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Weekly Market Guide

The S&P 500 has "cooled off" a bit this week following a ~7% run over the prior few weeks. The advance had pushed the S&P 500 to 16% above its 200 DMA, which has often preceded minor consolidations or short term pullbacks over the past 8 months. Positioning has gotten slightly more defensive beneath the surface, however this has come in conjunction with a normal moderation in interest rates and credit spreads remain low. In the short term, the market may need to work a little lower (not oversold yet). But the overall environment remains bullish- supportive Fed, robust GDP and EPS growth, stimulus, and a strong intermediate term technical backdrop (broad participation). This supports less downside in pullbacks, which we expect to be normal in nature when they occur. Market rotation is likely to continue, and also offer opportunity at the individual sector and stock level.

Q1 earnings season is underway, as 15% of S&P 500 companies have reported very strong Q1 results up to this point. 86% of these S&P 500 companies have beaten estimates by an aggregate 24% earnings surprise. For reference, the 15-year average for earnings surprises has been 4.7%; and the highest surprise on record (Q2 2020) was 23.5%. As a result, full Q1 earnings growth estimates are up to 28.3% (from 21.6% when earnings season began). Reports are set to ramp up meaningfully in the next two weeks- 36% of S&P 500 companies report next week and 27% the following week. We expect continued upside surprises, and forward estimates for 2021 and 2022 to maintain their higher revision trends. We remain above consensus for 2021 and 2022 S&P 500 earnings estimates- $190 and $220 respectively (vs consensus at $178 and $202).

While results have been above estimates at historically high rates over the past few quarters, price reactions have been below average- likely a function of large stock moves leading to more muted reactions. For example, Financials stocks outperformed significantly in Q1; and despite strong results and upside surprises so far, the average financials stock has moved -1.1% lower on results (albeit wide variances at stock level). On the flip side, health care stocks lagged in Q1, and it has been good to see positive price reactions (2.6%) to solid earnings. Many large technology companies report next week, and we are not only interested to hear results but also to see their price reactions. Performance was disappointing on strong results in Q4'20; but after consolidating relative strength for the past several months, the bar could be lower this time around. A strong quarter and price reactions could set the stage for improved Technology relative strength trends. Given Technology's size, next week's reports will also be very influential for the overall S&P 500 index.

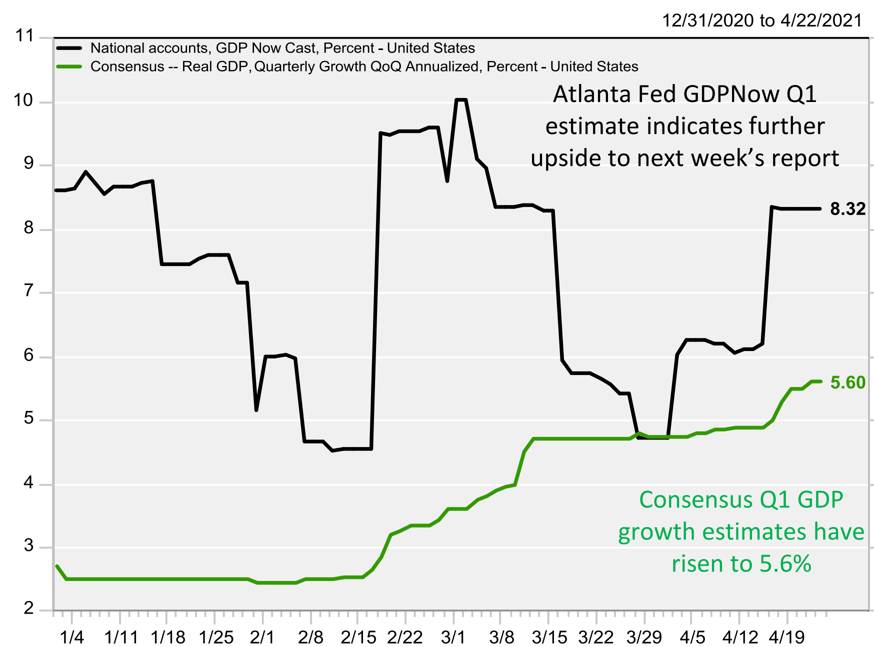
Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	11.5%	48.3%
S&P 500	11.1%	52.5%
S&P 500 (Equal-Weight)	15.5%	66.4%
NASDAQ Composite	8.2%	68.8%
Russell 2000	13.4%	89.0%
MSCI All-Cap World	8.3%	51.9%
MSCI Developed Markets	5.6%	44.1%
MSCI Emerging Markets	3.5%	52.2%
NYSE Alerian MLP	24.1%	52.3%
MSCI U.S. REIT	15.2%	40.6%

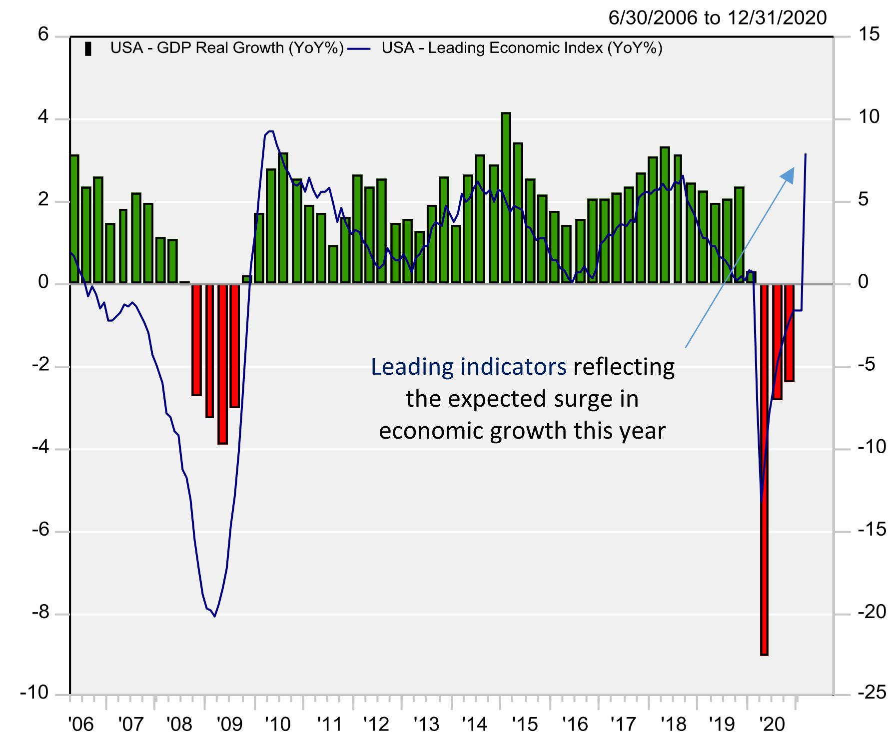
S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Energy	26.0%	2.6%
Financials	19.0%	11.1%
Real Estate	15.6%	2.5%
Materials	14.4%	2.7%
Industrials	13.9%	8.7%
Communication Svcs.	12.3%	10.8%
S&P 500	***11.1%***	-
Consumer Discretionary	9.4%	12.6%
Information Technology	9.1%	27.2%
Health Care	8.6%	13.0%
Utilities	7.0%	2.7%
Consumer Staples	3.6%	6.0%

MACRO: US

A fairly light week for economic data, though initial jobless claims did continue lower. Next week, we receive the initial estimate of Q1 GDP growth. Consensus estimates have been rising for the better part of two months, and now reflect 5.6% q/q growth- over double the 2.5% estimate at the end of January. However, we would not be surprised to see further upside to this estimate in next week's report, as the Atlanta Fed GDPNow estimate reflects 8.3%. We continue to believe that enormous fiscal stimulus in Q1, along with an accommodative Fed and solid vaccine rollout, support strong growth as the economy reopens. This week's leading indicators (+7.9% y/y) also reflect the expected surge in economic growth that we believe is coming this year. Consensus GDP growth estimates for the full year are up to 6.1%, which if it comes to fruition would be the strongest reading since 1984.

US Economic Data Over Past Week	Period	Actual	Consensus	Prior
Building Permits SAAR (Preliminary)	MAR	1,766K	1,750K	1,720K
Housing Starts SAAR	MAR	1,739K	1,615K	1,457K
Housing Starts M/M	MAR	19.4%	12.0%	-11.3%
Michigan Sentiment NSA (Preliminary)	APR	86.5	89.0	84.9
Chicago Fed National Activity Index	MAR	1.7	0.90	-1.2
Continuing Jobless Claims SA	04/10	3,674K	3,534K	3,708K
Initial Claims SA	04/17	547.0K	625.0K	586.0K
Existing Home Sales SAAR	MAR	6,010K	6,190K	6,240K
Leading Indicators SA M/M	MAR	1.3%	0.75%	-0.10%



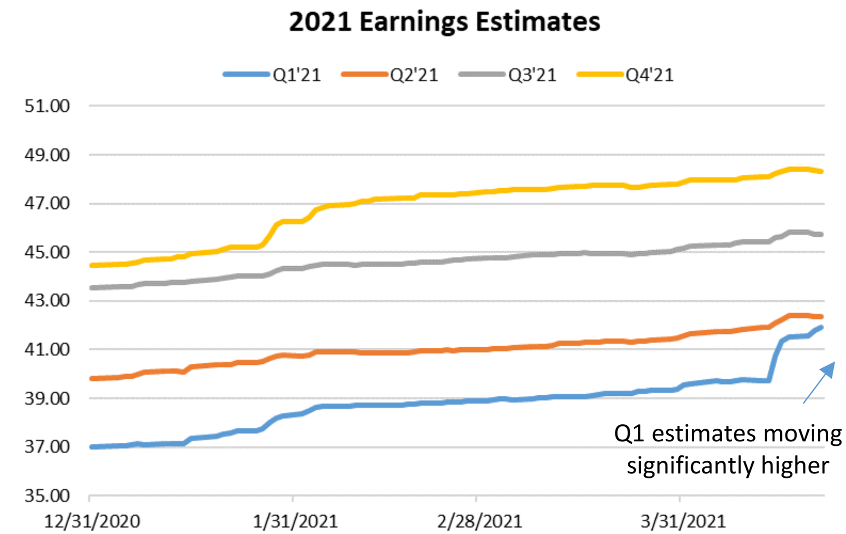


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FUNDAMENTALS

15% of S&P 500 companies (and 20% of the S&P 500's market cap) have reported Q1 results up to this point, and results have been very strong in aggregate. 86% of S&P 500 companies have beaten estimates by an aggregate 24% earnings surprise. For reference, the 15 year average for earnings surprises has been 4.7%; and the highest earnings surprise on record (Q2 2020) was 23.5%. As a result, full Q1 earnings growth estimates are up to 28.3% (from 21.6% when earnings season began).

Reports are set to ramp up meaningfully in the next two weeks- 36% of S&P 500 companies report next week and 27% the following week. We expect continued upside surprises, and forward estimates for 2021 and 2022 to maintain their higher revision trends. We remain above consensus for 2021 and 2022 S&P 500 earnings estimates- $190 and $220 respectively (vs consensus at $178 and $202).



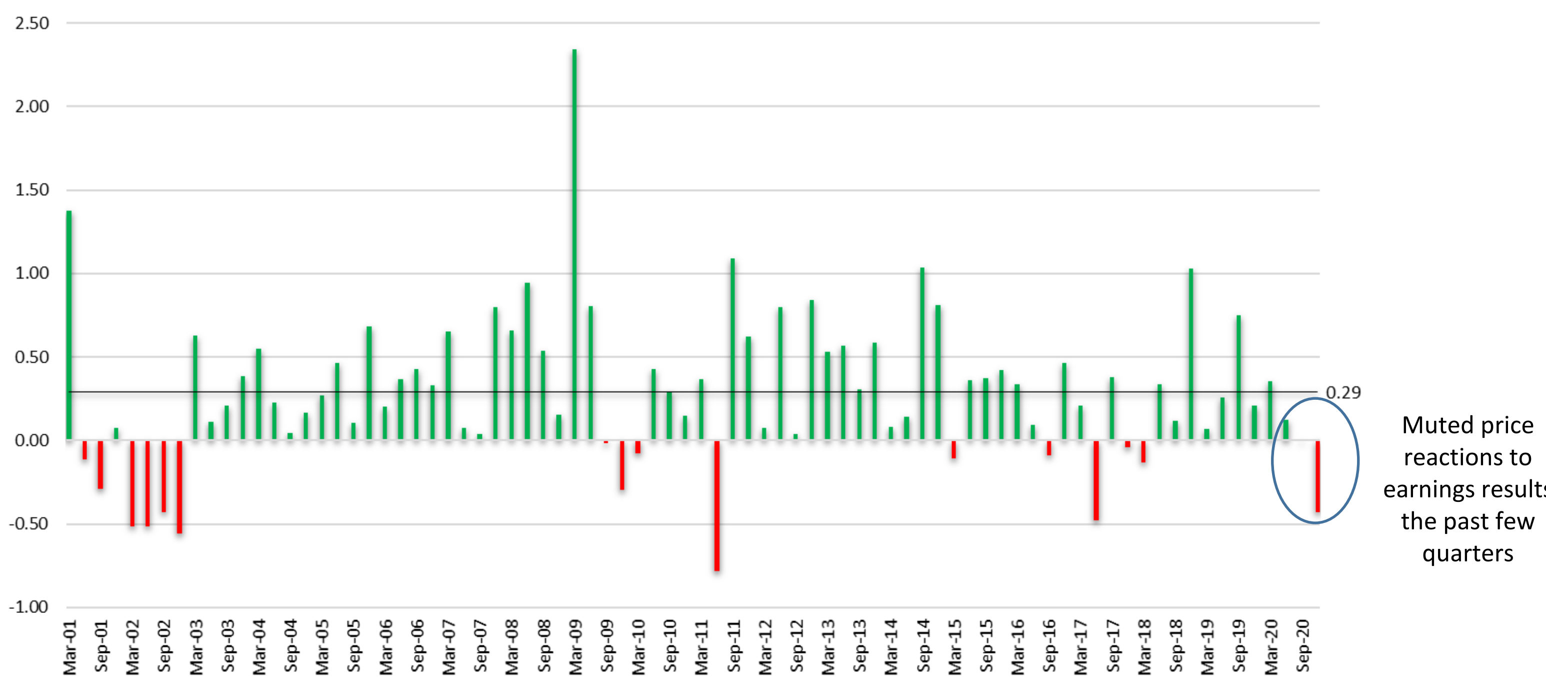
S&P 500 Sector	% Q1 Est. EPS Growth	% EPS Surprise	% Companies w/ Beats	# of Companies Reporting Positive	Inline	Negative	Est. Change Since 1/1/21 Q1'21	2021	2022	Avg Price Reaction	YTD Return	2021 EPS Growth
S&P 500	**28.3**	**24.1**	**86**	**65**	**1**	**10**	**13.3%**	**8.0%**	**4.9%**	**0.3%**	**11.10**	**29.2%**
Financials	123.0	40.0	96	24	0	1	47.5%	24.9%	7.7%	-1.1%	18.59	41.6%
Consumer Discretionary	72.6	39.1	75	6	0	2	0.0%	-0.3%	2.7%	0.9%	9.36	56.3%
Materials	47.9	19.0	100	1	0	0	13.2%	19.1%	11.2%	-0.8%	13.30	46.7%
Information Technology	23.1	6.5	100	7	0	0	9.5%	6.4%	6.4%	1.8%	9.07	18.3%
Health Care	21.1	13.3	100	6	0	0	6.1%	2.5%	1.2%	2.6%	8.64	13.3%
Communication Services	14.4	6.8	100	3	0	0	8.8%	5.6%	3.9%	-0.9%	12.59	13.6%
Consumer Staples	5.4	7.9	73	8	0	3	2.6%	0.4%	0.1%	1.0%	3.30	5.8%
Utilities	2.1	9.8	100	1	0	0	-0.1%	-1.0%	0.3%	-2.0%	7.15	3.1%
Real Estate	0.1	3.2	100	1	0	0	4.3%	1.6%	0.4%	0.6%	15.62	3.9%
Energy	-15.8	11.1	100	2	0	0	149.0%	96.5%	31.0%	-1.0%	25.38	891.0%
Industrials	-22.9	-62.5	55	6	1	4	-17.3%	-5.5%	2.0%	1.3%	14.44	90.8%

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

PRICE REACTIONS TO EARNINGS RESULTS

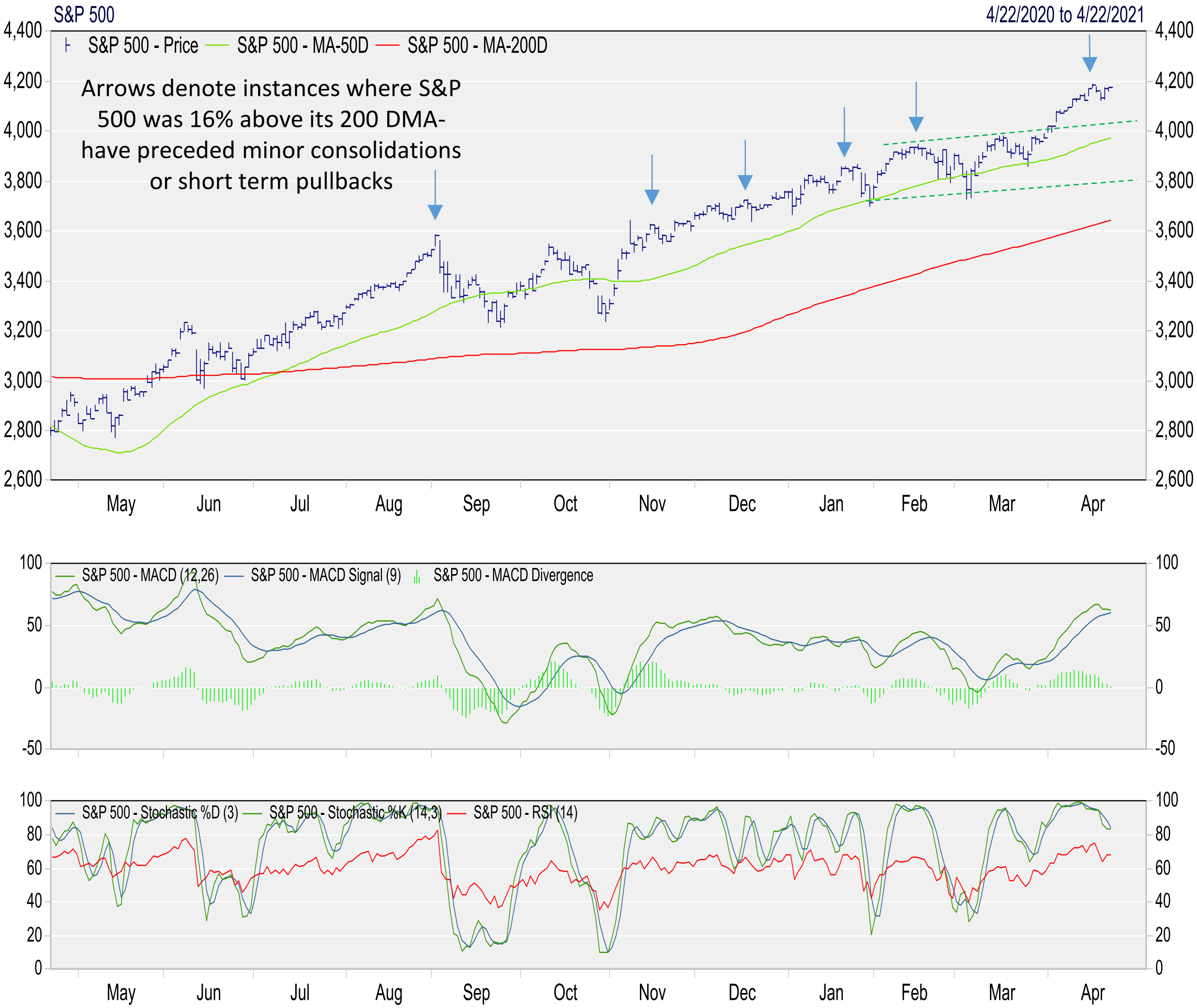
Over the past 20 years, S&P 500 stocks have moved 0.29% on average in the day following quarterly earnings results (0.26% so far this earnings season). Bear in mind, there is also a normal standard deviation of 5.4% on average at the individual company level, so it is well within reason to see -5.1% to +5.7% moves for an individual stock. However, the past few quarters have exhibited below average price reactions despite historically high surprises- likely a function of large stock moves leading to more muted reactions. For example, Financials stocks outperformed significantly in Q1; and despite strong results and upside surprises so far, the average financials stock has moved -1.1% lower on results (albeit wide variances at stock level). On the flip side, health care stocks lagged in Q1, and it has been good to see positive price reactions (2.6%) to solid earnings. Many large technology companies report next week, and we are not only interested to hear results but also to see their price reactions. Performance was muted to strong results in Q4'20; but after consolidating relative strength for the past several months, the bar could be lower this time around.

S&P 500 - Average % Price Reactions to Earnings



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: S&P 500



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The S&P 500 has "cooled off" a bit this week following a ~7% run over the prior few weeks. The advance had pushed the S&P 500 to 16% above its 200 DMA, which has often preceded minor consolidations or short term pullbacks over the past 8 months.

Positioning has gotten slightly more defensive beneath the surface. It would be normal at this point in the recovery to slow down the rate of ascent.

If short term timing, the market looks like it wants to work a little lower (not oversold yet). But the overall environment remains bullish- supportive Fed, robust GDP and EPS growth, stimulus, and strong technical backdrop (broad participation).

This supports less downside in pullbacks, which we expect to be normal in nature when they occur. Market rotation is likely to continue, and offer opportunity at the individual sector and stock level.

Short-term support levels:

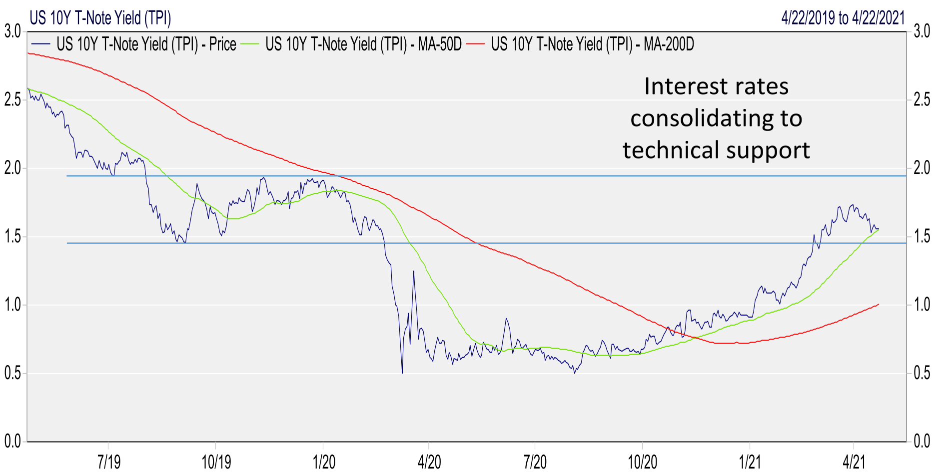
- The 50-day moving average will likely serve as initial support (upward-sloping at 3974). Below 3974, potential support should be found around 3853, followed by 3700-3750.

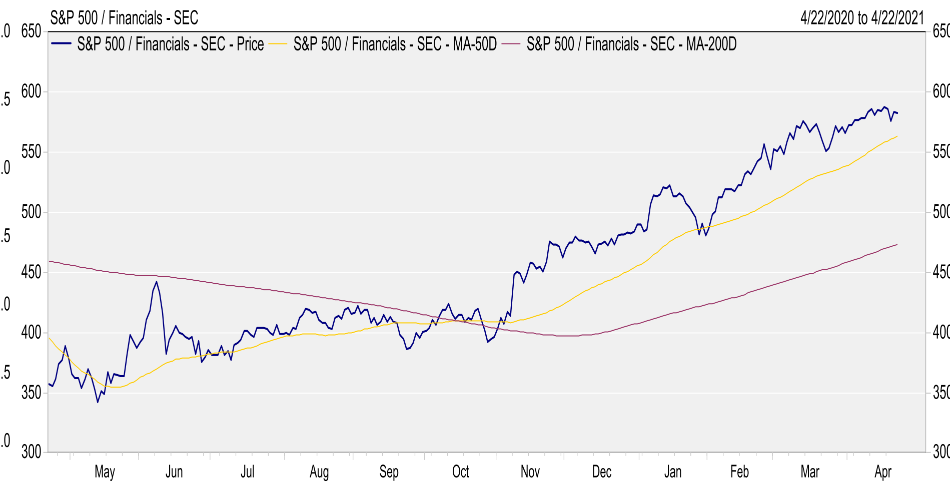
Short-term resistance levels:

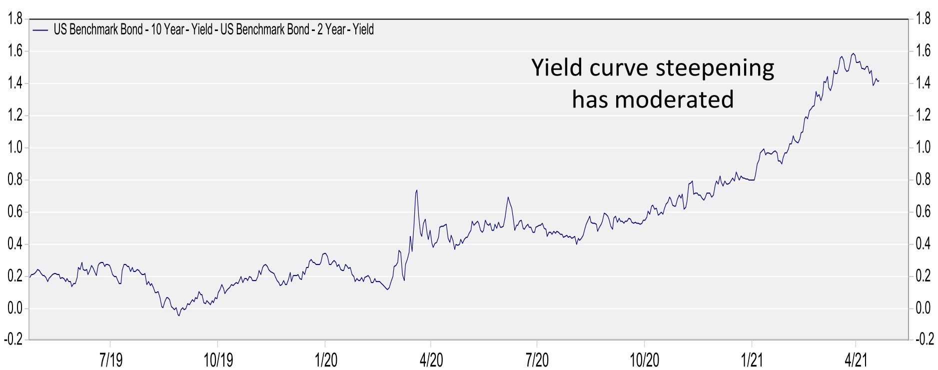
- Keep an eye on the high made on Friday at 4191, and then 4274 as potential resistance.

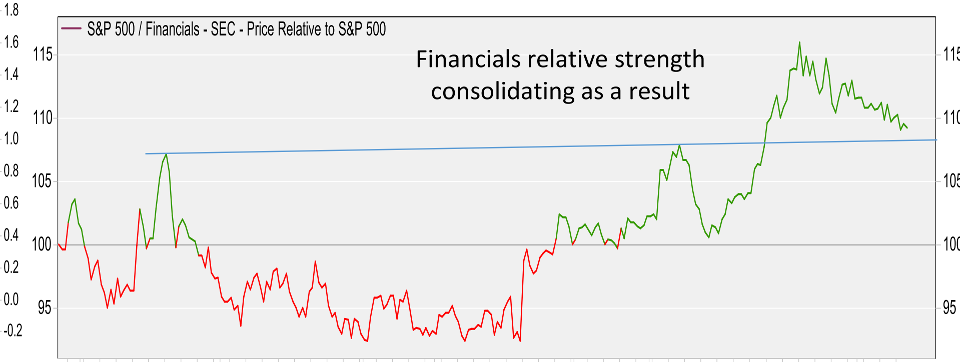
FINANCIALS

The US 10 year Treasury yield has consolidated its advance in recent weeks and is approaching technical support near the 1.5% level. This has resulted in a normal digestion period for financials, as the index is near its 50 DMA and relative strength trends have moderated. We would use the pullback as an opportunity to buy financials given our expectation of a robust economic recovery this year supported by stimulus, and the likelihood of higher loan growth and interest rates over the next 6-12 months. We also view valuation as attractive with the sector still trading near the lower end of its 15-year range in terms of relative P/E and relative P/Book.





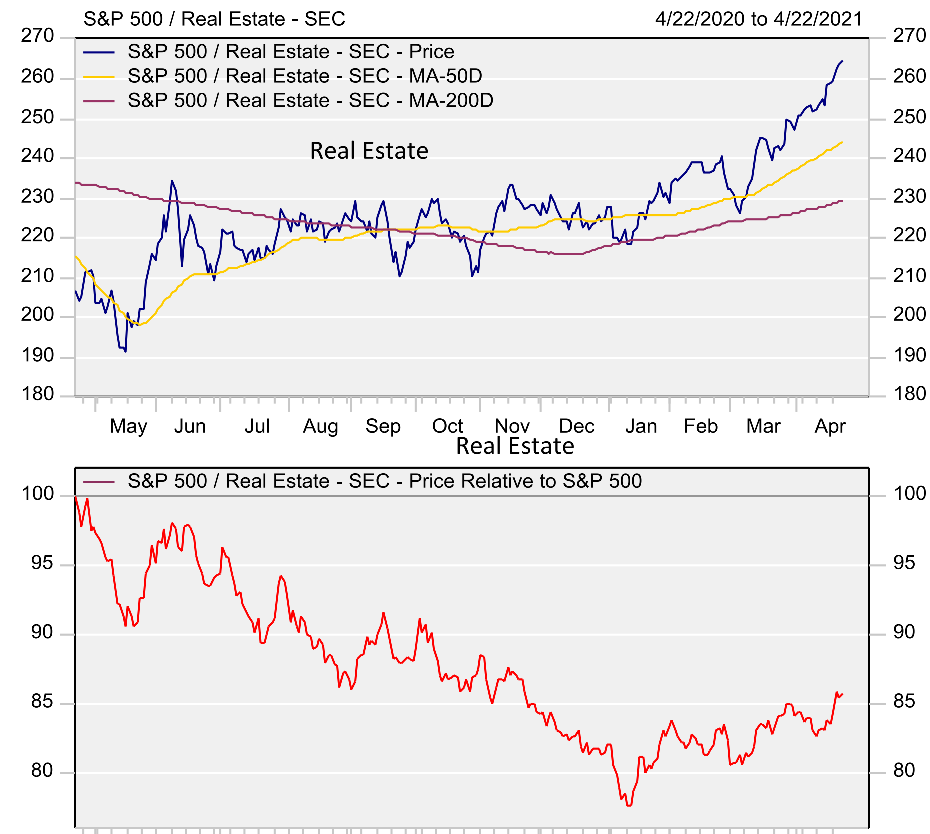




Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

INTEREST-SENSITIVE SECTORS

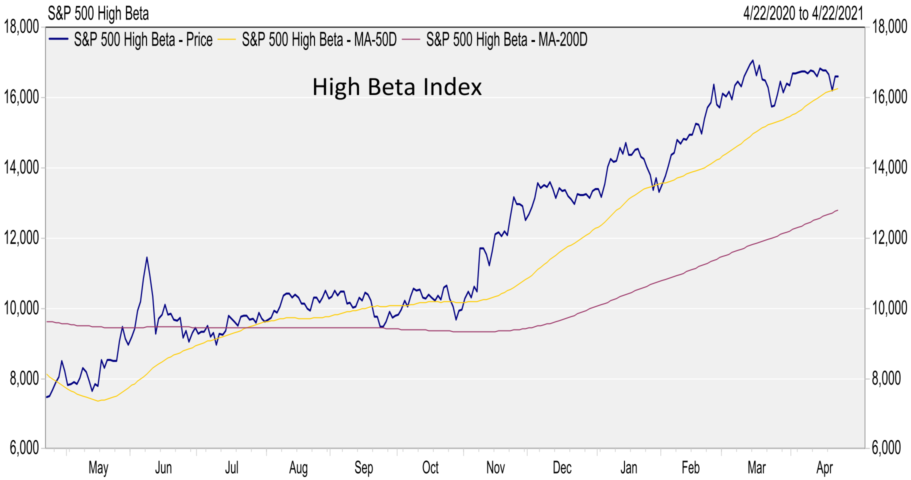
The decrease in interest rates has been a tailwind for the more interest-sensitive areas in recent weeks. Utilities and Real Estate were able to push to new highs and exhibit some relative strength. Out of the more "defensive" sectors, Real Estate is our favored due to wider variation at the individual company level, offering leverage to differing fundamental landscapes ("stock-picker's sector"). However, corporate credit spreads remain low and we ultimately believe rates are likely to rise. As such, we continue to find other sectors more attractive for the recovery ahead.

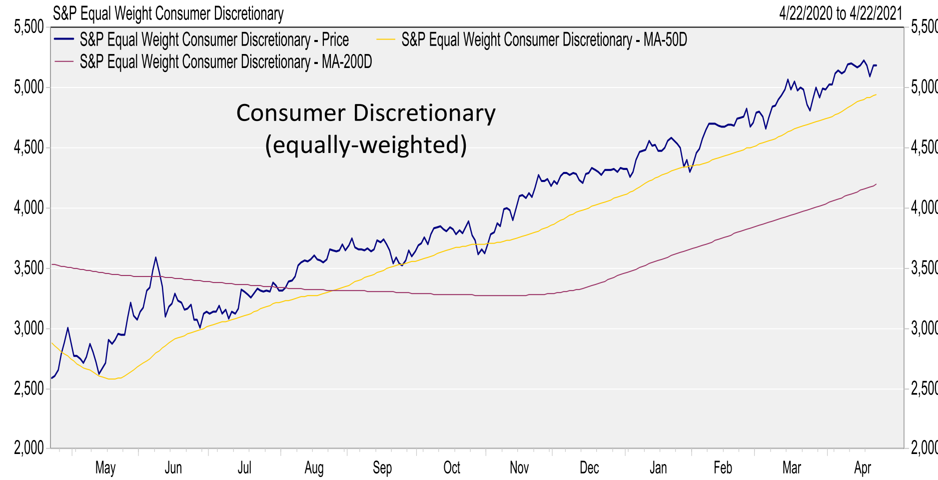


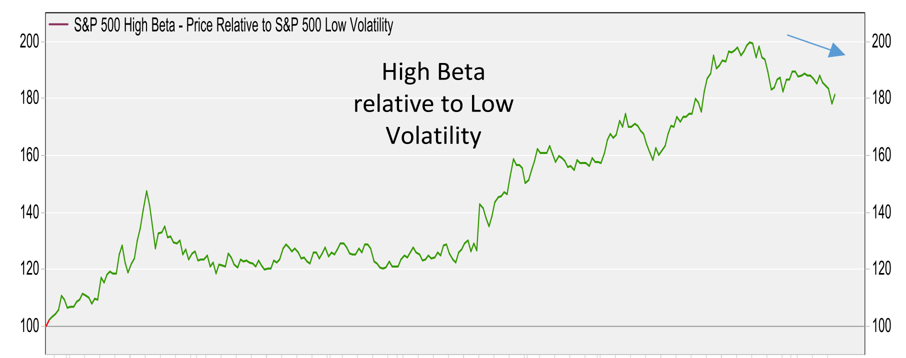
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

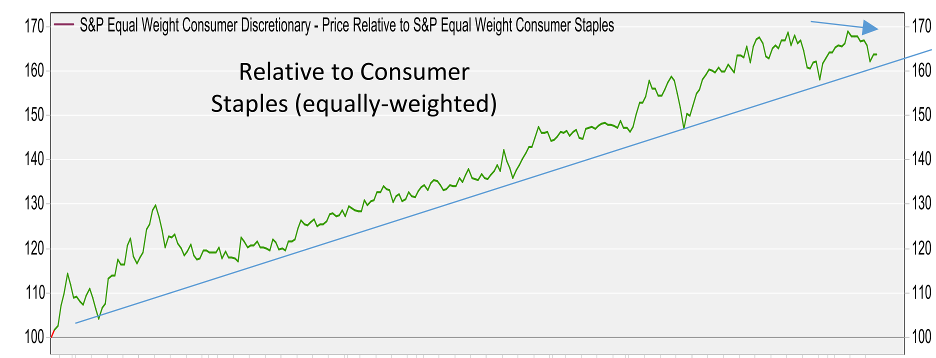
RISK BAROMETERS

Along the same lines, the high beta index has consolidated over the past month and seen a decline in relative performance vs low volatility. The "average consumer discretionary stock" has also consolidated some of its relative strength vs the "average consumer staples stock." For the market as a whole, we note the short term pick up in defensive positioning recently; but cyclical trends continue to be more favorable over the intermediate term. Overall, the technical backdrop remains solid in our view. This bodes well for performance over the next 6-12 months, and supports our view that weakness should continue to be used opportunistically.





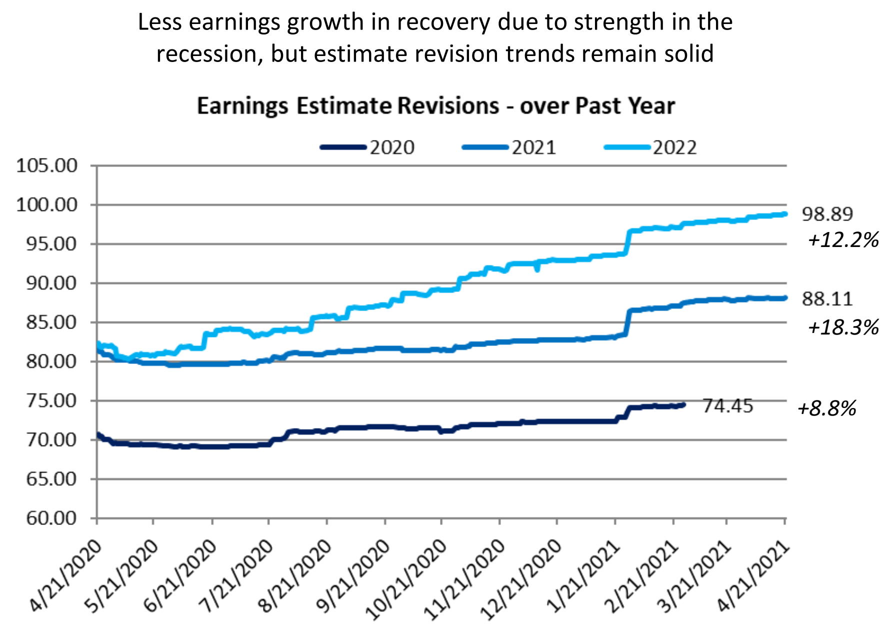




Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNOLOGY

Technology has seen good gains, but consolidating relative strength with the rise in interest rates over the past several months (due to market rotation toward cyclical vs secular growth). As rates have subsided recently, Technology has been able to break out to new highs and outperform. Many large Technology companies report Q1 results next week, and we are interested to see the market reaction. A strong quarter and price reactions could set the stage for improved Technology relative strength trends. Given Technology's size, next week's reports will also be very influential for the overall S&P 500 index.



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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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