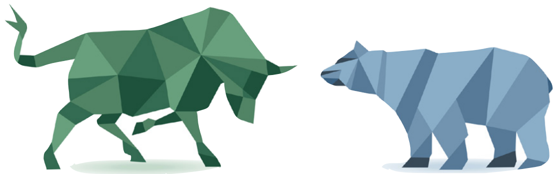
Braeburn Observations



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LOWRY'S 4/23/2021

The current short-term worries about lagging small-caps and diverging Buying Power, the latter of which was examined in last week's report, are still just factors that deviate from the rest of the body of evidence. They are not to be ignored, but they do create an unsettled conditionl in the short term. This is happening even as the intermediate-term uptrend remains healthy and supported by a strong body of evidence, including new highs in broad-based breadth measures, such as the NYSE all-issuees and OCO Adv-Dec Lines. Longer-term momentum is still quite strong...

U.S. MARKETS

Domestic markets finished the week little changed, with some of the lightest daily trading volumes of the year. Mid- and small-caps performed better than large caps, and the technology-heavy Nasdaq Composite Index modestly lagged the broad market. The Dow Jones Industrial Average finished the week down -157 points, a decline of 0.5%. The technology-heavy NASDAQ Composite ended the week down -0.3%, following three consecutive weeks of gains. By market cap, the large cap S&P 500 ticked down -0.1%, while the mid cap S&P 400 and small cap Russell 2000 rose by 0.9% and 0.4%, respectively.

INTERNATIONAL MARKETS

A majority of major international markets finished the week to the downside. Canada's TSX declined 1.3%, while the United Kingdom's FTSE 100 ended down -1.2%. On Europe's mainland, France's CAC 40 retreated -0.5%, while Germany's DAX fell -1.2%. In Asia, China's Shanghai Composite rose 1.4%, but Japan's Nikkei finished the week down -2.2% - its second consecutive decline. As grouped by Morgan Stanley Capital International, developed markets finished down -0.3%, while emerging markets rose 0.5%.

U.S. ECONOMIC NEWS

The number of Americans filing for first-time unemployment benefits fell again last week, the second consecutive significant decline. The Labor Department reported initial jobless claims fell by 39,000 to 547,000—its lowest level since mid-March 2020. Economists had expected 603,000 new claims. The four-week moving average for claims, which smooths out volatility, fell 27,750 to 651,000. That is also the lowest level since last March. Declines in claims were widespread across the country with particularly sharp declines in Texas and New York. Continuing claims, which counts the number of Americans already receiving benefits, declined by 34,000 to a seasonally adjusted 3.67 million. That's also the lowest level since last March.

Sales of existing homes pulled back for a second month reflecting the challenges buyers continue to face in the current fiercely competitive real-estate market. The National Association of Realtors (NAR) reported existing home sales fell 3.7% in March to a seasonally-adjusted annual rate of 6.01 million. It was the lowest rate of home sales since August. Still, compared with the same time last year, home sales are up more than 12%. Lawrence Yun, NAR chief economist, said in the report, "The sales for March would have been measurably higher, had there been more inventory. Without an increase in supply, the society wealth division will widen with homeowners enjoying sizable equity gains while renters will struggle to become homeowners." Sales fell across every region, with the largest decline occurring in the West--where they dropped 8% since February. Currently, there's a 2.1 month supply of homes on the market. A 6-month supply is generally considered a "balanced" housing market.

Sales of new homes surged past

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expectations as builders raced to meet demand. The Census Bureau reported new home sales occurred at a seasonally-adjusted annual rate of 1.021 million in March. It was the fastest pace of new home sales since 2006. Sales rose 20.7% from February, and compared with the same time last year sales have more than doubled. The median forecast had been for a sales rate of 888,000. Sales rates increased in every part of the country, except the West where they fell 30%. The largest sales gain occurred in the South, with a 40% jump. Analysts don't expect the shortage in housing to end anytime soon. Rubeela Farooqi, chief U.S. economist at High Frequency Economics wrote in a research note, "While mortgage rates are a significant factor for home purchases, the biggest issue currently seems to be inventories, and it will continue to be a headwind in the near term."

The "flash" U.S. Composite Purchasing Managers' Index (PMI) hit a record high, indicating the U.S. economy is firing on all cylinders. Analytics firm IHS Markit reported its flash reading composite PMI rose to 62.2 in April from 59.7 in March. In the details, the services side of the PMI rose to a record 63.1 in April from 60.4 in March, while the manufacturing side hit a record 60.6, up from 59.1 the previous month. Manufacturing output jumped, despite unprecedented supply chain disruptions, while service sector growth was driven by strong client demand and the reopening of core businesses. The flash estimate is typically based on approximately 85%–90% of total survey responses each month.

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.

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