THOUGHTS OF THE WEEK

Larry Adam, Chief Investment Officer

Follow Larry Adam on Twitter: @LarryAdamRJ

Record-breaking heat waves dominate the news headlines, with 2023 shaping up to be one of, if not the hottest year on record. Extreme temperatures are shattering records across the US, Europe and in parts of Asia—not just on land, but also in the sea. And temperatures are not the only thing heating up these days. With the historically strong job market and very low unemployment rate, labor market disputes are on the rise. Just look at the number of strikes and wage negotiations going on right now—from the Writers and Screen Actors Guilds, to the Teamsters to the United Auto Workers Union. In fact, UPS (one of the nation's largest package carriers) reached a tentative deal with the Teamsters Union, averting the biggest labor walkout since the 1950s and any potential negative impacts on the economy. While labor unrest is building, we do not expect the uptick in strike activity to have a meaningful impact on the Fed, the economy, or the markets. Here's why:

Key Takeaways

Strike Activity Remains Muted By Historical Standards

Strike-Related Wage Deals Not Likely To Sway The Fed

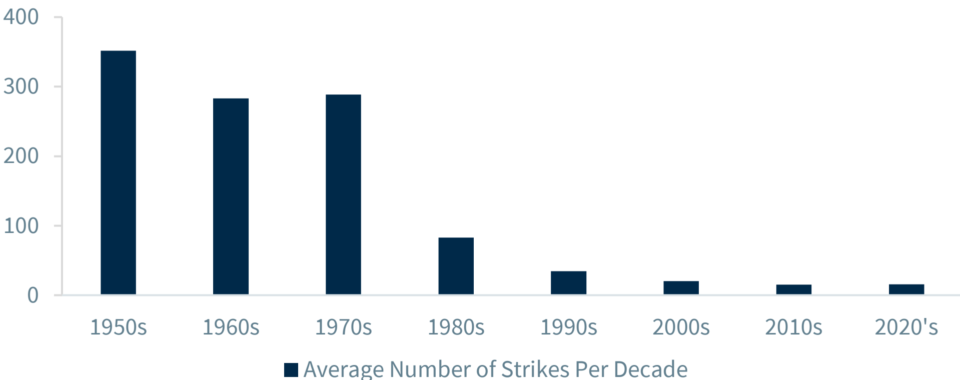
Corporate Margins Have Room To Absorb Wage Increases

- **Headline Risks 'Steamier' Than Actual Impact |** The ominous-sounding headlines about strikes and disruptions are not as bad as they appear. Yes, it is true that the Bureau of Labor Statistics (BLS) reported that strike activity is up 44% from 2022 and on pace to be the highest since 2000. But beneath the headlines, there have only been 16 strikes with more than 1,000 workers this year, which pales in comparison to prior decades. For example, the average number of strikes from 1950 through 1980 was over 300 per year. In addition, the total combined number of current workers on strike (~213k) is a tiny fraction of the total workforce (~0.1% of total employment). A big reason: union membership has been halved—down from over 20% of the total workforce in 1983 to ~10% today.
- **'Hot' Strike Activity Uncorrelated With Wage Growth |** Federal Reserve officials have been outspoken about the need to bring the labor market into balance as the historically low unemployment level has been driving up wages, which are running at a 4.4% annual rate.* And with the eye-popping wage increases that some of the labor negotiations have secured this year (i.e., United Airline Pilot's 40% pay increase over the next four years), many wonder whether the recent uptick in strike activity could cause the Fed to tighten policy further. Our analysis of prior strikes suggests that strike-related wage increases have historically been one-off occurrences and have not led to sustained, broad-based inflation. In fact, years with the largest strike activity have shown no correlation between either the number of strikes or the number of workers striking with nominal and real wage growth. While there are concerns that inflation could re-accelerate as it did in the 1970s (not our base case), we do not expect these one-off increases to meaningfully lift overall wage pressures in the broader economy, particularly if labor market conditions soften as we expect.
- **Labor Negotiations Unlikely To Derail 'Hot Spell' In Margins |** The tight labor market has led to concerns that rising wages could negatively impact corporate earnings and margins. Rightfully so, as labor costs typically represent the biggest expense for companies and, over the last thirty years, corporations have benefitted as profits have increased at nearly double the pace of compensation.* This trend has reversed over the last 12 months though, as a robust labor market and slowing earnings have led to compensation growth outpacing earnings growth. But that should be a temporary phenomenon. The good news for corporations is they have increased selling prices to partially offset increased wages. And moving forward, as inflationary pressures subside further, wage pressures should as well. In addition, technology solutions will gradually replace some workers to support cost containment and margins. However, one area that could see a bigger risk to margins is the industrials sector. Why? Most of the recent/upcoming strikes are within the industrials sector (e.g., UPS, United, American Airlines, Boeing) that has the second lowest margin of any sector and wages make up the third highest percentage of operating expenses. The above-average wage increases seen from some of the labor agreements could pressure margins for some of these large cap companies and are one reason we are neutral on industrials.
- **Dampening Of 'Red-Hot' Job Market Should Provide Some Relief |** Fed policymakers had hoped that job gains would taper off, but labor market conditions have been resilient up to this point. In fact, the unemployment rate is surprisingly at the same level (3.6%) it was when the Fed began its tightening cycle last March. However, labor conditions are in the process of easing as job openings have dropped, the quits rate has fallen, and the pace of job growth has moderated. This cooling has alleviated some upward pressure on wages, which have declined from a peak of 6% last March to 4.4% currently.* And as the Fed's restrictive policy slows both growth and inflation, workers' leverage may diminish even further, particularly as the economy likely slips into a mild recession late this year.

CHART OF THE WEEK

Strike Activity Has Diminished Over The Years!

While strike activity has picked up this summer, it is rising from a very low base—far below levels seen in prior decades — and the data show that union membership remains near record low levels.



Source: FactSet

*See Charts of the week on page 3.

RAYMOND JAMES

ECONOMY

- 2Q23 GDP growth (+2.4% quarter-over-quarter, annualized) is not as robust as the headline number indicates.* Personal Consumption Expenditure (PCE) contribution to GDP growth slowed from 2.79 percentage points (pp) in Q1 to just 1.12pp in Q2. Recall that PCE is not only about 70% of GDP, but it is also the most stable component of GDP. On the other hand, the Gross Private Domestic Investment component—the most volatile component—contributed 0.97 pp in Q2, up from -2.2 pp in Q1.
- New Home Sales declined 2.5% month-over-month (MoM) but continue to trend upward year-to-date. Meanwhile, Pending Home Sales—a precursor of future Existing Home Sales—increased slightly (0.3% MoM) but remains at low levels. This supports our view of a stabilizing housing market that is facing a shortage of existing homes for sale.
- The price index for Personal Consumption Expenditures, both headline as well as core (excl. food and energy) prices, increased at their lowest rate in around two years—3.0% and 4.1% year-over-year, respectively.*
- **Focus of the Week:** Highlights for next week include the ISM indices reports, where we expect the Manufacturing Sector to record its ninth consecutive contractionary month while the Services Sector remains in expansion. In addition, two important labor market reports will be out next week: the Employment Report and the Job Openings Report. We expect the former to record 140k jobs added to the economy, while the latter to remain below 10 million available jobs for the fourth month out of the last five months.

July 31 – August 4

MON		WED		FRI	Employment Report
TUE	JOLTS Construction Spending ISM Manufacturing	THU	ISM Services Jobless Claims Durable/Factory Orders	FUTURE EVENTS	8/8 NFIB Small Business Index 8/10 CPI 8/11 PPI

US EQUITY

- All good things must come to an end. The Dow Jones Industrial Average fell on Thursday after a record-tying 13 straight green days. The price action following the BOJ yield curve control (YCC) leak on Thursday resulted in a bearish engulfing candlestick across multiple major indices. For technicians, this is one of the more powerful candles and often signals that the positive trend will reverse. Continued caution, particularly over the next few sessions as we await confirmation, is warranted.
- So far, there has been strong follow through in the 2Q earnings season after the impressive 1Q results. As of this writing, the average EPS surprise has been 6.2% which remains well above the 2022 average surprise of 2.6%.* That dynamic has stabilized earnings revisions while keeping the more than 12% EPS growth projection alive for 2024 and 2025. Those projections have fueled the market rally and are the justification for current valuations. We maintain our 4,400 year-end target, as we expect the bulls to take a breather.
- **Focus of the week:** This week saw 167 of S&P 500 companies report earnings, but next week is more active with 171 S&P 500 companies reporting. Some key tech-related names will be in focus, with Apple and Amazon (which collectively make up a ~6% earnings weight in the S&P 500) set to report results. Other sectors to watch are Energy, specifically oil and gas, and Health Care with Merck, Pfizer, and Moderna reporting.

FIXED INCOME

- Treasury yields drifted higher in response to better than expected economic data (i.e., Q2 GDP, durable goods, consumer confidence, housing data), which boosted hopes of a soft, non-recessionary landing. The Fed's decision to hike rates an additional 25 bps, bringing the fed funds rate to a 22-year high of 5.25%-5.5%, was widely anticipated. While Powell left the door open for further tightening, our expectation is that growth and inflation will continue to decelerate in the next few months, making it a toss-up whether further rate hikes will be needed. However, we do believe that one more 25 bps rate hike is still in play. Powell's press conference contained some interesting insights; 1) the staff is no longer calling for a recession, 2) interest rates are sufficiently restrictive and 3) policy is likely to become more restrictive as inflation falls, therefore rate cuts are likely coming before inflation hits the 2.0% target. This latest drift higher in yields is another good opportunity to lock in higher interest rates out the curve.
- The ECB raised its key deposit rate for the ninth consecutive time to 3.75%—a 23-year high. While ECB President Lagarde maintains the ECB will remain data dependent, the loss of momentum in the Eurozone economy and steep drop in loan demand suggests the end of the rate tightening cycle is near—which is concerning because core inflation is running at 5.5%, well above the ECB's 2.0% inflation target and policy rates.
- The Bank of Japan (BOJ) maintained its negative interest rate policy but made another adjustment to its yield curve control target. The 10-year Japanese Government bond target remains pegged at 0.0%, but the BOJ has moved its +/- 0.50% tolerance band to a "flexible" target, with the upper limit now capped at 1.0%. This move will allow the BOJ to control the rise in longer-maturity yields as domestic inflationary pressures continue to build.
- **Focus of the Week:** All eyes will be on the release of the Senior Loan Officer survey. While banking stress has receded, the report is likely to show ongoing tightening in consumer and business lending and a slowdown in loan demand. Next week will also bring rate decisions from the Australian, UK and Brazilian central banks.

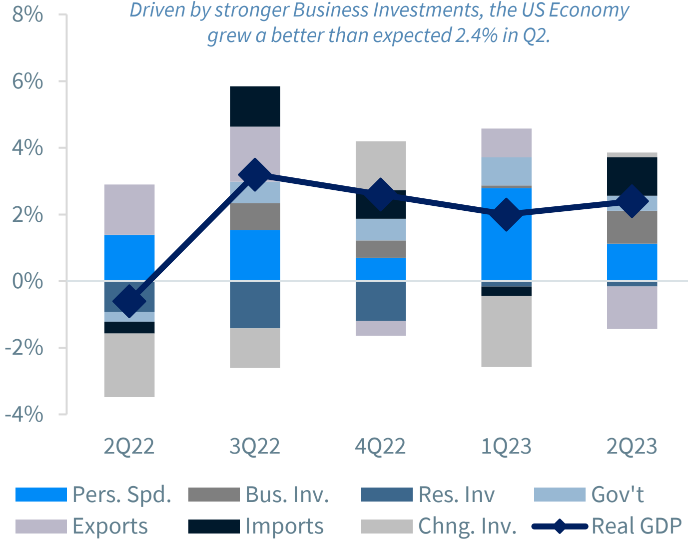
POLITICS

- Federal banking agencies released a draft rule on Thursday that would lower the threshold for enhanced capital standards to banks with $100 billion and more in assets. The enhanced rules currently apply to banks with more than $250 billion in assets but following a long-term review of capital standards predating recent banking volatility and the collapse of Silicon Valley Bank (approx. $210B in assets) and Signature Bank ($110B in assets), regulators have expressed a need to apply the stricter requirements to a wider range of institutions. The proposal to implement the Basel III endgame would apply uniform regulatory capital calculations, AOCI requirements (i.e., unrealized losses on securities categorized as available-for-sale), and new frameworks for calculating risk-weighted assets for banks with more than $100 billion in assets. Full implementation of the new standards worldwide should be completed in 2028.

*See Charts of the week on page 3.

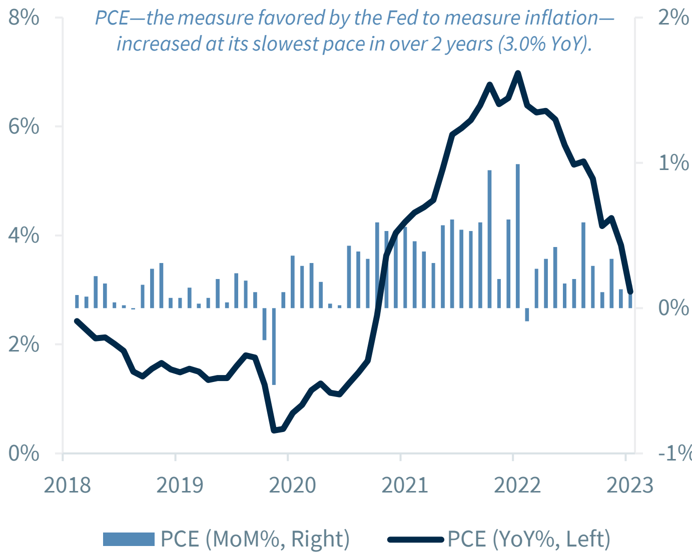
Charts of the Week

US Economy Grows, Topping Expectations

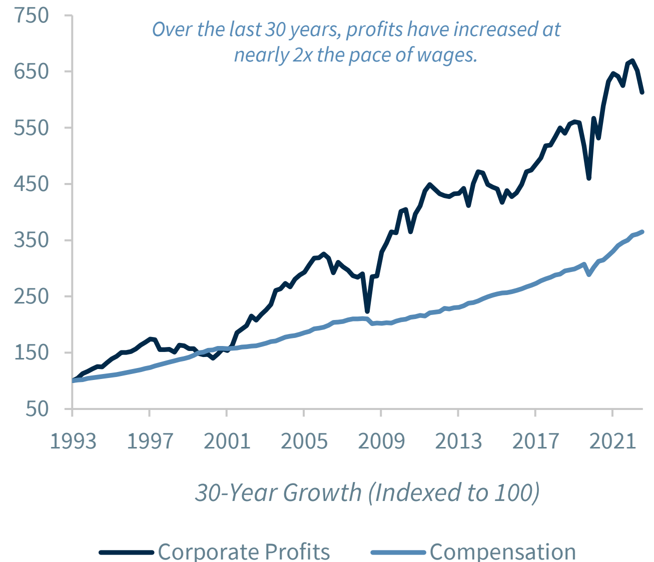


Consumer Confidence Jumps

Key Fed Inflation Metric Falls Further

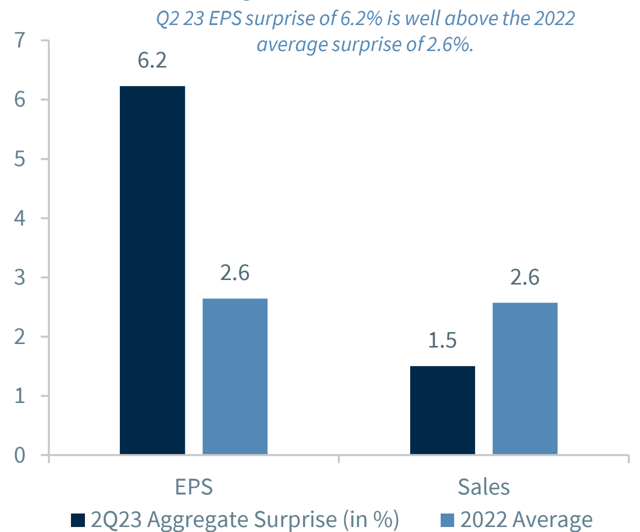


Corporate Profits Far Outpace Wages



Wage Pressures Have Eased Over The Last Year

Positive Earnings Surprise Trends Buoys Stocks



* Index definitions can be found on the disclosure pages

Asset Class Performance | Distribution by Asset Class and Style (as of July 27)**

Weekly Returns (as of July 27)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	0.1%	0.0%	-0.2%
Mid Cap	-0.4%	-0.6%	-0.9%
Small Cap	-0.2%	-0.6%	-1.1%

International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	1.3%	0.6%	1.8%
Mid Cap	1.9%	0.5%	1.4%
Small Cap	1.0%	-0.1%	0.5%

Fixed Income (Bloomberg indices)

	1-3 YR	Medium	Long
Treasury	0.1%	-0.6%	-1.2%
Invest. Grade	0.0%	-0.2%	-0.5%
High Yield	0.2%	0.1%	0.0%

Year-to-Date Returns (as of July 27)

US Equities (Russell indices)

	Value	Blend	Growth
Large Cap	8.0%	19.2%	31.1%
Mid Cap	8.5%	11.9%	17.6%
Small Cap	7.7%	11.9%	15.8%

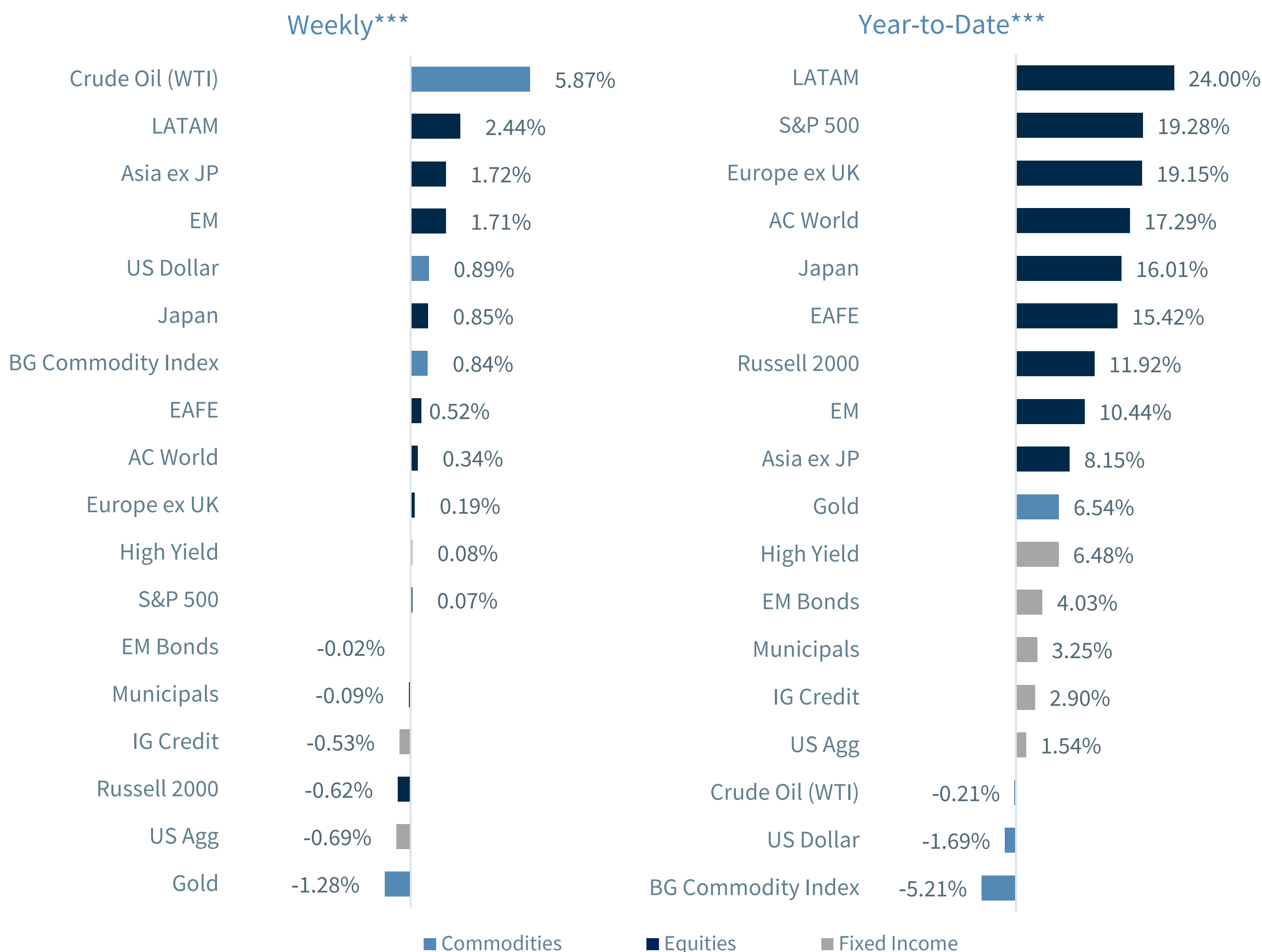
International Equities (MSCI indices)

	Dev. Mkt	World	Emerg. Mkt
Large Cap	14.2%	17.8%	9.5%
Mid Cap	14.1%	11.8%	12.4%
Small Cap	10.8%	12.3%	16.2%

Fixed Income (Bloomberg indices)

	1-3 YR	Medium	Long
Treasury	2.7%	0.4%	0.5%
Invest. Grade	1.8%	2.5%	2.9%
High Yield	6.3%	6.5%	5.8%

Asset Class Performance | Weekly and Year-to-Date (as of July 27)**



**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 July 27

US Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	4537.4	0.1	2.0	19.3	14.7	13.7	11.9	12.5
DJ Industrial Average	35282.7	0.2	2.5	6.4	9.6	9.9	6.8	8.5
NASDAQ Composite Index	14050.1	(0.1)	1.9	34.2	16.8	10.1	12.7	14.5
Russell 1000	4780.8	(0.0)	2.1	19.2	19.4	14.1	11.9	12.6
Russell 2000	4858.4	(0.6)	3.6	11.9	12.3	10.8	4.2	8.3
Russell Midcap	7687.0	(0.6)	2.6	11.9	14.9	12.5	8.5	10.3

Equity Sectors

Sector	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
Materials	533.0	1.1	2.1	10.0	14.2	13.0	9.7	9.9
Industrials	926.2	(0.5)	2.0	12.4	21.4	16.9	9.7	11.2
Comm Services	225.5	3.9	4.6	42.5	18.0	6.9	10.0	6.7
Utilities	341.4	(0.4)	2.7	(3.2)	(2.1)	7.5	8.5	9.2
Consumer Discretionary	1330.3	(0.6)	0.0	33.1	11.2	6.4	9.5	12.3
Consumer Staples	790.2	0.1	1.6	2.9	5.8	10.1	10.6	9.3
Health Care	1569.7	(0.1)	1.5	0.0	3.8	10.2	11.0	12.1
Information Technology	3117.0	(0.5)	1.0	44.3	28.6	19.5	21.2	21.5
Energy	655.3	2.4	5.1	(0.7)	19.5	38.1	7.5	4.3
Financials	584.1	(0.7)	4.2	3.7	8.8	15.8	6.8	9.9
Real Estate	238.5	(0.6)	1.2	4.7	(7.3)	6.2	6.9	7.6

Fixed Income

Index	Yield	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
3-Months Treasury Bill (%)	5.4	0.1	0.4	2.7	4.1	1.4	1.6	1.0
2-Year Treasury (%)	5.0	(0.2)	0.1	0.7	(0.6)	(1.3)	0.7	0.6
10-Year Treasury (%)	4.0	(1.2)	(1.3)	0.5	(6.7)	(7.5)	0.2	0.8
Bloomberg US Corporate HY	8.5	0.1	1.0	6.5	5.5	2.2	3.4	4.3
Bloomberg US Aggregate	4.9	(0.7)	(0.5)	1.5	(3.1)	(4.5)	0.7	1.4
Bloomberg Municipals	--	(0.1)	0.6	3.2	1.5	(0.8)	1.9	2.8
Bloomberg IG Credit	5.6	(0.5)	(0.3)	2.9	(1.1)	(4.5)	1.6	2.5
Bloomberg EM Bonds	7.5	(0.0)	0.7	4.0	5.8	(3.3)	0.8	2.6

Commodities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
WTI Crude ($/bl)	80.1	5.9	13.4	(0.2)	(17.7)	24.4	3.1	(2.6)
Gold ($/Troy Oz)	1945.7	(1.3)	0.8	6.5	13.2	0.3	9.7	3.9
Bloomberg Commodity Index	106.9	0.8	5.4	(5.2)	(10.8)	16.0	4.7	(1.7)

Currencies

Currency	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
US Dollar Index	101.8	0.9	(1.1)	(1.7)	(4.4)	2.8	1.5	2.2
Euro	1.1	(1.4)	0.7	3.0	8.6	(2.3)	(1.2)	(1.9)
British Pound	1.3	(0.1)	1.1	6.8	6.8	(0.1)	(0.4)	(1.8)
Japanese Yen	141.3	(0.7)	2.3	(6.6)	(2.8)	(9.4)	(4.7)	(3.6)

International Equities

Index	Price	Weekly	MTD	YTD	1 Year	3 Year	5 Year	10 Year
MSCI AC World	700.1	0.3	2.7	17.3	15.1	10.5	8.5	9.0
MSCI EAFE	2192.8	0.5	2.9	15.4	20.2	8.6	4.9	5.6
MSCI Europe ex UK	2453.7	0.2	2.7	19.1	26.5	9.3	6.6	6.8
MSCI Japan	3591.6	0.8	2.4	16.0	17.8	5.5	3.5	5.4
MSCI EM	1035.2	1.7	5.1	10.4	8.0	1.7	1.8	3.6
MSCI Asia ex JP	657.7	1.7	4.8	8.2	5.1	0.7	1.9	5.0
MSCI LATAM	2540.3	2.4	4.3	24.0	35.7	13.7	4.0	1.8
Canada S&P/TSX Composite	15447.6	(0.3)	1.1	5.2	5.9	8.1	4.5	4.9

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

DISCLOSURES

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

The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Diversification and asset allocation do not ensure a profit or protect against a loss.

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.

CONSUMER PRICE INDEX | The Consumer Price Index (CPI) measures the overall change in consumer prices based on a representative basket of goods and services over time.

PRODUCER PRICE INDEX | The Producer Price Index (PPI) is a measure of wholesale inflation, while the Consumer Price Index measures the prices paid by consumers.

PERSONAL CONSUMPTION EXPENDITURE | Personal Consumption Expenditures (PCE) Personal consumption expenditures (PCE), also known as consumer spending, is a measure of the spending on goods and services by people of the United States.

ISM MANUFACTURING INDEX | The ISM manufacturing index, also known as the purchasing managers' index (PMI), is a monthly indicator of U.S. economic activity based on a survey of purchasing managers at more than 300 manufacturing firms.

ISM NON-MANUFACTURING (SERVICES) INDEX | The ISM Non-Manufacturing, or Services Index, measures business activity for the overall economy; above 50 indicating growth, while below 50 indicating contraction. The index represents the economic activity of more than 15 industries, measuring employment, prices, and inventory levels.

NFIB SMALL BUSINESS INDEX | The National Federation of Independent Business (NFIB) Small Business Optimism Index is a composite of ten seasonally adjusted components. It provides a indication of the health of small businesses in the U.S., which account of roughly 50% of the nation's private workforce.

SENIOR LOAN OFFICER SURVEY | Survey of up to eighty large domestic banks and twenty-four U.S. branches and agencies of foreign banks. The Federal Reserve generally conducts the survey quarterly, timing it so that results are available for the January/February, April/May, August, and October/November meetings of the Federal Open Market Committee.

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 SOURCE | FactSet, Bloomberg as of 7/27/2023

DOMESTIC EQUITY DEFINITION

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.

S&P 500 EQUAL WEIGHT INDEX | The **S&P 500 Equal Weight Index:** The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

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.

COMMODITY INDEX DEFINITION

BLOOMBERG COMMODITY INDEX (BCOM) | The Bloomberg Commodity Index is a broadly diversified commodity price index distributed by Bloomberg Index Services Limited.

DUTCH TTF | The Dutch Title Transfer Facility is a virtual trading hub for gas in the Netherlands and is the primary gas pricing hub for the European gas market.

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.

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).

BLOOMBERG EMERGING MARKET BOND INDEX | The Bloomberg USD Emerging Market Composite Bond Index is a rules-based, market-value-weighted index engineered to measure USD fixed-rate sovereign and corporate securities issued from emerging markets. The index includes both investment- grade and below-investment-grade securities.

GERMAN BUND | The German bund is a sovereign debt instrument issued by Germany's federal government to finance outgoing expenditures.

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.

CANADA S&P/TSX COMPOSITE | The S&P/TSX Composite Index is a capitalization-weighted equity index that tracks the performance of the largest companies listed on Canada's primary stock exchange, the Toronto Stock Exchange (TSX). It is the equivalent of the S&P 500 index in the United States, and as such is closely monitored by Canadian investors.

INTERNATIONAL DISCLOSURES

FOR CLIENTS IN THE UNITED KINGDOM | For clients of Raymond James Financial International Limited (RJFI): This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in the FCA rules or persons described in Articles 19(5) (Investment professionals) or 49(2) (high net worth companies, unincorporated associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended)or any other person to whom this promotion may lawfully be directed. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is, therefore, not intended for private individuals or those who would be classified as Retail Clients.

FOR CLIENTS OF RAYMOND JAMES INVESTMENT SERVICES, LTD.: This document is for the use of professional investment advisers and managers and is not intended for use by clients.

FOR CLIENTS IN FRANCE | This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in "Code Monetaire et Financier" and Reglement General de l'Autorite des marches Financiers. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is, therefore, not intended for private individuals or those who would be classified as Retail Clients.

FOR CLIENTS OF RAYMOND JAMES EURO EQUITIES | Raymond James Euro Equities is authorised and regulated by the Autorite de Controle Prudentiel et de Resolution and the Autorite des Marches Financiers.

FOR INSTITUTIONAL CLIENTS IN THE EUROPEAN ECONOMIC AREA (EE) OUTSIDE OF THE UNITED KINGDOM | This document (and any attachments or exhibits hereto) is intended only for EEA institutional clients or others to whom it may lawfully be submitted.

FOR CANADIAN CLIENTS | This document is not prepared subject to Canadian disclosure requirements, unless a Canadian has contributed to the content of the document. In the case where there is Canadian contribution, the document meets all applicable IIROC disclosure requirements.

Investment Strategy

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

Eugenio J. Alemán, PhD
Senior Vice President, Chief Economist
T. 727.567.2603
eugenio.aleman@raymondjames.com

Tracey Manzi, CFA®
Senior Investment Strategist
T. 727.567.2211
tracey.manzi@raymondjames.com

Anne B. Platt, AWMA®, RICP, AIF®
Vice President, Investment Strategy
T. 727.567.2190
anne.platt@raymondjames.com

Matt Hanna, CFA®, FRM, CAIA®
Director, Asset Allocation and Quant. Strategy
T. 727.567.4978
matt.hanna@raymondjames.com

Mike Payne
Investment Strategy Analyst
T 410.525.6232
mike.payne@raymondjames.com

Talley Léger
Senior Equity Strategist
T. 410.525.6234
talley.leger@raymondjames.com

Matt Barry, CFA®
Investment Strategy Analyst
T. 410.525.6228
matt.barry@raymondjames.com

Giampiero Fuentes, CFP®
Economist
T. 727.567.5776
giampiero.fuentes@raymondjames.com

Matthew Ziyadeh, CFA®, CIPM®
Investment Strategy Analyst
T. 727.567.8984
matthew.kurayaziyadeh@raymondjames.com

Lindsay Smith
Investment Strategy Analyst
T. 727.567.3335
lindsay.smith@raymondjames.com

RAYMOND JAMES

INTERNATIONAL HEADQUARTERS: THE RAYMOND JAMES FINANCIAL CENTER

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

RAYMONDJAMES.COM

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