April 29th, 2024

VERED WEALTH MANAGEMENT (CANADA) COMPANY LIMITED

Weekly Market Guide

Equities are experiencing a bit of a pullback to begin Q2. At Friday's lows, the S&P 500 had pulled back -5.5%, while the Nasdaq Composite was -6.7%, and Russell 2000 -8.3%. The major catalyst was "sticky" inflation, causing a reset in Fed expectations and spurring higher bond yields- begging the question: Is this a normal pullback or something more? **In our view, this is a normal pullback.** The market had gotten ahead of itself (rising 28% over 5 months), and it would be natural to digest that strength. Economic resilience is supportive of overall trends, and we still believe inflation is on a downward path (albeit "bumpier" than desired).

Oversold enough for a short-term bounce: From a contrarian standpoint, it was good to see some fear creep back into the market- as sentiment had gotten very bullish at the highs. The equity put/call ratio ("fear gauge") spiked last week to levels often consistent with tradeable lows. Additionally, the percentage of stocks above their 50-day moving average dipped to 28%, which is in the ballpark of previous relief rallies. Moreover, the percentage of stocks at new 4-week lows reached 57%. Moves into the 50-60% threshold are generally good places to start looking for a bottom in the context of an uptrend. **These short-term indicators suggested we were due for an oversold bounce, so it was good to see one develop over the past couple of days.**

Response from oversold conditions: Yesterday's 4-to-1 advancers vs. decliners (in a +1.2% S&P 500 up-move) was good follow-through from Monday's oversold bounce. **But pullbacks are often a process. There may be more to go in price or time before this consolidation phase runs its course.** The S&P 500 faces an initial test of resistance at ~5120 (50-day moving average), followed by 5264 (market highs). 4953 (Friday lows) will be the first level of support to monitor, followed by solid support at ~4800 (breakout point to new highs in January). Importantly, recent weakness comes within the construct of a healthy intermediate-term uptrend. History still suggests elevated odds for a higher market over the next 12 months.

Absent a quick reversal on inflation or Fed action, equities may become more range-bound over the coming weeks. Honestly, we do not view this as a bad thing. Pullbacks are a normal market occurrence, can offer healthy digestion (following overbought stretches), and create opportunity.

Things to watch: PCE (Fed's favored measure of inflation) is reported on 4/26 and Employee Cost Index on 4/30, ahead of the May FOMC Announcement next Wednesday 5/1. In addition, Q1 earnings season and bond yields are key influences, along with monitoring market technicals as this data comes out.

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	2.2%	13.9%
S&P 500	6.3%	22.7%
S&P 500 (Equal-Weighted)	2.9%	11.9%
NASDAQ Composite	4.6%	30.0%
Russell 2000	-1.2%	11.8%
MSCI All-Cap World	4.3%	16.2%
MSCI Developed Markets	1.9%	6.2%
MSCI Emerging Markets	-0.4%	3.9%
NYSE Alerian MLP	11.4%	25.9%
MSCI U.S. REIT	-7.3%	0.1%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Communication Svcs.	16.6%	9.4%
Energy	14.7%	4.2%
Financials	9.3%	13.3%
Industrials	8.0%	8.9%
S&P 500	***6.3%***	-
Information Technology	6.1%	28.9%
Consumer Staples	5.3%	6.1%
Utilities	4.7%	2.3%
Health Care	3.5%	12.3%
Materials	3.0%	2.3%
Consumer Discretionary	-0.7%	10.1%
Real Estate	-9.4%	2.0%

Source: FactSet

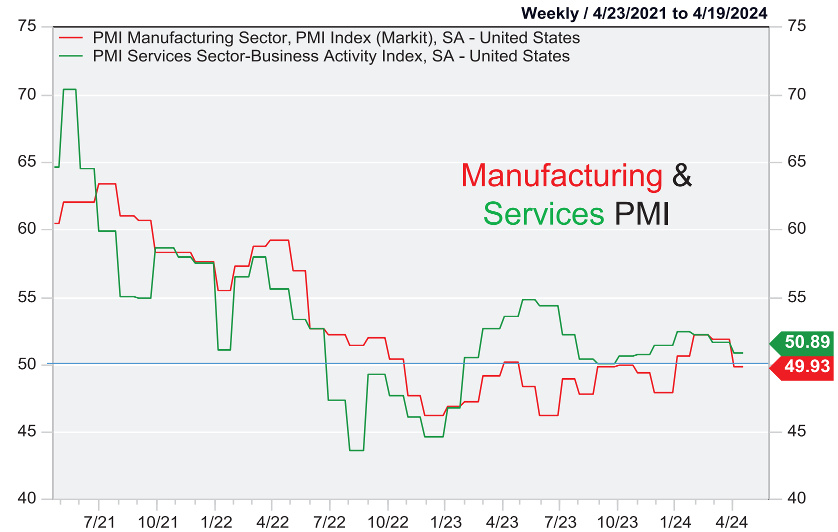
Macro: US

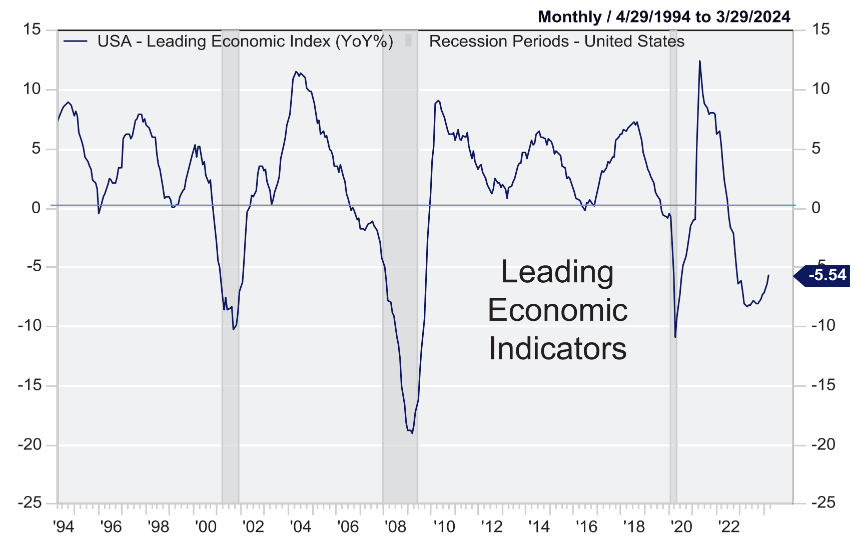
The economy has been very resilient, supported by fiscal stimulus and an undersupplied labor market. This dynamic is fueling persistent job strength, which is leading to higher consumption and economic growth. While we believe the economy is healthy, it is difficult to completely ignore traditional leading indicators. For example, the LEI (Leading Economic Index) is at levels often consistent with economic caution historically. Will this time be different? It is possible due to the unique characteristics post-Covid (i.e. massive undersupply and stimulus), and we are encouraged by leading indicators becoming “less bad” lately. But, we do not want to cast a blind eye to the potential for economic softening ahead. Manufacturing and Services PMI are near the flat-line, the yield curve is still inverted, and the Fed is in “higher for longer” mode for now.

Things to watch: PCE (Fed’s favored measure of inflation) is reported on 4/26 and Employee Cost Index on 4/30, ahead of the May FOMC Announcement next Wednesday 5/1. These will be influential for bond yields and equities in the near-term.

Event	Period	Actual	Consensus	Prior
Continuing Jobless Claims SA	04/06	1,812K	1,811K	1,810K
Initial Claims SA	04/13	212.0K	215.0K	212.0K
Philadelphia Fed Index SA	APR	15.5	-0.50	3.2
Existing Home Sales SAAR	MAR	4,190K	4,155K	4,380K
Leading Indicators SA M/M	MAR	-0.30%	-0.10%	0.20%
Chicago Fed National Activity Index	MAR	0.15	0.17	0.09
Building Permits SAAR (Final)	MAR	1,467K	1,458K	1,458K
PMI Composite SA (Preliminary)	APR	50.9	52.5	52.1
Markit PMI Manufacturing SA (Preliminary)	APR	49.9	52.0	51.9
Markit PMI Services SA (Preliminary)	APR	50.9	52.0	51.7
New Home Sales SAAR	MAR	693.0K	670.0K	637.0K
Richmond Fed Index	APR	-7.0	-7.0	-11.0
Durable Orders ex-Transportation SA M/M (Preliminary)	MAR	0.20%	0.20%	0.10%
Durable Orders SA M/M (Preliminary)	MAR	2.6%	2.0%	0.70%

Source: FactSet





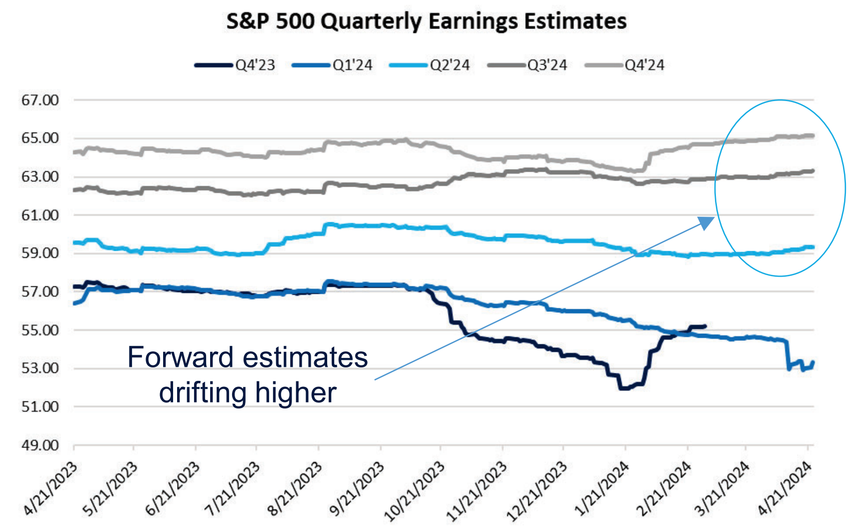
Q1 Earnings Season

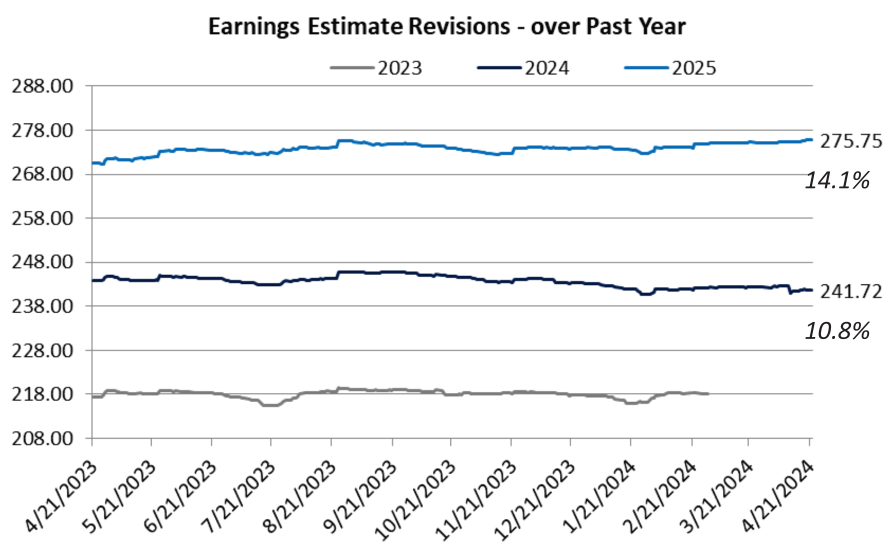
Q1 earnings season is ramping up- 22% of the S&P has reported thus far with another 248 companies reporting by the end of next week. 75% of reporters have beaten on the bottom-line by an 8% aggregate surprise. Q1 estimated growth is still at -3.4% q/q and 1.6% y/y. While we have noted a cautious overall tone to guidance across various industries, forward estimates continue to drift higher which is supporting full-year earnings at healthy growth rates (i.e. 10.8% 2024, 14.1% 2025). Earnings are the long-term driver of equities, so positive trends are supportive of market trends.

Price reactions have been mixed with 46% of stocks trading higher on their announcement and an average 1-day price reaction of -0.3%. Some of that is a function of the market pullback, but we will get many companies (including Tech megacaps) reporting that will influence underlying market movements.

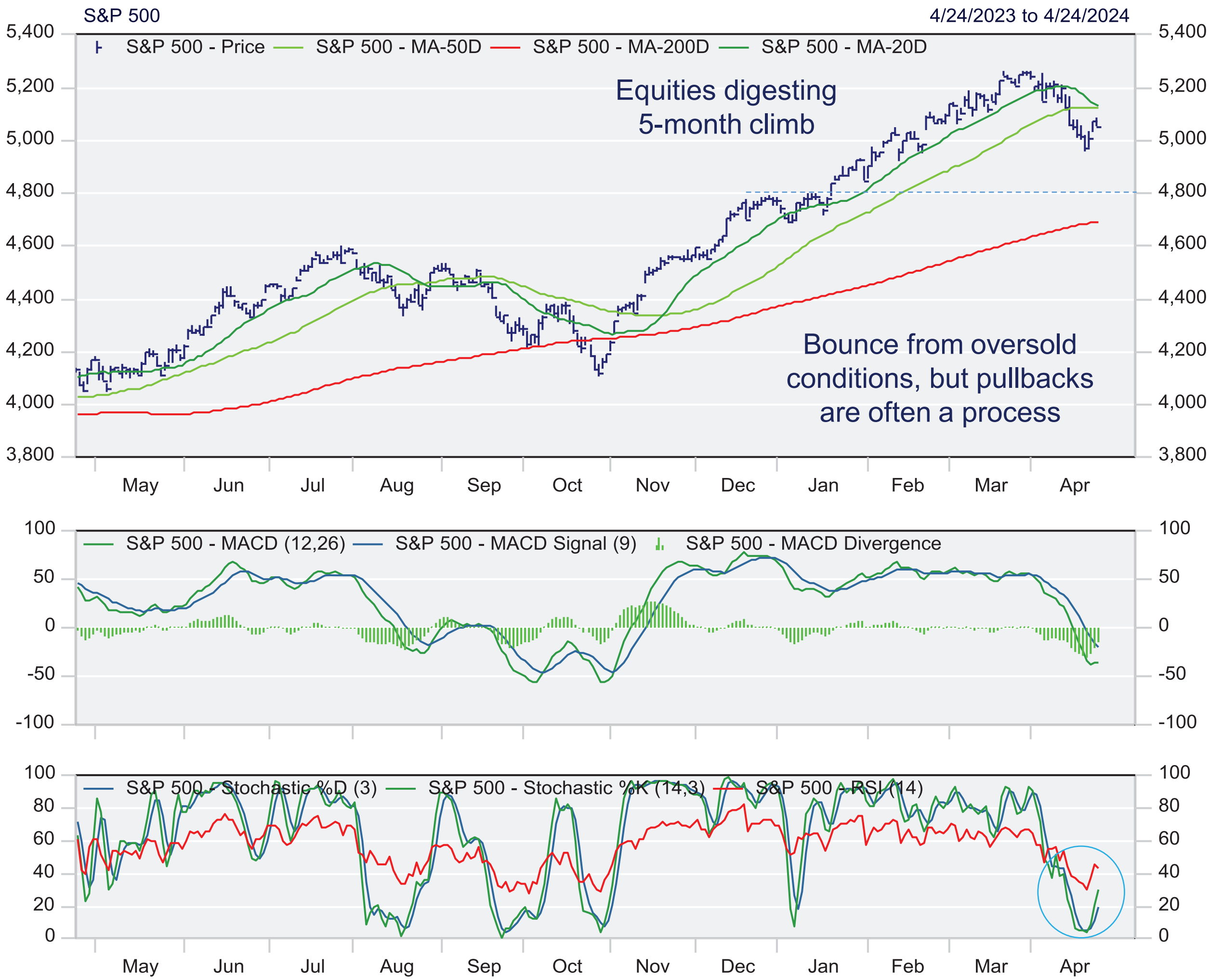
S&P 500 Sector	% Q1 Est. EPS Growth Y/Y	% Q1 Est. EPS Growth Q/Q	% EPS Surprise	Avg 1D Price Reaction
S&P 500	**1.6**	**-3.4**	**8.0**	**-0.3%**
Communication Services	27.1	-3.9	7.0	-1.8%
Information Technology	20.0	-12.7	11.6	-1.5%
Financials	6.4	39.3	7.4	-0.2%
Consumer Discretionary	17.8	-7.9	19.8	1.4%
Health Care	-30.5	-18.3	3.3	1.7%
Utilities	21.9	12.8	9.1	0.4%
Industrials	0.4	-15.1	9.9	-1.7%
Consumer Staples	2.7	-3.0	11.9	0.8%
Real Estate	1.3	-1.6	0.1	1.1%
Materials	-26.1	-0.5	1.9	-3.4%
Energy	-23.8	-13.1	0.0	0.6%

Source: FactSet





Technical: S&P 500



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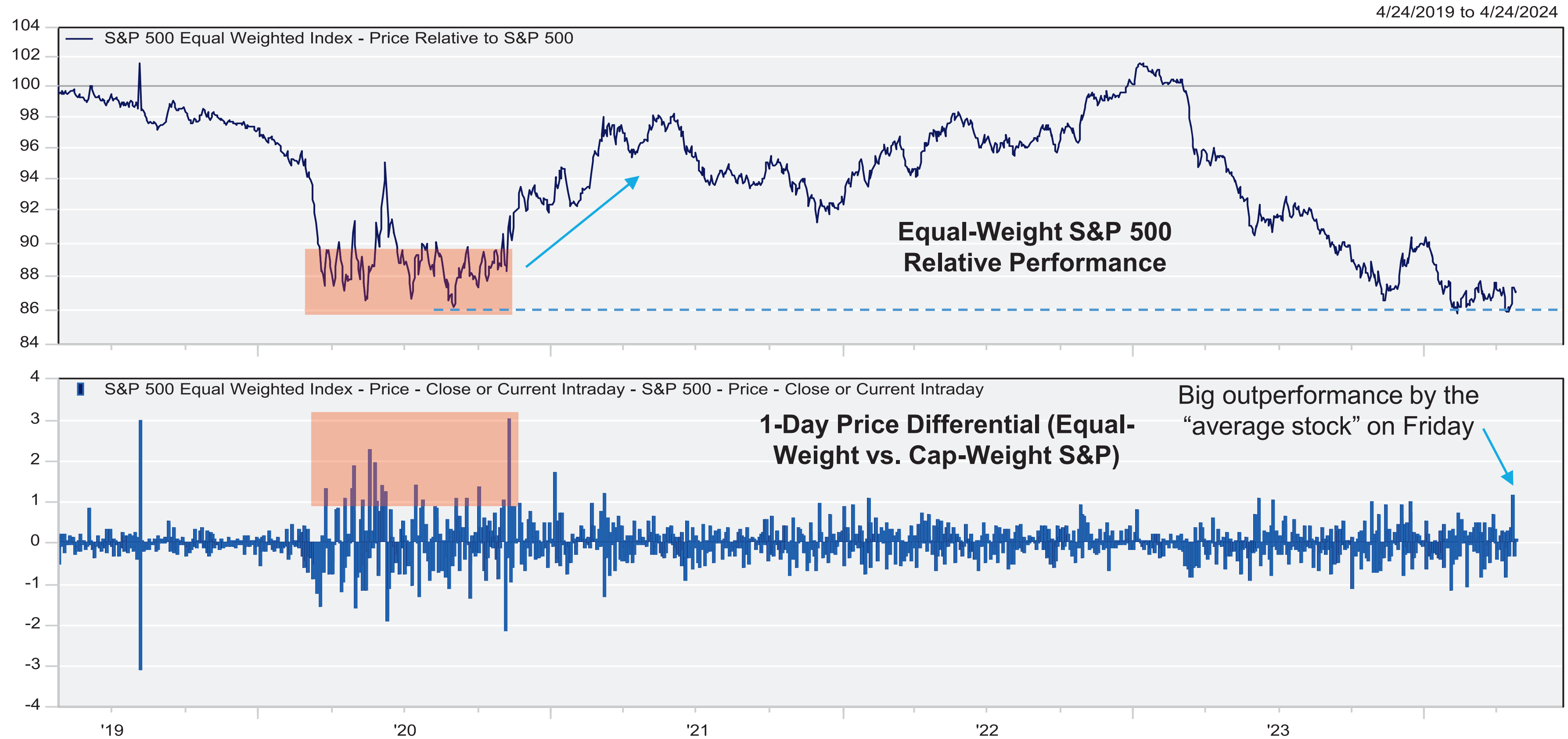
Equal-Weight vs. Cap-Weight S&P 500

On Friday, we saw the largest 1-day outperformance (+1.18%) for the equal-weighted S&P 500 vs. the index in more than 3 years. This demonstrates smaller companies carrying the load, which could be a good sign as healthy bull markets need rotation to have longevity. The move comes with equal-weighted S&P 500 relative performance on its Covid lows. If we can get a similar cluster of outperformance days, it would increase the odds that a period of outperformance for the "average stock" may be underway. Technology earnings, which ramp up over the coming days, will have a lot to say about this.



Source: FactSet

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