7%
Financials	1.8%	11.4%
Consumer Staples	-3.5%	6.7%
Energy	-3.8%	4.8%
Utilities	-7.0%	2.9%
Health Care	-7.3%	14.2%

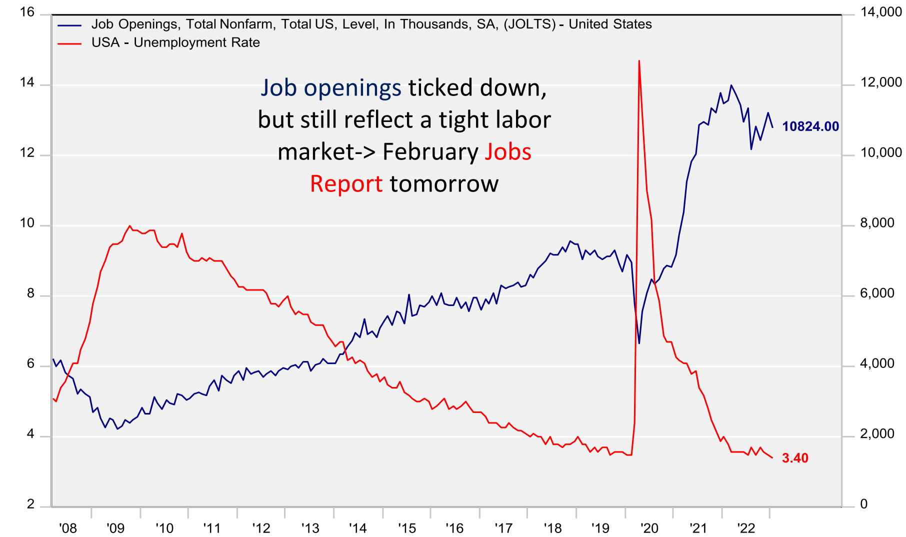
Source: FactSet

MACRO: US

JOLTS Job Openings ticked lower, but remain elevated overall. There are still roughly 11M job openings vs. 6M unemployed. This tight labor market is contributing to high wage growth, which is contributing to services inflation and making the Fed's job tougher.

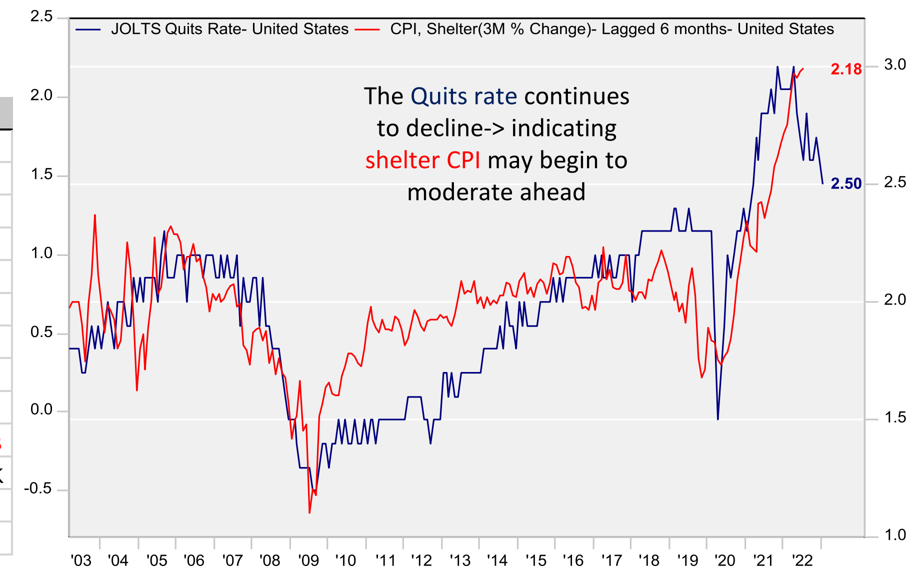
On the positive side- Within the JOLTS report, the Quits rate continued to decline. A high Quits rate indicates that workers feel comfortable finding another job. The decreasing Quits rate is a nice development, indicating that workers are now not feeling so comfortable. This has been a good leading indicator on Shelter CPI historically (one of the stickier areas of inflation), suggesting that shelter CPI should be set to moderate over the next 6 months.

While some of the soft economic readings indicate inflationary pressures should improve over the coming months, investors need to see it in the hard data. Tomorrow's jobs report and next Tuesday's CPI report will be very important for the Fed and markets.



Event	Period	Actual	Consensus	Prior
PMI Composite SA (Final)	FEB	50.1	50.2	50.2
Markit PMI Services SA (Final)	FEB	50.6	50.5	50.5
ISM Services PMI SA	FEB	55.1	54.5	55.2
Durable Orders ex-Transportation SA M/M (Final)	JAN	0.76%	-	0.70%
Durable Orders SA M/M (Final)	JAN	-4.5%	-4.5%	-4.5%
Factory Orders SA M/M	JAN	-1.6%	-2.0%	1.7%
Wholesale Inventories SA M/M (Final)	JAN	-0.40%	-0.40%	-0.40%
Consumer Credit SA	JAN	$14.8B	$27.0B	$10.7B
ADP Employment Survey SA	FEB	242.0K	196.0K	119.0K
Trade Balance SA	JAN	-$68.3B	-$69.0B	-$67.2B
JOLTS Job Openings	JAN	10,824K	10,580K	11,234K
Continuing Jobless Claims SA	02/25	1,718K	1,651K	1,649K
Initial Claims SA	03/04	211.0K	196.0K	190.0K

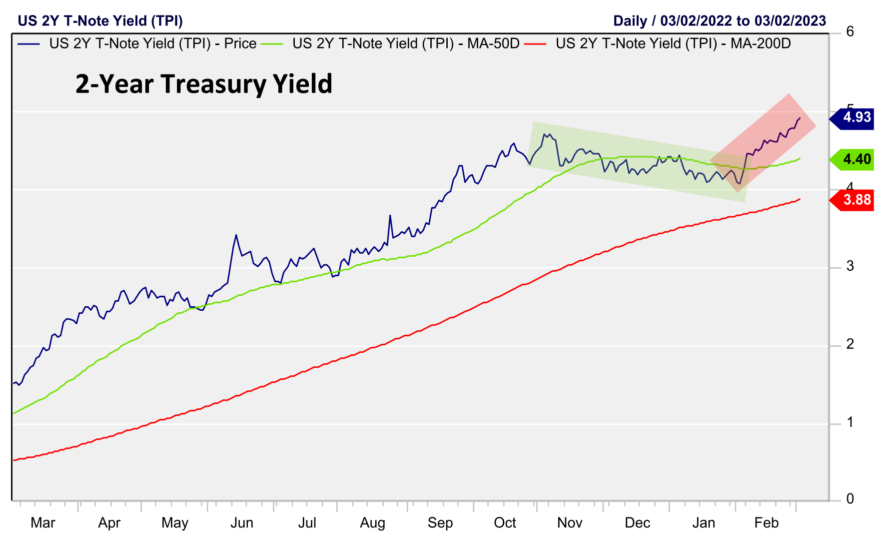
Source: FactSet



SHIFTING NARRATIVE

Narrative shift, after narrative shift- that is the road ahead. Good economic data and better-than-expected inflationary readings saw bond yields and the US dollar decline to begin the year- leading to investor talk of a soft-landing (and even “no landing”) which corresponded with a surge higher in equities. Of course, a reality check then followed as hotter inflationary readings in February reversed these trends. The 2-year Treasury yield broke out to new highs, the US dollar has climbed, and the S&P 500 has pulled back.

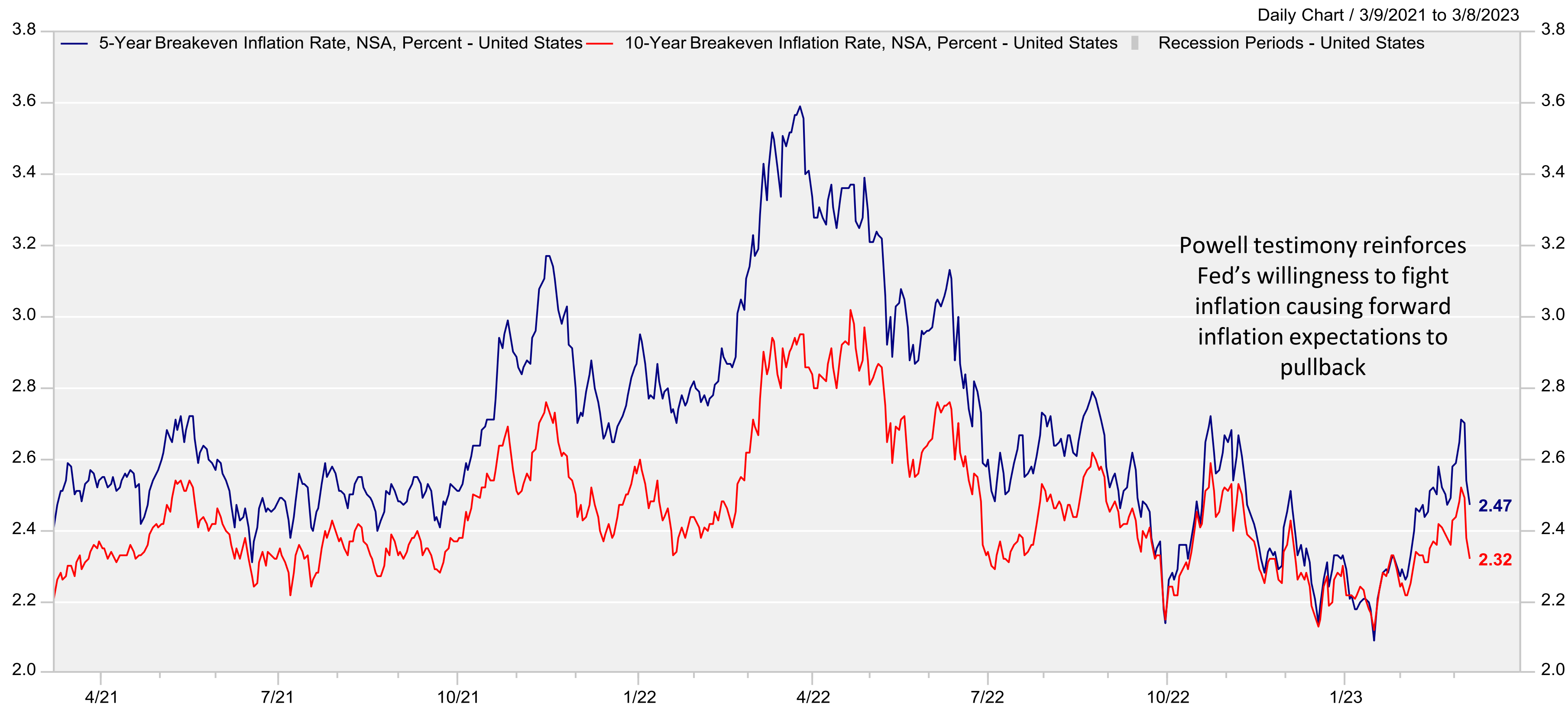
Due to uncertainty and the stakes being so high on inflation, emotional sentiment swings are likely to continue for the market as investors digest the incoming dataflow. This incoming data will be important for the Fed, and accordingly will be highly influential on market moves. But just as January’s optimism was unjustified, the current adjustment may be too far in the other direction. In the coming weeks and months, we expect the shifting narrative to continue- and it is why we believe that equities could trade between a 3700-4300 range.



Source: FactSet

INFLATION EXPECTATIONS

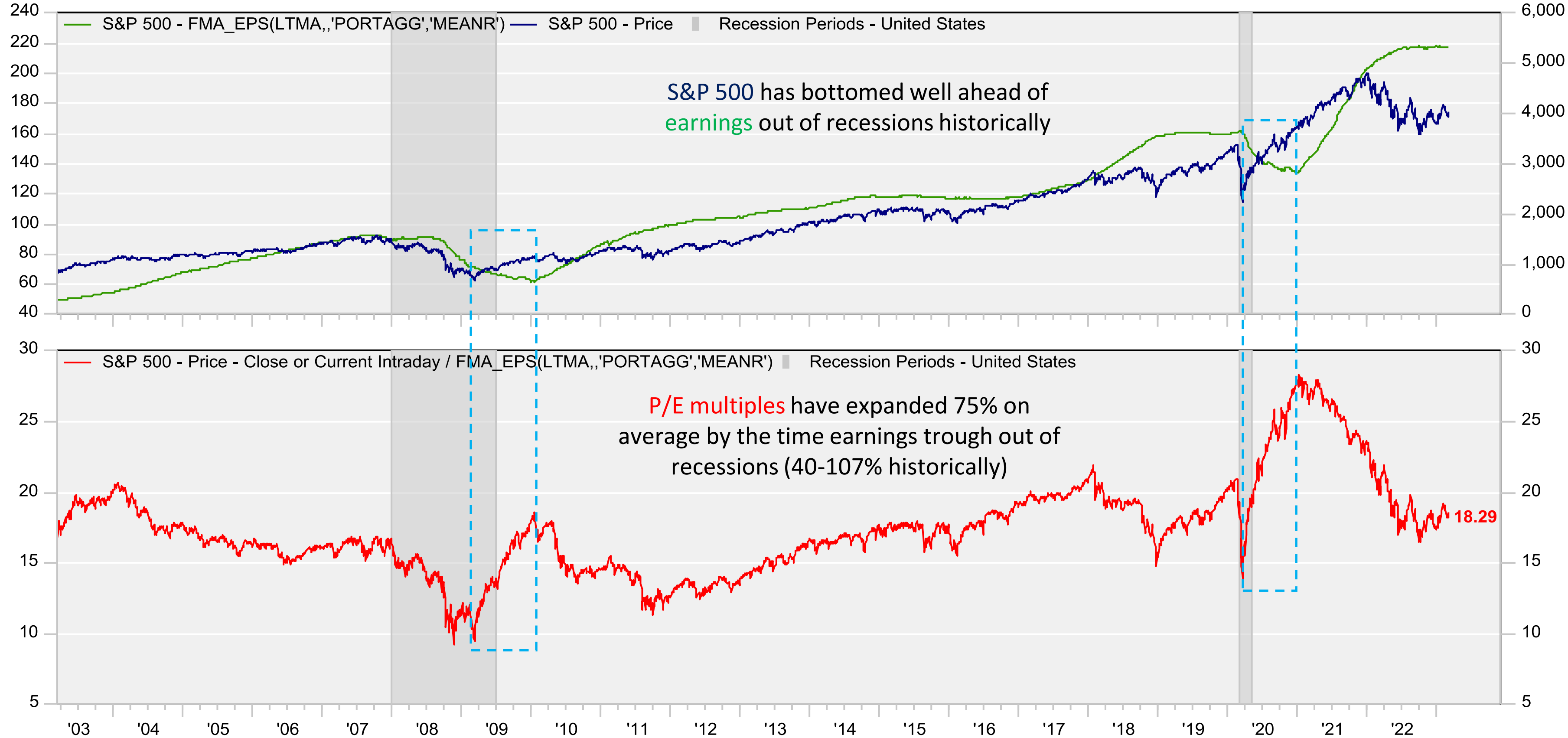
In periods of high uncertainty and volatility, it is easy for long-term investors to lose focus and become increasingly short-term thinking. But a lot of these market fluctuations are noise for the long-term investor. In fact, some positives can be gained in the recent move. Following Fed Chair Powell's testimony this week, higher rate expectations coincided with lower inflation expectations- reflecting Powell's message that the Fed remains committed to bringing inflation lower (and keeping it there). Accordingly, 5- and 10-year inflation expectations pulled back and sit within the Fed's targeted 2-2.5% range. This is a big deal for long-term potential values, as equities typically trade at their highest valuations when inflation is in that 2-3% "sweet spot." Just as the Fed is willing to take some short-term pain for long-term gain, we believe that long-term investors should too.



Source: FactSet

FUNDAMENTALS

As Fed tightening works with a lag on the economy, we expect economic and earnings weakness ahead. However, it is important to remember that earnings have bottomed 8-9 months after recessions on average historically, whereas markets have bottomed 2-6 months prior to recession. P/E multiples have expanded 75% on average by the time earnings trough out of recessionary bear markets- and we believe that P/E expansion will drive positive returns over the next 12 months. However, durable upside will take clarity on inflation (and then the economy), which will take time. This lends itself to a bottoming and recovery process that are likely more elongated this cycle.



Source: FactSet

TECHNICAL: S&P 500

Source: FactSet

The S&P 500 is breaking below support today (both its 200 DMA and the short-term uptrend in place since October). Though, we do recommend giving a 1-2 day time filter to see if the breakdown holds or is quickly reversed.

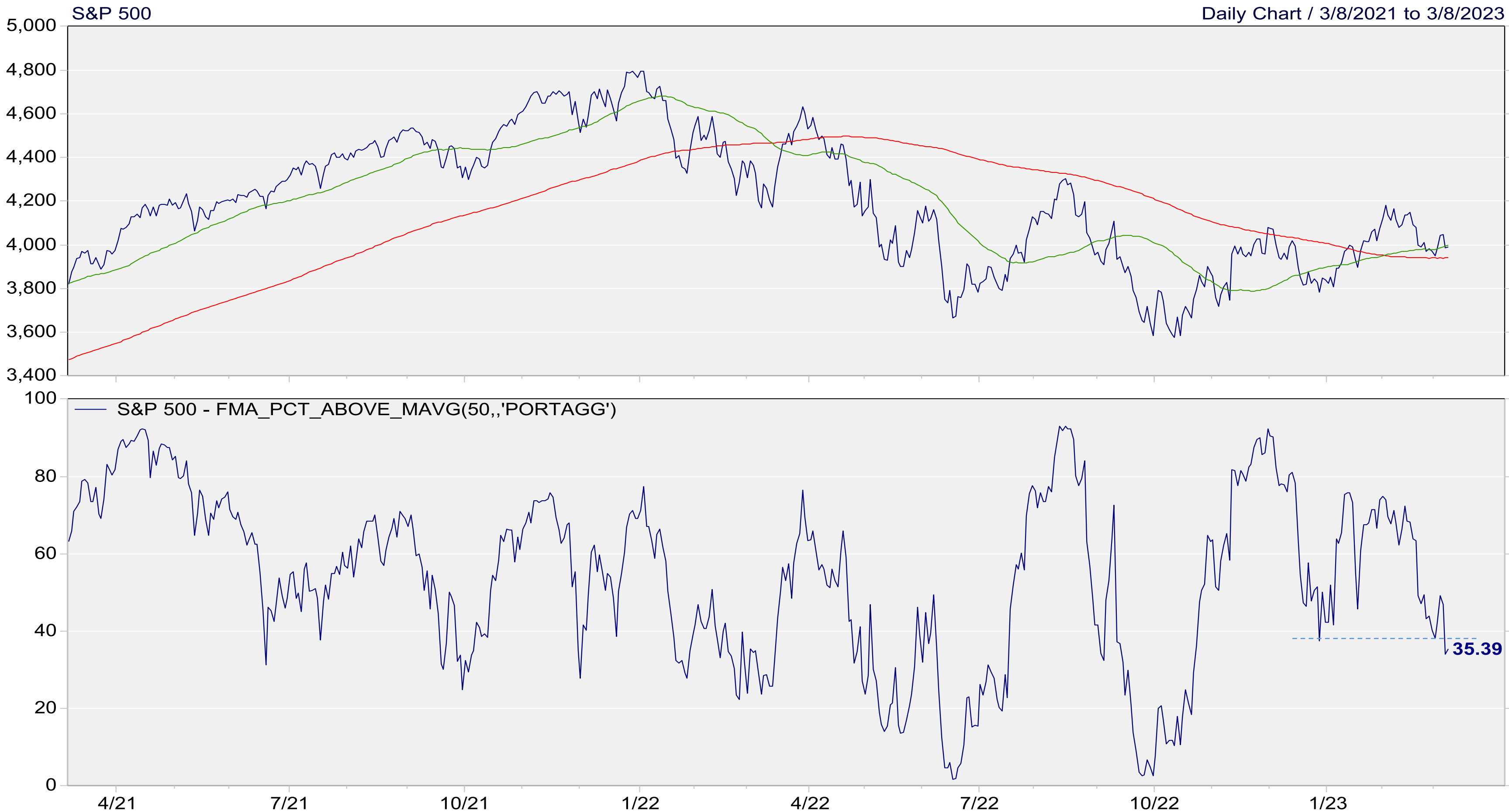
Nonetheless, this breakdown is occurring as concerns increase toward the economy and comes with the S&P 500 near the midpoint of our expected 3700-4300 potential range

In the short-term, our bias is for some caution ahead of the incoming economic data. The 2-year Treasury yield is trending higher- and likely will eventually get to the peak Fed rate or higher. Along with upward trends in the TIPS yield and US dollar, this is weighing on equities.

We recommend long-term investors be patient and pragmatic when putting cash to work, using the drawdown periods as opportunity to accumulate favored areas within a long-term perspective.

MARKET BREADTH

The percentage of stocks above their 50 DMA has declined below December levels, indicating that market momentum is weakening. We recommend some caution in the short-term.

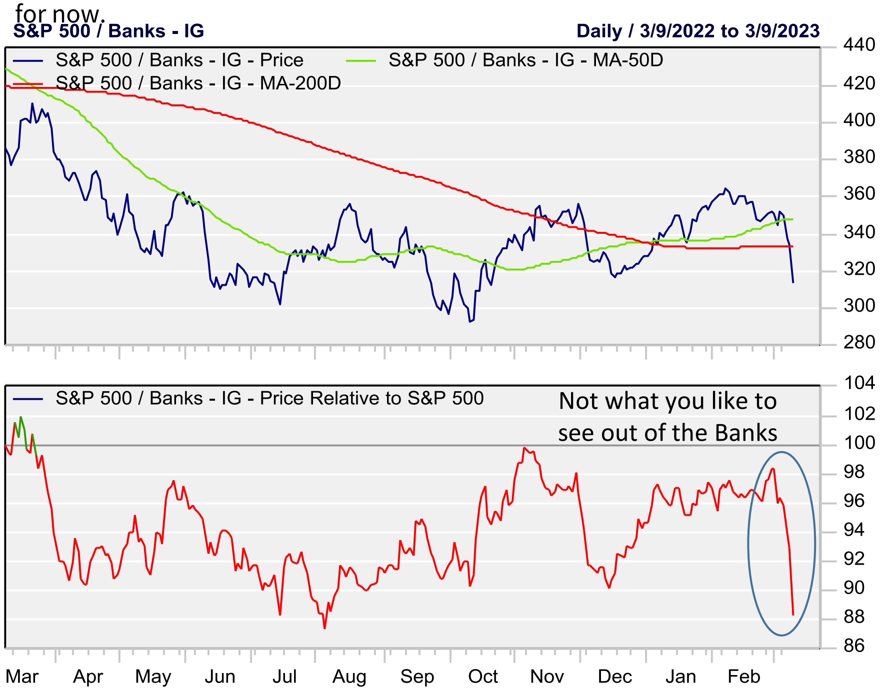


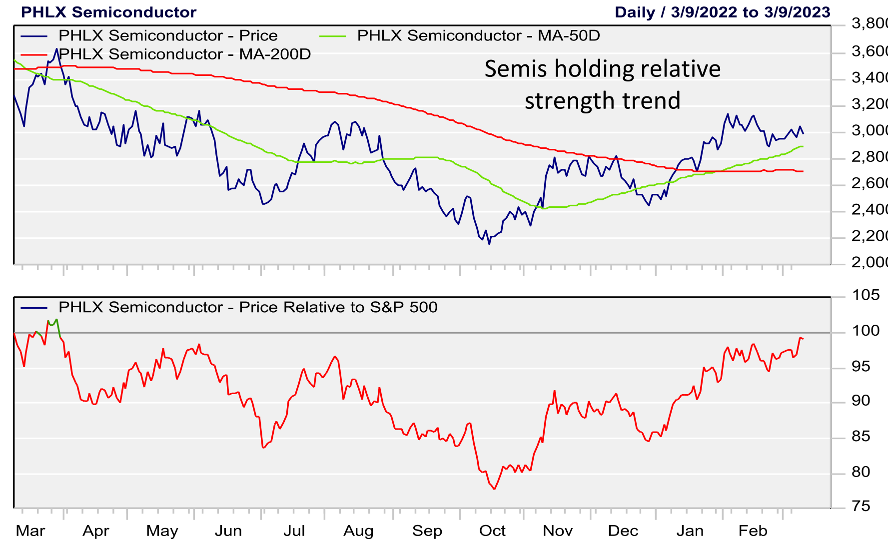
Source: FactSet

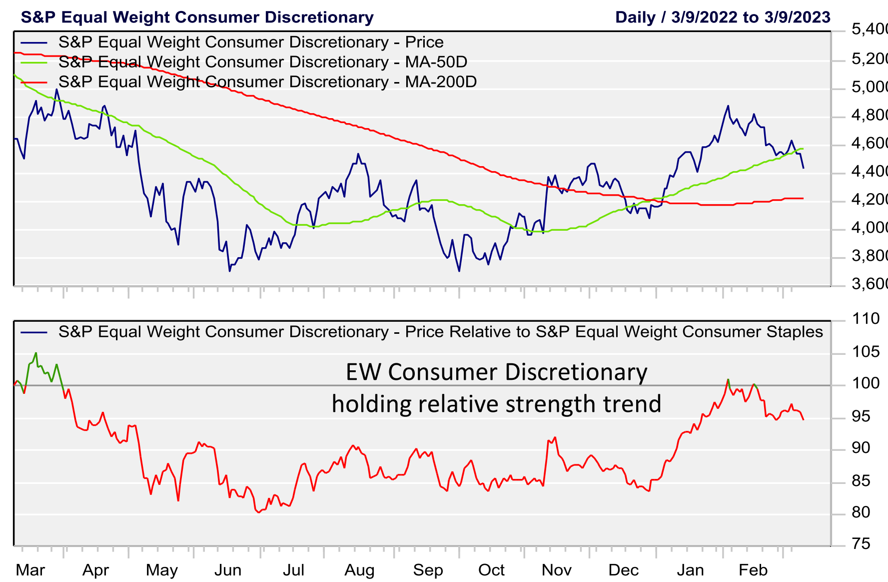
UNDERLYING LEADERSHIP

Most risk-on trends are continuing to hold up. For example, the semiconductors have held on to their relative strength, as has equal-weight consumer discretionary vs. consumer staples. These indicators typically bode well for equity market trends over the intermediate term.

However, the banks are not cooperating today. As you can see, the index has plummeted on deposit cost concerns and relative strength is approaching new lows. This is concering, and may be indicative of market concerns increasing toward the economy. We need to watch how the banks react over the coming days and weeks, but today's move is a cautionary sign for now.







Source: FactSet

IMPORTANT INVESTOR DISCLOSURES

This material is being provided for informational purposes only. Expressions of opinion are provided as of the date above and subject to change. Any information should not be deemed a recommendation to buy, hold or sell any security. Certain information has been obtained from third-party sources we consider reliable, but we do not guarantee that such information is accurate or complete. This report is not a complete description of the securities, markets, or developments referred to in this material and does not include all available data necessary for making an investment decision. Prior to making an investment decision, please consult with your financial advisor about your individual situation. Investing involves risk and you may incur a profit or loss regardless of strategy selected. There is no guarantee that the statements, opinions or forecasts provided herein will prove to be correct.

Sector investments are companies engaged in business related to a specific sector. They are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification.

Commodities and currencies investing are generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

Links to third-party websites are being provided for informational purposes only. Raymond James is not affiliated with and does not endorse, authorize, or sponsor any of the listed websites or their respective sponsors. Raymond James is not responsible for the content of any third-party website or the collection or use of information regarding any websites users and/or members.

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.

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results. Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions.

International Disclosures

For clients in the United Kingdom:

For clients of Raymond James Financial International Limited (RJFI): This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in the FCA rules or persons described in Articles 19(5) (Investment professionals) or 49(2) (high net worth companies, unincorporated associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended)or any other person to whom this promotion may lawfully be directed. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is, therefore, not intended for private individuals or those who would be classified as Retail Clients.

For clients of Raymond James Investment Services, Ltd.: This document is for the use of professional investment advisers and managers and is not intended for use by clients.

For clients in France:

This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in "Code Monetaire et Financier" and Reglement General de l'Autorite des marches Financiers. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is, therefore, not intended for private individuals or those who would be classified as Retail Clients.

For clients of Raymond James Euro Equities: Raymond James Euro Equities is authorised and regulated by the Autorite de Controle Prudentiel et de Resolution and the Autorite des Marches Financiers.

For institutional clients in the European Economic rea (EE) outside of the United Kingdom:

This document (and any attachments or exhibits hereto) is intended only for EEA institutional clients or others to whom it may lawfully be submitted.

For Canadian clients:

This document is not prepared subject to Canadian disclosure requirements, unless a Canadian has contributed to the content of the document. In the case where there is Canadian contribution, the document meets all applicable IIROC disclosure requirements.

Broker Dealer Disclosures

Securities are: NOT Deposits • NOT Insured by FDIC or any other government agency • NOT GUARANTEED by the bank • Subject to risk and may lose value