April 8th, 2024

VERED WEALTH MANAGEMENT (CANADA) COMPANY LIMITED

Weekly Market Guide

Q1 2024 is in the books with the S&P 500 up 10% year-to-date. The quarter began with the S&P 500 consolidating just under prior highs of 4800; and once the index broke out, it has been a steady glide-path higher. If you had known that inflation would surprise to the upside in both January and February, the number of expected 2024 Fed cuts would drop to 3 from 6, and bond yields would drift higher, a strong 10% market climb on virtually no volatility would probably not have been the base expectation…. **The main reason (and driving force) has been the economy.** 2023 real GDP finished at 2.5% y/y, and 2024 GDP estimates have increased to 2.2% on top of that growth (despite virtually every economist- including the Fed- believing we would be in recession).

The market is giving some benefit of the doubt to inflation, welcoming the dovish Fed stance and better economic expectations. We maintain our positive outlook on equities and see further upside in a soft-landing scenario by year-end (5145-5610 is our fundamental price objective on above-trend economic growth this year). **That said, the easy glide-path higher will need to be digested at some point.** There is plenty out there that can disrupt the market mood (and probably will over the coming months). **Overall, we believe the positives** (*economy, earnings outlook, inflation on a better path, Fed cuts coming, valuations reasonable, AI enthusiasm*) **outweigh the potential negatives** (*bullish sentiment, weak traditional leading economic indicators, potential Fed policy mistake, election, geopolitical risks*)- and would use weakness opportunistically as the risk/reward improves.

Things to watch in the short-term:

- **Economic data- this week is employment-heavy, next week is inflation-heavy.** The undersupplied labor market has supported job additions, which has supported economic growth. We expect employment to remain healthy, but cracks emerging would change the economic narrative. This week's Job Quits rate bodes well for lower employment costs ahead (a key for lower inflation). Today's ISM Services also indicated solid growth and lower prices (supporting the soft-landing narrative). Next week's CPI data will be closely watched, as the onus is on inflation coming down over the coming months- due to the market largely looking past the January and February upside surprises.
- **Bond yields-** the first three days of Q2 have seen the 10-year Treasury yield move to 4.4% (from 4.2%), which is new year-to-date highs. We recommend giving the potential breakout a ~3-day time filter to see follow-through, but rising bond yields have been a headwind to equities over the past couple of years.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	3.9%	17.7%
S&P 500	9.1%	26.7%
S&P 500 (Equal-Weighted)	5.8%	15.2%
NASDAQ Composite	8.2%	32.9%
Russell 2000	1.9%	14.6%
MSCI All-Cap World	6.9%	20.1%
MSCI Developed Markets	3.8%	11.0%
MSCI Emerging Markets	2.6%	6.0%
NYSE Alerian MLP	13.0%	29.5%
MSCI U.S. REIT	-4.3%	2.6%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Communication Svcs.	17.4%	9.2%
Energy	15.1%	4.1%
Information Technology	11.6%	29.6%
Financials	10.8%	13.1%
S&P 500	***9.1%***	-
Industrials	9.1%	8.8%
Materials	7.7%	2.4%
Health Care	5.7%	12.2%
Consumer Staples	5.4%	5.9%
Utilities	3.1%	2.2%
Consumer Discretionary	2.8%	10.2%
Real Estate	-4.8%	2.1%

Source: FactSet

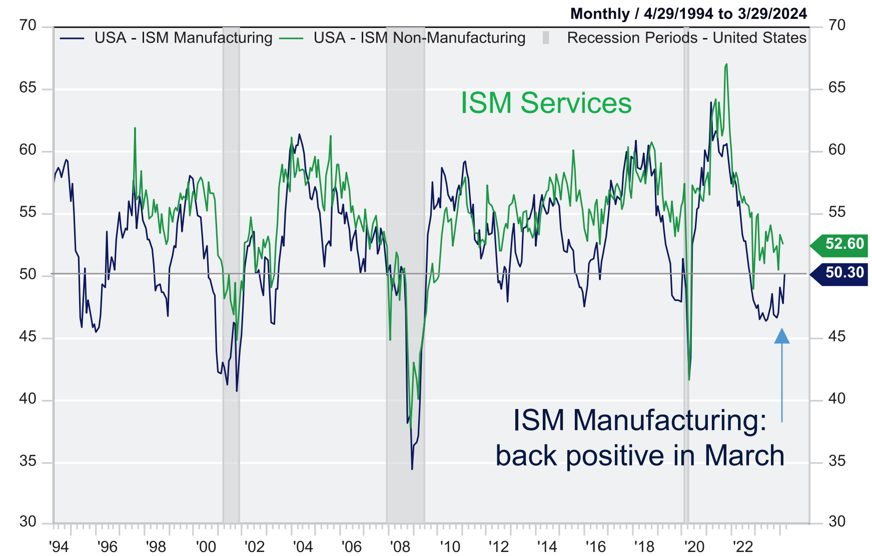
- **Q1 earnings season begins late next week-** some themes to monitor include potential changes to Tech's dominance, the consumer outlook (cautious commentary from numerous companies lately), potential revisions to 2H earnings optimism, price reactions (what's baked into various areas).
- **Technicals/momentum-** the 20-day moving average has acted as support since the October lows. This was tested yesterday at 5184 and will be the first level to watch for signs that market momentum may be slowing. Importantly, the strength of the rally leaves multiple areas of support nearby, including the 50 DMA (5070), 4800 (prior highs), 4630 (200 DMA).

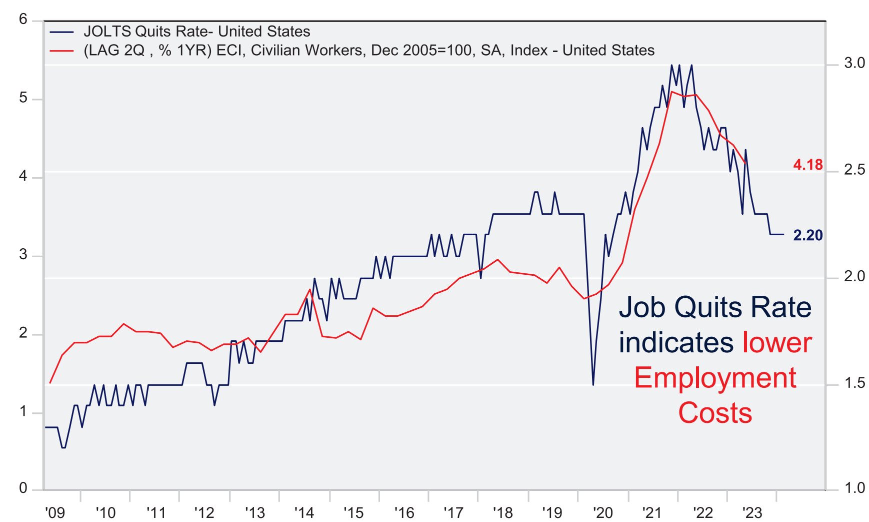
Macro: US

March ISM Manufacturing moved back into expansionary territory (albeit slightly at 50.3) for the first time since October 2022. Manufacturing New Orders also pushed higher to 51.4. The manufacturing side of the economy has been weak (while services have held up) so it is good to see improvement there. ISM Services remained positive at 51.4 and prices paid were below expectations at 53.4. Overall, the data is supportive of a soft-landing scenario. Additionally, the JOLTS Job Quits rate held at 2.2% (below pre-Covid levels) which indicates lower Employment Costs ahead. These survey readings are encouraging, but the focus will be on hard data (March employment Friday, March CPI next Wednesday).

Event	Period	Actual	Consensus	Prior
Continuing Jobless Claims SA	03/16	1,819K	1,813K	1,795K
GDP SAAR Q/Q (Final)	Q4	3.4%	3.3%	3.2%
GDP SA Y/Y (Final)	Q4	3.1%	3.1%	3.1%
Initial Claims SA	03/23	210.0K	215.0K	212.0K
Pending Home Sales M/M	FEB	1.6%	-1.0%	-4.7%
BEA Total Light Vehicle Sales (Final)	FEB	15.8M	15.4M	15.8M
Core PCE Deflator M/M	FEB	0.26%	0.30%	0.45%
Core PCE Deflator Y/Y	FEB	2.8%	2.8%	2.9%
Personal Consumption Expenditure SA M/M	FEB	0.80%	0.50%	0.16%
Personal Income SA M/M	FEB	0.30%	0.40%	1.0%
Markit PMI Manufacturing SA (Final)	MAR	51.9	52.5	52.5
Construction Spending SA M/M	FEB	-0.30%	1.0%	-0.20%
ISM Manufacturing SA	MAR	50.3	48.5	47.8
Durable Orders ex-Transportation SA M/M (Final)	FEB	0.32%	0.50%	0.50%
Durable Orders SA M/M (Final)	FEB	1.3%	1.4%	1.4%
Factory Orders SA M/M	FEB	1.4%	1.0%	-3.8%
JOLTS Job Openings	FEB	8,756K	8,773K	8,748K
BEA Total Light Vehicle Sales (Preliminary)	MAR	15.5M	16.4M	15.7M
ADP Employment Survey SA	MAR	184.0K	150.0K	155.0K
PMI Composite SA (Final)	MAR	52.1	52.2	52.2
Markit PMI Services SA (Final)	MAR	51.7	52.1	51.7
ISM Services PMI SA	MAR	51.4	52.8	52.6

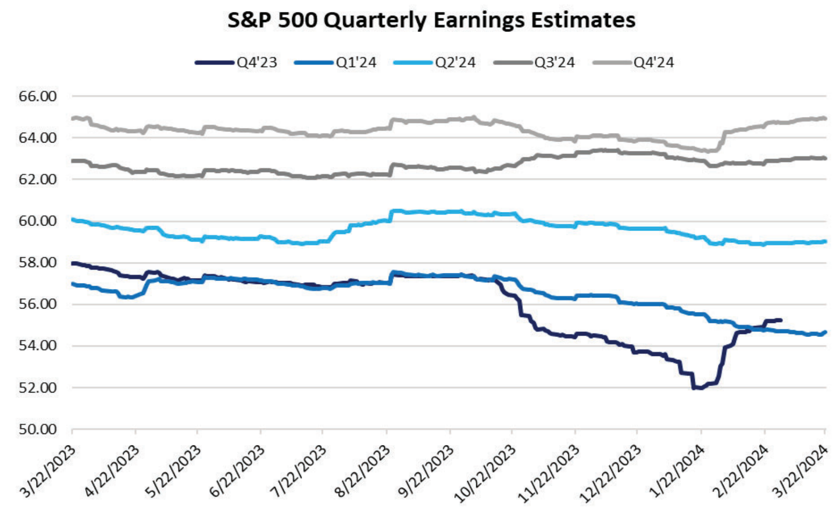
Source: FactSet





Q1 Earnings Season

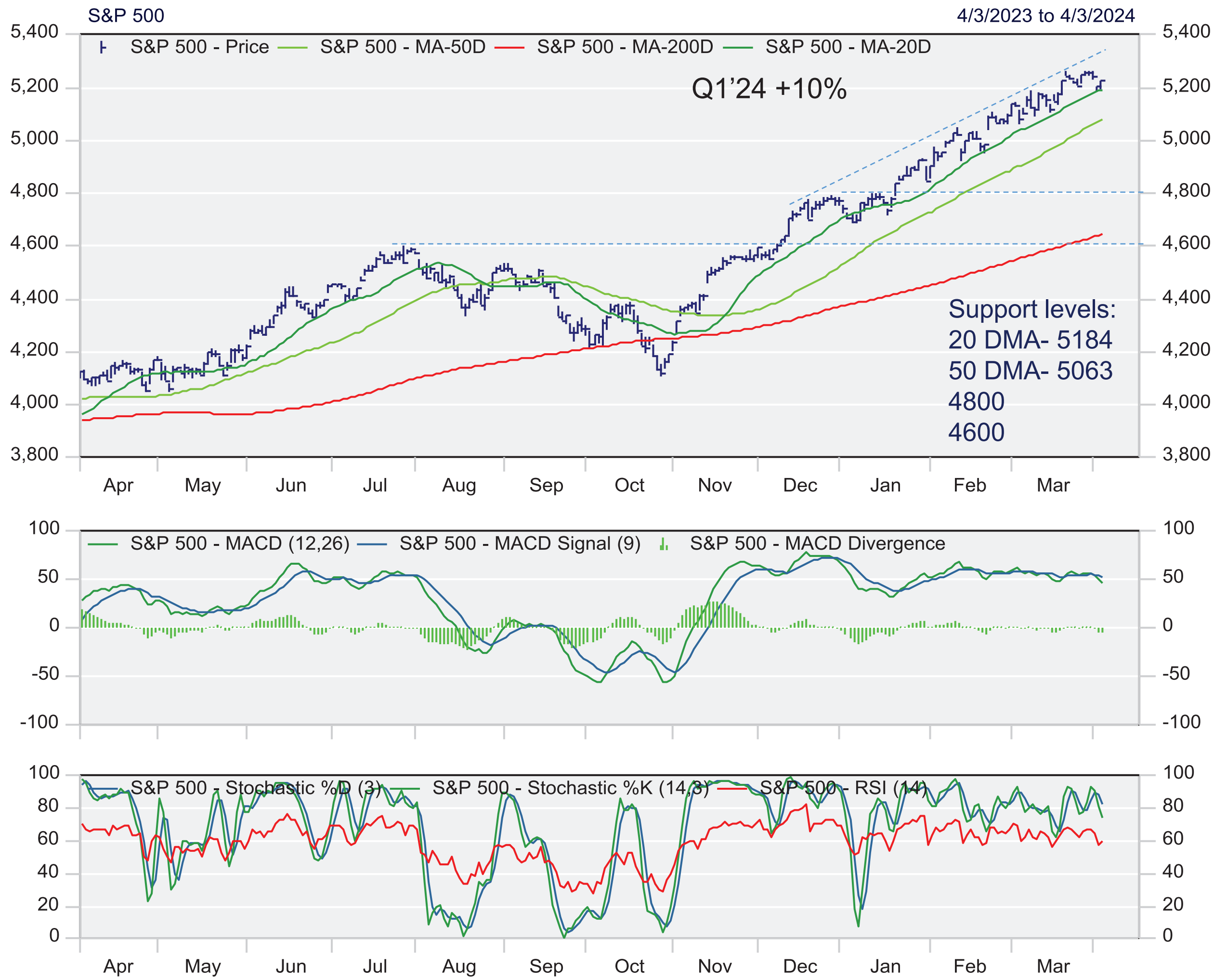
Q1 earnings season kicks off next Thursday 4/11. S&P 500 earnings estimates have been revised lower over the past several months (now reflecting -1.1% q/q), and we note that the 71% negative guidance rate leading into results is worse than the norm. For example, there have been numerous consumer companies highlighting a softer Q1 outlook. Despite lower Q1 expectations, 2nd half earnings estimates have expanded lately. This is resulting in steady full-year 2024 and 2025 estimate revisions which reflect healthy 11.1% and 13.5% growth. One of the things to monitor this season will be potential changes to that optimistic growth outlook in the out-quarters, as well as potential changes to Tech's fundamental dominance, and price reactions (what's baked into the stocks across various areas).



	% Q1 Est. EPS Growth		% EPS	Est. Chg Since 12/31/23			YTD	2024 EPS	2025 EPS	2026 EPS	P/E	
S&P 500 Sector	Y/Y	Q/Q	Surprise	Q1'24	2024	2025	Return	Growth	Growth	Growth	2024	2025
S&P 500	**4.1**	**-1.1**	**12.8**	**-2.5%**	**-0.3%**	**0.4%**	**8.91**	**11.1%**	**13.5%**	**12.9%**	**21.63**	**19.06**
Communication Services	26.0	-4.9	-	2.1%	2.5%	2.9%	16.18	17.8%	13.8%	12.5%	19.82	17.41
Information Technology	20.0	-12.6	11.8	1.3%	1.8%	2.6%	11.35	17.6%	17.3%	4.9%	29.36	25.02
Health Care	-7.1	9.1	-	-6.3%	-1.6%	-1.2%	5.52	15.4%	12.7%	10.9%	19.83	17.59
Consumer Discretionary	16.3	-9.4	21.3	1.5%	1.1%	-0.3%	2.56	12.4%	15.3%	16.2%	26.92	23.34
Financials	3.2	35.1	7.7	-0.3%	0.3%	0.4%	10.79	11.5%	11.7%	13.7%	16.13	14.44
Utilities	24.0	14.8	0.3	0.3%	-0.3%	0.6%	3.19	8.7%	8.5%	6.4%	16.34	15.06
Industrials	-1.2	-16.5	7.5	-7.3%	-1.5%	-1.3%	9.48	8.1%	14.5%	15.1%	22.28	19.45
Consumer Staples	-0.5	-6.0	14.5	-4.2%	-0.8%	-1.0%	5.47	4.9%	8.3%	7.9%	20.62	19.05
Real Estate	1.9	-1.0	-	-0.4%	0.5%	0.2%	-3.68	1.5%	5.5%	6.0%	16.82	15.95
Materials	-24.0	2.4	-	-12.8%	-5.1%	-2.4%	7.45	-2.2%	15.5%	11.4%	22.10	19.13
Energy	-25.2	-14.7	-	-12.5%	-7.4%	-2.4%	14.28	-6.4%	12.0%	1.0%	13.49	12.05

Source: FactSet

Technical: S&P 500



Source: FactSet

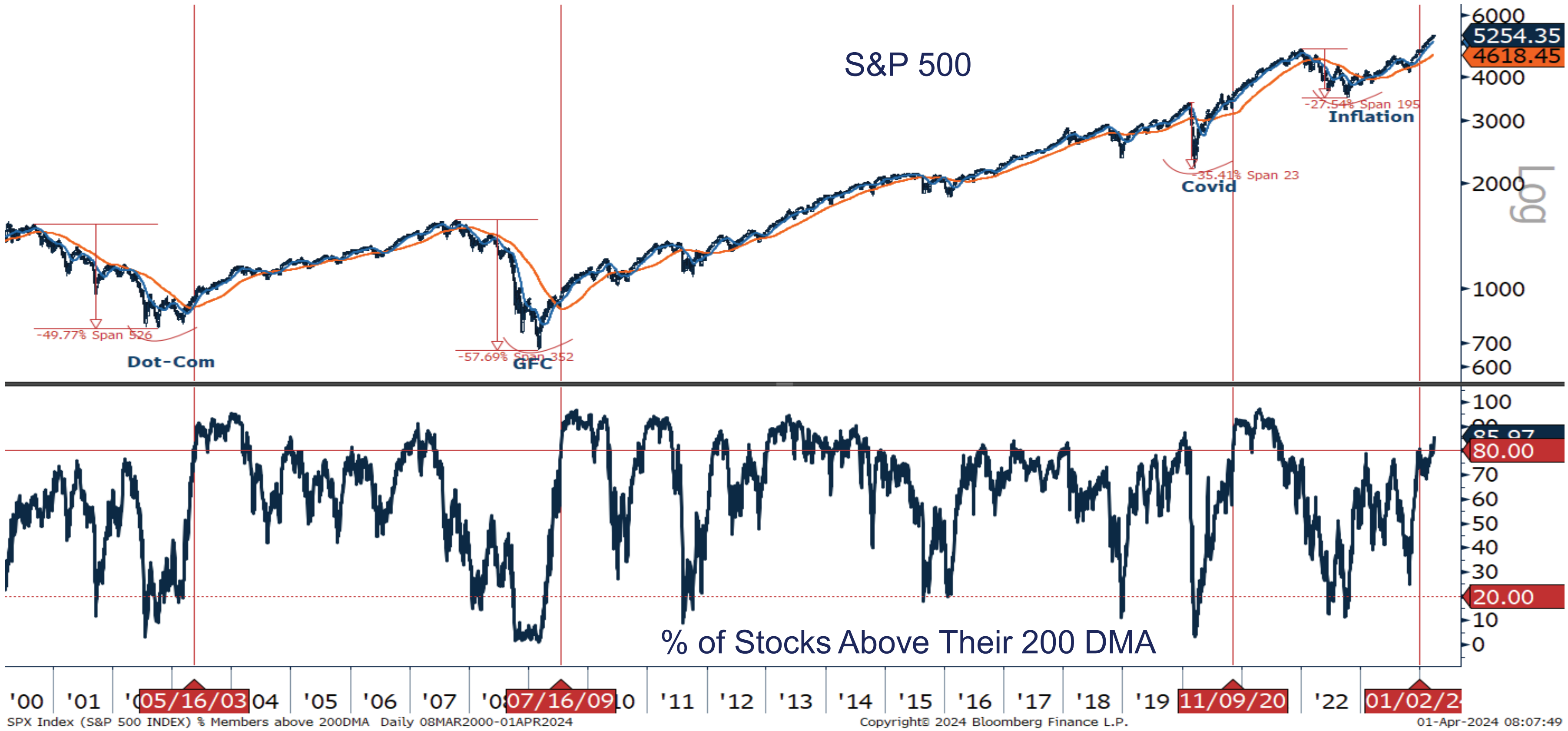
Q1 2024 is in the books with the S&P 500 up 10% year-to-date. The quarter began with the S&P 500 consolidating just under prior highs of 4800; and once the index broke out, it has been a steady glide-path higher since then.

The market is giving some benefit of the doubt to inflation, welcoming the dovish Fed stance and better economic expectations. We maintain our positive outlook on equities and see further upside in a soft-landing scenario by year-end (5145-5610 is our fundamental price objective on above-trend economic growth this year). That said, the easy glide-path higher will need to be digested at some point. There is plenty out there that can disrupt the market mood (and probably will over the coming months).

The 20-day moving average has acted as support since the October lows. This was tested yesterday at 5184 and will be the first level to watch for signs that market momentum may be slowing. Importantly, the strength of the rally leaves multiple areas of support nearby, including the 50 DMA (5070), 4800 (prior highs), 4630 (200 DMA).

Market Broadening Out

There are numerous intermediate-term technical indicators that bode well for overall performance trends- one of which is expanded participation. The percentage of stocks above their 200-day moving average is now up to 86%. After coming off a substantial period of weakness, when the percentage of members above the 200DMA exceeds 80% it is generally a sign of continued growth rather than one of exhaustion. It is worth noting the most recent period of weakness caused by inflation concerns was not as severe as the other periods, as we saw -50%, -58%, and -35% drawdowns in the dot-com bubble, global financial crisis, and Covid periods, and strong participation coming off tremendously weak periods more easily achieved as the bar is set rather low. Nonetheless, it is still a sign of broad participation, which is a bullish backdrop for continued gains in the coming months / quarters.



Source: Bloomberg

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.*