

Braeburn Observations



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

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The robust body of evidence points to a healthy intermediate-term uptrend where new capital can be deployed comfortably, while the Lowry Analysis remains vigilant should conditions change.

U.S. MARKETS

Most of the major U.S. benchmarks added to last week's sharp gains, bolstered by positive news of a coronavirus vaccine candidate from Pfizer. All of the major indexes touched all-time intraday highs in early trading Monday but surrendered much of their gains by midweek. The Dow Jones Industrial Average and the smaller cap benchmarks performed the best, while value shares easily outperformed their growth counterparts. The Dow Jones Industrial Average added over 1,100 points finishing the week at 29,480, a gain of 4.1%. The technology-heavy NASDAQ Composite retraced some of last week's surge and was the only U.S. equity index to finish down for the week at 0.6%. By market cap, the large cap S&P 500 added 2.2%, while the mid cap S&P 400 and small cap Russell 2000 added 4.3% and 6.1%, respectively.

INTERNATIONAL MARKETS

Like the U.S., almost all major international equity markets finished the week in the green. Canada's TSX added 2.4%, while the United Kingdom's FTSE 100 vaulted 6.9%. On Europe's mainland France's CAC 40 surged 8.5%, while Germany's DAX gained 4.8%. In Asia, China's Shanghai Composite ticked down -0.1% while Japan's Nikkei rose 4.4%. As grouped by Morgan Stanley Capital International, developed markets rallied 4.8% while emerging markets added 0.8%.

U.S. ECONOMIC NEWS

The number of Americans seeking first-time unemployment benefits fell by 48,000 to a pandemic low of 709,000. The reading suggests the record outbreak in coronavirus cases has not made a significant dent in the labor market. At least not yet. The decline was bigger than expected—economists had forecast a decline to 731,000. Continuing claims, which counts the number of Americans already collecting benefits, declined

by 436,000 to a seasonally-adjusted 6.79 million. Robert Frick, corporate economist at Navy Federal Credit Union stated, "This is the fourth week in a row unemployment claims have fallen, and while the pace is slow, we are seeing the jobs market clawing its way back."

The Bureau of Labor Statistics reported its Job Opening and Labor Turnover Survey (JOLTS) report showed the number of job openings increased to 6.4 million in September from 6.35 million the prior month. While job openings are back to pre-crisis levels, the U.S. economy is still missing some 10 million jobs that existed before the pandemic struck in March. The pace of hiring also appears to have returned to normal, but even if that's the case, it will take many months to recover most of the lost jobs. Some 5.87 million people were hired in September, down a bit from 5.95 million in August. Hiring had jumped to as high as 7.2 million in May when the economy reopened.

Prices at the consumer level remained unchanged in October according to the Bureau of Labor Statistics (BLS). Economists had expected a 0.1% increase. The cost of living had risen sharply over a fourth-month span

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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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from June to September, but it seems to have been mostly just “catch-up” after a steep decline in prices early in the coronavirus pandemic. On an annual basis, the yearly rate of inflation slowed to 1.2% in October from 1.4% in the prior month. Before the pandemic, consumer inflation was running at a much higher 2.3% annual clip. In the report, the cost of staples such as groceries and electricity rose slightly in October, but those increases were offset by price declines for gasoline, car insurance, clothing, home furnishings and medical care. Core CPI, which excludes the often-volatile food and energy categories, was also unchanged in October. Over the past year the core rate of consumer inflation has risen 1.6%, a tick down from the previous month.

At the producer level, prices rose again last month but analysts noted little evidence of widespread inflation

bubbling up in the economy. The BLS reported its Producer Price Index (PPI) advanced 0.3% in October—its sixth consecutive increase since the economy reopened in May. Economists had expected a 0.2% increase. The increase in producer prices over the past year ticked up to 0.5% from 0.4%. The index had been growing at a 2% annual pace in January, shortly before the pandemic took hold. In the report, the rising cost of food such as vegetables, meat, chicken and eggs was the biggest contributor to the increase in wholesale prices last month, the government said. They accounted for about three-fourths of the 0.5% increase in the cost of goods. The cost of services advanced a smaller 0.2% and was largely centered on transportation. Core PPI increased 0.2% last month. The core rate has risen just 0.8% in the past 12 months.

The National Federation of

Independent Business (NFIB) reported –its Small Business Optimism Index remained unchanged at 104.0 in October, but uncertainty about future business conditions hit its highest level since November 2016. The cautious level of optimism was evident in the index’s subcomponents, with four improving, five declining, and one remaining unchanged. Profits improved again in October and many small businesses expect sales to pick up in the next several months. Some companies are also restocking goods, hiring more workers and even planning to increase investment. The coronavirus still poses the biggest risk given the record increase in cases that could trigger more government limits on business. Even a partial reinstatement of restrictions could be harmful, especially since the federal program that provided struggling small businesses with a financial lifeline came to an end in July.

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 perpectives, 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.

