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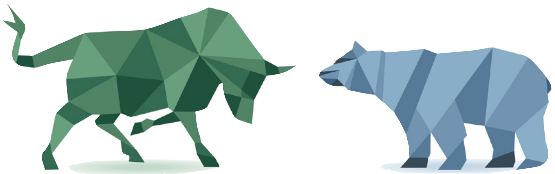
Braeburn Observations



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LOWRY'S 11/20/2020

Despite short-term overbought conditions and imperfections like the lackluster decline in Selling Pressure, the body of evidence in favor of a robust bull market continues to build. With the bigger picture in mind, should "short-termism" lead to a market pullback focused investors should be confident and well-served to use it as another buying opportunity.

U.S. MARKETS

The major U.S. indexes ended the week mixed, as good news on the coronavirus vaccine front continued to be offset by the resurgence in coronavirus cases and their severity in many parts of the country. The Dow Jones Industrial Average, the S&P MidCap 400 Index, and the small-cap Russell 2000 Index all reached new intraday highs in the first part of the week before surrendering some of their gains. The Dow Jones Industrial Average shed 216 points finishing the week at 29,263, a decline of -0.7%. The technology-heavy NASDAQ Composite retraced some of last week's decline by rising 0.2%. By market cap, the large cap S&P 500 gave up -0.8%, while the mid cap S&P 400 and small cap Russell 2000 added 1.6% and 2.4%, respectively.

INTERNATIONAL MARKETS

International markets were a sea of green last week. Canada's TSX rose 2.1%, while the United Kingdom's FTSE added 0.6%. On Europe's mainland, France's CAC 40 and Germany's DAX rose 2.2% and 0.5%, respectively. In Asia, China's Shanghai Composite added 2%, while Japan's Nikkei gained 0.6%. As grouped by Morgan Stanley Capital International, develop markets finished up 1.4% and emerging markets added 1.5%.

U.S. ECONOMIC NEWS

The number of Americans filing first-time unemployment benefits rose last week amid a surge in coronavirus cases. The Labor Department reported initial jobless claims increased by a seasonally adjusted 31,000 to 742,000. Economists had forecast initial claims to total 710,000. Continuing claims, which counts the number of people already receiving benefits, fell by 429,000 to 6.37 million. The economy has been regaining jobs at a steady pace since a big burst of hiring when the U.S. reopened in May, but the record rise in coronavirus cases threatens to freeze or even partly undue the progress if more cities and states impose restrictions on business. Overall, the U.S. is still missing some 10 million jobs that were lost during the early stages of the pandemic and unemployment remains very high.

New home construction surged to its highest level since the Great Recession in October, driven primarily by a rise in single-family housing starts. Builders started construction on new homes at a seasonally-adjusted annual rate of 1.53 million in October, up 4.9% from last month. Economists had expected housing starts to run at a 1.49 million annual pace. The upsurge in housing starts was driven by a 6.4% rise in single-family starts, as multifamily construction activity dipped once again, this time by 3.2%. Almost all regions experienced an increase in housing starts despite rising coronavirus cases across many parts of the country. Virtually every home builder is seeing rising sales as Americans look to leave urban areas for larger homes in the suburbs only to find very few existing homes up for sale. By region, the South led the way with a 12.9% increase, followed by the West and the Midwest. Housing starts in the Northeast fell. Permits, which economists use to get a read on future builder activity, rose slightly in the South, West, and Midwest, but fell markedly in the Northeast.

Sales of existing homes rose for a fifth consecutive month in October, hitting its highest level in 15 years. Total existing-home sales increased 4.3% from September to a seasonally-adjusted annual rate of 6.85 million, the National Association of Realtors (NAR) reported. Compared with a year ago, home sales were up roughly 27%. "Considering that we remain in a period of stubbornly high unemployment relative to pre-pandemic levels, the housing sector has performed remarkably well this year," Lawrence Yun, NAR's chief economist, said in the report. "The

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surge in sales in recent months has now offset the spring market losses." Economists had projected existing-home sales to rise to a median rate of 6.5 million. Home sales grew in every region across the country, led by an 8.6% increase in the Midwest. However, the supply of homes on the market is a growing concern. By month's end the total inventory of homes for sale dropped to a 2.5 months' supply, the lowest on record. A six-month supply of homes is generally considered to be indicative of a balanced market.

Confidence among the nation's home builders surged to a new record high as sales volumes continue to grow. The National Association of Home Builders (NAHB) reported its monthly confidence index rose five points to a reading of 90 this month. It is the fourth consecutive month that the index has hit a new record high. In the details, the index that measures current sales conditions increased six points to 96, while the index of expectations for future sales over the next six months rose one point to 89. The gauge of prospective buyer traffic increased three points to 77. By region, the indexes for the Midwest, South and West all increased. However the index for the Northeast dropped five points to 82. Robert Dietz, NAHB's chief economist wrote "In the short run, the shift of housing demand to lower density markets such as suburbs and exurbs with ongoing low resale inventory levels is supporting demand for home building."

Sales at the nation's retailers rose modestly in October, boosted by Amazon's Prime Day, but the already-fading momentum is in danger of falling into contraction amid the record coronavirus outbreak. The Census Bureau reported retail sales rose 0.3% last month, matching the consensus forecast. Although it was the sixth advance in a row, it was the smallest gain since the economy reopened in May. Sales rose the fastest among online retailers—jumping 3.1%. Internet sales have soared during the pandemic as the virus accelerated consumers pivot away from brick-and-mortar locations.

Factory activity in the New York-region continued to slow this month according to data from the New York Federal Reserve. The New York Fed reported its Empire State business conditions index fell 4.2 points to 6.3 in November. Economists had expected a reading of 13.5. In the details, the new orders index fell 8.6 points to 3.7, while shipments fell 11.5 points to 6.3. Inventories remained in negative territory. On a positive note, employment rose at its strongest pace in nearly a year and manufacturers remained optimistic about the next six months. However, many analysts are still concerned about the future. Following the release, Oren Klachkin, economist at Oxford Economics wrote "Manufacturing's resilience will be tested in the coming months as the health situation rapidly deteriorates. We expect that stronger headwinds from escalating virus fear, softening demand, and persistent supply chain disruptions will constrain manufacturing activity in the months ahead."

In the "city of Brotherly Love" business activity retreated only slightly this month from its highest point since before the coronavirus pandemic, the Philadelphia Fed reported. The Philly Fed stated its index slipped 6 points to 26.3 from 32.3 in October. Economists had expected a reading of 24.5. The headline index is based on a single question about business conditions. Manufacturing in the Mid-Atlantic area has been a bright spot as the economy recovers from the pandemic shutdown but economists are worried the pace of activity will slow as the virus has spread at a fast pace in recent weeks. Rubeela Farooqi, chief U.S. economist at High Frequency Economics, wrote in a note to clients, "Overall, manufacturing is continuing to recover lost ground. However, the level of output remains below pre-pandemic levels. The risk going forward comes from surging infection outbreaks that could disrupt activity as well as weakening 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 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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