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Weekly Market Guide

Short-Term Summary: Following a three-week rally of 9% that put the index within just 1.5% of previous highs, the S&P 500 has consolidated slightly in recent days. We view the price action of the S&P 500 since the early September highs as a normal digestion of previous strength and are encouraged by investor conviction to continue buying the pullbacks. The potential for choppiness in the short term is there- overbought conditions, impasse on stimulus talks, and the upcoming election to name a few. However, we remain positive on equities over the intermediate term due to expectations of positive vaccine/therapeutic news flow, unprecedented stimulus, and record low interest rates fueling the economic and fundamental recovery over the next 12 months.

Additionally, overall technical trends remain very positive. We note that the percentage of S&P 500 stocks above their 10 day moving average reached 94% in the recent rally. This is not a common occurrence over the past 20 years; and when it has occurred, average returns and win rates (probability of being positive) over the next 1, 3, 6, and 12 months have been significantly better than normal. For example, when the reading has reached >90%, the S&P 500 has averaged a 13.7% return over the next 12 months (with a 94% win rate)- comparing favorably to the 5.6% average return and 75% win rate in all periods.

Earnings season began this week and so far results have been much better than estimates. Only 17 S&P 500 companies have reported thus far (majority of them Financials) but the average surprise has been 19%. This has put upward pressure on S&P 500 earnings estimates for the full quarter which have been revised up 2.1% already. This is a strong start as the 5-year average earnings surprise has been 5.6% for the full quarter, and particularly when factoring in the positive estimate revisions heading into results. On average over the past 15 years, estimates for the quarter have been reduced -5% only for earnings to "beat" these downwardly revised estimates, whereas estimates this quarter actually trended 5% higher. Despite this, the average price reaction for stocks on their earnings so far has been just -1.9%, but we believe this is more a function of the market's recent strength into results. Overall, we expect favorable earnings trends to continue.

We continue to favor large cap growth. The small caps are improving but relative strength trends keep us from becoming too aggressive yet. We still like the Technology, Communication Services, Health Care, and Consumer Discretionary sectors, along with adding exposure to Industrials and Materials. Also, the emerging markets are giving a price breakout; and we would continue to accumulate on positive intermediate term trends supported by our expectations for a lower US dollar and global economic recovery in the year ahead.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
S&P 500	8.0%	17.6%
S&P 500 (Equal-Weight)	-2.1%	6.0%
Dow Jones Industrial Avg	-0.1%	6.4%
NASDAQ Composite	31.2%	46.2%
Russell 2000	-2.8%	7.7%
MSCI All-Cap World	3.8%	12.7%
MSCI Developed Markets	-6.3%	0.9%
MSCI Emerging Markets	1.9%	11.6%
NYSE Alerian MLP	-45.1%	-46.0%
MSCI U.S. REIT	-17.0%	-18.2%

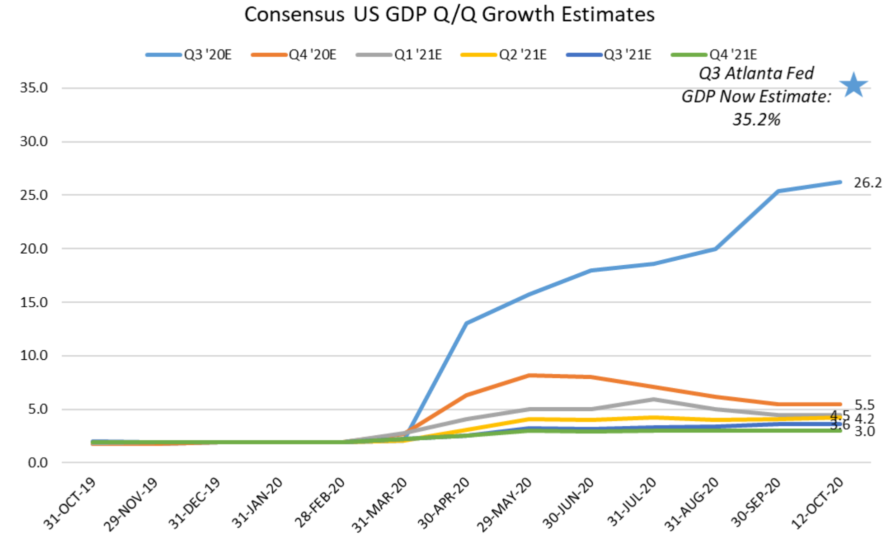
S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Information Technology	33.2%	28.3%
Consumer Discretionary	28.7%	11.7%
Communication Svcs.	11.0%	10.7%
S&P 500	***8.0%***	-
Materials	7.5%	2.6%
Health Care	5.5%	14.0%
Consumer Staples	5.2%	7.0%
Industrials	-0.8%	8.4%
Utilities	-1.9%	3.1%
Real Estate	-7.0%	2.6%
Financials	-19.5%	9.6%
Energy	-49.3%	2.0%

Source: FactSet, RJ Equity Portfolio & Technical Strategy

MACRO: US

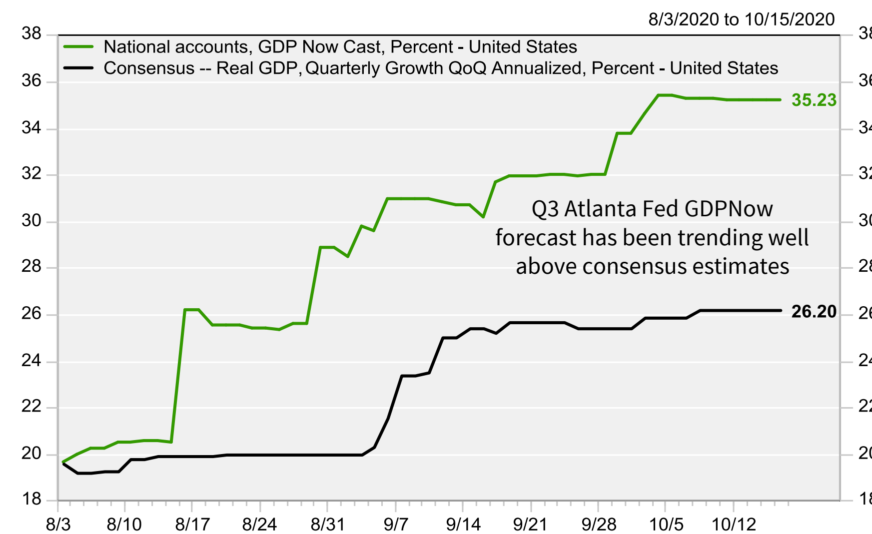
There is still plenty of September data before Q3 GDP growth is reported in two weeks (i.e. September retail sales and industrial production come out tomorrow), but the Atlanta Fed GDPNow reflects upside to current consensus estimates. For example, growth is expected to rebound sharply in Q3 following -31.4% q/q during the Q2 economic shutdown. The consensus estimate has trended higher, now reflecting a 26.2% q/q bounce back. And while this is strong, the Atlanta Fed GDPNow model at this time suggests growth could be closer to 35% q/q in Q3.

Overall, we remain positive on the economic recovery although we do view an economic reopening or additional fiscal stimulus as necessary. We do not expect fiscal stimulus to occur ahead of the election due to politics getting in the way of a deal, but we do expect aid to come after the election. This week, initial jobless claims ticked higher- something we will need to monitor as the jobs recovery is important for the economic recovery supporting the equity market recovery.



US economic data reported in the past week:

Event	Period	Actual	Consensus	Prior
Wholesale Inventories SA M/M (Final)	AUG	0.40%	0.50%	0.50% P
NFIB Small Business Index	SEP	104.0	-	100.2
CPI ex-Food & Energy SA M/M	SEP	0.20%	0.20%	0.40%
CPI ex-Food & Energy NSA Y/Y	SEP	1.7%	1.7%	1.7%
CPI SA M/M	SEP	0.20%	0.20%	0.40%
CPI NSA Y/Y	SEP	1.4%	1.4%	1.3%
Hourly Earnings SA M/M (Final)	SEP	0.10%	0.10%	0.10% P
Hourly Earnings Y/Y (Final)	SEP	4.7%	-	4.7% P
PPI ex-Food & Energy SA M/M	SEP	0.40%	0.20%	0.40%
PPI ex-Food & Energy NSA Y/Y	SEP	1.2%	0.95%	0.59%
PPI SA M/M	SEP	0.40%	0.20%	0.30%
PPI NSA Y/Y	SEP	0.42%	0.20%	-0.17%
Continuing Jobless Claims SA	10/03	10,018K	10,500K	11,183K R
Initial Claims SA	10/10	898.0K	825.0K	845.0K R
Empire State Index SA	OCT	10.5	14.0	17.0
Philadelphia Fed Index SA	OCT	32.3	15.0	15.0



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

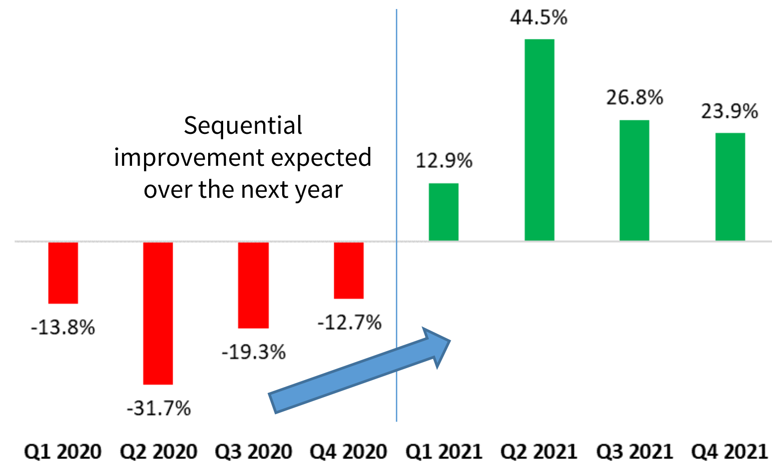
FUNDAMENTALS

Earnings season began this week and so far results have been much better than estimates. Only 17 S&P 500 companies have reported thus far (majority of them Financials) but the average earnings surprise has been 19%. This has put upward pressure on S&P 500 earnings estimates for the full quarter which have been revised up 2.1% already.

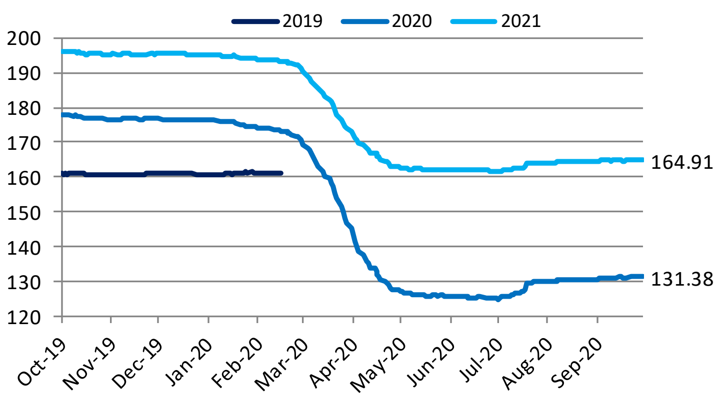
This is a strong start as the 5-year average earnings surprise has been 5.6% for the full quarter, and particularly when factoring in the positive estimate revisions heading into results. On average over the past 15 years, estimates for the quarter have been reduced -5% into earnings, only for results to "beat" these downwardly revised estimates. Leading into this quarter, estimates actually trended a solid 5% higher- making upward surprises all the more impressive.

Despite this, the average price reaction for stocks on their announcement has been just -1.9% so far, but we believe this is more a function of the market's recent strength into results. Overall, we expect favorable earnings trends to continue with sequential improvement over the next year.

S&P 500 Earnings Growth

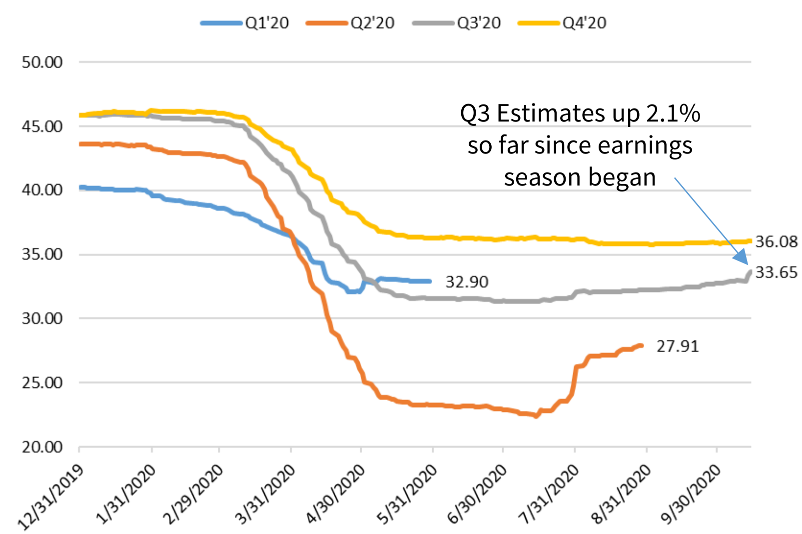


S&P 500 Consensus Earnings Estimates over Past Year



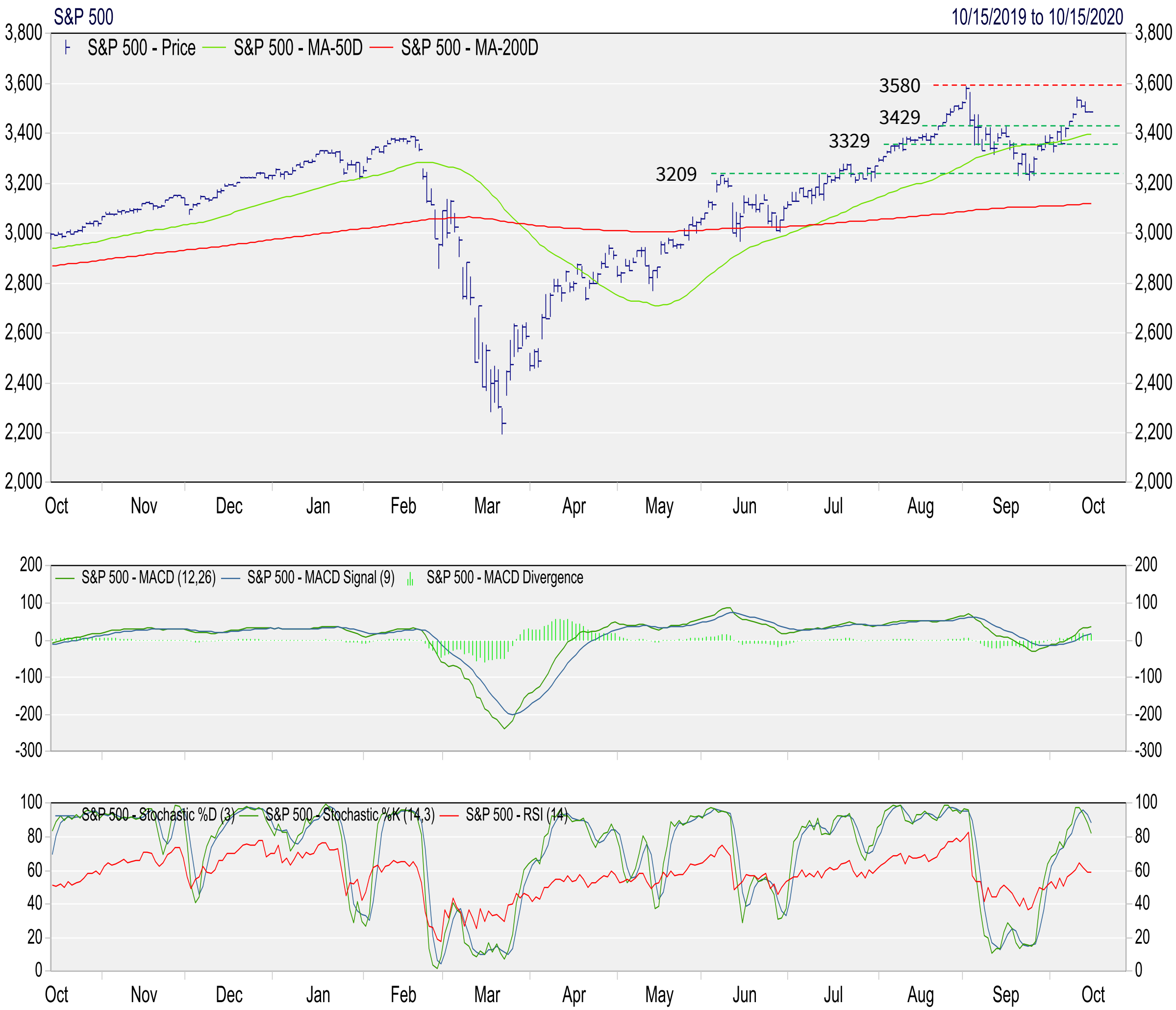
EPS Growth Estimates	
2019	1.5%
2020	-18.1%
2021	25.0%

Earnings Estimates



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: S&P 500



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

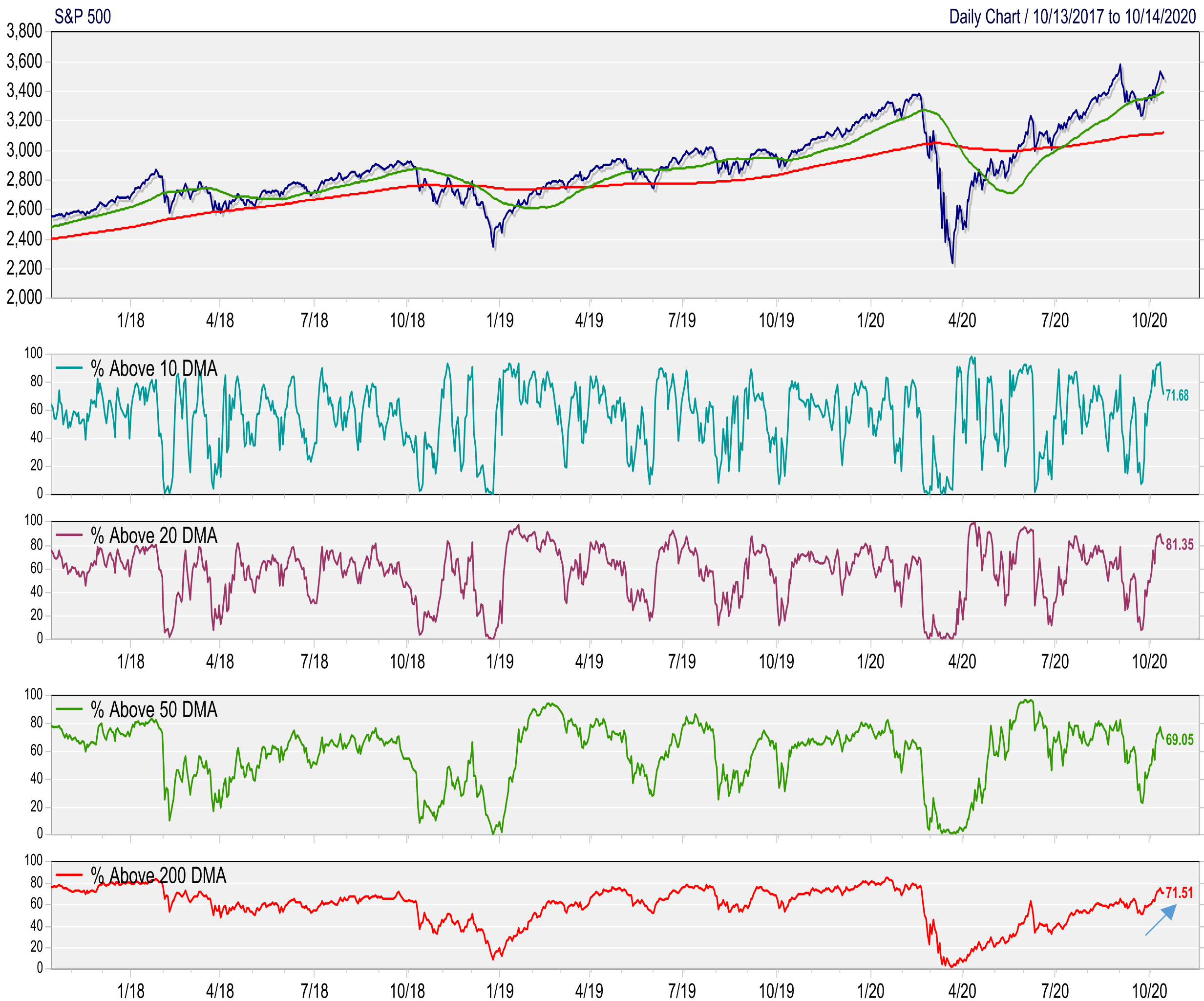
Following a three-week rally of 9% that put the index within just 1.5% of previous highs, the S&P 500 has consolidated slightly in recent days. We view the price action of the S&P 500 since the early September highs as a normal digestion of previous strength and are encouraged by investor conviction to continue buying the pullbacks.

Additionally, overall technical trends remain very positive, and we see numerous levels of nearby support if the index does need to consolidate further from overbought levels in the short term. Initial support should be found around 3429, followed by the 50DMA at 3398, and then 3329.

As for technical resistance levels to monitor on the upside, continue to watch the long-term uptrend line around 3563, and then the all-time high around 3588.

The potential for choppiness in the short term is there- overbought conditions, lack of fiscal stimulus, and the upcoming election to name a few. However, we remain positive on equities over the intermediate term due to expectations of positive vaccine/therapeutic news flow, unprecedented stimulus, and record low interest rates fueling the economic and fundamental recovery over the next 12 months.

TECHNICAL: S&P 500



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

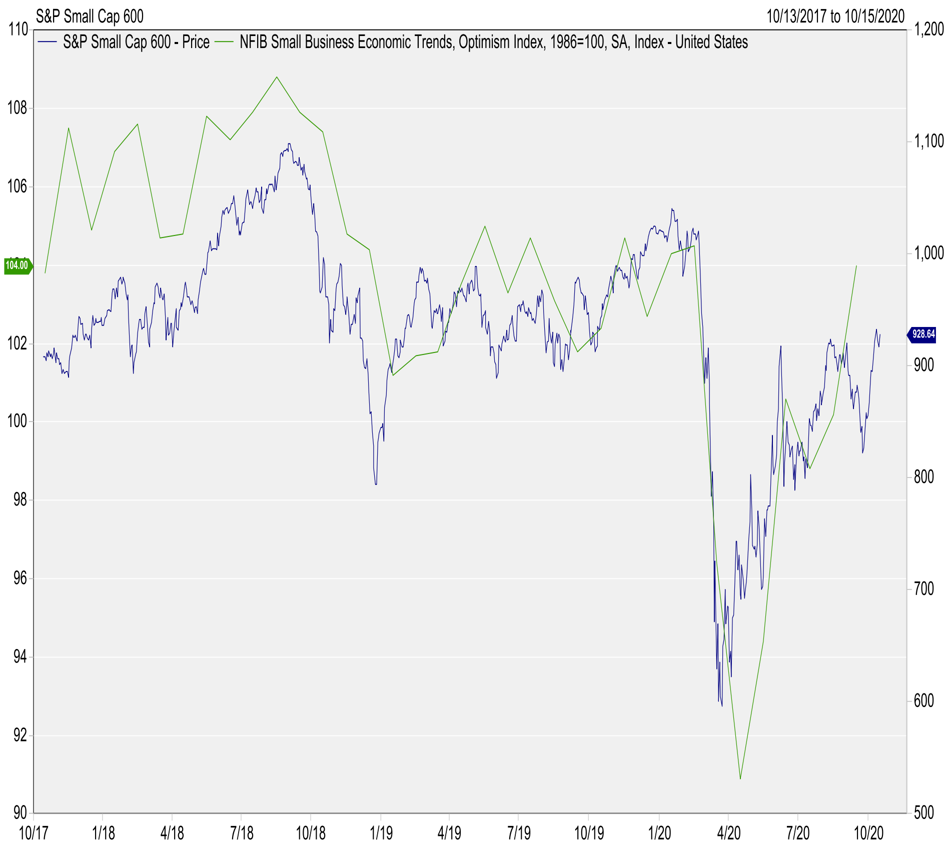
As you can see, the percentage of stocks above their 200 day moving average has continued to advance through the past several weeks. This is impressive and suggestive of improving intermediate term technical momentum.

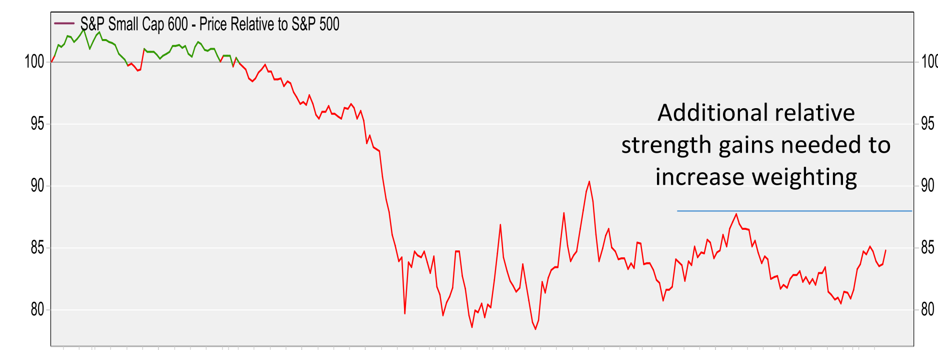
Additionally, the percentage of S&P 500 stocks above their 10 day moving average reached 94% in the recent rally. This is not a common occurrence over the past 20 years. And when it has occurred, average returns and win rates (probability of being positive) over the next 1, 3, 6, and 12 months have been significantly better than normal. For example, when the percentage of stocks above their 10 day moving average has reached >90% over the past 20 years, the S&P 500 has averaged a 13.7% return over the next 12 months (with a 94% win rate) vs a 5.6% average return and 75% win rate in all periods. This data is shown in the table below.

	1mo	3mo	6mo	12m
When % Of Members Trading Above Their 10DMA >90%				
Average	1.02%	4.37%	8.90%	13.74%
Win Rate	68.56%	78.87%	86.08%	93.81%
All Data				
Average	0.31%	1.11%	2.56%	5.59%
Win Rate	61.88%	64.39%	68.32%	75.21%

TECHNICAL: SMALL CAPS

Last week, we noted the sharp rally and price break out of the small caps- both of which bode well for intermediate term performance. This week, we received further improvement in the NFIB small business optimism index which has been fairly correlated with the small cap index over the past few years and supports further gains. That said, we do view additional fiscal stimulus as very important for the small caps and a wild card in the short term. Relative strength trends have also not been able to show upside momentum yet, keeping us from becoming too aggressive. In sum- We are positive on the small caps, particularly in the event of fiscal stimulus (which we believe comes eventually), but are not ready to view them as market leaders.

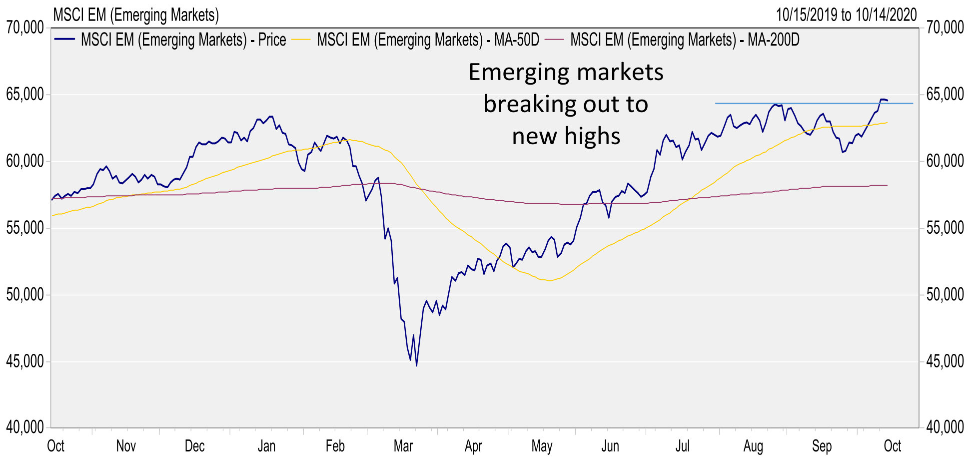


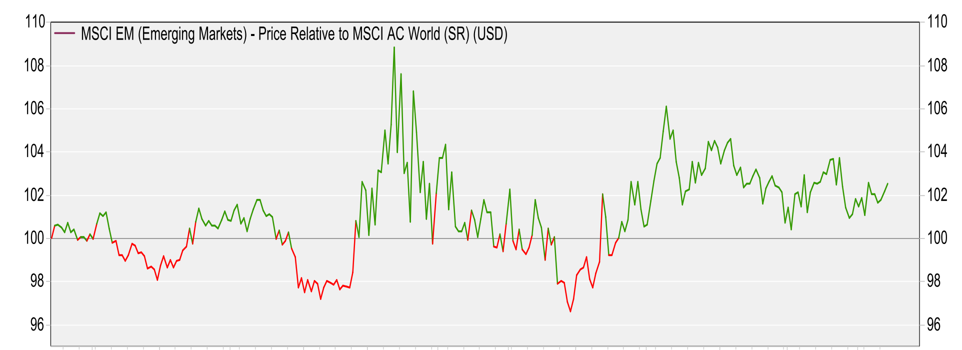


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: EMERGING MARKETS

The emerging markets are giving a price breakout and we would continue to accumulate. While overbought in the short term, a positive MACD cross bodes well for intermediate term trends. These technical trends are also supported by our expectations for a lower US dollar and global manufacturing recovery in the year ahead. We favor emerging markets over developed ex-US.





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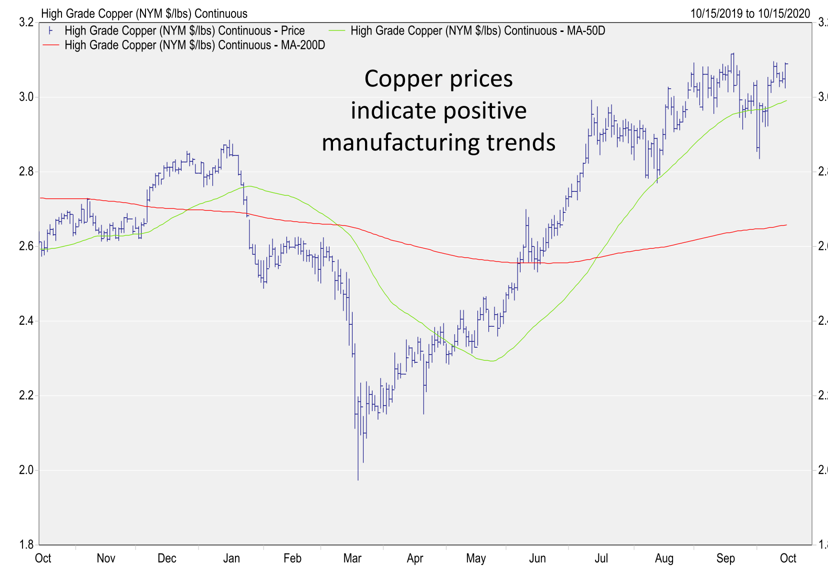
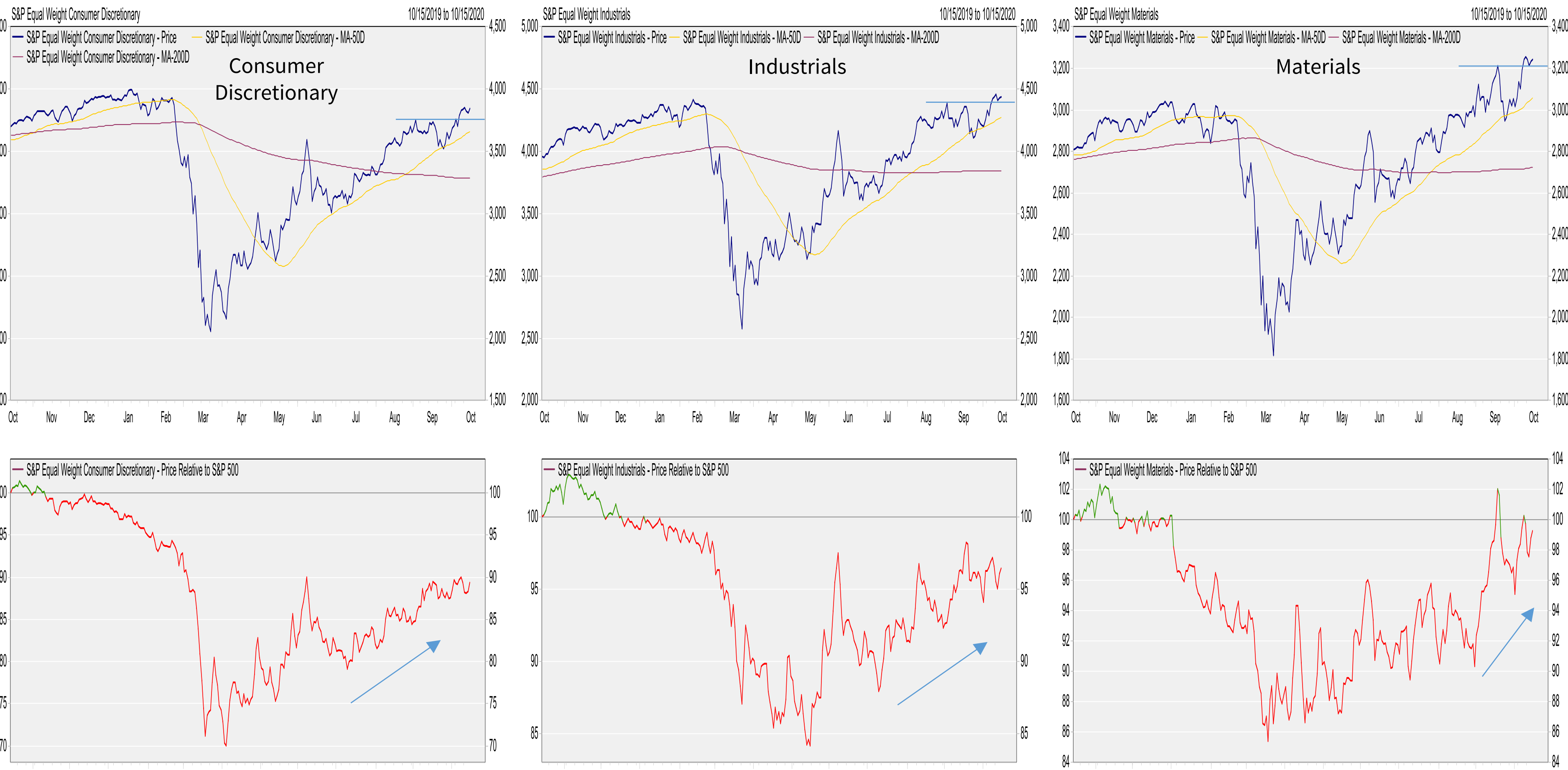


TECHNICAL: CYCLICALS IMPROVING

We note price breakouts by our favored "recovery" areas- Consumer Discretionary, Industrials, Materials. Relative strength has not broken out for the average stock in these sectors yet, but we think it will come and are encouraged by the improving relative performance trend in place. This bodes well for a broadening out of market participation, as well as stock selection in these areas.



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.

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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