

Braeburn Observations



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

LOWRY'S 12/30/2019

The new highs in the NYSE and OCO adv-Dec Lines reflect a bull market that continues to display few signs of age.

U.S. MARKETS

Continued trade optimism helped lift U.S. stocks to new highs during the holiday-shortened week. The technology-heavy NASDAQ Composite outperformed the other major benchmarks and crossed the 9000 level for the first time. Smaller cap benchmarks lagged with small losses. The Dow Jones Industrial Average rose 190 points to close at 28,645, a gain of 0.7%, while the NASDAQ added 0.9%. The large cap S&P 500 had its fifth consecutive week of gains, adding 0.6%, while the mid cap S&P 400 index gave up -0.1% and the small cap Russell 2000 declined -0.2%.

INTERNATIONAL MARKETS

Canada's TSX rose 0.3%, while the United Kingdom's FTSE 100 gained 0.8%. On Europe's mainland, France's CAC 40 added 0.3%, Germany's DAX rose 0.1%, and Italy's Milan FTSE fell -1%. In Asia, China's Shanghai Composite ended the week flat, and Japan's Nikkei ticked up 0.1%. As grouped by Morgan Stanley Capital International, developed markets finished the week up 0.7%, while emerging markets rose over 1%.

U.S. ECONOMIC NEWS

The number of Americans claiming first-time unemployment benefits fell for a second consecutive week last week. The Labor Department reported that initial jobless claims fell by 13,000 to a seasonally-

adjusted 222,000 in the week ended December 21. Meanwhile, the less-volatile monthly average of new claims rose by 2,250 to 228,000. Claims have remained below the key 300,000 level that analysts use to indicate a "healthy" jobs market. Continuing claims, which counts the number of people already collecting unemployment benefits, decreased by 6,000 to 1.72 million. That number is reported with a one-week delay.

Sales of newly-constructed homes increased 1.3% in November to a seasonally-adjusted annual rate of 719,000, but were well below economists' forecasts of 740,000. Still, new-home sales were 19.4% higher than the same time last year. In the details, the median sales price for new homes was \$330,800 and the government estimated there was a 5.4 month supply of new homes available on the market. Economists generally consider a six-month

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3597 Henry Street, Suite 202
Norton Shores, Michigan 49441
231.720.0743 Main
866.577.9116 Toll free
info@braeburnwealth.com



www.braeburnwealth.com

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supply of homes a “balanced” housing market. The supply of new homes last peaked at the 7-month level back in December 2018. By region, new home sales increased in the Northeast and the West, while sales volume dropped in the South. The Midwest remained flat.

Orders for goods expected to last at least three years, so-called “durable goods”, declined last month after a slight uptick in October, according to the Commerce Department. The entirety of the overall decline was due

to a 72.7% plunge in orders for defense aircraft and parts. Stripping out defense goods, orders were actually up 0.8%. Core capital goods orders, which strip out both defense and aircraft orders, were a bright spot posting their second straight monthly gain. Paul Ashworth, chief U.S. economist at Capital Economics observed “It’s not a disaster, but business equipment investment was still close to stagnant.”

The Chicago Federal Reserve reported its National Activity Index surged to 0.56 in November 2019, up from a

downwardly revised -0.76 the previous month. Economists had expected a reading of -0.09. The reading hit its highest level since February 2018 as production-related indicators contributed 0.49 point, up from -0.6 in October. Furthermore, employment-related indicators contributed 0.12, up from -0.07. In the details of the report, fifty of the 85 individual indicators made positive contributions, while 35 were negative.

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 perspectives, 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 realms 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.

