November 27th, 2023

VERED WEALTH MANAGEMENT (CANADA) COMPANY LIMITED

Weekly Market Guide

Equities continued to drift higher over the past week- the S&P 500 is now up 11% in 18 days. The multi-week catalyst has been economic data supporting a potential end to the Fed's rate hike cycle, corresponding with lower bond yields.

While the rally has been encouraging, stock participation in the advance has not been as impressive. Market leadership remains narrow and concentrated toward the Technology megacaps. The average stock is effectively back to the midpoint of its 12-month sideways range, and relative strength continues to contract. Technically, there is still work to do in order to rebuild trends for sustainable upside, and **it would be normal for a "cooling-off" period to follow the recent gains.**

Fed expectations and bond yields remain key influences on equity market movements. In order for equity strength to prove sustainable, it will likely be accompanied by easier monetary policy or clarity on the economy (how much economic damage will there be from the Fed's rapid tightening?). Both are likely to take time, and the result may mean equities continue their grind for now. The market's response from oversold conditions (and recent price action) increases the odds that the drawdown has seen its low. But **the past year's philosophy holds in our view- refrain from chasing upside and use downside as long-term opportunity.**

Accordingly, balance your portfolio exposures as needed. Quality, earnings strength, and positive price trends continue to perform best in this environment. Eventually, we believe the market will broaden out- rotation is a hallmark of healthy bull markets- and that will create opportunity in the lagging areas. **Diversification is still important for managing risk and long-term performance (i.e. things can change quickly and unexpectedly). But for the most part, the leaders continue to act as leaders right now.**

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	5.9%	4.1%
S&P 500	18.2%	14.9%
S&P 500 (Equal-Weighted)	2.9%	0.9%
NASDAQ Composite	35.7%	28.8%
Russell 2000	1.3%	-3.0%
MSCI All-Cap World	13.9%	12.8%
MSCI Developed Markets	8.6%	11.2%
MSCI Emerging Markets	3.4%	6.2%
NYSE Alerian MLP	15.9%	13.3%
MSCI U.S. REIT	-2.7%	-6.0%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Information Technology	50.5%	29.2%
Communication Svcs.	50.4%	8.9%
Consumer Discretionary	31.9%	10.7%
S&P 500	***18.2%***	-
Industrials	7.5%	8.3%
Materials	3.7%	2.4%
Financials	2.3%	12.8%
Real Estate	-3.1%	2.2%
Energy	-4.4%	4.1%
Health Care	-4.8%	12.6%
Consumer Staples	-5.7%	6.3%
Utilities	-12.3%	2.4%

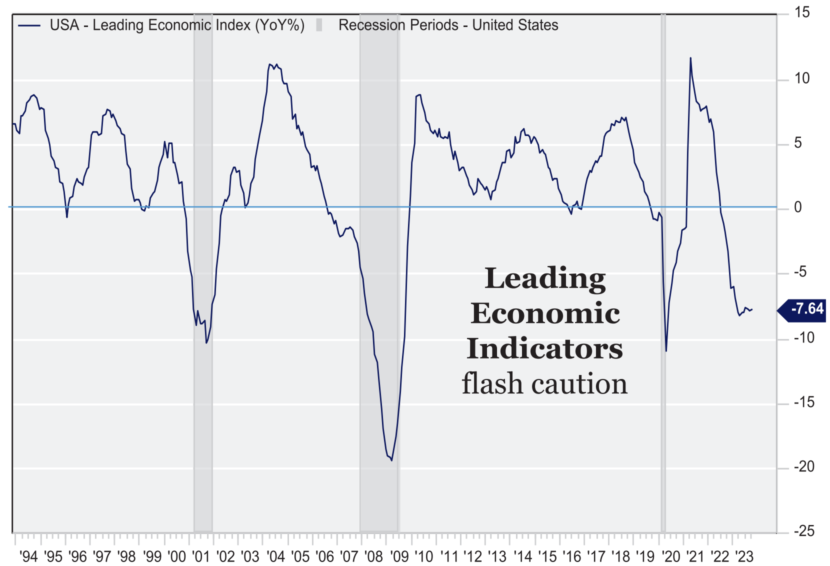
Source: FactSet

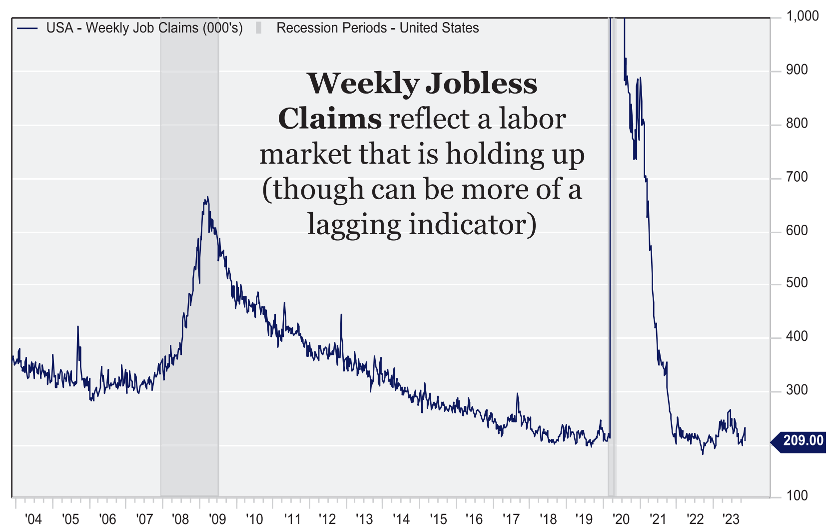
Macro: US

Recent data supports the view that inflation is coming down and that the economy is slowing. The question remains how much economic pain will accompany lower inflation, along with the timing of potential weakness. Leading economic indicators are at levels often consistent with recessions, and we likely have not felt the full effects of rapid Fed tightening over the past year and a half (works with a lag on the economy). This provides caution toward the economic outlook (among other things). However, as long as the labor market remains undersupplied, the economy is likely to hold up well (as it has thus far).

Our expectation is that the labor market will weaken over the coming months, and one way to keep an eye on employment is weekly jobless claims. For now, they continue to trend at low levels. All in all- with leading economic indicators low, employment solid, and inflation still elevated, the Fed is unlikely to start easing monetary policy soon. In turn, sustainable upside for equities may prove difficult.

Event	Period	Actual	Consensus	Surprise	Prior
Continuing Jobless Claims SA	11/04	1,865K	1,853K	12.5K	1,833K
Export Price Index NSA M/M	OCT	-1.1%	-0.15%	-0.95%	0.50%
Import Price Index NSA M/M	OCT	-0.80%	-0.45%	-0.35%	0.40%
Initial Claims SA	11/11	231.0K	220.0K	11.0K	218.0K
Philadelphia Fed Index SA	NOV	-5.9	-11.0	5.1	-9.0
Capacity Utilization NSA	OCT	78.9%	79.4%	-0.50%	79.5%
Industrial Production SA M/M	OCT	-0.60%	-0.30%	-0.30%	0.10%
NAHB Housing Market Index SA	NOV	34.0	39.0	-5.0	40.0
Kansas City Fed Manufacturing Index	NOV	-2.0	-	-	-8.0
Building Permits SAAR (Preliminary)	OCT	1,487K	1,446K	41.0K	1,471K
Housing Starts M/M	OCT	1.9%	-0.80%	2.7%	3.1%
Housing Starts SAAR	OCT	1,372K	1,345K	27.0K	1,346K
Leading Indicators SA M/M	OCT	-0.80%	-0.60%	-0.20%	-0.70%
Chicago Fed National Activity Index	OCT	-0.49	-0.01	-0.48	-0.02
Existing Home Sales SAAR	OCT	3,790K	3,900K	-110.0K	3,950K
Continuing Jobless Claims SA	11/11	1,840K	1,875K	-35.0K	1,862K
Durable Orders ex-Transportation SA M/M (Preliminary)	OCT	0.0%	0.20%	-0.20%	0.20%
Durable Orders SA M/M (Preliminary)	OCT	-5.4%	-3.2%	-2.2%	4.0%
Initial Claims SA	11/18	209.0K	225.0K	-16.0K	233.0K





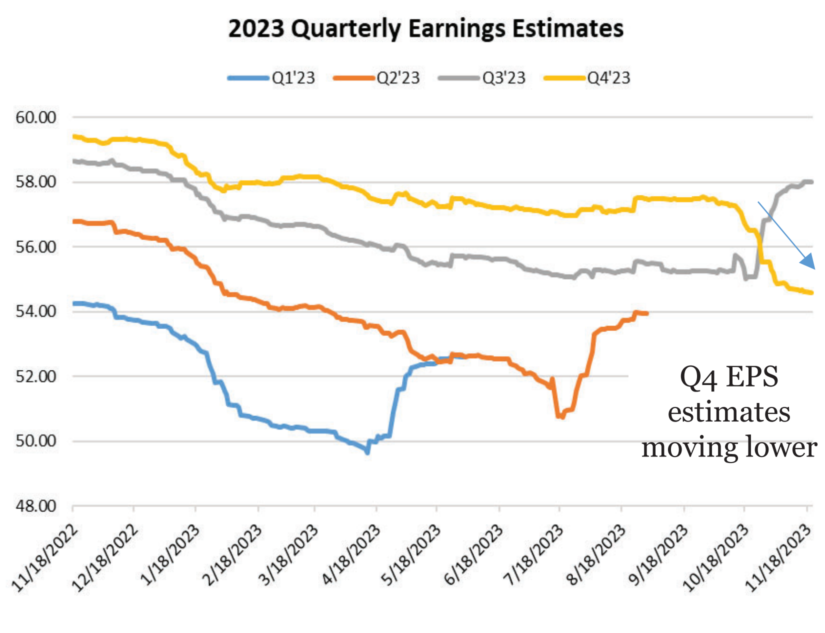
Source: FactSet

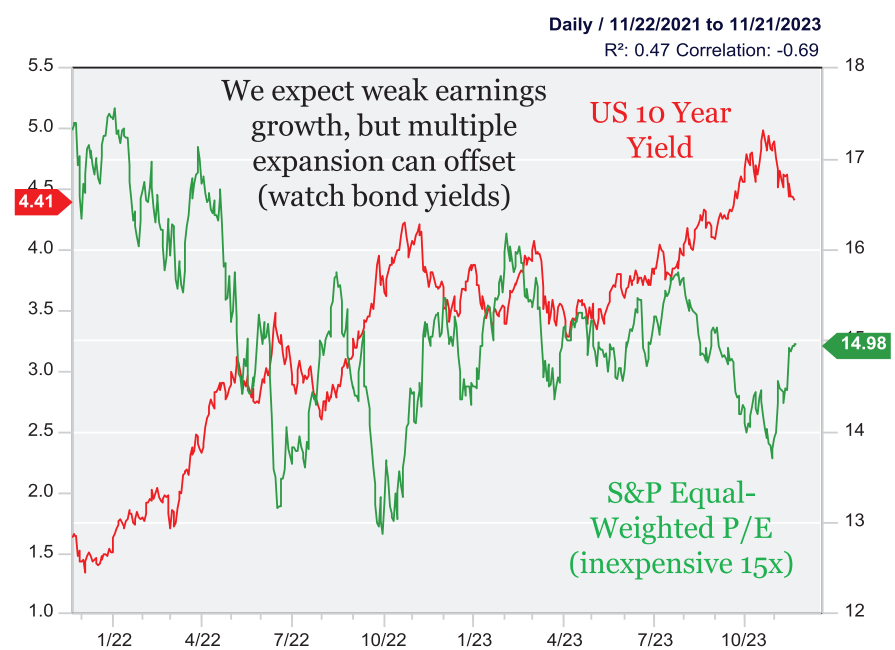
Q3 Earnings Season

Q3 2024 earnings season is coming to an end. Results were solid with 80% of companies beating EPS estimates by an aggregate 7.4% (above long-term averages). However, price reactions were not as impressive; as forward guidance declined, particularly for Q4. The message from retailers over the past week has been that the US consumer is softening and increasingly shifting towards value, while pricing gets pressured. This is consistent with our overall macro view- inflation is coming down as the economy softens, and questions remain on the degree of weakness to come.

Some main takeaways at the sector level include:

- Technology-oriented stocks were going to have to justify their market leadership with continued earnings strength- and they did just that. Earnings growth and estimate revisions remain above the market, supporting performance trends.
- The consumer is softening, and Consumer Discretionary earnings expectations are coming down. We did note some positive reactions from beaten-up names on "better than feared" results, as weakness over the past few months discounted a good bit of negativity.
- Utilities earnings are holding up (less economic-sensitive), which supported gains as bond yields subsided their climb.





Source: FactSet

Technical: S&P 500

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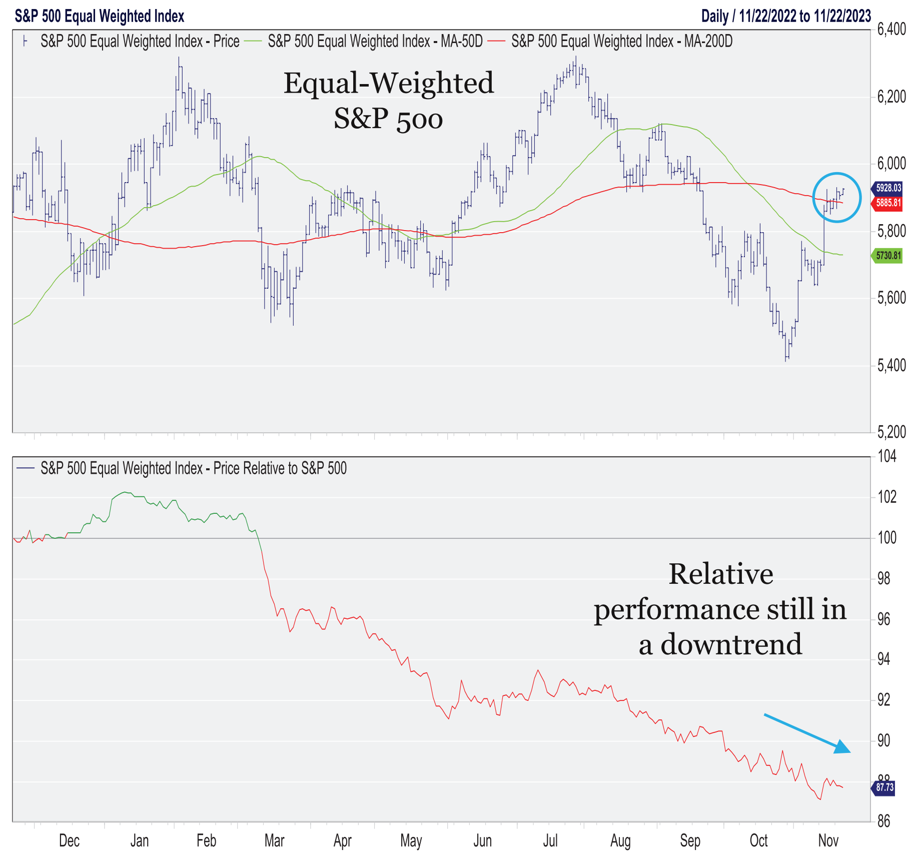
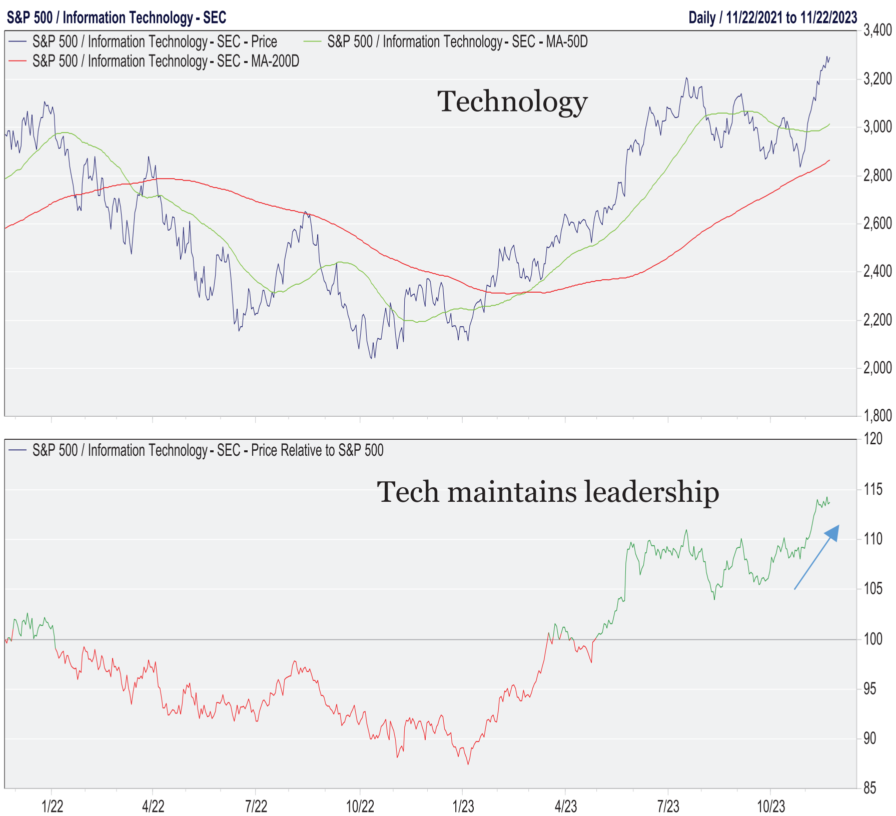
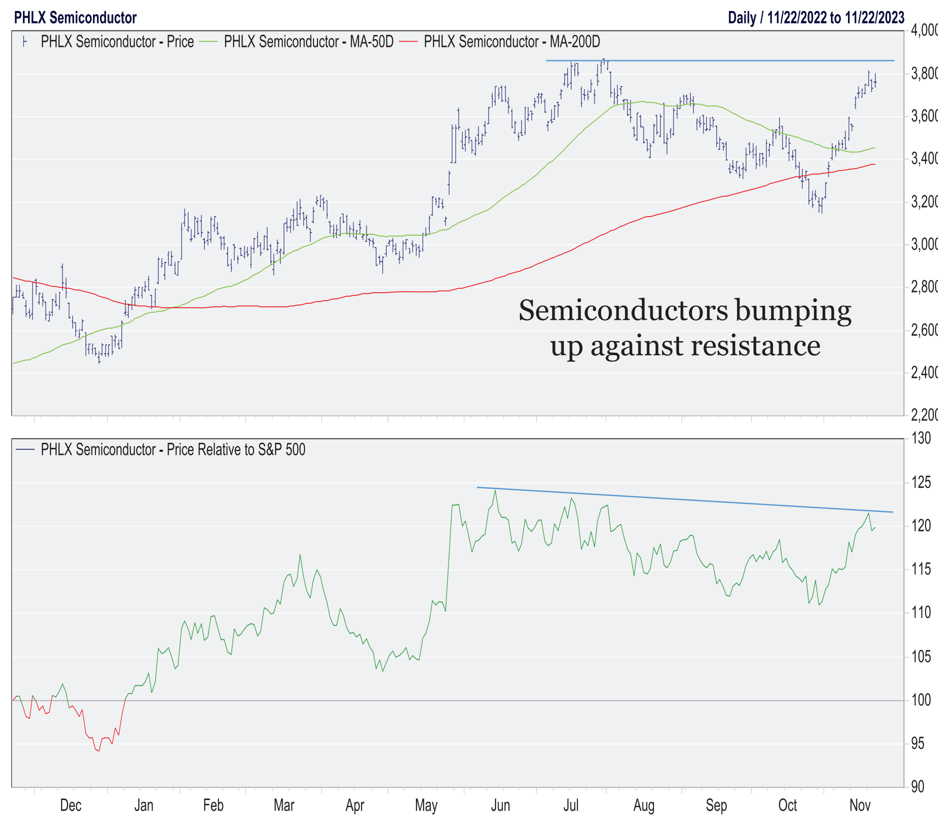


Source: FactSet

Technology

Technology has dominated market performance this year- the sector is +51% YTD vs. the equal-weighted S&P 500 +4%. A narrow sleeve of Tech megacaps have virtually accounted for all of the S&P 500 index's 19% YTD return. Eventually, the market will broaden out, and there will be plenty of opportunity in the lagging areas for active managers. But for now, the ball remains in Tech's court. Continued earnings strength is supporting relative performance- and despite the recent market back-and-forth, Tech has held on to its leadership in performance. One thing we will be watching in the short-term is the Semiconductors, which often lead Tech trends. The semiconductors are bumping up against resistance on both an absolute and relative basis. It would be normal for the group to consolidate its sharp gains recently, which may result in a "cooling off" for broader Tech.





Source: FactSet (M23-344197)

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