VERED WEALTH MANAGEMENT (CANADA) COMPANY LIMITED

Weekly Market Guide

Over the last week, the market saw volatility pick up after approaching the upper end of what we believe is the near-term trading range. From a technical perspective, stochastics were approaching overbought territory, market breadth was narrow, and bullish momentum seemed be waning as low volatility (VIX at its lowest level since January 2022) and series of small daily moves showed some complacency in the market. Last week alone, there were 3 days of moves in either direction of less than 0.1%.

And, this week, the technical picture changed as volatility picked up with **the S&P 500 seeing its first daily decline of over 1% since March 22nd** as fears within the Financial sector were renewed, which quickly shifted the focus from the near-term upside case (a break above 4200 resistance would open the door for a move to 4325) to at what levels is downside support (initial support at the 50-DMA of 4033 followed by 3963 (200-DMA).

Stochastics have quickly rolled over and are now approaching oversold territory. Given our belief that the market is likely range-bound in the near-term, **we would be reluctant to spend marginal cash when the market appears overbought, but we would be accumulating favored sectors as the market moves towards oversold territory and the lower bounds of our expected trading range of 3500-4100.**

At the sector level, Technology, particularly Software, remains resilient as the YTD strength carried through to this week as relative performance continued to improve. However, there was a slight shift back towards some of the more defensive areas this week as Staples (through yesterday's close) were the best performing sector for the week. Overall, we believe that this bear market is likely in its later stages, and we would be reluctant to get too defensive during market pullbacks as we believe the give back in relative performance from some of the more cyclical sectors looks like an ordinary pullback. Furthermore, the back and forth sector shifts further solidifies our belief that equities may be range bound in the near-term and are not ready for a sustainable climb high quite yet. As economic concerns intensify, market volatility is likely to continue ahead. Overall, we expect rangebound trading in the near-term between 3500-4100 (+/- 100 points) range.

Q1 Earnings Season: Earnings season is off to a good start as **80% of companies are beating earnings on average by 7%**, which is well above the average surprise of 1.2% seen during 4Q'22. The stronger results have been driven by strong surprises within the Consumer Discretionary (20.7% EPS surprise), Materials (18.1%) and Industrials (8.6%) sectors with all eleven sectors seeing upside to estimates thus far. While it may still be early, we are starting to see some improvement to earnings forecasts for 2023 and 2024 vs. the prevailing trend of revisions to the downside over the last year.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	0.5%	0.2%
S&P 500	5.6%	-2.9%
S&P 500 (Equal-Weight)	-0.1%	-5.2%
NASDAQ Composite	13.3%	-5.1%
Russell 2000	-1.8%	-8.5%
MSCI All-Cap World	6.2%	-1.9%
MSCI Developed Markets	9.9%	5.7%
MSCI Emerging Markets	1.2%	-7.8%
NYSE Alerian MLP	2.3%	6.9%
MSCI U.S. REIT	-1.1%	-24.1%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Information Technology	18.1%	25.7%
Communication Svcs.	17.3%	8.0%
Consumer Discretionary	11.6%	9.9%
S&P 500	***5.6%***	-
Consumer Staples	2.0%	7.5%
Materials	1.0%	2.6%
Industrials	-1.1%	8.4%
Real Estate	-1.5%	2.5%
Health Care	-3.2%	14.6%
Utilities	-3.3%	2.9%
Energy	-4.4%	4.7%
Financials	-5.9%	13.1%

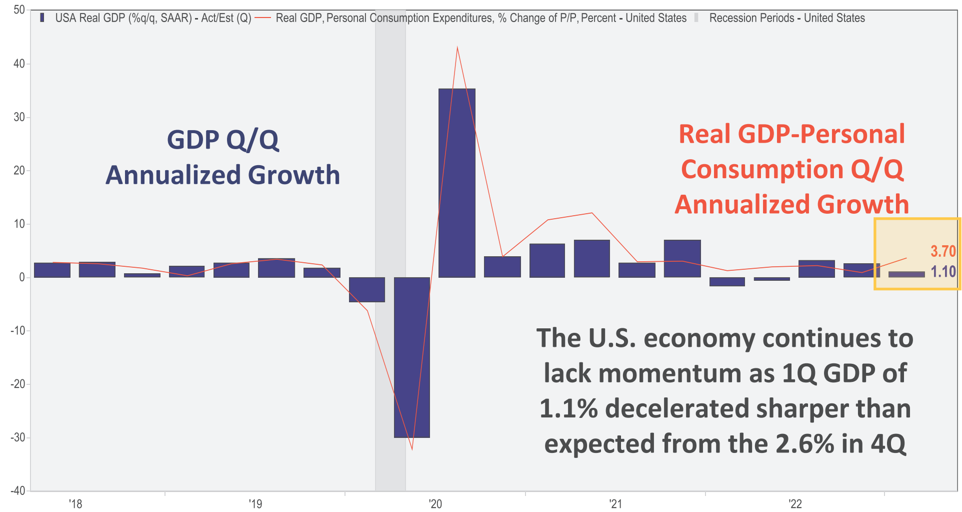
Source: FactSet

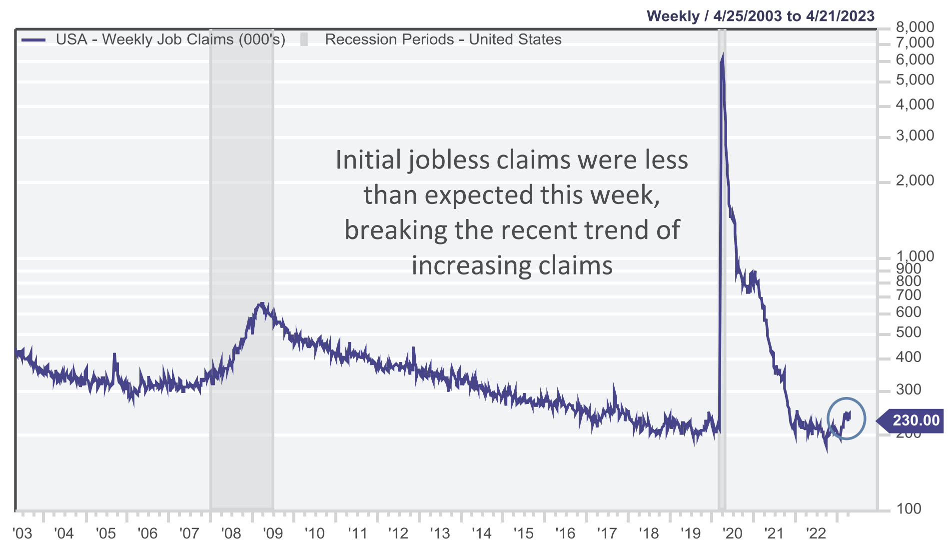
MACRO: US

Despite a fairly quiet macro calendar this week, the big headlines were jobs and GDP. The economy continues to lose momentum as preliminary 1Q GDP showed an increase of 1.1% Q/Q annualized, which was a sharper deceleration from the 2.6% reported for the 4Q than anticipated. Within GDP, personal consumption expenditures were 3.7% while private fixed investment declined by 0.4% annualized. Overall, we maintain that the U.S. consumer remains relatively healthy, but higher interest rates and tightening credit likely pushes the economy into a mild recession in 2023.

After initial jobless claims had been trending higher, jobless claims this week were lower than expectations at 230K, which was a decline on a W/W basis and 20K fewer than consensus expectations. The job market remains relatively tight, but we will continue to monitor for any softening, given the importance of the consumer to U.S. GDP.

Event	Period	Actual	Consensus	Surprise	Prior
PMI Composite SA (Preliminary)	APR	53.5	51.8	1.7	52.3
Markit PMI Manufacturing SA (Preliminary)	APR	50.4	49.3	1.1	49.2
Markit PMI Services SA (Preliminary)	APR	53.7	51.5	2.2	52.6
Chicago Fed National Activity Index	MAR	-0.19	-0.25	0.06	-0.19
Dallas Fed Index	APR	-23.4	-11.0	-12.4	-15.7
Building Permits SAAR (Final)	MAR	1,430K	-	-	1,413K
FHFA Home Price Index	FEB	394.8	-	-	393.0
Consumer Confidence	APR	101.3	104.1	-2.8	104.0
New Home Sales SAAR	MAR	683.0K	630.0K	53.0K	623.0K
Richmond Fed Index	APR	-10.0	-6.5	-3.5	-5.0
MBA Mortgage Applications SA W/W	04/21	3.7%	-	-	-8.8%
Core Capital Goods Orders M/M (Preliminary)	MAR	-0.37%	0.20%	-0.57%	-0.70%
Durable Orders ex-Transportation SA M/M (Preliminary)	MAR	0.30%	-0.10%	0.40%	-0.30%
Durable Orders SA M/M (Preliminary)	MAR	3.2%	0.70%	2.5%	-1.2%
Durable Shipments SA M/M (Preliminary)	MAR	1.1%	-	-	-0.84%
Wholesale Inventories SA M/M (Preliminary)	MAR	0.10%	0.10%	-0.0%	0.10%
Continuing Jobless Claims SA	04/15	1,858K	1,880K	-22.0K	1,861K
GDP SAAR Q/Q (First Preliminary)	Q1	1.1%	1.9%	-0.80%	2.6%
Initial Claims SA	04/22	230.0K	250.0K	-20.0K	246.0K



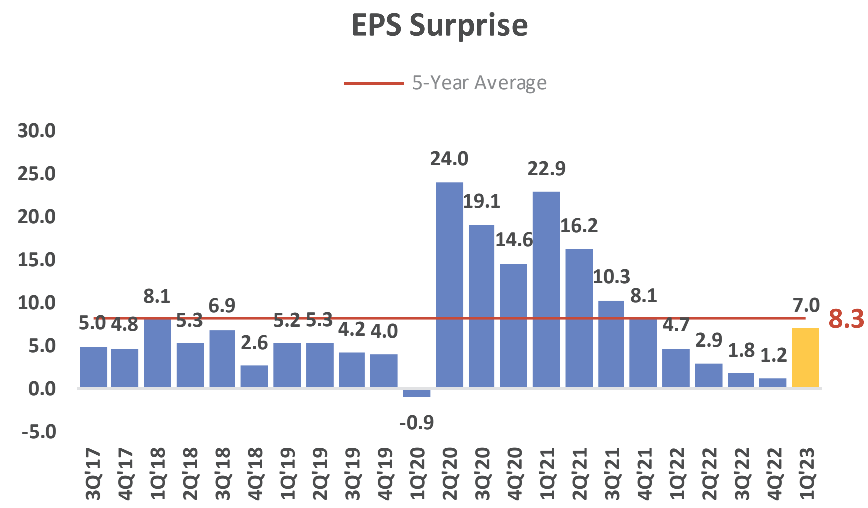


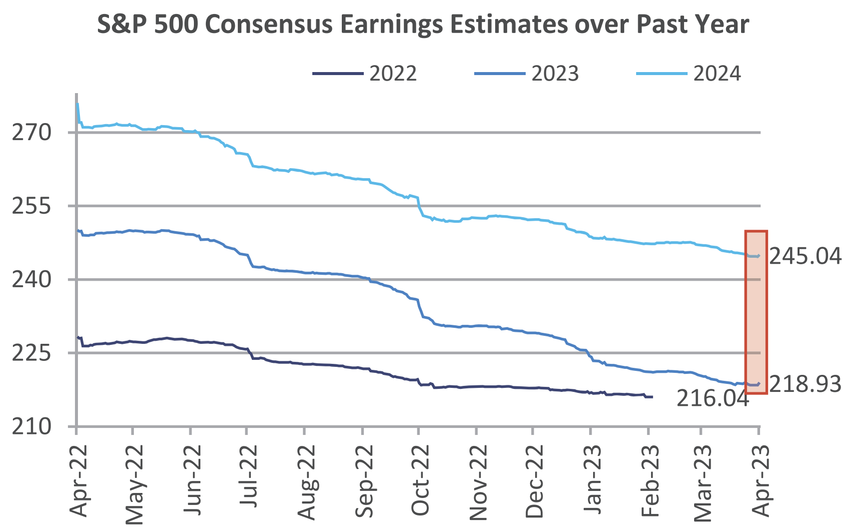
Source: FactSet

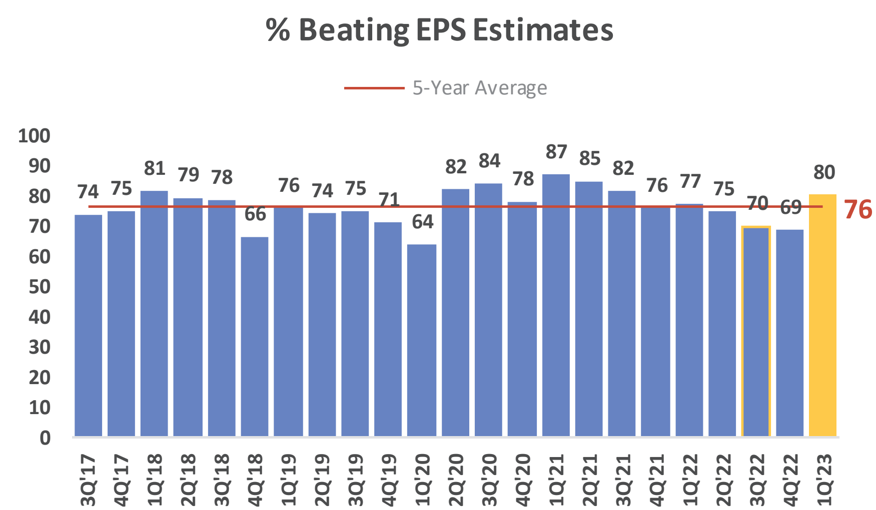
Q1 EARNINGS SEASON

Earnings season is off to a good start as 80% of companies are beating earnings on average by 7% (albeit lower than the 8.3% 5-year average) and well above the 1.2% surprise seen during 4Q'22. The stronger results from earnings season are being driven by strong surprises within the Consumer Discretionary (20.7% EPS surprise), Materials (18.1% EPS surprise), and Industrials (8.6% EPS surprise). All eleven sectors have surprised to the upside thus far during earnings season.

2023 and 2024 earnings have been under pressure for much of the last year, but earnings estimates has seen a slight tick higher since the beginning of earnings season, which is a positive sign. However, given the growing likelihood of economic contraction ahead, we would expect earnings to continue to moderate as we go through the year. Our EPS estimate remains at $215 for 2023.







Source: FactSet

TECHNICAL: S&P 500

Source: FactSet

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However, this week, volatility picked up as we saw the first daily decline of over 1% since March 22nd as fears within the Financial sector picked back up, which quickly shifted the focus from the NT upside case to at what level is downside support. Stochastics have quickly rolled over and are now approaching oversold territory.

Resistance:

- 4200 has been a formidable resistance level, turning back the rally in February
- A break above 4200 would open the door for a move to 4325.

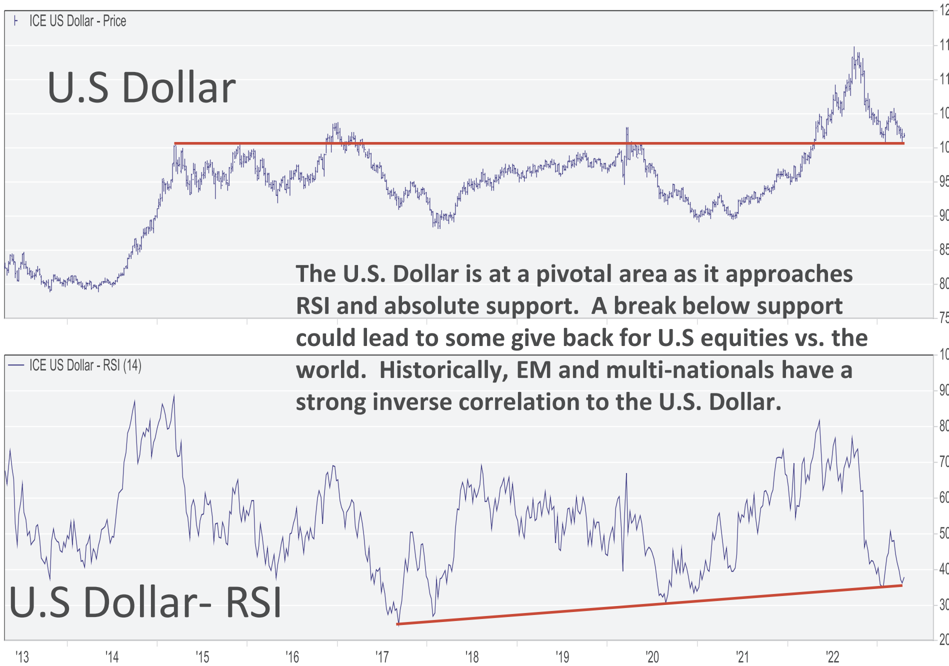
Downside Support:

- Initial support would be the 50-DMA (4033)
- A break below 4033, would open the door for a move to the 200-DMA at 3963.

While we believe that this bear market is likely in its later stages, we do not believe that equities are ready for a sustainable climb higher quite yet. As economic concerns intensify, market volatility is likely to continue ahead. **Overall, we expect rangebound trading in the near-term between 3500-4100 (+/- 100 points) range.**

GLOBAL

Complacency mixed with stronger fundamentals and interest rate differentials has led to relative outperformance of the U.S. indices vs. the world (ex-US) for the last decade plus. However, we believe we are a pivotal area as relative performance and the U.S. Dollar are both bumping up against support. Historically, there has been a high correlation (0.74) between the U.S. Dollar and the relative performance. If the U.S. Dollar is not able to hold support, this could lead to some relative performance give back for the U.S. However, if the dollar is able to hold support, we could see a continuation of the long-term trend of U.S. outperformance.



Source: FactSet

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