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Weekly Market Guide

Short-Term Summary: After closing just below its 50-day moving average on Friday, the S&P 500 experienced its heaviest day of selling since May on Monday (-2.74% on 91.5% downside volume). Reduced concerns over the threat of China Evergrande debt contagion, along with supportive takeaways from the FOMC meeting yesterday have the S&P 500 rebounding back above its 50-day moving average today as it attempts to regain support. In our view, this reflects the resiliency embedded in the market (since last November), as investors have been quick to “buy-the-pullback” in this current recovery/low-rate environment.

Technically, we would like to see the index hold above its 50 DMA and make a higher high in the coming days/weeks. If the index is unable to make a higher high, the recent consolidation/pullback may have more to go-potentially range-bound trading as the index rebuilds momentum. On the downside, we see technical support in the 4233-4250 area, followed by longer-term support at ~4165. We believe a pullback would likely hold above this 4165 area (~8% from recent September 2nd highs) unless the narrative materially changes.

The Fed gave a strong indication for Fed tapering to be announced at the November 3rd FOMC meeting- likely beginning in December and concluding in the summer of 2022. The Fed will remain accommodative to the economic recovery, and we do not view tapering as tightening. Rate liftoff remains a ways off (likely late 2022 at the earliest) and will come as the economy is able to handle it. Within the Fed’s report, the Committee lowered its 2021 GDP growth estimate to 5.9% from 7.0% but raised its 2022 estimate to 3.8% from 3.3%. This supports our view that the Delta variant and supply chain issues are acting as a drag to economic activity this year, but also that this growth is just being delayed (not destroyed) as demand remains strong.

The bond market has been a good barometer of underlying economic momentum, in our view, as downside in interest rates accurately reflected some underlying issues within the economic recovery (i.e. supply chain, inflation, slowdown, etc.). There has also been a strong correlation between the US 10-year Treasury yield and relative performance of the S&P 500 equal-weighted index over the past year. And in the aftermath of the FOMC meeting yesterday, the US 10-year Treasury yield is attempting to push above resistance in the 1.39-1.40% area. A break above could be the catalyst for a grind higher in interest rates, which should support relative performance of the more economically-sensitive areas (i.e. energy, financials, industrials, select consumer discretionary). We see opportunity here and would accumulate favored stocks in these sectors as momentum builds.

Equity Market Indices	Price Return	
	Year to Date	12 Months
Dow Jones Industrial Avg	11.9%	25.5%
S&P 500	17.0%	32.6%
S&P 500 (Equal-Weight)	18.7%	41.3%
NASDAQ Composite	15.6%	35.9%
Russell 2000	12.3%	48.2%
MSCI All-Cap World	12.1%	29.3%
MSCI Developed Markets	8.8%	26.2%
MSCI Emerging Markets	-2.2%	16.6%
NYSE Alerian MLP	26.7%	57.3%
MSCI U.S. REIT	24.9%	38.9%

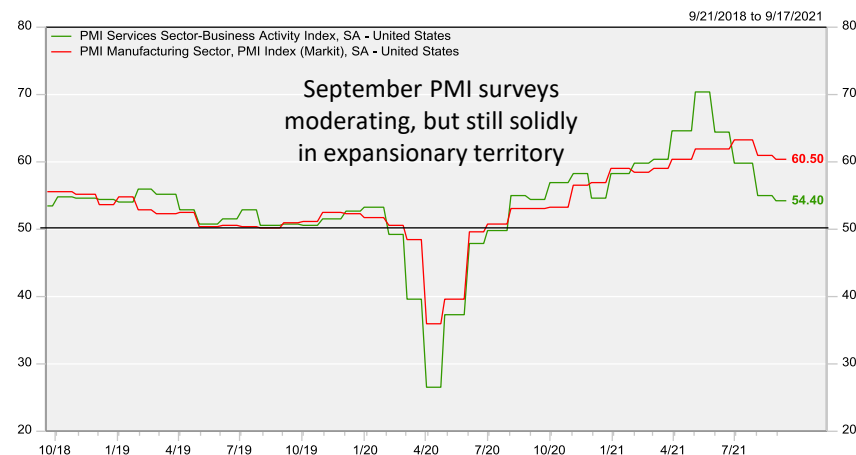
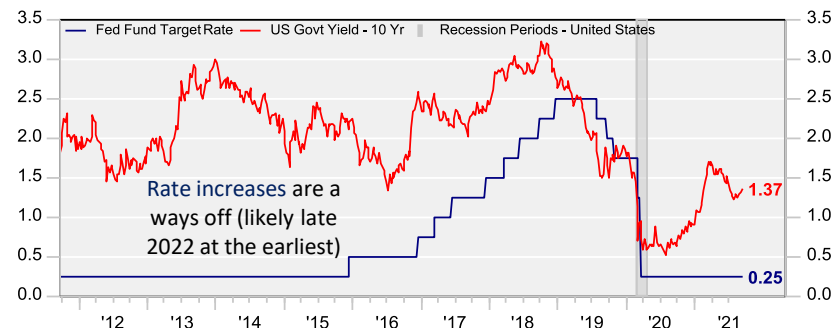
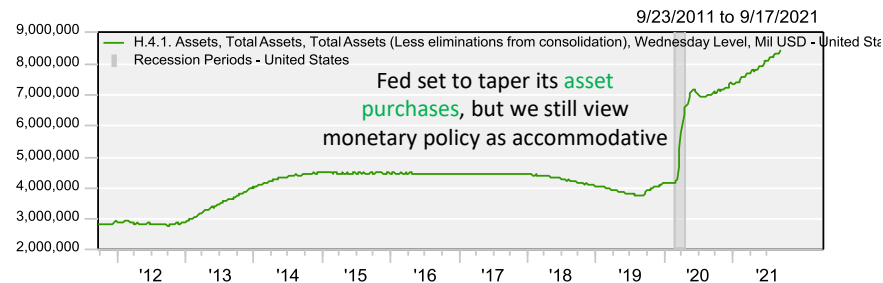
S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Energy	29.6%	2.5%
Real Estate	28.3%	2.7%
Financials	25.9%	11.0%
Communication Svcs.	23.3%	11.3%
Information Technology	18.5%	28.0%
S&P 500	17.0%	-
Health Care	15.9%	13.4%
Industrials	11.9%	8.0%
Consumer Discretionary	11.7%	12.3%
Materials	10.4%	2.5%
Consumer Staples	5.1%	5.8%
Utilities	4.4%	2.5%

Source: FactSet, RJ Equity Portfolio & Technical Strategy

MACRO: US

The Fed gave a strong indication of Fed tapering to be announced at the November 3rd FOMC meeting, stating “If progress continues broadly as expected, the Committee judges that a moderation in the pace of asset purchases may soon be warranted.” Tapering is likely to begin in December and conclude in the summer of 2022. In our view, the Fed will remain accommodative to the economic recovery, and we do not view tapering as tightening. Rate liftoff remains a ways off (likely late 2022 at the earliest) and will come as the economy is able to handle it. Within the Fed’s report, the Committee lowered its 2021 GDP growth estimate to 5.9% from 7.0% but raised its 2022 estimate to 3.8% from 3.3%. This supports our view that the Delta variant and supply chain issues are acting as a drag to economic activity this year, but this growth is just being delayed (not destroyed) as demand remains strong. Moreover, the September PMI survey reflects the continued moderation in growth expectations (weighed on by the Delta variant), though the services and manufacturing readings both remain solidly in expansionary territory.

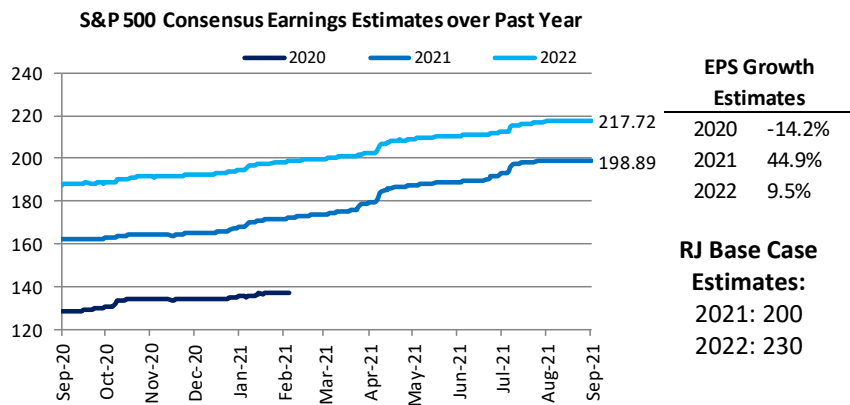
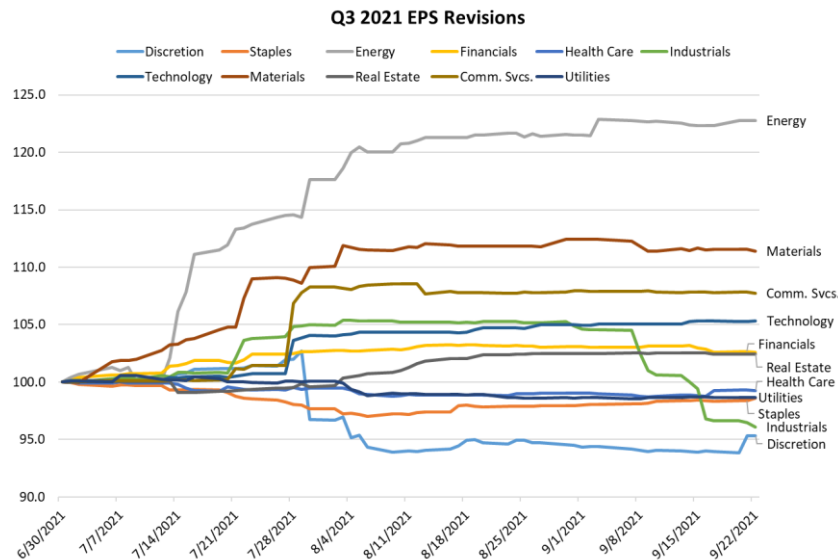
Event	Period	Actual	Consensus	Prior
Michigan Sentiment NSA (Preliminary)	SEP	71.0	72.0	70.3
NAHB Housing Market Index SA	SEP	76.0	73.0	75.0
Building Permits SAAR (Preliminary)	AUG	1,728K	1,600K	1,630K
Current Account SA	Q2	-\$190.3B	-\$193.0B	-\$189.4B
Housing Starts SAAR	AUG	1,615K	1,555K	1,554K
Housing Starts M/M	AUG	3.9%	1.9%	-6.2%
Existing Home Sales SAAR	AUG	5,880K	5,865K	6,000K
Chicago Fed National Activity Index	AUG	0.29	0.65	0.53
Continuing Jobless Claims SA	09/11	2,845K	2,625K	2,714K
Initial Claims SA	09/18	351.0K	325.0K	335.0K
PMI Composite SA (Preliminary)	SEP	54.5	55.4	55.4
Markit PMI Manufacturing SA (Preliminary)	SEP	60.5	60.5	61.1
Markit PMI Services SA (Preliminary)	SEP	54.4	54.9	55.1
Leading Indicators SA M/M	AUG	0.90%	0.60%	0.80%



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

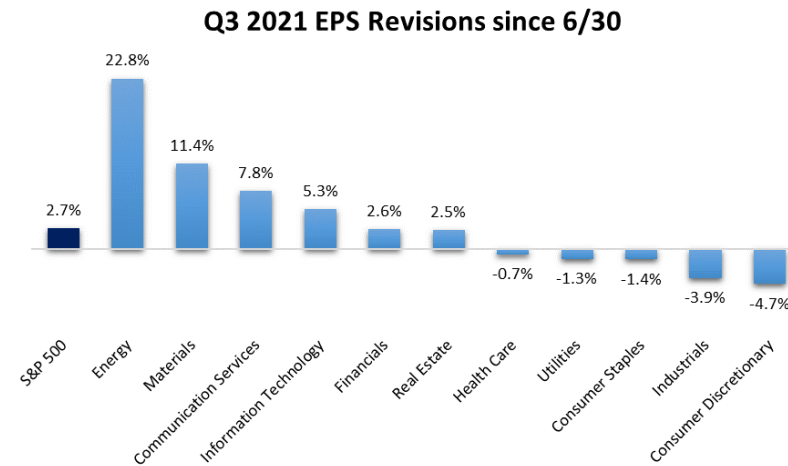
FUNDAMENTALS

The Delta variant has undoubtedly had an impact on supply chains, along with economic activity globally in recent months. This has weighed on estimate revisions in the lead up to Q3 earnings season, as growth and margins come more into question for companies. The biggest downside to Q3 EPS estimates since 6/30 has been to Consumer Discretionary, Industrials, and Consumer Staples. However, the data varies greatly at the individual company level as the median estimate revision for Consumer Discretionary stocks has been +5.7% (sharply different than -6.1% for the cap-weight sector) with casinos and a few large retailers weighing on the cap-weight data. Similarly for Industrials, the median estimate revision has been +2%, much better than the -3.9% cap-weight reading as estimate revisions vary greatly at the company level (airlines stand out as an area weighed on with the Delta variant). On the flip side, Energy stands out as the strongest estimate revisions. Materials look strong, but very dependent on the individual companies. Technology and Communication Services have also seen good upside, continuing their fundamental momentum through economic digitization. Overall, we expect the Delta variant impact to show up in Q3 results, likely acting as a headwind to overall growth and resulting in more volatility of results at the individual stock level. However, we continue to view the intermediate term fundamental backdrop as strong with upside to consensus estimates.



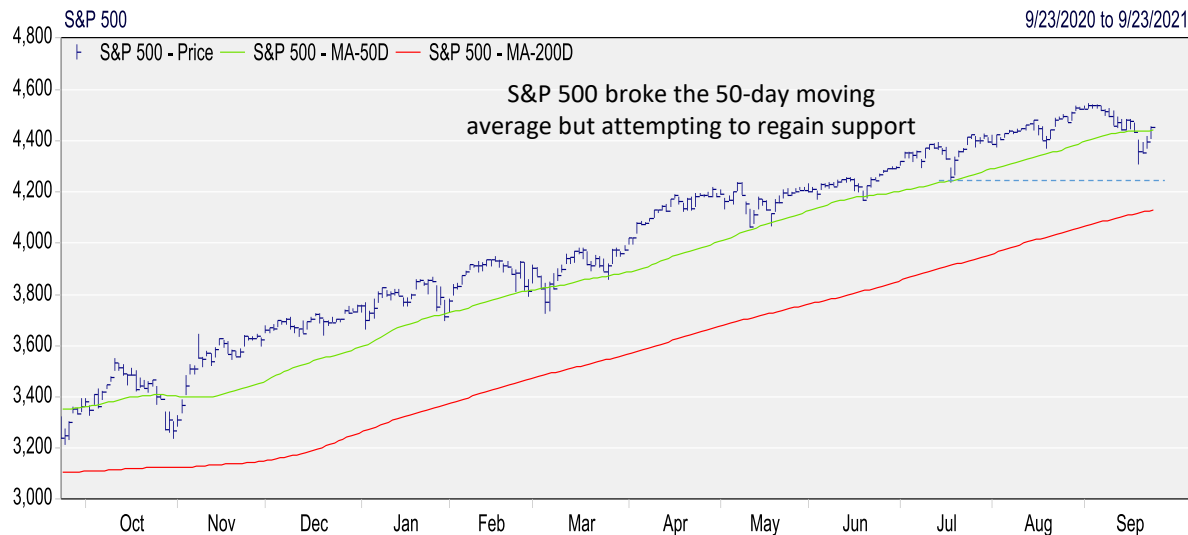
EPS Growth Estimates	
2020	-14.2%
2021	44.9%
2022	9.5%

RJ Base Case Estimates:	
2021:	200
2022:	230



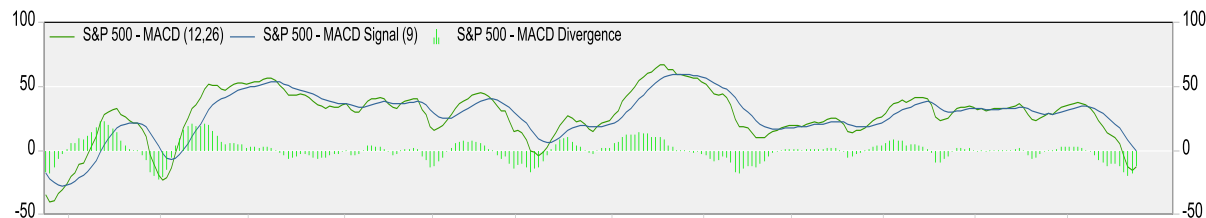
Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

TECHNICAL: S&P 500

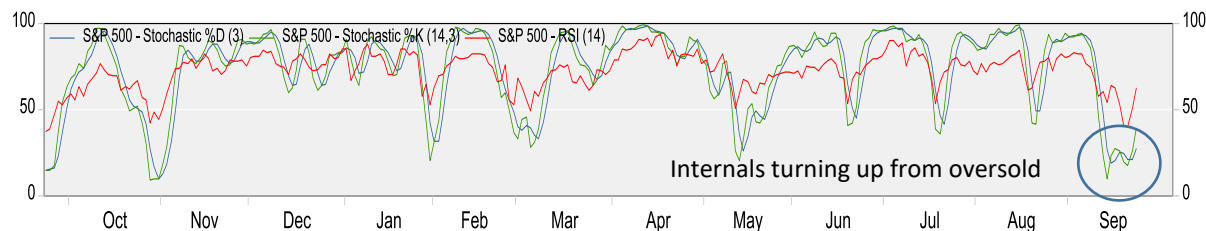


After closing just below the 50-day moving average on Friday, the S&P 500 experienced its heaviest day of selling since May on Monday. The index dropped - 2.74% on 91.5% downside volume, though late-day buying reduced the downside momentum.

Dampened concerns over the threat of Evergrande contagion, along with supportive takeaways from the FOMC meeting yesterday have the S&P 500 rebounding back above its 50-day moving average today as it attempts to regain support. Yesterday was a fairly strong accumulation day at 85% up-volume (similar to today's reading at the time of writing). This reflects the resiliency embedded in the market (since last November), as investors have been quick to "buy-the-pullback" in this current recovery/low-rate environment.



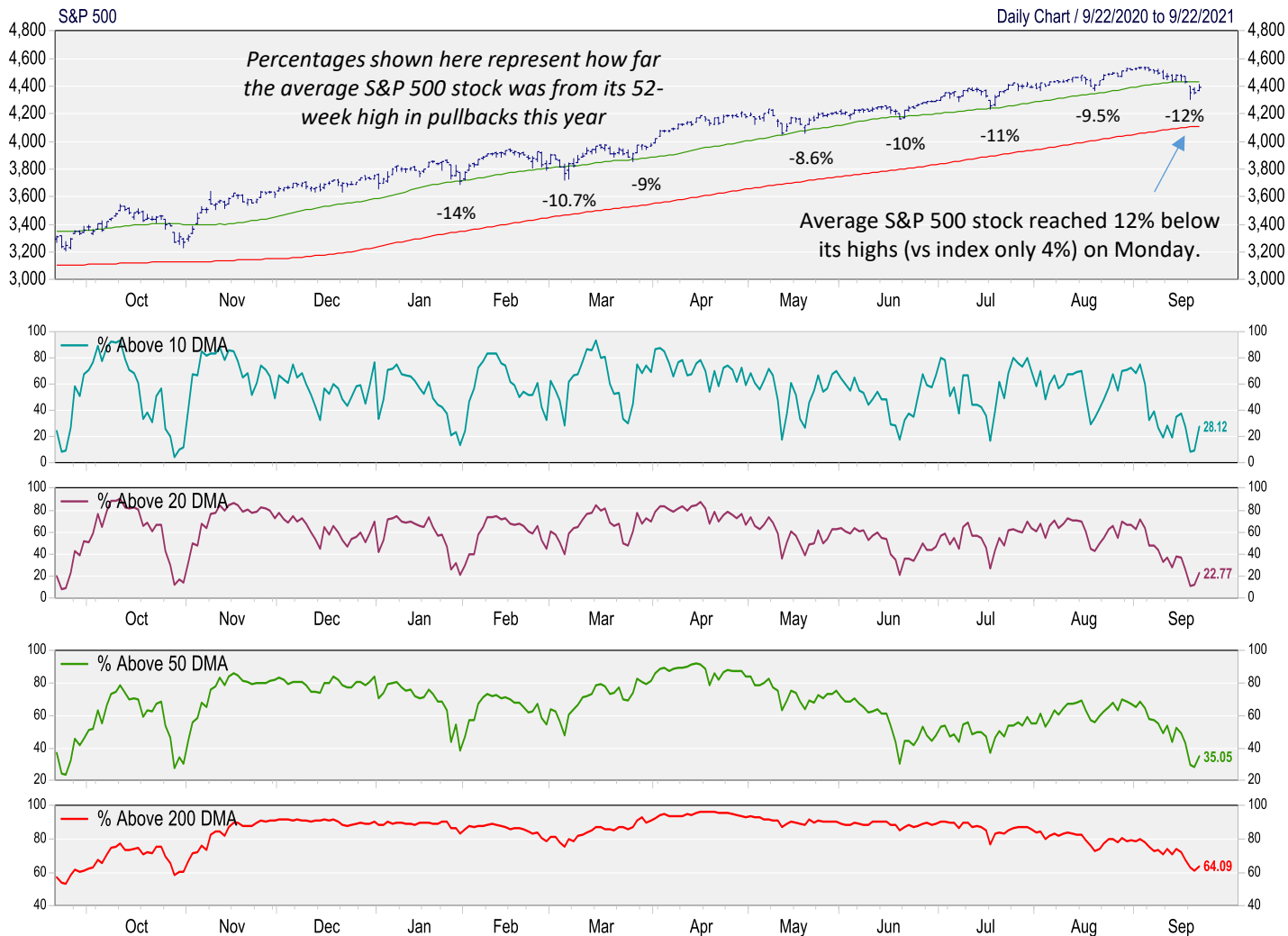
Internals reached oversold levels and are now turning up. Technically, the lower low on Monday damages the upward trend of the S&P 500. We would like to see the index hold above its 50 DMA and make a higher high in the coming days/weeks. If the index is unable to make a higher high, the recent consolidation/pullback may have more to go - potentially range-bound trading as the index rebuilds momentum.



On the downside, we see technical support in the 4233-4250 area, followed by longer-term support at ~4165. The low end of this range represents a ~8% pullback from the recent highs on September 2nd, and we believe a pullback would likely hold above this 4165 area unless the narrative materially changes.

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

MARKET BREADTH



We have been talking endlessly over the past several months about the deterioration in participation beneath the surface. For example, the % of stocks above their 50-day moving average has been receding in the market's advance since May (a technical divergence beneath the surface).

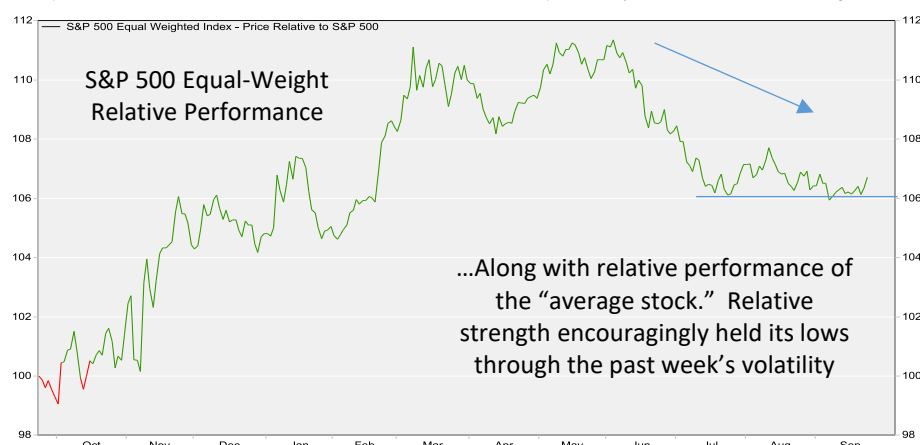
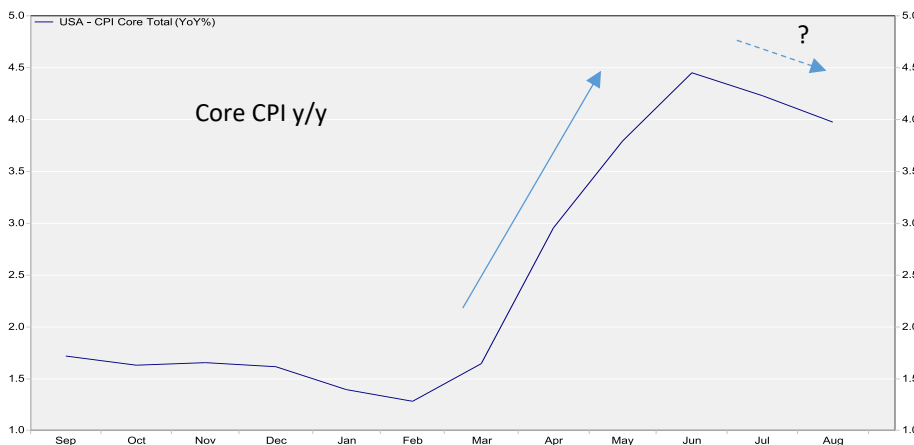
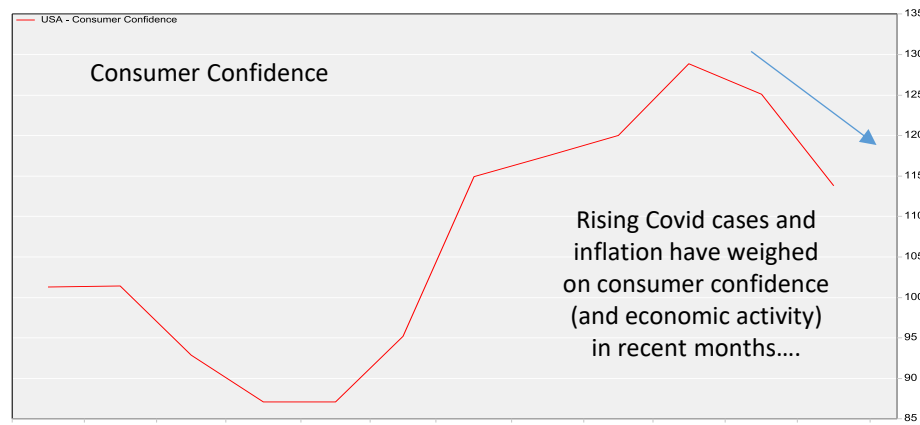
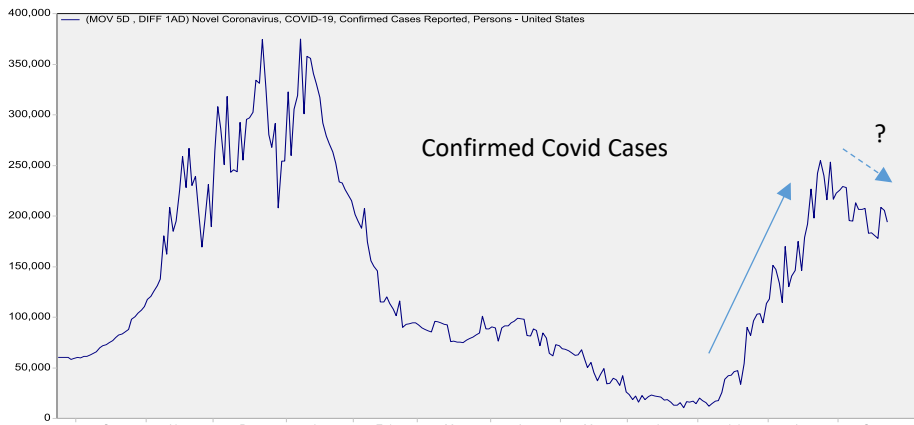
The S&P 500 closed 4% below its highs on Monday, but the average S&P 500 stock was already 12% below its highs. This was the furthest the average stock had reached below its high since January, and we believe this is supporting the bounce as many stocks were already in a correction.

The percentage of stocks above their 50-day moving average reached 28.5% on Monday. We would like market breadth to improve in order to support technical momentum, but this is a reading seen closer to lows in normal pullback periods historically. We continue to recommend accumulating favored stocks and sectors during pullbacks.

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

“AVERAGE STOCK” PERFORMANCE

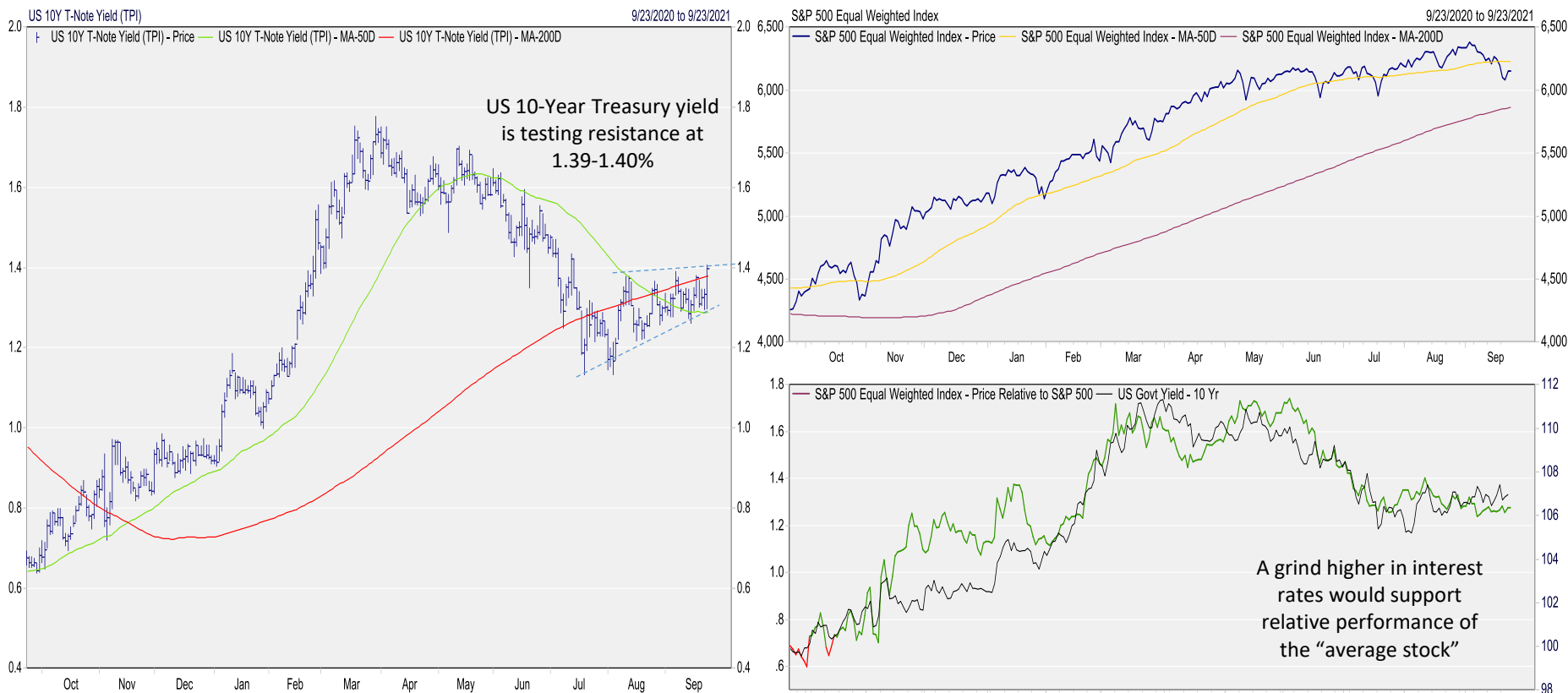
Relative performance for the average S&P 500 stock has pulled back since May. We believe higher inflation and rising Delta variant concerns globally have contributed to this, weighing on consumer confidence and economic activity in the process. While supply chain issues remain, resulting in upward pressure on inflation, we are encouraged by the ability for equal-weight S&P 500 relative performance to hold its recent lows in the recent pullback (along with the possibility of Covid and inflation concerns to be abating). *Continued on the next page...*



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

BOND YIELDS AND EQUAL-WEIGHT S&P PERFORMANCE

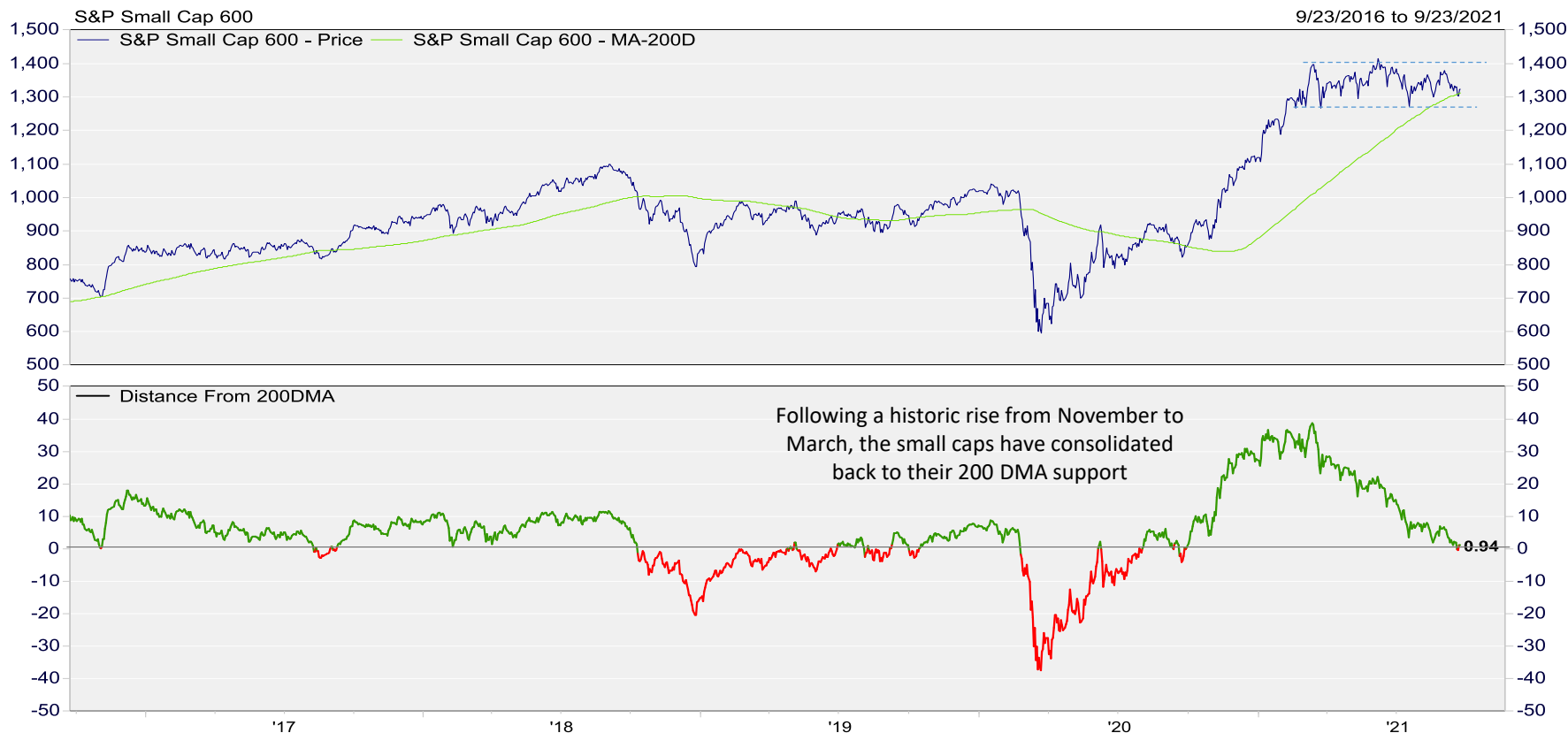
The bond market has been a good barometer of underlying economic momentum, in our view, as downside in interest rates (since Spring) accurately reflected some underlying issues within the economic recovery (i.e. supply chain, inflation, slowdown, etc.). There has been a strong correlation between the US 10-year Treasury yield and relative performance of the S&P 500 equal-weighted index over the past year. And in the aftermath of the FOMC meeting yesterday, the US 10-year Treasury yield is attempting to push above resistance in the 1.39-1.40% area. A break above could be the catalyst for a grind higher in interest rates, which should support relative performance of the “average stock.” We see opportunity within some of these more economically-sensitive areas (i.e. energy, financials, industrials, select consumer discretionary) and would accumulate favored stocks as momentum builds.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

SMALL CAPS

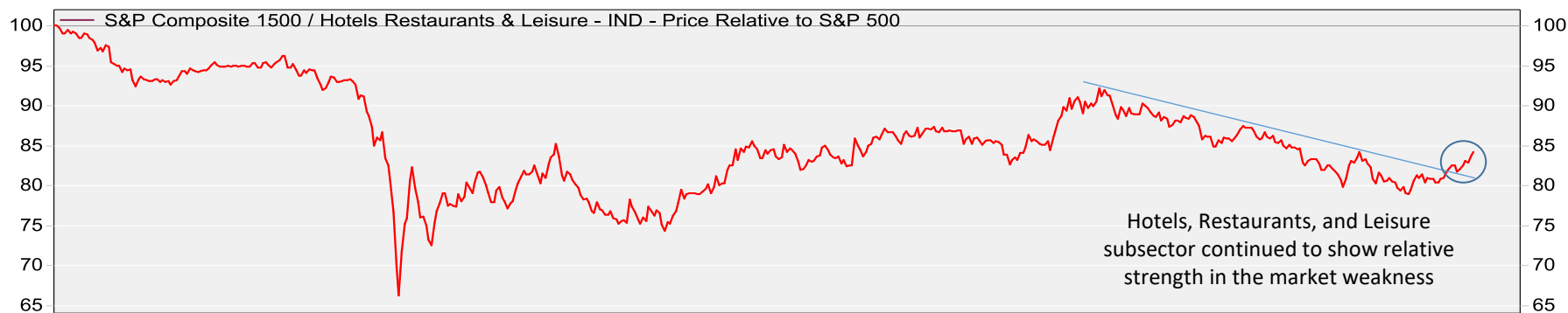
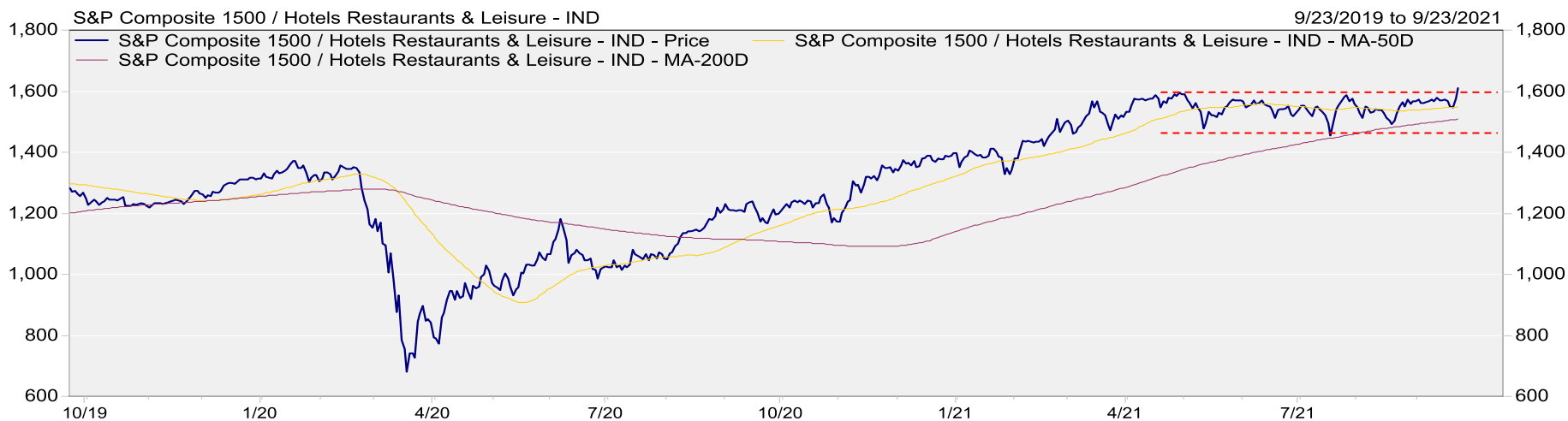
The same dynamic can be used when discussing the small caps. Following historically sharp gains from November to March (positive vaccine news and record stimulus), the small caps have been digesting this strength since. The group is now back to its 200 DMA after consolidating for the better part of 6 months. We view this as very normal and healthy technically, and believe more often than not this trend ultimately resolves itself higher. We remain positive on the fundamental backdrop for small caps with strong earnings growth and revision trends, along with an attractive valuation vs. the large caps. We recommend accumulating the small caps on the lower end of its current range and would increase conviction on an upside break out. Like the more economically-sensitive areas (discussed on the previous page), a grind higher in interest rates could act as the catalyst for renewed small cap momentum.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

HOTELS, RESTAURANTS, AND LEISURE – POSITIVE DIVERGENCE

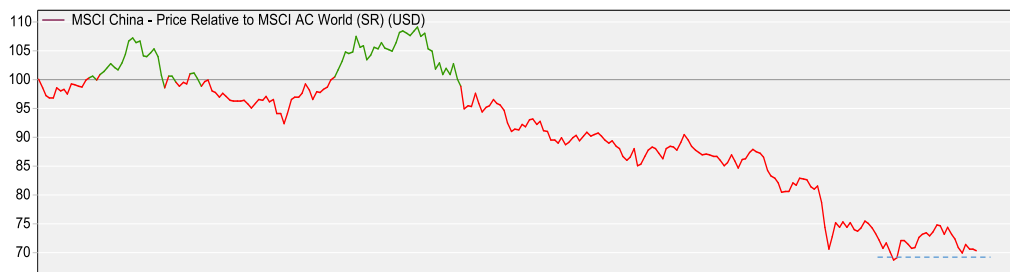
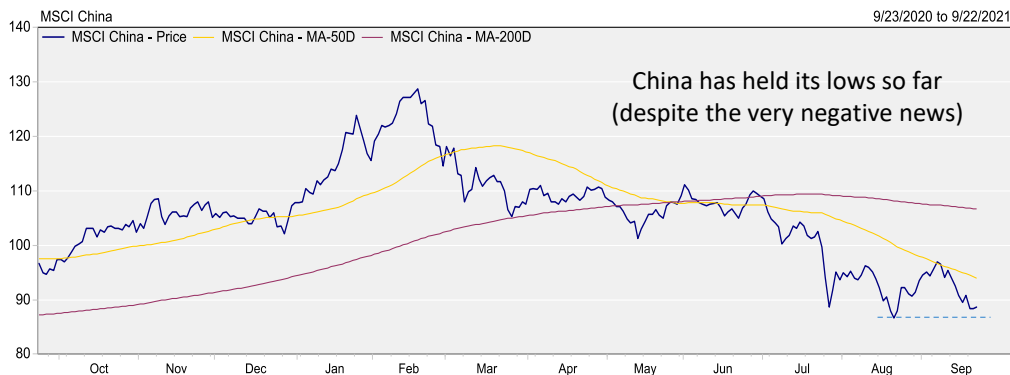
We highlighted the Hotels, Restaurants, and Leisure industry as a potential positive divergence last week- showing relative strength in the market’s down move, despite Delta variant concerns that should have a relatively larger impact on them vs others. The group has continued its relative strength over the past week and is breaking out to new highs today. We view this positive divergence as a clue that the market is beginning to look past the Delta variant. Technically, this is not only supportive of performance trends for the hotels, restaurants, and leisure group but also supports our positive view on the more economically-sensitive areas.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

CHINA

Concerns over a likely default of Evergrande, one of China’s largest property developers, weighed on global equities to begin the week. But Evergrande’s problems have been known for a while now, as evidenced by the company’s substantial debt and equity decline over the past several months. Despite the negative news, it is interesting that China did not trade to new lows (yet)- which begs the question, how much is already priced in? A slowing macro environment, debt concerns, and tight regulatory environment remain headwinds for China’s equity market. Technically, we believe it will take time for China to rebuild upside momentum. But, we also do not want to ignore the possibility that China is attempting to hold its lows that were established in July and tested in both August and September. Volatility is likely to remain high, but aggressive traders can look to be opportunistic as long as the recent lows hold.



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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