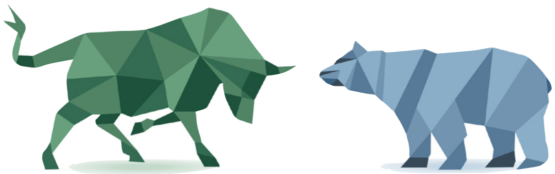
Braeburn Observations



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In the context of a healthy, improving market advance, all of this suggests that another opportunity has been presented to patient investors able to focus on what matters most at the expense of those searching the news wires.

U.S. MARKETS

The major U.S. benchmarks ended the week mixed as investors reacted to stimulus negotiations and third-quarter corporate earnings reports. The technology-heavy NASDAQ Composite performed the worst, dragged lower by weakness in bellwether Apple, while the mid cap S&P 400 and small cap Russell 2000 paced the field with modest gains. The Dow Jones Industrial Average finished the week down 271 points to 28,336—a decline of -0.9%. The NASDAQ Composite, the worst of the lot, finished down -1.1%. By market cap, the S&P 500 gave up -0.5%, while the S&P 400 and Russell 2000 rose 0.9% and 0.4%, respectively.

INTERNATIONAL MARKETS

Canada's TSX fell for a second week, down -0.8%, as was the United Kingdom's FTSE 100, down -1%. On Europe's mainland, France's CAC 40 declined -0.5% and Germany's DAX fell -2%. In Asia, China's Shanghai Composite gave up -1.7%, while Japan's Nikkei rose 0.5%. Despite these headline losses, international markets as a whole gained: as grouped by Morgan Stanley Capital International, developed markets gained 0.4% and emerging markets added 1.7%.

U.S. ECONOMIC NEWS

The number of Americans filing first-time unemployment benefits fell to a new pandemic low, a welcome sign for the economy. The Labor Department reported initial jobless claims fell by 55,000 to 787,000, marking the first time they've dropped below the 800,000-level since the coronavirus pandemic hit in March. Economists had forecast new claims would fall to 860,000. Continuing claims, which counts the number of Americans already receiving benefits, fell by 1.02 million to a seasonally-adjusted 8.37 million. That reading is also a new pandemic low. Despite the good news, analysts were quick to note that the number of claims remained more than three times higher than before the coronavirus outbreak. Raymond James Chief Economist Scott Brown stated, "The downtrend in claims is good news, but the level is still extremely high by historical standards."

Sales of existing homes increased for the fourth consecutive month in September, as the U.S. housing market continues to benefit from low interest rates. The National Association of Realtors (NAR) reported total existing-home sales rose 9.4% from August to a seasonally-adjusted 6.54 million annual rate. Home sales were up a whopping 21% compared with the same time last year. As a result, the total inventory of homes for sale dropped to just a 2.7 months' supply. A 6-month supply of homes is generally considered to be a "balanced" housing market. Lawrence Yun, the NAR's chief economist wrote in the release that record-low interest rates and an abundance of buyers in the marketplace continued to lift the housing market well into its "non-peak" season. "Home sales traditionally taper off toward the end of the year, but in September they surged beyond what we normally see during this season," Yun wrote.

Confidence among the nation's home builders reached a record high for the third consecutive month as buyers continue to flood into the market. The National Association of Home Builders reported its monthly confidence index rose two points to 85 this month. This was the third month in a row in which the index hit a record high, and only the second

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time that the confidence measure was at or above 80. In the details of the report, the index that measures current sales conditions increased two points to 90, while the index of expectations for future sales over the next six points rose three points to 88. By region, the Northeast and West both increased seven points to readings of 88 and 95, respectively. In the Midwest, the index dropped one point to 77, and it fell two points in the South to 83.

The Census Bureau reported construction of new homes rose modestly in September, driven by high demand in the Northeast. Home builders started construction on new homes at a seasonally-adjusted annual rate of 1.42 million last month—a 1.9% increase from the previous month's downwardly-revised figure. Compared with the same time last year, housing starts were up 11%. The number of home building permits, used by analysts to get a read on future housing activity, occurred at a seasonally-adjusted annual rate of 1.55 million—up more than 5% from August and 8% from a year ago suggesting that new-home construction should continue at a steady clip. Economists had expected starts to occur at just a 1.45 million pace and permits to come in at 1.52 million.

Research firm IHS Markit reported business activity increased to a 20-month high in October; however the pace of new business growth and new orders eased slightly. Markit's flash U.S. Composite Purchasing Managers Index (PMI) Output Index, which tracks both the manufacturing and services sectors, rose to 55.5 this month. That reading is the highest since February 2019 and up 1.2 points from September. Despite the reported pick-up in business activity, economists are predicting slower economic growth in the fourth quarter as the effects of the $3 trillion coronavirus stimulus package wane. In the details, Markit reported its services sector index climbed to 56.0 from 54.6, while the index for the smaller manufacturing sector ticked up 0.1 point to 53.3.

The Federal Reserve's Beige Book—a collection of anecdotes from each of the Fed's member banks, reported improvements in economic activity in most parts of the country were "slight to modest". Furthermore, "changes in activity varied greatly by sector," the central bank said. Restaurants were worried about the looming cooler weather slowing sales (many of which have been able to stay afloat by offering outdoor dining), while banks voiced concerns about the prospect of rising delinquency rates. The U.S. economy's rebound has shown some signs of slowing in recent weeks as fiscal stimulus passed in early spring has expired and it appears the nation may experience a resurgence in COVID-19 cases. The most recent economic data has been mixed, with consumer spending rising while jobs gains have slowed.

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.

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