

NOVEMBER 21, 2023

# WEEKEND AT BERNARD'S

## The Roaring '20s Are Back

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With the S&P 500 (4540) up 8% just this month, Stratos' step theory suggested the beginning of a major rally. Stratos' October blog predicted a significant move higher of 20%-25% in U.S. equities over the next 12 to 18 months. Profits from artificial intelligence could push the U.S. stock market higher for the rest of the decade. Stratos sees the economy moving out of a recession that has already taken place in consumer discretionary, consumer staples, health care, real estate, and utility stocks. With the S&P still lower than it was two years ago, most of the wall of worry is over. We now believe the lows for U.S. equities are in for the year.

When the S&P closed above our initial resistance of 4347 (Step 2)—now our initial support—the technical correction we anticipated between July and October was complete. We thought there was a possibility the S&P would trade under 4000, giving us an ideal reentry point. The war in the Middle East changed overall market psychology, and the lows of October 27<sup>th</sup> (4103) have become a major pivot point higher. Our intermediate resistance level/pivot point of 4527 (Step 3) has been breached, now opening the door for the next move up. We foresee new highs from this summer in the new bull market cycle, which started at the beginning of January. We anticipate at least one move up to our fourth step of 4711 with the possibility of a fifth step to 4925 or a rare sixth step to 5129 over the next six to nine months.

Because we believe this is beginning of a major bull market higher, we expect the S&P 500 could provide double-digit returns through the end of this decade. The Roaring '20s are back. Our target for the next five to seven years for this bull market is 10,127. Stratos research indicates that U.S. small, mid-, and large companies are undervalued. Get ready for the possibility of a strong bull market with no looking back.

Commodity prices have slowed slightly, but we still foresee strong demand despite potential weakness in China over the next few years. Stratos believes metal prices will base, eventually moving 25%-50% higher over the next five to seven years. Our research indicates that inflation will not move under 3% for the foreseeable future, so the Fed still has work to do. Stratos does not anticipate long-term interest rates to move much lower. New highs for interest rates should eventually be in the cards as the U.S. economy strengthens.

### Stratos S&P 500 Market Analysis

**Stratos Bull Target:**  
5129

**Primary Resistance:**  
4925

**Intermediate  
Resistance:**  
4711

**Pivot Point:**  
4527

**Initial Support:**  
4347

**Intermediate  
Support:**  
4176

**Heavy Resistance:**  
4125

**Primary Support:**  
3947

**Base Camp Support:**  
3843

**Line in the Sand:**  
3701

**Downside Target:**  
2577

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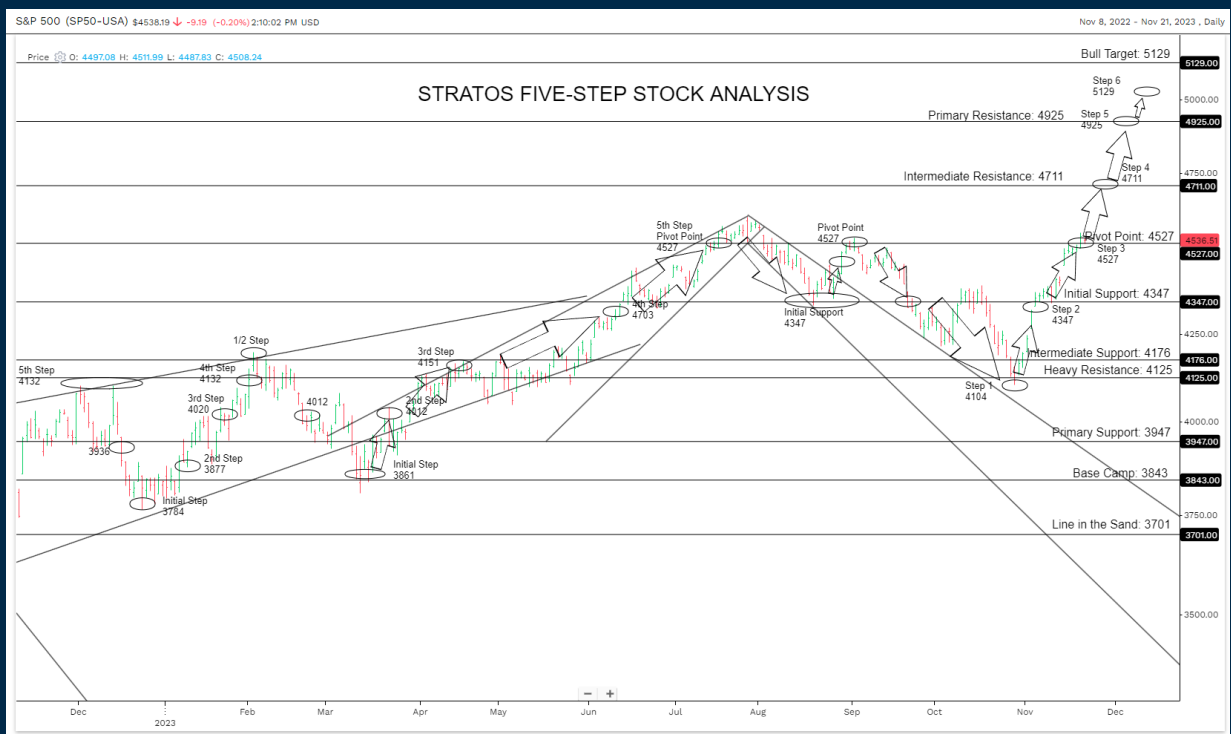
The Fed has moved from an aggressive position to a more wait-and-see attitude on raising interest rates, which has benefitted stocks regardless of the direction interest rates actually go. A short-term high in the U.S. dollar should be positive news for the earnings of many U.S. multi-national publicly traded securities over the next year.

Oil prices this month have tested our downside target of \$77 only to rally slightly higher after reaching our base camp support level. A close under \$70 would indicate a potential recession based on poor demand. We are in the camp that believes we have seen the lows for oil and that prices will drift higher initially and eventually move much higher later in the cycle in two or three years.

Between July and October, the U.S. stock market had a technical correction that appears to have come to an end. Stratos thinks the roaring '20s are here to stay.

### Good Trading for the Long Term!

## Stratos Market Analysis



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