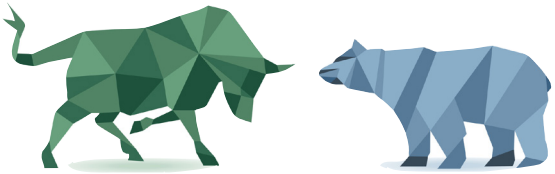
Braeburn Observations



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LOWRY'S 8/5/2022

As of August 3, all of Lowry's OCO segmented Adv-Dec Lines marginally pushed above their falling 150-DMAs for the first time since November 2021. Likewise, Lowry's Average Power Rating (APR) Index reached a multi-month high as have longer -term momentum indicators. While constructive, these improvements require further follow-through to materially alter the long-term market outlook.

U.S. MARKETS

The major U.S. equity benchmarks ended the week mixed after a much stronger-than-expected jobs report revived investor concerns that the Federal Reserve will maintain its aggressive pace of interest rate hikes to slow down inflation. The Dow Jones Industrial Average ticked down -0.1% to 32,803, while the technology-heavy NASDAQ Composite finished the week up 2.2%. By market cap, the large cap S&P 500 added 0.4%, the mid cap S&P 400 declined -0.3% and the small cap Russell 2000 ended the week up 1.9%.

INTERNATIONAL MARKETS

Like the U.S., international markets were mixed on the week. Canada's TSX ended down -0.4%, while the United Kingdom's FTSE 100 rose 0.2%. On Europe's mainland, France's CAC 40 and Germany's DAX rose 0.4% and 0.7%, respectively, while in Asia, China's Shanghai Composite declined -0.8%. Japan's Nikkei closed up 1.3%. As grouped by Morgan Stanley Capital International, developed markets closed down -1.1% and emerging markets rose 0.3%.

U.S. ECONOMIC NEWS

The number of Americans filing for first-time unemployment benefits rose slightly last week, signaling a softening in the labor market. The Labor Department reported initial jobless claims increased by 6,000 to 260,000 in the seven days ended July 30. The reading matched economists' expectations. New filings had fallen to as low as 166,000 in late March — the second-fewest on record — before moving higher over the past several months as the economy slowed. Many companies are still reporting difficulty finding enough qualified workers to fill open positions. Meanwhile, the number of people already collecting benefits increased by 48,000 to 1.42 million. While still remaining near a 50-year low, that reading is at its highest level since April. Money market economist Thomas Simons of Jefferies LLC noted the overall demand for labor remains strong. "The relative stability of continuing claims suggests that workers who are let go are still having a relatively easy time finding a new job," he wrote in a note to clients.

In a red-hot report of the U.S. labor market, the economy added over half a million jobs in July and the unemployment rate fell back to pre-pandemic levels, according to the Bureau of Labor Statistics. The increase in hiring not only blew past the Wall Street median estimate of 258,000 new jobs—it was actually a 6 sigma beat to expectations. Hiring was broad-based as businesses created the most new jobs in five months. The number of people working finally returned to February 2020 levels--the last month before the pandemic. The unemployment rate ticked down to 3.5% from 3.6%, matching the lowest level since the late 1960's. Seema Shah, chief global strategist at Principal Global Investors stated, "All the jobs lost during the pandemic have now been regained." However, that doesn't necessarily translate into good news for the stock market. The strong jobs report gives the Federal Reserve the green light to continue its rate-hike trajectory. One concern in the report, more people continued to drop out of the labor force. The labor force participation rate fell again to a seven-month low of 62.1%--the lowest level since the end of 2021.

The number of job openings dropped below 11 million for the first time since last fall, signaling the red-hot labor market may finally be cooling off as the

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economy slows. The Labor Department reported job openings slipped from 11.3 million in May to 10.7 million in June—its third consecutive month of declines. The last time job openings were below 11 million was November of last year. Job openings fell the most in retail (-343,000), wholesaling (-82,000) and state and local government (-62,000). Most other industries saw little change. Also in the report, the "quits rate", fell only slightly to 4.23 million. The number of people quitting their jobs topped 4 million a year ago for the first time ever, part of a pandemic-era trend known as the "Great Resignation". Before the pandemic, the number of people quitting their jobs averaged fewer than 3 million per month. Layoffs remained near their historically low levels. Stephen Stanley, chief economist at Amherst Pierpont Securities noted, "If the economy is rolling over, the labor market had apparently not gotten the memo yet as of the end of June."

Factory activity grew at its slowest pace in two years, an ominous sign of weakness in the U.S. economy, a closely followed survey showed. The Institute for Supply Management (ISM) reported its Purchasing Managers' Index (PMI) for manufacturing companies ticked down to 52.8 in July from 53.0 the month before. Economists had expected a reading of 52.1. While readings above 50 signify growth, the latest reading was the weakest since June of 2020. In addition, the index declined for a third consecutive month. On a positive note, the report stated there was some relief on the inflation front. Most of that was due to the recent decline in energy prices. Of most concern, the 'new orders' index slid 1.2 points to 48—its lowest level since May 2020.

Companies in the vast 'services' side of the U.S. economy continued to grow in July, according to the latest data from the Institute for Supply Management (ISM). ISM's Purchasing Managers' Index for services companies, such as restaurants and hotels, rose 1.4 points to a three-month high of 56.7 last month. The reading suggests the economy continues to expand despite growing headwinds. Orders and production rose, hiring improved, and inflation pressures eased somewhat, the report noted. The reading was a surprise to the upside—economists had expected the index to drop to 54. In the details of the report, the new orders index rose 4.3 points to 59.9—a four-month high. The report supports the Fed's view that a "soft-landing" for the economy may indeed be possible. Lead U.S. economist at Oxford Economics Oren Klatchkin wrote in a note, "The recovery's best days are clearly in the rear-view mirror, but this doesn't mean an economic downturn has begun."

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 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 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.