*Weekly Headings will not be published next week due to the holiday. We will be back with a special edition on December 31. We wish you all a safe and happy holiday season!*

# WEEKLY HEADINGS

## THOUGHTS OF THE WEEK

Larry Adam, Chief Investment Officer, Private Client Group

**Follow Larry Adam on Twitter: @LarryAdamRJ**

As the end of 2020 draws near, many of us are anxious to put this tumultuous year behind us, choosing to look ahead to 2021 in hopes that happier, healthier, and more prosperous times will be had by all. As your Investment Strategy Team, the ability to look ahead and anticipate any material developments that could alter our economic and financial outlook is critical. We don't look in the rear view mirror often, but sometimes reflecting on the past can be prudent as it presents us with the opportunity to improve and sharpen our views and analysis. Therefore, as we began to craft our ten investment themes for 2021, our first step was to evaluate and grade our themes for the current year. In hindsight, the guidance our team of economists, strategists, and portfolio managers gave for 2020 proved prescient as ~85% of them proved accurate. Given that we were all blindsided by the COVID-19 pandemic, our vision for 2020 wasn't perfect, however it wasn't far from reality. Below is our 2020 scorecard:

**Key Takeaways**

No '20/20 Vision' For 2020 Due To COVID-19

Fed's Intervention 'Set Our Sights' On Investment Grade

We Never 'Lost Sight' Of New Records For The Equity Market

✗ 1. **Keeping A Close Eye On The Economy |** Given the rarity of a recession in an election year, record low levels of unemployment, and robust consumer spending entering 2020, we assumed economic momentum would continue unabated at least through the presidential election. However, the COVID-19 outbreak, a 'Black Swan' event outside of anyone's scope or purview, resulted in the sharpest, yet shortest recession in the post-World War II era. With the US still combating the virus, the economy has been unable to return to pre-COVID GDP levels, and therefore our expectation for 1.7% US GDP growth with no recession was unmet.

✓ 2. **The Fed's Corrective Surgery |** We anticipated that the Fed's three 'insurance' rate cuts in response to trade tensions and slow global growth would bolster the economy, and that its balance sheet would continue to expand. While the Fed needed to perform several more 'emergency' surgeries this year in the form of reducing interest rates to zero, establishing facilities to further inject liquidity, and expanding purchases to include investment-grade debt, our assumption that the Fed's actions would support the US economy and ensure the proper functioning of the credit markets held true.

✓ 3. **Tunnel Vision On The 2020 Election |** We anticipated that the election would captivate investors and increase market volatility. While our expectation for gridlock (Republican Senate, Democratic House) cannot be proven valid until after the Georgia runoff elections in January, we did accurately predict that the state of the US economy and key swing states such as Pennsylvania and Wisconsin would ultimately decide the outcome of the presidential race.

✓ 4. **Looking For Yield Through The Magnifying Glass |** We expected that factors such as muted inflation and international demand would limit the 10-year Treasury yield from moving significantly higher, but the COVID-19 pandemic resulted in the yield reaching an historic low. Our bias toward investment-grade bonds over high yield also came to fruition (outperforming by nearly 280 basis points year-to-date), as the Fed's purchases benefitted the former and as default risk was a detriment to the latter.

✓ 5. **Seeing The Bigger Picture For US Equities |** With a supportive macroeconomic backdrop, easing financial conditions, and lower interest rates, we believed the S&P 500 would be able to notch new record highs. Given the brevity of the virus-induced recession, the expected economic recovery (especially in light of multiple, effective vaccines), the Fed's intervention, and Congress' swift actions to pass stimulus at the start of the outbreak led the index to accomplish this feat 32 times since the start of the year!*

✓ 6. **Double Vision Of Our Favorite Sectors |** Our three preferred cyclical sectors, Information Technology, Consumer Discretionary, and Communication Services are the top performers on a year-to-date basis. We also maintained our bias towards large-cap growth equities, which have outperformed large-cap value and small cap by ~35% and ~17%, respectively.

✓ 7. **5G Network – Tech In Focus |** The Info Tech sector benefitted from the shutdowns as our reliance on technology to perform daily activities (e.g., work from home, stay connected with family and friends) led the sector to outpace all others by at least 9.0%.*

✓ 8. **Blurred Vision For International Equities |** We highlighted that attractive valuations, a weaker dollar, and possible stimulus action could make emerging markets appealing for long-term investors. Given the overall pace of the global economic recovery and the fact the dollar has weakened 6.8% year-to-date, emerging markets have outperformed the developed markets by 8.9%.

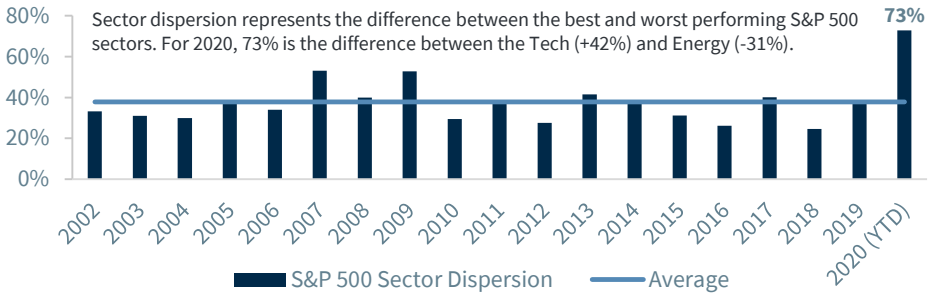
– 9. **A Panoramic View Of The Dollar & Oil |** We anticipated that decelerating US economic growth and a widening budget deficit (even prior to the record setting stimulus efforts) would lead to a weaker US dollar. While this came to fruition, our expectation that rising global oil demand would lead oil prices higher was jeopardized due to the impacts of the pandemic.

✓ 10. **Volatility Hiding In Plain Sight |** Last but not least, we stated that political risk, trade tensions, and geopolitical events would lead to no shortage of headline risk in 2020. Although the COVID-19 outbreak specifically was a 'Black Swan' event that led the Market Volatility Index to an historic peak and sector dispersion to record levels, we did accurately access that the aging bull market and increased volatility would make selectivity at the regional, sector, and individual stock level even more important.

## CHART OF THE WEEK

### Volatility Hiding In Plain Sight

*The COVID-19 outbreak was a 'Black Swan' event that led market volatility to an historic peak and sector dispersion to record levels. In fact, the current sector dispersion is 1.9x the average since 2002.*




*See Charts of the week on page 3.

## ECONOMY

- Retail sales fell 1.1% in November reflecting the pandemic's impact on holiday shopping.* Ex-autos, retail sales fell 0.9%, an unexpected decline (median forecast: +0.1%). Sales at department stores fell 7.7% for the month of November. Sales at non-store retailers (includes internet and mail order) edged up 0.2% for the month, but rose 29.2% from a year earlier, compared to +8.8% in the 12 months ending November 2019.
- Industrial production rose 0.4% in November (-5.5% y/y), with manufacturing output up 0.8% (-3.5% y/y).* Motor vehicle production jumped 5.3% Ex-autos, factory output rose 0.4% (-3.9% y/y) – down 4.0% from February.
- **Focus of the Week**: Next week, the third estimate of 3Q20 GDP growth is expected to be near the previous estimate (an annual rate of +33.1%). November consumer spending data will shed light on the extent of the COVID-induced slowing of consumer spending which will impact the 4Q20 growth.

## December 21 – December 25

**MON**

**TUE** Q3 Final GDP Estimates
Consumer Confidence

**WED** Personal Consumption Expenditures
New Home Sales

**THU** Durable Goods Orders
Jobless Claims

**FRI** 12/25 Christmas Holiday (Markets Closed)

**FUTURE EVENTS** 1/1 New Year's Day (Markets Closed)

## US EQUITY

- Equity markets have sustained their advance with areas most levered to the economic recovery showing the strongest momentum. Small caps have advanced 27% since the end of October and are now outperforming the S&P 500 year-to-date. At the sector and stock level, the hardest hit areas from the pandemic have generally seen the greatest upside. For example, Energy and Financials (down 52% and 22% respectively from 12/31 through October) have led the charge higher by 37% and 20% respectively since then. **Focus of the Week:** We remain positive on equities over the next 6-12 months due to our view of three plus vaccines allowing an economic reopening as 2021 progresses, along with fiscal and monetary stimulus supporting the recovery and the likelihood of interest rates remaining lower for longer. This should support an earnings recovery and allow valuations to remain elevated (albeit lower than current levels). We maintain a base case S&P 500 target of 4,025 (using $175 earnings and 23x P/E). And while the current equity momentum could continue through year end and into January, we do want to acknowledge that there are numerous items that could impact volatility such as fiscal stimulus, political uncertainty, and additional localized COVID-induced shutdowns.

## FIXED INCOME

- Consistent with the risk asset rally this week, credit spreads continued to move lower as both investment-grade and high-yield spreads narrowed two and four bps, respectively, on the week. Both continue to move to new post-COVID lows.*
- **Focus of the Week:** Short-term high-quality securities are still being bid aggressively for maturities inside of 30 months. This is creating a swap opportunity as the low take out yields can be surpassed and investors can achieve higher yields over the holding period.

## COVID-19, ENERGY, & POLITICS

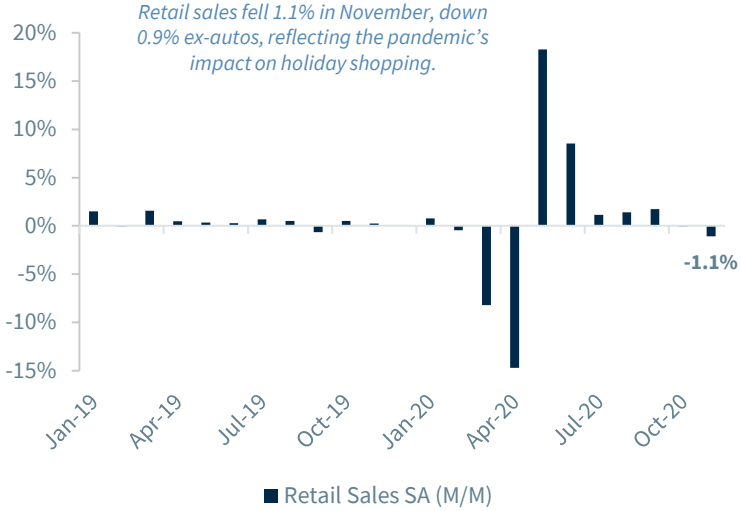
- Statistics worsen but hope continues to grow in light of vaccine progress. The US has counted over 16,984,000 identified cases and over 307,000 identified deaths caused by the devastating coronavirus. On average over the past week, we recorded 211,825 identified cases per day and 2,518 identified fatalities per day. Our average positivity rate stands at 11.3%, still above our goal of a maximum of 5%, and ideally lower, returning positive to signal adequate testing capacity. As of Wednesday evening, more than 113,000 people are currently hospitalized with COVID-19, a record number straining the country's healthcare system.* However, vaccinations suggest we could be on our way to turning a corner during the new year.
- The continuation of wintertime lockdowns around the world is in the context of daily increases in worldwide COVID case counts that have averaged just over 600,000 thus far in December, slightly higher than the November average of 563,000. While Europe's second wave remains very serious, it appears to have crested in November - precisely because the widespread lockdowns have been, in most cases, effective. To the extent that some European countries are still showing record or near-record daily increases, it is mostly in the eastern portion of the continent where lockdowns are less common. What is more counterintuitive is that the Southern Hemisphere - whose summer began on December 1 - is showing noticeable signs of a second wave, illustrating that COVID remains a problem even in warmer parts of the world. Simply put, warm weather does not equate to low infections.
- Congress is on the verge of agreement on a $900 billion fiscal stimulus deal including aid for small businesses, hard hit industries, healthcare, and a second round of individual checks. Overall, the deal is seen as a bridge to the spring and we expect market attention will swiftly turn to what a recovery package under a Biden administration could look like. The bridge package is expected to provide around $300 billion in new PPP funding and a lower individual stimulus amount of $600, with a shorter than initially expected extension of the federal unemployment insurance supplement at $300 per week. This will move up the timeline for any 2021 stimulus package and serve as the first test of the Biden administration's working relationship with Senate Republicans, pending the outcome of the Georgia Senate races. We expect conversations on a 2021 package to center on state and local aid, a liability shield, and possibly post-pandemic recovery measures such as infrastructure investment, but the scope and timing will depend on control of the Senate after the January 5 Georgia Senate run-off elections.
- **Focus of the Week:** By now, you probably know somebody who has received the Pfizer/BioNTech vaccine since its authorization by the FDA on 12/11 and if not, you will soon. Vaccine manufacturers and public health officials continue to message that tens of millions of US residents will receive a vaccine (either Pfizer's or Moderna's which should be authorized on 12/18) in the next ~two months with up to ~100 million by March 2021. Further, officials have indicated anyone who wants it could get it around ~2Q21. This is good and much needed news given record cases, hospitalizations, and deaths occurring near daily. We recently calculated that every ~10m people vaccinated could reduce daily cases by ~4-7% vs. what they otherwise would be in an unvaccinated world and likely reduce deaths proportionally higher given nursing homes are in the first priority group and are at high risk.

*See Charts of the week on page 3.

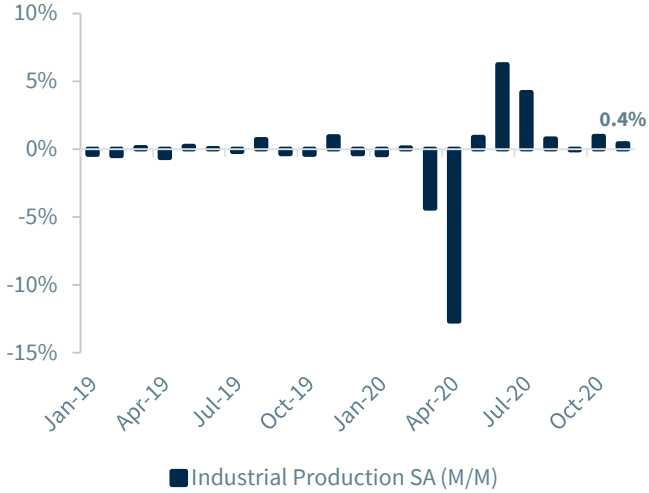
## Charts of the Week

### Retail Sales Fall Amid Rising Cases

*Retail sales fell 1.1% in November, down 0.9% ex-autos, reflecting the pandemic's impact on holiday shopping.*

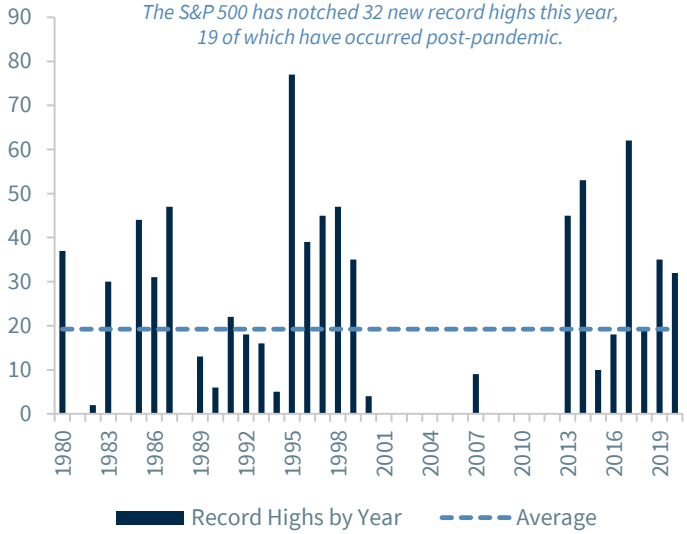



### Industrial Production Rises At Slowing Pace



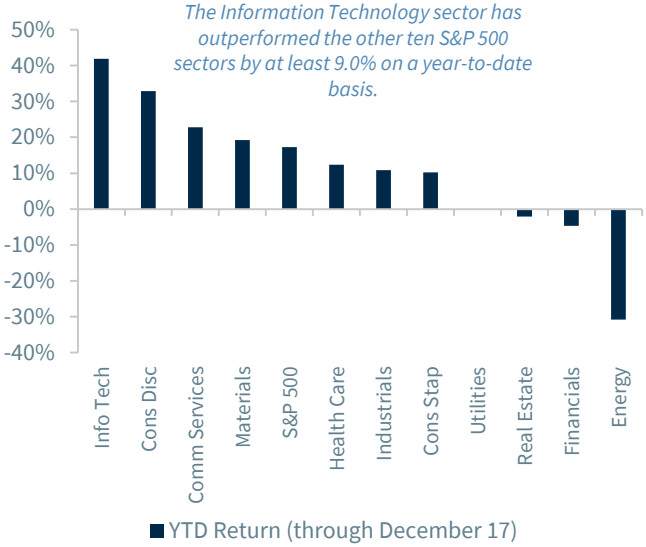

### S&P 500 Has Set 32 New Record Highs Year-To-Date

*The S&P 500 has notched 32 new record highs this year, 19 of which have occurred post-pandemic.*




### Tech Sector The Standout Year-To-Date

*The Information Technology sector has outperformed the other ten S&P 500 sectors by at least 9.0% on a year-to-date basis.*

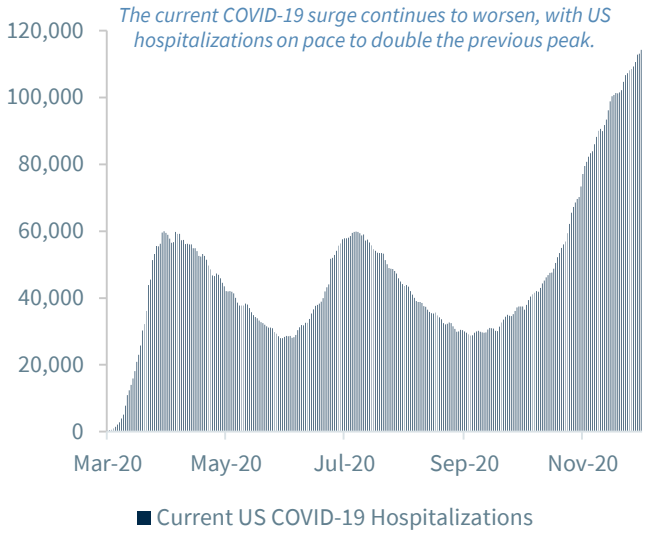



### Nominal Yield On High-Yield Bonds At Record Low

*Muted inflation and international demand were expected to limit the 10-year Treasury yield from moving substantially higher, but the COVID-19 pandemic resulted in the yield reaching a historic low in March.*


### US COVID-19 Hospitalizations Still Rising

*The current COVID-19 surge continues to worsen, with US hospitalizations on pace to double the previous peak.*



## Asset Class Performance | Distribution by Asset Class and Style (as of December 17)**

### Weekly Returns (as of December 17)

**US Equities (Russell indices)**

| | Value | Blend | Growth |
|---|---|---|---|
| Large Cap | 0.5% | 1.7% | 2.8% |
| Mid Cap | 1.0% | 1.9% | 3.6% |
| Small Cap | 1.7% | 2.9% | 4.1% |

**International Equities (MSCI indices)**

| | Dev. Mkt | World | Emerg. Mkt |
|---|---|---|---|
| Large Cap | 0.7% | 1.3% | 1.3% |
| Mid Cap | 1.1% | 1.6% | 1.6% |
| Small Cap | 1.9% | 2.1% | 1.8% |

**Fixed Income (Bloomberg Barclays indices)**

| | 1-3 YR | Medium | Long |
|---|---|---|---|
| Treasury | 0.0% | 0.0% | -0.2% |
| Invest. Grade | 0.1% | 0.2% | 0.2% |
| High Yield | 0.3% | 0.2% | 0.5% |

### Year-to-Date Returns (December 17)

**US Equities (Russell indices)**

| | Value | Blend | Growth |
|---|---|---|---|
| Large Cap | 2.0% | 20.0% | 37.2% |
| Mid Cap | 4.3% | 16.9% | 36.3% |
| Small Cap | 4.8% | 20.1% | 34.7% |

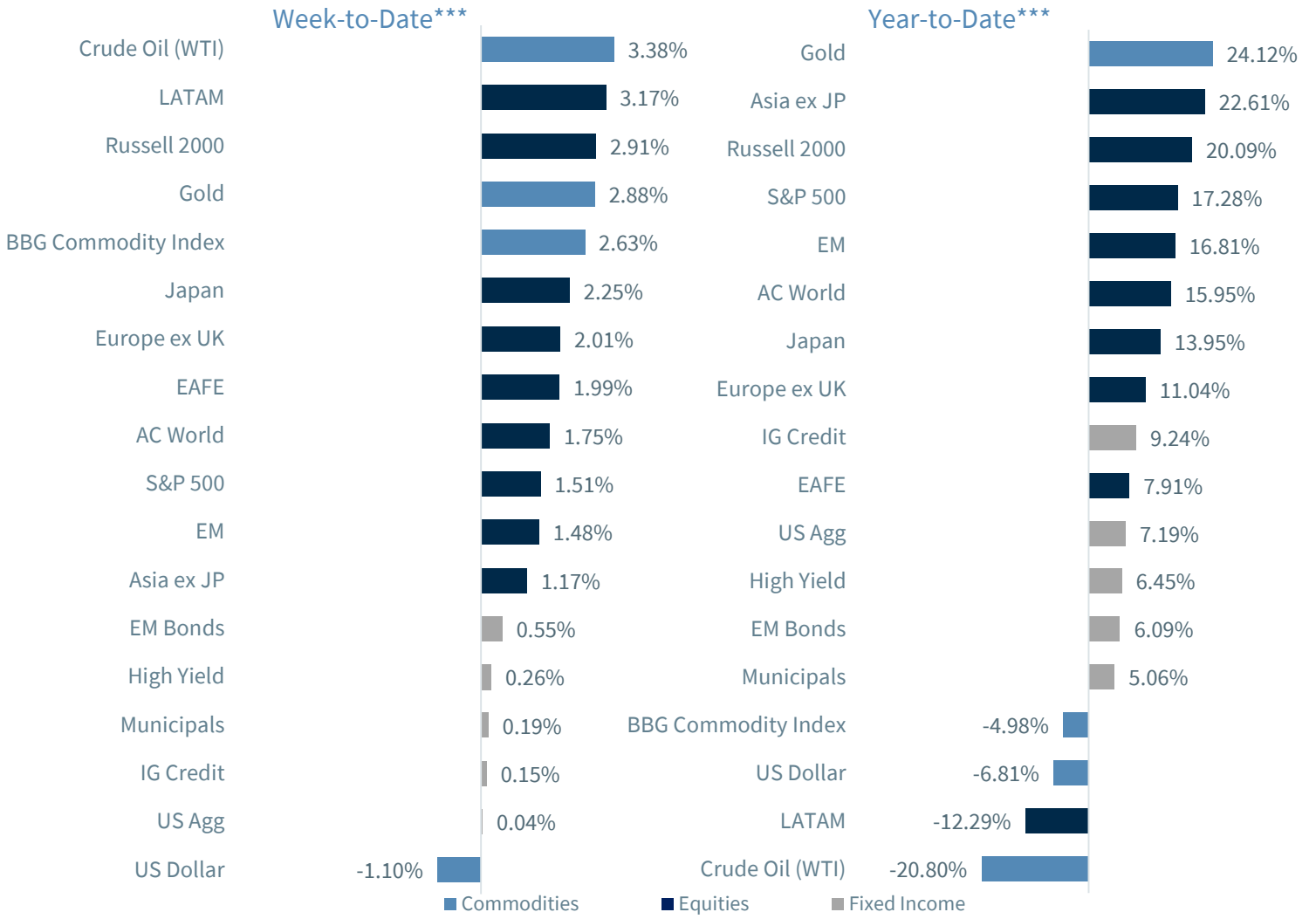
**International Equities (MSCI indices)**

| | Dev. Mkt | World | Emerg. Mkt |
|---|---|---|---|
| Large Cap | 0.5% | 14.2% | 18.6% |
| Mid Cap | 3.2% | 12.5% | 11.5% |
| Small Cap | 4.2% | 13.4% | 18.3% |

**Fixed Income (Bloomberg Barclays indices)**

| | 1-3 YR | Medium | Long |
|---|---|---|---|
| Treasury | 0.7% | 7.1% | 10.4% |
| Invest. Grade | 3.6% | 7.0% | 8.9% |
| High Yield | 3.4% | 5.2% | 23.5% |

## Asset Class Performance | Weekly and Year-to-Date (as of December 17)**




**Weekly performance calculated from Thursday close to Thursday close.

***Assumes all asset classes are priced in US dollars unless otherwise noted. Ranked in order of performances (best to worst).

# Weekly Data**

Data as of December 17

**U.S Equities**

| Index | Price | Weekly | MTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|---|---|---|---|---|---|---|---|---|
| S&P 500 | 3722.5 | 1.5 | 2.9 | 17.3 | 18.8 | 13.8 | 15.0 | 13.9 |
| DJ Industrial Average | 30303.4 | 1.0 | 2.2 | 6.2 | 7.2 | 7.1 | 11.6 | 10.2 |
| NASDAQ Composite Index | 12764.7 | 2.9 | 4.6 | 42.3 | 44.7 | 22.5 | 20.6 | 17.1 |
| Russell 1000 | 4045.0 | 1.7 | 3.4 | 20.0 | 19.4 | 13.7 | 14.2 | 14.3 |
| Russell 2000 | 4915.9 | 2.9 | 8.8 | 20.1 | 13.6 | 7.1 | 10.3 | 11.1 |
| Russell Midcap | 7032.6 | 1.9 | 4.5 | 16.9 | 14.4 | 10.3 | 11.8 | 12.7 |

**Equity Sectors**

| Sector | Price | Weekly | MTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|---|---|---|---|---|---|---|---|---|
| Materials | 450.4 | 0.9 | 1.3 | 19.2 | 21.2 | 9.0 | 13.2 | 9.1 |
| Industrials | 748.3 | 0.3 | 1.0 | 10.8 | 11.3 | 8.0 | 12.5 | 12.1 |
| Comm Services | 220.5 | 0.8 | 2.4 | 22.8 | 23.8 | 12.9 | 11.8 | 10.2 |
| Utilities | 317.2 | 1.1 | 0.0 | (0.2) | 1.1 | 7.9 | 11.5 | 11.3 |
| Consumer Discretionary | 1298.6 | 2.8 | 2.2 | 32.9 | 34.7 | 19.9 | 17.3 | 17.7 |
| Consumer Staples | 694.5 | 0.8 | 1.3 | 10.2 | 11.1 | 8.8 | 9.1 | 11.7 |
| Health Care | 1312.3 | 0.7 | 2.9 | 12.4 | 13.6 | 12.5 | 11.6 | 15.7 |
| Information Technology | 2259.8 | 3.3 | 4.3 | 41.9 | 44.9 | 28.0 | 27.3 | 20.5 |
| Energy | 298.3 | (3.7) | 8.8 | (30.9) | (29.5) | (12.8) | (4.3) | (1.9) |
| Financials | 475.8 | (0.0) | 3.1 | (4.7) | (4.7) | 3.2 | 10.4 | 10.8 |
| Real Estate | 228.8 | 2.3 | 1.6 | (2.1) | 2.3 | 7.0 | 7.4 | 10.6 |

**Fixed Income**

| Index | Yield | Weekly | MTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|---|---|---|---|---|---|---|---|---|
| 3-Months Treasury Bill (%) | 0.1 | 0.0 | 0.0 | 0.5 | 0.6 | 1.5 | 1.1 | 0.6 |
| 2-Year Treasury (%) | 0.1 | 0.0 | 0.0 | 3.1 | 3.2 | 2.6 | 1.7 | 1.2 |
| 10-Year Treasury (%) | 0.9 | (0.2) | (0.8) | 10.4 | 10.3 | 6.2 | 4.1 | 4.5 |
| Barclays US Corporate High Yield | 5.1 | 0.3 | 1.2 | 6.4 | 6.9 | 6.1 | 8.5 | 6.8 |
| Bloomberg Barclays US Aggregate | 1.2 | 0.0 | (0.2) | 7.2 | 7.3 | 5.2 | 4.3 | 3.8 |
| Bloomberg Barclays Municipals | | 0.2 | 0.5 | 5.1 | 5.1 | 4.6 | 3.9 | 4.6 |
| Bloomberg Barclays IG Credit | 1.9 | 0.1 | (0.2) | 9.2 | 9.5 | 6.8 | 6.6 | 5.6 |
| Bloomberg Barclays EM Bonds | 3.6 | 0.5 | 1.1 | 6.1 | 6.6 | 5.4 | 6.8 | 6.1 |

**Commodities**

| Index | Price | Weekly | MTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|---|---|---|---|---|---|---|---|---|
| WTI Crude ($/bl) | 48.4 | 3.8 | 7.0 | (20.9) | (20.6) | (5.5) | 6.7 | (5.8) |
| Gold ($/Troy Oz) | 1890.8 | 2.5 | 7.3 | 24.8 | 28.1 | 14.7 | 12.5 | 3.3 |
| Dow Jones-UBS Commodity Index | 76.9 | 2.6 | 3.4 | (5.0) | (4.3) | (2.9) | 0.1 | (6.8) |

**Currencies**

| Currency | Price | Weekly | MTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|---|---|---|---|---|---|---|---|---|
| US Dollar Index | 89.8 | (1.1) | (2.2) | (6.8) | (7.6) | (1.5) | (1.9) | 1.1 |
| US Dollar per Euro | 1.2 | 1.0 | 2.4 | 9.1 | 9.8 | 1.3 | 2.5 | (0.7) |
| US Dollar per British Pounds | 1.4 | 2.4 | 1.8 | 2.6 | 3.5 | 0.7 | (1.8) | (1.3) |
| Japanese Yen per US Dollar | 103.0 | (1.3) | (1.2) | (5.2) | (5.9) | (2.9) | (3.4) | 2.0 |

**International Equities**

| Index | Price | Weekly | MTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|---|---|---|---|---|---|---|---|---|
| MSCI AC World | 641.9 | 1.7 | 3.9 | 16.0 | 17.2 | 10.8 | 12.8 | 9.9 |
| MSCI EAFE | 2141.3 | 2.0 | 4.3 | 7.9 | 8.4 | 5.4 | 8.1 | 6.2 |
| MSCI Europe ex UK | 2307.3 | 2.0 | 3.9 | 11.0 | 11.9 | 6.7 | 9.0 | 7.1 |
| MSCI Japan | 3827.6 | 2.2 | 3.3 | 14.0 | 13.3 | 6.7 | 9.0 | 7.1 |
| MSCI EM | 1273.0 | 1.5 | 5.7 | 16.8 | 18.4 | 7.3 | 12.8 | 4.2 |
| MSCI Asia ex JP | 825.7 | 1.2 | 4.5 | 22.6 | 23.8 | 8.7 | 13.5 | 6.9 |
| MSCI LATAM | 2492.5 | 3.2 | 13.6 | (12.3) | (10.2) | 0.5 | 8.9 | (2.6) |
| Canada S&P/TSX Composite | 13876.5 | 0.3 | 2.7 | 3.5 | 3.4 | 3.2 | 6.3 | 2.9 |

**Weekly performance calculated from Thursday close to Thursday close.

## DISCLOSURES

All expressions of opinion reflect the judgment of the author(s) and the Investment Strategy Committee, and are subject to change. This information should not be construed as a recommendation. The foregoing content is subject to change at any time without notice. Content provided herein is for informational purposes only. There is no guarantee that these statements, opinions or forecasts provided herein will prove to be correct. Past performance is not a guarantee of future results. Indices and peer groups are not available for direct investment. Any investor who attempts to mimic the performance of an index or peer group would incur fees and expenses that would reduce returns. No investment strategy can guarantee success. Economic and market conditions are subject to change. Investing involves risks including the possible loss of capital.

INTERNATIONAL INVESTING | International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets.

SECTORS | Sector investments are companies engaged in business related to a specific economic sector and are presented herein for illustrative purposes only and should not be considered as the sole basis for an investment decision. Sectors 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.

OIL | Investing in oil involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.

CURRENCIES | 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.

GOLD | Gold is subject to the special risks associated with investing in precious metals, including but not limited to: price may be subject to wide fluctuation; the market is relatively limited; the sources are concentrated in countries that have the potential for instability; and the market is unregulated.

FIXED INCOME | Fixed-income securities (or “bonds”) are exposed to various risks including but not limited to credit (risk of default of principal and interest payments), market and liquidity, interest rate, reinvestment, legislative (changes to the tax code), and call risks. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise. A credit rating of a security is not a recommendation to buy, sell or hold the security and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning Rating Agency. Ratings and insurance do not remove market risk since they do not guarantee the market value of the bond.

US TREASURIES | US Treasury securities are guaranteed by the US government and, if held to maturity, generally offer a fixed rate of return and guaranteed principal value.

## DESIGNATIONS

Certified Financial Planner Board of Standards Inc. owns the certification marks CFP® and CERTIFIED FINANCIAL PLANNER™ in the U.S.

Investments & Wealth Institute™ (The Institute) is the owner of the certification marks “CIMA” and “Certified Investment Management Analyst.” Use of CIMA and/or Certified Investment Management Analyst signifies that the user has successfully completed The Institute's initial and ongoing credentialing requirements for investment management professionals.

## DATA SOURCE

FactSet, as of 12/18/2020

## DOMESTIC EQUITY DEFINITION

LARGE GROWTH | **Russell 1000 Growth Total Return Index:** This index represents a segment of the Russell 1000 Index with a greater-than-average growth orientation. Companies in this index have higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values. This index includes the effects of reinvested dividends.

MID GROWTH | **Russell Mid Cap Growth Total Return Index:** This index contains stocks from the Russell Midcap Index with a greater-than-average growth orientation. The stocks are also members of the Russell 1000 Growth Index. This index includes the effects of reinvested dividends.

LARGE BLEND | **Russell 1000 Total Return Index:** This index represents the 1000 largest companies in the Russell 3000 Index. This index is highly correlated with the S&P 500 Index. This index includes the effects of reinvested dividends.

SMALL GROWTH | **Russell 2000 Growth Total Return Index:** This index represents a segment of the Russell 2000 Index with a greater-than-average growth orientation. The combined market capitalization of the Russell 2000 Growth and Value Indices will add up to the total market cap of the Russell 2000. This index includes the effects of reinvested dividends.

MID BLEND | **Russell Mid Cap Total Return Index:** This index consists of the bottom 800 securities in the Russell 1000 Index as ranked by total market capitalization. This index includes the effects of reinvested dividends.

SMALL BLEND | **Russell 2000 Total Return Index:** This index covers 2000 of the smallest companies in the Russell 3000 Index, which ranks the 3000 largest US companies by market capitalization. The Russell 2000 represents approximately 10% of the Russell 3000 total market capitalization. This index includes the effects of reinvested dividends.

LARGE VALUE | **Russell 1000 Value Total Return Index:** This index represents a segment of the Russell 1000 Index with a less-than-average growth orientation. Companies in this index have low price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values. This index includes the effects of reinvested dividends.

MID VALUE | **Russell Mid Cap Value Total Return Index:** This index contains stocks from the Russell Midcap Index with a less-than-average growth orientation. The stocks are also members of the Russell 1000 Value Index. This index includes the effects of reinvested dividends.

SMALL VALUE | **Russell 2000 Value Total Return Index:** This index represents a segment of the Russell 2000 Index with a less-than-average growth orientation. The combined market capitalization of the Russell 2000 Growth and Value Indices will add up to the total market cap of the Russell 2000. This index includes the effects of reinvested dividends.

FIXED INCOME DEFINITION

AGGREGATE BOND | **Bloomberg Barclays US Agg Bond Total Return Index:** The index is a measure of the investment grade, fixed-rate, taxable bond market of roughly 6,000 SEC-registered securities with intermediate maturities averaging approximately 10 years. The index includes bonds from the Treasury, Government-Related, Corporate, MBS, ABS, and CMBS sectors.

HIGH YIELD | **Bloomberg Barclays US Corporate High Yield Total Return Index:** The index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

CREDIT | **Bloomberg Barclays US Credit Total Return Index:** The index measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities.

MUNICIPAL | **Bloomberg Barclays Municipal Total Return Index:** The index is a measure of the long-term tax-exempt bond market with securities of investment grade (rated at least Baa by Moody's Investors Service and BBB by Standard and Poor's). This index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds.

DOW JONES INDUSTRIAL AVERAGE (DJIA) | The **Dow Jones Industrial Average (DJIA)** is an index that tracks 30 large, publicly-owned companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

NASDAQ COMPOSITE INDEX | The **Nasdaq Composite Index** is the market capitalization-weighted index of over 3,300 common equities listed on the Nasdaq stock exchange.

S&P 500 | The **S&P 500 Total Return Index:** The index is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 7.8 trillion benchmarked to the index, with index assets comprising approximately USD 2.2 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

BLOOMBERG BARCLAYS CAPITAL AGGREGATE BOND TOTAL RETURN INDEX | This index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. The index is designed to minimize concentration in any one commodity or sector. It currently has 22 commodity futures in seven sectors. No one commodity can compose less than 2% or more than 15% of the index, and no sector can represent more than 33% of the index (as of the annual weightings of the components).

VIX | The CBOE Volatility Index, known by its ticker symbol VIX, is a popular measure of the stock market's expectation of volatility implied by S&P 500 index options.

MOVE | The MOVE Index is a well-recognized measure of U.S. interest rate volatility that tracks the movement in U.S. Treasury yield volatility implied by current prices of one-month over-the-counter options on 2-year, 5-year, 10-year and 30-year Treasuries.

INTERNATIONAL EQUITY DEFINITION

EMERGING MARKETS EASTERN EUROPE | **MSCI EM Eastern Europe Net Return Index:** The index captures large- and mid-cap representation across four Emerging Markets (EM) countries in Eastern Europe. With 50 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

EMERGING MARKETS ASIA | **MSCI EM Asia Net Return Index:** The index captures large- and mid-cap representation across eight Emerging Markets countries. With 554 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

EMERGING MARKETS LATIN AMERICA | **MSCI EM Latin America Net Return Index:** The index captures large- and mid-cap representation across five Emerging Markets (EM) countries in Latin America. With 116 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

EMERGING MARKETS | **MSCI Emerging Markets Net Return Index:** This index consists of 23 countries representing 10% of world market capitalization. The index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 23 countries.

PACIFIC EX-JAPAN | **MSCI Pacific Ex Japan Net Return Index:** The index captures large- and mid-cap representation across four of 5 Developed Markets (DM) countries in the Pacific region (excluding Japan). With 150 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

JAPAN | **MSCI Japan Net Return Index:** The index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 319 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

FOREIGN DEVELOPED MARKETS | **MSCI EAFE Net Return Index:** This index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. The index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 21 countries.

EUROPE EX UK | **MSCI Europe Ex UK Net Return Index:** The index captures large and mid cap representation across 14 Developed Markets (DM) countries in Europe. With 337 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across European Developed Markets excluding the UK.

MSCI EAFE | 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 22 developed nations.

## 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 AREA (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.

# Investment Strategy

**Lawrence V. Adam III, CFA, CIMA®, CFP®**
*Managing Director, Chief Investment Officer*
T. 410.525.6217
larry.adam@raymondjames.com

**Matt Barry, CFA**
*Investment Strategy Analyst*
T. 410. 525. 6228
matt.barry@raymondjames.com

**Scott Brown, PhD**
*Senior Vice President, Chief Economist*
T. 727.567.2603
scott.j.brown@raymondjames.com

**Liz Colgan**
*Investment Strategy Analyst*
T. 410.525.6232
liz.colgan@raymondjames.com

**Kailey Bodine**
*Investment Strategy Analyst*
T. 727.567.8494
kailey.bodine@raymondjames.com

**Giampiero Fuentes**
*Investment Strategy Analyst*
T. 727.567.5776
giampiero.fuentes@raymondjames.com

**J. Michael Gibbs**
*Managing Director, Equity Portfolio & Technical Strategy*
T. 901.579.4346
michael.gibbs@raymondjames.com

**Joey Madere, CFA**
*Senior Portfolio Analyst*
T.901.529.5331
joey.madere@raymondjames.com

**Anne B. Platt**
*Vice President, Investment Strategy & Product Positioning*
T. 727.567.2190
anne.platt@raymondjames.com

**Richard Sewell, CFA**
*Senior Portfolio Analyst*
T.901.524.4194
richard.sewell@raymondjames.com

RAYMOND JAMES

INTERNATIONAL HEADQUARTERS: THE RAYMOND JAMES FINANCIAL CENTER

880 CARILLON PARKWAY // ST. PETERSBURG, FL 33716 // 800.248.8863

RAYMONDJAMES.COM