



With the New Year upon us, Raymond James Investment Strategy Committee members share their outlook for 2018 with the following key insights. For a full copy of the Raymond James 2018 Outlook, please contact your financial advisor.

2018 THEMES TO WATCH



INTERNATIONAL INVESTING



THE MODERN INVESTOR



CENTRAL BANK POLICY



GEOPOLITICS



ECONOMIC GROWTH



THE SECULAR BULL MARKET

ECONOMIC OUTLOOK

OUTPUT PER WORKER IS KEY



FASTER PRODUCTIVITY GROWTH OFFSETS SOME OF THE IMPACT OF SLOWER LABOR FORCE GROWTH.



OUTPUT PER WORKER (PRODUCTIVITY) X INPUT (LABOR) = OUTPUT (GDP)

RECESSION BOUND?

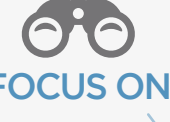
Not anytime soon – there are few signs of the kind of imbalances that would lead to a recession.



JOB MARKET



WAGE GROWTH



FOCUS ON



FED'S 2018 RESPONSE



YIELD CURVE INVERSION



KEY UNCERTAINTIES ▶ Monetary policy impact of personnel changes at the Federal Reserve
▶ Misstep in trade policy ▶ Investigation of alleged Trump campaign and Russian collusion

EQUITY MARKETS

U.S. EQUITY

LOOKING BACK: 2017 EQUITY RECORD-BREAKERS

ALL THE WAY UP

S&P 500 HAS RISEN IN **18** OUT OF THE LAST **20** QUARTERS

THE DOW CLOSED AT **70** NEW HIGHS AS OF 12/21/17

THE DOW HAD **86** RECORD HIGHS SINCE THE PRESIDENTIAL ELECTION.

1% 2% 3%

S&P 500 ONLY HAD **7** SESSIONS GAINING OR LOSING MORE THAN **1%** AT CLOSE

S&P 500 NEVER GAINED OR LOST MORE THAN **2%** AS OF 12/21/17

AS OF DECEMBER, S&P 500 HAD GONE **412** CONSECUTIVE CALENDAR DAYS WITHOUT A **3%** DIP FROM A PREVIOUS HIGH



KEY FACTORS ▶ Earnings-driven stage of the bull market ▶ Anticipation of increased volatility ▶ Potential geopolitical risks ▶ Smaller margin for error due to higher valuations

POTENTIAL CHANGES WITH TAX REFORM



7-9%

EARNINGS PER SHARE (EPS) GROWTH FOR 2018

~\$2.4 TRILLION

IN OVERSEAS CASH AS CATALYST IF REPATRIATED

FAVORING THE FOLLOWING SECTORS



FINANCIALS



ENERGY



TECHNOLOGY



INDUSTRIALS

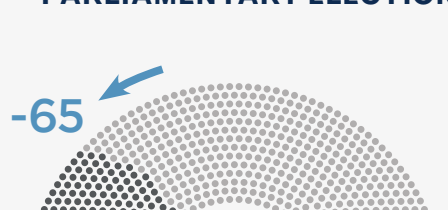


HEALTH CARE

INTERNATIONAL EQUITY

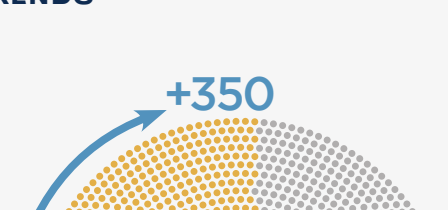
Need for progress in reforms and faith in policymakers – the better performing markets and regions will reform the most versus expectations. With the 'Brexit debate' and its impact upon domestic political stability being the dynamic reform element for the UK.

PARLIAMENTARY ELECTION TRENDS



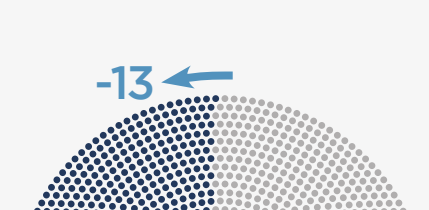
GERMAN BUNDESTAG

Angela Merkel's Christian Democratic Union and its sister party, the Christian Social Union, **collectively lost 65 seats** in the most recent elections. They now hold 246 seats.



FRENCH ASSEMBLÉE NATIONALE

Emmanuel Macron's newly-founded party, La République En Marche! combined with the centrist Democratic Movement **picked up 350 seats** in the most recent elections.



BRITISH PARLIAMENT

Theresa May's Conservative party **lost 13 seats** in the most recent elections. They now hold 316 seats.

TAILWINDS

- Both European developed and emerging markets are currently offering
- Lower valuations
- Stronger corporate earnings growth momentum
- Continuation of stimulative central bank actions

ASIAN POLITICAL DEVELOPMENTS



- Launch of its 'Belt and Road' initiative.
- National People's Congress.



- Economic momentum has improved
- Local economy dynamism boosted by the re-election of Prime Minister Abe

FIXED INCOME

THE YIELD CURVE

Least annual volatility since the turn of the century.

2017

10-YEAR TREASURY RANGE BETWEEN **2.05% - 2.62%**

- Continued lack of pressure on intermediate- to long-term rates and upward pressure on short-term rates via Fed rate hikes.
- Likely the Treasury curve will continue to flatten.
- Global interest rate disparity will keep demand for U.S. bonds high, precluding Treasury rates from rising

CENTRAL BANK INVOLVEMENT

\$19 TRILLION

- Continues to feed equity markets
- Enable a prolonged worldwide low interest-rate environment

PORTFOLIO CONSTRUCTION

- Bonds, when purchased and held to maturity, should provide a predictable income stream and the return of face value at maturity, regardless of interest rate movements.
- Asset allocation will remain an important proactive strategy, as wealth accumulation will require appropriate rebalancing as the market shifts.
- Reaching for yield beyond reason, in credit or duration, is not recommended as rewards will likely not outweigh the risks

ENERGY

OIL



At approximately \$60 per barrel, prices support a sustainable level of industry-wide investment.



Uplift in oil-centric drilling activity in areas such as the Eagle Ford Shale is resulting in a large increase in supply of associated gas.

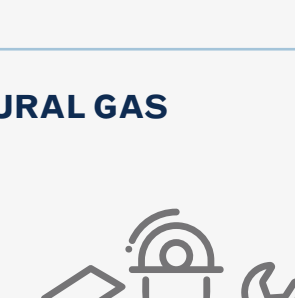
WIND & SOLAR

WIND WILL COMPRISE AT LEAST **15%** OF THE U.S. ELECTRICITY MIX BY 2030



The ramp-up in wind & solar has been eating into gas's market share in the power sector. In fact, gas actually lost share in 2017.

NATURAL GAS



Liquefied natural gas (LNG) exports are still not at truly needle-moving levels.

KEY QUESTIONS FOR YOUR ADVISOR

- Is my portfolio appropriately positioned in line with my overall goals?
- Is my level of portfolio risk appropriate for my current situation?
- What tactical investment opportunities might exist in 2018?

RAYMOND JAMES

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