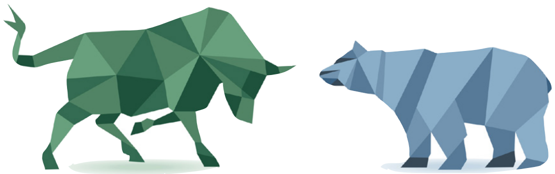
Braeburn Observations



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LOWRY'S 7/9/2021

Watch for clues of a refreshed market; especially in a reversal of small cap relative performance coupled with improved breadth and participation. Until such positive changes are made, the investing climate is likely to remain selective, albeit within an intact intermediate-term uptrend.

U.S. MARKETS

The major U.S. benchmarks closed the week mixed, with large caps and growth stocks outperforming for a second week. The Dow Jones Industrial Average finished the week up 84 points to 34,870, a gain of 0.2%. The technology-heavy NASDAQ Composite rose 0.4%. By market cap, the large cap S&P 500 gained 0.4%, while the mid cap S&P 400 and small cap Russell 2000 retreated -0.1% and -1.1%, respectively.

INTERNATIONAL MARKETS

International markets were likewise mixed on the week. Canada's TSX rose 0.2%, while the United Kingdom's FTSE 100 remained essentially flat. On Europe's mainland, France's CAC 40 retreated -0.4%, while Germany's DAX rose 0.2%. In Asia, China's Shanghai Composite ticked up 0.2%. The most notable move was in Japan where the Nikkei plunged -2.9% as a new lockdown was announced. As grouped by Morgan Stanley Capital International, developed markets rose 0.3%, while emerging markets declined -2.2%.

U.S. ECONOMIC NEWS

The number of Americans applying for first-time unemployment benefits rose slightly last week, while layoffs remain near their pandemic lows. Initial jobless claims rose by 2,000 to 373,000 in the seven days ended July 3, the government reported. Economists had forecast new claims would fall to a seasonally adjusted 350,000. The number of people applying for state or federal benefits each week has fallen gradually this year, but claims are still more than double the pre-pandemic average. New claims averaged in the low 200,000s before the viral outbreak. Continuing claims, which counts the number of people already collecting state jobless benefits, fell by 145,000 to a seasonally adjusted 3.34 million. That number is reported with a one-week delay.

The number of jobs available in the United States hit a record last month as businesses still can't find enough qualified workers to fill them. The Labor Department reported job openings in the U.S. rose slightly to a record 9.21 million. The number of available jobs has set a record for three consecutive months. Not only that, but a record 4 million people quit their jobs two months ago, nearly double the number from the same time a year earlier. "People are moving from one job to the next," said Anthony Nieves, chairman of a monthly survey of service-oriented companies that asks how business is going. The closely-watched "quits rate" among private-sector workers declined to 2.9% from a record 3.2%. The quits-rate is rumored to be the Federal Reserve's preferred measure of the health of the labor market. At the height of the coronavirus crisis, the quits rate had fallen to a seven-year low of 1.8%.

The Institute for Supply Management (ISM) reported a drop in its services index in June, down from a record-high the previous month. ISM's survey of service-oriented businesses fell to 60.1 in June, down from a record 64.0 in May. Restaurants, retailers, and other businesses that compose the huge services side of the U.S. economy reported they simply cannot find enough people to fill open jobs—or get the supplies they need to keep up with sales. These shortages are boosting the cost of materials and labor and adding to the upward pressure on prices. The reading missed economists' expectations for a reading of 63.3. Senior U.S. economist Michael Pearce

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BRAEBURN Wealth Management

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of Capital Economics stated, “Shortages and price increases are becoming an increasing drag on hiring and economic activity.”

Following two monetary-policy meetings in which there was virtually no discussion of slowing down asset purchases, the minutes from the Federal Reserve’s June meeting show officials dove into the debate about how and when to taper. Currently, the Fed is holding its policy interest rates close to zero and buying $120 billion in Treasuries and mortgage-backed securities each month to bolster the economy. The central bank said it would keep up the pace of purchases until “significant” progress was reached on the labor market and inflation. However, with inflation surging, many economists think it is time for the Fed to move. But there is concern that any move to the exit could set off an outsized market reaction as it did in 2013. The minutes show “various” officials said they thought the committee would meet the “significant further progress” condition to begin to reduce the pace of asset purchases “somewhat earlier” than they had anticipated. Fed-watchers noted that “various” wasn’t a term often used by the Federal Reserve and it was unclear whether it also meant the majority. At his last press conference, Powell said the Fed would go “meeting by meeting” and see if the conditions for tapering are met.

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.