November 13th, 2023

VERED WEALTH MANAGEMENT (CANADA) COMPANY LIMITED

Weekly Market Guide

An eventful week saw the S&P 500 climb 6.5% from its October 27th lows. Powell's slightly dovish tone at the 11/1 FOMC meeting got the ball rolling, economic data supported the shift in sentiment, and lower bond yields relieved equity market pressure. October economic surveys indicated a softening macro-environment (ISM manufacturing down to 46.7, services down to 51.8), but the highlight was Friday's jobs report. Nonfarm payrolls rose just 150k m/m (with a -101k downward revision to prior months), the unemployment rate rose to 3.9% (from a low of 3.4% in April), and wage growth was just 0.2% m/m. Softer employment and inflation moderation support a Fed that may remain on hold in a "wait and see" approach.

As a result, the US 10-year yield dropped to 4.5% from a peak of 5.0%, relieving valuation pressure on equities (which have exhibited an inverse correlation to bond yields). Short covering likely contributed to the outsized move (note: short interest is historically high in the bond market), and the average stock had already pulled back 14%. But importantly, **the market's response from oversold conditions was what you want to see. Thursday's 2% S&P 500 gain came on 7.5x advancers vs. decliners, and Friday's 1% gain registered 5x advancers vs. decliners.** Strong breadth thrusts from oversold conditions can often be found near market lows.

We are encouraged by the internal strength exhibited- it's a start. Next, we need follow-through. It is not unusual for stocks to "cool off" a bit after the surge experienced ("cool off" could just be sideways). And the incoming data will remain highly influential to Fed expectations, bond yields, and equity market movements. For example, next week's October CPI, PPI, and Retail Sales will be closely monitored.

Yes, the market has work to do (in order to rebuild for sustainable upside), however we have a bias that equities are ready to claw back some of their decline and may have seen the low of this drawdown. Economic uncertainties/challenges remain, however a lot of negativity has been discounted already. While the stock market is up, the market of stocks has been weak-year-to-date index returns can be attributed to just 10 Tech-oriented stocks. The equal-weighted S&P 500 P/E is 14x and inline with valuation multiples seen during the 2014-2016 US manufacturing recession (a period where earnings moved sideways as they are now). **We probably have a market that grinds, but inexpensive valuations provide some comfort in accumulating favored stocks within a long-term perspective.**

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	3.0%	4.0%
S&P 500	14.0%	15.0%
S&P 500 (Equal-Weight)	-0.6%	1.0%
NASDAQ Composite	30.3%	29.1%
Russell 2000	-1.6%	-4.2%
MSCI All-Cap World	9.8%	13.2%
MSCI Developed Markets	3.8%	12.5%
MSCI Emerging Markets	0.4%	7.1%
NYSE Alerian MLP	14.5%	10.2%
MSCI U.S. REIT	-6.3%	-5.3%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Communication Svcs.	43.4%	8.8%
Information Technology	43.0%	28.7%
Consumer Discretionary	27.9%	10.8%
S&P 500	***14.0%***	-
Industrials	2.8%	8.2%
Materials	-1.1%	2.3%
Financials	-2.0%	12.7%
Energy	-4.7%	4.3%
Health Care	-5.7%	13.0%
Consumer Staples	-6.4%	6.5%
Real Estate	-7.6%	2.2%
Utilities	-13.3%	2.5%

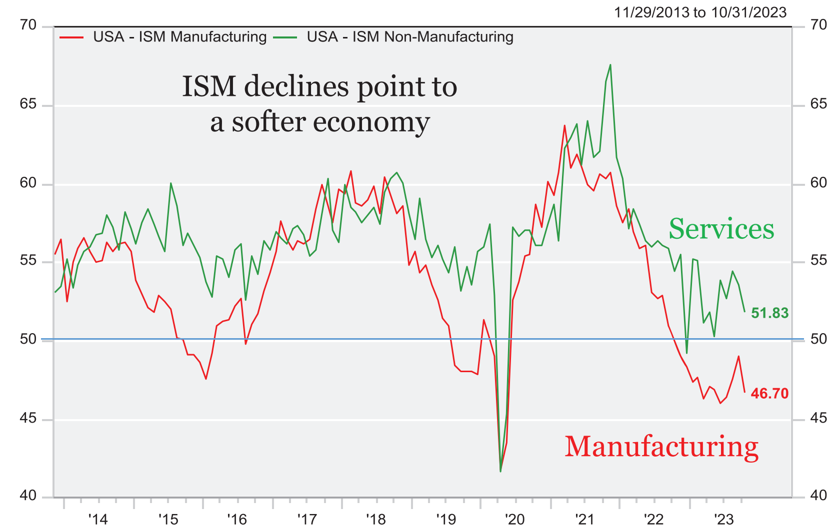
Source: FactSet

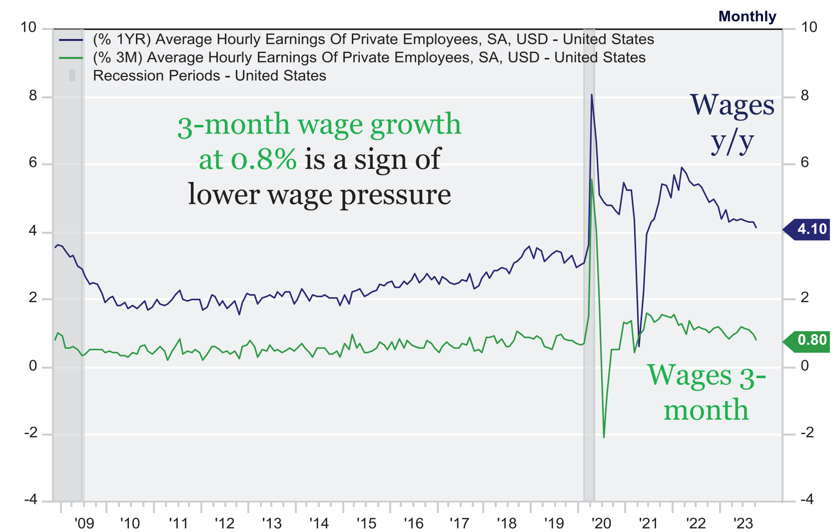
MACRO: US

October economic surveys continued to indicate the macro-environment is weakening/softening. ISM Manufacturing declined to 46.7 (below 49.0 est.), and ISM Services went to 51.8 (below 53.6 est.). Also, October nonfarm payrolls rose just 150k m/m with -101k in downward revisions to prior months. Unemployment rose to 3.9% (from a low of 3.4% in April), and wage growth was just 0.2% m/m. The weight of the evidence is a slowing economy, which is likely to continue as the lagged effects of higher rates make their presence felt. Importantly, inflation seems to be moderating. With employment softening and inflation coming down, the Fed may begin to balance its dual mandate-electing to remain on hold for now in a "wait and see" approach. That is the market's interpretation and shift over the past week, as the implied odds of another rate hike this cycle have declined to just 15%. The incoming data will remain highly influential, i.e. next week's October CPI, PPI, and retail sales.

Event	Period	Actual	Consensus	Prior
BEA Total Light Vehicle Sales (Preliminary)	OCT	15.5M	15.5M	15.7M
Continuing Jobless Claims SA	10/21	1,818K	1,805K	1,783K
Initial Claims SA	10/28	217.0K	210.0K	212.0K
Unit Labor Costs SAAR Q/Q (Preliminary)	Q3	-0.80%	0.60%	3.2%
Productivity SAAR Q/Q (Preliminary)	Q3	4.7%	4.2%	3.6%
Durable Orders ex-Transportation SA M/M (Final)	SEP	0.44%	0.50%	0.50%
Durable Orders SA M/M (Final)	SEP	4.6%	4.7%	4.7%
Factory Orders SA M/M	SEP	2.8%	2.3%	1.0%
Hourly Earnings SA M/M (Preliminary)	OCT	0.20%	0.30%	0.30%
Hourly Earnings Y/Y (Preliminary)	OCT	4.1%	4.0%	4.3%
Nonfarm Payrolls SA	OCT	150.0K	180.0K	297.0K
Unemployment Rate	OCT	3.9%	3.8%	3.8%
PMI Composite SA (Final)	OCT	50.7	51.0	51.0
Markit PMI Services SA (Final)	OCT	50.6	50.9	50.9
ISM Services PMI SA	OCT	51.8	53.2	53.6
Trade Balance SA	SEP	-$61.5B	-$59.8B	-$58.7B
Consumer Credit SA	SEP	$9.1B	$10.0B	-$15.8B
Wholesale Inventories SA M/M (Final)	SEP	0.20%	0.0%	0.0%

Source: FactSet

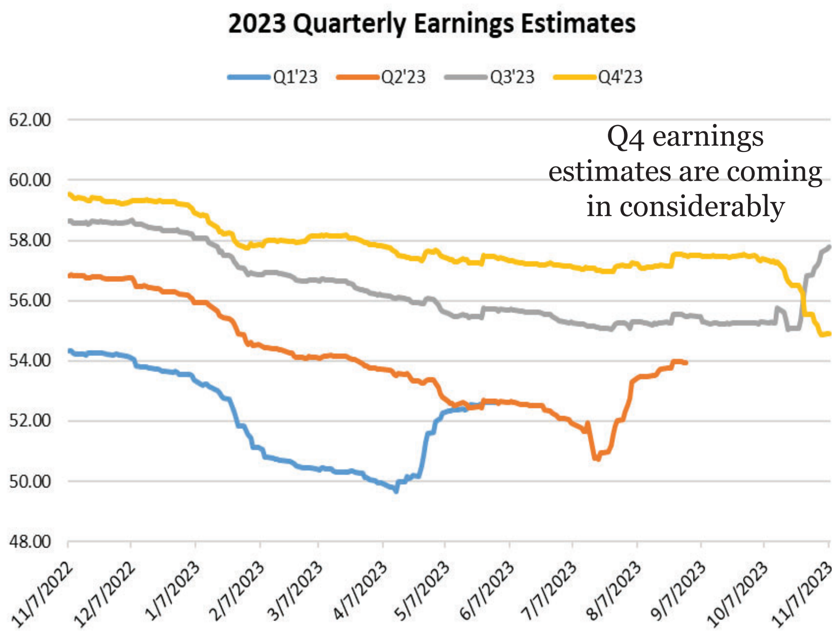




FUNDAMENTALS

85% of Q3 earnings season is done- with 80% of companies beating earnings estimates by 7.4% (above long-term averages). However, price reactions have not been as impressive (and worse than normal). EPS upside is getting slightly less than the average of 0.9% two-day gain, whereas those missing are declining over double (-5.2%) the normal rate (-2.3%). Some of this has to do with the macro-environment and market pullback during reporting season. But, forward earnings estimates are declining as corporations and analysts brace for the economic realities and uncertainty of rising interest rates. Q4 estimates have come down considerably, now reflecting a sequential earnings decline; and 2024 estimates have declined as well (a trend we expect to continue).

Economic uncertainties/challenges remain, however a lot of negativity has been discounted already. While the stock market is up, the market of stocks has been weak- year-to-date index returns can be attributed to just 10 Tech-oriented stocks. The equal-weighted S&P 500 P/E is 14x and inline with valuation multiples seen during the 2014-2016 US manufacturing recession (a period where earnings moved sideways as they are now). We probably have a market that grinds, but inexpensive valuations provide some comfort in accumulating favored stocks within a long-term perspective.



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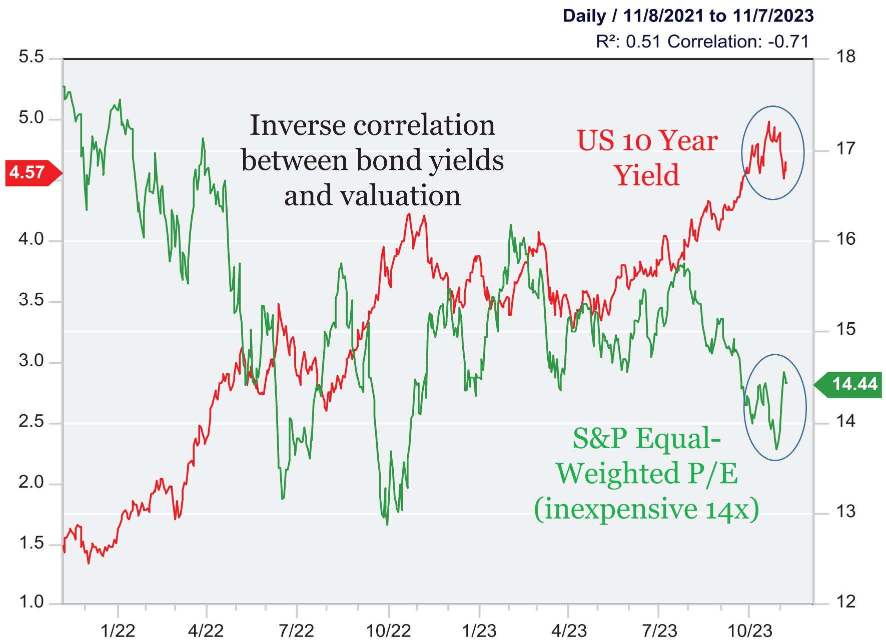

TECHNICAL: S&P 500

Source: FactSet

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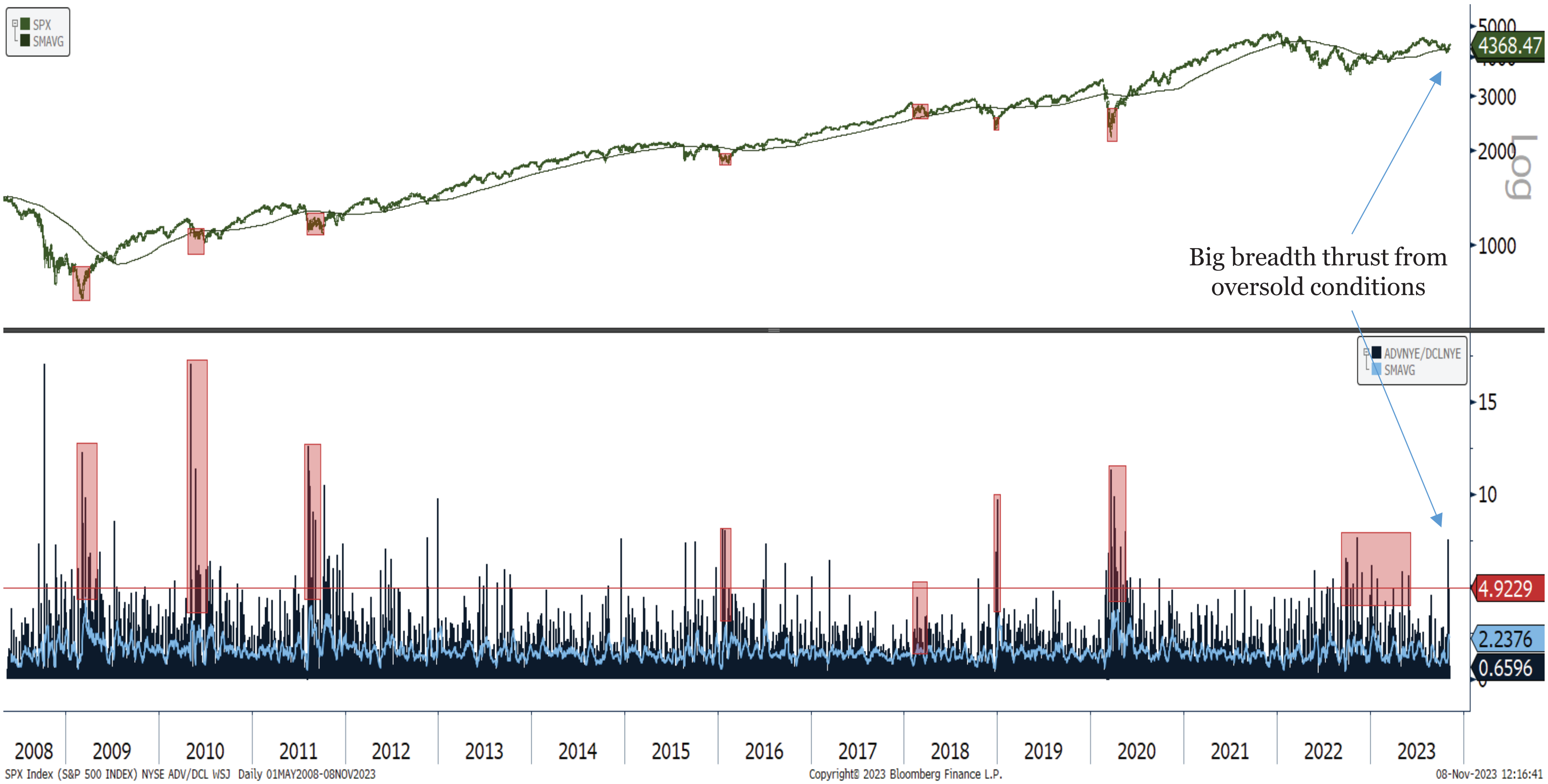
Yes, the market has work to do (in order to rebuild for sustainable upside), however we have a bias that equities are ready to claw back some of their decline and may have seen the low of this drawdown.

Resistance to watch: Upper-end of downtrend channel that prices are at currently. After this, horizontal support at 4500 and 4600.

Support to watch: 20 DMA (4282), 200 DMA (4253), and recent lows (4100). We would like to see the index hold up on a potential pullback and end its string of lower lows.

BREADTH THRUST LAST WEEK

Importantly, the market's response from oversold conditions was what you want to see. Thursday's 2% S&P 500 gain came on 7.5x advancers vs. decliners and 87% advancing volume. Friday's 1% gain registered 5x advancers vs. decliners on 81% advancing volume. Strong breadth thrusts from oversold conditions can often be found near market lows. It's a good start, now the market needs to build on it.



Source: Bloomberg

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