

Investment Strategy

U.S. Markets	Close	Net	1 Day %	YTD %
Dow Jones	17435.40	-91.22	-0.52%	0.06%
Dow Jones Transports	7585.88	-44.47	-0.58%	1.03%
Dow Jones Utilities	647.93	5.73	0.89%	12.13%
S&P 500	2040.04	-7.59	-0.37%	-0.19%
S&P 400 Midcap	1431.10	-5.05	-0.35%	2.33%
S&P 600 Smallcap	670.97	-5.22	-0.77%	-0.11%
NASDAQ	4712.53	-26.59	-0.56%	-5.89%
Russell 2000 (Smallcaps)	1094.78	-8.17	-0.74%	-3.62%
BKX (Banking)	68.47	-0.57	-0.83%	-6.31%
BTK (Biotech)	2983.06	-44.84	-1.48%	-21.79%
XOI (Oil Index)	1103.22	-6.12	-0.55%	2.84%
SOXX (Semiconductor)	644.74	-4.61	-0.71%	-2.82%
XAU (Gold/Silver)	85.34	1.66	1.98%	88.39%

"Goldman Sachs?"

I have been traveling in Mississippi and Alabama this week doing presentations for our financial advisors (FAs) and their clients. The week began in Hattiesburg, Mississippi, where the evening event was for Citizens Nation Bank and hosted by their Chief Wealth Management Officer, Teresa Thornhill. Tuesday night was for the same folks, but in Meridian, Mississippi, and was held at one of the coolest places I have ever spoken. The Meridian Opera House (The Riley Center) was built in 1889 and refurbished ten years ago (see photo). Wednesday I arrived at the home of University of Alabama, namely Tuscaloosa, to present that night for our Raymond James advisors and their clients, as hosted by branch manager Steve Kellough. The final day I was in Birmingham where I spoke at a lunch and evening event for complex manager Michael Turnbough, our FAs, and their clients. The ubiquitous question for the week is captured in this morning's quote. My response read something like this:

"I have lots of friends at Goldman, and I own some of their mutual funds, but nobody in this business is right all of the time. Remember Goldman's \$20 oil call? Moreover, stocks are not near peak valuations. In 2000 the S&P Total Return Index was trading for more than 30x earnings and if one excludes negative earnings the P/E ratio was pushing 60. Using S&P's estimate for this year and next (~\$114 and ~\$134) leaves the S&P 500's P/E at 17.9x and 15.2x earnings and not all that expensive. As for commodities, here is the chart I have been using for about two months, believing that commodities have bottomed; it is the same type of chart I used to call the bottom in March 2009." (See those charts on page 2 courtesy of Andrew Adams.)

Where does this leave us? Well, I have to admit I am conflicted. My model called for a low last week with a ∓ 3 session variance. That means Wednesday should have been the tail-end of the model's call. Yet, the model's target level for the decline has always been the 1990 to 2000 level. Then too, my measurement of the stock market's "internal energy" has registered a complete rebuild to a full charge of energy and as stated earlier this week:

"While our model does not tell us which way the energy is going to be released (either up or down), it does tell us that once the move starts, it should be a sustainable "trend" probably into the July/August timeframe." (Continued on page 2)

"Goldman Sachs has downgraded its outlook on equities to 'neutral' over the next 12 months, saying there's no particular reason to own them. 'Until we see sustained signals of growth recovery, we do not feel comfortable taking equity risk, particularly as valuations are near peak levels'."

... a concerned Raymond James financial advisor

Index	Cur	Future	Change
Dow Jones	17,435		47
S&P 500	2,040		5.25
NASDAQ	4,713		15
Volume	ADV/DEC		
	1 Day Volume	Volume	Issues
NYSE	949,884,522	0.55	0.40
NASDAQ	1,808,193,908	0.55	0.43
Foreign Markets	Intraday	Net	% Chg
U.K. FTSE 100	6,132	78.65	1.30%
Germany DAX	9,880	83.87	0.86%
Brazil Bovespa	14,066	-116.44	-0.82%
Japan Nikkei 225	16,736	89.69	0.54%
Hong Kong Hang Seng	19,852	157.87	0.80%
S&P Sectors	Close	% Chg	1 mo %
Consumer Discretionary	612.58	-0.09%	-3.38%
Consumer Staples	535.97	0.79%	-1.83%
Health Care	797.16	-0.81%	-2.71%
Information Technology	698.92	-0.58%	-5.04%
Telecom Services	163.44	-0.68%	-3.57%
Energy	490.43	0.25%	-0.29%
Financials	310.36	-0.92%	-1.36%
Industrials	474.16	-0.95%	-3.46%
Materials	288.13	0.38%	-2.95%
Utilities	243.46	0.93%	-2.43%
Key Commodity Prices	Last	Net	
Crude Oil (WTI)/bbl	48.24	0.08	
Natural Gas/mmbtu	2.032	-0.007	
Gasoline (USD/gal)	1.6195	-0.0144	
Gold/oz.	1255.4	1.2	
Silver/oz.	16.479	0	
U.S. Dollar Index	95.315	0.021	
Copper (USD/lb.)	2.078	0.015	
Cotton #2 (USD/lb.)	61.41	0.34	
Market Valuation	2015	2016E	2017E
Consensus S&P 500 EPS	\$100	\$115	\$134
P/E	20.4	17.7	15.2
Earnings Yield		5.6%	6.6%
Equity Risk Premium (10 yr)		3.8%	4.7%
Treasury Yields	90D	10 Yr	30 Yr
	0.290%	1.85%	2.64%

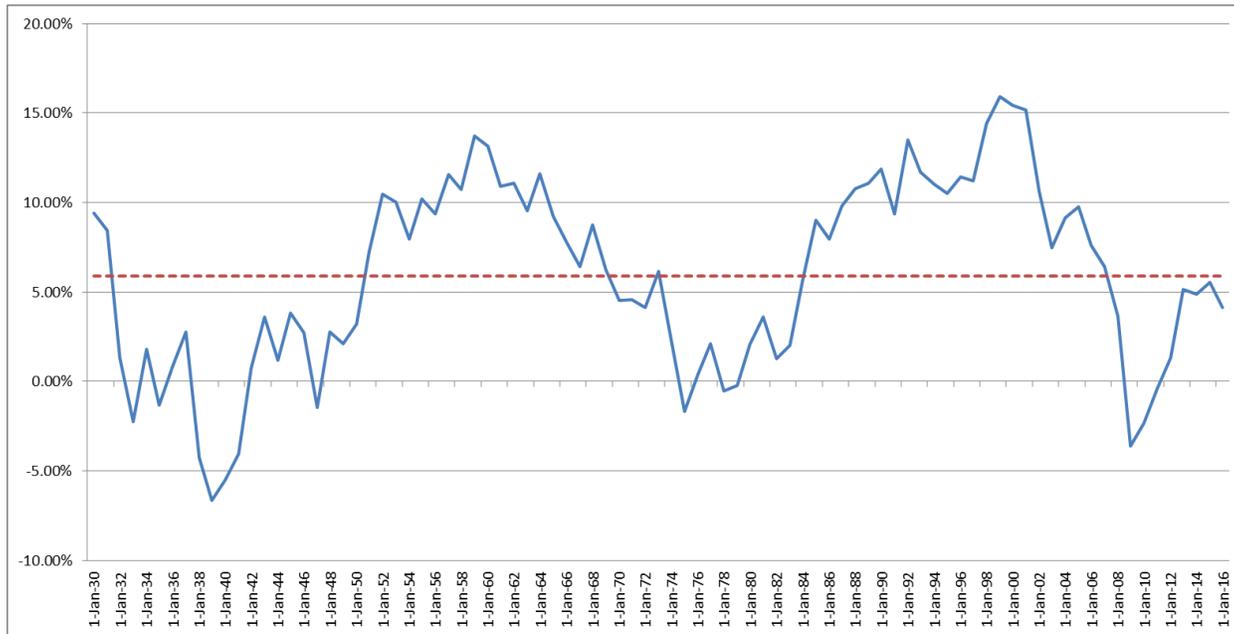
Source: Thomson Reuters Data as of: 6:56 AM



Source: The Riley Center

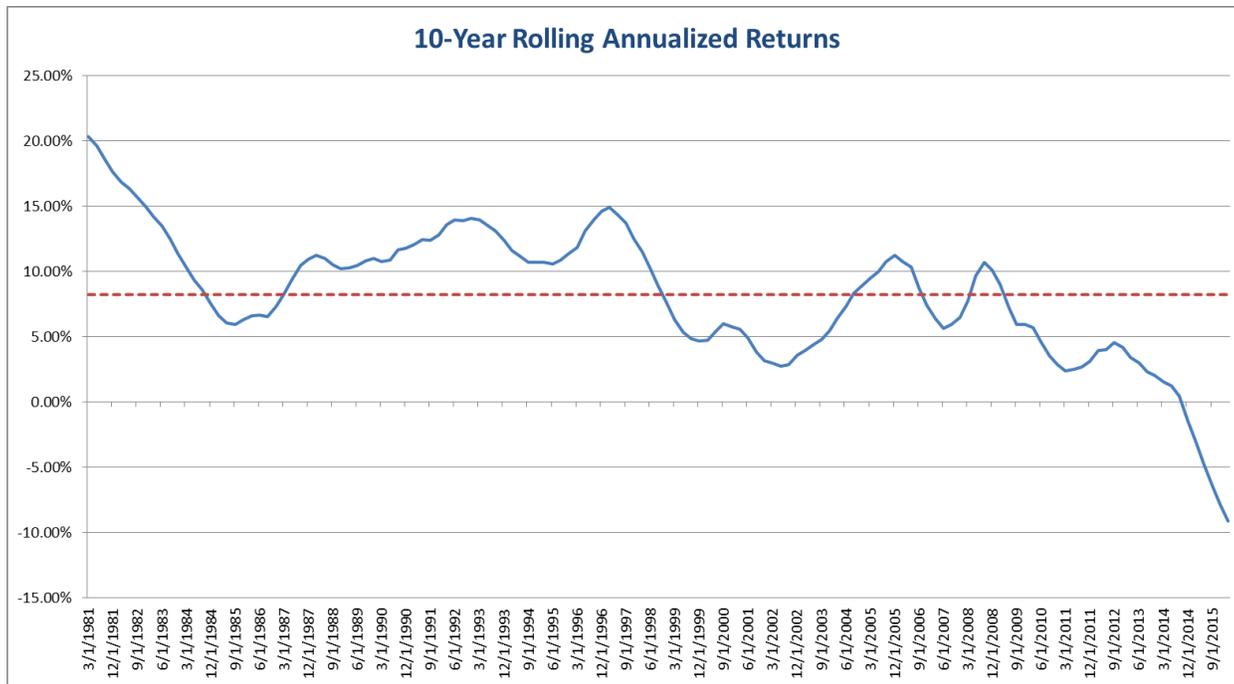
Yesterday, however, was a “to the brink and back again” session as the S&P 500 broke below its April intraday low (~2033), but amazingly managed to close above the lower-end of its key support zone of 2040 – 2050. We continue to exercise the rarest commodity on Wall Street, patience.

S&P 500 Rolling 10-Year Average Annualized Price Returns



Source: www.multpl.com; Raymond James Equity Research.

S&P GSCI Commodity Index Rolling 10-Year Average Annualized Price Returns



Source: Bloomberg; Raymond James Equity Research.

U.S. Markets Index Information: *U.S. Treasury securities* are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. The *Dow Jones Industrial Average* is an unmanaged index of 30 widely held securities. The *Dow Jones Transportation Average* is the most widely recognized gauge of the American transportation sector. The *Dow Jones Utility Average* keeps track of the performance of 15 prominent utility companies. The *S&P 500* is an unmanaged index of 500 widely held stocks. The *S&P Mid Cap 400 Index* is a capitalization-weighted index that measures the performance of the mid-range sector of the U.S. stock market. The *S&P Small Cap 600 Index* is an unmanaged index of 600 small-cap stocks. The *NASDAQ Composite Index* is an unmanaged index of all stocks traded on the NASDAQ over-the-counter market. The *Russell 2000 index* is an unmanaged index of small cap securities which generally involve greater risks. The *KBW Bank Sector (BKX)* is a capitalization-weighted index composed of 24 geographically diverse stocks representing national money center banks and leading regional institutions. The *NYSE Arca Biotechnology Index (BTK)* is an equal dollar weighted index designed to measure the performance of a cross section of companies in the biotechnology industry that are primarily involved in the use of biological processes to develop products or provide services. The *NYSE Arca Oil Index (XOI)* is a price-weighted index of the leading companies involved in the exploration, production, and development of petroleum. The *PHLX Semiconductor Sector Index (SOXX)* measures the performance of U.S.-traded securities of companies engaged in the semiconductor business, which includes companies engaged in the design, distribution, manufacture, and sales of semiconductors. The *Philadelphia Gold and Silver Index (XAU)* is an index of 16 precious metal mining companies that is traded on the Philadelphia Stock Exchange.

Futures: Futures prices are current as of the publication of this report, but will fluctuate. Please contact your financial advisor for updated information.

Foreign Markets Information: The FTSE 100 Index is a share index of the stocks of the 100 companies with the highest market capitalization listed on the London Stock Exchange. The *DAX* (German stock index) is a blue chip stock market index consisting of the 30 major German companies trading on the Frankfurt Stock Exchange. The *Bovespa* Index is a gross total return index weighted by traded volume and is comprised of the most liquid stocks traded on the Sao Paulo Stock Exchange. The *Nikkei 225* is a price-weighted index consisting of 225 prominent stocks on the Tokyo Stock Exchange. The *Hang Seng Index* is used to record and monitor daily changes of the largest companies of the Hong Kong stock market and is the main indicator of the overall market performance in Hong Kong. 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.

Commodity Price Information: The *CRB Index* measures the overall direction of commodity sectors. The *US Dollar Index (USDIX)* is an index (or measure) of the value of the United States dollar relative to a basket of foreign currencies. Commodities are generally considered speculative because of the significant potential for investment loss. Commodities are volatile investments and should only form a small part of a diversified portfolio. There may be sharp price fluctuations even during periods when prices overall are rising.

Market Valuation Information: The *McClellan Oscillator* is a market breadth indicator that is based on the difference between the number of advancing and declining issues on the NYSE. Technical Analysis is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Price Earnings Ratio (P/E) is the price of the stock divided by its earnings per share. The earnings yield is earnings per share divided by the current market price per share. The equity risk premium is the earnings yield minus the current rate on the 10-year U.S. Treasury note and is the excess return that the stock market provides over a risk-free rate.

International securities involve additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets.

Small-cap stocks generally involve greater risks. Dividends are not guaranteed and will fluctuate. Past performance may not be indicative of future results.

Investors should consider the investment objectives, risks, and charges and expenses of mutual funds and exchange-traded funds carefully before investing. The prospectus contains this and other information about mutual funds and exchange-traded funds. The prospectus is available from your financial advisor and should be read carefully before investing.

All expressions of opinion reflect the judgment of the Research Department of Raymond James & Associates, Inc. (RJA) as of the date of this research and are subject to change. Information has been obtained from third-party sources we consider reliable, but we do not guarantee that the facts cited in the foregoing are accurate or complete. Other departments of RJA may have information that is not available to the Research Department about companies mentioned in this report. RJA or its affiliates may execute transactions in the securities mentioned in this report that may not be consistent with the report's conclusions.

Important Investor Disclosures

Raymond James & Associates (RJA) is a FINRA member firm and is responsible for the preparation and distribution of research created in the United States. Raymond James & Associates is located at The Raymond James Financial Center, 880 Carillon Parkway, St. Petersburg, FL 33716, (727) 567-1000. Non-U.S. affiliates, which are not FINRA member firms, include the following entities that are responsible for the creation and distribution of research in their respective areas: in Canada, Raymond James Ltd. (RJL), Suite 2100, 925 West Georgia Street, Vancouver, BC V6C 3L2, (604) 659-8200; in Latin America, Raymond James Argentina S.A., San Martin 344, 22nd Floor, Buenos Aires, C10004AAH, Argentina, +54 11 4850 2500; in Europe, Raymond James Euro Equities SAS (also trading as Raymond James International), 40, rue La Boetie, 75008, Paris, France, +33 1 45 64 0500, and Raymond James Financial International Ltd., Broadwalk House, 5 Appold Street, London, England EC2A 2AG, +44 203 798 5600.

This document is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of or located in any locality, state, country, or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. The securities discussed in this document may not be eligible for sale in some jurisdictions. This research is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. **Investors should consider this report as only a single factor in making their investment decision.**

For clients in the United States: Any foreign securities discussed in this report are generally not eligible for sale in the U.S. unless they are listed on a U.S. exchange. This report is being provided to you for informational purposes only and does not represent a solicitation for the purchase or sale of a security in any state where such a solicitation would be illegal. Investing in securities of issuers organized outside of the U.S., including ADRs, may entail certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of, the U.S. Securities and Exchange Commission. There may be limited information available on such securities. Investors who have received this report may be prohibited in certain states or other jurisdictions from purchasing the securities mentioned in this report. Please ask your Financial Advisor for additional details and to determine if a particular security is eligible for purchase in your state.

The information provided is as of the date above and subject to change, and it should not be deemed a recommendation to buy or sell any security. Certain information has been obtained from third-party sources we consider reliable, but we do not guarantee that such information is accurate or complete. Persons within the Raymond James family of companies may have information that is not available to the contributors of the information contained in this publication. Raymond James, including affiliates and employees, may execute transactions in the securities listed in this publication that may not be consistent with the ratings appearing in this publication.

Additional information is available on request.

Simple Moving Average (SMA) - A simple, or arithmetic, moving average is calculated by adding the closing price of the security for a number of time periods and then dividing this total by the number of time periods.

Exponential Moving Average (EMA) - A type of moving average that is similar to a simple moving average, except that more weight is given to the latest data.

Relative Strength Index (RSI) - The Relative Strength Index is a technical momentum indicator that compares the magnitude of recent gains to recent losses in an attempt to determine overbought and oversold conditions of an asset.

International securities involve additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets.

Small-cap stocks generally involve greater risks. Dividends are not guaranteed and will fluctuate. Past performance may not be indicative of future results.

Investors should consider the investment objectives, risks, and charges and expenses of mutual funds and exchange-traded funds carefully before investing. The prospectus contains this and other information about mutual funds and exchange-traded funds. The prospectus is available from your financial advisor and should be read carefully before investing.

For clients in the United Kingdom:

For clients of Raymond James & Associates (London Branch) and 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 report is for the use of professional investment advisers and managers and is not intended for use by clients.

For purposes of the Financial Conduct Authority requirements, this research report is classified as independent with respect to conflict of interest management. RJA, RJFI, and Raymond James Investment Services, Ltd. are authorised and regulated by the Financial Conduct Authority in the United Kingdom.

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 Monétaire et Financier” and Règlement Général de l’Autorité des Marchés 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 Autorité de Contrôle Prudentiel et de Résolution and the Autorité des Marchés Financiers.

For institutional clients in the European Economic Area (EEA) 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 report is not prepared subject to Canadian disclosure requirements, unless a Canadian analyst has contributed to the content of the report. In the case where there is Canadian analyst contribution, the report meets all applicable IROC disclosure requirements.

Proprietary Rights Notice: By accepting a copy of this report, you acknowledge and agree as follows:

This report is provided to clients of Raymond James only for your personal, noncommercial use. Except as expressly authorized by Raymond James, you may not copy, reproduce, transmit, sell, display, distribute, publish, broadcast, circulate, modify, disseminate or commercially exploit the information contained in this report, in printed, electronic or any other form, in any manner, without the prior express written consent of Raymond James. You also agree not to use the information provided in this report for any unlawful purpose.

This report and its contents are the property of Raymond James and are protected by applicable copyright, trade secret or other intellectual property laws (of the United States and other countries). United States law, 17 U.S.C. Sec.501 et seq, provides for civil and criminal penalties for copyright infringement. No copyright claimed in incorporated U.S. government works.