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Mr. Hyde Should Prevail

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With the U.S. stock market acting more like Dr. Jekyll and Mr. Hyde daily, most financial institutions and professional advisors are doubting their own guidance based on historic losses to bonds and equities year-to-date. After such a major bull market run in both stocks and bonds, it became apparent to Stratos Investments that the market correction was well overdue.

Our strategic plan is based on a short-term bullish scenario. Two closes above 3750 could indicate a bear market rally into the new year that could test the 4100 level in the S&P 500. Our **intermediate resistance level** is **3961**, and our **final resistance level** is **4132**. If the market exceeds 4152, this could indicate the beginning of a new bull trend. A close above 4305 would confirm a new bull market to Stratos. However, if the S&P 500 is unable to sustain the **3474** level with two closes under 3492, this would indicate the possibility of a downside target of 2691 in the S&P, or approximately 44% from its all-time highs.

Our bull case scenario could be very short-term. If the market does rally and starts to fall, we still believe in the likelihood of a major selloff. If we go into a deep recession, money becomes difficult to get for companies, and inflation causes major concerns for investors driving interest rates much higher, this could lead equity prices to levels not seen since March 2020 when COVID concerns imploded the market.

Stratos Investments remains optimistic about U.S. equities, viewing them as undervalued and underappreciated. The strength of the indicators we use show strong economic activity persists. We believe the overall market pessimism based on China's refusal to use medical solutions and Russia's war in the Ukraine is already priced in today's market. Stratos expects the Chinese issue to resolve itself in the next four quarters.

Stratos S&P 500 Market Analysis

Final resistance:
4132

**Intermediate
resistance:**
3961

Base camp support:
3602

Line in the sand:
3474

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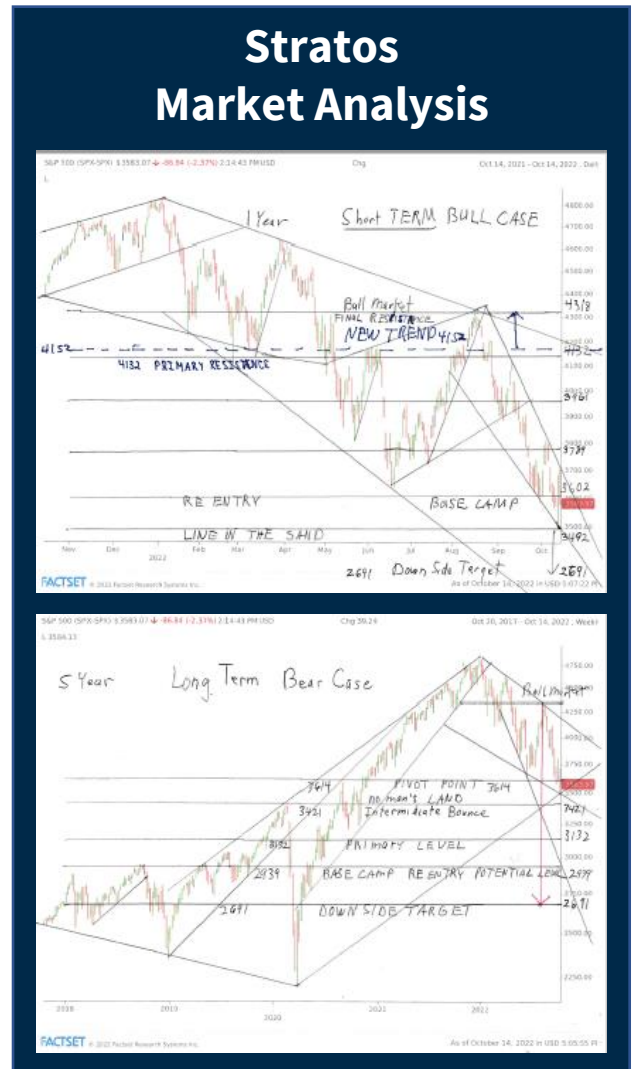
Energy stocks were one of the top performing sectors in our market so far this year. In May, it became inevitable that the energy sector would be the last to sell off in the current bear market cycle. With the Saudis now cutting production, Stratos believes that there is a put in oil around \$70-\$75 protecting energy prices. We anticipate that oil prices could move much higher and would overweight the sector based on high dividends, the possibility of hyperinflation, supply disruption, and world war through the use of some type of nuclear weapons. Our current price target for oil is **\$286**. Although we hope these events do not take place, a retesting of the **\$150** level seems very likely. But remember, the entire oil sector is **worth less than Apple** alone. If technology and other areas in the U.S. market continue to decline, the oil sector will not save the overall market.

Stratos Investments expects inflation to stay fairly constant but does not see prices going much higher, except in energy and precious metals. Interest rates are more likely to stabilize over the next few months before another move higher.

The dollar's recent strength will probably slow as our interest rates stabilize. At the same time, many foreign investors are finding our Treasury yields attractive which may keep interest rates stable.

For now, we expect Mr. Hyde to prevail, but be afraid of Dr. Jekyll.

Good Trading for the Long Term!



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