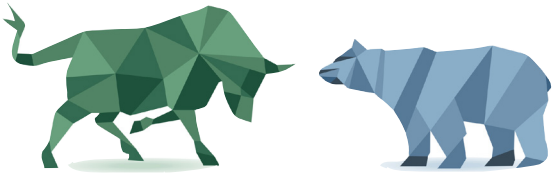
Braeburn Observations



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LOWRY'S 5/14/2021

Though the current weight of evidence does not indicate the presence of a market topping process, it is apparent that selectivity has taken a short-term toll. Indications of a sustained surge of broad-based invester Demand would help to signal a rejuvenation of the bull market. Today's near-90% Upside Day may be early evidence of that more unified advance.

U.S. MARKETS

U.S. stocks fell further from record highs as investors confronted clear signs of higher inflation, but a rally late in the week lessened the week's declines. The Dow Jones Industrial Average retraced some of last week's gain shedding -1.1% to 34,482. The technology-heavy NASDAQ Composite had its fourth consecutive week of declines, falling -2.3%. By market cap, the large cap S&P 500 retreated -1.4%, while the mid cap S&P 400 and small cap Russell 2000 finished the week down -1.7% and -2.1%, respectively. Within each market cap grouping, the "Value" group performed considerably better than the "Growth" group.

INTERNATIONAL MARKETS

Canada's TSX declined -0.5%, while the United Kingdom's FTSE 100 gave up -1.2%. On Europe's mainland, France's CAC 40 finished the week unchanged, while Germany's DAX added 0.1%. In Asia, China's Shanghai Composite rose 2.1% while Japan's Nikkei dropped a sharp -4.3%. As grouped by Morgan Stanley Capital International, developed markets declined -1.1% and emerging markets retreated -3.2%.

U.S. ECONOMIC NEWS

The number of Americans filing first-time unemployment claims last week fell to a new pandemic low, reflecting the more aggressive efforts by companies to hire new workers amid a rapid economic recovery. The Labor Department reported initial jobless claims dropped by 34,000 to 473,000 last week. It was the fifth decline in a row. Economists had forecast new claims would total a seasonally-adjusted 500,000. Businesses are hiring more people as the economy moves toward a full re-opening and consumers venturing back out to shop and dine. New applications for jobless benefits fell the most in Michigan, New York, Florida and Vermont. The only states to post a notable increase in new claims were Georgia and Washington.

The number of job openings in the U.S. topped 8 million in March for the first time ever, the Labor Department reported. The number of job openings is now well above pre-pandemic levels and easily exceeds the all-time peak of 7.57 million set in November 2018. They had fallen to as low as 4.6 million last year in the early stages of the pandemic. Job openings rose the most in March at restaurants and hotels, two of the industries deeply damaged by the pandemic. Job openings in the sector increased by 185,000 to 993,000—the second highest level ever. Meanwhile, the "quits rate" rose one tick to 2.7%, matching a 20-year high. The quits rate is rumored to be closely watched by the Federal Reserve as a more accurate picture of the labor market as it is assumed one would only leave a position for a more lucrative one, rose one tick to 2.7%.

A record number of small business owners reported they were unable to fill open jobs last month, adding to the controversy over whether enhanced unemployment benefits are encouraging scores of people to remain out of the labor force. The National Federation of Independent Business (NFIB) reported 44% of small businesses said job openings went unfilled in April. The NFIB is the nation's largest small-business lobbying group. NFIB chief economist Bill Dunkelberg stated, "Small-business owners are seeing a growth in sales but are stunted by not having enough workers. Finding qualified employees remains the biggest challenge for small businesses and is slowing economic growth." After

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the disappointing jobs report, the U.S. Chamber of Commerce called on Washington to end a temporary $300 federal stipend that's not set to expire until September. About one in four unemployed workers earns more from government benefits than they would from their prior job, according to the Chamber.

Inflation in the U.S. soared to a 13-year high in April the government reported, as businesses cope with supply shortages and the rising cost of goods and services. The Consumer Price Index (CPI) leaped 0.8% in April, matching its biggest monthly increase since 2009. Economists had been expecting just a 0.2% advance. The rate of inflation over the past year jumped to 4.2% from 2.6%--the highest level since 2008. The pace of inflation surged after years of being range-bound, largely due to the rapid reopening of the U.S. economy. Senior Federal Reserve officials insist the increase is temporary, contending that inflation will subside by next year once the pandemic fades. Meanwhile, core CPI, which excludes the often-volatile food and energy categories, rose an even bigger 0.9%. That pushed the annual core inflation rate up to 3% from 1.6%--the highest level in 26 years.

Wholesale prices rose at their fastest level since 2009. The Labor Department reported its Producer Price Index jumped 0.6% last month, double economists' forecasts. Furthermore, the rate of wholesale inflation over the last 12 months climbed to 6.2% from 4.2% in the prior month. The current reading is at its highest level since the index was reformulated in 2009. Back then a record spike in the price of oil drove most of the increases in wholesale prices. Now the costs of a broad range of raw and partly finished goods are rising, ranging from farm produce to computer chips. About two-thirds of the increase in wholesale prices last month was concentrated in services such as air travel, medical care, financial advice, retailing and transportation. The core rate of wholesale inflation, meanwhile, also rose by 0.7% last month. The core rate is a less volatile measure that strips out food, energy and trade margins. The increase in the core rate over the past 12 months moved to 4.6% from 3.1%. That's the biggest gain since the government first began calculating the rate in 2014. Senior economist Jennifer Lee of BMO Capital Markets wrote in a note to clients, "There is only so much that producers can absorb before they begin to share the pain with the consumer level and that has already begun."

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 perceptives, 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 prefessional money manager who developed an in-depth expertise in computerized analysys 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.

BRAEBURN Wealth Management