March 11th, 2024

VERED WEALTH MANAGEMENT (CANADA) COMPANY LIMITED

Weekly Market Guide

The S&P 500 continues to climb higher, now +25% over the past four months. Momentum has been strong with the index gliding above its 20-day moving average since October.

The market run can continue as long as:

1) The economy holds up well. And it could be as simple as watching employment. We still have an undersupplied labor market; jobless claims are very low; and as long as people have jobs, they are going to spend money. The February jobs report comes on Friday. Investors will be monitoring the report with particular focus on wage growth. Employment has been solid, but the question is whether the economy is so strong that wage growth will stay high (and put upward pressure on inflation).

2) Inflation "leeway" does not become more concerning. Inflation was "hotter" than expected in January across numerous reports. Bond yields initially broke out to the upside but have since moderated- the lack of upside follow-through has been supportive of equities and indicates that investors are giving some benefit of the doubt to inflation. The question is whether higher January inflation will be noise within a declining path, or be the start of something more? The fact that inflation has been higher year-to-date, Fed rate cut expectations have been pushed out, bond yields have risen, and equities have glided higher (despite those headwinds) puts more emphasis on the February inflation data. We get February CPI and PPI next week.

3) AI enthusiasm doesn't shake. Technology- the S&P 500's largest weighting- has been the market driver over the past year. Recent Tech earnings reaffirmed the sector's fundamental leadership which is supporting performance trends.

We will be watching the economic data coming out over the next two weeks (employment-heavy this week, inflation-heavy next week), along with the bond market's reaction and its effect on equities. If bond yields break out to the upside again (as they did on the January CPI report), it will likely be a headwind to stocks.

At some point, equities will need to digest some of their gains. However, the strength of the rally places numerous levels of support nearby. The 20-day moving average (5043) will be the first level to watch as it has held several times over recent months. Below this is the 50 DMA (4909), 4800 (horizontal support at prior all-time highs), and 4600 (July 2023 highs). The low-end of these levels reflect a 6-10% pullback, well within the norm historically- and would provide a lot of opportunity to pick up quality stocks.

Beneath the surface, there are signs of broader participation with many areas showing improved trends lately. Technology remains leadership for now, but the expanded breadth bodes well for diversification and opportunity outside of Technology.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	2.4%	15.6%
S&P 500	6.5%	25.5%
S&P 500 (Equal-Weighted)	3.3%	9.2%
NASDAQ Composite	6.2%	36.4%
Russell 2000	1.3%	6.5%
MSCI All-Cap World	4.7%	19.0%
MSCI Developed Markets	3.2%	11.4%
MSCI Emerging Markets	-0.2%	3.4%
NYSE Alerian MLP	9.1%	21.3%
MSCI U.S. REIT	-1.9%	0.3%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Information Technology	10.1%	29.8%
Communication Svcs.	8.8%	8.8%
Financials	7.1%	13.0%
S&P 500	***6.5%***	-
Health Care	6.1%	12.6%
Industrials	5.9%	8.8%
Consumer Staples	4.0%	6.0%
Energy	2.9%	3.8%
Materials	2.7%	2.3%
Consumer Discretionary	2.4%	10.4%
Real Estate	-1.6%	2.2%
Utilities	-1.9%	2.2%

Source: FactSet

Macro: US

February ISM Manufacturing remained weak (below the 50-demarcation line) and ISM Services continued to expand at 52.6. This is consistent with the status quo- an economy that continues to hold up due to the consumer.

Today's JOLTS job openings kicks off a busy week and a half of employment and inflationary data. Job Openings continued to decline (i.e. normalizing labor demand), as did the Quits Rate- which indicates lower employment costs ahead. This provides optimism on the path of wage growth (and important influence on inflation) with focus shifting to the February jobs report (and the hard data) on Friday.

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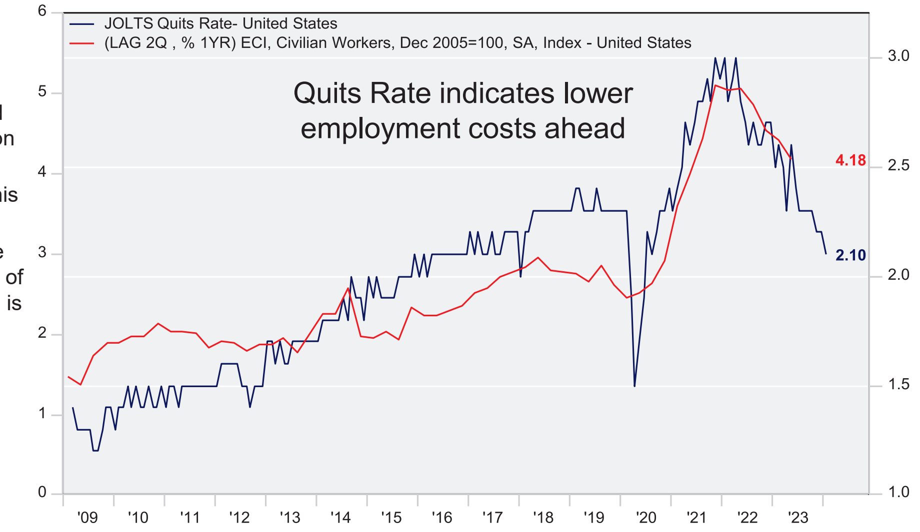
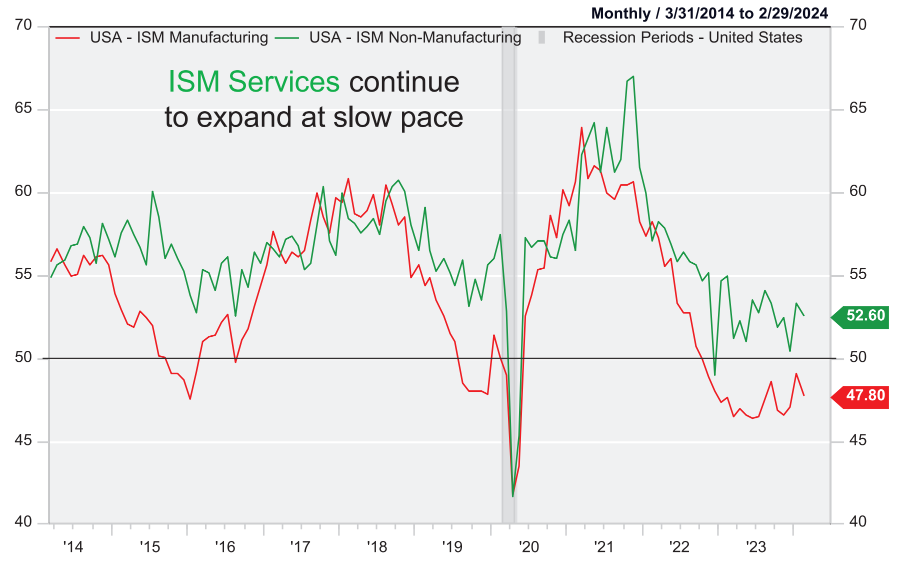
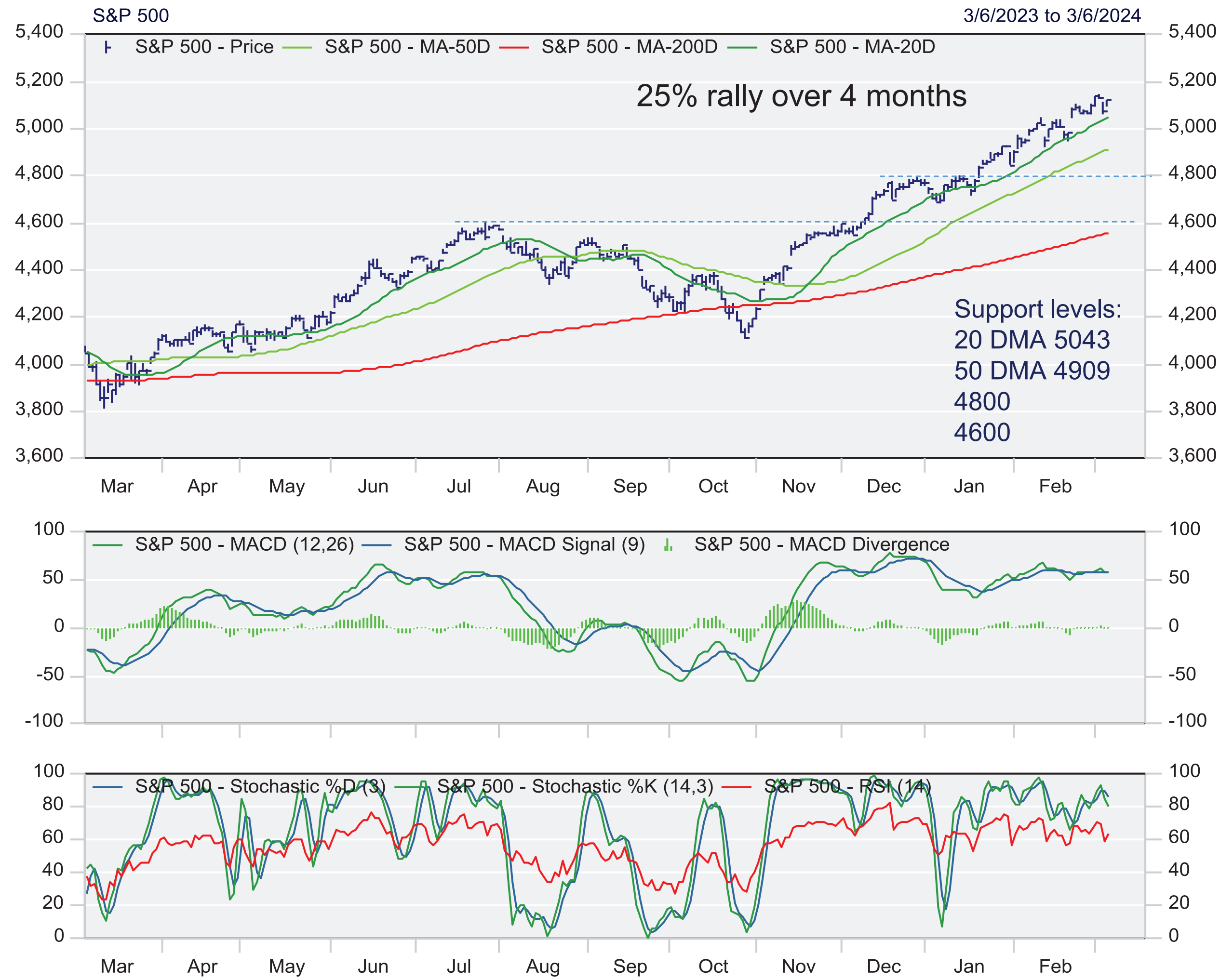
Event	Period	Actual	Consensus	Prior
Continuing Jobless Claims SA	02/17	1,905K	1,875K	1,860K
Initial Claims SA	02/24	215.0K	210.0K	202.0K
Core PCE Deflator M/M	JAN	0.42%	0.40%	0.14%
Core PCE Deflator Y/Y	JAN	2.8%	2.8%	2.9%
Personal Consumption Expenditure SA M/M	JAN	0.20%	0.15%	0.67%
Personal Income SA M/M	JAN	1.0%	0.40%	0.30%
Pending Home Sales Index SAAR	JAN	74.3	-	78.1
Pending Home Sales M/M	JAN	-4.9%	1.5%	5.7%
Markit PMI Manufacturing SA (Final)	FEB	52.2	51.5	51.5
Construction Spending SA M/M	JAN	-0.20%	0.15%	1.1%
ISM Manufacturing SA	FEB	47.8	49.5	49.1
BEA Total Light Vehicle Sales (Preliminary)	FEB	15.8M	15.4M	14.9M
PMI Composite SA (Final)	FEB	52.5	51.4	51.4
Markit PMI Services SA (Final)	FEB	52.3	51.3	51.3
Durable Orders ex-Transportation SA M/M (Final)	JAN	-0.41%	-0.30%	-0.30%
Durable Orders SA M/M (Final)	JAN	-6.2%	-6.1%	-6.1%
Factory Orders SA M/M	JAN	-3.6%	-2.8%	-0.30%
ISM Services PMI SA	FEB	52.6	52.8	53.4
ADP Employment Survey SA	FEB	140.0K	150.0K	111.0K
JOLTS Job Openings	JAN	8,863K	8,850K	8,889K
Wholesale Inventories SA M/M (Final)	JAN	-0.30%	-0.10%	-0.10%

Source: FactSet





Technical: S&P 500



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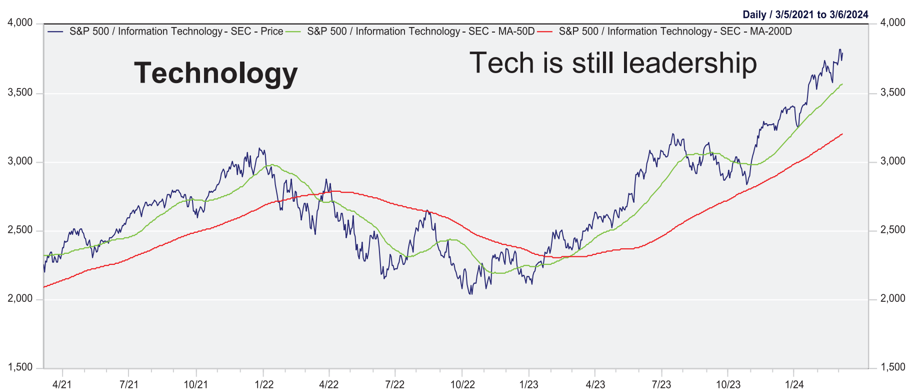
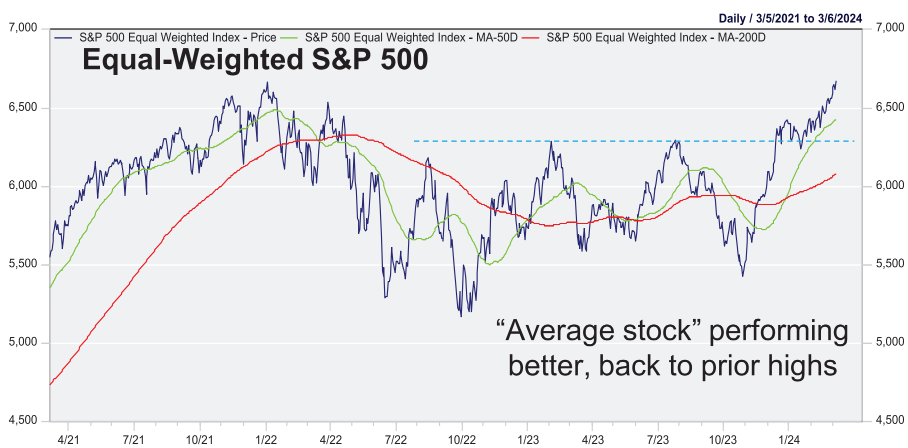
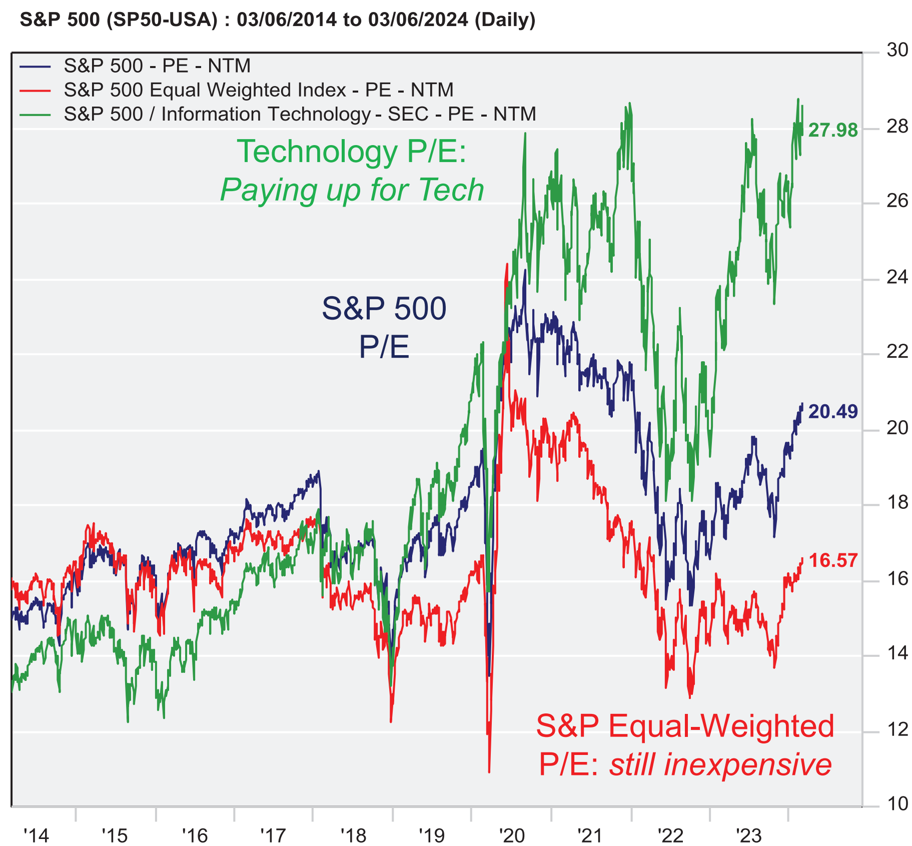
Bifurcated Market

Beneath the surface, there are signs of broader participation. Many areas have broken above resistance and have improved their performance trends lately. This expanded breadth bodes well for diversification and opportunity outside of Tech. For now, Tech remains leadership and is being supported by fundamental strength. But keep in mind, the "bar is high" for Tech's sustained outperformance with valuation at Covid highs (28x P/E). The "bar is much lower" outside of Tech (S&P equal-weighted P/E 16.6x).



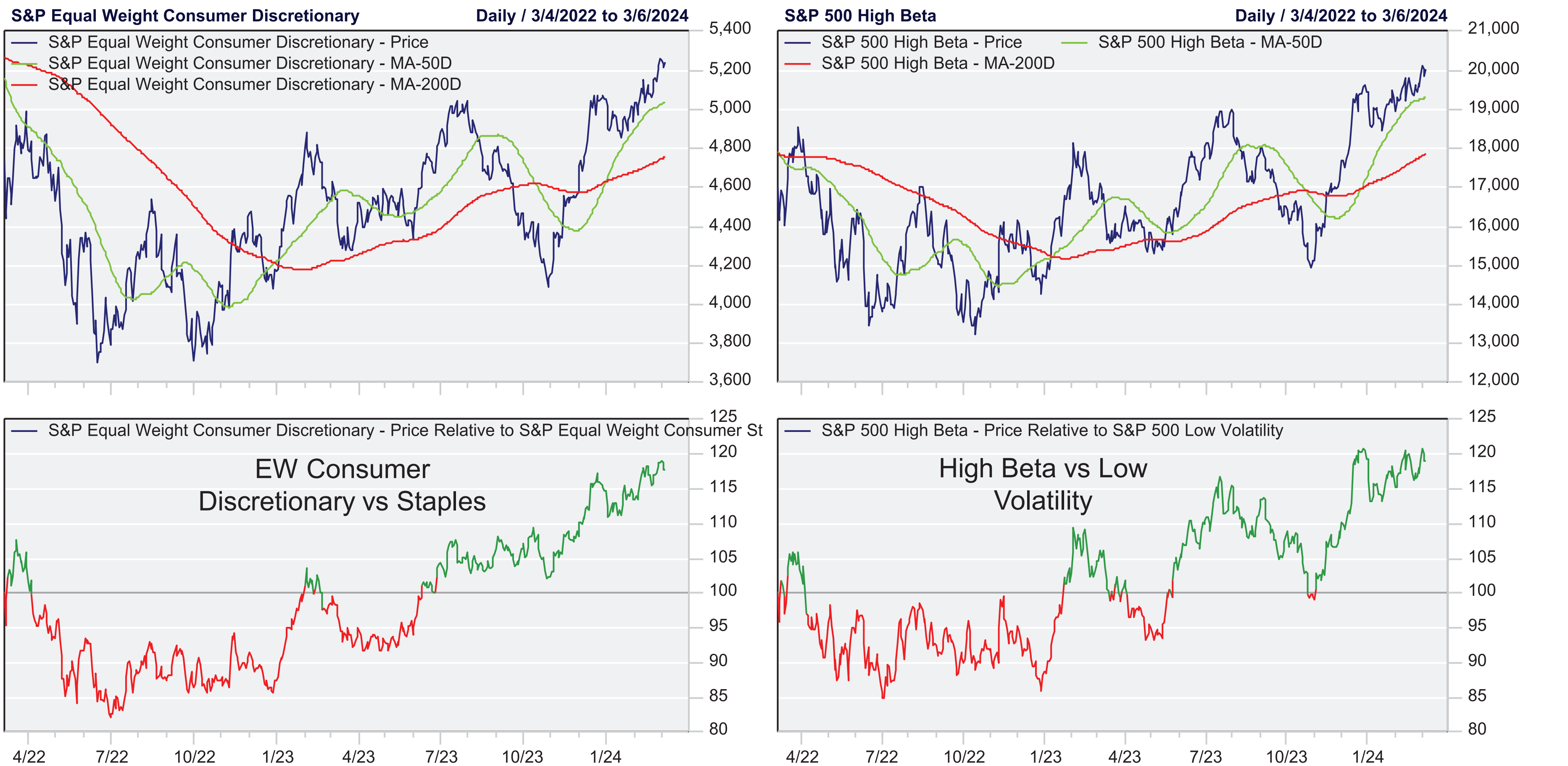




Source: FactSet

Positive Intermediate-Term Technical Indicators

Momentum within the market remains positive. Equal-weighted Consumer Discretionary vs Staples, as well as High Beta vs. Low Volatility, continues to trend positively. These have been good indicators on the market mood and bode well for positive returns over the next 12 months.



Source: FactSet

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