

Braeburn Observations



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LOWRY'S 11/6/2020

As a result of this week's reassertion of Demand, in addition to the positive developments of prior weeks, the Lowry Analysis confirms that the latest buying opportunity of the advance from the late March bottom is now present.

U.S. MARKETS

Stocks posted their largest weekly gain since April, despite the lack of a clear winner – during the week – from the presidential election. With Democrat front-runner Joe Biden appearing to have the clearest path to victory and Republicans likely to retain control of the Senate, investors began to anticipate a possible “Goldilocks” scenario of additional fiscal stimulus but more limited tax increases than under the “blue wave” Democratic sweep that didn't happen despite the predictions of many pollsters. The Dow Jones Industrial Average surged over 1,800 points to 28,323 – a gain of 6.9%. The technology-heavy NASDAQ Composite jumped 9.0%, retracing all of the last two week's declines and then some. By market cap, the large cap S&P 500 rose 7.3%,

while the mid cap S&P 400 and small cap Russell 2000 gained 6.7% and 7.1%, respectively.

INTERNATIONAL MARKETS

Like the U.S. markets, international markets were also a sea of green this past week. Canada's TSX rose 4.5%, while the United Kingdom's FTSE 100 added 6.0%. On Europe's mainland France's CAC 40 and Germany's DAX each rose 8.0%. In Asia, China's Shanghai Composite rose 2.7% and Japan's Nikkei added 5.9%. As grouped by Morgan Stanley Capital International, emerging markets finished the week up 7.2% and developed markets rose 7.9%.

U.S. ECONOMIC NEWS

The number of Americans seeking first-time unemployment benefits fell slightly last week but remained near historic highs. The Labor Department reported initial jobless claims fell by 7,000 to 751,000. Economists had expected a more significant decline to 728,000. After a steep drop off in new claims last summer, the rate

of decline has slowed markedly. Chief economist Ian Shepherdson of Pantheon Economics wrote in a note, “The trend in initial claims probably is now about flat — and still well above the 665,000 peak seen after the crash of 2008.” The trend in continuing claims is improving, however. The number of people already collecting state-provided benefits, known as continuing claims, dropped by 538,000 to a seasonally adjusted 7.29 million in the week ended Oct 24. That's a fresh pandemic low.

The U.S. added 638,000 jobs in October and the unemployment rate fell sharply, reflecting a surprising show of strength for the economy. The Bureau of Labor Statistics reported the unemployment rate fell to a fresh pandemic low of 6.9% from 7.9% in September. In the report, private-employment rose by 906,000, however a sharp decline in government employment pulled down the overall total. The increase in hiring last month was largely concentrated in professional businesses, leisure and hospitality, and retail. Hiring in October was strongest among white-collar companies in technology and other professional fields. They

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added 208,000 jobs. Bars and restaurants also created 192,000 jobs while hotels hired 34,000 workers. Analysts warned clients not to get too optimistic following the report. Economist Thomas Simons of Jefferies LLC wrote, “We should not expect to see anything nearly this strong in the months ahead, but it is encouraging nonetheless.”

Manufacturing activity grew at its fastest pace since the coronavirus pandemic began last month, according to the Institute for Supply Management (ISM). The ISM index of manufacturers climbed to a two-year high of 59.3 in October—up 3.9 point from September. The increase topped

the 56.5 forecast of economists. In the report, the gauge for new orders jumped to 67.9 from 60.2 — the highest reading since 2004. The index for production also increased to 63 from 61. In addition, employment turned positive for the first time in 14 months. Overall, 15 of the 18 industries tracked by ISM reported growth last month. Chief economist Gus Faucher of PNC Financial Services wrote in a note, “Manufacturing rebounded strongly with fewer restrictions on economic activity and stimulus efforts, but the path forward will be more difficult as the economy continues to cope with the pandemic.”

However, the rate of recovery slowed

in the much larger services side of the U.S. economy after the recent rebound in coronavirus cases. While still expanding, ISM reported its survey of non-manufacturing companies slipped to 56.6 in October from 57.8. Of the 18 service industries tracked by ISM, 16 expanded in October. The only two that contracted in October were entertainment and local and state government. A gauge of output fell slightly, as did new orders, but both were still quite strong. A measure of jobs and hiring, perhaps the most critical component of the survey, also declined. The employment index dipped to 50.1% from 51.8%, but it remained above the key 50% level for the second month in a row.

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 perspectives, 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 realms 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.

