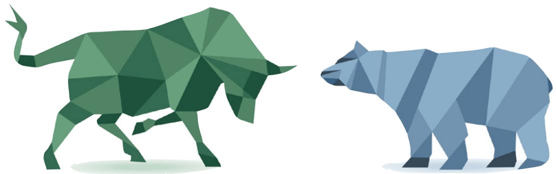
Braeburn Observations



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LOWRY'S 10/2/2020

Aside from a combination of 90% Downside and Upside Days, one of the stronger signs the Lowry Analysis is watching would be the upside reversal in the trend of Buying Power, which would be a significant change in tone after months of decline. If that occurs, confirming evidence would be crosses of the 30-Day Net Moving Averages of Advancing Issues, Points Gained and Upside Volume above their 30-DMAs, as well as relative performance improvements in small- and midcap stocks.

U.S. MARKETS

The large cap benchmarks managed to break a string of four consecutive weekly losses and moved higher, although gains were more robust in small and mid-caps. Most sectors within the S&P 500 index recorded modest positive returns, with the exception of energy stocks, which continued their declines. For the week, the Dow Jones Industrial Average added 509 points to close at 27,683, a gain of 1.9%. The technology-heavy NASDAQ Composite rose for a second week, adding 1.5%. By market cap, the large cap S&P 500 gained 1.5%, while the mid cap S&P 400 and small cap Russell 2000 surged 4.7% and 4.4%, respectively.

INTERNATIONAL MARKETS

International markets in the West finished the week predominantly to the upside. Canada's TSX rebounded 0.8%, while the United Kingdom's FTSE added 1%. On Europe's mainland, France's CAC 40 rose 2% along with Germany's DAX which gained 1.8%. In Asia, China's Shanghai Composite finished the week flat, while Japan's Nikkei declined -0.8%. As grouped by Morgan Stanley Capital International, developed markets finished the week up 1.3%, while emerging markets added 2.4%.

U.S. ECONOMIC NEWS

The U.S. added 661,000 jobs in September and the unemployment rate fell to 7.9%, the Bureau of Labor Statistics reported. The increase in employment fell short of the consensus forecast of 800,000 jobs added. Furthermore, the gain in hiring was the smallest since the economy reopened, pointing to a potential deceleration in the recovery. Private-sector hiring was somewhat stronger with the creation of 877,000 new jobs. A decline in public-education jobs at local schools and state colleges appeared to be the main reason for the shortfall. The unemployment rate, meanwhile, fell for the fifth month in a row to 7.9% from 8.4%, a new pandemic low. The official jobless rate had peaked at 14.7% in April before subsiding.

The number of Americans filing first-time unemployment benefits fell to a six-month low last week, hitting their lowest level since the outbreak of the coronavirus pandemic. The Labor Department reported initial jobless claims dropped to 837,000 in the week ended September 26. Economists had expected new claims to fall to 840,000. However, the report had one big caveat—California. The state is not accepting new applications until early October while it processes a large backlog and investigates reports of widespread fraud. As a result, the U.S. Labor Department is using the most recent California numbers before the pause as part of its national total. Continuing claims, which counts the number of people already receiving benefits, declined by 980,000 to a seasonally-adjusted 11.8 million. That's also the lowest level since late March, when most of the U.S. economy was shut down.

The National Association of Realtors (NAR) reported pending home sales, which counts the number of real-estate transactions in which a contract has been signed but not yet closed, rose for a fourth consecutive month in August to a new record high. The NAR reported pending home sales rose 8.8% in its latest reading. Compared

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with the same time last year, contract signings were up 24%. "Tremendously low mortgage rates — below 3% — have again helped pending home sales climb in August," Lawrence Yun, the National Association of Realtors' chief economist, said in the report. All regions of the country rose, but the West led the way with a 13% gain.

Home-price appreciation maintained its upward trajectory in July as buyers flooded the market only to find fewer homes for sale, according to S&P/CoreLogic. S&P's Case-Shiller 20-city home price index posted a 3.9% year-over-year gain in July. On a monthly basis, the index increased 0.6% between June and July. Phoenix led all other markets once again with a 9.2% annual price gain. That was followed by Seattle with a 7% increase and Charlotte, N.C. with 6% growth. By region, Craig Lazzara, managing director and global head of index investment strategy at S&P stated, "Prices were particularly strong in the Southeast and West regions, and comparatively weak in the Midwest and Northeast." Overall, the pace of price growth increased in 16 of the 19 cities Case-Shiller analyzed — the 20-city list did not include Detroit once again this month because transaction records for Wayne County, Mich. were unavailable.

Confidence among the nation's consumers rose in September to its highest level since the coronavirus pandemic began a closely followed survey showed. The Conference Board reported its index of consumer confidence jumped 15.5 points to 101.8 this month—its biggest one-month increase in 17 years. Economists had expected just a 3.3 gain. Lynn Franco, senior director of economic indicators at the board noted in the release, "A more favorable view of current business and labor market conditions, coupled with renewed optimism about the short-term outlook, helped spur this month's rebound in confidence." In the details of the report, the sub-index that tracks how consumers feel about the economy right now jumped to 98.5 in September from 85.8 in the prior month, and the sub-index that tracks how Americans view the next 6 months - the so-called "future expectations index" - surged to 104 from 86.6.

The record decline in the nation's gross domestic product (GDP) in the early stages of the coronavirus pandemic was modified slightly to a -31.4% annual pace—setting the stage for a big rebound in the third quarter. The decline was previously -31.7% during the months of April, May, and June.

The economy has been engaged in a comeback since the start of the summer, and GDP is expected to show a big snap-back rebound in the third quarter. Economists predict the U.S. is likely to expand at a record 25% annual clip during the July-to-September time frame. Third-quarter GDP will be released at the end of October.

Business activity in the Chicago area surged in September to its highest level since the end of 2018 according to analytics firm MNI Indicators. MNI reported its Chicago PMI business barometer jumped 11.2 points to 62.4 in September. Economists had expected a reading of 52. All five main components of the index rose in September, especially new orders and production. Both advanced to an almost two-year high in a region with a heavy concentration of auto and parts manufacturing. Car sales have been surprisingly strong as of late on the heels of record low interest rates. However, analysts were quick to point out that diffusion indexes such as the Chicago PMI only ask executives if conditions are getting better or worse—not by how much. Rubella Farooqi, Chief U.S. economist at High Frequency Economics stated in a note, "Manufacturing is still rising from low levels, but momentum has slowed in recent months."

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

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