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Weekly Market Guide

April core CPI jumped to 3% y/y (well above consensus estimates of 2.3%) and was more than just due to “base effects” with a 0.9% m/m price surge (highest m/m reading since the early 80's). Drastically influencing this monthly reading in our view is the swift economic reopening accompanied by enormous stimulus and supply chain shortages (creating substantial pricing power as demand far outstrips supply). For example, used car pricing was up an enormous 16.2% m/m, along with airline prices up 10.2% m/m and hotel prices up 8.8% m/m (unsustainably high numbers). This inflationary dynamic could last for months, but should abate over time as stimulus ebbs and supply chain issues get resolved. There is still plenty of slack in the labor market and productivity growth is increasing, both offsetting the sustainability of higher inflation.

Nevertheless, this “inflation scare” is creating volatility in the equity markets, particularly the long-duration growth names (i.e. technology). We ultimately believe this will prove to be a “noise event,” resulting in a buying opportunity for equities on the pullback. However, we are in one of those "noise" drawdowns right now, and it is hard to predict how far or long it will go, especially with so much algorithmic trading and factor investing. The technology sector is oversold enough to experience a relief bounce, and the S&P 500 is rebounding from technical support at its 50 DMA (4056). But the market as a whole is not deeply oversold yet, so we will need to monitor price action in the coming days to assess whether or not the current bout of volatility is over. Longer term, the overall trend remains bullish (>90% of stocks above their 200 DMA) with plenty of potential technical support levels nearby. We view this current period as a normal pullback, and would use weakness as an opportunity to accumulate favored names.

Fundamentally, robust earnings growth and positive estimate revision trends remain supportive of equities. And as earnings sharply recover, elevated valuation multiples should normalize. "Inflation scares” can create some urgency in that normalization process. Historically, the highest valuation multiples are seen in the 2-2.5% inflation range on average and begin to diminish as inflation moves north of that figure. But the recent inflation report is unlikely to waver the Fed from its accommodative stance for now. Additionally, margin estimates for 2021 and 2022 continue to move higher to new highs. And credit spreads remain very low, actually narrowing on yesterday’s April inflation readings (i.e. the bond market is not as anxious as equities). So while volatility is bound to occur and inflation concerns could be the catalyst for a moderation in the market's pace of ascent, we continue to view the fundamental positives as outweighing the negatives.

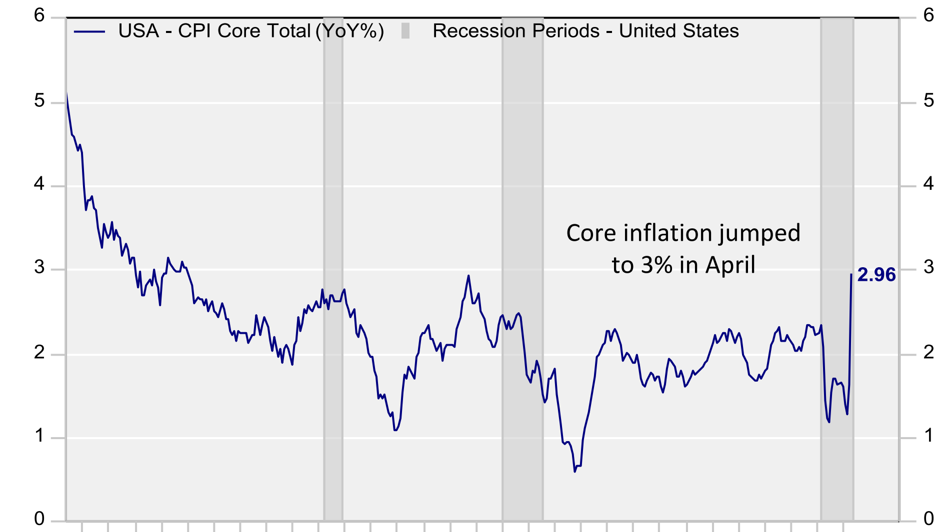
Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	9.7%	41.3%
S&P 500	8.2%	41.6%
S&P 500 (Equal-Weight)	14.4%	57.8%
NASDAQ Composite	1.1%	44.8%
Russell 2000	8.1%	67.4%
MSCI All-Cap World	6.3%	41.8%
MSCI Developed Markets	5.7%	37.7%
MSCI Emerging Markets	1.9%	44.6%
NYSE Alerian MLP	30.7%	42.7%
MSCI U.S. REIT	11.4%	38.7%

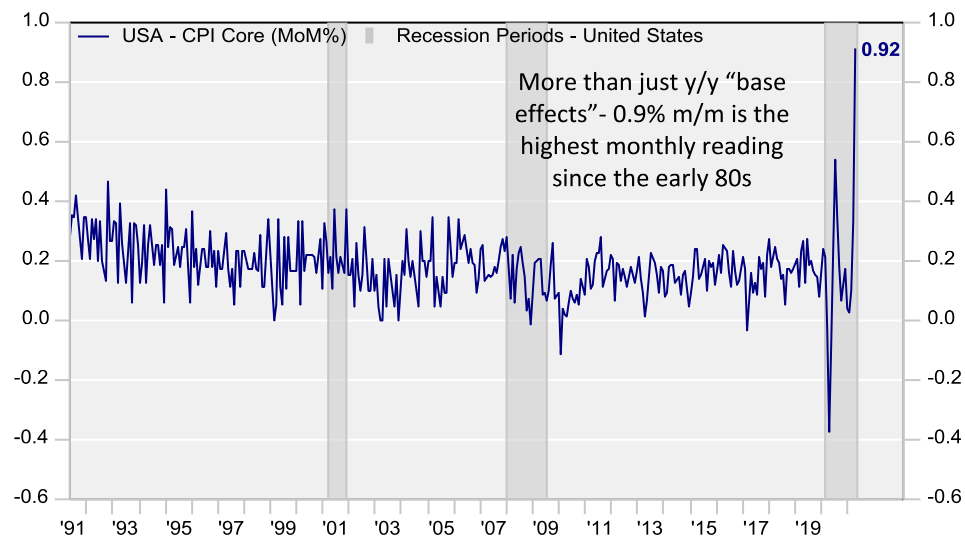
S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Energy	37.8%	2.9%
Financials	24.0%	11.9%
Materials	17.9%	2.9%
Industrials	14.3%	8.9%
Real Estate	12.5%	2.5%
Communication Svcs.	11.1%	11.0%
S&P 500	***8.2%***	-
Health Care	7.1%	13.2%
Consumer Staples	2.6%	6.1%
Utilities	2.4%	2.6%
Consumer Discretionary	2.4%	12.1%
Information Technology	0.6%	25.8%

MACRO: US

April core CPI jumped to 3% y/y, well above consensus estimates of 2.3%, and was more than just due to "base effects" as we lap depressed values from the economic shutdown a year ago. The 0.9% m/m price surge was the highest reading since the early 80s, and also well ahead of consensus estimates of 0.3%. Drastically influencing this monthly reading in our view is the economic reopening accompanied by enormous stimulus and supply chain shortages (creating substantial pricing power as demand far outstrips supply). For example, used car pricing was up an enormous 16.2% m/m, along with airline prices up 10.2% m/m, and hotel prices up 8.8% m/m (unsustainably high numbers). This inflationary dynamic could last for months, but should abate over time as stimulus ebbs and supply chain issues get resolved. There is still plenty of slack in the labor market and productivity growth is increasing, both offsetting the sustainability of higher inflation. Nevertheless, this "inflation scare" is creating volatility in the equity markets. We ultimately believe this will prove to be a "noise event," resulting in a buying opportunity for equities on the pullback.

US Economic Data This Week	Period	Actual	Consensus	Prior
Hourly Earnings SA M/M (Preliminary)	APR	0.70%	0.0%	-0.10%
Hourly Earnings Y/Y (Preliminary)	APR	0.30%	-0.30%	4.2%
Nonfarm Payrolls SA	APR	266.0K	975.0K	770.0K
Unemployment Rate	APR	6.1%	5.8%	6.0%
NFIB Small Business Index	APR	99.8	-	98.2
CPI ex-Food & Energy SA M/M	APR	0.90%	0.30%	0.30%
CPI ex-Food & Energy NSA Y/Y	APR	3.0%	2.3%	1.6%
CPI SA M/M	APR	0.80%	0.20%	0.60%
CPI NSA Y/Y	APR	4.2%	3.6%	2.6%
Hourly Earnings SA M/M (Final)	APR	0.70%	0.70%	0.70%
Hourly Earnings Y/Y (Final)	APR	0.30%	-	0.30%
Initial Claims SA	05/08	473.0K	494.0K	507.0K
PPI ex-Food & Energy SA M/M	APR	0.70%	0.30%	0.70%
PPI ex-Food & Energy NSA Y/Y	APR	4.1%	3.8%	3.1%
PPI SA M/M	APR	0.60%	0.30%	1.0%
PPI NSA Y/Y	APR	6.2%	5.9%	4.2%





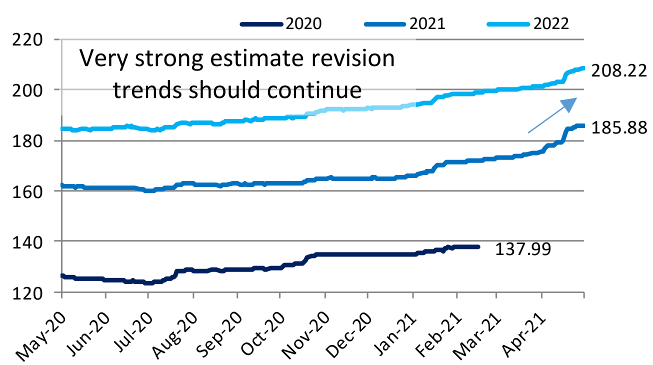
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FUNDAMENTALS

The historically strong Q1 earnings season is coming to an end with 87% of S&P 500 companies having beaten estimates by an aggregate 22.9%, resulting in an enormous 46.3% earnings growth y/y (well ahead of the 21.6% estimate when earnings season began). Forward estimates have moved appreciably higher, and we believe this momentum is set to continue as the economic recovery transpires. Robust earnings growth and positive estimate revision trends remain supportive of equities.

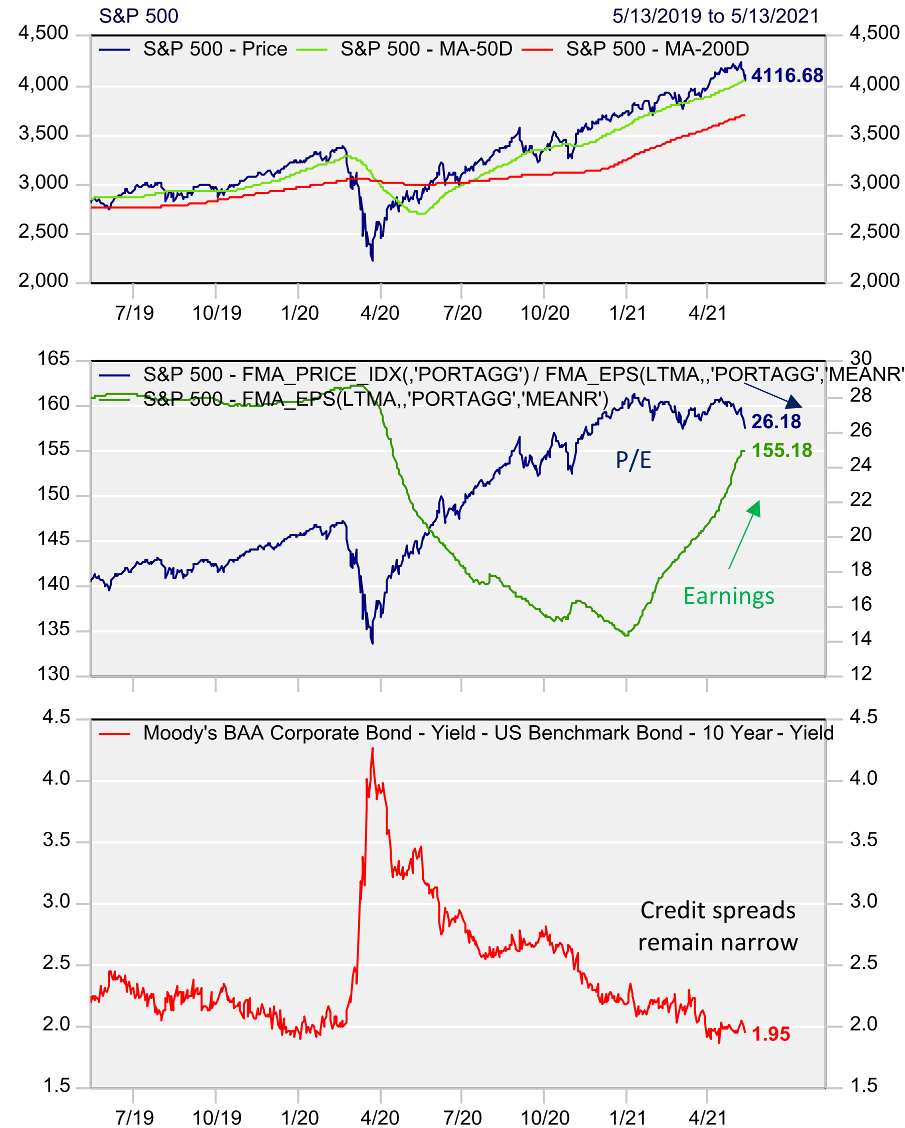
As earnings sharply recover, elevated valuation multiples should normalize. In addition, “inflation scares” can create some urgency in that normalization process. Historically, the highest valuation multiples are seen in the 2-2.5% inflation range on average and begin to diminish as inflation moves north of that figure. But the recent inflation report is unlikely to waver the Fed from its accommodative stance for now. Additionally, margin estimates for 2021 and 2022 continue to move higher to new highs. And credit spreads remain low and narrowed on yesterday’s April inflation readings (bond market not as anxious as equities). So while volatility is bound to occur and inflation trends continue to be a hot topic in need of monitoring, we continue to view the fundamental positives as outweighing the negatives.

S&P 500 Consensus Earnings Estimates over Past Year



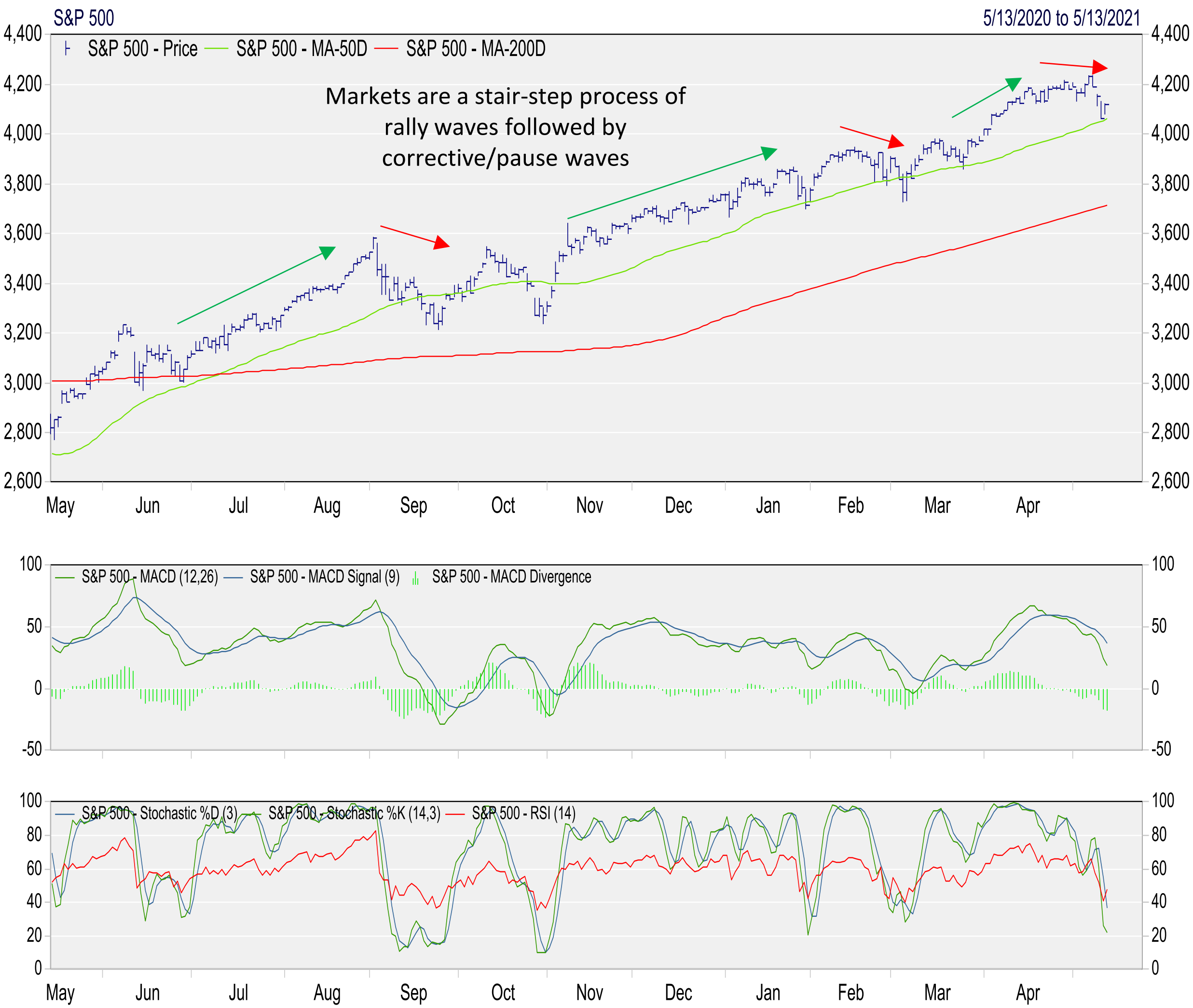
EPS Growth Estimates	
2020	-14.0%
2021	34.7%
2022	12.0%

RJ Estimates
2020: $190
2021: $220



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: S&P 500



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

The S&P 500 experienced a 4% pullback from all-time highs over the past few days with notable pressure on the technology-oriented, growth names.

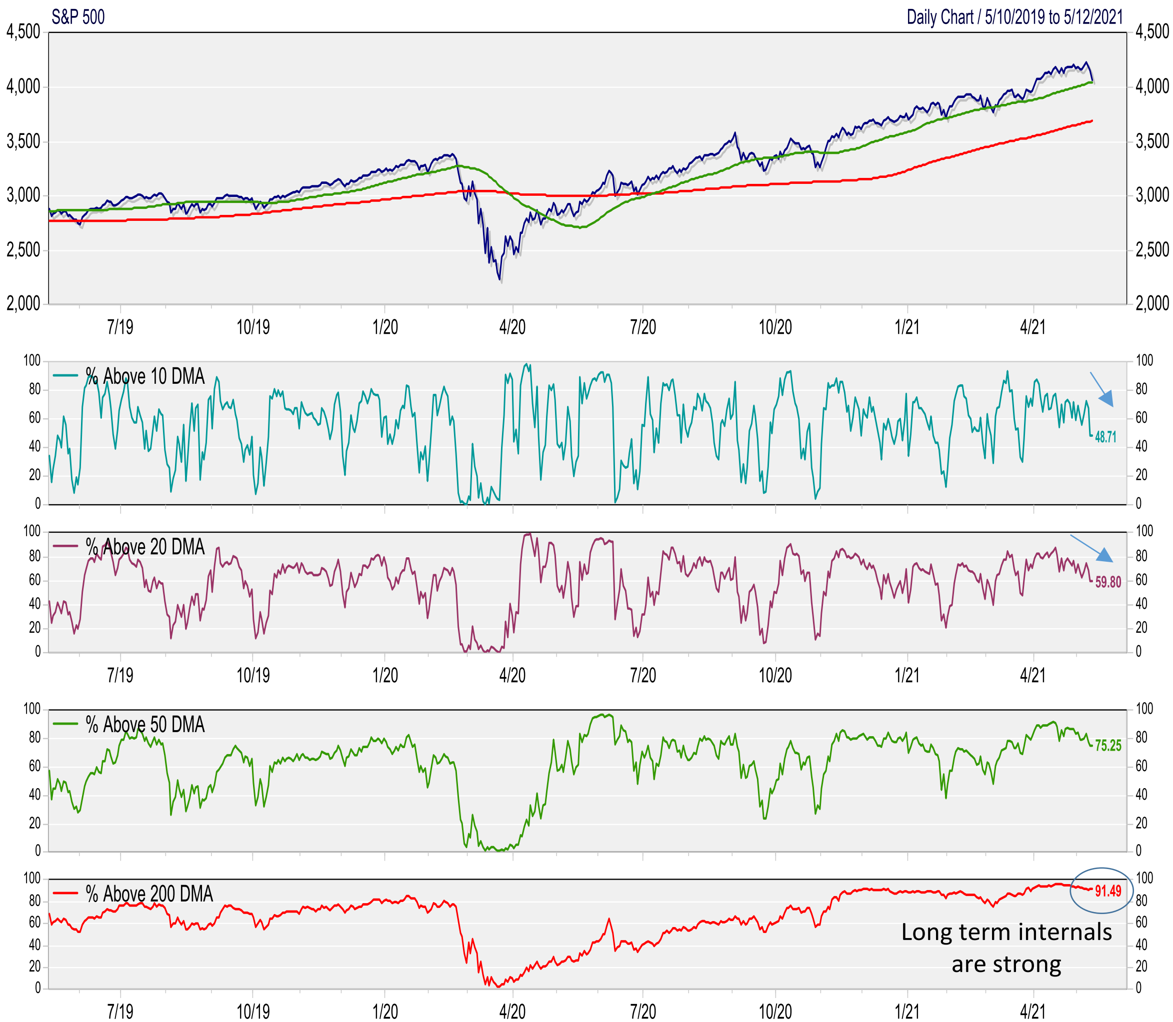
Equities are rebounding from 50 DMA support today, and this will be the first area to monitor in the coming days (4056). The reaction today is positive, as tech-oriented stocks were oversold enough for at least a relief bounce.

But the market as a whole is not deeply oversold, so we will monitor price action in the coming days to assess whether or not the current bout of volatility is over. And it is not lost on us that in recent years, volatility to the downside can occur swiftly (with the rise of factor investing, ETFs, and algorithmic trading).

Below the 50 DMA support level, we see numerous areas of nearby potential support, including ~3983, ~3853, and then ~3700-3750.

Equity markets are a “stair-step” process with up-moves followed by digestion/pullbacks. We view this current period as a normal pullback, and would use weakness as an opportunity to accumulate favored names.

TECHNICAL: S&P 500 INTERNALS



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

Volatility was most notably seen from the Technology sector this week, as you can see just ~20% of Tech stocks are above their 10 and 20 day moving averages. We view the sector as oversold within an uptrend, and due for a relief bounce.

The S&P 500 as a whole is not yet oversold with 49% of stocks above their 10 DMA and 60% above their 20 DMA. If this is set to be a deeper market correction, we would expect the weakness to broaden out.

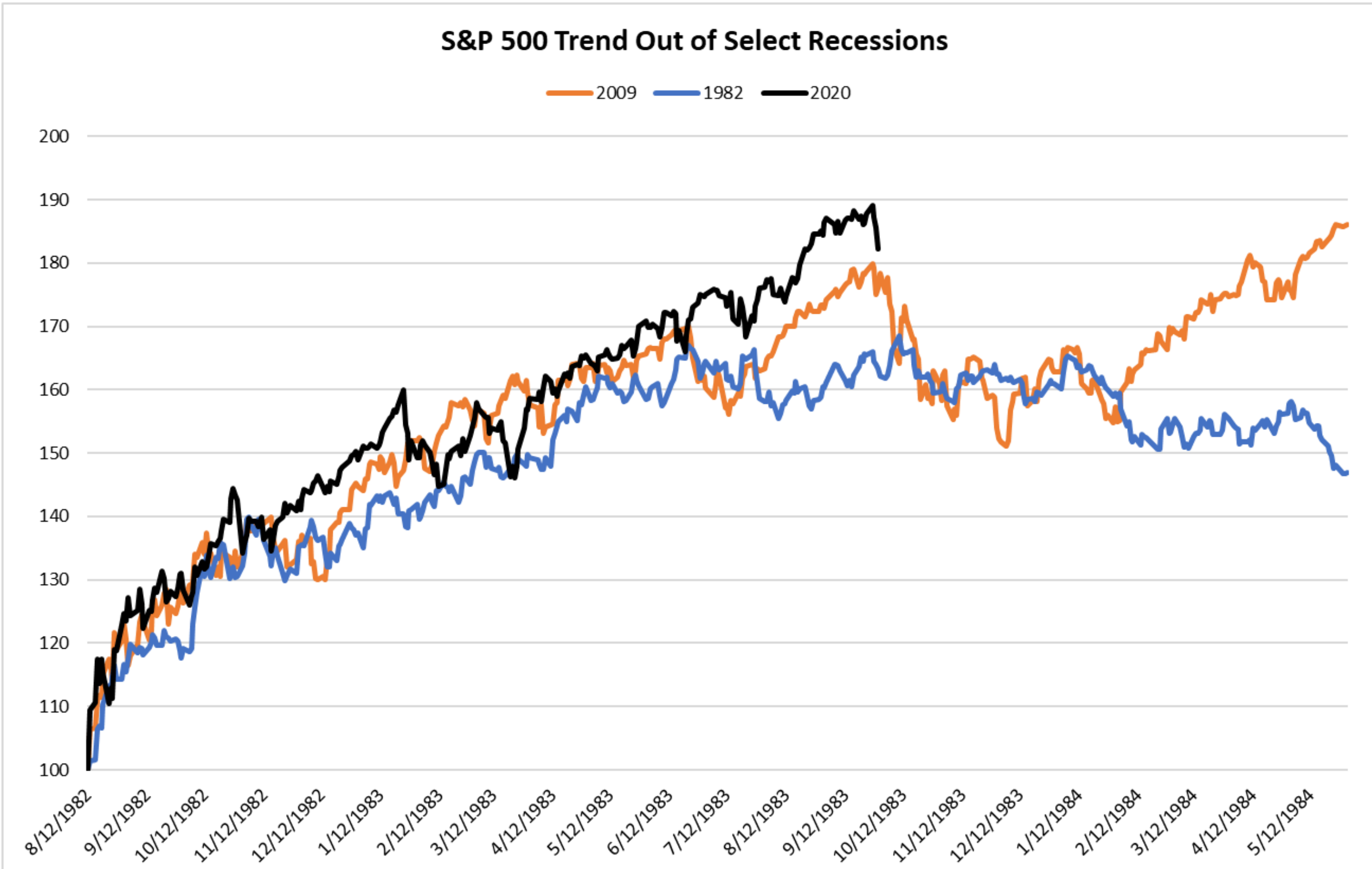
We are in one of those noise drawdowns right now- hard to predict how far or long it will go, especially with so much algorithmic trading. The overall trend remains bullish (>90% of stocks above their 200 DMA), so we would use pullbacks as buying opportunities.

Sector Trends and Moving Averages

Sector	10 DMA % Above	20 DMA % Above	50 DMA % Above	200 DMA % Above	Index % From 52 Week High
Technology	20	23	44	80	-8.5%
Cons. Discretionary	30	46	65	97	-7.4%
Comm. Services	58	58	65	88	-5.2%
Utilities	25	36	82	89	-5.1%
Real Estate	41	55	86	97	-4.0%
Industrials	64	78	82	99	-3.9%
Financials	63	85	94	98	-3.1%
Materials	75	89	93	100	-2.6%
Energy	70	87	87	96	-2.6%
Consumer Staples	75	75	81	84	-2.2%
Health Care	47	53	76	82	-2.0%
S&P 500	49	60	75	91	-4.1%

RECOVERY TRENDS

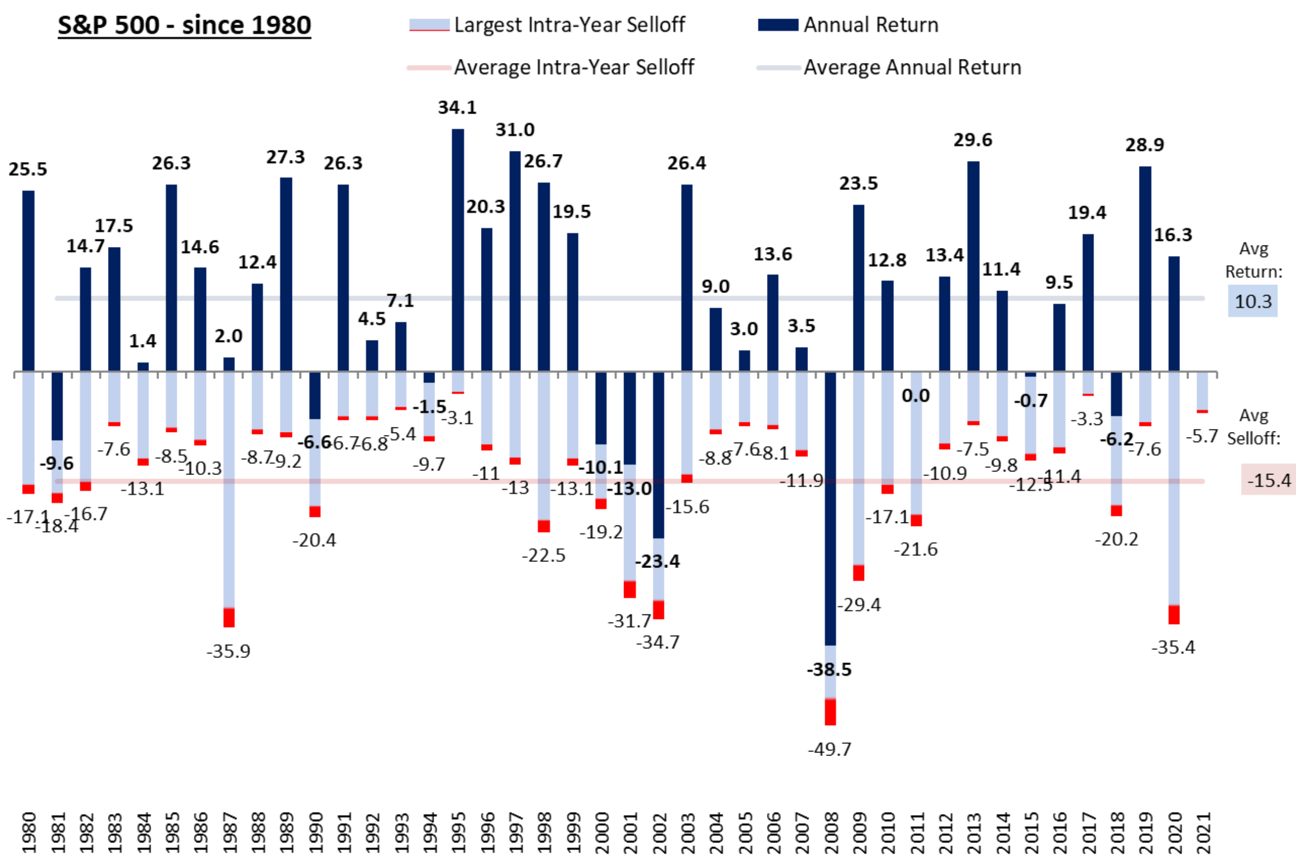
We have been noting the resemblance of the current sharp equity market recovery to those coming out of the 2009 and 1982 recessions. As you can see, we have reached the point where it would be normal historically for the pace of ascent to moderate- still positive trends but with normal pullback periods. We do not recommend making investing decisions due to historical trends alone (as these periods offer many differences), but the market psychology coming out of recessions is something to keep in mind. Market uncertainty on the path of the Fed due to inflation concerns could be the moderation catalyst for this cycle.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

MARKET PULLBACKS

While equity markets have generally glided higher over the past 6-12 months at historically strong rates, it is important to remember that pullbacks are normal. On average since 1980, there has been a 15% pullback intra-year for the S&P 500. And even in non-bear market years, it is normal to experience 7-12% pullbacks. Also, while strong 12-month returns historically have bode well for positive performance over the next 12 months, it is also normal for those periods to experience ~10% pullbacks within them. Volatility is bound to happen in equity markets over time, and we would use it as a buying opportunity when it occurs. Despite this intra-year volatility historically, the average annual return is still 10% since 1980.



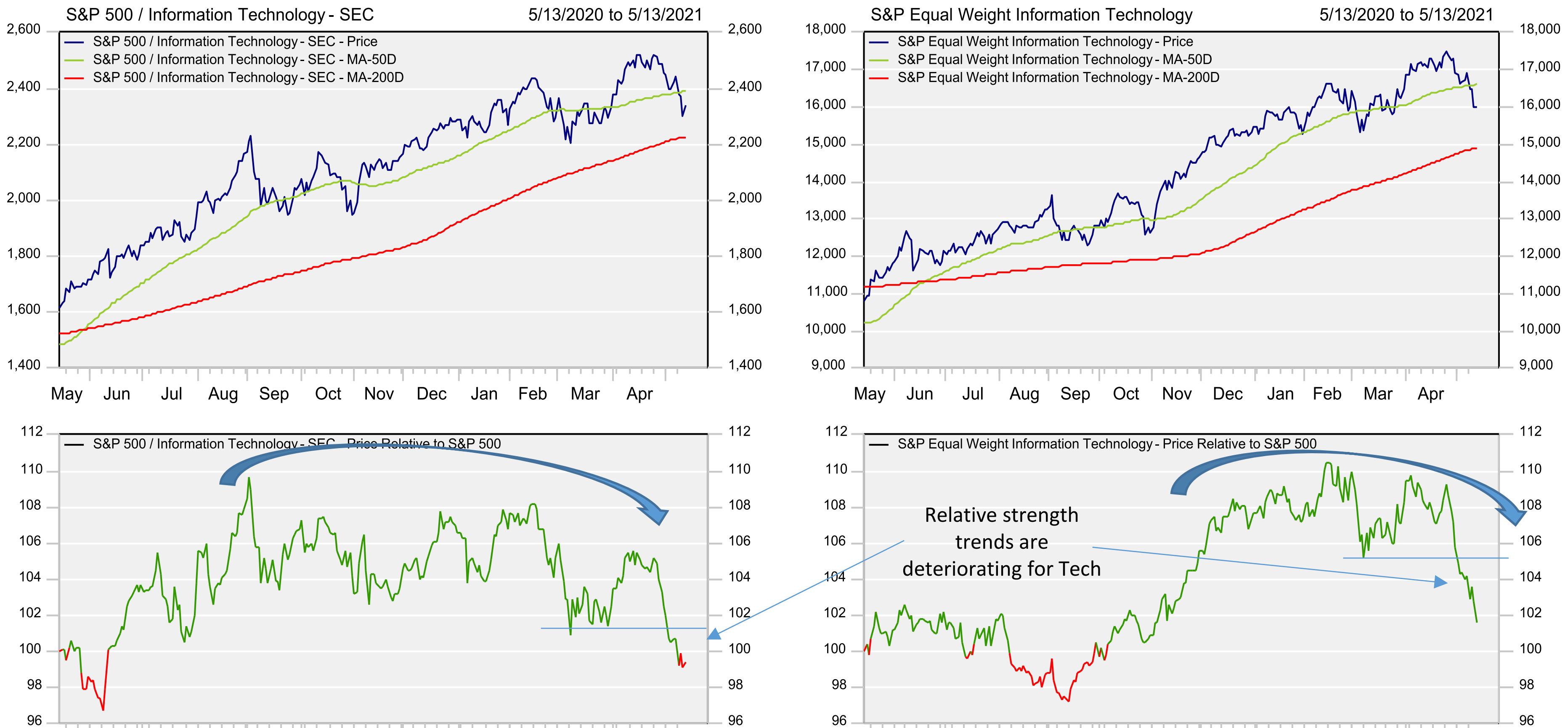
7-12% pullbacks are normal in non-bear market years.

Average annual return is still 10% since 1980.

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNOLOGY

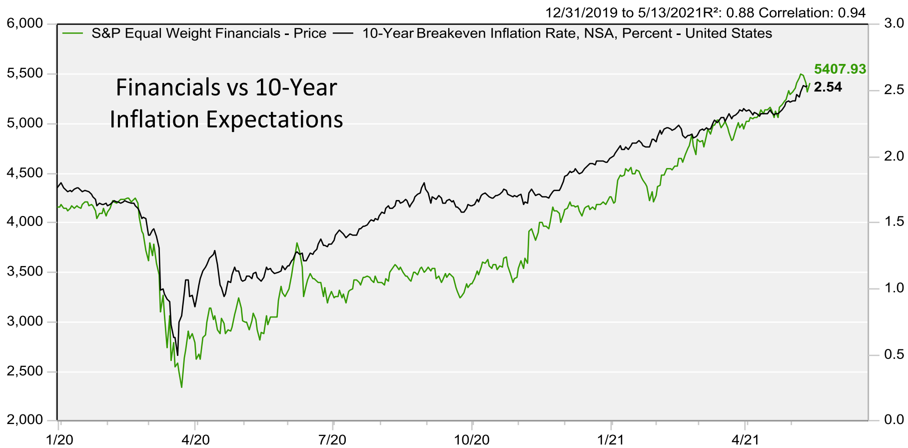
The rise in inflation expectations and bond yields resulted in further rotation from over-owned, long-duration growth stocks. Relative strength trends for Technology further deteriorated after breaking to new lows last week. As noted earlier, the sector is oversold enough in the short term for a bounce. However, relative strength trends are likely going to continue to struggle for awhile. For long-term investors dramatically overweight, use a potential oversold bounce as an opportunity to lighten up your exposure.

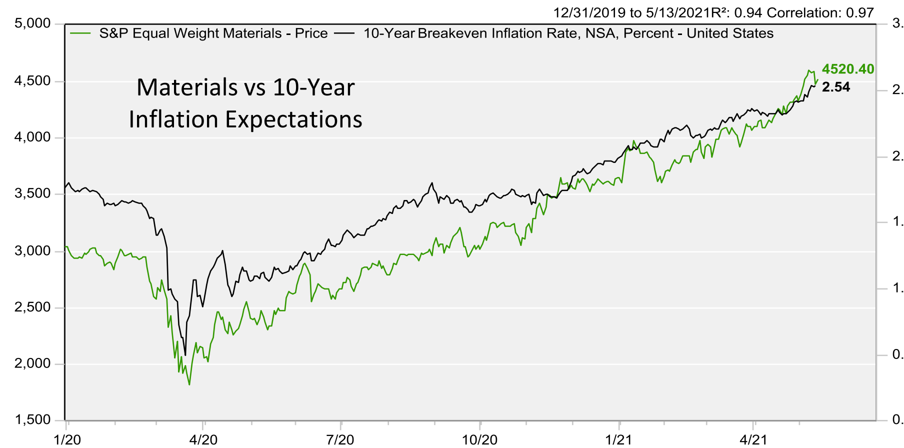


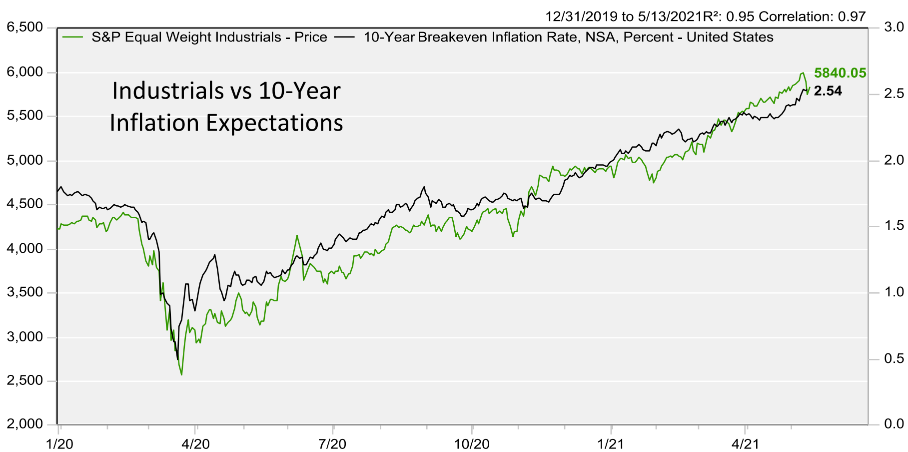
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

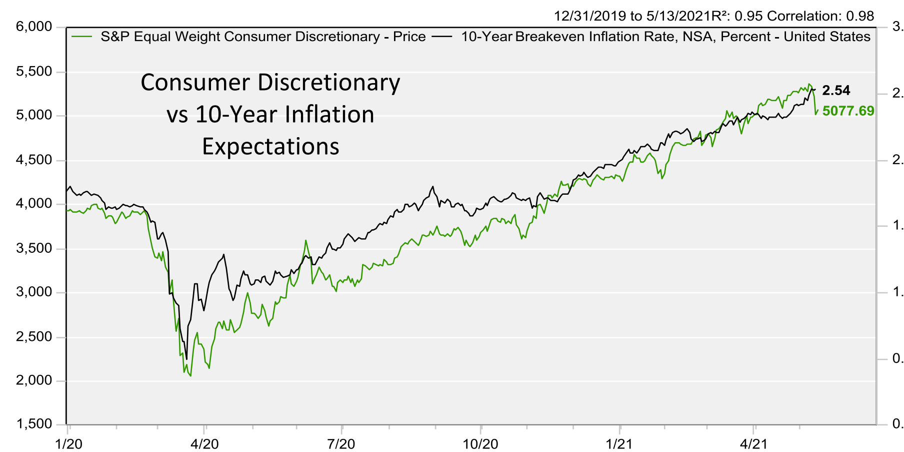
DEEP-CYCLICAL AREAS

Some of the deep-cyclical sectors- Financials, Materials, Industrials, Consumer Discretionary- have performed well with rising inflation expectations (>90% correlations to inflation expectations since the start of 2020). Inflation has not risen to a level that chokes off growth in our view, and not only reflects supply challenges but strong demand. These areas generally contain pricing power in the current environment with an ability to pass on higher costs to not upset margins.









Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

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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.

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