

## THOUGHTS OF THE WEEK

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## WEEKLY HEADINGS

## Key Takeaways

Third Surge Not Making A 'Mark' On Market Volatility

Widely Available Vaccine Won't Set Us 'Free' Until Next Year

Biden May 'Call' For Tax Overhaul With Senate Control

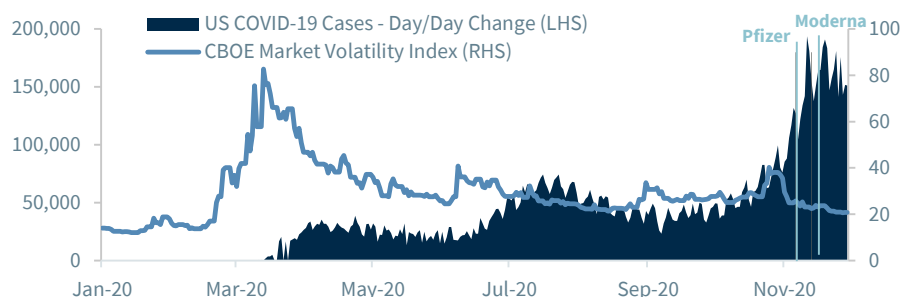
It's Bingo's birthday month! For a game that has been around since the 1500s, it deserves more than one day to celebrate. The beloved pastime is a game of chance, with a game host announcing draws at random for players to mark on their cards using colored tiles or stamps. And when a player connects five boxes in a row, he or she gets the thrill of shouting 'BINGO!' for all to hear. But as exciting as it is to call out victory, there's a lot of anticipation that comes beforehand, as players anxiously await the next 'call' in hopes the number is advantageously positioned on the card. Given the events of this year, investors know this feeling of anticipation all too well. There have been monetary policy shifts, stimulus debates, and of course, the presidential election – just to name a few! However, since the efficacies of the multiple vaccines have been announced, the equity market has seemed unfazed by some of the upcoming 'calls' that we believe have the potential to spark near-term volatility.

- B – Biden's Tax Proposals Not Off The Table** | All state election disputes and recounts are required to be resolved by next Tuesday, December 8, and with President Trump's challenges gaining little traction thus far, Joe Biden is expected to be officially declared President-elect by the Electoral College the following week. The Senate majority (currently 50 Republicans, 48 Democrats) hinges on the January 5 Georgia run-off elections, and if a Democratic candidate wins each seat, control of the Senate will shift. Over the past month, the probability of a Republican Senate has declined from 83% to 70% (according to PredictIt), and although a Democratic majority would be narrow, our Washington Policy Analyst Ed Mills\*\* believes tax reform and regulatory shifts would remain Democratic Party priorities. As mentioned previously, tax hikes, particularly on corporate tax rates, would be a near-term headwind for equities (especially since the S&P 500 has rallied 9.1% since election day) as it may decrease our 2021 earnings forecast by ~10%. However, longer term, the strength of the economy will ultimately determine the path of equities.
- I – Impeding Partisan Issues In Stimulus Negotiations** | With additional CARES Act benefits expiring at month end (e.g., federal eviction moratorium, student loan interest freeze), Congress has yet to compromise on a Phase 4 stimulus package. The bipartisan \$900 billion targeted bill appears to be building momentum, and we hope an agreement will be tied to the government funding bill come December 11. However, partisan differences may extend negotiations until the Senate outcome is known in January. To echo Chair Powell, the economy is in need of further fiscal action and a further delay may prolong the recovery.
- N – Not Easing Up On China Just Yet** | While de-escalated tensions with China are an expected outcome from the Biden Administration, the removal of the tariffs passed under the Trump Administration won't happen immediately. In fact, President-elect Biden indicated time will be needed for the Phase One trade deal to be fully reassessed and for a "coherent strategy" to be developed amongst our nation's key allies in Europe and Asia. In the meantime, President Trump has taken an even tougher stance against China by limiting their access to the US capital markets, and further commercial pressure on China on intellectual property and human rights issues are not out of the realm of possibility. While we believe the trade relationship between the US and China will improve in the long run, near-term actions and retaliation may unsettle the markets.
- G – Growing COVID Cases Across The Country** | In the initial stages of the outbreak, the CBOE Market Volatility Index (VIX) would rise as a surge in COVID-19 cases came to fruition. However, this most recent spike in new records for daily cases, hospitalizations, and deaths has not caused a similar movement due to the recent vaccine efficacy announcements by Pfizer and Moderna. While the equity market is a forward looking mechanism and focusing on a post-vaccine environment, it may be ignoring the impact that this recent surge (which is likely not over) will have on the economy in the near term. While metrics such as initial jobless claims have flat-lined, real-time mobility economic indicators such as hotel occupancies and restaurant bookings have declined, which is plausible given that ~80% of states have tightened restrictions in recent weeks. Tightening restrictions could hamper equities levered to the economic 'reopening' and hinder the broad momentum seen since the vaccine announcements.
- O – Obstacles In Vaccine Dissemination** | While the development of an effective vaccine in less than one year's time is an historic feat, vaccinating at least 70-75% of the population and achieving 'herd immunity' will be a process. Given that Pfizer and Moderna are both two-dose vaccines, the production level goals currently equate to ~900 million to 1.15 billion people, globally, receiving a vaccine in 2021. Since the initial dosages will be given to health care professionals followed by senior living facilities, essential workers, and those with comorbidities, our Bio Tech Analyst, Steve Seedhouse\*\* believes the average, healthy American will not receive a vaccine until mid to late summer. The issue of durability (i.e., length of protection) may further complicate the timeframe. Any delays in distribution or question of protection could dampen the expectations of a strong sustainable recovery.

## CHART OF THE WEEK

## Third COVID Surge Not Making A Mark On Market Volatility

Market volatility has not trended higher as it did during the first and second surges. In fact, the VIX has fallen ~5 points since the announcements from Pfizer and Moderna in early-November.



\* See Charts of the week on page 3.

1 \*\*Raymond James Equity Research

## ECONOMY

- The Employment Report was somewhat disappointing. Nonfarm payrolls rose by 245,000, reflecting the loss of 93,000 temporary census workers, further reductions in state and local government employment, and more limited seasonal hiring in retail.\*
- The ISM Manufacturing Index fell to 57.5 in November (vs. 59.3 in October), while the Services Index edged down to 55.9 (vs. 56.6 in October).<sup>\*</sup> Both reports showed strength in new orders, although a bit slower than in October. Supply chain difficulties added to input price pressure, while firms noted difficulty in finding skilled workers.
- Focus of the Week:** The Consumer Price Index is expected to have risen modestly in November, partly reflecting lower gasoline prices (which usually rise in November). The pass-through of COVID-19 related input price increases is likely to remain limited, while disinflationary pressure in services is expected to continue.

## December 7 – December 11



MON



WED

JOLTS (Oct)



FRI

 Producer Price Index (Nov)  
 Consumer Sentiment (mid-Dec)


TUE

 Small Business Optimism (Nov)  
 Productivity (3Q20, revised)


THU

 Consumer Price Index (Nov)  
 Jobless Claims
FUTURE  
EVENTS
 12/16 Retail Sales (Nov)  
 12/25 Christmas Holiday (Markets Closed)

## US EQUITY

- The enormous market strength over the past month bodes well for returns over the next 6-12 months in our view.<sup>\*</sup> We maintain a positive outlook for equities in the year ahead, due to our expectation for three plus vaccines to fuel a reopening process as 2021 progresses along with still low interest rates, as well as the potential for fiscal and monetary stimulus to boost the economy as needed. This view also hinges on the likelihood for divided government drastically reducing the chances of aggressive legislative changes that can alter the fundamental outlook over the longer term, including tax increases. In our base case 2021 scenario, we believe earnings can rebound to \$175. And given the very low interest rate environment, we believe market multiples can remain relatively elevated particularly as investors discount the economic recovery. We apply a 23x P/E multiple (down from 26x now), which results in a base case potential S&P 500 target of 4,025 in 2021. <sup>\*</sup>
- Focus of the Week:** We recommend pro-cyclical exposure to equity allocations; but following the recent run-up in many of these areas, we would patiently accumulate with new money at current levels and use consolidations or pullbacks as a better buying opportunity. With so much focus on the 'recovery' areas right now, we also remind you not to forget about the areas operating best fundamentally through the pandemic (i.e., large cap Tech-oriented, Health Care, and select consumer subsectors). Many stocks in these also favored areas have been consolidating prior strength for the past several months and appear near better entry points.

## FIXED INCOME

- Treasury yields moved higher across the board over the course of the week with yield increases on the intermediate and long parts of the curve outpacing the short end. As of Friday morning, the 10-year yield had increased by 14 basis points for the week touching 0.98% and flirting with the 1.00% threshold which hasn't been seen since March, while the 30-year yield is up 17 basis points.<sup>\*</sup> The short end of the curve has seen much smaller moves higher (a basis point or less) leading to a steepening of the curve, as the 2/10 spread is now at the highest level since October 2017. Demand for fixed income remains strong, as evidenced by ICI Fund Flow data, which for the week ended 12/2 showed taxable funds experienced their third consecutive week of over \$10 billion of net inflows.
- Focus of the Week:** Corporate spreads tightened, with both A-rated and BBB-rated 10-year spreads coming in by 5-6 basis points at 10 years, while high-yield spreads came in by ~30 basis points for the week. Municipal yields were mostly unchanged, with most points on the curve within about a basis point of where they started the week as of mid-Friday.

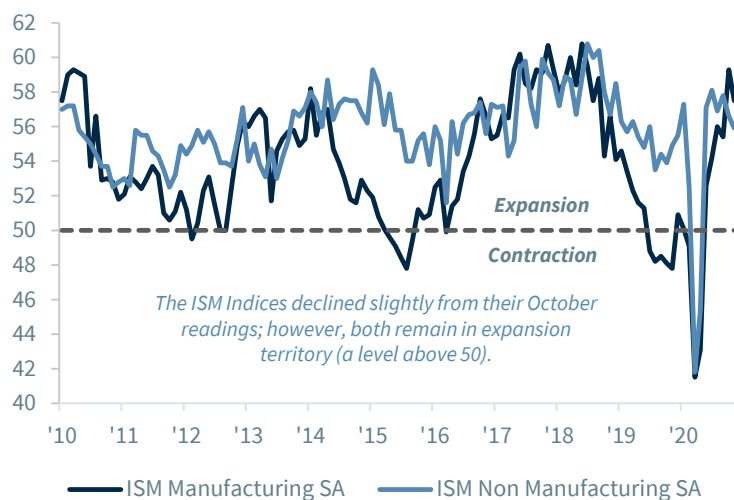
## POLITICS &amp; COVID-19

- Fiscal relief talks on the Hill have seen some notable progress this week following the introduction of a bipartisan \$900 billion package in the Senate which was later endorsed by Democratic leaders as the basis for negotiations on the next package. This is an important step as Democratic leaders are coming down in terms of their top number, but Senate Majority Leader McConnell remains meaningfully below in terms of his preferred funding level. A key date to watch is the Dec. 11 government funding deadline which is targeted as a potential vehicle to move fiscal relief, but this is a short time frame to reach a deal. Dec. 31 may be more realistic as an end of year pending business wrap up to avoid a 'fiscal cliff' of certain expiring CARES Act unemployment benefits. We are also closely watching high-profile China policy moves in the next several weeks.
- Our healthcare system faces a record-breaking 100,000+ patients currently hospitalized with COVID-19 and a seven-day average fatality rate of around 1,585 identified deaths every day.<sup>\*</sup> Our nation's seven-day average testing positivity rate stands at 10.7%, well above our stated goal of 5.0% tests returning positive at a maximum, and ideally lower, to signal adequate testing capacity to meet demand. As we enter into the holiday season typically full of indoor gatherings and travels, we cannot ignore the growing strain the virus is causing on the healthcare system. While the short-term outlook appears grim, Pfizer and Moderna have both applied for Emergency Use Authorization (EUA) from the FDA following promising efficacy data.
- Focus of the Week:** The UK became the first country to approve a COVID vaccine when it approved Pfizer's vaccine. We expect the US to issue an EUA for Pfizer's vaccine within days of a planned December 10 FDA meeting to review the data and similarly authorize Moderna's vaccine within days of a scheduled December 17 meeting. Both vaccines reduce all COVID incidence by ~95% and similarly reduce severe COVID. Per a December 1 meeting of the CDC's Advisory Committee on Immunization Practices (ACIP), healthcare workers (~21M) and residents of long-term care facilities (~3M) will be the first to receive the vaccine. Essential workers (~87M) will comprise Phase 1b, followed by adults with high risk or >65 years old in Phase 1c. Given vaccine manufacturing/distribution targets previously outlined by Pfizer and Moderna (up to 200M doses for the US by 1Q21, >2bn total doses for worldwide distribution in 2021), we expect Phase 1a-c to be addressed in the US by ~mid-2021 and healthy adults will be able to get vaccinated thereafter. On this schedule, we foresee a complete 'return to normal' enabled by herd immunity in the US in 2H21, excluding international travel. In the interim, the winter will likely prove devastating (hospitalizations, deaths).

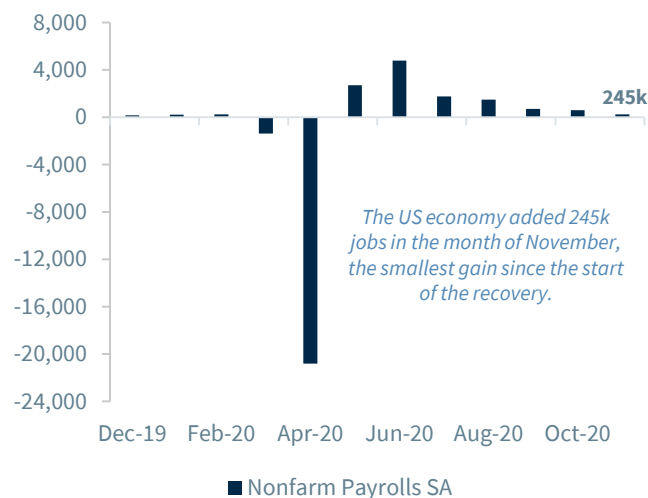
<sup>\*</sup> See Charts of the week on page 3.

## Charts of the Week

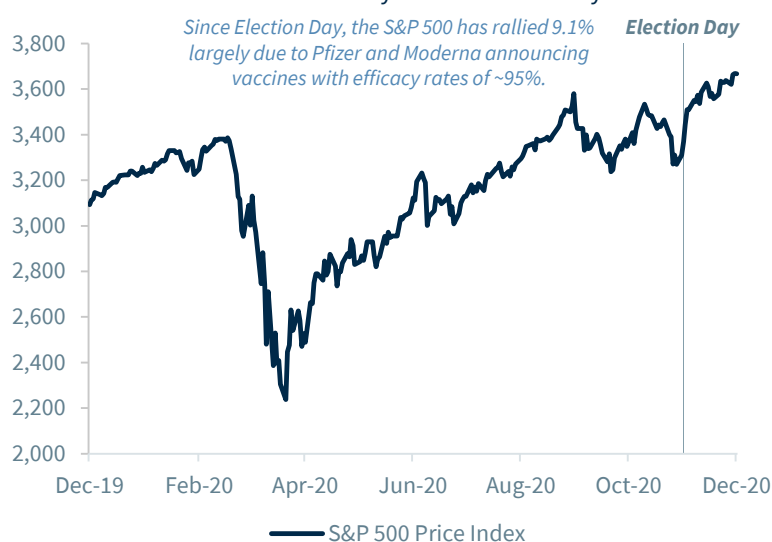
Both ISM Indices In Expansion Territory



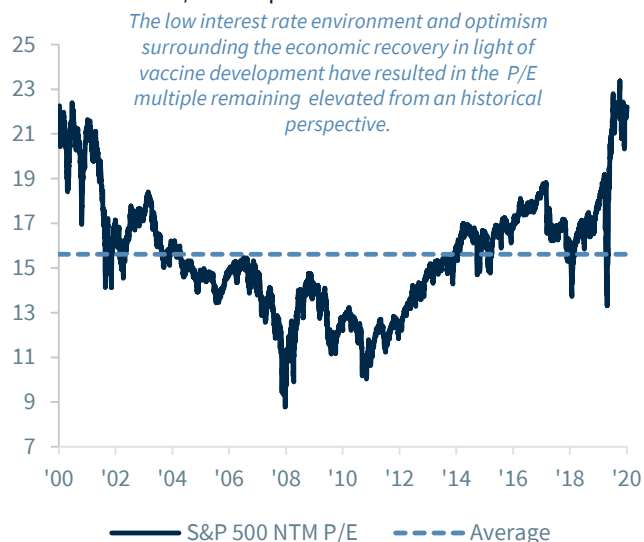
Job Gains Slow Due To Third Surge



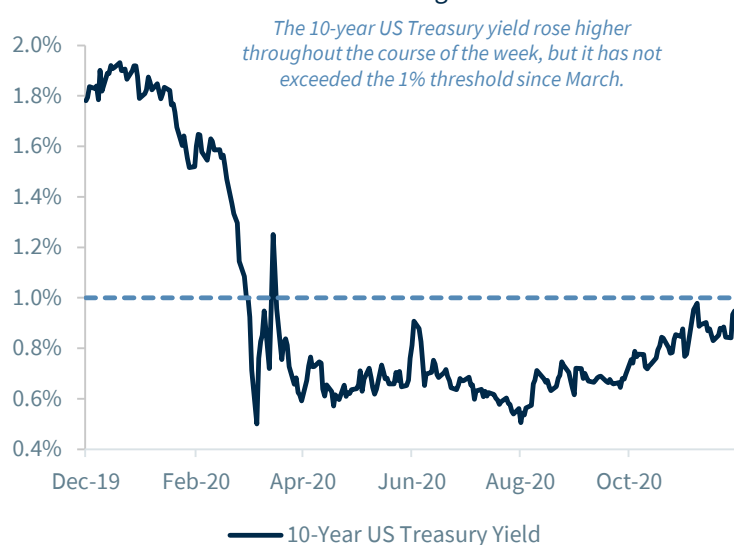
S&amp;P 500's Rally Since Election Day



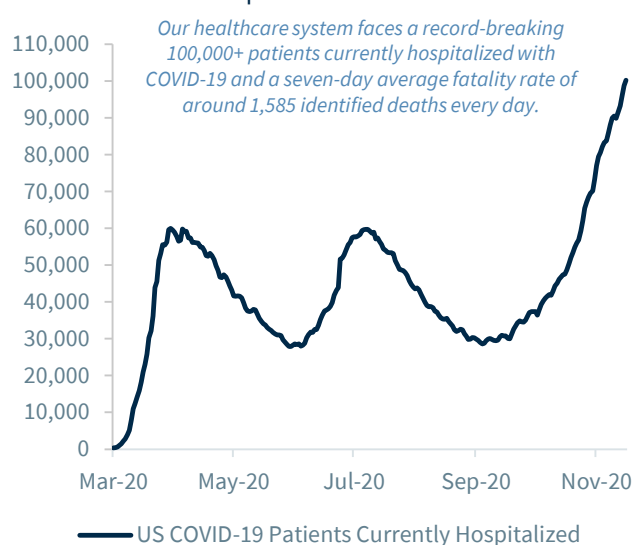
P/E Multiple Remains Elevated



10-Year Yield Nearing 1% Threshold



US Hospitalizations Exceed 100K



## Asset Class Performance | Distribution by Asset Class and Style (as of December 4)\*\*

US Equities  
(Russell indices)

	Value	Blend	Growth
Large Cap	0.5%	1.2%	1.7%
Mid Cap	0.0%	0.9%	2.5%
Small Cap	-0.5%	0.2%	1.0%

International Equities  
(MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	0.0%	0.8%	1.0%
Mid Cap	0.5%	1.0%	2.4%
Small Cap	1.2%	1.1%	3.0%

Fixed Income  
(Bloomberg Barclays indices)

	1-3 YR	Medium	Long
Treasury	0.0%	-0.1%	-0.4%
Invest. Grade	0.1%	0.3%	0.3%
High Yield	0.5%	0.7%	1.0%

Weekly Returns  
(as of December 3)Year-to-Date Returns  
(December 3)

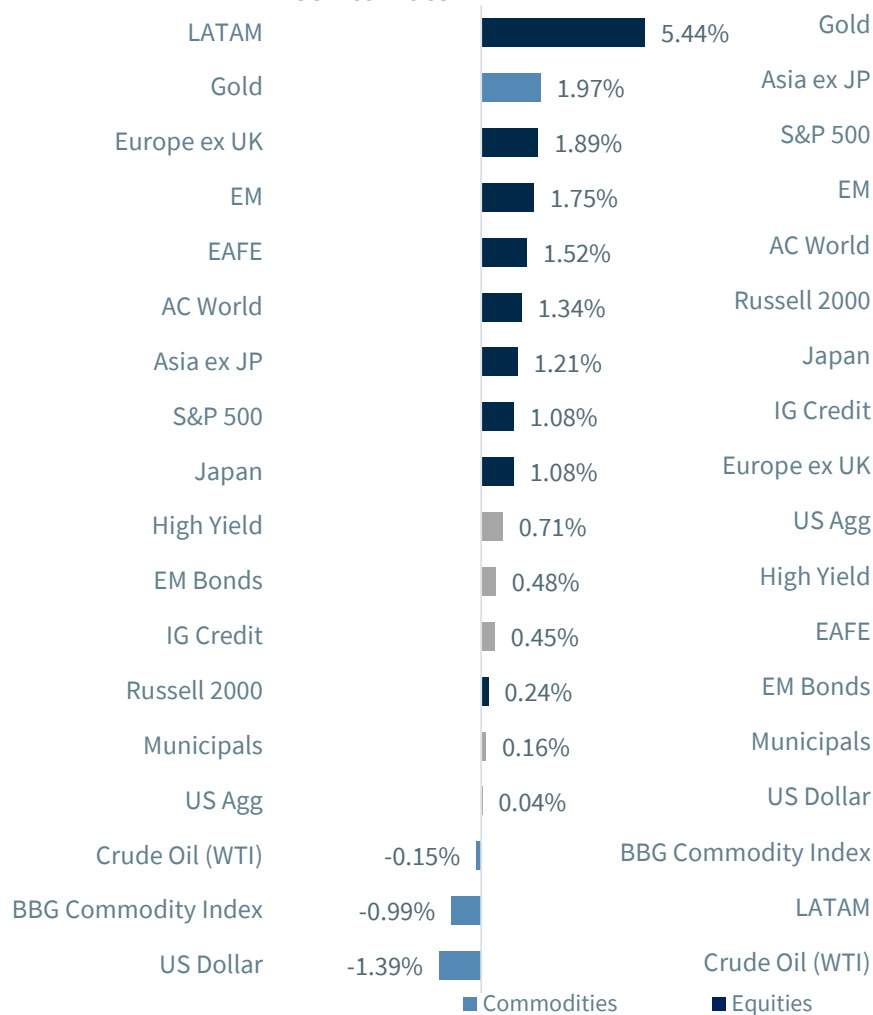
	Value	Blend	Growth
Large Cap	0.7%	17.5%	33.5%
Mid Cap	2.1%	13.2%	29.7%
Small Cap	-0.4%	12.2%	23.8%

	Dev. Mkt	World	Emerg. Mkt
Large Cap	-0.9%	12.3%	16.2%
Mid Cap	1.8%	9.6%	8.4%
Small Cap	2.5%	9.2%	15.1%

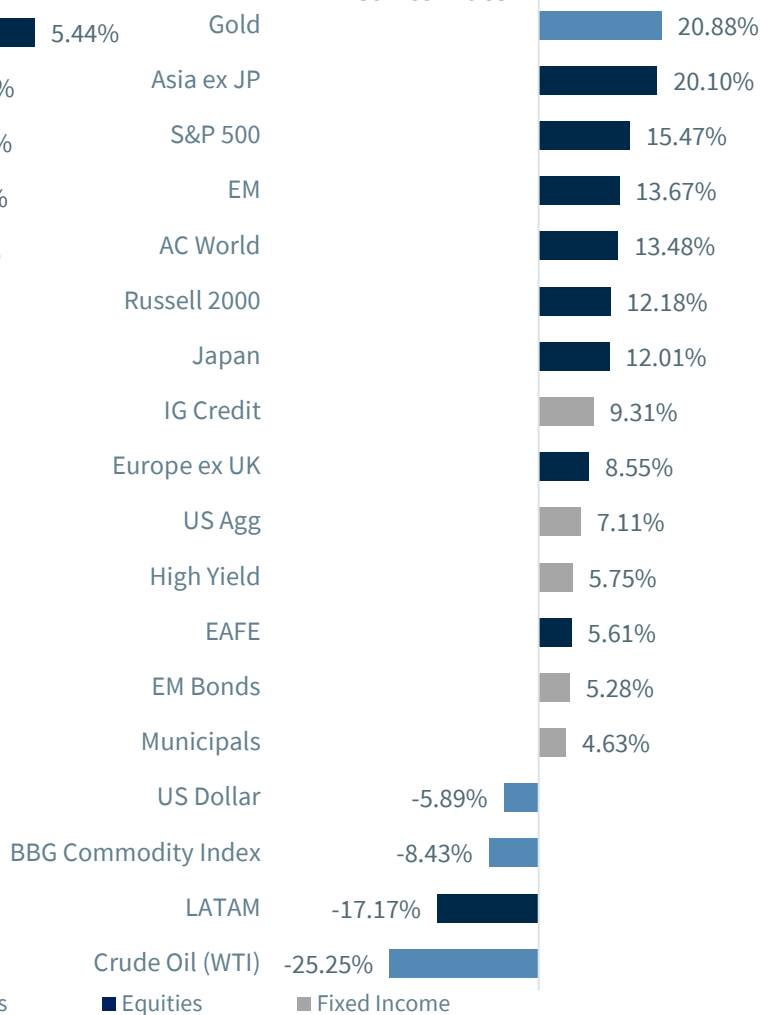
	1-3 YR	Medium	Long
Treasury	0.7%	6.9%	10.5%
Invest. Grade	3.5%	6.9%	8.8%
High Yield	2.6%	4.6%	21.7%

## Asset Class Performance | Weekly and Year-to-Date (as of December 4)\*\*

## Week-to-Date\*\*\*



## Year-to-Date\*\*\*



\*\*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 3

## U.S Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	3666.7	1.1	1.3	15.5	20.8	13.7	14.6	13.9
DJ Industrial Average	29969.5	0.3	1.1	5.0	9.0	7.3	11.4	10.2
NASDAQ Composite Index	12377.2	2.3	1.5	37.9	45.3	21.8	19.7	16.9
Russell 1000	3965.2	1.2	1.3	17.5	19.4	13.7	14.2	14.3
Russell 2000	4594.5	0.2	1.6	12.2	13.6	7.1	10.3	11.1
Russell Midcap	6818.0	0.9	1.2	13.2	14.4	10.3	11.8	12.7

## Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	440.8	(1.4)	(1.0)	16.6	22.0	8.4	11.7	9.1
Industrials	742.9	(0.9)	0.2	10.0	13.0	8.3	12.1	12.2
Comm Services	220.9	2.4	2.6	23.0	26.7	14.5	12.5	10.6
Utilities	318.7	(2.1)	0.4	0.1	3.9	7.4	12.4	11.4
Consumer Discretionary	1276.5	0.0	0.4	30.6	36.7	19.9	16.7	17.5
Consumer Staples	687.6	0.2	0.3	9.1	11.6	9.1	9.5	11.9
Health Care	1294.8	2.7	1.4	10.8	15.5	12.3	11.8	15.8
Information Technology	2191.6	2.3	1.1	37.6	47.0	27.5	26.3	20.3
Energy	287.3	(2.1)	4.7	(33.5)	(28.4)	(14.1)	(6.3)	(2.2)
Financials	474.7	0.4	2.7	(5.0)	(0.5)	3.6	10.2	11.0
Real Estate	227.8	(0.1)	0.9	(2.8)	(0.5)	6.8	7.9	10.3

## 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	0.7	1.6	1.1	0.6
2-Year Treasury (%)	0.2	0.0	(0.0)	3.0	3.0	2.5	1.7	1.2
10-Year Treasury (%)	0.9	(0.4)	(0.7)	10.5	8.6	6.3	4.3	4.2
Barclays US Corporate High Yield	5.2	0.7	0.6	5.7	8.0	5.9	7.8	6.8
Bloomberg Barclays US Aggregate	1.2	0.0	(0.2)	7.1	6.7	5.3	4.4	3.8
Bloomberg Barclays Municipals		0.2	0.1	4.6	4.9	4.7	3.9	4.4
Bloomberg Barclays IG Credit	1.9	0.5	(0.1)	9.3	9.3	7.0	6.6	5.6
Bloomberg Barclays EM Bonds	3.7	0.5	0.3	5.3	7.0	5.2	6.5	5.8

## Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude (\$/bl)	45.6	0.1	1.0	(25.4)	(18.7)	(7.9)	2.1	(6.5)
Gold (\$/Troy Oz)	1832.4	1.2	4.0	21.0	24.0	12.8	11.7	2.7
Dow Jones-UBS Commodity Index	74.1	(1.0)	(0.4)	(8.4)	(4.2)	(5.0)	(1.8)	(7.0)

## Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	90.7	(1.4)	(1.3)	(5.9)	(7.2)	(0.8)	(1.5)	1.3
US Dollar per Euro	1.2	2.2	1.7	8.3	9.7	0.8	2.3	(1.0)
US Dollar per British Pounds	1.3	1.3	1.1	1.9	3.9	0.0	(2.1)	(1.5)
Japanese Yen per US Dollar	103.8	(0.5)	(0.5)	(4.5)	(4.4)	(2.7)	(3.4)	2.3

## International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	628.5	1.3	1.7	13.5	18.9	10.3	12.0	9.7
MSCI EAFE	2096.3	1.5	2.1	5.6	10.0	4.8	7.1	6.0
MSCI Europe ex UK	2256.2	1.9	1.6	8.5	14.1	5.9	8.2	6.9
MSCI Japan	3762.3	1.1	1.5	12.0	12.8	6.0	8.2	6.9
MSCI EM	1239.5	1.7	2.9	13.7	22.5	6.5	11.6	3.8
MSCI Asia ex JP	809.2	1.2	2.4	20.1	28.4	8.0	12.6	6.6
MSCI LATAM	2355.5	5.4	7.2	(17.2)	(8.9)	(1.6)	6.9	(3.4)
Canada S&P/TSX Composite	13515.1	0.3	1.2	2.0	3.0	2.7	5.5	2.8

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



**DISCLOSURES**

Asset allocation and diversification do not guarantee a profit nor protect against a loss. 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.

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**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.

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**DATA SOURCE**

FactSet, as of 12/4/2020

**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.

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