

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

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Weekly Market Guide

Short-Term Summary:

Just about six months to the day since the pre-Covid peak on 2/19, the S&P 500 posted a new all-time high on 8/18. The S&P 500's 51% recovery in 104 days since 3/23 (following the -34% waterfall selloff) has been remarkable. However, it is important to not lose sight of the long term bull market opportunity that remains in our view. For example, bull markets historically have seen 155% gains over 1233 days. And the last four bull markets following recessions have actually exceeded these numbers- gaining 259% on average over 1814 days. The S&P 500 breakout to new highs is also indicative of above average returns over the next 6-12 months. Since 1978, the S&P 500 has seen an average return of 12% over the next 12 months following new highs (and has been positive 85% of the time). This data contributes to our positive view on equities over the longer term.

That said, in the short term there are some reasons for caution/patience with new purchases in our view. Investor complacency remains very high. And with a strong Q2 earnings season over, the upcoming election will likely gain increasingly more attention as we enter the seasonally softer period of the year (September-October). Credit spreads have also ticked slightly higher, which has corresponded with consolidations during this bear market recovery. Moreover, it is not uncommon for the S&P 500 to experience slight pullbacks following breakouts to new highs (more of a mixed bag in the short term historically). So we would be selective and exercise some patience with new purchases in the short term. However, we would use any weakness in the coming weeks as a buying opportunity for the long term.

At the sector level, performance continues to be bifurcated (with rotations) between the relative winners and losers of the pandemic. The consumer discretionary sector is a good microcosm of this dispersion. For example, the sector experienced a relative strength breakout this week on good earnings reports. But while the sector is 15% higher than the 2/19 peak, performance has been dominated by internet retail, homebuilders, and home improvement areas (fundamentally strong through the pandemic); while areas like hotels and casinos (more hard hit fundamentally) are still 42% lower than 2/19 levels. Consumer discretionary remains one of our favored sectors, due in part to its exposure to areas doing well right now but also those with longer roads to recovery. We would be buyers on a pullback.

Equity Market Indices	Price Return	
	Year to Date	12 Months
S&P 500	4.5%	15.4%
S&P 500 (Equal-Weight)	-4.9%	4.6%
Dow Jones Industrial Avg	-3.0%	6.0%
NASDAQ Composite	24.2%	39.3%
Russell 2000	-5.8%	4.2%
MSCI All-Cap World	1.2%	12.4%
MSCI Developed Markets	-6.0%	4.7%
MSCI Emerging Markets	-1.4%	12.4%
NYSE Alerian MLP	-39.9%	-43.5%
MSCI U.S. REIT	-18.4%	-17.8%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Information Technology	25.2%	27.7%
Consumer Discretionary	22.6%	11.4%
Communication Svcs.	9.2%	10.9%
Health Care	4.8%	14.3%
S&P 500	4.5%	-
Materials	1.8%	2.6%
Consumer Staples	1.7%	7.0%
Industrials	-6.1%	8.2%
Utilities	-7.8%	3.0%
Real Estate	-8.7%	2.6%
Financials	-20.2%	9.8%
Energy	-39.3%	2.5%

MACRO: US

Housing data remains strong. Building permits rose 18.8% in July, housing starts rose 22.6%, and the NAHB housing market index reached all-time highs at 78. Mortgage rates remain at record lows, providing fuel to a continued recovery. We view housing strength as supportive to the broader economy.

July retail sales rose 1.2% m/m (following +8.4% in June and +18.3% in May), which has resulted in a new high for retail sales. Remarkably, it took just five months for retail sales to reach their pre-Covid highs! For reference, it took forty months for retail sales to reach their previous highs out of the credit crisis. Retail sales continue to be led by e-commerce which has jumped from a 10.1% share of all retail sales one year ago to 15.1% share of all retail sales now. The jobs recovery will be important for continued strength in retail sales (important for our consumption-driven economy). And while we are encouraged by initial jobless claims moving lower in recent weeks, claims did move higher this week (above 1M claims).

US economic data reported in the past week:

Event	Period	Actual	Consensus	Prior
Unit Labor Costs SAAR Q/Q (Preliminary)	Q2	12.2%	6.2%	9.8%
Productivity SAAR Q/Q (Preliminary)	Q2	7.3%	1.0%	-0.30%
Retail sales Ex AutoFuel M/M	JUL	1.5%	1.1%	7.7%
Retail Sales ex-Auto SA M/M	JUL	1.9%	1.5%	8.3%
Retail Sales SA M/M	JUL	1.2%	2.0%	8.4%
Capacity Utilization NSA	JUL	70.6%	70.5%	68.5%
Industrial Production SA M/M	JUL	3.0%	3.0%	5.7%
Manufacturing Production M/M	JUL	3.4%	3.0%	7.5%
Business Inventories SA M/M	JUN	-1.1%	-1.2%	-2.3%
Michigan Sentiment NSA (Preliminary)	AUG	72.8	72.0	72.5
NAHB Housing Market Index SA	AUG	78.0	73.0	72.0
Empire State Index SA	AUG	3.7	17.3	17.2
Building Permits SAAR (Preliminary)	JUL	1,495K	1,320K	1,258K
Housing Starts SAAR	JUL	1,496K	1,240K	1,220K
Housing Starts M/M	JUL	22.6%	3.7%	17.5%
Continuing Jobless Claims SA	08/08	14,844K	14,900K	15,480K
Initial Claims SA	08/15	1,106K	925.0K	971.0K
Leading Indicators SA M/M	JUL	1.4%	1.1%	3.0%



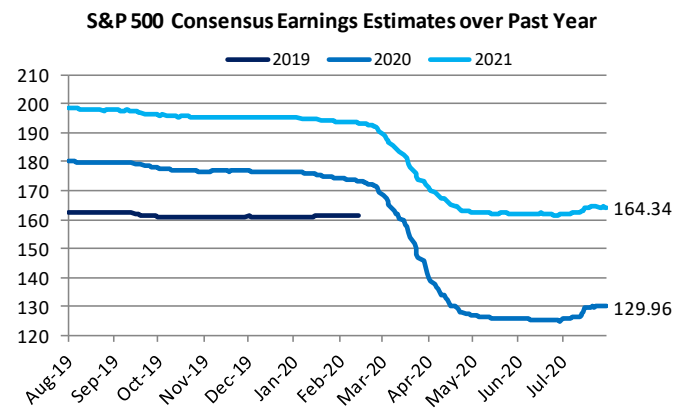
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FUNDAMENTALS

Q2 earnings season is coming to an end, and a historic level of beats has resulted from depressed estimates coming into earnings season. Lack of guidance in Q1, due to the unprecedented nature of the economic shutdown, resulted in analysts “kitchen-sinking” their estimates. 84% of companies beat on the bottom line by an aggregate 22%. Utilities, Health Care, and Technology were able to grow earnings during the quarter (vs the S&P 500 earnings contracting -33%). The most positive surprises came from Consumer Discretionary, Industrials, and Health Care.

Q2 is expected to be the trough in COVID-19’s earnings impact with directional improvement expected from here. Due to the dramatic hits to earnings in 2020 for some of the more economically-sensitive areas (Energy, Industrials, average Consumer Discretionary stock, Financials), comps become very easy in 2021 with large rate of change improvements from current depressed fundamentals. While many of these areas may still not get back to 2019 earnings by the end of 2021, opportunity will arise to gain exposure in them as investors begin discounting their fundamental improvement. Technology and Health Care stand out in terms of 2021 expected earnings relative to 2019 levels, and continue to be two of our favored sectors.

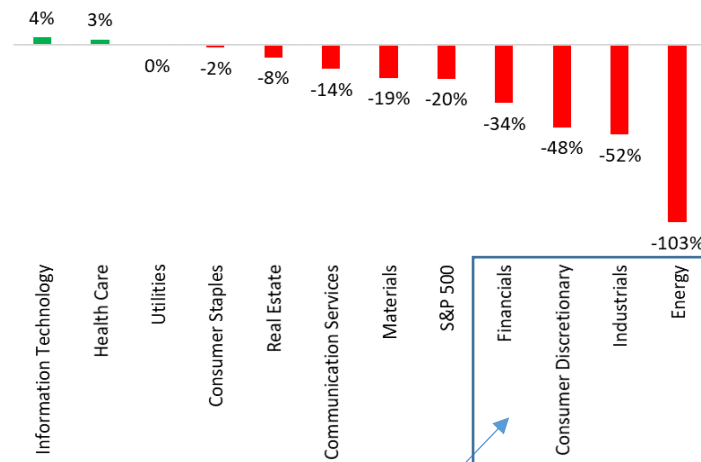
Valuation remains elevated for the S&P 500 at a 23x P/E. We believe multiples can remain high due to unprecedented stimulus, low inflation, and record low interest rates. However, we use 21x as our base case fair value multiple for the S&P 500 in the year ahead.



EPS Growth Estimates	
2019	1.5%
2020	-19.4%
2021	26.5%

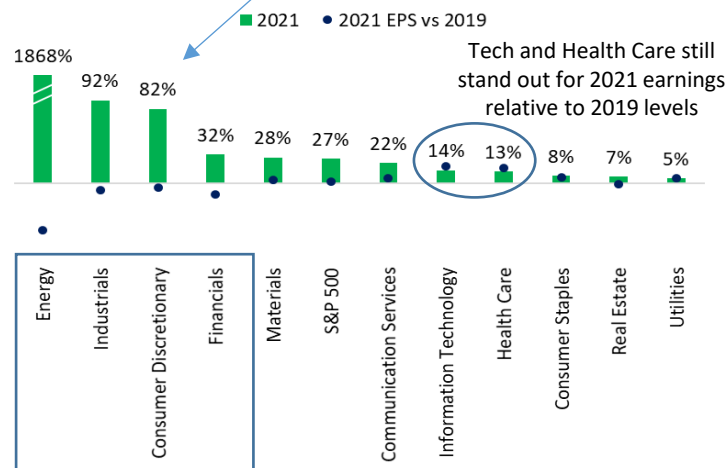
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

2020 Estimated Earnings Growth



2020 earnings contractions for more cyclical areas become easy comps for 2021

2021 Estimated Earnings Growth

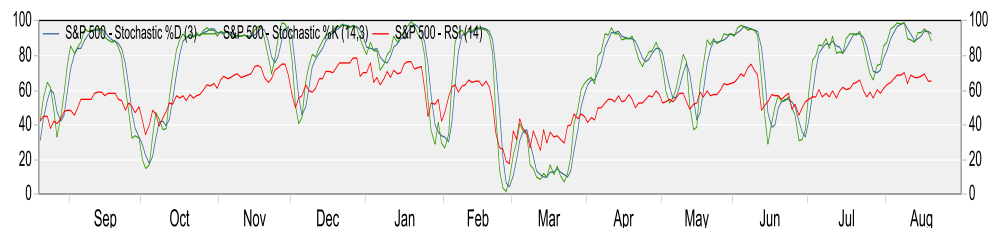
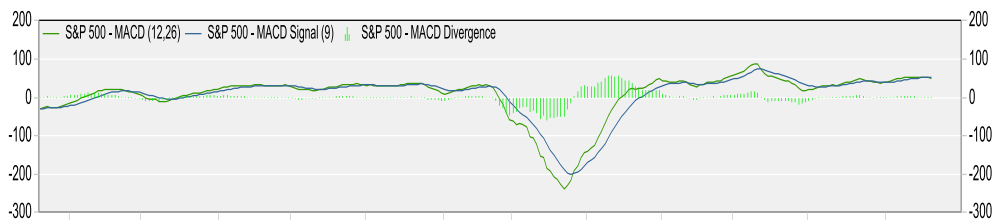


TECHNICAL: SHORT TERM



The S&P 500 was able to reach an all-time closing high on 8/18, almost 6 months to the day since the pre-Covid peak on 2/19. The 51% recovery in 104 days since 3/23 (following the -34% waterfall selloff) has been remarkable. However, bull markets historically have seen 155% gains over 1233 days. And the last four bull markets following recessions have actually exceeded these numbers- gaining 259% on average over 1814 days. So, it is important to not lose sight of the long term bull market opportunity that remains in our view.

While we are positive over the longer term, in the short term there are some reasons for caution/patience with new purchases. Investor complacency remains very high. And with a strong Q2 earnings season over, the upcoming election will likely gain increasingly more attention as we enter the seasonally softer period of the year (September-October). Moreover, it is not uncommon for the S&P 500 to experience slight pullbacks following breakouts to new highs (more of a mixed bag in the short term historically). So we would be selective with new purchases in the short term, and use pullbacks as a buying opportunity.



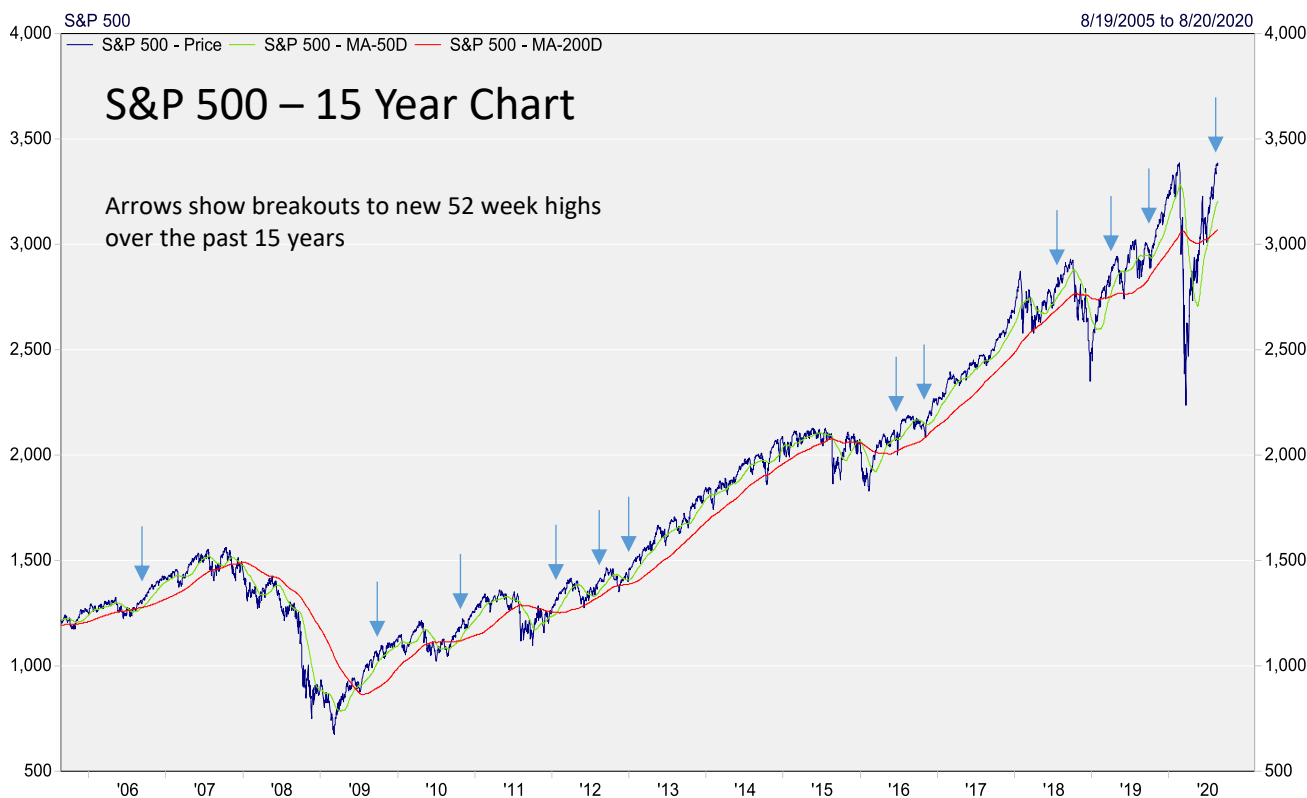
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

Bull Markets

Trough	Peak	Price Change	# of Days
6/13/1949	8/2/1956	267%	1,789
10/22/1957	12/12/1961	86%	1,042
6/26/1962	2/9/1966	80%	913
10/7/1966	11/29/1968	48%	516
5/26/1970	1/11/1973	74%	665
10/3/1974	11/28/1980	126%	1,555
8/9/1982	8/25/1987	231%	1,277
10/20/1987	7/16/1990	71%	691
10/11/1990	7/20/1998	304%	1,963
10/8/1998	3/24/2000	68%	368
10/10/2002	10/11/2007	105%	1,259
3/6/2009	2/19/2020	396%	2,758
Average		155%	1233
Median		96%	1151
3/23/2020		51%	104

NEW HIGHS

The S&P 500 was able to break out to a new all-time high this week. And while that may lead you to believe that the gains should be used as a selling opportunity, history shows breakouts are typically indicative of above average returns over the next 6-12 months. Please note, we looked at the first breakout in at least 3 months for this study, in order to filter out follow-through highs. For example since 1978, the average return in the 6 months and 12 months following a breakout to new high (again, first breakout in over 3 months) has been 6.8% and 12.0% respectively. Additionally, the S&P 500 has been up 88% of the time in the following 6 months and 85% in the following 12 months. In the short term however, historical performance has been more of a mixed bag (some times continue higher, some pauses, some pullbacks). But pullbacks are typically buyable. As such, we would use a potential pullback in the short term as a buying opportunity.

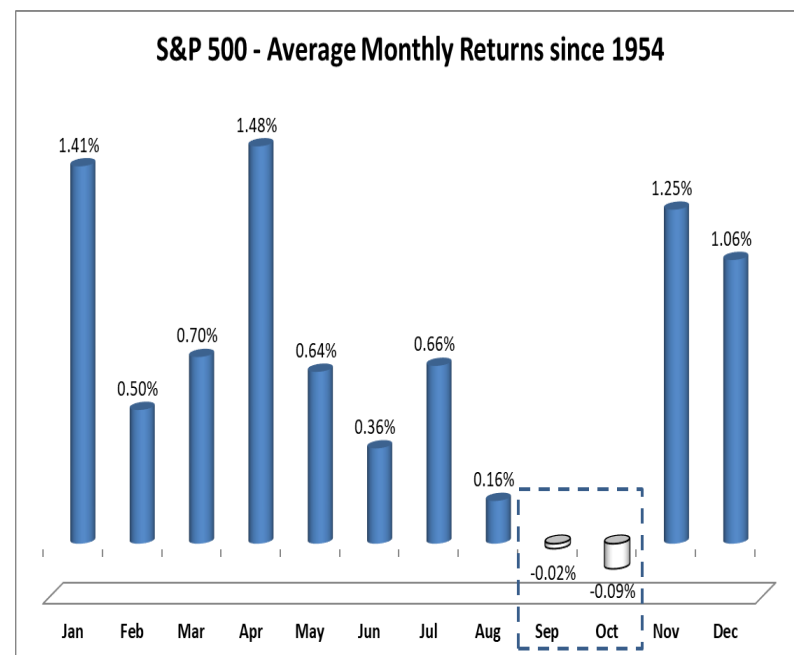
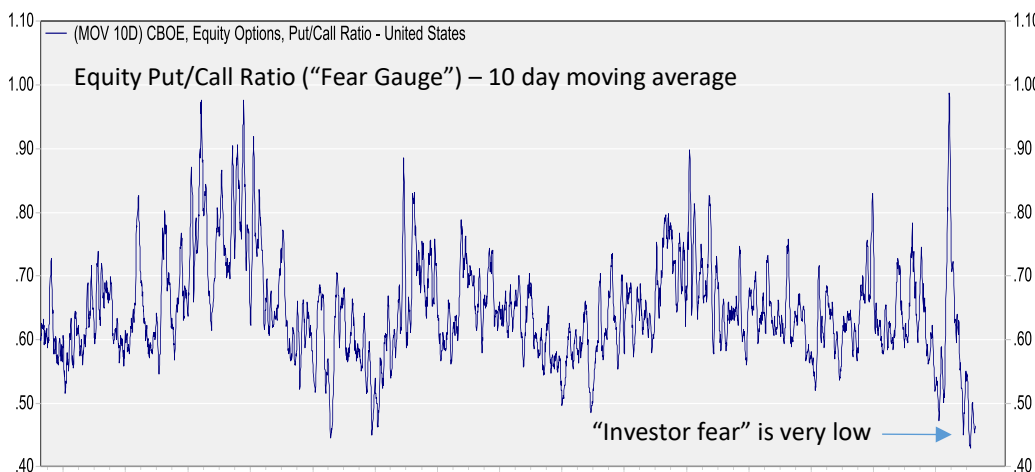
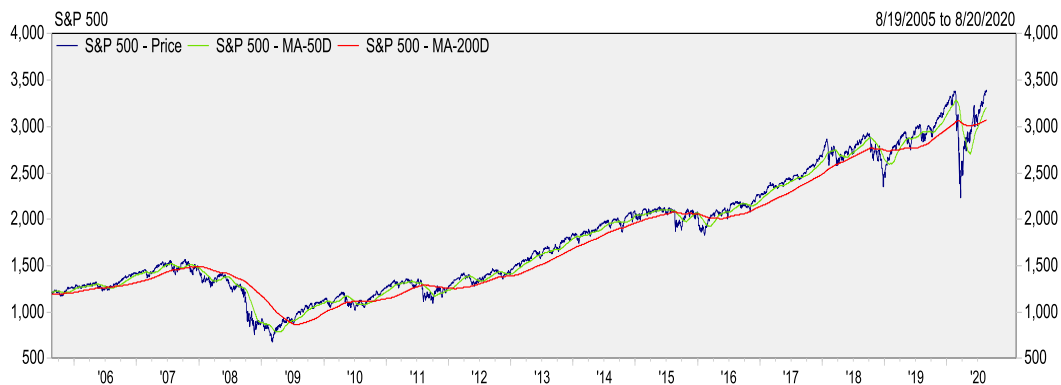


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

Forward Returns Following New Highs				
Date	Next 1 Mo	Next 3 Mo	Next 6 Mo	Next 12 Mo
8/18/2020				
10/28/2019	3.76	7.79	-5.79	
4/23/2019	-3.80	2.45	2.41	-4.63
8/24/2018	1.55	-8.42	-2.85	-0.96
11/21/2016	3.05	7.61	8.35	18.24
7/8/2016	2.39	1.12	6.91	13.86
1/4/2013	1.99	6.38	10.16	24.88
9/6/2012	2.01	-1.27	7.63	15.57
2/24/2012	2.30	-3.30	3.32	10.97
11/4/2010	0.30	7.36	10.34	2.63
10/12/2009	1.03	5.58	11.18	8.70
9/25/2006	4.21	6.36	8.27	14.39
11/18/2005	1.53	3.12	1.08	12.25
7/14/2005	0.32	-3.26	4.98	0.79
11/4/2004	2.54	3.56	1.20	5.03
9/2/2003	-0.17	4.37	12.44	9.42
11/16/1999	-0.09	-2.28	3.24	-3.36
11/23/1998	3.39	6.98	11.96	18.21
9/13/1996	2.96	7.07	16.02	35.76
5/13/1996	0.97	-0.20	10.52	25.94
2/6/1995	0.93	8.10	16.17	34.33
8/19/1993	0.53	1.35	2.47	1.59
7/29/1992	-1.75	-0.32	3.92	6.63
8/6/1991	-0.39	-0.17	5.94	7.67
2/13/1991	1.50	2.10	5.58	12.11
5/29/1990	-0.73	-10.11	-12.26	6.14
10/18/1988	-4.62	2.56	9.54	22.33
12/2/1986	-2.97	11.42	13.57	-8.09
11/11/1985	4.57	9.44	20.56	25.24
11/6/1984	-4.49	5.88	5.62	13.12
10/10/1983	-4.77	-2.32	-9.72	-6.10
10/7/1982	10.37	12.72	17.28	32.61
7/14/1980	4.37	10.28	11.22	8.03
1/21/1980	2.84	-10.97	9.29	17.18
8/13/1979	0.40	-4.17	10.26	14.76
New Highs	1.06	2.55	6.79	11.98
Win Rate	71%	65%	88%	85%
All Instances	0.81	2.41	4.80	9.97
Win Rate	63%	68%	73%	78%

INVESTOR COMPLACENCY/SEASONALITY

As discussed previously, investor complacency remains high. This is reflected by the very low equity put/call ratio on the bottom left chart. The equity put/call ratio is a better timing mechanism at market lows (when fear is high), but we do believe the odds of a pause or consolidation are increased currently with the equity put/call ratio at low levels. Additionally, this complacency is occurring as we are about to enter the historically seasonally softer period of the year. Since 1954, September and October are the only two months with slightly negative average returns. With a good Q2 earnings season coming to an end, election attention is set to ramp up and could be the catalyst for a pick up in volatility. This contributes to our view of selectivity and patience with broad new purchases in the short term.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

CREDIT SPREADS

Corporate credit spreads (BAA Corporate Bond Yield – US 10 Year Treasury Yield) are another indicator providing some pause in our view for the short term.

Since the March 23rd market low, increases in credit spreads have coincided with a consolidation period in the market's recovery.

However credit spreads recently have been moving sideways (slight uptick) while the market has drifted higher.

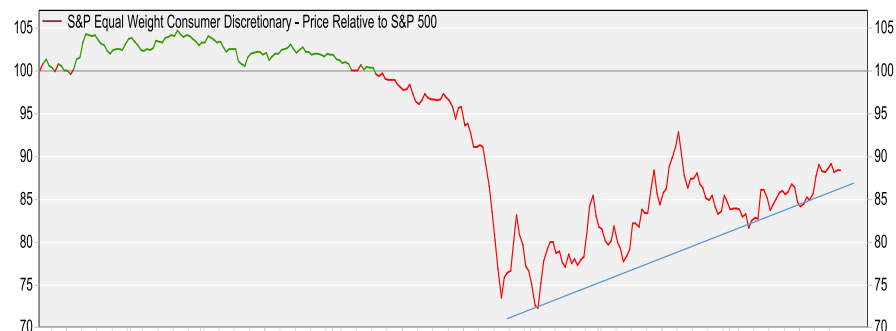
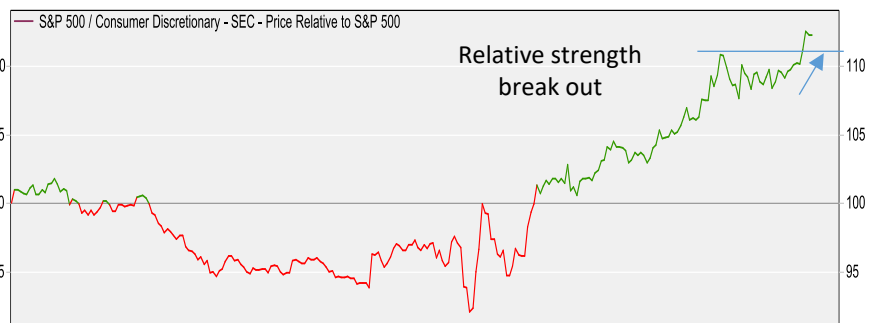
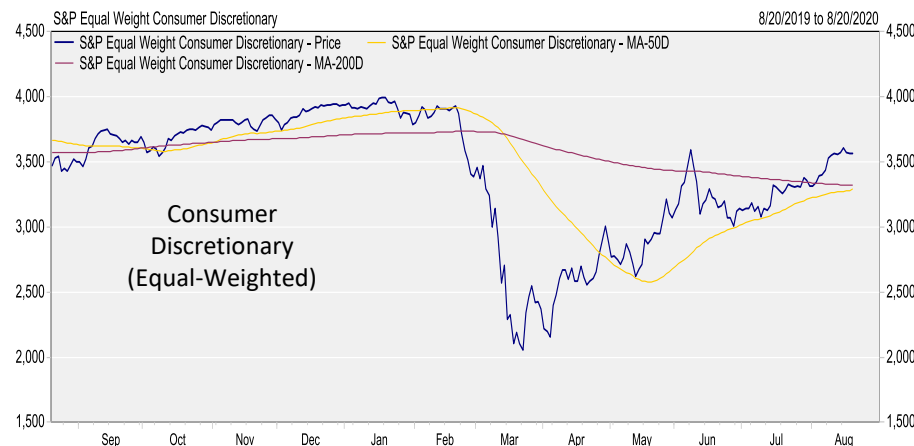
We will be monitoring this closely, as an increase in credit spreads will increase the odds of a market consolidation in the short term.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: CONSUMER DISCRETIONARY

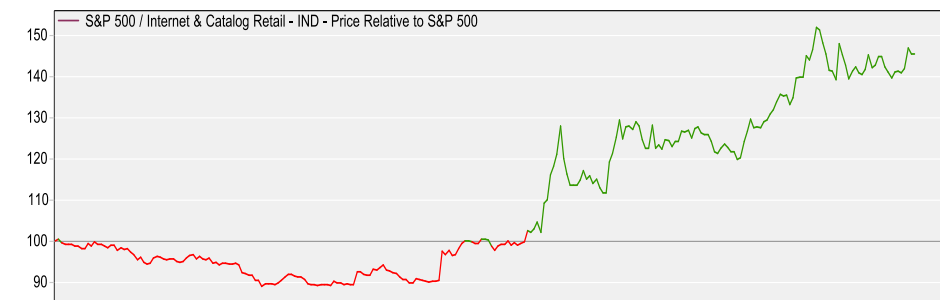
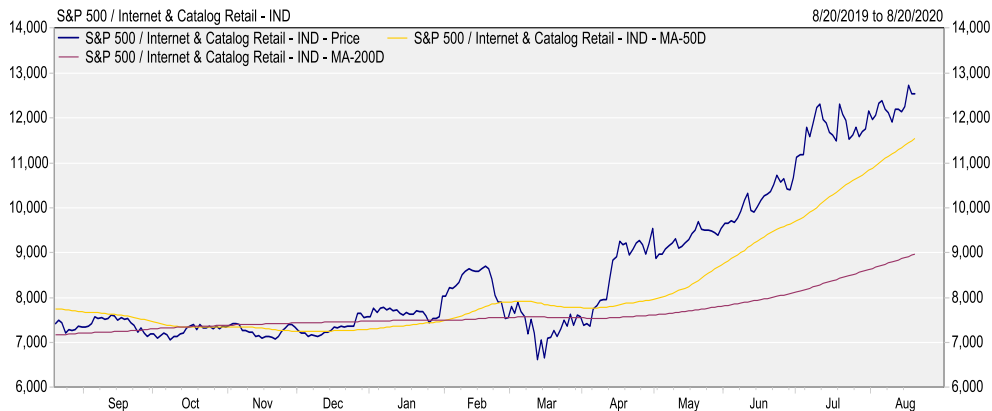
Consumer discretionary was able to break out to new highs on a relative basis vs. the S&P 500. This is indicative of additional gains over the intermediate term in our view. The move comes on some good earnings reports this week, and the best earnings surprises of all sectors for the Q2 earnings season. However, beneath the surface, the strength continues to come from areas like internet retail, home improvement, and the home builders. The average consumer discretionary stock remains below February highs but is encouragingly building an uptrend on both an absolute and relative basis. At some point, the market will rotate from today's leaders to today's laggards in a sustainable way. This makes the Consumer Discretionary sector interesting, as it includes relative beneficiaries of the pandemic as well as hard hit areas with longer roads to recovery. We remain overweight-rated the Consumer Discretionary sector, and highlight some of its leading areas on the next few pages...



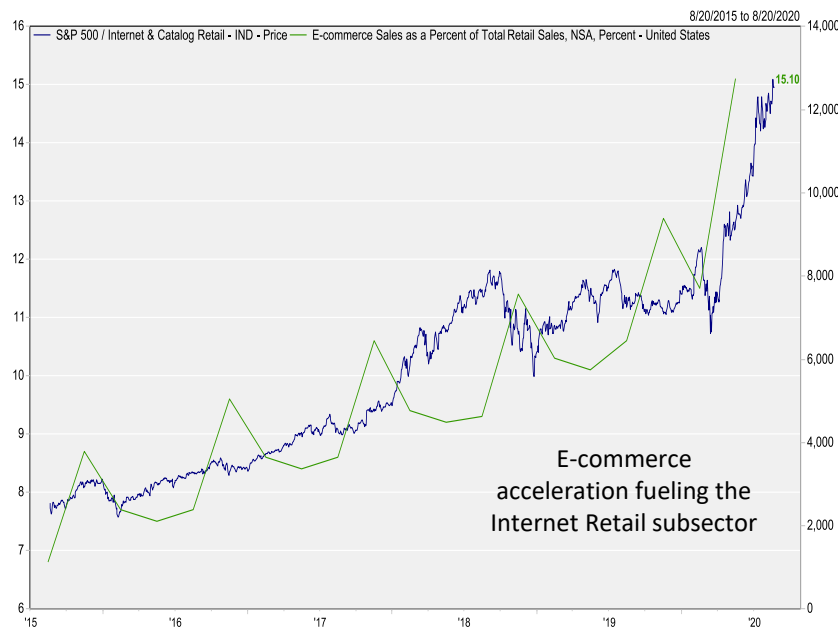
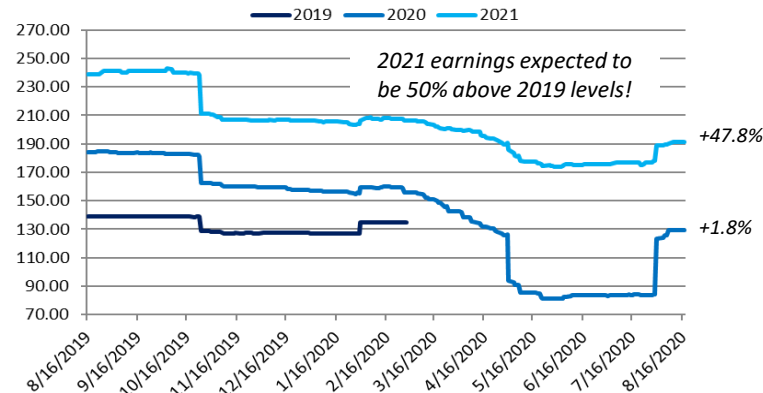
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: INTERNET RETAIL

One of the major drivers of the Consumer Discretionary sector, as well as the market, is internet retail. The group is 45% above its February peak, which sounds extreme. But when you consider that e-commerce has gone from a 10% share of all retail sales one year ago to 15% today (and this trajectory is likely to continue), the move makes more sense. P/E and P/Sales multiples are above their averages (as they likely should in this environment), but on a PEG basis the group trades just in line with the S&P 500 at 2.35x. We continue to view the fundamental and technical trends as favorable for internet retail- stick with the group, and use weakness as an opportunity to accumulate if needed.



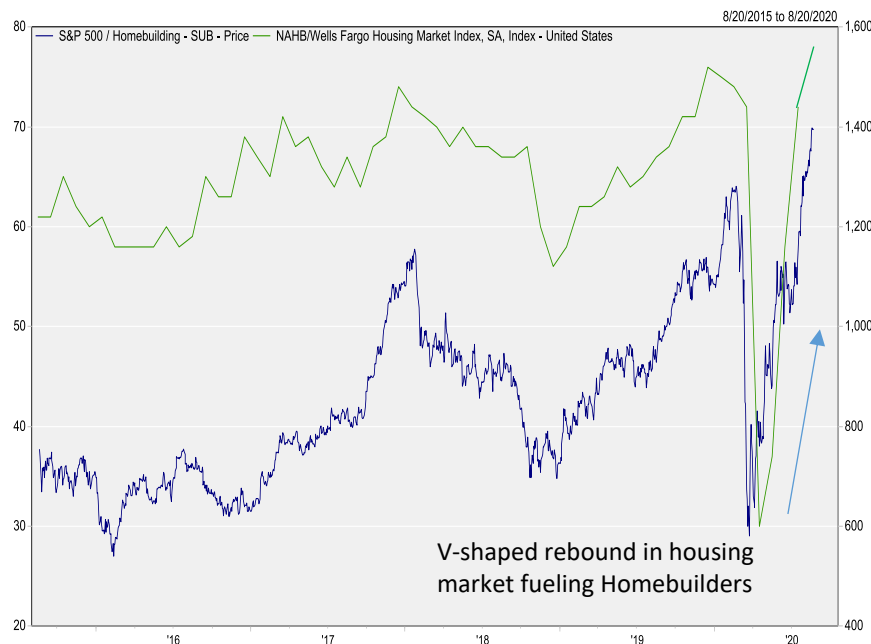
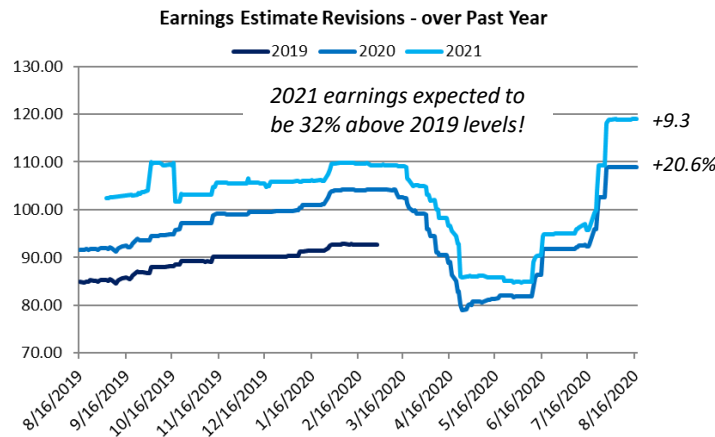
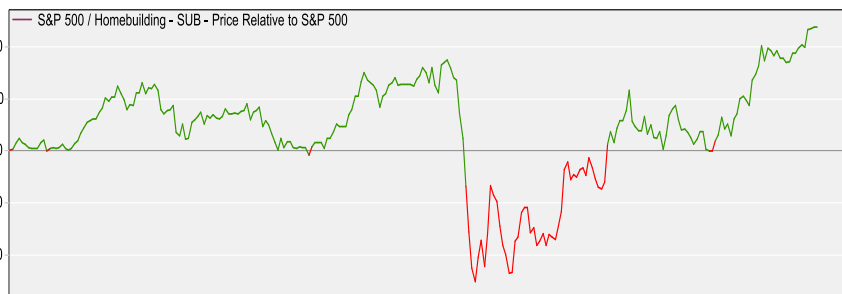
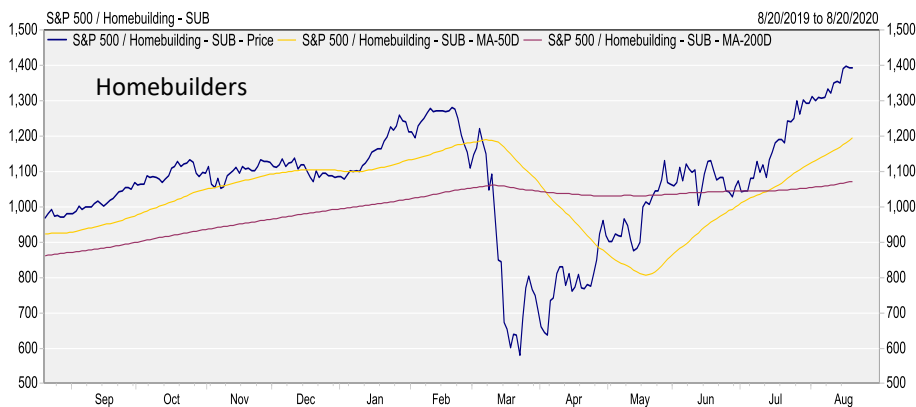
Earnings Estimate Revisions - over Past Year



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: HOMEBUILDERS

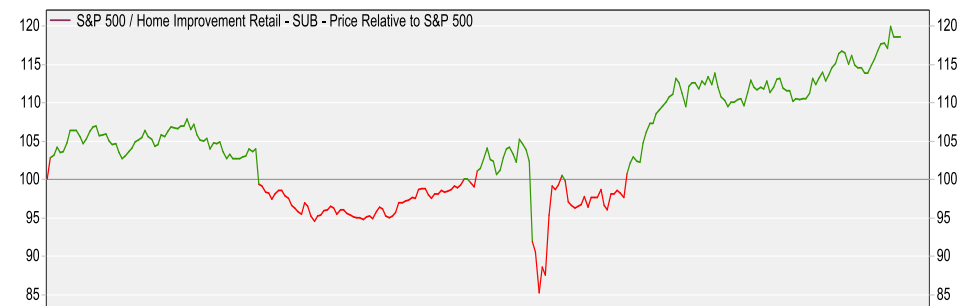
The homebuilders are one of the strongest areas within Consumer Discretionary, benefitting from the rapid improvement in housing. As you can see, the group has trended with the NAHB housing market index over the past 5 years, so the break out to new highs comes in conjunction with the NAHB housing market index just moving to all-time highs as well. We expect continued housing improvement, and earnings trends are strong (2021 earnings expected 32% above 2019 levels vs S&P 500 2%). Valuation is also still relatively attractive with the group trading at a 12.5x P/E- in line with the 5 year average and on the lower end of the 5 year range vs the S&P 500. We would stick with them, and use pullbacks as a buying opportunity.



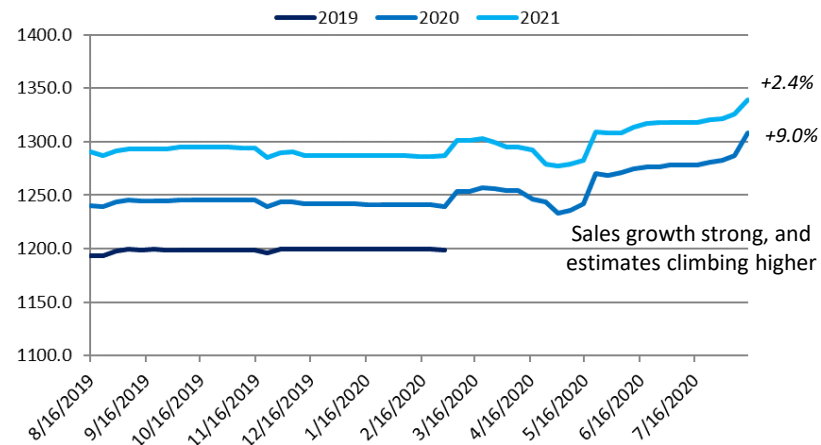
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: HOME IMPROVEMENT RETAIL

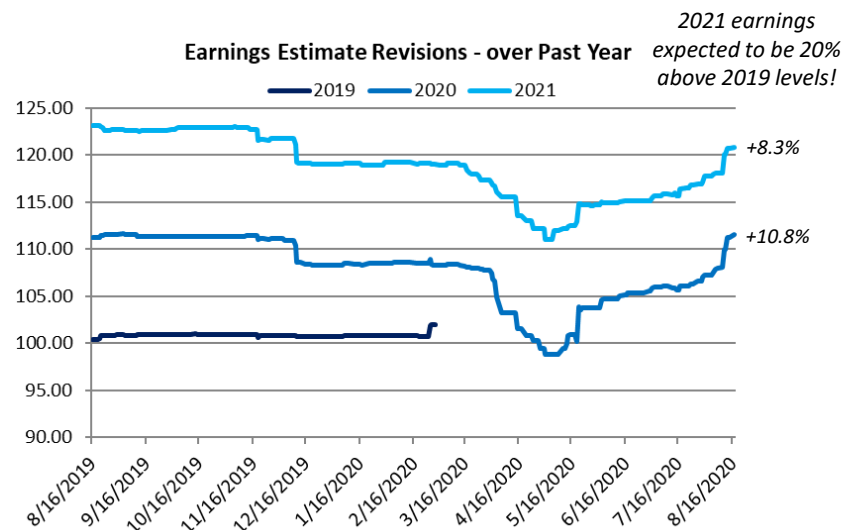
The home improvement area has also been strong, benefitting from the work-from-home/stay-at-home environment. Sales estimates continue to trend higher, currently reflecting 9% growth in 2020- not bad in the midst of a recession! This is flowing through to the bottom line with estimates trending higher, and earnings are expected to be 20% above 2019 levels by 2021. Technically, trends remain solid. The group does look a little extended in the short term, but we would use a consolidation or pullback as a buying opportunity.



Sales Estimate Revisions - over Past Year



Earnings Estimate Revisions - over Past Year



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

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IMPORTANT INVESTOR DISCLOSURES

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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.

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