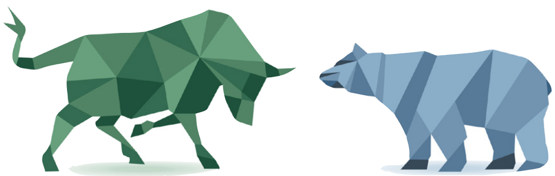
Braeburn Observations



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LOWRY'S 5/29/2020

The April-May trading range has now resolved to the upside, preceded by strong Demand and confirmed by broadening participation and intensity. Short-term indicators should be monitored, but any pullback should be viewed as an opportunity to buy.

U.S. MARKETS

U.S. stocks recorded a second consecutive week of solid positive returns, with slower-growing value stocks again gaining ground ahead of more highly valued growth shares. At its peak this week, the S&P 500 got within 10% of its all-time high, pulling it out of "correction" territory. Similarly, the technology-heavy NASDAQ 100 Index climbed within almost 3% of its February peak before retreating. The Dow Jones Industrial Average rose over 900 points to close at 25,383, a gain of 3.8%, while the Nasdaq Composite added 1.8%. The large cap S&P 500 gained 3.0%, while the mid cap S&P 400 and small cap Russell 2000 gained 4.0% and 2.8%, respectively for the week.

INTERNATIONAL MARKETS

International markets were all green last week. Canada's TSX rose 1.9%, while the United Kingdom's FTSE 100 gained 1.4%. On Europe's mainland, France's CAC 40 rallied 5.6% along with Germany's DAX which gained 4.6%. In Asia, China's Shanghai Composite added 1.4% and Japan's Nikkei surged 7.3%. As grouped by Morgan Stanley Capital International, developed markets gained 4.7% while emerging markets rose 3.6%.

U.S. ECONOMIC NEWS

The number of Americans applying for initial jobless benefits continued to recede last week, falling by 323,000 to a still-huge 2.123 million. Economists had estimated 2 million Americans would file. Over the past ten weeks, more than 40 million workers have filed for unemployment benefits as a result of the unprecedented coronavirus-driven shutdown of the economy. Continuing claims, which counts the number of Americans already receiving benefits, fell 3.860 million to 21.052 million—its first decline in 11 weeks.

The pace of home-price appreciation continued to rise in March despite the spread of the coronavirus according to a major home price barometer. The S&P CoreLogic Case-Shiller 20-city home price index posted a 3.9% year-over-year gain in March—a 0.4% increase from the previous month. On a monthly basis, the index increased 0.5% between February and March. Because of the two-month lag in the data for the index, the effects of the coronavirus pandemic on the housing market were not yet fully reflected in the data. Home prices have managed to thus far shrug off most of the economic impact of the coronavirus pandemic. Robert Kavcic, senior economist at BMO Capital Markets stated in a research note, "While March was still early days, it's looking likely that the initial impact will be felt mostly on plunging sales and listings volumes, not prices."

Sales of new homes ticked up 0.6% from March to April, to a seasonally-adjusted annual rate of 623,000 the government reported. Compared with the previous year, however, new home sales were down 6.2%. The reading was far higher than

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analysts' expectations of just 480,000 new homes sold. However, because of the small sample size used to produce the new home sales report, it is prone to often significant revisions. By region, the Northeast experienced the largest increase with an 8.7% uptick, while new home sales rose 2.4% in the both the Midwest and the South. Sales fell 6.3% in the West. The median price of a new home sold was $309,900—down 8.5% from the same time last year. Furthermore, there was a 6.3 months' supply of available homes on the market. Six months of inventory is generally considered a "balanced" housing market.

The Conference Board reported that the confidence of American consumers stabilized in May after sharp drops in March and April. The board's Consumer Confidence Index ticked up 0.9 points in May to 86.6. Economists had expected a 4.6 point decline to 82.3. This initial sign of stabilization is particularly important as strengthening confidence should translate into a pickup in consumer spending, necessary for any reacceleration of broad economic growth. Consumers' assessment of the present situation remained dire, with that indicator falling 1.9 points to 71.1—its lowest level since August 2013. However, consumer expectations for the near future surprisingly rose 2.6 points to 96.9, a three-month high.

Orders for goods expected to last at least 3 years, so-called "durable goods", plunged -17.2% in April. Economists had forecast a decline of -18.2%. A key measure of business investment which strips out defense and transportation categories fell a lesser -5.8%. Orders for durable goods have declined three out of the last four months. CIBC economists Andrew Grantham and Katherine Judge in a note, "While the decline in durable goods orders in April wasn't quite as bad as expected, the opening up of capacity in the industrial sector and continued struggles in the aviation industry will likely mean the rebound in the second half of the year in business investment lags behind other areas of the economy."

The Chicago Federal Reserve reported that economic activity across the nation fell sharply in April. The Chicago Fed's National Activity Index registered a -16.74 in April, a record low. The index's less-volatile three month moving average declined to a -7.22 from -1.69, also a record low for the three-month measure. The regional bank noted there is an increasing likelihood of a recession when the three-month moving average falls below -0.7. The National Activity index is a weighted average of 85 economic indicators. A zero value indicates that the economy is expanding at its historic trend rate of growth. In April's reading, 79 of the 85 individual indicators made negative contributions, while only 6 were positive.

The Federal Reserve's latest "Beige Book"—a collection of anecdotal reports from each of the Federal Reserve's district banks about economic conditions in their respective areas, showed economic activity falling sharply and steep job losses nationwide. Some sectors, like leisure and hospitality, continued to be hit hardest by the stay-at-home orders, while factory activity and agriculture also continued to deteriorate. One bright spot was an upturn in auto sales towards the middle of May. Thomas Simons, money market economist at Jefferies stated, "The bottom line is that the U.S. economy is quite far from being out of the woods yet. If there is anything to be gleaned about policy, it is that more needs to be done on the fiscal and monetary front, or perhaps both, before a meaningful recovery can take hold."

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.

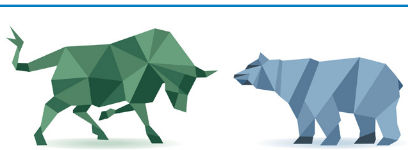
Stock Trader's Almanac – A unique annual publication created by Yale Hirsch in 1967. The almanac is a treasure trove of insightful research originating such important phenomena as the "January Barometer," the "Santa Claus Rally," and "Sell in May and Go Away." It includes data backing, historically proven, 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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