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

JULY 7, 2020 | 6:17 PM EDT

2020 2nd Quarter Equity Market Update

2020 2nd Quarter Equity Market Update

Outlook:

As we highlighted last quarter, the economic picture for the first half of 2020 would be cloudy due to the perfect storm of COVID-19 disrupting life as we know it and causing lockdowns, not just domestically but globally. As the economy starts to re-open, the storm clouds are parting and there seem to be some rays of sunshine that are pointing to early signs of recovery. However, there is still some work to do to repair all the damage from the storms as all areas of the economy recover at varying rates.

With the U.S. economy officially in a recession, it is important to begin to focus on the potential recovery. While everyone tries to characterize the shape of the recovery with an "alphabet soup" of letters (V-shaped, U-shaped, L-shaped, W-shaped, K-shaped, etc.), one thing that is apparent is that although we are seeing some early stages of improvement; areas such as Air Travel and Hotels are still down over 70% and 60%, respectively. Restaurants are beginning to reopen, but given social distancing measures, those that have re-opened are only seating just above 50% of diners compared to last year levels. And finally, with work from home measures still in place for many in the US, it is no surprise that traffic congestion is still down 17% from last year. On the other side, ISM manufacturing recently got back into expansionary territory, e-commerce continues to do well, and China, which was early to see the impact of COVID-19, has seen traffic congestion recover above 2019 levels.

Overall, there continues to be disconnect between the economic picture and the equities market. Equity markets have recovered over 75% of the decline witness from peak to trough, but still remain down over 8% from it's all-time high. While the rate of ascent is pronounced, it is not a surprise that investors would look through 2020 and focus on the recovery in 2021 as equites tend begin to discount the future recovery before earnings and the economy sees improvement, causing valuations to expand. In fact, the 20% return for 2Q 2020 was the fourth best quarterly return since 1950. While some may think that they have missed the sharp snapback, historically, following the prior 9 best quarterly returns, momentum continues and the next quarter and 12-months forward returns remain strong. Additionally, keeping a long-term perspective, if this is the beginning of a new bull market, bull markets tend to be long-lasting with average returns of 155% over 3+ years, so there remains plenty of upside for investors even after this strong rally. Given our belief that equities offer the best return opportunity compared to other asset classes over the next 12-18 months, we would continue to be buyers as we believe the earnings picture will begin to improve in 2H 2020 and into 2021 (with opportunity to our upside case in the event of a successful vaccine or therapeutic for COVID-19) and valuation can stay elevated given low interest rates, low inflation, and unprecedented monetary and fiscal stimulus (with more possible in the near future), which should be positive for risk assets.

In the near-term, after such a strong return, would not be surprising to see rate of ascent cool off, similar to what was seen in 2009. Moreover, it is unusual for markets to move in straight lines, and pullbacks of 8-10% would not be unusual. If periods of volatile increase, we would use pullbacks as buying opportunities.

There continues to be mounting risks, including rising odds of Democratic sweep (which could lead to rising corporate taxes in future years), evolving hot spots of new COVID-19 cases and hospitizilations, and simmering trade tensions between US and China. Thus far, these issues have not derailed the bullish posture of the market, which continues to climb the wall of worry. It is our belief that the positives continue to outweigh the negatives, as the recovery and unprecedented stimulus remains the central focus of the market. While our base case of **3,111** offers limited upside potential from current levels, we have a bias towards our year-end upside case of **3,384** as work continues to be done on a vaccine to combat COVID-19 and stimulus can act as an accelerant to the economic recovery. With the market approaching our year-end base case price objective, it is important to understand the market can undershoot in panic sell-offs and over-shoot in rebounds, but looking forward to 2021, we do see additional upside with our base case 2021 year-end S&P 500 fair value at **3,360,** or over 8% potential return from the June 30th closing price.

Table of Contents

Summary of key data points

Positives Continue to Outweigh the Negatives for Equities: Page 5-7: We look at the fair value for the S&P 500 at year end 2020 and 2021. After the sharp rebound since the late March lows, our year-end 2020 price target upside is limited. However, we still see upside in equities with over 8% return potential (before dividends) by year-end 2021. Our base case assumption of $160 in earnings in 2021 assumes ~4% rebound in GDP, and over 30% rebound in earnings over 2020 levels. Our 21x P/E multiple is based on our belief that multiples can stay elevated for longer given the low interest rate, low inflation, and record stimulus environment.

Near-term Consolidation Possible: Pg. 13 and 14- It would not be unusual to see a period of consolidation, or sideways trading in the near-term, following the recent momentum of the S&P 500 since the March lows. As seen on pg. 13, since 1940, there have been 3 other periods in which the market gained 25% in 50 days and each coincided with a recovery from a recessionary bear market and early beginning of a new bull market. While each period saw further upside over the next 12 months, there were periods of volatility that transpired and offered buying opportunities with 7-9% pullback. We believe some sparks of volatility would be normal amidst recovery as the recent strong momentum wanes and would use these pullbacks as buying opportunities. Moreover, on pg. 14, we examine the similarity of this recovery to 2009, in which approximately 60 days into the recovery off the bottom, the ascent of the market started to level off creating a consolidation period.

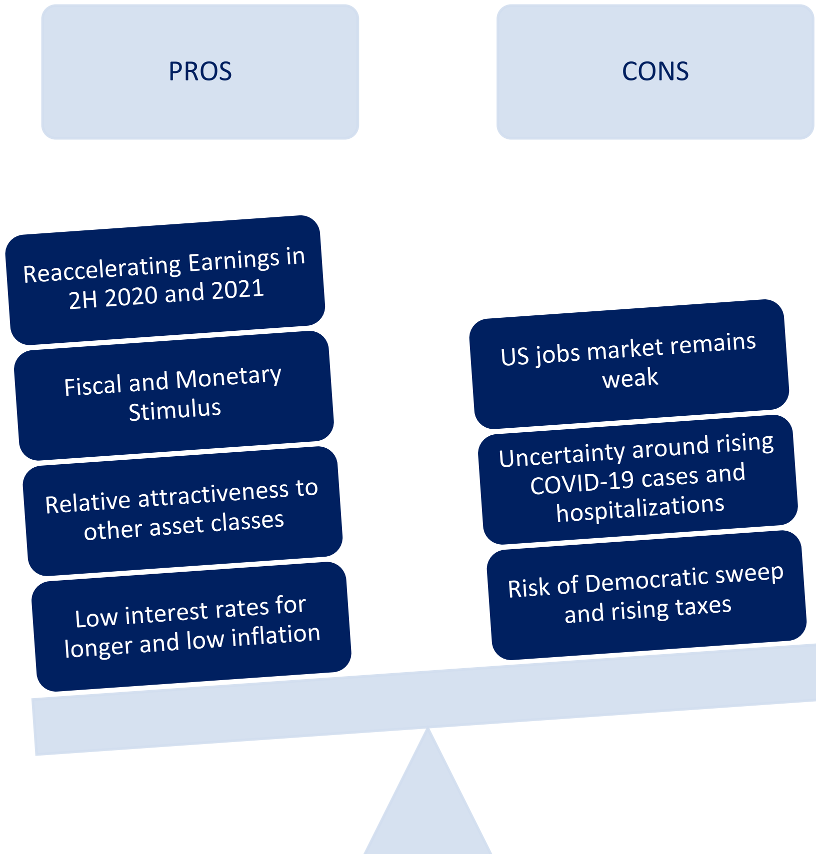
Sector Rotation: Pg. 26 and 27- We maintain a bias to the leaders of the market, which include Technology, Health Care, Consumer Discretionary, and Communication Services and would be selective in adding some higher beta, cyclicals over the defensive sectors. During the sharp sell-off, investors flooded into the less fundamentally impacted, more defensive sectors. However, as the economy opens back up, we believe those sectors that were most beaten up may offer some opportunities. Recent relative performance gains in the cap-weighted Consumer Discretionary and Industrial sectors is constructive, while the defensive sectors such as Utilities and Consumer Staples have seen relative performance move towards lows, which is worrisome for the defensive sectors.

High Frequency Data Showing Improvement, but Still a Long Road to Recovery: Pg. 16- We continue to see some improvement off severely depressed levels in some of the high frequency data in some of the most beaten up areas of the economy, namely, airlines, hotels, dining, and traffic. While the improvement is constructive, it must be weighed against the rising COVID-19 cases (pg. 15) in emerging hot spots and high unemployment levels (pg. 12).

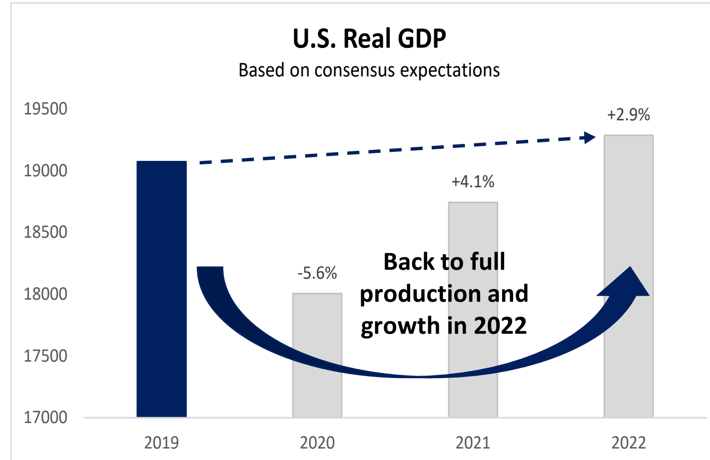
Return to 2019 Levels: The pandemic induced recession in 2020 is likely to go down as one of the most severe recessions on record. However, it is our expectation for it to be swift leading to one of the quickest snapbacks. As seen on pg. 5, US GDP is likely to fully recover and return to growth (vs. 2019 levels) during CY 2022 based on consensus expectations while earnings may return to growth faster due to lower interest rates and low inflation expectations leading to margin expansion. Consensus EPS expectations for 2021 are actually expected to see earnings fully recover with slight growth over 2019 levels. Compared to prior recessions, this is much quicker as the dot com bubble didn't see a full recovery to until 2003 (back above 2000 levels) and the Great Financial Crisis took even longer not seeing a full recovery until 2011 over 2007 levels (pg. 8).

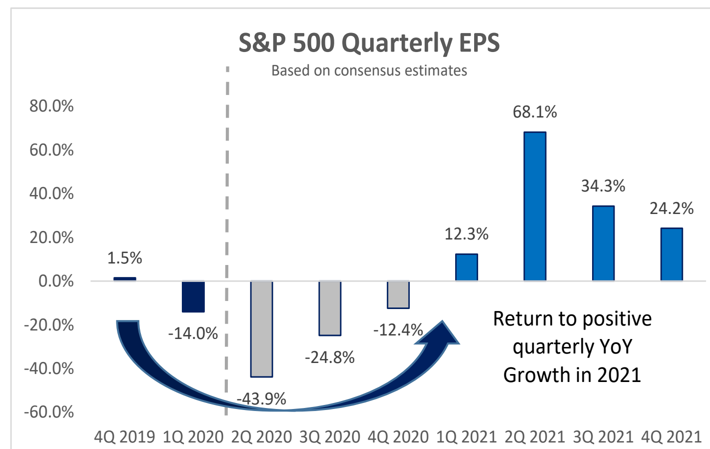
Earnings Revisions Coming from a Recession: Pg. 9- The normal trend of earnings revisions is for analysts to begin the year with optimistic forecast only to see earnings revised lower over the course of the year. However, during recessions, analysts sharply reduce estimates and extrapolate negative economic conditions to persist for longer, leading estimates to be overly pessimistic causing an upward trend in revisions throughout the year. If this same trend continues (as is typically seen recovering from recessions), there could be upside to our current base case earnings estimate of $160; likely closer to our upside case of $170 in 2021.

2H 2020/2021 Outlook



Positives outweigh the negatives





Source: FactSet and RJ Equity Portfolio & Technical Strategy

Look through 2020 Earnings and Ahead to 2021

Year End 2020 Price Target				
	2021 EPS	Year End 2021 P/E Multiple	Discount Rate	Year End 2020 Price Target
Upside	$ 170	21.50x	8.0%	3,384
Base	$ 160	21.00x	8.0%	3,111
Downside	$ 150	17.50x	8.0%	2,431

Source: RJ Equity Portfolio & Technical Strategy

We view price targets (using mathematical formulas) as fluid in the current environment, given the battle between an uncertain environment (earnings growth) and unprecedented fiscal and low rates due to monetary stimulus (valuation influences).

As long as the equity market focus remains on stimulus, the valuation will push to a premium. Additionally, given the tendency of analysts to undershoot earnings after economic contractions (see slide 6), the odds are higher for earnings between our base and bull case. For these reasons, we have a bias to believe odds are elevated for a price level between our base and bull case by year-end despite our mathematical formula produced base case reflecting little upside from the June 30 closing price.

Conversely, with plenty of potential headwinds remaining for the second half of the year (virus outbreaks, economic uncertainty, election, trade battle (s), etc.), we are reluctant to chase the market higher with our price target at this point. Use the base case target as a rationale to buy any developing pullbacks.

Given that the stock market will begin to discount the future earnings recovery, we believe it is more appropriate to look at 2021 earnings scenarios and discount back to find the possible year end 2020 price objective.

Base Case Scenario: 3,111 (2021 EPS- $160, P/E Multiple 21x)
- Better news on the vaccine/therapeutic efforts for COVID-19
- Recovery as stay at home orders are lifted without significant resurgence- avoiding the worse case scenario
- Unprecedented stimulus globally unlikely to go away anytime soon (market is feeding off prospects of further stimulus)
- Fed to keep rates lower for longer and continue to support credit markets, which is positive for risk assets
- Valuation can stay elevated give stimulus, low interest rates, low inflation, and no attractive alternatives for equities

Upside Scenario: 3,384 (2021 EPS- $170, P/E Multiple 21.5x)
- Successful vaccine before year-end
- Re-opening goes better than expected with no second wave
- Consumer spending improves and jobless claims normalize
- Valuation discounts better than expected economic conditions and stimulus acts as further accelerant

Downside Case: 2,431 (2021 EPS- $150, P/E Multiple 17.5x)
- China/US tensions accelerate and become central influence for the equity markets
- President election and rising odds of Democratic sweep- raising the chances of higher taxes (more of a forward concern as increased taxes unlikely until 2022 given the current focus on recovery from COVID-19)
- Extension of unemployment benefits/mortgage relief hits a roadblock- leading to rising defaults
- Muted recovery in consumer behavior
- Virus concerns linger with pockets of outbreaks (and fear of a second wave) weigh on consumer behavior and business operations
- Economic snapback in 3Q and 4Q of 2020 more muted than expected
- Current and future stimulus likely acts as a buffer to further economic deterioration

Source: FactSet and RJ Equity Portfolio & Technical Strategy

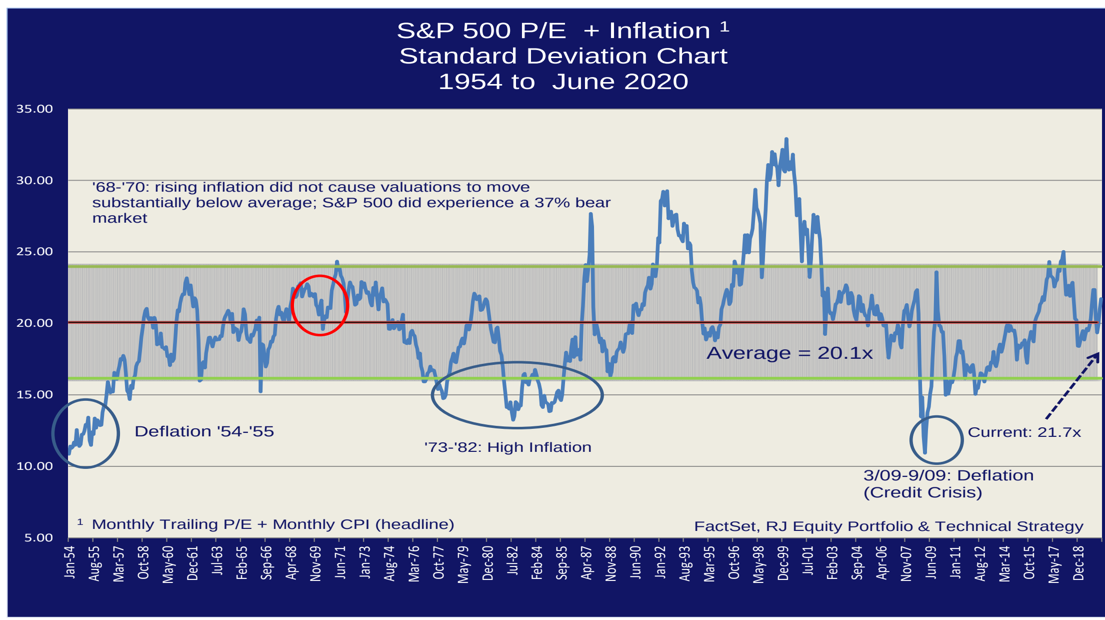
2021 Fair Value

Year End 2021 Price Target				
	2021 EPS	Year End 2021 P/E Multiple	Year End 2021 Price Target	% from June 30th Price
Upside	$ 170	21.50x	3,655	17.9%
Base	$ 160	21.00x	3,360	8.4%
Downside	$ 150	17.50x	2,625	-15.3%

Source: RJ Equity Portfolio & Technical Strategy

We believe 2021 will be a return to growth as we get back to "normal". For this reason, we return to our favored fair value calculation, LTM PE applied to next year-end earnings versus the discounting method necessary in 2020 given depressed recessionary earnings this year. We apply a 21x PE to $160 in earnings to reach a 2021 year-end price target of 3,360, or ~8.4% above the June 30th, 2020 S&P 500 level (before dividends).

Justification for 21x P/E Multiple: While there is an argument that P/E's are elevated, we believe the P/E can be sustainably higher given the record stimulus, low interest rates, and low inflation. Overall, while there are fears that inflation could rise, our base case is assuming that inflation remains contained and the implied inflation expectations by the 10-year TIPs market suggest that inflation is likely to remain below the Fed's long-term target, suggesting that interest rate yields can remain low for longer, which likely keeps P/E multiples above the long-term average. Additionally, currently, the S&P 500 P/E + Inflation multiple of 21.7x, while above the long-term average, is less than 1 standard deviation above the long-term average of 20.1x. While our fair value P/E multiple would assume some normalization towards 21x, it would still be above the long-term average given the low inflation expectations.

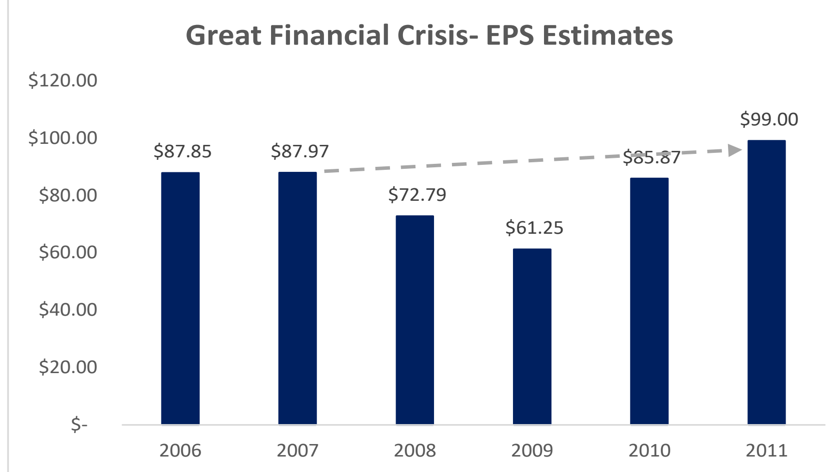


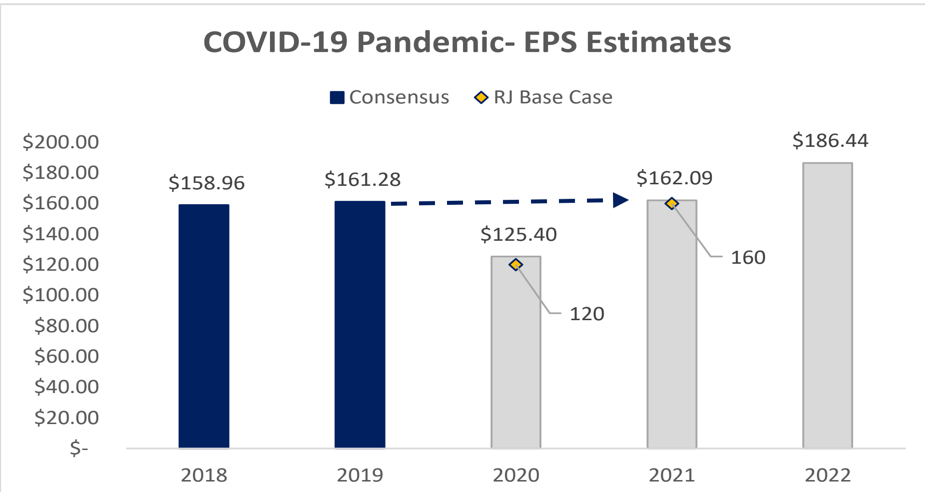
Source: FactSet and RJ Equity Portfolio & Technical Strategy

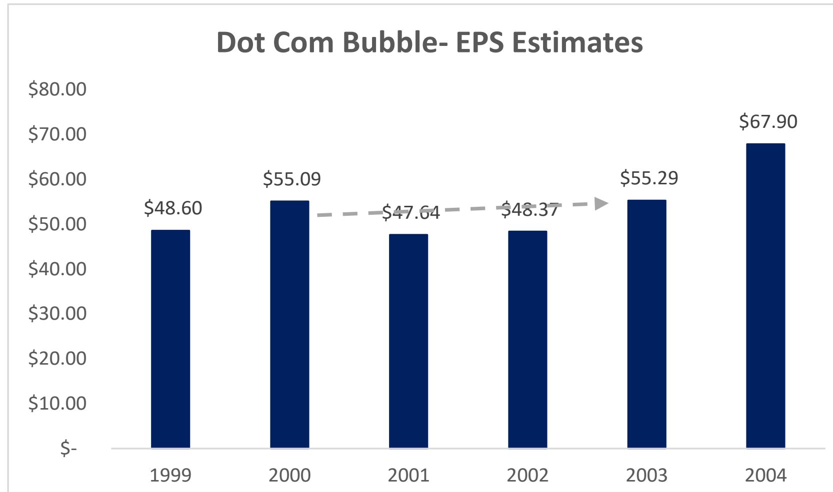
Earnings Recovery Following Recessions

Following the dot com bubble and Great Financial crisis, it took several years for earnings to recover from the economic setback resulting from the recession. Despite being more severe in magnitude this time, consensus expectations are looking for earnings to recovery fully (above 2019 levels) in CY 2021.

We will continue to monitor earnings revisions, but as we will show on the next page, there could be some upside to estimates in 2021 as analysts, which tend to be overly optimistic with initial expectations when the economy is robust, tend to be overly pessimistic when the economic situation is rebounding from a recession. Some of the wildcards that could also impact the recovery would be potential for rising corporate taxes resulting from a regime change in Washington and/or the impact to margins from supply chain disruptions as companies learn from COVID-19 and move supply chains around the world.





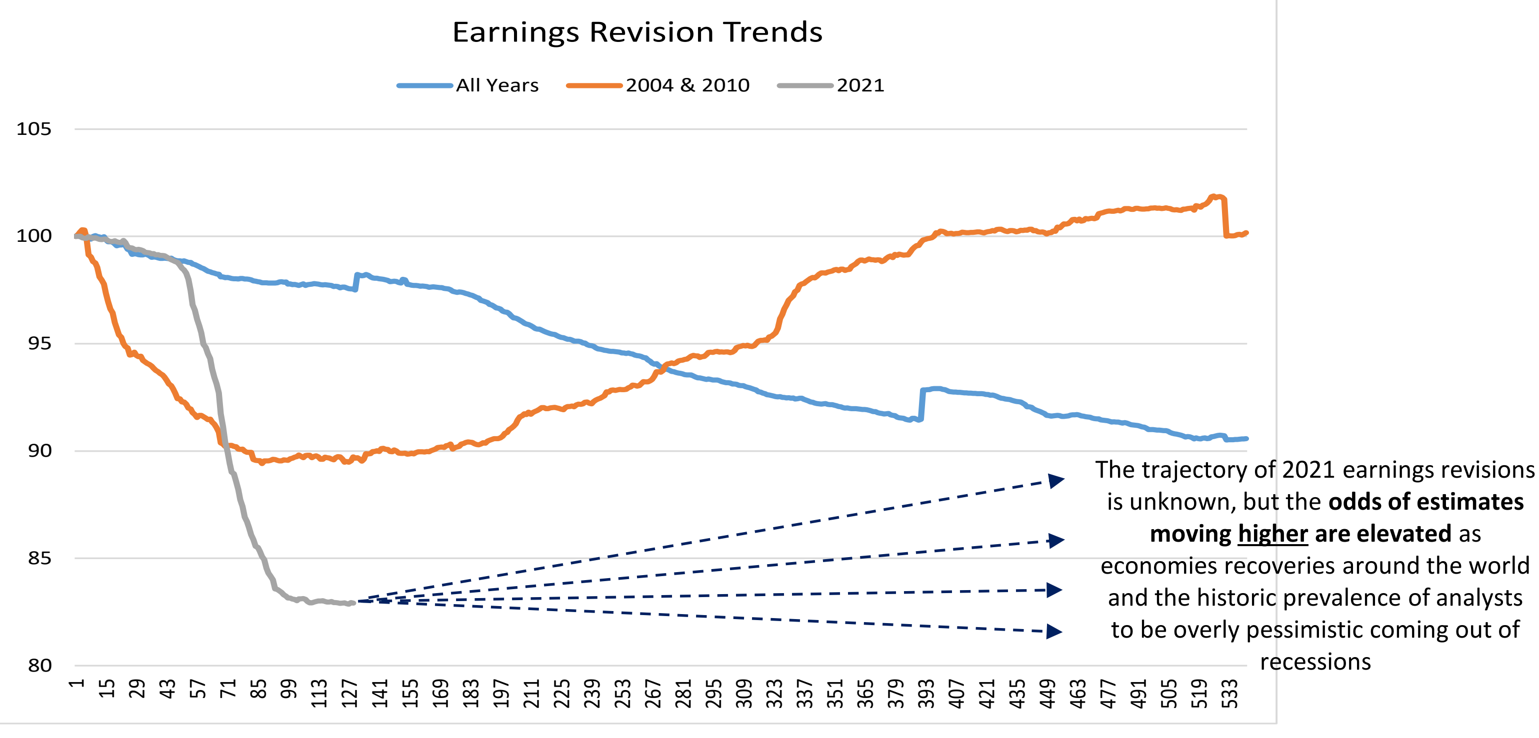


Source: FactSet and RJ Equity Portfolio & Technical Strategy

Revisions Coming Out of Recessions

2021 earnings have been revised 17% lower since the end of 2019. During robust economic conditions, it is often typical for earnings estimates to start the year high only to gradually decline throughout the year. However, during periods of economic weakness (prior two recessions), as seen below, estimates are reduced sharply before moving higher. Following a similar pattern to prior recessions, we believe earnings estimates may provide upside to our base case estimate of $160 in 2021 closer to our upside case of $170.

Normal conditions: Analyst estimates start higher on optimism, only to be revised lower over the course of the year
Recovery from Recessions: Estimates are reduced sharply on pessimism on the economic outlook only to gradually move higher as the forecasts prove to be too pessimistic



Source: FactSet and RJ Equity Portfolio & Technical Strategy

End of a Bull Market, Beginning of a New One

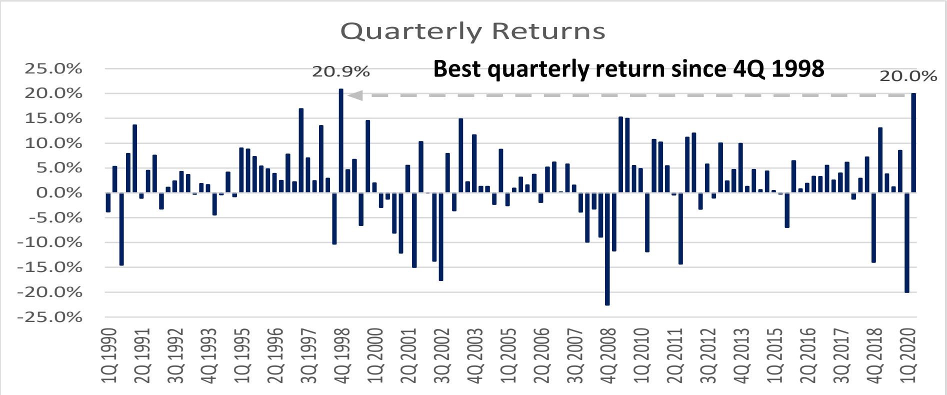
The 11-year bull market came to an end with 1Q 2020 registering the worst 1st quarter return (since 1979). However, it was followed by the 4th best quarterly return since 1950 and best return since 4Q 1998. While the returns seen in 2Q are impressive, we do not believe it takes away from the potential returns for long-term investors. As seen below, since 1950, the **next quarter return**, following the prior 9 best quarterly returns, **has been positive 100% of the time** (averaging 9.09%). More importantly, the **next 12 month return has been positive almost 90% of the time** (averaging 14%). Also, assuming we are in the early stages of the next bull market, bull markets tend to last upwards of 3 years with the average return over that time of 155%, so a 20% quarterly return is unlikely to rob the potential upside in equities for a long-term investor.

Bull Markets

Trough	Peak	Price Change	# of Days
Jun-49	Aug-56	267%	1,789
Oct-57	Dec-61	86%	1,042
Jun-62	Feb-66	80%	913
Oct-66	Nov-68	48%	516
May-70	Jan-73	74%	665
Oct-74	Nov-80	126%	1,555
Aug-82	Aug-87	231%	1,277
Oct-87	Jul-90	71%	691
Oct-90	Jul-98	304%	1,963
Oct-98	Mar-00	68%	368
Oct-02	Oct-07	105%	1,259
Mar-09	Feb-20	396%	2,759
Average		***155%***	***1,233***
Median		***96%***	***1151***

After bear markets end, bull markets ensue.

Bull markets last longer than bear markets, and produce substantially more gain. The average gain of 155% over 1233-days (3.37) for bull markets since 1949 far outpacing the nearly 1-year declines of ~30% declines for bear markets dating back to 1957.



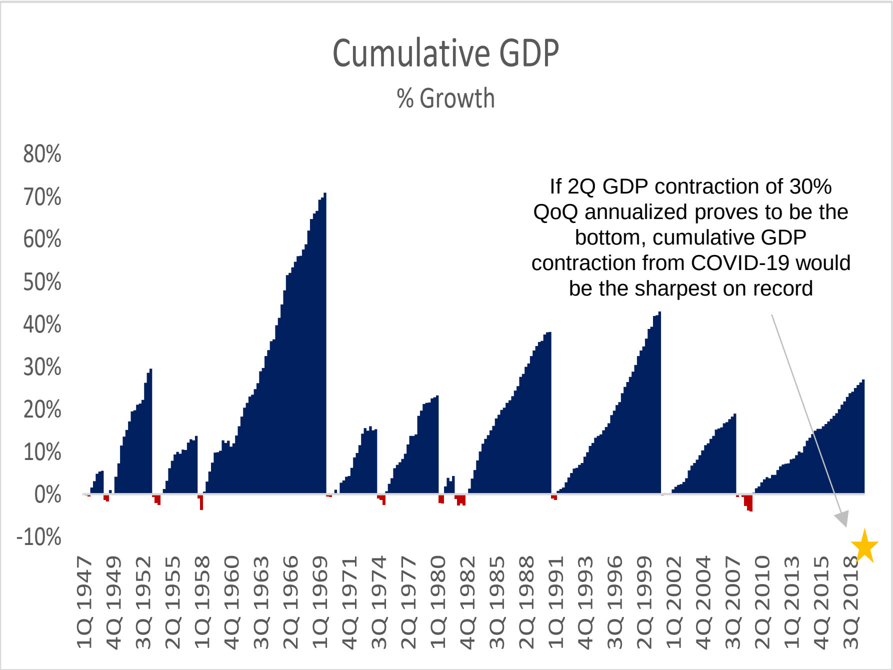
Best Quarterly Returns Since 1950

Date	Return	Next Qtr Return	Next 12m Return
3/31/1975	21.59%	14.19%	23.28%
12/31/1998	20.87%	4.65%	19.53%
3/31/1987	20.45%	4.22%	-11.25%
6/30/2020	19.95%	?	?
6/30/1997	16.91%	7.02%	28.10%
12/31/1982	16.79%	8.76%	17.27%
12/31/1985	16.04%	13.07%	14.62%
9/30/1970	15.80%	9.43%	16.78%
6/30/2009	15.22%	14.99%	12.12%
9/30/2009	14.98%	5.49%	7.96%
Average		**9.09%**	**14.27%**
% Positive		**100.00%**	**88.89%**

Source: FactSet and RJ Equity Portfolio & Technical Strategy

GDP

With the U.S. economy officially in a recession, it is important to look back at prior periods of economic contraction to get a glimpse on how drastic this recession is comparatively. If 2Q proves to be the trough of the contraction, 2020 would be the most severe GDP contraction (since 1947) and significantly worse than the GDP contraction seen during the Great Financial Crisis. By comparison, the GFC saw cumulative GDP contraction of 4% over 6 quarters. Assuming that the 2020 recession only lasts 2 quarter, cumulative GDP contraction would likely be in the high single digits from its peak in 4Q 2019. Historically, economic contractions are swift, usually lasting only 3 quarters on average, with periods of economic expansion more long lasting (over 25 quarters) with average cumulative GDP growth of 28.5%.



	Averge Expansion	Average Contraction
Quarters	25.3	3.1
Cumulative GDP Growth (%)	28.5%	-2.2%

2020 EPS Estimate

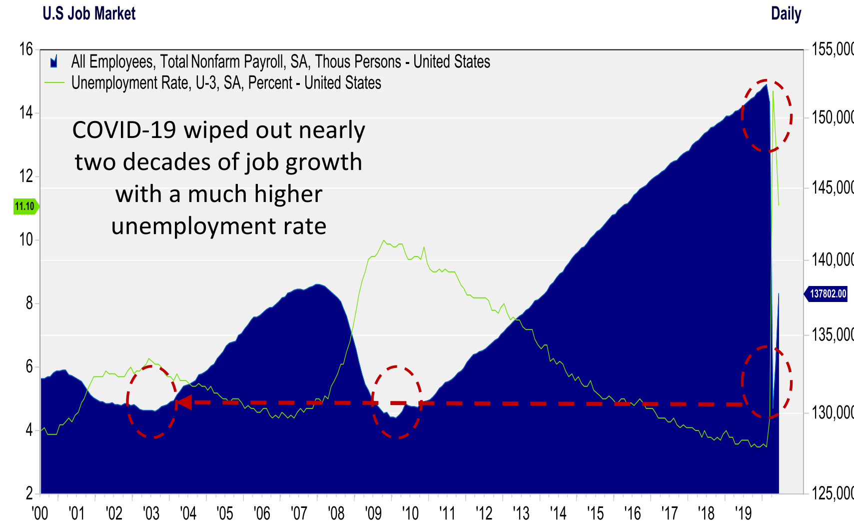
Sensitivity to GDP

2020 Full Year US GDP Growth	S&P 500 EPS Estimate	EPS Growth % YoY
0.00%	$160	-1%
-0.50%	$155	-4%
-1.50%	$145	-11%
-3.00%	$130	-20%
-5.00%	$110	-32%
-10.00%	$100	-38%

Source: FactSet and RJ Equity Portfolio & Technical Strategy

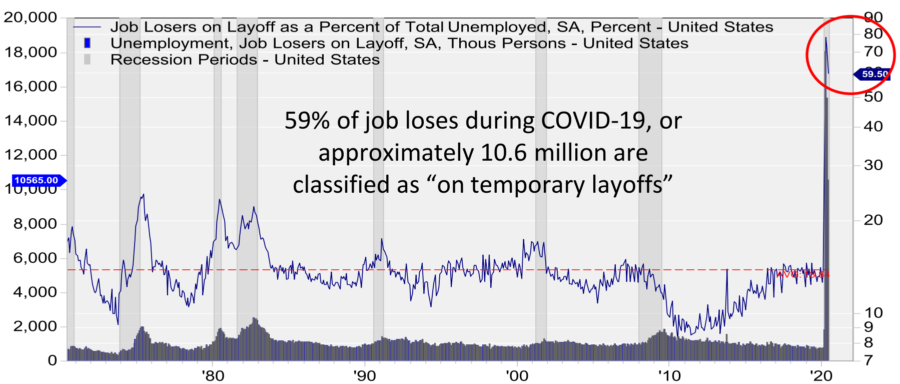
U.S. Jobs Market

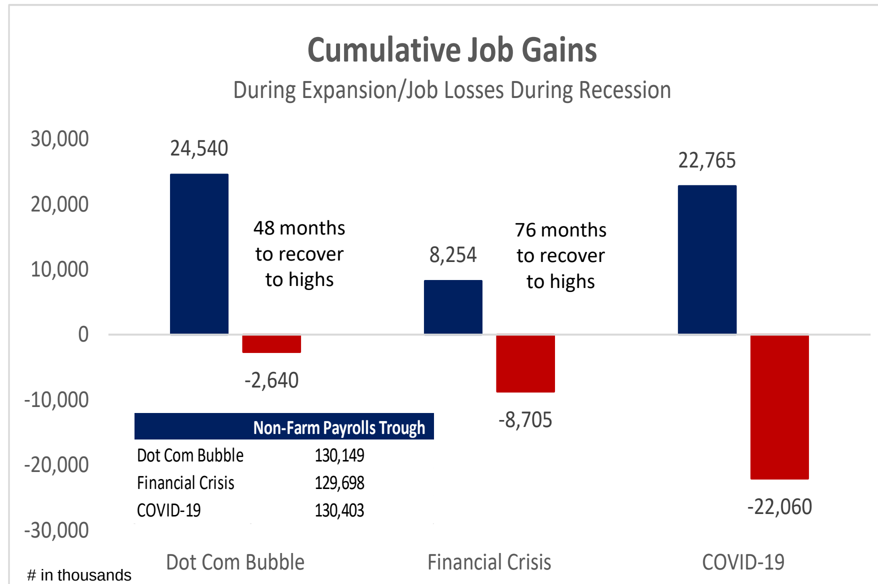
COVID-19 has been destructive to the U.S. jobs market, essentially wiping out two decades of job growth in just a few months (as seen to the right). Currently, the unemployment rate is above 11% with over 17 million classified as unemployed. However, approximately 59% of the job losses seen during this recession are classified as "temporary layoffs". Below, we looked at the sensitivity of those "on temporary layoffs" getting back to work and where the unemployment rate could go over the next year. Overall, we believe the **unemployment rate likely falls towards 9% at year end. Additionally, looking at the prior two recessions (dot com and CGF) it took 48 and 76 months, respectively, to recover to highs for non-farm payrolls.**



Unemployment Rate Sensitivity

% Classified as "on Temporary Layoff" Return to Work	Labor Force Participation Rate					
	60%	60.50%	61%	62.00%	63%	64%
0%	13.4%	13.3%	13.2%	13.0%	12.8%	12.6%
20%	11.5%	11.4%	11.3%	11.1%	10.9%	10.8%
40%	9.5%	9.4%	9.4%	9.2%	9.1%	8.9%
50%	8.5%	8.5%	8.4%	8.3%	8.1%	8.0%
60%	7.5%	7.5%	7.4%	7.3%	7.2%	7.1%
80%	5.6%	5.5%	5.5%	5.4%	5.3%	5.2%
100%	3.6%	3.6%	3.6%	3.5%	3.4%	3.4%

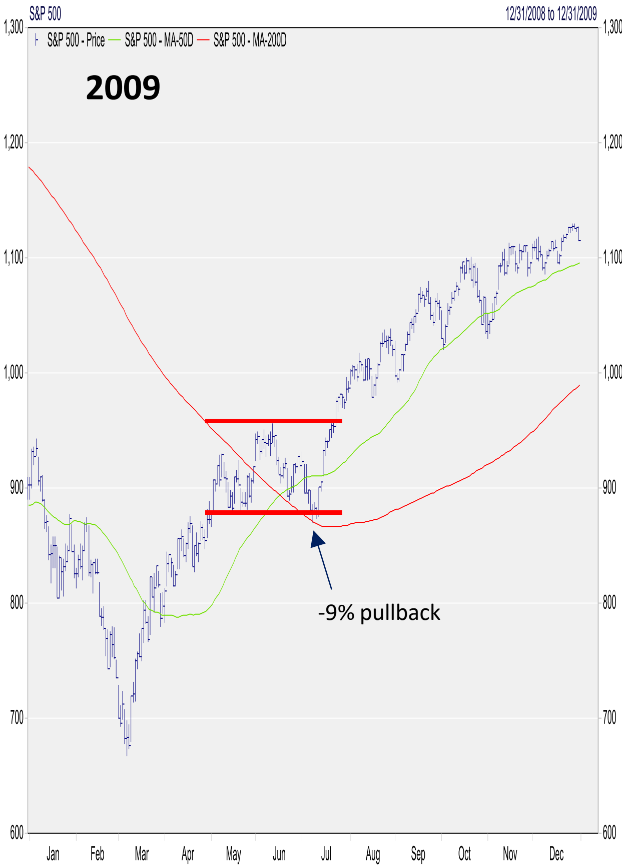


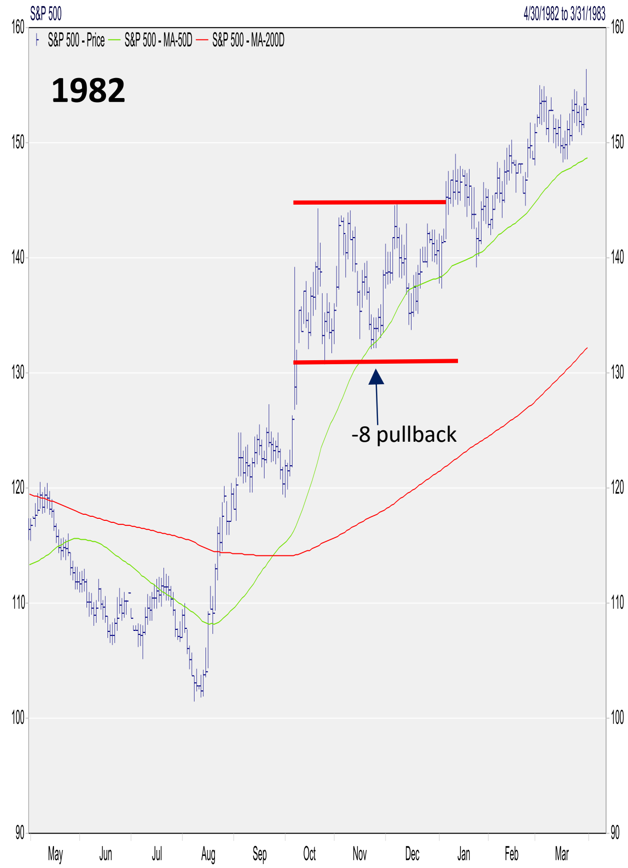


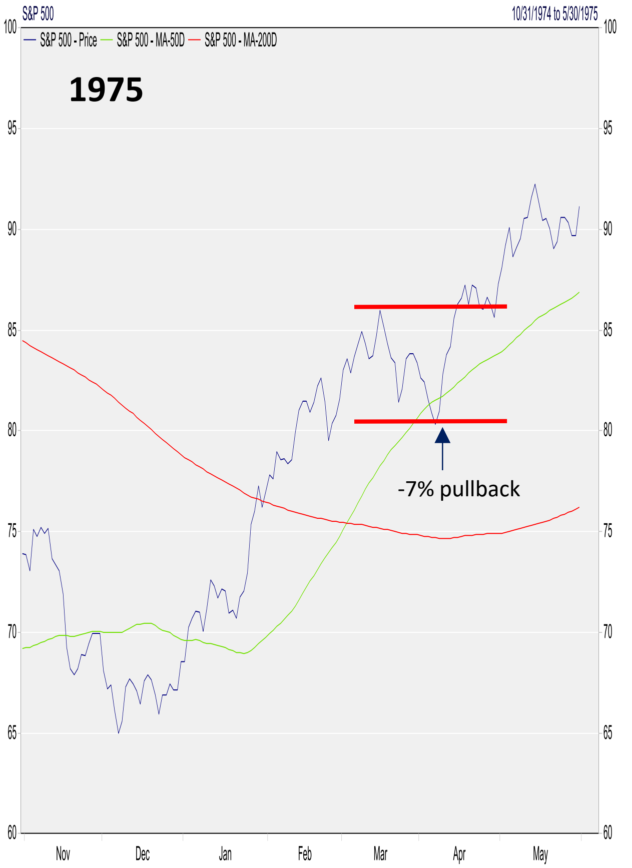
Source: FactSet and RJ Equity Portfolio & Technical Strategy

Consolidation in a Recovery is Normal

While the recovery from the bottom has been impressive, the stock market usually does not move in straight lines (as we have seen since the market lows back in March). Since 1940, we have seen three other periods in which the market gained 25% in 50 days and each coincided with a recovery from a recessionary bear market and early beginning of a new bull market. While each period saw 20%+ over the next 12 months, there were periods of volatility over this timeframe. These periods of volatility offered attractive entry points as the S&P 500 saw a 1-2 month pause with a 7-9% pullback. We believe some sparks of volatility would be normal amidst recovery as the recent strong momentum wanes.

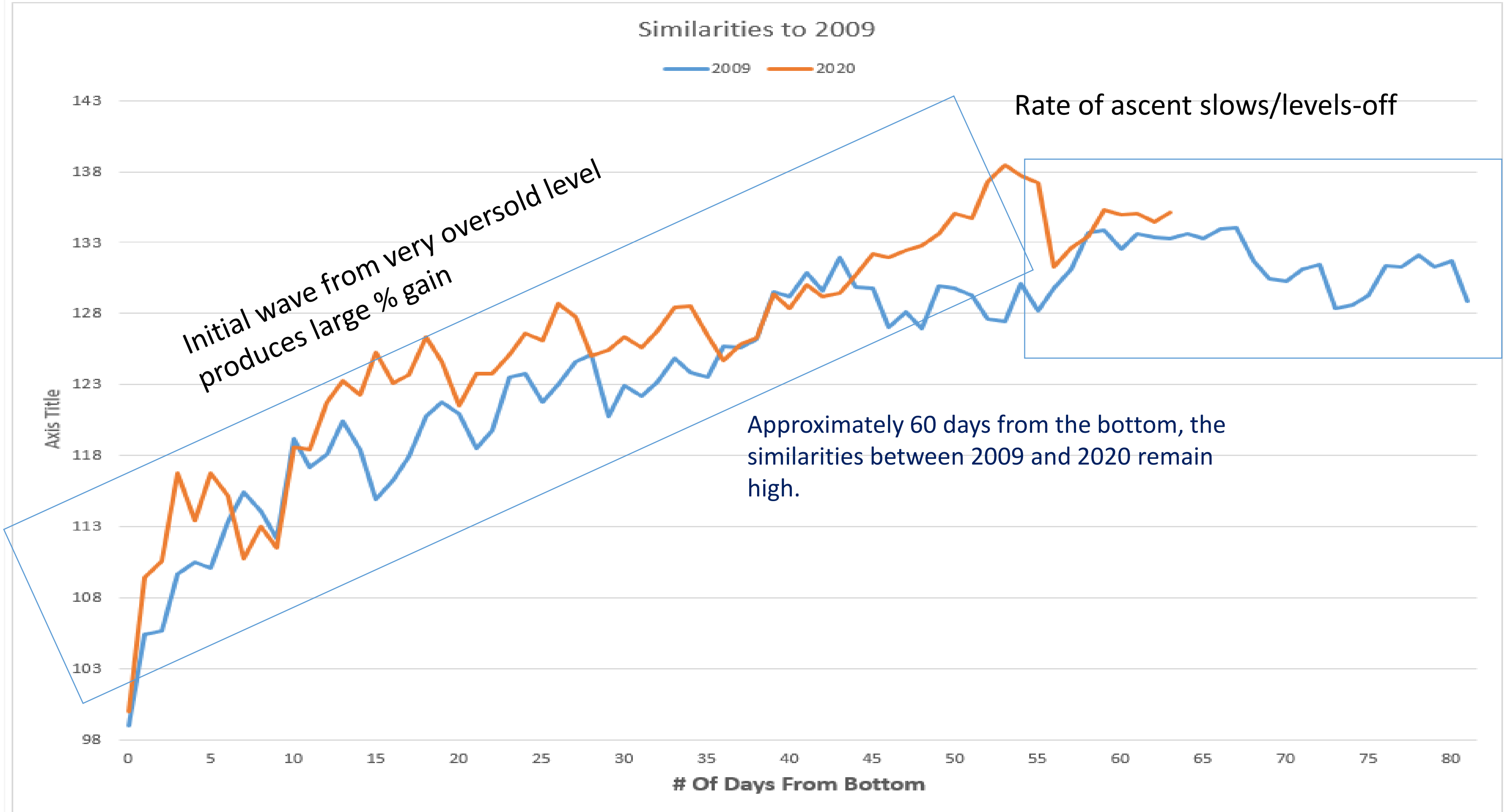






Source: FactSet and RJ Equity Portfolio & Technical Strategy

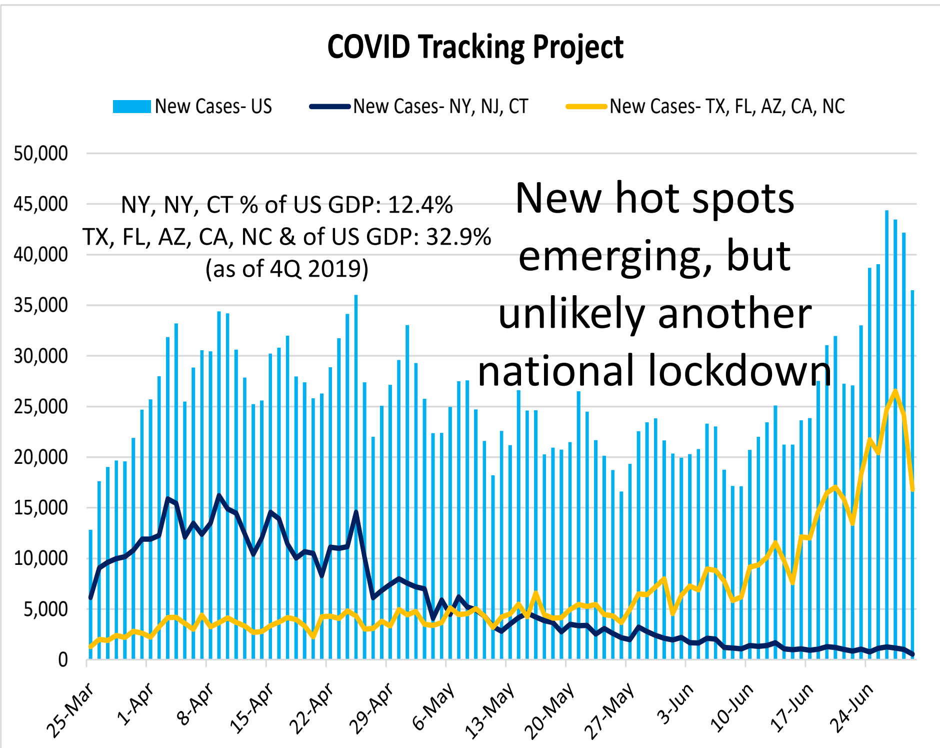
Rate of Ascent Could Level Off

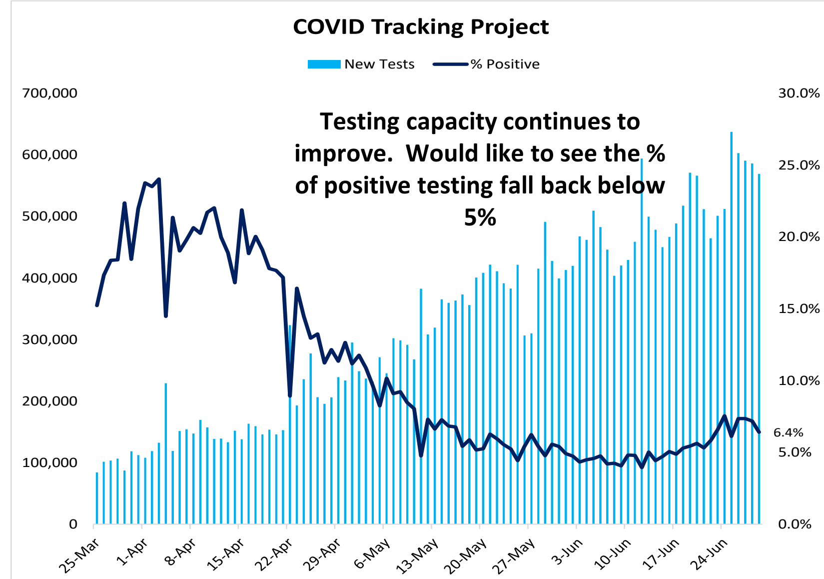


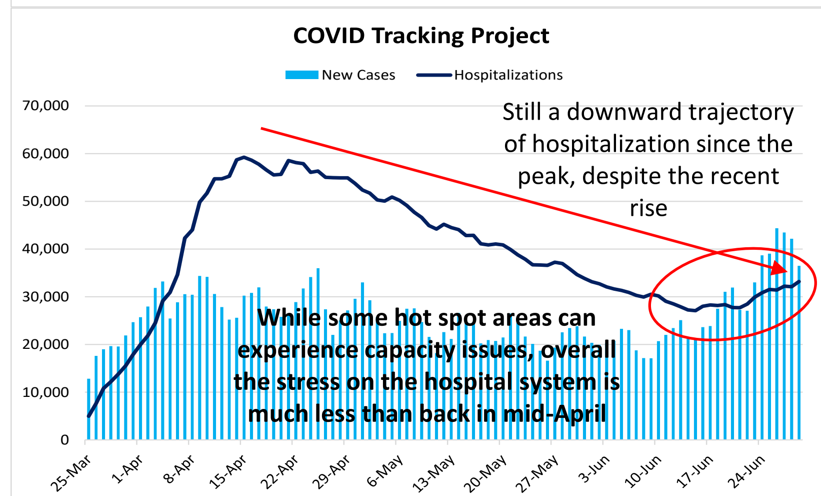
Source: FactSet and RJ Equity Portfolio & Technical Strategy

COVID-19 Update

Our base case assumes that there is not another national lockdown as we saw earlier in 2020. While COVID-19 remains a risk, both domestically and globally, testing has improved and the number of US hospitalizations has fallen from the peak. As seen below, "hot spots" can evolve—back in late March/early April, NY, NJ, and CT accounted for over 50% of new cases in the US. However, TX, CA, NC, FL, and AZ now account for over 50% of new cases, which could cause some slowdown in the recovery effort on a localized level, but unlikely on a larger scale, which should help the overall economic picture improve as we go into the back half of 2020 and into 2021.

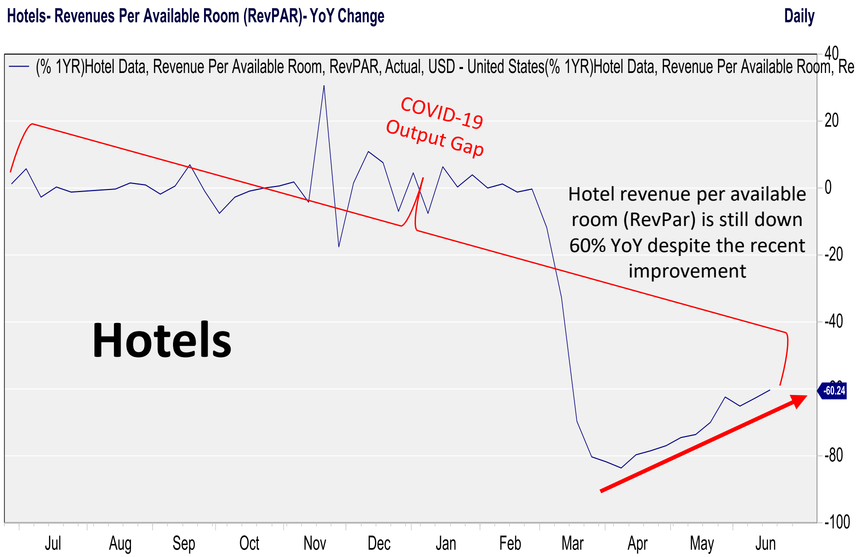


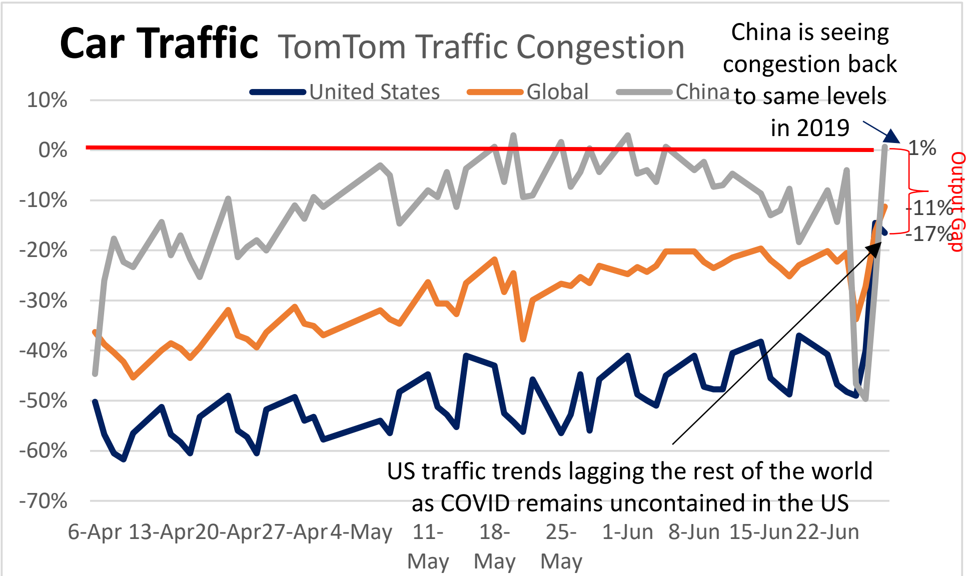


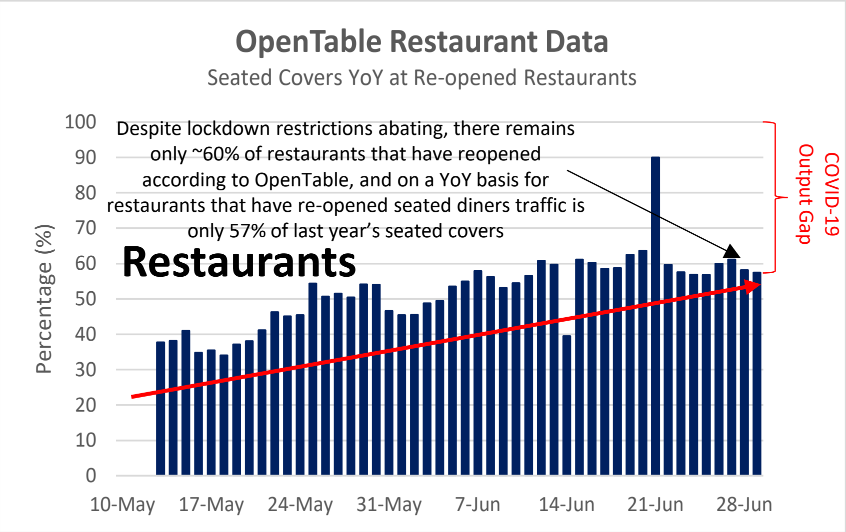


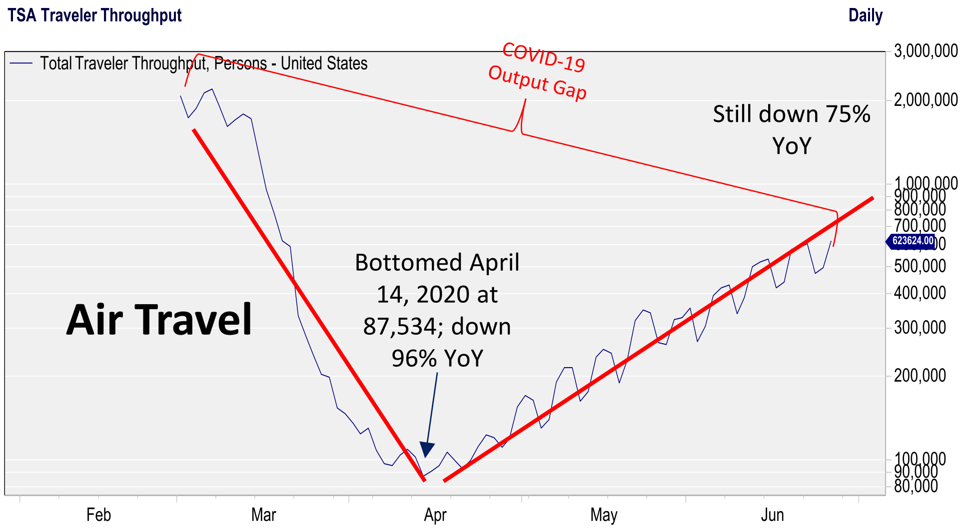
Source: COVID-19 Tracking Project, FactSet and RJ Equity Portfolio & Technical Strategy

Early Signs of Recovery, but COVID-19 Output Gap Remains







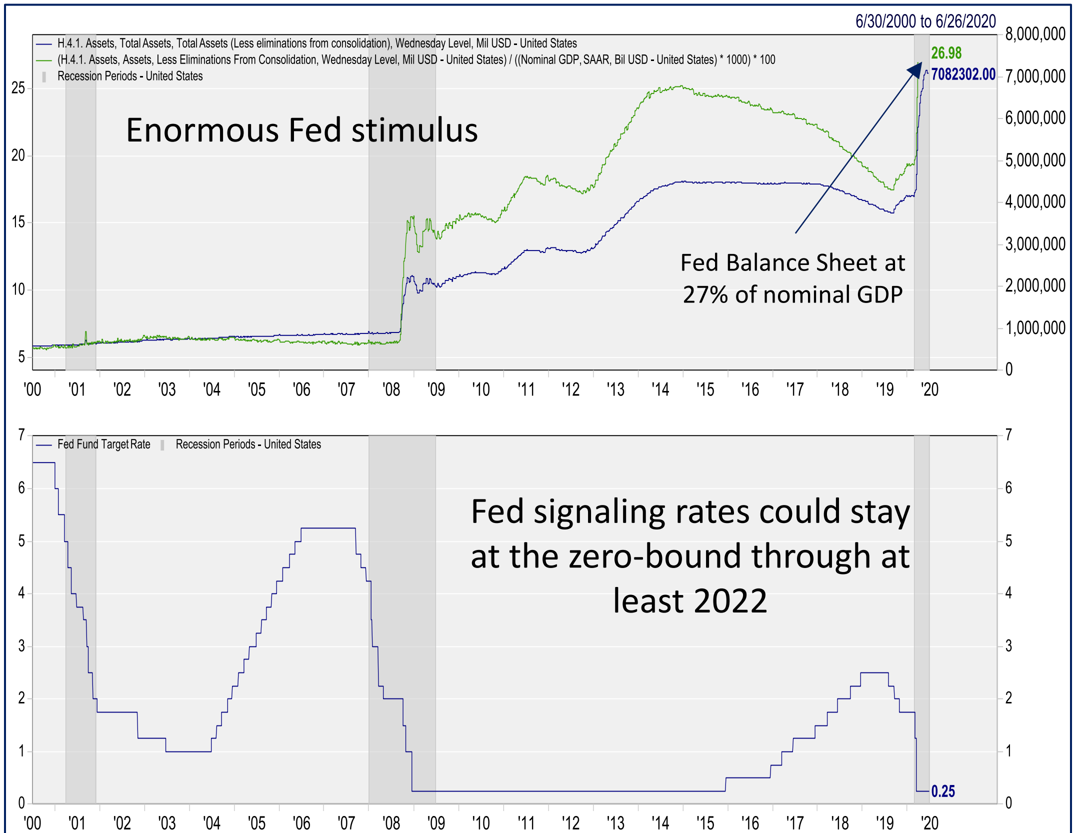


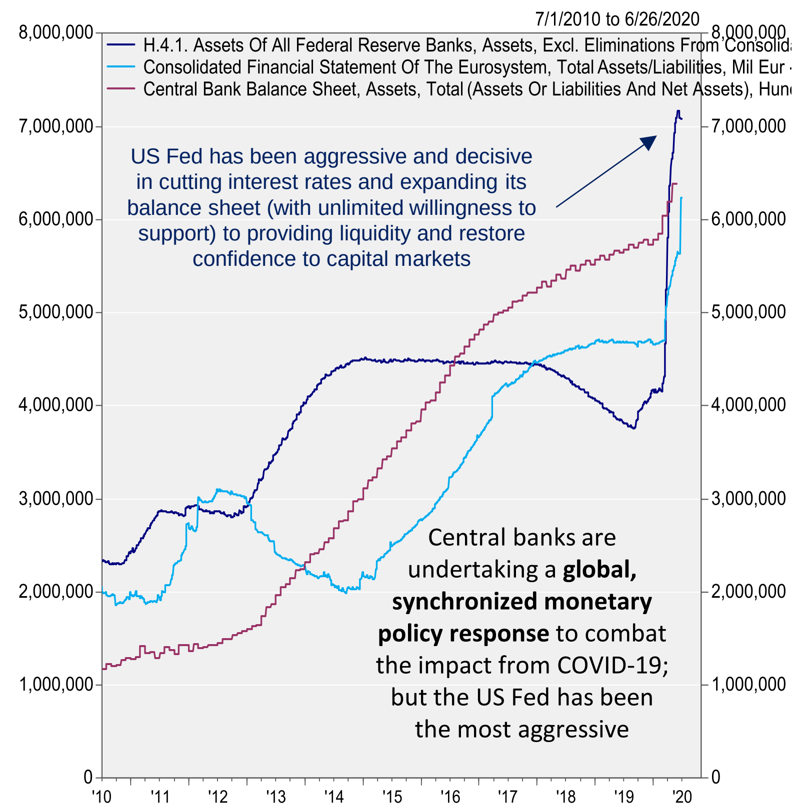
Source: FactSet, OpenTable, TSA.gov, TomTom, Raymond James Research and RJ Equity Portfolio & Technical Strategy

Don’t Fight the Fed

STEPS TO STABILIZATION

1) **Restore Liquidity**- Fed Monetary Policy response has been swift by lowering rates to zero and expanding its balance sheet (signaled unlimited willingness to support)
2) **Limit Economic Damage**- Fiscal Policy—record stimulus with more stimulus expected including a potential infrastructure bill aimed at not only traditional projects such as roads and bridges, but at next generation infrastructure such as broadband and 5G
3) **Stop/Slow the Virus Outbreak**- Remains the most uncertain as it is difficult to combat a medical problem with financial solutions—quickly working on therapeutic response and vaccines (but still unproven).



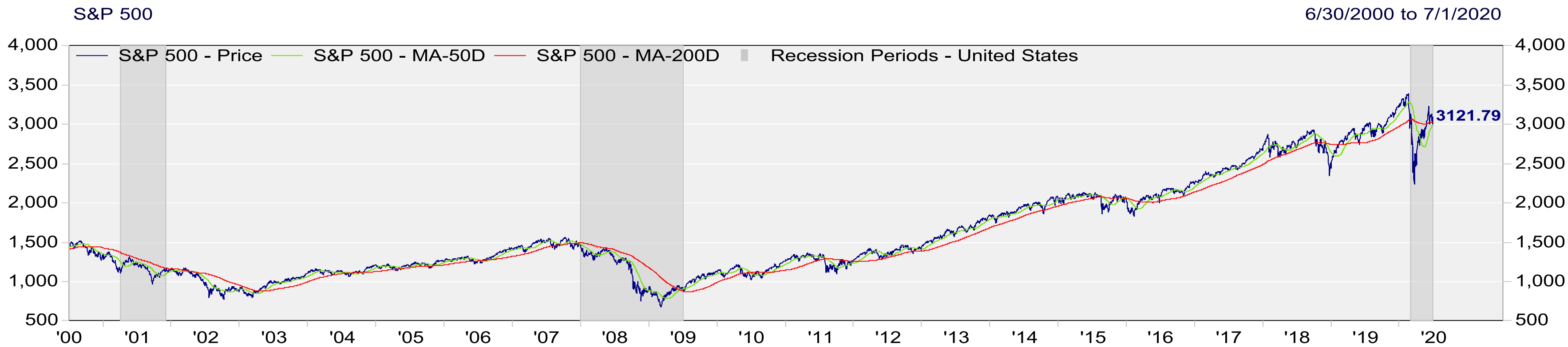


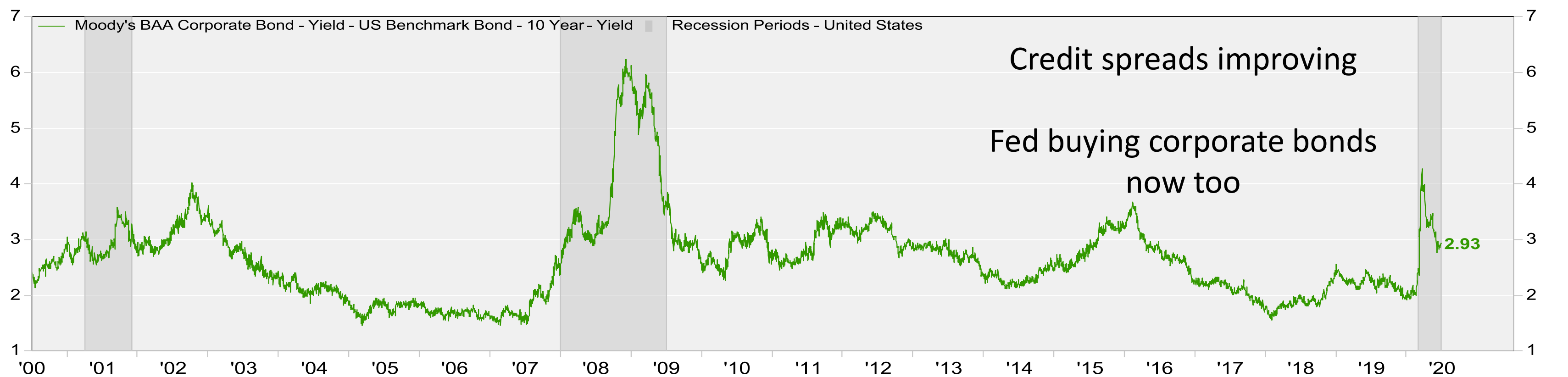
Source: FactSet and RJ Equity Portfolio & Technical Strategy

Fed Adding Support to Credit Markets- Positive for Risk Assets

By restoring confidence in the markets, especially the credit markets, the Fed is essentially removing some moral hazard and providing an attractive backdrop for risk assets. The old adage "Don't Fight the Fed" continues to gain merit during this recovery. Following swift action by the Federal Reserve and additional stimulus from a fiscal perspective, to restore confidence in the market and avert a worst case scenario, investors have a bias towards risk assets with the backing of central banks not only domestically, but also around the world.

The recent actions of the Fed to fulfill its word and purchase individual corporate bonds, not only has provided stability to credit spreads, but has given further credence to the bullish posture of the market as narrow spreads tends to be positive for equities.

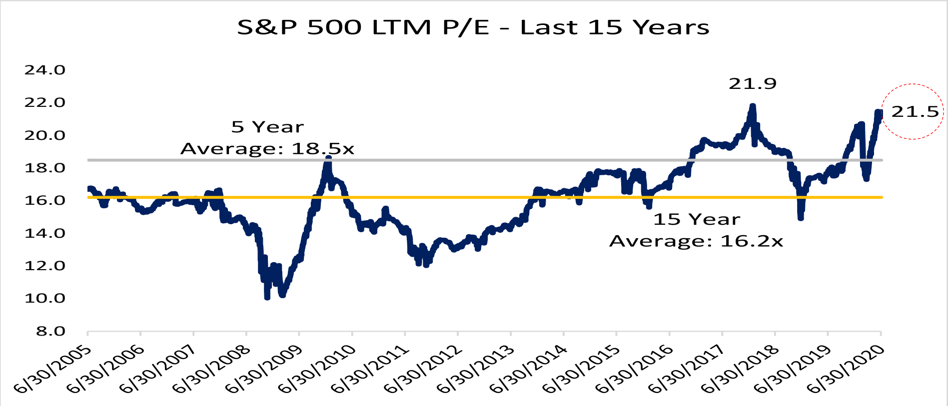


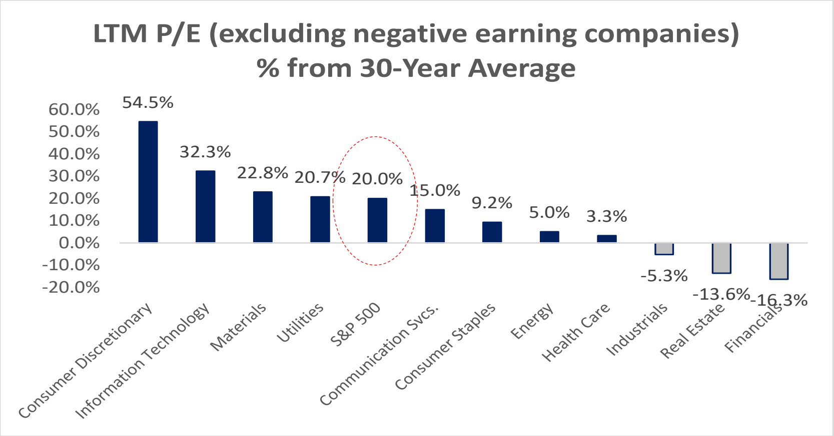


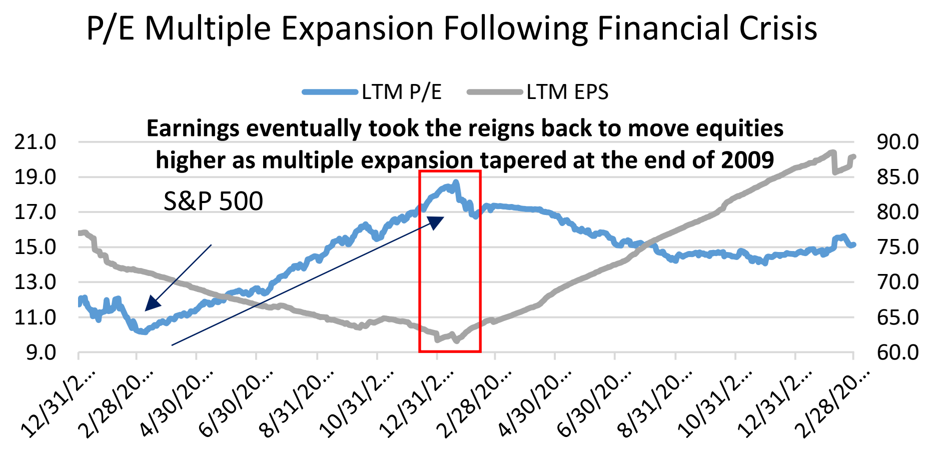
Source: FactSet and RJ Equity Portfolio & Technical Strategy

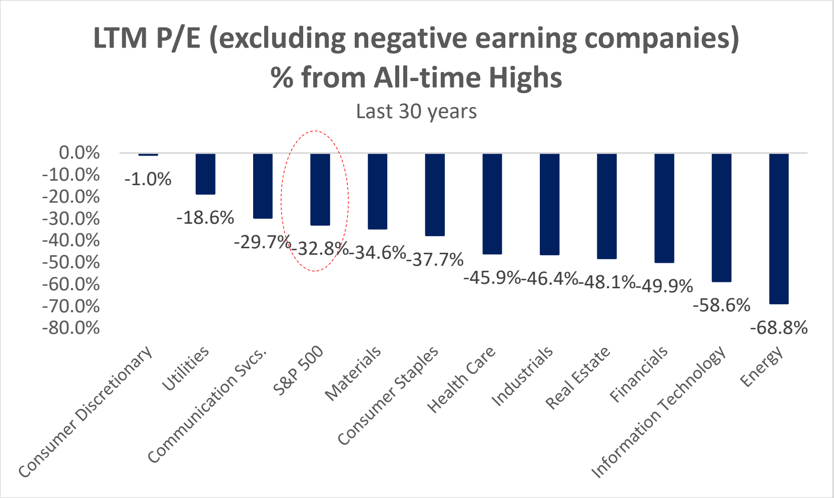
Valuation

Much has been made about the recent expansion of LTM P/E to 21.5x. While this is 20% above the 30-year average, it is still well below (over 32%) the highest P/E multiple over this same period. Moreover, it is not unusual for P/E's to see significant expansion coming out of a recession, as seen from the Great Financial Crisis, as P/E tend to discount the future recovery prior to earnings bottoming. Earnings eventually having to take the baton to drive equity returns higher, and our rationale for some normalization to 21x in our justification for our 2021 price target. However, we believe P/E multiples can remain elevated above long-term averages for the foreseeable future as rates are expected to remain lower for longer, inflation is contained, and equities remaining relatively attractive vs. other asset classes.



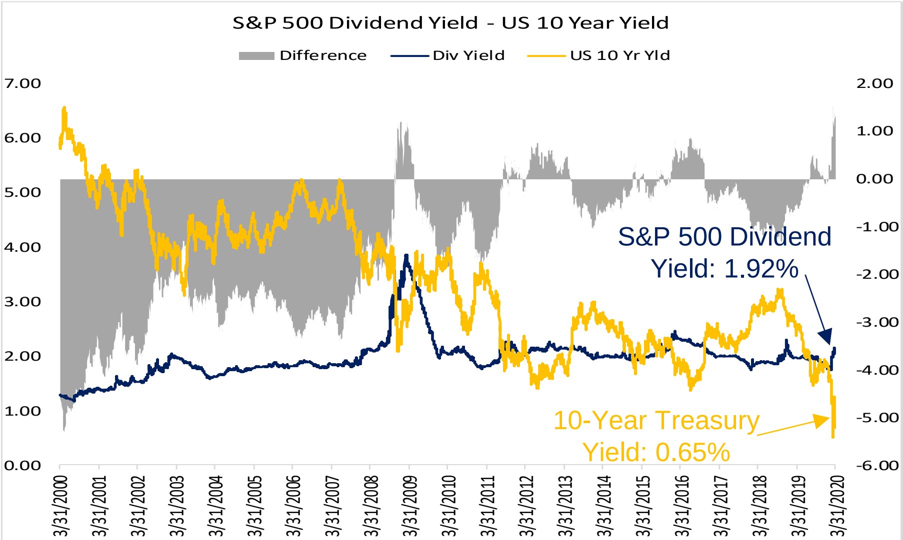


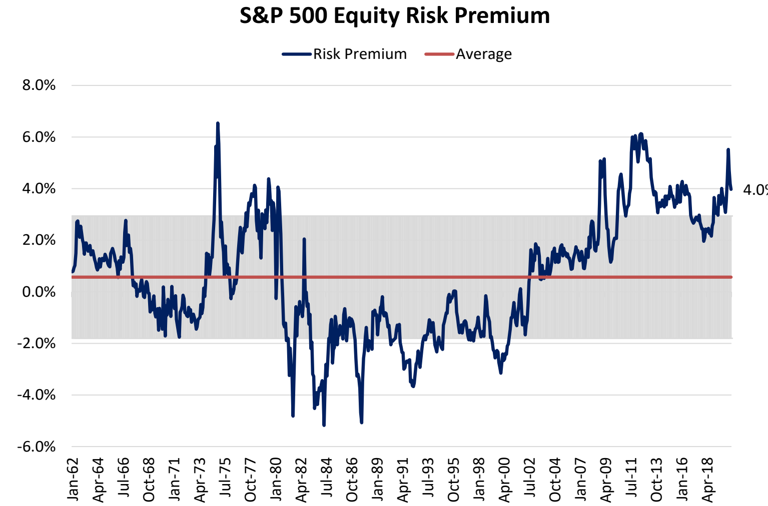


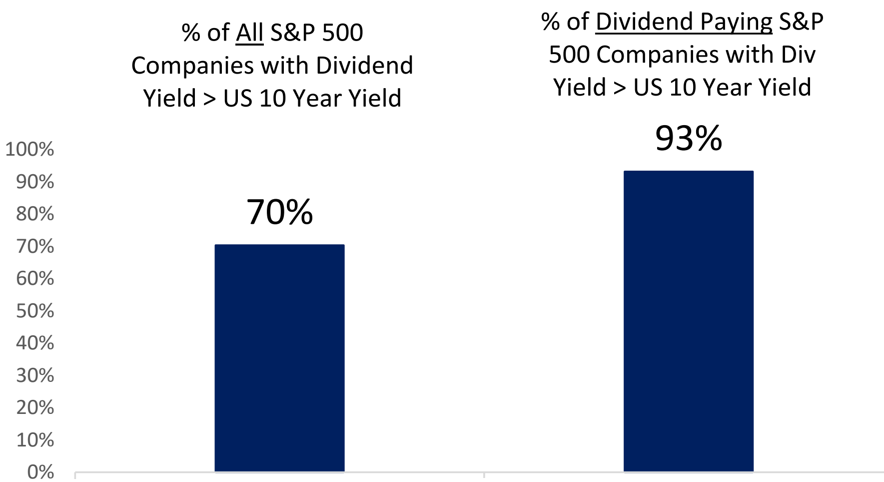


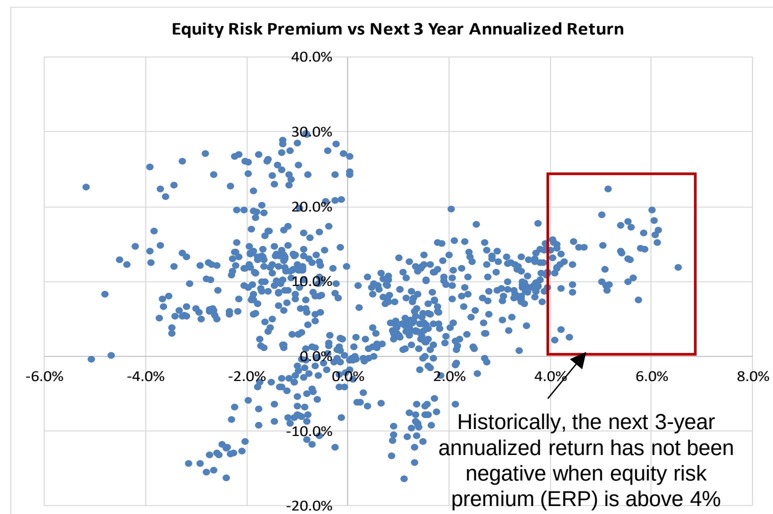
Source: FactSet and RJ Equity Portfolio & Technical Strategy

Equities Remain Attractive vs. Bonds





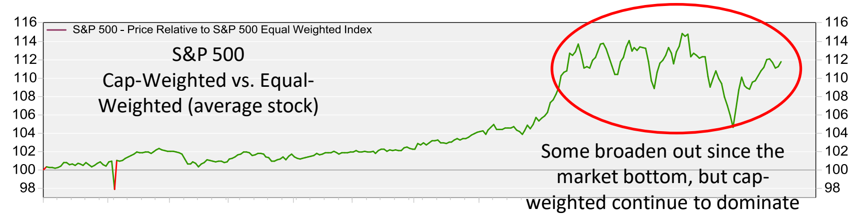


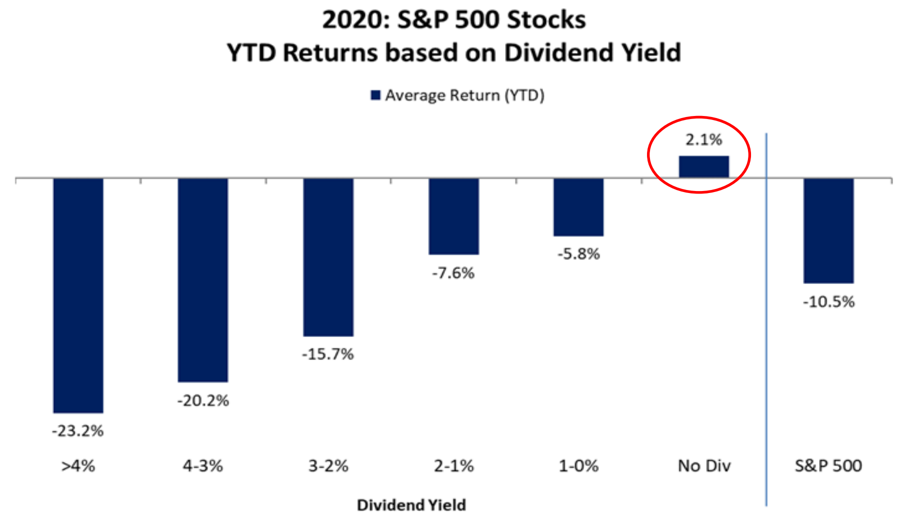


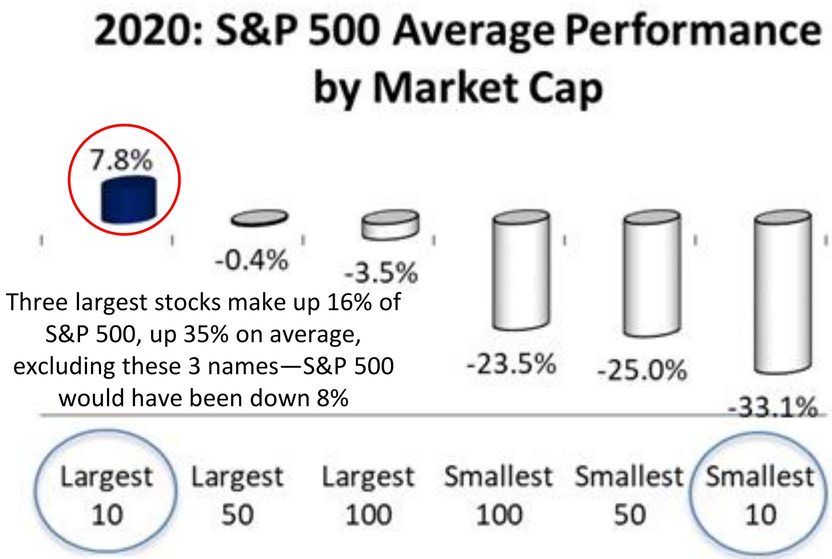
Source: FactSet and RJ Equity Portfolio & Technical Strategy

Equity Risk Premium- excess return expected by investing in equities over the 10-year Treasury; calculation: earnings yield (earnings divided by price) subtracted from 10-year Treasury yield

1H 2020 Update- Top Performers: Large Cap, Growth, and Technology+/Health Care







Overweight rated sectors

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Information Technology	14.2%	24.5%
Consumer Discretionary	6.6%	9.9%
Communication Services	-1.0%	10.4%
Health Care	-1.7%	13.9%
S&P 500	-4.0%	-
Consumer Staples	-7.1%	7.1%
Materials	-8.0%	2.5%
Real Estate	-10.0%	3.0%
Utilities	-12.6%	3.4%
Industrials	-15.5%	9.0%
Financials	-24.6%	12.6%
Energy	-37.0%	3.7%

Driven by the largest weighting in e-commerce giant

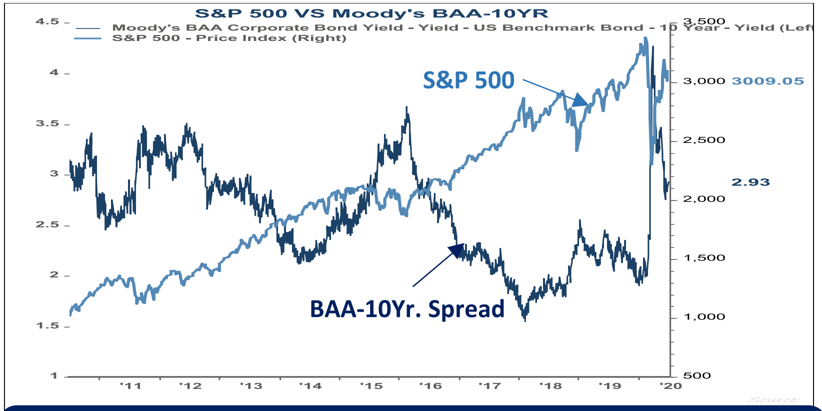
Tech+ and Health Care account for **60% of the S&P 500** and are up on <u>average 4.5% YTD</u> vs. the remaining 40% of the S&P 500 down 16.4% on average

Source: FactSet and RJ Equity Portfolio & Technical Strategy

Near-term Indicators to Watch

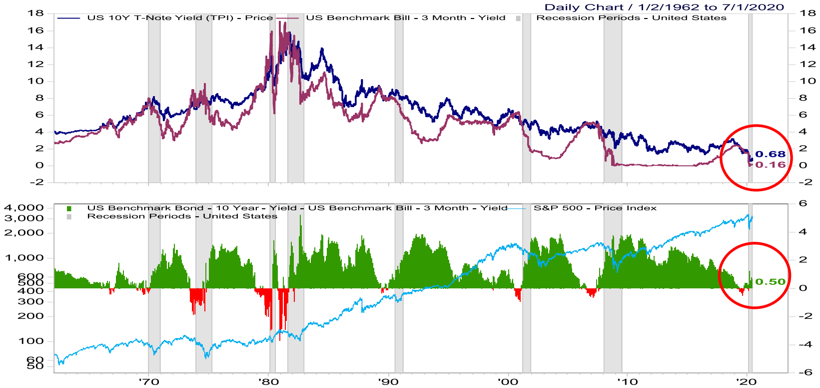
Credit Markets

Credit spreads remain contained, which is positive for risk assets



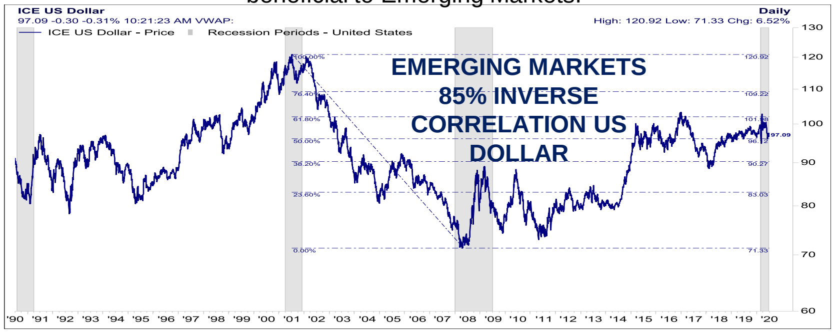
Interest Rates

Interest rates have been moving lower while the spread (3-month to 10-year) has remained above zero following the swift action by the Fed to cut rates.



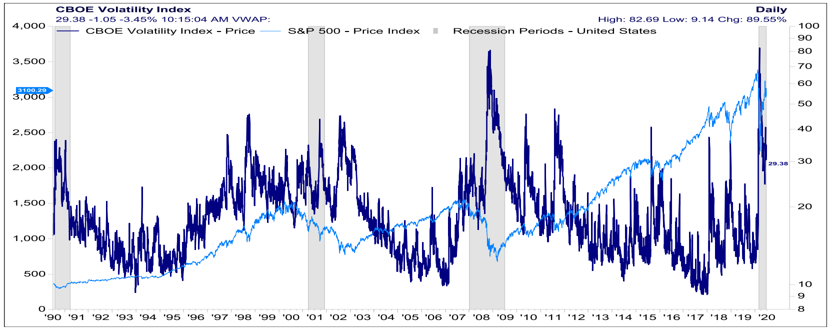
U.S. Dollar

With the US Dollar nearing resistance, a pullback in the Dollar could be beneficial to Emerging Markets.



VIX-Fear Indicator

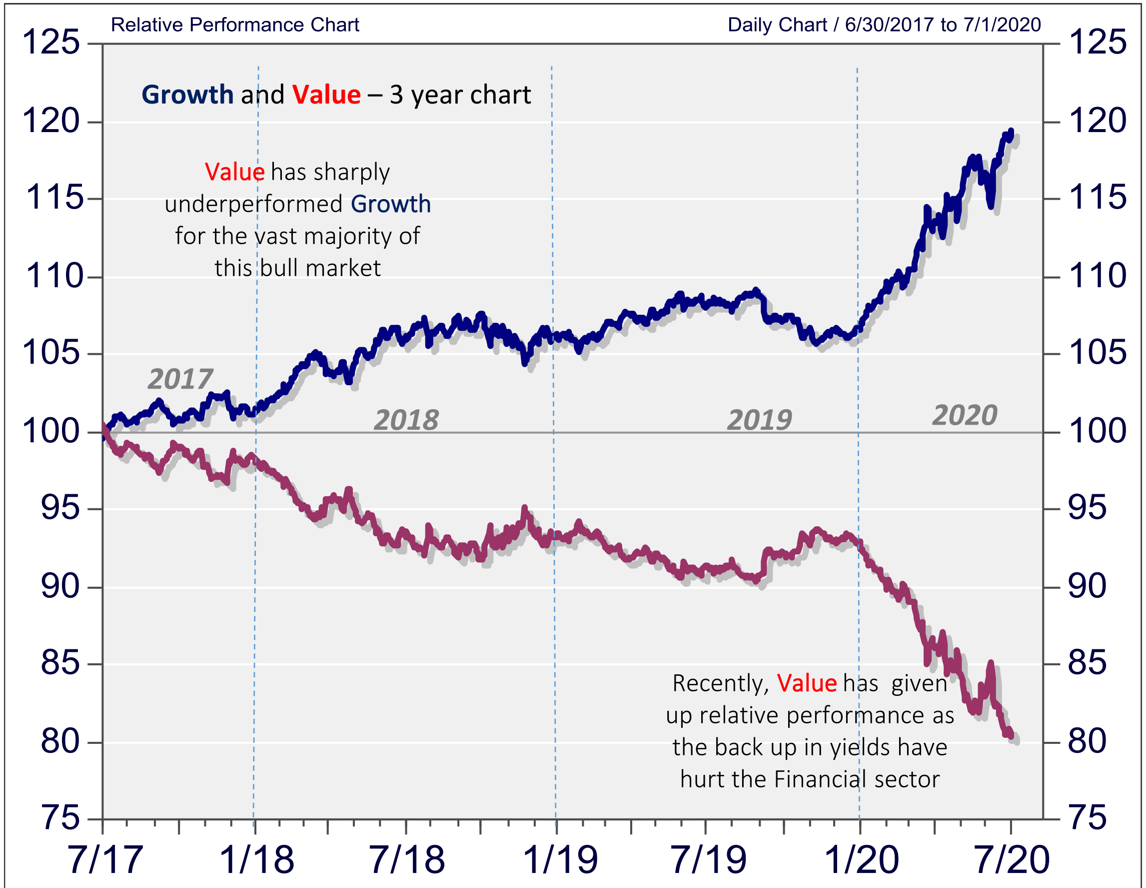
A calming VIX could be a good near-term indicator.

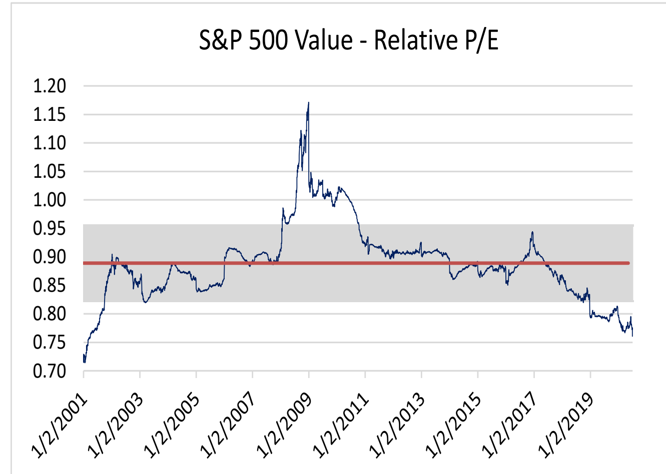


Source: FactSet and RJ Equity Portfolio & Technical Strategy

Growth vs. Value

Growth continues to gain relative performance vs. Value. With a large weighting towards the Energy and Financial sector, we believe Value could continue to remain under pressure with interest rates remaining lower for longer and oil prices remaining subdued. However, the relative P/E of Value is over one standard deviation below its long-term average. If the Financials or Energy sector can gain some relative performance, fundamentally, the multiple for Value could re-rate higher, closing the relative valuation gap between Growth and Value, and could be an additional catalyst for Value. However, it is likely still too early in the recovery, and we would continue to have a bias towards Technology+, which remains the largest portion of the Growth index.





S&P Styles

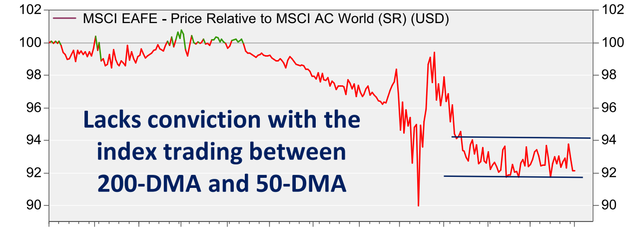
YTD (Price Return)

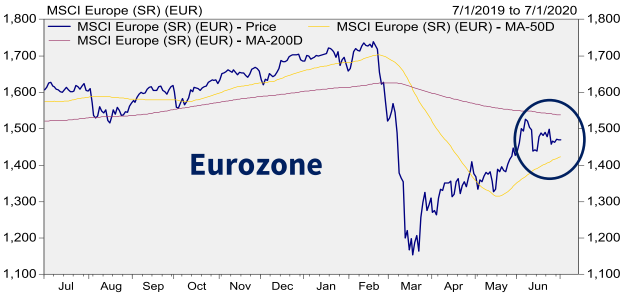
	Growth	Blend	Value
Large Cap	7.3%	-4.0%	-16.8%
Mid Cap	-5.8%	-13.6%	-22.0%
Small Cap	-12.1%	-18.5%	-25.3%

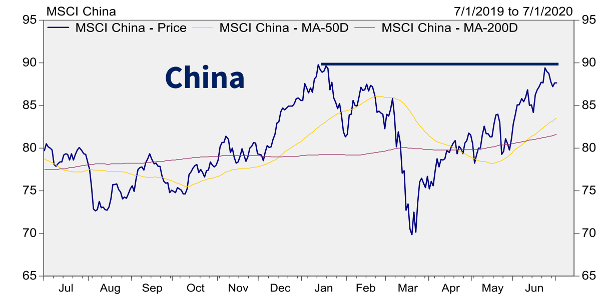
Source: FactSet and RJ Equity Portfolio & Technical Strategy

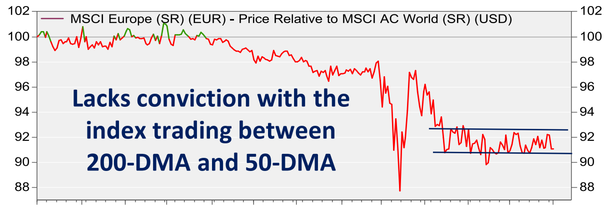
Global Asset Allocation

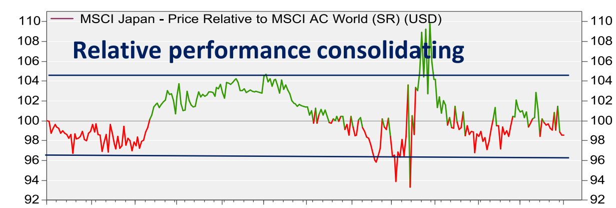
USA still looks the best with China and Emerging markets gaining relative performance

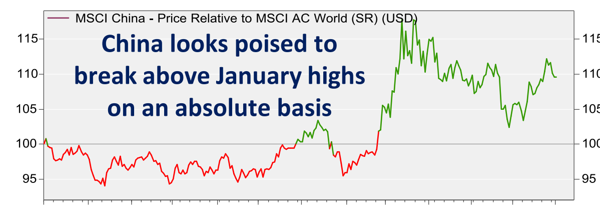








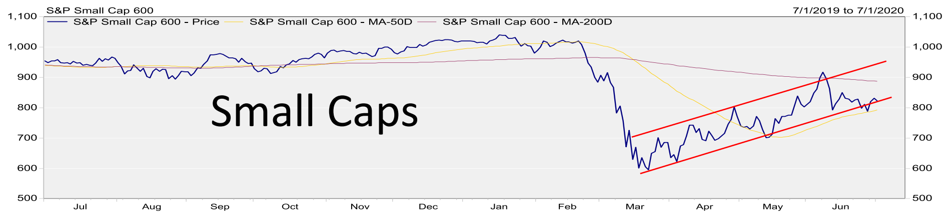


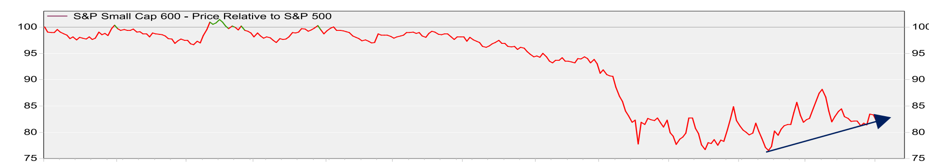


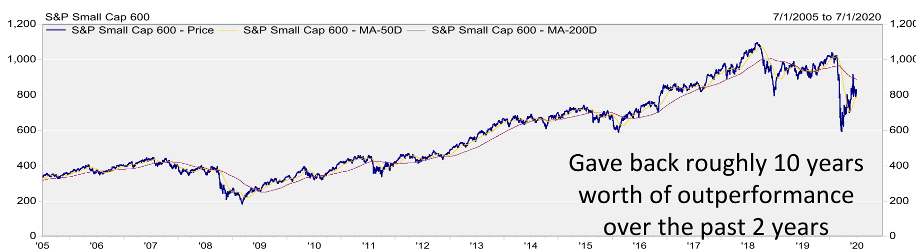
Source: FactSet and RJ Equity Portfolio & Technical Strategy

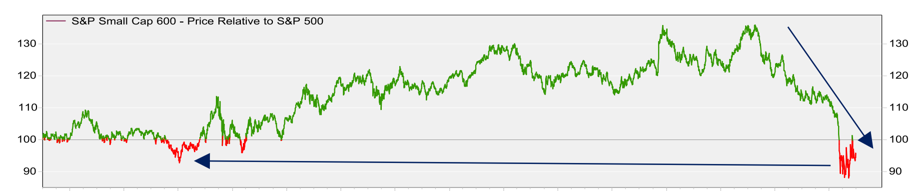
Small Caps

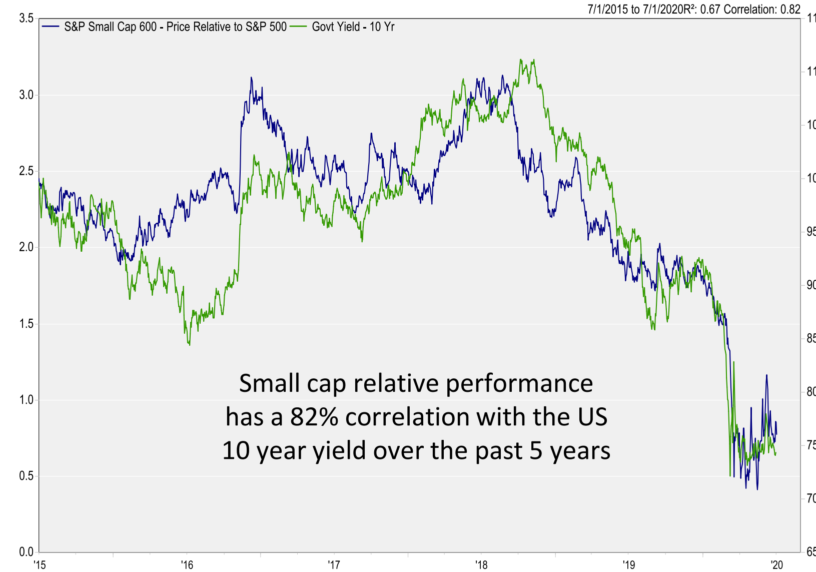
Small-caps have underperformed significantly over the past 2 years. However, historically, those small-cap companies that survive tend to lead the large cap names following recessions. Additionally, there has been a strong correlation between the relative performance of small caps to the 10-year yield and ISM Manufacturing. While yields may be contained at low levels, our bias would be a slight improvement as the economy re-opens. Moreover, ISM Manufacturing just saw the fastest pace of growth since April 2019 and back into expansionary territory, which should be a tailwind for small-caps.

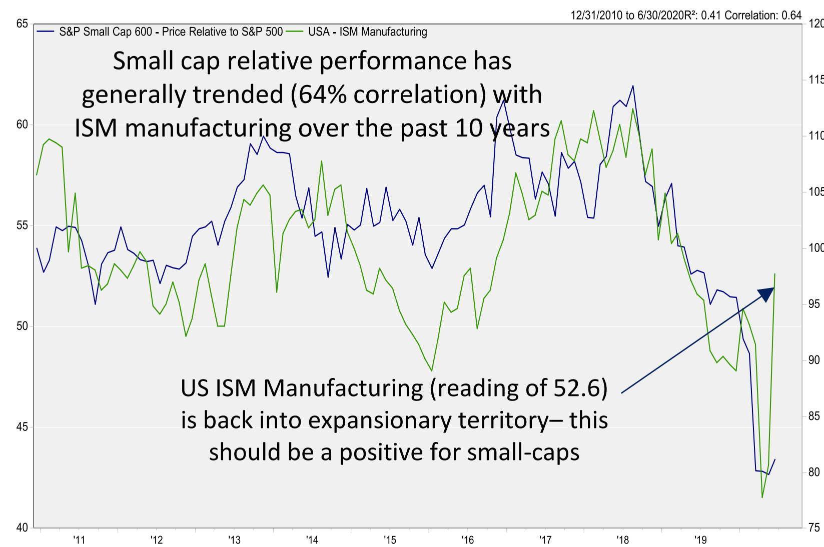












Source: FactSet and RJ Equity Portfolio & Technical Strategy

Sector Rotation

While investors crowded into less fundamentally impacted sectors during the sharp sell-off in March and avoided the most exposed cyclical sectors, as we will see on the next slide, the relative performance of some of the cyclical sectors is beginning to improve, reinforcing our cyclical bias as a sector rotation is happening under the surface from the more defensive to the beaten up cyclical sectors.

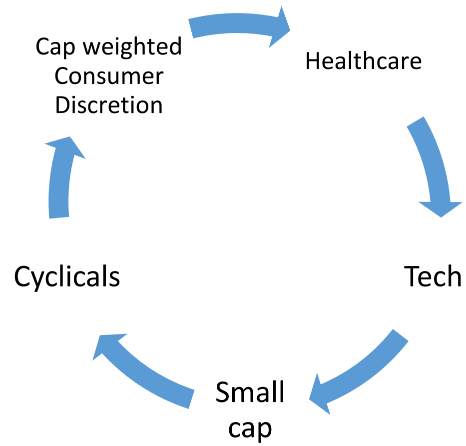
	Sector	% from 2020 High	2Q Return
Leaders	S&P 500 Info Tech	-1.30%	32.0%
	S&P 500 Soft. & Serv.	-1.16%	35.2%
	S&P 500 Cons. Disc.	-4.19%	30.2%
	NASDAQ 100	-1.41%	30.0%
	PHLX Semiconductor Index	-1.92%	32.0%
	S&P 500 Healthcare	-4.77%	13.0%
	S&P 500 Comm. Serv.	-6.42%	22.2%
Mid-Rang	S&P 500 Healthcare Equip.	-4.82%	17.5%
	S&P 500 HC Providers & Serv	-8.80%	15.8%
	S&P 500 Equal Wt. Con. Stap	-9.10%	9.6%
	S&P 500 Cons. Staples	-9.56%	7.7%
	S&P 500 Materials	-9.63%	28.8%
Laggards	S&P 500 Equal Wt.	-14.47%	21.1%
	S&P 400 Mid Cap	-15.46%	23.5%
	S&P 500 Industrials	-19.48%	16.4%
	S&P 500 Equal Wt. Materials	-19.64%	29.5%
	S&P 500 Real Estate	-20.06%	10.2%
	S&P 500 Transportation	-20.23%	17.7%
	S&P 600 Small Cap	-20.50%	21.5%
	S&P 500 Utilities	-20.95%	1.5%
	S&P 500 Equal Wt. Cons. Dis	-21.45%	32.5%
	S&P 500 Equal Wt. Financials	-22.75%	18.7%
	S&P 500 Financial Services	-23.93%	16.3%
	S&P 500 Financials	-26.26%	11.1%
	S&P 500 Aerospace & Def.	-31.54%	14.5%
	S&P 500 Energy	-38.26%	30.2%
	S&P 500 Oil & Gas E&P	-40.81%	47.6%
	S&P 500 Oil & Gas Equip. & S	-58.82%	28.1%

Leaders continued to see strong performance in 2Q

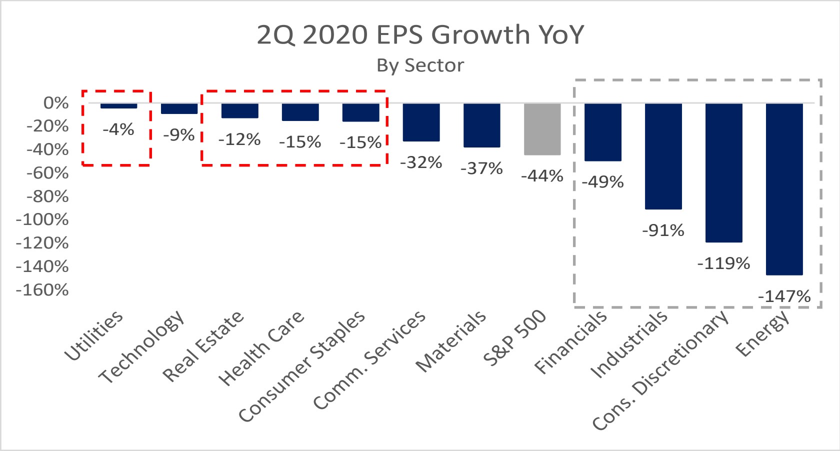
Hard hit Cyclicals are seeing relative performance improvement as the economy heals—likely the biggest opportunities

Defensive sectors giving back relative performance during 2Q

Source: FactSet and RJ Equity Portfolio & Technical Strategy

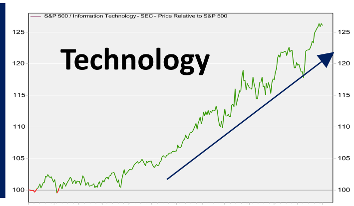


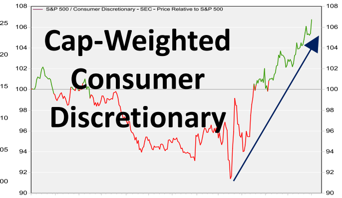
Opportunity as economy heals

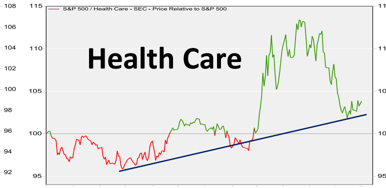


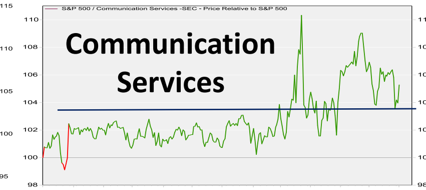
Leadership and Cyclical Bias over Defensives

Leadership Relative Performance

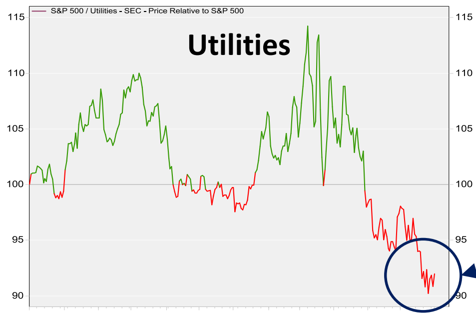


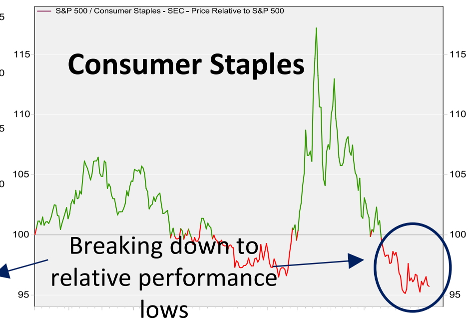


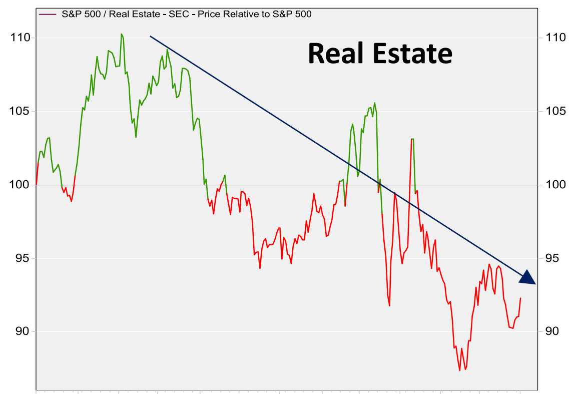




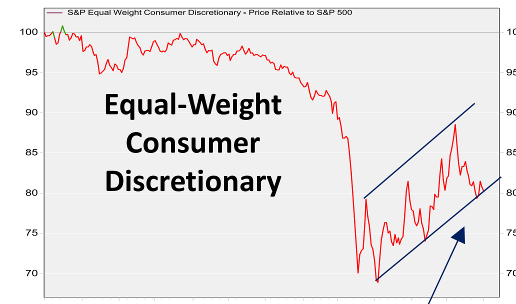
Defensive Sector Relative Performance

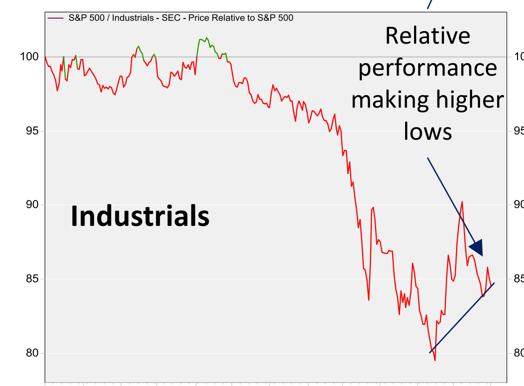






Cyclical Sector Relative Performance





Source: FactSet and RJ Equity Portfolio & Technical Strategy

Supplemental Slides

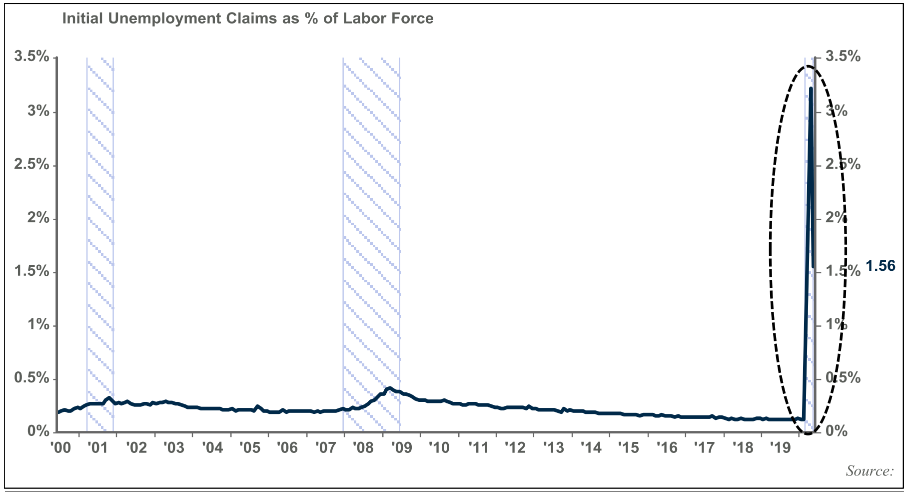
Supplemental Pages

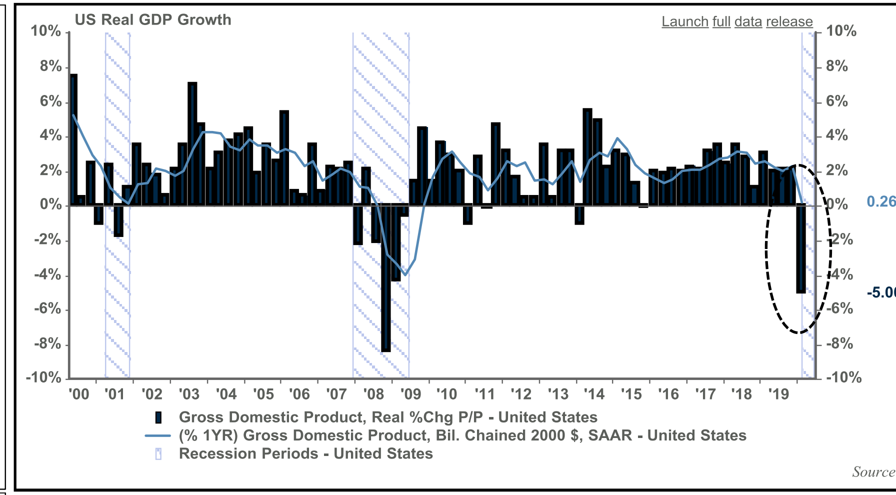
Stat Pack Estimates (June 30, 2020: S&P 500 3,100.29)

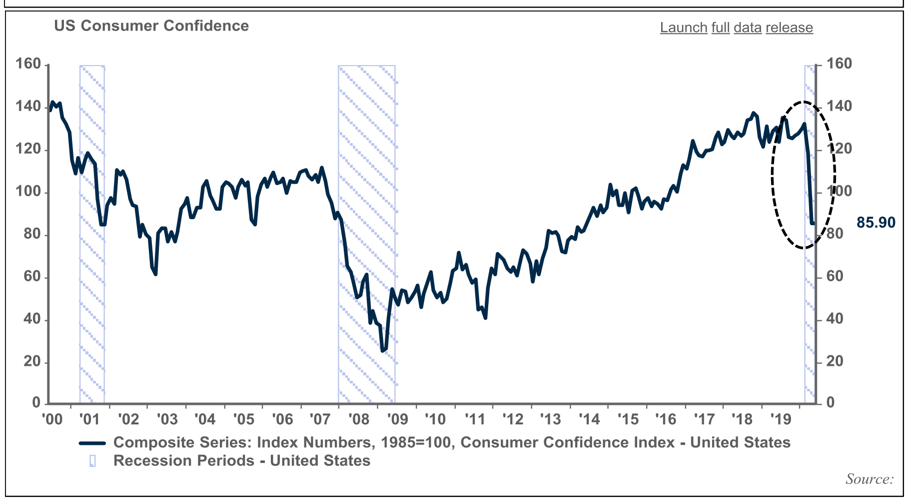
Stat Pack of Forecasts		
	2020 Estimates	2021 Estimates
Consensus EPS S&P 500[1]	$125.40 (Bottom up- Analysts) $123.22 (Top down- Strategists) $120- RJ estimate	$162.09 (Bottom up- Analysts) $159.84 (Top down- Strategists) $160- RJ estimate
EPS Growth S&P 500	-22.2% bottom up	29.3% bottom up; 29.7% top down
Margins (EPS/Sales-using bottom up est.)	9.4% E(consensus[1])	11.2% E (consensus[1])
EPS if Margins stay flat (high probability from elevated levels)		$135.95 (based on consensus revenues)
GDP	RJ -4.1%[3] consensus -5.6%	RJ 3.6%[3] consensus +4.1%
CPI	Headline 0.8%[1]	Headline 1.7%[1]
PCE (Personal Consumption Expenditures)	1.0% (ex-F&E)[1]	1.3% (ex-F&E)[1]
Dividend/Dividend Growth S&P 500	$58.17[1] +0.3% Payout ratio: 46.4% (of bottom up est.)	$60.50[1] +4.0% Payout ratio: 37.3% (of bottom up est.)
Revenue Growth Per Share S&P 500 (only bottom up available)	-4.9% ($1,334.13/share[1])	+8.4% ($1,446.25/share[1])
P/E	~24.7x[2]	~19.1x [2]
Earnings Yield S&P 500	4.0% (using bottom up est.)	5.2% (using bottom up est.)
Fed Funds (average)	0.25[1]	0.35[1]
10 Year Treasury Yield	0.94%[1]	1.34%[1]

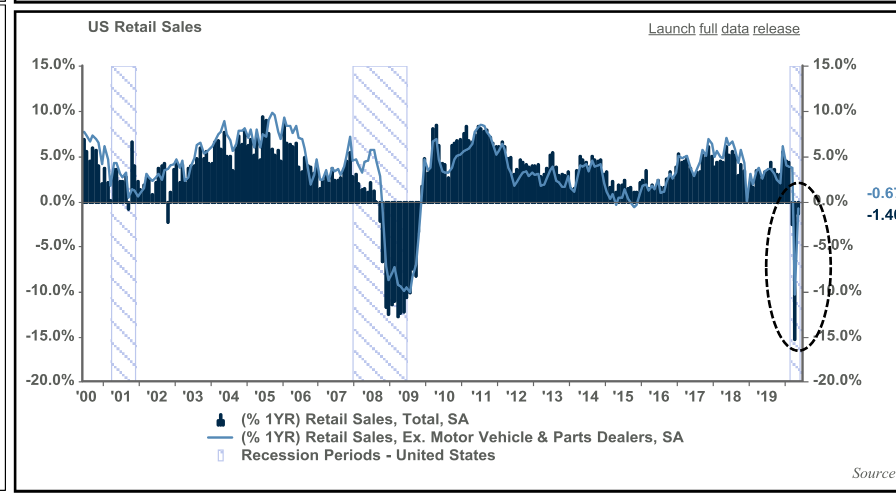
[1] FactSet;
[2] Current PE based on consensus 2020 and 2021 bottom up estimates
[3] Raymond James Chief Economist Dr. Scott Brown

U.S. Economic Conditions Reflect Immediate and Significant Impact from COVID-19





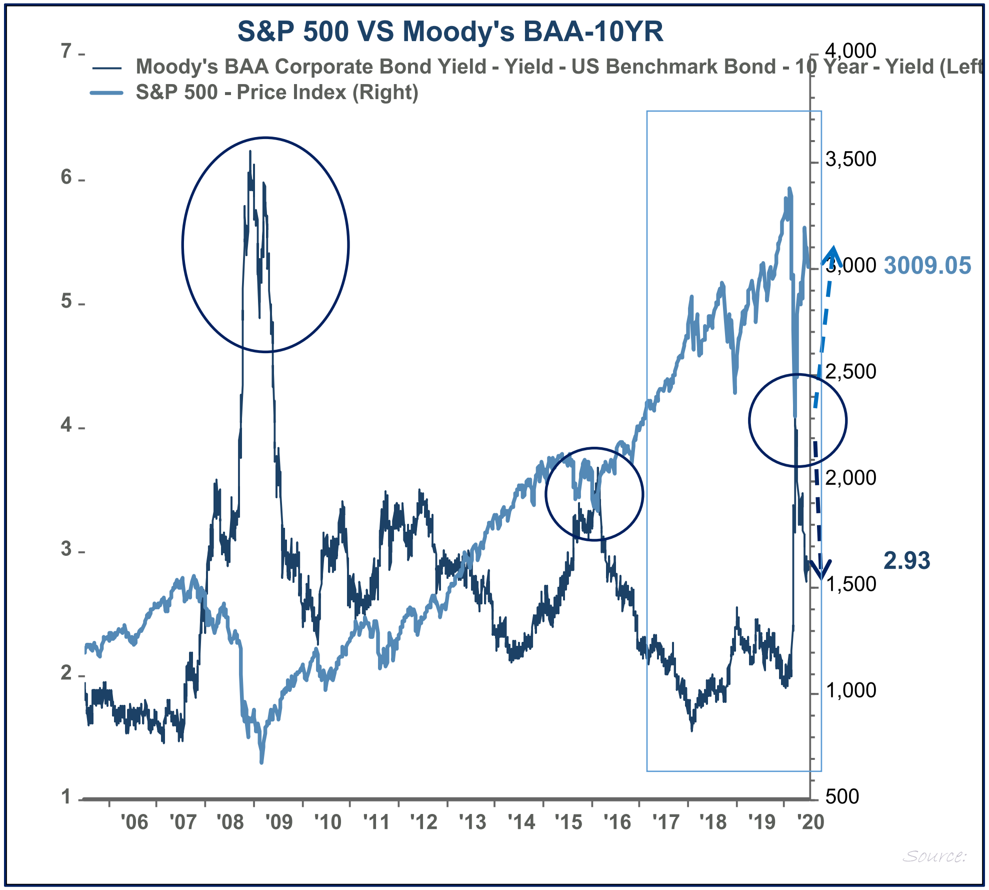


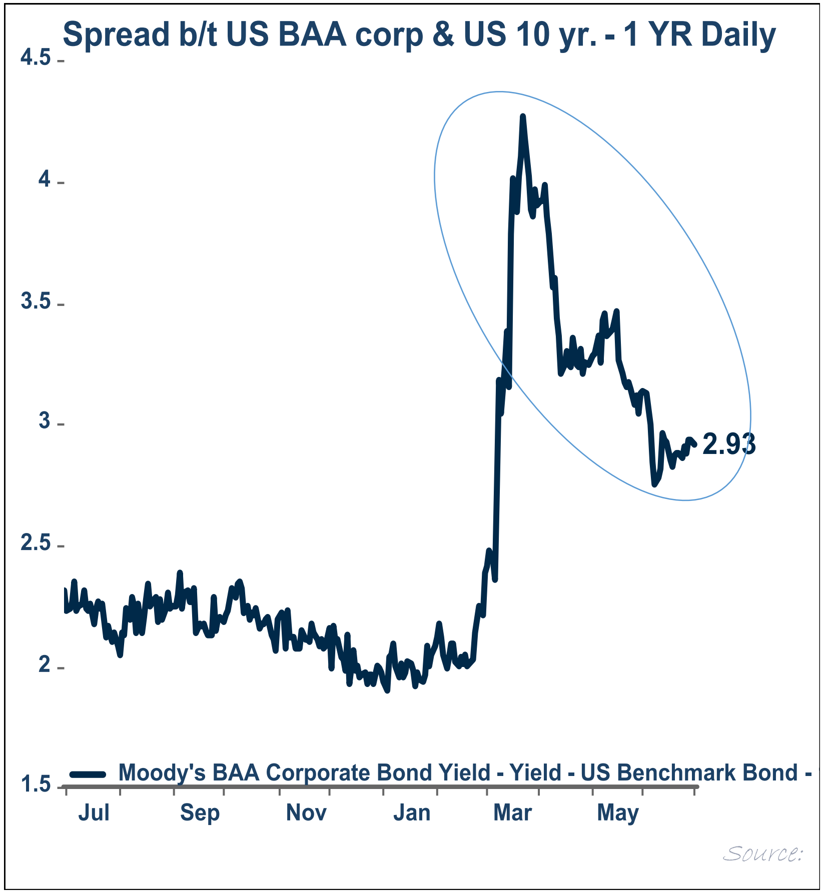


Source: FactSet, RJ Equity Portfolio & Technical Strategy

Credit Conditions

After widening in March, the credit markets have narrowed recently as the Fed remains supportive of narrow spreads. While the spread moved above the spread seen during the 2015/2016 period, it is still well below the spreads seen during the Financial crisis. We will continue to keep a keen eye on the credit markets for signs of further deterioration, but as of now, we are not overly concerns and the narrowing spreads has been positive for risk assets. Moreover, fiscal stimulus may provide some cushion to the most vulnerable during this period of macro challenges.

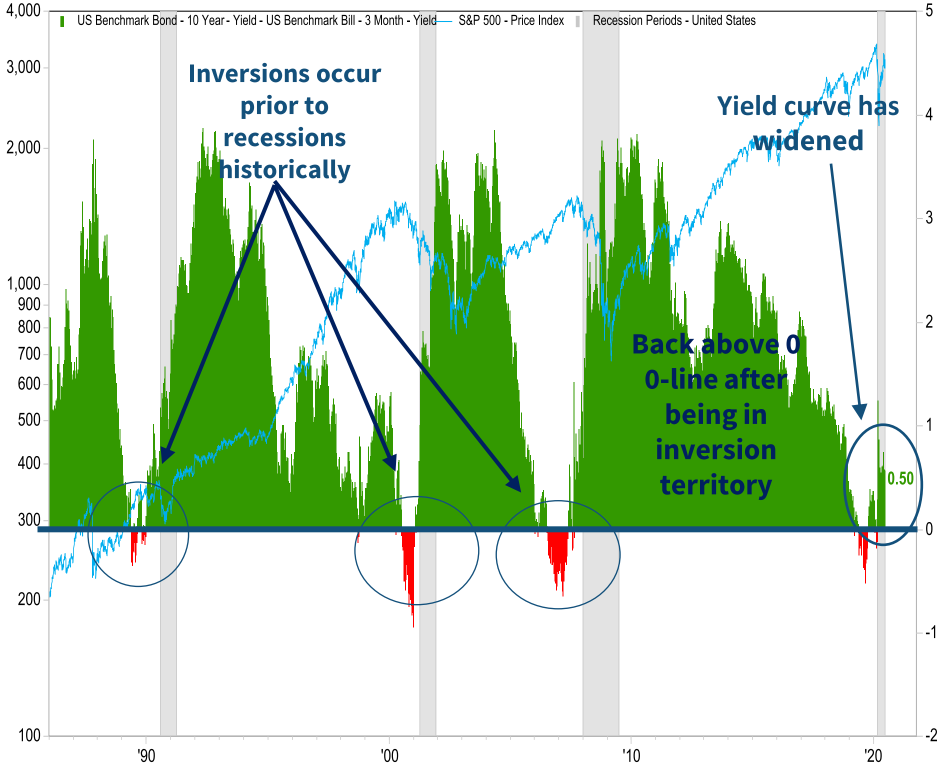




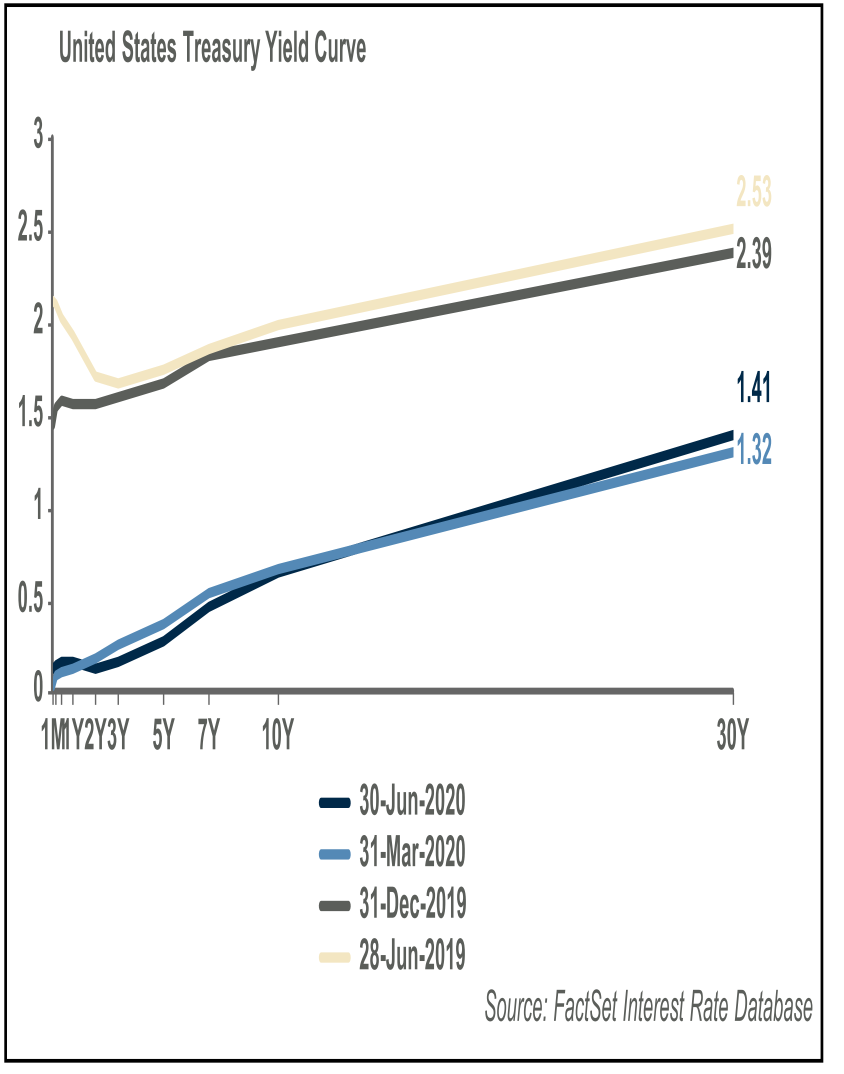
Source: FactSet, RJ Equity Portfolio & Technical Strategy

2020: Areas to Watch: Inversion of Yield Curve

The swift move by the Fed to lower rates (after the yield curve inverted again) has pushed the spread between the 10-year and 3-month back into positive territory. A further narrowing of the yield curve would likely be negative for the Financial sector and Value index.

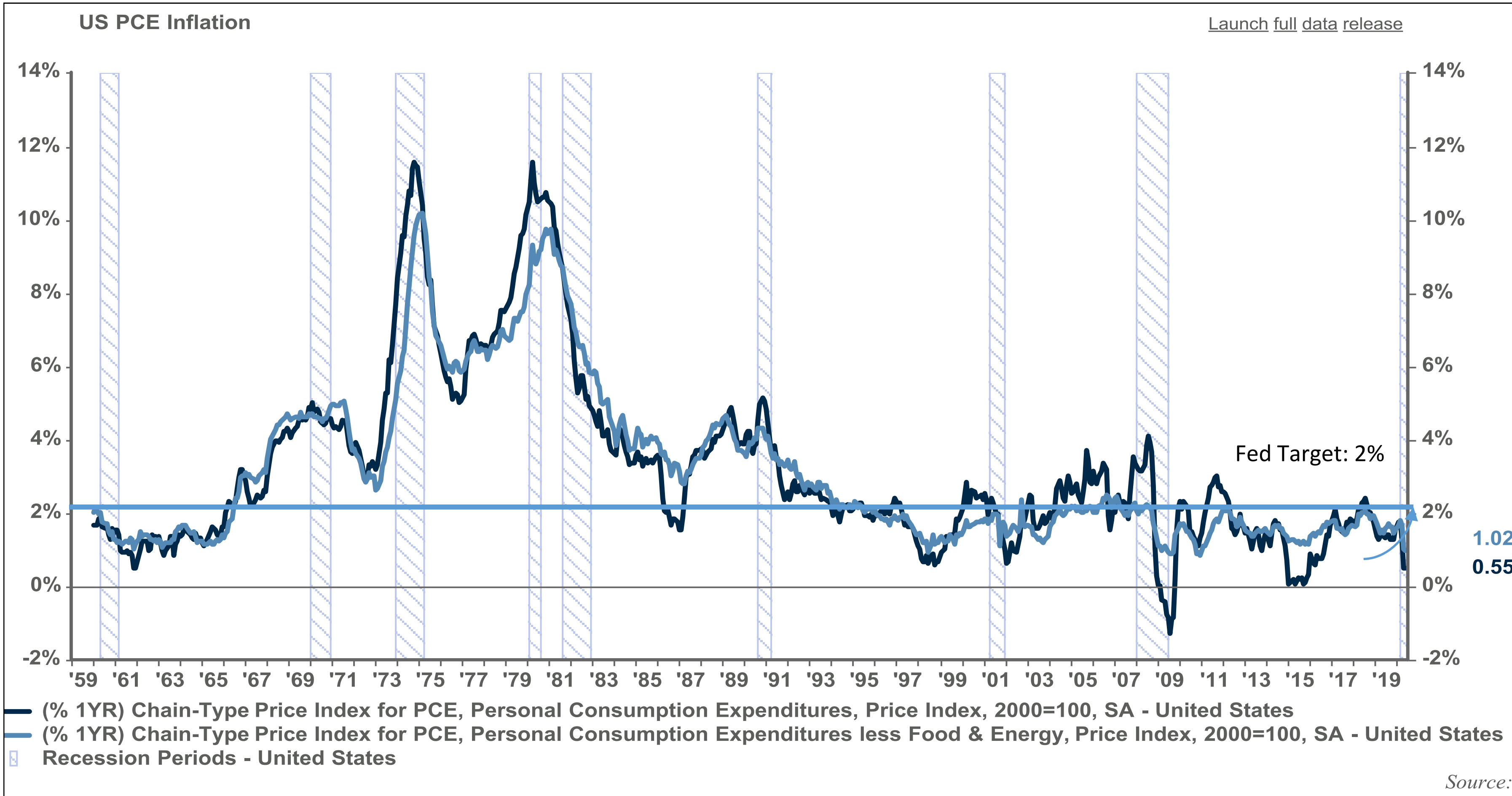


Source: FactSet, RJ Equity Portfolio & Technical Strategy



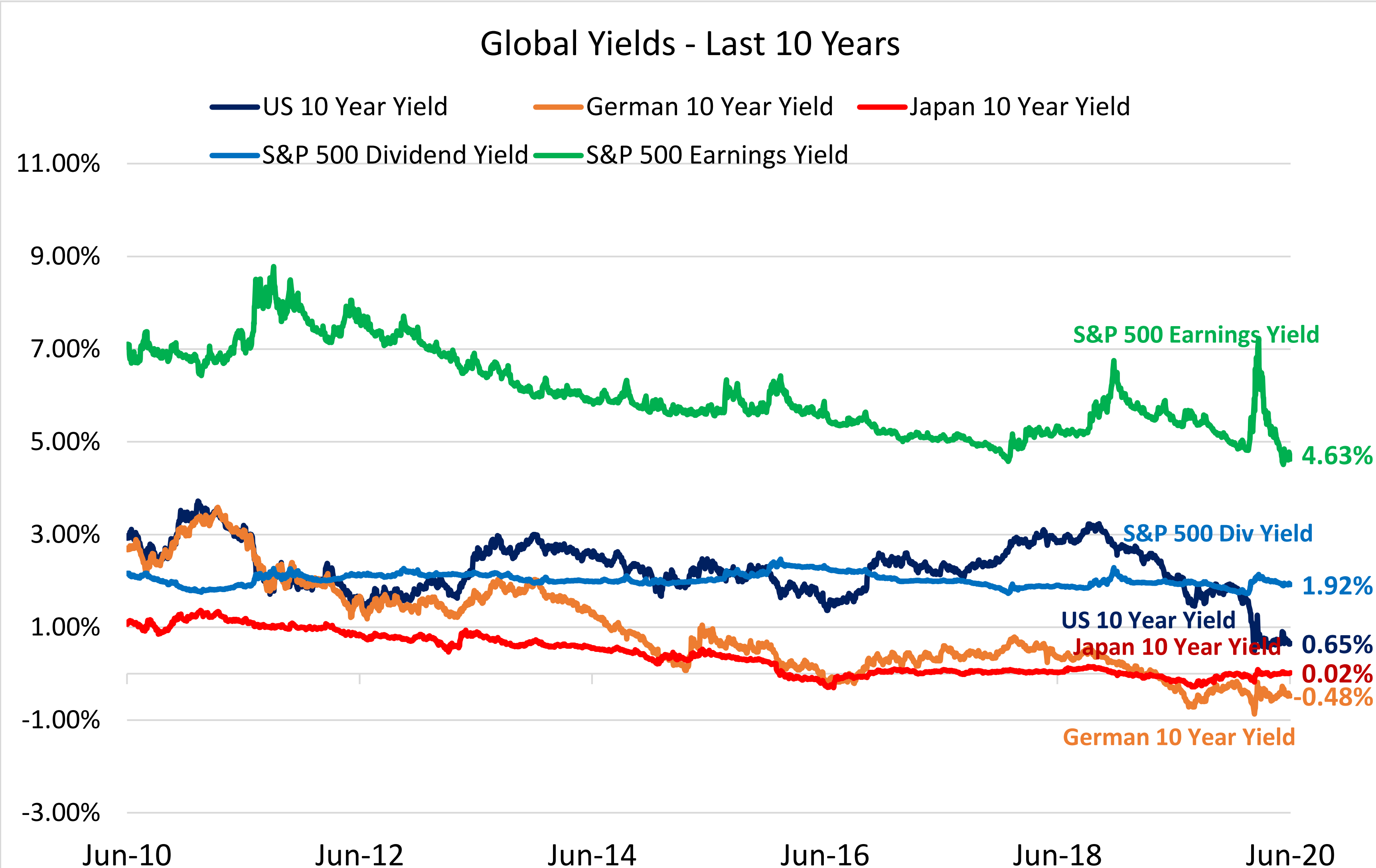
2020: Areas to Watch: Inflation

Currently, the risk of inflation remains low. Inflation continues to be below the Fed target rate of 2%. However, with the Fed essentially turning on the printing press and a significant amount of fiscal stimulus, once the US emerges from the coronavirus lock-down, this will be something to keep an eye on. Moreover, lower oil prices likely keep inflation at bay.



Source: FactSet, RJ Equity Portfolio & Technical Strategy

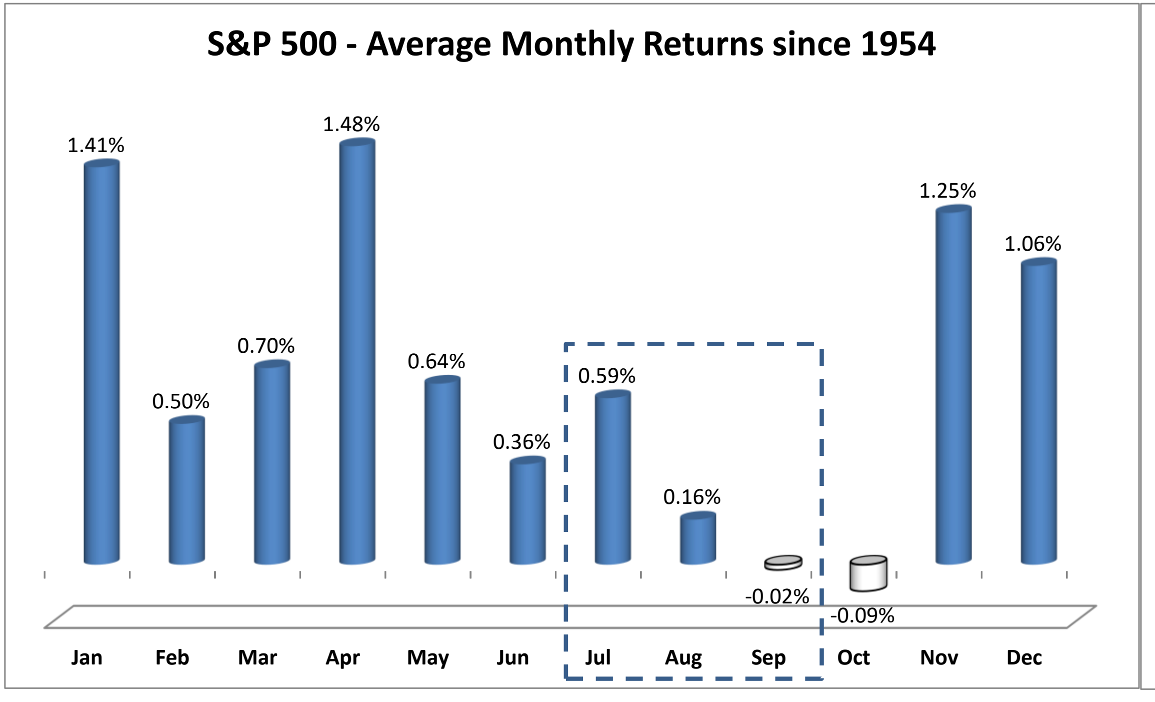
Yields Around the Globe

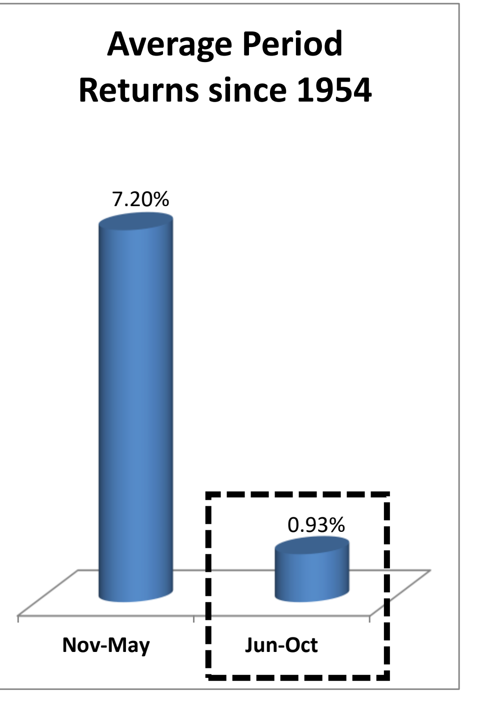


Source: FactSet, RJ Equity Portfolio & Technical Strategy

Seasonality

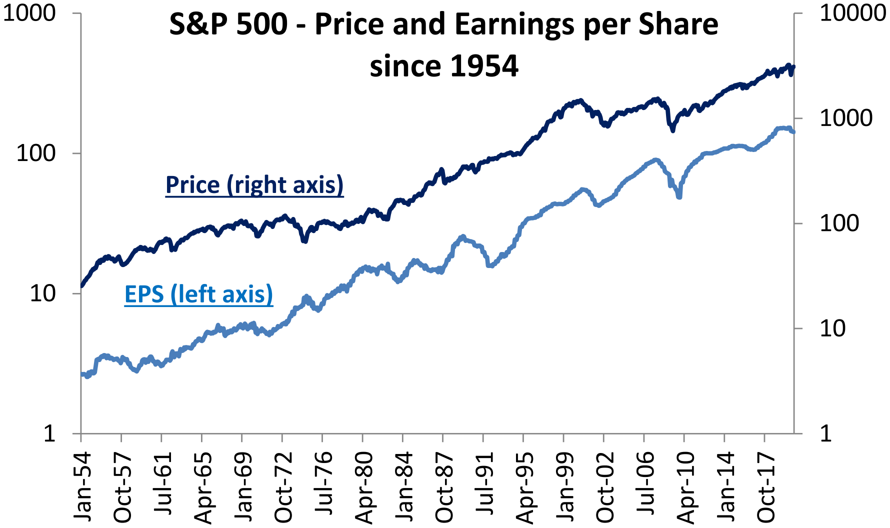
While we do not recommend making investment decisions on the calendar alone, we are in the midst of the calendar when equity returns historically have been softer. We would be buyers on any pullbacks that transpire during this seasonally weak period.

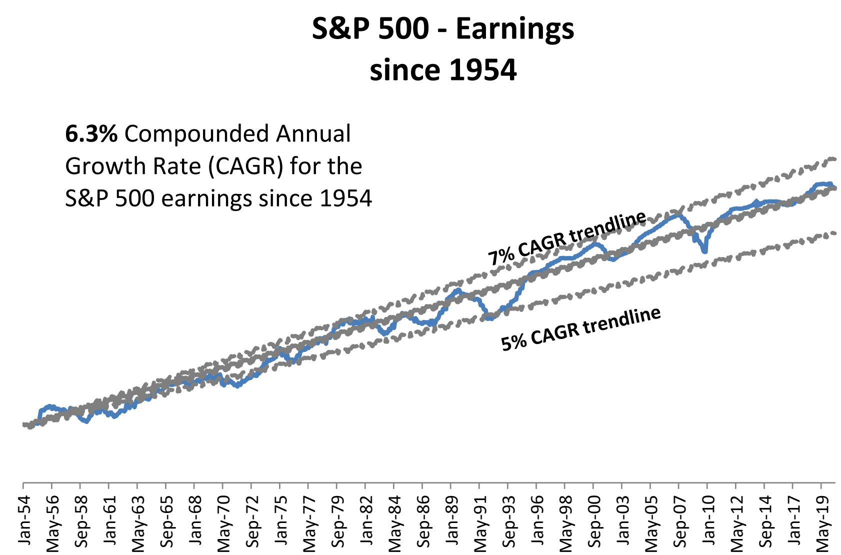




Source: FactSet, RJ Equity Portfolio & Technical Strategy

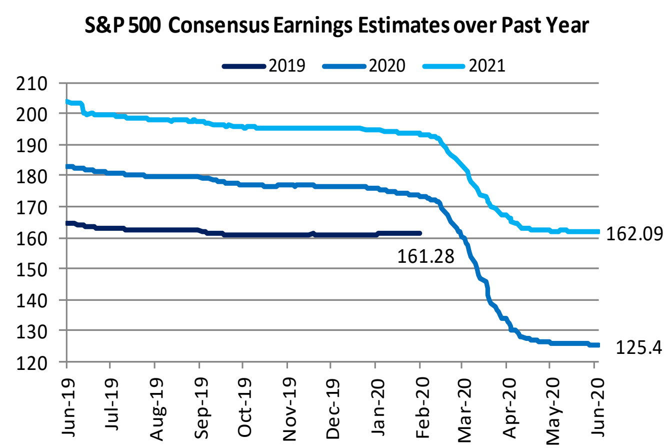
S&P 500 Earnings – Long-Term Mother's Milk of the Market





S&P 500 since 1954:

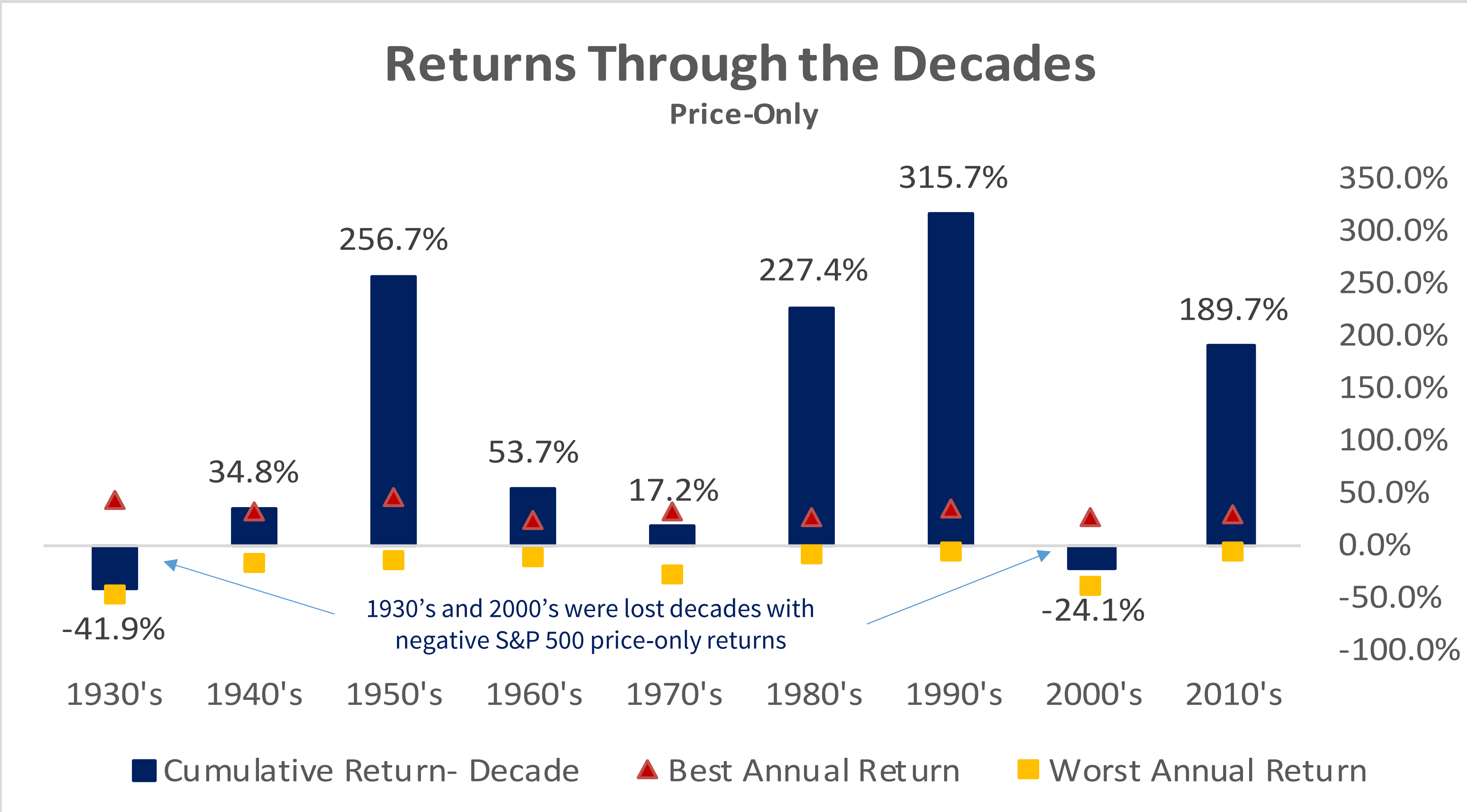
- **Earnings CAGR**: 6.3%
- **S&P 500 Price CAGR**: 7.6%



EPS Growth Estimates	
2019	1.5%
2020	-22.2%
2021	29.3%

Source: FactSet, RJ Equity Portfolio & Technical Strategy

Returns Through the Decades



Source: FactSet, RJ Equity Portfolio & Technical Strategy

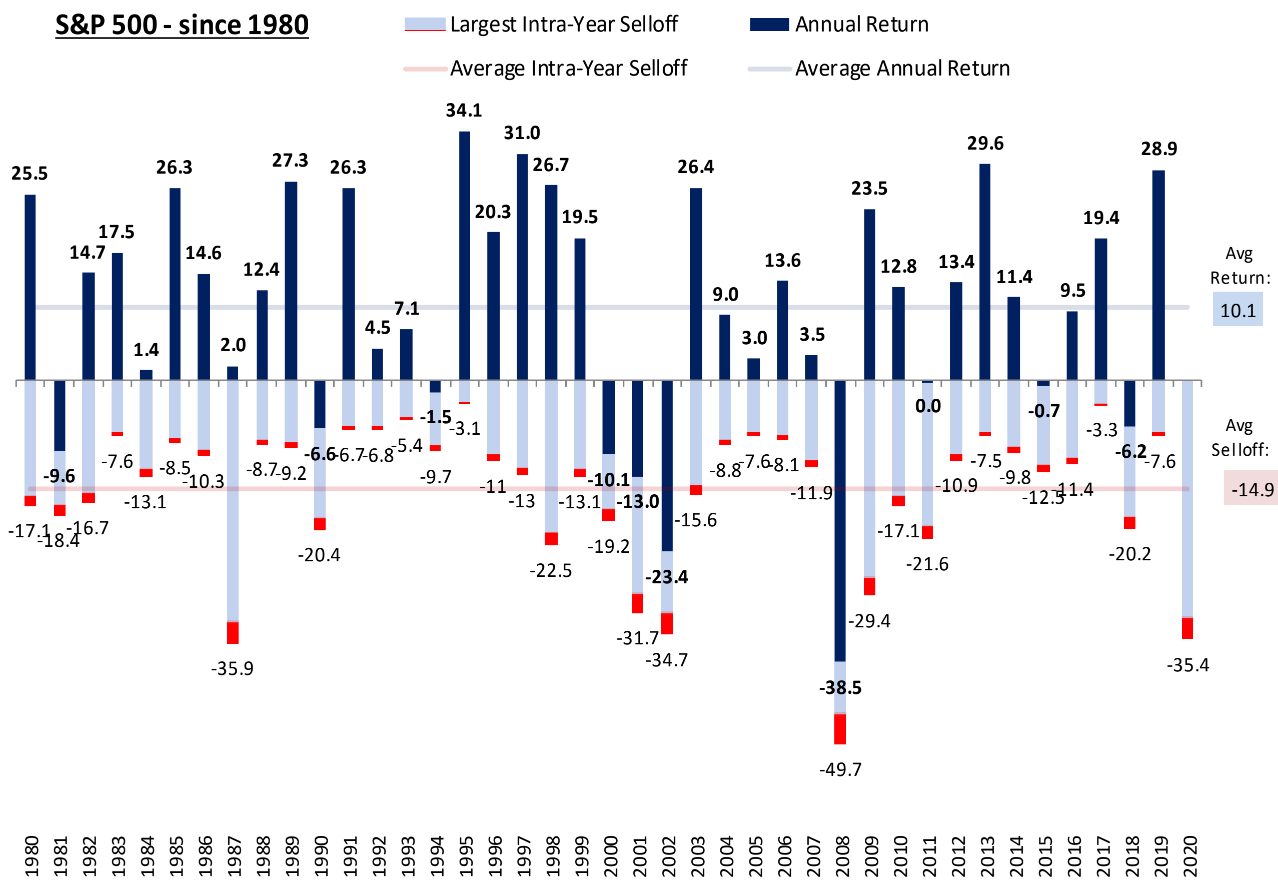
Psychology of an Investor

Emotion plays a vital role in the equity market. Below reflects the emotional cycle often repeated with every bull and bear market. From the peaking point of invincibility to the bottoming phases of "just get me out" to "I'll never recover my losses"," the cycle repeats itself over and over. We feel we hope/optimism phase currently after quickly recovering from the panic phase.

Unfortunately, the stages of emotion do not give any guidance regarding price. The level of decline and duration is a by-product of the magnitude of the catalyst and impact on the economy. The uncertainty surrounding the virus and the economic fallout leaves investors in limbo and a bottom elusive for now.

Source: FactSet, RJ Equity Portfolio & Technical Strategy

Market Selloff Stats



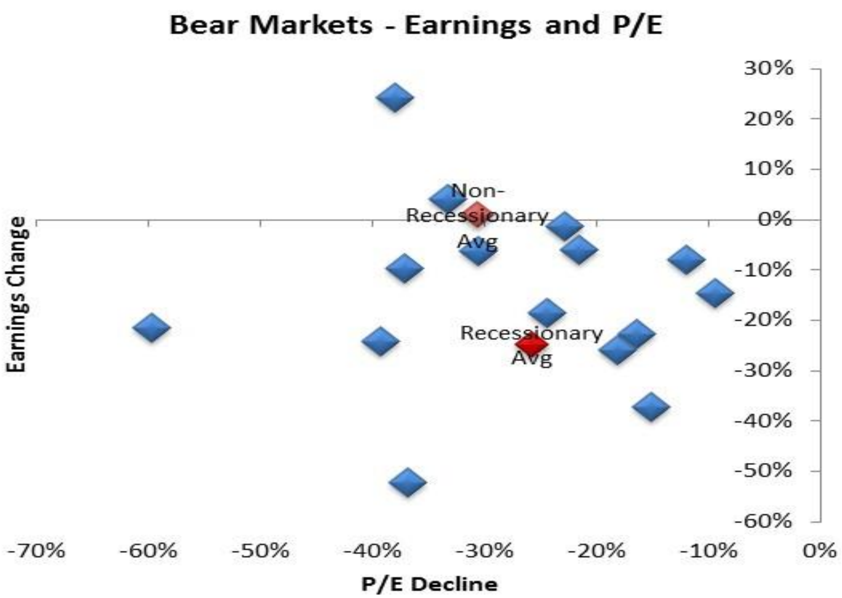
Selloffs are common:

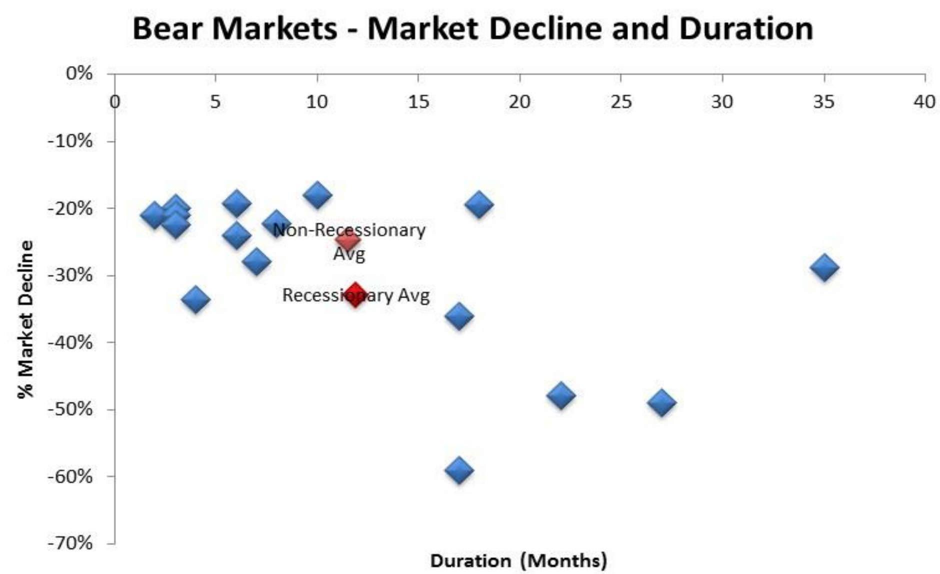
- Average Largest Intra-year selloff: -14.9%
- Ex-bear market years still normal to get 8-12% drawdown intra-year
- Average Annual return is : +10.1%

Source: FactSet, RJ Equity Portfolio & Technical Strategy

Analyzing Bear Markets

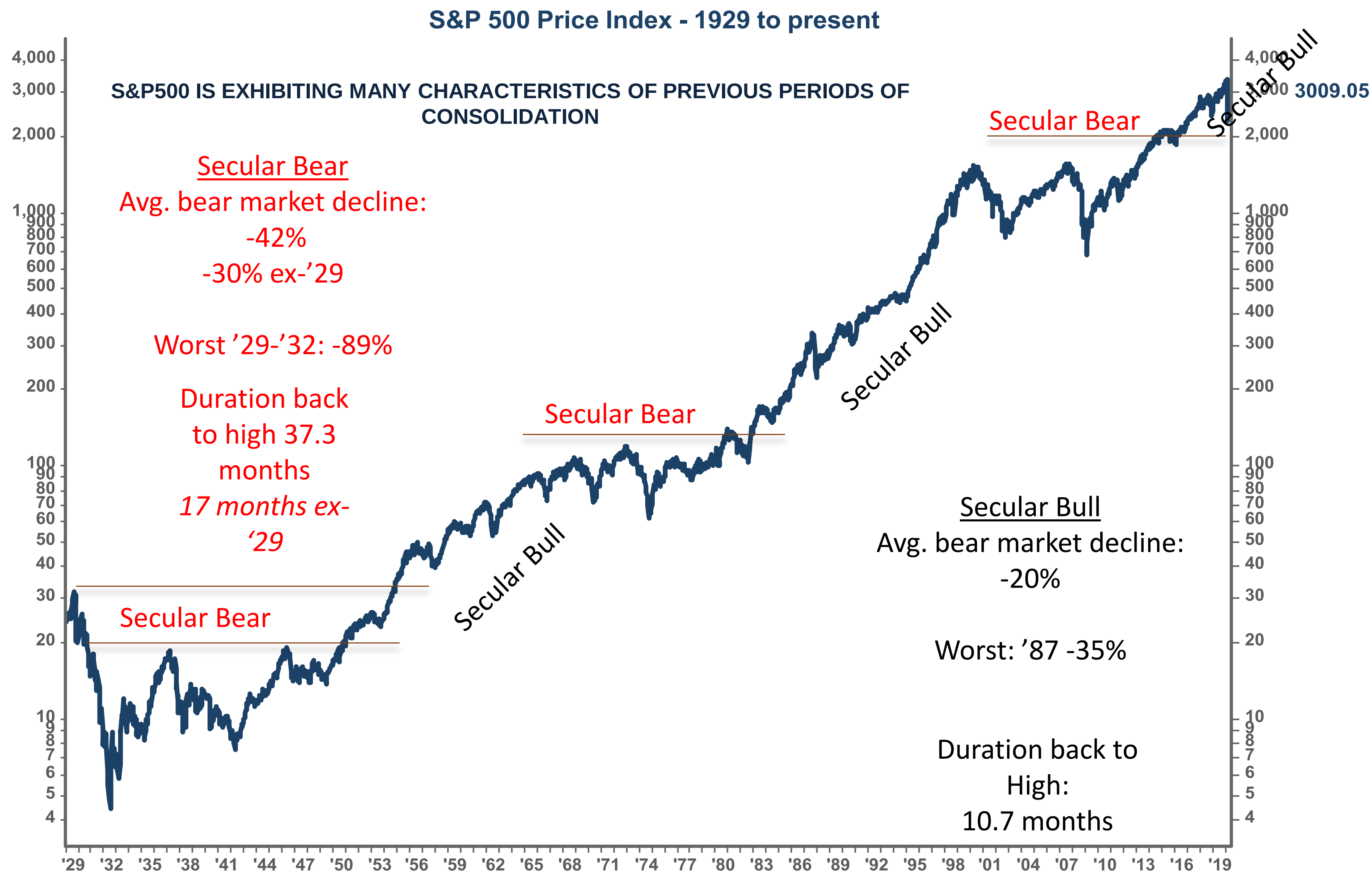
As seen on the prior page, pullbacks in the markets are normal, so we decided it is appropriate to analyze bear markets using historical data. Overall, bear markets are classified as a pullback of 20% or more. Over the long-term, prior to 2020, we have had nine periods of recessionary bear markets (average pullback of 33% and average duration of 11.9 months) and seven periods of non-recessionary bear markets (average pullback of 25% with an average duration of 11.6 months). Given that the market has not fully recovered from the market swoon, it is still too early to see the final data, but this market swoon was severe and violent to the downside with a sharp rebound in 2Q. From peak to trough, this market pullback (peak to trough) was in excess of the average pullback in both recessionary and non-recessionary bear markets.





Source: FactSet, RJ Equity Portfolio & Technical Strategy

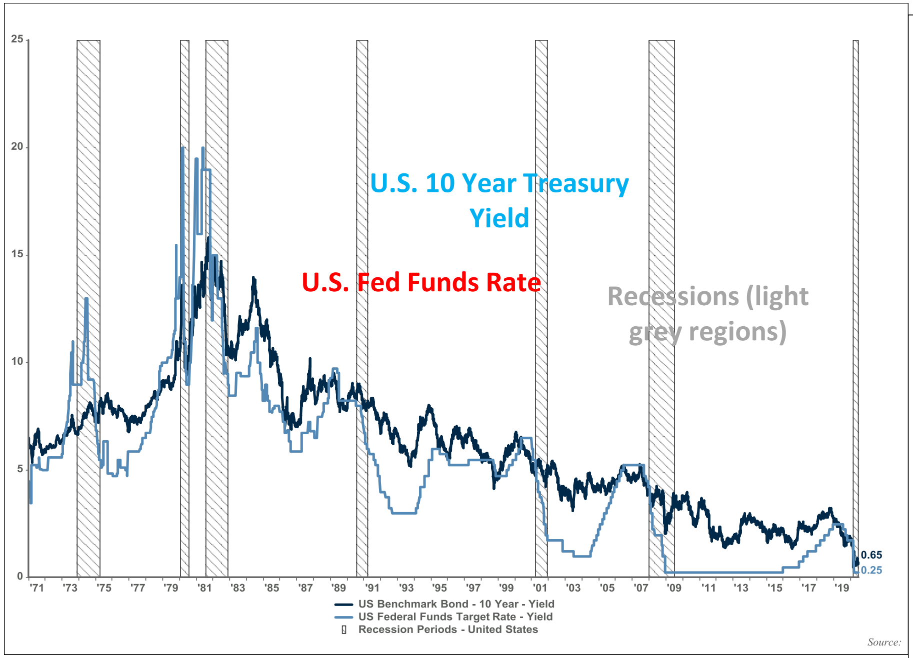
Secular Bull and Bear Markets

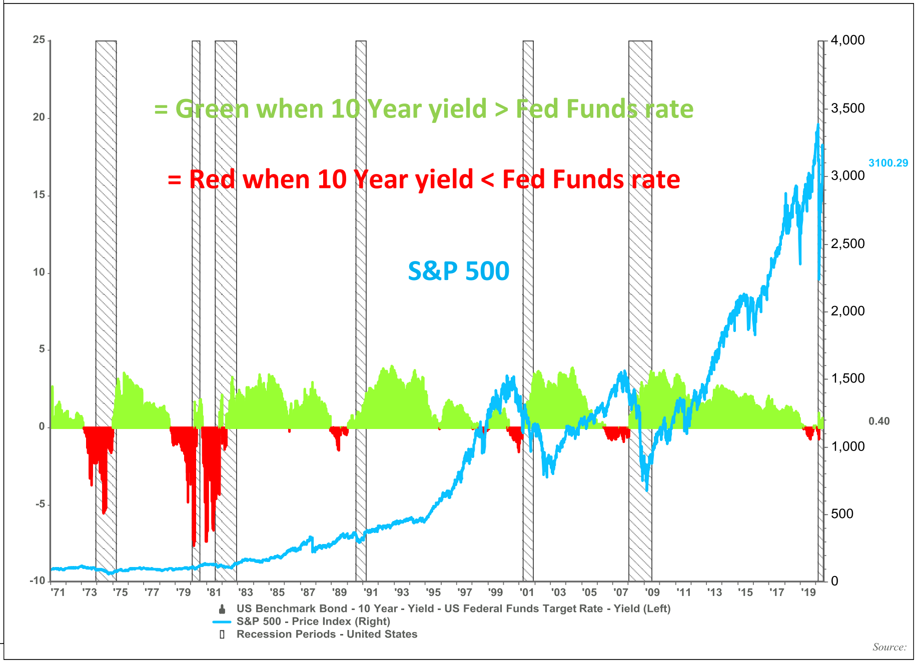


Source: FactSet, RJ Equity Portfolio & Technical Strategy

U.S. 10 Year Yield vs US Fed Funds Rate, since 1970

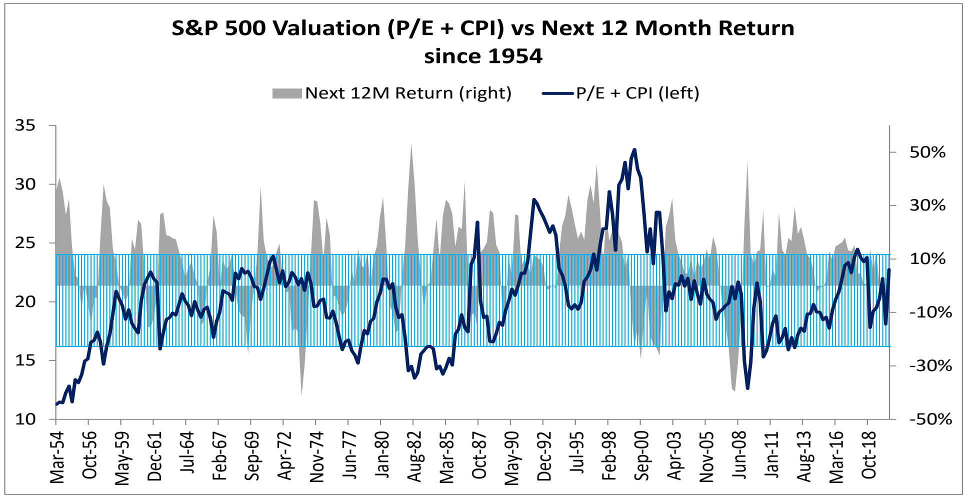
Note that when the fed funds rate lifts above the 10 -year Treasury yield (i.e. inverted yield curve—chart on right), recessions often follow. For this reason, yield curve flattening is a major concern. As you can see, the yield curve has remained above zero despite low interest rates on the 10-year yield.

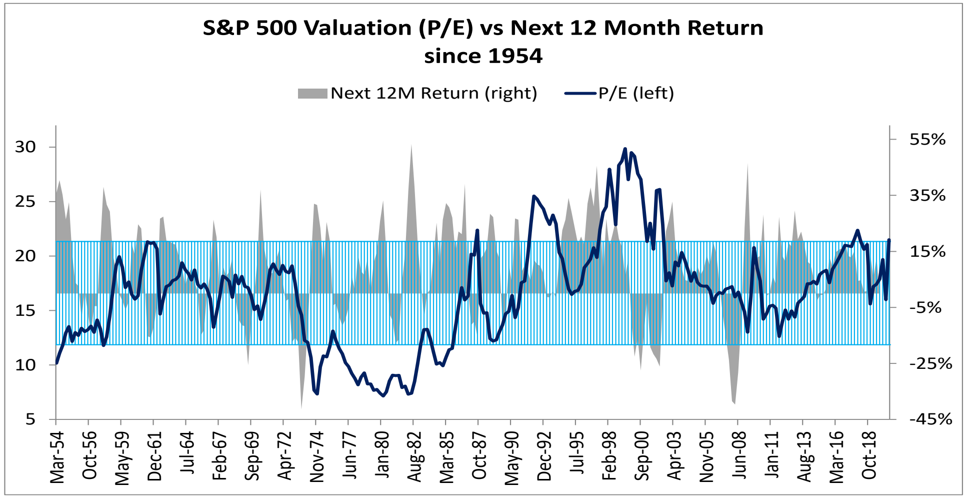




Source: FactSet, RJ Equity Portfolio & Technical Strategy

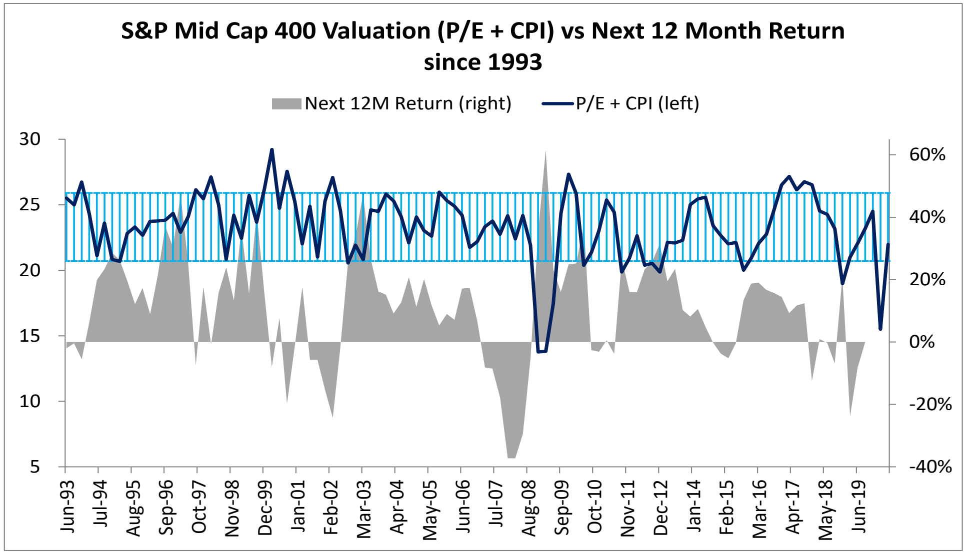
S&P 500 Valuation

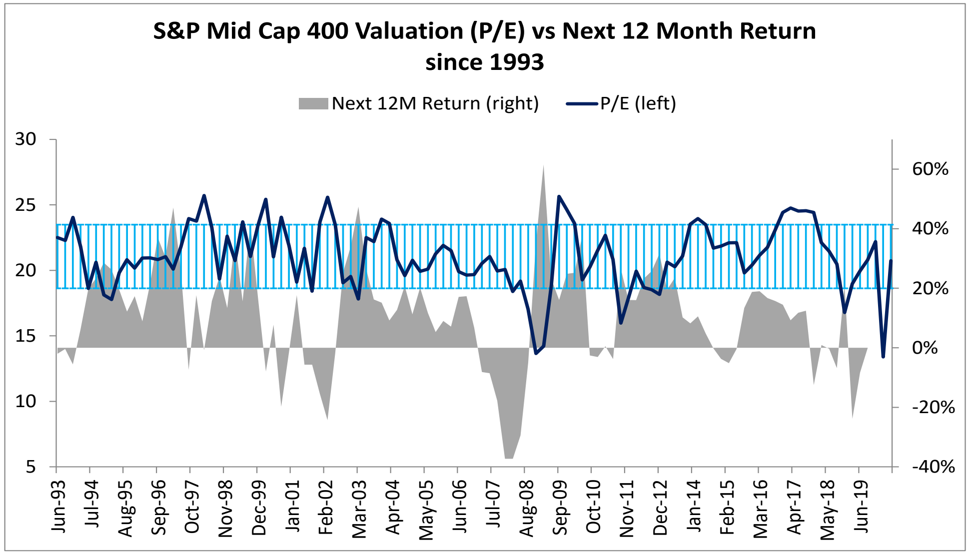




Source: FactSet, RJ Equity Portfolio & Technical Strategy

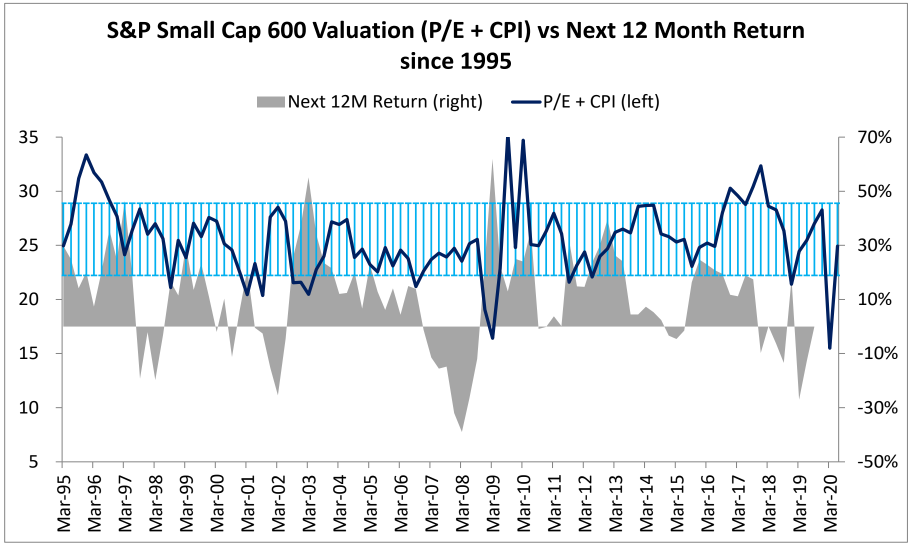
S&P Mid Cap 400 Valuation

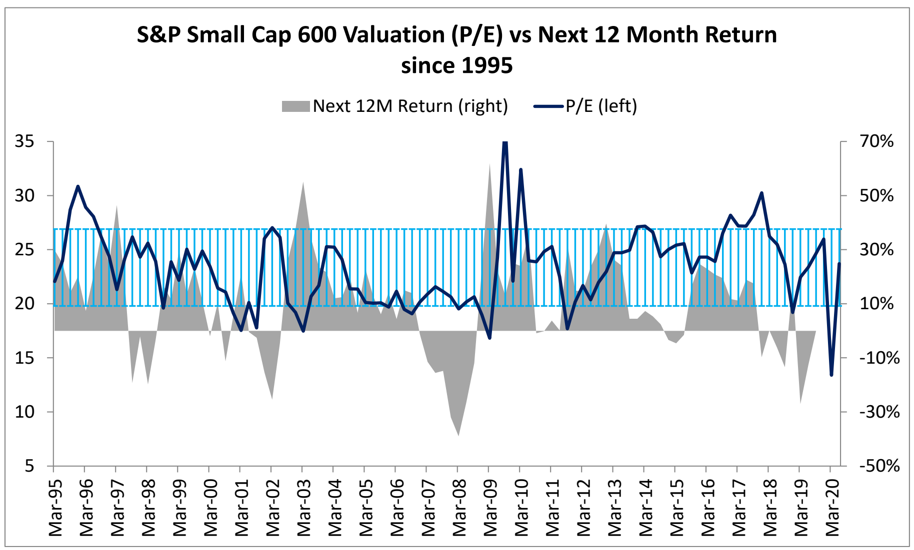




Source: FactSet, RJ Equity Portfolio & Technical Strategy

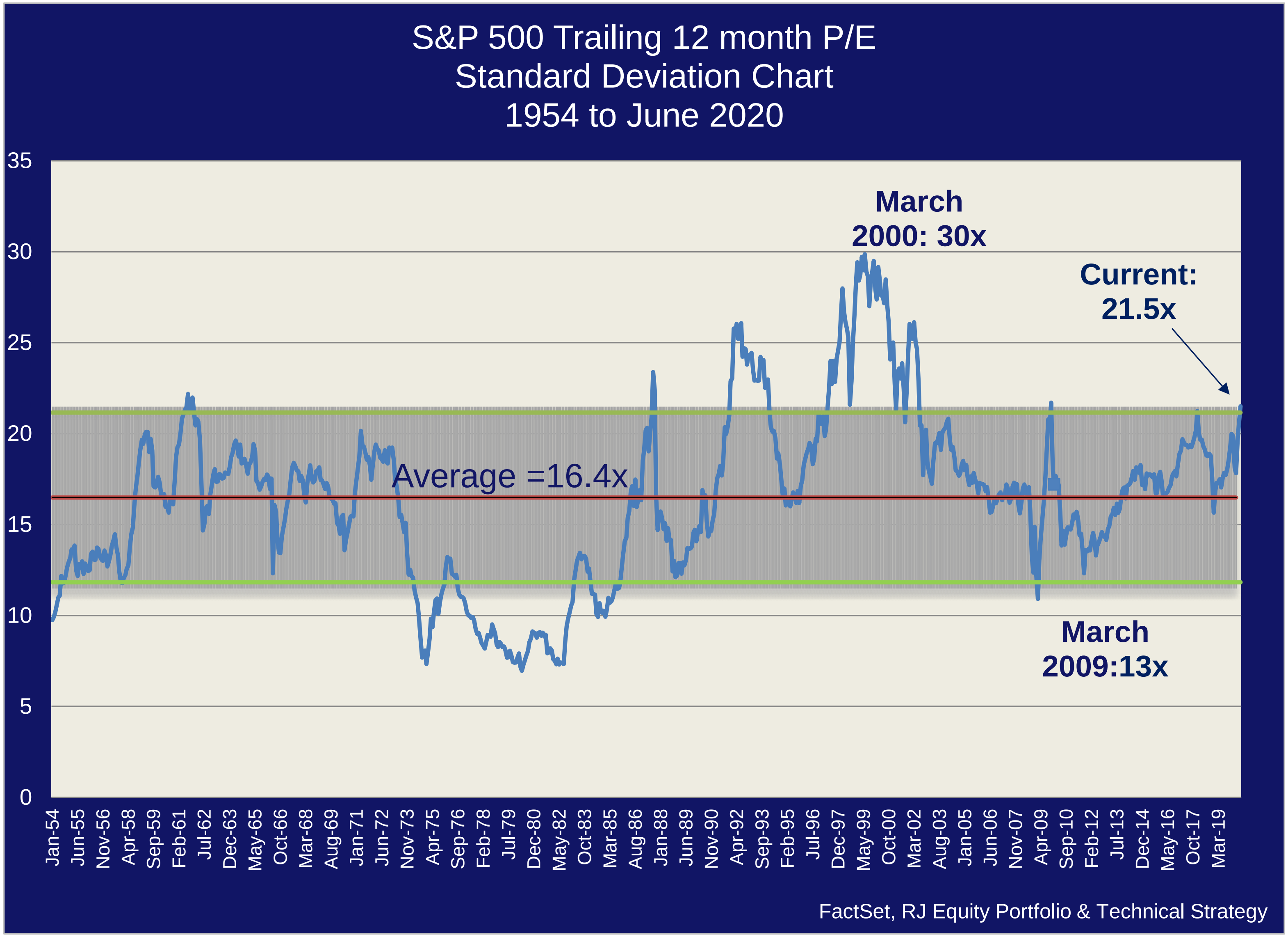
S&P Small Cap 600 Valuation



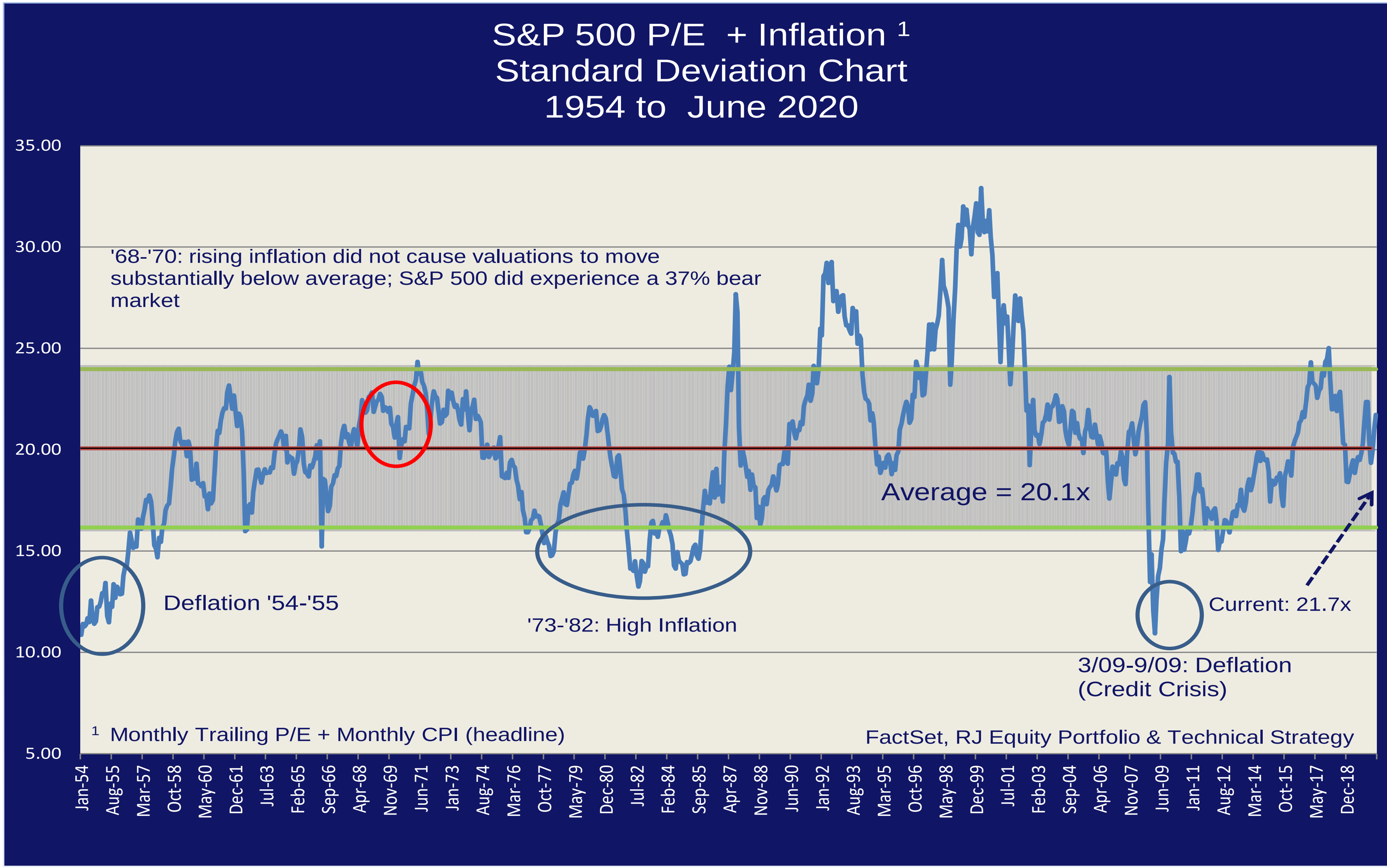


Source: FactSet, RJ Equity Portfolio & Technical Strategy

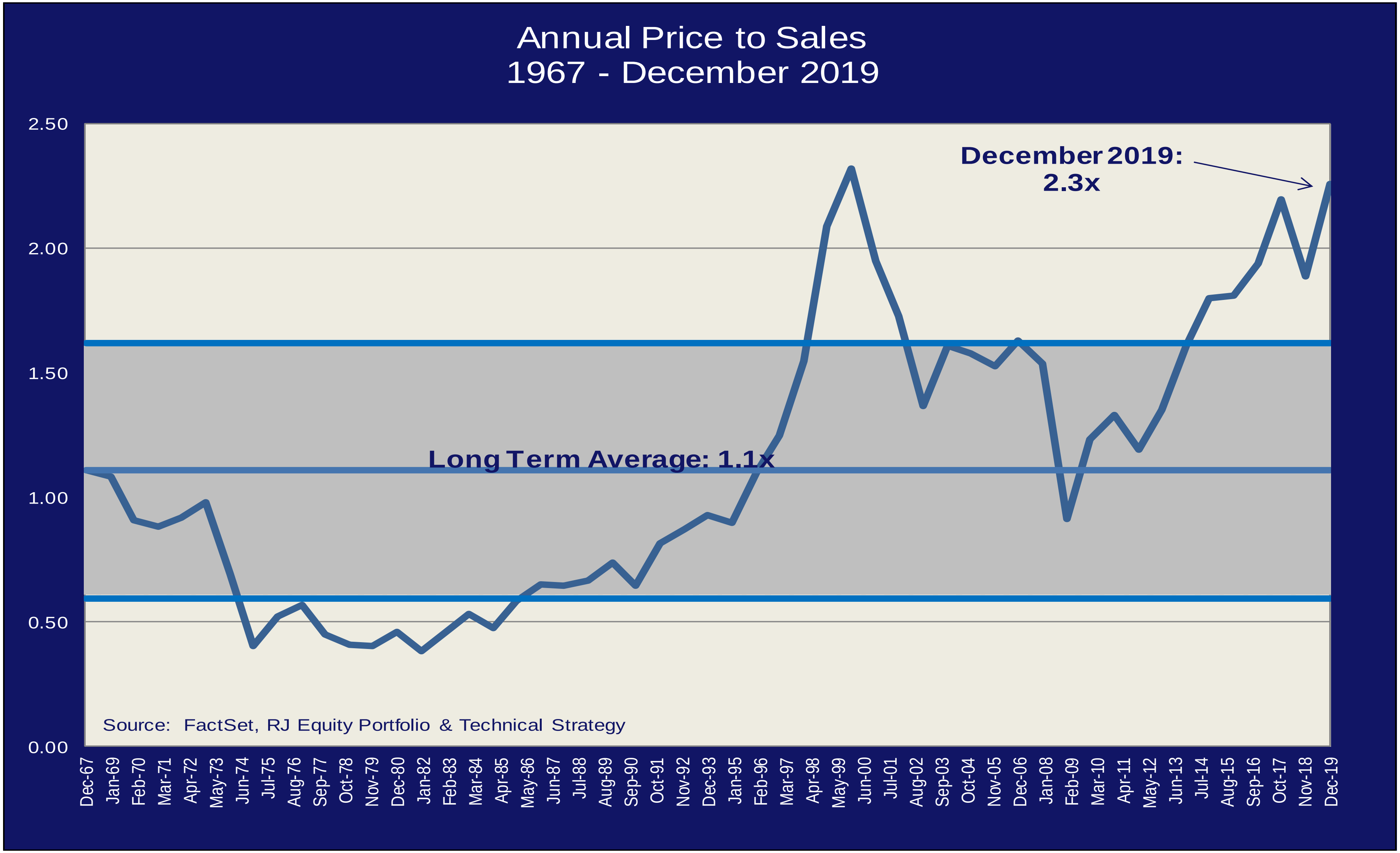
S&P 500: Long Term P/E



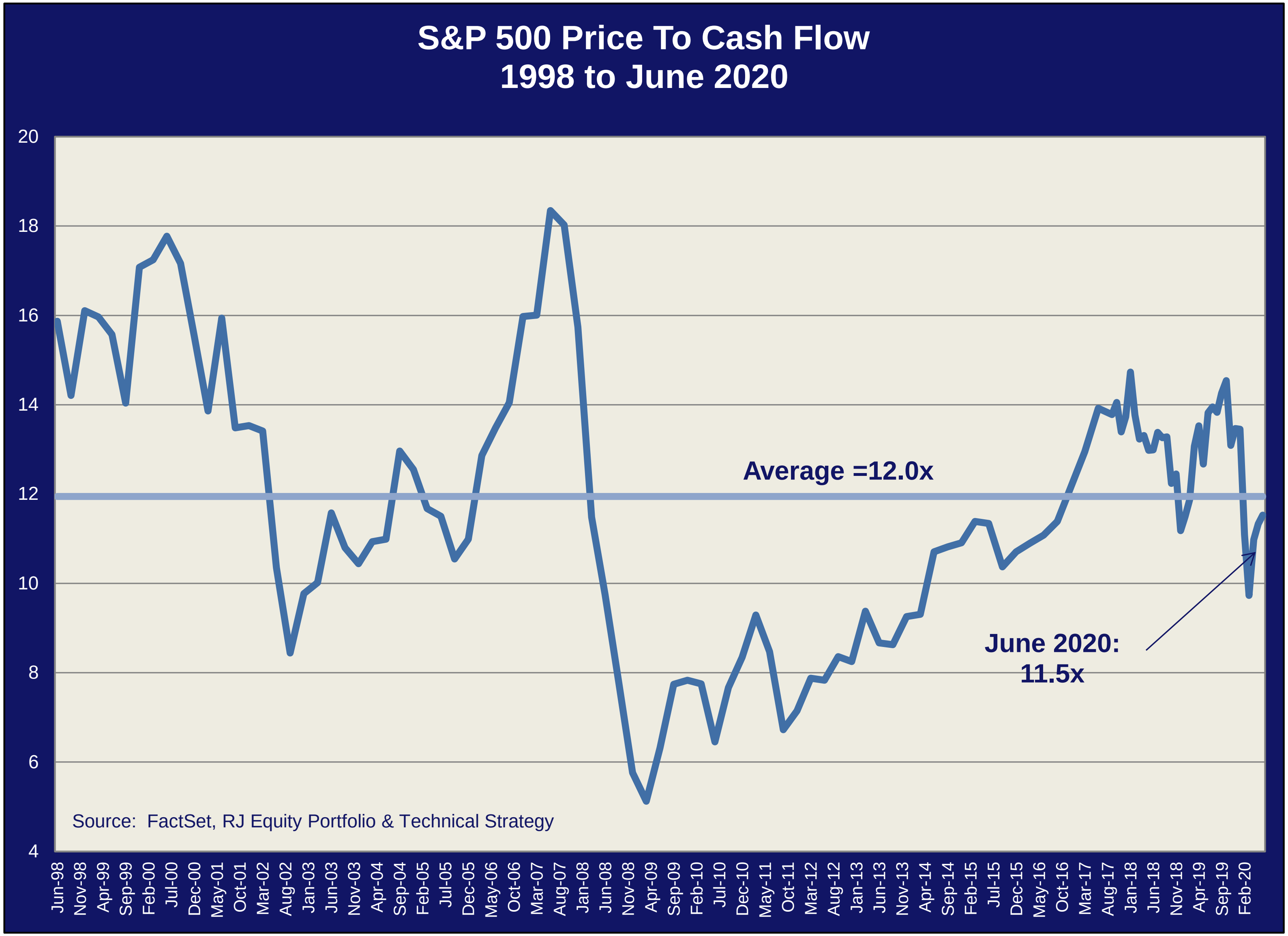
S&P 500: Inflation-Adjusted P/E



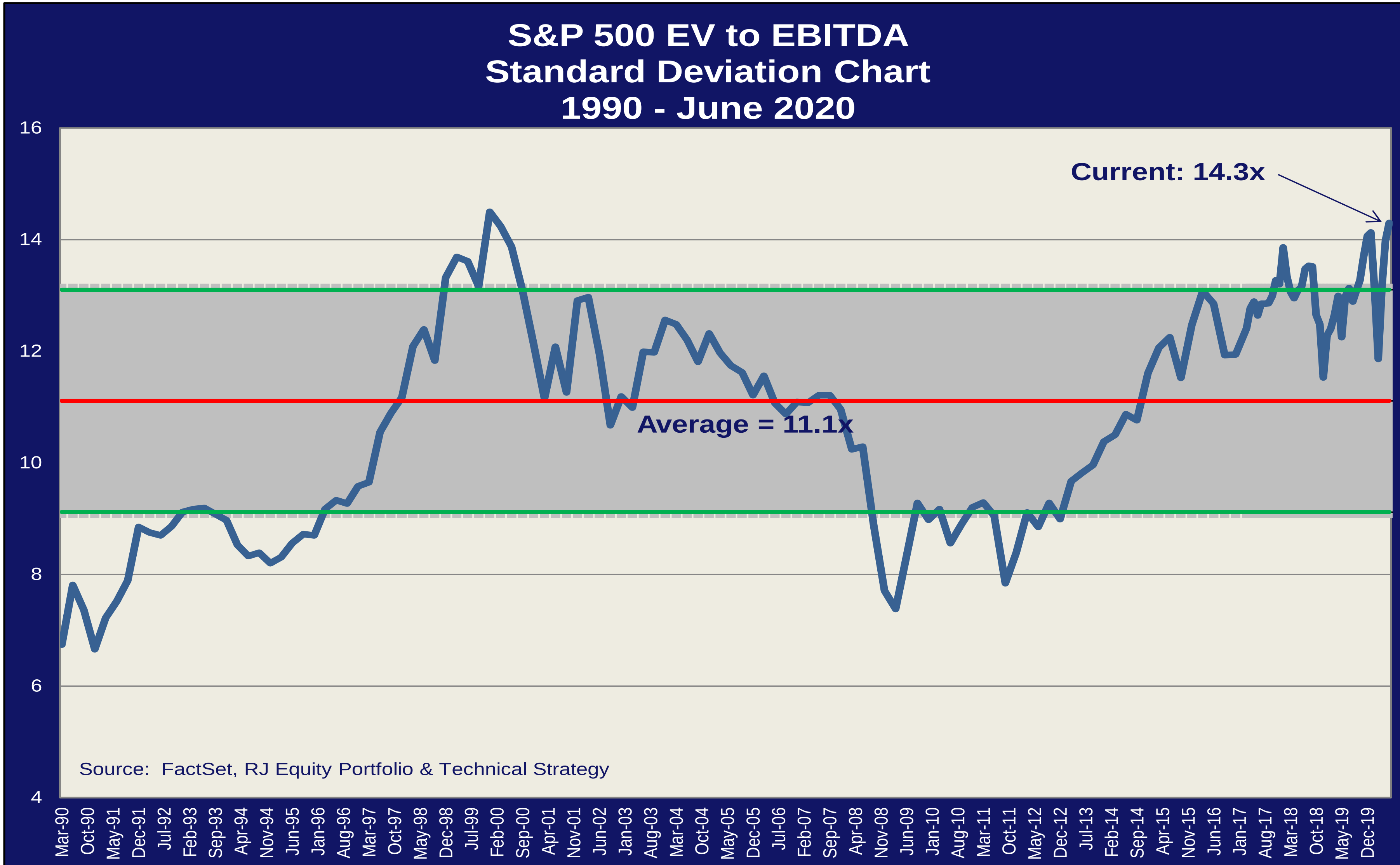
S&P 500: Price to Sales



S&P 500: Price to Cash Flow



S&P 500: EV to EBITDA



Sector Recommendations

Link to the full *June 2020 Sector Analysis* report… CLICK HERE

RECOMMENDATIONS

Sector	S&P 500 Weighting	Recommend
Information Technology	27.2%	Overweight
Health Care	14.5%	Overweight
Communications Services	10.9%	Overweight
Consumer Discretionary	10.8%	Overweight
Financials	10.3%	Equal Weight
Industrials	8.0%	Equal Weight
Consumer Staples	6.9%	Equal Weight
Utilities	3.1%	Underweight
Real Estate	2.8%	Underweight
Energy	2.9%	Underweight
Materials	2.5%	Underweight

S&P 500 Sector	Weighting Current	Weighting Recommend		Sector Thoughts: Fundamental Momentum (F), Valuation (V), Technical (T1- short term, T2- longer term)
Information Technology	27.2%	Overweight	F	Tech fundamentals continue to hold up relatively welly, benefitting from an acceleration into the digital economy
			V	Relative P/E remains above average but when accounting for the stability and momentum of earnings, the sector remains attractive in our view
			T1	Over-extended in the short term and recent weakening in the equal weight index gives us reason to wait for a pullback or consolidation for new purchases
			T2	Continues to be the technical standout
Health Care	14.5%	Overweight	F	Fundamentals have held up very well and also provide good growth potential in the years ahead due to increased health care focus
			V	Attractive, as the sector trades well below average on a relative P/E, PEG, P/Sales, and EV/EBITDA basis
			T1	Recent trends reveal an uptick in relative performance of the equal weight index, suggesting improving trading trends for the average stock
			T2	Following the degree of outperformance from late February to April, the consolidation in shares since April is normal witin a longer term uptrend
Comm. Services	10.9%	Overweight	F	Weak earnings growth in the current environment, but broadband demands and content, along with 5G rollout, in the years ahead should be a tailwind
			V	Attractive in our view, as the sector only trades at a 4% premium to the S&P 500 - lowest relative P/E in years
			T1	The potential consolidation of relative performance we highlighted last month came to fruition, providing a better entry point for new purchases
			T2	If the overall equity market continues to consolidate or pullback, we suggest increased accumulation in the sector
Consumer Discretionary	10.8%	Overweight	F	Sector earnings have collapsed in aggregate- some are operating well through the pandemic while others have a longer recovery period ahead
			V	P/E metrics are high due to the collapse in earnings and should normalize over time. Relative P/Sales for the average stock remains below average
			T1	If the equal weight index can hold its 50 DMA and relative strength hold its uptrend, the upward relative strength trend will remain in place
			T2	Dominance of a few mega-cap stocks has the cap-weight sector performing exceptionally strong. The equal weight index is attempting to build momentum
Financials	10.3%	Equal Weight	F	Earnings were hit drastically in Q1, along with large loan loss provisions. Provisions and guidance on Q2 calls will be an important catalyst to monitor
			V	We view valuation as attractive- relative P/E and P/Book are at their lowest levels of at least the past 15 years (making the bar low for upside surprises)
			T1	The sector is testing support near its 50 DMA. Holding it would keep the short-term uptrend intact
			T2	Continues to struggle technically as a recent attempt to gain relative strength proved unsustainable
Industrials	8.0%	Equal Weight	F	Earnings have been hard-hit, but will have leverage to the economic recovery over time (which could be volatile and gradual)
			V	We view valuation as attractive, however timing the economic recovery will be important
			T1	The recent pullback is not surprising following the enormous surge previously
			T2	It will be important for the group to hold support on the pullback and relative strength to hold above the lows in order to keep the improvement intact
Consumer Staples	6.9%	Equal Weight	F	Fundamentals have been solid, however slow growth is also expected on the other side of the pandemic
			V	Investor positioning toward the bull market recovery has made valuation for the consumer staples fairly attractive
			T1	The sector has traded in a sideways pattern for the past two months
			T2	Relative strength has continued to weaken over the past month, resuming underperformance since the overall market low on March 23rd
Utilities	3.1%	Underweight	F	Earnings have been relatively stable, but the group offers no leverage to the economic recovery over time either
			V	Valuation metrics have moved to their most attractive levels in a couple years
			T1	The sector continues to lose relative strength since the market bottomed in March, and has broken to new relative lows
			T2	The 50 DMA is starting to turn down once again and the sector seems range-bound for the time being
Real Estate	2.8%	Underweight	F	Earnings are not as catastrophic as some other, and 2021 estimates show the sector getting back to 2019 earnings (middle of the pack of all sectors)
			V	Attractive valuation with relative P/FFO and EV/EBITDA both at the low end of their 15 year range. However debt levels are high and interest rates are at record lows
			T1	The group is currently testing its 50 DMA as technical support, consolidating strength from mid-May to early June
			T2	Would like to see the sector hold well above the most recent reaction low that was made in May. Relative strength is approaching lows
Energy	2.9%	Underweight	F	Oil prices have been able to rebound to $40/barrel but not get much above. Still a very low oil price environment and fundamentals are challenged
			V	Relative EV/EBITDA remains near the midpoint of the last 15 years
			T1	Energy is potentially building a base around the 50 DMA. Needs to hold the lower end of the range, or it will likely experience more downside pressure
			T2	The 200 DMA continues to slope downward and will likely continue to serve as resistance as it has done for the past year
Materials	2.5%	Underweight	F	Fundamentals have significant leverage to the global manufacturing recovery (and the path is likely to be volatile and gradual over time)
			V	We view valuation as attractive- relative EV/EBITDA and P/E are both below their 15 year averages
			T1	While Materials have performed ok from an absolute basis, the sector has not advanced well from a relative standpoint
			T2	However, the group remains in a short term uptrend with a series of higher highs and higher lows. And price remains above the upward-sloping 50 DMA for now

Source: FactSet, RJ Equity Portfolio & Technical Strategy

S&P Industry Group Returns (through March 31, 2020)

S&P 500 Industry Group	Class	Beta (3Yr)	Since 2/19	1 Month	3 Month	YTD	12 Month
Technology Hardware & Equipment	Cycl.	1.14	6.7%	10.7%	35.2%	13.9%	46.4%
Retailing	Cycl.	0.92	11.6%	7.0%	35.0%	22.4%	27.0%
Software & Services	Cycl.	1.14	1.0%	6.0%	24.9%	16.1%	27.9%
Semiconductors & Semiconductor Equ	Cycl.	1.31	-1.3%	4.9%	25.0%	9.2%	35.9%
Automobiles & Components	Cycl.	1.20	-22.0%	3.0%	29.0%	-28.7%	-29.8%
Transportation	Cycl.	1.05	-14.6%	2.9%	16.3%	-13.0%	-10.1%
Consumer Durables & Apparel	Cycl.	1.10	-15.0%	2.4%	20.2%	-14.9%	-3.4%
Commercial & Professional Services	Cycl.	0.90	-10.5%	2.2%	20.8%	-0.6%	5.5%
Household & Personal Products	Def.	0.65	-3.4%	2.1%	7.3%	-0.8%	8.0%
Materials	Cycl.	1.02	-6.6%	1.9%	23.5%	-8.0%	-3.4%
S&P 500	-	***1.00***	-8.4%	1.8%	18.0%	-4.0%	5.4%
Insurance	Cycl.	1.04	-22.8%	1.6%	10.0%	-19.2%	-17.9%
Capital Goods	Cycl.	1.09	-19.9%	1.5%	13.8%	-17.9%	-12.9%
Real Estate	Cycl.	0.90	-15.4%	1.0%	8.7%	-10.0%	-5.1%
Media & Entertainment	Cycl.	0.93	-5.2%	-0.1%	23.6%	2.7%	13.3%
Diversified Financials	Cycl.	1.12	-17.6%	-1.0%	10.4%	-14.1%	-6.0%
Banks	Cycl.	1.31	-33.6%	-1.0%	4.4%	-36.2%	-24.7%
Energy	Cycl.	1.24	-30.2%	-1.4%	30.8%	-37.0%	-39.0%
Food Beverage & Tobacco	Def.	0.73	-13.7%	-1.7%	4.4%	-11.1%	-5.0%
Food & Staples Retailing	Def.	0.64	-5.0%	-2.0%	4.7%	-4.6%	6.1%
Pharmaceuticals Biotechnology & Life	Def.	0.76	0.4%	-2.2%	11.6%	0.8%	10.2%
Telecommunications Services	Def.	0.68	-13.3%	-2.6%	1.7%	-14.9%	-5.1%
Consumer Services	Cycl.	1.00	-25.4%	-2.8%	15.5%	-23.7%	-21.6%
Health Care Equipment & Services	Def.	0.98	-8.0%	-2.9%	13.9%	-4.7%	7.3%
Utilities	Def.	0.76	-19.2%	-5.0%	-2.3%	-12.6%	-5.3%

Source: FactSet, RJ Equity Portfolio & Technical Strategy

M20-3154074

Definitions

S&P Mid-Cap 400 – Provides investors with a benchmark for mid-sized companies.

S&P Small Cap 600 – Provides investors with a benchmark for small-sized companies.

U.S. Treasury – Securities are guaranteed by the US government and, if held to maturity, generally offer a fixed rate of return and guaranteed principal value.

200-DMA– The 200-day moving average is a popular technical indicator which investors use to analyze price trends. It is simply a security's average closing price over the last 200 days.

50-DMA– The 50-day moving average is a popular technical indicator which investors use to analyze price trends. It is simply a security's average closing price over the last 50 days.

Weighting – Sector percentage (%) of S&P 500

Total Return – Price return including dividends received

Beta – Measure of volatility in comparison to the market as a whole

Dividend Yield – Dividends received divided by price; reflects the percentage return off of dividends received.

Dividend Payout Ratio – Dividends distributed divided by net income; reflects the percentage of net income distributed in dividends.

Long-Term EPS Growth – Estimated earnings per share growth over the next three to five years, as received from consensus analyst forecasts.

Free Cash Flow Yield – Free cash flow divided by price. The free cash flow per share a company is expected to earn against its market price per share.

Price to Sales – Market cap divided by sales of companies in the sector or S&P 500

Price Earnings Ratio (P/E) – The price of the stock divided by its earnings per share.

EV to EBITDA – Enterprise Value (EV) divided by EBITDA (Earnings Before Interest, Tax, Depreciation, & Amortization).

- LTM P/E – P/E calculated with the last 12 months earnings reported.
- NTM P/E – P/E calculated with the consensus earnings estimates over the next 12 months.

Relative P/E – The sector's multiple divided by the S&P 500 multiple; represents a premium or discount relative to the S&P 500's valuation. We use last 12-month P/E in this report.

Relative Ratio – The sector's relative P/E multiple vs. its respective 10-year average relative P/E.

Relative Strength – Calculates price performance relative to the S&P 500 over time.

Standard Deviation – Measures the fluctuations of returns around the arithmetic average return of investment. The higher the standard deviation, the greater the variability (and thus risk) of the investment returns.

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

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.