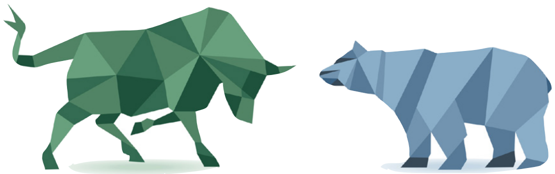
Braeburn Observations



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

LOWRY'S 9/25/2020

Absent clear signs of a major market top into the September 2 high, probabilities suggest an eventual continuation of the longer-term market uptrend. However, despite oversold conditions, until forceful Demand re-emerges, the market pullback is not yet ripe for low-risk new buying.

U.S. MARKETS

The large-cap benchmark S&P 500 suffered a fourth week of declines, sending the index briefly into correction territory (defined as down 10% or more from its recent peak). The Dow Jones Industrial Average gave up 483 points to end the week at 27,174, a decline of -1.7%. The technology-heavy NASDAQ Composite went the other way, finishing the week up 1.1%. By market cap, the large cap S&P 500 gave up -0.6%, while the mid cap S&P 400 and small cap Russell 2000 declined -2.6% and -4.0%, respectively.

INTERNATIONAL MARKETS

Major international markets were a sea of red this week. Canada's TSX fell -0.8%, while the UK's FTSE 100 retreated -2.7%. France's CAC 40 plunged -5.0% along with Germany's DAX which fell -4.9%. In Asia, China's Shanghai Composite ended down -3.6% while Japan's Nikkei declined -0.7%. As grouped by Morgan Stanley Capital International, developed markets retreated -3.1% while emerging markets gave up -3.5%.

U.S. ECONOMIC NEWS

The Labor Department reported the number of Americans applying for first-time unemployment benefits rose by 4,000 to 870,000. Economists had estimated claims to decline to 850,000. The four-week moving average of initial claims, smoothed to iron-out the weekly volatility, fell 35,250 to 878,250 in the latest week. Continuing claims, which counts the number of people already receiving benefits, fell by 167,000 to 12.58 million. That is the lowest level of continued claims since mid-April. Overall, jobless claims have been drifting lower in recent weeks. Roughly half of the 22 million payroll jobs that were lost in March and April have been regained as Americans return to work.

Sales of existing homes jumped last month at the fastest pace in more than a decade. The National Association of Realtors reported total existing home sales rose 2.4% from July to a seasonally-adjusted annual rate of 6 million. It was the third consecutive month of increases and its fastest pace since December 2006. Compared with the same time last year, home sales were up 10.5%. By region, the Northeast experienced the biggest jump in sales, up 13.8%, while the West and South were only up 0.8%. Economists noted that wildfires in the West and stormy weather in the South hampered activity in those regions. As sales increased, so did prices. The median existing-home price was $310,600 in August, up 11.4% from a year ago. Tightening inventory contributed to the rise in prices. Unsold inventory sat at a 3-month supply in August,

Continued on page 2

111 W. Western Avenue
Muskegon, Michigan 49442
231.720.0743 Main
866.577.9116 Toll free
info@braeburnwealth.com

BRAEBURN Wealth Management

Continued from page 1

compared to the 6 months inventory that is generally considered to be a "balanced" housing market.

Overall economic activity across the nation fell in August according to the Chicago Federal Reserve. The Chicago Fed's National Activity Index came in at 0.79 from a revised 2.54 the prior month. A zero value indicates the national economy is expanding at its historic trend rate of growth. The index's three-month moving average, which tries to smooth out volatility, slipped to 3.05 from 4.23 in July. The Chicago Fed index is a weighted average of 85 economic indicators. 45 component indicators made positive contributions in August. Still, 40 indicators deteriorated from July's level. Production-related indicators contributed 0.23 to the overall index in August, down from 1.26 in the prior month. Employment-related indicators added 0.63, down from 0.65 in July.

Orders for goods expected to last at least a minimum of three years, so-called 'durable goods', rose a modest 0.4% in August, the Census Bureau reported. The reading was its fourth consecutive monthly increase. Economists had expected a 1.5% rise. Stripping out transportation (planes and vehicles), orders were still up 0.4%. Excluding defense goods, orders were up 0.7%. Core capital goods orders (ex-defense and aircraft) rose 1.8% in August. This category has now risen above its pre-COVID trend. Manufacturing has rebounded well from the shutdown due to the pandemic. Chicago Fed President Charles Evans said manufacturing firms have some advantages because they have an engineering environment and are better able to keep employees safe.

Market research firm IHS Markit reported business activity rose at a slightly weaker pace in September. Markit's composite Purchasing Managers Index (PMI) retreated 2.2 points to 54.4 this month, but still in expansion territory. In the services sector, its flash PMI ticked down to 54.6 from 55 in August. Its flash manufacturing index rose 0.4 point to 53.5 - a 20-month high. Readings above 50 indicate improving conditions. The flash estimate is based on approximately 85-90% of total survey responses each month. Chris Williamson, chief business economist at IHS Markit, stated in the report, "The question now turns to whether the economy's strong performance can be sustained in the fourth quarter. Risks...seem tilted to the downside for the coming months as businesses await clarity with respect to both the pandemic and the election."

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