RAYMOND JAMES

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Weekly Market Guide

Equity markets have sustained their advance with areas most levered to the economic recovery showing the strongest momentum. The small caps have now advanced 27% since the end of October and are now outperforming the S&P 500 year-to-date. At the sector and stock level, the hardest hit areas from the pandemic have generally seen the greatest upside. For example, Energy and Financials (down 52% and 22% respectively from 12/31 through October) have led the charge higher by 37% and 20% respectively since then. Also, S&P 500 stocks down 30% through October are up 36% on average since, a stark contrast to those up 30% prior to November being up (only) 11.6%. This phenomenon, spurred by very positive vaccine data and optimism over the recovery in 2021, is also being seen globally with a similar relationship between worst performers prior to the vaccine news correlating with best performance since then (led by some of the hardest hit Latin America and European countries).

The improved breadth is positive for equity market momentum over the intermediate term in our view. It has also created a good environment for active management with better opportunities for stock selection across all areas of the market. We recommend pro-cyclical exposure to portfolios, and believe it is important for investors to find a balance between the areas operating best through the pandemic along with the areas most levered to the economic recovery. Accordingly, our overweight-rated sectors are Technology, Health Care, Communication Services, Consumer Discretionary, and Industrials.

We remain positive on equities over the next 6-12 months due to our view of 3+ vaccines allowing an economic reopening as 2021 progresses, along with fiscal and monetary stimulus supporting the recovery and the likelihood of interest rates remaining lower for longer. This should support an earnings recovery and allow valuation to remain elevated (albeit lower than current levels). We maintain a base case S&P 500 target of 4025 (using $175 earnings and 23x P/E). And while the current equity momentum could continue through year end and into January, we do want to acknowledge numerous items that could impact volatility. Fiscal talks are currently ongoing (and we believe something likely gets done), but the absence of additional fiscal aid (with the virus surge and localized shutdowns impacting the economy) would be a setback. Additionally, the January 5th Georgia Senate runoffs have the potential to alter the legislative agenda dramatically in the event of a Democratic sweep. Therefore, our overriding view remains positive on equities. But we believe it is prudent to accumulate over time and make portfolio adjustments in a pragmatic way, particularly with new money coming in at current levels.

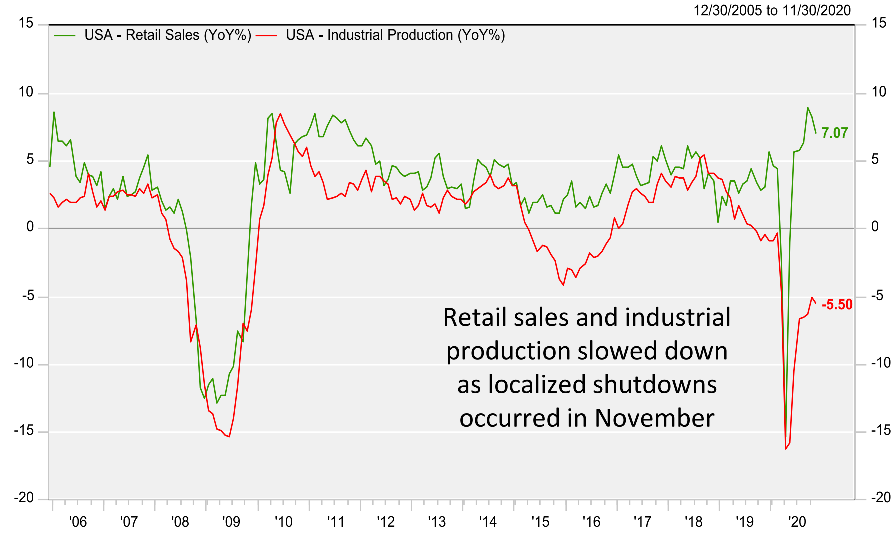
Equity Market Indices	Price Return Year to Date	Price Return 12 Months
S&P 500	14.6%	16.0%
S&P 500 (Equal-Weight)	9.3%	10.6%
Dow Jones Industrial Avg	5.7%	6.8%
NASDAQ Composite	41.1%	43.6%
Russell 2000	17.0%	18.4%
MSCI All-Cap World	12.7%	13.9%
MSCI Developed Markets	4.3%	4.5%
MSCI Emerging Markets	13.4%	16.2%
NYSE Alerian MLP	-32.3%	-30.5%
MSCI U.S. REIT	-11.1%	-9.2%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Information Technology	39.2%	27.9%
Consumer Discretionary	31.0%	11.3%
Communication Svcs.	21.8%	11.1%
Materials	15.4%	2.6%
S&P 500	***14.6%***	-
Health Care	9.2%	13.6%
Industrials	8.2%	8.6%
Consumer Staples	6.7%	6.7%
Utilities	-4.1%	2.8%
Real Estate	-5.9%	2.5%
Financials	-7.3%	10.4%
Energy	-34.3%	2.5%

MACRO: US

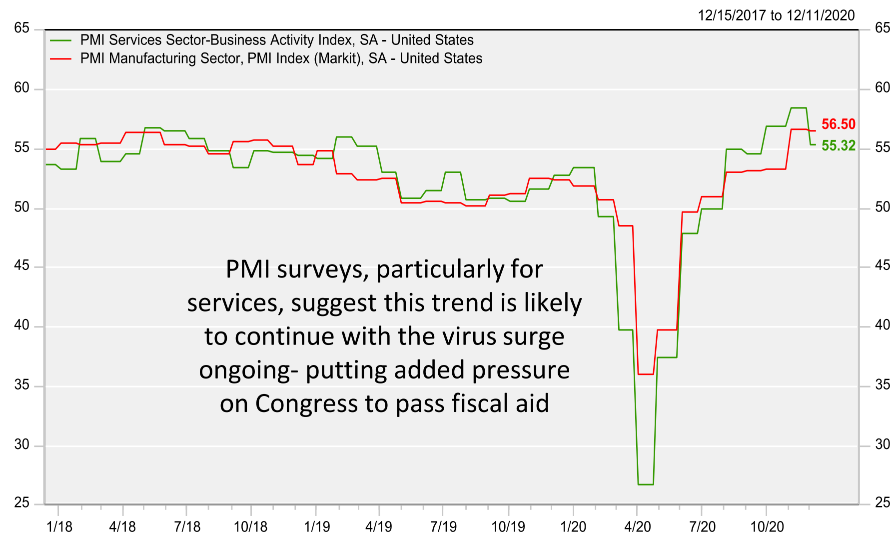
Investors are closely monitoring fiscal talks, where discussions are building toward a potential fiscal aid package. Nothing is finalized yet, but reports suggest it could in the ~$900B range and include stimulus checks, small business relief, and funding for vaccine distribution, education, transportation, and health care- omitting the most contentious issues surrounding state & local aid and liability protections. We believe something likely gets done and needs to get done amidst localized shutdowns and the ongoing virus surge. Some of the recent economic data, showing a stall in the recovery, likely puts added pressure on government officials to come to an agreement.

Along with fiscal stimulus, we believe central banks also remain very supportive. This week, the Fed tweaked its message slightly with the takeaway being that policy will remain accommodative for a while (likely several years). The likelihood that interest rates remain lower for longer is supportive of equity markets in our view.



US economic data reported in the past week:

Event	Period	Actual	Consensus	Prior
PPI SA M/M	NOV	0.10%	0.10%	0.30%
PPI NSA Y/Y	NOV	0.76%	0.70%	0.51%
Michigan Sentiment NSA (Preliminary)	DEC	81.4	76.0	76.9
Empire State Index SA	DEC	4.9	7.0	6.3
Industrial Production SA M/M	NOV	0.40%	0.30%	0.90% R
Retail Sales ex-Auto SA M/M	NOV	-0.90%	0.10%	-0.10% R
Retail Sales SA M/M	NOV	-1.1%	-0.30%	-0.10% R
PMI Composite SA (Preliminary)	DEC	55.7	-	58.6
Markit PMI Manufacturing SA (Preliminary)	DEC	56.5	56.0	56.7
Markit PMI Services SA (Preliminary)	DEC	55.3	56.5	58.4
NAHB Housing Market Index SA	DEC	86.0	88.0	90.0
Building Permits SAAR (Preliminary)	NOV	1,639K	1,550K	1,544K
Continuing Jobless Claims SA	12/05	5,508K	5,700K	5,781K R
Housing Starts SAAR	NOV	1,547K	1,525K	1,528K R
Housing Starts M/M	NOV	1.2%	0.0%	6.3% R
Initial Claims SA	12/12	885.0K	800.0K	862.0K R
Philadelphia Fed Index SA	DEC	11.1	20.0	26.3
Kansas City Fed Manufacturing Index	DEC	14.0	8.0	11.0

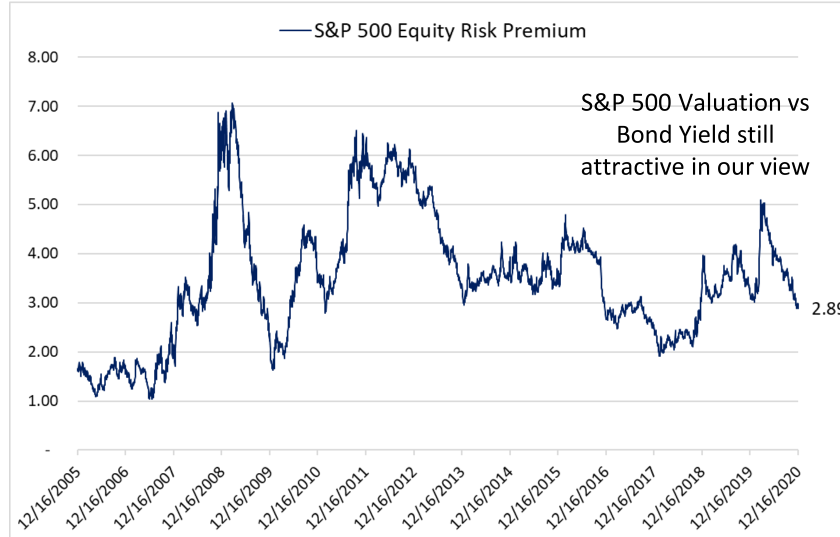


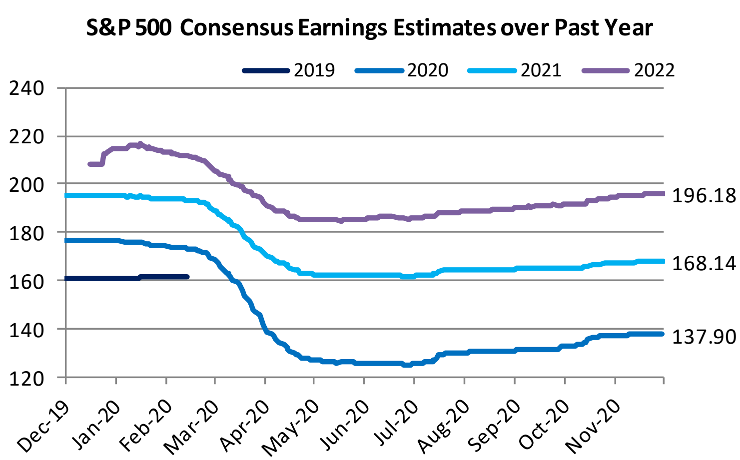
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FUNDAMENTALS

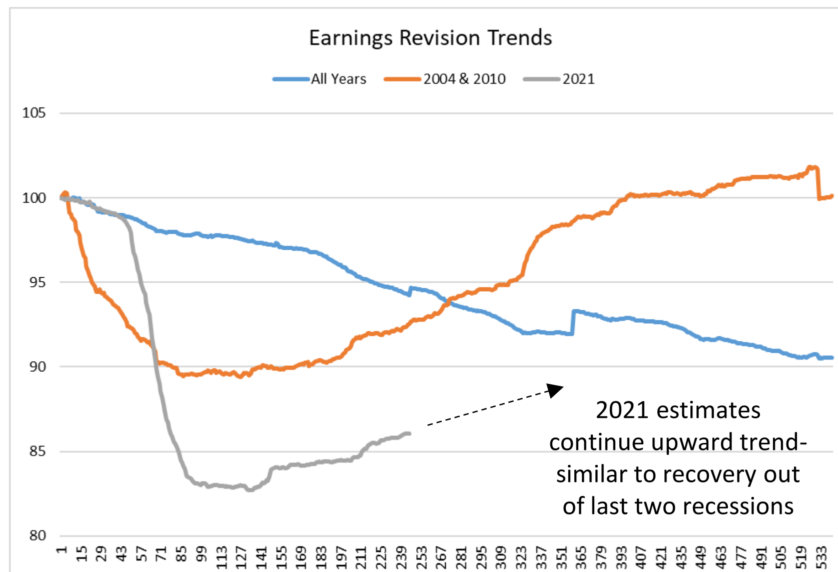
Investors remain focused on the expected recovery next year following encouraging vaccine news, looking past the current virus surge and economic impact of localized shutdowns. Q4 estimates have continued to drift higher, and while the level of beats is unlikely to match the historical surprises of Q2 and Q3 (21% average beat collectively) we do expect upside. Additionally, we believe vaccinations over the coming months (potentially 100M Americans by the end of March) should allow a reopening as 2021 progresses. This, along with unprecedented stimulus globally this year, supports an earnings recovery that we believe can result in S&P 500 earnings of $175.

As earnings recover, valuation should begin to normalize from lofty levels. This should see earnings grow faster than equity markets in 2021, as the S&P 500 P/E moves lower from 26.3x currently. We use 23x as our base case P/E for 2021 and believe valuation can remain elevated due to the likelihood that interest rates and inflation remain lower for longer. For example, the current equity risk premium is 2.9% which is historically elevated (0.6% long term average) and just under pre-pandemic levels, an attractive value proposition for equities vs bonds in our view. These assumptions of $175 earnings and a 23x P/E result in our base case S&P 500 target of 4025.



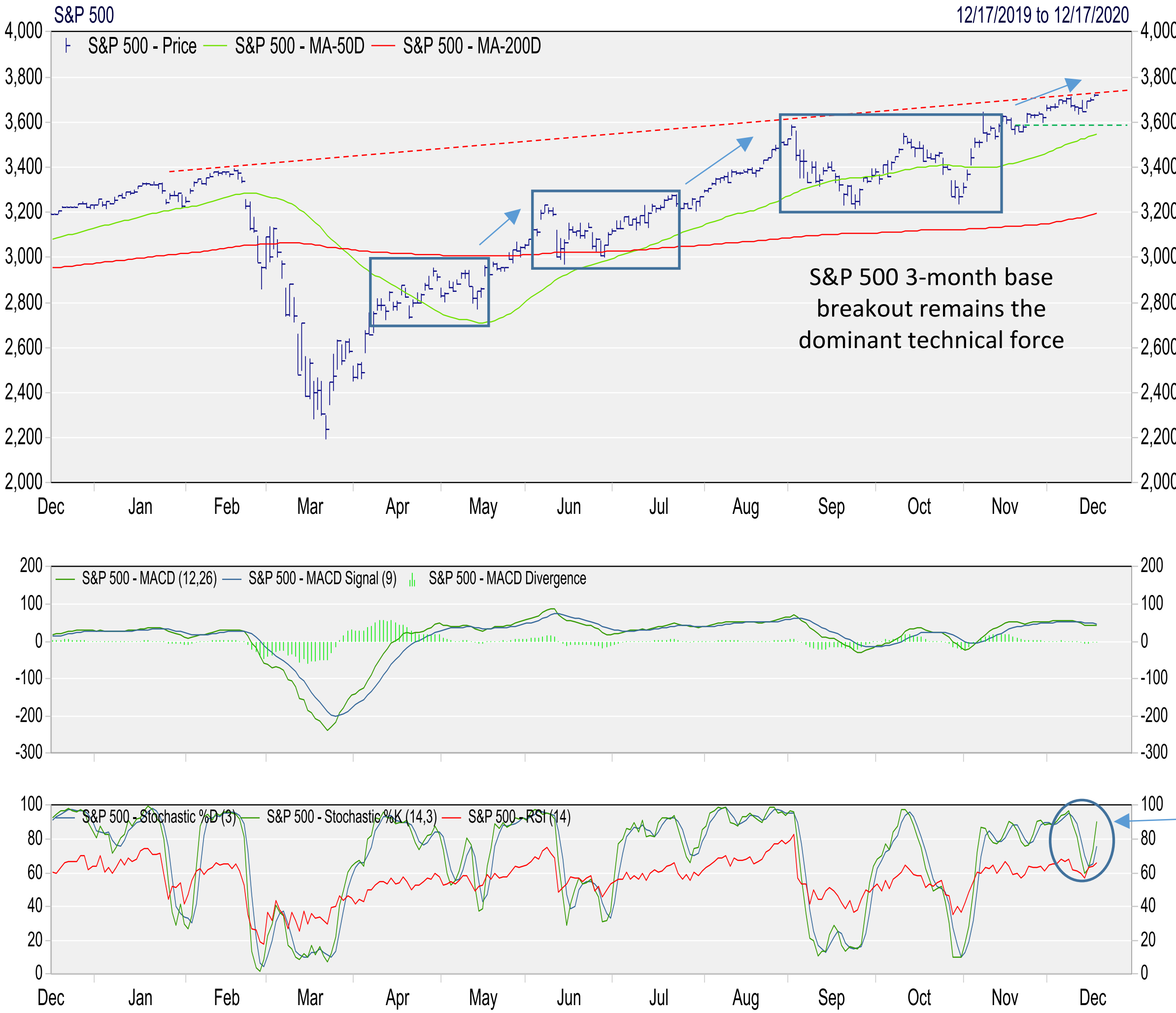


EPS Growth Estimates	
2019	1.5%
2020	-14.5%
2021	21.9%
2022	16.7%



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: S&P 500



A very brief consolidation with rolling pullbacks beneath the surface may have been the seasonal weakness typically seen in the first couple weeks of December. With positive vaccine news (Pfizer vaccine EUA and Moderna vaccine EUA expected tomorrow) and momentum building toward a fiscal aid package, equities could remain seasonally strong through year end.

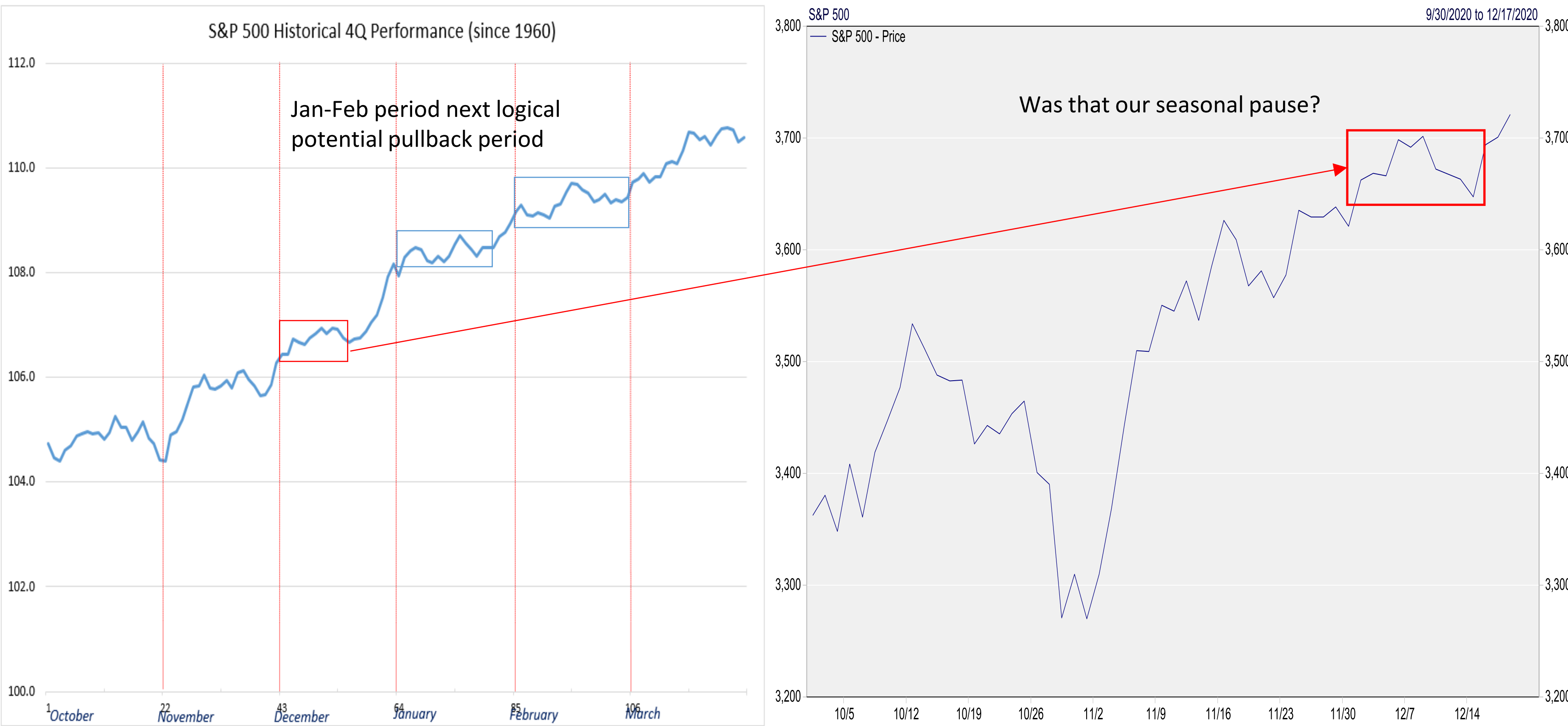
The base break out to new highs remains the dominant force technically, and the three-month base could make the current wave last longer and to a greater degree. We continue to watch the 3710 area for initial technical resistance, followed by 3753 and 3876. The first area of substantial support should be found around 3588, followed by the 50 DMA (currently 3546).

Brief consolidation indicative of strong upward trend

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

SEASONALITY

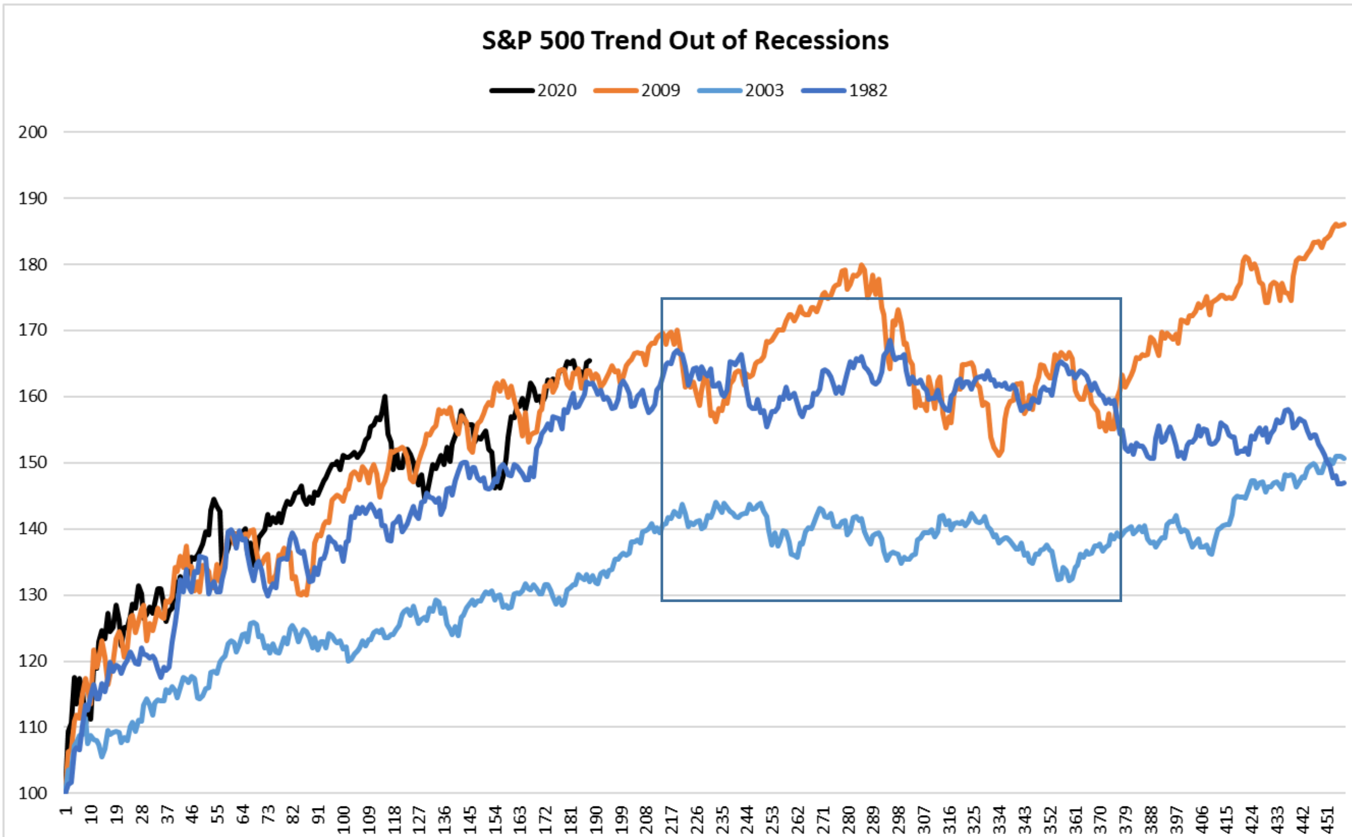
We have been mentioning in previous reports that it is not uncommon for the seasonally strong November-December period to experience a pause in the first couple of weeks in December. For the S&P 500, there was a slight consolidation with rolling pullbacks beneath the surface. With the breakout above this range, seasonal strength could see the equity market momentum continue through year end. However a runaway to the upside is less likely given the degree of gains off the November low. The January-February period is the next logical potential pullback period and makes sense considering optimism is running high right now, the January 5th Georgia Senate runoffs will be closely monitored, and there could always be setbacks to the vaccine narrative (i.e. distribution, capacity issues).



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

S&P 500 TREND OUT OF RECESSIONS

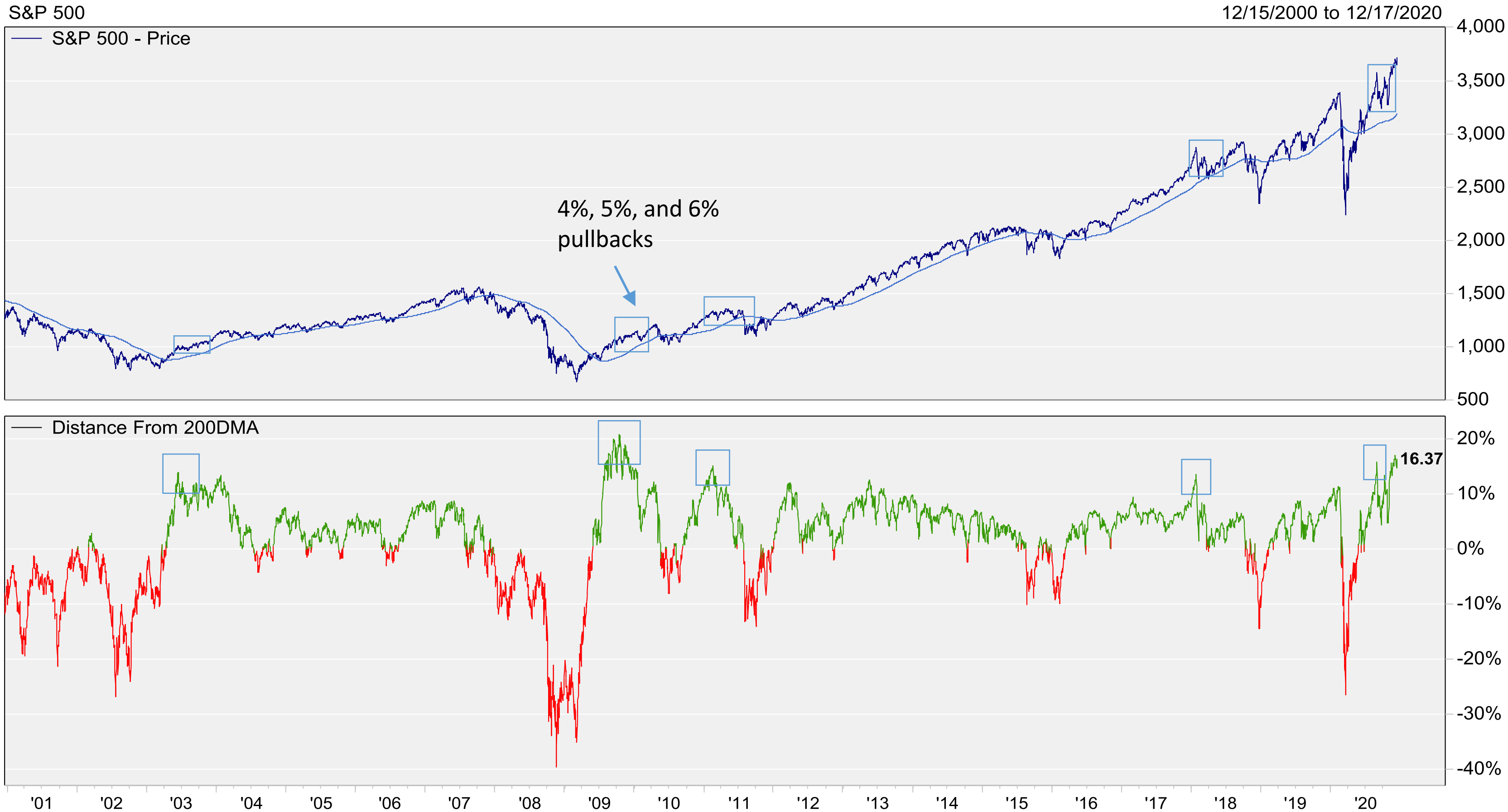
In an attempt to put the current market ascent into perspective, we look to previous recoveries out of recessions. The last two recessions (2009 and 2003), along with 1982 are shown below. As you can see, the rate of ascent and path out of the recessionary bear market low has tracked very similarly to the 2009 and 1982 periods. The 2003 recovery did not gain to the same extent but followed a similar path as well. Interestingly, these three prior periods saw gains continue for another month or so beyond the current point before becoming a bit more choppy. We do not recommend investing solely based on historical trends, but it is something to keep in mind. The rate of ascent has been phenomenal, but a healthy consolidation period with pullbacks as the market digests these gains is likely to occur at some point in the coming months.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

DISTANCE FROM 200 DAY MOVING AVERAGE SETS THE TABLE FOR A PAUSE

Equities have gotten extended above their 200 day moving average, following the surge higher since October. The S&P 500 is 16% above its 200 day moving average and the small cap index is 30% above its 200 DMA. These surges are what we have been looking for and expecting (in the early stages of a new bull market), but it is also historically common for the market to digest these gains over a period of time after reaching these levels. This was seen in the early stages of 2003/2004 recovery, as well as the 2009/2010 recovery. We believe a digestion period would be healthy for the market and also a good buying opportunity.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

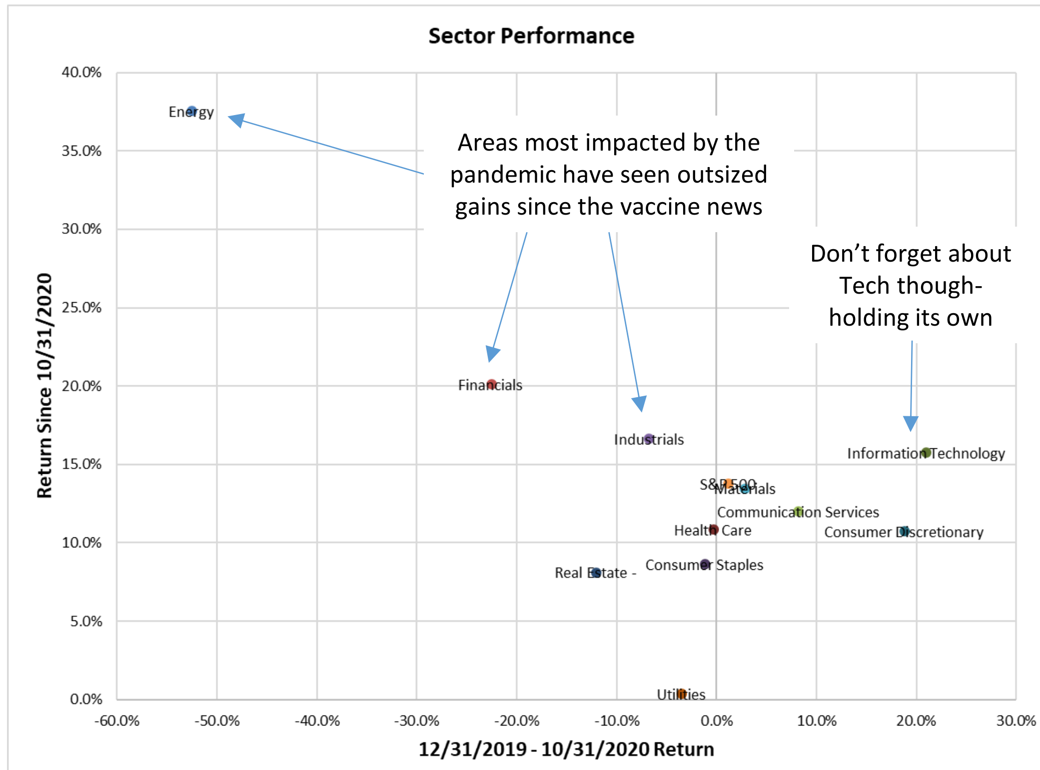
ROTATION

Equity markets have sustained their advance with areas most levered to the economic recovery showing the strongest momentum. At the sector and stock level, the hardest hit areas from the pandemic have generally seen the greatest upside since the positive vaccine news. For example, Energy and Financials (down 52% and 22% respectively from 12/31 through October) have led the charge higher by 37% and 20% respectively since October. Also, S&P 500 stocks down 30% through October are up 36.8% on average since, a stark contrast to those up 30% prior to November being up (only) 11.8%. The improved breadth is positive for equity market momentum over the intermediate term in our view. It has also created a good environment for active management with better opportunities for stock selection across all areas of the market. We recommend pro-cyclical exposure to portfolios, and believe it is important for investors to find their appropriate balance between the areas operating best through the pandemic along with the areas most levered to the economic recovery. Accordingly, our overweight-rated sectors are Technology, Health Care, Communication Services, Consumer Discretionary, and Industrials.

S&P 500 Sector	12/31 - 10/31/2020	Since 10/30/2020
Energy	-52.5%	37.6%
Financials	-22.5%	20.1%
Industrials	-6.8%	16.6%
Information Technology	20.9%	15.7%
S&P 500	1.2%	13.8%
Materials	2.9%	13.5%
Communication Services	8.2%	12.0%
Health Care	-0.3%	10.8%
Consumer Discretionary	18.8%	10.7%
Consumer Staples	-1.2%	8.6%
Real Estate -	-12.0%	8.1%
Utilities	-3.5%	0.4%

Stock Returns	
1/1-10/31/20	Since 10/31
<-30%	36.75%
<-10%	26.82%
<0%	23.26%
>0%	11.18%
>10%	11.17%
>30%	11.77%

Worst performers have become best performers

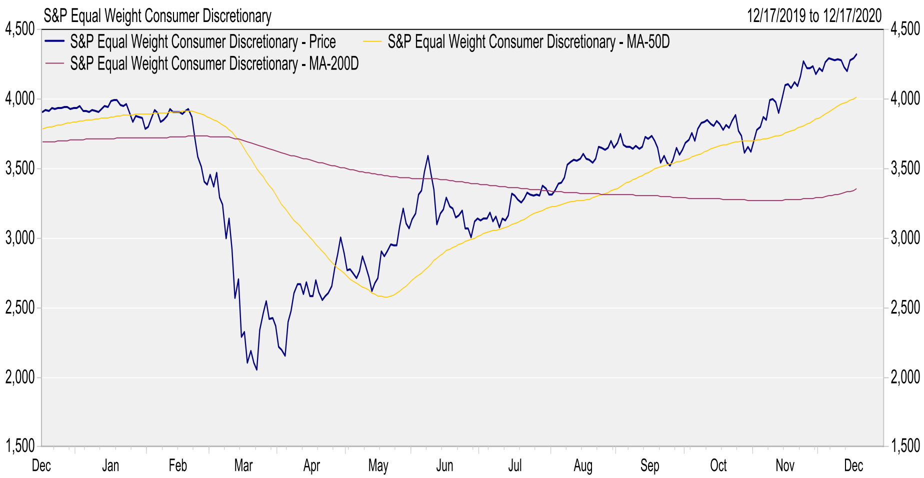


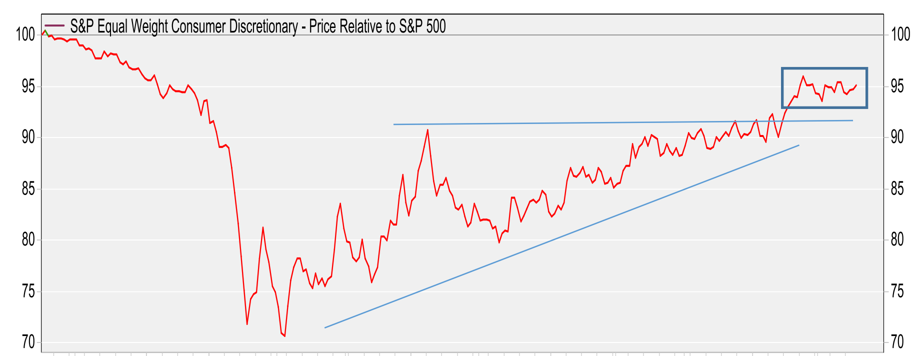
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

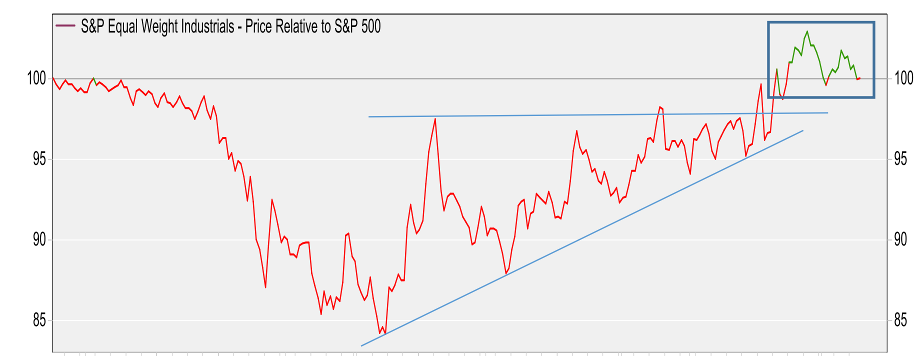
CONSUMER DISCRETIONARY AND INDUSTRIALS

We recommend accumulating select names in Consumer Discretionary. The sector has leverage to the economic recovery, and low interest rates and oil prices remain supportive. Additionally, we believe something gets done on fiscal stimulus which will be a boost to the consumer.

The industrials remain our favored "recovery" area currently. The manufacturing backdrop continues to improve globally, and low inventories are likely to support a continuation of this trend. The group has consolidated slightly, and we would use the opportunity to accumulate favored names near support levels.



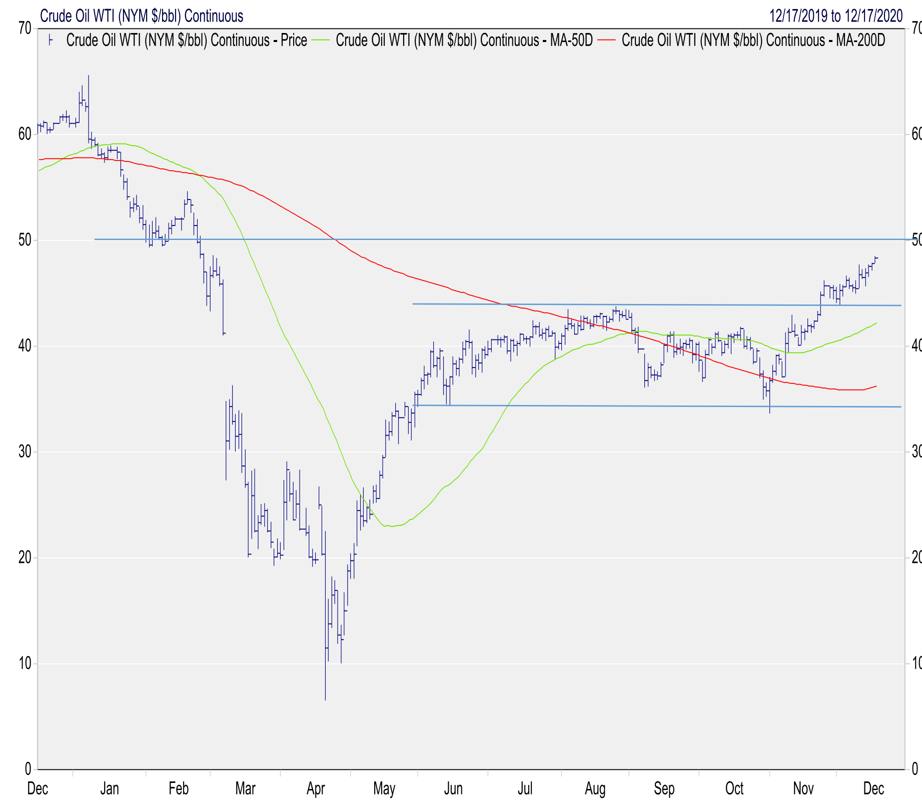




Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

ENERGY

Oil prices have risen by 35% (to 48.42/bbl from 35.79/bbl) since October. The move started on the likelihood of a divided Congress following the election results and surged higher on the positive vaccine news. This has created optimism toward an economic reopening as 2021 progresses, along with a more difficult path to legislative changes. Accordingly, the Energy sector has surged 37% higher since then. We maintain an underweight recommendation to the Energy sector and are not yet convinced that investors should allocate a substantial portion of their portfolios to the sector. However, we do view the sector as a fertile area for aggressive traders, given volatility and fundamental/sentiment challenges keeping the risk level high. Aggressive traders that are willing to accept the likelihood of elevated volatility, look to accumulate favored names as they consolidate some of their recent strength near support levels. For oil prices, after breaking out of its past several month range, watch technical resistance at ~50/barrel.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

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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.

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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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