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Is This a Bull Market?

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Stratos believes that this is the beginning of a bull market, but U.S. stock prices could move lower before they move higher. During the last month, the S&P 500 (4090) was unable to sustain momentum above 4100 and fell to our intermediate support level of 3861 as we predicted. The volatility index spiked above 30 for a moment and has now moved back under 20, giving us an indication that the first storm was not as severe as many had anticipated. Recent highs now above 4100 are attempting to retest what we consider **no man's land (4152-4307)**. Two closes above 4307 would confirm a new bull market trend. However, failure to sustain the momentum over the next few months could indicate a potential pull-back.

Briefly in February, the S&P 500 traded as high as 4195 before correcting. In December 2022, Stratos suggested the possibility of a new bull market cycle after we correctly called last year's bottom. We successfully predicted the initial pull-back in the S&P (3784) that took place in late December. Furthermore if the market were to correct again, we would no longer expect 3861 to be a key level of support and would expect further declines to our potential **primary level of support (3672)**.

The Fed continues to weigh on whether they need to raise interest rates based on higher levels of inflation, although their 2% inflation target remains unrealistic. Recent U.S. banking fears have resulted in two regional S&P 500 banks failing their stock investors. Further concerns could lessen the need for the Fed to raise interest rates as the economy may react negatively to these banking concerns of decreased lending and other potential ramifications.

Stratos S&P 500 Market Analysis

No Man's Land:
4152-4307

**Intermediate
support:**
3861

Primary support:
3672

Base camp support:
3537

Line in the sand:
3392

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Recent strength in U.S. stock markets gives reason to be optimistic for the next few months in spite of many issues. Historically after a positive first quarter, the S&P is up 24 out of 28 years, which points to a more probable positive year-end surprise. Our year-end target of 4473 seems more likely than our bear market target of 2683.

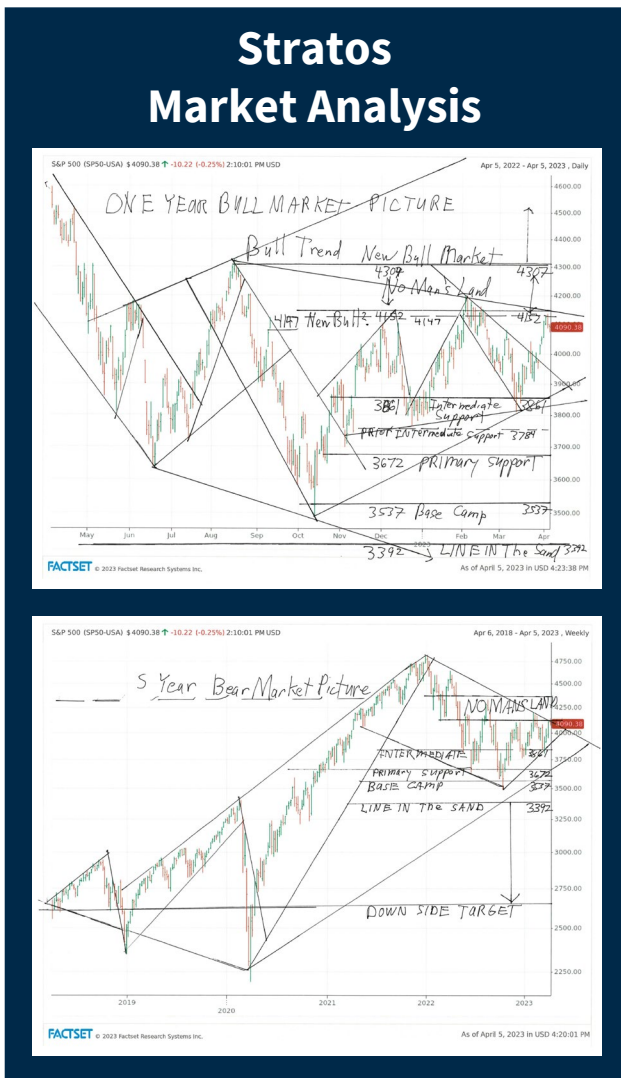
In our last blog, we stated that there was “a put on oil around \$65-\$70.” Oil (\$81) briefly traded at \$65 in March. We now believe a bottom is in, and our initial upside target is \$191. If oil is unable to stay above \$65, our downside target would be around \$45, which we think is fairly unlikely given the current political and economic environment.

The dollar has weakened over the last few weeks, which could be a positive for U.S. stocks. We believe this makes sense based on the forecast of a slowing economy. The bond market yield curve is starting to revert to normal, which is another indication that market volatility may decline. Stratos is concerned that inflation will remain above 4% indefinitely and anticipates much higher prices in precious metals, in particular. We also expect commodity prices to move up at a higher rate than they have in the last 20 years based on the disruption of the supply chain that started in 2020. Stratos believes the U.S. stock market is still undervalued due to the strength of our economy and the protection we are able to provide investors throughout the world.

Our optimism is based on the likelihood that the U.S. stock market’s momentum will continue through the summer. We think this could be a bull market.

Good Trading for the Long Term!

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