April 1st, 2024

VERED WEALTH MANAGEMENT (CANADA) COMPANY LIMITED

Weekly Market Guide

The S&P 500 continues to climb higher, now up +28% over the past 5 months and +9% year-to-date. The market is giving some benefit of the doubt to inflation, while welcoming the dovish Fed stance and better economic expectations.

In our view, the drivers of the rally are reasonable, and the positives outweigh the potential negatives:

- The **economy is holding up well**, buoyed by fiscal stimulus and an undersupplied labor market, which is supporting the earnings outlook.
- **Inflation is on a downward path**, albeit not as quickly as desired. *Upside inflation surprises to begin the year put more onus on lower inflationary readings over the coming months.*
- **Fed cuts are likely** this year. *Economic health is outweighing the timeline of eventual rate cuts.*
- **Valuations** are still inexpensive for the majority of stocks.

These are basically the tenets of our positive view on equities and why we believe stocks can move higher over the next 12 months. But we do not want to become overly complacent, as there are many things that can (and probably will) disrupt the market mood at some point.

Potential negatives down the line:

- **Bullish sentiment**-> a soft-landing is becoming the consensus expectation.
- It is difficult to completely ignore the **weak traditional leading economic indicators. *Employment is key.*** *We still view the labor market as undersupplied, supporting jobs and economic growth. But if cracks emerge in employment, the economic narrative could change.*
- Dual **Fed risks**- cut too early/spur inflation, cut too late/detrimental to the economy. *The market is rewarding the dovish stance, as the Fed attempts to successfully navigate a soft landing (though it may come with a slower decline in inflation).*
- **Election**- Higher tariffs? Higher taxes?
- **Geopolitical risks**, etc.

Overall, we remain positive and see further upside in a soft-landing scenario. But the easy glide-path higher will need to be digested at some point. Technically, the 20-day moving average has acted as support over the past several months and will be the first level to watch (5154). Importantly, the strength of the rally leaves many support levels nearby, i.e. the 50 DMA (5027), 4800 (prior highs), and 200 DMA (4600). **Big picture, odds are we are in the early stages of a new uptrend following the two-year bear market.**

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	4.2%	21.9%
S&P 500	9.1%	31.0%
S&P 500 (Equal-Weighted)	5.3%	19.7%
NASDAQ Composite	8.7%	38.0%
Russell 2000	2.1%	19.3%
MSCI All-Cap World	7.1%	24.6%
MSCI Developed Markets	5.1%	16.5%
MSCI Emerging Markets	1.6%	7.0%
NYSE Alerian MLP	10.5%	32.8%
MSCI U.S. REIT	-4.6%	8.1%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Communication Svcs.	15.8%	9.1%
Information Technology	12.5%	29.9%
Energy	10.4%	3.9%
Financials	10.0%	13.0%
S&P 500	***9.1%***	-
Industrials	8.8%	8.7%
Health Care	6.9%	12.4%
Materials	6.6%	2.4%
Consumer Staples	5.6%	6.0%
Consumer Discretionary	3.8%	10.3%
Utilities	0.1%	2.1%
Real Estate	-5.1%	2.1%

Source: FactSet

Macro: US

Last week's FOMC projections and commentary fueled the market's dovish mood. For example, despite increased economic growth assumptions (correspondingly with higher inflation), the Fed's projection for rate cuts this year remained the same. Details included- an increase in the '24 real GDP estimate to 2.1% (from 1.4%), decrease in the unemployment rate estimate to 4.0% (from 4.1%), increase in the core PCE inflation estimate to 2.6% (from 2.4%), and maintained its '24 fed funds projection the same at 4.6%.

The Fed has double-sided risks to weigh. On the one hand, cutting too early could spur inflation and unwind some progress on bringing (and keeping) inflation down to the 2-2.5% target. Looser financial conditions run the risk of a potential "stop-and-go" policy. On the other hand, cutting too late may put unwarranted pressure on the economy and spur contraction. For now, the market is rewarding the dovish stance, as the Fed attempts to successfully navigate a soft landing (though it may come with a slower decline in inflation).

Event	Period	Actual	Consensus	Prior
Current Account SA	Q4	-$194.8B	-$205.0B	-$196.4B
Continuing Jobless Claims SA	03/09	1,807K	1,807K	1,803K
Initial Claims SA	03/16	210.0K	213.5K	212.0K
PMI Composite SA (Preliminary)	MAR	52.2	52.2	52.5
Markit PMI Manufacturing SA (Preliminary)	MAR	52.5	51.8	52.2
Markit PMI Services SA (Preliminary)	MAR	51.7	52.0	52.3
Existing Home Sales SAAR	FEB	4,380K	3,933K	4,000K
Leading Indicators SA M/M	FEB	0.10%	-0.10%	-0.40%
Building Permits SAAR (Final)	FEB	1,524K	1,518K	1,518K
New Home Sales SAAR	FEB	662.0K	680.0K	664.0K
Durable Orders ex-Transportation SA M/M (Preliminary)	FEB	0.50%	0.60%	-0.32%
Durable Orders SA M/M (Preliminary)	FEB	1.4%	1.0%	-6.9%
S&P/Case-Shiller comp.20 HPI M/M	JAN	0.10%	0.20%	0.26%
S&P/Case-Shiller comp.20 HPI Y/Y	JAN	6.6%	6.6%	6.1%
Consumer Confidence	MAR	104.7	107.0	104.8
Richmond Fed Index	MAR	-11.0	-4.0	-5.0

Source: FactSet

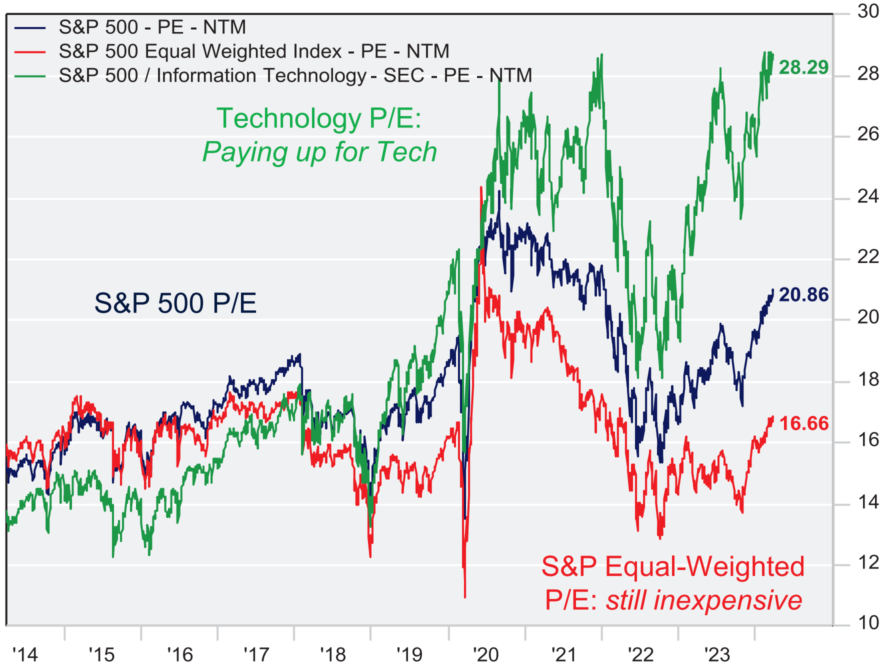
FOMC Projections:

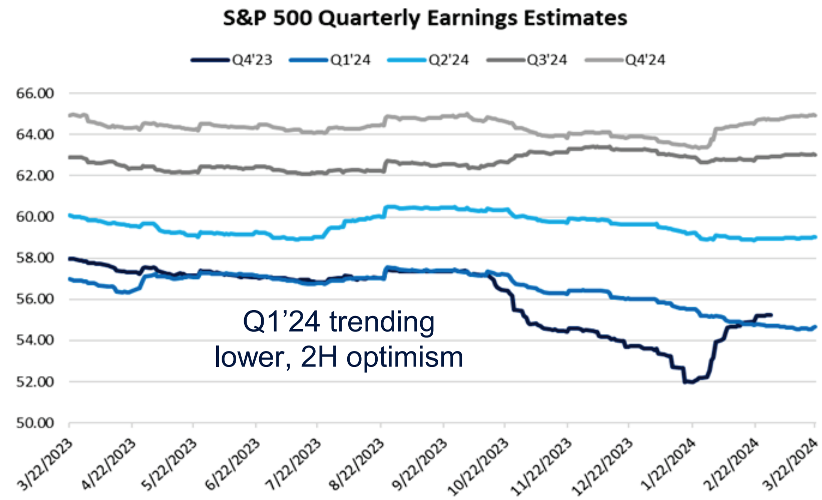
Variable	Median[1] 2024	2025	2026	Longer run
Change in real GDP	2.1	2.0	2.0	1.8
December projection	1.4	1.8	1.9	1.8
Unemployment rate	4.0	4.1	4.0	4.1
December projection	4.1	4.1	4.1	4.1
PCE inflation	2.4	2.2	2.0	2.0
December projection	2.4	2.1	2.0	2.0
Core PCE inflation[4]	2.6	2.2	2.0	
December projection	2.4	2.2	2.0	
Memo: Projected appropriate policy path				
Federal funds rate	4.6	3.9	3.1	2.6
December projection	4.6	3.6	2.9	2.5

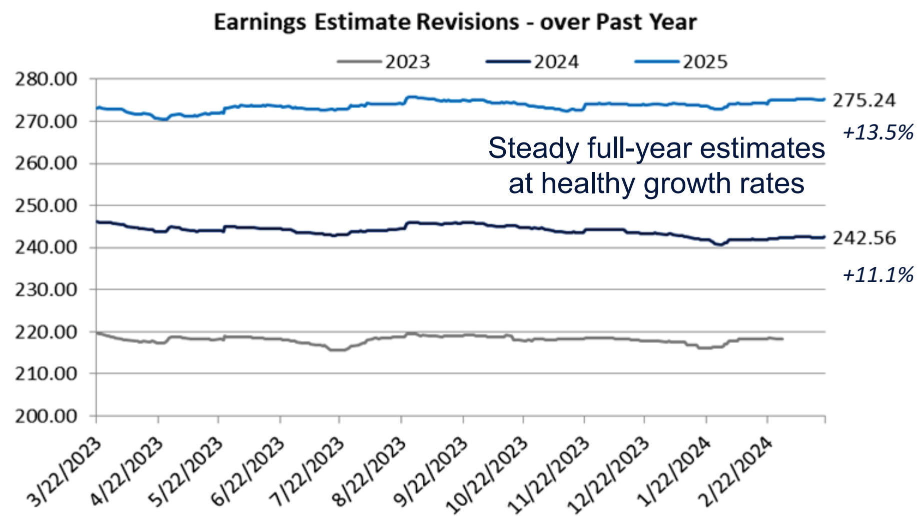
Fundamentals

Higher economic expectations, along with likely Fed cuts to come, are supporting forward earnings estimates- which sit at healthy growth rates. As you can see, earnings estimates have trended sideways and reflect 11.1% EPS growth in 2024 and 13.5% growth in 2025. On a quarterly basis, Q1'24 estimates have pulled into results (which kick off in two weeks) with some second half optimism baked in. Earnings are the long-term driver of equities; and with valuations still inexpensive for the majority of stocks out there, we see further market upside in a soft-landing scenario.

S&P 500 (SP50-USA) : 03/27/2014 to 03/27/2024 (Daily)







Source: FactSet

Technical: S&P 500

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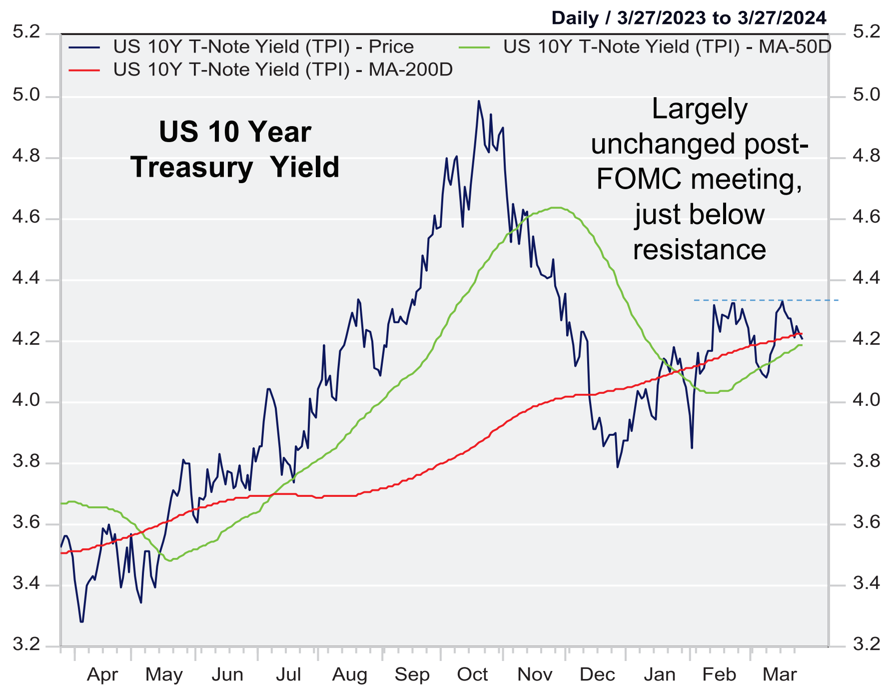
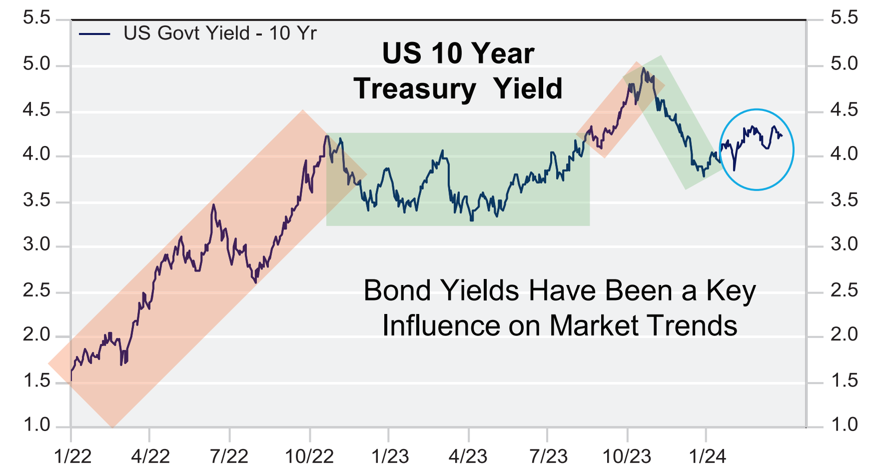
Source: FactSet

Bond Yields

Dovish takeaways from the FOMC meeting last week left the US 10-year largely unchanged and just below technical resistance at ~4.36%. This has supported the ongoing stock market climb. We continue to watch bond yields as a key influence on equity market trends, given their inverse correlation over the past couple of years. Equities have largely looked past the upside inflation surprises to begin the year, instead adding focus to healthier economic expectations, which has dampened the inverse reaction to equities from bond yields. However, if the 10-year yield were to break out above 4.36%, we believe it could become more of a headwind to equities.





Source: FactSet

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