

# Braeburn Observations



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## LOWRY'S 8/27/2021

Multiple crosses of Buying Power and Selling Pressure in light of the surplus of negative evidence is tilting the balance of Supply and Demand towards Supply. But more important than the crosses themselves are the trends of both indexes. Since June, Buying Power has been falling while Selling Pressure has been rising, so the current mechanical buy signal is skating on thin ice. There are a few Groups and Sectors that show relative strength but other than selective participation in the gains made by the major indexes, investors should continue to tread lightly.

## U.S. MARKETS

The benchmark U.S. equity indexes finished the week to the upside with the technology-heavy NASDAQ Composite outperforming the broader market S&P 500 and narrowly-focused Dow Jones Industrial Average. The Dow Jones Industrial Average rose 336 points finishing the week at 35,456, a gain of 1%. The NASDAQ rallied 2.8% finishing at 15,130. By market cap, the large cap S&P 500 added 1.5%, while the mid cap S&P 400 gained 3.4%; the small cap Russell 2000 lead the pack by surging 5.1%.

## INTERNATIONAL MARKETS

Major international markets were also positive for the week. Canada's TSX gained 1.5%, while the United Kingdom's FTSE 100 rose 0.8%. France's CAC 40 and Germany's DAX added 0.8% and 0.3%, respectively, while in Asia China's Shanghai Composite finished up 2.8%. Japan's Nikkei ended the week up 2.3%. As grouped by Morgan Stanley Capital International, developed markets finished the week up 1.6% and emerging markets rallied 4.2%.

## U.S. ECONOMIC NEWS

The number of Americans who applied for first-time unemployment benefits rose last week for the first time in over a month, but jobless claims remain near their pandemic lows. The Labor Department reported initial jobless claims increased by 4,000 to 353,000. Economists had expected claims to total 350,000. For perspective, before the pandemic initial jobless claims averaged in the low 200,000's, spiking as high as 6.9 million during the pandemic. Claims have been falling ever since. Meanwhile, continuing claims, which count the number of people already

receiving benefits, dipped by 3,000 to 2.86 million. That number is also at a pandemic low.

The median price of a new home reached a record high last month as buyers appear to be unfazed by the price tags on newly-built homes. The Census Bureau reported new-home sales increased 1% to an annual rate of 708,000 in July. The report exceeded expectations, as economists had forecast an annual sales rate of 700,000. Sales rates varied by region, with the Northeast and Midwest seeing declines of more than 20% compared to last month, while the West posted a 14% gain and the South a 1.3% uptick. The number of new homes for sale at the end of July increased 5.5% from the month prior, and were up 26% from the same time last year. The inventory in July equated to a 6.2-month supply, representing the highest level of supply in over a year.

Sales of existing homes rose as the inventory of homes for sale grew, giving relief to buyers who had been bidding up prices to excessive levels. The National Association of Realtors (NAR) reported existing-home sales rose 2% to a seasonally-adjusted 5.99 million in July. Economists had expected home sales to come in at 5.83 million. The median sales price of an existing home

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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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**BRAEBURN**  
Wealth Management

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was \$359,900, up 17.8% from the same time last year. Sales rose in three of the four regions nationally, with the Northeast the only region not to see an increase. The Midwest saw the largest gain from June, with a 3.8% uptick, followed by the West (up 3.3%) and the South (up 1.2%).

Orders for longer-lasting 'durable' goods dipped in July but analysts were quick to note the overall report was positive. The government reported orders for durable goods ticked down -0.1% last month, predominantly due to a sharp drop in orders for commercial airplanes. Removing the big-ticket transportation categories, new orders were actually up 0.7% last month. Citibank economists Andrew Hollenhorst and Veronica Clark said in a note to clients, "The underlying trend of demand for durable goods remains at very elevated levels and should support sustained production into 2022 as supply issues are eventually resolved."

Spending among the nation's consumers slowed in July but remained positive as inflation and the delta-variant of the coronavirus weighed on spending. The government reported consumer spending rose 0.3% last month, matching economists' estimates. Analysts note the biggest potential obstacle for the economy is inflation tied to widespread shortages of labor and materials and Fed liquidity. Consumer spending actually fell 0.1% in July if inflation is taken into account. The biggest increase in spending in July was on services such as dining out, renting hotel rooms or going on vacation. Spending fell on goods such as new cars and trucks, clothing and footwear. The Personal Consumption Expenditures Index—rumored to be the Federal Reserve's preferred inflation measure, climbed to 4.2% in July—its highest level in 30 years.

Federal Reserve Chairman Jerome Powell, in his closely-watched speech

in Jackson Hole, Wyoming, stated he believed the central bank can begin to "taper" or slow its bond purchases. Powell said, "at the FOMC's recent July meeting, I was of the view, as were most participants, that if the economy evolved broadly as anticipated, it could be appropriate to start reducing the pace of asset purchases this year." This is the first time Powell has given his personal opinion publicly. "My view is that the 'substantial further progress' test has been met for inflation. There has also been clear progress toward maximum employment," Powell said. The Fed is buying \$80 billion of Treasuries and \$40 billion of mortgage-backed securities each month to put downward pressure on long-term interest rates and boost demand in the economy. However, Powell was careful not to say when the tapering would begin. Most market participants rated Powell's remarks as "dovish" and the market responded positively.

## 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 perceptive, 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.

