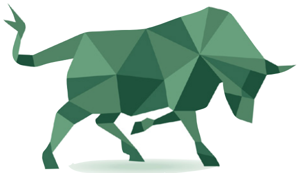
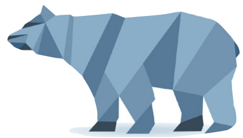
Braeburn Observations





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

LOWRY'S 10/16/2020

While investors might worry whether there is enough gas left in the market's tank, especially when negative news appears in the media, the objective measures of Demand observed by the Lowry Analysis now show strength across all parts of the market.

U.S. MARKETS

he large-cap benchmarks narrowly managed a third consecutive week of gains, while smaller-cap shares lagged slightly. The Dow Jones Industrials finished the week up just 19 points to 28,606. The technology-heavy NASDAQ Composite added 0.8% to close at 11,672. By market cap, the large cap S&P 500 rose 0.2%, while the mid cap S&P 400 finished flat and the small cap Russell 2000 gave up -0.2%.

INTERNATIONAL MARKETS

Almost all international markets finished the week in the red. Canada's TSX declined -0.7%, while the United Kingdom's FTSE 100 gave up -1.6%. France's CAC 40 ticked down -0.2%, while Germany's DAX retreated -1.1%. In Asia, China's Shanghai Composite was the only major international market to rise adding 2%. Japan's Nikkei declined -0.9%. As grouped by Morgan Stanley Capital International, developed markets declined 1.4%, while emerging markets ended down -0.6%.

U.S. ECONOMIC NEWS

The number of Americans filing for first-time unemployment benefits rose by 53,000 last week to 898,000. Economists had expected 830,000 new filings. The increase is a sign that the recent improvement in the labor market appears to be stalling. The level of initial claims remains about four times higher than it was prior to the outbreak of the coronavirus pandemic. On the other hand, continuing claims, which counts the number of Americans already receiving benefits, dropped by 1.165 million to 10.018 million (the lowest level since March). Still, that number remains higher than in any other recession since 1967. Continuing claims are reported with a one-week delay.

Optimism among the nation's small business owners continued to rise in September, up in four of the past five months. The National Federation of Independent Business (NFIB) reported its small business optimism index rose 3.8 points to 104.0. That reading is just 0.5 points below where it was in February, before the coronavirus pandemic took hold of the world economy. The rebound in optimism suggests that the fiscal stimulus has worked well to support small business activity, which has been hit particularly hard by the subsequent lockdowns and recession. In the details, more firms are reporting current job openings, and hiring plans matched their best level since August 2018. That implies the unemployment rate should continue to decline in the coming months. Although down from a year ago, small firms continued to rate poor quality of labor applicants as their most important issue, followed by taxes and government regulations.

Sales at the nation's retailers jumped a broad-based 1.9% in September, the most in three months, and much stronger than the consensus of a 0.7% increase. In the third quarter, sales increased 13.5%, more than retracing the second quarter's entire 7.1% drop. The reopening of the economy and strong fiscal stimulus early in the pandemic helped retail sales recover back to their pre-recession peak. Analysts note the ongoing shift in consumer spending towards more goods and less services due to the new social-distancing reality, should continue to support retail sales going forward. In the details, nearly all major retail categories advanced last month led by apparel (+11.0%), sporting goods (+5.7%) and vehicles (+3.6%). On a year-over-year basis, retail sales increased 3.6%--its fastest pace since February.

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

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Inflation at the consumer level remained relatively muted last month. The Labor Department reported its Consumer Price Index rose 0.2% in September—matching the consensus. Food prices remained flat, while energy prices increased 0.8%. Core CPI, which excludes the often-volatile food and energy categories, also rose 0.2%, in line with expectations. Core CPI was driven by a 6.7% surge in used car and truck prices, the most in more than 50 years, as demand far outstripped supply. New vehicle prices were up by a much smaller 0.3%. There were modest gains in shelter and recreation prices. But those were partly offset by declines in vehicle insurance, airline fares, apparel, and education. On an annual basis, CPI increased 1.4%, while core CPI was up 1.7%. Both have turned up in the past several months, but continue to run below 2.0%, confirming that the Fed will remain accommodative for the foreseeable future.

Prices at the producer level experienced a broad-based increase in September, the fifth consecutive month of increases. The Producer Price Index (PPI) for final demand rose 0.4% last month, double the consensus expectation of a 0.2% rise. PPI ex-food and energy also rose 0.4%. On a year-over-year basis, PPI for final demand and PPI ex-food and energy both turned up, posting 0.5% and 1.2%, respectively. However, analysts note that both remain below their average annual gain over the past decade, as overall producer price inflation remains subdued.

Factory activity in the Mid-Atlantic area covered by the Philadelphia Fed continued to rebound to its highest level since February. The Philadelphia Federal Reserve reported its General Business Activity Index jumped 17.3 points this month to 32.3. Economists had expected a reading of just 14.0. Most individual activity indexes rose, led by notable pickups in new orders and shipments. Furthermore, firms were more optimistic about the near-term growth outlook than last month with many mentioning boosting hiring and capital expenditure plans. Separately, the New York Federal Reserve reported its Empire State General Business Activity Index ticked down 6.5 points to 10.5, still indicating continued expansion for the fourth consecutive month. Orders, shipments, and employment all picked up in the New York Fed's area, but optimism about the near-term growth outlook in the region cooled somewhat.

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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