July 10th, 2023

VERED WEALTH MANAGEMENT (CANADA) COMPANY LIMITED

Weekly Market Guide

The 1st half of 2023 is in the books- and to the outside observer, equity markets have been incredibly strong this year. After climbing 7% in Q1, the S&P 500 finished Q2 up an additional 8.3% for a year-to-date return of 15.9%. Beneath the surface, performance has been much more difficult. Tech-oriented areas have dominated- i.e. Technology +42%, Communication Services +36%, and Consumer Discretionary (cap-weighted) +32%- while **the average S&P 500 stock ex-Tech is up just 5% YTD**. This is not overly concerning to us, and the technical backdrop as a whole has become much more supportive this year. But we do believe that participation will need to broaden out if the current uptrend is set to develop into a healthy bull market.

The S&P 500 index climbed a "wall of worry" in the 1st half, as the economy held up much better than expected. Unique characteristics from the Covid era (i.e. significant undersupply of labor and financial cushion from massive government stimulus) have supported economic activity in our view- leaving many to question whether or not a recession is in the cards. **While the timeline of economic contraction has been pushed out, we still believe the odds are in favor of a mild recession occurring later this year.** Leading economic indicators and the yield curve are at levels historically consistent with a recession. Moreover, the Fed remains in a tightening cycle (as it battles elevated inflation) and rate hikes act with a lag on the economy. For example, yield curve inversion (which occurred last November) has preceded the last four recessions by an average of 12 months (9-17 month range).

While we respect the market message and current momentum, we refrain from unbridled enthusiasm given our view that economic realities will set in at some point over the coming months and correspond with market volatility. The manufacturing side of the economy remains weak, i.e. June ISM Manufacturing dipped to a new cycle-low of 46. The services side has held up so far, but we believe it is likely to follow manufacturing into contraction in the back half of this year (June ISM Services gets reported tomorrow). Also on the economic calendar this week, investors will be monitoring initial jobless claims (have ticked up only modestly so far, but are a leading indicator to a weakening jobs market), JOLTS job openings, and the June jobs report (last month's report kicked off the rally in lagging areas, especially small caps). **With the market shifting to an increased focus on the economy (vs. inflation), economic reports will carry weight to either support the current trend or not**.

Bottom line: We maintain a positive bias to equities over the next 12+ months, as inflation eventually comes down, the Fed pivots, and investors begin discounting an economic recovery. However, the road to get there will be choppy in our view, as economic volatility impacts market volatility over the interim. We recommend pragmatism in accumulating favored sectors and stocks, and would look to use drawdowns as opportunity.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	3.8%	10.7%
S&P 500	16.0%	16.5%
S&P 500 (Equal-Weight)	6.3%	10.5%
NASDAQ Composite	32.0%	24.2%
Russell 2000	7.7%	9.8%
MSCI All-Cap World	13.2%	14.4%
MSCI Developed Markets	10.0%	16.7%
MSCI Emerging Markets	5.1%	1.2%
NYSE Alerian MLP	6.1%	20.1%
MSCI U.S. REIT	4.4%	-4.9%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Information Technology	41.6%	28.1%
Communication Svcs.	35.8%	8.4%
Consumer Discretionary	33.8%	10.8%
S&P 500	***16.0%***	-
Industrials	9.3%	8.5%
Materials	6.9%	2.5%
Real Estate	2.5%	2.3%
Consumer Staples	0.6%	6.7%
Financials	-0.9%	12.5%
Health Care	-3.1%	13.3%
Utilities	-6.5%	2.6%
Energy	-7.0%	4.1%

Source: FactSet

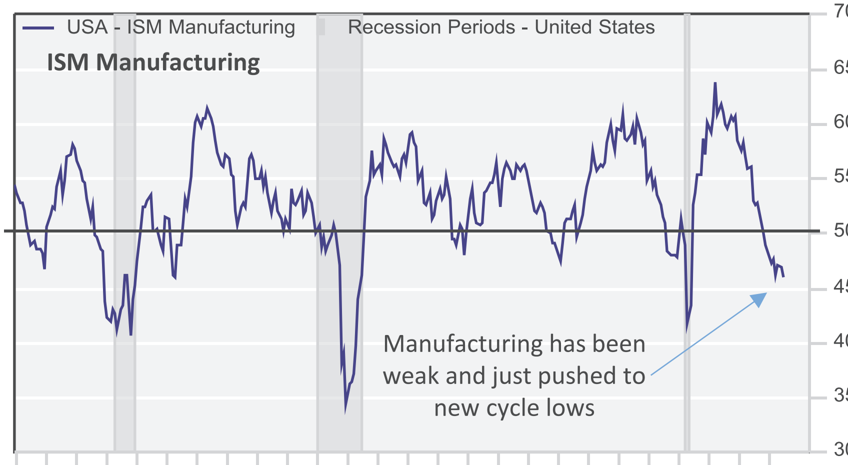
MACRO: US

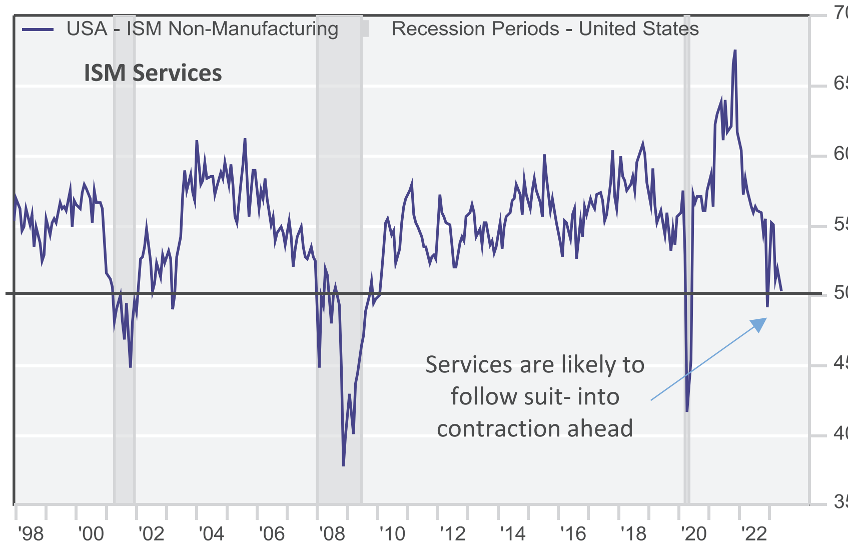
Last week's economic data showed core PCE (the Fed's favored measure of inflation) moderate a touch to 4.6% y/y (0.31% m/m growth), though this is still too elevated for the Fed's liking. At least one more rate hike and a "higher for longer" stance is the Fed's current message. We have yet to see the full effects of the Fed's rate hike cycle yet, but recent economic data shows that real consumption has slowed in Q2. Q1 GDP growth was revised up to 2% (from 1.3%), though this was entirely due to a jump when the year began. May personal consumption grew just 0.1% m/m. We believe the services side of the economy is likely to weaken in the back half of the year- following the manufacturing sector into contraction. This is good news for inflation, but bad news for economic growth. June ISM manufacturing dipped to a new cycle low of 46.0, and June ISM Services is reported tomorrow (will provide further indication on current trends).

Event	Period	Actual	Consensus	Prior
Continuing Jobless Claims SA	06/17	1,742K	1,772K	1,761K
GDP SAAR Q/Q (Final)	Q1	2.0%	1.3%	1.3%
GDP SA Y/Y (Final)	Q1	1.8%	1.6%	1.6%
Initial Claims SA	06/24	239.0K	264.5K	265.0K
Pending Home Sales Index SAAR	MAY	76.5	78.0	78.6
Pending Home Sales M/M	MAY	-2.7%	-0.40%	-0.38%
Core PCE Deflator M/M	MAY	0.31%	0.40%	0.38%
Core PCE Deflator Y/Y	MAY	4.6%	4.7%	4.7%
Personal Consumption Expenditure SA M/M	MAY	0.10%	0.30%	0.60%
Personal Income SA M/M	MAY	0.40%	0.40%	0.30%
Chicago PMI SA	JUN	41.5	44.5	40.4
Michigan Sentiment NSA (Final)	JUN	64.4	63.9	63.9
Markit PMI Manufacturing SA (Final)	JUN	46.3	46.3	46.3
Construction Spending SA M/M	MAY	0.90%	0.50%	0.40%
ISM Manufacturing SA	JUN	46.0	47.2	46.9
Durable Orders ex-Transportation SA M/M (Final)	MAY	0.68%	-	0.60%
Durable Orders SA M/M (Final)	MAY	1.8%	1.7%	1.7%
Factory Orders SA M/M	MAY	0.30%	0.60%	0.30%

Source: FactSet

12/31/1997 to 06/30/2023



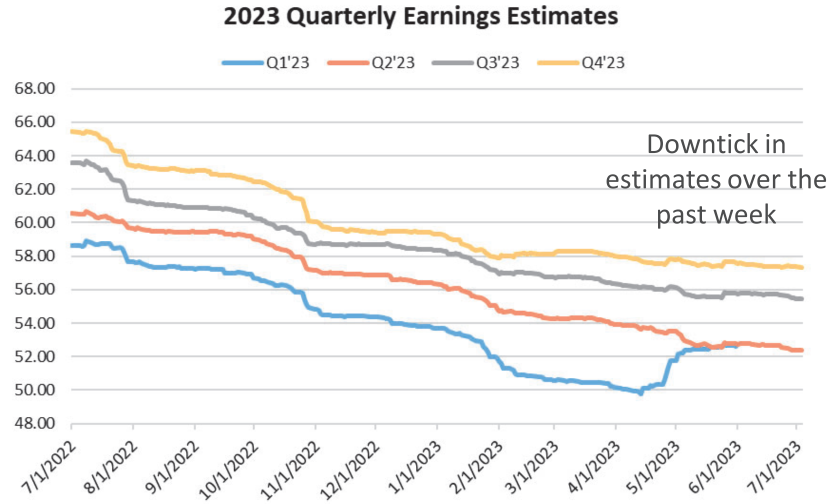


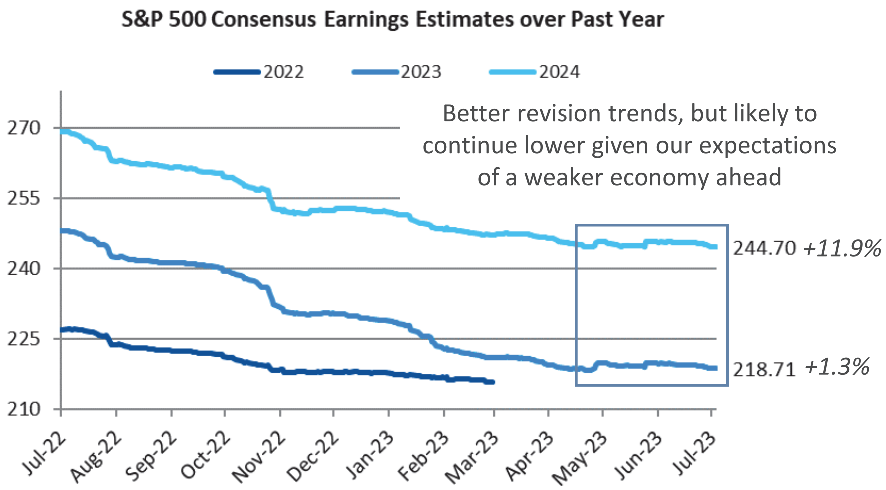
Q2 EARNINGS SEASON

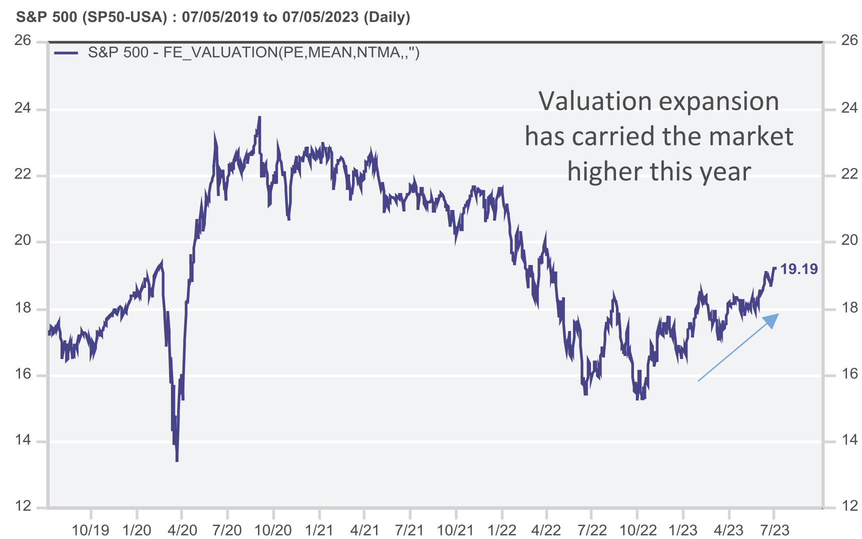
With Q2 coming to a close, earnings season will begin in two weeks. The major banks kick things off on 7/14 and pre-announcements will begin to trickle out. We believe the *bar is higher* going into earnings season this time around vs. Q1. Economic concerns were heightened in the lead up last quarter's results, following a string of weak quarters and ongoing bank liquidity issues. Positive surprises then buoyed equity markets over the past several months.

With increasingly more talk of a "soft landing" in the lead up to Q2 results, earnings revision trends have improved- thus *raising the bar*. We doubt Q2 provides the same upside surprise as Q1, given better expectations and performance lately.

Valuation expansion has been the driver of market upside this year. While this is the norm historically out of recessionary bear markets, we are not convinced that a recession has been fully priced in by equity market participants- leading to our expectation of a choppy road ahead.







Source: FactSet

TECHNICAL: S&P 500

Source: FactSet

After breaking above multiple resistance levels in June, the S&P 500 has continued its uptrend in place since the October lows (though participation has been very narrow beneath the surface).

While we respect the market message and current momentum, we refrain from unbridled enthusiasm given our view that economic realities will set in at some point over the coming months and correspond with market volatility.

Technically, prior resistance now becomes potential support. Given the positive upside momentum, absent any major negative news, odds suggest that the index holds above obvious support levels during a pullback.

Potential support:
20-DMA: 4362
50-DMA: 4239
200-DMA: 4007

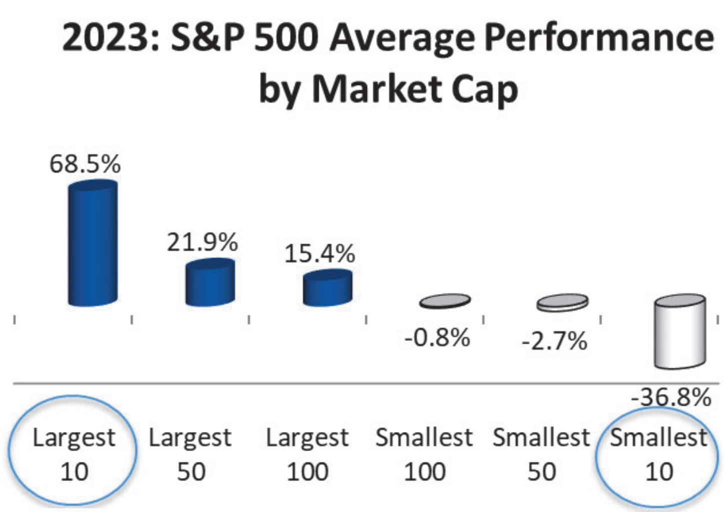
Near 4200 looks to be the strongest with two support areas (a horizontal break-out and the 50-DMA) meeting.

1st HALF PERFORMANCE

Performance in the first half of the year was dominated by the Tech heavyweights. For example, Technology was up +42%, Communication Services +36%, and Consumer Discretionary (cap-weighted) +32%, while the average S&P 500 stock ex-Tech was up just +5%. Energy, Utilities, Health Care, and Financials were all down year-to-date.

Performance was also very top-heavy with the largest 10 S&P 500 stocks up 68.5% on average, while the smallest 100 stocks were down on average. We estimate that over 80% of the S&P 500 index's 16% YTD return can be attributed to just 10 Tech heavyweights.

This is not overly concerning to us, and the technical backdrop as a whole has become much more supportive this year. But we do believe that participation will need to broaden out if the current uptrend is set to develop into a healthy bull market.



Source: FactSet

S&P 500 Industry Group	1st Half 2023
Automobiles & Components	86.6%
Semiconductors & Semiconductor Equipment	67.5%
Media & Entertainment	44.2%
Technology Hardware & Equipment	40.6%
Software & Services	32.3%
Consumer Discretionary Distribution & Retail	26.2%
Consumer Services	20.9%
S&P 500	***15.9%***
Commercial & Professional Services	11.7%
Transportation	10.0%
Capital Goods	8.5%
Consumer Durables & Apparel	8.3%
Materials	6.6%
Consumer Staples Distribution & Retail	5.3%
Financial Services	3.9%
Equity Real Estate Investment Trusts (REITs)	1.5%
Health Care Equipment & Services	1.4%
Household & Personal Products	-0.9%
Food Beverage & Tobacco	-1.7%
Insurance	-1.9%
Pharmaceuticals Biotechnology & Life Sciences	-5.0%
Utilities	-7.2%
Energy	-7.3%
Telecommunications Services	-7.9%
Banks	-9.4%

Disclaimer

1. *The particulars contained herein were obtained from Raymond James we believe to be reliable but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein.*

2. *The securities or sectors mentioned herein are not suitable for all investors and should not be considered advice. Please consult your investment advisor to verify whether this security or sector is suitable to you and to obtain the information, including the risk factor completely.*

3. *Vered Wealth Management (Canada) Company Limited provides comprehensive investment services, including managed accounts and advisory services. We have access to a wide range of investment products, including mutual funds, stocks, fixed income products, various alternative investment products and more. We offer registered and non-registered investment accounts, such as cash and margin accounts, corporate accounts, RRSPs & RRIFs, LIRAs & LIFs, RESPs and TFSAs.*

4. *Vered Wealth Management (Canada) Company Limited is a member of the Investment Industry Regulatory Organization of Canada (IIROC) and is registered in BC and ON. Vered is a member of the Canadian Investor Protection Fund (CIPF).*

5. *The contents herein are not intended and shall not be constructed as a solicitation of customers or business in any jurisdiction in which Vered is not registered as a dealer in securities.*