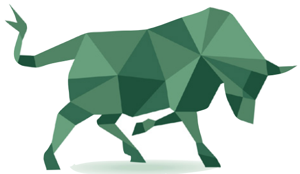
Braeburn Observations



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In healthy bull markets, rotations are signs of broadening overall demand as capital moves to areas that present better perceived relative value - most often intermediate-term underperformers. Hence, the current underlying turbulence resulting from the selective Demand environment is likely to ultimately yield a unified rising tide. Critically, this is in stark contrast to fading bull markets where investors crowd into a narrow group of strong stocks while steadily raising cash.

U.S. MARKETS

Most of the major U.S. benchmarks recorded their fourth consecutive week of gains and some moved to new record highs. The Dow Jones Industrial Average added 400 points and finished the week at 34,200, a gain of 1.2%. The technology-heavy NASDAQ Composite gained 1.1%. By market cap, the large cap S&P 500 rose 1.4%, while the mid cap S&P 400 and small cap Russell 2000 gained 1.9% and 0.9%, respectively.

INTERNATIONAL MARKETS

European markets were mostly up while major Asian markets declined. Canada's TSX rose 0.6%, while the United Kingdom's FTSE 100 added 1.5%. France's CAC 40 and Germany's DAX gained 1.9% and 1.5%, respectively. In Asia, Japan's Nikkei gave up -0.3%, while China's Shanghai Composite declined -0.7%. As grouped by Morgan Stanley Capital International, emerging markets finished the week up 1.5%, while developed markets gained 1.7%.

U.S. ECONOMIC NEWS

The number of Americans filing first-time unemployment benefits fell by 193,000 to a pandemic low of 576,000 last week—its largest decline since August. Economists had forecast new claims would total 710,000. However, the number of layoffs still has a lot further to decline to return to pre-crisis levels. New claims had been running in the low 200,000s before the pandemic. Continuing claims, which counts the number of Americans already receiving benefits, fell by 87,991 to 3.94 million. That number is also a pandemic low.

Small business owners are growing more optimistic as more states continue to lift restrictions, although hiring remains a big problem. The National Federation of Independent Businesses (NFIB) reported its sentiment survey for March climbed 2.4 points to 98.2 - a pandemic high - but owners remain cautious about the future. The index remains well below its pre-pandemic levels. The NFIB index had hit an all-time high of 104.5 in February 2020, just a month before the pandemic took hold. The biggest reported problem is finding suitable workers. A record 42% of small businesses surveyed said they could not fill open positions. More than a quarter of companies said they increased pay to lure workers--the highest number in the past year.

Prices at the consumer level surged last month, according to the latest data from the government. The Bureau of Labor Statistics reported the 'consumer price index' (CPI) jumped 0.6% last month, spearheaded by the rising cost of oil. Economists had forecast a 0.5% increase. The rate of inflation over the trailing year shot up to 2.6% from 1.7% in the prior month, marking the highest level since the fall of 2018. Prices increased for the fourth month in a row. A sharp drop in coronavirus cases coupled with an economic recovery fueled by massive fiscal stimulus boosted demand for a wide variety of goods and services. Meanwhile, many key materials remain in short supply. This squeezes supply and demand from both sides. Federal Reserve policymakers insist any increase in inflation is likely to be mild and temporary.

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Two regional gauges of manufacturing sentiment showed strength in April, according to data released this week. The Philadelphia Federal Reserve manufacturing index jumped to a reading of 50.2 in April from a revised 44.5 in the prior month. This is highest level in almost 50 years. Economists had expected a reading of 42 after the initial reading for March of 51.8, according to a survey of economists. Meanwhile, the New York Federal Reserve's Empire State Index rose to a reading of 26.3 in April from 17.4 in March. That's the highest reading since October 2017. Economists had expected a reading of 20. Manufacturing remains a bright spot in the pandemic. The two regional Fed surveys are used by economists to gauge the strength of the upcoming national ISM factory index, which will be released in early May. Last month, the ISM index jumped to 64.7%--its highest level since December 1983.

Sales at U.S. retailers jumped by almost 10% in March thanks to $1,400 government stimulus checks to the majority of Americans. The Census Bureau reported sales climbed by 9.8% last month, easily beating the consensus forecast of a 6.1% increase. The sales gain was the second largest on record, exceeded only by an 18% spike last May when a U.S. lockdown was lifted. The snapback in sales was widely expected after Washington approved a massive $1.9 trillion stimulus in early March. Sales revved up 15% at car dealers even as automakers struggled to procure enough computer chips to maintain production (auto sales account for about 20% of all retail sales). Sales at gas stations also surged nearly 11%, reflecting rising oil prices and more Americans taking to the road as government coronavirus restrictions are lifted. "All in all, a very strong first half of the year for growth looks to be in the bag," said chief economist Joshua Shapiro of MFR Inc. following the release.

The Federal Reserve's 'Beige Book', a collection of anecdotal reports from each of the Fed's regional member banks, reported the U.S. economy grew faster in the early spring and more companies sought to hire new workers. However, the report also showed inflation has picked up. Companies paid more for lots of key supplies such as metals, fuel, food and lumber. In some cases, supply shortages were also holding back production. "Businesses also expressed concern about rising inflation over the rest of the year," the Boston Fed said. Senior economist Sal Guatieri of BMO Capital Markets stated, "The U.S. economy is accelerating, but also starting to fan prices."

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.

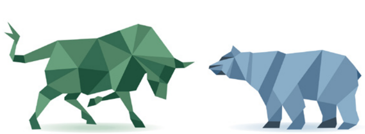
Stock Trader's Almanac – A unique annual publication created by Yale Hirsch in 1967. The almanac is a treasure trove of insightful research originating such important phenomena as the "January Barometer," the "Santa Claus Rally," and "Sell in May and Go Away." It includes data backing, historically proven,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