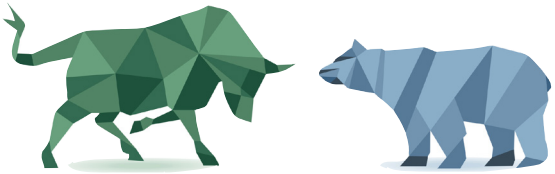
Braeburn Observations



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

LOWRY'S 2/19/2021

Notwithstanding some short-term turbulence and dimperfections, the larger trends of Lowry's most valued indicators remain favorable to further intermediate-term progress.

U.S. MARKETS

The major U.S. indexes finished the week mostly to the downside with the large-cap benchmarks and technology-heavy NASDAQ Composite index hitting record intraday highs before falling back. The Dow Jones Industrial Average ticked up 0.1% to 31,494, its third consecutive week of gains. The NASDAQ reversed most of last week's gain finishing down -1.6%. By market cap, the large cap S&P 500 gave up -0.7%, while the mid cap S&P 400 and small cap Russell 2000 retreated -0.4% and -1.0%, respectively.

INTERNATIONAL MARKETS

Canada's TSX retreated -0.4%, while the United Kingdom's FTSE 100 added 0.5%. On Europe's mainland, France's CAC 40 and Germany's DAX finished mixed with the CAC rising 1.2%, while the DAX declined -0.4%. Markets finished the week in the green in Asia. China's Shanghai Composite rose 1.1%, while Japan's Nikkei added 1.7%. As grouped by Morgan Stanley Capital International, developed markets ticked down -0.1%, while emerging markets fell a steeper -0.5%.

U.S. ECONOMIC NEWS

The number of Americans claiming first-time unemployment benefits rose last week to a four-week high, as Americans continue losing their jobs nearly a year after the onset of the coronavirus pandemic. The Labor Department reported initial jobless claims rose by 13,000 to 861,000. Economists had expected new claims would fall to 770,000. New applications for jobless benefits rose the most in Illinois, California and Virginia, while the biggest declines took place in Texas and Georgia. Continuing claims, which counts the number of people already collecting traditional unemployment benefits, fell by 64,000 to a seasonally adjusted 4.49 million.

Sales of existing homes ticked up 0.6% to a seasonally-adjusted annual rate of 6.69 million, the National Association of Realtors (NAR) reported. Home sales were up 23.7% compared with the same time last year. The median existing-home price rose to $303,900, a 14.1% increase from a year ago. Furthermore, the inventory of homes for sale fell to record low of just 1.04 million units—that's a 25.7 decline from the same time last year. Overall, the market now has just a 1.9 month supply of homes for sale. Economists generally consider a 6-month supply a balanced housing market.

Confidence among the nation's home builders improved, but high construction costs remain a concern. The National Association of Home Builders' (NAHB) reported its monthly confidence index rose one point to 84 in February as foot traffic from home buyers improved. The modest increase comes following two consecutive months of declines. In the details, the index that measures sentiment of prospective buyers increased four points to 72. Despite high demand, the NAHB voiced its concern over rising costs of building materials. Chuck Fowke, current chairman of the National Association of Home Builders stated, "Lumber prices have been steadily rising this year and hit a record high in mid-February, adding thousands of dollars to the cost of a new home and causing some builders to abruptly halt projects at a time when inventories are already at all-time lows."

Manufacturing activity in the New

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

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York-region hit its highest level in seven months according to the latest report from the New York Fed. The Fed's Empire State business conditions index rose 8.6 points to 12.1 in February—more than double economists' estimates. Economists had expected a reading of just 5.9. In the report, the new orders index rose 4.2 points to 10.8, while shipments fell 3.3 points to 4. Notably, prices paid for goods jumped 12.3 points to 57.8 - the highest level since 2011. Manufacturers' expectations for business conditions in the next six months rose 3 points to 34.9.

Sales at the nation's retailers jumped last month, as stimulus checks helped boost the nation's economy. The Census Bureau reported retail sales surged 5.3% in January, its first increase in four months and the largest increase in eight months. Economists had expected just a 1% increase. In the details, sales were strong in every category. Department store chains, Internet retailers, electronic stores and home-furnishing outlets all recorded double digit percentage gains. Bars and restaurants also registered a nearly 7% increase in sales after receipts had fallen three months in a row. The increase in spending was fueled in part by $600 stimulus checks sent to millions of Americans and more generous unemployment benefits. Economist Katherine Judge of CIBC Economics wrote in a note, "With additional fiscal stimulus on the way, new Covid cases trending lower, and many states moving to relax social distancing measures, the worst looks to be in the rear view mirror."

Prices at the producer level posted their biggest surge since 2009, but some analysts stated it is unlikely to be sustained. The Labor Department reported the Producer Price Index jumped 1.3% last month. Economists had forecast a 0.5% gain. Over the past 12 months, the rate of wholesale inflation climbed to 1.7 in January, from just 0.8% at the end of 2020. Most of the increase in wholesale prices last month was tied to higher costs of gasoline, health care and financial services. Energy prices have risen in the past several months as more people have resumed traveling, the weather has turned colder, and supplies have tightened. The core rate of wholesale inflation, which strips out the often-volatile food and energy categories, also surged by 1.3%. The increase in the core rate over the past 12 months nearly doubled in January to 2% from 1.1% in December and is now above pre-pandemic levels.

Minutes of the January meeting of the Federal Reserve showed officials were more optimistic about the long-term health of the economy. The voting members of the Fed's interest-rate committee agreed that expected progress on vaccinations and the change in the outlook for fiscal policy had improved the longer-run prospects for the economy so much that officials "decided that the reference in previous post-meeting statements to risks to the economic outlook over the medium term was no longer warranted," according to the minutes. Notably, Fed officials were seemingly not concerned about inflation, with "most" officials saying that inflation risks were weighted towards too low rather than too high.

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