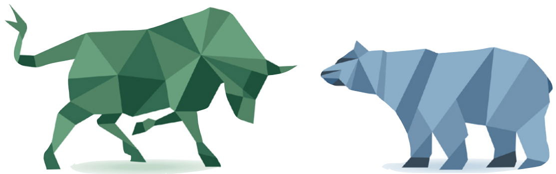
Braeburn Observations



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LOWRY'S 7/1/2020

Although the accumulated weight of evidence is overwhelmingly positive, the Lowry Analysis will continue to remain objective and vigilant as it relates to new developments that could alter the most likely intermediate-term direction of the market. For now, as evidenced by Lowry's measures of Supply and Demand, the path of least resistance is likely to the upside.

U.S. MARKETS

U.S. stocks recorded solid gains for the holiday-shortened week, helping to lift the technology-heavy NASDAQ Composite Index to a record intraday high. The large cap S&P 500 hit its highest level since mid-June. The week closed out the best quarter for the Dow Jones Industrial Average and the S&P 500 since 1987 and 1988, respectively. The Dow Jones Industrial Average added 812 points to finish the week at 25,827, a gain of 3.2%. The NASDAQ added 450 points and finished at 10,208, a 4.6% increase. By market cap, large caps led the way with the S&P 500 adding 4.0%, while the mid cap S&P 400 and small cap Russell 2000 rose 3.5% and 3.8%, respectively.

INTERNATIONAL MARKETS

Canada's TSX retraced last week's entire decline and then some by advancing 2.7%. The United Kingdom's FTSE finished essentially flat, down just 2 points. On Europe's mainland, France's CAC 40 and Germany's DAX rose 2.0% and 3.6%, respectively. In Asia, China's Shanghai Composite surged 5.8%, while Japan's Nikkei finished down 0.9%. As grouped by Morgan Stanley Capital International, developed markets added 2.1% while emerging markets gained 3.6%.

U.S. ECONOMIC NEWS

TThe number of Americans filing first-time unemployment benefits continued to slow last week, but remained above the consensus expectation. Initial claims for unemployment insurance fell by 55,000 to 1.427 million. Economists had expected a reading of 1.380 million. It was the 13th consecutive decline, as labor market conditions continued to improve with the reopening of the economy. Continuing claims for unemployment benefits, which counts the number of Americans already receiving benefits, rose by 59,000 to 19.290 million. The unemployment rate fell to 11.1% in June from 13.3% in the prior month. More than 50 million new claims have been filed since mid-March. Before the pandemic, claims averaged around 225,000 per week.

Another 4.8 million Americans went back to work in June sending the unemployment rate down to 11.1%, the Bureau of Labor Statistics reported. The increase in new jobs exceeded economists' forecasts of 3.7 million. Millions of people have returned to work since the states began to reopen in May. However, the survey used to compile the report took place before the latest wave of new coronavirus cases erupted. The U.S. lost more than 22 million jobs during the height of the pandemic and has restored about 7.5 million of them in the past two months. Analysts were quick to caution against expecting these strong numbers to continue. Sal Guatieri, senior economist at BMO Capital Markets wrote in a note to clients, "The end of the lockdowns has allowed for a faster than expected recovery in jobs in the past two months, but more recent events and data suggest much tougher slogging ahead."

After two consecutive months of declines, an early measure of housing demand staged a historic rebound.

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The National Association of Realtors (NAR) reported its index of pending home sales soared 44.3% in May—its largest monthly percentage increase on record. The result led many analysts to conclude that the worst may have already come for the real-estate market. Lawrence Yun, chief economist for the NAR, stated "This has been a spectacular recovery for contract signings, and goes to show the resiliency of American consumers and their evergreen desire for homeownership." The index measures real-estate transactions for previously-owned homes where a contract was signed but the sale had not yet closed. Analysts use the pending home sales data to get an "early read" on actual sales in the near future.

Home-prices have maintained a steady upward trajectory according to data from S&P CoreLogic. The S&P CoreLogic Case-Shiller 20-city price index posted a 4% annual gain in April, up 0.1% from the previous month. On a monthly basis, the index increased 0.9% between March and April. Phoenix continued to lead the country with an 8.8% annual price gain in April. Seattle was next, with a 7.3% gain, followed by Minneapolis, where home prices rose 6.4% over the past year. Prices were weaker in the Northeast. Overall, the pace of price growth increased in 12 of the 19 cities Case-Shiller analyzed (Detroit wasn't included because transaction records were unavailable, the report noted).

Confidence among the nation's consumers jumped to a 3-month high, but remains well below pre-pandemic levels. The Conference Board reported its index of consumer confidence rose to 98.1 in June. Economists had expected a reading of 90.8. However there's one potentially big caveat. The cutoff date for the survey was June 18th, shortly before states such as Texas and Arizona re-imposed new restrictions after a new outbreak of COVID-19 cases. The level of confidence remains well below pre-crisis levels after steep declines in March and April. The index had stood near a 20-year high at 132.6 in February before the pandemic shut down swaths of the economy. It fell to a low of 85.7 in April.

Manufacturing activity rebounded strongly in June according to the Institute for Supply Management (ISM). ISM reported its Manufacturing Index surged 9.5 points in June to 52.6. Economists had expected a reading of 49.5. It was the biggest jump since August 1980 and to the highest level in over a year as factory activity returned to growth mode after the COVID shutdown. In the details, thirteen of the eighteen ISM industries grew indicating a broadening expansion. Most ISM components increased led by near-record jumps in new orders and production. Supplier deliveries slowed at a slower pace, which was a positive development as it reflected diminishing supply chain issues.

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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