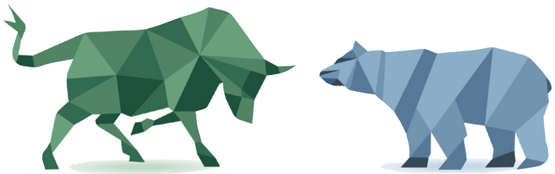
Braeburn Observations



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LOWRY'S 2/26/2021

While investors may fret over rising oil prices and long-term interest rates, the stock market is responding, at least for now, with rotation and strength. The current volatility is likely to provide a refreshed market that will target new highs in the coming weeks.

U.S. MARKETS

The major U.S. benchmarks pulled back sharply in response to a steep rise in longer-term treasury interest rates. The S&P 500 recorded its biggest weekly decline in a month, while the technology-heavy NASDAQ Composite suffered its worst drop since October. The narrowly-focused Dow Jones Industrial Average shed 562 points finishing the week at 30,932, a decline of -1.8%. The NASDAQ Composite ended the week down -4.9%. By market cap, the large cap S&P 500 declined -2.4%, while the mid cap S&P 400 and small cap Russell 2000 retreated -1.5% and 2.9%, respectively.

INTERNATIONAL MARKETS

Major international markets sold off last week as well. Canada's TSX declined 1.8%, while the United Kingdom's FTSE ended down -2.1%. On Europe's mainland, France's CAC 40 gave up -1.2% and Germany's DAX shed -1.5%. In Asia, China's Shanghai Composite plunged -5.1%, and Japan's Nikkei gave up -3.5%. As grouped by Morgan Stanley Capital International, developed markets ended down -2.9%, while emerging markets dropped a rather large 6.6%.

U.S. ECONOMIC NEWS

The number of Americans filing first-time unemployment benefits fell last week, but the labor market remains under pressure. The Department of Labor reported initial jobless claims fell to 730,000 for the week ended February 20th. That was well below the 845,000 economists had expected, and a sharp decline from the previous week. Despite the decline, jobless claims remain far above their levels from just before the onset of the coronavirus pandemic. Continuing claims decreased by 101,000 to 4.42 million, the lowest reading since March 21st of last year.

A recent Conference Board survey suggests that the U.S. economy is still growing and likely to accelerate in the next six months. The Conference Board reported its Leading Economic Index (LEI) rose 0.5% last month, following gains of 0.4% and 0.9% the prior two months. The survey noted that as vaccinations accelerate, labor markets and overall growth are likely to continue improving. Ataman Ozyildirim, senior director of economic research at the board stated, "While the pace of increase in the U.S. LEI has slowed since mid-2020, January's gains were broad-based and suggest economic growth should improve gradually over the first half of 2021."

Home prices rose at their fastest pace in seven years according to a widely followed real estate barometer. The S&P CoreLogic Case-Shiller 20-city home price index posted a 10.1% annual gain in December—a 9.2% increase from the previous month. On a monthly basis, the index increased 0.8% between November and December. Selma Hepp, deputy chief economist at CoreLogic noted it was the first time home prices saw a double-digit year-over-year increase since January 2014. Additionally, the broader S&P Corelogic Case-Shiller national price index, which covers the entire country, demonstrated a 10.4% gain year-over-year in December, up from 9.5% the prior month. Prices rose in 18 of the 20 large cities tracked by Case-Shiller. Phoenix, Ariz. experienced the largest price increase for the 19th consecutive month with

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a 14.4% increase, followed again by Seattle (13.6%) and San Diego (13%).

Sales of newly built homes rose as the number of buyers outpaced the number of homes available for sale. On an annual basis, sales of new homes were up 19% to 923,000 in January, according to data from the U.S. Census Bureau. That was 4.3% above the annual rate of 885,000 in December. The reading exceeded analyst expectations of 850,000. In the details, new-home sales rose across most parts of the country led by a 12.6% increase in the Midwest. The Northeast was the only region where sales declined—dropping nearly 14%. Inventory dropped to just a four-month supply. A six-month supply of homes for sale is generally considered a "balanced" housing market. The median price of a new home was $346,400 in January, down 2% from December.

Orders for goods expected to last at least three years, so-called "durable goods", posted their biggest gain in six months in January—a good sign for the economy going forward. The Census Bureau reported durable goods orders rose 3.4% last month. Economists had expected just a 1% advance. Orders have now returned to their pre-crisis levels, reflecting a shift among consumers towards the purchases of goods such as new cars, appliances, electronics and so forth. The report shows the increase in orders was led by a large increase in orders for passenger jets and military hardware. Excluding transportation, durable-goods orders rose a more modest 1.4%. "Core orders", which excludes the often volatile defense and transportation segments edged up 0.5% in January—its ninth consecutive increase.

In prepared remarks for the Senate Banking Committee, Federal Reserve Chair Jerome Powell said inflation and employment remain well below the Federal Reserve's goals, meaning easy monetary policies are likely to stay in place. Despite a sharp rise in bond yields this year that has heightened concern over inflation, Powell said price pressures remain mostly muted and the economic outlook is still "highly uncertain". The economy is a long way from our employment and inflation goals, and it is likely to take some time for substantial further progress to be achieved," the Fed chief said. The Fed last year revised its approach to inflation. In the past, it would levy preventive rate hikes when it saw unemployment drop, thinking that a stronger job market would push up prices. Now, it has adopted an approach in which it will allow inflation to average above 2% for a period of time before moving to tighten policy.

A measure of business conditions in the Chicago area retreated in February from a strong reading in the prior month. MNI Market News International reported its Chicago Business Barometer softened to 59.5 in February from a strong 63.8 reading in January. The January reading was its highest since July 2018. Economists had expected the index to slip, but only to 61. Still, readings above 50 indicate improving conditions. The index, also known as the Chicago Purchasing Managers Index, is the last of the regional manufacturing indices before the closely-watched national ISM data for February is released next week. Lewis Alexander, chief economist at Nomura, expects a slight decline in the ISM manufacturing index to 58.5 in February. "While we think the manufacturing sector growth outlook remains firm, power outages [mostly in Texas and Plains states] and low temperatures led to temporary disruptions in production," he said in a note to clients.

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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