

Braeburn Observations



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

LOWRY'S 9/23/2021

Even encouraging short-term signs like the back-to-back 80% Upside Days on Sept. 22 and 23 are not to be interpreted as evidence of the start to a new, enduring advance. Rather, without the more significant improvements outlined here - in the trends in Supply and Demand, market breadth, Demand intensity, and momentum - stocks likely remain vulnerable.

U.S. MARKETS

The major U.S. indexes overcame an early week sell-off, ending the week essentially flat to modestly higher. On Monday, the benchmark S&P 500 index recorded its biggest daily drop since early May. The Dow Jones Industrial Average rose 213 points last week finishing at 34,798—a gain of 0.6%. The technology-heavy NASDAQ Composite remained essentially flat, adding just 4 points to close at 15,048. By market cap, the large cap S&P 500 rose 0.5%, while the mid cap S&P 400 added 0.8% and the small cap Russell 2000 finished the week up 0.5%.

INTERNATIONAL MARKETS

Canada's TSX retreated -0.4%, its third

consecutive decline, while in Europe the United Kingdom's FTSE 100 rebounded 1.3%. France's CAC 40 rose 1%, while Germany's DAX added 0.3%. In Asia, China's Shanghai Composite ended the week flat, Japan's Nikkei declined -0.8%. As grouped by Morgan Stanley Capital International, developed markets declined -0.2%, while emerging markets fell -1.1%.

U.S. ECONOMIC NEWS

The number of Americans filing first-time unemployment benefits spiked to a one-month high, but the increase appeared to stem largely from California catching up on a backlog of claims, rather than any deterioration in the U.S. economy. The Labor Department reported initial jobless claims rose by 16,000 to 351,000 in the week ended September 18th. Economists had estimated new claims would total 320,000. Earlier this month, claims had tumbled to a pandemic-era low of 312,000. Before the pandemic claims were consistently in the low 200,000's. Continuing claims, which counts the number of people already receiving benefits, rose by 131,000 to 2.85 million. This number had fallen to a pandemic low the prior week.

Confidence among the nation's homebuilders improved this month as demand for housing remained strong. The National Association of Home Builders (NAHB) reported its monthly confidence index increased one point to 76 in September. The uptick comes following three months of declines in optimism among home builders. In the details, the index measuring traffic of prospective buyers notched the largest gain rising two points to 61. The gauge of current sales conditions rose a point to 82. Expectations of future sales over the next six months remained even at 81. Analysts noted the housing market, while off its highs, remains robust. Robert Dietz, chief economist for the NAHB stated in the release, "The single-family building market has moved off the unsustainably hot pace of construction of last fall and has reached a still hot but more stable level of activity."

The Census Bureau reported home builders started construction on homes at a seasonally-adjusted annual rate of 1.62 million in August—a 3.9% increase from the previous month. Compared with the same time last year, housing starts were up 17.4%. Economists had expected housing starts to occur at a 1.55 million rate. The gains in August were driven primarily by an uptick in the higher-margin multifamily (apartments and condominiums) sector.

Continued on page 2

The *Braeburn Observations* is our means of sharing with clients and interested parties what it is we are reading in our research. These are research items, news and statistics that are being considered as we make investment decisions for our clients. Items noted do not necessarily drive an investment decision in and of itself. We are trying to make the best decisions we can given all that we are looking at. We also highlight key financial metrics that will provide a "point in time" glimpse of how the financial markets are behaving. Again, it is often the trend in these metrics and/or anticipated movements that drives our decision making in our clients' portfolios. All observations are taken at a point in time and should not be used to infer our opinion or to rely upon as a matter of fact that we are currently acting upon.

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



BRAEBURN
Wealth Management

Continued from page 1

Multifamily starts rose by nearly 22%, whereas single-family starts decreased by roughly 3% on a monthly basis. Notably, the report showed there were nearly 20% more permits issued for multifamily projects in August as compared with July, but only 0.6% more single-family homes. Part of the reason builders are focused on more expensive projects is the high costs they continue to endure. Although lumber prices have dropped from their peak reached earlier this year, the cost of other building materials and labor remain especially high.

Sales of existing homes declined last month as buyers held out for better prices and more options. The National Association of Realtors (NAR) reported home sales dropped 2% in August, as inventory and price remained major concerns for prospective buyers. Compared with the same time last year, sales were down 1.5%. Lawrence Yun, chief economist for the NAR noted in the report that buyers, “are out and about searching, but much more

measured about their financial limits, and simply waiting for more inventory.” The median sales price of an existing home was up nearly 15% year-over-year at \$356,700. Expressed in terms of the months’ supply, there was a 2.6-month supply of homes based on the current pace of sales, unchanged from July. A six-month supply of homes is generally considered a “balanced” market.

The U.S. economy is still powering ahead despite a reported spread of the “delta-variant” of the coronavirus according to analytics firm IHS Markit. Business leaders at U.S. manufacturing and services companies are still optimistic about the near future the surveys showed. However, both sectors reported the inability to find qualified workers or get badly needed supplies continued to pose major roadblocks. The preliminary “flash” reading of Markit’s services index slid 1.1 points to a 14-month low of 54.4 this month, while the firm’s manufacturing index also dipped to a five-month low of 60.5 from 61.1. Despite the declines,

analysts were still optimistic. Readings above 50 signify growth and anything above 60 are especially robust.

The Federal Reserve signaled this week it is almost ready to begin tapering its bond-buying program and is considering moving up its timetable for raising interest rates. Chairman Jerome Powell said the Fed could “easily move” in November to announce its scaling back its bond purchases if the economy continues to make further progress. He also noted that inflation now sharply exceeds the Fed’s 2% target, though he stuck to his view that inflation is “transitory”. He said Fed officials think it’s appropriate for the tapering program to be gradual and end “around the middle of next year.” The Fed has been buying \$80 billion in Treasuries and \$40 billion in mortgage-backed securities each month since last summer to keep long-term interest rates low and spur demand as the economy recovered from the coronavirus pandemic.

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 professional money manager who developed an in-depth expertise in computerized analysis 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.

