VERED WEALTH MANAGEMENT (CANADA) COMPANY LIMITED

December 11th, 2023

Weekly Market Guide

The technical picture for equities remains strong with 1) broadening out into areas that have lagged; 2) Tech heavyweights, which propelled the market higher YTD, continuing to see solid technical performance while their market influence is waning; and 3) consolidation right below resistance allows oscillators to roll back from overbought territory.

In the short-term, the S&P 500 and NASDAQ are basing, or "pausing", near resistance as equities are extended (the S&P 500 is up ~11% from its low back in late October). Moreover, the basing price action for the S&P 500 is typical for this seasonally slower part of December (post-Thanksgiving and prior to the typical year-end rally). Overall, we see the current price action is more-or-less "normal" price action for a basing period at this point in the year.

However, the **areas that have struggled in 2023 (equal-weight S&P 500 and small-caps) are recording impressive price moves technically**. While we have been looking for broadening out to other areas of the market for most of 2023, we believe this may be too early to call a trend change…yet. EPS revisions continue to be sluggish, so we will continue to let price action play out a little longer and wait for additional evidence that the strength can be sustained.

However, we do believe **broadening to other areas could be an important catalyst for equities in 2024** as the equal-weight index has underperformed the S&P 500 5.3% to 19% YTD and trades at a NTM P/E discount of ~355 bps. Similarly, small-caps are actually off -0.8% over the last 12 months and trading at a 34% discount to the S&P 500 vs. historically (over the last 15 years) that it trades at a ~6% premium.

In sum: the price action and technical picture is encouraging as the tight consolidation is occurring just below overhead resistance, which is allowing RSI to catch its breath and turn over, while prices have been pretty stable just below recent highs. A continuation of the recent "pause phase" may allow oscillators, such as RSI, to come off overbought levels and return to neutral territory, **which could set the stage for a new leg higher. We would put cash to work as oscillators move back towards neutral territory.**

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	3.8%	-0.8%
S&P 500	19.0%	14.2%
S&P 500 (Equal-Weighted)	5.3%	2.1%
NASDAQ Composite	36.0%	26.6%
Russell 2000	5.4%	0.9%
MSCI All-Cap World	14.5%	10.6%
MSCI Developed Markets	9.1%	6.9%
MSCI Emerging Markets	1.6%	-1.2%
NYSE Alerian MLP	18.1%	15.0%
MSCI U.S. REIT	2.7%	-0.9%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Information Technology	50.2%	29.0%
Communication Svcs.	45.3%	8.5%
Consumer Discretionary	34.5%	10.8%
S&P 500	***19.0%***	-
Industrials	9.6%	8.4%
Financials	4.7%	13.0%
Materials	4.1%	2.4%
Real Estate	2.4%	2.3%
Health Care	-3.3%	12.7%
Consumer Staples	-4.8%	6.3%
Energy	-6.2%	4.0%
Utilities	-11.7%	2.4%

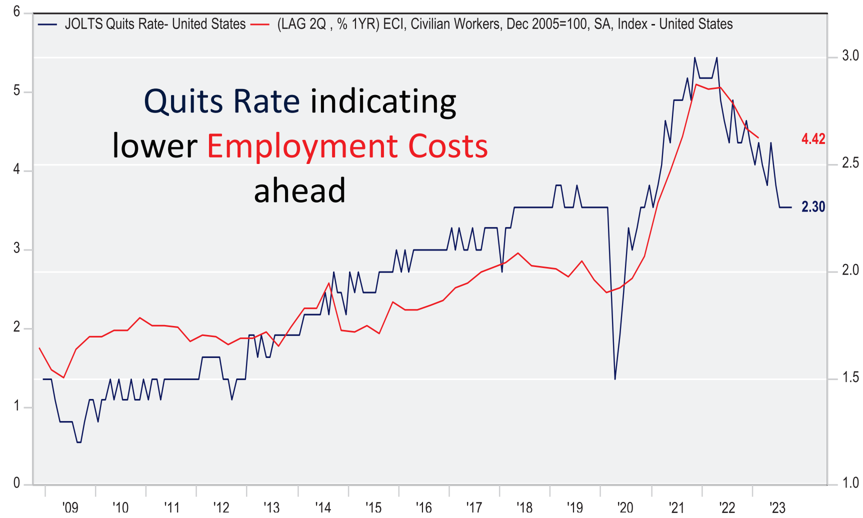
Source: FactSet

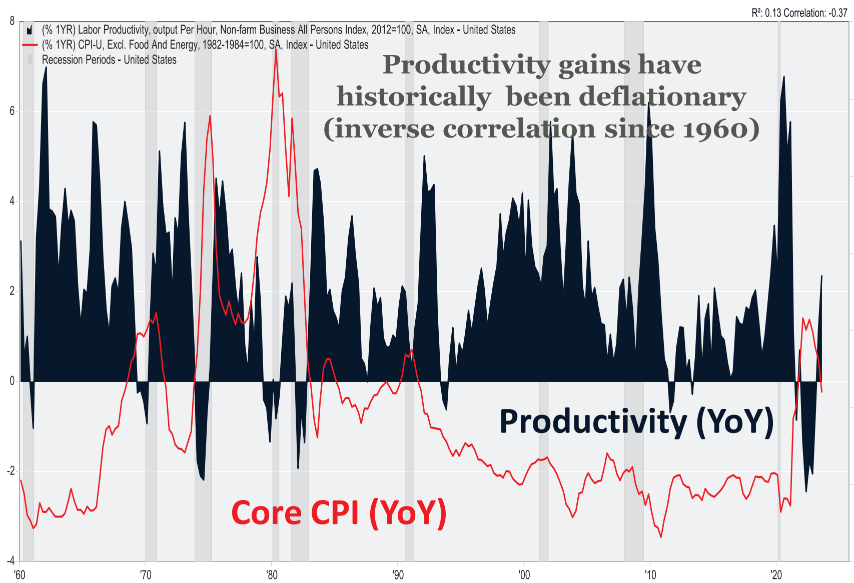
Macro: US – Inflation Should Continue to Moderate

The US economy continues to remain resilient (ISM Services remains in expansionary territory while ISM Manufacturing remains sluggish), but macro data from this week continues to point to a continued moderation in inflation. Despite JOLTS Job Openings for October falling to 8.7 million (below consensus of 9.3 million), the Quits rate remains in a downtrend with a stable reading of 2.3. Historically, moderation in quits rates has indicated lower employment costs ahead, which is consistent with the lower 5 and 10-year breakeven inflation expectations. Moreover, productivity for 3Q increased 5.2% Q/Q annualized, which was ahead of consensus expectations of 4.8%. Historically, productivity gains have been deflationary with an inverse correlation since 1960.

On the agenda, the November Jobs report is slated for Friday followed by November CPI on 12/12, and ahead of the 12/13 FOMC announcement, where the expectation is for the Fed to leave rates unchanged.

Event	Period	Actual	Consensus	Surprise	Prior
Continuing Jobless Claims SA	11/18	1,927K	1,854K	73.0K	1,841K
Initial Claims SA	11/25	218.0K	215.0K	3.0K	211.0K
Personal Consumption Expenditure SA M/M	OCT	0.20%	0.20%	-0.0%	0.71%
Personal Income SA M/M	OCT	0.20%	0.20%	-0.0%	0.40%
Chicago PMI SA	NOV	55.8	45.2	10.6	44.0
Pending Home Sales M/M	OCT	1.5%	-2.0%	3.5%	0.97%
Markit PMI Manufacturing SA (Final)	NOV	49.4	49.4	-0.0	49.4
Construction Spending SA M/M	OCT	0.60%	0.40%	0.20%	0.23%
ISM Manufacturing SA	NOV	46.7	47.7	-1.0	46.7
Core Capital Goods Orders Growth Monthly M/M (Final)	OCT	-0.30%	-0.10%	-0.20%	-0.06%
Durable Orders ex-Transportation SA M/M (Final)	OCT	-0.04%	0.10%	-0.14%	0.0%
Durable Orders SA M/M (Final)	OCT	-5.4%	-5.4%	0.01%	-5.4%
Factory Orders SA M/M	OCT	-3.6%	-2.6%	-1.0%	2.3%
PMI Composite SA (Final)	NOV	50.8	50.7	0.10	50.7
Markit PMI Services SA (Final)	NOV	50.8	50.8	0.0	50.8
ISM Services PMI SA	NOV	52.7	52.0	0.70	51.8
JOLTS Job Openings	OCT	8,733K	9,300K	-567.0K	9,350K
ADP Employment Survey SA	NOV	103.0K	120.0K	-17.0K	106.0K
Unit Labor Costs SAAR Q/Q (Final)	Q3	-1.2%	-0.85%	-0.35%	-0.80%
Productivity SAAR Q/Q (Final)	Q3	5.2%	4.8%	0.45%	4.7%





Source: FactSet

Technical: S&P 500

The technical picture for equities remains strong:

- ✓ Broadening out into areas that have lagged
- ✓ Tech heavyweights, which have propelled the market higher YTD, continue to see solid performance
- ✓ Consolidation right below resistance allowing oscillators to roll back from overbought territory

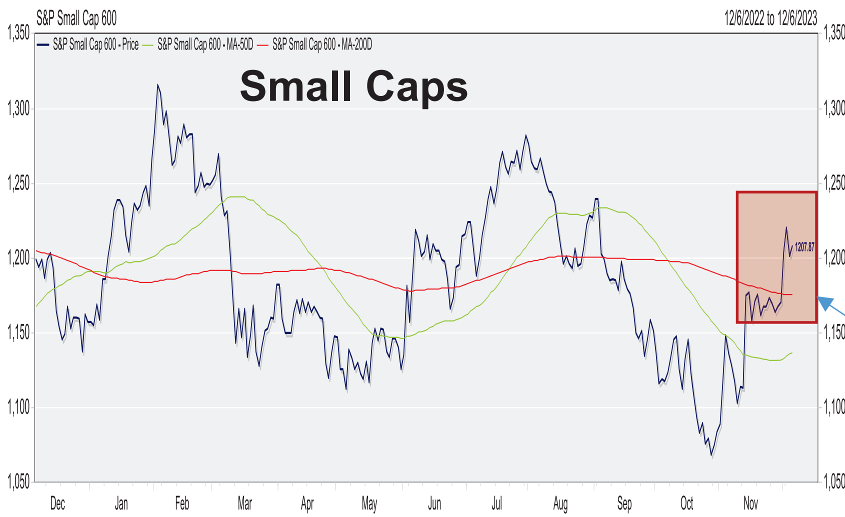
The S&P 500 and NASDAQ are basing, or "pausing", in the short-term near resistance after a strong run of over 10% from its October lows. However, the price action is encouraging as the tight consolidation is occurring just below overhead resistance, which is allowing RSI to catch its breath and turn over, while prices have been relatively stable just below recent highs. A continuation of the recent "pause phase" may allow oscillators, such as RSI, to come off overbought levels and return to neutral territory, which could set the stage for a new leg higher. We would put cash to work as oscillators move back towards neutral territory.

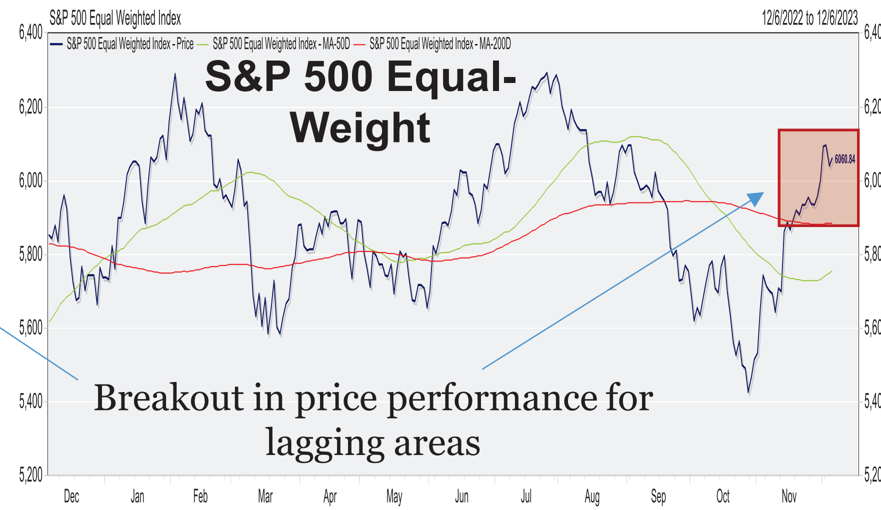
As for support, we view the 21-DMA near 4499 as the initial support level followed by 4421. Resistance is near 4600-4650.

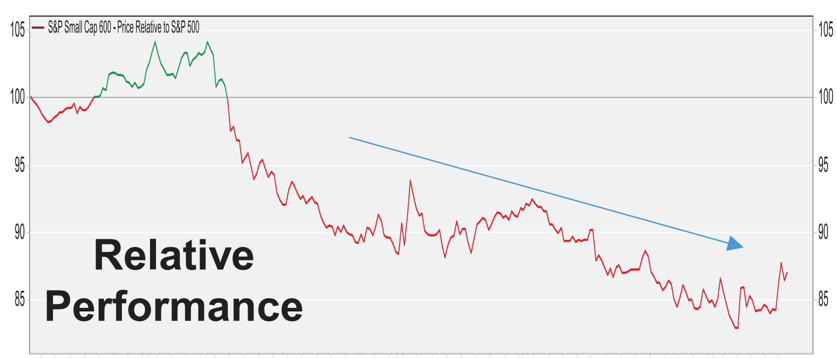
Source: FactSet

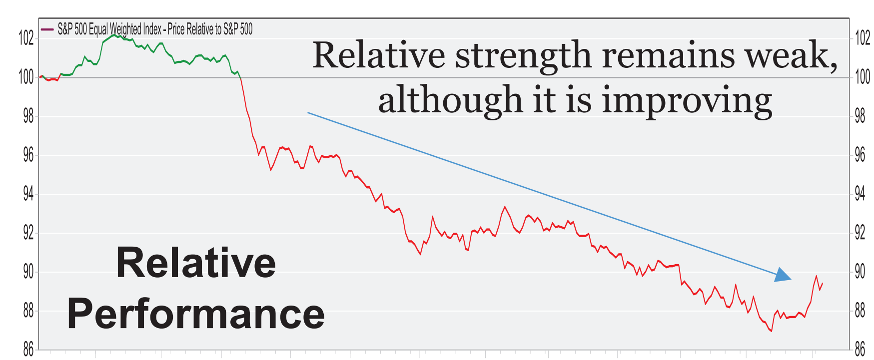
Market Broadening Out—Too Early to Call a Trend Change…yet

The S&P 500 equal-weight and small-cap indices have recorded impressive technical price moves recently, but we still find it too early to call a trend change…yet. Sluggish EPS revision trends and continued weakness in relative strength are reasons we want to let price action play out a little longer as we wait for additional evidence that the strength can be sustained. However, broadening out to other areas may be an important catalyst for equities in 2024.





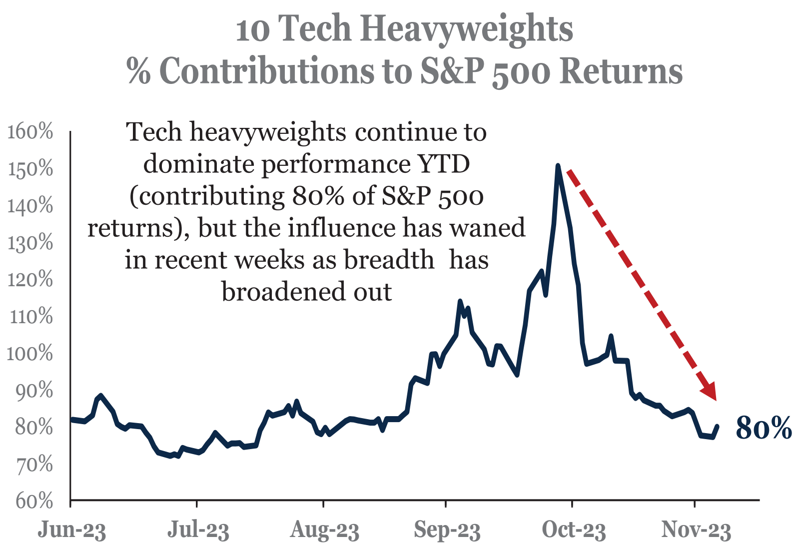


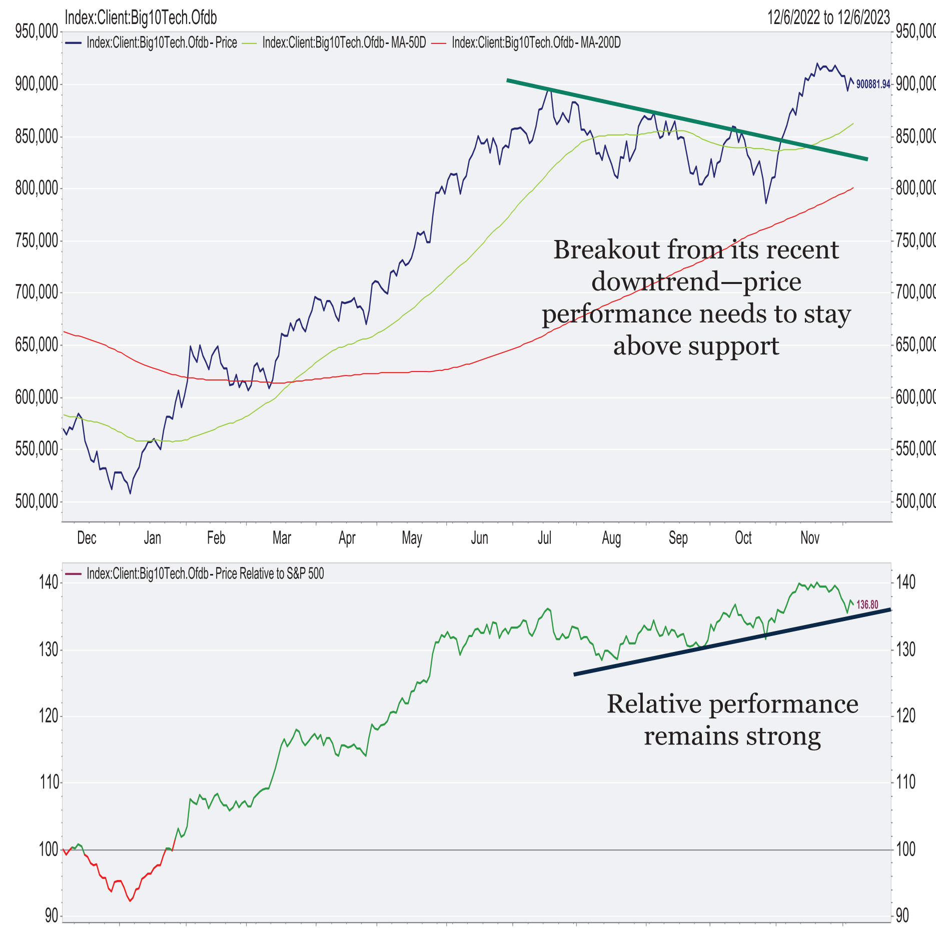


Source: FactSet

Tech Heavyweight Influence Waning, but Technicals Remain Strong

Overall, the market remains quite one-dimensional with ~80% of S&P 500 returns attributed to just 10 Tech+ stocks. However, the influence recently has waned as breadth has broadened out (well off its highs at over 100% back in late October). Regardless, we continue to see positive performance for the tech heavyweights as price was able to breakout from its recent downtrend and relative performance remains strong. We will continue to watch for price to stay above support (50-DMA and the downtrend line).





Source: FactSet

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