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Weekly Market Guide

The S&P 500 continues to climb higher, now +25% over the past four months. Momentum has been strong with the index gliding above its 20-day moving average since October.

The market run can continue as long as:

1) The economy holds up well. And it could be as simple as watching employment. We still have an undersupplied labor market; jobless claims are very low; and as long as people have jobs, they are going to spend money. The February jobs report comes on Friday. Investors will be monitoring the report with particular focus on wage growth. Employment has been solid, but the question is whether the economy is so strong that wage growth will stay high (and put upward pressure on inflation).

2) Inflation “leeway” does not become more concerning. Inflation was “hotter” than expected in January across numerous reports. Bond yields initially broke out to the upside but have since moderated- the lack of upside follow-through has been supportive of equities and indicates that investors are giving some benefit of the doubt to inflation. The question is whether higher January inflation will be noise within a declining path, or be the start of something more? The fact that inflation has been higher year-to-date, Fed rate cut expectations have been pushed out, bond yields have risen, and equities have glided higher (despite those headwinds) puts more emphasis on the February inflation data. We get February CPI and PPI next week.

3) AI enthusiasm doesn’t shake. Technology- the S&P 500’s largest weighting- has been the market driver over the past year. Recent Tech earnings reaffirmed the sector’s fundamental leadership which is supporting performance trends.

We will be watching the economic data coming out over the next two weeks (employment-heavy this week, inflation-heavy next week), along with the bond market’s reaction and its effect on equities. If bond yields break out to the upside again (as they did on the January CPI report), it will likely be a headwind to stocks.

At some point, equities will need to digest some of their gains. However, the strength of the rally places numerous levels of support nearby. The 20-day moving average (5043) will be the first level to watch as it has held several times over recent months. Below this is the 50 DMA (4909), 4800 (horizontal support at prior all-time highs), and 4600 (July 2023 highs). The low-end of these levels reflect a 6-10% pullback, well within the norm historically- and would provide a lot of opportunity to pick up quality stocks.

Beneath the surface, there are signs of broader participation with many areas showing improved trends lately. Technology remains leadership for now, but the expanded breadth bodes well for diversification and opportunity outside of Technology.

| Equity Market Indices | Price Return | |
|--------------------------|--------------|------------------|
| | Year to Date | 12 Months |
| Dow Jones Industrial Avg | 2.4% | 15.6% |
| S&P 500 | 6.5% | 25.5% |
| S&P 500 (Equal-Weighted) | 3.3% | 9.2% |
| NASDAQ Composite | 6.2% | 36.4% |
| Russell 2000 | 1.3% | 6.5% |
| MSCI All-Cap World | 4.7% | 19.0% |
| MSCI Developed Markets | 3.2% | 11.4% |
| MSCI Emerging Markets | -0.2% | 3.4% |
| NYSE Alerian MLP | 9.1% | 21.3% |
| MSCI U.S. REIT | -1.9% | 0.3% |
| S&P 500 Sectors | Price Return | |
| | Year to Date | Sector Weighting |
| Information Technology | 10.1% | 29.8% |
| Communication Svcs. | 8.8% | 8.8% |
| Financials | 7.1% | 13.0% |
| S&P 500 | 6.5% | - |
| Health Care | 6.1% | 12.6% |
| Industrials | 5.9% | 8.8% |
| Consumer Staples | 4.0% | 6.0% |
| Energy | 2.9% | 3.8% |
| Materials | 2.7% | 2.3% |
| Consumer Discretionary | 2.4% | 10.4% |
| Real Estate | -1.6% | 2.2% |
| Utilities | -1.9% | 2.2% |

Source: FactSet

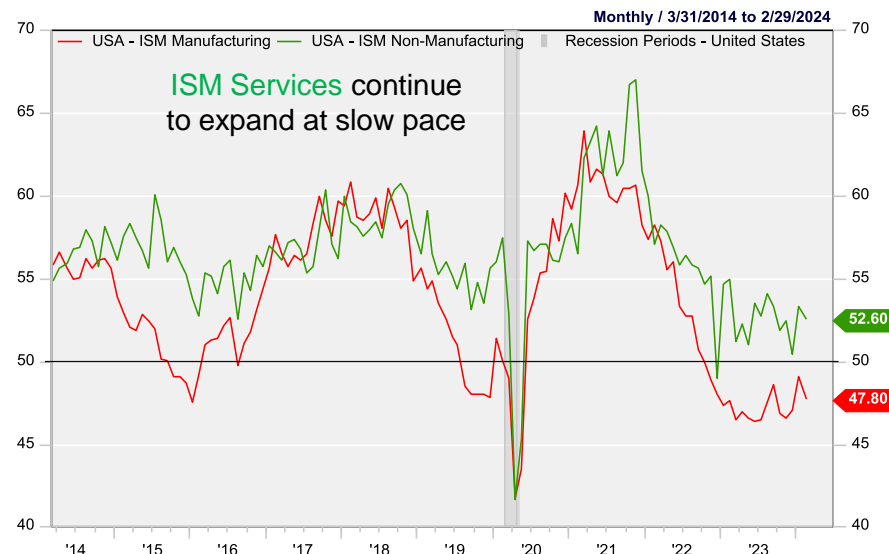
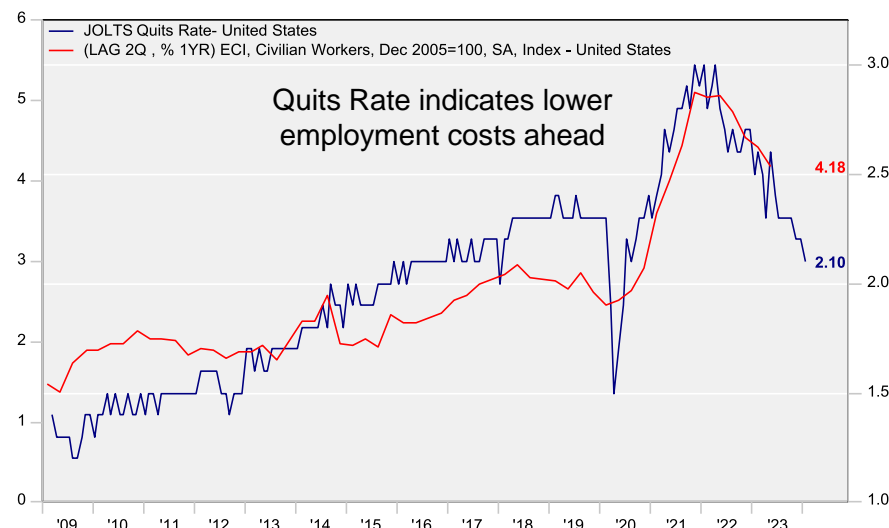
Macro: US

February ISM Manufacturing remained weak (below the 50-demarkation line) and ISM Services continued to expand at 52.6. This is consistent with the status quo- an economy that continues to hold up due to the consumer.

Today's JOLTS job openings kicks off a busy week and a half of employment and inflationary data. Job Openings continued to decline (i.e. normalizing labor demand), as did the Quits Rate- which indicates lower employment costs ahead. This provides optimism on the path of wage growth (and important influence on inflation) with focus shifting to the February jobs report (and the hard data) on Friday. *Continued on next page...*

| Event | Period | Actual | Consensus | Prior |
|---|--------|--------|-----------|--------|
| Continuing Jobless Claims SA | 02/17 | 1,905K | 1,875K | 1,860K |
| Initial Claims SA | 02/24 | 215.0K | 210.0K | 202.0K |
| Core PCE Deflator M/M | JAN | 0.42% | 0.40% | 0.14% |
| Core PCE Deflator Y/Y | JAN | 2.8% | 2.8% | 2.9% |
| Personal Consumption Expenditure SA M/M | JAN | 0.20% | 0.15% | 0.67% |
| Personal Income SA M/M | JAN | 1.0% | 0.40% | 0.30% |
| Pending Home Sales Index SAAR | JAN | 74.3 | - | 78.1 |
| Pending Home Sales M/M | JAN | -4.9% | 1.5% | 5.7% |
| Markit PMI Manufacturing SA (Final) | FEB | 52.2 | 51.5 | 51.5 |
| Construction Spending SA M/M | JAN | -0.20% | 0.15% | 1.1% |
| ISM Manufacturing SA | FEB | 47.8 | 49.5 | 49.1 |
| BEA Total Light Vehicle Sales (Preliminary) | FEB | 15.8M | 15.4M | 14.9M |
| PMI Composite SA (Final) | FEB | 52.5 | 51.4 | 51.4 |
| Markit PMI Services SA (Final) | FEB | 52.3 | 51.3 | 51.3 |
| Durable Orders ex-Transportation SA M/M (Final) | JAN | -0.41% | -0.30% | -0.30% |
| Durable Orders SA M/M (Final) | JAN | -6.2% | -6.1% | -6.1% |
| Factory Orders SA M/M | JAN | -3.6% | -2.8% | -0.30% |
| ISM Services PMI SA | FEB | 52.6 | 52.8 | 53.4 |
| ADP Employment Survey SA | FEB | 140.0K | 150.0K | 111.0K |
| JOLTS Job Openings | JAN | 8,863K | 8,850K | 8,889K |
| Wholesale Inventories SA M/M (Final) | JAN | -0.30% | -0.10% | -0.10% |

Source: FactSet

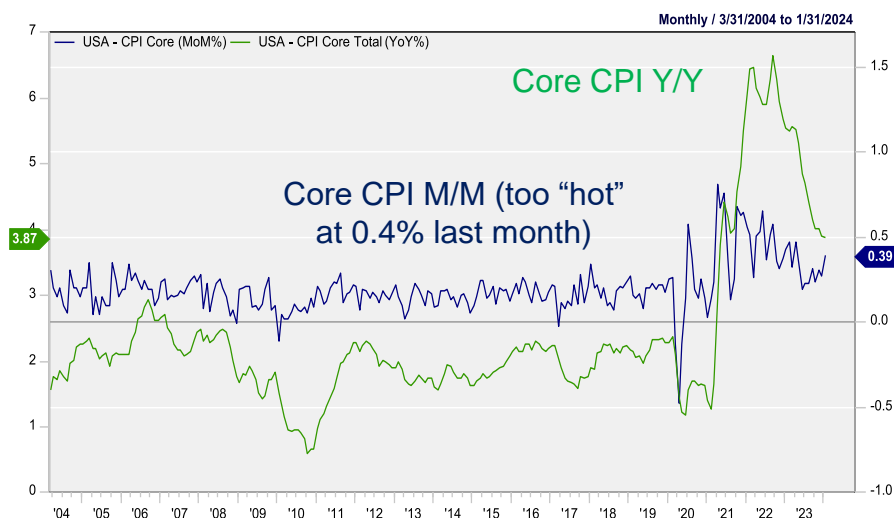


Upcoming Economic Data

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Inflation was "hotter" than expected in January across numerous reports. Bond yields initially broke out to the upside but have since moderated—the lack of upside follow-through has been supportive of equities and indicates that investors are giving some benefit of the doubt to inflation. The question is whether higher January inflation will be noise within a declining path, or be the start of something more?

The fact that inflation has been higher year-to-date, Fed rate cut expectations have been pushed out, bond yields have risen, and equities have glided higher (despite those headwinds) puts more emphasis on the February inflation data. We get February CPI and PPI next week.



Source: FactSet, Bloomberg

Fed Funds Rate Expectations:

| Region: United States » | | | | Instrument: Fed Funds Futures » | |
|-------------------------|-------------|-----------|-------------|---------------------------------|------------|
| Target Rate | 5.50 | | | Pricing Date | 03/06/2024 |
| Effective Rate | 5.33 | | | Cur. Imp. O/N Rate | 5.331 |
| Meeting | #Hikes/Cuts | %Hike/Cut | Imp. Rate Δ | Implied Rate | |
| 03/20/2024 | -0.054 | -5.4% | -0.014 | 5.318 | |
| 05/01/2024 | -0.261 | -20.7% | -0.065 | 5.266 | |
| 06/12/2024 | -0.915 | -65.4% | -0.229 | 5.102 | |
| 07/31/2024 | -1.494 | -57.9% | -0.374 | 4.958 | |
| 09/18/2024 | -2.294 | -80.0% | -0.574 | 4.758 | |
| 11/07/2024 | -2.868 | -57.4% | -0.717 | 4.614 | |
| 12/18/2024 | -3.614 | -74.6% | -0.903 | 4.428 | |
| 01/29/2025 | -4.204 | -59.0% | -1.051 | 4.280 | |

First rate cut expected in June, 3-4 in 2024

US 10Y T-Note Yield (TPI)

Daily / 3/6/2023 to 3/6/2024



Technical: S&P 500



Source: FactSet

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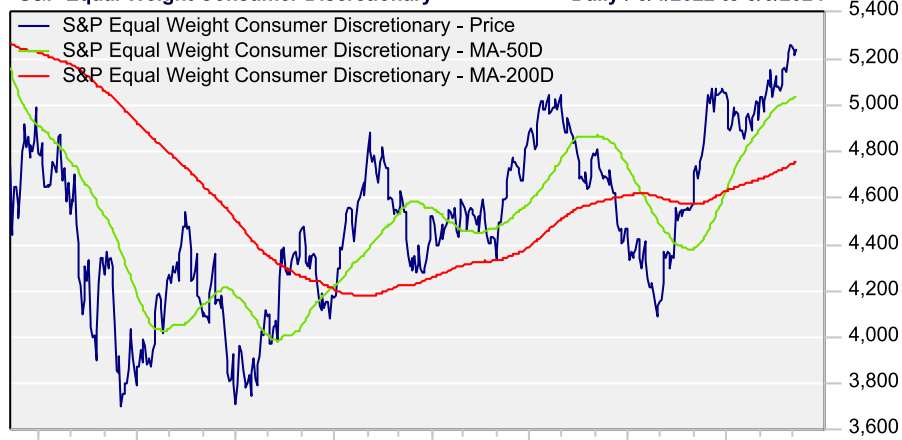
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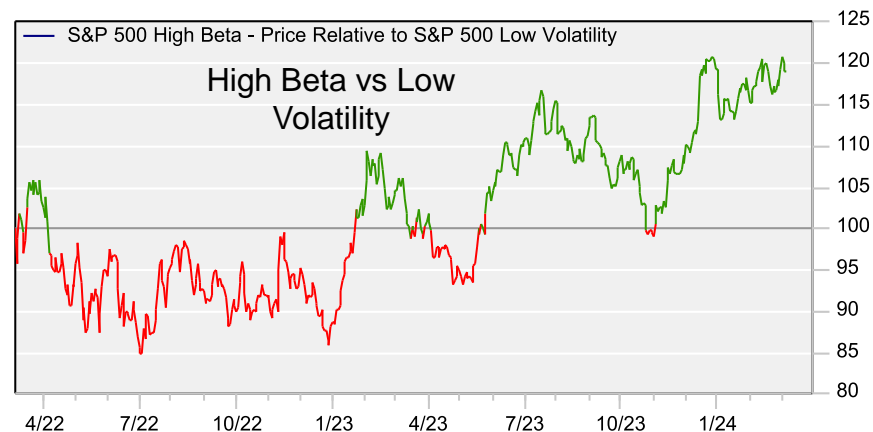
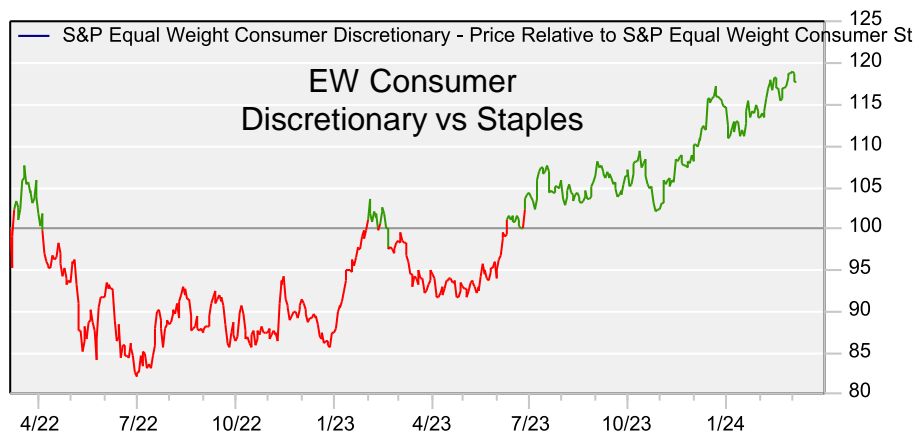
Positive Intermediate-Term Technical Indicators

Momentum within the market remains positive. Equal-weighted Consumer Discretionary vs Staples, as well as High Beta vs. Low Volatility, continues to trend positively. These have been good indicators on the market mood and bode well for positive returns over the next 12 months.

S&P Equal Weight Consumer Discretionary Daily / 3/4/2022 to 3/6/2024



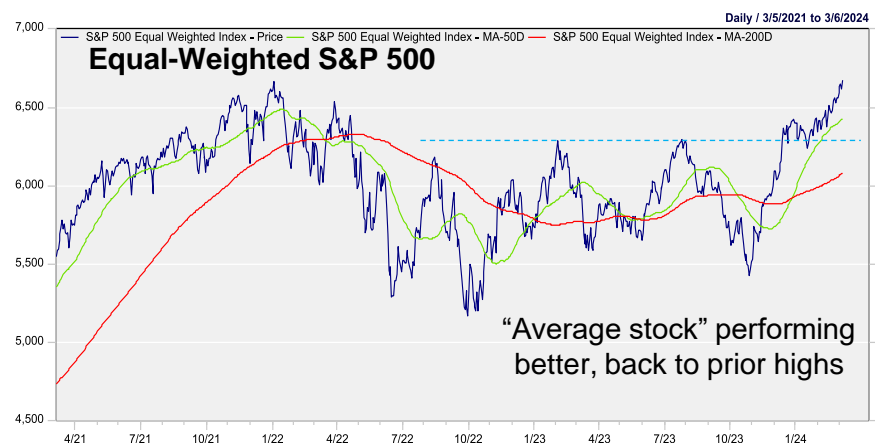
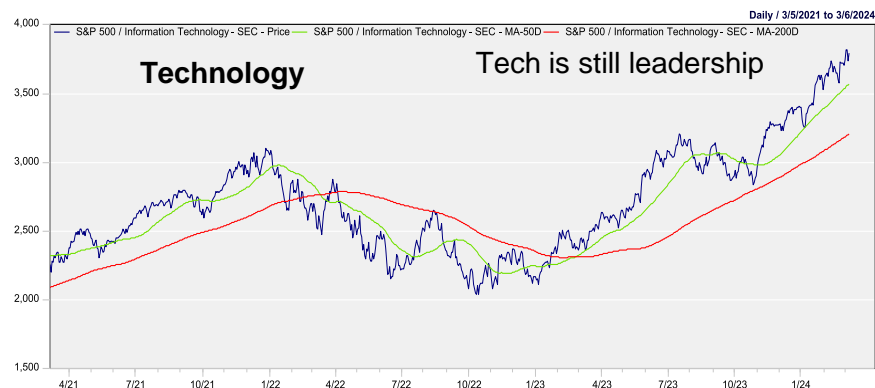
S&P 500 High Beta Daily / 3/4/2022 to 3/6/2024



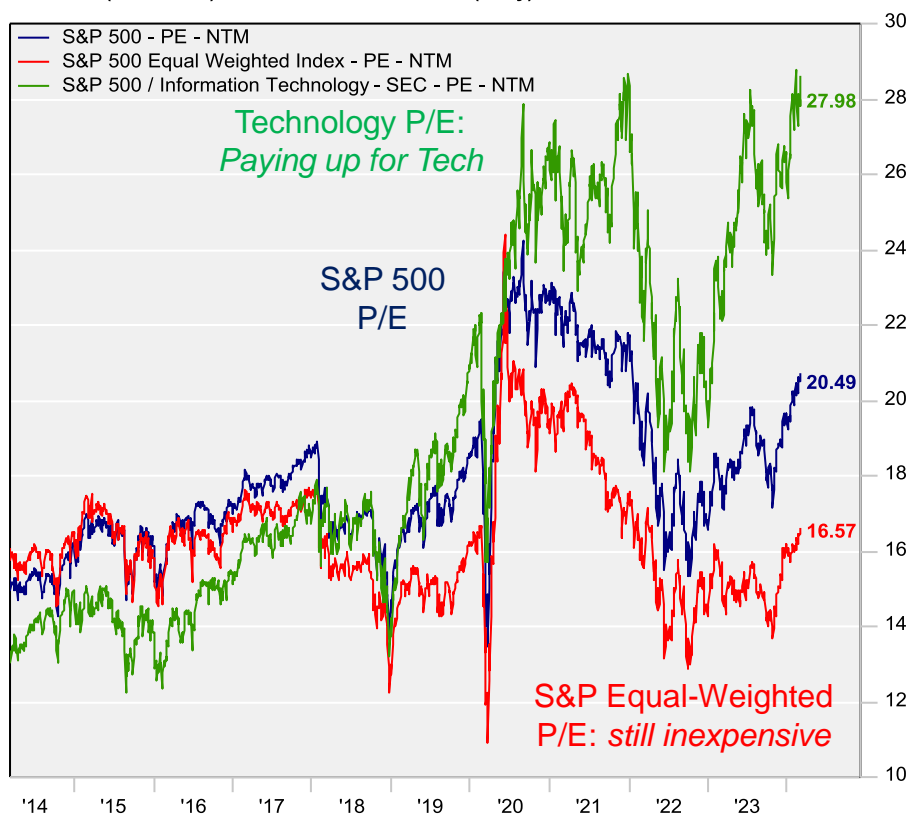
Source: FactSet

Bifurcated Market

Beneath the surface, there are signs of broader participation. Many areas have broken above resistance and have improved their performance trends lately. This expanded breadth bodes well for diversification and opportunity outside of Tech. For now, Tech remains leadership and is being supported by fundamental strength. But keep in mind, the “bar is high” for Tech’s sustained outperformance with valuation at Covid highs (28x P/E). The “bar is much lower” outside of Tech (S&P equal-weighted P/E 16.6x).



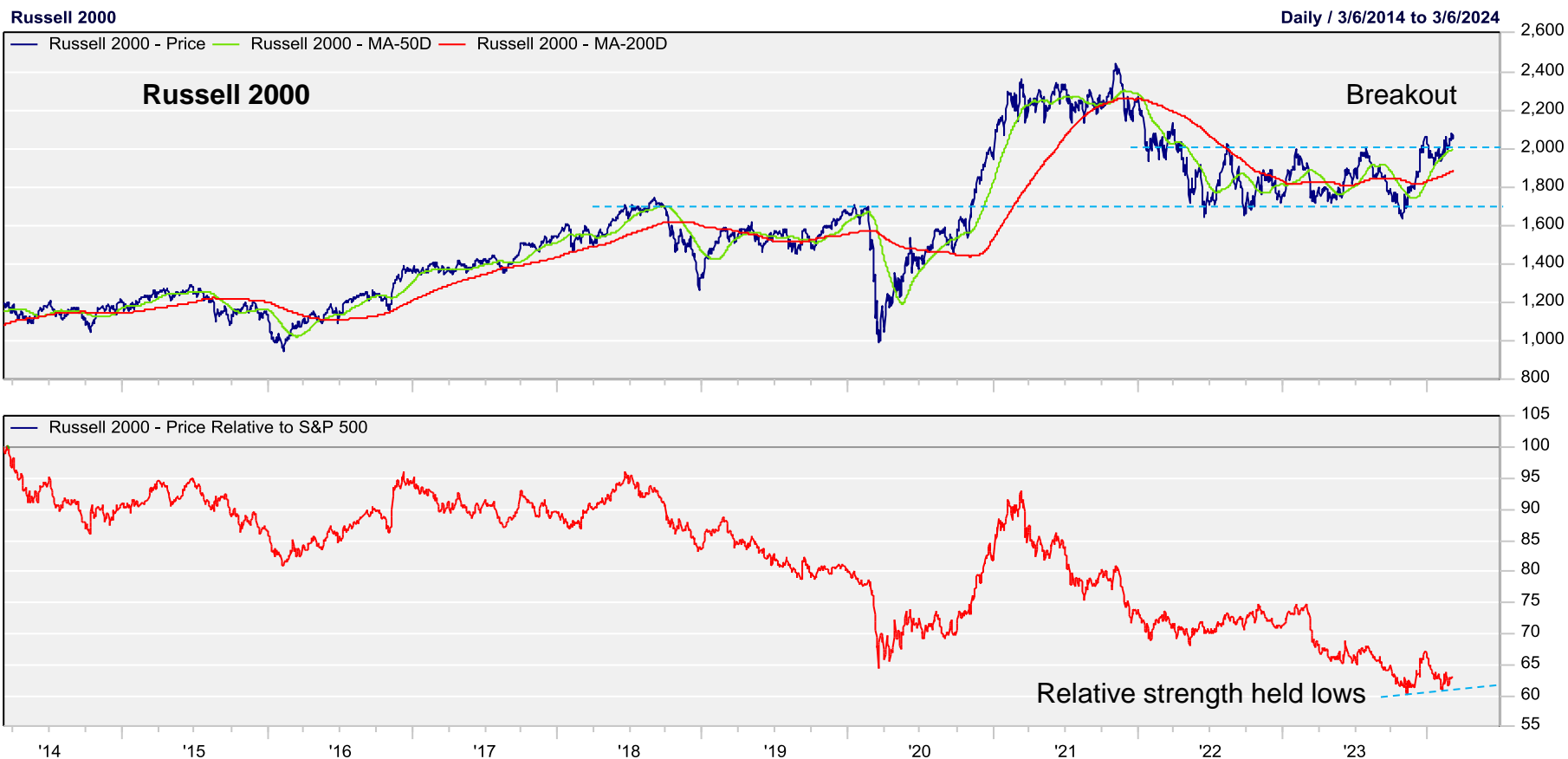
S&P 500 (SP50-USA) : 03/06/2014 to 03/06/2024 (Daily)



Source: FactSet

Russell 2000

The small caps have a long way to go in order to be considered leadership, but there are some recent positives. Going back to 2022, the Russell 2000 held long-term support numerous times and has basically been range-bound for the past two years. Recently, the index was finally able to break out of this range, and relative strength held above its lows. Earnings trends are still weak, but the improvement in performance is notable for this “out-of-favor” area.



Source: FactSet (M24-436347)

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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.