



## Weekly Market Guide

**February appears set to finish as another good month with the S&P 500 up 6.2% year-to-date.** Using history as a guide, the market is still in a good place for long-term investors. Bull markets have historically appreciated 152% on average over 1173 days (~4.5 years)- the S&P 500 is up 46% over 341 days so far. Interestingly, the smallest bull market was 48% in 1966-1968 when inflation came back.

**The S&P 500 was able to shake off its February 13th down-gap (on “hot” January CPI) due to blockbuster earnings from a mega-cap semiconductor company last week that reinvigorated Tech/AI enthusiasm.** Technically, when a market is about to change trends from positive to negative (even if it is a correction only), down-gaps are often a first sign. Conversely, when a down-gap is quickly filled (or surpassed), it reflects a market not quite ready to change the trend. The S&P 500 successfully fought-off its down-gap with last week’s earnings report- not only producing an up-gap, but also pushing the index to an all-time high.

**For now, equity momentum remains higher, and strength often begets strength.** For example, since 1950, we count 28 years where January and February returns were both positive. The S&P 500 was higher over the next 12 months in 27 of those 28 years by an average of 15%.

**While we remain positive over the next 12 months, pullbacks or pauses can occur at any time- particularly for a market up 25% over the past four months. The market’s recent upside- in spite of higher January inflation, tighter Fed expectations, and higher bond yields- puts increased emphasis on the upcoming economic data.** The Fed’s favored measure of inflation (PCE) comes out tomorrow morning. We also receive February ISM over the next week, Feb jobs report next Friday 3/8, CPI 3/12, and FOMC announcement 3/20.

**We will be paying close attention to bond yields,** in conjunction with the economic data. The 10-year yield broke out on the 2/13 CPI report, but has since failed to build upside momentum. If interest rates continue to press higher, it will likely be a headwind to equities in the short-term.

**Beneath the surface, strong Technology earnings continue to support its market-leading performance trends.** Relative strength for the equal-weighted S&P index is on its lows- we would like to see this trend show sustainable signs of improvement as a signal of broader performance (which has yet to occur in over a year). For now, the ball remains in Tech’s court.

Equity Market Indices	Price Return	
	Year to Date	12 Months
Dow Jones Industrial Avg	3.4%	18.5%
S&P 500	6.5%	27.5%
S&P 500 (Equal-Weighted)	2.5%	10.1%
NASDAQ Composite	6.8%	39.8%
Russell 2000	1.4%	8.4%
MSCI All-Cap World	4.6%	20.6%
MSCI Developed Markets	2.6%	11.5%
MSCI Emerging Markets	0.4%	6.3%
NYSE Alerian MLP	7.5%	21.0%
MSCI U.S. REIT	-3.7%	-0.5%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Communication Svcs.	10.5%	8.9%
Information Technology	9.7%	29.7%
Health Care	7.4%	12.7%
Financials	6.6%	13.0%
<b>S&amp;P 500</b>	<b>6.5%</b>	-
Industrials	5.3%	8.7%
Consumer Staples	3.7%	6.0%
Consumer Discretionary	3.5%	10.5%
Energy	1.8%	3.7%
Materials	1.1%	2.3%
Utilities	-2.9%	2.1%
Real Estate	-4.6%	2.1%

Source: FactSet

## Macro: US

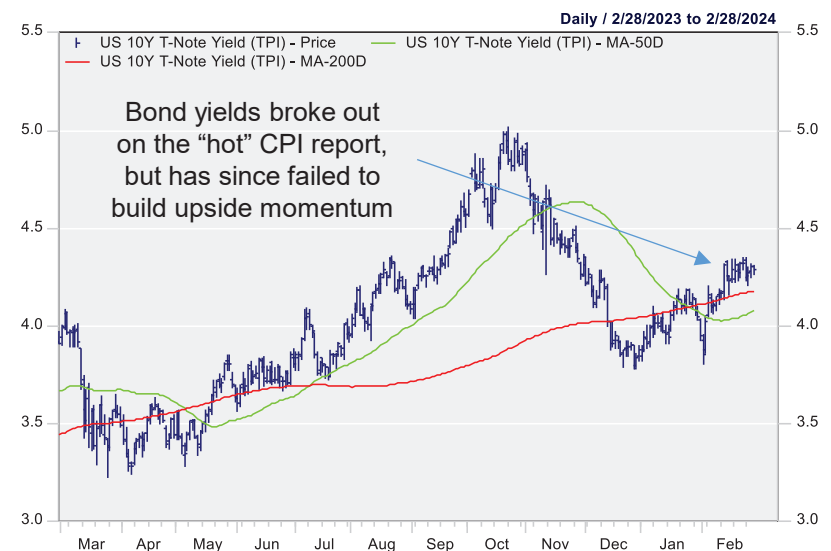
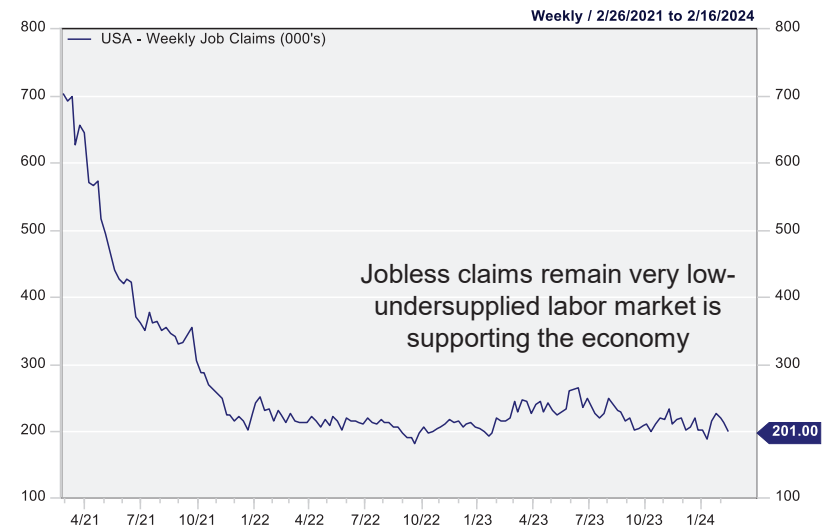
The undersupplied labor market, along with fiscal stimulus, has been a key influence buoying the economy through the Fed's rate hike cycle. Importantly, jobless claims remain very low- and as long as people have jobs, they're going to spend money.

The market's recent upside- in spite of higher January inflation, tighter Fed expectations, and higher bond yields- puts increased emphasis on the upcoming economic data. The Fed's favored measure of inflation (PCE) comes out tomorrow morning. We also receive February ISM over the next week, Feb jobs report next Friday 3/8, CPI 3/12, and FOMC announcement 3/20.

We will be paying close attention to bond yields, in conjunction with the economic data. The 10-year yield broke out on the 2/13 CPI report, but has since failed to build upside momentum. If interest rates continue to press higher, it will likely be a headwind to equities in the short-term.

Event	Period	Actual	Consensus	Prior
Continuing Jobless Claims SA	02/10	1,862K	1,880K	1,889K
Initial Claims SA	02/17	201.0K	217.0K	213.0K
PMI Composite SA (Preliminary)	FEB	51.4	51.5	52.0
Markit PMI Manufacturing SA (Preliminary)	FEB	51.5	50.2	50.7
Markit PMI Services SA (Preliminary)	FEB	51.3	52.0	52.5
Existing Home Sales SAAR	JAN	4,000K	3,980K	3,880K
Building Permits SAAR (Final)	JAN	1,489K	1,493K	1,470K
New Home Sales SAAR	JAN	661.0K	690.0K	651.0K
Durable Orders ex-Transportation SA M/M (Pre.)	JAN	-0.30%	0.35%	-0.10%
Durable Orders SA M/M (Preliminary)	JAN	-6.1%	-4.5%	-0.30%
S&P/Case-Shiller comp.20 HPI M/M	DEC	0.20%	0.15%	0.24%
S&P/Case-Shiller comp.20 HPI Y/Y	DEC	6.1%	5.9%	5.4%
Consumer Confidence	FEB	106.7	114.8	110.9
GDP SAAR Q/Q (Second Preliminary)	Q4	3.2%	3.3%	3.3%
GDP SA Y/Y (Second Preliminary)	Q4	3.1%	3.1%	3.1%
Wholesale Inventories SA M/M (Preliminary)	JAN	-0.10%	0.10%	0.41%

Source: FactSet



## Q4 Earnings Season

87% of the S&P 500 has reported, as Q4 earnings season approaches its end. There are a few Tech companies left, but more of a Consumer Discretionary flavor to the reporters over the next couple of weeks.

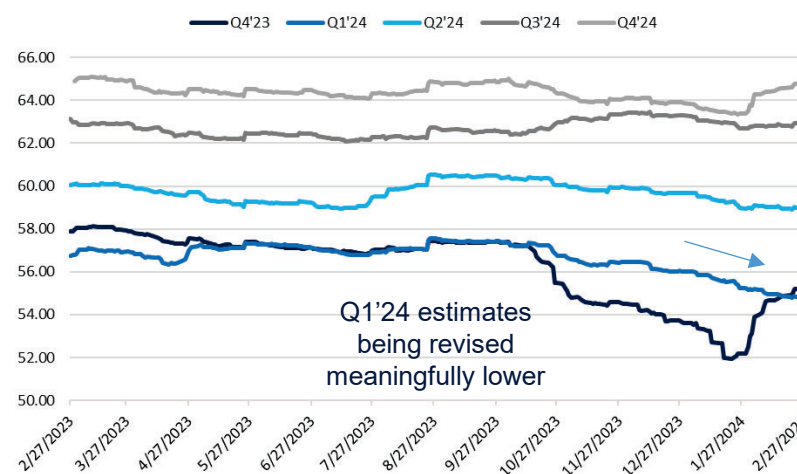
74% of companies have beaten estimates (which were revised meaningfully lower into earnings season) by an aggregate 4.4%. S&P earnings are set to grow 4.8% y/y and contract -5.2% q/q. Looking ahead, Q1'24 estimates are being revised meaningfully lower, though the back-half of 2024 (and 2025) have held steady as investors remain optimistic on the outlook. There's a higher degree of uncertainty to the outlook than the market is currently discounting in our view- leaving the bar high for economic data to remain supportive.

Additionally, a major theme to earnings season was whether Tech fundamentals would support their strong performance trends- and they have. The Tech sector continues to boast the strongest earnings growth and best estimate revision trends of all sectors.

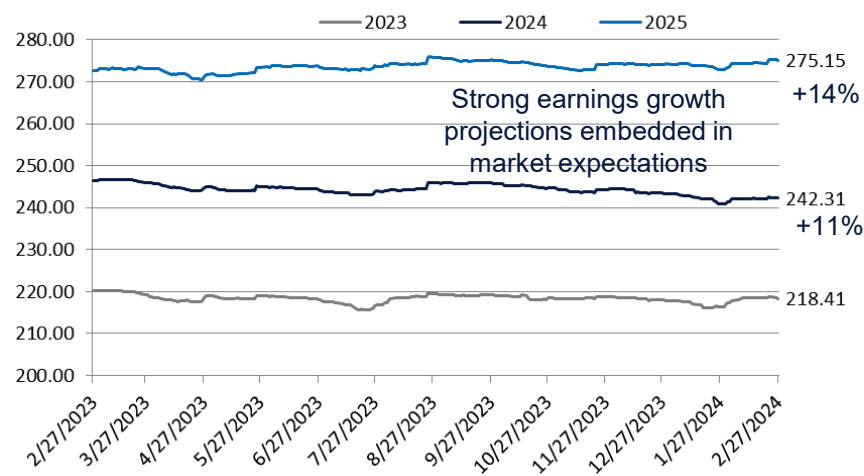
S&P 500 Sector	% Q4 Est. EPS Growth		% EPS Surprise	Est. Chg Since 12/31/23		
	Y/Y	Q/Q		Q4'23	2024	2025
<b>S&amp;P 500</b>	<b>4.8</b>	<b>-5.2</b>	<b>4.4</b>	<b>2.9%</b>	<b>-0.4%</b>	<b>0.3%</b>
Information Technology	23.0	17.0	6.7	6.4%	1.4%	2.3%
Industrials	6.1	3.0	9.9	9.5%	-0.6%	-0.8%
Communication Services	51.6	0.8	3.3	3.6%	2.2%	2.6%
Real Estate	2.3	0.0	1.6	1.7%	-0.1%	0.1%
Consumer Staples	3.7	-4.1	5.6	3.8%	-0.9%	-0.9%
Health Care	-15.5	-4.2	8.2	6.2%	-1.5%	-1.1%
Energy	-22.9	-6.0	10.7	7.1%	-8.5%	-3.1%
Materials	-20.6	-15.3	4.4	-0.1%	-5.3%	-2.7%
Consumer Discretionary	34.4	-19.1	11.5	9.0%	1.2%	0.6%
Utilities	23.8	-26.4	-2.7	-5.5%	-0.2%	0.0%
Financials	-15.6	-26.4	-8.7	-12.0%	0.3%	0.6%

Source: FactSet

### S&P 500 Quarterly Earnings Estimates



### Earnings Estimate Revisions - over Past Year



## Technical: S&P 500



The S&P 500 was able to shake off its February 13<sup>th</sup> down-gap (on “hot” January CPI) due to blockbuster earnings from a mega-cap semiconductor company last week that reinvigorated Tech/AI enthusiasm.

Technically, when a market is about to change trends from positive to negative (even if it is a correction only), down-gaps are often a first sign. Conversely, when a down-gap is quickly filled (or surpassed), it reflects a market not quite ready to change the trend.

The S&P 500 successfully fought-off its down-gap with last week’s earnings report- not only producing an up-gap, but also pushing the index to an all-time high.

For now, equity momentum remains higher, and strength often begets strength. For example, since 1950, we count 28 years where January and February returns were both positive. The S&P 500 was higher over the next 12 months in 27 of those 28 years by an average of 15%.

Pullbacks or pauses can occur at any time- particularly for a market up 25% over the past four months- but we remain positive over the next 12 months.

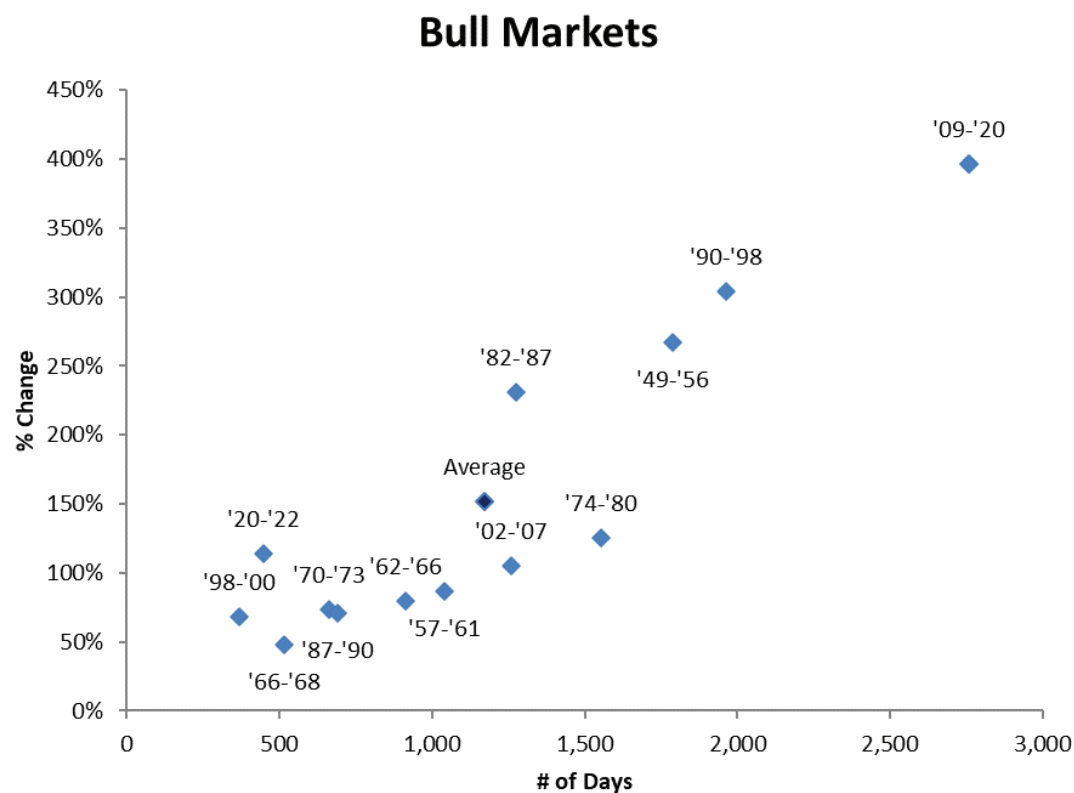
Source: FactSet

## Bull Markets

February appears set to finish as another good month with the S&P 500 up 6.2% year-to-date. Using history as a guide, the market is still in a good place for long-term investors. Bull markets have historically appreciated 152% on average over 1173 days (~4.5 years)- the S&P 500 is up 46% over 341 days so far. Interestingly, the smallest bull market was 48% in 1966-1968 when inflation came back- making the path of inflation (and, in turn, the Fed and economy) very important to the sustainability of market strength.

Bull Markets			
Trough	Peak	Price Change	# of Days
6/13/1949	8/2/1956	267%	1,789
10/22/1957	12/12/1961	86%	1,042
6/26/1962	2/9/1966	80%	913
10/7/1966	11/29/1968	48%	516
5/26/1970	1/11/1973	74%	665
10/3/1974	11/28/1980	126%	1,555
8/9/1982	8/25/1987	231%	1,277
10/20/1987	7/16/1990	71%	691
10/11/1990	7/20/1998	304%	1,963
10/8/1998	3/24/2000	68%	368
10/10/2002	10/11/2007	105%	1,259
3/6/2009	2/19/2020	396%	2,758
3/23/2020	1/3/2022	114%	450
<b>Average</b>		<b>152%</b>	<b>1173</b>
<b>Median</b>		<b>105%</b>	<b>1042</b>

S&P 500 +46% over 341 days so far



Source: FactSet

## Disclaimer

- 1. The particulars contained herein were obtained from Raymond James we believe to be reliable but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein.*
- 2. The securities or sectors mentioned herein are not suitable for all investors and should not be considered advice. Please consult your investment advisor to verify whether this security or sector is suitable for you and to obtain the information, including the risk factor completely.*
- 3. Vered Wealth Management (Canada) Company Limited provides comprehensive investment services, including managed accounts and advisory services. We have access to a wide range of investment products, including mutual funds, stocks, fixed income products, various alternative investment products and more. We offer registered and non-registered investment accounts, such as cash and margin accounts, corporate accounts, RRSPs & RRIFs, LIRAs & LIFs, RESPs and TFSAs.*
- 4. Vered Wealth Management (Canada) Company Limited is a member of the Canadian Investment Regulatory Organization (CIRO) and is registered in BC and ON. Vered is a member of the Canadian Investor Protection Fund (CIPF).*
- 5. The contents herein are not intended and shall not be constructed as a solicitation of customers or business in any jurisdiction in which Vered is not registered as a dealer in securities.*

