RAYMOND JAMES

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Weekly Market Guide

Short-Term Summary: Tomorrow marks 7 months since the March 23rd market low, and the S&P 500 is up a remarkable 53% since that day. Uncertainty remains high regarding the spread of the virus, additional fiscal aid, and the outcome of the election. However, we remain positive on equities over the next 6-12 months due to our expectation of positive news flow on vaccines and therapeutics, as well as additional fiscal stimulus post-election and unprecedented level of global monetary stimulus fueling the economic recovery in the year ahead. We are also encouraged by the underlying tone of the market.

While the S&P 500 has been in a normal consolidation phase (in our view) recently, market breadth has continued to improve beneath the surface. The US 10 year yield has been able to rise to 0.83%- it's highest level since early June and above the upper-end of its several month range. There is technical resistance just overhead at 0.86% and the outcome of fiscal stimulus talks as well as vaccine data will be key catalysts to monitor, however this is supporting improvement in many of the cyclical areas of the market. For example, the Russell 2000 is on the cusp of new relative highs, and a break out would be another positive indication of market trends.

Q3 earnings season is underway (25% of S&P 500 companies have reported), and results have been well above consensus estimates. 88% of companies have beaten earnings estimates by an average of 18%, resulting in full Q3 earnings estimates being revised up 3.4% already (5-year average for the full quarter is 5.6%). These large upside surprises are even more impressive considering positive estimate trends heading into earnings season. However, the average price reaction has been muted at -1.0%- indicating to us that the bar was set high into results. The earnings results so far also show the massive dichotomy in fundamentals between companies. For example, 44% of companies that have reported grew earnings y/y this quarter by an average of 26%, while the other 56% in earnings contractions y/y saw earnings decline by an average of -51%!

For now, we would stick with areas operating best- favored sectors remain technology, communication services, health care, and consumer discretionary- while continuing to accumulate those with more leverage to the recovery- small caps, industrials, materials, and some consumer discretionary stocks. And would increase conviction on relative strength break outs. Globally, the emerging markets experienced a break out this week. Albeit overbought in the short term, we would continue adding to the region given our view of a lower US dollar and global economic recovery in the year ahead.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
S&P 500	6.3%	14.3%
S&P 500 (Equal-Weight)	-2.9%	3.4%
Dow Jones Industrial Avg	-1.1%	5.2%
NASDAQ Composite	28.0%	40.7%
Russell 2000	-3.9%	3.5%
MSCI All-Cap World	2.5%	9.6%
MSCI Developed Markets	-7.4%	-2.3%
MSCI Emerging Markets	2.1%	10.6%
NYSE Alerian MLP	-46.7%	-47.6%
MSCI U.S. REIT	-18.4%	-21.4%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Information Technology	30.1%	28.1%
Consumer Discretionary	25.6%	11.6%
Communication Svcs.	10.5%	10.8%
Materials	6.6%	2.6%
S&P 500	***6.3%***	-
Consumer Staples	3.9%	7.0%
Health Care	3.8%	13.9%
Industrials	-1.4%	8.4%
Utilities	-1.4%	3.1%
Real Estate	-8.1%	2.6%
Financials	-19.8%	9.7%
Energy	-51.4%	2.0%

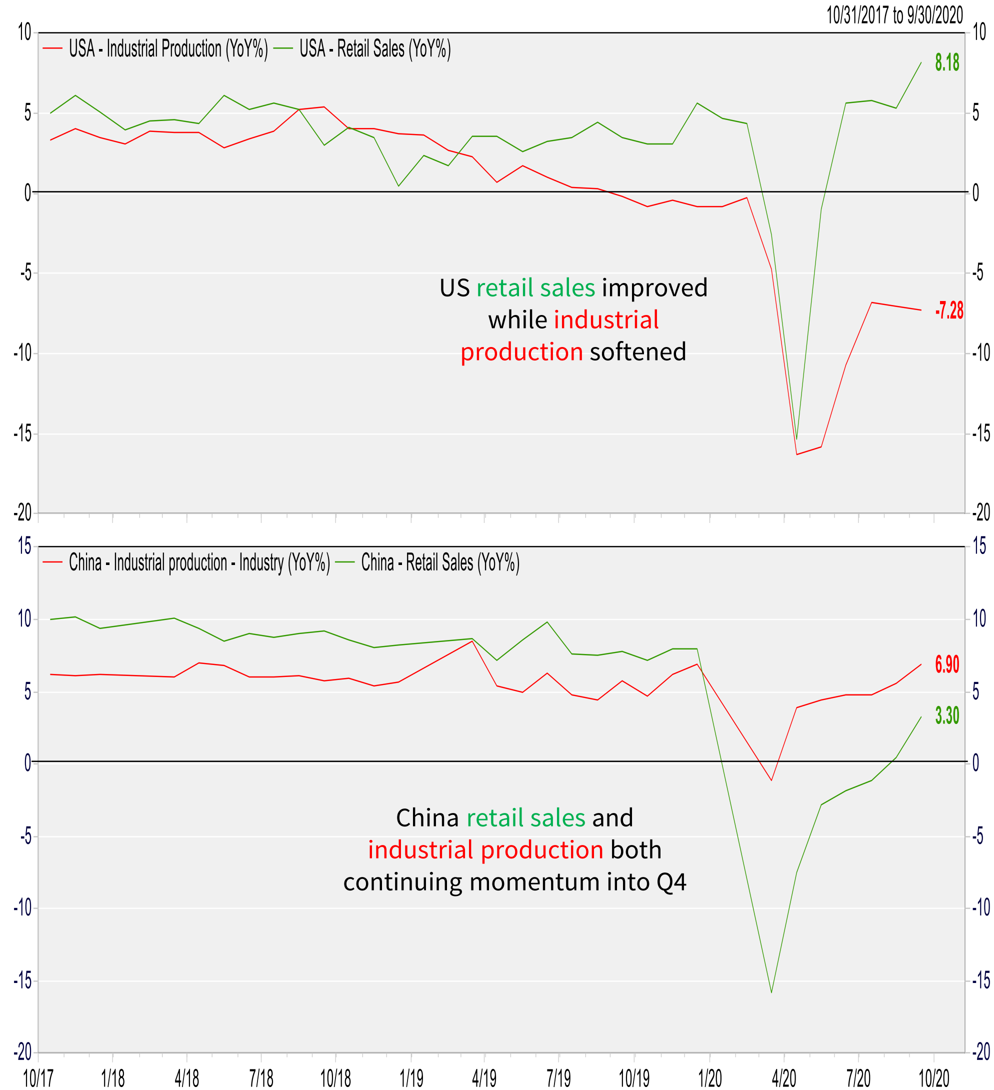
MACRO: US

The economic recovery remains underway. September US retail sales surprised to the upside, growing 8.2% y/y. Although industrial production disappointed, coming in below expectations at -7.3% y/y. The housing market remains a bright spot (fueled by record low interest rates) with the NAHB housing market index hitting another record high. We are also encouraged by the move lower in initial jobless claims this week. We continue to view additional fiscal aid as important to the recovery and believe it will eventually come (though likely post-election).

Globally, China GDP rose 4.9% in Q3- the first country to get back to growth y/y. China industrial production and retail sales both beat expectations and continued their upward momentum. Also, China reported its highest new orders (52.8) and new export orders (50.8) since trade tensions ramped up in early 2018. This is a positive indication for the global recovery into Q4 as China remains key to global growth.

US economic data reported in the past week:

Event	Period	Actual	Consensus	Prior
Retail Sales ex-Auto SA M/M	SEP	1.5%	0.40%	0.50% R
Retail Sales SA M/M	SEP	1.9%	0.80%	0.60%
Capacity Utilization NSA	SEP	71.5%	71.8%	72.0% R
Industrial Production SA M/M	SEP	-0.60%	0.60%	0.44%
Business Inventories SA M/M	AUG	0.30%	0.35%	0.10%
Michigan Sentiment NSA (Preliminary)	OCT	81.2	81.0	80.4
Treasury Budget NSA	SEP	-$124.6B	-$124.0B	-$200.0B R
NAHB Housing Market Index SA	OCT	85.0	83.0	83.0
Building Permits SAAR (Preliminary)	SEP	1,553K	1,520K	1,476K
Housing Starts SAAR	SEP	1,415K	1,460K	1,388K R
Housing Starts M/M	SEP	1.9%	4.5%	-6.7% R
Continuing Jobless Claims SA	10/10	8,373K	10,018K	9,397K R
Initial Claims SA	10/17	787.0K	870.0K	842.0K R
Existing Home Sales SAAR	SEP	-	6,250K	6,000K
Leading Indicators SA M/M	SEP	0.70%	0.60%	1.2%
Kansas City Fed Manufacturing Index	OCT	13.0	11.0	11.0



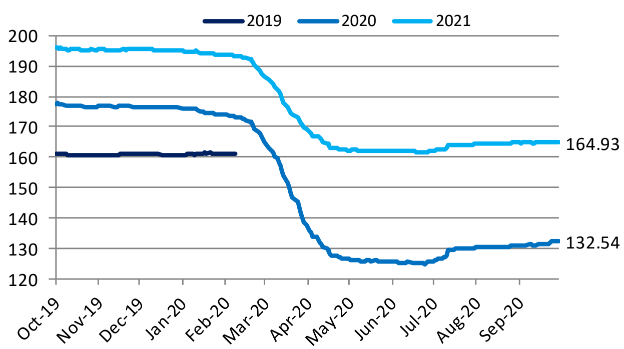
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FUNDAMENTALS

Q3 earnings season is underway (25% of S&P 500 companies have reported), and results have been well above consensus estimates. 88% of companies have beaten earnings estimates by an average of 18%, resulting in full Q3 earnings estimates being revised up 3.4% already (5-year average for the full quarter is 5.6%). These large upside surprises are even more impressive considering positive estimate trends heading into earnings season. However, the average price reaction has been muted at -1.0%- indicating to us that the bar was set high into results. The earnings results so far also show the massive dichotomy in fundamentals between companies- some indicating they are in a massive economic expansion, some indicating they are in a massive economic contraction. For example, 44% of companies that have reported grew earnings y/y this quarter by an average of 26%, while the other 56% in earnings contractions y/y saw earnings decline by an average of -51%!

We remain positive on equities over the next 12 months due to our expectation of positive news flow on vaccines and therapeutics, as well as additional fiscal stimulus post-election and unprecedented level of global monetary stimulus fueling the economic recovery in the year ahead. Our 2021 base case S&P 500 target is 3600 using $160 in earnings and 22.5x P/E. Upside case is 3910 and downside case (low odds currently) is 2775.

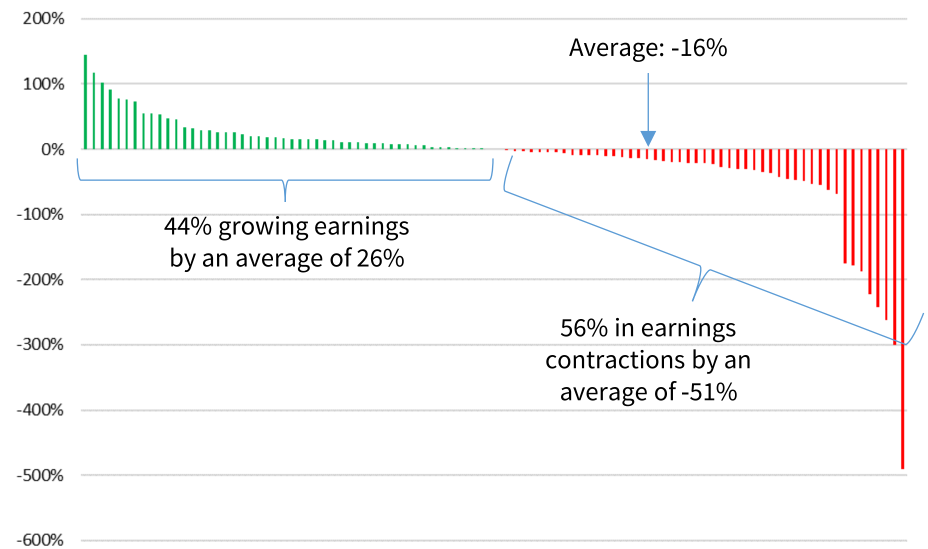
S&P 500 Consensus Earnings Estimates over Past Year



EPS Growth Estimates	
2019	1.5%
2020	-17.8%
2021	24.6%

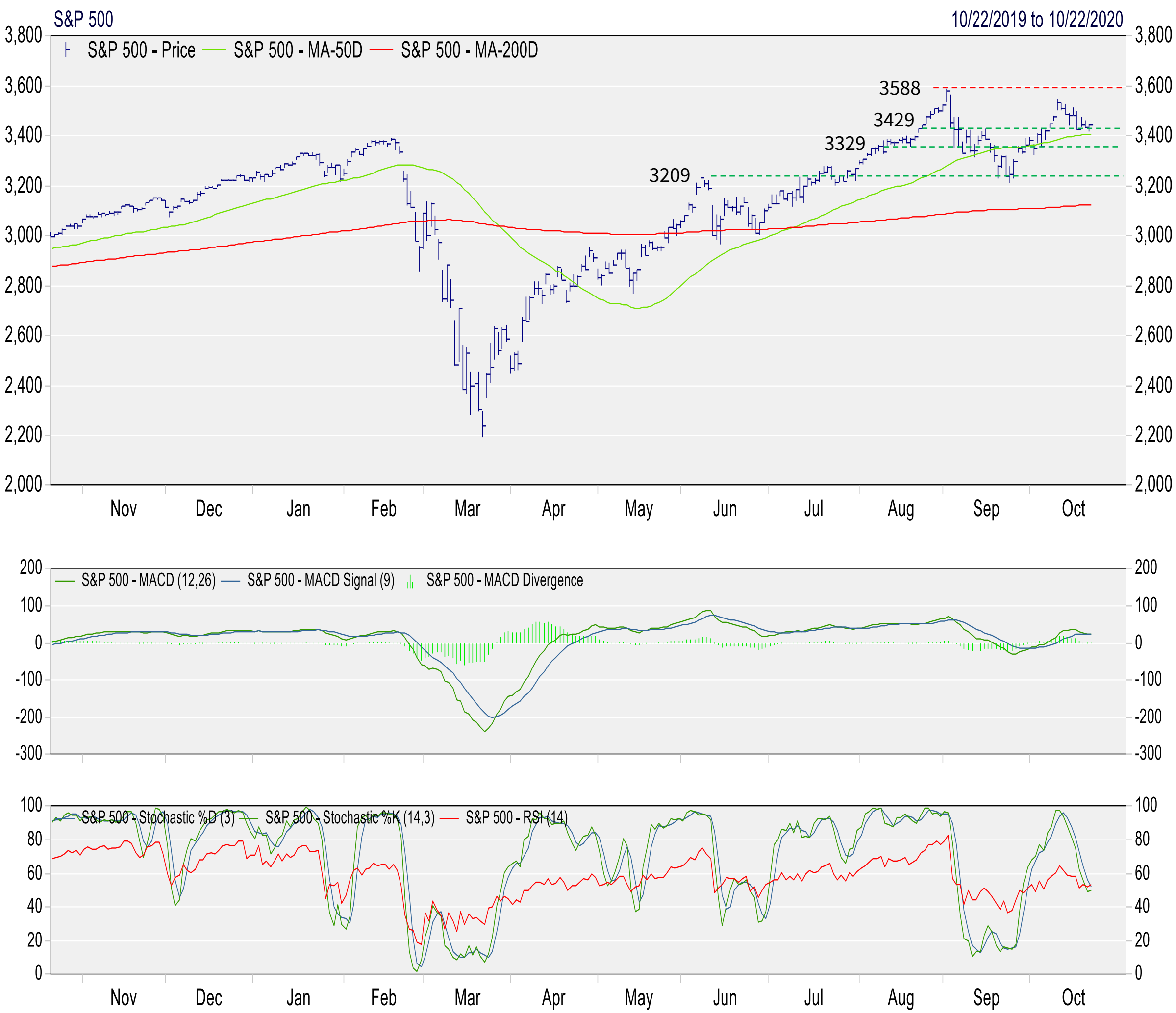
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

Q3 Earnings Growth by S&P 500 Company



S&P 500 Sector	Q3 EPS Surprise	Est. Revision into Q3	Q3 EPS Growth Y/Y
Financials	12.2%	15.1%	-7.4%
Health Care	3.5%	1.7%	0.2%
S&P 500	**3.4%**	**5.2%**	**-18.2%**
Consumer Staples	2.4%	3.3%	-1.0%
Consumer Discretionary	2.3%	32.2%	-36.2%
Real Estate	2.3%	-0.6%	-9.9%
Materials	2.2%	12.2%	-13.0%
Communication Services	0.8%	1.5%	-20.1%
Information Technology	0.6%	2.8%	-0.1%
Utilities	0.4%	-2.9%	-3.9%
Industrials	-0.3%	-1.4%	-60.5%
Energy	-9.7%	-67.9%	-124.3%

TECHNICAL: S&P 500



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

The S&P 500 continued its consolidation phase, which we view as normal. There has been late day selling pressure for the past four days, but the moves have encouragingly come on below average volume.

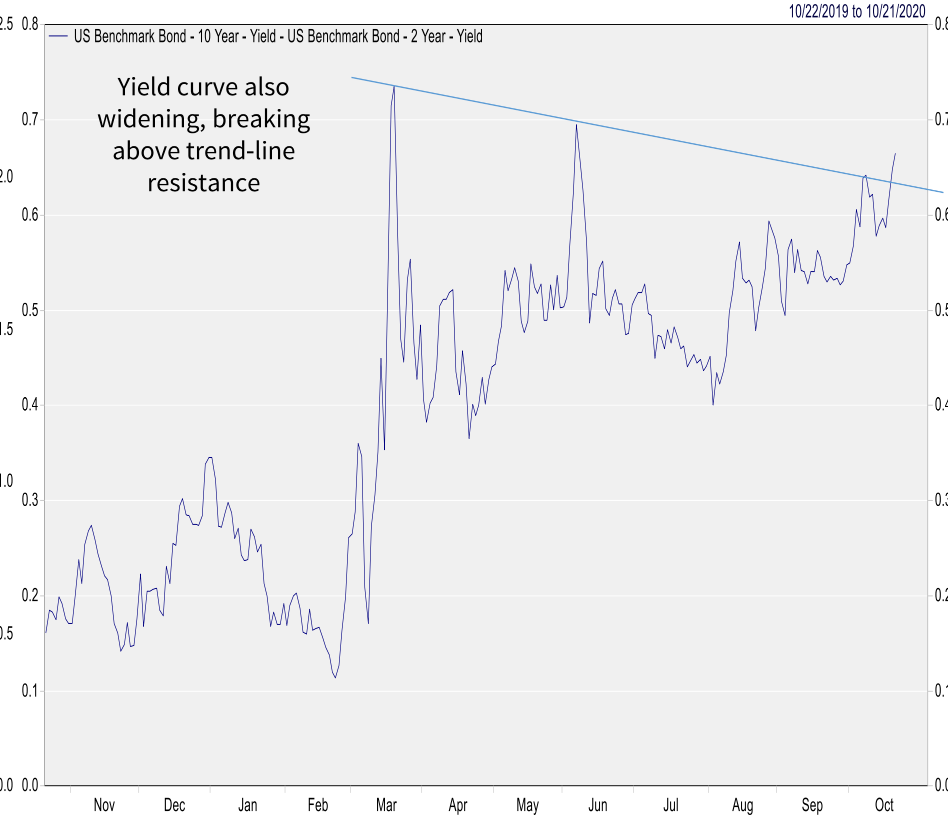
So far, price has held above technical support near the 50 DMA at 3429-3405. Additionally, stochastics have reached the same mid-range oversold area that is consistent with normal consolidations in an uptrend. We continue to watch this range as technical support and believe the odds are high the market holds near here. Below this, we see horizontal support at 3329. To the upside, we see initial technical resistance around 3550, followed by a long-term uptrend line around 3573 and then the all-time high at 3588.

Overall, we remain encouraged by the underlying tone of equities. During the market's normal consolidation period lately, market breadth has continued to improve beneath the surface. For example, the Russell 2000 is on the cusp of new relative strength highs vs the S&P 500. A breakout would be another positive indication of market trends.

Tomorrow marks 7 months since the March 23rd market low, and the S&P 500 is up a remarkable 53% since that day. Uncertainty remains high regarding the spread of the virus, additional fiscal aid, and outcome of the election to name a few. However, we remain positive on equities over the next 12 months due to our expectation of positive news flow on vaccines and therapeutics, as well as additional fiscal stimulus post-election and unprecedented level of global monetary stimulus fueling the economic recovery in the year ahead.

TECHNICAL: BOND YIELDS

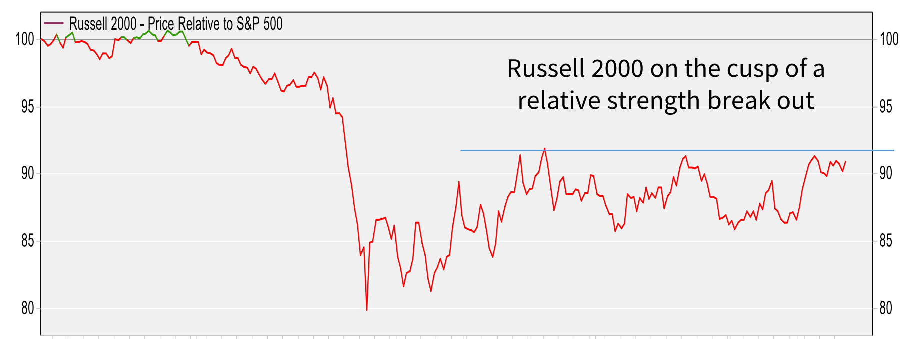
The US 10 year Treasury yield was finally able to break above the upper end of its range this week, now up to 0.84% which is its highest level since early June. We do note technical resistance just overhead at 0.86% (the downward-trending 200 DMA), and the outcome of fiscal stimulus talks as well as vaccine data will be key catalysts to monitor. Both have the potential to alter the view on future growth and inflation, which will impact bond yields. We are optimistic on additional fiscal stimulus (post-election) and a potential vaccine in the months ahead, and as such believe rates can see further upside in the months ahead. We do not believe rates will run away to the upside as the Fed has stated its intent to keep them lower for longer, but we do believe they can trend marginally higher over time. And if this transpires, the equity market implications are likely to be an expansion of market participation beneath the surface- positive for overall market momentum.

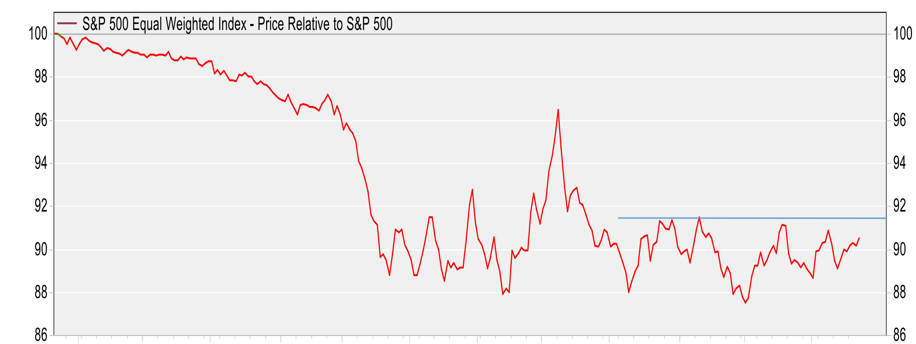


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: MARKET BREADTH

We have been discussing the correlation between bond yields and relative strength of the small caps and average S&P 500 stock in previous reports. As bond yields have been range bound for months, so has relative strength for the small caps and average stock. So the break out in bond yields yesterday now has the small caps on the cusp of a relative strength break out. A broadening out will lead to better opportunities for stock selection and less concentration- both positives for overall market momentum. For now, we would stick with areas operating best- favored sectors remain technology, communication services, health care, and consumer discretionary- while continuing to accumulate those with more leverage to the recovery- small caps, industrials, materials, and some consumer discretionary stocks. And would increase conviction on a relative strength break out.

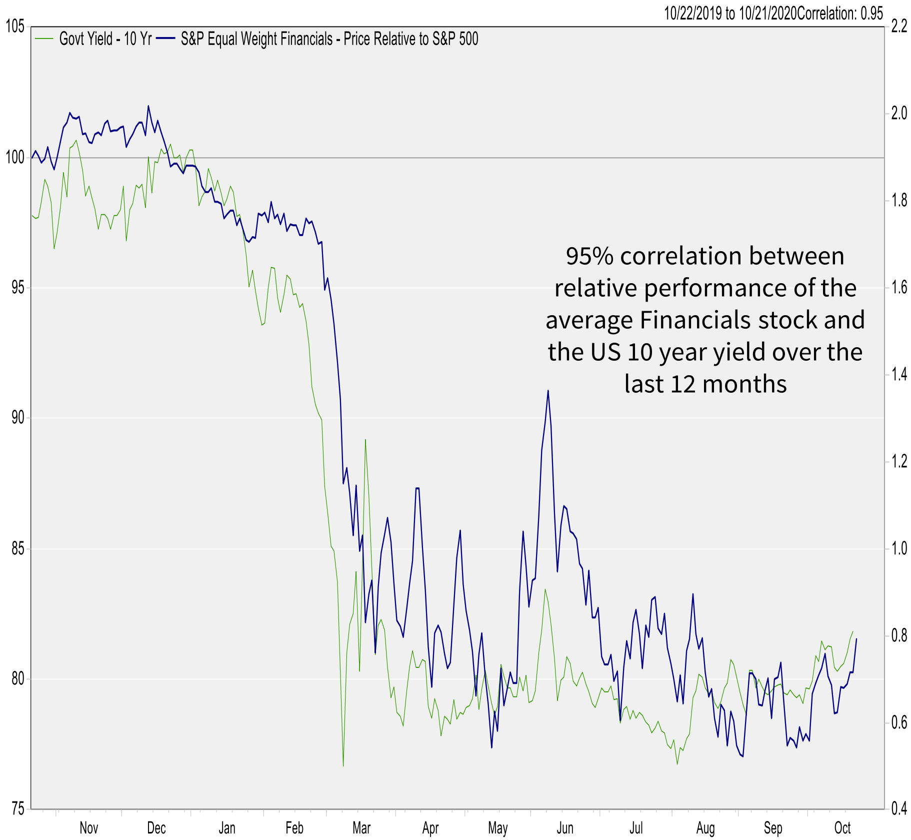


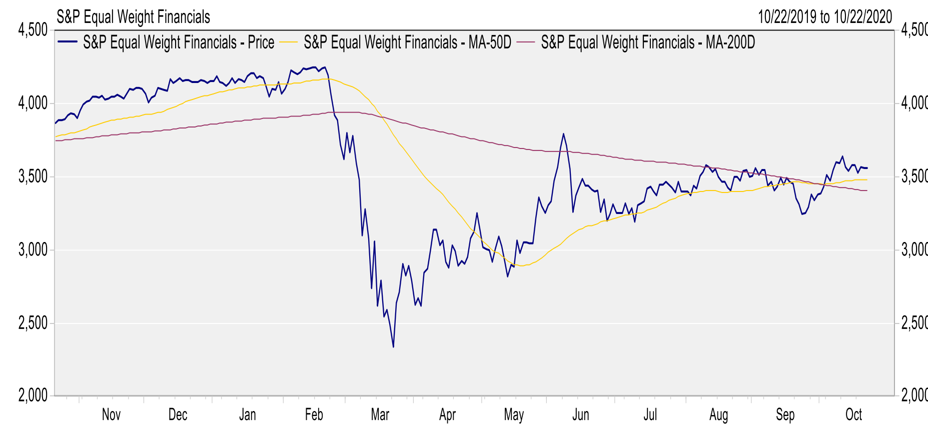


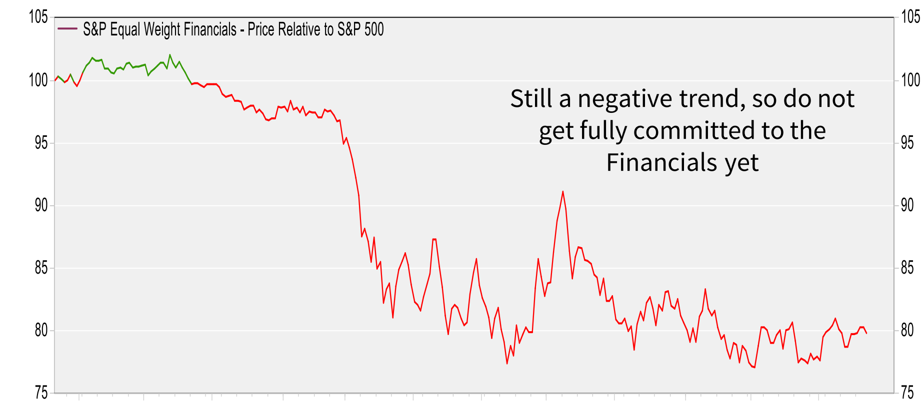
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: FINANCIALS

The most leverage to interest rates comes from the Financials sector, where the average stock has exhibited a 95% correlation between relative performance and the US 10 year yield over the past year. The group could be poised for improvement in the event that bond yields do drift higher. However, the overall trend is still negative and the Financials have not been able to see improvement to the same degree as other cyclical areas such as materials, industrials, or average consumer discretionary stock. For those wanting to play the steeper yield curve, treat them as a trade for now. Headwinds remain, so we would not get fully committed there yet and maintain our equal weight recommendation.







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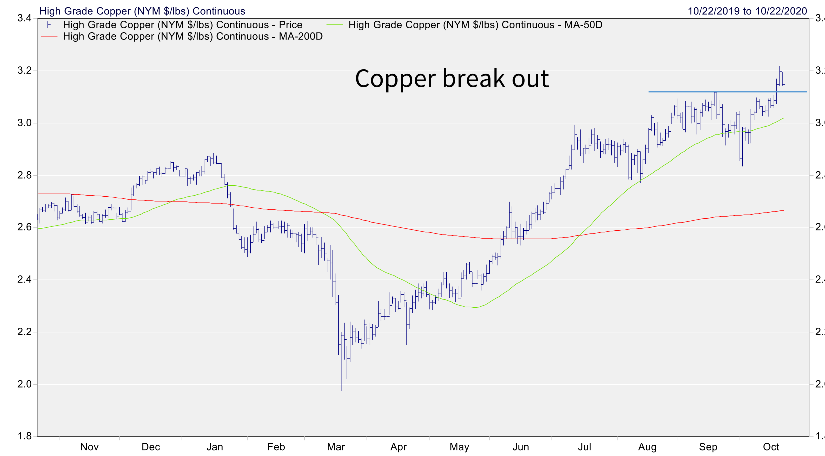
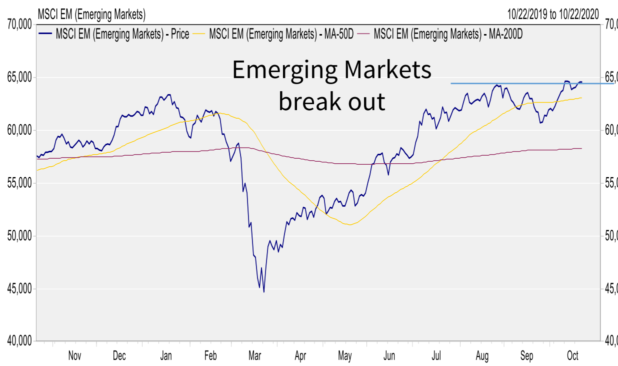
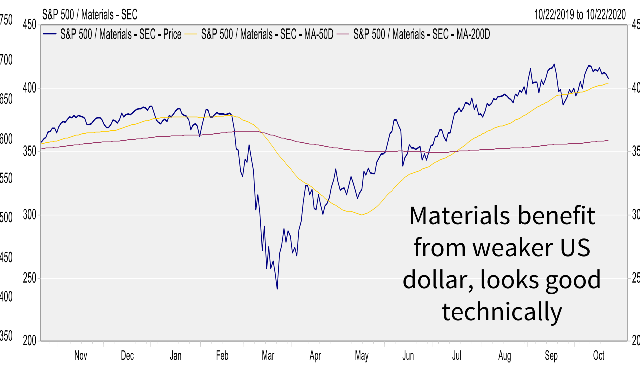
TECHNICAL: COPPER BREAK OUT

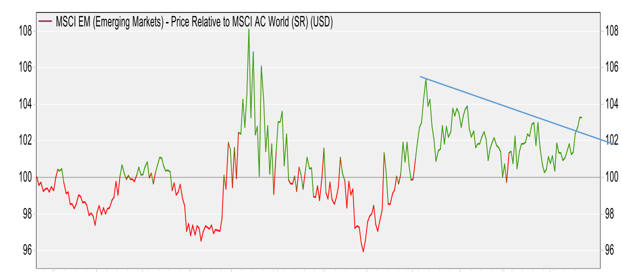
Copper broke out this week, which is a positive indication for the global manufacturing recovery in our view. This bodes well for areas most levered to the global recovery, such as emerging markets as well as the materials and industrials sectors.

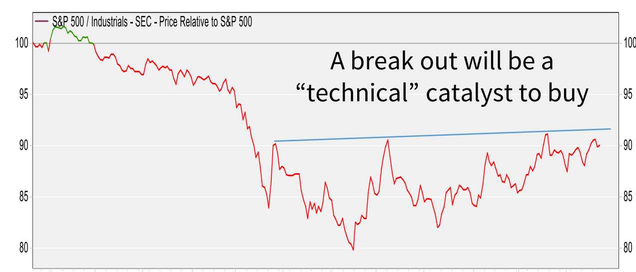
The emerging markets produced a price break out and relative strength broke above trend line resistance. We would continue adding to the region, albeit overbought in the short term. The industrials are one of the best looking deep cyclical areas. A break out will be a "technical" catalyst to buy. The materials have outsized leverage to the global manufacturing backdrop, as well as benefit from a weaker US dollar. The sector continues to look good technically.

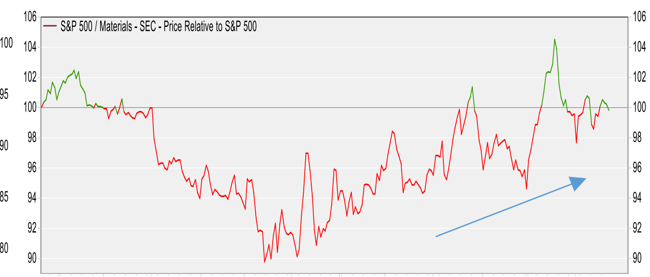












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The **S&P 500** is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.

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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