RAYMOND JAMES

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Weekly Market Guide

Short-Term Summary:

Equities continue to undergo a consolidation phase, as they digest some of their very strong gains to all-time highs. Investor sentiment and positioning had gotten overly bullish and complacent- trends that are now receding as inflation concerns creep higher. We note bullish sentiment is now back to its average (though bearish sentiment is still slightly below average). Additionally, the equity put/call ratio 10-day moving average is now at its highest level since November. These levels are far from a "wash out" but are constructive for building the next up-wave in the market. Also, despite the equity market volatility lately, the bond market has not acted as anxiously with corporate credit spreads remaining very narrow- supportive of equity market trends.

Tactically, we are monitoring very short term technical resistance at ~4188 on the S&P 500, along with technical support at ~4056-4086. The 50 DMA (4086 currently) has been able to hold as support since the positive vaccine news in early November. Yesterday's intraday reversal from it (and today's follow through so far) are positive indications that this level may hold again. If the S&P 500 breaks the 4056-4086 area to the downside, it indicates that the index will probably test the 3934-3974 level (prior break out) in the short term.

Longer term, it is common for the rate of market ascent to slow in year two of a bull market. And as this occurs, short term pullbacks may become more frequent over the next several months. However, the intermediate-term fundamental and technical backdrop remains strong in our view. Market participation remains broad with 90% of S&P 500 stocks above their 200 DMA and the "average stock" driving performance. Also, forward earnings estimates continue to get revised higher- a trend that we believe continues. The market positives of robust economic and earnings growth (supported by enormous stimulus and an accommodative Fed) continue to outweigh the negatives (i.e. potential inflation, tax changes, valuation normalization).

During bullish environments (such as now), accumulating during the basing phase is warranted. For those looking to put new money to work, we recommend the recent winners- i.e. industrials, financials, materials, energy- as they become short-term oversold within uptrends.

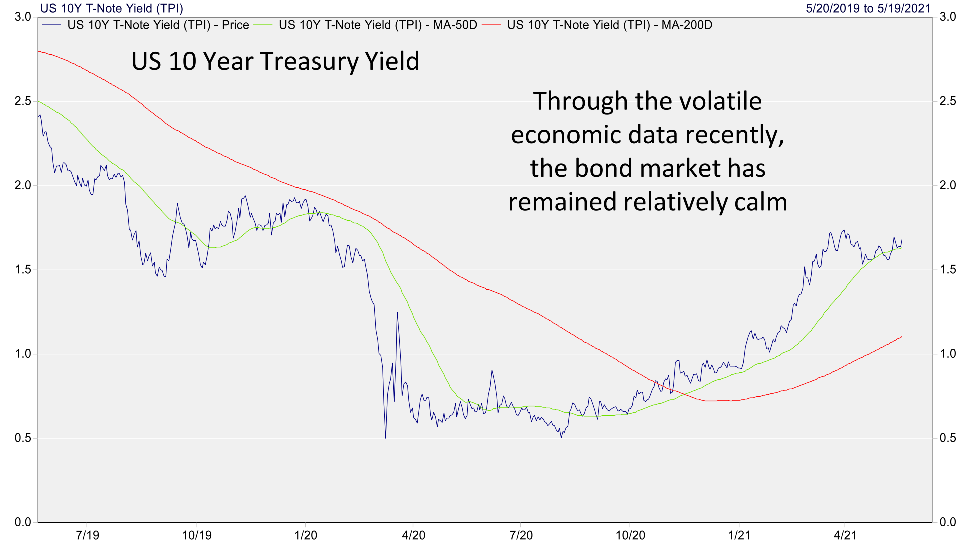
Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	10.7%	40.0%
S&P 500	9.6%	40.8%
S&P 500 (Equal-Weight)	15.9%	56.0%
NASDAQ Composite	3.2%	44.8%
Russell 2000	11.1%	67.7%
MSCI All-Cap World	7.5%	41.5%
MSCI Developed Markets	6.5%	38.3%
MSCI Emerging Markets	2.8%	43.5%
NYSE Alerian MLP	32.9%	33.5%
MSCI U.S. REIT	14.0%	38.3%

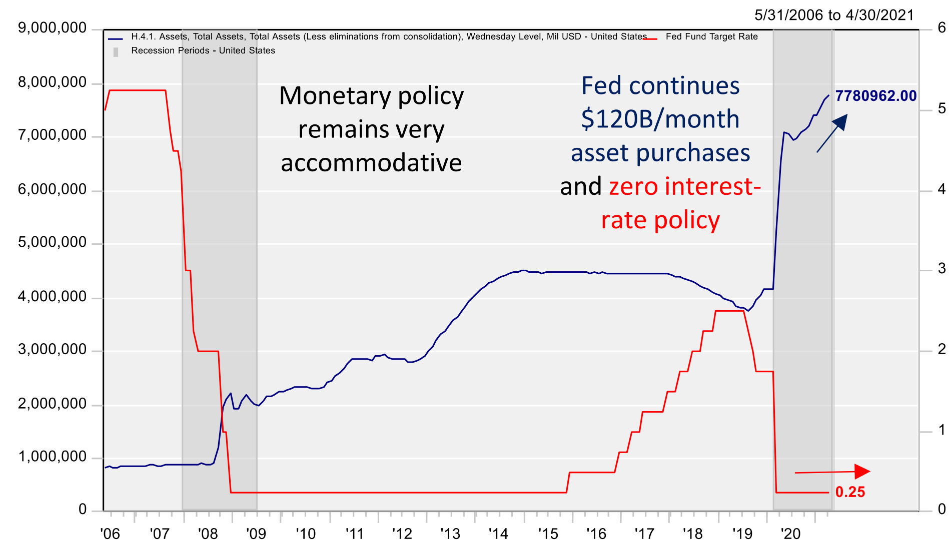
S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Energy	36.2%	2.9%
Financials	25.9%	11.9%
Materials	19.0%	2.9%
Industrials	15.3%	8.9%
Real Estate	14.7%	2.5%
Communication Svcs.	11.6%	10.9%
S&P 500	***9.6%***	-
Health Care	8.2%	13.2%
Consumer Staples	3.7%	6.1%
Utilities	3.5%	2.6%
Consumer Discretionary	3.3%	12.0%
Information Technology	2.9%	26.0%

MACRO: US

April retail sales and industrial production both came in below expectations (0.0% m/m and 0.7% m/m respectively), although this followed March's explosive growth- fueled by a reopening and stimulus. We remain positive on consumer and manufacturing trends. We anxiously await May Manufacturing and Services PMI readings tomorrow morning for updated indications on not only services and manufacturing, but also supply chain bottlenecks and inflation. The FOMC minutes yesterday continued to note the organization's expectations that inflation was transitory. However, the group did begin to show signs that discussing plans for an eventual tapering of asset purchases (currently $120B/month) may be needed in upcoming meetings. Overall, monetary policy remains very accommodative. And while equity markets have been more volatile lately over inflation expectations, the bond market has remained relatively calm.

US Economic Data This Week	Period	Actual	Consensus	Prior
Export Price Index NSA M/M	APR	0.80%	0.70%	2.4%
Import Price Index NSA M/M	APR	0.70%	0.65%	1.4%
Retail sales Ex AutoFuel M/M	APR	-0.76%	-0.35%	8.9%
Retail Sales ex-Auto SA M/M	APR	-0.80%	0.40%	9.0%
Retail Sales SA M/M	APR	0.0%	0.90%	10.7%
Capacity Utilization NSA	APR	74.9%	75.2%	74.4%
Industrial Production SA M/M	APR	0.70%	1.1%	2.4%
Business Inventories SA M/M	MAR	0.30%	0.30%	0.60%
Michigan Sentiment NSA (Preliminary)	MAY	82.8	90.0	88.3
Empire State Index SA	MAY	24.3	24.0	26.3
NAHB Housing Market Index SA	MAY	83.0	83.0	83.0
Building Permits SAAR (Preliminary)	APR	1,760K	1,770K	1,755K
Housing Starts SAAR	APR	1,569K	1,700K	1,733K
Housing Starts M/M	APR	-9.5%	-1.4%	19.8%
Continuing Jobless Claims SA	05/08	3,751K	3,640K	3,640K
Initial Claims SA	05/15	444.0K	450.5K	478.0K
Philadelphia Fed Index SA	MAY	31.5	43.0	50.2
Leading Indicators SA M/M	APR	1.6%	1.3%	1.3%





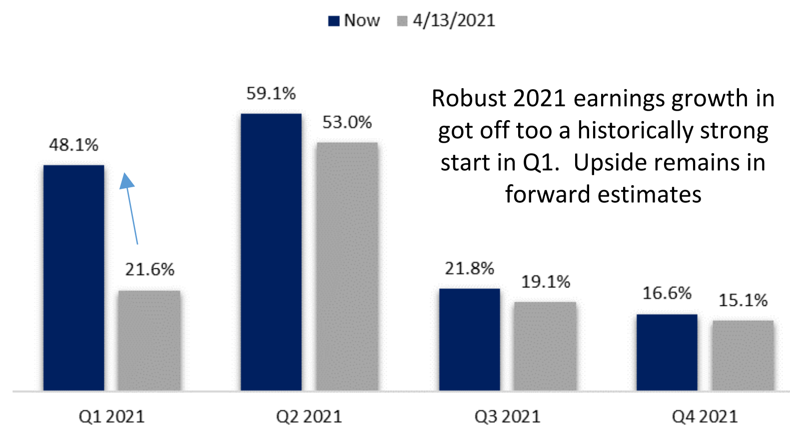
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FUNDAMENTALS

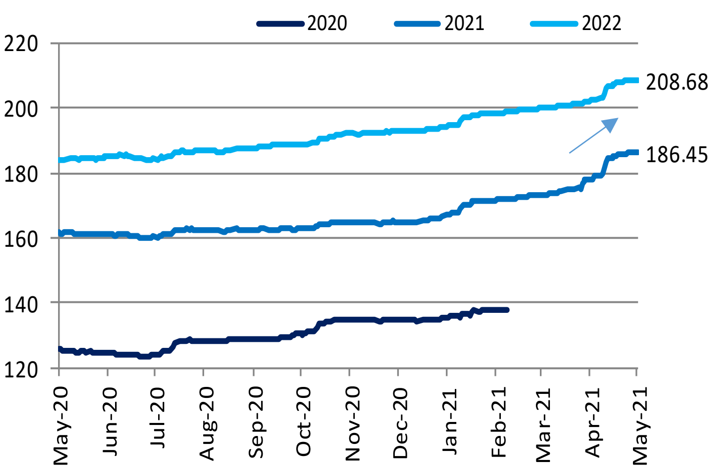
The historically strong Q1 earnings season is coming to an end with 87% of S&P 500 companies having beaten estimates by an enormous 23.3%. As a reminder, the highest surprise on record was 23.5% in Q2 of last year. Earnings growth for the full quarter is set to finish at 48.1% (more than double the 21.6% expected growth heading into the quarter). Forward estimates have continued to be revised higher, but still appear too low in our view. We expect earnings estimates to continue their upward trend on robust earnings growth- supportive of equities.

Valuation has been normalizing with the S&P 500 forward P/E down to 21.1x, which is the low end of the past year's range. We expect this multiple to continue lower as earnings recover over the course of the year. However, we do not believe multiple normalization will outweigh earnings growth- resulting in upside to equities in the outlook.

2021 Quarterly Earnings Growth Estimates

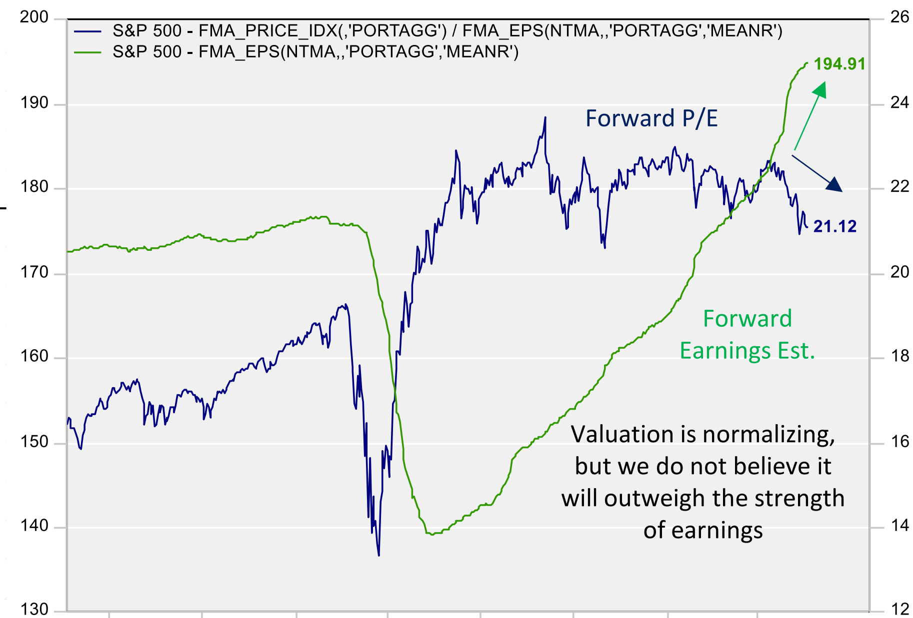


S&P 500 Consensus Earnings Estimates over Past Year



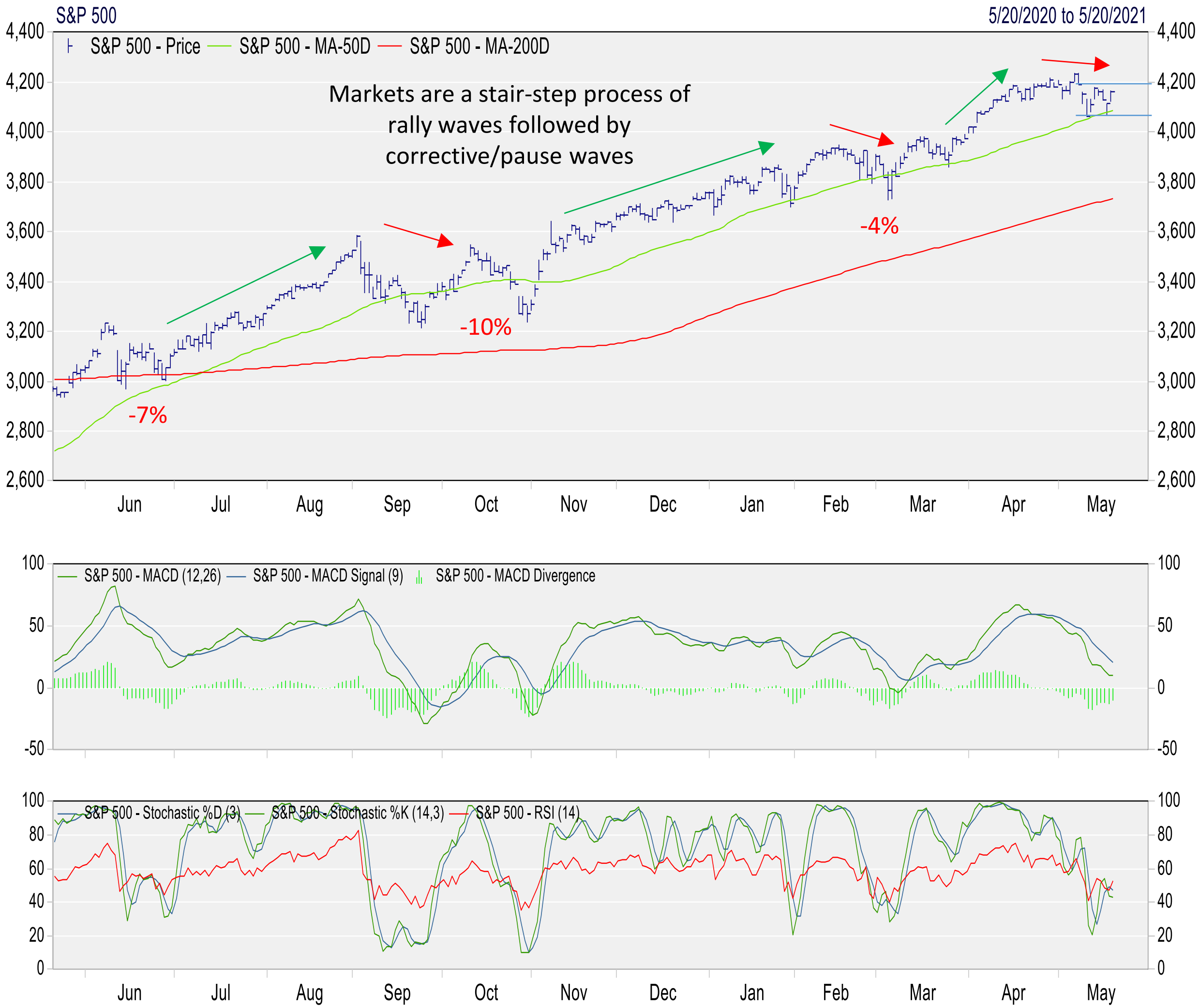
EPS Growth Estimates	
2020	-14.0%
2021	35.2%
2022	11.9%

RJ Estimates
2021: $190
2022: $220



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: S&P 500



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

The recent bounce failed to reach a new high, while yesterday's pullback failed to reach a new low. This traces out a very short term trading range between 4188 and 4056 that traders can monitor for clues on the next market move. Tactically, we will be watching price action at these support and resistance levels in the very short term.

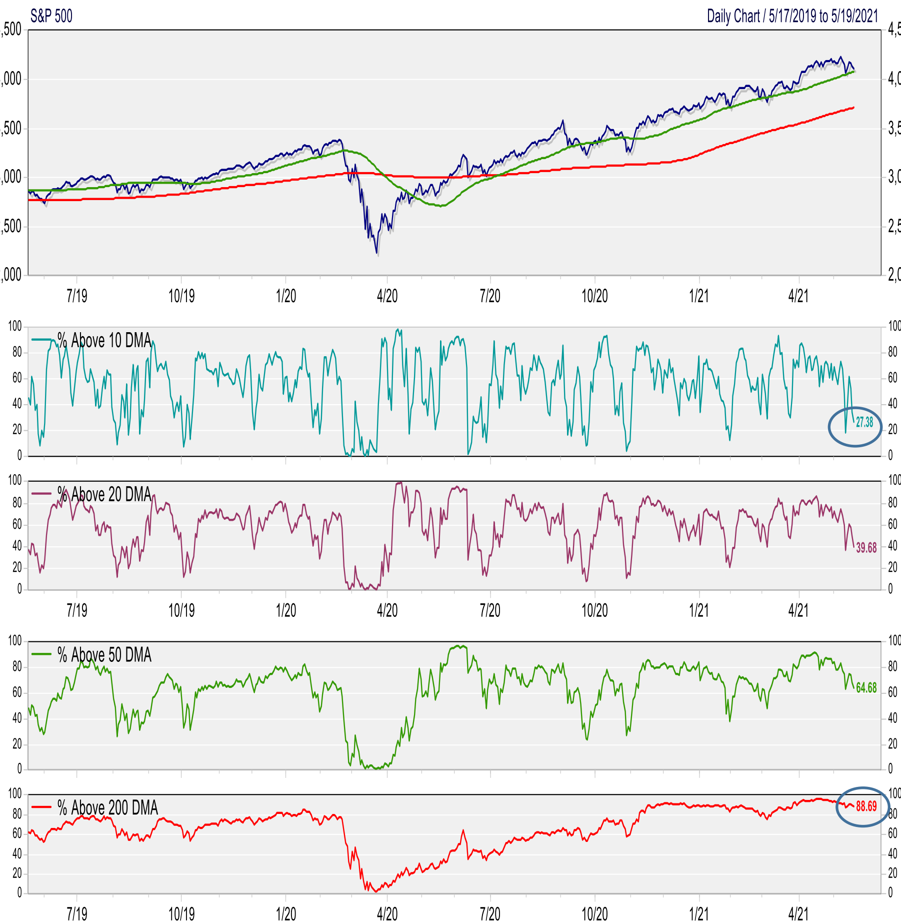
The 50 DMA (4086 currently) has been able to hold as support since the positive vaccine news in early November. Yesterday's intraday reversal from it (and today's follow through so far) are positive indications that this level may hold again. If so, this pullback may be more like the late February-early March -4% minor pullback, rather than the twin 10% pullbacks last Fall.

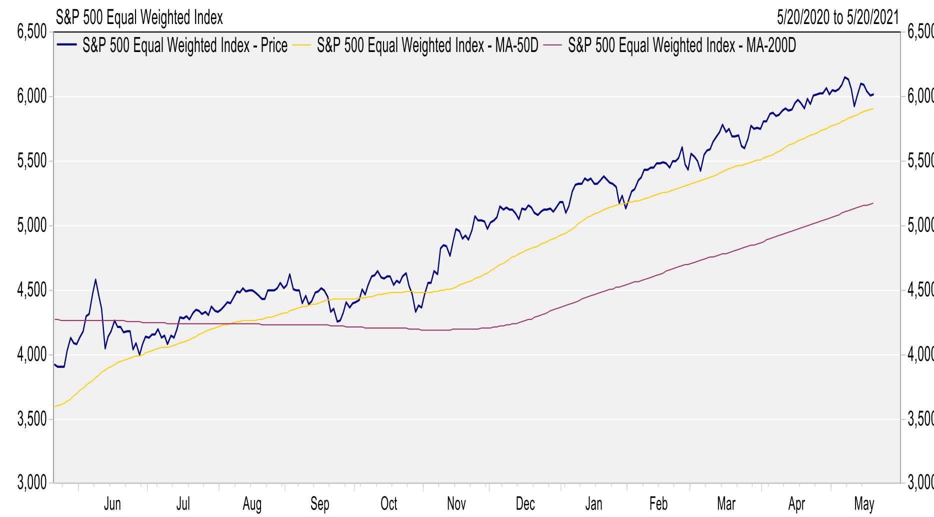
If the S&P 500 breaks the 4056-4086 area to the downside, it indicates that the index will probably test the 3934-3974 level (prior break out) in the short term.

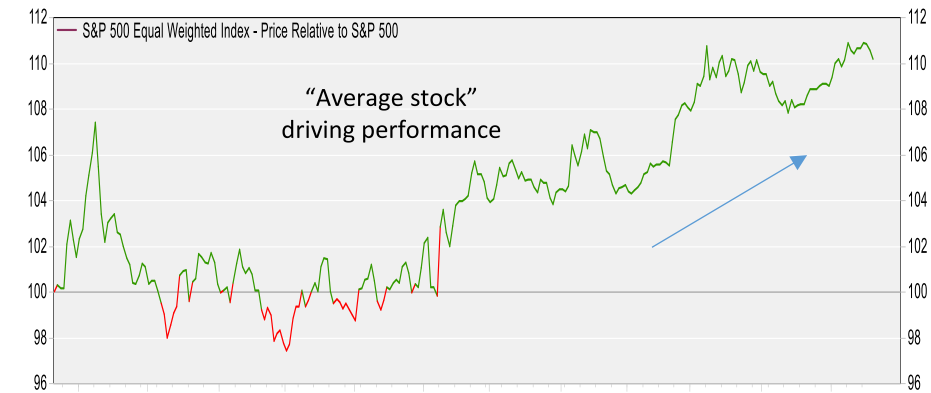
Investors can use the pullback to accumulate favored stocks near support levels. During bullish environments (such as now), accumulating during the basing phase is warranted.

TECHNICAL: S&P 500

The percentage of stocks above their 10 and 20 day moving averages is approaching short-term oversold levels within an uptrend. Market participation remains broad with 90% of S&P 500 stocks above their 200 DMA and the "average stock" driving performance- bodes well for future performance.



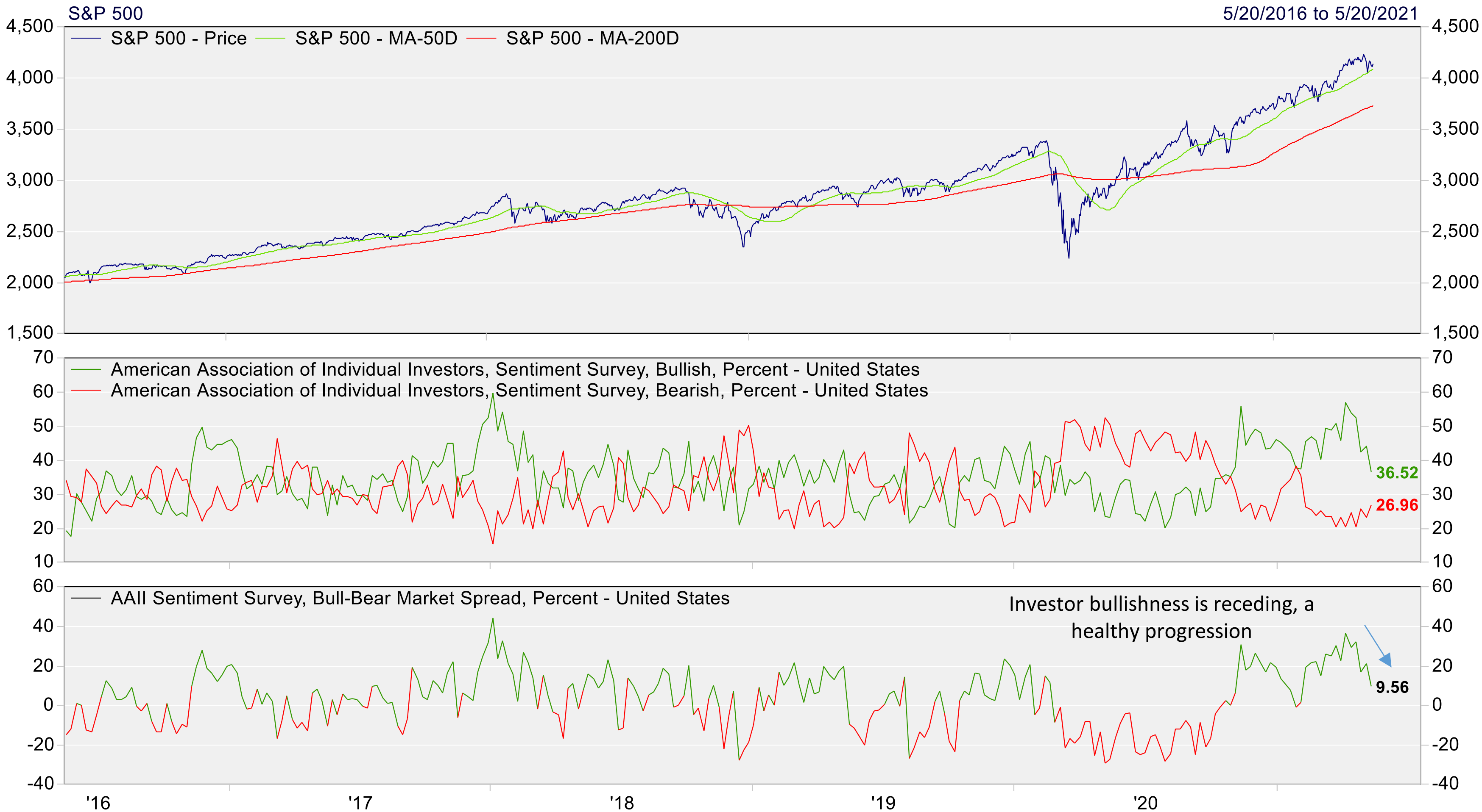




Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

INVESTOR SENTIMENT

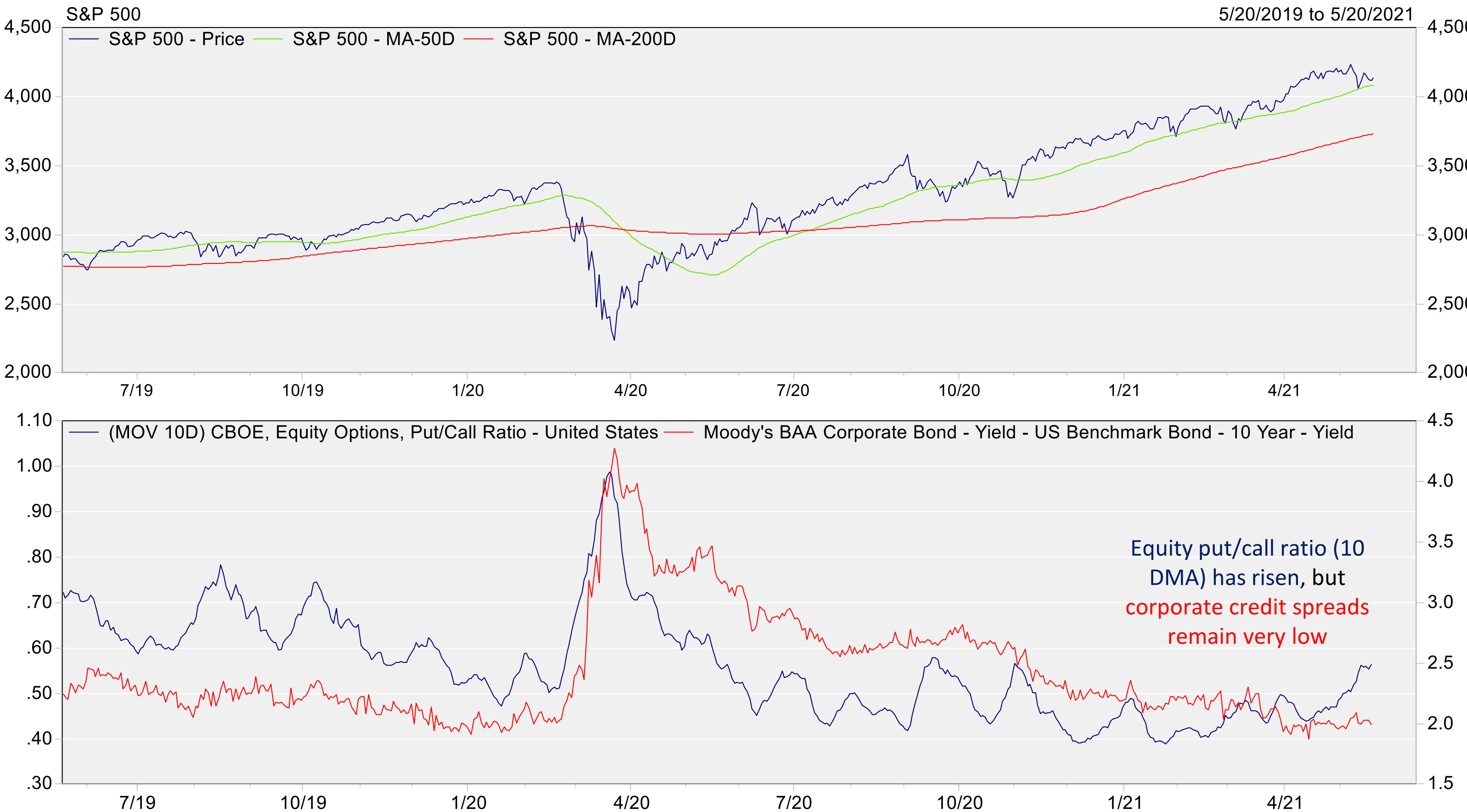
Sentiment surveys are not great timing indicators, but the high bull-bear spread in April did reflect overly bullish sentiment. In recent weeks, some of this been digested with bullish sentiment back to its average (though bearish sentiment is still slightly below average). We view this as a healthy progression.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

INVESTOR POSITIONING

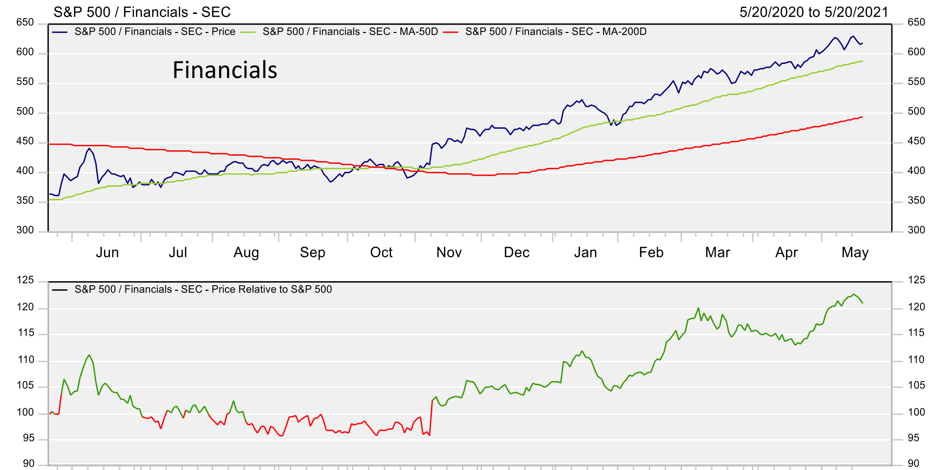
Also, investor positioning has become more cautious, receding from overly complacent levels. The 10-day moving average of the equity put/call ratio has now increased to its highest level since November. This is far from a "wash out" but is constructive in building the next up-wave in the market. Also despite the equity market volatility, the bond market has not acted as anxiously with corporate credit spreads remaining very narrow- supportive of equity market trends.

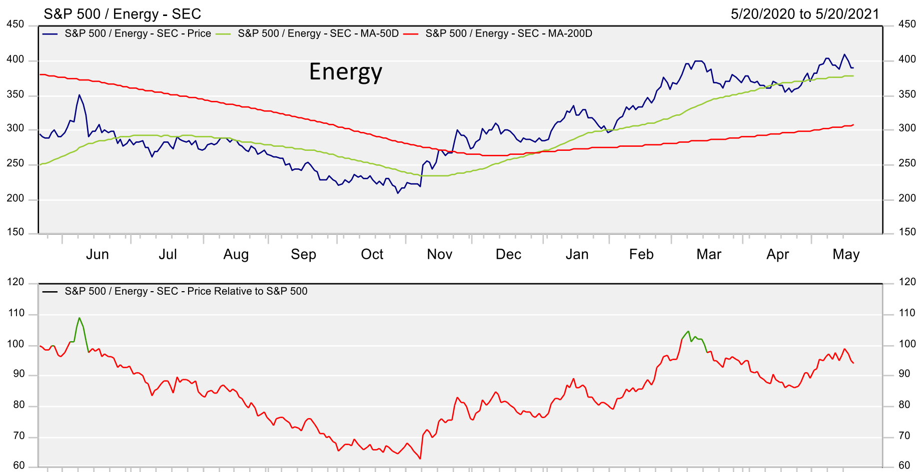


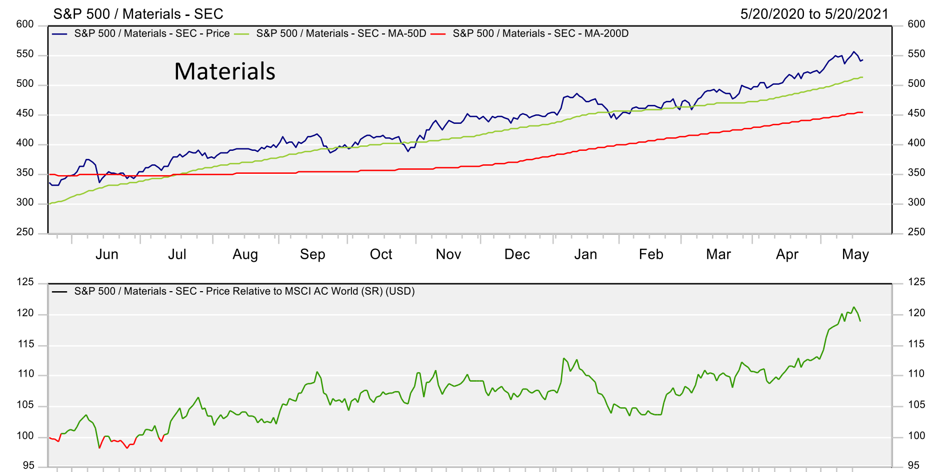
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

SECTORS

We recommend investors accumulate the current drawdown and favor the recent winners as they become oversold- i.e. Industrials, Financials, Energy, and Materials. Consumer Discretionary is also near oversold with price on its 50 DMA.







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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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