October 16th, 2023

VERED WEALTH MANAGEMENT (CANADA) COMPANY LIMITED

Weekly Market Guide

We have a market that has undergone a pullback and is now experiencing a bounce from oversold conditions. Bond yields and Fed expectations are the driving force. The FOMC meeting on 9/20 was the catalyst for the recent leg-up in bond yields-with the 10-year yield surging from 4.37% to a recent peak of 4.89%, as the Fed reiterated their "higher for longer" policy outlook. While the move higher in yields resulted in downward pressure on equities, it has also served to tighten financial conditions. This week's Fed comments have leaned more dovish, increasing speculation that the central bank is on pause for now. For example, the consensus is shifting toward the rate hike cycle being over once again- odds of another hike have dropped to ~30% from 53% just one week ago.

Technically, there was an encouraging response to support for the S&P 500, Russell 2000, and Equal-Weighted S&P 500- all from oversold conditions, and as bond yields digest their recent upside. Nonetheless, near-term price momentum has been lost for the major indices and will need to be rebuilt. Markets often stair step- what we will be watching next technically is whether momentum can be regained or if resistance levels hold. ~4410-4450 on the S&P 500 will be an important technical hurdle, and the 200 DMA/recent lows (~4215) will be important support.

Also, think about what lies ahead- we get September CPI tomorrow morning and Q3 earnings season begins Friday (will likely be the most important thing for stocks over the next month and a half). Earnings estimates have been very steady in recent months, as much better-than-expected results in Q1 and Q2 (and the economy holding up) have buoyed expectations. We are interested to hear from companies on current business trends and their outlooks, along with the corresponding stock reactions. The under-pressure interest-sensitives (i.e. Utilities, Staples, and REITs) likely have low bars to clear on results. Whereas, the Technology-oriented areas that have driven market performance (due to the strongest earnings trends) likely have high bars. Another area we will be closely watching is Consumer Discretionary. The sector has come under intense pressure since July (softer consumer expectations, higher oil prices, and rising interest rates), but earnings estimates have not deteriorated. The stocks are likely pricing in lower estimates ahead; but if earnings hold up, they may be providing opportunity.

In sum: Equities are in a pullback, and upward momentum will need to be rebuilt. Monitor price action at technical resistance (i.e. ~4410-4450) and support levels (i.e. ~4215), along with the incoming data. Q3 earnings season will be highly influential over the next month. Sustainable upside may prove difficult for now with tight monetary policy (and its lagged effects on economic growth ahead), along with upward-trending bond yields and oil prices. However, we maintain a positive 12-month outlook and view weakness as opportunity.

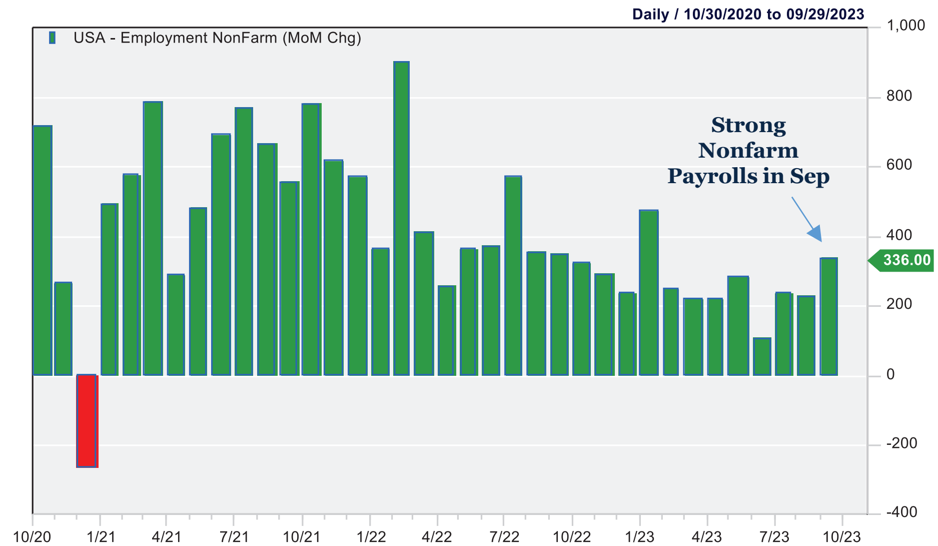
Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	1.8%	15.5%
S&P 500	13.5%	20.6%
S&P 500 (Equal-Weight)	0.5%	9.9%
NASDAQ Composite	29.6%	28.7%
Russell 2000	0.8%	5.0%
MSCI All-Cap World	9.6%	19.0%
MSCI Developed Markets	4.8%	21.9%
MSCI Emerging Markets	-1.2%	6.8%
NYSE Alerian MLP	13.4%	20.1%
MSCI U.S. REIT	-5.1%	2.8%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Communication Svcs.	45.4%	9.1%
Information Technology	38.5%	28.0%
Consumer Discretionary	27.0%	10.6%
S&P 500	***13.5%***	-
Industrials	4.8%	8.3%
Materials	1.5%	2.4%
Energy	1.1%	4.5%
Financials	-2.8%	12.6%
Health Care	-3.6%	13.3%
Real Estate	-8.3%	2.2%
Consumer Staples	-8.5%	6.3%
Utilities	-17.0%	2.4%

Source: FactSet

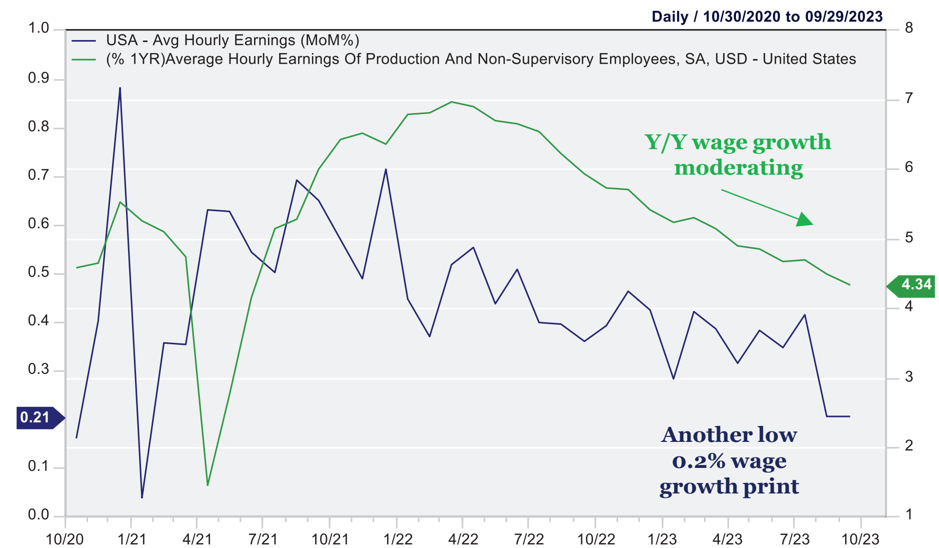
MACRO: US

Friday's September jobs report showed an increase of 336k non-farm payrolls and 0.2% wage growth m/m. This was the second consecutive low 0.2% m/m reading and is an encouraging data point for the Fed, as moderating wage growth reduces inflationary pressures. Leading indicators, such as the decline in temporary workers, shows that the undersupplied labor market continues to normalize. We eventually believe that it will weaken and lead to a mild recession. But the job quits rate (which is declining, showing a bit of labor softening) also suggests that wage pressures should continue to moderate. If inflation can move lower, it will allow the Fed to shift its focus toward deterioration in employment and the economy (when/if that occurs down the road). Keep an eye on the incoming data- September CPI is tomorrow, Retail Sales and Industrial Production next week.



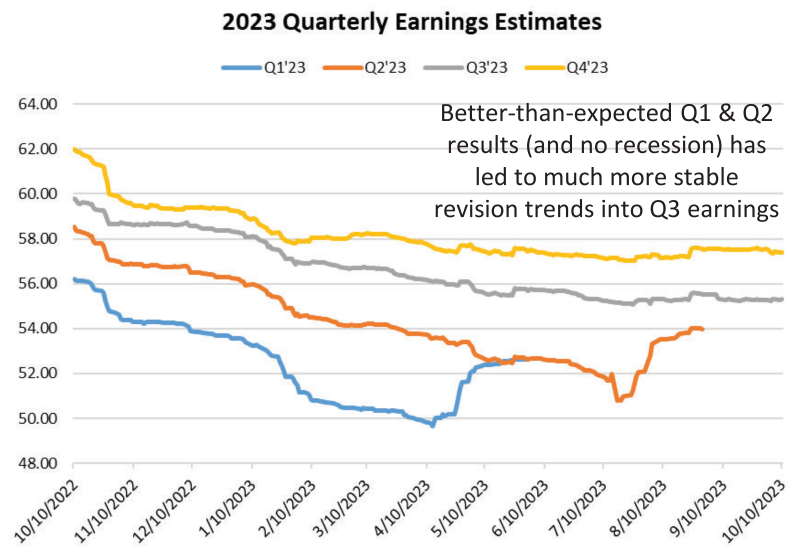
Event	Period	Actual	Consensus	Prior
Continuing Jobless Claims SA	09/23	1,664K	1,678K	1,665K
Initial Claims SA	09/30	207.0K	215.0K	205.0K
Trade Balance SA	AUG	-$58.3B	-$65.1B	-$64.7B
Hourly Earnings SA M/M (Preliminary)	SEP	0.20%	0.30%	0.24%
Hourly Earnings Y/Y (Preliminary)	SEP	4.2%	4.3%	4.3%
Nonfarm Payrolls SA	SEP	336.0K	161.5K	227.0K
Unemployment Rate	SEP	3.8%	3.7%	3.8%
Consumer Credit SA	AUG	-$15.6B	$11.3B	$11.0B
NFIB Small Business Index	SEP	90.8	-	91.3
Wholesale Inventories SA M/M (Final)	AUG	-0.10%	-0.10%	-0.10%
PPI ex-Food & Energy SA M/M	SEP	0.30%	0.20%	0.60%
PPI ex-Food & Energy NSA Y/Y	SEP	2.7%	2.3%	2.5%
PPI SA M/M	SEP	0.50%	0.30%	0.70%
PPI NSA Y/Y	SEP	2.2%	1.6%	2.0%

Source: FactSet



Q3 EARNINGS SEASON

Q3 earnings season begins Friday (will likely be the most important thing for stocks over the next month and a half). Earnings estimates have been very steady, as much better-than-expected results in Q1 and Q2 (and the economy holding up) have buoyed expectations. We are interested to hear from companies on current business trends and their outlooks, along with the corresponding stock reactions. The under-pressure interest-sensitives (i.e. Utilities, Staples, and REITs) likely have low bars to clear on results. Whereas, the Technology-oriented areas that have driven market performance and seen the strongest earnings trends this year likely have high bars. Another area we will be closely watching is Consumer Discretionary. The sector has come under intense pressure since July (softer consumer expectations, higher oil prices, and rising interest rates), but earnings estimates have not deteriorated. The stocks are likely pricing in lower estimates ahead; but if earnings hold up, they may be providing opportunity.



Earnings strength has supported outperformance by the Tech-oriented stocks YTD… will be important for earnings strength to continue with valuations elevated.

Weaker earnings (and performance) elsewhere leads to some low bars- will results confirm concerns or provide opportunity?

S&P 500 Sector	% Q3 Est. EPS Growth Y/Y	Q/Q	Est. Chg Since 6/30 Q3'23	2023	2024	YTD Return	2023 EPS Growth	2024 EPS Growth	P/E 2023	2024
S&P 500	**0.6**	**2.4**	**-0.1%**	**0.6%**	**0.6%**	**13.41**	**1.8%**	**12.0%**	**19.86**	**17.73**
Consumer Discretionary	21.7	-2.1	7.4%	8.1%	3.9%	26.78	41.5%	15.0%	27.08	23.54
Energy	-35.5	18.7	6.1%	0.4%	2.6%	-0.67	-26.7%	3.1%	11.76	11.41
Information Technology	4.7	2.5	4.2%	2.7%	3.1%	38.99	3.2%	16.4%	28.05	24.10
Communication Services	36.3	3.0	4.1%	3.6%	3.4%	46.46	25.4%	18.9%	19.42	16.34
Real Estate	-2.3	-5.9	0.0%	0.5%	-0.4%	-8.32	0.6%	4.6%	15.33	14.66
Financials	7.4	-1.7	-0.8%	0.2%	-1.6%	-3.05	5.9%	8.4%	13.81	12.74
Utilities	9.9	47.1	-1.3%	-0.6%	-0.3%	-16.31	6.0%	8.4%	15.81	14.58
Consumer Staples	0.8	-2.1	-3.9%	-0.3%	-1.7%	-9.41	1.8%	7.3%	19.26	17.94
Health Care	-11.4	17.5	-4.2%	-5.0%	-1.6%	-4.45	-14.4%	12.9%	18.91	16.74
Industrials	5.3	-14.6	-9.4%	-1.4%	-1.4%	4.99	12.8%	13.8%	19.62	17.24
Materials	-21.9	-21.9	-13.5%	-4.1%	-3.9%	1.08	-21.1%	6.5%	17.86	16.76

Source: FactSet

TECHNICAL: S&P 500

Source: FactSet

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Nonetheless, near-term price momentum has been lost for the major indices and will need to be rebuilt. Markets often stair step- what we will be watching next technically is whether momentum can be regained or if resistance levels hold.

~4410-4450 on the S&P 500 will be an important technical hurdle, and the 200 DMA/recent lows (~4215) will be important support.

What we would like to see is the recent trend (since July) of lower highs and lower lows come to an end, as the market rebuilds itself. Conversely, if the index fails at resistance and breaks to new lows, it will raise the odds of additional downside.

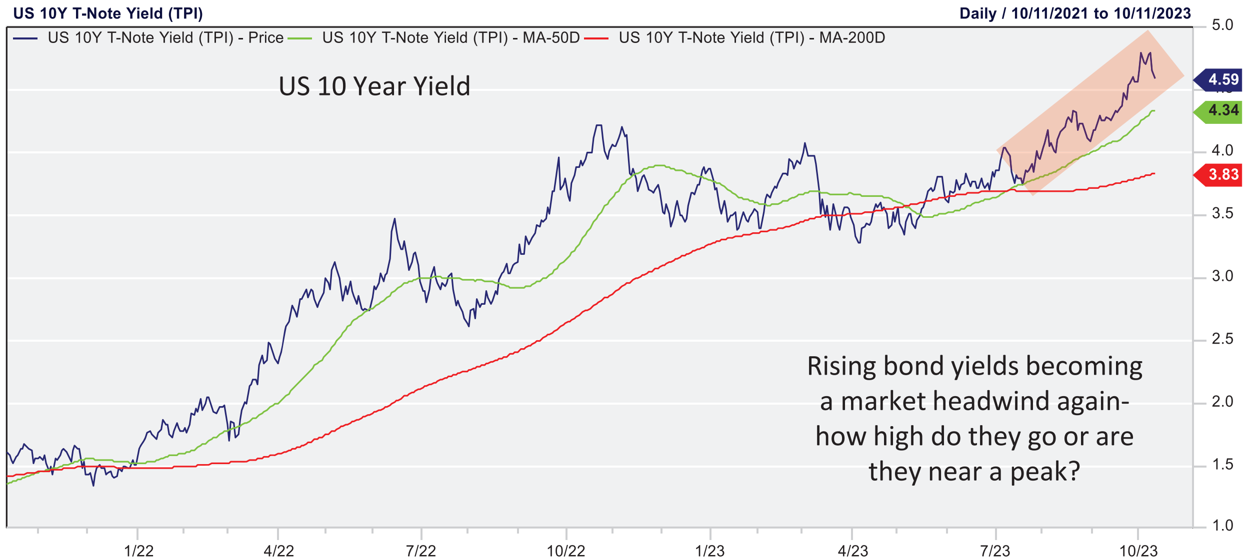
BOND YIELDS

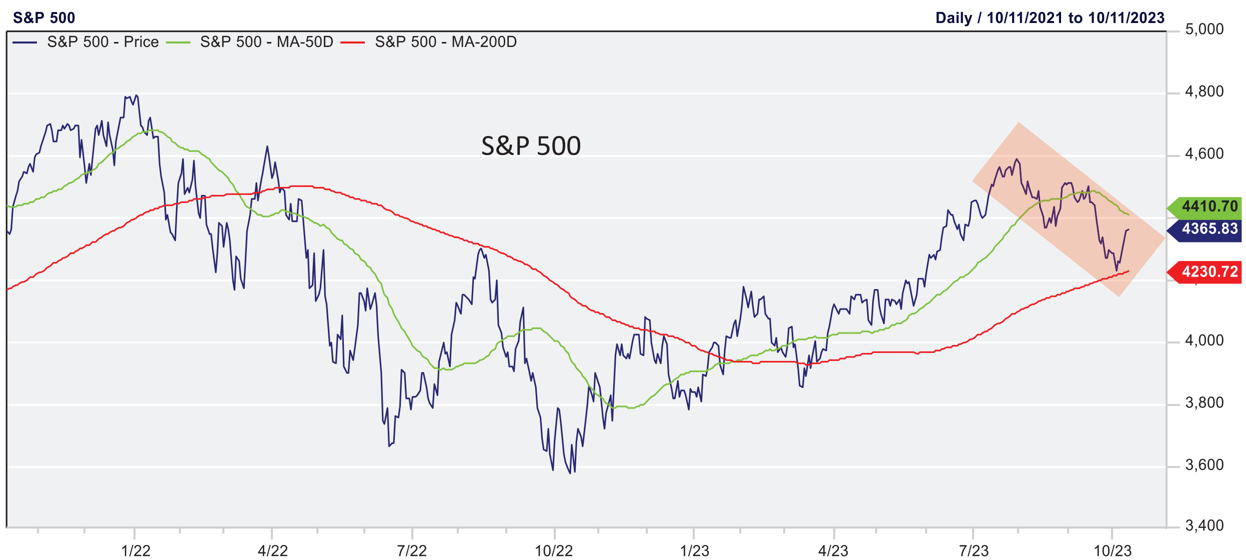
The FOMC meeting on 9/20 was the catalyst for the recent leg-up in bond yields- with the 10-year yield surging from 4.37% to a recent peak of 4.89%, as the Fed reiterated their "higher for longer" policy outlook.

While the move higher in yields resulted in downward pressure on equities, it has also served to tighten financial conditions. This week's Fed comments have leaned more dovish, increasing speculation that the central bank is on pause for now. For example, the consensus is shifting toward the rate hike cycle being over once again- odds of another hike have dropped to ~30% from 53% just one week ago.

Where bond yields go next will be a strong influence on equities. The technical price target on the recent break out was 4.91%, which was just about reached at 4.89%. A case can be made that bond yields are near a peak, but for now the trend remains upward.

Sustainable market upside may prove difficult for now with tight monetary policy (and its lagged effects on economic growth ahead), along with upward-trending bond yields and oil prices. However, we maintain a positive 12-month outlook and view weakness as opportunity.





Source: FactSet

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