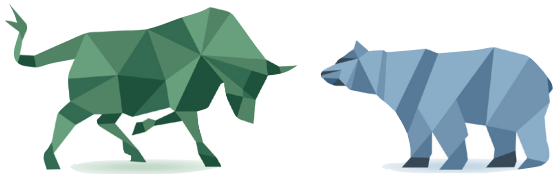
Braeburn Observations



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LOWRY'S 10/15/2021

The recent improvements in many of Lowry's indicators are regarded as net positives with the caveat that progress needs to continue and expand if the rally is to sustain itself.

U.S. MARKETS

U.S. stocks built on the previous week's gains, helped by some strong economic reports and positive earnings surprises. All of the major indexes finished solidly in the green. The Dow Jones Industrial Average rose 1.6% to finish the week at 35,295. The technology-heavy NASDAQ Composite rebounded 2.2%, closing at 14,897. By market cap, the large cap S&P 500 gained 1.8%, while the mid cap S&P 400 and small cap Russell 2000 finished up 2.2% and 1.5%, respectively.

INTERNATIONAL MARKETS

International markets also finished the week solidly to the upside. Canada's TSX rallied 2.5% along with the United Kingdom's FTSE 100, which added 2%. France's CAC 40 and Germany's DAX gained 2.6% and 2.5%, respectively. In Asia, China's Shanghai Composite declined -0.6%, but Japan's Nikkei surged 3.6%. As grouped by Morgan Stanley Capital International, developed markets rose 2.6% while emerging markets gained 2.2%.

U.S. ECONOMIC NEWS

The number of Americans filing for first-time unemployment benefits fell below 300,000 for the first time since the pandemic began. Just 293,000 applied for jobless benefits last week, a decline of 36,000 from the previous week. Economists had expected claims to total 318,000. Meanwhile, continuing claims, which counts the number of people already receiving benefits, fell by 134,000 to 2.59 million. Continuing claims is also at a pandemic low. Most economists expect the employment trend to continue. Corporate economist Robert Frick of Navy Federal Credit Union wrote in a note, "Hopefully, we can quickly resume dropping to the pre-Covid era average of about 200,000."

A record number of workers quit their jobs in August, signaling more trouble ahead for businesses already struggling to fill roughly 10 million open jobs. The Bureau of Labor Statistics reported the number of U.S. job openings fell in August, but even more concerning was the record number of people outright leaving their jobs. The so-called 'quits rate' climbed to 2.9% overall and 3.3% for private-sector employees. Both are at their highest level since the government began tracking the data in 2000. Altogether, a record 4.27 million people quit their jobs in August. Meanwhile, the number of job openings across the country fell to 10.4 million in August from a record 11.1 million in July.

The nation's small businesses reported a pick-up in demand, but shortages of supplies and skilled labor continue to weigh on growth. The National Federation of Independent Business (NFIB) reported its index slipped a point to 99.1 in September—its lowest reading in six months. Small businesses report they cannot find enough skilled workers even after raising pay. More than 50% of small businesses said they couldn't fill open positions last month, a 48-year peak. And the number of companies offering higher pay was also at a 48-year high. The situation doesn't appear likely to get better anytime soon. In addition to labor and supply shortages, small business owners now have to worry about government interference. NFIB chief economist Bill Dunkelberg stated, "The outlook for economic policy is not

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encouraging to owners, as lawmakers shift to talks about tax increases and additional regulations."

Business conditions in the New York-region moderated this month according to the New York Federal Reserve. The NY Fed's Empire State Business Conditions index fell 14.5 points to 19.8 in October. Economists had expected a reading of 25. The new-orders index slipped 9.4 points to 24.3 and the shipments index sank 18 points to 8.9. Despite the lower readings, respondents stated they were more optimistic about business conditions for the next six months.

In a surprise to absolutely no one, prices at the consumer level continued to increase in September keeping the rate of inflation at a 30-year peak. The Bureau of Labor Statistics reported its 'consumer price index' (CPI) climbed 0.4% last month. Higher prices for food, gasoline, and rent drove the advance. Economists had expected a 0.3% rise. The pace of annual inflation over the past year edged up to 5.4% in September, more than double the Federal Reserve's 2% target. Core CPI, which omits the often-volatile food and energy categories, rose 0.2% last month. The 12-month increase in the core rate was unchanged at 4%. It had reached a 30-year high of 4.3% in June. Most economists outside of the Federal Reserve have given up the belief inflation will be 'transitory'. Senior economist Ben Ayers at Nationwide wrote in a note, "Extended supply chain disruptions —and potentially further increases in energy costs — are likely to maintain a hot inflation trend through yearend and into 2022 even as pandemic effects slowly ebb."

At the wholesale level, inflation rose at its slowest pace in nine months, but all is not good under the surface. The producer price index climbed 0.5% last month—its smallest gain since December, and a tick below expectations. Yet the details showed a steep drop in airline fares and an unusual decline in transportation and warehousing costs held down overall producer prices. However, with ports backed up, truckers hard to find, and limited space on rail cars, analysts view that decline as an anomaly. Over the past 12 months, wholesale inflation rose to 8.6%. That's the highest level since the index was reconfigured in 2010—and likely one of the highest readings since the early 1980's.

According to minutes of the Federal Reserve's Sept. 21-22 policy meeting, officials discussed a plan to begin to slow down emergency support for the economy in either mid-November or December. Fed officials discussed when to slow down the current pace of $120 billion per month in purchases of Treasury and mortgage-backed securities (MBS) that has been underway since June 2020. The minutes show officials discussed "an illustrative plan" to reduce the asset purchases by $15 billion per month – specifically cutting purchases of Treasuries by $10 billion and MBS purchases by $5 billion. "Several" Fed officials said they preferred to proceed at a more rapid pace. Economists expect the Fed to announce a specific plan to taper at the end of its Nov. 2-3 meeting.

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