

Investment Strategy

U.S. Markets	Close	Net	1 Day %	YTD %
Dow Jones	22557.60	152.51	0.68%	14.14
Dow Jones Transports	9907.83	-6.52	-0.07%	9.55
Dow Jones Utilities	725.47	1.87	0.26%	9.98
S&P 500	2529.12	9.76	0.39%	12.97
S&P 400 Midcap	1811.01	15.07	0.84%	9.06
S&P 600 Smallcap	916.99	13.01	1.44%	9.43
NASDAQ	6516.72	20.76	0.32%	21.06
Russell 2000 (Smallcaps)	1509.47	18.61	1.25%	11.23
BKX (Banking)	99.81	0.55	0.55%	8.74
BTK (Biotech)	4282.21	78.89	1.88%	39.26
XOI (Oil Index)	1216.20	0.06	0.00%	-4.09
SOXX (Semiconductor)	1178.75	7.02	0.60%	30.04
XAU (Gold/Silver)	85.03	0.37	0.44%	7.82

"Melt Up"

Sir Isaac Newton is widely recognized as one of the most influential scientists in history. However, he was not a very good investor. Newton lost about £20,000 (\$2.72 million inflation adjusted U.S. dollars) speculating in the South Sea Company's stock in the 1720s during that particular bubble. Subsequently he wrote, "I can explain the motion of the heavenly bodies, but not the madness of people." And, that is kind of how we feel from time to time when we become out of step with the short-term direction of the various markets. For the past few years we have been out of step with the fixed income markets because we have been looking for higher interest rates. Fortunately that entire wrong-footed stance only caused us "opportunity cost"; as in, better to lose face and save skin!

Last week we became out of step with the equity markets given our cautious stance since the beginning of August when our short/intermediate-term models turned negative. Well, that's not entirely true because until five sessions ago the S&P 500 (SPX/2529.12) had not really done all that much since the first week of August. Yet beginning last Monday (9-25-17) the SPX reversed to the upside and now appears to be involved in a "melt up." According to Investopedia, "A melt up is a dramatic and unexpected improvement in the investment performance of an asset class driven partly by a stampede of investors who don't want to miss out on its rise rather than by fundamental improvements in the fundamentals." "Unexpected" is certainly the right word because the recent rally was certainly unexpected by us. Now whether it's continuing to "melt up" remains to be seen, but what has happened since a week ago sure resembles how such melt ups begin. As for not really "fundamental improvements in the fundamentals," we are not so sure of that either given recent stronger than expected economic reports with the recent GDP reports and the fact that manufacturing in the U.S. has expanded at its fastest pace in 13 years, as we anticipated. (Continued on page 2)

"I can explain the motion of the heavenly bodies, but not the madness of people."

... Sir Isaac Newton, an English mathematician, astronomer, and physicist

Index	Cur Future	Change
Dow Jones	22,534	27.00
S&P 500	2,527	0.70
NASDAQ	5,984	3.50

Volume	1 Day Volume	Volume	Issues
NYSE	753,658,498	2.01	1.76
NASDAQ	1,927,346,297	2.47	2.37

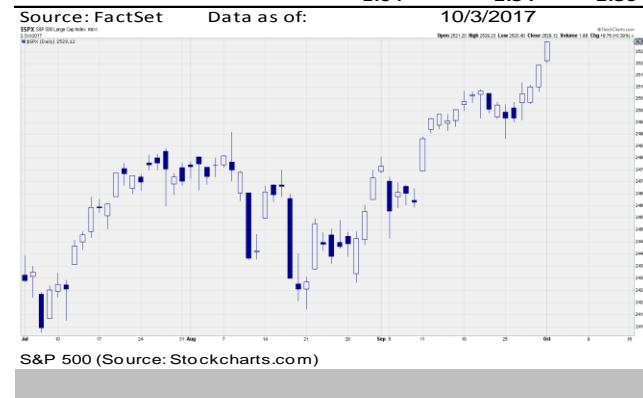
Foreign Markets	Intraday	Net	% Chg
U.K. FTSE 100	7,439	0.00	0.00%
Germany DAX (TR)	12,903	0.00	0.00%
Brazil Bovespa In	74,360	0.00	0.00%
Japan Japan Nikkei 225	20,614	213.29	1.05%
Hong Kong Hang Seng Index	28,173	618.91	2.25%

S&P Sectors	Close	% Chg	1 mo %
S&P 500 / Consumer Discretic	718.76	0.18%	0.56
S&P 500 / Consumer Staples -I	554.28	-0.20%	-1.47
S&P 500 / Health Care -SEC	955.32	0.95%	2.04
S&P 500 / Information Techno	1018.94	0.08%	0.76
S&P 500 / Telecommunicatio	162.20	-0.10%	3.36
S&P 500 / Energy -SEC	506.63	-0.02%	8.95
S&P 500 / Financials -SEC	432.89	0.89%	5.61
S&P 500 / Industrials -SEC	608.67	0.71%	4.58
S&P 500 / Materials -SEC	360.05	1.09%	3.93
S&P 500 / Utilities -SEC	269.57	0.22%	-2.23
S&P 500 / Real Estate -SEC	198.39	-0.41%	-1.71

Key Commodity Prices	Last	Net
Crude Oil WTI (NYM \$/bbl) Con	50.520	-0.09
Natural Gas (NYM \$/mmbtu) C	2.921	0.00
eMini Gasoline (NYM \$/gal) Cc	1.555	0.00
Gold (NYM \$)	1274.200	-1.80
Silver (NYM \$/ozt) Continuous	16.645	-0.01
United States Dollar Index	93.614	0.05
eMini Copper (NYM \$/lbs) Con	2.960	0.00
Cotton #2 (IFUS \$/lbs) Continu	0.676	0.00

Market Valuation	2016A	2017E	2018E
Consensus S&P 500 EPS	\$106	\$127	\$145
P/E	23.9	19.9	17.4
Earnings Yield		5.0%	5.7%
Equity Risk Premium (10 yr)		2.7%	3.4%

Treasury Yields	90D	10 Yr	30 Yr
	1.04	2.34	2.86



We continue to think this is an upside “blow off” move, but that remains to be seen. What we do know is that we have seen bold traders, and old traders, but we have never seen old and bold traders! So, our short-term model went bullish last week, while our intermediate model remains negatively configured; you can read that as confused in the near term. Our longer-term proprietary model went positive in October 2008 and has NEVER flipped negative since then. Of interest is that the Transports declined sharply in the morning yesterday and the FANGs were also under selling pressure. We continue to think the “buy the dips” mentality is about to get blown apart in the weeks ahead, but right now that view looks to be wrong-footed. This morning the preopening futures are flat at 5:00 a.m. as the powers that be try to sort out the horror in Las Vegas . . .

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 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.

Raymond James ("RJ") research reports are disseminated and available to RJ's retail and institutional clients simultaneously via electronic publication to RJ's internal proprietary websites ([RJ Investor Access](#) & [RJ Capital Markets](#)). Not all research reports are directly distributed to clients or third-party aggregators. Certain research reports may only be disseminated on RJ's internal proprietary websites; however such research reports will not contain estimates or changes to earnings forecasts, target price, valuation, or investment or suitability rating. Individual Research Analysts may also opt to circulate published research to one or more clients electronically. This electronic communication distribution is discretionary and is done only after the research has been publically disseminated via RJ's internal proprietary websites. The level and types of communications provided by Research Analysts to clients may vary depending on various factors including, but not limited to, the client's individual preference as to the frequency and manner of receiving communications from Research Analysts. For research reports, models, or other data available on a particular security, please contact your RJ Sales Representative or visit [RJ Investor Access](#) or [RJ Capital Markets](#).

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.

Not approved for rollover solicitations.

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 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. 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.