July 24th, 2023

VERED WEALTH MANAGEMENT (CANADA) COMPANY LIMITED

Weekly Market Guide

Good economic and earnings results provided fuel to the ongoing market momentum and soft-landing narrative over the past week. Core CPI rose just 0.16% m/m in June, which was the first sub-0.3% monthly growth rate in over two years. This is a good step in the right direction, and a monthly growth cadence of 0-0.3% is what is needed to bring Core CPI y/y down to the Fed's target range near ~2.5%. June Core PPI reiterated the theme of inflation moderation, receding to just 2.4% y/y. The market is not worried about inflation, evident by 1-year and 2-year inflation expectations dropping to cycle lows at 1.3% and 1.9% respectively. 5- and 10-year inflation expectations also remain anchored at ~2.2%, which is an ideal level for long-term equity market valuations.

Q2 earnings season has also supported the market's trend thus far, and we note an underlying tone of mean-reversion for the in-favor vs. out-of-favor names. In other words, companies that have been trading well are seeing a "high bar" for results, while those in weaker trends are seeing a "lower bar" for positive reactions. Reporters have been bank-heavy up to this point- Bank fundamentals are holding up better than feared, along with some positive comments on cash sorting issues, have resulted in a relief rally for the out-of-favor area over the past couple of days. Short-covering is likely contributing to the bank rally, as short-interest has been heavy in the aftermath of liquidity issues. Financials stocks have seen a 1.8% 1-day price reaction on average (and a 4.15% average for those over the past two days). Health Care is another sector out-of-favor lately- only two Health Care companies have reported thus far (both beat & raises), and their average price reaction has been 6.5%. Improving utilization trends and better than expected costs are providing fundamental optimism for the sector. The average 1-day price reaction for the remaining reporters (5 Industrials, 2 Oil Services, 2 Consumer Staples, and 1 Comm. Services) has been -1.7%.

Technically, the trend is your friend for now and market momentum remains strong (albeit not particularly broad yet). But we want to acknowledge that the market is giving the economy the benefit of the doubt at current levels. There are plenty of concerns to consider that could upset the market's current mood over the coming months (including the path of inflation, the lagged effects of rapid Fed tightening on the economy, and the market pricing in a soft-landing). In our view, the timeline has been pushed out (due to excess savings normalizing post-Covid), but odds are we still have a mild recession in the outlook. As that becomes clearer (and more doubt enters the minds of investors), we expect market choppiness to occur. **Overall, we maintain a positive 12+ month bias, but be reasonable in portfolio positioning and timing.**

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	5.4%	12.5%
S&P 500	18.6%	18.9%
S&P 500 (Equal-Weight)	8.5%	13.3%
NASDAQ Composite	37.1%	26.4%
Russell 2000	12.2%	13.7%
MSCI All-Cap World	15.8%	16.8%
MSCI Developed Markets	12.6%	18.5%
MSCI Emerging Markets	6.9%	4.2%
NYSE Alerian MLP	8.4%	19.9%
MSCI U.S. REIT	5.4%	-2.3%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Information Technology	47.7%	28.7%
Communication Svcs.	39.3%	8.4%
Consumer Discretionary	37.1%	10.8%
S&P 500	***18.6%***	-
Industrials	11.6%	8.5%
Materials	8.0%	2.5%
Real Estate	2.4%	2.3%
Financials	2.1%	12.6%
Consumer Staples	-0.4%	6.5%
Health Care	-3.0%	13.0%
Energy	-6.5%	4.0%
Utilities	-7.1%	2.5%

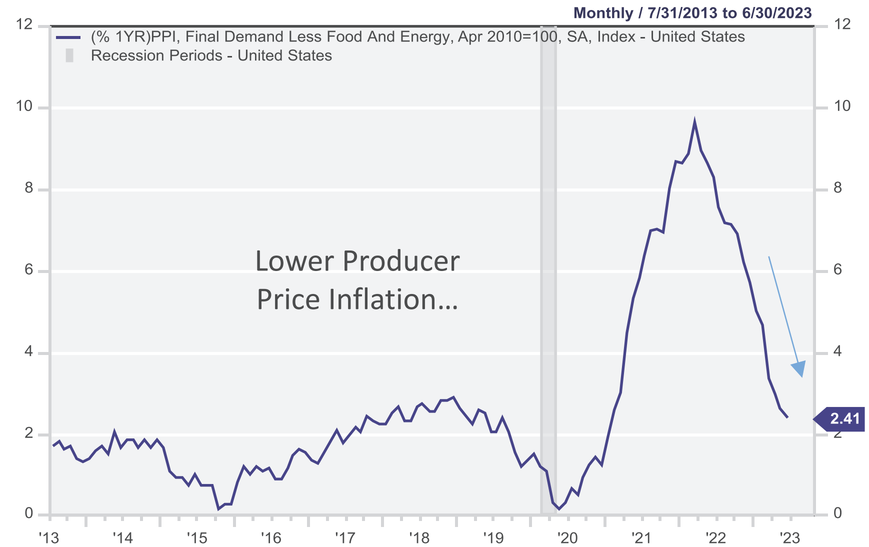
Source: FactSet

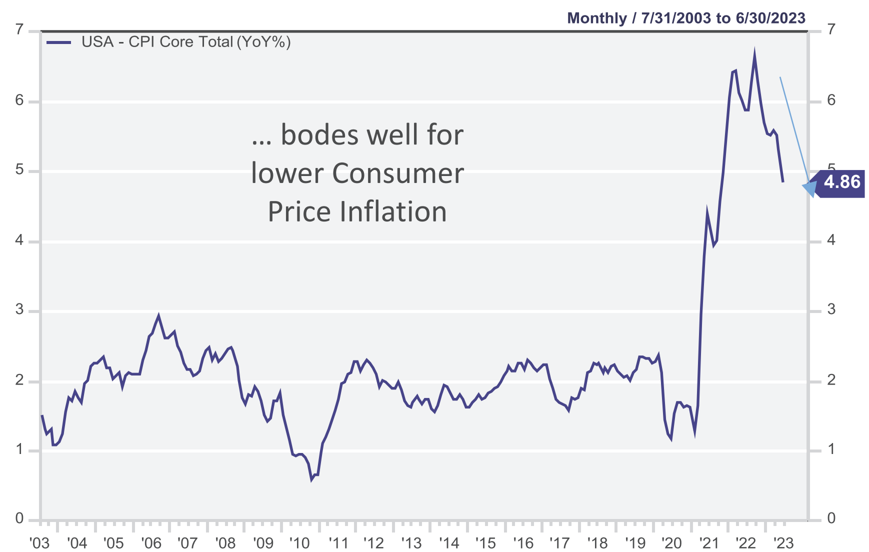
MACRO: US

The past week's economic data has provided fuel to the market's current momentum. The lowest m/m growth rate for Core CPI (0.16%) was followed up by a low Core PPI reading of just 0.1% m/m (bringing the y/y number down to 2.4%). The consumer also continues to support the economy, as June retail sales rose 0.2% (though impacted by a May upward revision to 0.5% from 0.3%). The retail sales control group rose 0.56% m/m in June. Industrial production remains weak, contracting by another -0.5% in June. The market is not worried about inflation (evidenced by inflation expectations at low levels) and is giving the benefit of the doubt to economic growth. In our view, the timeline has been pushed out (due to excess savings being worked down from Covid), but economic weakness is still the base case scenario for our economic outlook.

Event	Period	Actual	Consensus	Surprise	Prior
Continuing Jobless Claims SA	07/01	1,729K	1,728K	1.5K	1,718K
Initial Claims SA	07/08	237.0K	248.0K	-11.0K	249.0K
PPI ex-Food & Energy SA M/M	JUN	0.10%	0.20%	-0.10%	0.10%
PPI ex-Food & Energy NSA Y/Y	JUN	2.4%	2.5%	-0.13%	2.6%
PPI SA M/M	JUN	0.10%	0.20%	-0.10%	-0.40%
PPI NSA Y/Y	JUN	0.13%	0.40%	-0.27%	0.89%
Treasury Budget NSA	JUN	-$227.8B	-$52.5B	-$175.3B	-$240.3B
Export Price Index NSA M/M	JUN	-0.90%	-0.30%	-0.60%	-1.9%
Import Price Index NSA M/M	JUN	-0.20%	-0.30%	0.10%	-0.40%
Michigan Sentiment NSA (Preliminary)	JUL	72.6	65.5	7.1	64.4
Empire State Index SA	JUL	1.1	-5.0	6.1	6.6
Retail sales ControlGroup SA M/M	JUN	0.56%	0.50%	0.06%	0.31%
Retail sales Ex AutoFuel SA M/M	JUN	0.32%	0.40%	-0.08%	0.54%
Retail Sales ex-Auto SA M/M	JUN	0.20%	0.30%	-0.10%	0.30%
Retail Sales SA M/M	JUN	0.20%	0.55%	-0.35%	0.50%
Capacity Utilization NSA	JUN	78.9%	79.5%	-0.60%	79.4%
Industrial Production SA M/M	JUN	-0.50%	0.0%	-0.50%	-0.50%
Business Inventories SA M/M	MAY	0.20%	0.20%	-0.0%	0.10%
NAHB Housing Market Index SA	JUL	56.0	56.0	0.0	55.0
Building Permits SAAR (Preliminary)	JUN	1,440K	1,480K	-40.0K	1,496K
Housing Starts M/M	JUN	-8.0%	-9.4%	1.4%	15.7%
Housing Starts SAAR	JUN	1,434K	1,483K	-48.5K	1,559K

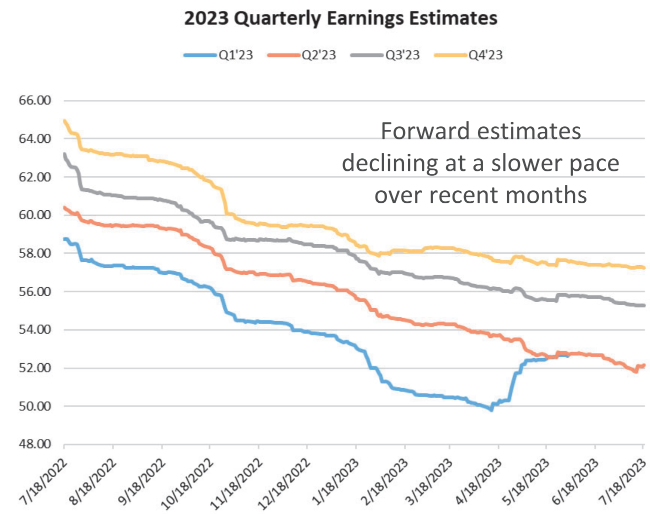
Source: FactSet





Q2 EARNINGS SEASON

Q2 earnings season is underway- 7% of the S&P 500's market cap has reported thus far with 76% of companies beating on the bottom-line for a 7.7% earnings surprise. These are solid numbers and support the market's current trend. Beneath the surface, we note an underlying tone of mean-reversion for the in-favor vs. out-of-favor names. In other words, companies that have been trading well are seeing a "high bar" for results, while those in weaker trends are seeing a "lower bar" for positive reactions. Reporters have been bank-heavy up to this point- Bank fundamentals are holding up better than feared, along with some positive comments on cash sorting issues, have resulted in a relief rally for the out-of-favor area over the past couple of days. Short-covering is likely contributing to the bank rally, as short-interest has been heavy in the aftermath of liquidity issues. Financials stocks have seen a 1.8% 1-day price reaction on average (and a 4.2% average for those over the past two days). Health Care is another sector that has been more out-of-favor lately- only two Health Care companies have reported thus far (both beat & raises), and their average price reaction has been 6.5%. Improving utilization trends and better than expected costs are providing fundamental optimism for the sector. Still early, but the average 1-day price reaction for the remaining reporters (5 Industrials, 2 Oil Services, 2 Consumer Staples, and 1 Comm. Services) has been -1.7%.



S&P 500 Sector	% Q2 Est. EPS Growth Y/Y	Q/Q	% EPS Surprise	% Companies w/ Beats	Est. Chg Since Year End Q2'23	2023	2024	Avg 1D Price Reaction	3-Day Reaction	YTD Return
S&P 500	**-6.3**	**-0.9**	**7.7**	**76**	**-7.4%**	**-5.3%**	**-3.2%**	**0.8%**	**1.4%**	**19.13**
Industrials	8.9	17.8	5.1	67	-0.2%	0.1%	0.3%	-1.1%	-1.1%	11.23
Consumer Discretionary	31.8	15.2	16.2	83	-8.0%	-6.4%	-8.5%	-	-	38.23
Communication Services	17.5	12.3	-	-	4.3%	4.1%	6.4%	-10.8%	-10.8%	40.47
Real Estate	6.2	5.0	9.6	100	-1.2%	-1.4%	-1.7%	-3.1%	-3.0%	2.38
Materials	-32.3	2.0	-17.6	0	-14.4%	-8.3%	-6.6%	-	-	7.45
Consumer Staples	1.8	1.6	0.3	71	-6.0%	-1.9%	-1.6%	1.5%	-0.4%	0.08
Information Technology	-3.8	-2.9	8.9	80	-4.4%	-3.4%	-1.5%	-	-	47.85
Financials	5.4	-4.7	10.3	86	-8.6%	-8.3%	-9.5%	1.8%	2.8%	2.58
Health Care	-17.0	-5.5	2.2	100	-11.7%	-8.9%	-4.4%	6.5%	8.7%	-2.33
Utilities	-5.2	-8.0	-26.5	0	-7.2%	-1.3%	-1.0%	-	-	-5.99
Energy	-49.8	-24.5	-	-	-27.6%	-19.9%	-8.2%	-1.1%	-1.1%	-5.92

Source: FactSet

TECHNICAL: S&P 500

Source: FactSet (M23-245590)

The tug-of-war for investors between economic indicators and market momentum remains in favor of momentum for now. Good inflation data, economic results, and earnings have only provided fuel to the soft-landing narrative over the past week.

Technically, the trend remains your friend. But we do want to acknowledge that the market is giving the economy the benefit of the doubt at current levels. There are plenty of concerns to consider that could upset the market's current mood over the coming months (including the path of inflation, the lagged effects of rapid Fed tightening on the economy, and the market pricing in a soft-landing).

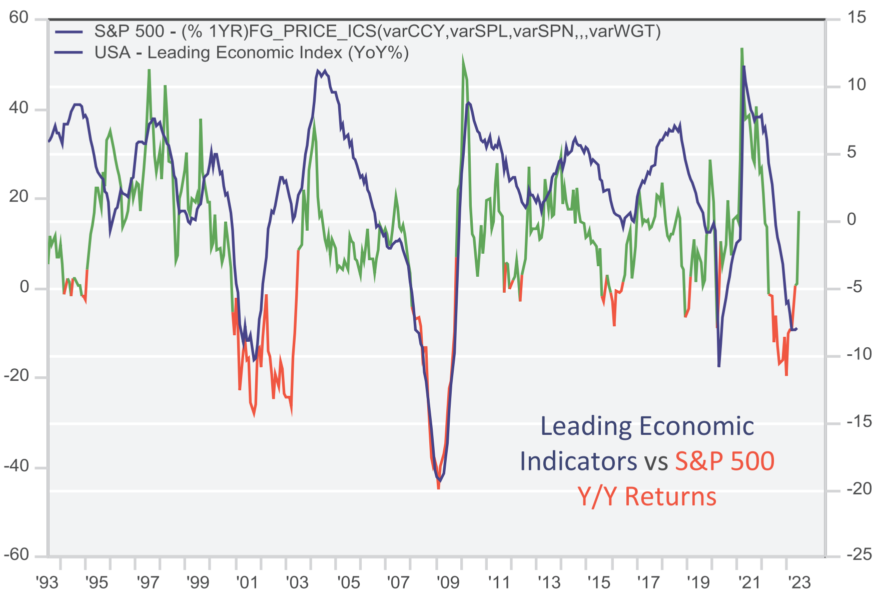
Overall, we maintain a positive 12+ month bias, but be reasonable in portfolio positioning and timing. As economic weakness becomes clearer (and more doubt enters the minds of investors), we expect market choppiness over the coming months.

4600 is the first level to monitor for technical resistance in the short-term. Technical support includes the 20 DMA (4440), the 50 DMA (4325), and 4200.

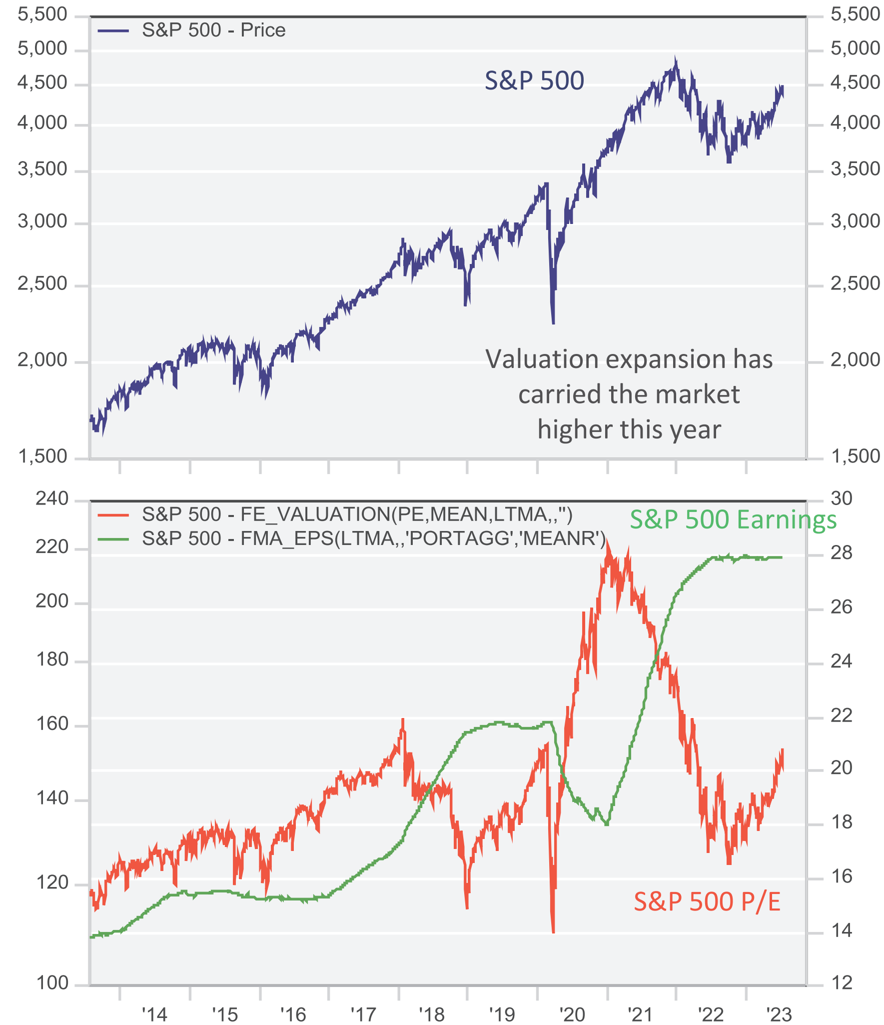
VALUATION- EQUITIES PRICING IN A BETTER ECONOMY

This cycle has seen the equity market price in weakness well ahead of schedule relative to history. This is not only due to the Russia/Ukraine war occurring early in the bear market but also how telegraphed Fed policy has been. We hear from Fed officials almost every day, so policy has virtually become priced in by the time the news is out. This is a reason why we have believed an eventual recovery may be priced in early too. But the extent of the recent market upside, in conjunction with increasingly more talk of a non-recessionary scenario on the airwaves, suggests to us that the market is giving the benefit of the doubt to the economy. And as shown on the previous page, there is a lot of concern to consider. As/if economic weakness becomes clearer (and creates more doubt in the minds of investors), we believe this will result in choppy markets over the coming months.

S&P 500 (SP50-USA) : 06/30/1993 to 06/30/2023 (Monthly)



S&P 500 (SP50-USA) : 07/18/2013 to 07/18/2023 (Weekly)



Source: FactSet

VÊRED WEALTH MANAGEMENT (CANADA)

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