January 15th, 2023

VERED WEALTH MANAGEMENT (CANADA) COMPANY LIMITED

Weekly Market Guide

The strong rally to finish 2023 (17% rally into year-end) likely borrowed some of the gains in the near-term, and barring a major positive sentiment or fundamental surprise, the **S&P 500 may stall temporarily at resistance near the all-time high as the market digests the strong surge in returns in November and December.** However, the technical backdrop remains constructive as the S&P 500 remains in an upward trend, and market strength from the October lows has consisted of a broader participation beneath the surface, which we see as a positive for diversification and benefit for active management.

Sideways trading/consolidation in the near-term would be a welcomed development. **With the market extended and oscillators, such as RSI, coming off overbought levels, but still remaining near the upper end of neutral, we would see sideways trading in the coming weeks (near-term) as a positive set up to allow some digestion of the recent gains.** As such, we would look for initial resistance at 4810 followed by 4853 and initial support at 4637 followed by 4540.

Breadth Broadening Out as Sector Rotation Transpires: 2023 was a lopsided market with the majority of the gains attributed to Tech+, more growth-centric sectors. However, 2024 has started out with some lagging areas such as defensive sectors like Health Care, to be the top performers. While it is still early, this broadening out in breadth is positive for not only the Health Care sector, which looks poised to break out, but also the average stock (S&P 500 equal-weight index), which saw an intermediate term breakout. We will continue to monitor both as relative earnings remain in downtrends and would look to get more constructive if relative earnings accelerate. While we are still waiting for an improvement in relative earnings improvement to get more constructive, the technical improvement along with attractive valuation (trading at over 450 bps discount to the cap-weighted index), **we believe there could be opportunities investing in the average stock given that the market has been markedly lopsided over the last year.**

Bottom line: Long-term, we remain constructive on equities and would use any pullback as a buying opportunity. However, near-term, we may see a temporary pause as the S&P 500 approaches resistance. However, we do see the technical backdrop as constructive as breadth has broadened out; our favored defensive area is seeing relative performance improvement following a flat 2023; RSI is pulling off overbought conditions; and the U.S. economy, while showing some areas of softening, remains resilient and consistent with the soft-landing narrative, which has buoyed equities over the last year.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	-3.2%	7.7%
S&P 500	-0.3%	22.2%
S&P 500 (Equal-Weighted)	-0.8%	7.7%
NASDAQ Composite	-1.0%	39.7%
Russell 2000	-2.9%	9.6%
MSCI All-Cap World	-0.9%	15.8%
MSCI Developed Markets	-1.5%	8.6%
MSCI Emerging Markets	-3.0%	-2.0%
NYSE Alerian MLP	0.8%	14.2%
MSCI U.S. REIT	-0.6%	6.7%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Health Care	3.0%	13.0%
Utilities	1.8%	2.4%
Consumer Staples	1.0%	6.2%
Communication Svcs.	0.7%	8.7%
Financials	0.2%	13.0%
S&P 500	***-0.3%***	-
Real Estate	-0.9%	2.3%
Information Technology	-1.2%	28.6%
Energy	-1.7%	3.8%
Industrials	-1.8%	8.7%
Consumer Discretionary	-1.9%	10.7%
Materials	-2.1%	2.4%

Source: FactSet

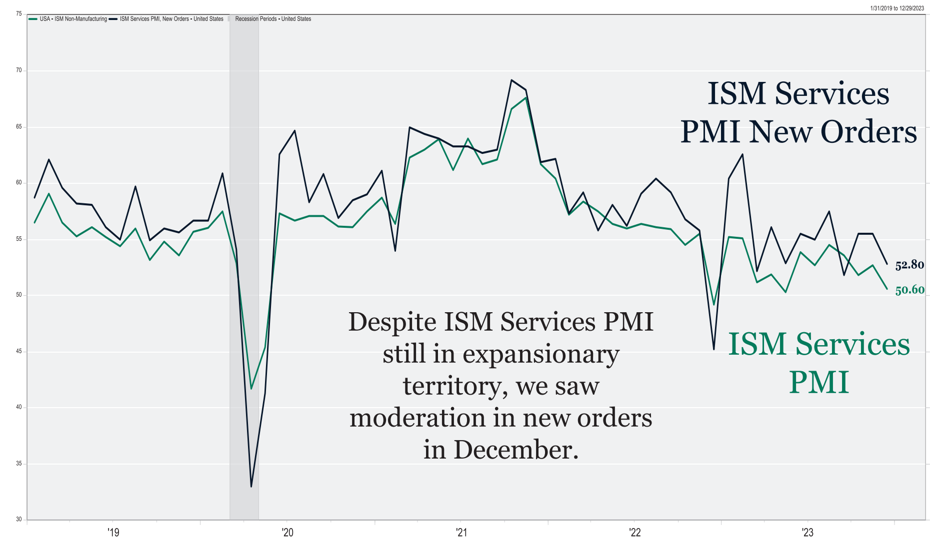
Macro: US

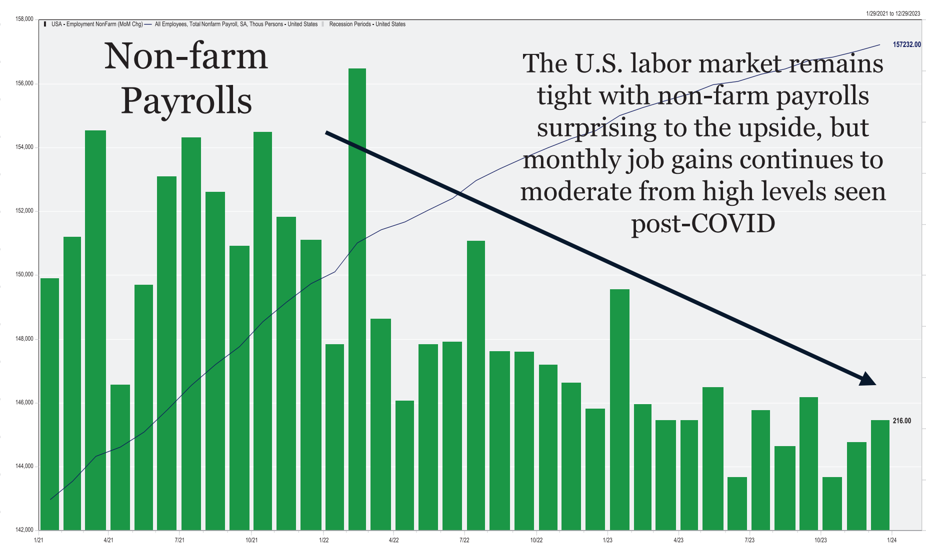
Overall, the U.S. economy remains resilient, which is supportive of the soft landing narrative—which hinges on the Fed's ability to bring down inflation without significant economic deterioration- that has buoyed equities over the last year. However, softening in the economy continues to emerge.

The latest ISM Services PMI (still slightly above 50 at 50.6), while still expansionary, continue to trend lower as new orders moderated (52.8) in December. Moreover, the U.S. labor market remains tight with non-farm payrolls surprising to the upside. However, monthly job gains continue to moderate from high levels seen post-COVID.

Event	Period	Actual	Consensus	Surprise	Prior
ADP Employment Survey SA	DEC	164.0K	125.0K	39.0K	101.0K
Continuing Jobless Claims SA	12/23	1,855K	1,885K	-30.0K	1,886K
Initial Claims SA	12/30	202.0K	215.5K	-13.5K	220.0K
PMI Composite SA (Final)	DEC	50.9	51.0	-0.10	51.0
Markit PMI Services SA (Final)	DEC	51.4	51.3	0.10	51.3
Hourly Earnings SA M/M (Preliminary)	DEC	0.40%	0.30%	0.10%	0.35%
Hourly Earnings Y/Y (Preliminary)	DEC	4.1%	3.9%	0.20%	4.0%
Average Workweek SA (Preliminary)	DEC	34.3	34.4	-0.10	34.4
Manufacturing Payrolls SA	DEC	6.0K	5.0K	1.0K	26.0K
Nonfarm Payrolls SA	DEC	216.0K	160.0K	56.0K	173.0K
Private Nonfarm Payrolls	DEC	164.0K	128.0K	36.0K	136.0K
Unemployment Rate	DEC	3.7%	3.8%	-0.10%	3.7%
Durable Orders SA M/M (Final)	NOV	5.4%	5.4%	-0.04%	5.4%
Factory Orders SA M/M	NOV	2.6%	1.8%	0.85%	-3.4%
ISM Services PMI SA	DEC	50.6	52.5	-1.9	52.7
NFIB Small Business Index	DEC	91.9	-	-	90.6

Source: FactSet





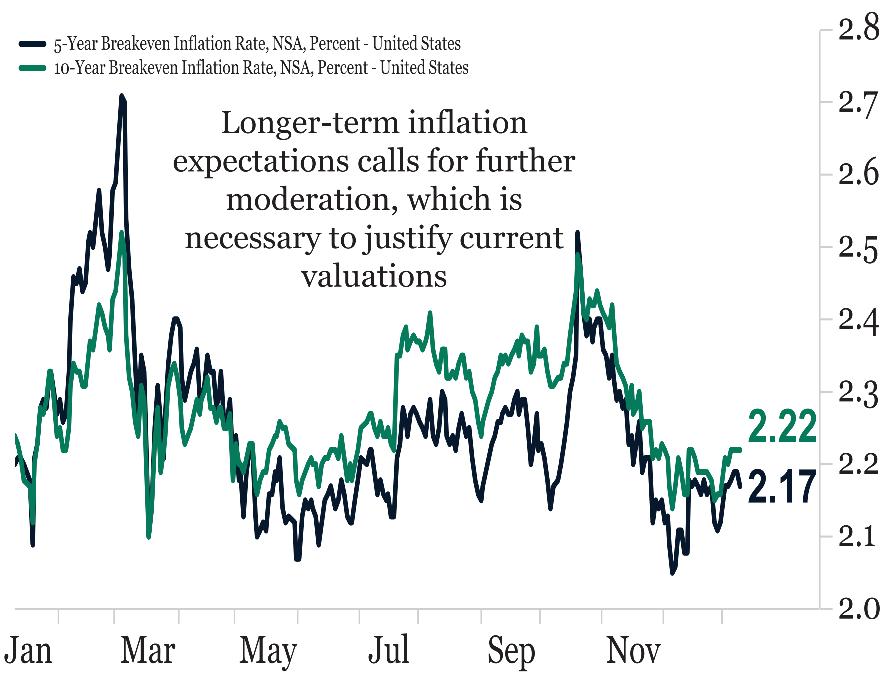
Technical: S&P 500

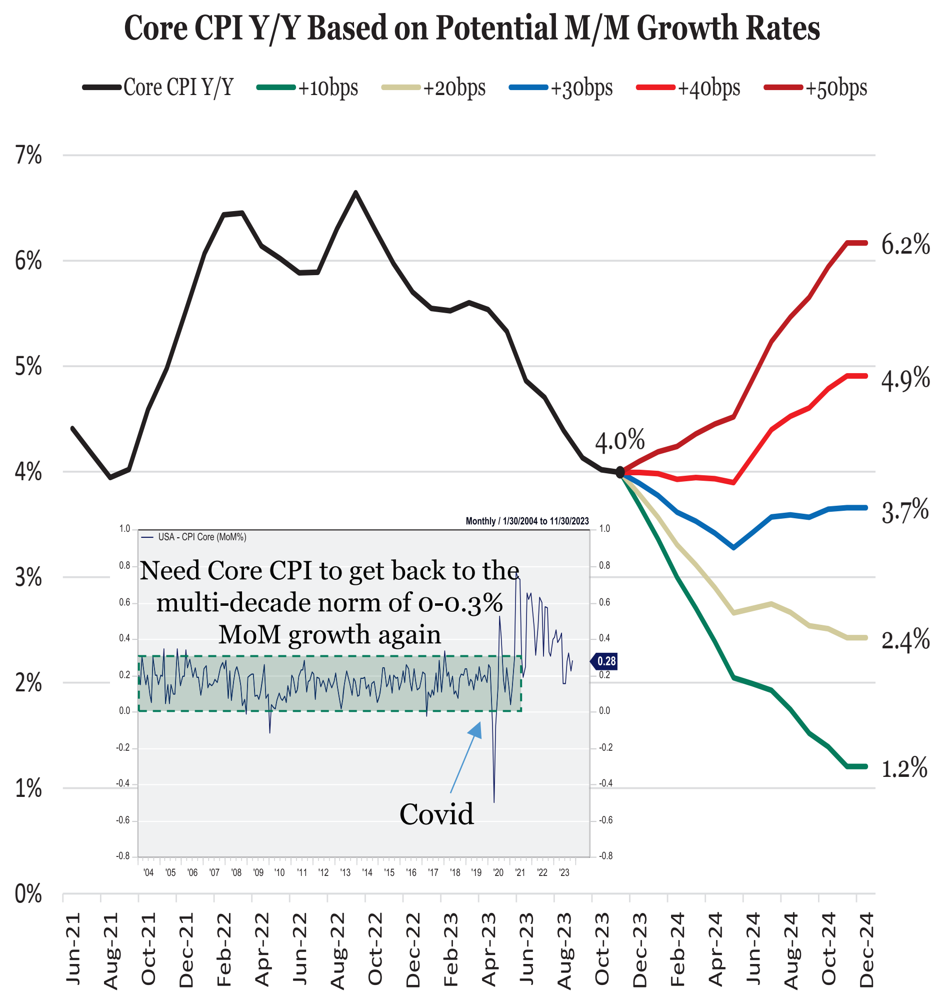
The technical backdrop for equities remains constructive with the S&P 500 still in an upward trend. However, barring a major positive sentiment or fundamental surprise, the S&P 500 may stall temporarily at resistance near the all-time high as the market digests the strong surge in returns in November and December. Oscillators such as RSI have come off overbought levels, but still remain near the upper end of neutral, so a welcomed development would be some sideways trading in the coming weeks to allow digestion of the recent gains. Resistance will be at 4810 followed by 4853 with initial support at 4637 followed by 4540.

Source: FactSet

Inflation

While inflation has been on a path of moderation, Thursday's CPI report is still a major focus for investors given the importance to Fed policy and valuation. As seen below, longer-term expectations are for inflation to continue to moderate over the next 5-10 years back under 3%. However, in order to achieve core CPI under 3%, the month over month growth rate will need to stay contained. Given the importance of inflation on valuation, we believe the market needs to be right on further inflation moderation to justify the current valuation levels.

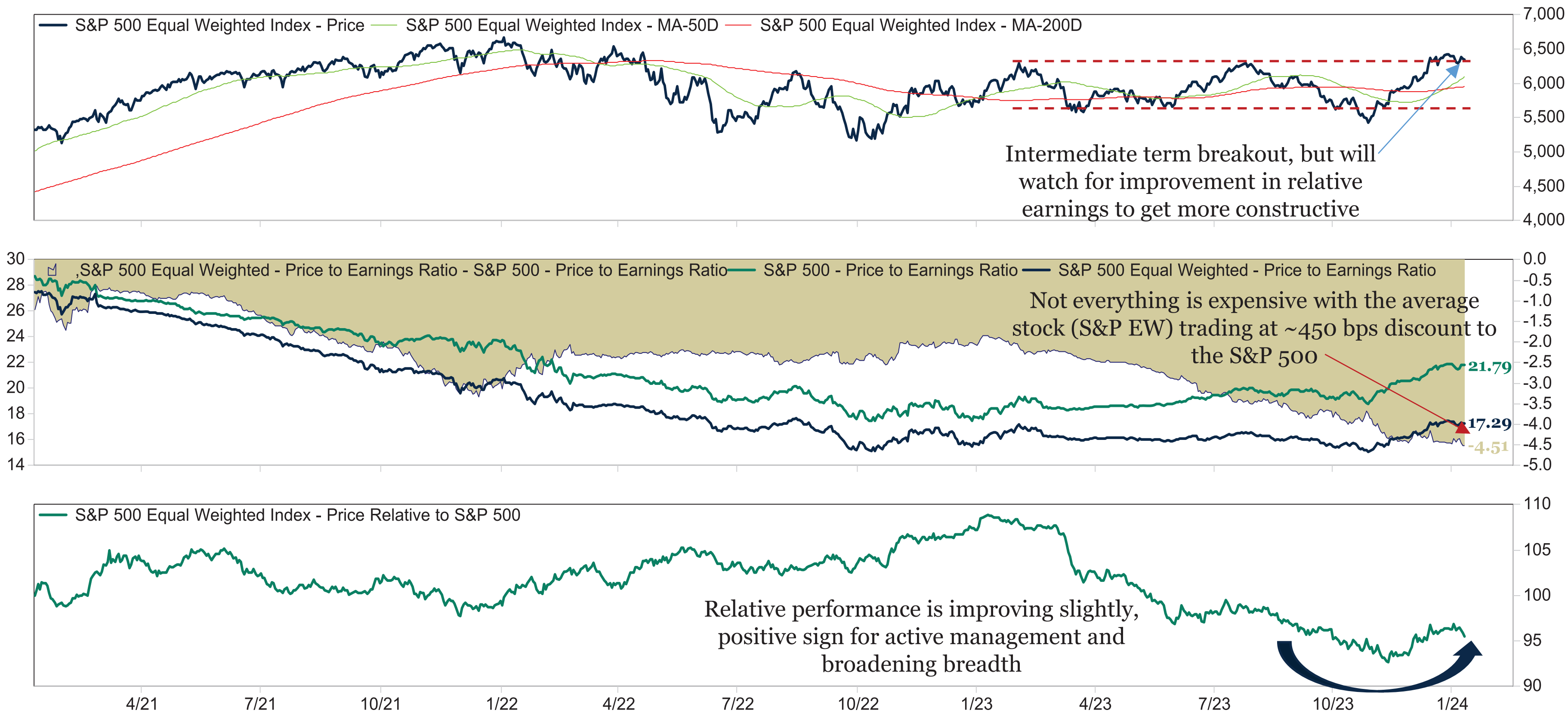




Source: FactSet

S&P 500 Equal-Weight

The S&P 500 equal-weight index recently experienced an intermediate-term breakout as relative performance compared to the cap-weighted index is improving slightly. Given our belief that diversification remains key, improvement in market breadth will be positive for active management. While we are still waiting for an improvement in relative earnings improvement to get more constructive, the technical improvement along with attractive valuation (trading at over 450 bps discount to the cap-weighted index), we believe there could be opportunities investing in the average stock given that the market has been markedly lopsided over the last year.



Source: FactSet

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