May 8th, 2023

VERED WEALTH MANAGEMENT (CANADA) COMPANY LIMITED

Weekly Market Guide

The S&P 500 index has been resilient at the upper-end of its recent range (~4200), but the strength remains dominated by mega-cap Tech-oriented stocks and defensive sectors. We stay in the rangebound camp (potential S&P 500 range ~4200-3600) and believe narrow market participation supports this view. In our opinion, it will be difficult for equities to make a sustainable climb higher without inflation being much lower. We do believe that the Fed will be successful in driving down inflation over the next 12 months and that equities will be higher. But economic volatility in the coming months is likely to correspond with market volatility for now.

Urgency is picking up on the debt ceiling, as Treasury Secretary Janet Yellen told Congress this week that the "X-Date" for default could come as early as June 1st. The update came ahead of schedule, and details surrounding it (such as her tone) provide credibility to an accelerated timeline in our view. It is important to note that the actual debt ceiling X-date is a moving target and could come weeks later than estimates. In addition, the Treasury has a cushion before budget cuts start occurring. Nonetheless, this raises the stakes over the next month and can impact market volatility. **We do believe that an agreement will be made to extend the debt ceiling, but likely in the final hour after plenty of political wrangling (as is often historically).** And the limited amount of time for negotiations to progress increases the chances for just a short-term extension.

While brinkmanship on the debt ceiling may take up a lot of headline space over the coming weeks, the major market driver will remain Fed policy in our view. Market expectations imply the rate hike cycle being virtually over with cuts occurring by year-end. We do believe that may be the case as the lagged effects of Fed tightening lead to economic contraction, but the Fed will be hesitant to cut too early. Rate cuts will likely need to come in conjunction with economic damage intensifying- and that economic volatility is likely to influence market volatility in the coming months before equities can firmly gain their footing and build a sustainable uptrend.

Technically, the S&P 500 has been unable to penetrate ~4200 resistance (the midpoint of this bear market) and weakening breadth is a drag on underlying trends. **We recommend some patience in the short-term, with the S&P 500 at the upper-end of our anticipated range and short-term risk/reward skewed to the downside.** That said, we do believe that we are in the late stages of this bear market and that the weak periods should be used as long-term opportunity.

Equity Market	Price Return	
Indices	Year to Date	12 Months
Dow Jones Industrial Avg	1.6%	1.9%
S&P 500	7.3%	-0.9%
S&P 500 (Equal-Weight)	1.1%	-3.2%
NASDAQ Composite	15.4%	-3.6%
Russell 2000	-1.7%	-8.0%
MSCI All-Cap World	7.0%	-0.9%
MSCI Developed Markets	9.2%	5.8%
MSCI Emerging Markets	1.8%	-9.2%
NYSE Alerian MLP	0.9%	6.4%
MSCI U.S. REIT	0.1%	-17.8%

S&P 500	Price Return	Sector
Sectors	Year to Date	Weighting
Communication Svcs.	22.1%	8.2%
Information Technology	21.1%	25.9%
Consumer Discretionary	13.6%	9.9%
S&P 500	***7.3%***	-
Consumer Staples	3.4%	7.4%
Materials	2.6%	2.6%
Industrials	1.3%	8.6%
Real Estate	-0.8%	2.4%
Health Care	-1.8%	14.6%
Utilities	-3.3%	2.9%
Financials	-5.7%	12.9%
Energy	-7.9%	4.5%

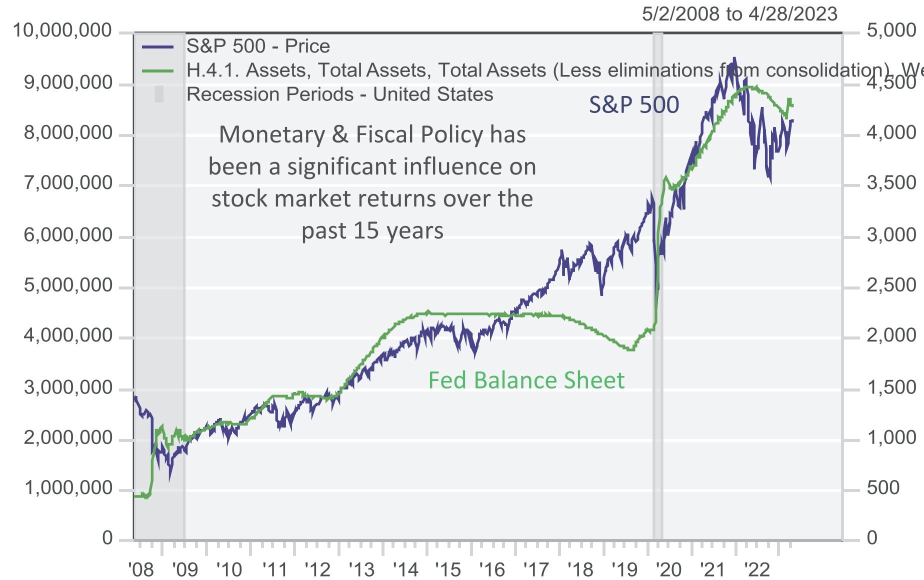
Source: FactSet

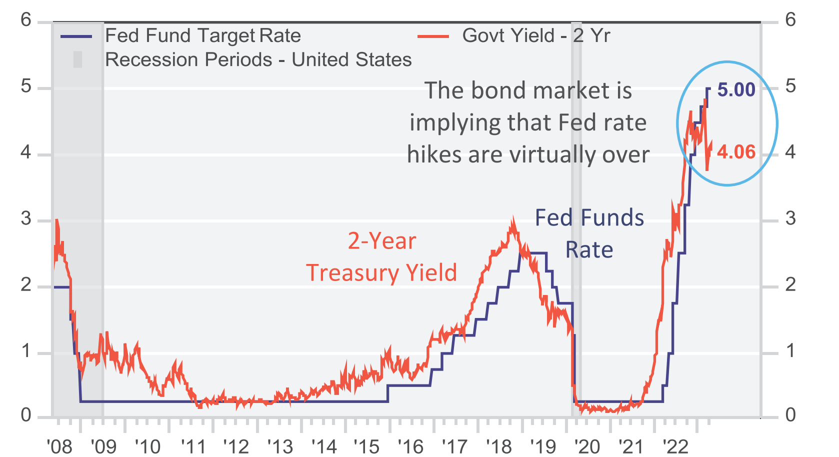
MACRO: US

Fed policy will remain a key influence on markets, as it has over the past 15 years. We believe the Fed has done enough at this point, and that the lagged effects of tightening will bring down inflation ahead. But the Fed will also be hesitant to cut too quickly unless economic damage intensifies.

Given our expectations of a mild economic recession occurring in the back half of this year, we do believe that cuts may come. But economic volatility in the meantime is likely to correspond with market volatility for now.

Event	Period	Actual	Consensus	Prior
BEA Total Light Vehicle Sales (Final)	MAR	14.8M	14.7M	14.8M
ECI Civilian Workers SA Q/Q	Q1	1.2%	1.1%	1.1%
ECI Civilian Workers SA Y/Y	Q1	4.8%	4.6%	5.1%
Core PCE Deflator M/M	MAR	0.28%	0.30%	0.35%
Core PCE Deflator Y/Y	MAR	4.6%	4.5%	4.7%
Personal Consumption Expenditure SA M/M	MAR	0.0%	-	0.10%
Personal Income SA M/M	MAR	0.30%	0.20%	0.30%
Michigan Sentiment NSA (Final)	APR	63.5	63.5	63.5
Markit PMI Manufacturing SA (Final)	APR	50.2	50.4	50.4
Construction Spending SA M/M	MAR	0.30%	0.10%	-0.32%
ISM Manufacturing SA	APR	47.1	46.7	46.3
Durable Orders ex-Transportation SA M/M (Final)	MAR	0.25%	-	0.30%
Durable Orders SA M/M (Final)	MAR	3.2%	3.2%	3.2%
Factory Orders SA M/M	MAR	0.90%	1.0%	-1.1%
JOLTS Job Openings	MAR	9,590K	9,640K	9,974K
ADP Employment Survey SA	APR	296.0K	145.0K	142.0K
PMI Composite SA (Final)	APR	53.4	53.5	53.5
Markit PMI Services SA (Final)	APR	53.6	53.7	53.7
ISM Services PMI SA	APR	51.9	51.5	51.2





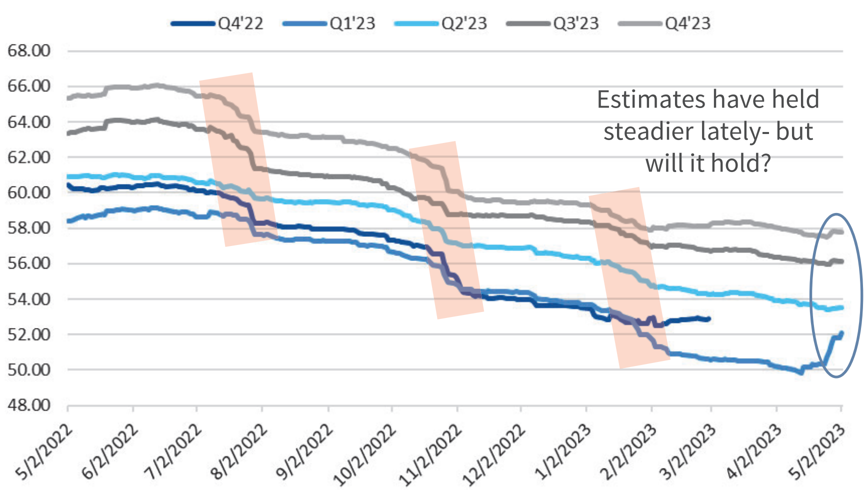
Source: FactSet

Q1 EARNINGS SEASON

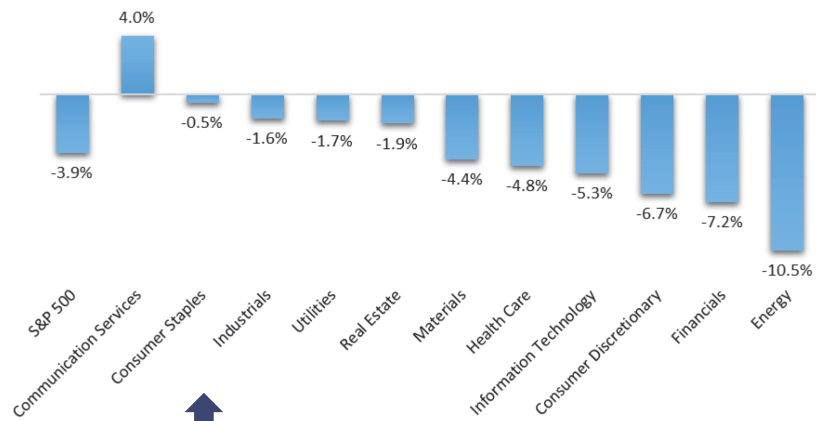
We are in the heart of Q1 earnings season, as 64% of the S&P 500's market cap has reported up to this point. Overall, results have been much better than expected despite the tough macro-backdrop. 80% of S&P 500 companies are beating earnings estimates by an aggregate 7.3%- both above long-term averages. The average price reaction has been roughly flat but dispersed across sectors. Industrials, Communication Services, and Consumer Staples have seen the best price reactions on average with more stable estimate revision trends supporting that performance. On the flip side, some of the worst earnings revisions have come from Energy and Financials which have been a drag on their relative performance.

For the S&P 500 overall, forward earnings estimates have ticked higher, supporting market trends. This is a positive sign, but we wonder if it will hold. Our base case assumption of a mild recession in the back half of this year leads us to believe that earnings estimates still have more downside ahead. Earnings typically bottom well after recession end, while markets bottom before (i.e. stocks discount the future).

Quarterly Earnings Estimates

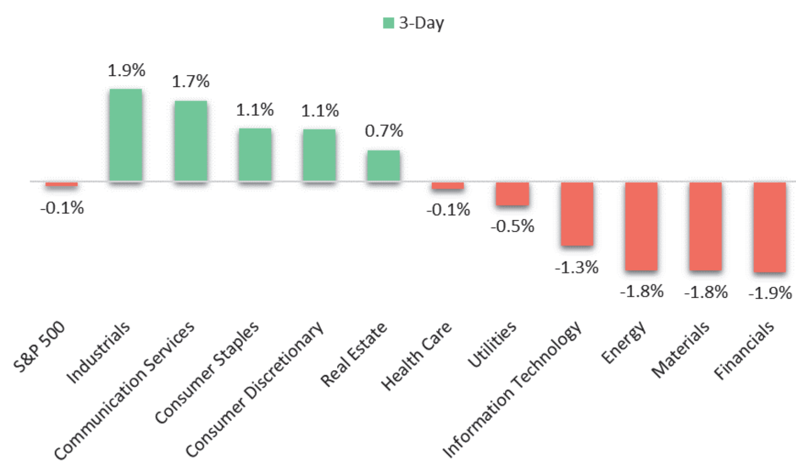


2023 EPS Revisions since 1/1/23



Earnings revisions impacting performance

Q1 Average Price Reactions



Source: FactSet

TECHNICAL: S&P 500

Source: FactSet

Technically, the S&P 500 has been unable to penetrate ~4200 resistance (the midpoint of this bear market) and weakening breadth is a drag on underlying trends.

We also note that MACD appears close to rolling over, which corresponded in a 8-9% pullback to ~3800 in the last two instances.

Given the narrow backdrop and economic headwinds ahead (in our view), we stay in the rangebound camp (potential S&P 500 range ~4200-3600).

Accordingly, we recommend some patience in accumulating favored stocks in the short-term, with the S&P 500 at the upper-end of our anticipated range and short-term risk/reward skewed to the downside.

That said, we do believe that we are in the late stages of this bear market and that the weak periods should be used as long-term opportunity.

RECESSIONARY BEAR MARKETS

While we are not convinced that equities are ready for a sustainable climb higher quite yet, we do believe that we are in the late stages of this bear market. The chart below attempts to keep this bear market in perspective. Recessionary bear markets have contracted -33% over 13 months on average, but we have seen a -27% decline (at the lows) over 16 months already. So while volatility may persist in the coming months, we do view long-term risk/reward as favorable and recommend investors not lose sight of the bull market opportunity on the other side. Bull markets can last 4-5 years and average ~150% gains.

Source: FactSet (M23-189704)

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