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A Ray of Light

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The Fed has yet to become Mr. Hyde and may not raise interest rates in 2023 as much as the market has recently anticipated. If we are correct, Stratos predicts the possibility of the S&P 500 (3948) retesting our **final resistance level of 4132,** potentially confirming a new bull market with our year-end target of 4473 for the S&P 500. We consider **4152 through 4314 as no man's land.** If this level is unable to be sustained, Stratos plans to reduce equity exposure by selling our underperformers, looking for the potential for a continuation of last year's major downtrend if interest rates go too high. We remain positive on this year's S&P 500 performance as long as it does not close under Stratos' **intermediate support level of 3784.**

We correctly predicted in October the possibility of a bull market formation, which would be confirmed with two closes above 4305 in the S&P 500. As we suggested in our last blog when the S&P retested 4100 on December 13, 2022, Stratos' technical indicators pointed towards some correction from the year lows in October (3491). Since then, the S&P's lowest close is 3783.22. Based on our intermediate support level (3784), our six portfolios became fully invested once again.

With most investment professionals anticipating significant further deterioration to U.S. equities in 2023, we remain cautiously optimistic that inflation indicators besides energy and precious metals could improve. Once again, oil has tested the $70 level (current: $80) for the third time without breaking it. Stratos believes there is a put on oil with OPEC in a position to cut production at any time and

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Stratos S&P 500 Market Analysis

No Man's Land:
4152-4314

Final resistance:
4132

Intermediate support:
3784

Base camp support:
3602

Line in the sand:
3474

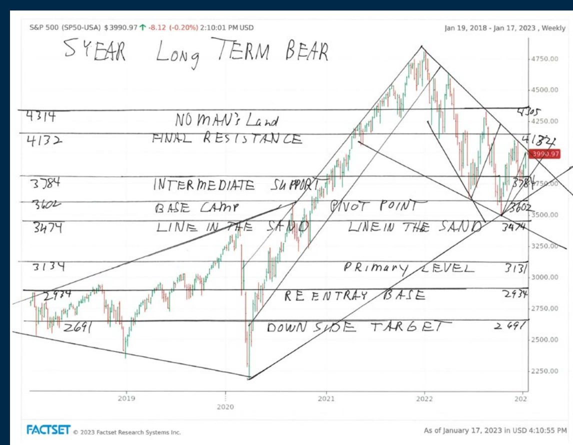
Russian oil being phased out. With China's reopening now taking place after the major COVID epidemic subsides, Stratos expects increased demand for energy as well. A retesting of the $150 level, based on the possibility of higher inflation, supply disruption, consumption demand, or any use of nuclear weapons, should lead to significant price increases.

We expect interest rates may move slightly higher over the next few months, depending on how strong our market moves up and how convinced the Fed becomes of keeping equity prices down to prevent a further inflationary cycle. We are fearful the Fed will keep rates high too long if they follow the mistakes they typically make, which could lead to the most anticipated recession ever.

Stratos continues to be bullish on precious metals with gold prices making recent eight-month highs. We forecast all-time highs in gold over the next three to five years. However, Stratos does not expect much inflation surrounding raw materials and food prices this year as the production chain improves globally.

It is too early to predict how much further the Federal Reserve is willing to raise interest rates to combat inflation. At 4%, it does not seem to be causing major problems globally. If interest rates remain relatively stable or go down slightly, it is reasonable for Stratos to expect a prosperous year for equities. Historically, U.S. equities do not usually have successive negative years. With market sentiment as negative as it has been since 2008, Stratos believes the strong U.S. economy and employment situation may prove to be remarkably resilient—a ray of light for this year.

Stratos Market Analysis



Good Trading for the Long Term!

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