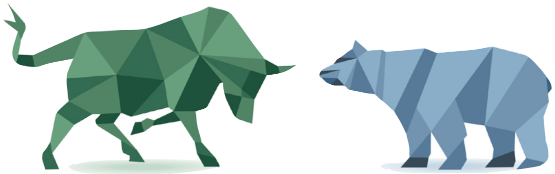
Braeburn Observations



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LOWRY'S 5/1/2020

The weight of evidence compiled by Lorwy's key measures of Supply, Demand, momentum and breadth currently suggests the strong probability the market has embarked on a new major move higher in the rally from the March 23, 2020 low. No rally escapes periodic pullbacks, however, and recent short-term overbought readings suggested a rally that was at risk of a pullback. Whatever the extent of a pullback in the days ahead, the amount of evidence stacked in favor of a new primary uptrend for the market suggests that a pullback should serve as an interruption and not as the termination of the uptrend in place since market's March 23 low.

U.S. MARKETS

U.S. stocks ended the week mixed as investors weighed some hopeful developments in the battle against the coronavirus pandemic against poor economic news and a possible resumption of the U.S.-China trade war. Small and mid-cap stocks outperformed for the week, as the major indexes rounded out their best monthly performance since 1987. The Dow Jones Industrial Average declined -0.2% and closed at 23,724 while the technology-heavy NASDAQ Composite retreated -0.3%. By market cap, the large cap S&P 500 ticked down -0.2%, while the S&P 400 midcap index and Russell 2000 small cap indexes gained 2.6% and 2.2%, respectively.

INTERNATIONAL MARKETS

Most major international markets rebounded from last week's declines with almost all finishing this week in the green. Canada's TSX rose for a sixth consecutive week, finishing up 1.4%. The United Kingdom's FTSE added 0.2%. Markets were strong on Europe's mainland. France's CAC 40 rallied 4.1% and Germany's DAX gained 5.1%. In Asia, China's Shanghai Composite rose 1.8%, while Japan's Nikkei gained 1.9%. As grouped by Morgan Stanley Capital International, developed markets rose 0.2% while emerging markets were off -0.7%.

U.S. ECONOMIC NEWS

The number of Americans claiming first time unemployment benefits fell by 603,000 last week to 3.839 million. Economists had expected a reading of 3.5 million. The reading was the fourth decline in a row as the initial wave of layoffs appears to have receded somewhat, but the level is still extreme and some states are still struggling to process all their applications. Continuing claims increased by 2.174 million to a new record of 17.992 million. That number corresponds to a 12.4% insured jobless rate—also a record. Based on the number of jobless claims over the past four weeks, the unemployment rate will approach 17.0% for April.

The National Association of Realtors (NAR) reported the number of homes in which a contract has been signed, but not yet closed, plunged -20.8% in March. The reading was worse than the consensus forecast of a -13.5% decline. It was the biggest decline since May of 2010, and the second most on record. All four regions of the U.S. posted double-digit declines in contract signings. The West suffered the largest decline, down -26.8%, while in the Northeast, contract signings decreased by -14.5%. Analysts look at pending home sales as an indicator for the existing-home sales reports in the coming months.

The confidence of America's consumers experienced the biggest drop on record last month, but respondents were also starting to think the worst might be over. The Conference Board's Consumer Confidence Index plunged a record

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31.9 points last month to 86.9—its lowest level since June 2014. The reading was worse than economists' forecasts of 90.0. However, while Americans were very pessimistic about the condition of the country at the current time they were more hopeful that the economy would begin to recover in the near future. The gauge that measures how Americans feel about the next six months, called the "future expectations index", actually improved 7 points to 93.8. Lynn Franco, director of economic indicators at the Board stated, "Consumers' short-term expectations for the economy and labor market improved, likely prompted by the possibility that stay-at-home restrictions will loosen soon, along with a re-opening of the economy."

The collapse in the U.S. economy caused by the coronavirus pandemic triggered the biggest drop in GDP since 2008. The Bureau of Economic Analysis reported the economy shrank at a -4.8% annual rate in the first quarter as stay-at-home orders were issued across the country to curb the spread of COVID-19. Economists had expected just a -3.9% decrease. Furthermore, economists estimate the economy is likely to contract by 25% or more in the second quarter, with some forecasts putting the decline at a record 40%. Prior to the crisis, the U.S. had been expanding at a steady 2% pace during what had become the longest expansion in history at 11 years. The contraction in activity in the first quarter was broad-based and deep. There were steep declines in consumer spending, capital expenditures, inventory investment, and exports.

The Federal Reserve wrapped up its two-day meeting stating the Fed will do all it can to help the economy still facing considerable risk. The Federal Reserve committed itself to using its full range of tools it has available. "The ongoing public health crisis will weigh heavily on economic activity, employment and inflation in the near term, and poses considerable risks to the economic outlook over the medium term," the Fed said in a statement. The Fed kept its benchmark rate near zero and repeated it would hold policy steady until the economy has weathered recent events and "is on track" to achieve full employment and price stability.

A pair of manufacturing indexes both showed sharp contraction in factory activity in April. The Institute for Supply Management (ISM) reported its Manufacturing Index dropped 7.6 points in April to 41.5—its lowest level in 11 years. Few industries were spared as 15 of the 18 industries tracked declined—the worst breadth since April of 2009. ISM reported respondents' comments about the near-term outlook were "strongly negative". Nearly all ISM components fell sharply, and in some cases reaching lower levels than during the Great Recession of 2008. Similarly, Markit reported its Manufacturing Purchasing Managers' Index (PMI) sank a record 12.5 points to 36.1, also its lowest reading since 2009. Like ISM, the PMI components reflected a similar broad-based deterioration in activity.

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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