

FEBRUARY 12, 2024

WEEKEND AT BERNARD'S

Stratos Self Check

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Stratos provides specific targets, entry points, and pivot points tied to our five-step theory because we feel it is distinctive in our industry. Stratos Self Check is a way for us to evaluate how accurate our communications about the S&P 500 (5022), inflation, interest rates, oil prices, precious metals, and other key markets are.

Last October, Stratos' five-step theory indicated that the S&P was undervalued and could rally 20%-25%. Shortly thereafter, the Federal Reserve announced in their terms an end to the rate hike cycle and the potential easing of interest rates sometime in 2024. In less than four months, the S&P 500 Index has advanced almost 25%, as we felt was likely, and will test our sixth step up at 5129 barring any significant corrections.

This year's advance is primarily based on continued momentum, and any further advances will be based on stronger-than-normal earnings, which we believe are doubtful. After such a historic six-step move up, there should be at least a one- or two-step technical correction, which we expect to happen in the next few months. Any further advances above our bullish target of 5129 are likely a trap. We would be cautious about the future short-term trend, anticipating a downside correction.

We remain bullish long-term and are raising our **initial support** level to **4821** from 4671 and our **intermediate support** level to **4623**. We still believe **4527** is a **pivot point**. We are raising our **primary support** to **4423** and our **base camp support** to **4241**. Our **line in the sand** is **4083**, slightly below the 2023 low of 4103. We do not foresee the 4000 level will be tested again unless we go into a major recession.

The 10-year Treasury bond interest rates have fallen from 5% to about 4%. Based on the Fed's policies, it is reasonable to anticipate that rates could go lower over the short term. Stratos does not foresee the future rate cuts as positive because they may eventually be a reaction to a slowing economy. We expect any interest rate declines to be temporary and project that interest rates will go above 5% in the next two or three years. Inflation numbers continue to decline, perhaps allowing the opportunity to lower interest rates for the short term. Stratos anticipates that inflation and interest rates will naturally trend higher as the generation of lower interest rates and no inflation is over.

We believe the U.S. dollar will stay strong. Geopolitical events in Ukraine and the Middle East help support the dollar during moments of instability, which should be a positive for the U.S. economy.



Stratos S&P 500 Market Analysis

Stratos Bull Target:
5129

Initial Support:
4821

**Intermediate
Support:**
4623

Pivot Point
4527

Primary Support:
4423

Base Camp Support:
4241

Line in the Sand:
4083

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Commodity prices have decreased significantly since 2021 but are unlikely to go much lower unless the world goes into a recession. We forecast that precious metals and energy prices will increase through the decade. Oil prices are still lower than at the beginning of last year, and we believe oil equities are undervalued. With a focus on dividends rather than reinvestment, we expect oil prices to move much higher at some point. We do not foresee prices dropping significantly as with COVID. As our [September Self Check](#) stated, oil prices “likely had a put at \$65.” Additionally, “our upside target is \$191 based on the possibility of increased demand and supply disruption.” We anticipate oil prices to continue to move above \$80 and eventually test \$110 over six to eight quarters.

Have a look at the 1-year S&P chart below to help visualize what we have written.

Good Trading for the Long Term!

Stratos Market Analysis





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