April 15th, 2024

VERED WEALTH MANAGEMENT (CANADA) COMPANY LIMITED

Weekly Market Guide

Economic data over the past week has maintained the narrative of economic resilience (supported by healthy employment), but with a resulting slower downward path for inflation. The market has largely shrugged off upside inflation surprises this year, instead focusing on better economic expectations. However, today's March Core CPI print of +0.4% (the third consecutive upside surprise above desired levels) has equities a bit more on the defensive. Bond yields broke out on the report-the US 10-year Treasury yield jumped to 4.55% and market-implied Fed cuts dropped to 1-2 by year-end.

Following a 28% rally in the S&P 500 from last October's lows through March, "sticky" inflation readings, a reset of Fed expectations, and higher bond yields may act as a headwind for equities in the short-term. The incoming economic data will have a heavy influence in determining the extent of potential weakness (which may come in price or time). Upcoming data to watch includes: Q1 earnings season (begins tomorrow), March PPI (tomorrow), March retail sales (4/15), April PMI (4/23), Q1 GDP (4/25), and March PCE (4/26). The Fed's favored measure of inflation is Core PCE (currently at 2.8% y/y), but the running cadence of inflationary readings should keep the Fed on pause for longer.

Technically, there are signs of slowing momentum, though this should be viewed within the lens of a solid intermediate-term uptrend. The 20 DMA (5183), which has acted as support since October, appears to be breaking (give it a few day time-filter to see if the move holds). Importantly, the strength of the rally leaves multiple levels of support nearby. The 50 DMA (5100) is next, and we see strong support in the 4800 area (breakout point to new all-time highs) if the pullback persists for a while. If the past week's slight consolidation is the beginning of a normal 5-8% pullback, we believe it would present plenty of opportunity to pick up quality companies at attractive levels.

Beneath the surface, today's market message is that companies with the healthiest (most resilient) earnings trends will remain favored in this environment. That favors status-quo leadership of Tech-oriented outperformance for now. The average S&P stock is underperforming the index today, as are the small caps. Both groups had been seeing slightly better relative performance, but relative strength is now back near lows. Additionally, many of the higher-yielding groups- including Real Estate, Utilities, Banks- are down sharply on the move higher in bond yields. How these various areas respond over the coming days/weeks through Q1 earnings season, in conjunction with the developing macro-environment, will provide clues on performance trends ahead.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	3.2%	16.1%
S&P 500	9.2%	26.9%
S&P 500 (Equal-Weighted)	6.1%	16.9%
NASDAQ Composite	8.6%	34.9%
Russell 2000	2.7%	18.6%
MSCI All-Cap World	7.2%	20.6%
MSCI Developed Markets	4.4%	11.1%
MSCI Emerging Markets	3.1%	7.2%
NYSE Alerian MLP	11.8%	27.2%
MSCI U.S. REIT	-1.7%	6.4%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Communication Svcs.	18.5%	9.3%
Energy	16.4%	4.1%
Information Technology	11.2%	29.5%
Financials	10.2%	13.1%
Industrials	9.8%	8.8%
S&P 500	***9.2%***	-
Materials	8.6%	2.4%
Health Care	5.1%	12.1%
Consumer Staples	4.3%	5.9%
Utilities	4.1%	2.2%
Consumer Discretionary	4.0%	10.4%
Real Estate	-2.8%	2.1%

Source: FactSet

Macro: US

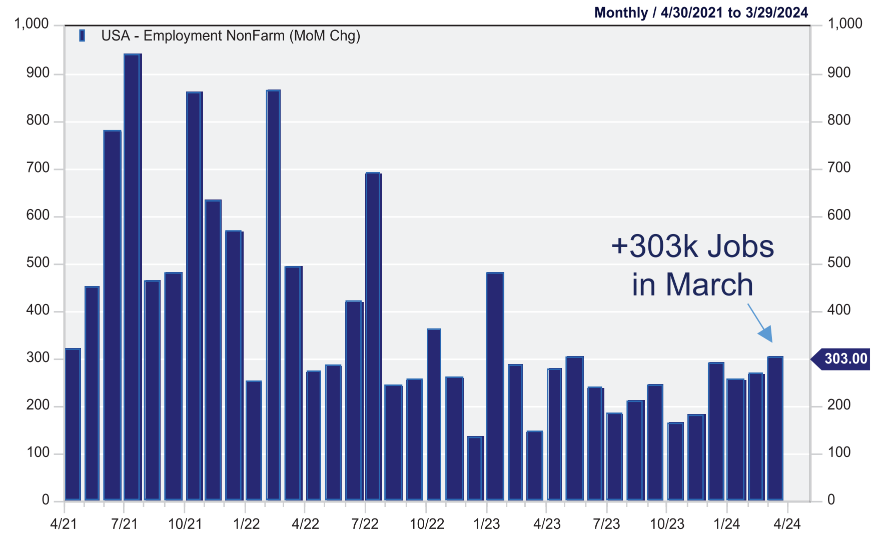
The main takeaway from economic data over the past week is that employment remains strong (supporting economic growth), but that strength is contributing to inflation coming down at a slower pace. Job additions and economic health remain supportive of equities overall, but “sticky” inflation may be a headwind in the short-term given the delayed timeline of potential Fed rate cuts and resulting breakout of bond yields (US 10-year and 2-year yields are at their highest levels since last November).

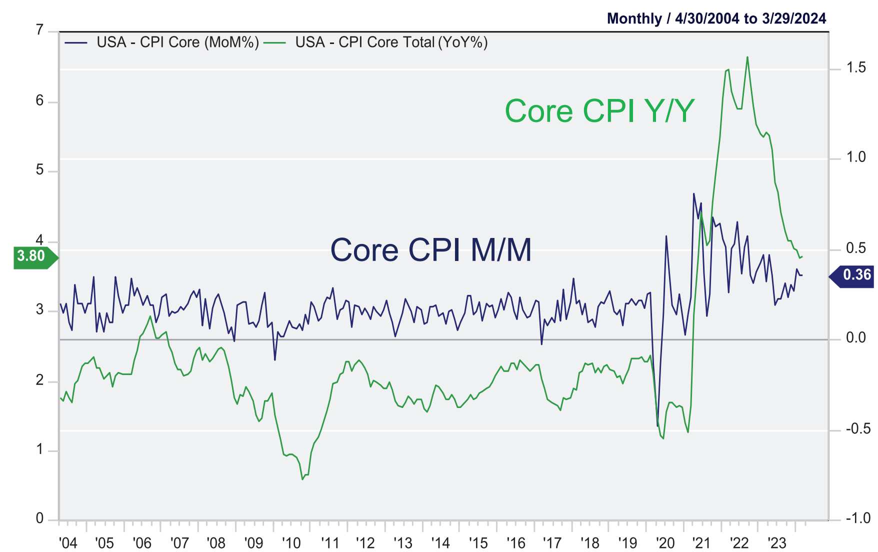
March Jobs Report: “Goldilocks” jobs report showed strong job additions and low wage-related pressures. Nonfarm payrolls rose 303k, well above estimates of 205k. The unemployment rate dipped slightly to 3.8% (from 3.9%), and wage growth was just 0.3%.

March CPI Report: Core CPI rose 0.36% m/m (above estimates of 0.3%), which kept Core CPI on a y/y basis at 3.8%. This was the third consecutive upside inflation surprise to start the year and is likely to keep the Fed on pause for longer. *(Continued on next page)*

Event	Period	Actual	Consensus	Prior
Continuing Jobless Claims SA	03/23	1,791K	1,811K	1,810K
Initial Claims SA	03/30	221.0K	214.0K	212.0K
Nonfarm Payrolls SA	MAR	303.0K	205.0K	270.0K
Unemployment Rate	MAR	3.8%	3.9%	3.9%
Consumer Credit SA	FEB	$14.1B	$20.0B	$17.7B
NFIB Small Business Index	MAR	88.5	-	89.4
CPI ex-Food & Energy SA M/M	MAR	0.40%	0.30%	0.40%
CPI ex-Food & Energy NSA Y/Y	MAR	3.8%	3.7%	3.8%
CPI SA M/M	MAR	0.40%	0.30%	0.40%
CPI NSA Y/Y	MAR	3.5%	3.4%	3.2%
Hourly Earnings SA M/M (Final)	MAR	0.30%	-	0.30%
Hourly Earnings Y/Y (Final)	MAR	4.1%	-	4.1%
Wholesale Inventories SA M/M (Final)	FEB	0.50%	-	0.50%

Source: FactSet



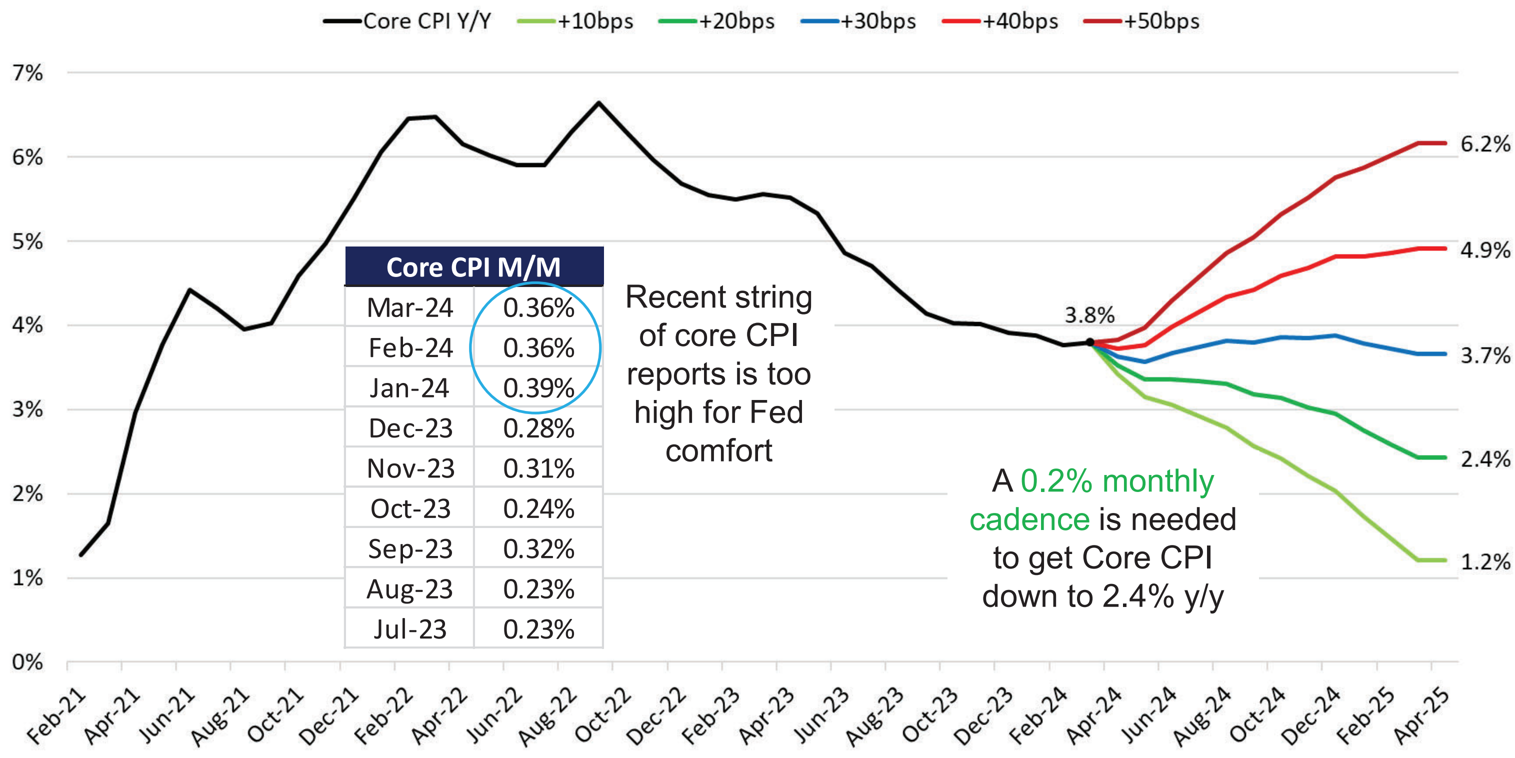


VÊRED WEALTH MANAGEMENT (CANADA)

Inflation

After the market largely shrugged off upside surprises in January and February, the onus was on inflation to move lower over the coming months. Unfortunately, March inflation also surprised to the upside with core CPI at 0.36% m/m. We believe that inflation is on a downward (yet "bumpy") path, due to the lagged effects of tight monetary policy and reduced employment costs from a normalizing jobs market. However, the recent string of inflationary readings is too high for Fed comfort. This will result in "higher for longer" Fed funds rate expectations, which may be a headwind for equities in the short-term, and adds even more significance to the inflationary readings ahead. In order for core CPI to come down to the Fed's 2-2.5% target, a monthly cadence of 0.2% is needed (as shown in the chart below).

Core CPI Y/Y Based on Potential M/M Growth Rates



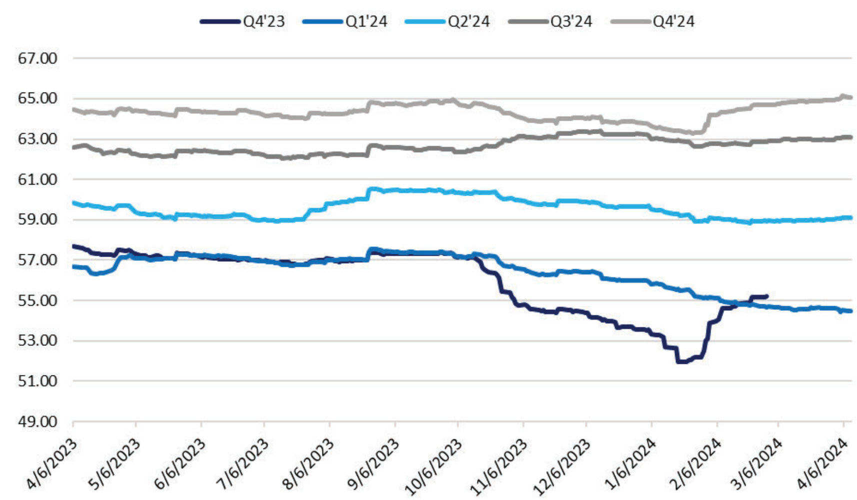
Source: FactSet

Q1 Earnings Season

Q1 earnings season kicks off tomorrow. S&P 500 earnings estimates have been revised lower over the past several months (now reflecting -1.3% q/q), and there has been a 71% negative guidance rate leading into results (which is worse than the norm). One of the things concerning us into earnings season is softer outlooks from numerous consumer companies (along with sloppier trading from consumer discretionary stocks). The S&P 500's recent run-up has been supported by steady estimate revisions in the out-quarters (on healthy growth rates). Full-year 2024 and 2025 earnings estimates reflect 11.2% and 13.6% growth, respectively. We will need to monitor potential changes to that optimism as earnings season develops.

Source: FactSet

S&P 500 Quarterly Earnings Estimates



S&P 500 Sector	% Q1 Est. EPS Growth Y/Y	Q/Q	YTD Est. Chg. Q1'24	2024	2024 EPS Growth
S&P 500	**3.8**	**-1.3**	**-2.7%**	**-0.3%**	**11.2%**
Communication Services	25.5	-5.2	1.8%	2.5%	17.9%
Information Technology	20.0	-12.7	1.2%	1.7%	17.5%
Health Care	-7.1	9.2	-6.1%	-1.6%	15.5%
Consumer Discretionary	15.5	-9.6	0.8%	0.7%	11.9%
Financials	2.0	33.5	-1.5%	0.2%	11.5%
Utilities	23.2	14.1	-0.3%	-0.3%	8.8%
Industrials	-1.7	-16.9	-7.8%	-1.4%	8.2%
Consumer Staples	-0.5	-6.0	-4.3%	-1.0%	4.7%
Real Estate	1.6	-1.3	-0.7%	0.2%	1.2%
Materials	-25.0	1.0	-14.0%	-5.0%	-2.1%
Energy	-23.7	-13.0	-10.7%	-6.1%	-5.1%

Technical: S&P 500

Source: FactSet

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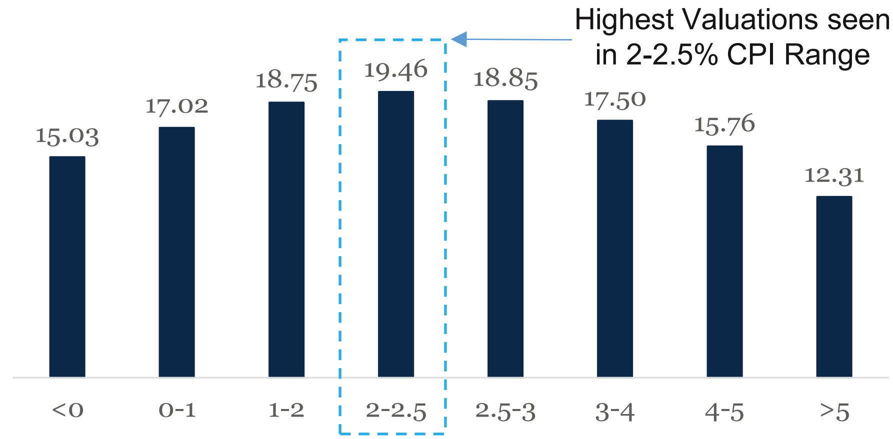
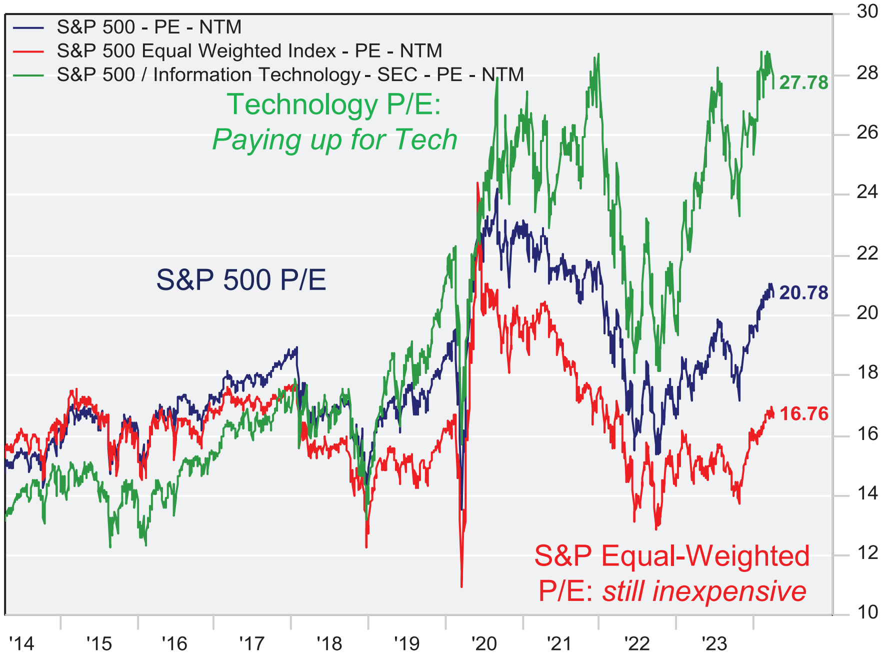
Valuation

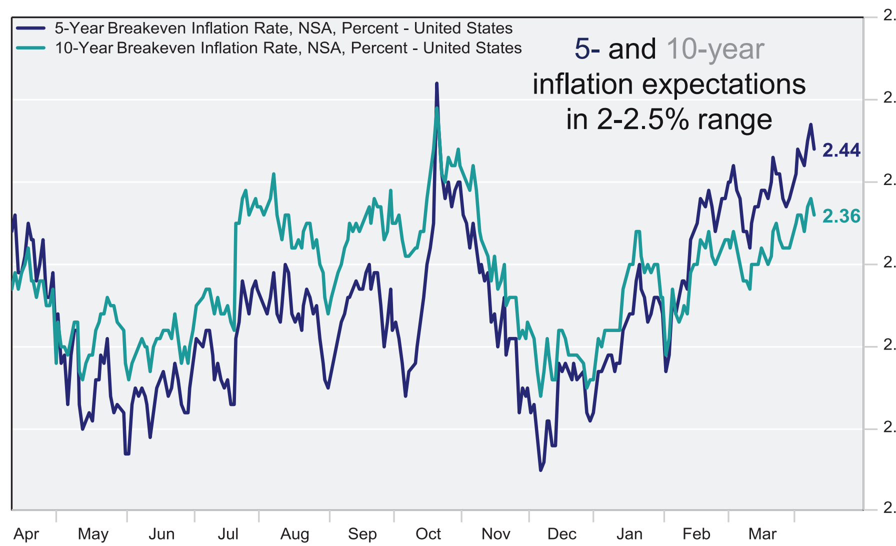
For long-term investors, 5- and 10-year inflation expectations are still at the Fed's desired 2-2.5% level. Importantly, the highest valuations (on average) are seen at that range historically. While the S&P 500 P/E is elevated at 20.8x, this is due to Tech's 28x P/E (which is being supported by fundamental strength and AI enthusiasm). The "average stock" is still trading at a very reasonable 16.8x. This provides room for multiple expansion within the market, as the bar is still relatively low for many high-quality companies- making the path of inflation ahead highly influential to potential performance.

Average P/E based on Inflation Range (since 1954)



S&P 500 (SP50-USA) : 04/10/2014 to 04/10/2024 (Daily)





Source: FactSet

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