April 17th, 2023

VERED WEALTH MANAGEMENT (CANADA) COMPANY LIMITED

Weekly Market Guide

The S&P 500 has remained resilient in the face of growing economic concerns. The primary catalyst for the strength is declining Fed expectations and lower bond yields in our view. Yesterday's FOMC Minutes supported this stance- that in the aftermath of March's banking crisis, financial market tightening (as banks tighten lending) replaces the need for a materially higher Fed funds rate. The Fed now expects a recession to begin this year with rapidly lower inflation next year- their inflation estimate drops to 2% by year-end 2024.

Our takeaways from the Fed tone and recent economic data supports a 25 basis point hike at the May 3rd FOMC meeting, which may end up being the peak rate of this cycle (at 5-5.25% Fed funds rate). The market is currently implying 69% odds of a 25bp hike in May, followed by the potential for cuts beginning as early as July. We believe the Fed would like to hike and then hold for a prolonged period, in order to get inflation lower and keep it there. But if economic damage intensifies, we also believe the Fed would begin to support (with easier monetary policy) as needed. The ongoing data flow will continue to influence Fed expectations and bond yields, in turn impacting equity market fluctuations.

The good news is that the Fed's rapid rate hike cycle is likely near an end, and Fed pauses have typically been supportive of equity markets historically. The bad news is that Fed cuts likely come as economic weakness intensifies, which can correspond with increased market volatility. We do believe that a lot has already been priced in, as this bear market was down 27% at its lows and has now spanned 15 months, but we are not convinced that equities are ready for sustainable upside quite yet.

Our view is that equities are likely rangebound for now, and we believe the underlying message of the market supports this stance. We have seen plenty of technical positives since the October lows typically consistent with a market bottom, but recent participation in the upside has also gotten very narrow at the top. For example, the mega-cap Tech-oriented stocks have been the primary drivers of recent index strength with more economic-sensitive areas showing weakness. It is natural for clustering at the top to occur in times of uncertainty; but for a healthy bull market, we want to see participation broaden out.

Narrow breadth reaffirms our thinking that the market is unlikely ready to sprint back to a new high. And with the S&P 500 overbought in the short-term and approaching overhead resistance at ~4200, we would exercise some caution in putting cash to work at current levels. A big catalyst to monitor will be Q1 earnings season, which begins tomorrow morning with major banks. Their message, along with many others reporting in the coming weeks, may allow us to move our expected S&P 500 range (~4200-3600) higher or not.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	1.5%	-1.7%
S&P 500	6.6%	-6.9%
S&P 500 (Equal-Weight)	2.0%	-6.8%
NASDAQ Composite	14.0%	-10.8%
Russell 2000	0.7%	-10.7%
MSCI All-Cap World	7.0%	-6.1%
MSCI Developed Markets	9.3%	0.6%
MSCI Emerging Markets	3.9%	-10.5%
NYSE Alerian MLP	3.9%	4.7%
MSCI U.S. REIT	0.8%	-22.9%

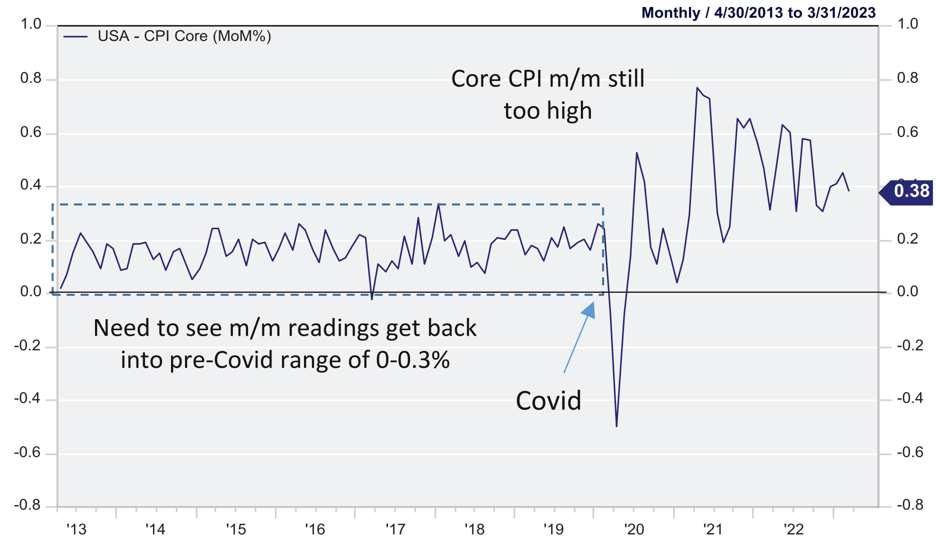
S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Communication Svcs.	20.5%	8.2%
Information Technology	18.0%	25.4%
Consumer Discretionary	11.1%	9.8%
S&P 500	***6.6%***	-
Materials	3.8%	2.7%
Industrials	1.4%	8.6%
Real Estate	1.2%	2.5%
Consumer Staples	0.8%	7.3%
Energy	-1.1%	4.8%
Utilities	-1.3%	3.0%
Health Care	-1.5%	14.7%
Financials	-5.8%	13.0%

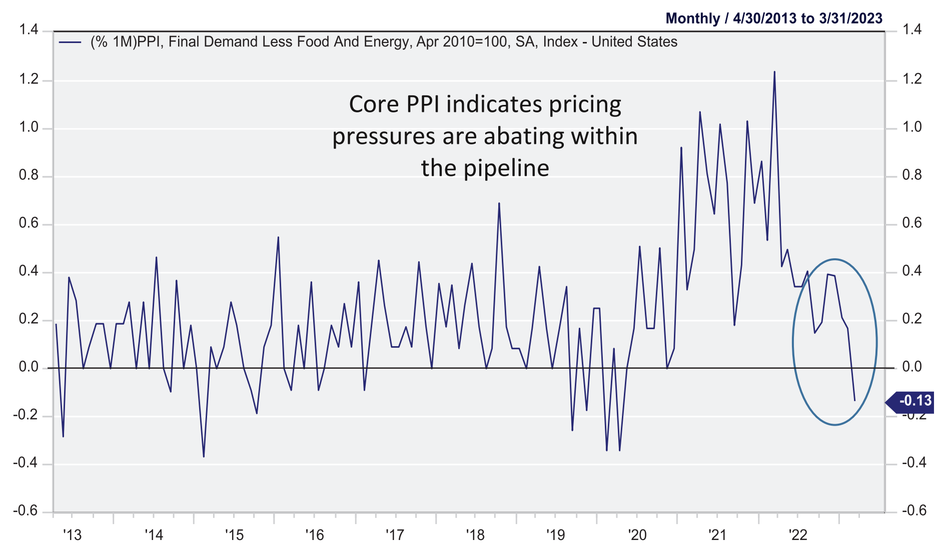
Source: FactSet

MACRO: US

Inflationary readings this week had a little for the bulls and bears. Core CPI m/m is still too high- and has not been able to break into the pre-Covid 0-0.3% monthly range that will allow the y/y numbers to get back to reasonable levels. However, there are also signs of pricing pressures abating within the pipeline, as indicated by March core PPI which contracted by -0.13% m/m. Additionally, shelter costs are a significant influence on elevated core CPI, and there is reason to believe they should moderate ahead. On one hand, the Fed will remain uneasy with inflation still running too high. But on the other hand, leading indicators suggest inflation should come down over the course of the year (as we expect). In fact, the Fed now believes that we enter a recession this year and inflation declines to 2% by year-end 2024 (within its long-term 2-2.5% target range).

Event	Period	Actual	Consensus	Prior
Hourly Earnings SA M/M (Preliminary)	MAR	0.30%	0.30%	0.21%
Hourly Earnings Y/Y (Preliminary)	MAR	4.2%	4.3%	4.6%
Manufacturing Payrolls SA	MAR	-1.0K	4.0K	-1.0K
Nonfarm Payrolls SA	MAR	236.0K	240.0K	326.0K
Private Nonfarm Payrolls	MAR	189.0K	235.0K	266.0K
Unemployment Rate	MAR	3.5%	3.6%	3.6%
Consumer Credit SA	FEB	$15.3B	$20.0B	$19.5B
Wholesale Inventories SA M/M (Final)	FEB	0.10%	0.20%	0.20%
NFIB Small Business Index	MAR	90.1	-	90.9
CPI ex-Food & Energy SA M/M	MAR	0.40%	0.40%	0.50%
CPI ex-Food & Energy NSA Y/Y	MAR	5.6%	5.6%	5.5%
CPI SA M/M	MAR	0.10%	0.20%	0.40%
CPI NSA Y/Y	MAR	5.0%	5.2%	6.0%
Average Workweek SA (Final)	MAR	34.4	-	34.4
Treasury Budget NSA	MAR	-$378.1B	-$221.0B	-$262.4B
Continuing Jobless Claims SA	04/01	1,810K	1,777K	1,823K
Initial Claims SA	04/08	239.0K	235.0K	228.0K
PPI ex-Food & Energy SA M/M	MAR	-0.10%	0.30%	0.20%
PPI ex-Food & Energy NSA Y/Y	MAR	3.4%	3.5%	4.8%
PPI SA M/M	MAR	-0.50%	0.0%	0.0%
PPI NSA Y/Y	MAR	2.7%	3.0%	4.9%



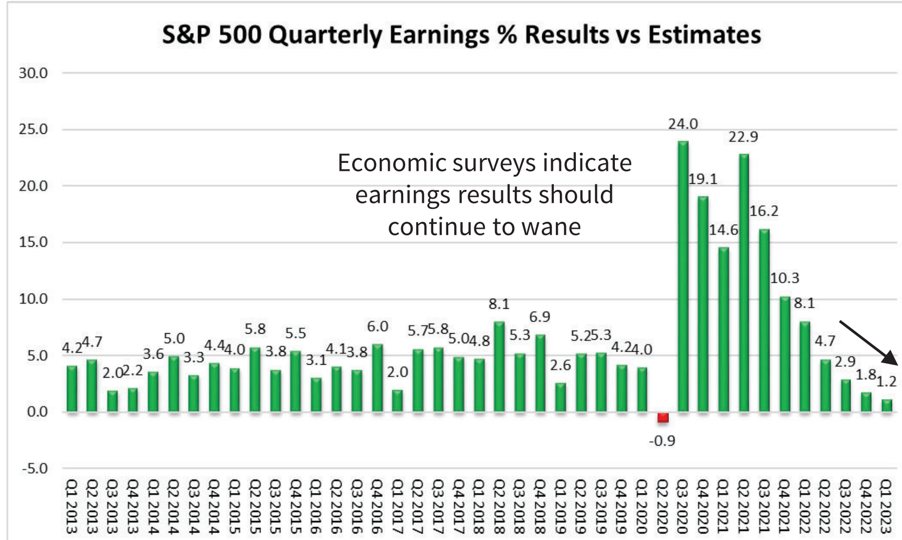


Source: FactSet

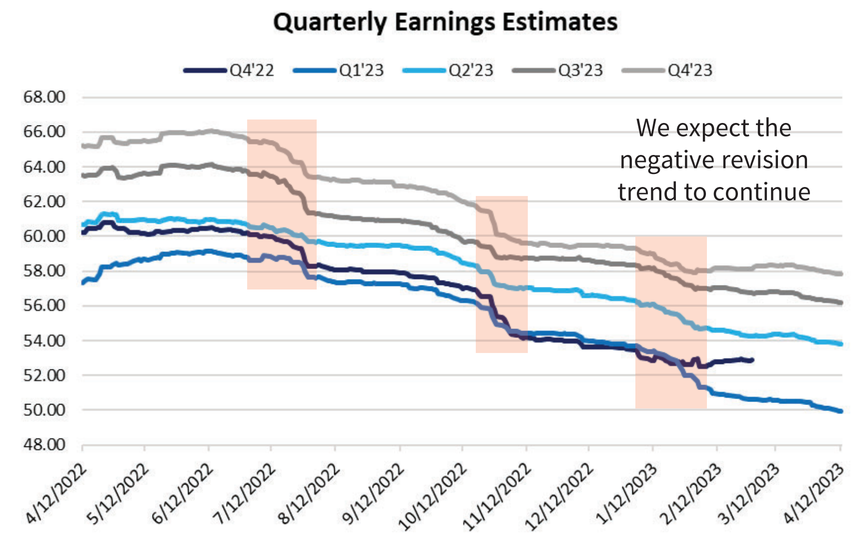
Q1 EARNINGS SEASON

Q1 earnings season kicks off tomorrow morning with the major banks. Their message, along with many others reporting in the coming weeks, may allow us to move our expected range (~4200-3600) higher- or not. Economic surveys indicate results should continue to wane in Q1, as they have over the past several quarters. For example, earnings have beaten by 2.9%, 1.8%, and 1.2% respectively over the past three quarters vs. a historical average of 5.5%. And these small beats are coming on lower estimates.

Overall, we expect a weak earnings season, but are interested to hear guidance and see how much has been priced in. Overbought conditions in the lead up to earnings season raises the stakes at the individual company level- good guidance probably results in smaller upside after the recent rally, while bad guidance may be magnified. At the sector level, Materials, Energy, Health Care, and Industrials have seen the weakest revisions in the lead up, while Utilities, Real Estate, Consumer Staples, and Comm. Services estimates have held up best. Technology will have to support the upside they have recently received, while Financials will be closely watched to see how much weakness has been discounted already.



	% Q1 Est. EPS Growth		Est. Chg Since 1/1/2023		
S&P 500 Sector	**Y/Y**	**Q/Q**	**Q1'23**	**2023**	**2024**
S&P 500	**-6.3**	**-5.5**	**-7.0%**	**-4.4%**	**-2.5%**
Utilities	-9.3	42.9	1.1%	-0.7%	-1.6%
Real Estate	-2.4	-2.6	-2.1%	-2.0%	-1.9%
Consumer Staples	-4.6	-6.9	-4.3%	-0.9%	-0.5%
Communication Services	-15.8	4.6	-5.0%	0.3%	1.5%
Financials	1.3	7.6	-6.1%	-7.6%	-7.5%
Information Technology	-15.0	-15.8	-7.9%	-5.3%	-3.2%
Consumer Discretionary	39.1	-5.8	-8.4%	-8.6%	-8.3%
Industrials	14.6	-17.1	-9.4%	-2.2%	-1.0%
Health Care	-20.1	-5.6	-9.7%	-5.0%	-2.6%
Energy	10.8	-17.9	-11.5%	-9.3%	0.0%
Materials	-34.6	-8.8	-12.9%	-4.5%	-1.9%



Source: FactSet

TECHNICAL: S&P 500

Source: FactSet

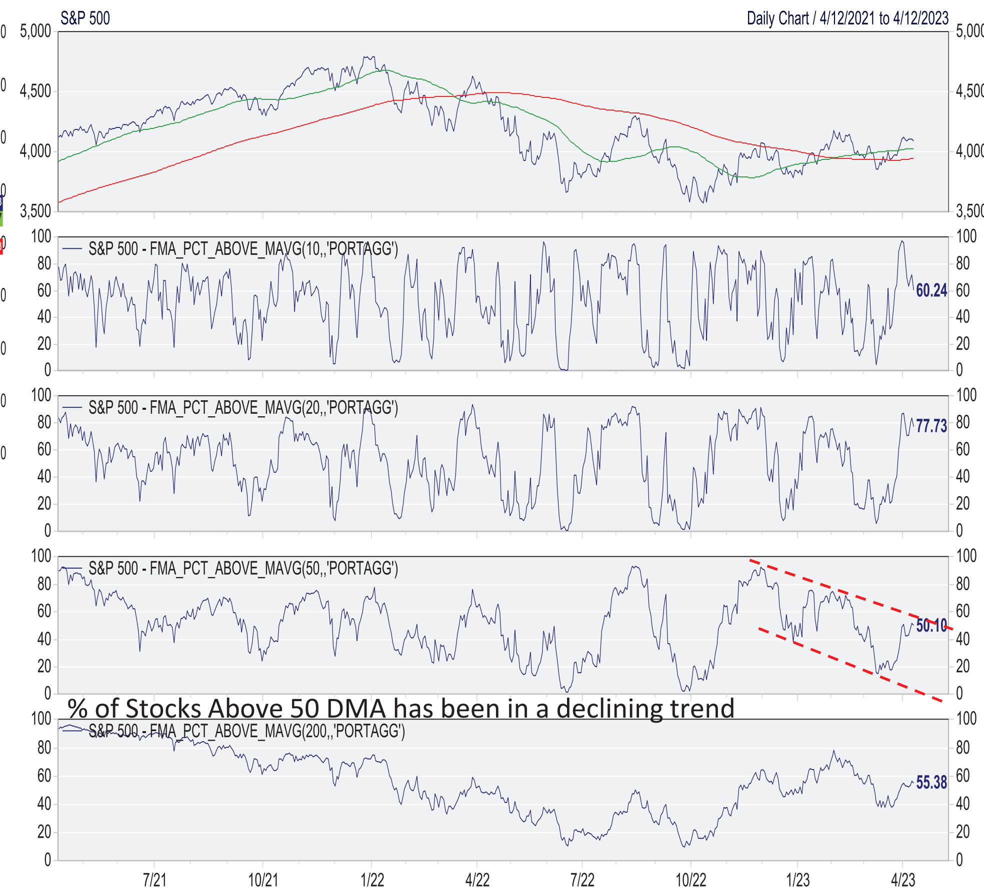
Our view is that equities are rangebound for now, and we believe the underlying message of the market supports this stance.

Stochastics are at short-term overbought levels, but the index has been able to hold overbought since the October lows until MACD rolls over. For now, MACD is trending positive; but with the S&P 500 approaching overhead resistance at ~4200, we would exercise some caution in putting cash to work at current levels.

In terms of resistance, we will be monitoring ~4200 and ~4300. On the flip side, investors should monitor 4033, which also represents the 50DMA, for initial support. Below 4033, watch the 200DMA (which is currently at 3948), followed by 3853.

NARROW BREADTH IS NOT IDEAL…

Narrow breadth in the recent rally reaffirms our thinking that the market is unlikely ready to sprint back to a new high. For example, the mega-cap Tech-oriented stocks have been the primary drivers of recent index strength with more economic-sensitive areas showing weakness. It is natural for clustering at the top to occur in times of uncertainty; but for a healthy bull market, we want to see participation broaden out.



Source: FactSet

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