



QUARTERLY  
COORDINATES  
4Q 2023

SAILING ON STRANGE SEAS

Lawrence V. Adam III, CFA, CIMA<sup>®</sup>, CFP<sup>®</sup>  
Chief Investment Officer

**RAYMOND JAMES**



---

## 4Q23 MARKET OUTLOOK: SAILING IN STRANGE SEAS

---

- 1 Introduction** | Setting Our Sights on The Future, Not Looking Back
- 2 Economy** | Navigating by the Stars Under Cloudy Skies as We Approach a Recession
- 3 Monetary Policy** | “Oh Captain My Captain”—Nearing the End of the Tightening Cycle
- 4 Politics** | Guiding the Path to 2024
- 5 Fixed Income** | Marco Polo as Lower Interest Rates Remain Elusive
- 6 Equities** | Earnings the ‘Spinach’ Needed to Fuel the Market Higher
- 7 Asset Allocation** | Lessons Learned from Jimmy Buffett



# 1

## Introduction

### Looking Forward, Not Backwards

#### INSIGHT:

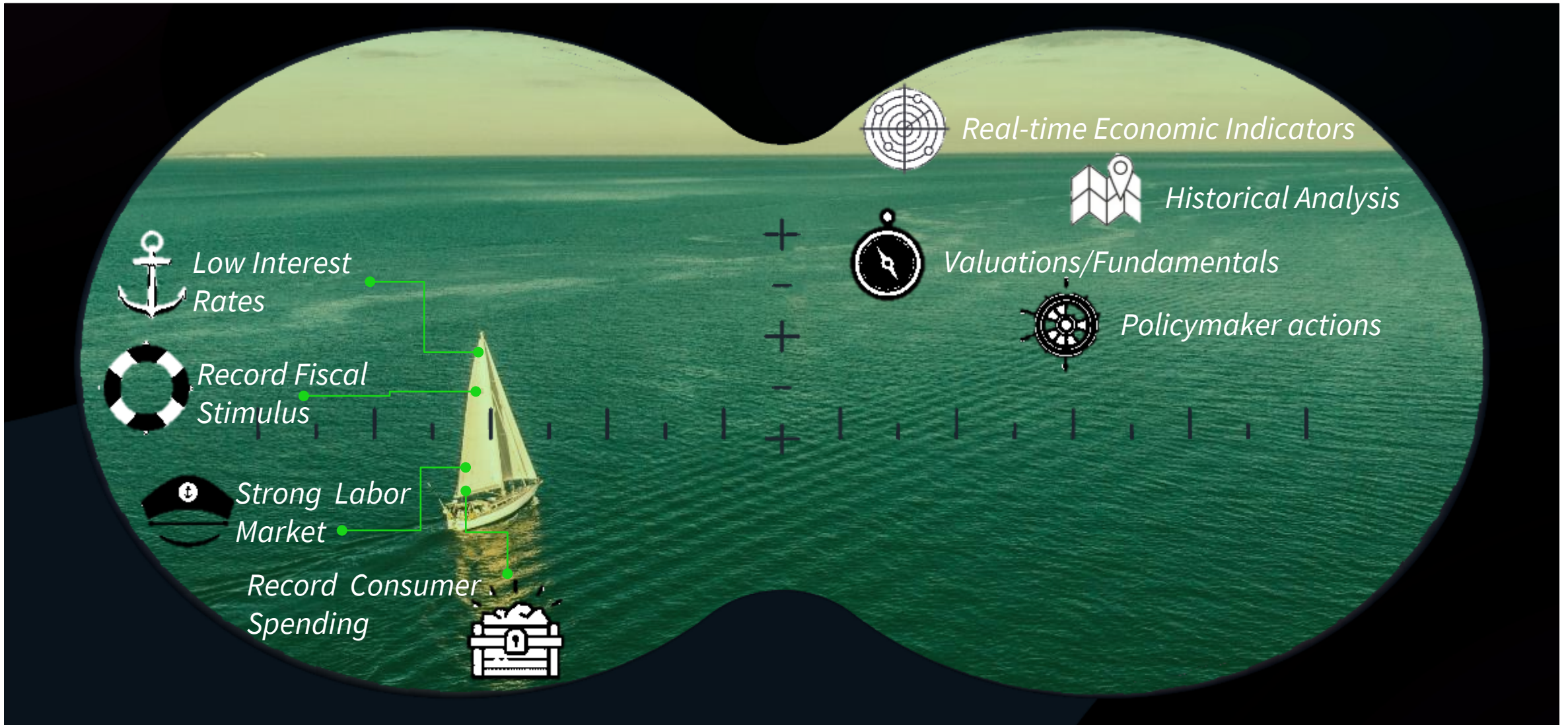
Experienced sailors know that you cannot look backwards to determine where you are going. Instead, they have to use the tools at their disposal to determine what lies ahead.

#### BOTTOM LINE:

After record fiscal stimulus, low interest rates and a solid job market, the winds are shifting for the economy and asset classes. Determining the future will be key for portfolio performance.



# THE INVESTMENT STRATEGY BINOCULARS





# 2

## ECONOMY

### Navigating by the Stars Under Cloudy Skies

#### INSIGHT:

The strength of the consumer has kept the economy afloat to this point. However, cracks are beginning to form as excess savings are depleted and fixed costs surge as a result of rising interest rates.

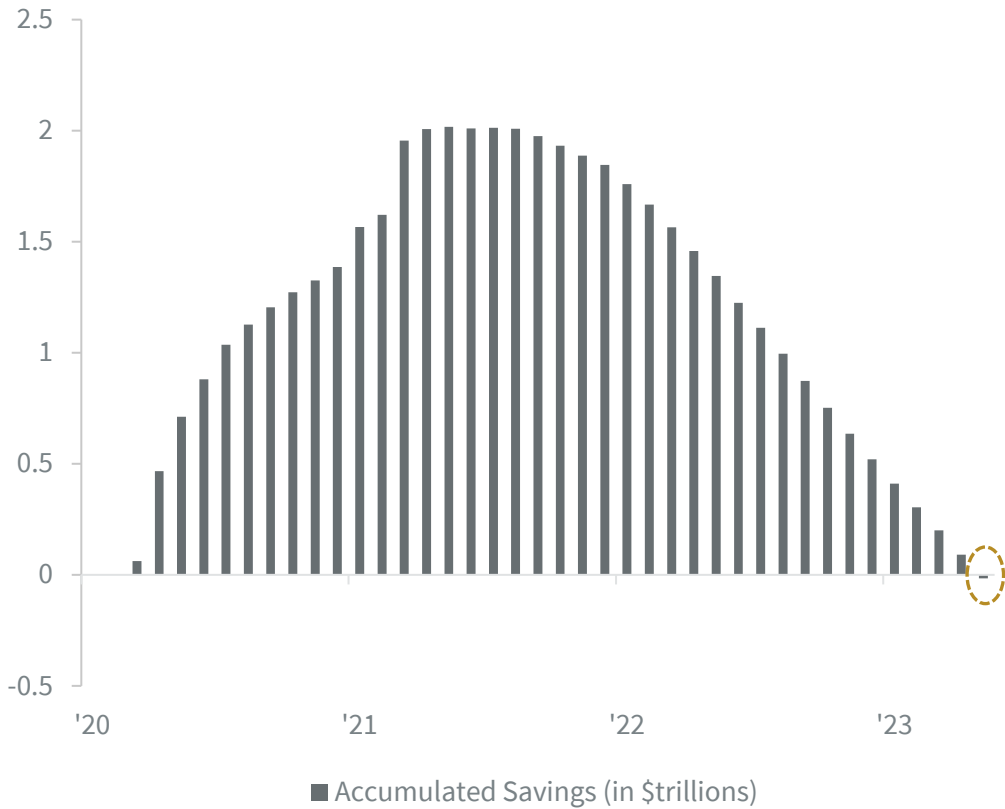
#### BOTTOM LINE:

Depleted excess savings, combined with credit tightening and job growth slowing, suggests the economy will slide into a mild recession beginning in 1Q24. Despite the slowdown, we expect 2024 GDP to rise 0.4% on an annual basis.

# CONSUMER HEADWINDS BUILDING

DEPLETED EXCESS SAVINGS AND RISING EXPENSES WILL WEIGH ON CONSUMER SPENDING

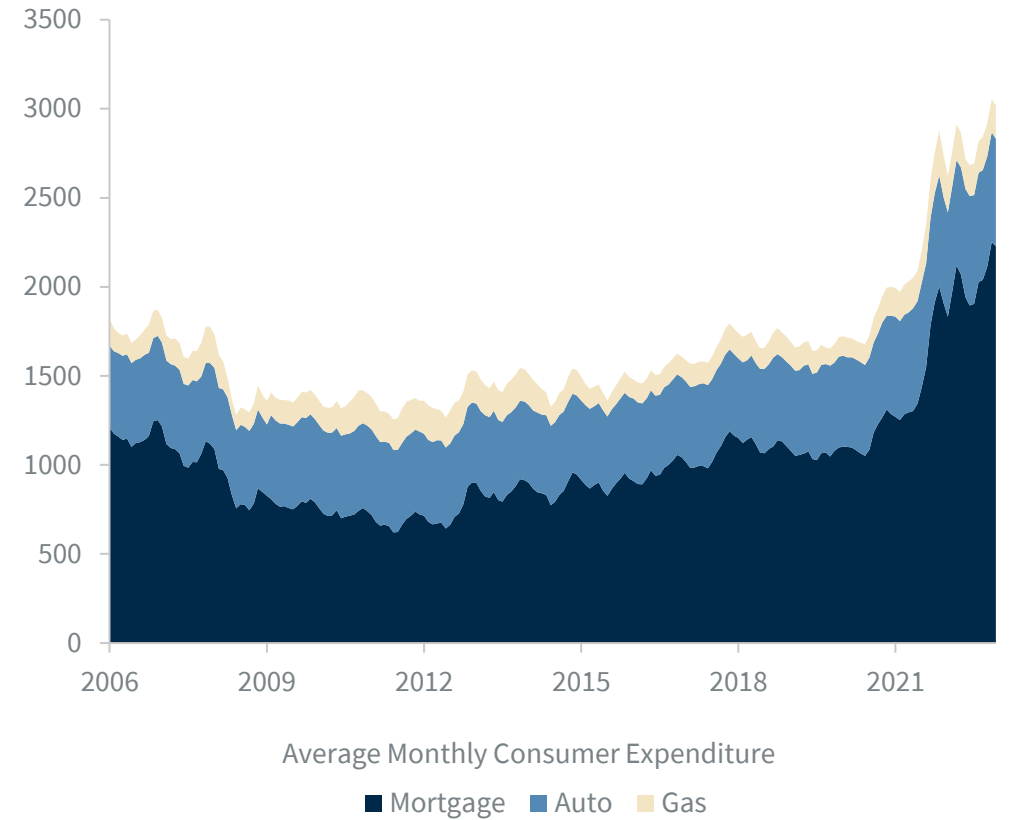
Excess Savings Depleted



**+78%**

Average Monthly Consumer Expenditure Since Start Of COVID

Surge in Mortgage, Auto and Gas Expenses

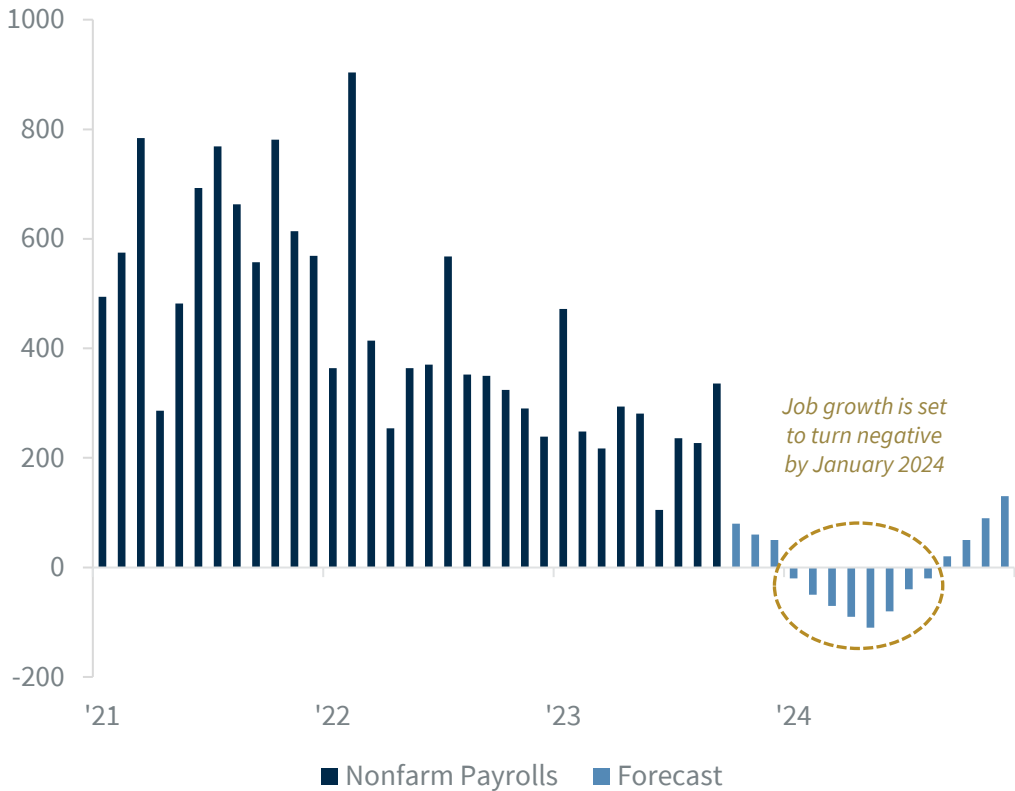


Source: FactSet, Data as of 9/30/2023.

# HEADWINDS FOR THE ECONOMY

A SLOWING LABOR MARKET COMBINED WITH TIGHTENING LENDING STANDARDS WILL WEIGH ON THE ECONOMY

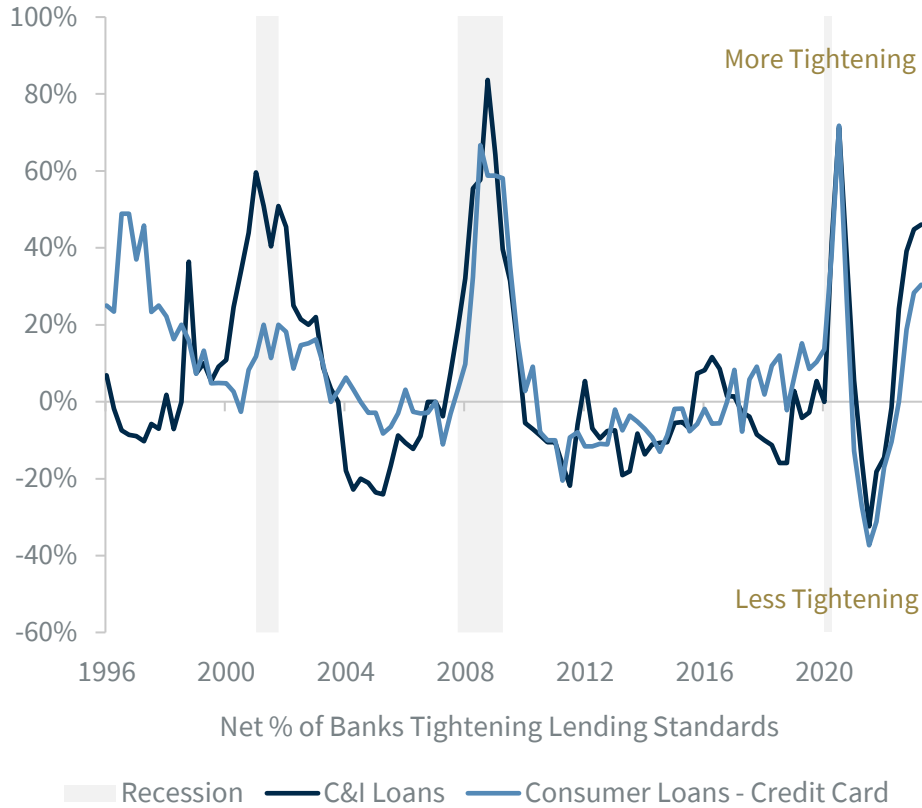
### Job Growth Set to Turn Negative



**7.2%**

90-Day Credit Card Delinquencies Rose To The Highest Level Since 1Q12

### Banks Tightening Lending Standards



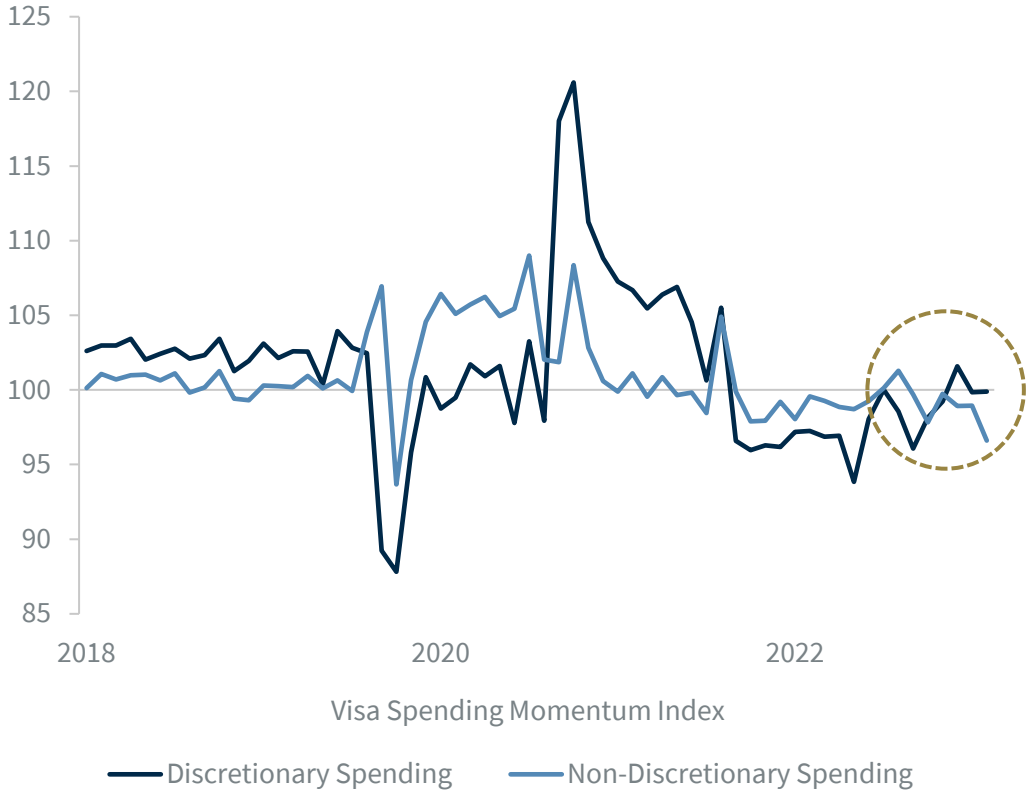
Source: FactSet, Data as of 9/30/2023.



# PAST THE SUMMER OF REVENGE TRAVEL

## MOMENTUM IN CREDIT CARD SPENDING IS SLOWING AS TRAVEL-RELATED SPENDING SLOWS

### Credit Card Spending Losing Momentum



Source: FactSet, Data as of 9/30/2023.

**5%**

Only 5% Of Consumers Expect To Spend **More** This Holiday Shopping Season

**33%**

33% Of Consumers Expect To Spend **Less** This Holiday Shopping Season

### Travel Spending Starting to Slow

**Surge in private jet travel was just another pandemic fad**

**JetBlue lowers Q3 revenue guidance as leisure bookings tail off**

**Is the party over? New data suggests revenge travel may be ending soon**

**Disney World Hasn't Felt This Empty in Years**

**'Florida fatigue' slows South Florida tourism this year, after pandemic breakout**

**Europe's Travel Revival Appears to be Slow**

**Luxury Brands See Drop In U.S., Where Aspirational Consumers Put New Purchases On Hold**

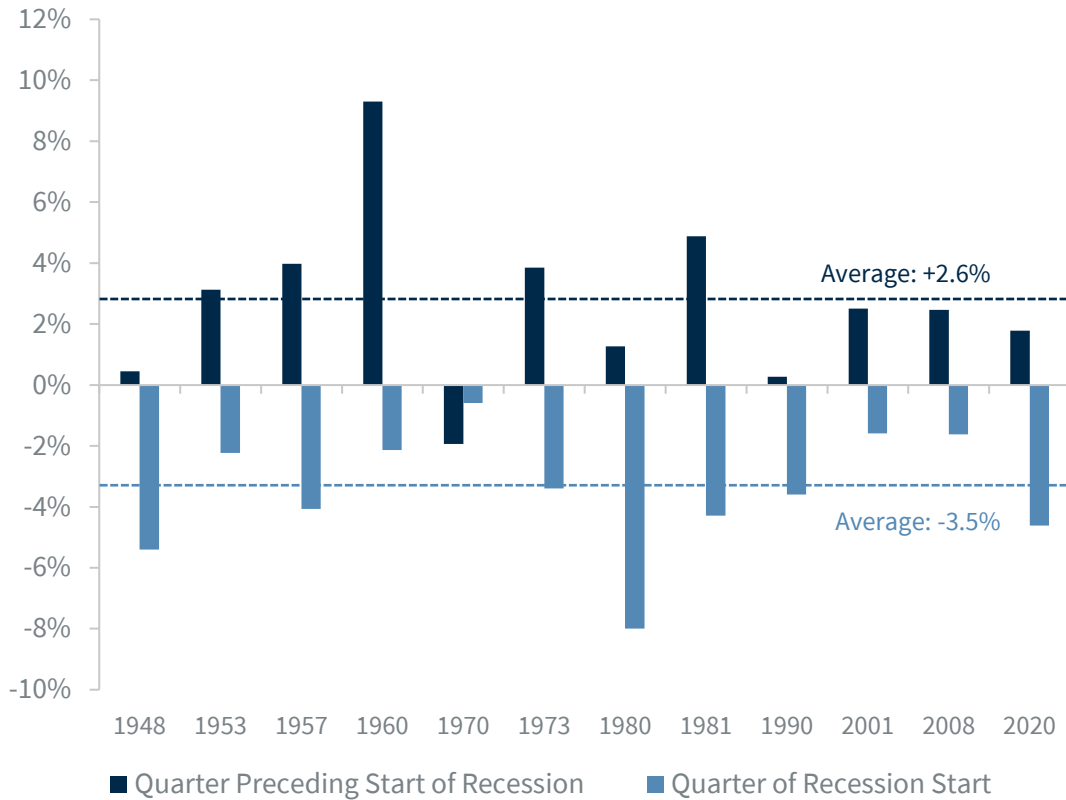
**Rolex and Patek Prices Fall to a Near Two-Year Low on the Secondary Market**



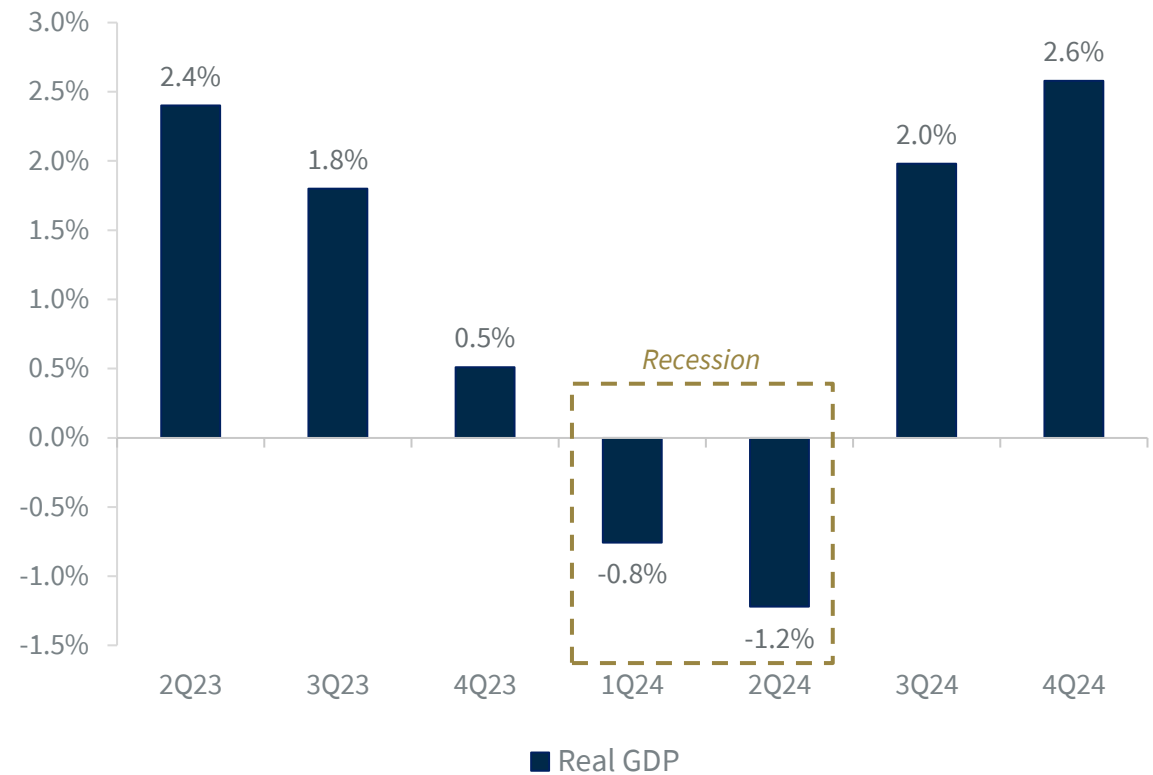
# A RECESSION FORECAST TO BEGIN IN 1Q24

DESPITE INCREASED CALLS FOR A SOFT LANDING, WE FORECAST A MILD RECESSION TO BEGIN IN 1Q24

Economic Growth Typically Strong Leading into a Recession



Recession Forecasted to Start in First Quarter of 2024








Source: FactSet, Data as of 9/30/2023.

## WHY A RECESSION IS LIKELY TO BE MILD

WE EXPECT THE UPCOMING RECESSION TO BE MILD IN MAGNITUDE AND DURATION

Expected Recession vs. Historical Averages

|                             |   |                              |
|-----------------------------|---|------------------------------|
| <b>Economic Contraction</b> |    | <b>-0.6%</b><br>-2.5%        |
| <b>Average Duration</b>     |    | <b>6 months</b><br>10 months |
| <b>Jobs Lost</b>            |    | <b>0.5M</b><br>3.5M          |
| <b>Fixed Investment</b>     |   | <b>-3.2%</b><br>-18.5%       |
| <b>S&amp;P 500 Earnings</b> |  | <b>-0.5%</b><br>-24.4%       |

■ Forecast ■ Average

**+0.4%**

2024 US GDP  
Forecast

**12%**

Of Survey  
Respondents  
**Do Not** Expect a  
Recession Over  
the Next 12  
Months

Five Reasons Why We Expect a Mild Recession

1

**Overall Healthy Consumer**—Not Overleveraged Like Prior Cycles

2

**Still Healthy Job Market**—Job Losses Will be Less than Historical Average

3

**Few Excesses in the Economy**—No Housing Bubble, No Bloated Inventories

4

**Solid Government Spending**—Likely to Lead to Additional Investment

5

**'Rolling Recessions'**—Certain Areas of Economy Have Experienced Downturn

Source: FactSet, Data as of 9/30/2023.





# 3 Monetary Policy

“Oh Captain My Captain”

**INSIGHT:**

The Fed continues on the path of tightening monetary policy. However moderating inflation and cooling economic activity should allow the Fed to end its tightening cycle in the fourth quarter.

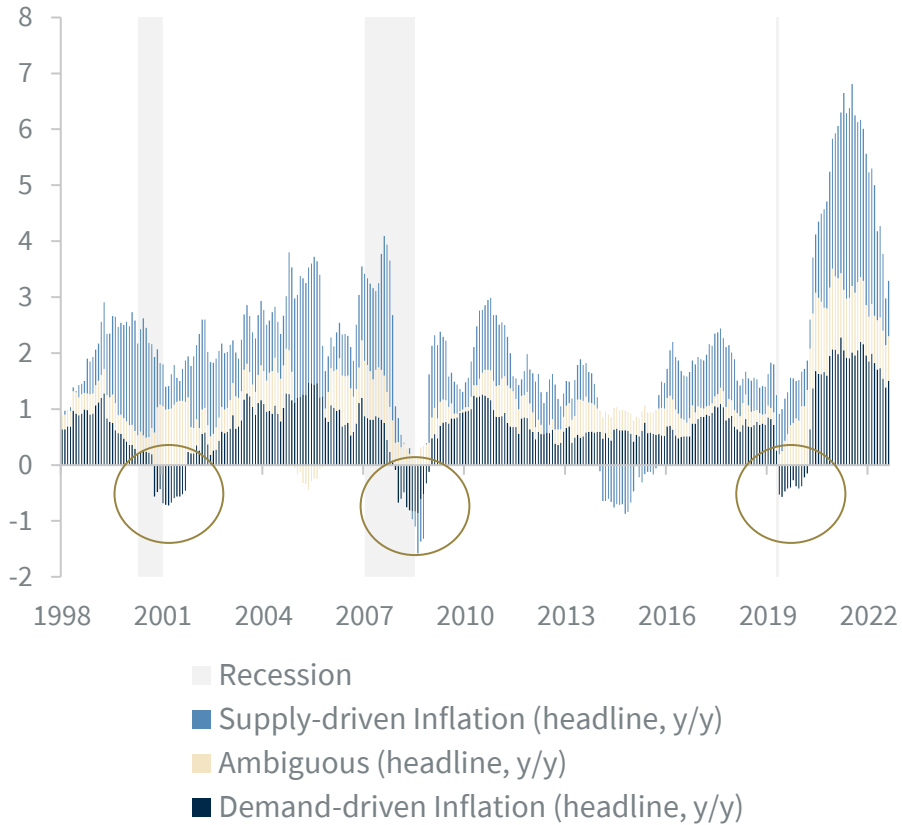
**BOTTOM LINE:**

We expect inflation to continue to moderate and the US economy to enter a recession in 1Q24. Additionally, we expect one more 25 bp rate hike in November and the Fed to begin cutting rates in mid-2024.

# FALLING INFLATION TO ALLEVIATE FED CONCERNS

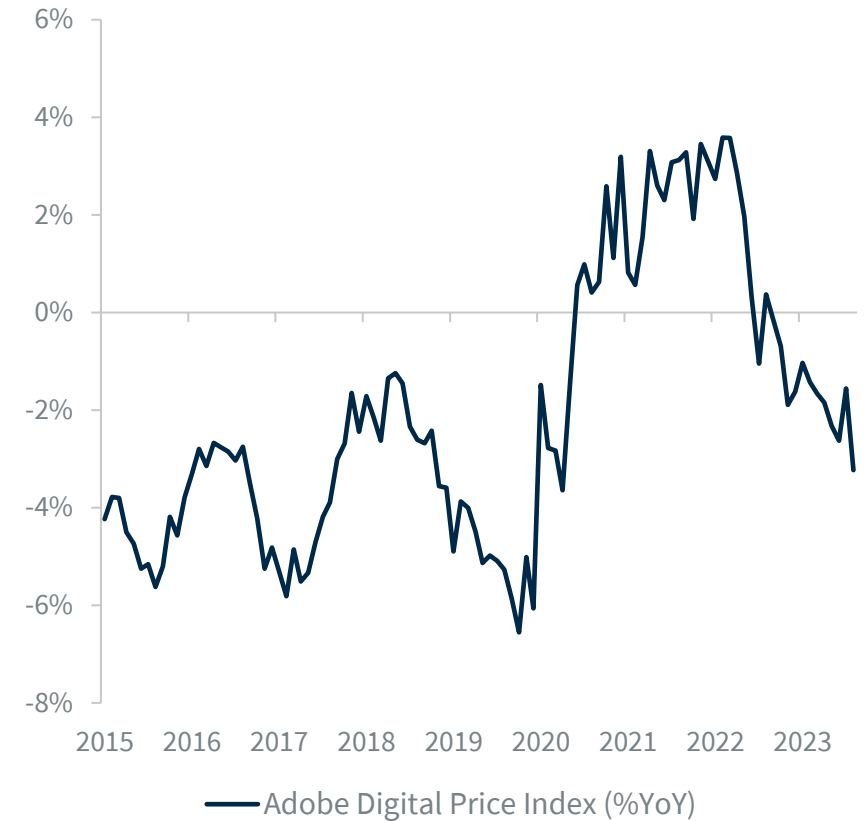
INFLATION IS LIKELY TO CONTINUE TO MOVE ON A DOWNWARD PATH

### Inflation to Roll Over with Slowing Demand



Inflation Declines  
**158 bps**  
In 12 Months  
Following Recession  
Start On Average

### Goods Prices Continue to Decline



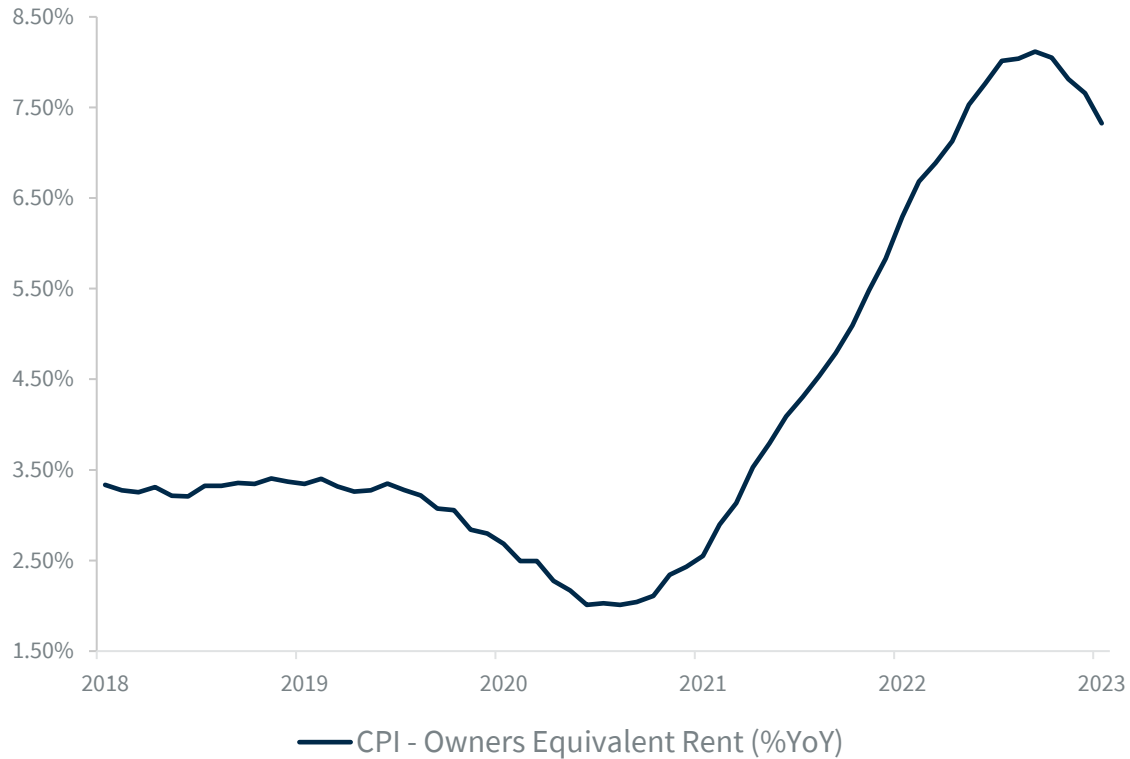
Source: FactSet, San Francisco Fed, Data as of 9/30/2023.



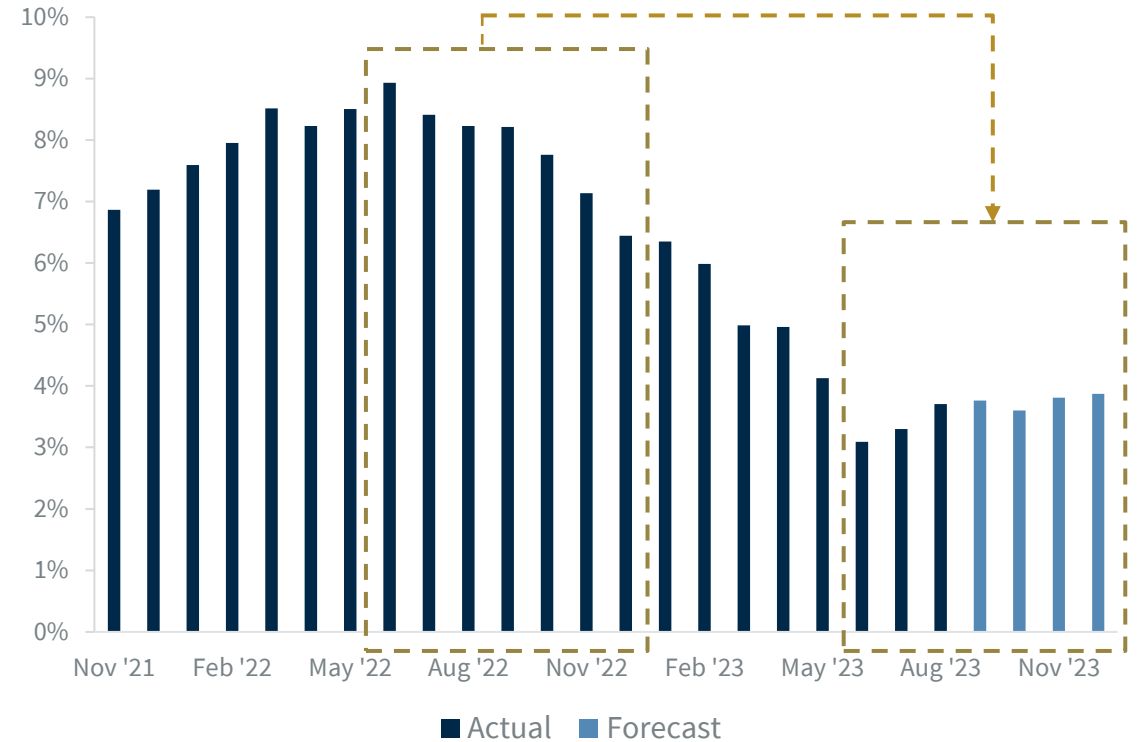
# FALLING SHELTER PRICES SUPPORTIVE OF MODERATING INFLATION

EASING SHELTER PRICES AND CALENDAR EFFECTS WILL ALSO BE SUPPORTIVE OF MODERATING INFLATION

Shelter Prices Moving Lower



Hotter Months of Last Year Set to Roll Off

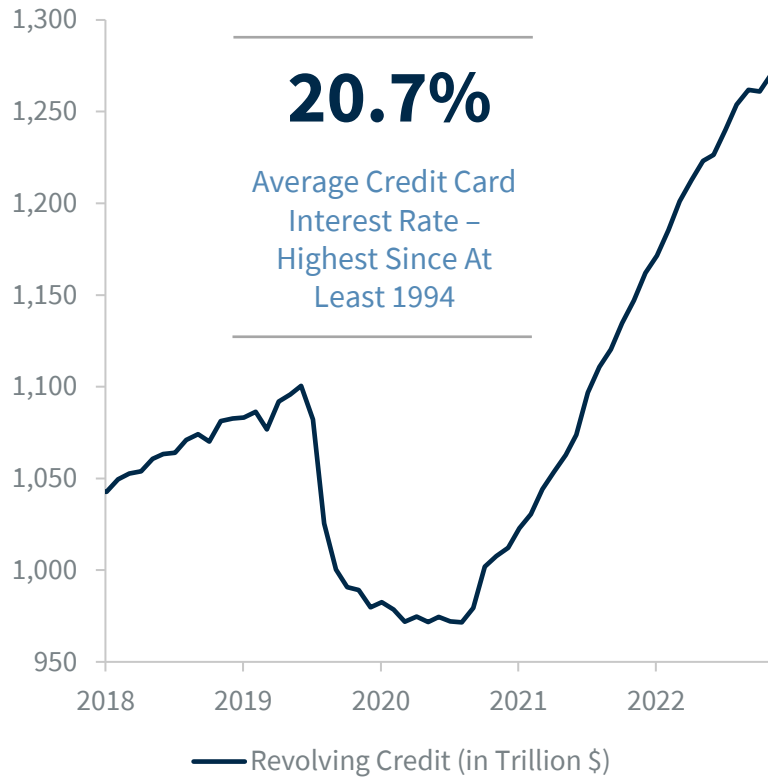


Source: FactSet, Data as of 9/30/2023.

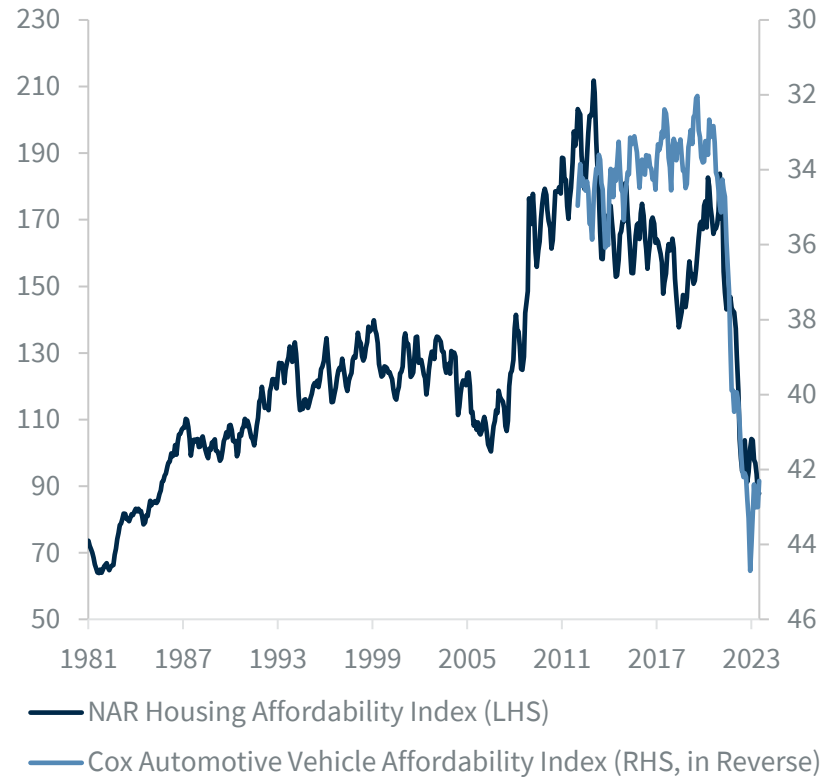
# THE ECONOMY REMAINS INTEREST RATE SENSITIVE

## THE US ECONOMY IS NOT COMPLETELY IMMUNE TO FED TIGHTENING

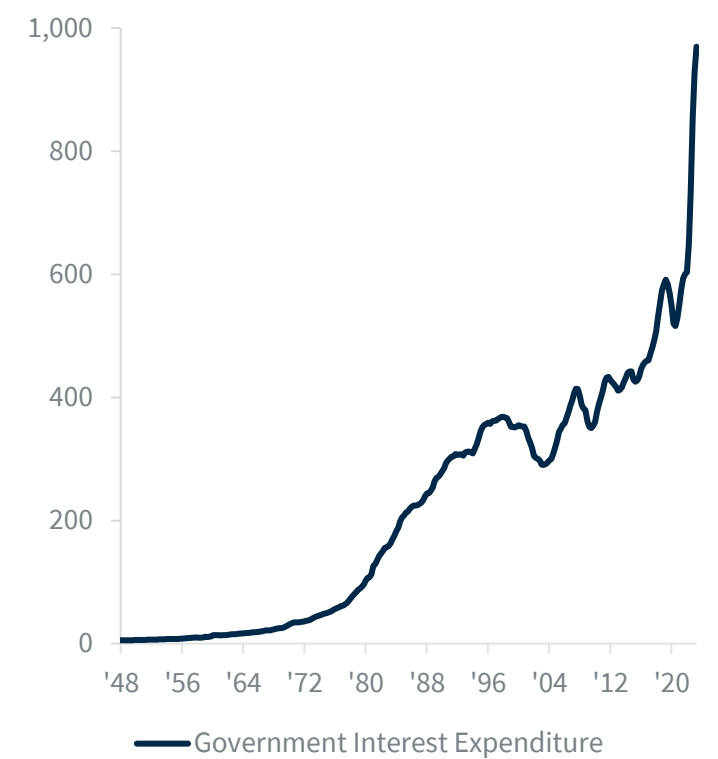
Revolving Credit at All-Time Highs Combined With Higher Credit Card Rates



Housing/Auto Affordability Plummet



Government Interest Expense Surging (Quarterly Annualized)



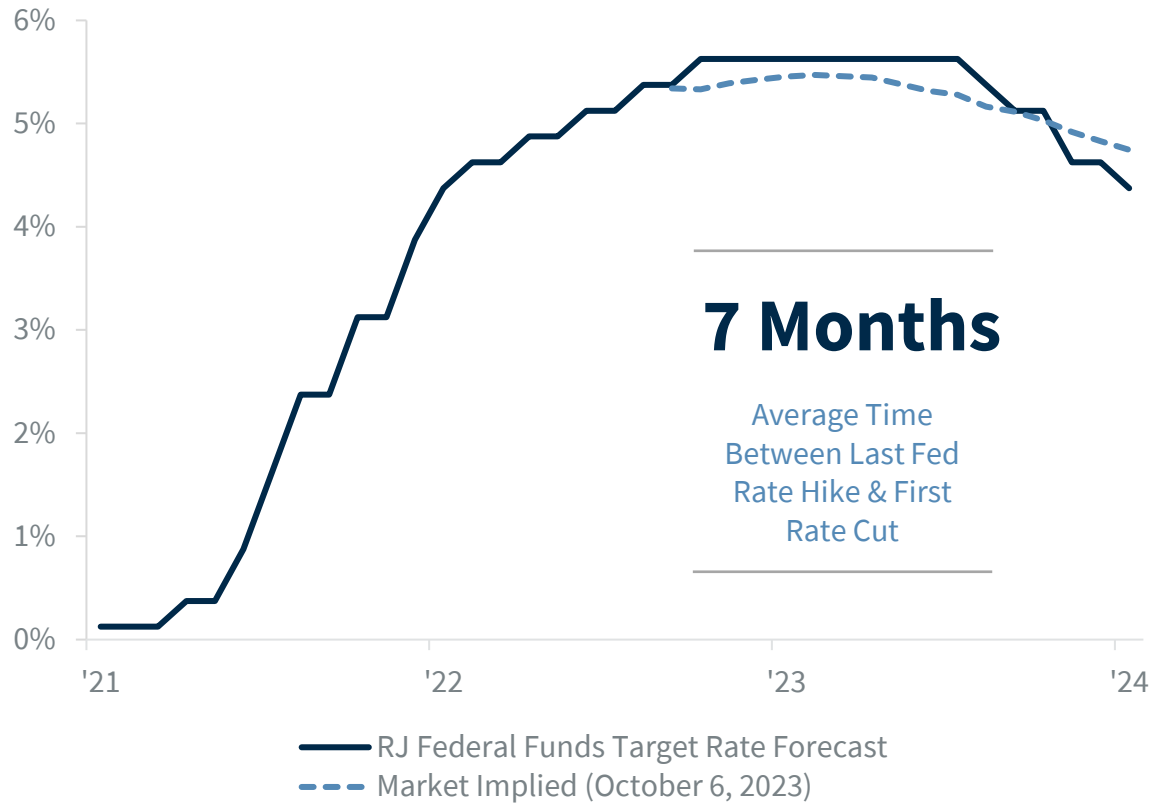
Source: FactSet, Data as of 9/30/2023.



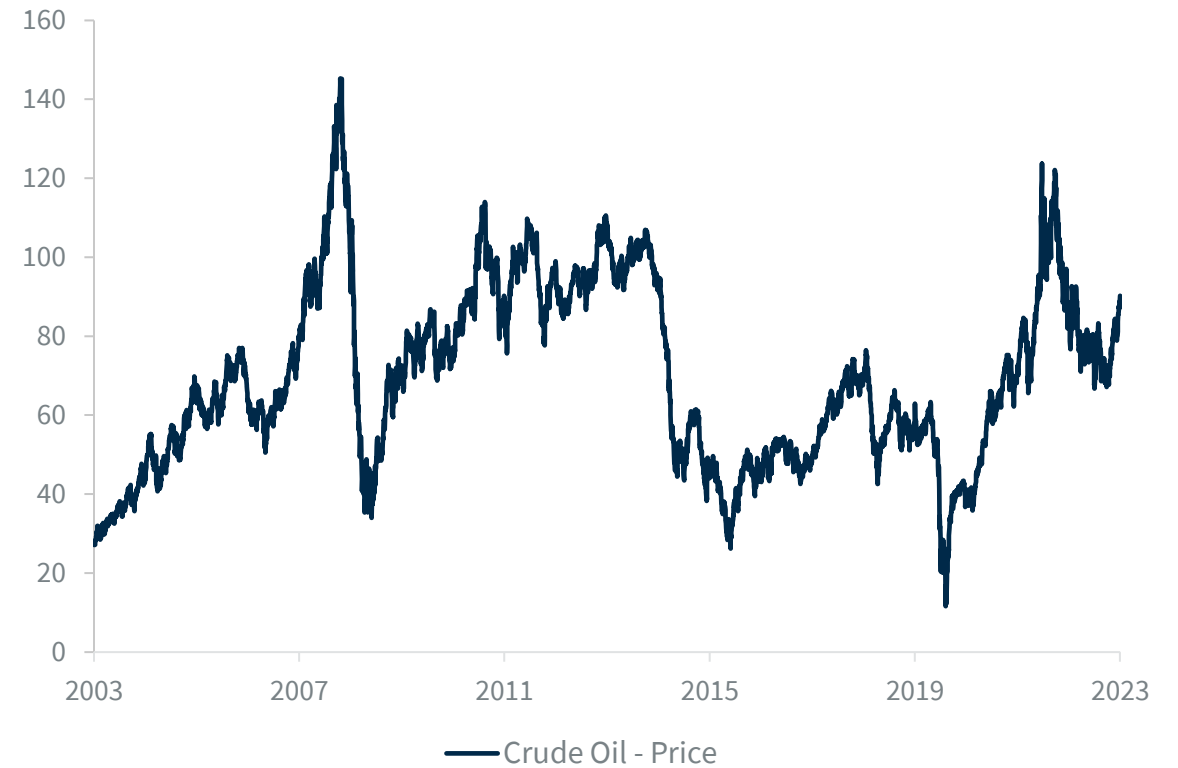
# THE FED IS NEARING THE TIGHTENING CYCLE FINISH LINE

WE EXPECT ONE MORE RATE HIKE IN 4Q BEFORE THE FED CUTS RATES IN MID-2024

### Fed Funds Forecast



### Rising Oil Prices a Key Risk



Source: FactSet, Data as of 10/6/2023.



# 4 Politics

Guiding the Path to 2024

## INSIGHT:

The 2024 presidential election is a little more than a year away. With two unpopular candidates in the lead, the economy will be a driving factor in choosing the eventual winner.

## BOTTOM LINE:

A lot can change between now and November 2024; however, history has shown that a recession in the 24 months leading up to the election has been a headwind for the incumbent.



# WASHINGTON COMPOSITION

GOVERNMENT COMPOSITION HAS SHIFTED IN EIGHT OF THE LAST NINE ELECTIONS

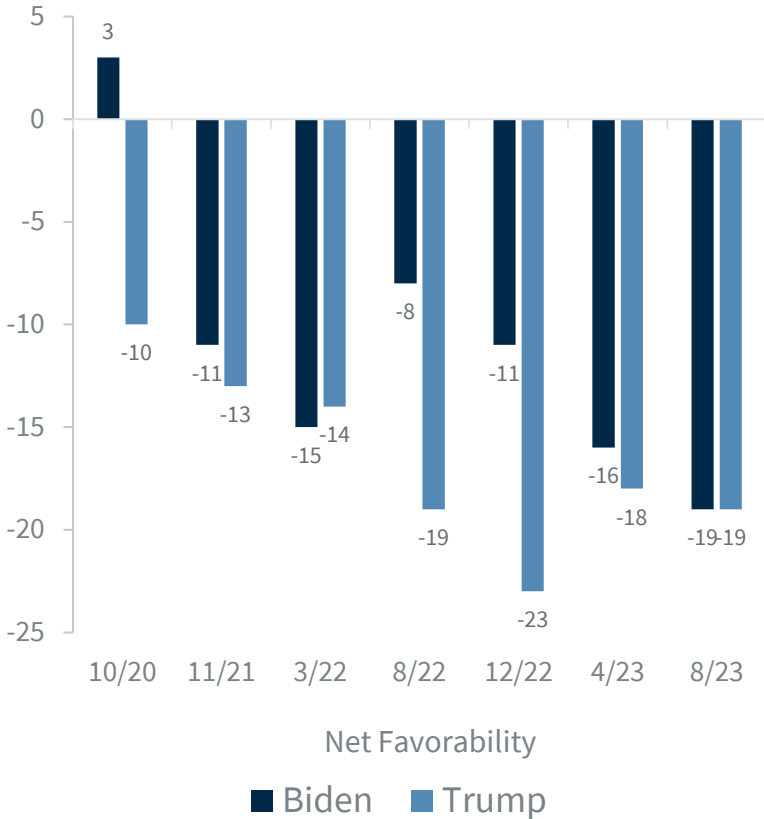


Source: FactSet, Strategas Research Partners, Data as of 9/30/2023.

# THE ECONOMY IS A MAJOR DRIVER OF ELECTION OUTCOMES

## A POTENTIAL RECESSION WILL BE A KEY STORY IN THE 2024 ELECTION

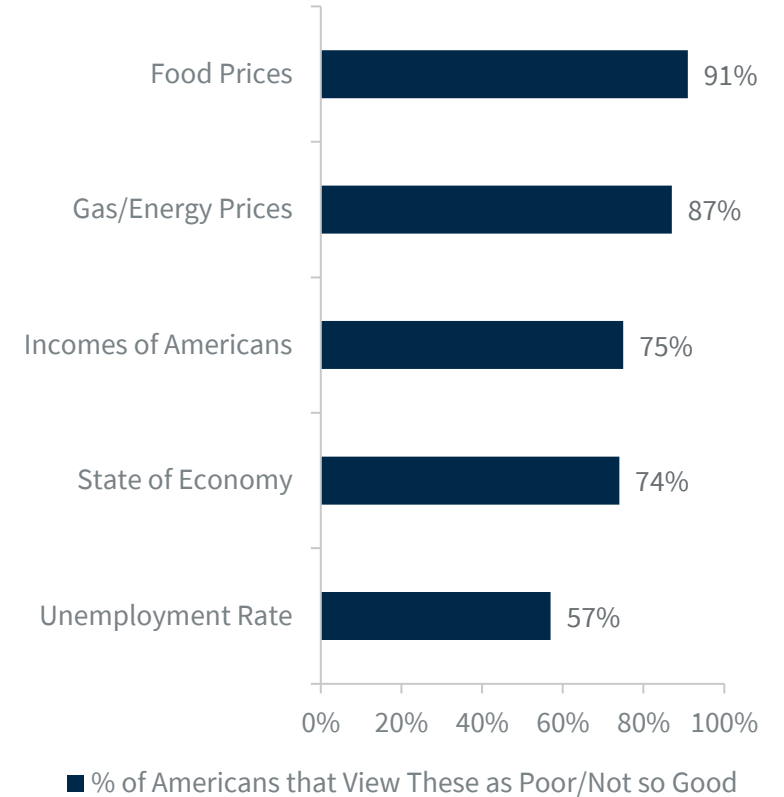
### Two Unpopular Candidates



### Walking the Recession Plank

| President  | Recession? | Reelected? | President | Recession? | Reelected? |
|------------|------------|------------|-----------|------------|------------|
| Obama      | No         | Yes        | Trump     | Yes        | No         |
| Bush II    | No         | Yes        | Bush I    | Yes        | No         |
| Clinton    | No         | Yes        | Carter    | Yes        | No         |
| Reagan     | No         | Yes        | Ford      | Yes        | No         |
| Nixon      | No         | Yes        | Hoover    | Yes        | No         |
| LBJ        | No         | Yes        | Taft      | Yes        | No         |
| Eisenhower | No         | Yes        |           |            |            |
| Truman     | No         | Yes        |           |            |            |
| FDR        | No         | Yes        |           |            |            |
| FDR        | No         | Yes        |           |            |            |
| FDR        | No         | Yes        |           |            |            |
| Wilson     | No         | Yes        |           |            |            |

### “It’s the Economy Stupid!”



Source: FactSet, Data as of 9/26/2023.

Source: FactSet, Strategas Research, Data as of 9/26/2023. Recessions are counted if they occurred within two years of election.

Source: ABC News/Washington Post, Data as of 9/26/2023.





# 5 Fixed Income

## Marco Polo and the Elusive Interest Rate Decline

### INSIGHT:

Like Marco Polo, calls for lower interest rates have remained elusive to this point. However, moderating inflation, a mild recession and the end of the Fed's tightening cycle should push yields lower.

### BOTTOM LINE:

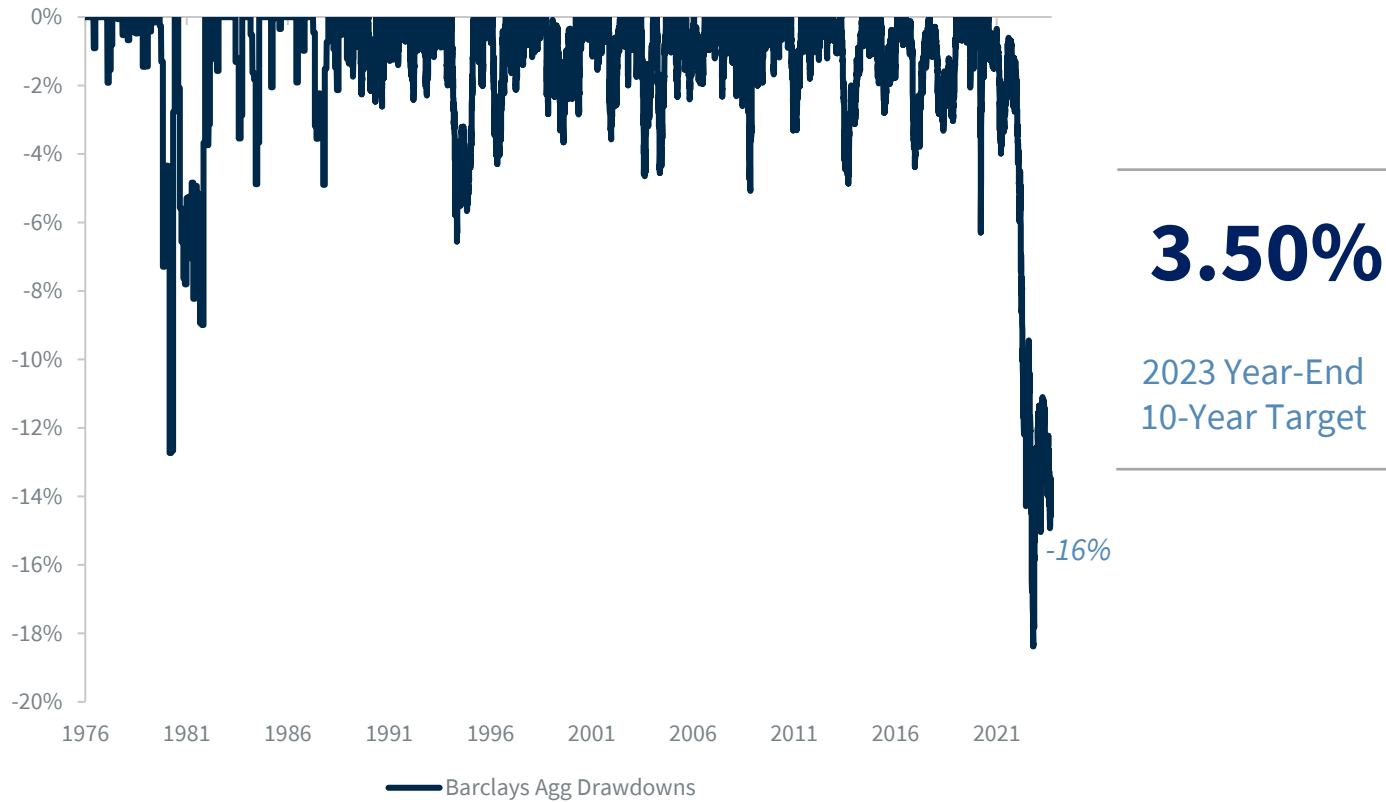
We expect 10-year Treasury yields to decline to 3.50% over the next 12 months. In an environment where growth will be challenged, we prefer to focus on high quality bonds, such as Treasuries and investment grade corporate bonds.



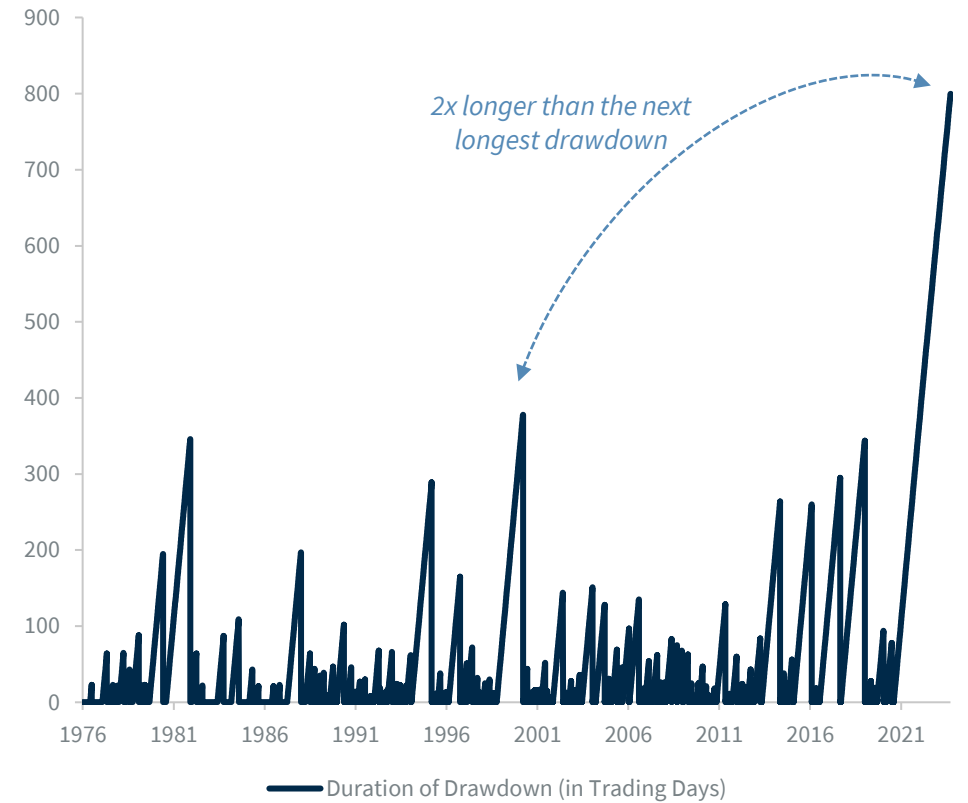
# RECORD DRAWDOWN IN THE FIXED INCOME MARKET

THE FIXED INCOME MARKET HAS SEEN A RECORD DRAWDOWN IN MAGNITUDE AND DURATION

### Record Drawdown for Fixed Income Market



### Record Duration of Drawdown in Fixed Income



Source: FactSet, Data as of 9/30/2023.

## MARKET POSITIONING HAS BEEN OFFSIDES ALL YEAR

FIFTH TIME THIS YEAR THAT MARKET COULD BE WRONG FOOTED

### Headlines

**S&P Could Fall 24% This Year**

*Forbes - January 9, 2023*

**The harsh reality for investors eyeing tech stocks in 2023**

*Yahoo Finance - January 2, 2023*

**Analysts Sound Warning On Financial Stocks**

*Investors.com - March 20, 2023*

**Energy stocks: Keep them, just don't expect them to outperform this year, strategist says**

*Yahoo Finance - May 17, 2023*

### Performance Since

**+10.2%**

**+33.8%**

**+6.4%**

**+15.3%**

### Investors Have Never Been This Short Bonds



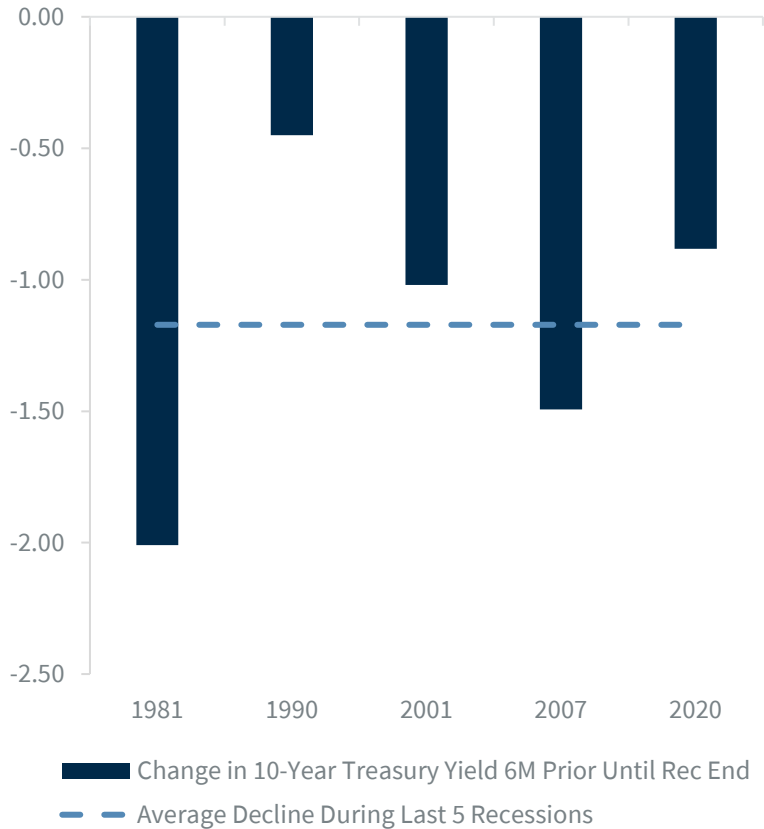
— CFTC Non-Commercial Net Position in 10-Year Treasury (Long-Short Contracts, in 000s)

Source: FactSet, Data as of 9/30/2023.

## YIELDS LIKELY TO DECLINE FROM CURRENT LEVELS

SLOWING ECONOMIC ACTIVITY, MODERATING INFLATION, AND THE END OF THE FED TIGHTENING CYCLE SHOULD PUSH YIELDS LOWER

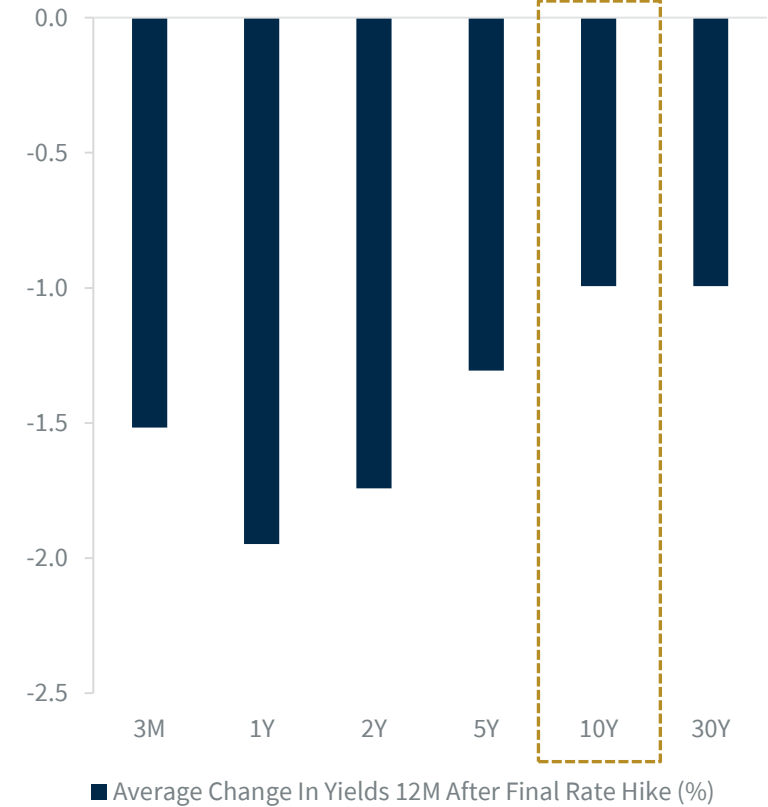
### Yields Decline Following Recessions



### Yields Decline as Inflation Moderates



### Yields Decline Following End of Fed Tightening



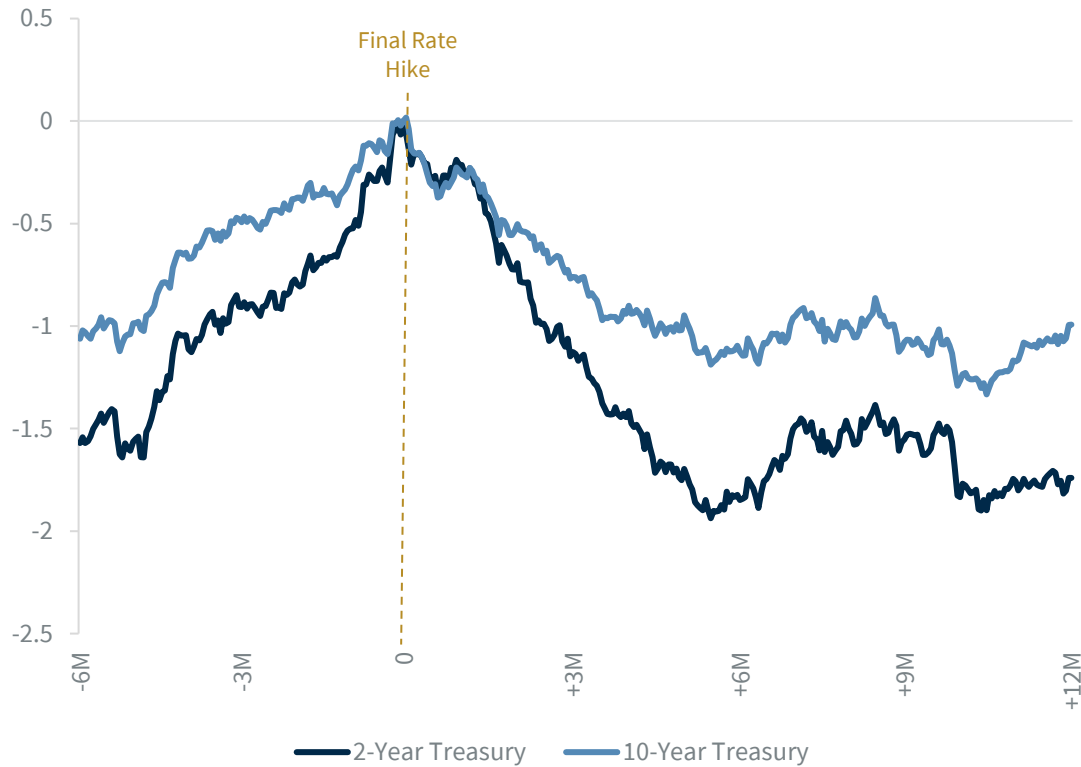
Source: FactSet, Data as of 9/30/2023.



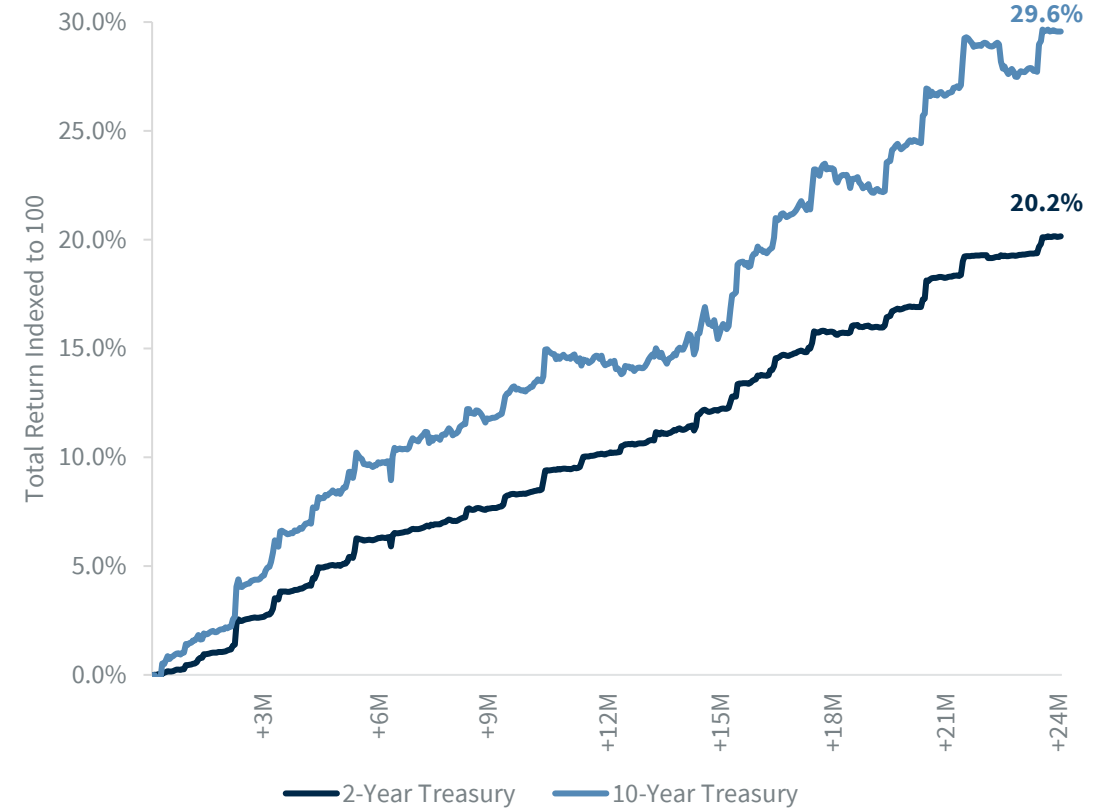
# LOOK TO LENGTHEN DURATION

INTEREST RATES ARE LIKELY TO MOVE LOWER OVER THE NEXT TWELVE MONTHS

### Yield Decline Following End of Fed Tightening Brings Elevated Reinvestment Risk



### Look to Lengthen Duration in Current Environment

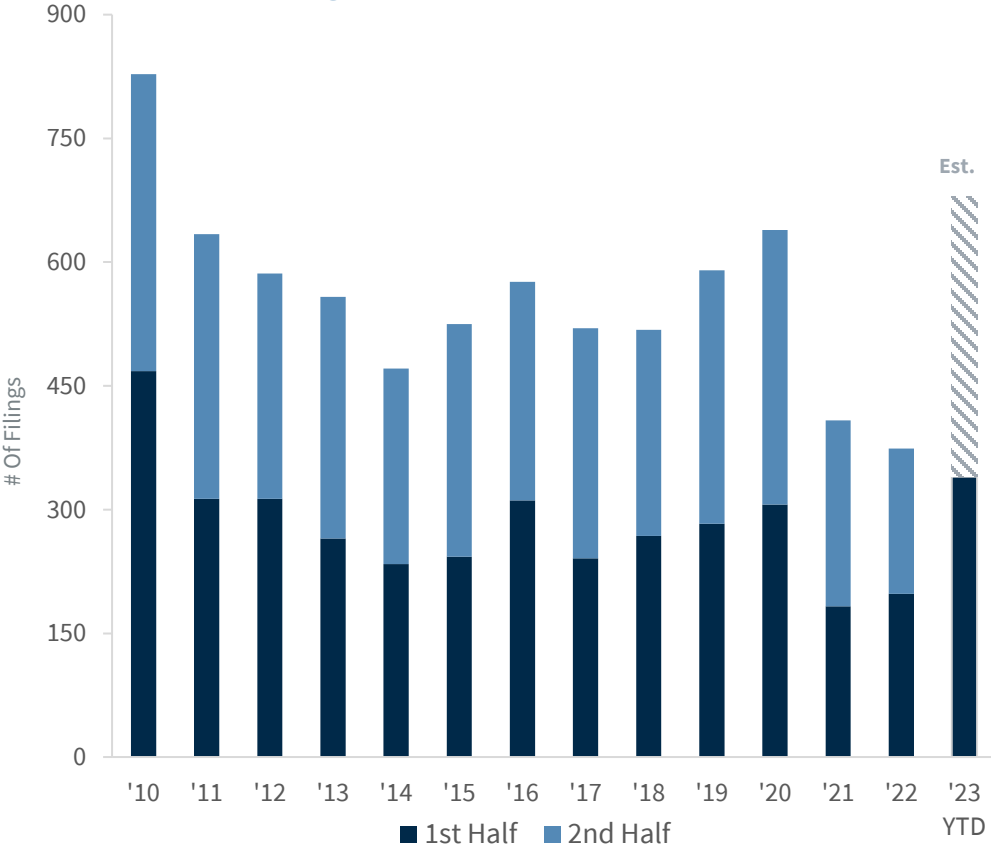


Source: FactSet, Data as of 9/25/2023. Data incorporates the last 8 tightening cycles.

# HEADWINDS FOR HIGH YIELD BUILDING

## HIGH YIELD LIKELY TO BE CHALLENGED IN RECESSIONARY ENVIRONMENT

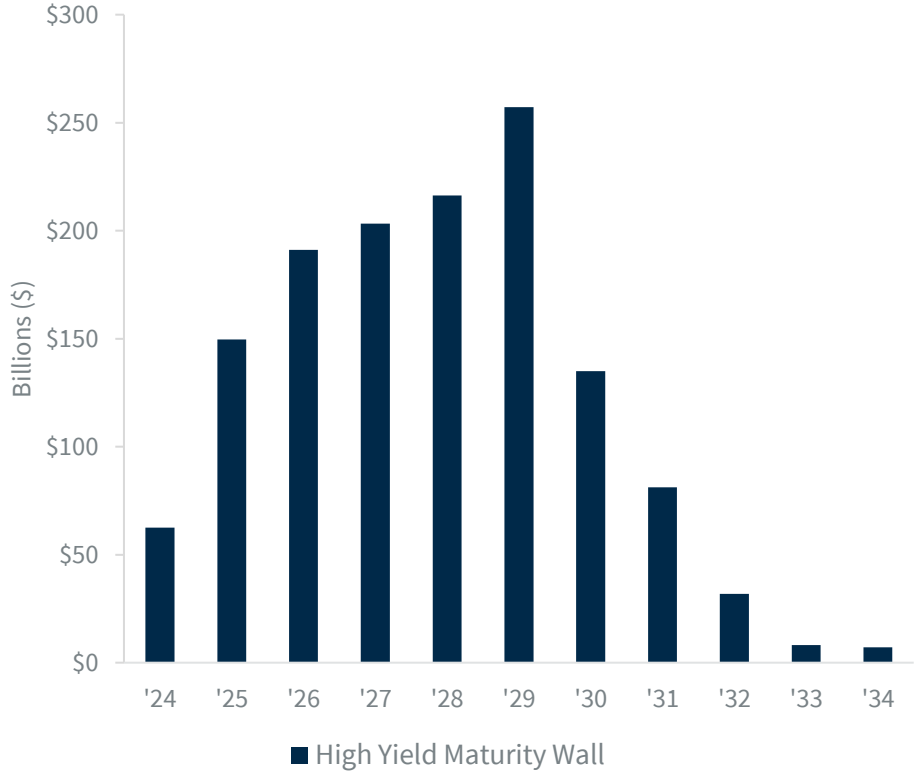
Rising Bankruptcies a Headwind



**\$63 Billion**

In Defaults Expected In 2024, 8<sup>th</sup> Largest Annual Amount On Record

Looming HY Refinancing Risk



Source: FactSet, Bloomberg. Data as of 9/24/2023.



# 6

## Equities

Earnings Will Need to be the Fuel (i.e., Popeye's Spinach) to Drive the Market Higher

### INSIGHT:

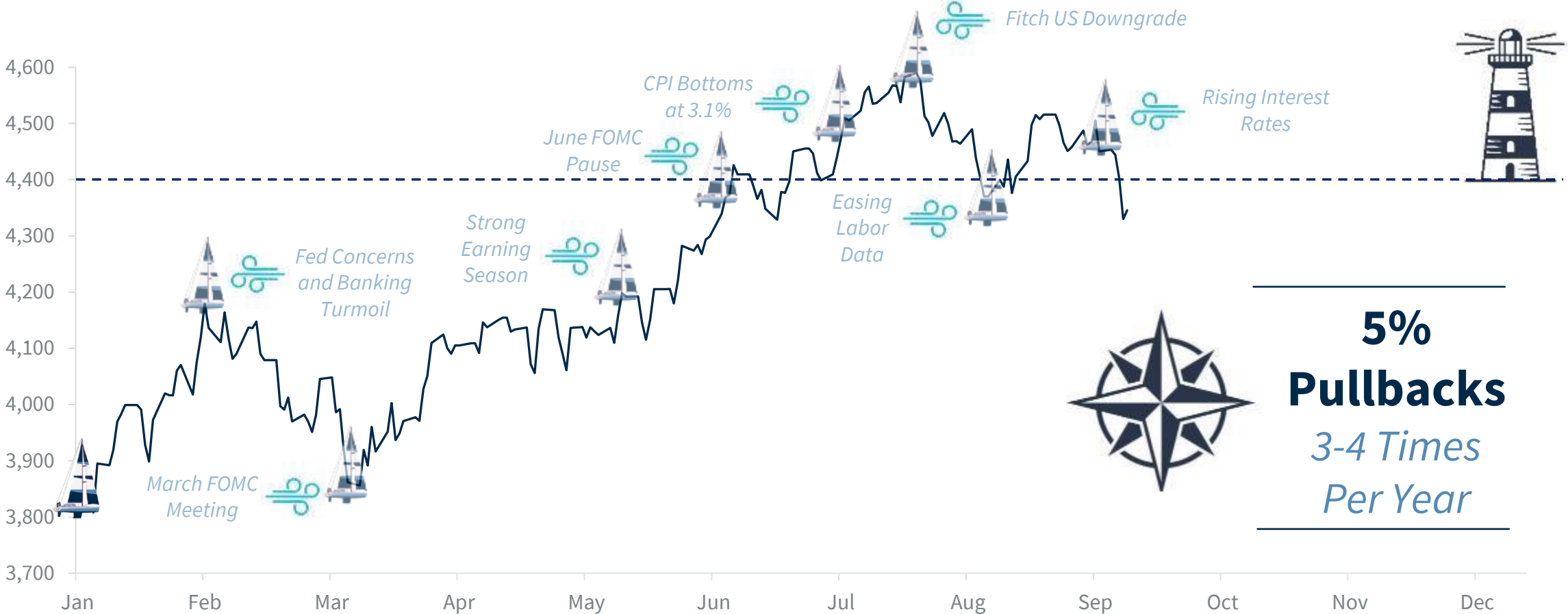
Throughout the current bull market, P/E expansion has been the driver of equity market returns. However, at this stage, earnings will be needed to propel the market higher.

### BOTTOM LINE:

We expect earnings to be challenged in the face of a mild recession. As a result, we forecast subdued equity returns over the next 12 months. We continue to favor the Tech, Health Care, Energy and Financials sectors.

# CHOPPY FEW MONTHS FOLLOWING SMOOTH SAILING FOR EQUITY MARKET

WHILE SAILING TO ITS YEAR-END DESTINATION, THE S&P MAY FACE TAILWINDS AND HEADWINDS. JUST AS A SAILBOAT TACKS TO PROGRESS IN THE DESIRED DIRECTION, THE STOCK MARKET FLUCTUATES UP AND DOWN TOWARD ITS YEAR-END TARGET.



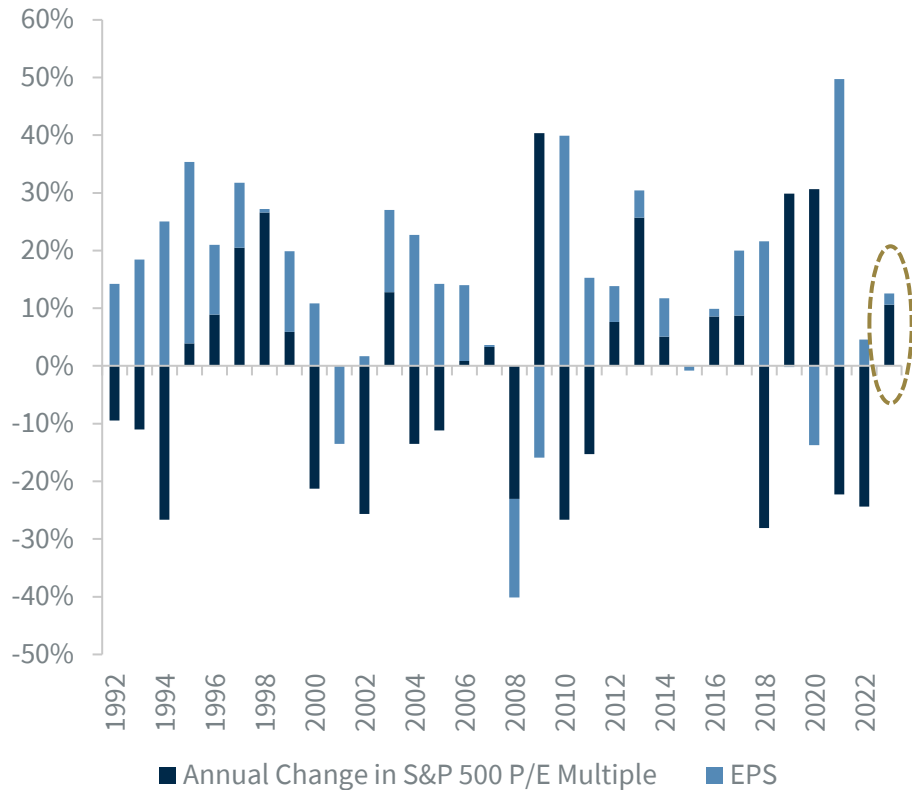
Source: Investment Strategy, FactSet. Data as of 9/30/2023.



# EARNINGS NEED TO BE THE FUEL TO DRIVE THE MARKET HIGHER

WHILE P/E EXPANSION HAS DRIVEN THE MARKET YEAR-TO-DATE, EARNINGS WILL NEED TO PROPEL THE MARKET HIGHER

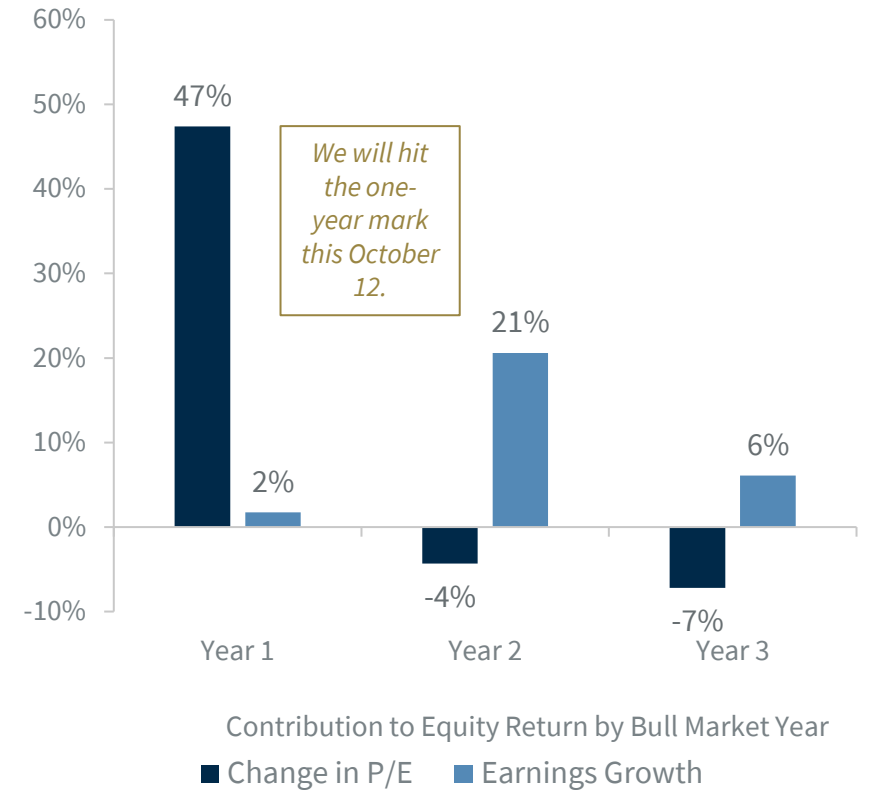
Solid Start to Year Driven by P/E Expansion



## Reasons for PE Expansion Year-to-Date

- Less Aggressive Fed
- Moderating Inflation
- Better Than Expected Economy
- Improving Sentiment

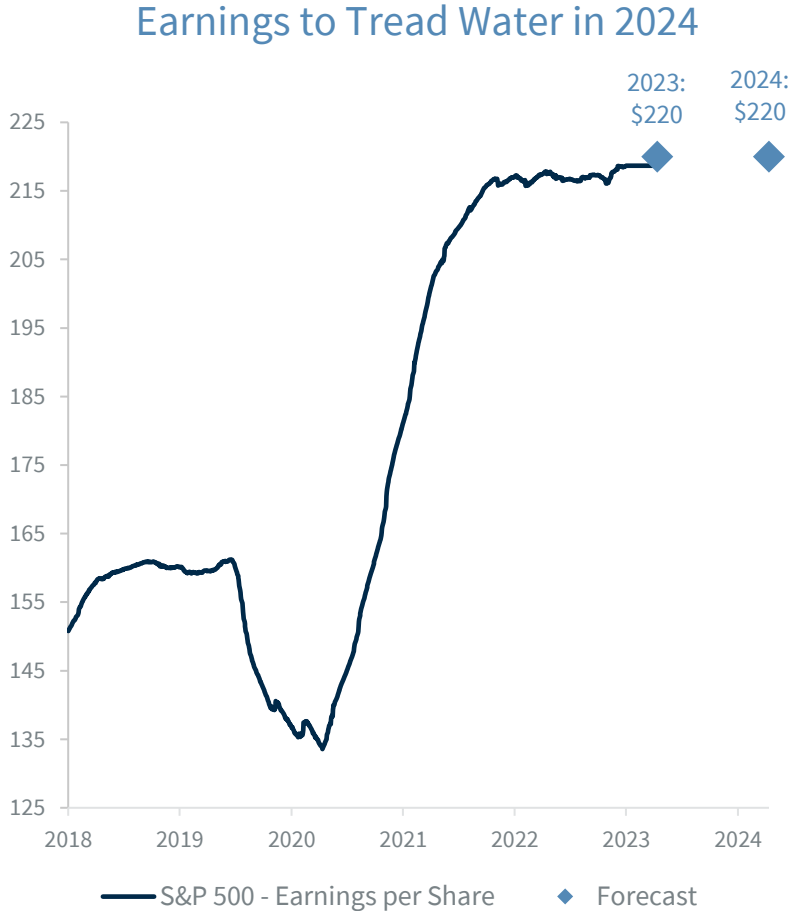
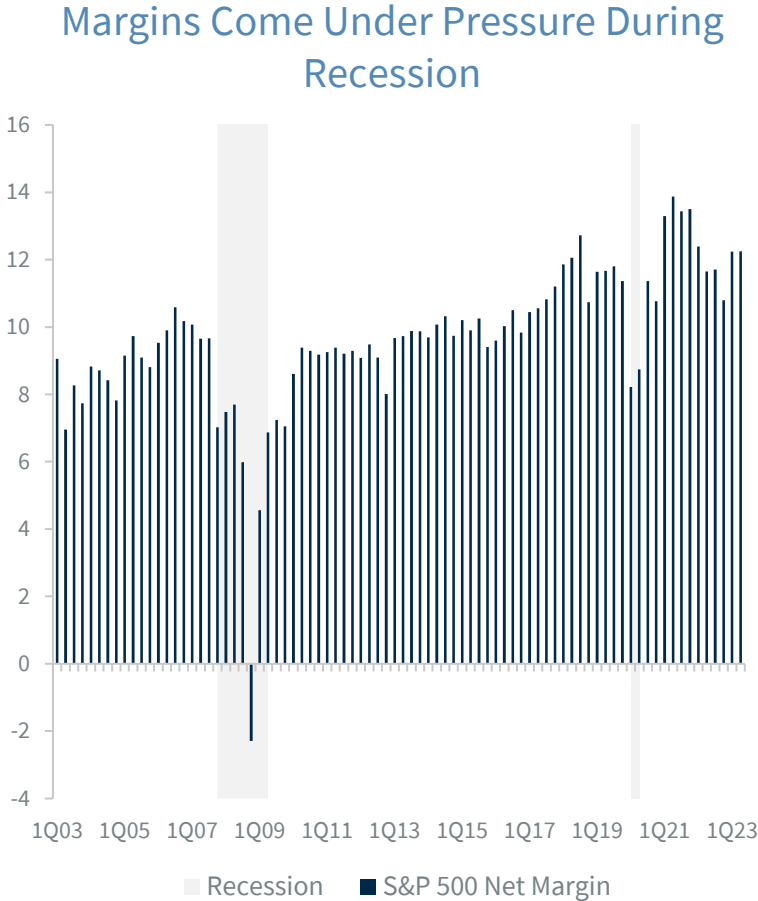
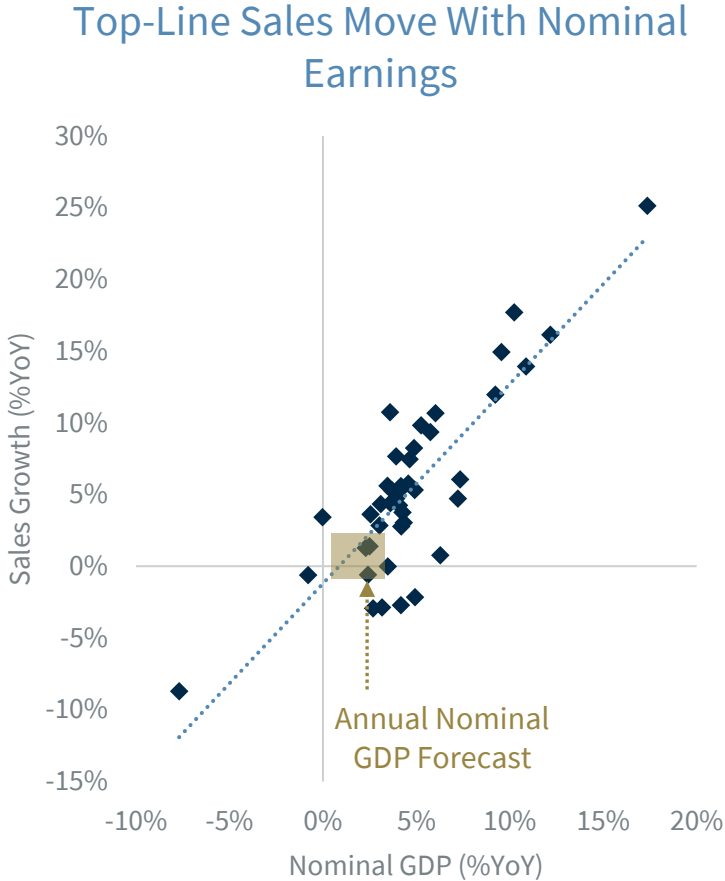
Earnings Are the Driver at this Stage of Cycle



Source: FactSet, Data as of 9/30/2023.

# EARNINGS ARE LIKELY TO TREAD WATER

## HEADWINDS FOR EARNINGS OVER THE NEXT 12 MONTHS

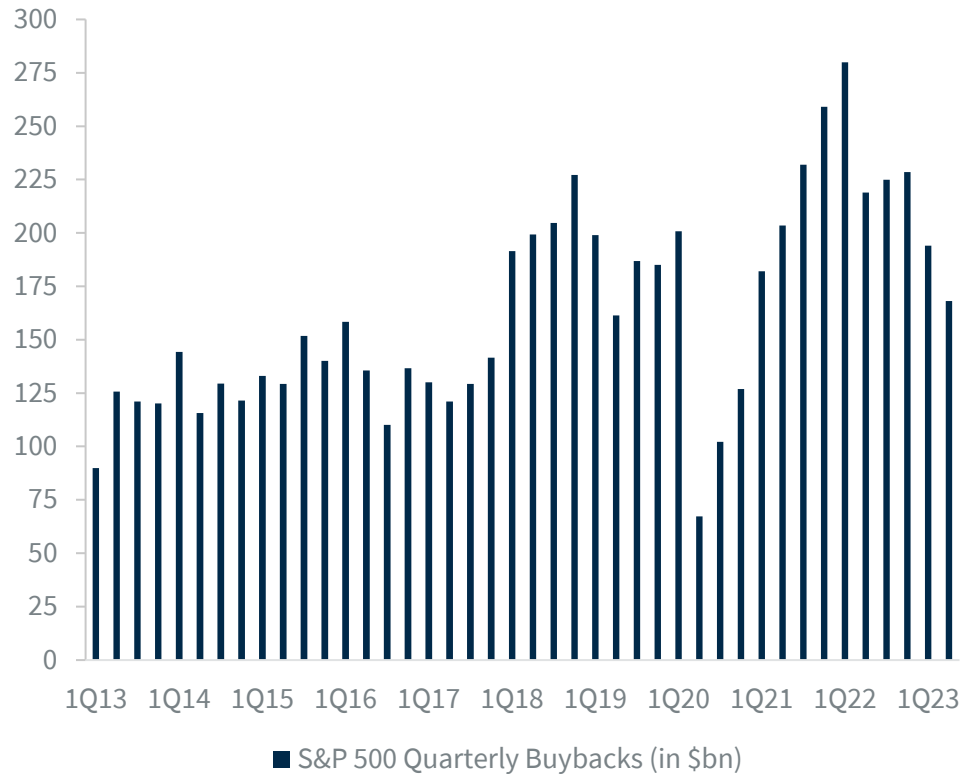


Source: FactSet, Data as of 9/30/2023.

# CHOPPY WATERS FOR EQUITY MARKET IN NEAR TERM

## NEAR-TERM HEADWINDS LIKELY TO LEAD TO CHOPPY WATERS FOR EQUITY MARKET

Corporate Activity (e.g., Buybacks) Slowing



**4,400**

Year-End 2023  
S&P 500 Target

**4,650**

12-Month  
S&P 500 Target

Equities No Longer As Attractive vs. Bonds



Source: FactSet, Data as of 9/30/2023.

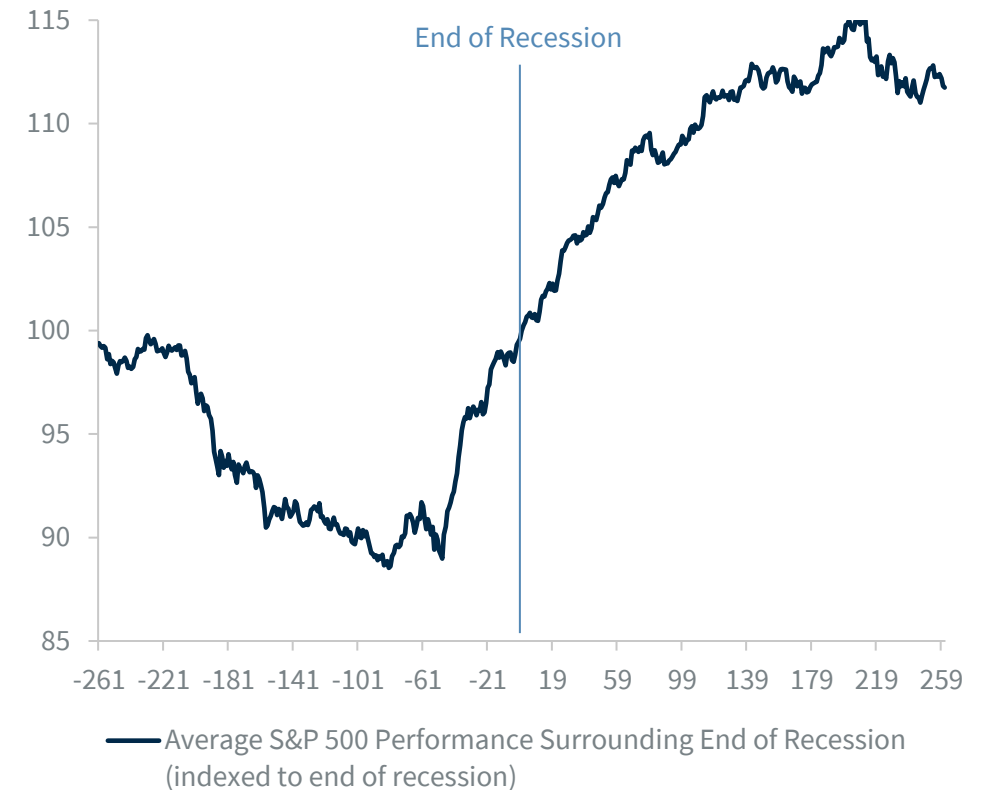
## WHY WE REMAIN OPTIMISTIC LONGER TERM ON THE EQUITY MARKET

### WE REMAIN OPTIMISTIC ON THE EQUITY MARKET LONGER TERM

#### Five Winds in the Equity Market Sails Longer Term

- 1 **Macro Factors** (Final Fed Rate Hike, Falling Interest Rates) Supportive
- 2 Markets Typically Rally **Following Recession**
- 3 Still in **Early Stages** of Bull Market Voyage
- 4 Record Amount of **Cash On Sidelines**
- 5 Subdued **Investor Sentiment**

#### Return Following Recession Leads to Upside Longer Term

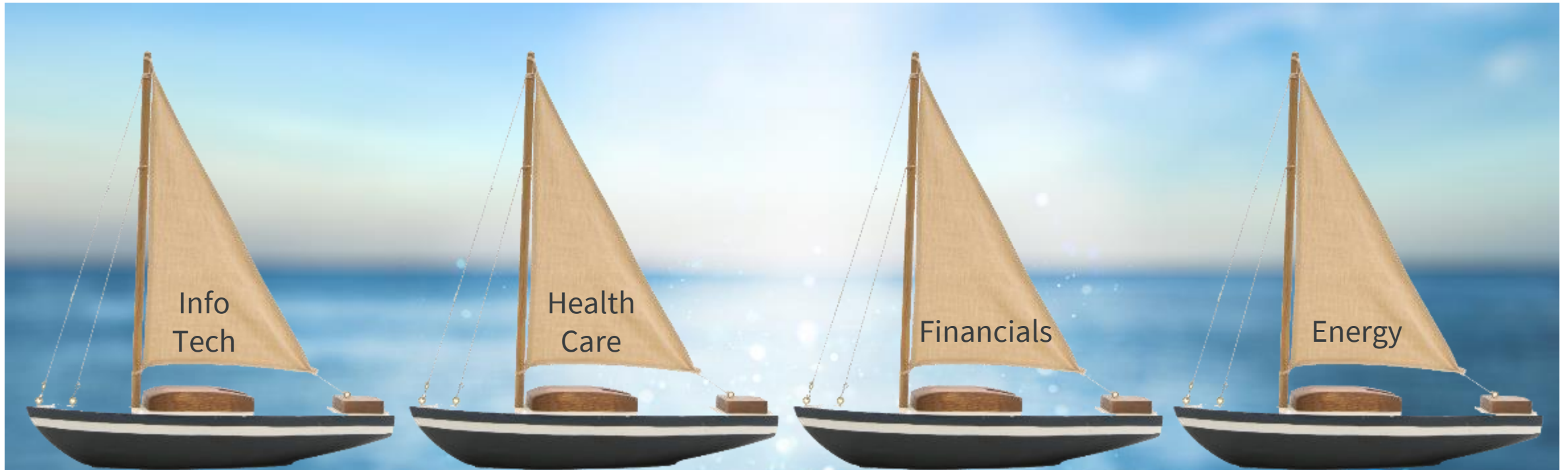


Source: FactSet, Data as of 9/30/2023.



## SECTOR SPOTLIGHT

### BUILDING THE FLEET OF OUR FAVORITE SECTORS



- Should benefit from long-term trend in AI
- Highest margins of any sector
- Consistently beat earnings estimates
- Well-diversified business strategy of mega-cap companies

- Trading at discount to historical average
- Trades well in sprints and climbs
- Aging demographics
- Historically strong earnings and revenue growth (good visibility)

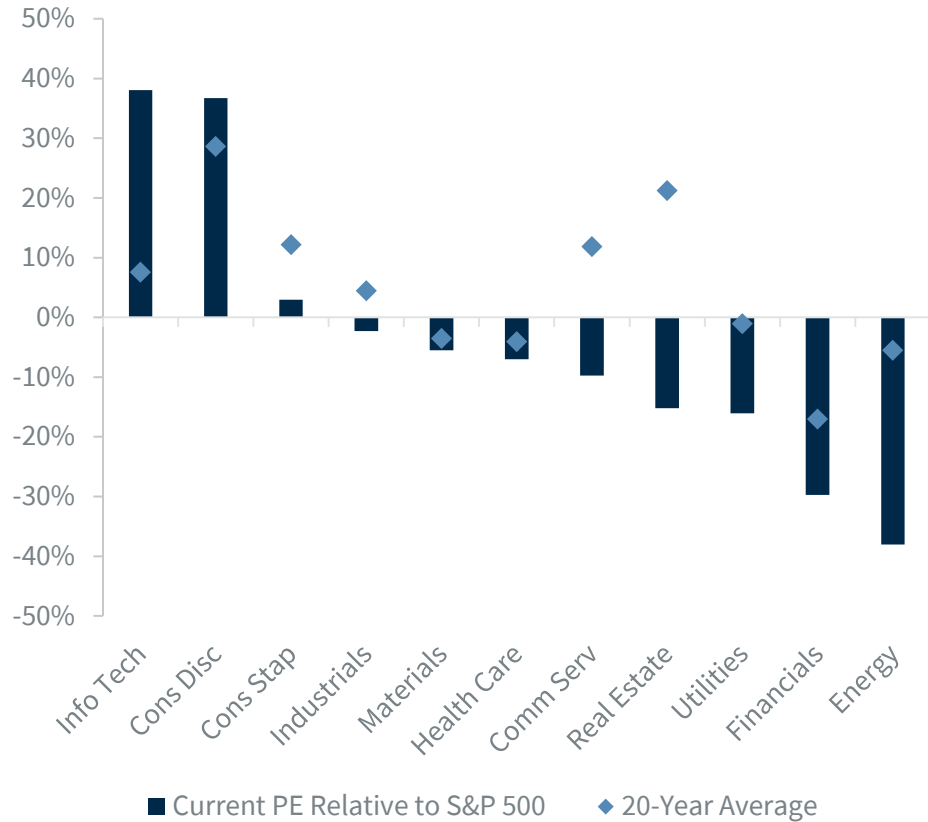
- Loan growth stabilizing
- Healthy EPS and revenue growth
- Corporate activity picking up
- Oversold sentiment a positive
- Healthy stress tests = increased dividends and buybacks

- Highest dividend + buyback yield of any sector
- Elevated oil prices
- Continued investment in green energy
- Increased capital discipline

## LOOKING INTO OUR FAVORITE SECTORS

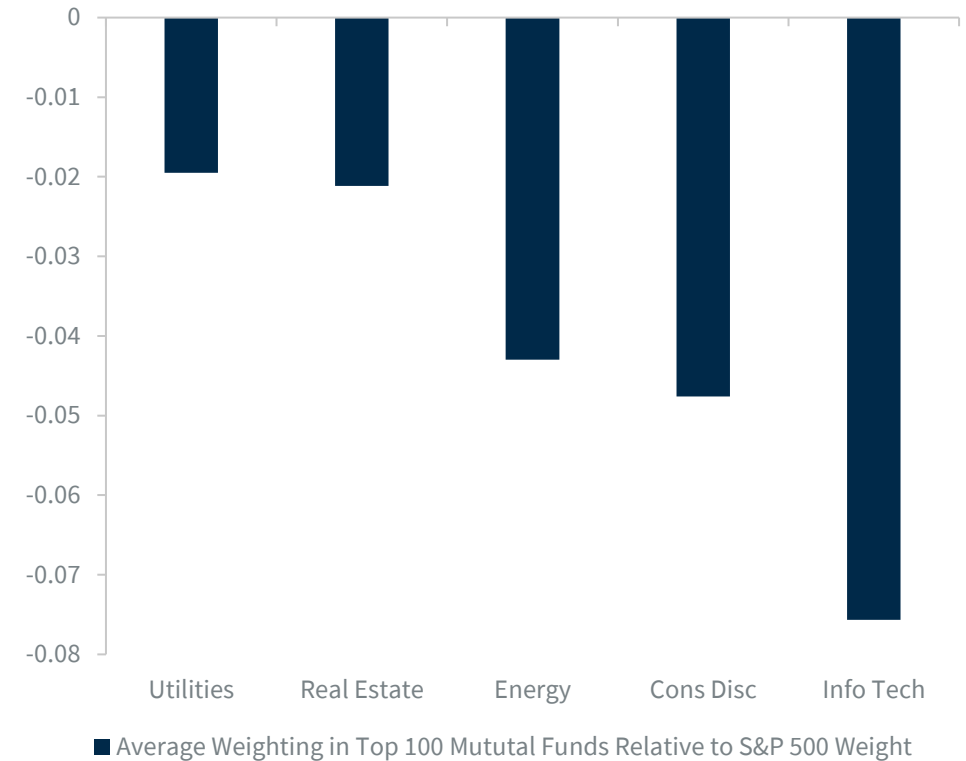
VALUATIONS AND POSITIONING ARE A FEW REASONS WHY WE LIKE OUR FAVORITE SECTORS

### Valuations Attractive in Our Favorite Sectors



**7.2%**  
Magnitude Of Tech Earnings Beats Vs. Expectations—the Most Of Any Sector Over Last Ten Years

### Tech the Largest Underweight Relative to Current Market Cap of Any Sector

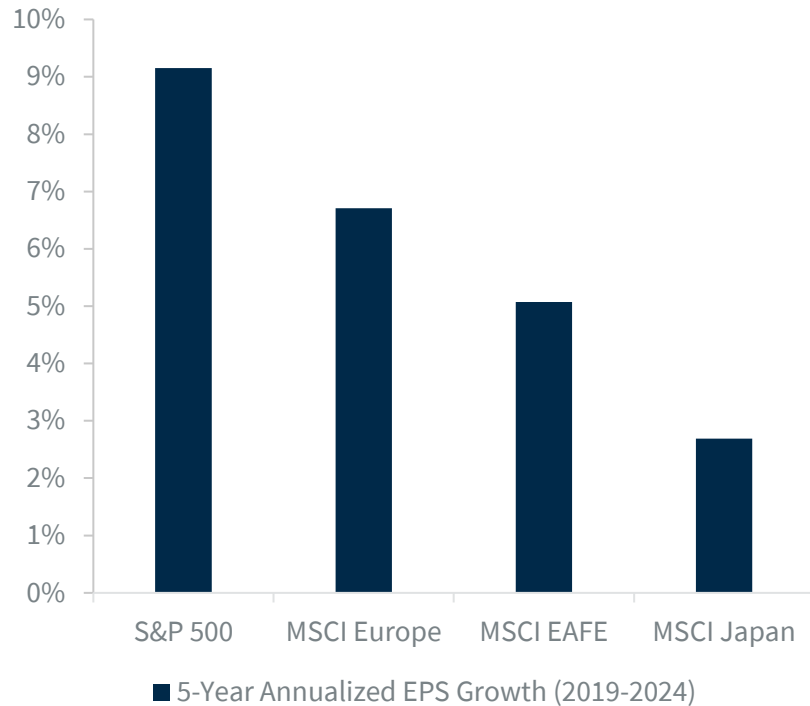


Source: FactSet, Data as of 9/30/2023.

## FAVOR THE US OVER DEVELOPED MARKETS

CONTINUE TO FAVOR THE US OVER INTERNATIONAL DEVELOPED MARKETS; OPPORTUNITIES ARISING IN EMERGING MARKETS

### US Earnings Outpace Global Counterparts



Source: FactSet, Data as of 9/30/2023.

### Five Reasons We See Opportunities in Emerging Markets

- 1 **Macro Factors** (Final Fed Rate Hike, Falling Interest Rates) Supportive
- 2 **Falling Inflation** Supportive of EM Starting Rate Cuts
- 3 Still in **Early Stages** of Bull Market Voyage
- 4 India and Mexico to Benefit from **Friendshoring**
- 5 Peak **China Pessimism?**

### Peak China Pessimism?

**US commerce secretary says companies see China as 'uninvestable'**

**China GDP: annual forecasts cut to below Beijing's target due to weak exports, property crisis**

'Avoid China' sentiment drives investors to U.S stocks:

**Western firms shift investment from China to India as worries mount**

China is looking less desirable to investors

China losing its shine: Foreign businesses pack up and venture to new horizons



# 7 Asset Allocation

Preparing to Enjoy Margaritaville

**INSIGHT:**

Similar to Jimmy Buffett's famous songs, visiting 'Margaritaville' and 'Enjoying a Cheeseburger in Paradise' is the goal of every long-term investor.

**BOTTOM LINE:**

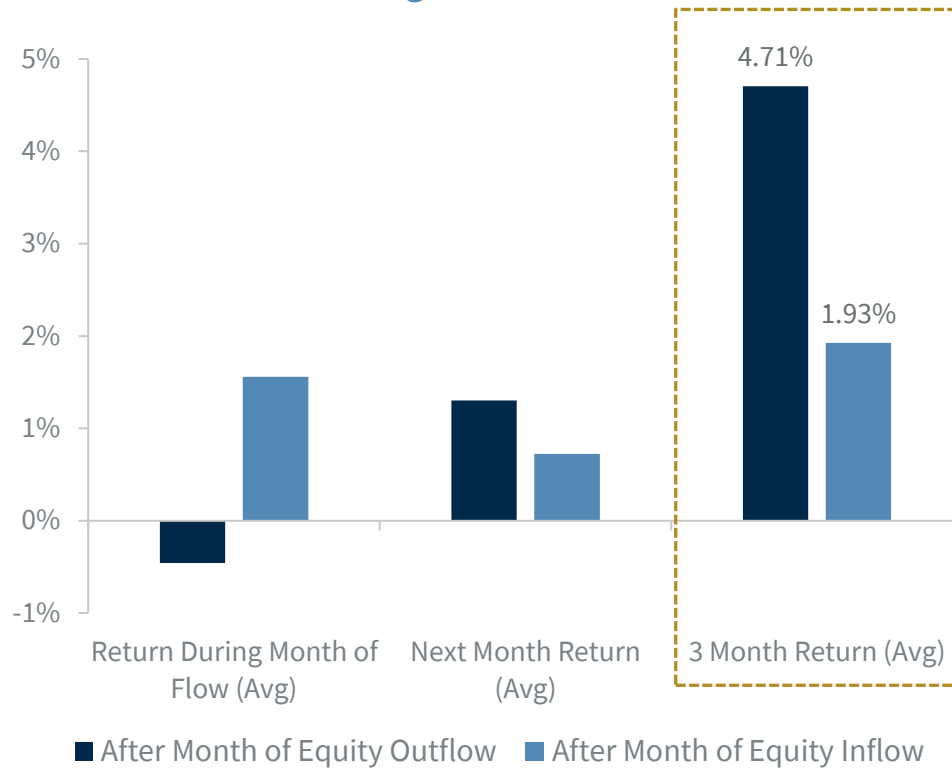
A balanced, well-rounded, and consistent long-term focused strategy is essential. Focus on diversification and asset allocation to help get you across your finish line.



## STICK TO INVESTING STRATEGY

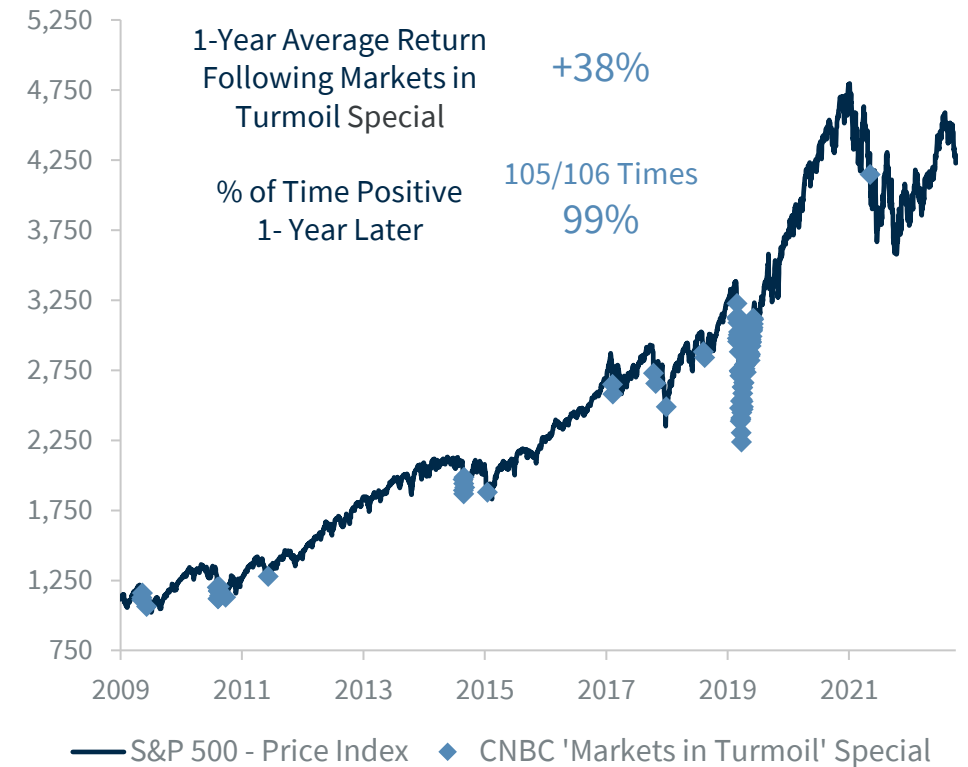
### OUTSIZED POSITIVE MARKET RETURNS OFTEN FOLLOW NEGATIVE EQUITY INVESTOR FLOWS

Market Typically Performs Better Following Months of Outflows



*“Be fearful when others are greedy and greedy when others are fearful.”*  
**-Warren Buffett**

Positive Performance Following ‘Markets in Turmoil’



Source: FactSet (ETF US Large Cap Equity Flows), Data from 2010-2023, Data as of 9/30/2023.

## LESSONS FROM JIMMY BUFFETT

JIMMY BUFFETT TURNED MUSIC AND LIFESTYLE INTO A \$1 BILLION EMPIRE



**“Without geography  
you’re nowhere.”**

*You Need to Have a Plan and Strategy*

**“It takes no more time to see the good  
side of life than it takes to see the bad.”**

*Bad News ‘Sells;’ Balance Optimism with Pessimism*



**“Go fast enough to get there but  
slow enough to see.  
Moderation seems to be the key.”**

*Match Your Risk Tolerance to Goals and Objectives*

**“I can’t change the direction of the  
wind, but I can adjust my sails to  
always reach my destination.”**

*Monitor Your Progress; Make Adjustments as Needed*



**“Breathe in, breathe out, move on...”**

**“Quitting doesn’t enter my mind.”**

*Do Not Panic, Keep to Your Long-Term Plan*

**“It’s 5 O’Clock Somewhere,”  
“Cheeseburger in Paradise,” and  
“Margaritaville”!**

*The Goal of Investing—Long-Term Success*



— Jimmy Buffett

---

## UPCOMING WEBINARS

---

**Nov 6 | 4:00 pm E.T.**

Market Outlook and Timely Investment Topics

*This presentation will discuss recent market and economic trends and impacts.*

---

## SOCIAL MEDIA

---



FOLLOW OUR CIO  
ON TWITTER

[@LARRYADAMRJ](#)



FOLLOW OUR CIO  
ON LINKEDIN

[Larry Adam](#)



---

**SOCIAL MEDIA**

---



**FOLLOW RAYMOND  
JAMES ON TWITTER**

**@RAYMONDJAMES**

---

## INVESTMENT STRATEGY GROUP

---

**Lawrence V. Adam III, CFA, CIMA<sup>®</sup>, CFP<sup>®</sup>**

*Chief Investment Officer*

**T. 410.525.6217**

[larry.adam@raymondjames.com](mailto:larry.adam@raymondjames.com)

**Eugenio J. Alemán, PhD**

*Senior Vice President, Chief Economist*

**T. 727.567.2603**

[eugenio.aleman@raymondjames.com](mailto:eugenio.aleman@raymondjames.com)

**Matt Barry, CFA**

*Investment Strategy Analyst*

**T. 410. 525. 6228**

[matt.barry@raymondjames.com](mailto:matt.barry@raymondjames.com)

**Matthew Ziyadeh, CFA, CIPM<sup>®</sup>**

*Investment Strategy Analyst*

**T. 727. 567. 8984**

[matthew.kurayaziyadeh@raymondjames.com](mailto:matthew.kurayaziyadeh@raymondjames.com)

**Matt Hanna, CFA, FRM, CAIA**

*Director, Asset Alloc. & Quant. Strategy*

**T. 727.567.4978**

[matt.hanna@raymondjames.com](mailto:matt.hanna@raymondjames.com)

**Giampiero Fuentes, CFP<sup>®</sup>**

*Economist*

**T. 727.567.5776**

[giampiero.fuentes@raymondjames.com](mailto:giampiero.fuentes@raymondjames.com)

**Tracey Manzi, CFA**

*Senior Investment Strategist*

**T. 727.567.2211**

[tracey.manzi@raymondjames.com](mailto:tracey.manzi@raymondjames.com)

**Talley Léger**

*Senior Equity Strategist*

**T. 410.525.6228**

[talley.leger@raymondjames.com](mailto:talley.leger@raymondjames.com)

**Anne B. Platt, AWMA<sup>®</sup>, AIF<sup>®</sup>, RICP<sup>®</sup>**

*VP, Investment Strategy*

**T. 727.567.2190**

[anne.platt@raymondjames.com](mailto:anne.platt@raymondjames.com)

**Michael Payne**

*Investment Strategy Analyst*

**T. 410. 525. 6232**

[mike.payne@raymondjames.com](mailto:mike.payne@raymondjames.com)

**Lindsay Smith**

*Investment Strategy Analyst*

**T. 727.567.3335**

[lindsay.smith@raymondjames.com](mailto:lindsay.smith@raymondjames.com)

---

## DISCLOSURES

The views expressed in this commentary are the current opinion of the Chief Investment Office, but not necessarily those of Raymond James & Associates, and are subject to change. Information contained in this report was received from sources believed to be reliable, but accuracy is not guaranteed. Past performance is not indicative of future results. No investment strategy can guarantee success. There is no assurance any of the trends mentioned will continue or that any of the forecasts mentioned will occur. Economic and market conditions are subject to change. Investing involves risks including the possible loss of capital. Material is provided for informational purposes only and does not constitute a recommendation. Asset allocation do not ensure a profit or protect against a loss. Diversification and asset allocation do not ensure a profit or protect against a loss. Dollar-cost averaging cannot guarantee a profit or protect against a loss, and you should consider your financial ability to continue purchases through periods of low price levels.

**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. Investing in emerging markets can be riskier than investing in well-established foreign 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.

**WEST TEXAS INTERMEDIATE** | West Texas Intermediate can refer to a grade or a mix of crude oil, and/or the spot price, the futures price, or the assessed price for that oil; colloquially WTI usually refers to the price of the New York Mercantile Exchange WTI Crude Oil futures contract or the contract itself.

**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.

**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.

**US TREASURY INDEX** | An index based on recent auctions of US Treasury bills and is commonly used as a benchmark when determining interest rates, such as mortgage rates.

**CAPEX** | CAPEX Capital Expenditures are funds used by a company to acquire, upgrade, and maintain physical assets such as property, plants, buildings, technology, or equipment. CapEx is often used to undertake new projects or investments by a company.

### 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.

**US DOLLAR** | The U.S. Dollar Index is an index (or measure) of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies. The Index goes up when the U.S. dollar gains "strength" (value) when compared to other currencies.

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

---

---

## US INDEXES AND EQUITY SECTORS DEFINITION

**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.

**RUSSELL 2000** | **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.

## 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** | **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.

**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.

**GERMAN BUND** | A bund is a debt security issued by Germany's federal government, and it is the German equivalent of a U.S. Treasury bond.

**SMALL CAP** | Investing in small-cap stocks generally involves greater risks, and therefore, may not be appropriate for every investor. The prices of small company stocks may be subject to more volatility than those of large company stocks.

**LARGE-CAP STOCK** | also known as big caps are shares that trade for corporations with a market capitalization of \$10 billion or more. Large-cap stocks tend to be less volatile during rough markets as investors fly to quality and stability and become more risk-averse

**MSCI AC WORLD EX-US** | The **MSCI AC ex USA** Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 26 Emerging Markets (EM) countries\*. With 2,215 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

**LATAM** | **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.

**ASIA 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.

## COMMODITIES DEFINITION

**BLOOMBERG COMMODITY INDEX** | Bloomberg Commodity Index is a commodity group sub index of the Bloomberg CITR. The index is composed of futures contracts on crude oil, heating oil, unleaded gasoline and natural gas. It reflects the return on fully collateralized futures positions and is quoted in USD.

**WTI** | West Texas Intermediate can refer to a grade or a mix of crude oil, and/or the spot price, the futures price, or the assessed price for that oil; colloquially WTI usually refers to the price of the New York Mercantile Exchange WTI Crude Oil futures contract or the contract itself.

**BLOOMBERG EMERGING MARKETS AGGREGATE BOND INDEX** | The Bloomberg s Emerging Markets Aggregate Bond Index is a flagship hard currency Emerging Markets debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers.

**ZILLOW OBSERVED RENT INDEX** | A measure of the typical home value and market changes across a given region and housing type. It reflects the typical value for homes in the 35th to 65th percentile range. Available as a smoothed, seasonally adjusted measure and as a raw measure.



---

[ADOBE DIGITAL PRICE INDEX](#) | The Digital Price Index is the most comprehensive measure of inflation in the digital economy, and it's made possible by the ability of Adobe Analytics to turn terabytes of data into useable insights.

[NAR HOUSING AFFORDABILITY INDEX](#) | The Housing Affordability Index measures whether or not a typical family earns enough income to qualify for a mortgage loan on a typical home at the national and regional levels based on the most recent price and income data.

[COX AUTOMOTIVE INDEX](#) | The Cox Automotive/Moody's Analytics Vehicle Affordability Index measures the ability of a household earning the median income to afford the purchase of an average-priced automobile.

## 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.

## 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.

CFA® and Chartered Financial Analyst® are registered trademarks owned by CFA Institute.

## DATA SOURCES:

FactSet.

---

# RAYMOND JAMES

INTERNATIONAL HEADQUARTERS: THE RAYMOND JAMES FINANCIAL CENTER

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

RAYMONDJAMES.COM

---

Investment products are: not deposits, not FDIC/NCUA insured, not insured by any government agency, not bank guaranteed, subject to risk and may lose value.

© 2023 Raymond James & Associates, Inc., member New York Stock Exchange/SIPC. © 2023 Raymond James Financial Services, Inc., member FINRA/SIPC.

Raymond James® is a registered trademark of Raymond James Financial, Inc.

---

**RAYMOND JAMES**