

JUNE 27, 2023

# WEEKEND AT BERNARD'S

## Is AI the New Roaring '20s?

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It appears that we are in the beginning of a U.S. bull market that Stratos identified in [December 2022](#). As we suggested on May 10 ([Don't Sell a Sleeping Market](#)), the S&P 500 (4348) has broken through our technical resistance that we labeled "No Man's Land," confirming the bull market trend.

Recent market enthusiasm with artificial intelligence (AI) has helped propel optimism and higher prices in U.S. stocks over the last six weeks. AI could lead to exuberance similar to the late 1920s.

We anticipated the market could continue higher through the summer, testing our year-end/initial resistance of 4473 in the S&P 500. Based on Stratos' five-step theory, it would be reasonable to see a technical correction into the fall. We are raising our **Line in the Sand** to 3586, which is slightly above last year's bear market low. **Base camp (3731)** is slightly lower than our old primary support of 3760, which we predicted in our November blog. We are raising our **primary support level (3892)**, which is slightly above our old intermediate support level (3860) that we predicted in January as being a key reentry point. Stratos now anticipates the possibility of a two-step pull-back to our **intermediate support level of 4061**, which is slightly below the 4100-4300 level in the S&P that we called No Man's Land. All these numbers will likely move higher if the S&P 500 continues to make new highs. We anticipate the likelihood of a two- to three- step pullback before a rally into next year. In short, we are bullish long-term and do not expect this rally to move straight up from these levels.

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### Stratos S&P 500 Market Analysis

Initial Support:  
4241

Intermediate  
Support:  
4061

Primary Support:  
3892

Base Camp Support:  
3731

Line in the Sand:  
3586

Downside Target:  
2683

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Although energy is the weakest sector in the S&P 500 in 2023, our support at \$65 has held the entire year. With recent chaos in Russia and the Saudis announcing cutbacks, geopolitical conditions could change rapidly and may move oil and gas prices higher. Even if oil (\$69) prices were to break \$65 and test our downside target of \$45, we think this would be temporary and, therefore, look at this as a long-term strategy. Because of high dividends and very low P/E ratios, Stratos continues to see opportunity in this space.

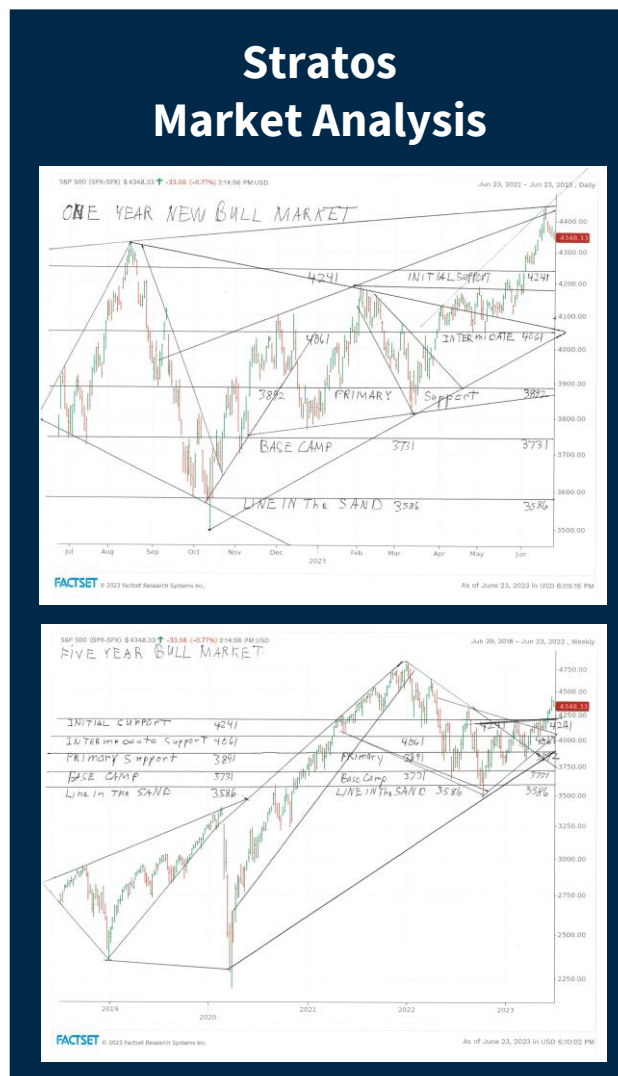
We believe it is unlikely the Fed will cut interest rates anytime soon as that would be a signal of a weak economy. Because we expect the economy will strengthen, our biggest fear is that the Fed will raise interest rates too much.

Stratos believes the U.S. dollar will stay firm as the Fed continues to raise interest rates. The Fed has an unrealistic inflation target of 2%. We believe inflation will stay closer to 4% because the supply chain that existed prior to 2020 is unreliable.

With China becoming a war economy and Russia fighting a failing war, Stratos forecasts higher commodity prices, including gold and silver. Physical assets have not gone significantly higher for almost a generation. We expect this to be a long-term trend, which may continue for many years as the population grows and the world becomes smaller.

This could be the beginning of a strong trend in new AI investing. The possibility of a continuation of the 20-year cycle that began in 2009 is more likely than not. Just as the internet changed our lives, it would be foolish not to anticipate AI having the same effect in the future.

### Good Trading for the Long Term!






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**Bernard K. Semon**  
VICE PRESIDENT, INVESTMENTS  
PORTFOLIO MANAGER - STRATOS INVESTMENTS

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®**

 Stratos Investments of Raymond James  
 @stratosinvestrj  
 bernardsemon