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

SEPTEMBER 16, 2021 | 4:24 PM EDT

Weekly Market Guide

Short-Term Summary:

The S&P 500 is on the lower end of its range, testing the 50-day moving average support level that has held numerous times since last November. This remains the initial key level to monitor (upward-trending at 4434 currently) with short-term internals oversold enough to bounce. Narrow participation remains a technical divergence of the index's rising trend, as a narrow market can be a market susceptible to pullbacks. We have not been overly concerned by the weakening breadth due to the market's proclivity for rotation in the current environment, along with still solid intermediate-term technical trends. Additionally, if confidence shifts back to a belief that the macro will re-accelerate, we expect investors to rotate down to some of the lagging sectors and stocks. We favor selectively accumulating some of these areas (i.e. small caps, energy, industrials, financials, select consumer areas) with more aggressive positions when momentum returns (stocks often lead the actual news).

Investors will be paying close attention to the Fed at next Wednesday's FOMC meeting for clues on the eventual timeline and composition of tapering the current $120B in monthly asset purchases. We do not view tapering as tightening, and expect the Fed to remain accommodative. Raising rates remains a long way off and, even so, will come when the economy is able to handle it. But in looking at previous ends to quantitative easing programs since the financial crisis, forward market returns are likely to moderate/normalize (within a positive overall trend) as Fed policy does. Moreover, factors to build a "wall of worry" are present (i.e. China, supply chain issues, Fed policy, debt ceiling debate, infrastructure/tax bill), though markets are not too disturbed for now. Normal pullbacks and volatility are to be expected in equity markets, but we would use these periods as opportunities.

The fundamental backdrop remains strong for equities, as robust economic growth is correlating to strong sales growth. Though supply chain issues and rising input costs are a headwind, strong demand continues to offset these as S&P 500 margin estimates remain elevated at record highs. We also view the Delta variant's impact on economic activity as transitory. This, in turn, is resulting in very strong earnings growth well above trend out of last year's shutdown. Additionally, the demand/supply imbalance economically supports continued fundamental strength (and upside to estimates), as inventories get replenished from very low levels over time. Earnings are the driver of equities over the long term, so this strong fundamental trend (in conjunction with stubbornly low interest rates) bodes well for intermediate term performance trends.

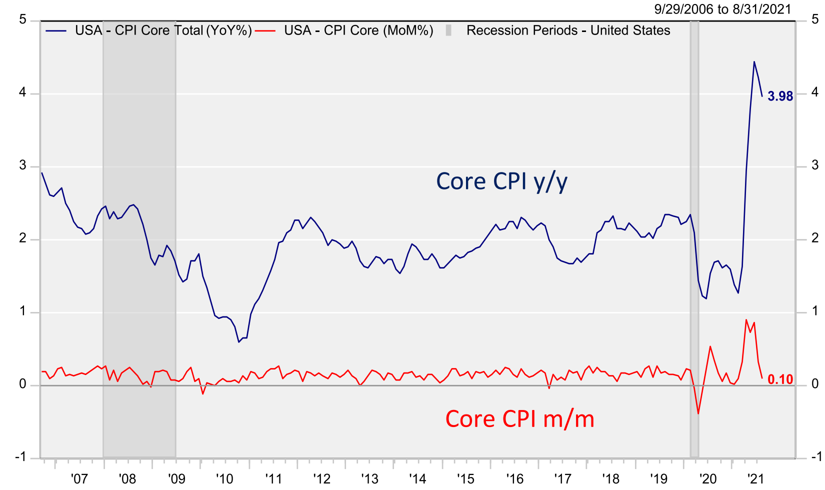
Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	13.7%	24.4%
S&P 500	19.3%	31.7%
S&P 500 (Equal-Weight)	20.9%	39.5%
NASDAQ Composite	17.6%	35.5%
Russell 2000	13.1%	45.3%
MSCI All-Cap World	14.1%	28.0%
MSCI Developed Markets	10.5%	23.9%
MSCI Emerging Markets	-0.2%	15.8%
NYSE Alerian MLP	29.0%	54.6%
MSCI U.S. REIT	25.6%	31.9%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Energy	31.4%	2.5%
Real Estate	29.1%	2.6%
Communication Svcs.	28.0%	11.5%
Financials	27.9%	11.1%
Information Technology	20.8%	28.1%
S&P 500	***19.3%***	-
Health Care	17.0%	13.3%
Materials	15.2%	2.5%
Industrials	14.9%	8.1%
Consumer Discretionary	12.8%	12.0%
Utilities	7.6%	2.5%
Consumer Staples	6.9%	5.8%

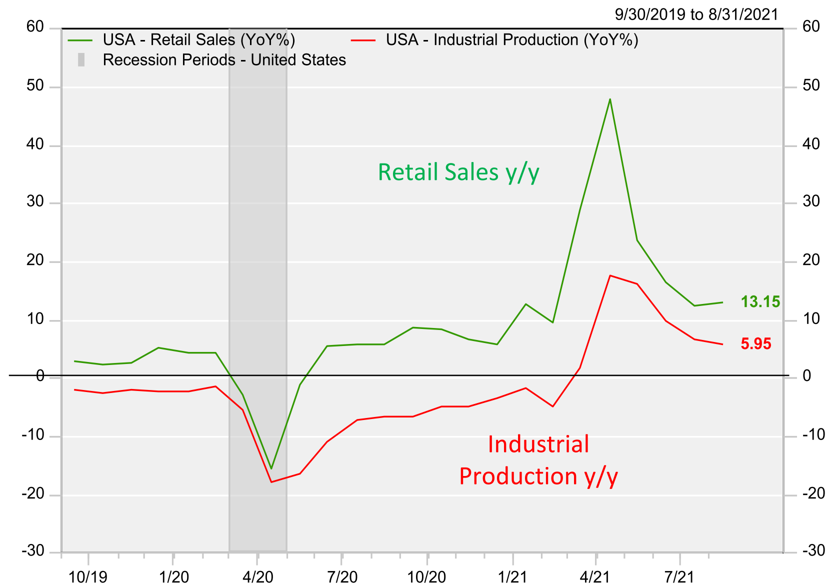
Source: FactSet, RJ Equity Portfolio & Technical Strategy

MACRO: US

August retail sales rose 0.7% m/m- well ahead of estimates- although a large downward revision to July aided this surprise. Within the report, non-store retailers saw +5.3% m/m growth in spending while restaurants & bars showed no growth- a clear indication of Delta variant concerns throughout the month weighing on the shift from goods to services spending in the recovery. Delta concerns also weighed on the manufacturing recovery in August as industrial production rose 0.4% (below expectations), although the underlying trend is likely better than this headline as Hurricane Ida weighed on oil production (-1.4% m/m) during the month. Despite the slowdown in retail sales and industrial production, both remain a strong +13.2% and +6.0% respectively year-over-year. Core CPI eased in August, growing just 0.1% m/m which was the lowest reading since February, though 4.0% y/y core CPI is elevated (and supply/demand imbalances remain). We expect the Fed to begin tapering in the months ahead, and clues on the timeline and composition could come at next Wednesday's FOMC meeting. *More on next page…*



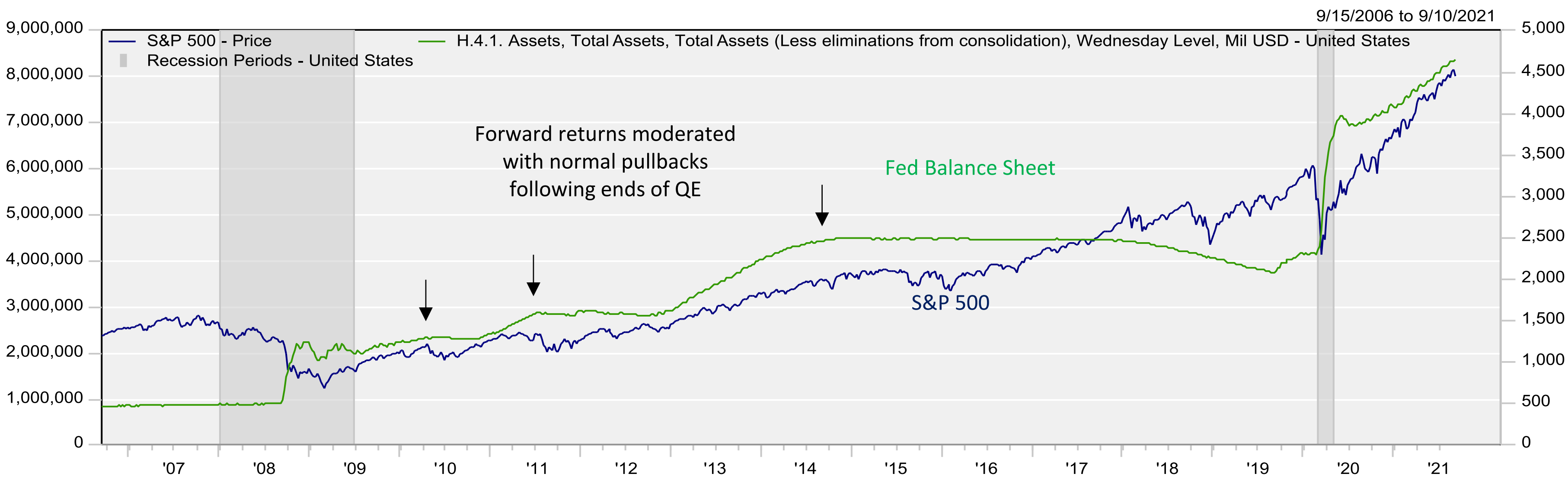
Event	Period	Actual	Consensus	Prior
PPI ex-Food & Energy SA M/M	AUG	0.60%	0.60%	1.0%
PPI ex-Food & Energy NSA Y/Y	AUG	6.7%	6.8%	6.2%
PPI SA M/M	AUG	0.70%	0.60%	1.0%
PPI NSA Y/Y	AUG	8.3%	8.3%	7.8%
Treasury Budget NSA	AUG	-$170.6B	-$332.5B	-$302.0B
NFIB Small Business Index	AUG	100.1	-	99.7
CPI ex-Food & Energy SA M/M	AUG	0.10%	0.30%	0.30%
CPI ex-Food & Energy NSA Y/Y	AUG	4.0%	4.2%	4.3%
CPI SA M/M	AUG	0.30%	0.40%	0.50%
CPI NSA Y/Y	AUG	5.3%	5.3%	5.4%
Hourly Earnings SA M/M (Final)	AUG	0.60%	-	0.56%
Hourly Earnings Y/Y (Final)	AUG	4.3%	4.3%	4.3%
Empire State Index SA	SEP	34.3	18.0	18.3
Capacity Utilization NSA	AUG	76.4%	76.4%	76.2%
Industrial Production SA M/M	AUG	0.40%	0.50%	0.80%
Continuing Jobless Claims SA	09/04	2,665K	2,790K	2,852K
Initial Claims SA	09/11	332.0K	320.0K	312.0K
Philadelphia Fed Index SA	SEP	30.7	19.8	19.4
Retail sales Ex AutoFuel M/M	AUG	2.0%	-0.30%	-1.4%
Retail Sales ex-Auto SA M/M	AUG	1.8%	-0.20%	-1.0%
Retail Sales SA M/M	AUG	0.70%	-0.85%	-1.8%

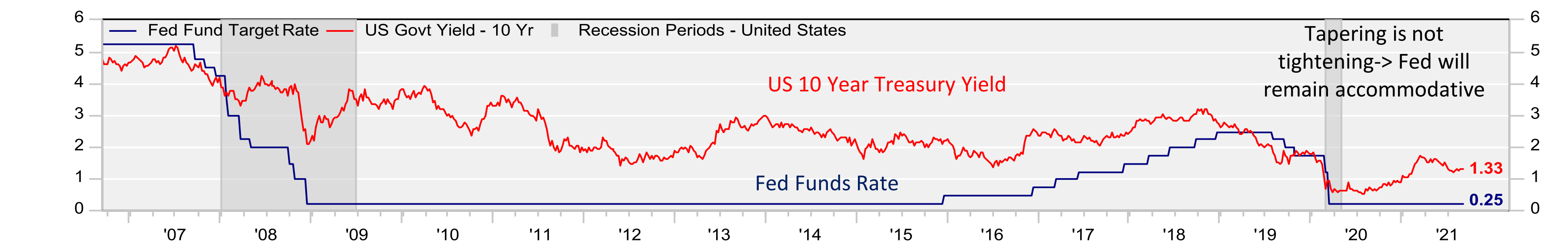


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

FED TAPERING

The Fed is expected to announce tapering in the coming months, and potentially at the FOMC meeting next week. The current $120B in monthly asset purchases will be tapered back over months. We do not view tapering as tightening, and expect the Fed to remain accommodative. Raising rates remains a long way off and, even so, will come when the economy is able to handle it. But in looking at previous ends to quantitative easing programs since the financial crisis, forward returns are likely to moderate (within a positive overall trend) as Fed policy does. Normal pullbacks and volatility are to be expected, but we would use these periods as opportunities.



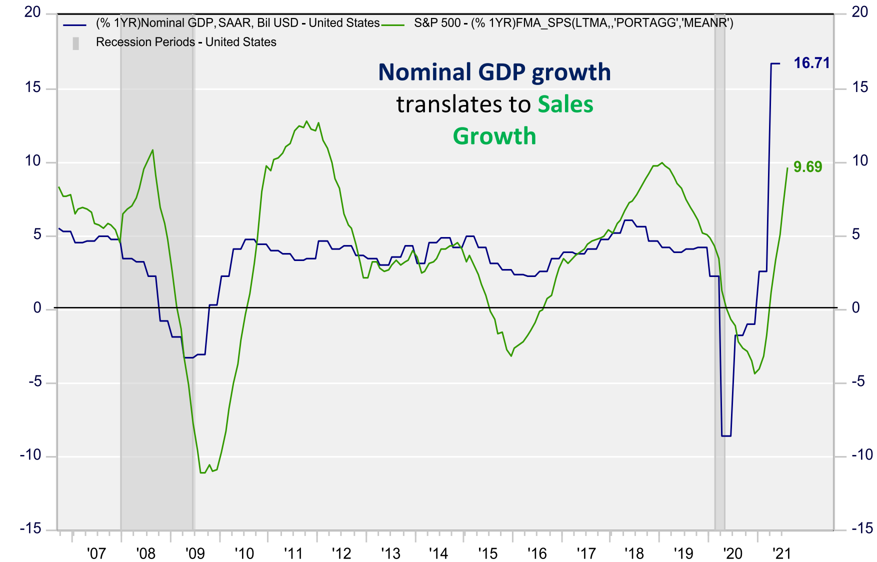


Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

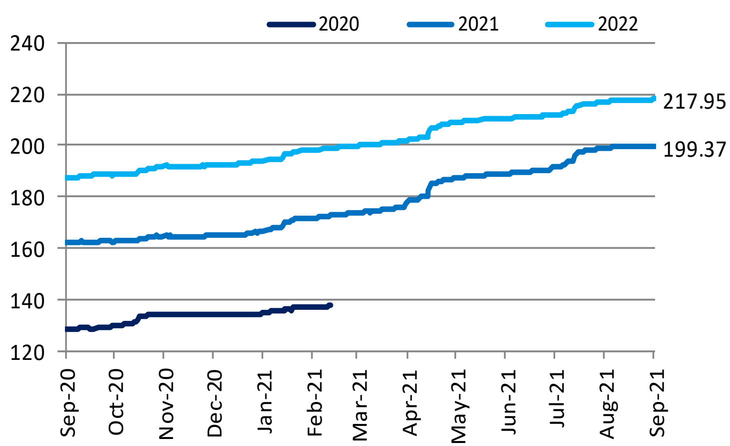
FUNDAMENTALS

The fundamental backdrop remains strong for equities, as robust economic growth y/y correlates to strong sales growth. Though supply chain issues and rising input costs are a headwind, strong demand continues to offset these as S&P 500 margin estimates remain elevated at record highs. We also view the Delta variant's impact on economic activity as transitory. This, in turn, is resulting in very strong earnings growth well above trend out of last year's shutdown- i.e. consensus EPS estimates reflect 45% growth in 2021, 9.3% 2022, 8.5% 2023 (vs. compounded annual growth rate since 1954 of 6.2%).

Additionally, the demand/supply imbalance economically supports continued fundamental strength (and upside to estimates), as inventories get replenished from very low levels over time. Earnings are the driver of equities over the long term, so this strong fundamental trend bodes well for intermediate term performance trends.

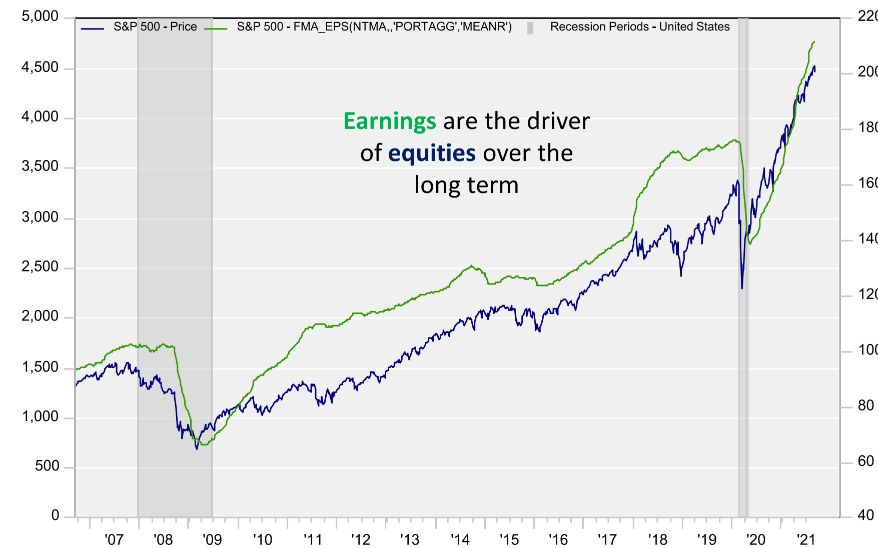


S&P 500 Consensus Earnings Estimates over Past Year



EPS Growth Estimates	
2020	-14.1%
2021	45.0%
2022	9.3%

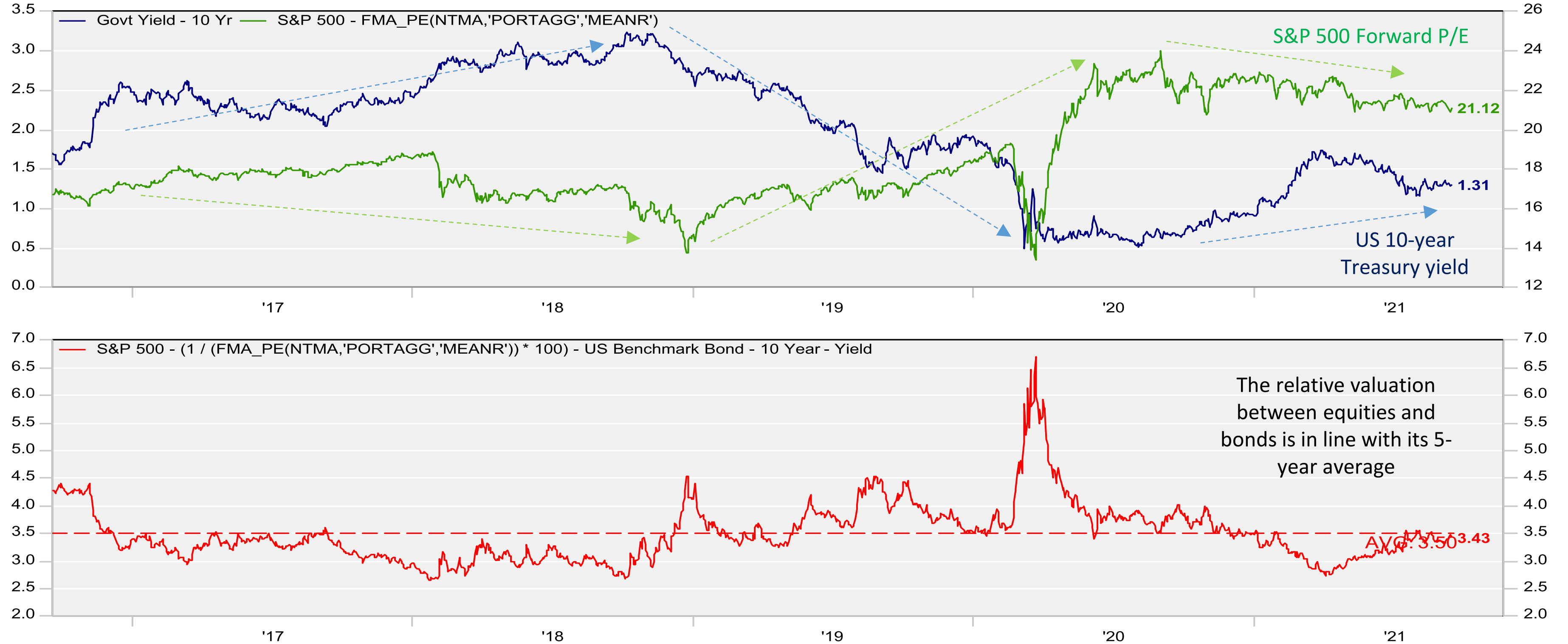
RJ Base Case Estimates:
2021: 200
2022: 230



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

VALUATION

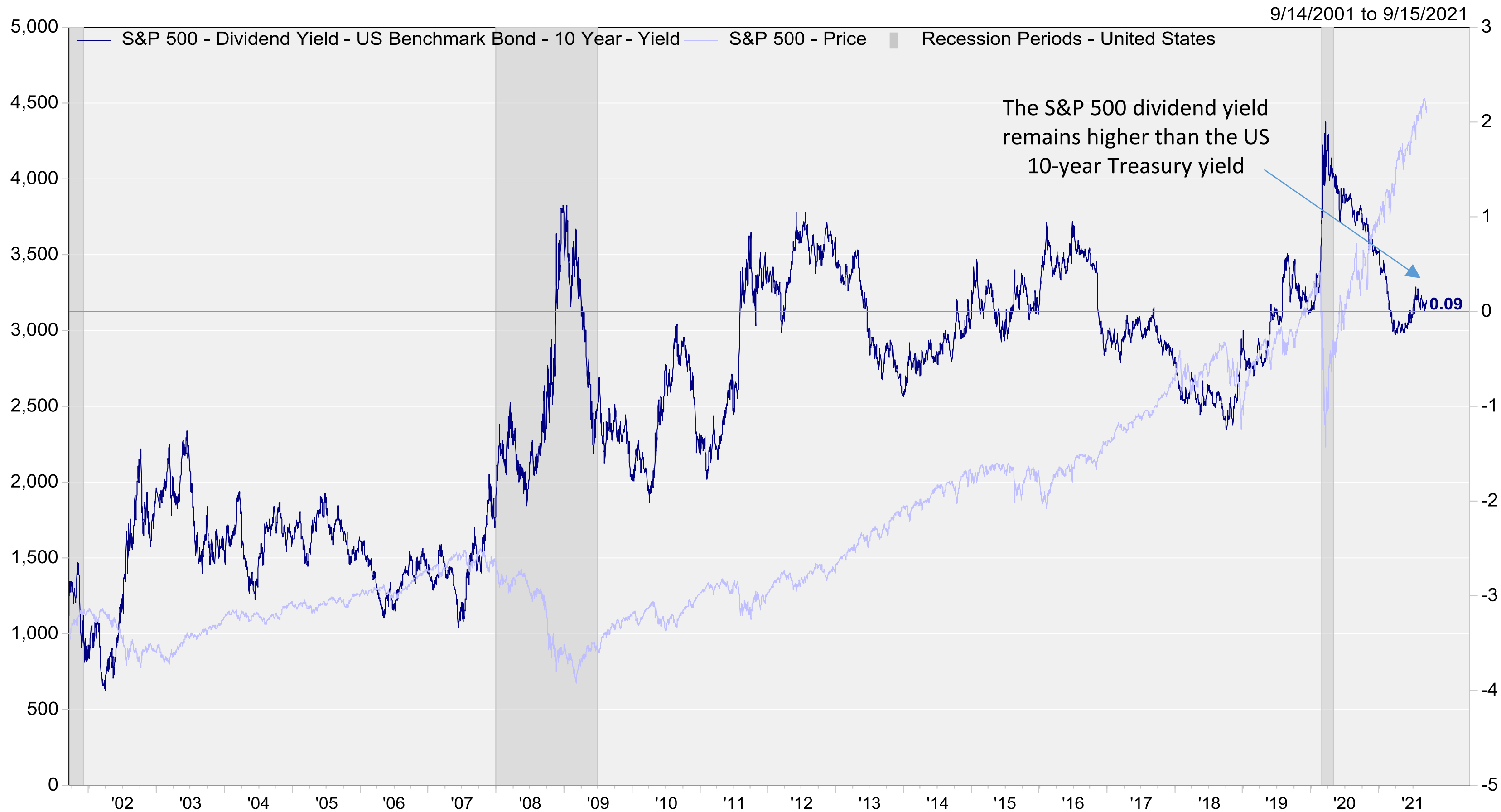
There is generally an inverse relationship between S&P 500 valuation and interest rates (i.e. all else equal, low interest rates result in higher equity net present values due to the lower discount rate on future cash flow expectations). So not only is it normal for valuation multiples to expand coming out of recessions (as the market discounts the eventual earnings recovery), the drop in the US 10-year yield to all-time lows of 0.5% in the pandemic also supported higher equity market valuations. Since the forward P/E peaked at 24x in mid-2020, stubbornly low interest rates (still just 1.3% on the US 10-year yield despite robust economic growth) has supported the normalization of multiples back toward pre-pandemic levels. For example, despite a forward P/E multiple of 21x that remains historically high, relative to bond yields the multiple is no different than its average over the past 5 years. As you can see below, the difference in the S&P 500 earnings yield and US 10-year Treasury yield is 3.43%- in line with its 5-year average of 3.5%. So as long as bond yields stay low (and credit spreads remain very narrow), equity valuations can remain elevated and normalize at a more gradual pace- supporting upside to equities.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

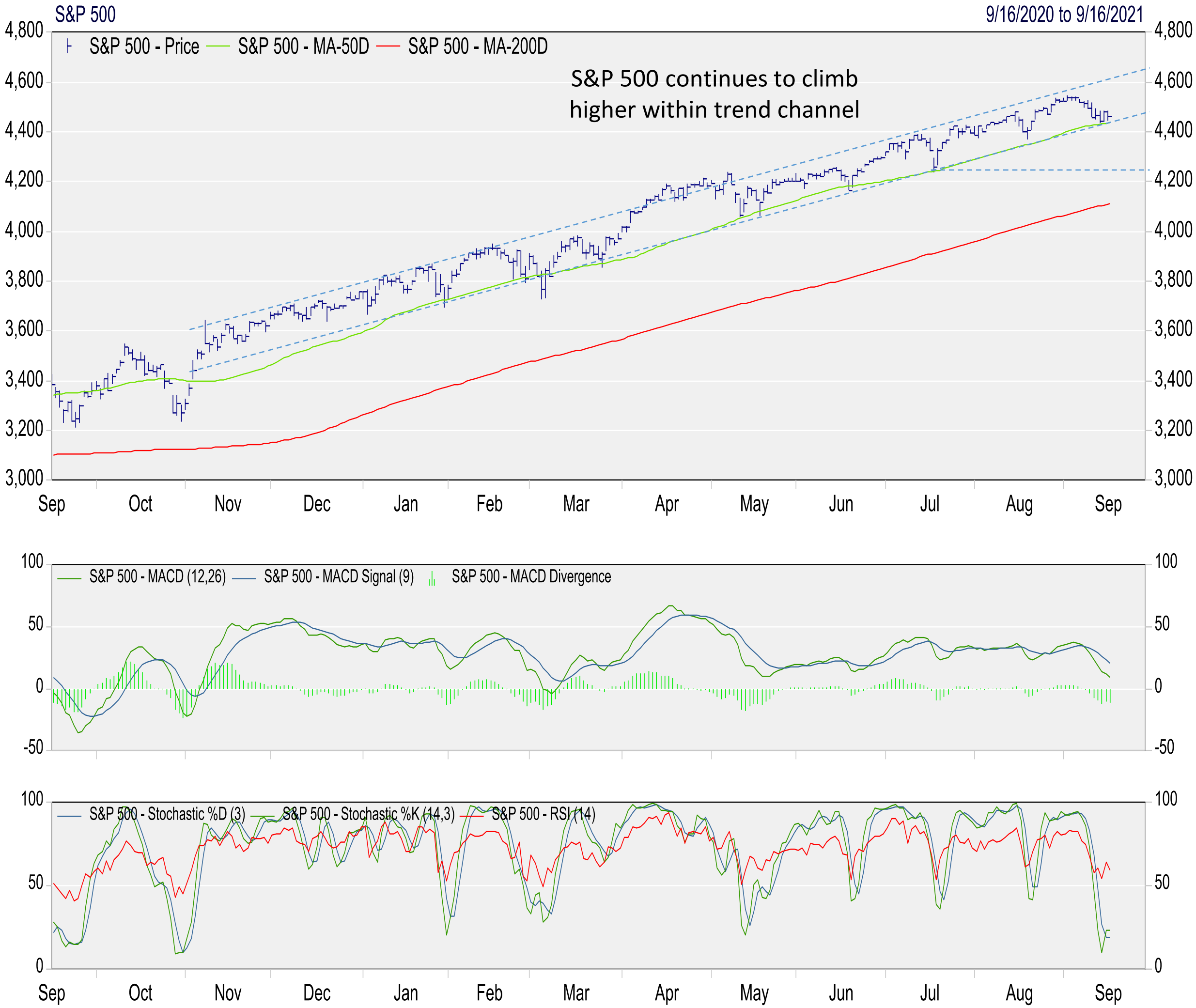
EQUITIES REMAIN ATTRACTIVE VS BONDS

Another way of looking at the relative valuation of stocks vs bonds is the S&P 500 dividend yield vs US 10-year Treasury yield. It is not normal historically for the S&P 500 to have a higher dividend yield than Treasury yield, but that remains the case today- and 70% of S&P 500 dividend-paying companies have a higher yield than the US 10yr. To be sure, pullbacks are normal and can occur at any time. But in a world of record low interest rates, equities remain attractive vs bonds- supporting intermediate term performance trends in our view.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: S&P 500



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

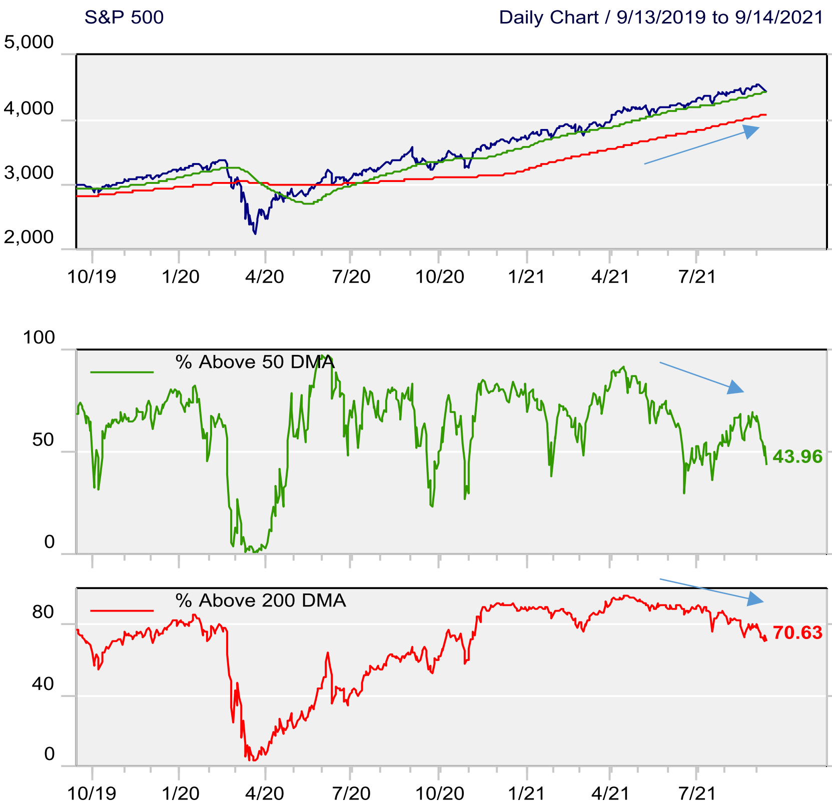
The S&P 500 is on the lower end of its range, testing the 50 DMA support level that has held numerous times since last November. This remains the initial key level to monitor (upward-trending at 4434 currently).

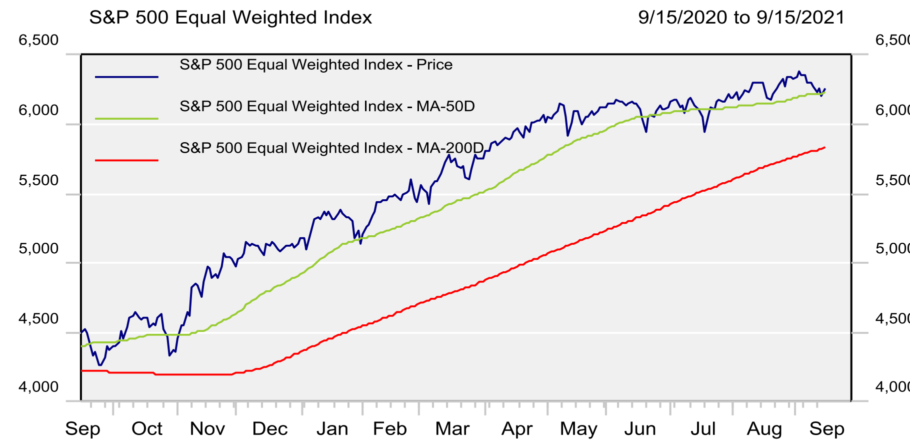
Below the 50 DMA, we see horizontal support at 4233. A move here represents a ~7% pullback from the recent high and would be the first 5%+ pullback since last October. And on the upside, monitor the upper trend channel, along with Fibonacci projections around 4616 and 4672.

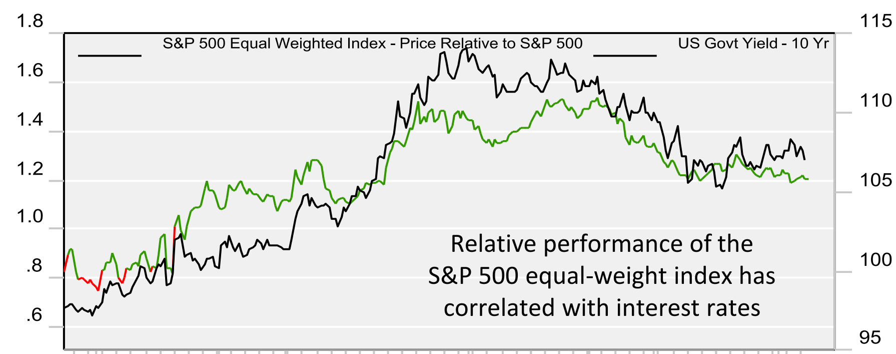
This current upward trend is not disturbed until a rally off support produces a lower high and an eventual break of the previous low. The S&P 500 is currently oversold now, and we expect a bounce from here. So if the S&P 500 does hold support at the 50 DMA, watch to see if the index can break to another new high. If not, the odds increase of the 50 DMA not holding. We remind technicians to give a time filter of a few days as quick shake out periods can occur and rebound back above prior support.

MARKET BREADTH

Narrow participation remains a technical divergence of the index's rising trend, as a narrow market can be a market susceptible to pullbacks. As you can see, the percentage of stocks above their 50 and 200-day moving averages has contracted despite the overall index's ascent since May. Relative performance of the average S&P 500 stock has pulled in with interest rates over that same timeframe. We have not been overly concerned by the weakening breadth due to the market's proclivity for rotation in the current environment, along with still solid intermediate-term technical trends. If confidence shifts back to a belief that the macro will re-accelerate, we expect investors to rotate down to some of the lagging sectors and stocks. We favor selectively accumulating some of these areas (i.e. small caps, energy, industrials, financials, several consumer areas) with more aggressive positions when momentum returns (stocks often lead the actual news).



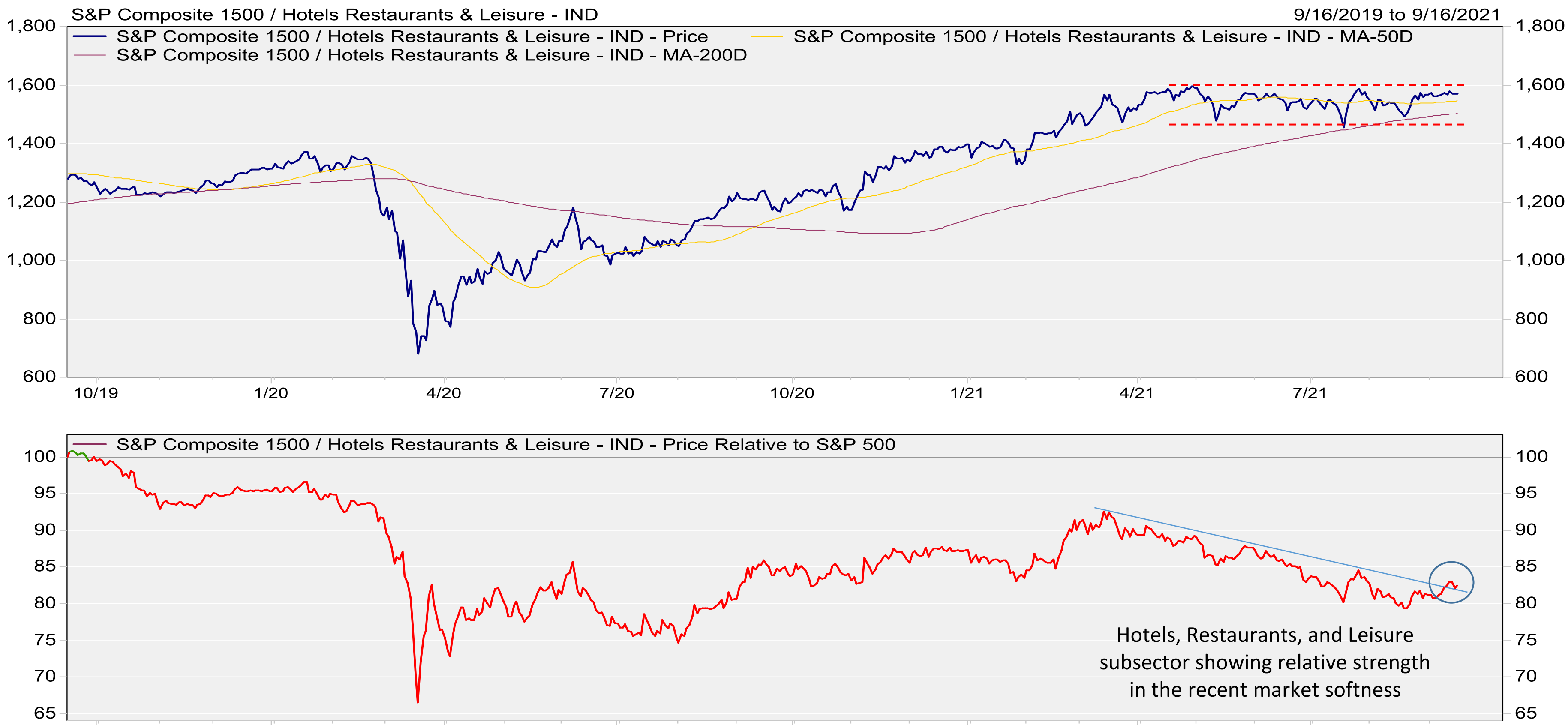




Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

POSITIVE DIVERGENCE?

A positive technical divergence over the past couple of weeks could potentially be seen in the recent relative strength of hotels, restaurants, and leisure. Despite Delta variant concerns and a small pullback in the S&P 500 index, this more Covid-impacted group has held its own with relative strength peeking above a downward-trend line in place since the Spring. The group has seen some volatility within it, but in aggregate has generally been digesting outsized strength out of the pandemic lows last year. This is a normal (and healthy) technical pattern, and the group could be providing clues that the market is beginning to look past the Delta variant. A breakout to new highs in price on improving relative strength would further support this view.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

M21-3768065

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.

This report is provided to clients of Raymond James only for your personal, noncommercial use. Except as expressly authorized by Raymond James, you may not copy, reproduce, transmit, sell, display, distribute, publish, broadcast, circulate, modify, disseminate, or commercially exploit the information contained in this report, in printed, electronic, or any other form, in any manner, without the prior express written consent of Raymond James. You also agree not to use the information provided in this report for any unlawful purpose. This report and its contents are the property of Raymond James and are protected by applicable copyright, trade secret, or other intellectual property laws (of the United States and other countries). United States law, 17 U.S.C. Sec. 501 et seq, provides for civil and criminal penalties for copyright infringement. No copyright claimed in incorporated U.S. government works.

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

Raymond James & Associates, Inc., member New York Stock Exchange/SIPC. **Raymond James Financial Services, Inc.,** member FINRA/SIPC. Raymond James® is a registered trademark of Raymond James Financial, Inc.