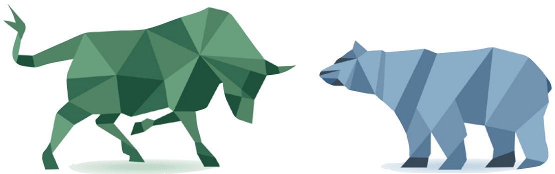
Braeburn Observations



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

LOWRY'S 9/4/2020

While the length and depth of the current market turmoil is unknown, conditions leading into it, specifically the intermediate-term evidence, were mostly positive. When the dust settles, a buying opportunity is likely to emerge.

U.S. MARKETS

U.S. stocks finished the week lower as investors suddenly took profits on Thursday and Friday after setting new all-time highs on Wednesday on several benchmark indexes. The technology-heavy NASDAQ Composite index suffered the deepest decline, giving up more than 3% on the week, but still remains comfortably up year-to-date. The Dow Jones Industrial Average tumbled by more than 500 points to finish the week at 28,133, a decline of -1.8%. The NASDAQ capped five consecutive weeks of gains with a -3.3% decline. By market cap, the large cap S&P 500 retreated 2.3%, while the mid cap S&P 400 and small cap Russell 2000 declined -2.5% and -2.7%, respectively.

INTERNATIONAL MARKETS

Canada's TSX declined -2.9% and the United Kingdom's FTSE 100 gave up -2.8%. On Europe's mainland, France's CAC 40 declined -0.8%, Germany's DAX fell -1.5%, and Italy's Milan FTSE retreated -2.3%. In Asia, China's Shanghai Composite ended down -1.4%, while Japan's Nikkei was the lone major market winner, gaining 1.4%. As grouped by Morgan Stanley Capital International, developed markets fell -1.5%, while emerging markets declined a steeper -2.7%.

U.S. ECONOMIC NEWS

The number of Americans seeking first-time unemployment benefits fell sharply last week to a new pandemic low. The Labor Department reported initial jobless claims fell by 130,000 to a seasonally-adjusted 881,000 in the last week of August. Economists had expected 940,000 new claims. It was the fifth consecutive week in which unadjusted claims have been below one million. Still, jobless claims remain exceedingly high. They averaged in the low 200,000s and stood near a half-century low just before the coronavirus pandemic broke out in February. Continuing claims, which counts the number of people already receiving benefits, fell to a seasonally-adjusted 13.25 million from 14.49 million in the week ended August 22. That number is reported with a one-week delay.

The jobs recovery from the pandemic continued in August, but at a slower pace. Nonfarm payrolls expanded by 1.4 million in August, 50,000 above the consensus. However, the big story in the release was the surprisingly large drop in the unemployment rate from 10.2% to 8.4%. The decline marked the fourth consecutive decline from the pandemic peak of 14.7%. "I would say today's jobs report was a good one," Federal Reserve Chairman Jerome Powell stated in an interview. The U.S. shed more than 22 million jobs during the worst of the pandemic. So far it has restored about 10.7 million jobs, leaving about half of the people who were laid off still out of work. A broader measure of unemployment known as the U6 rate suggests the "real" rate was 14.2% in August, down from 16.5% in the prior month. The U6 rate includes workers who can only find part-time work and those

Continued on page 2

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

BRAEBURN
Wealth Management

Continued from page 1

who have become discouraged.

The services sector, which makes up the vast majority of the U.S. economy, expanded again in August—but companies still haven't brought back most of their workers amid the uncertainty of the coronavirus. The Institute for Supply Management (ISM) reported its index of non-manufacturing companies—retailers, banks, hospitality, healthcare providers and the like—slipped to 56.9 in August, from 58.1 in July. Readings above 50 indicate growth rather than contraction. The reading was only slightly below the consensus of 57.0. In the report, new orders and production both grew more slowly in August, but they still showed a marked improvement from several months ago. Employment levels, meanwhile, continued to stabilize after massive layoffs and furloughs earlier in the year. ISM's employment gauge rose to 47.9 from 42.1, marking the highest level since the pandemic began in March.

Manufacturing activity increased for a fourth consecutive month, according to the latest data from the Institute for Supply Management (ISM). ISM reported that its manufacturing index climbed 1.8 points to a 21-month high of 56.0. Economists had expected a reading of 55.0. The reading implies a continued recovery from the pandemic lows in both manufacturing output and the broader economy. Four of the five ISM index components increased last month, led by a 6.1-point jump in new orders to 67.6, the highest level since January 2004. Furthermore, production increased at its fastest pace since the beginning of 2018. Similarly, research firm Markit reported its U.S. Manufacturing Purchasing Managers' Index (PMI) rose 2.2 points in August to 53.1—its highest level since January 2019. Markit reported strong upturns in output and new orders, boosted by firmer export orders.

The Commerce Department reported that factory orders jumped 6.4% in July, the third consecutive increase. Economists had expected an increase of 6.2%. Durable goods, products expected to last at least 3 years, were revised up to 11.4% from 11.2%, led by transportation equipment. Orders for nondefense capital goods ex-aircraft, a proxy for capital expenditures, rose 1.9% also up a third straight month. Nondurable goods rose 1.8%, led by petroleum products. On a year-over-year trend basis, factory orders were down 10.9%, but the negative momentum has abated since May.

The Federal Reserve's 'Beige Book', a collection of anecdotes from each of the Federal Reserve's member banks, softened in August as many parts of the country expanded at slower pace of growth and reported lingering anxiety over the coronavirus. "Continued uncertainty and volatility related to the pandemic, and its negative effect on consumer and business activity, was a theme echoed across the country," the central bank's Beige Book reported. Nonetheless, the Fed said manufacturers in most of the country grew again. Consumer spending on houses and new cars and trucks were also bright spots. Yet total spending by both businesses and consumers was still well below pre-crisis levels. Energy producers and farmers in particular suffered from low prices and little prospect of any improvement soon.

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.

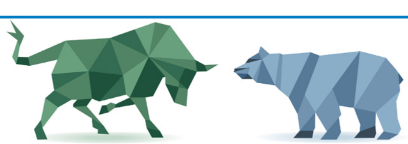
Stock Trader's Almanac – A unique annual publication created by Yale Hirsch in 1967. The almanac is a treasure trove of insightful research originating such important phenomena as the "January Barometer," the "Santa Claus Rally," and "Sell in May and Go Away." It includes data backing, historically proven,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



BRAEBURN
Wealth Management