

## THOUGHTS OF THE WEEK

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## WEEKLY HEADINGS

After two years of pandemic-related delays, the Boston Marathon was back in full force this week. The prestigious racing event is the world's oldest annual marathon, with tens of thousands of runners hitting the pavement to complete the 26.2 mile run. One run that has yet to be completed is that of the current equity bull market, which is still setting a historic pace at this juncture (+100% since its March 23, 2020 inception). Between Russia's invasion of Ukraine and the onset of Fed tightening, it's proven to be a tough course as of late. But just as any runner needs disciplined training and proper nutrition to be successful, the equity market has relied upon the macroeconomic backdrop, attractive valuations, supportive corporate activity, and resilient earnings growth to stay on course.

Key Takeaways

- Earnings May Stabilize Growing Investor Pessimism
- Reopening-Oriented Industries Signal Economic Strength
- Supply Chain Disruptions Appear To Be More Targeted

• **Bottom Line – It's A Marathon, Not A Sprint** | Thus far, just over 100 companies, representing ~23% of the S&P 500's market capitalization reported earnings.\* The results are off to a quick start—81% of companies beat bottom line estimates (outpacing the previous 20-quarter average of 77%) and 69% of companies beat top line estimates (in line with the previous 20-quarter average of 69%).\* But as any seasoned runner knows, an aggressive pace out of the gate may be difficult to maintain. However, if earnings continue to beat their estimates at the current pace of 9.1%, the current Q1 earnings growth estimate of 7% could extend into double digits for the fifth consecutive quarter. Earnings will gear up the next two weeks, with ~340 companies, representing +65% of the market capitalization of the S&P 500, set to report. Overall, we expect earnings season will be 'good' but not as great as we have seen the last few quarters. But that is to be expected after the torrid pace last year. More important, 'good' may be enough to stabilize the equity market and dispel some of the uber pessimism that has been building. Below are the themes to monitor as they are likely to impact whether or not the S&P 500 reaches our 2022 finish line target of 4,725.

• **The Endurance Of The Consumer** | Wall Street economists calling for a recession are attributing the expected downturn to a decline in consumer spending. However, we disagree on the premise that the ~\$2.5 trillion in excess savings and the ongoing streak of job gains should continue to power spending. Companies such as Nike have noted that demand is "incredibly strong," with spring retail sales off to a great start. Tesla echoed this sentiment, stating that the waitlists for certain vehicles demonstrate the company is "obviously not demand limited." So while housing-related companies (e.g., Bed, Bath & Beyond and Restoration Hardware) are facing challenges, broader consumer spending trends remain robust.

*Next Step:* We'll be monitoring the guidance of the retailers for further insights into shifting consumer preferences, such as increased spending on services (rather than goods), increased traffic in discount stores as inflation-strapped consumers search for bargains and whether or not shoppers are willing to forgo brand names for generic cost savings.

• **Reopening Still Has Miles To Go** | The forward guidance from the reopening-oriented industries has provided investors with positive insights. Carnival Cruise Line boasted its best three weeks of bookings since resuming operations, and Delta saw business travel volumes reach the highest post-pandemic level. Many of the major banks also confirmed that travel and entertainment are indeed the top credit card spend categories. With the reopening picking up pace, some of the stay-at-home beneficiaries are facing difficulties. Netflix lost subscribers for the first time in a decade and Procter & Gamble acknowledged that demand for some products (e.g., surface cleaning, grooming devices) weakened from the pandemic-peak as away-from-home consumption increases. Cumulatively, these results should confirm our expectation of the shift from goods to services spending, and that there is underlying, consistent strength to this economy.

*Next Step:* Given that TSA screenings, hotel occupancies, and restaurant bookings are our favorite real-time activity metrics, the results of the airlines, hotels, and restaurants should confirm the healthiness of services spending.

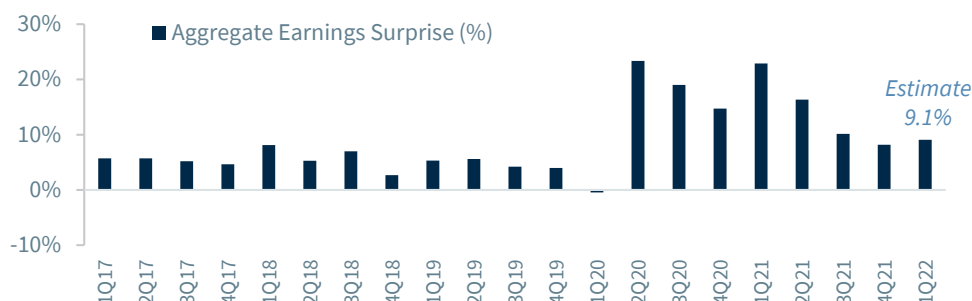
• **A Change In Supply Chain Cadence** | The Fed hopes to tame inflation through interest rate hikes, but the economy still needs supply chain disruptions to improve. CEO sentiment on this topic has turned more positive, with Fastenal stating that the "chaos" surrounding disruptions has eased, and Lennar viewing problems as a "supply chain opportunity." The resiliency of US companies remains evident as Costco is expanding its warehouse network, FedEx is maximizing intermodal container usage and General Mills has reformulated some products 20x. Many firms acknowledged that Omicron prolonged inflation's peak, but that broad disruptions are now more targeted and should improve progressively.

*Next Step:* We expect that inflation reached its peak in March, but any indication from logistics companies that pricing and transit times are improving will only further support this view. Recent gasoline price declines support this as well.

## CHART OF THE WEEK

## It's A Marathon, Not A Sprint

While the aggregate beat rate has moderated, the current estimate of ~7.5% should lift year-over-year earnings growth into double-digits territory for the fifth consecutive quarter.



<sup>1</sup> \* See Charts of the week on page 3.

## ECONOMY

- The IMF lowered its outlook for 2022 global growth to +3.6%, vs. a +4.4% estimate in January (up 2.5% 4Q22/4Q21), citing the Russian invasion of Ukraine. In an IMF discussion on the global economy, Fed Chair Powell said that a 50 bp increase in short-term interest rates was “very much on the table” for the May 3-4 FOMC meeting. Markets expect this and shouldn't be surprised.
- The Fed's Beige Book noted that “inflationary pressures remained strong” into April, with “steep increases in raw materials, transportation, and labor costs.” The Russian invasion of Ukraine and lockdowns in China are adding to supply chain disruptions.
- The Index of Leading Economic Indicators rose 0.3% to a new record high in March, consistent with an ongoing economic expansion.\* Jobless claims were little changed (at 184,000), consistent with extremely tight labor market conditions.\*
- Focus of the Week:** Next week, the advance estimate of 1Q22 GDP growth arrives Thursday, and is estimated to be ~1.5%. However, GDP is a backward-looking number, and investors should focus on the upcoming personal income and spending figures to gauge the degree of momentum in consumer spending heading into 2Q22.

## April 25 – April 29

MON

TUE

Consumer Confidence  
Durable orders  
New Home Sales

WED

THU

Wholesale Inventories  
Pending Home Sales

Initial Claims  
GDP

FRI

FUTURE EVENTS

Chicago PMI  
Michigan Sentiment  
PCE  
5/2 ISM; PMI  
5/3 JOLTS  
5/4 FOMC Minutes

## US EQUITY

- The S&P 500 bounced from oversold conditions this week, but failed at the 200 DMA resistance level (4,503). We will be monitoring price action at current resistance, along with ~4,600 (February and March highs). Failure to break through the 200 DMA further emboldens our opinion of range-bound trading for now. We expect a positive enough outcome on the issues at hand to allow equities to print higher prices over the next 12 months (base case 4,725 S&P 500 year-end target).
- Early indications suggest still strong demand in Q1 earnings season. The banks are reporting broadly higher loan growth, strong credit, and higher deposits with continued momentum through the quarter. The airlines are noting robust demand trends, along with expectations of profitability despite higher fuel costs. In health care, the recovery in med tech appears above expectations with an acceleration in procedures as Omicron concerns faded.\*
- Focus of the Week:** Strong sales growth and stable margins (at elevated levels) continue to result in upside to earnings. Only 23% of S&P 500's market capitalization have reported Q1 results, but ~80% of them are beating by a healthy 7.4% so far (both above 15-year averages).\* Also, forward estimates continue to trend higher. This solid earnings backdrop remains supportive of equity markets and is important as the primary driver of market returns (with valuation elevated).

## FIXED INCOME

- 2-yr and 10-yr Treasury yields continue to climb higher as the market starts to price in an even steeper and more front-loaded tightening path from the Fed to curb inflation pressures. The market is now pricing in the likelihood of several 50 bp hikes this year, with expectations of a 2.65% fed funds rate by year end. The last time the market endured several 50 bp rate hikes was in the 1994 tightening cycle, which was a short-lived, but forceful cycle that did not lead to a recession.
- Real rates have also staged a remarkable turnaround, rising from -1% in early March into positive territory for the first time in more than two years this week.\* With yields moving broadly higher, mortgage interest rates continue to climb to their highest levels in over 10 years. We think the interest rate sensitivity of the economy is already starting to cool demand now that rates have risen so sharply and do not expect rates to remain this elevated.
- Focus of the Week:** We're entering the blackout period for Fed speakers ahead of the May FOMC meeting so the market will not be swayed by a daily deluge of hawkish rhetoric. While a 50 bp move in May appears likely, the market is priced very aggressively given the current macro backdrop. With the 10-yr Treasury yield now piercing the peak of the last fed funds cycle, we think much of the move in rates has been overdone.

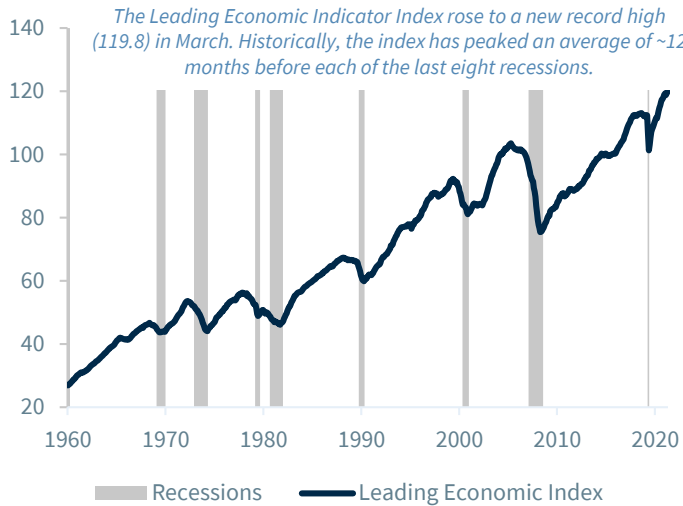
## POLITICS &amp; ENERGY

- Politics:** The period between April 24 (following the presidential election in France) and May 9 (Russia's annual WW2 commemoration) could potentially present heightened risk tied to Russia's war in Ukraine as a new phase in the conflict focusing on the eastern part of the country is ongoing. A desire for some sort of strategic gain by the May 9 date could see periods of escalation in Ukraine to move Ukraine's leadership toward a negotiated settlement. Regional developments, including Finland and Sweden's recent moves to closer align themselves to NATO and a new aid package approved by the US of around \$1 billion may further heighten tensions. We are particularly watching if an accelerated assault against Ukraine moves the EU toward fast-tracked energy import restrictions against Russia, which some nations are resisting in order to limit economic disruptions amid higher consumer prices. We have previously discussed that current dynamics continue to support continuing conflict with limited opportunity for an off-ramp, and the current set up of the war may heighten the chances of escalation in the weeks ahead.
- Energy:** The policy debate continued this past week regarding a potential European embargo against Russian oil.\* As a matter of law, there must be unanimity among the European Union's 27 member states to make any significant foreign policy decision, including [sanctions](#). Hungary is the most stridently opposed to the idea of an energy embargo, reflecting the Orban government's long-standing pro-Kremlin stance. Unless Hungary's position changes, an EU-wide embargo is not politically realistic. Embargo decisions made by individual countries will presumably vary in the timing. Europe in total imports approximately [4 million barrels per day](#) from Russia, based on pre-war numbers. The important point to keep in mind is that oil supply is fundamentally fungible. If many European countries decide to halt purchases of Russian oil, that oil will be gradually rerouted to Pacific or Baltic ports, where it will be loaded onto tankers and shipped elsewhere (to Turkey, China, India, etc). Ultimately, someone will buy it – the only question is how much of a price discount Russian suppliers will need to offer. As we know from historical case studies such as Iran, it would take truly global embargo enforcement for there to be fewer barrels pumped in a physical sense.

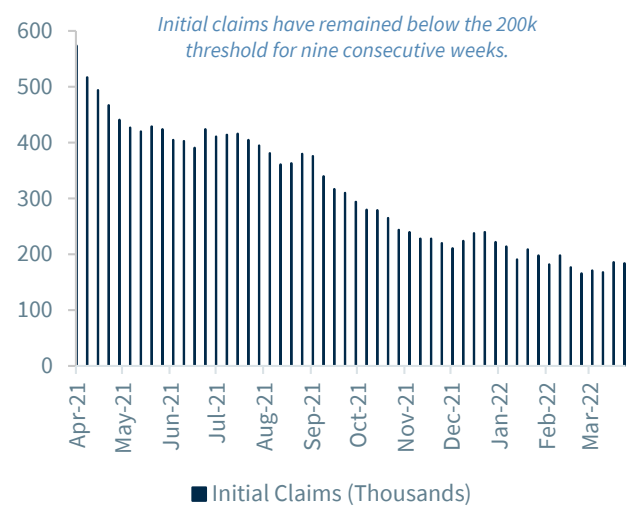
\* See Charts of the week on page 3.

## Charts of the Week

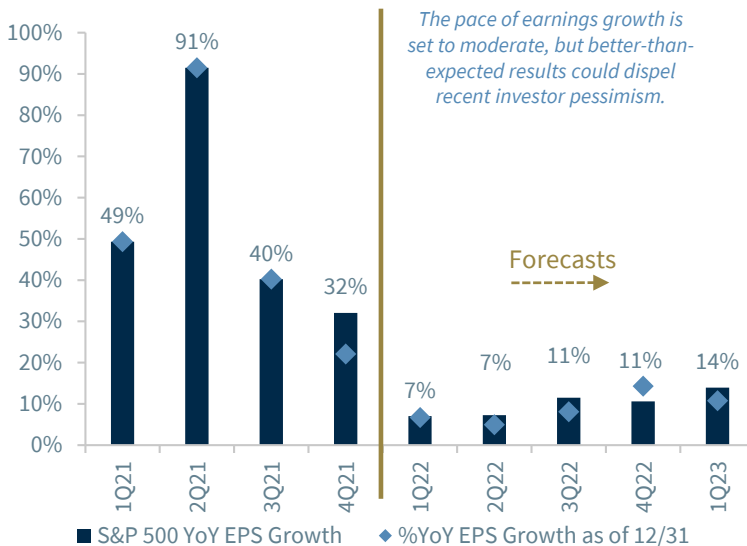
### Leading Economic Indicator Index At Record High



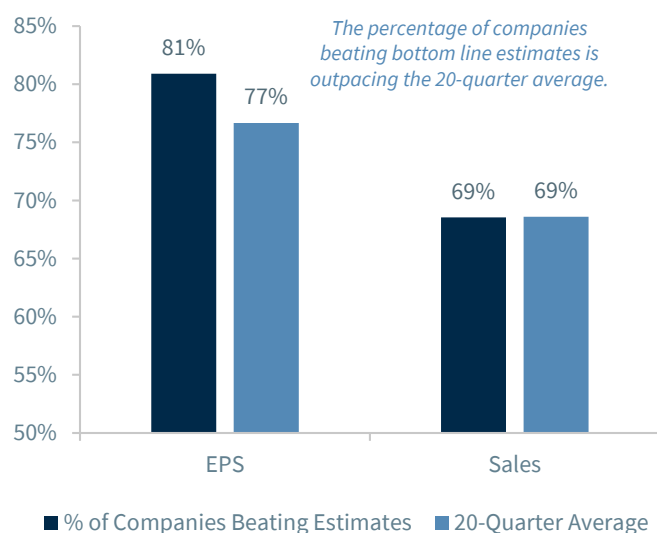
### Labor Market Conditions Remain Tight



### Earnings Growth Set To Moderate



### Percentage Of Companies Beating Estimates



### Real Yields Rapidly Move Higher



### Oil Prices Weigh Prospects Of EU Embargo



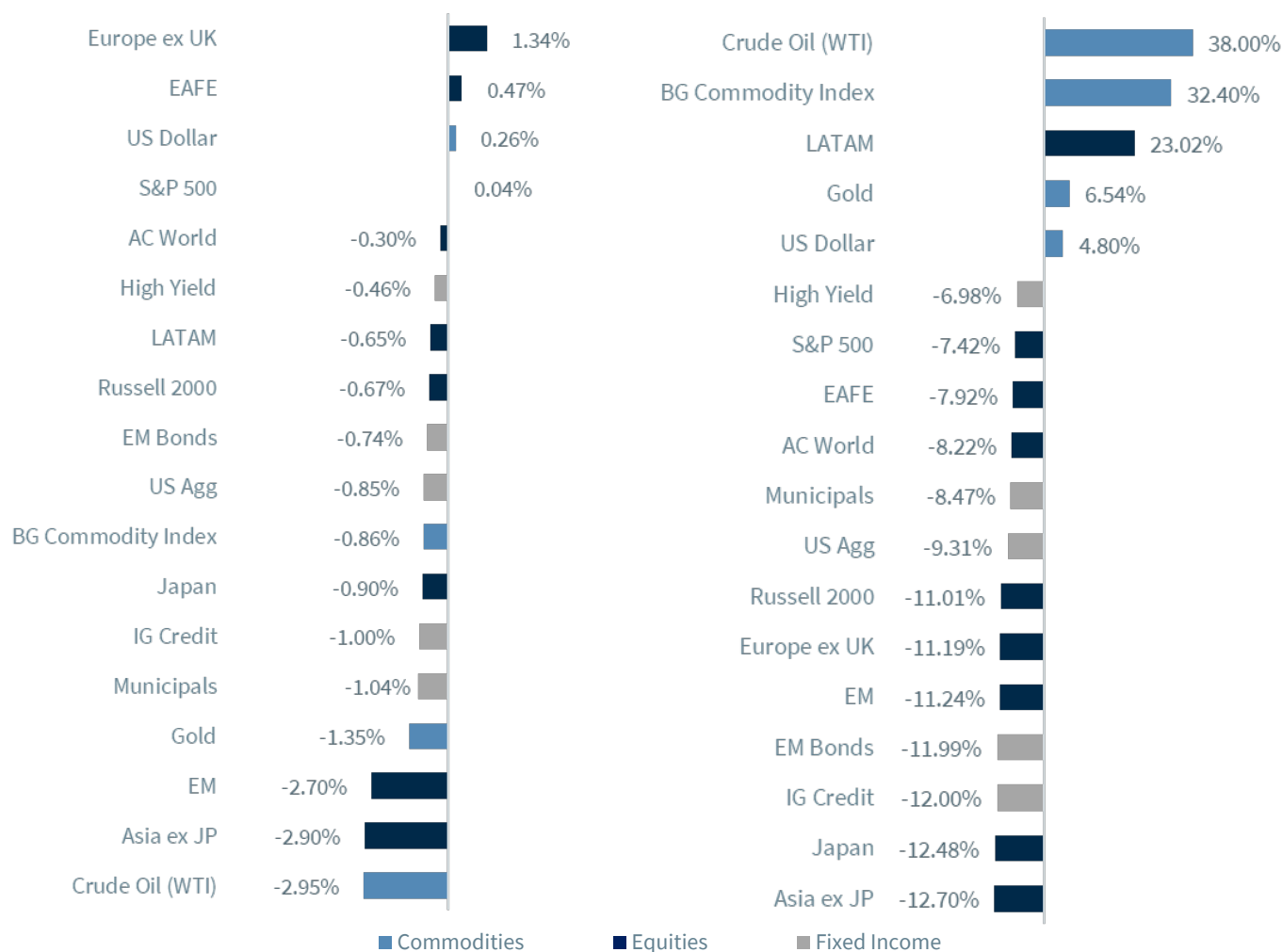
## Asset Class Performance | Distribution by Asset Class and Style (as of April 21)\*\*

US Equities (Russell indices)				International Equities (MSCI indices)				Fixed Income (Bloomberg indices)			
Weekly Returns (as of April 21)	Value	Blend	Growth	Large Cap	Dev. Mkt	World	Emerg. Mkt	Treasury	1-3 YR	Medium	Long
	0.6%	-0.2%	-0.9%		0.7%	-0.3%	-2.4%		0.0%	-0.8%	-0.8%
	0.9%	0.0%	-1.9%		1.2%	0.2%	-1.3%		-0.4%	-0.9%	-1.1%
	0.3%	-0.7%	-1.7%		1.1%	0.1%	-0.3%		-0.2%	-0.4%	-1.0%
Year-to-Date Returns (as of April 21)	Value	Blend	Growth	Large Cap	Dev. Mkt	World	Emerg. Mkt	Treasury	1-3 YR	Medium	Long
	-0.5%	-8.1%	-14.9%		-2.3%	-6.9%	-10.2%		0.1%	-7.2%	-11.4%
	-1.6%	-7.3%	-17.6%		-6.0%	-7.0%	-5.9%		-3.1%	-7.7%	-10.7%
	-4.2%	-11.0%	-17.7%		-5.8%	-6.6%	-4.0%		-3.8%	-6.5%	-14.9%

## Asset Class Performance | Weekly and Year-to-Date (as of April 21)\*\*

## 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 April 21

## US Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	4393.7	0.0	(3.0)	(7.4)	6.8	16.7	15.4	14.5
DJ Industrial Average	34792.8	1.0	0.3	(4.3)	1.9	9.4	11.1	10.3
NASDAQ Composite Index	13174.7	(1.3)	(7.4)	(15.8)	(5.6)	18.0	17.4	15.9
Russell 1000	4653.3	(0.2)	(3.2)	(8.1)	13.3	18.7	15.8	14.5
Russell 2000	4949.3	(0.7)	(3.8)	(11.0)	(5.8)	11.7	9.7	11.0
Russell Midcap	7865.6	(0.0)	(1.8)	(7.3)	6.9	14.9	12.6	12.9

## Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	559.3	0.0	1.1	(1.3)	9.2	17.9	13.6	11.6
Industrials	853.5	1.0	(1.9)	(4.3)	1.4	10.8	10.7	12.7
Comm Services	213.5	(4.6)	(9.0)	(19.9)	(13.6)	9.9	7.9	8.9
Utilities	383.8	(0.7)	1.5	6.4	16.0	13.3	11.6	11.9
Consumer Discretionary	1414.7	0.6	(3.3)	(12.0)	(0.0)	15.4	16.3	16.4
Consumer Staples	841.1	2.1	6.4	5.3	19.7	15.9	11.4	12.1
Health Care	1616.2	0.0	1.4	(1.2)	14.2	19.6	15.6	16.1
Information Technology	2581.8	0.3	(7.6)	(15.3)	4.2	25.0	24.9	20.0
Energy	594.3	(2.2)	2.2	42.0	72.2	11.2	7.8	4.8
Financials	619.9	1.1	(2.7)	(4.1)	8.1	13.3	12.3	14.0
Real Estate	314.4	3.1	4.1	(2.4)	22.5	16.0	13.0	11.7

## Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	0.6	0.0	0.0	0.0	0.1	0.7	1.1	0.6
2-Year Treasury (%)	2.7	(0.4)	(0.5)	(3.1)	(3.6)	0.6	0.8	0.7
10-Year Treasury (%)	2.9	(0.8)	(4.8)	(11.4)	(9.7)	0.3	0.5	1.2
Bloomberg US Corporate HY	6.7	(0.5)	(2.3)	(7.0)	(3.6)	3.4	4.1	5.5
Bloomberg US Aggregate	3.5	(0.8)	(3.6)	(9.3)	(8.5)	0.6	1.2	1.8
Bloomberg Municipals	--	(1.0)	(2.4)	(8.5)	(7.7)	0.8	1.8	2.5
Bloomberg IG Credit	4.2	(1.0)	(4.7)	(12.0)	(9.8)	1.4	2.1	3.1
Bloomberg EM Bonds	6.1	(0.7)	(3.0)	(12.0)	(11.5)	(0.4)	1.1	3.2

## Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude (\$/bl)	103.8	(3.0)	3.5	38.0	69.2	17.4	15.9	(0.0)
Gold (\$/Troy Oz)	1948.2	(1.4)	(0.3)	6.5	8.6	15.1	8.6	1.7
Dow Jones-UBS Commodity Index	131.3	(0.9)	5.5	32.4	50.5	17.1	9.4	(0.5)

## Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	100.6	0.3	2.3	4.8	10.3	1.0	0.1	2.4
Euro	1.0845	0.6	(2.5)	(4.6)	(9.8)	(1.2)	0.3	(2.0)
British Pound	1.3031	(0.1)	(1.0)	(3.8)	(6.5)	0.1	0.4	(2.1)
Japanese Yen	128.51	(2.0)	(5.5)	(10.4)	(15.8)	(4.5)	(3.2)	(4.4)

## International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	688.5	(0.3)	(3.1)	(8.2)	0.3	12.1	11.6	10.5
MSCI EAFE	2126.6	0.5	(2.3)	(7.9)	(3.4)	6.5	6.8	6.8
MSCI Europe ex UK	2317.9	1.3	(1.5)	(11.2)	(4.4)	8.1	8.1	8.2
MSCI Japan	3333.2	(0.9)	(6.4)	(12.5)	(11.2)	4.6	5.0	6.6
MSCI EM	1086.9	(2.7)	(4.6)	(11.2)	(16.6)	2.5	5.3	3.4
MSCI Asia ex JP	686.8	(2.9)	(5.2)	(12.7)	(19.9)	2.6	5.9	5.6
MSCI LATAM	2571.1	(0.6)	(3.4)	23.0	14.8	2.1	3.8	(0.8)
Canada S&P/TSX Composite	17316.9	(0.9)	(1.1)	2.0	13.1	9.2	6.8	5.9

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

## DISCLOSURES

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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** | Currency investing is generally considered speculative because of the significant potential for investment loss. These 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 TREASURYS** | 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 4/21/2022

## 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 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 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 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 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 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).

#### 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.

**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.

**MSCI ACWI |** The **MSCI All Country World Index** (ACWI) is a stock index designed to track broad global equity-market performance. The index is comprised of the stocks of about 3,000 companies from 23 developed countries and 26 emerging markets.

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