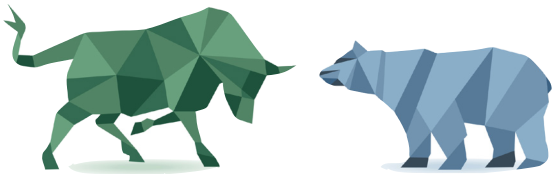
Braeburn Observations



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

LOWRY'S 10/22/2021

What appears to be the light at the end of the tunnel, albeit a very short tunnel of a 5% pullback, is now visible. The caveat is that it is still unclear whether it is the sunshine of a free path to higher prices or the headlights of oncoming traffic. That is why a selective approach, especially in favor of large-cap stocks, remains a good strategy.

U.S. MARKETS

Most of the major U.S. benchmark indexes moved to record highs this week, propelled by a series of positive earnings surprises. The Dow Jones Industrial Average rose 382 points last week closing at 35,677—a gain of 1.1%. The technology-heavy NASDAQ Composite crossed the 15,000 level with a 193-point gain, up 1.3%. By market cap, the large cap S&P 500 gained 1.6%, while the mid cap S&P 400 and small cap Russell 2000 rose 1.8% and 1.1%, respectively.

INTERNATIONAL MARKETS

International markets were mixed for the week. Canada's TSX gained 1.4%, while the United Kingdom's FTSE 100 shed -0.4%. France's CAC 40 ticked up 0.1%, while Germany's DAX declined -0.3%. In Asia, China's Shanghai Composite managed a 0.3% gain. Japan's Nikkei gave up some of last week's strong up move by retracing -0.9%. As grouped by Morgan Stanley Capital International, developed markets rose 0.7% and emerging markets gained 0.2%.

U.S. ECONOMIC NEWS

The number of Americans filing for first-time unemployment benefits fell again last week to a new pandemic low, as companies retained the workers they already have amid the biggest labor shortage in decades. The Labor Department reported new jobless claims dropped by 6,000 to just 290,000. Economists had expected new claims to total 300,000. New jobless claims fell the most last week in Virginia, Pennsylvania and Michigan. The only state to post a big increase was California. Meanwhile, the number of people already collecting benefits, known as "continuing claims", declined by 122,000 to 2.48 million. That number is also at a pandemic low.

Sales of existing homes rose in September as the threat of rising mortgage rates compelled some buyers to lock in deals before the window of opportunity closed. The National Association of Realtors (NAR) reported existing home sales increased 7% to a seasonally-adjusted annual rate of 6.29 million. Economists had expected only 6.1 million homes to change hands. Lawrence Yun, chief economist for the NAR stated rising inventory in previous months allowed for September's increase. Total housing inventory fell 0.8% between August and September, and was down 13% compared to a year ago. As of the end of the month, there was just a 2.4 months' supply of existing homes available. Analysts consider a 6-month supply a "balanced" housing market. The median price for an existing home was $352,800, up more than 13% from a year ago. On a regional basis, every part of the country saw an increase in sales, led by an 8.6% jump in the South.

Sentiment among home builders improved for the second consecutive month, rebounding further from the low point reached at the end of summer. The National Association of Home Builders' (NAHB) reported its monthly confidence index increased four points to a reading of 80 in October. The figure represents the highest confidence since July. Shortages of both skilled labor and key building supplies continued to weigh on the industry. The NAHB chairman Chuck Fowke, a custom home builder from Tampa, FL., wrote in the report,

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111 W. Western Avenue
Muskegon, Michigan 49442
231.720.0743 Main
866.577.9116 Toll free
info@braeburnwealth.com

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"Although demand and home sales remain strong, builders continue to grapple with ongoing supply chain disruptions and labor shortages that are delaying completion times and putting upward pressure on building material and home prices." All regions saw a monthly increase in builder confidence. However, over the past three months, builder sentiment was flat across the Northeast, the South and the West, only rising slightly in the Midwest.

Despite the improved sentiment from builders noted above the U.S. Census Bureau reported its measure of home construction fell in September. Builders started construction on an annualized rate of 1.56 million homes last month, a 1.6% decline from August. Economists had expected housing starts to occur at a pace of 1.61 million. In addition, permits, which give analysts an indication of future building activity, also dropped in September. Permitting for new homes occurred at a seasonally-adjusted annual rate of 1.59 million, down 7.7% from August. This was in line with the rate of permitting from a year ago but missed expectations of 1.67 million.

Analytics firm IHS Markit reported the dominant services side of the U.S. economy sped up in October after a slowdown the month earlier, and manufacturers also expanded activity in its latest report. A survey of senior executives in service-oriented companies rebounded to a three-month high of 58.2 from 54.9 Markit said, while its survey of manufacturers dipped slightly to 59.2, but remained at high levels. Readings over 50 signal growth, while those over 55 are considered exceptional. Businesses across the board report plenty of demand, but as in other reports, can't find enough workers or supplies to satisfy it. The result was a record rise in the backlog of unfilled orders and prices paid for parts and materials. The shortages have sparked the biggest increase in consumer prices in 30 years, a situation that also won't reverse very quickly. "While the economy looks set for stronger growth in the fourth quarter, the upward rise in inflationary pressures also shows no signs of abating," said Chris Williamson, chief business economist at IHS Markit.

The U.S. economy is still growing at a solid pace, according to the latest "Beige Book" report from the Federal Reserve. The report, a collection of anecdotal submissions from each of its member banks, noted the near-universal reports of a lack of workers and the inability of companies to obtain needed parts and supplies. The latest Beige Book cited labor shortages 26 times compared to just six mentions in January; supply-chain problems 37 times vs. just nine mentions in January and none before the pandemic started in March 2020. The latest Beige Book covers the period from September through early October.

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.

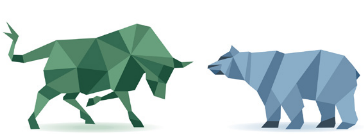
Stock Trader's Almanac – A unique annual publication created by Yale Hirsch in 1967. The almanac is a treasure trove of insightful research originating such important phenomena as the "January Barometer," the "Santa Claus Rally," and "Sell in May and Go Away." It includes data backing, historically proven, 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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