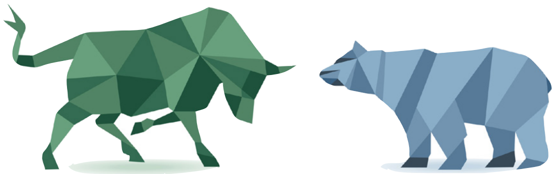
Braeburn Observations



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LOWRY'S 5/7/2021

Short-term issues are still in place on the NASDAQ, and short-term momentum diverging on the NYSE, choppiness is likely to dominate both market action and the headlines. The important point is that these short-term problems are taking place as 93% of NYSE Issues are in intermediate-term uptrends and above their 30-WMAs. In the battle between the uncertain short term and the more robust intermediate term, it is typically better to align oneself with the latter.

U.S. MARKETS

The major U.S. indexes finished the week mixed as a rally on Friday erased most losses from earlier in the week. The narrowly-focused Dow Jones Industrial Average fared the best, while the technology-heavy NASDAQ Composite index recorded its worst weekly loss in two months. The Dow Jones Industrial Average rallied over 900 points finishing the week at 34,778, a gain of 2.7%. The Nasdaq Composite finished the week down -1.5%. By market cap, the large cap S&P 500 rose 1.2%, while the mid cap S&P 400 gained 1.7%. The small cap Russell 2000 added just 0.2%.

INTERNATIONAL MARKETS

The majority of major international markets finished the week to the upside. Canada's TSX rose 1.9%, while the United Kingdom's FTSE 100 rallied 2.3%. France's CAC 40 and Germany's DAX added 1.9% and 1.7%, respectively. In Asia, China's Shanghai Composite shed -0.8%, while Japan's Nikkei gained 1.9%. As grouped by Morgan Stanley Capital International, developed markets surged 2.9% and emerging markets finished the week up 1.3%.

U.S. ECONOMIC NEWS

The number of Americans applying for first-time unemployment benefits fell below 500,000 last week for the first time since the onset of the pandemic. Initial jobless claims in the states sank 98,000 to 498,000 in the seven days ended May 1, the government said. It was the fourth consecutive weekly decline. Economists had expected claims to total 527,000. New applications for jobless benefits fell the most in Virginia, New York, Florida, California and Oklahoma. Kentucky was the only one to post a sizable increase. Meanwhile, the number of people already collecting jobless benefits, known as "continuing claims", actually rose by 37,000 to a seasonally-adjusted 3.69 million. The increase is expected to unwind next week based on current trends. Chief economist Stephen Stanley of Amherst Pierpont Securities wrote in a note, "Jobless claims are still very high, but they are finally beginning to drop to more normal levels."

The U.S. gained 266,000 jobs in April as the economy continued to gain strength, but the increase in new jobs fell shockingly short of economists' forecasts. Economists had expected a reading of 1 million new jobs. Senior chief economist Gus Faucher of PNC Financial Services stated, "The April jobs report was a huge disappointment." Concurrently, the official unemployment rate ticked up to 6.1%, the U.S. Labor Department reported. The increase in the unemployment rate stemmed from more people entering the workforce in search of jobs—overall a good sign for the economy. The small increase in new jobs flies in the face of mounting evidence that companies are eager to hire more workers in response to soaring demand for goods and services – but workers are declining to accept the jobs. In the report, so-called leisure and hospitality businesses — hotels, restaurants, theaters, amusement parks — added the most new jobs in April. They hired 331,000 people. Yet even as customers return and sales surge, businesses say it's harder to find employees. They complain that generous emergency unemployment benefits have dissuaded many workers from accepting jobs. Extra benefits don't expire until September.

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BRAEBURN
Wealth Management

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Soaring prices of raw materials and a widespread shortage of parts, materials, and labor threaten to hamper the strong recovery of American manufacturers. The Institute for Supply Management (ISM) reported its manufacturing index fell 4 points to 60.7 in April—down from a 38-year high the prior month. The reading fell far short of analysts' expectations of an uptick to 65. In the report, top manufacturing executives say they are struggling to overcome key shortages that are causing the prices of most goods to rise—in some cases sharply. A senior executive of a manufacturer of fabricated metal products stated, "Steel prices are crazy high. The normal checks on the domestic steel mills are not functioning — imported steel is distorted by the Section 232 tariffs." In addition, a senior executive at a maker of rubber products stated, "In 35 years of purchasing, I've never seen everything like these extended lead times and rising prices — from colors, film, corrugate to resins, they're all up." All 18 major industries tracked by the survey reported they are growing — the first time that's happened since 2014.

In the vastly larger services side of the U.S. economy, the ISM reported rapid growth as states lifted business restrictions, companies hired more workers, and consumers spent their stimulus checks. ISM's survey of service-oriented businesses such as retailers, restaurants, and health-care providers fell 1 point to 62.7 in April. The ISM survey fell a bit short of Wall Street expectations. Economists had expected the index to edge up to 64.1. Still, April's reading was the second highest since the ISM survey began in 1997. Analysts generally consider any reading above 60 a sign of broad business strength. Anthony Nieves, chairman of the survey wrote, "There was slowing growth in the services sector in April. However, the rate of expansion is still strong. Respondents' comments indicate that pent-up demand is continuing."

Federal Reserve Chairman Jerome Powell gave a speech this week noting that "those least able to bear the burden" of the pandemic were the hardest hit. Powell said 20% of adults without college degrees suffered layoffs last year, versus 12% for college-educated workers. Furthermore, more than 20% of Black and Hispanic "prime age" adults were laid off compared to 14% of similar white workers over the same period. On the big economic picture, the Fed chairman did not say much, but he sounded a bit more optimistic about the outlook than at his regular press conference last week. "We are not out of the woods yet, but I am glad to say that we are now making real progress," Powell said.

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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