

Braeburn Observations



Michael A. Poland, CFA®
Wealth Advisor / Portfolio Manager

LOWRY'S 1/4/2019

With a lack of evidence a bear market is underway, investors should focus on prospects for a renewed rally in the weeks ahead and on stocks displaying the strongest price/Power Rating relationships.

U.S. MARKETS

U.S. stocks managed a second consecutive week of gains as market weakness midweek gave way to a powerful rally on Friday. The week started off on a positive note, as President Trump tweeted that he and Chinese President Jinping had made "big progress" in trade talks. However, at midweek Apple CEO Tim Cook warned investors that the company was lowering its quarterly revenue guidance - its first such cut in 15 years - triggering a 10% tumble in Apple stock that dragged major indexes sharply lower. The Dow Jones Industrial Average rose 370 points, ending the week at 23,433, a gain of 1.6%. The technology-heavy NASDAQ Composite rose 2.3%. By market cap, the large cap S&P 500 index

ended up 1.9%, while the mid cap S&P 400 added 2.3% and small cap Russell 2000 added 3.2%.

INTERNATIONAL MARKETS

Canada's TSX rebounded 1.4% last week, a second week of gains. In Europe, the United Kingdom's FTSE rose 1.5%, and on Europe's mainland France's CAC 40 rose 1.2%, Germany's DAX gained 2.0%, and Italy's Milan FTSE added 2.8%. In Asia, China's Shanghai Composite rose 0.8%, but Japan's Nikkei finished down -2.3% - its fifth consecutive negative week. As grouped by Morgan Stanley Capital International, developed markets added 2.1%, while emerging markets added 1.2%.

U.S. ECONOMIC NEWS

Taking every analyst and expert by surprise, the U.S. economy added 312,000 new jobs in December, blowing away expectations for a gain of just 175,000. The reading brought total employment gains for the year to a three-year high of 2.64 million. Ironically,

the strong jobs number actually raised the unemployment rate to 3.9% from a 49-year low of 3.7%, as more Americans entered the workforce in search of jobs. In addition, the Labor Department reported an upwardly-revised 176,000 new jobs were created in November versus the 155,000 originally reported, and October's gain was also raised to 274,000 from 237,000.

The number of Americans filing new claims last week for unemployment benefits climbed by 10,000 to 231,000. Economists had expected just 220,000 new claims. Jobless claims are often volatile during the holiday season, making them less reliable as an economic indicator at this time of year. Nonetheless, the reading was the third consecutive increase. Overall, however, the reading remained low by historical standards. The four-week average of claims, used by analysts to smooth out the volatility of the weekly number, slipped by 500 to 218,750. Both one-week and the four-week numbers still indicate tight labor market conditions. Continuing claims, which counts the number of people already collecting unemployment benefits, rose by 32,000 to 1.74 million. That reading remains near a 45-year low.

The U.S. added the most private-sector jobs in almost two years, according

Continued on page 2

The *Braeburn Observations* is our means of sharing with clients and interested parties what it is we are reading in our research. These are research items, news and statistics that are being considered as we make investment decisions for our clients. Items noted do not necessarily drive an investment decision in and of itself. We are trying to make the best decisions we can given all that we are looking at. We also highlight key financial metrics that will provide a "point in time" glimpse of how the financial markets are behaving. Again, it is often the trend in these metrics and/or anticipated movements that drives our decision making in our clients' portfolios. All observations are taken at a point in time and should not be used to infer our opinion or to rely upon as a matter of fact that we are currently acting upon.

Investment advisory services offered through Braeburn Wealth Management, an SEC Registered Independent Advisor.

3597 Henry Street, Suite 202
Norton Shores, Michigan 49441
231.720.0743 Main
866.577.9116 Toll free
info@braeburnwealth.com



www.braeburnwealth.com

Continued from page 1

to private payroll processor ADP. ADP reported employers added 271,000 jobs in December, far above economists' forecasts who expected a gain of 175,000. It was the highest number of job gains since February of 2017. In the details, small companies added 89,000 jobs, while medium sized businesses added 129,000 and large companies added 54,000.

U.S. manufacturers reported the slowest rate of expansion in 15 months, research firm IHS Markit reported. IHS said its manufacturing Purchasing Managers Index (PMI) dropped 1.5 points to 53.8 in December. It was the fifth decline in the past seven months, and the most since December 2015 as factory activity

continued to moderate. New orders and output both grew at their slowest rates in over a year, reflecting softer demand. In addition, payrolls increased at their weakest pace since June 2017. In what could be an ominous sign for the overall economy, the level of optimism among senior executives about the 12-month growth outlook dipped to its lowest level since late fall of 2016. Chris Williamson, chief business economist at IHS Markit stated in the release, "The PMI survey also revealed signs of slower demand growth from customers, as well as rising concerns over the impact of tariffs."

Separately, the Institute for Supply Management (ISM) reported factory

activity grew at a significantly slower pace in December in its monthly survey. The ISM Manufacturing Index plunged 5.2 points in December to 54.1 - its lowest level since November 2016. To put the decline into perspective, it was the biggest decline since October 2008 and a 2.3-standard deviation event. The consensus forecast was for only a mild 1.4-point pullback. In the details, new orders dropped 11.0 points to 51.1—its lowest reading since August of 2016. Production, employment, and inventories also posted slower growth rates. Executives said the ongoing trade war with China and tariffs imposed by both countries have hurt business.

About Our Research Sources

Barron's – Since 1921 Barron's has provided investment analysis and insight in its weekly publication and, in recent times, it's continuously updated web site. Barron's provides a wide range of perpectives, expert analysis and interviews with financial and investment professionals.

Investor's Business Daily (IBD) – A daily newspaper designed for the individual investor. All of its products and features are based upon the CAN SLIM Investing System developed by its founder William J. O'Neil. This system identifies the seven common characteristics what winning stocks display. For more on this see his book "How to Make Money in Stocks."

Lowry's – Based out of Miami, Florida, Lowry's is the oldest continuously published Technical Investment Advisory service in the US. Their work, which gives insight into the underlying supply and demand dynamics of the market, is based upon a daily examination of all stocks on the New York Stock Exchange and Nasdaq Stock Market. Lowry's has pioneered work in the statistical analysis of upside and downside volume statistics including their exclusive measure of buying and selling pressure.

Mauldin Economics - Best selling author, analyst and financial writer, John Mauldin, taps into his network either directly or through the reams of high-level research he's privy to on a regular basis, to assist in identifying the smartest investments for today's markets; then carefully screened and evaluated by a team of ace analysts.

Stock Trader's Almanac – A unique annual publication created by Yale Hirsch in 1967. The almanac is a treasure trove of insightful research originating such important phenomena as the "January Barometer," the "Santa Claus Rally," and "Sell in May and Go Away." It includes data backing, historically proven, cyclical and seasonal tendencies.

The Fat Pitch - an acclaimed blog that the Business Insider ranks on their annual list of the Top Finance People to Follow. The blog is written by Urban Carmel who has had a long career in financial markets. This blog discusses trends he sees and the business of managing money.

The Sherman Sheet - published by W. E. Sherman and Co., of St. Louis MO. Bill Sherman is a long-time professional money manager who developed an in-depth expertise in computerized analysis and statistical measurements over the years, and is a recognized expert in several areas of the investment universe.

Value Line – Founded in 1931, Value Line is an unbiased research firm providing intuitive investment research on companies, industries, markets and economies. Value line provides astute fundamental research, trending information and historical data that allows for shrewd decision making.

Zacks – Founded in 1978 by Len Zacks, PhD. MIT, Zacks is an investment research firm pioneering work in the area of corporate earnings estimate revisions and stock performance. Zacks believes, and Braeburn agrees, that Earnings Estimate Revisions are the most powerful force impacting stock prices.

