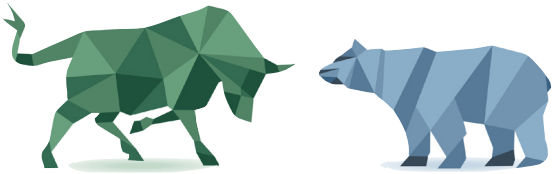
Braeburn Observations



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LOWRY'S 1/8/2021

The reacceleration of improvement in Lowry's intermediate- and short-term measures of the balance of Supply and Demand, breadth and Demand intensity reinforce the market's uptrend. This body of still-expanding evidence continues to suggest that the bull market is younger and more powerful than many believe.

U.S. MARKETS

The major U.S. indexes continued their march to record highs despite one of the most politically tumultuous weeks in the nation's history. Small caps outperformed large-caps by a wide margin, and energy stocks led the gains within the S&P 500 after Saudi Arabia made a surprise announcement that it was unilaterally cutting oil production by 1 million barrels per day. The Dow Jones Industrial Average added 491 points, or 1.6%, ending the week at 31,098. The technology-heavy NASDAQ Composite gained 2.4% closing at 13,202. By market cap, the large cap S&P 500 rose 1.8%, while the mid cap S&P 400 and small cap Russell 2000 surged 4.8% and 5.9%, respectively.

INTERNATIONAL MARKETS

Like the U.S., international markets were a sea of green at the start of the new year. Canada's TSX rose 3.5%, while the United Kingdom's FTSE 100 surged 6.4% in its first week of actual real Brexit. On Europe's mainland, France's CAC 40 and Germany's DAX added 2.8% and 2.4%, respectively. In Asia, China's Shanghai Composite rose 2.8% and Japan's Nikkei added 2.5%. As grouped by Morgan Stanley Capital International, developed markets rose 3.8% while emerging markets rallied 5.9%.

U.S. ECONOMIC NEWS

The number of Americans filing for first-time unemployment benefits fell slightly in the first week of the new year, but overall unemployment remained exceedingly high. The Labor Department reported initial jobless claims fell by 3,000 to 787,000 last week. Economists had forecast claims to total 815,000. After falling to a pandemic low of 711,000 in early November, new jobless claims moved higher again after a record surge in coronavirus cases in December. Continuing claims, which counts the number of people already collecting benefits, declined by 126,000 to 5.07 million—a new pandemic low. That number is reported with a one-week delay.

The U.S. lost jobs for the first time in eight months as a resurgence in coronavirus cases at the end of the year forced businesses to resort to more layoffs. The Bureau of Labor Statistics reported employment in the government and private sector declined by 140,000. In the report, most of the layoffs were concentrated in the restaurant and hospitality sectors that rely largely on crowds of customers. Bars and restaurants shed over 370,000 jobs while jobs in recreation such as theme parks and casinos also declined by 92,000. On a positive note, hiring rose by 161,000 in white-collar professional occupations and 51,000 in construction. The official unemployment rate remained unchanged at 6.7%. Analysts were mixed following the report. Senior Economist Sal Guatieri at BMO Capital Markets called the report a "major setback for the labor market", while Chief Economist Chris Low at FHN Financial noted, "This is a pause in the recovery, not a full-on stall."

The vast services side of the U.S. economy accelerated in December

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as companies grew more optimistic with the continued rollout of the coronavirus vaccine. The Institute for Supply Management (ISM) reported its survey of senior executives at non-manufacturing companies rose 1.3 points to a three-month high of 57.2. Readings above 50 indicate that businesses are expanding. In the report, 14 of the 18 service industries tracked by ISM expanded the same as in November. New orders and production both rose and remained near a pandemic high, but employment fell, turning negative for the first time since August. Anthony Nieves, ISM chairman stated, "Various local- and state-level COVID-19 shutdowns continue to negatively impact companies and industries."

As with Services, Manufacturers shrugged off the resurgence in coronavirus cases late last year and reported their fastest growth since the pandemic began. The Institute for Supply Management (ISM) reported its manufacturing index rose 3.2 points to 60.7 in December—its highest level in almost two and half years. Economists had forecast a reading of just 57. Manufacturing activity has expanded for seven consecutive months since the economy reopened last spring. In the report, new orders climbed 2.8 points to 67.9, while production increased 4 points to 64.8. Notably, the sub index that tracks employment rose 3.1 points to 51.5, moving into positive territory for the second time in three months. Sixteen of the 18 industries tracked by ISM expanded in December, unchanged from the prior month. Amazingly, most companies said sales now exceed pre-crisis levels and they expect even better revenue gains in 2021.

U.S. factory goods orders rose for a seventh consecutive month in November, the Commerce Department reported. Orders for manufactured goods rose 1% in November following a 1.3% gain the prior month. Economists had expected just a 0.8% gain. In the details, orders for long-lasting durable goods rose 1%, while orders for non-durable goods were up 1.1%. Excluding aircraft, orders for non-defense capital goods rose a revised 0.5%--up a tick from the prior estimate.

Only a "couple" of the 17 top Federal Reserve officials pushed for the central bank to expand its purchases of longer-term bonds during their meeting in December, minutes from that meeting showed. The Fed has been buying $40 billion of Treasuries per month since June, with the purchases coming across the yield curve. Ahead of the meeting many economists argued that concentrating the purchases on the long-end of the curve would add more stimuli to the economy. Fed officials "generally judged that the asset purchase program as structured was providing very significant policy accommodation," according to the minutes. "Some" Fed officials left open the possibility of weighing purchases of Treasuries toward the longer end if necessary, the minutes said. Furthermore, the Fed stated it would continue its asset purchases "until substantial further progress has been made toward reaching the Committee's maximum employment and price stability goals." However, there is no mention of what specific numerical criteria or thresholds constitute "substantial progress".

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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