August 7th, 2023

VERED WEALTH MANAGEMENT (CANADA) COMPANY LIMITED

Weekly Market Guide

Equities continue to ride a wave of soft-landing optimism. Technically, the trend is your friend, and it is difficult to fight the current momentum in place. After breaking out in early June, the S&P 500 has glided above its 20-day moving average and has now posted 5 consecutive months of positive performance. Of the 22 times a 5-month streak has occurred over the last 50 years, average returns have been solid for the following 3, 6, and 12 months (at 3.3%, 6.1%, and 11.8% respectively). Moreover, July performance posted a great leaderboard with almost every industry group positive and outperformance driven by the risk-on areas (i.e. banks, transports, semiconductors). **The overall market message is that strength often begets strength, supporting a positive 12-month stance on equities.**

To be sure, there are plenty of reasons for optimism, and Q2 earnings season is one of them. 58% of the S&P 500's market cap has reported results thus far with 82% of companies beating bottom-line estimates for a 6.5% earnings surprise. These are solid readings and above long-term averages. While there has been a degree of "buy on the rumor, sell on the news" within earnings reactions, forward estimates are ticking higher as companies indicate that fundamentals (and expectations) are holding up better than previously believed. At the sector level, the best results have come from the market leaders (i.e. Consumer Discretionary, Technology, Industrials, and Communication Services), reinforcing their year-to-date trends.

While the economy has undoubtedly held up well so far this year, the market is also giving the benefit of the doubt to a lot of economic variables that could upset the current mood over the coming months. For one, the path of inflation will remain paramount to the Fed who is committed to bringing it lower and keeping it there. An equity market surging higher, weaker US dollar, and rising commodity prices are all inflationary developments that could make the Committee's job more difficult and result in rates staying higher for longer. Secondly, the lagged effects of rapid Fed tightening (since early last year). Credit conditions are increasingly tight and interest rates very high- leading economic indicators continue to point to weakness ahead. Moreover, the market consensus is now that an economic soft-landing will occur. Bull vs. bear sentiment is decidedly bullish, and the S&P 500 is trading at an elevated 19.5x forward P/E multiple (21x trailing P/E). **There are plenty of things out there that could create doubt in the minds of investors regarding the economy ahead and disrupt equities' current bullish run.**

Bottom line: We have a positive 12+ month outlook but also believe that volatility will re-enter the market at some point. With this in mind, we recommend investors be reasonable in positioning and timing. Maintain some portfolio discipline, and refrain from unbridled enthusiasm. Barring a significantly negative shock, the S&P 500 is likely to hold above support levels on a pullback. The 20-day moving average (~4515) is the first level of support to monitor on the downside, followed by the 50 DMA (~4400) and June breakout level (~4200).

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	7.5%	8.6%
S&P 500	19.2%	11.1%
S&P 500 (Equal-Weight)	9.1%	5.9%
NASDAQ Composite	36.5%	15.5%
Russell 2000	13.2%	5.9%
MSCI All-Cap World	16.2%	10.2%
MSCI Developed Markets	12.0%	11.2%
MSCI Emerging Markets	9.1%	4.8%
NYSE Alerian MLP	10.2%	13.2%
MSCI U.S. REIT	5.7%	-9.0%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Information Technology	45.9%	28.2%
Communication Svcs.	44.3%	8.7%
Consumer Discretionary	34.0%	10.5%
S&P 500	***19.2%***	-
Industrials	12.7%	8.5%
Materials	9.7%	2.5%
Financials	3.1%	12.6%
Real Estate	2.9%	2.3%
Consumer Staples	1.4%	6.6%
Energy	-1.0%	4.3%
Health Care	-2.0%	13.1%
Utilities	-6.2%	2.5%

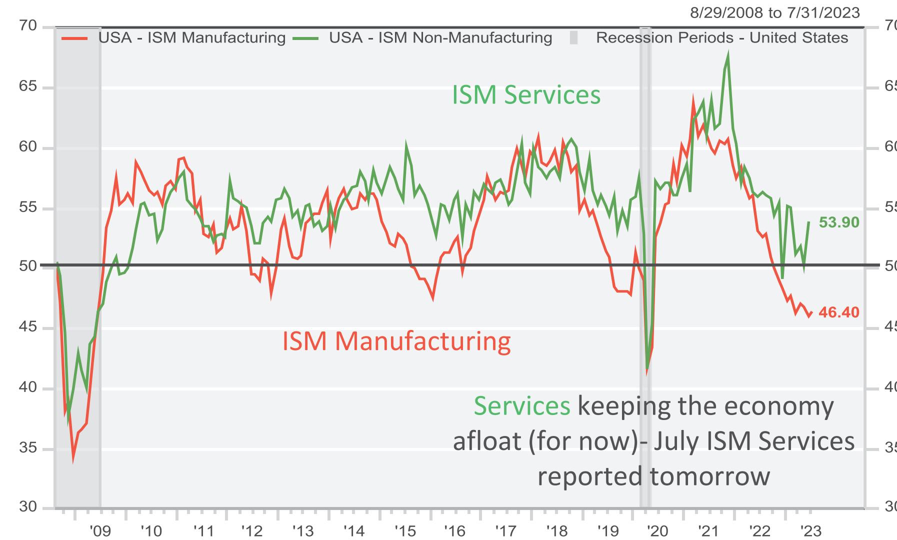
Source: FactSet

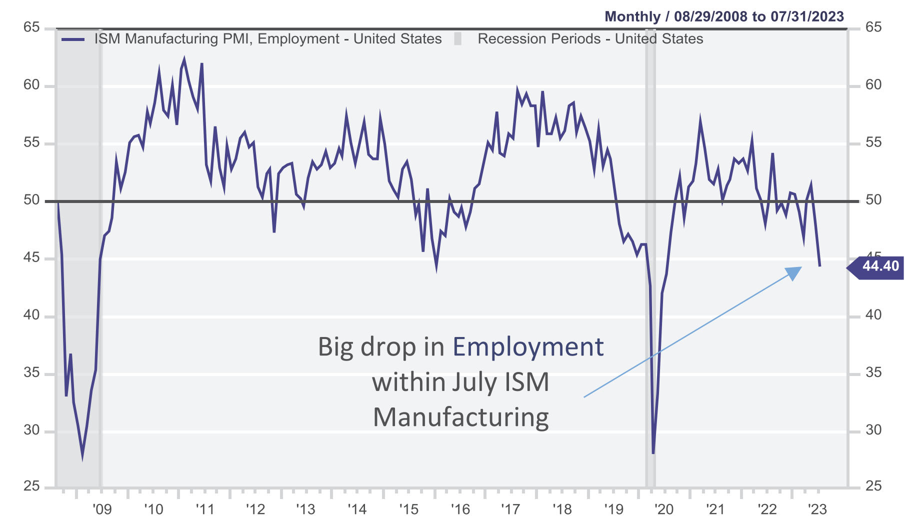
MACRO: US

July ISM Manufacturing ticked up slightly, albeit still in contractionary territory at 46.4. The services side of the economy continues to keep the economy afloat for now, buoyed by excess savings being drawn down from Covid stimulus. We look forward to an update on services trends within the July ISM Services report tomorrow. An item that stood out in ISM Manufacturing was the big drop in Employment- as you can see, it dropped to 44.4 from 51.4. Additionally, within June JOLTS Job Openings this week, there was a big drop in Leisure & Hospitality job openings- which shows some normalization on the services side. A soft-landing hinges on Fed tightening reducing job openings, rather than jobs. This is possible, but in reality likely won't be that smooth. More detail is set to come for investors within the July jobs report on Friday morning.

Event	Period	Actual	Consensus	Prior
Continuing Jobless Claims SA	07/15	1,690K	1,750K	1,749K
Durable Orders ex-Transportation SA M/M (Preliminary)	JUN	0.60%	0.20%	0.70%
Durable Orders SA M/M (Preliminary)	JUN	4.7%	0.50%	2.0%
GDP SAAR Q/Q (First Preliminary)	Q2	2.4%	1.5%	2.0%
GDP SA Y/Y (First Preliminary)	Q2	2.6%	2.0%	1.8%
Initial Claims SA	07/22	221.0K	235.0K	228.0K
Pending Home Sales Index SAAR	JUN	76.8	77.6	76.6
Pending Home Sales M/M	JUN	0.30%	-0.0%	-2.5%
ECI Civilian Workers SA Q/Q	Q2	1.0%	1.1%	1.2%
ECI Civilian Workers SA Y/Y	Q2	4.5%	4.8%	4.8%
Core PCE Deflator M/M	JUN	0.17%	0.20%	0.31%
Core PCE Deflator Y/Y	JUN	4.1%	4.2%	4.6%
PCE Deflator SA M/M	JUN	0.16%	0.20%	0.13%
PCE Deflator Y/Y	JUN	3.0%	3.0%	3.8%
Personal Consumption Expenditure SA M/M	JUN	0.50%	0.20%	0.20%
Personal Income SA M/M	JUN	0.30%	0.50%	0.50%
Markit PMI Manufacturing SA (Final)	JUL	49.0	49.0	49.0
Construction Spending SA M/M	JUN	0.50%	0.60%	1.1%
ISM Manufacturing SA	JUL	46.4	46.9	46.0
JOLTS Job Openings	JUN	9,582K	9,700K	9,616K
ADP Employment Survey SA	JUL	324.0K	185.0K	455.0K

Source: FactSet

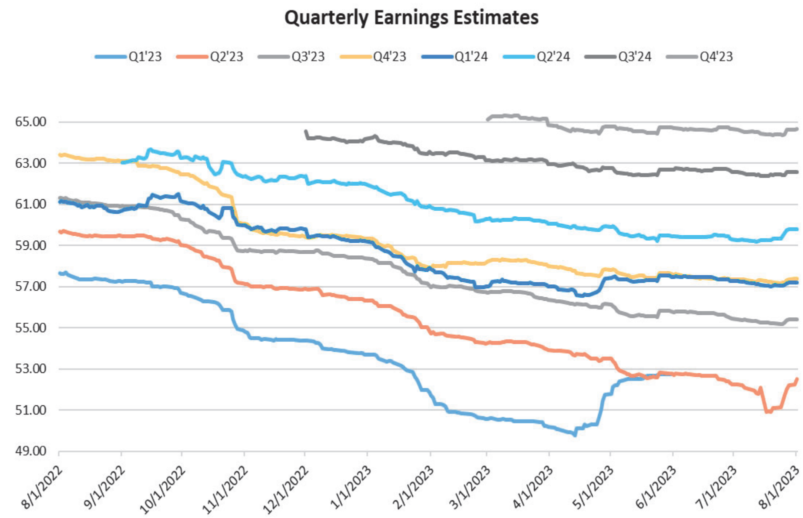




Q2 EARNINGS SEASON

58% of the S&P 500's market cap has reported Q2 results thus far with 82% of companies beating bottom-line estimates for a 6.5% earnings surprise. These are solid numbers and above long-term averages. Additionally, forward estimates are ticking higher as companies indicate that fundamentals (and expectations) are holding up better than previously believed.

At the sector level, notable results have come from the market leaders (i.e. Consumer Discretionary, Technology, Industrials, and Communication Services), reinforcing their year-to-date trends. We do note a degree of "buy on the rumor, sell on the news" within earnings reactions. For example, stocks have experienced a -0.5% 1-day price reaction to results on average. Beat & raises have averaged a 0.9% reaction, while the others have traded down -1.7% on average. Nonetheless, Q2 results have supported the recent market strength.

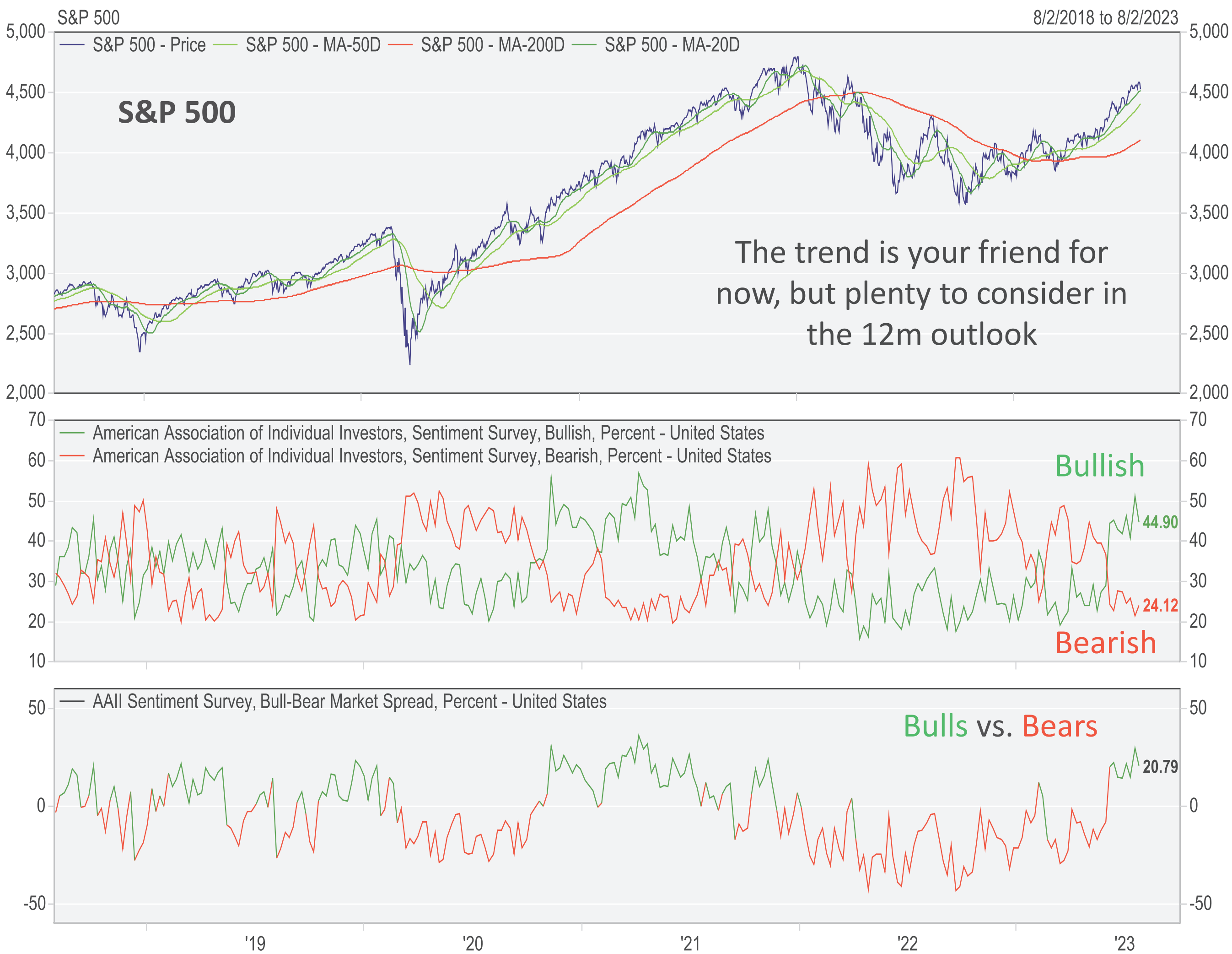


Uptick in forward estimates recently

S&P 500 Sector	% Q2 Est. EPS Growth Y/Y	Q/Q	% EPS Surprise	% Companies w/ Beats	# of Companies Reporting Positive	Inline	Negative	Est. Chg Since Year End Q2'23	2023	2024	Avg 1D Price Reaction	3-Day Reaction	YTD Return
S&P 500	**-5.7**	**-0.4**	**6.5**	**82**	**242**	**9**	**45**	**-6.8%**	**-4.7%**	**-2.8%**	**-0.5%**	**-0.4%**	**18.27**
Consumer Discretionary	40.3	22.6	13.6	90	26	0	3	-2.1%	-3.6%	-7.3%	-2.2%	-1.6%	32.61
Information Technology	-0.6	0.3	9.3	91	31	1	2	-1.3%	-3.1%	-1.5%	-0.1%	-0.1%	43.80
Industrials	14.6	24.0	8.0	79	41	2	9	5.0%	0.1%	0.1%	-1.1%	-1.2%	12.30
Communication Services	25.4	17.4	6.8	92	12	0	1	11.3%	8.6%	10.3%	-2.0%	-2.8%	42.22
Financials	5.3	-4.8	5.6	70	40	2	15	-8.7%	-8.3%	-9.8%	0.7%	0.8%	2.39
Materials	-30.5	4.8	5.2	73	11	1	3	-12.0%	-9.3%	-7.5%	0.7%	1.3%	9.10
Health Care	-28.1	-18.0	4.7	91	29	0	3	-23.4%	-9.4%	-4.7%	-0.3%	-0.6%	-1.86
Consumer Staples	5.2	4.9	4.7	90	19	0	2	-2.9%	-1.6%	-1.7%	0.0%	-0.7%	1.45
Real Estate	7.8	6.5	4.2	76	13	2	2	0.3%	-0.9%	-1.8%	-0.9%	-0.4%	2.87
Energy	-49.2	-23.6	2.9	73	8	1	2	-26.7%	-20.1%	-7.9%	0.2%	1.3%	-1.38
Utilities	-7.3	-10.0	1.7	77	10	0	3	-9.2%	-1.3%	-0.9%	-0.8%	-1.4%	-6.17

Source: FactSet

TECHNICAL: S&P 500



Source: FactSet

Equities continue to ride a wave of soft-landing optimism. After breaking out in early June, the S&P 500 has glided above its 20-day moving average for the past couple of months.

Technically, the trend is your friend, and it is difficult to fight the current momentum in place. Barring a significantly negative shock, the S&P 500 is likely to hold above support levels on a pullback. The 20-day moving average (~4515) is the first level of support to monitor on the downside, followed by the 50 DMA (~4400) and June breakout level (~4200).

To be sure, there are plenty of reasons for optimism. However, sentiment is decidedly bullish now, and the market is giving the benefit of the doubt to a lot of economic variables that could upset the current mood over the coming months.

Bottom line: We have a positive 12+ month outlook but also believe that volatility will re-enter the market at some point. With this in mind, we recommend investors be reasonable in positioning and timing. Maintain some portfolio discipline, and refrain from unbridled enthusiasm.

STRONG JULY & SEASONALITY

July was a very strong month for equity market performance with almost every industry group positive. Additionally, the leaderboard was notable with outperformance coming from the risk-on areas (i.e. banks, semiconductors, and transports). The S&P 500 has now posted 5 consecutive months of positive performance. Of the 22 times a 5-month streak has occurred over the last 50 years, average returns have been solid for the following 3, 6, and 12 months (at 3.3%, 6.1%, and 11.8% respectively). The overall market message is that strength often begets strength, raising the odds of positive returns over the next 12 months. However, pullbacks do occur, and we note seasonality may become more of a headwind in the coming months. August-October is typically the weakest period of the year historically.

S&P 500 Industry Group	1 Month	3 Month	YTD	12 Month
Banks	10.0%	11.3%	-0.3%	-1.9%
Media & Entertainment	8.5%	20.6%	56.3%	27.2%
Energy	7.3%	2.1%	-0.5%	11.7%
Semiconductors & Semiconductor Equipment	7.0%	38.6%	79.2%	52.8%
Transportation	5.3%	14.3%	15.8%	5.6%
Financial Services	3.5%	6.0%	7.6%	8.1%
Materials	3.4%	6.4%	10.2%	9.8%
S&P 500	***3.1%***	***10.1%***	***19.5%***	***11.1%***
Consumer Staples Distribution & Retail	3.1%	1.8%	8.5%	2.2%
Consumer Discretionary Distribution & Retail	2.9%	16.9%	29.8%	6.1%
Consumer Services	2.8%	4.8%	24.3%	27.4%
Commercial & Professional Services	2.6%	9.2%	14.6%	11.6%
Utilities	2.3%	-2.8%	-5.0%	-9.3%
Capital Goods	2.2%	9.5%	10.9%	19.4%
Food Beverage & Tobacco	2.2%	-2.1%	0.4%	2.3%
Consumer Durables & Apparel	1.7%	-1.4%	10.1%	8.4%
Equity Real Estate Investment Trusts (REITs)	1.4%	1.0%	3.0%	-13.8%
Insurance	1.3%	1.6%	-0.5%	10.0%
Automobiles & Components	1.2%	51.1%	88.9%	-8.0%
Technology Hardware & Equipment	1.2%	14.5%	42.2%	18.2%
Software & Services	1.0%	13.0%	33.7%	18.2%
Pharmaceuticals Biotechnology & Life Sciences	0.9%	-0.4%	-4.1%	-0.5%
Health Care Equipment & Services	0.8%	1.5%	2.2%	3.7%
Household & Personal Products	0.2%	-4.4%	-0.7%	3.7%
Telecommunications Services	-6.8%	-12.4%	-14.2%	-21.9%

Source: FactSet

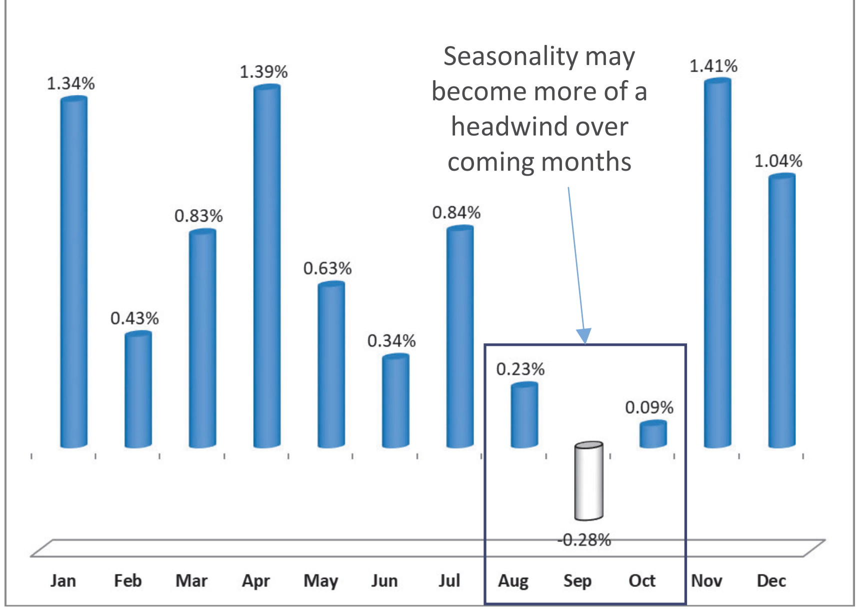
5th straight positive month:

22 occurrences in past 50 years- Strength often begets strength.

S&P 500 Performance Following 5 Consecutive Positive Months

	1M	3M	6M	12M	24M
Average	0.9%	3.3%	6.1%	11.8%	19.5%
Median	1.3%	3.5%	7.2%	11.6%	18.4%

S&P 500 - Average Monthly Returns since 1954



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