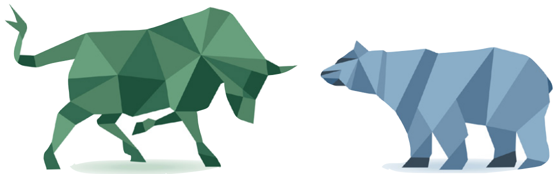
Braeburn Observations



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LOWRY'S 7/30/2021

Some of the market's problems beneath the surface are still shallow, but enough have now persisted over sufficient time to elicit real concern. As such, the risk vs. reward picture has become more unfavorable. Even if the Safety Control does not register, the near-term strategy would not be much different. Treading lightly is the best course of action until either the Sarety Control registers, or Demand in all of its forms - new highs in Adv-Dec Lines, the resolution of momentum divergences, and improved smaller stock relative performance - increases to the point where it can no longer be discounted.

U.S. MARKETS

The major U.S. indexes finished the week mixed. The large-cap benchmarks and technology-focused Nasdaq Composite managed record highs before pulling back late in the week, while the mid cap S&P 400 index and small-cap Russell 2000 broke a string of underperformances and recorded gains. The Dow Jones Industrial Average finished the week down -126 points to 34,935, a decline of -0.4%. The NASDAQ retraced some of last week's gain giving up -1.1% to 14,673. By market cap, the large cap S&P 500 retreated -0.4%, while mid caps and small caps rose 1.2% and 0.8%, respectively.

INTERNATIONAL MARKETS

Canada's TSX rose 0.5% while the UK's FTSE 100 ticked up 0.1%. European markets were mixed with France's CAC rising 0.7%, while Germany's DAX retreated -0.8%. In Asia, China's Shanghai index plunged 4.3%, while Japan's Nikkei declined -1.0%. As grouped by Morgan Stanley Capital International, developed markets rose 0.3%, while emerging markets retreated -1.7%.

U.S. ECONOMIC NEWS

The number of Americans applying for first-time unemployment benefits fell last week after hitting a two month high the previous week. The Labor Department reported initial jobless claims declined by 24,000 to 400,000 in the week ended July 24. Economists had forecast 380,000 new claims. Requests for benefits had surged in mid-July, but that now appears to be largely due to planned shut downs by major automakers. Meanwhile, continuing claims, which counts the number of people already receiving benefits, rose by 7,000 to 3.27 million. Continuing claims remain near a pandemic low.

Sales of new homes in the U.S. fell in June to the lowest level since early 2020, as high prices and a limited selection frustrated scores of would-be buyers. New-home sales dropped 6.6% to an annual rate of 676,000, the government reported. The decline in sales was much larger than analysts had expected. Economists had forecast an annual sales rate of 795,000. New-home sales had surged at the beginning of the year to its highest level in almost 15 years reaching an almost 1 million annual rate as buyers took advantage of record-low mortgages rates. Sales have now pulled back due to a shortage of properties and higher costs.

Home prices set another record in May according to the latest data from S&P CoreLogic Case-Shiller. At a national level, Case-Shiller's home price index recorded an increase of 16.6% over the past year—up from the prior record of 14.8% set just last month. The separate 20-city index, which gauges home prices across a selection of major cities across the country, increased by 17% in May—an increase of 2% from the prior month. In keeping with recent trends, Phoenix, San Diego and Seattle reported the highest year-over-year gains among the 20 cities in May. All 20 cities showed a gain in prices. Record

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price gains were seen in Charlotte, Cleveland, Dallas, Denver and Seattle.

Orders for goods expected to last three years or more, so-called ‘durable goods’, rose again despite shortages of key supplies. The government reported durable goods orders climbed 0.8% last month, missing economists’ forecasts of a 2% increase. The increase fell short of Wall Street expectations mostly because new orders in the prior month were revised upwards. The rebound in the U.S. economy has ignited a surge in demand for cars, electronics, and other goods. That, in turn, has led to big shortages in both supplies and labor. The shortages have driven up the cost of supplies and pushed companies to try to pass these costs onto customers by charging higher prices. All of this has added to the biggest burst of inflation in the U.S. since at least 2008.

Confidence among the nation’s consumers climbed to a 16-month high, despite concerns of a spread of a new “delta” variant of the coronavirus. The Conference Board reported its index of consumer confidence ticked up to 129.1 in July from a revised 128.9 in June. That’s the highest level since just before the onset of the coronavirus pandemic early last year. Economists had expected a reading of just 125. The economy has been surging since the spring thanks to rising vaccinations, massive government financial stimulus and the almost full reopening of the economy. The part of the survey that tracks how consumers feel about the economy right now inched up to 160.3 from 159.6 in the prior month. Another measure that assesses how Americans view the next six month, the “future expectations index”, remained unchanged at 108.4—another strong reading.

A key measure of inflation (and rumored to be the Federal Reserve’s “preferred” inflation gauge), the Personal Consumption Expenditures (PCE) index jumped 0.5% in June. It was the fourth big upturn in a row and pushed the increase over the past 12 months to 4%. That’s the highest level since 2008 and double the Federal Reserve’s 2% target. A separate measure of inflation, the consumer price index, is running even hotter. The Federal Reserve has said for months inflation would subside as the bottlenecks eased and the central bank is sticking to that view. Chairman Jerome Powell finally acknowledged this week that what he’s been calling “transitory” inflation could stay high longer than the Fed had anticipated, perhaps well into next year.

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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