RAYMOND JAMES

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

FEBRUARY 18, 2021 | 3:36 PM EST

Weekly Market Guide

Q4 earnings season is winding down, as 79% of S&P 500 companies and 88% of its market cap has reported up to this point. In aggregate, results have been well ahead of expectations with 79% of companies beating estimates by 15.2%. Earnings are now positive on a y/y basis, and full quarter earnings growth should finish at roughly 2% y/y in our view. Forward estimates also continue to trend higher, though the pace has slowed slightly with most companies having reported. The best forward revisions have come from Energy, Financials, Communication Services, and Technology which have also been some of the best performing year-to-date. These fundamental and performance trends support our barbell approach to portfolio positioning- a balance between areas operating best through the pandemic and areas with the most leverage to the recovery.

Valuation ran up to elevated levels in 2020 (27.7x P/E currently), as investors discounted the eventual recovery along with unprecedented levels of stimulus and record low interest rates. As earnings growth turns positive y/y, the economic recovery gains steam, and interest rates tick higher, valuation should begin to normalize. We use an above consensus 2021 earnings estimate of $175, and apply a 23x P/E multiple for our base case S&P 500 target of 4025. However our bias is higher, considering momentum seen in the economic and fundamental recovery along with the likelihood for additional massive stimulus. $1.9T in fiscal stimulus is currently being discussed with an also enormous infrastructure spending package likely to follow it. Additionally, with encouraging trends in the virus spread, vaccine rollout, and an accommodative Fed, we believe economic growth is likely to surprise to the upside this year. Our current $175 earnings estimate assumes ~4.5% US GDP this year, while our bull case scenario of closer to ~6.5% US GDP could become closer to the base case if these enormous stimulus numbers come to fruition- which would result in our earnings estimate being closer to $190.

Technically, the S&P 500 has seen a slight consolidation recently with rolling pullbacks beneath the surface. Also as the S&P 500 index moved to new highs, the percentage of stocks above their 50 day moving average made a lower high. This can often be a precursor to a consolidation period and raises the odds of a pause or pullback (even if minor). As has been the case in recent months, these rolling pullbacks could be seen more at the individual stock and sector level. We view consolidations as normal and healthy, particularly given the strong gains in recent months and solid longer term technical backdrop (87% of stocks above their 200 DMA). This provides support to buying pullbacks, and we see many stocks not extended and close to support levels. We recommend accumulating favored areas as these rolling pullbacks occur beneath the surface.

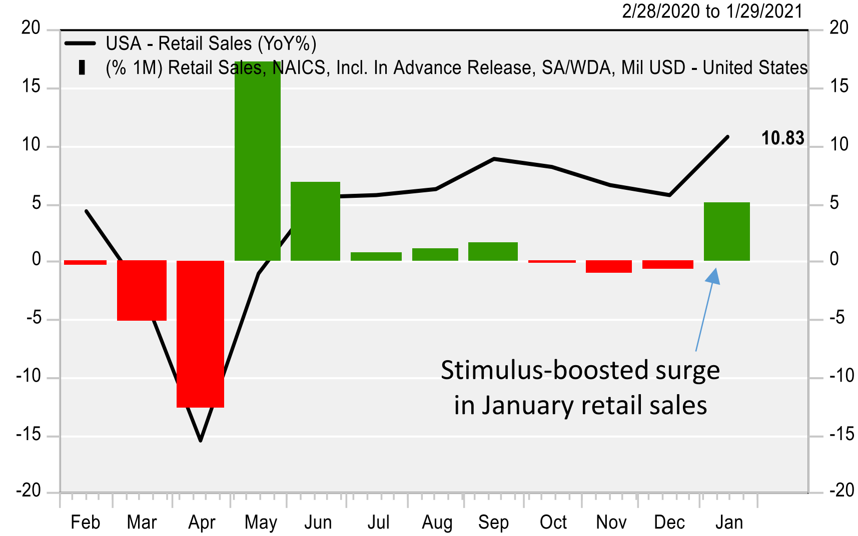
Equity Market Indices	Price Return Year to Date	Price Return 12 Months
S&P 500	4.7%	16.3%
S&P 500 (Equal-Weight)	5.9%	14.3%
Dow Jones Industrial Avg	3.3%	7.5%
NASDAQ Composite	8.4%	43.5%
Russell 2000	14.2%	33.7%
MSCI All-Cap World	5.6%	17.7%
MSCI Developed Markets	4.0%	10.1%
MSCI Emerging Markets	11.9%	30.6%
NYSE Alerian MLP	11.9%	-23.1%
MSCI U.S. REIT	4.5%	-12.3%

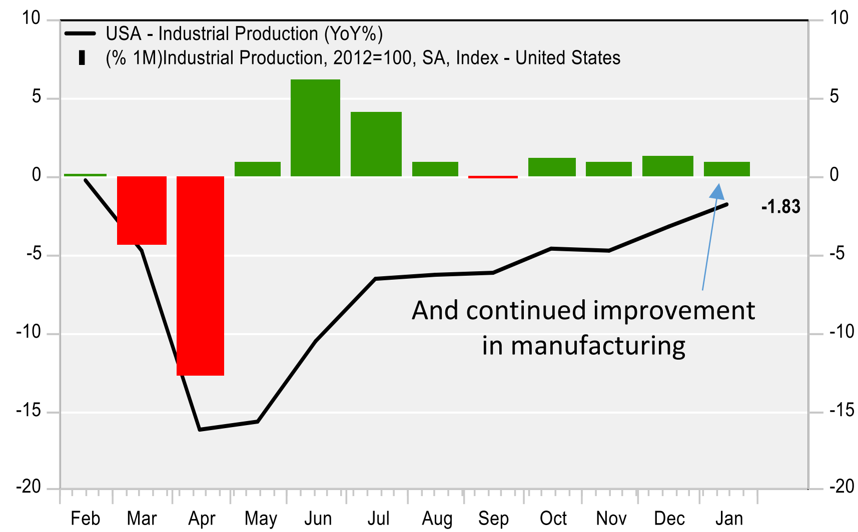
S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Energy	21.5%	2.7%
Financials	8.9%	10.8%
Communication Svcs.	8.0%	11.1%
Consumer Discretionary	5.3%	12.7%
Information Technology	4.8%	27.8%
S&P 500	***4.7%***	-
Real Estate	3.8%	2.4%
Health Care	2.5%	13.2%
Materials	2.2%	2.6%
Industrials	1.4%	8.1%
Utilities	-1.6%	2.6%
Consumer Staples	-2.8%	6.0%

MACRO: US

January retail sales surged 5.3% m/m, well above consensus estimates of 1.0% and the first positive m/m reading since September. $900B in fiscal stimulus contributed to the strength, and this reading puts upside pressure on Q1 GDP estimates. Additionally, Congress remains in discussions over the next round of stimulus ($1.9T proposed), and a vote could come by end of the month. A relaxing of stay-at-home measures in January also likely boosted spending, and we are encouraged over the progress of new cases, hospitalizations, and vaccinations. The daily number of new Covid cases is down 69% since the peak in early January and hospitalizations are subsequently down 50%, while over 10% of the US population has received at least one dose of the vaccine already (according to the CDC). While we remain positive on the path to a reopening and economic recovery, we also need to monitor inflation. Producer price inflation also showed an upside surprise in January (up to 1.7% y/y), and we believe inflation could surprise to the upside in coming months (from a very low base one year ago). That said, the Fed has given the message of looking through short term spikes that could come, and focusing on sustainable trends in inflation (which remain low for now)- reducing concerns over a tightening in monetary conditions.

US Economic Data This Week	Period	Actual	Consensus	Prior
Michigan Sentiment NSA (Preliminary)	FEB	76.2	80.5	79.0
PPI ex-Food & Energy SA M/M	JAN	1.2%	0.20%	0.10%
PPI ex-Food & Energy NSA Y/Y	JAN	2.0%	1.1%	1.2%
PPI SA M/M	JAN	1.3%	0.40%	0.30%
PPI NSA Y/Y	JAN	1.7%	0.90%	0.76%
Retail sales Ex AutoFuel M/M	JAN	6.1%	0.85%	-2.5%
Retail Sales ex-Auto SA M/M	JAN	5.9%	1.0%	-1.8%
Retail Sales SA M/M	JAN	5.3%	1.0%	-1.0%
Capacity Utilization NSA	JAN	75.6%	74.9%	74.9%
Industrial Production SA M/M	JAN	0.90%	0.50%	1.3%
NAHB Housing Market Index SA	FEB	84.0	82.5	83.0
Building Permits SAAR (Preliminary)	JAN	1,881K	1,672K	1,704K
Continuing Jobless Claims SA	02/06	4,494K	4,457K	4,558K
Housing Starts SAAR	JAN	1,580K	1,658K	1,680K
Housing Starts M/M	JAN	-6.0%	0.10%	8.2%
Initial Claims SA	02/13	861.0K	773.0K	848.0K



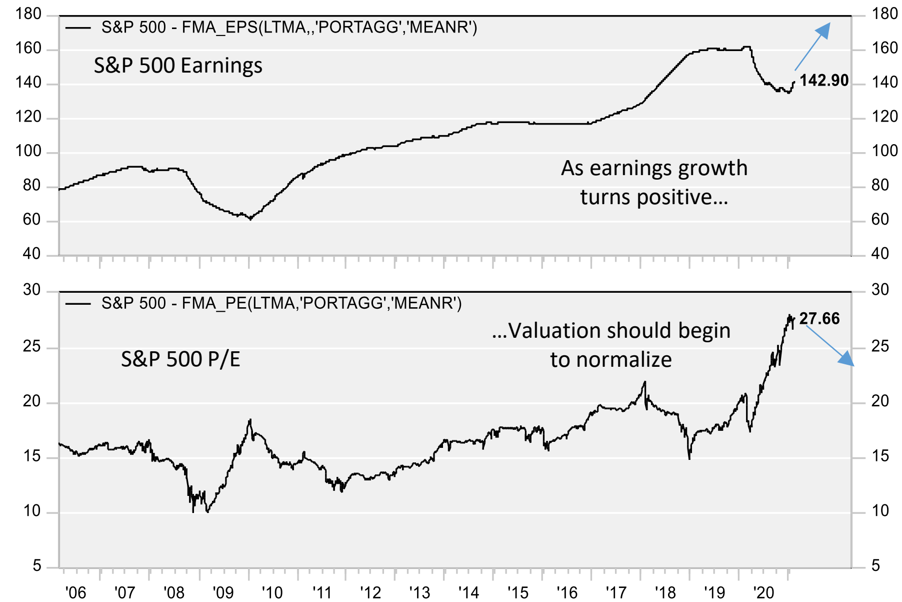


Source: FactSet, CDC.gov, Raymond James Equity Portfolio & Technical Strategy

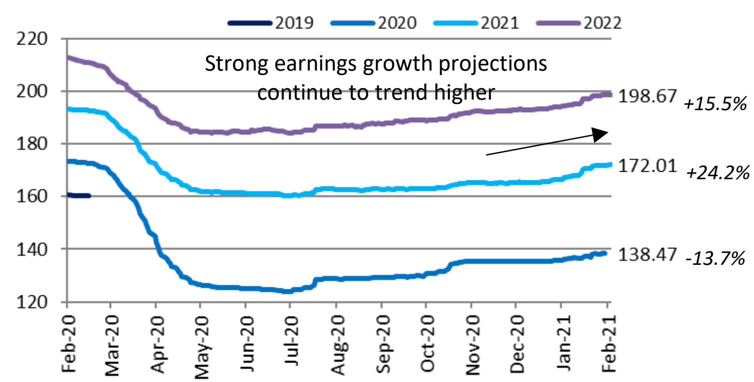
FUNDAMENTALS

Q4 earnings season is winding down, as 79% of S&P 500 companies and 88% of its market cap has reported up to this point. In aggregate, results have been well ahead of expectations with 79% of companies beating estimates by 15.2%. Earnings are now positive on a y/y basis, and full quarter earnings growth should finish at roughly 2% y/y in our view. Forward estimates also continue to trend higher, though the pace has slowed slightly with most companies having reported. The best forward revisions have come from Energy, Financials, Communication Services, and Technology which have also been some of the best performing year-to-date. These fundamental and performance trends support our barbell approach to portfolio positioning- a balance between areas operating best through the pandemic and areas with the most leverage to the recovery.

Valuation ran up to elevated levels in 2020 (27.7x P/E currently), as investors discounted the eventual recovery along with unprecedented levels of stimulus and record low interest rates. As earnings growth turns positive y/y, the economic recovery gains steam, and interest rates tick higher, valuation should begin to normalize. We use an above consensus 2021 earnings estimate of $175, and apply a 23x P/E multiple for our base case S&P 500 target of 4025. We have a bias higher, which is discussed further on the next page.



S&P 500 Consensus Earnings Estimates over Past Year

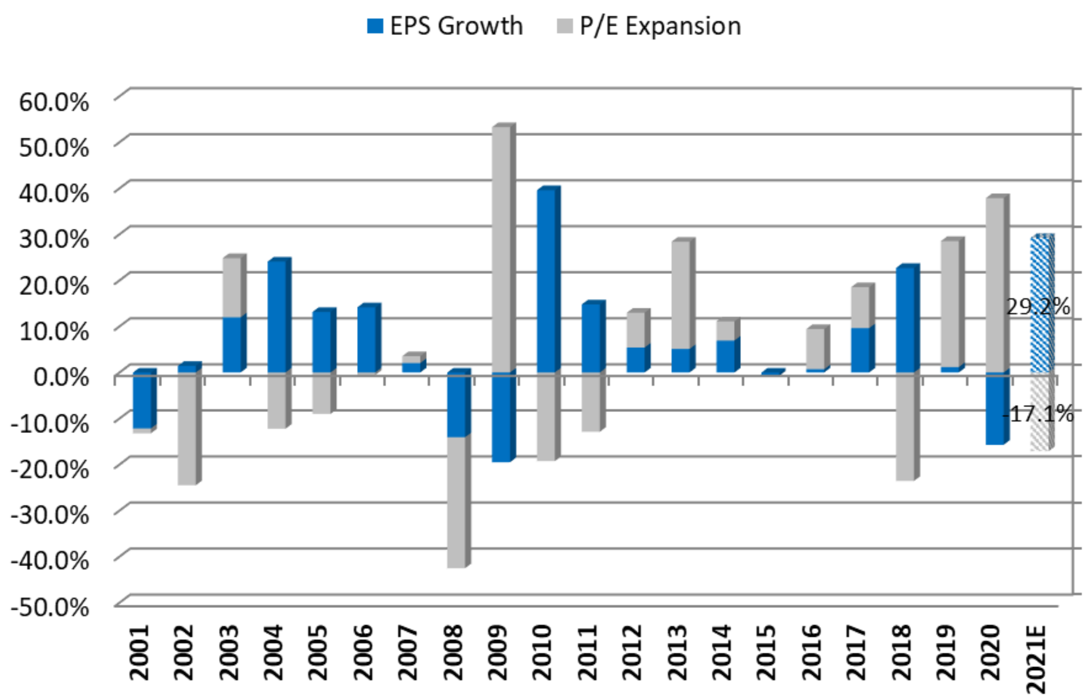


S&P 500 Sector	% Q4 Est. EPS Growth	% EPS Surprise	% Companies w/ Beats	Est. Change Since 1/14/21 Q4'20	Est. Change Since 1/14/21 2021
S&P 500	**0.9**	**15.2**	**79**	**12.6%**	**3.3%**
Materials	19.4	9.8	71	9.2%	4.3%
Financials	18.2	25.8	83	24.4%	6.2%
Information Technology	18.1	16.4	90	14.4%	4.5%
Health Care	11.3	6.4	80	5.4%	2.3%
Communication Services	9.4	26.0	95	26.1%	5.6%
Consumer Staples	5.3	7.1	76	3.8%	0.6%
Utilities	-4.5	2.4	56	1.4%	0.3%
Real Estate	-5.8	6.0	57	4.7%	0.8%
Consumer Discretionary	-8.9	46.7	74	27.6%	1.0%
Industrials	-55.3	-31.4	81	-28.9%	-2.7%
Energy	-104.3	-32.3	62	-23.8%	17.2%

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

CASE BUILDING FOR FUNDAMENTAL UPSIDE TO ESTIMATES

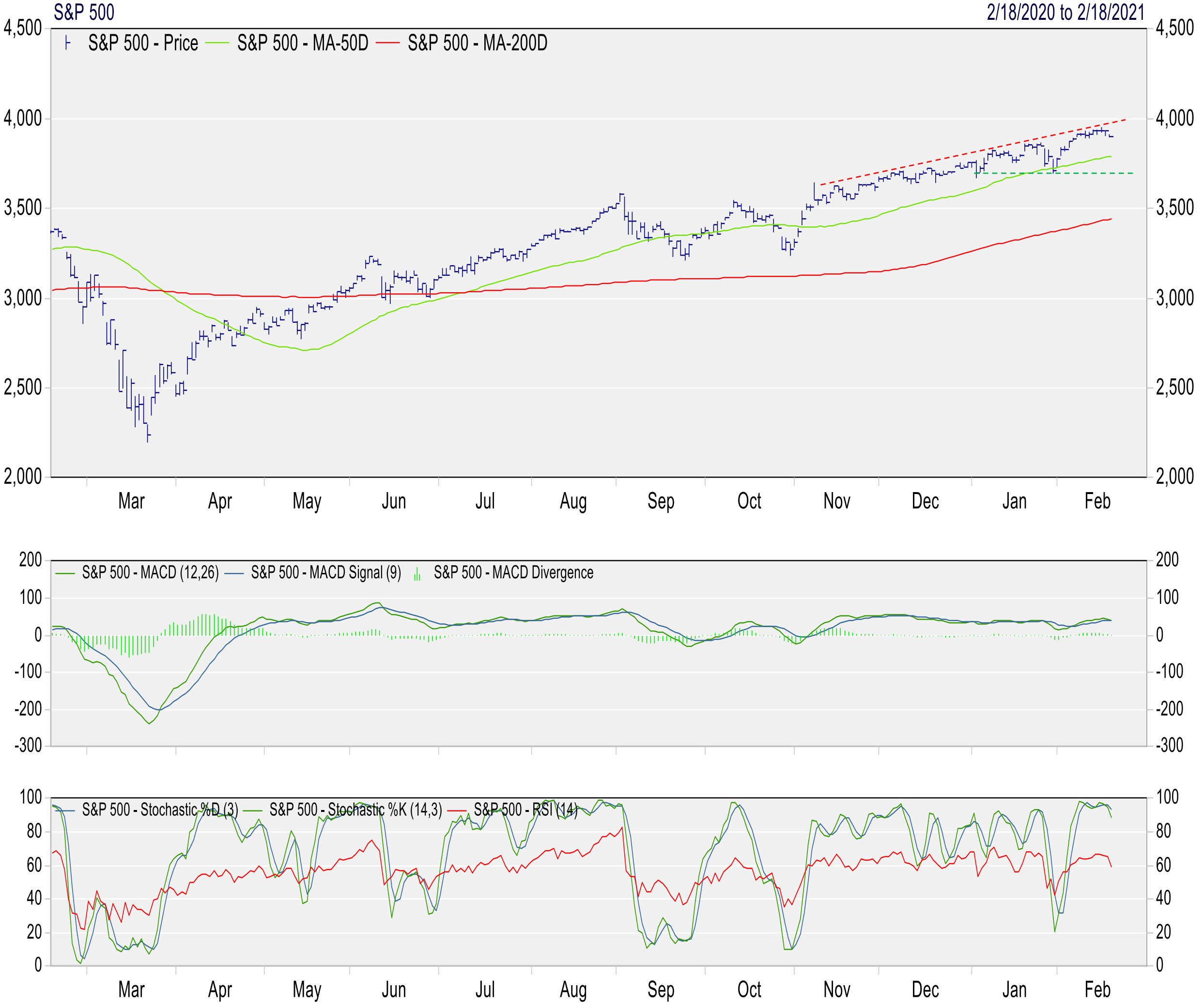
As mentioned on the previous page, our 2021 base case S&P 500 earnings estimate is $175. However our bias is higher, considering momentum seen in the economic and fundamental recovery along with the likelihood for additional massive stimulus. $1.9T in fiscal stimulus is currently being discussed with an also enormous infrastructure spending package likely to follow it. Additionally, with encouraging trends in the virus spread, vaccine rollout, and an accommodative Fed, we believe economic growth is likely to surprise to the upside this year. Our current $175 earnings estimate assumes ~4.5% US GDP this year, while our bull case scenario of closer to ~6.5% US GDP could become closer to the base case if these enormous stimulus numbers come to fruition- which would result in our earnings estimate being closer to $190. With an accommodative Fed and very low interest rates, we also remain of the view that valuation can remain elevated (albeit lower than current levels). Thus, it will be important for earnings to drive market returns this year in our view, and we believe that strong earnings growth will outweigh multiple contraction. This relationship between earnings and P/E growth historically is shown below, along with our base case estimates for 2021. As noted, our bias is higher for earnings growth in 2021 at this time. This provides greater upside to equities and added support to buying pullbacks, as $190 EPS and 22x P/E results in 4180 (7% upside from current levels before dividends).



	EPS Growth	P/E Expansion	Price Return
2021E	*29.2%*	*-17.1%*	*7.2%*
2020	-15.7%	37.9%	16.3%
2019	1.2%	27.4%	28.9%
2018	22.7%	-23.5%	-6.2%
2017	9.6%	8.9%	19.4%
2016	0.7%	8.7%	9.5%
2015	-0.6%	-0.1%	-0.7%
2014	6.9%	4.2%	11.4%
2013	5.1%	23.3%	29.6%
2012	5.4%	7.5%	13.4%
2011	14.8%	-12.9%	0.0%
2010	39.6%	-19.2%	12.8%
2009	-19.5%	53.3%	23.5%
2008	-14.0%	-28.4%	-38.5%
2007	2.0%	1.5%	3.5%
2006	14.1%	-0.5%	13.6%
2005	13.2%	-9.0%	3.0%
2004	24.1%	-12.2%	9.0%
2003	12.0%	12.9%	26.4%
2002	1.4%	-24.4%	-23.4%
2001	-12.1%	-1.1%	-13.0%

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: S&P 500



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

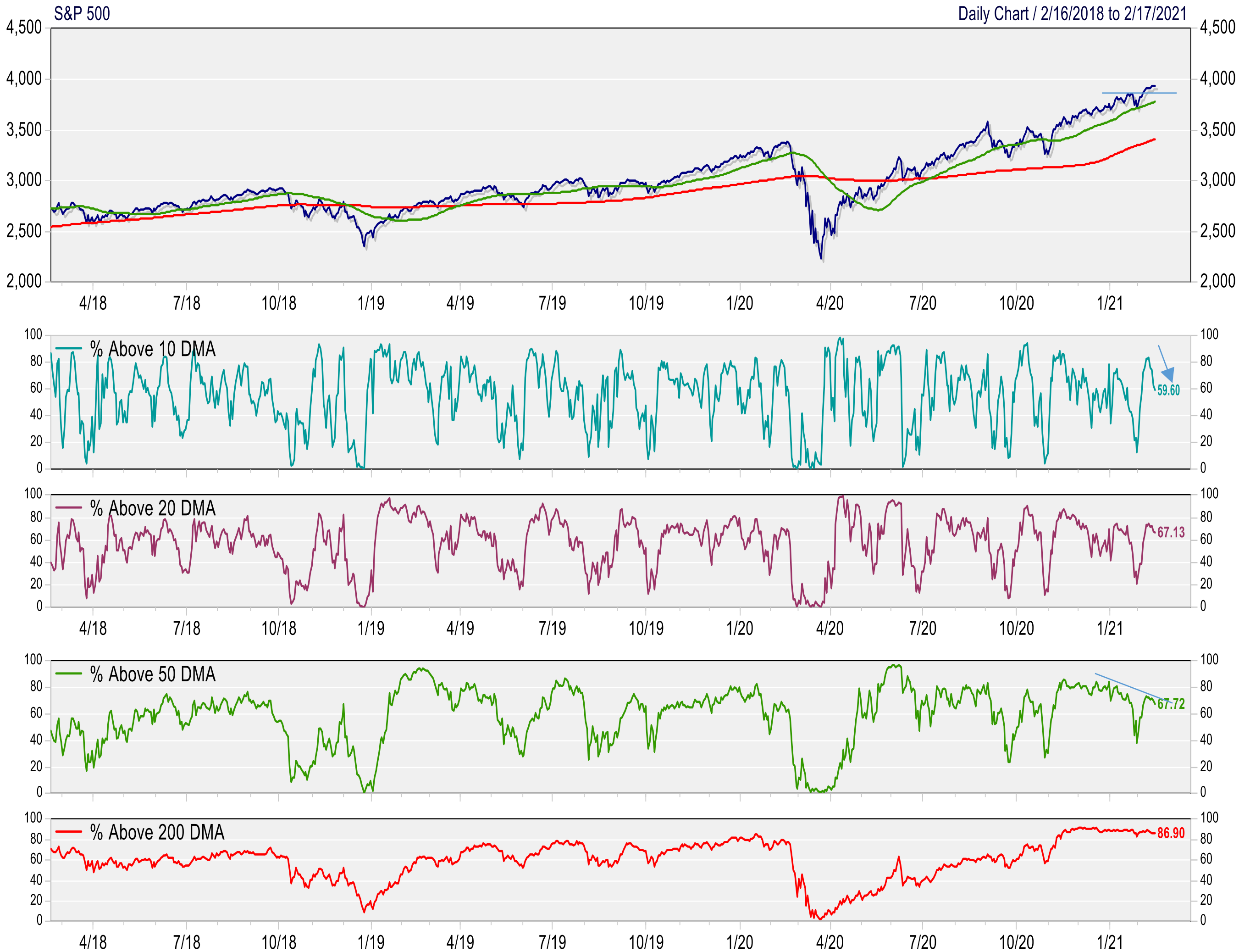
The S&P 500 has seen a slight consolidation over the past week after reaching the upper-end of its trend channel in place since early November. With short term stochastics turning lower from overbought levels, we believe this consolidation could continue in the short term.

There has been a slight fading of stocks above their 10 day moving average and a lower top for stocks above their 50 DMA as the overall S&P 500 index moved higher. This can often be a precursor to a consolidation period and raises the odds of a pause or pullback (even if minor).

This is also likely to be seen more at the stock and sector level, which has been the case in recent months. Look to accumulate favored areas as this takes place.

We will be monitoring technical resistance at the upper-end of this trend channel (~4000). For initial downside support, monitor the 50DMA (3784), followed by ~3665.

MARKET BREADTH



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

As mentioned on the previous page, there has been a fading of stocks above their 10 day moving average this week, suggesting rolling pullbacks beneath the surface.

Additionally, as the S&P 500 index moved to new highs recently, the percentage of stocks above their 50 day moving average made a lower high. This can often be a precursor to a consolidation period and raises the odds of a pause or pullback (even if minor).

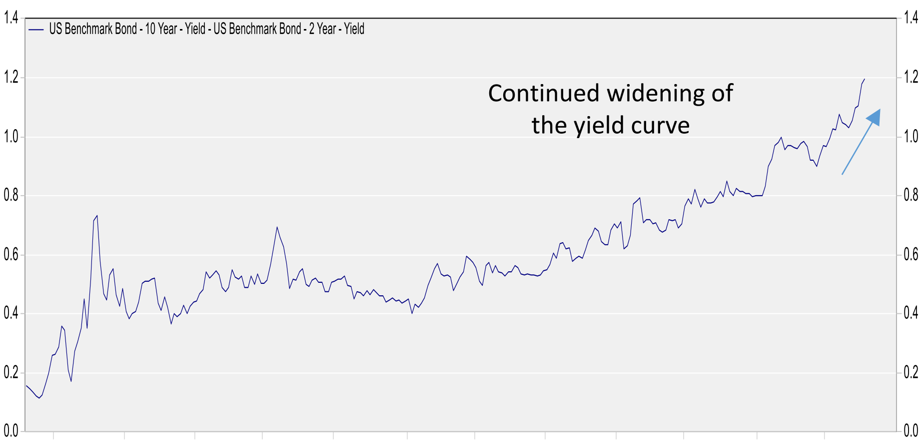
As has been the case in recent months, these rolling pullbacks could also be seen more at the individual stock and sector level.

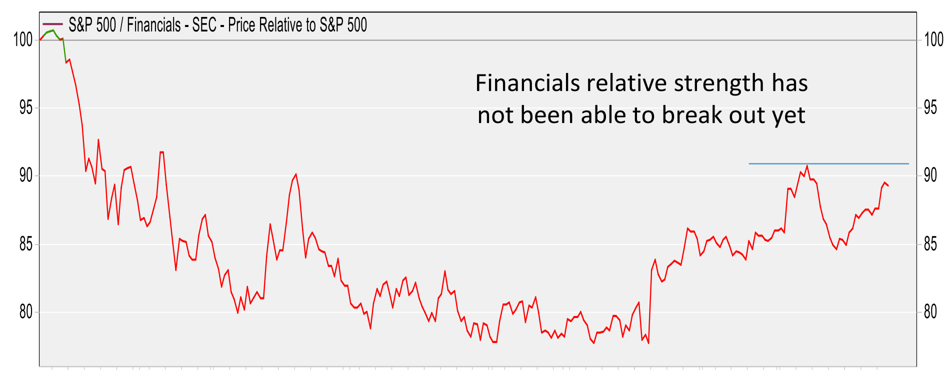
We view consolidations as normal and healthy, particularly given the strong gains in recent months and solid longer term technical backdrop (87% of stocks above their 200 DMA).

This provides support to buying pullbacks. And despite an overall index that appears extended, there are many stocks not extended and closer to support levels. We recommend accumulating favored areas as these rolling pullbacks occur beneath the surface.

INTEREST RATES BREAK OUT

The US 10 year Treasury yield was able to break out to new recovery highs this week, continuing its march higher toward the 1.5% breakdown level from a year ago. The move higher was accompanied by a continued widening in the yield curve, which bodes well for Financials sector performance. However, while the sector was able to break out to new all-time highs this week, relative strength (vs the S&P 500) has not broken out yet. While a relative strength break out would add conviction toward the Financials, on the other hand an inability to break out will call into question the need to be overly aggressive with new purchases.

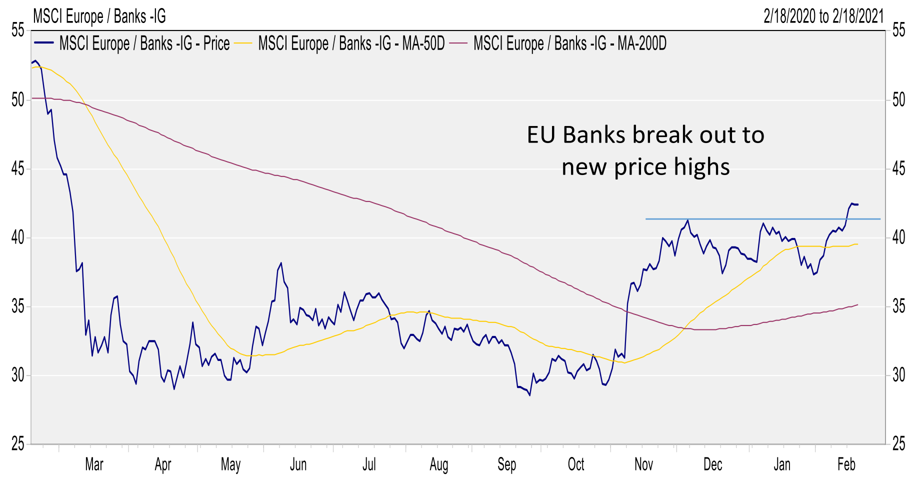


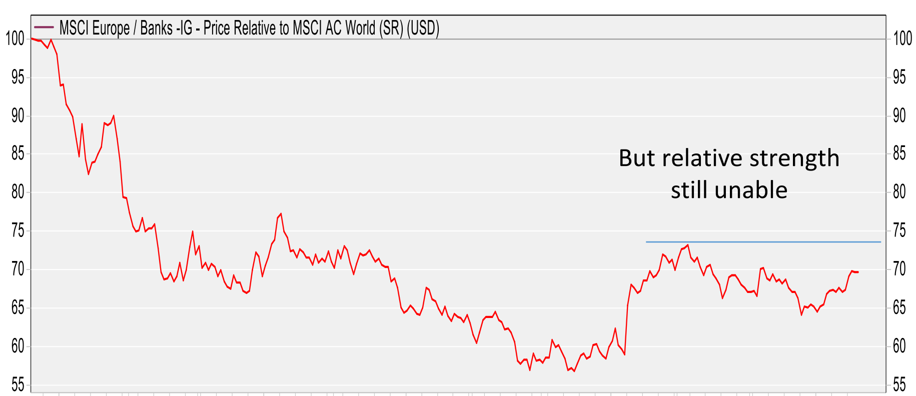


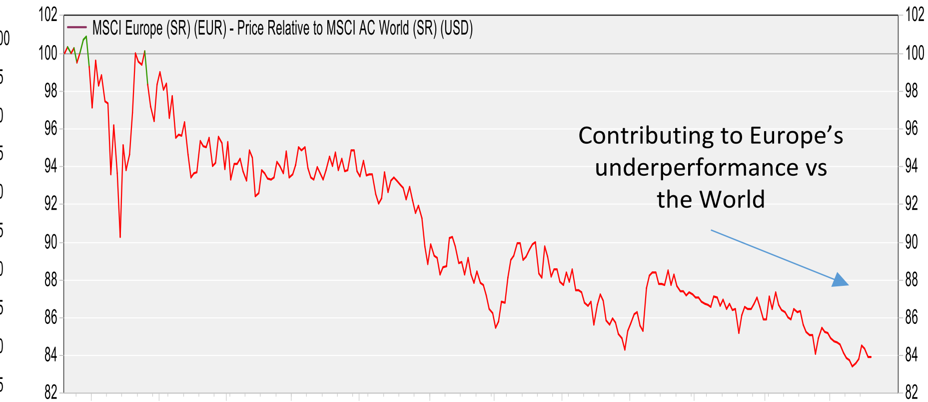
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

EU BANKS

Like the US Financials sector, EU banks broke out to new price highs this week, but have been unable to on a relative basis. With the Financials sector being such a large weighting of the Europe index, underperformance from the banks has weighed on EU relative strength trends vs. the World. Accordingly, if EU banks are able to show upside momentum in relative strength, this is likely to improve the backdrop of Europe trends vs. the World. For now, these relative strength trends remain negative- supporting our favored areas globally of the US and Emerging Markets.



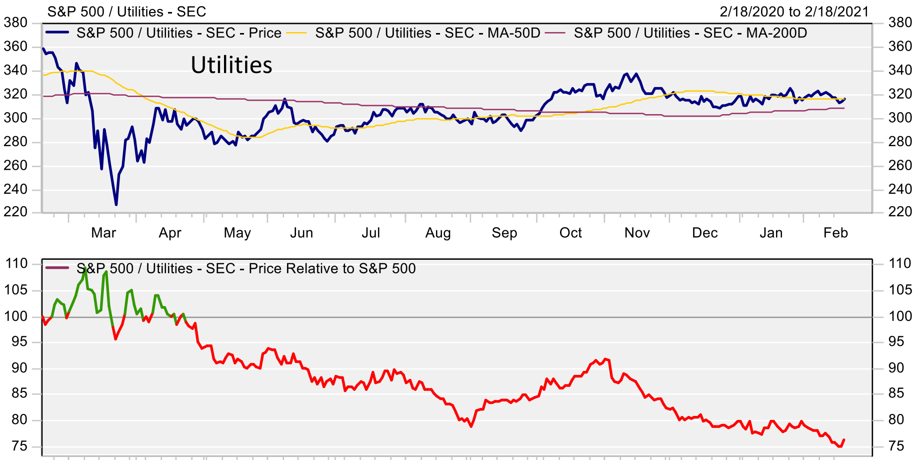


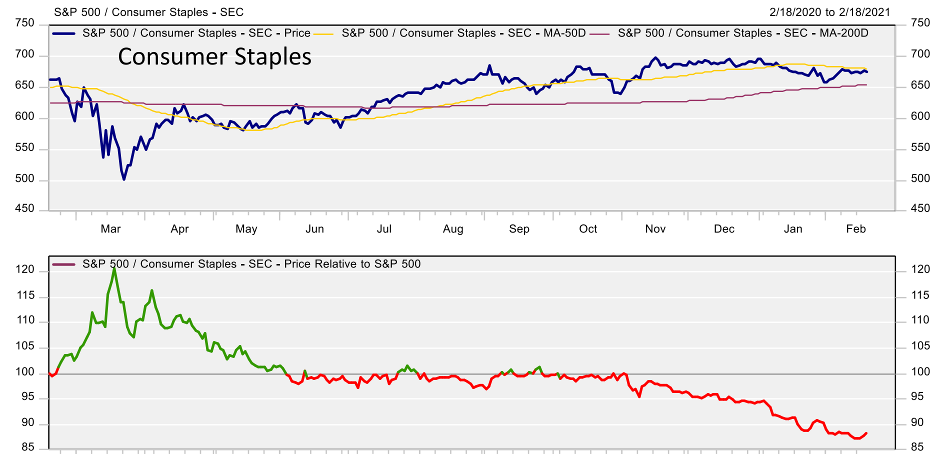


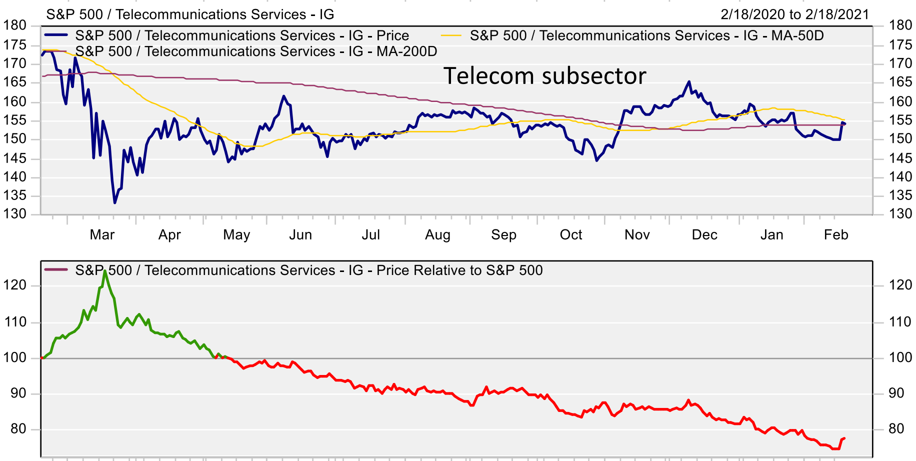
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

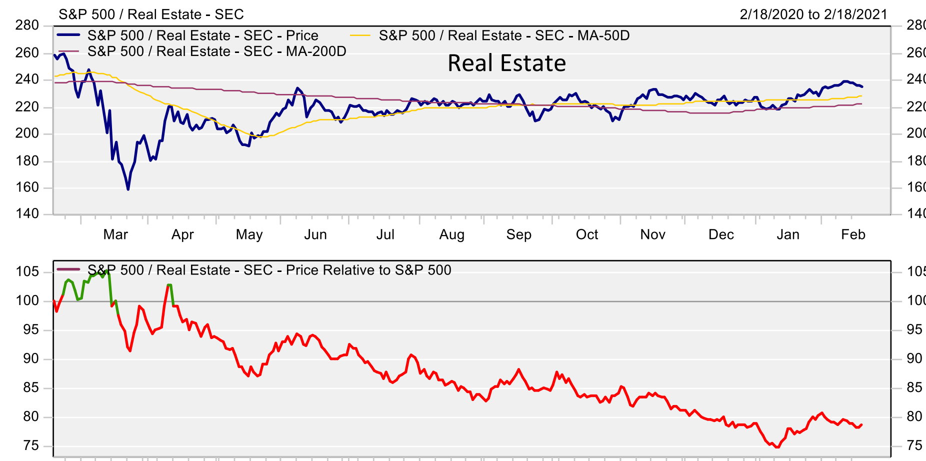
CONTINUED UNDERPERFORMANCE BY MORE INTEREST-SENSITIVE AREAS

The rise in rates is also a headwind to the more interest rate sensitive areas due to their slower growth and higher yields, i.e. Utilities, old Telecom, Real Estate, and Consumer Staples. All of these sectors saw relative strength break to new lows with the move higher in rates, with the exception of Real Estate- supporting our generally underweight view on these areas (and rising interest in Real Estate among this group).





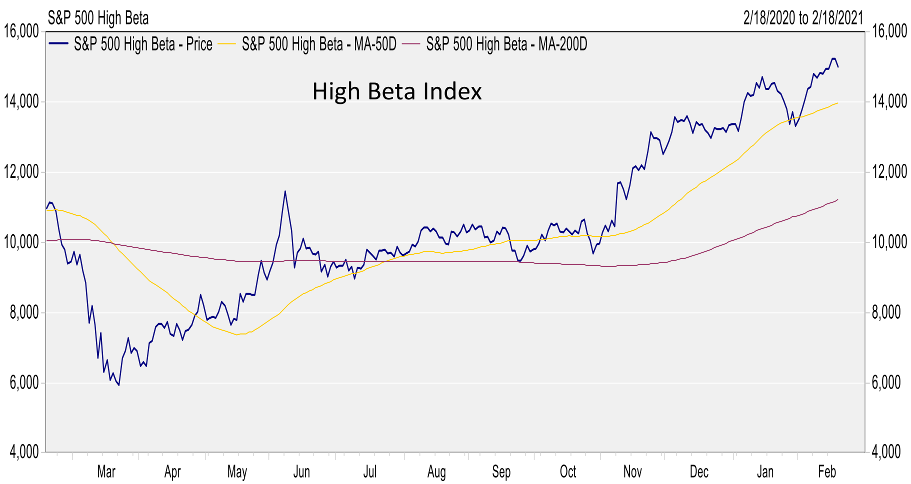


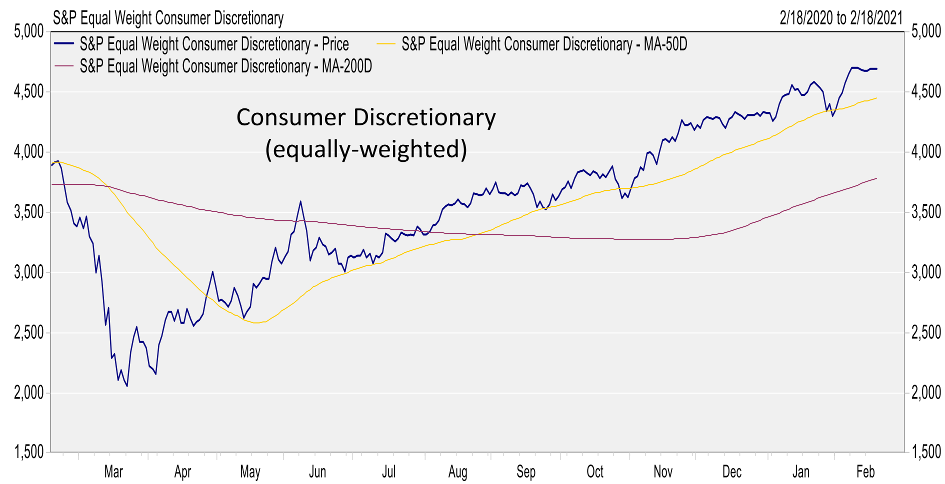


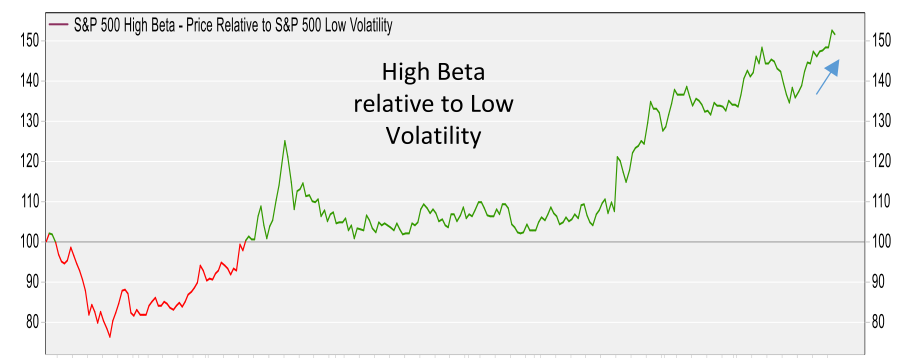
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

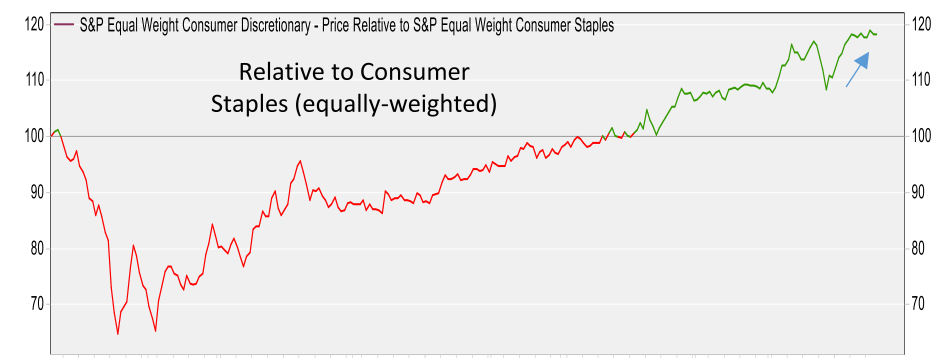
CYCLICALITY

The high beta index broke out in price and relative to low volatility this week, continuing the strong trends in place since positive vaccine data in early November. We believe this bodes well for continued accumulation of cyclicality vs defensive positioning in portfolios. Additionally, equal weight consumer discretionary broke out to relative highs vs consumer staples. This not only supports our view toward cyclicality, but also our overweight recommendation on the consumer discretionary sector. The large gain in January retail sales, along with likelihood of additional fiscal stimulus and economic reopening as 2021 transpires, are both tailwinds to consumer spending and Consumer Discretionary performance in our view.









Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

M21-3458069

IMPORTANT INVESTOR DISCLOSURES

This material is being provided for informational purposes only. Expressions of opinion are provided as of the date above and subject to change. Any information should not be deemed a recommendation to buy, hold or sell any security. Certain information has been obtained from third-party sources we consider reliable, but we do not guarantee that such information is accurate or complete. This report is not a complete description of the securities, markets, or developments referred to in this material and does not include all available data necessary for making an investment decision. Prior to making an investment decision, please consult with your financial advisor about your individual situation. Investing involves risk and you may incur a profit or loss regardless of strategy selected. There is no guarantee that the statements, opinions or forecasts provided herein will prove to be correct.

Sector investments are companies engaged in business related to a specific sector. They are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification.

Commodities and currencies investing are generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

Links to third-party websites are being provided for informational purposes only. Raymond James is not affiliated with and does not endorse, authorize, or sponsor any of the listed websites or their respective sponsors. Raymond James is not responsible for the content of any third-party website or the collection or use of information regarding any websites users and/or members.

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.

International Disclosures

For clients in the United Kingdom:

For clients of Raymond James Financial International Limited (RJFI): This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in the FCA rules or persons described in Articles 19(5) (Investment professionals) or 49(2) (high net worth companies, unincorporated associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended)or any other person to whom this promotion may lawfully be directed. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is, therefore, not intended for private individuals or those who would be classified as Retail Clients.

For clients of Raymond James Investment Services, Ltd.: This document is for the use of professional investment advisers and managers and is not intended for use by clients.

For clients in France:

This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in "Code Monetaire et Financier" and Reglement General de l'Autorite des marches Financiers. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is, therefore, not intended for private individuals or those who would be classified as Retail Clients.

For clients of Raymond James Euro Equities: Raymond James Euro Equities is authorised and regulated by the Autorite de Controle Prudentiel et de Resolution and the Autorite des Marches Financiers.

For institutional clients in the European Economic rea (EE) outside of the United Kingdom:

This document (and any attachments or exhibits hereto) is intended only for EEA institutional clients or others to whom it may lawfully be submitted.

For Canadian clients:

This document is not prepared subject to Canadian disclosure requirements, unless a Canadian has contributed to the content of the document. In the case where there is Canadian contribution, the document meets all applicable IIROC disclosure requirements.

Broker Dealer Disclosures

Securities are: NOT Deposits • NOT Insured by FDIC or any other government agency • NOT GUARANTEED by the bank • Subject to risk and may lose value