

Summary for week of 13 July 2015

- Stocks could be choppy this week but with growing downside risk
- Dollar likely to rise this week with gains more likely in midweek
- Crude oil likely remaining weak with possible breakdown of support
- Gold increasingly vulnerable to major declines this week and next

US Stocks

Stocks ended the week flat as optimism revived over the prospects for a positive resolution in Greece and the reduction in volatility in China. The Dow finished marginally higher at 17,760 while the S&P 500 finished exactly unchanged at 2076. This neutral outcome was not surprising although the extent of the volatility was somewhat unexpected. Monday turned out to be negative but we did see some more serious downside on Wednesday around the Mercury-Saturn aspect. The late week was more bullish as expected after the rout in Chinese stocks was reversed and the Tsipras government tabled a more acceptable offer to the EU Troika.

It was a week of surprises as the Greek people delivered a stunning rebuke of EU austerity but markets were brought back from the abyss after a US and French initiative called on the EU to forgive some of Greece's debt. Despite everything that has happened, we aren't too far from where we were last week at this time, with some hopeful prospects dominating the scene. There appears to be momentum towards finding some kind of deal and one would think that Merkel can do what it takes to gain approval from her political allies. Even Tsipras is facing growing opposition after the deal included more or less the same level of austerity measures that he had previously rejected. This is confused situation but there is some prospect for resolution one way or the other this weekend. If there is no deal by Sunday, then the Grexit will surely happen. But in the tortured world of European politics, anything is possible. I still think Greeks are likely to encounter worsening economic conditions in late July and August but I can't be sure if this is due to the



result of a Grexit or indeed, just the implementation of the latest round of austerity measures courtesy of the Troika. But of course, we are primarily concerned with the market reaction. I still think the bears will have another opportunity to do some damage here in the month of July, although it is conceivable it may not happen this week. But the period from the last week of July and to about mid-August is still my main focus of attention as this period looks most vulnerable to downside. To be sure, I could be wrong in the exact timing of this downward move. We could see stocks start to fall sharply as early as this week -- I'm not sure. But it seems most likely that any rallies that may occur are likely to be quickly sold.

The market has settled into an uneasy range bound trading with resistance at 2080 and support near 2040. A break above 2080 would suggest a run up to pen-ultimate highs of 2120. This would create the right shoulder of a plausible head and shoulders pattern with a downside target of 1930. A rally beyond 2080 is obviously quite likely if there is a deal in Greece, at least one that is generally acceptable to all sides and does not produce mass rioting, etc. So 2120 is quite possible from a technical point of view. The hard test and subsequent rebound from the 200 DMA last week is perhaps another thing bulls can use to convince themselves to go long. On the other hand, a break below 2040 could signal a major change in the overall market sentiment, although the immediate downside target would only be a modest 2000.

A decline to 2000 would match the January low and likely would not damage the long term bull market at all. Market breadth is still narrow and looking worse every week. The Bullish Percentage fell further last week despite the flat close of the SPX. This deepening negative divergence has to be resolved eventually – either through a major decline in stocks or with a recovery of the smaller stocks. Taking everything

together, I think the technicals still lean bearish until the bulls prove otherwise. The DAX bounced off support from the falling channel and now is pushing up against resistance from the same falling channel. A close above 11,500 would be bullish and may suggest a retest of the previous high at 12,000. Failure to move above resistance would be quite bearish, however. China is getting more attention these days after the sudden collapse of the recent rally. Last week's bounce at 3400 on the SSEC was predictable given the major support at that level. Bulls may abandon ship once again when the bounce fades. The key resistance level of 4000-4100 is probably the one which will determine if the market is moving higher again or not. Meanwhile, Treasury yields pushed higher on the good news out of Europe. The 10-year yield is still below resistance at 2.5% so not much has changed. Things could get interesting if, say, the Greece bailout is passed and more money leaves the bond market. This could easily push yields above that crucial 2.5% level. While not immediately problematic, without much resistance above that level yields could rise to 3% fairly quickly. That could trigger alarm bells in stocks.

This week offers the bears a better chance to take stocks lower. However, bulls may be given first kick at the can early in the week as Jupiter changes signs and enters Leo. Sign changes for Jupiter are generally bullish although



this one may not be quite so reliable since Venus is exactly square with bearish Saturn. Overall, the outcome on Monday looks slightly more bullish than chance would predict. I would say that a large move is possible in either direction given the closeness of the aspects. Obviously, Monday is likely to see a big market reaction anyway given the probable resolution to the Greek crisis one way or the other. Unfortunately, the planets do not offer a clear window on what that reaction might be. The Jupiter influence here provides a scenario above 2080 but the rest of the week does not look so favorable. Tuesday's alignment of Moon, Mercury and Mars looks potent as if it could also generate a lot of trading and a possible big move. It looks bearish overall given the approach of the opposition with Pluto. Wednesday is also vulnerable to declines on this Mercury-Mars-Pluto alignment. Thursday and Friday may have a bullish bias as the Sun aligns with Jupiter. We could see significant moves in both directions this week, but I think the bears enjoy a small advantage overall. Part of this is just my bearish bias for the month of July. That said, even some upside above 2080 (and improbably to 2120) would not seriously change my basic outlook here.



Next week (July 20-24) could be the last chance for the bulls. I'm not at all convinced the week will finish higher, but at least there are some decent bullish aspects in play. That said, the Venus and Uranus stations on the 25th and 26th look like they could correlate with a rise in volatility. It is possible that stocks could rise through the week before the stations. Gains are more likely to occur early in the week (20-21) when Mercury is aligning with Jupiter.



Wednesday and Thursday also lean a bit bullish given the Sun-Mercury-Venus alignment. But Friday's Mars-Uranus square could undermine all that very quickly. I would lean bullish here but without much conviction.

The following week takes us into August and is more likely to see some declines. I would expect a breakdown of at least one level of support in the last week of July. If not 2000, then at least 2040 in the event that the bulls have previously pushed up to 2120. The first two weeks of August look bearish so there is a good chance of breaking SPX 2000 by then and I would lean towards a test of 1930. We shall see. There ought to be a rebound in late August and into September but this doesn't look too strong. It will likely reverse lower at a lower high (2080? 2040?) and then another down leg is likely to begin in mid-September. This should extend into October and perhaps into November. Lower lows are very likely, perhaps as low as 1820. A major rally will begin in November or December as Jupiter conjoins Rahu. This should last for at least three months into Q1 2016.

Technical Trends

Short term trend is DOWN
(1 week)

Astrological Indicators

bullish (disconfirming)

Medium term trend is UP bearish (disconfirming)
(1 month)

Long term trend is UP bearish (disconfirming)
(1 year)

Indian Stocks

Stocks moved lower last week as the plunge in Chinese stocks weighed on sentiment. Despite a late week recovery on the prospect of a Greek bailout, the Sensex was down by more than 1% at 27,661 while the Nifty finished the week at 8360. This bearish outcome was broadly in keeping with the forecast although the extent of the decline was larger than expected. We did get some upside on Monday as Venus entered Leo and then bears took over as anticipated on the Mercury-Saturn alignment on Wednesday. Thursday and Friday were somewhat more negative than I thought, however, so the rebound was weak.

While the Greek drama continues to demand the attention of many global investors, the rout in Chinese stocks is an added source of concern. The fear is that the crash in Chinese stocks is only beginning. As the over-leveraged bubble pops, even more margin calls will be made leading to a cycle of price collapse, account liquidation and bankruptcy. This could end up having a negative effect on the Chinese economy through a worsening of consumer sentiment. Obviously, a major slowdown in China would be bad news for India. Either of these global financial hot spots are sufficient triggers for the selling I am anticipating in the coming weeks. I think the bulls are on borrowed time now as the planets are looking more bearish. Saturn is gradually taking over from Jupiter as it aligns with Pluto in July and then squares both Venus and Jupiter in early August. It is difficult to see how stocks could stage much of a rally against these patterns. It seems much more likely that the Saturn influence is likely to correlate with a rise in caution and fear which usually translates with selling and falling stock prices. The bigger question is just how far the indices may fall. Estimating the magnitude of any move is very difficult but I think the odds favour a hard retest of support at 8000 in August. Obviously, in itself that will not be sufficient to seriously jeopardize the bull market. However, the prospect of more downside in September and October suggests the most likely scenario is for the Nifty to fall well below 8000. 7000 is very possible at some point in Q4 after which we are likely to see a significant rally begin again.



The technical picture puts some pressure on the bulls. After last week's retest of resistance at 8500, bulls have to prevent any major pullback here. The key line in the sand is likely 8200 and quite likely bulls would prefer a level above that in order to preserve the series of higher lows. The inability of the bulls to keep the Nifty above 8500 revealed how tentative the current rally is. But things aren't looking good as MACD is starting another bearish crossover while stochastics is not yet oversold. Both of these indicators suggest more downside is likely in the short term.

Immediate support is likely near the 50 DMA at 8275. Below that, 8200 is also support since it is the previous low. We should also consider the possibility of a backtest of the falling channel resistance/support which is now near 8150. While the channel has broken to the upside, it could still have a residual role to play here in the event of a pullback. More broadly, the complex head and shoulders pattern dating back to December could still play out with the downside target of 6900-7000. The weekly BSE chart remains open to the interpretation. The crossover of the 20 and 50 WMA is still imminent although this may be negated by the approaching bullish crossover of the MACD. One thing that gives a small edge to the bearish interpretation is that the BSE is below its 20 WMA and this line may now be acting as resistance. When the 20 and 50 WMA almost crossed back in 2013, price only fell below the 20 WMA for only a few weeks. This time around the BSE has traded below its 20 WMA for 12 consecutive weeks. Tata Motors (TTM) finally touched potentially key support last week as it tagged its 200 WMA. This last occurred in August 2013 and was followed by a sharp rebound. We will have to see if we get another rebound this time. The chart looks weaker here so I would think sideways consolidation may be the best bulls can hope for in the near term. Infosys (INFY) slumped last week as bulls may be waiting for a hard retest of the May low before going long. A rebound is still possible from here, however, which matches the June low. Resistance is still the 200 DMA which has been tested twice thus far.



This week presents a very mixed and potentially volatile picture. The early week leans bullish as Jupiter enters Leo on Tuesday. I think there is a reasonable chance that we could see a net gain across both Monday and Tuesday because of this placement. The big caveat is that Venus is heavily afflicted by a close square from Saturn at the same time. This aspect is likely to mitigate or perhaps even cancel out some of the Jupiterian optimism. The risk of declines increases as the week progresses as Wednesday's triple conjunction of



Moon, Mars and Mercury all oppose Pluto. We could see a significant decline on Wednesday or perhaps Thursday. Friday also tilts bearish, but perhaps less so. I think we are likely to see some fairly sizable moves here in both directions, although I think the bears have the edge. That said, I would not be shocked if we got a big gain on Monday although the planets do not argue strongly for a bullish outcome at that time. A retest of resistance at 8500 is therefore not out of the question, but I tend to think it won't happen. It seems more likely that any upside will be smaller and short-lived. There is a growing probability of testing some support levels this week. 8275 is an obvious candidate in that respect and 8200 could be very much in play.

Next week (July 20-24) also looks more bearish as Jupiter comes under the aspect of Saturn. This will not yet be a close aspect but it is possible it could undermine confidence in a major way. Monday's Mercury-Jupiter alignment tilts bullish but Tuesday's Sun-Saturn aspect looks bearish. Wednesday and Thursday have a bullish bias but Friday's Mars-Uranus aspect has a special downside potential. The short term aspects are therefore somewhat mixed and thus raise the possibility for gains on the week but the medium term influences are quite negative so I would retain a bearish bias. The following week (July 27-31) looks very risky in the aftermath of the Venus and Uranus stations on the 25th and 26th. These stations have a heightened potential to correlate with big moves lower. The early half of the week looks more vulnerable to declines. The first half of August is likely to be bearish also as Jupiter comes under the exact square aspect of Saturn. Given the likelihood of negative weeks until Aug 15th, it seems very likely that 8000 will be tested again and indeed, it seems likely that 8000 will be broken by that time. A rebound is likely by late August and into early September. This does not look strong, however, so a lower high is likely in early September. (8000? 8200?) Saturn aligns with Rahu in mid-September, so that may well push stocks lower again and the down trend is likely to continue into October. A significant bottom is likely in October or perhaps November at the latest. As before, I think 7000 is quite possible here but we shall see. Jupiter then conjoins Rahu starting in November and running into January 2016. This combination is likely to encourage risk-taking and therefore should be bullish for stocks.



Technical Trends

Short term trend is DOWN
(1 week)

Medium term trend is DOWN
(1 month)

Long term trend is UP
(1 year)

Astrological Indicators

bearish (confirming)

bearish (confirming)

bearish (disconfirming)

Currencies

The Dollar was largely unchanged last week as prospects for a Greek bailout undercut early week gains. The USDIX finished above 96 while the Euro ended higher at 1.116. The Rupee was flat and remained below 64. I thought we might have seen more Dollar strength last week but the late week was more bearish than expected. The midweek high at 97 was well below the key resistance level of 98 while Friday's low tagged the 20 and 50 DMA. The Dollar is carving out a neutral pennant pattern with lower highs and higher lows. Breakouts from this pattern are often quite sharp in either direction. The bias should be somewhat bullish as price remains above the 20 and 50 DMA although stochastics is now in a bearish crossover and has fallen below the 80 line. We could see another test of resistance at 98 fairly soon although it a move above that level may take more than one attempt. The Euro is attempting to test resistance at 1.14 again in the near term. Despite the post-Referendum chaos early last week, it did manage to stay above 1.09 and hence form a higher low. If there is another test of 1.09 before 1.14, then that would suggest the Euro is going lower, however.



This week looks fairly good for the Dollar as the Venus-Saturn aspect is likely to raise tensions which could heighten the safe haven appeal of the greenback. The first half of the week looks more bullish for the Dollar so we could see that test of 98 by midweek. The late week is less bullish so some retracement is more likely at that time. Next week also tilts bullish as the Sun aligns with Saturn on the 20-21st so the odds of a breakout above 98 will rise then. I would not say it is quite probable although it will be likely become probable by the last week of July. By early August, the Jupiter-Saturn square is likely to bring more upside so we could easily see 100 again on the DX. This would equate to 1.05 on the Euro. There could be a small technical bounce for the Euro in late August, but September's alignment of Saturn and the North Lunar Node looks particularly troublesome for the Euro. The September-October period is the most likely time for a new low below 1.05 and possible parity with the Dollar. I am agnostic on whether or not the Euro will move below parity. A major rally is very likely to begin in November and December on the Jupiter-Rahu conjunction and extend into February at least.



Technical Trends (Dollar)

Short term trend is UP
(1 week)

Astrological Indicators

bullish (confirming)

Medium term trend is UP (1 month) bullish (confirming)

Long term trend is UP (1 year) bullish (confirming)

Crude oil

Crude oil plunged last week on a perfect storm of a possible Iranian nuclear deal, a collapsing Chinese stock market and growing inventories in the US. WTI fell 6% closing below \$53 while Brent lost 5% ending the week below \$59. While I noted the rising downside risk last week, I did not fully expect this kind of breakdown of support so soon. Most disappointing was the fact that there was no upside on Monday at all but rather a major sell-off after support was broken at \$56. My expected test of \$51 has therefore already happened as that second level of support was tested at midweek. If \$51 doesn't hold for WTI, then it seems likely we will get a retest of the March low at \$44. Given this relatively modest bounce (which came close to tagging the 200 DMA) after the catastrophic decline from \$115, one would think the odds will begin to favour a move below \$44 eventually. Bulls therefore need to hold prices above \$51 in order to avoid that dangerous retest of the low scenario. World events could radically change this technical picture of course, but suddenly the crude outlook is iffy at best. If China's stock market bubble continues to deflate, then crude is certainly doomed to fall below \$40.

Crude looks like it will remain under pressure this week. I would be especially concerned about the Mercury-Mars-Pluto alignment from Tuesday to Thursday. This is likely to push WTI down to another test of \$51 and this time it will likely fall below it. Next week (July 20-24) could see a brief bounce but it does not seem solid. It may only be enough to test resistance (\$51? \$56?). Late July and early August will likely see crude move lower and perhaps retest that March low of \$44. It is possible we could see crude move below \$44 by mid-August. This would equate to about \$48 for Brent. Even if there is a bounce in late August and into early September, it looks fairly weak and is unlikely to change this new down trend. From mid-September onward, we are likely to see crude move lower again. A significant low could be made in early October. We could see crude finally break below \$44 by this time. A sharp rally is likely to begin by mid-October and continue into November and December.



Technical Trends

Short term trend is DOWN
(1 week)

Medium term trend is UP
(1 month)

Long term trend is DOWN
(1 year)

Astrological Indicators

bearish (confirming)

bearish (disconfirming)

bearish (confirming)

Gold

As the Greek debt crisis showed signs of a status quo resolution, gold ended flat on the week. Gold ended fractionally lower at 1163. I had been fairly neutral on gold last but thought the downside risk outweighed the upside rewards. We did get a tiny rally on Monday's entry of Venus into Leo but the bears moved in after that. Last week featured another retest of that 1140 support area and predictably buyers moved in near 1150. After last week's test of support, the size of this bounce will be an important gauge of investor sentiment. If gold is struggling to recapture 1200 and thus forms a lower high with respect to its June high, then the technical argument will become even more bearish. But the bulls can also make the case that this is now a double bottom pattern and that there is considerable upside potential now with a target of 1300. The likelihood of a rally towards 1300 will be greatly increased if gold can close above 1200 and the 200 DMA. The problem with the bullish double bottom argument is that gold has actually tested the 1140-1150 support level four times in the past year. The more frequently a support level gets tested, the more likely it is to break down. In this longer term view, gold is still trapped in a descending triangle pattern with a downside target of 950-1000.



This week is hard to predict although I would retain a bearish bias. There are strong influences on both sides as bullish Jupiter enters on Leo. As it happens, Venus aligns with bearish Saturn on the same day. The Venus-Saturn aspect will linger for a few days so that suggests we could have more downside pressure through the week. I would not be shocked if gold enjoyed some decent gains this week but I think the bearish influences are likely to

prevail. And given the closeness of the aspects involved, we could see some sizable moves. Next week also looks bearish as the Sun aligns with Saturn early in the week and Jupiter comes under the influence of Saturn also. The late week looks more bullish, however. But there is a growing chance that 1140 will be broken by the end of July. It could come as early as this week although there may be pitched battles between bulls and bears around that level for a couple more weeks. On the other hand, I think it is also possible that gold could simply collapse below 1140 fairly quickly. There is a near-exact Venus-Jupiter-Saturn alignment on 4th August which looks very bearish and could coincide with a significant decline and/or bottom. It would not surprise me if we saw gold at 1050 or lower in early August. But once Jupiter moves past its square aspect with Saturn on 5th August, the conditions for some kind of rally will be put into place so that gains become likely. It may take several more days to manifest but gold could rebound in August. Depending on how far it falls before the rebound, a rally may only take it back up to 1140 (support/resistance). I think early September is a possible time period for the next high. The Saturn-Node (Rahu) alignment in mid-September looks bearish, however, and should usher in a new corrective phase. I am expecting lower lows in October and November. The next major bottom is likely to occur in late October or early November. We could easily see gold fall below 1000 by this time. But a strong rally is likely after that so gold should be in an up trend starting in November and continuing into January and February 2016.

Technical Trends

Astrological Indicators

Short term trend is DOWN
(1 week)

bearish (confirming)

Medium term trend is DOWN
(1 month)

bearish (confirming)

Long term trend is DOWN
(1 year)

bearish (confirming)

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