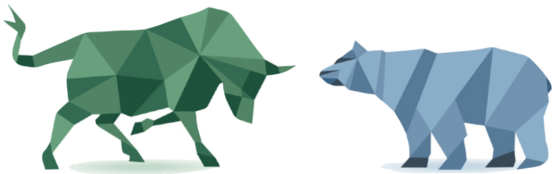


Braeburn Observations



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LOWRY'S 8/6/2021

While new highs were recorded in large-cap price indexes, there was little progress measures. The silver lining is that the evidence is not signaling more than a potential correction, at least not yet. Nonetheless, be forewarned that even though the market has not endured a true correction, commonly regarded as being a decline of 10% or more, since September 2020, nor has there been a 5% correction since March, there is no law saying there must be. Markets can work out their internal problems over time by just trading sideways, which makes it so important to maintain objectivity instead of assuming the market must do someththing. ... For now, patience is a necessity as the market decides which way it wants to go. Tread lightly, reduce risk, and focus on what has been working. Eventually, we'll get to the front of the line and the next ride will begin.

U.S. MARKETS

U.S. stocks recorded solid gains for the week and several indices hit record highs. The Dow Jones Industrial Average rose 273 points finishing the week at 35,209, a gain of 0.8%. The NASDAQ retraced all of last week's decline by rising 1.1% to close at 14,836. By market cap, the large cap S&P 500 rose 0.9%, while the mid cap S&P 400 and small cap Russell 2000 gained 0.5% and 1.0%, respectively.

INTERNATIONAL MARKETS

Major international markets also finished the week solidly in the green. Canada's TSX added 0.9%, while the United Kingdom's FTSE 100 gained 1.3%. France's CAC 40 and Germany's DAX rose 3.1% and 1.4%, respectively. China's Shanghai Composite added 1.8%, while Japan's Nikkei rallied 2%. As grouped by Morgan Stanley Capital International, developed markets finished up 1.0% and emerging markets gained 0.7%.

U.S. ECONOMIC NEWS

The number of Americans filing first-time unemployment benefits fell close to a pandemic low, indicating the economy is thus far avoiding major damage from the so-called "delta strain" of the coronavirus. Initial jobless claims dropped by 14,000 to 385,000 in the week ended July 31, the government said. The reading matched the consensus forecast. Applications had surged to a two-month high in mid-July, but the increase appears to have stemmed from seasonal swings in summer employment. Economists are watching to see if the contagious delta strain triggers more layoffs or discourages people from looking for work. New claims fell the most in Pennsylvania, Texas, Michigan and Georgia. The only state to post a large increase was Indiana. Meanwhile, continuing claims, which count the number of people already receiving benefits, declined by 366,000 to 2.93 million. That number is a new pandemic low.

The U.S. added 943,000 jobs in July, a sign the economy continued to gain steam and is (so far) withstanding concerns over a "delta variant" of the coronavirus. The increase in hiring last month--the biggest in nearly a year, easily exceeded Wall Street's estimates. Economists had forecast just 845,000 new jobs would be created. Privately owned businesses added 703,000 employees last month, mostly at restaurants, hotels and other providers of leisure and entertainment. Furthermore, the unemployment rate fell sharply to a fresh pandemic low of 5.4% from 5.9% in June. Many economists predict more people will rejoin the labor force in the fall after schools reopen and extra federal benefits put in place during the pandemic expire.

U.S. manufacturers continue to struggle

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BRAEBURN
Wealth Management

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to cope with broad shortages of key supplies and labor leading to delays in production and weighing on the economic recovery. The Institute for Supply Management (ISM) reported its closely-followed index of U.S.-based manufacturing dipped 5.1 points to a six-month low of 59.5 in July. That was slightly below Wall Street forecasts. While numbers above 50 signify growth, the survey had topped 60 for 5 months in a row, a reflection of the strong recovery in the economy. ISM reported that businesses would be growing even faster if not for persistent difficulties in getting materials on time and finding qualified people to hire. In a potentially good sign, Timothy Fiore, chairman of the survey, said price increases may have peaked and companies are starting to resolve supply bottlenecks. "You are going to see prices drop as suppliers have more capacity to meet demand," he wrote.

Factory orders rose 1.5% in June, on stronger demand for big ticket items like airplanes, oil, and other industrial goods. New orders have risen in 13 of the last 14 months, reflecting the resiliency of the U.S. economy and the manufacturing sector during the pandemic. Orders for goods expected to last at least three years, so-called "durable goods", rose 0.9% the Commerce Department said. That number beat expectations by 0.1%. The biggest increase in new bookings involved commercial airplanes. Core capital goods orders, which exclude large ticket items like aircraft and military equipment, rose 0.7% in June. Orders for shorter-lasting "non-durable goods" such as food, clothing, and medications, advanced 2.1% in the month.

A survey of the much-larger services side of the U.S. economy rose to a record 64.1 in July - up from 60.1 in the prior month, the Institute for Supply Management (ISM) reported. Economists had forecast the index would total just 60.5% in July. While readings above 50 signal expansion, numbers above 60 are considered exceptional. In the details of the report, new orders and the level of production rose again in July and were near all-time highs. Employment also turned positive again after a negative reading in June. Seventeen industries tracked by ISM reported growth in July while none contracted. Chief economist Stephen Stanley of Amherst Pierpont Securities wrote in a note to clients, "The economy is literally bursting at the seams, as demand is as strong as I have ever seen it and supply is struggling to catch up."

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.