MAY 9, 2023

WEEKEND AT BERNARD'S

Don't Sell a Sleeping Market

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Don't sell a sleeping market. Whether you look at U.S. stocks over the last two years, six months, or one month, the S&P 500 has been running in place. As we forecasted in April, the S&P 500 (4138) continues to retest what we consider **no man's land (4152-4307)**. Current resistance seems to be stalling the recent bull uptrend, and failure to sustain momentum over the next few months could turn into a major selloff. Even though we believe this is a new bull cycle, stocks could go significantly lower before they go higher. Based on the potential beginning of a new bull market with a strong U.S. economy, Stratos expects the current uptrend to break through resistance sometime before the end of the summer. Our year-end target is 4473, which to us seems more likely than a bear market selloff at this time. Our optimism is based on the fact that the overall market has been able to absorb the crisis in confidence in our U.S. banking system, which started in March and resulted in three major S&P 500 banks being taken over and many financial companies suffering. This may not be over.

Rarely do we consider that political events like elections or gridlock may affect the world economy for a potentially long period of time. Most of the time, there is just a buildup to the event, and the market continues on its short-term trend. However, we believe this political debt ceiling crisis has the potential to ignite the selloff that some U.S. investors have been anticipating all year. During the 2009-2018 bull market run, there was only one time when the S&P 500 tested Stratos' line in the sand. It was tested in the fall of 2011 when the debt ceiling crisis resulted in the U.S. government being shut down and U.S. credit being downgraded. This time, the same factors exist in addition to many others that were less complicated in 2011. We believe that makes it a bigger problem now.

STRATOS INVESTMENTS of RAYMOND JAMES®

Stratos S&P 500 Market Analysis

No Man's Land:
4152-4307

Initial Support:
4007

Intermediate Support:
3861

Primary Support:
3672

Base Camp Support:
3537

Line in the Sand:
3392

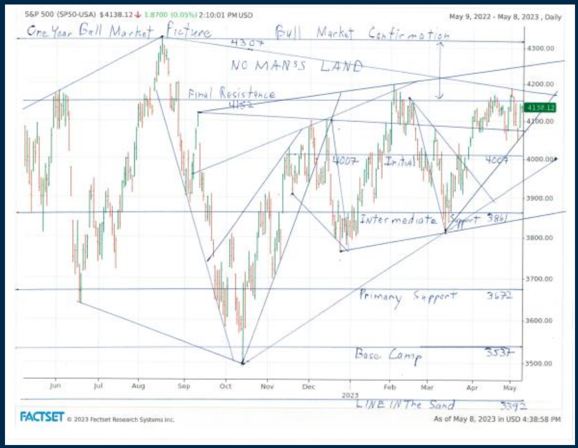
Downside Target:
2683

Stratos is not confident that our political leaders will be able to resolve this issue before major damage occurs. Failure to resolve our debt ceiling limit would most likely break either Stratos' current intermediate support of 3861 or previous intermediate support of 3784. In April, we suggested our **primary level of support (3672)** could be an excellent reentry point. Given our concerns, we would be more likely to recommend lowering our reentry point to **3537, which is our base camp level**. Stratos' **line in the sand is 3392**. This level could be broken quickly if this crisis were to persist more than a month.

Stratos expects the world economy to continue its positive trend outperforming the U.S. as it has so far this year. Based on this premise, we still believe there is a put in oil at $65. During April, oil tested $65 for a moment and went as high as $83, only to retest $67 last week. It has currently rebounded back above $70. If oil breaks $65, we believe there may be an excess of oil and lack of demand, which may lead to a major selloff to our downside target of $45. Because we have a positive macro outlook that includes the U.S. for the next three to five years, we still believe oil has much more upside and is more likely to be event-driven and, therefore, more volatile to the upside.

As we have been stating for months, we expect precious metals, especially gold, silver, and palladium, to continue outperforming industrial metals and the overall market. This makes sense when you consider recent U.S. banking concerns. The U.S. dollar's relative price stability is helping to reduce U.S. equity volatility, which we are interpreting as positive for stocks throughout the summer. The real wild card is political this time. Our rule is: Don't sell a sleeping market because it might wake up and explode higher.

Stratos Market Analysis



Good Trading for the Long Term!

Bernard K. Semon
VICE PRESIDENT, INVESTMENTS
PORTFOLIO MANAGER – STRATOS INVESTMENTS

STRATOS INVESTMENTS of RAYMOND JAMES®

Bernard.Semon@RaymondJames.com
D 915.534.4005   F 844.597.8378
4503 N. Mesa, El Paso, TX 79912
StratosRJ.com

Stratos Investments of Raymond James
@stratosinvestrj
bernardsemon