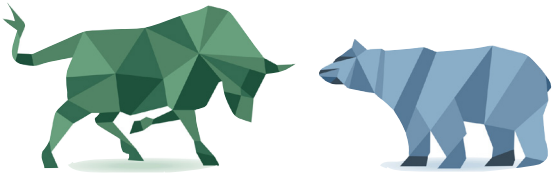
Braeburn Observations



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LOWRY'S 6/11/2021

While there is no broad all-clear signal, the improving balance of Supply and Demand suggests that selective buying is now warranted.

U.S. MARKETS

A sharp decrease in longer-term bond yields appeared to help push the S&P 500 Index to a record high in a week of relatively light summer trading. The technology-heavy NASDAQ Composite Index outperformed, rising 1.8% to 14,069, marking its fourth consecutive weekly gain, while the narrowly focused Dow Jones Industrial Average recorded a modest loss of -0.8% closing at 34,480. By market cap, the large cap S&P 500 rose 0.4%, while the mid-cap S&P 400 and small-cap Russell 2000 finished the week up 0.9% and up 2.2%, respectively.

INTERNATIONAL MARKETS

Canada's TSX rose 0.5%, while the United Kingdom's FTSE added 0.9%. On Europe's mainland, Frances CAC 40 rallied 1.3%, while Germany's DAX finished the week unchanged. In Asia, China's Shanghai Composite ticked down -0.1% and Japan's Nikkei rose just 7 points to 28,949—a negligible percentage gain. As grouped by Morgan Stanley Capital International (MSCI), emerging markets retreated -0.8%, while developed markets added 0.5%.

U.S. ECONOMIC NEWS

The number of job openings rose to a record high, but employers say they can't find enough workers to fill them. The Labor Department reported job openings soared to 9.3 million in April, from a revised 8.3 million in the prior month. Many companies, both big and small, have reported difficulty finding qualified workers. The surprising difficulty in getting people to return to work is tied to a number of problems, economists say. They blame a wave of early retirements, a lack of child-care options, a lingering fear of the coronavirus and generous unemployment benefits. To add fuel to the fire, a record number of people are quitting their jobs. Nearly 4 million people quit in April—double the number from the same time last year. The so-called "quits rate" rose a tick to a record 2.8% among private-sector employees. The quits rate is rumored to be the Federal Reserve's preferred gauge of the health of the labor market as it is assumed that an employee would only quit a job in favor of a more lucrative one. At the height of the coronavirus crisis, the quits rate had fallen to a seven-year low of 1.8%.

Small business owners reported the labor shortage across the nation is holding back growth. The National Federation of Independent Business (NFIB) stated its small-business index fell for the first time this year over growing labor and inflation worries. The index slipped 0.2 points to 99.6. Business owners say they are losing sales because they can't find enough people to fill open positions. And now, rising inflation is adding to their worries. In the details of the report, NFIB - the nation's largest small-business lobbying group - said a record 48% of small businesses surveyed could not fill open jobs, even with many of them offering higher pay. "The labor shortage is holding back growth for small businesses across the country," said NFIB chief economist Bill Dunkelberg. The businesses that have raised wages in an effort to lure more workers say they plan to pass higher labor costs on to customers, potentially adding upward pressure to U.S. consumer prices. The percentage of businesses raising prices rose to the highest level since 1981.

The cost of living surged again last month, as the pace of inflation soared to a 13-year high of 5%, reflecting the broad increase in prices across the U.S. economy. The consumer price index jumped 0.6% last month

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The *Braeburn Observations* is our means of sharing with clients and interested parties what it is we are reading in our research. These are research items, news and statistics that are being considered as we make investment decisions for our clients. Items noted do not necessarily drive an investment decision in and of itself. We are trying to make the best decisions we can given all that we are looking at. We also highlight key financial metrics that will provide a "point in time" glimpse of how the financial markets are behaving. Again, it is often the trend in these metrics and/or anticipated movements that drives our decision making in our clients' portfolios. All observations are taken at a point in time and should not be used to infer our opinion or to rely upon as a matter of fact that we are currently acting upon.

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to mark the fourth large gain in a row, the government reported. Economists had expected a gain of 0.5%. The rate of inflation over the past year escalated to 5% from 4.2% in the prior month. That put it at the highest level since 2008, a time when the cost of oil hit a record $150 a barrel. Prior to that, the last time inflation was this high was in 1991. Another closely watched measure of inflation that omits volatile food and energy also shot up 0.7% in May. The so-called "core" 12-month rate of inflation climbed to 3.8% from 3%, a 29-year high. The Federal Reserve insists price pressures will subside once the U.S. and global economies regain a more normal footing. The upsurge in inflation is mostly tied to temporary shortages that will fade away as supply catches up to demand, senior Fed officials say.

Sentiment among the nation's consumers rebounded this month after falling precipitously in May. The University of Michigan reported its (preliminary) index of consumer sentiment rose 3.5 points to 86.4 this month. Economists had forecast a reading of 84.4. In the report, the sub-index that measures how consumers feel about the economy right now rebounded to 90.6 in June from 89.4 last month, due to rapid job gains in recent months. Consumer optimism about the next six months rose to 90.6 in May to 89.4 in the prior month. In a note to clients, Robert Frick, corporate economist with Navy Federal Credit Union wrote, "June's Consumer Sentiment Survey was mixed, just like how the recovery is playing out. While consumers are rightly frustrated with the current high price of houses, cars and durable goods, they recognize that job growth has finally started moving decisively in the right direction."

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.

BRAEBURN
Wealth Management

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