VERED WEALTH MANAGEMENT (CANADA) COMPANY LIMITED

Weekly Market Guide

The S&P 500 has done well to recover from banking issues over the past several weeks, actually advancing above prior levels.

However, market participation in the move has been weak with performance dominated by Large Cap Growth-oriented stocks. Economic-sensitive areas such as the banks, small caps, and transports have come under more pressure with declining relative strength. The S&P 500 is also reaching overbought levels and approaching technical resistance at the upper-end of its recent range ~4200. This provides some caution in the short-term. But we read the market's message as not ready for sustainable upside yet, rather than indicating something more dire.

Additionally, we believe this view is supported by macro developments. In the aftermath of bank liquidity issues, bank lending is likely to tighten even further, which will choke off economic growth ahead. The odds of economic contraction move higher and its timeline shifts forward in our view. However, a silver lining is that tightening in financial markets brings the Fed closer to where it wants to be. In fact, the bond market is indicating that the Fed's rate hike cycle is virtually over.

So on one hand, it will be difficult for equities to move sustainably higher without inflation being lower. But inflation goes down in recessions. And if economic damage intensifies, the Fed is at the stage where it will step in and add support as needed (as they did to support the banking issues last month).

This lends itself to range-bound trading for now. Good markets are likely to embolden the Fed to talk tougher (headwind for equities), whereas bad markets are likely to see the Fed talk easier (supporting equities). While we expect volatility to continue over the coming weeks and months, we also believe this bear market is in its later stages. The current bear market is already 15 months long and was down 27% at its lows (recessionary bear markets have averaged -33% declines over 13 months historically). So we want to remain pragmatic in putting cash to work in the shorter-term, but also want to be using drawdown periods as opportunity for the long-term.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	1.0%	-3.3%
S&P 500	6.5%	-9.6%
S&P 500 (Equal-Weight)	1.2%	-8.7%
NASDAQ Composite	14.6%	-15.5%
Russell 2000	-0.5%	-14.4%
MSCI All-Cap World	6.6%	-9.4%
MSCI Developed Markets	8.1%	-3.4%
MSCI Emerging Markets	3.3%	-14.6%
NYSE Alerian MLP	3.4%	7.1%
MSCI U.S. REIT	0.0%	-24.0%

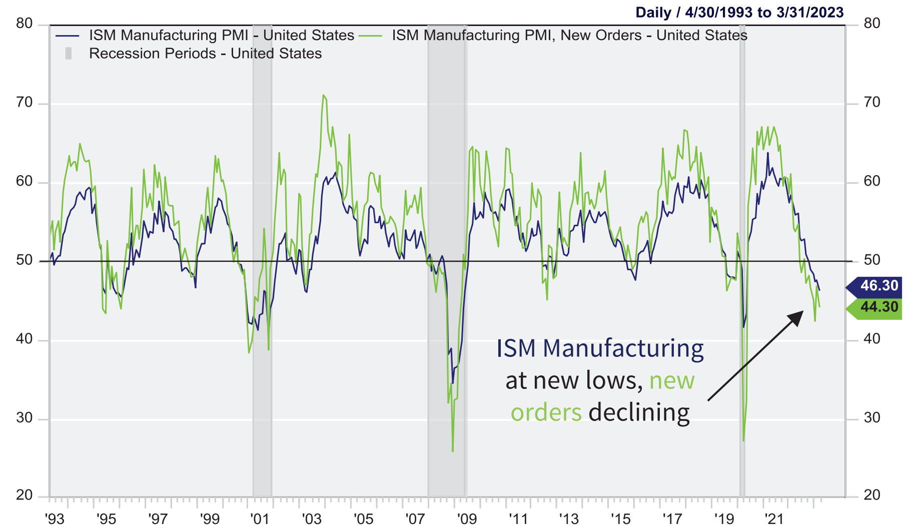
S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Communication Svcs.	20.9%	8.2%
Information Technology	19.3%	25.7%
Consumer Discretionary	12.3%	9.9%
S&P 500	***6.5%***	-
Materials	2.7%	2.6%
Consumer Staples	1.0%	7.3%
Real Estate	-0.2%	2.5%
Industrials	-0.4%	8.4%
Energy	-1.3%	4.8%
Utilities	-1.8%	2.9%
Health Care	-2.0%	14.7%
Financials	-6.9%	12.8%

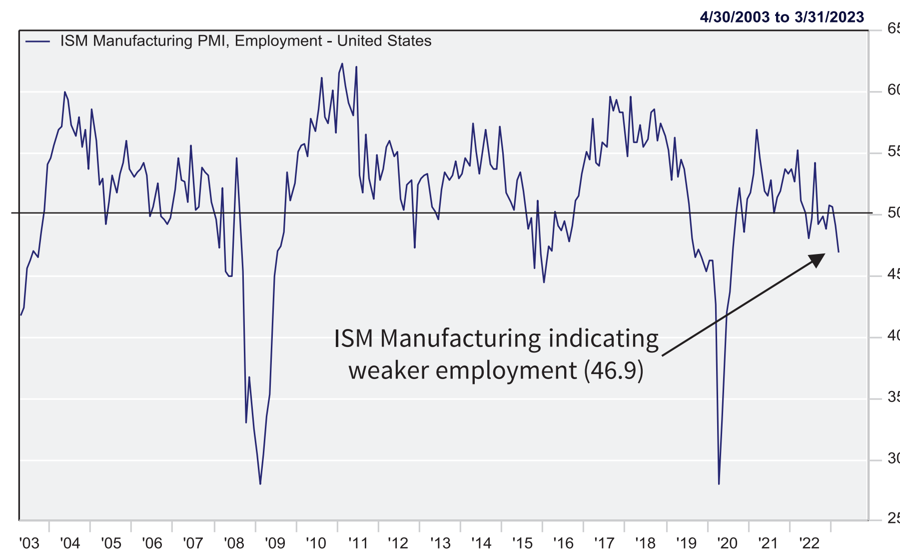
Source: FactSet

MACRO: US

March ISM Manufacturing came out weaker than expected, as the headline moved to new lows (46.3) and new orders moved down to 44.3 (just above January lows of 42.5). ISM Services were not as weak, but did come in below expectations. The net sum of the March surveys paints a picture of an economy at least slowing down, and likely heading for contraction in our view. Additionally, the March ISM Manufacturing employment survey declined to 46.9 and February JOLTS Job Openings also moved lower- *the JOLTS data was for February, prior to banking concerns, so is likely to continue lower*. We believe that the jobs market is set to weaken over the coming months- and while this is bad news for the economy, it is good news for the Fed. Wage pressure and inflation decline in recessions; so as we move closer to one, the Fed's hike cycle is likely at or near an end.

Event	Period	Actual	Consensus	Surprise	Prior
Core PCE Deflator M/M	FEB	0.30%	0.40%	-0.10%	0.52%
Core PCE Deflator Y/Y	FEB	4.6%	4.7%	-0.10%	4.7%
PCE Deflator SA M/M	FEB	0.26%	0.30%	-0.04%	0.57%
PCE Deflator Y/Y	FEB	5.0%	5.1%	-0.10%	5.3%
Personal Consumption Expenditure SA M/M	FEB	0.20%	0.35%	-0.15%	2.0%
Personal Income SA M/M	FEB	0.30%	0.30%	-0.0%	0.60%
Chicago PMI SA	MAR	43.8	43.6	0.21	43.6
Michigan Sentiment NSA (Final)	MAR	62.0	63.4	-1.4	63.4
Markit PMI Manufacturing SA (Final)	MAR	49.2	49.3	-0.10	49.3
Construction Spending SA M/M	FEB	-0.10%	0.05%	-0.15%	0.38%
ISM Manufacturing SA	MAR	46.3	47.5	-1.2	47.7
Durable Orders ex-Transportation SA M/M (Final)	FEB	-0.07%	-	-	0.0%
Durable Orders SA M/M (Final)	FEB	-1.0%	-1.0%	0.0%	-1.0%
Factory Orders SA M/M	FEB	-0.70%	-0.40%	-0.30%	-2.1%
JOLTS Job Openings	FEB	9,931K	10,425K	-494.0K	10,563K
ADP Employment Survey SA	MAR	145.0K	205.0K	-60.0K	261.0K
Trade Balance SA	FEB	-$70.5B	-$68.9B	-$1.6B	-$68.7B
PMI Composite SA (Final)	MAR	52.3	53.3	-1.0	53.3
Markit PMI Services SA (Final)	MAR	52.6	53.8	-1.2	53.8
ISM Services PMI SA	MAR	51.2	54.5	-3.3	55.1
Continuing Jobless Claims SA	03/25	1,823K	1,695K	128.5K	1,817K
Initial Claims SA	04/01	228.0K	199.0K	29.0K	246.0K



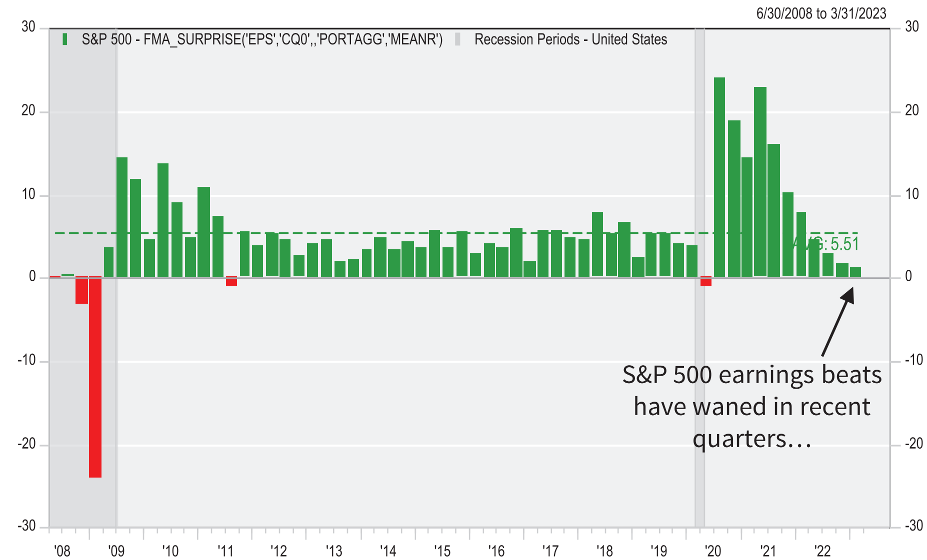


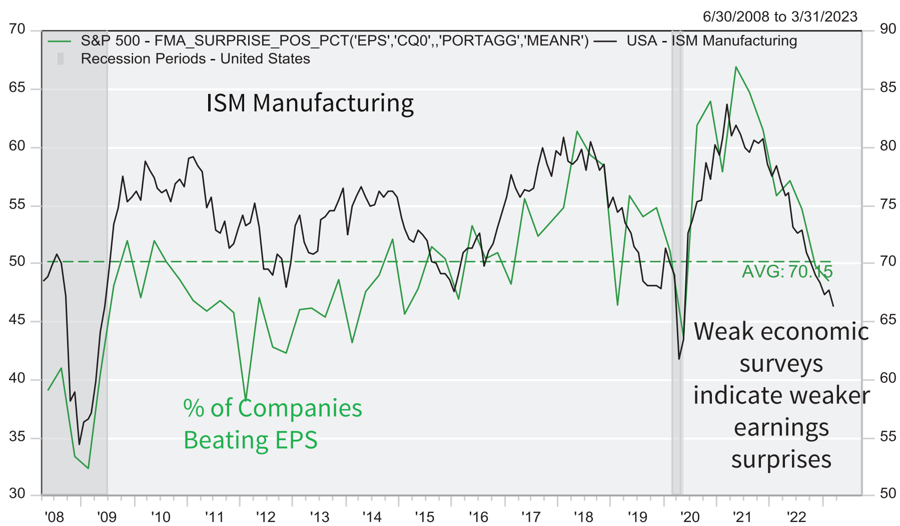
Source: FactSet

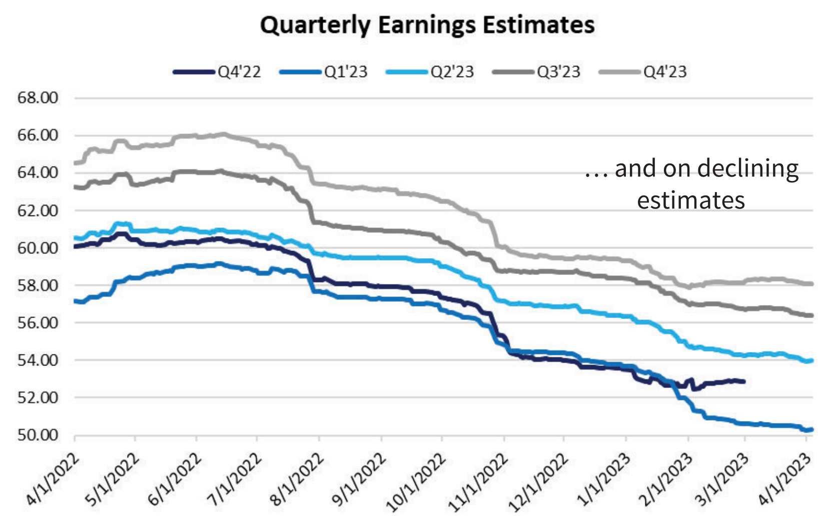
Q1 EARNINGS SEASON

Q1 earnings season begins late next week, and investors will be listening closely to the banks that report first given heightened volatility and uncertainty in that area. We expect a fairly weak earnings season overall. The consensus estimate for Q1 EPS is currently -6% growth y/y (and -5.1% q/q), and we note that actual results have come in just above declining estimates in recent quarters (i.e. 1.2% EPS beat in Q4).

Weak economic surveys indicate a lower number of companies beating results. Additionally, we believe companies will largely guide toward economic weakness and uncertainty ahead. We expect S&P 500 forward estimates to continue lower in aggregate, given our expectations for a mild recession later this year. While we will be listening to company commentary for updates on the economy and fundamental backdrop, stocks may trade more on the macro influences of inflation, economic data, and Fed policy throughout earnings season (as they have in the past few quarters).







Source: FactSet

TECHNICAL: S&P 500

Source: FactSet

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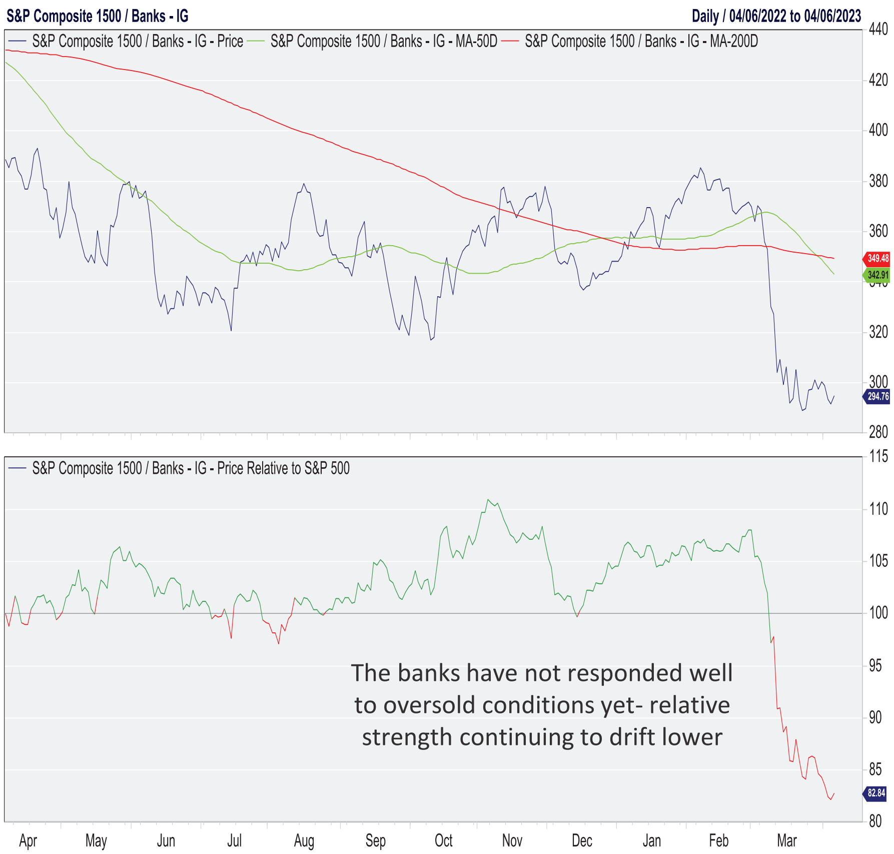
The S&P 500 is also approaching overhead resistance ~4200 with short-term stochastics reaching overbought levels. We do note that the S&P 500 has drifted higher at overbought stochastics since the October lows with MACD acting as a better indication of short-term moves topping out. For now, MACD is advancing but we will be monitoring for indication that a pullback may be due.

Overall, we have some caution in the short-term and remain comfortable with our range-bound view for now.

We see technical resistance at ~4100-4200 in the short-term. On the flip side, investors should monitor 4028, which also represents the 50DMA, for initial support. Below 4028, watch the 200DMA (which is currently at 3941), followed by 3853.

BANKS

The banks have not responded well to oversold conditions so far, still trading at their lows and relative strength continuing lower after a >~20% 1-month decline. This is a cautionary signal for broader equity markets and indicates the banks may be "stuck in the penalty box" for awhile. That said, we recommend refraining from a knee jerk reaction on positioning. The banks kick off earnings season at the end of next week, so we will hear updates from them on their fundamentals and outlook very soon. And while we expect earnings estimates to decline, the recent move has at least in part discounted some of that. We hold more of a "wait and see" approach to the banks right now.



Source: FactSet (M23-167723)

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