VERED WEALTH MANAGEMENT (CANADA) COMPANY LIMITED

February 19th, 2024

Weekly Market Guide

After a 23% rally over 72 days, equities experienced their largest distribution day (11x decliners vs. advancers) in over a year yesterday. The S&P 500 finished -1.4% and Russell 2000 -4% with 92% declining volume on the NYSE. **The catalyst was an upside surprise in the January CPI report, which showed core CPI rise 0.4% m/m (above estimates) to 3.9% y/y.**

There have been several data points to scale down Fed rate cut expectations lately, such as "hot" wage growth in the strong January jobs report and an uptick in ISM Services prices paid. The market has largely shrugged off those signals until yesterday's CPI report. The Fed needs a 0.2% monthly cadence to get core CPI down to its y/y target of 2-2.5%, so the last three months' average of 0.33% should provide some pause. We do believe that inflation is coming down, but the path is unlikely to be an easy glide (if the economy remains so strong).

The recent uptrend for equities has been built on supportive economic data and falling bond yields, driven by lower inflation and the idea that the Fed will be cutting rates sooner than expected. The upside January CPI print pushed Fed rate cut expectations out to June (from May) and down to 3-4 cuts by year-end (from 4-5). This highlights how volatile expectations can be, moving significantly on basically one data point. Nonetheless, bond yields broke out (10-year yield is up to 4.3%). Technically, this suggests **general pressure to the upside for yields, which probably leads to a pause or slowdown in the current market momentum if nothing else.**

For long-term investors, it is important to identify the dominant, prevailing factors that will influence the trend. And there will be noise items that can alter that view and create volatility along the way. What's the predominant theme?- Inflation is coming down and the best equity valuations historically have come at 2-3% CPI. However, the path is unlikely to be easy. Expect setbacks in the narrative and pullbacks to occur, but use those periods as opportunity. Economic data points will remain influential and determine if the pullback needs to extend further- PCE (Fed's favored inflation measure) will be an important one on 2/29.

Technically, the down-gap following a 23% rally over 72 days, raises the odds that we at least test the 20-day moving average (4909). This is the first important level, since it has held over the past few months. There are numerous support levels nearby following the strong rally, including the 50 DMA (4800), 4600 (horizontal support), and 200 DMA (4472). **A pullback or sideways pause would be normal and healthy following the sharp move higher- and we believe it will provide opportunity to put some money to work.**

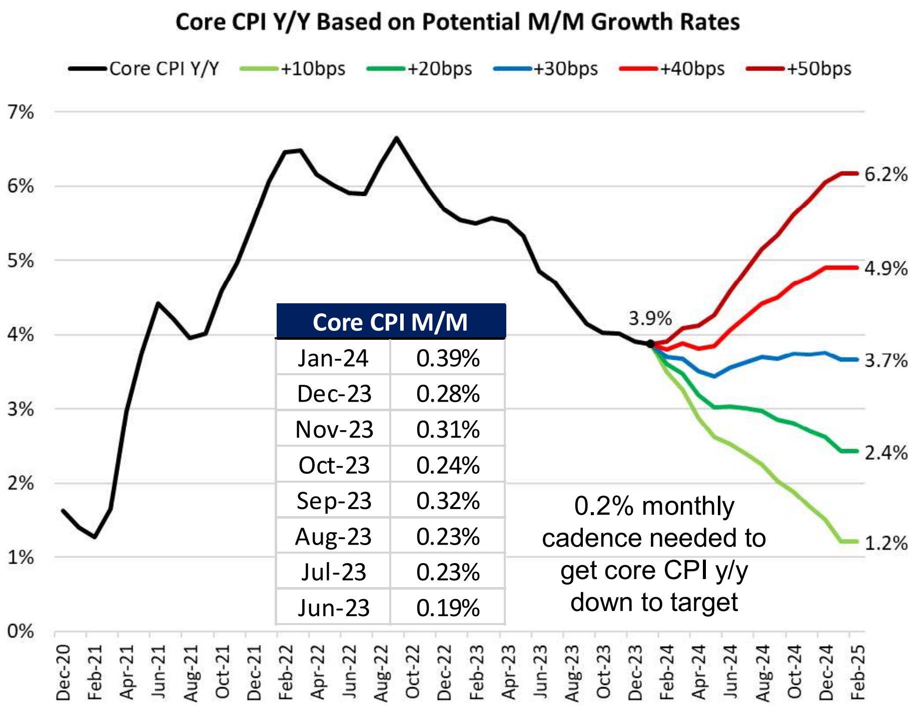
Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	-4.1%	-1.3%
S&P 500	3.8%	19.7%
S&P 500 (Equal-Weighted)	-0.4%	3.0%
NASDAQ Composite	4.3%	31.7%
Russell 2000	-3.1%	1.2%
MSCI All-Cap World	1.7%	13.4%
MSCI Developed Markets	-1.0%	5.7%
MSCI Emerging Markets	-2.6%	-1.7%
NYSE Alerian MLP	1.9%	12.2%
MSCI U.S. REIT	-5.4%	-6.7%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Communication Svcs.	10.2%	9.1%
Information Technology	7.6%	29.9%
Health Care	4.7%	12.7%
S&P 500	***3.8%***	-
Financials	2.7%	12.8%
Industrials	1.7%	8.6%
Consumer Staples	1.4%	6.0%
Consumer Discretionary	0.0%	10.4%
Energy	-0.8%	3.7%
Materials	-3.5%	2.2%
Utilities	-5.6%	2.1%
Real Estate	-6.1%	2.1%

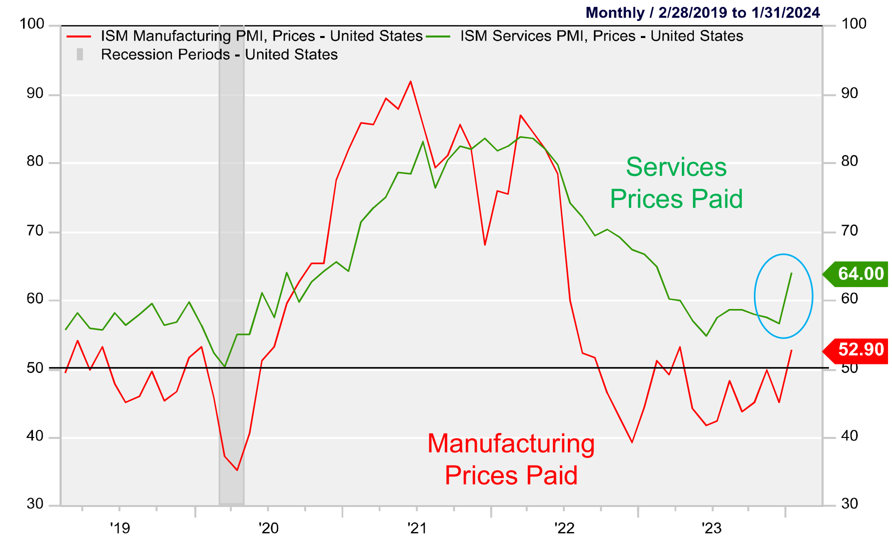
Source: FactSet

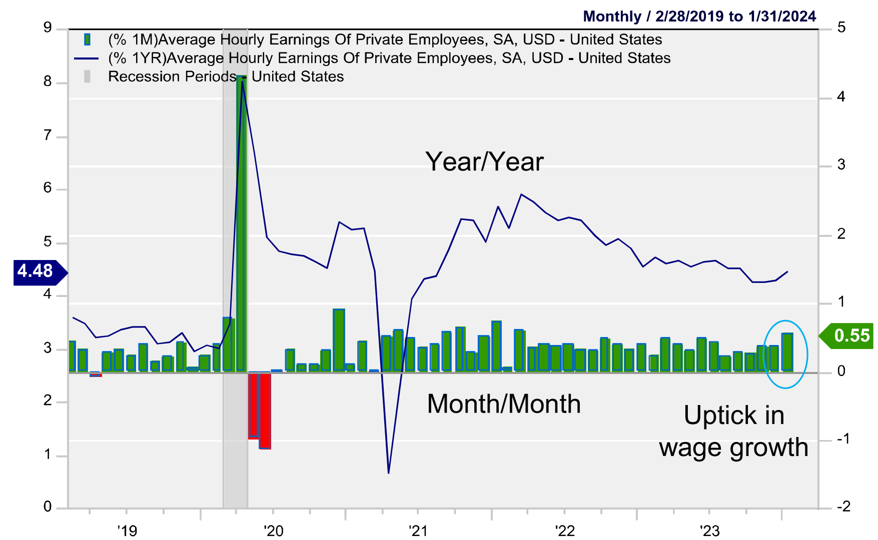
Inflation

There have been several data points to scale down Fed rate cut expectations lately, such as “hot” wage growth in the strong January jobs report and an uptick in ISM Services prices paid. The market has largely shrugged off those signals until yesterday’s CPI report, which showed a 0.4% m/m rise in core inflation. The Fed needs a 0.2% monthly trajectory to get core CPI down to its y/y target of 2-2.5%, so the last three months’ average of 0.33% should provide some pause. We do believe that inflation is coming down, but the path is unlikely to be an easy glide (if the economy remains so strong).



Core CPI M/M	
Jan-24	0.39%
Dec-23	0.28%
Nov-23	0.31%
Oct-23	0.24%
Sep-23	0.32%
Aug-23	0.23%
Jul-23	0.23%
Jun-23	0.19%





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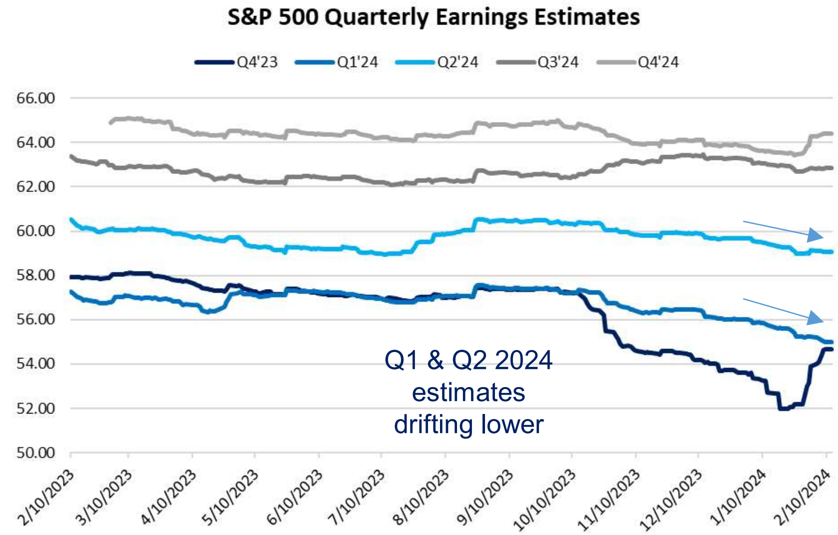
Q4 Earnings Season

The bulk of Q4 earnings season is in the books with 72% of the S&P 500 having reported. Another 92 companies are set to report by the end of next week. Overall, results have been solid.

- 76% of companies have beaten earnings by an average of 4.8%.
- Full-year 2024 and 2025 estimates have held relatively flat with some downside to Q1'24 and Q2'24 assumptions.
- Price reactions have been mixed with 50% of companies trading higher on their announcement by an average of 0.5%. "Beat & raises" have averaged a 2.5% 3-day price reaction, whereas the others have pulled back -1% on average.
- Industrials and Energy stand out as some of the better reactions to earnings, whereas Real Estate and Consumer Discretionary have been the laggards.

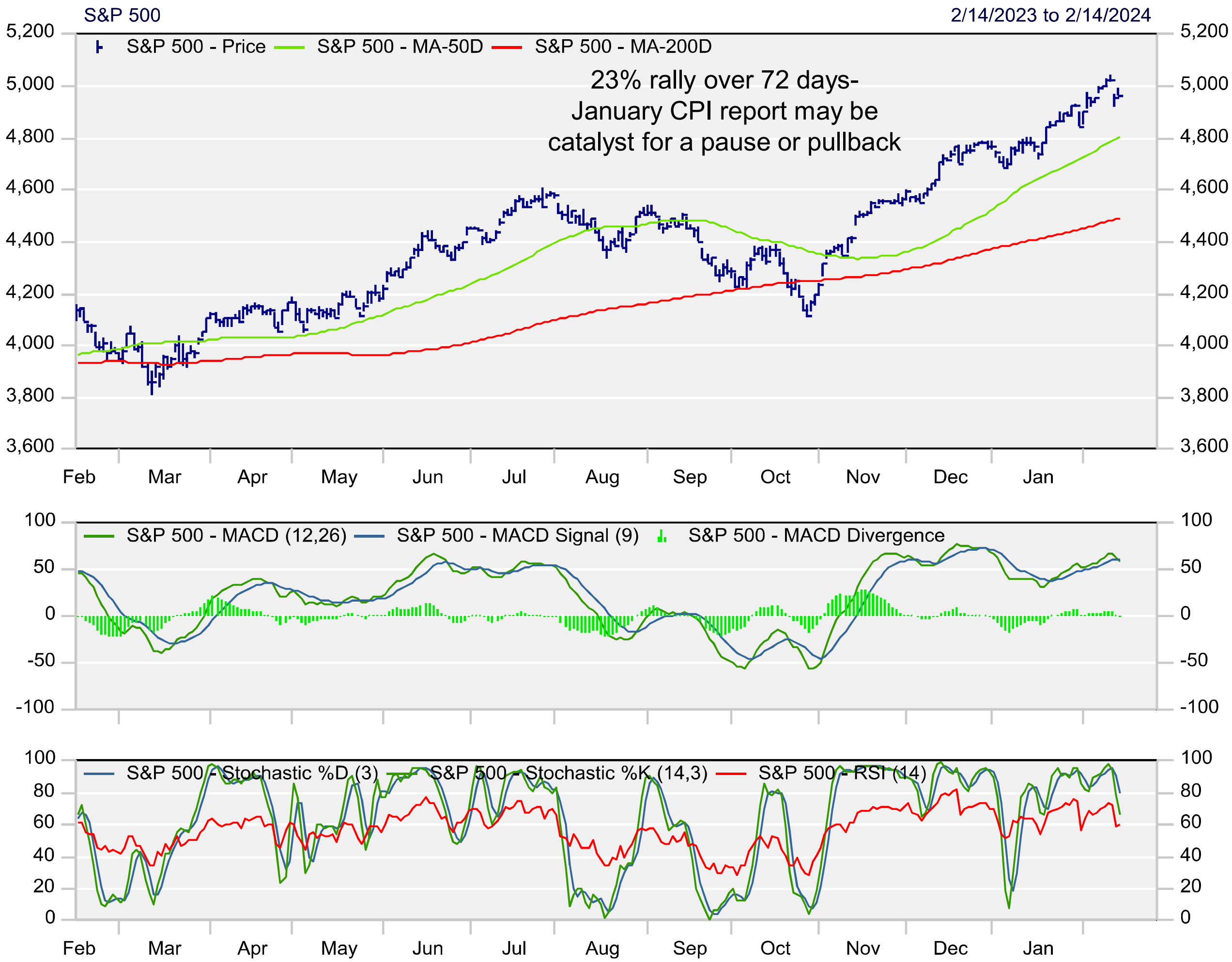
As for the Tech-oriented areas, they have maintained their fundamental strength (better earnings growth assumptions and estimate revisions vs. the market), which continues to support their performance trends.



S&P 500 Sector	% Q4 Est. EPS Growth Y/Y	Q/Q	% EPS Surprise	# of Companies Reporting Positive	Inline	Negative	Est. Chg Since 12/31/23 Q4'23	2024	2025	Avg 1D Price Reaction	3-Day Reaction	YTD Return	2023 EPS Growth	2024 EPS Growth	2025 EPS Growth
S&P 500	**3.8**	**-6.0**	**4.2**	**257**	**19**	**61**	**2.0%**	**-0.5%**	**0.0%**	**0.3%**	**0.5%**	**4.15**	**2.0%**	**10.8%**	**13.3%**
Information Technology	20.5	14.6	5.8	36	2	4	4.2%	-0.1%	0.3%	0.1%	0.0%	8.10	6.2%	15.6%	16.9%
Industrials	4.7	1.7	9.6	52	2	7	8.1%	-0.6%	-0.9%	0.9%	1.6%	1.86	20.2%	9.3%	13.9%
Communication Services	52.1	1.1	3.6	13	1	5	3.9%	2.4%	2.5%	0.9%	0.5%	10.57	29.4%	17.7%	13.5%
Real Estate	2.1	-0.3	2.8	7	6	2	1.5%	0.0%	0.2%	-0.5%	-1.5%	-4.41	1.5%	2.0%	5.9%
Consumer Staples	2.4	-5.3	5.6	19	2	2	2.6%	-0.8%	-0.5%	1.5%	0.8%	1.38	2.6%	5.1%	8.7%
Health Care	-16.6	-5.3	7.2	38	1	6	4.9%	-1.3%	-0.7%	0.0%	0.5%	5.05	-20.7%	15.9%	12.9%
Energy	-22.9	-6.0	13.9	10	0	1	7.1%	-6.9%	-2.9%	1.5%	2.4%	-0.47	-26.6%	-6.4%	10.9%
Materials	-21.6	-16.3	3.9	13	0	6	-1.3%	-3.9%	-1.7%	1.3%	0.4%	-3.46	-23.4%	-0.8%	15.0%
Consumer Discretionary	34.0	-19.3	14.2	23	1	7	8.6%	1.5%	0.9%	-0.9%	-0.4%	0.42	47.0%	12.8%	16.1%
Utilities	27.8	-24.0	2.3	6	0	2	-2.4%	-0.3%	-0.1%	0.9%	0.6%	-6.02	6.3%	7.4%	7.7%
Financials	-16.2	-26.9	-10.9	40	4	19	-12.6%	0.1%	0.4%	-0.4%	0.0%	2.94	2.9%	10.8%	11.7%

Source: FactSet

Technical: S&P 500



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Bond Yields

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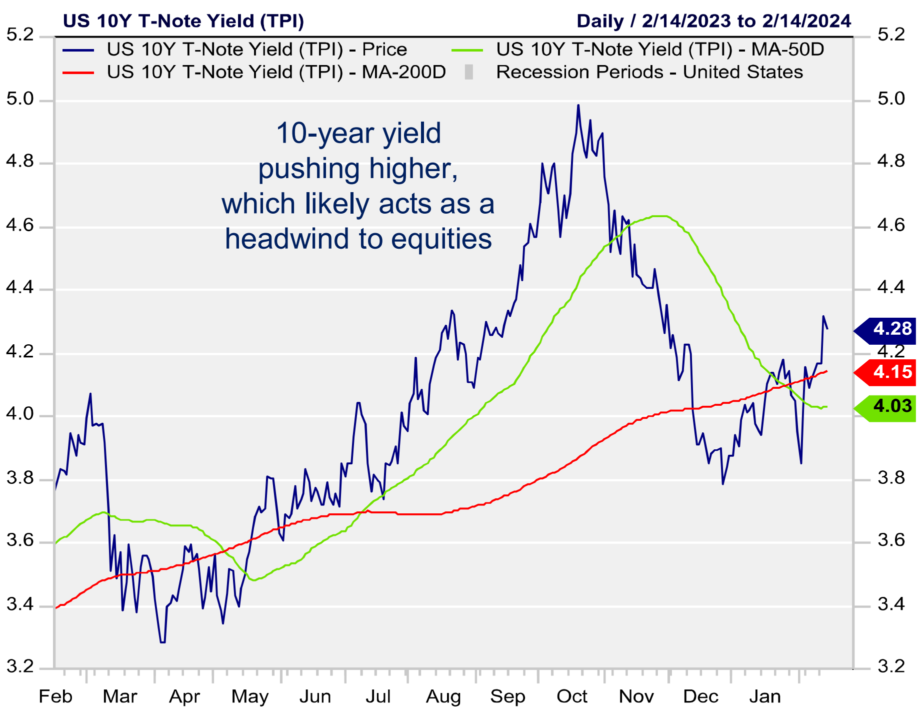

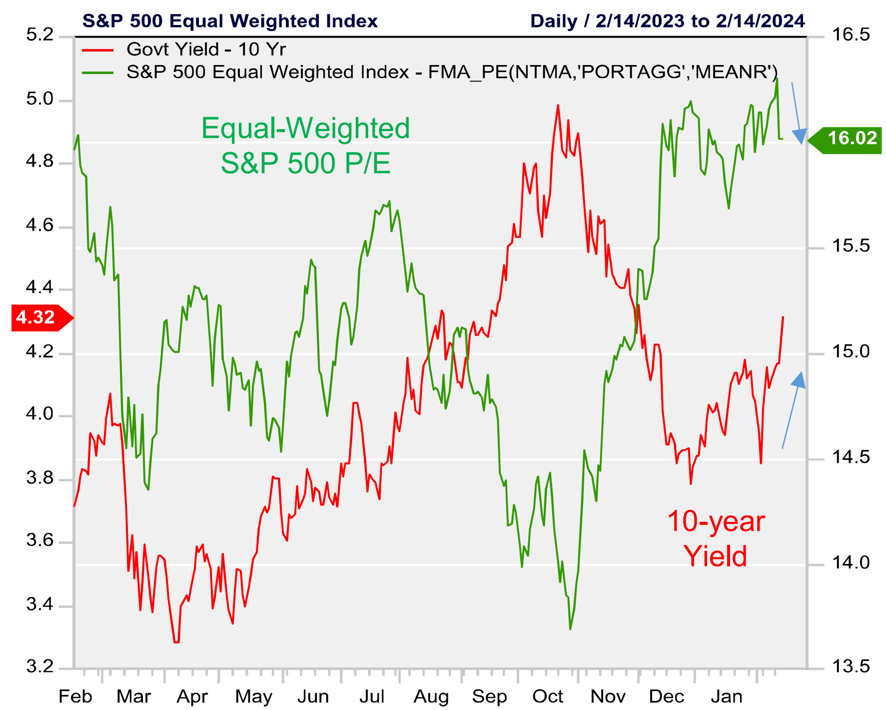

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