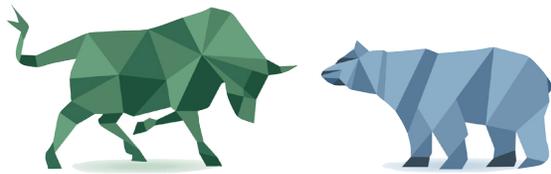


# Braeburn Observations



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

## LOWRY'S 2/7/2019

The forces of Supply and Demand support a healthy bull market with months more to run. Thus, there is little reason to deviate from a fully invested position.

## U.S. MARKETS

U.S. stocks recorded solid gains as encouraging economic data poured in and it appears, that at least for now, the global economy remains resilient in the face of the coronavirus outbreak. The large cap benchmarks and the technology-heavy NASDAQ Composite gained the most, establishing new record highs, while smaller cap indexes also finished to the upside. The Dow Jones Industrial Average rallied 846 points to finish the week at 29,102, a gain of 3.0%. The NASDAQ Composite surged over 4.0%, while the large cap S&P 500 index rose 3.2%. The S&P 400 mid cap index and small cap Russell 2000 rose 2.1% and 2.7%, respectively.

## INTERNATIONAL MARKETS

Almost all major international markets finished in the green.

Canada's TSX rebounded 2.0%, while the United Kingdom's FTSE 100 rose 2.5%. On Europe's mainland, France's CAC 40 gained 3.9%, Germany's DAX added 4.1%, and Italy's Milan FTSE gained 5.3%. In Asia, China's Shanghai Composite ended the week down -3.4%, a smaller loss than many analysts had expected. At one point last week, China's benchmark index had been down almost 10%. Japan's Nikkei retraced the prior week's entire decline, and finished the week up 2.7%. As grouped by Morgan Stanley Capital International, developed markets finished the week up 2.2%, while emerging markets gained 3.0%.

## U.S. ECONOMIC NEWS

The number of Americans seeking first-time unemployment benefits fell last week back to a near 50-year low, signaling the U.S. labor market is still holding up despite stiffer economic headwinds. The Labor Department reported initial jobless claims declined by 15,000 to 202,000. Economists had expected a reading of 215,000. The less volatile monthly average of jobless claims dropped by 3,000 to 211,750.

The Bureau of Labor Statistics' Non-Farm Payrolls (NFP) report for January shocked all observers. The U.S. added 225,000 new jobs in January as hiring increased again. The report reflected the resilience in the U.S. labor market even though manufacturing has been in contraction and the economy has softened recently. Over the past three months, the economy has added an average of 211,000 new jobs—a marked acceleration from last fall and summer. The unemployment rate, meanwhile, ticked up to 3.6% from a 50-year low of 3.5%, but the increase was for the best of reasons: 574,000 more workers entered the labor force. An ultra-tight labor market has put more upward pressure on wages, though paychecks are still not growing as fast as they usually do when unemployment is so low. The increase in worker pay over the past 12 months rose slightly to 3.1%, but it sits below the post-recession peak of 3.5%.

Private payrolls processor ADP reported non-government payrolls surged 291,000 last month. It was the biggest monthly gain since May 2015 and, like the government's NFP report, much higher than the consensus estimates. Service payrolls jumped 237,000, led by leisure-and-

Continued on page 2

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.

Continued from page 1

hospitality and health care. Those two industries accounted for over 60% of the services job gain. Goods-producing payrolls increased by 54,000, led by construction. Mark Zandi, chief economist at Moody's Analytics stated that warm weather had "juiced" the number. By firm size, more than ¾ of all new jobs were created at small and mid-sized firms, with small firm employment rising by the most since July 2018.

The Institute for Supply Management (ISM) reported its survey of the services side of the economy, which makes up more than 70% of the U.S. economy, increased to a 5-month high in January.

ISM reported its non-manufacturing index increased 0.6 point to 55.5. Economists had expected a reading of 55.0. The increase was led by a 3.9 point jump in the business activity index to 60.9—its highest level in nearly a year. Readings over 50 are viewed as positive for the economy, while anything over 55 is considered exceptional. Of the 18 industries ISM tracks, 12 reported businesses were expanding. One caveat, however, analysts noted the survey responses were likely filled out before the Wuhan coronavirus outbreak began having a substantial impact.

In a separate report, ISM said

manufacturers grew their businesses in January for the first time in six months. ISM's Manufacturing Index rebounded 3.1 points in January to 50.9. The consensus was for a smaller 0.7 point gain to 48.5. Overall, the increase was a welcome sign for a sector that's been hit particularly hard by trade tensions and slower global growth. Most of the components of the manufacturing index increased in January, led by a 9.5-point surge in the production index. New orders, export orders, and imports also rebounded into expansion territory (>50), a sign of some improvement in both domestic and global demand.

## 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 perspectives, 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 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.

