

## Summary for week of 17 August 2015

- Stocks lean bullish this week
- Dollar under pressure but could rebound late in the week
- Crude oil likely to bounce this week
- Gold could extend rally this week

## US Stocks

Stocks rose on the week as dovish comments from Fed officials offset anxiety over China's devaluation of the Yuan. The Dow gained less than 1% on the week closing at 17,477 while the S&P 500 finished at 2091. I thought we might have seen more downside, especially earlier in the week but Monday's gain came as an unwelcome surprise. Stocks did decline after that, however, and we did get the low for the week on Wednesday as I thought we might on the Moon-Mars conjunction. Stocks rebounded quickly after that and stayed more or less bullish through Friday.

China has now become a bigger problem for investors to worry about. The sudden devaluation of the Yuan created shockwaves and sparked talk of an all-out currency war. Most analysts are now suggesting that this decision to let the Yuan float is a kind of last resort by the PBOC to prevent a more serious economic slowdown. Of course, the Yuan could stabilize in the days and weeks ahead so it is not clear that this move will have any lasting consequences. But the bulls can point to the silver lining in the devaluation story in that the Fed will have less reason to hike rates in September since the last thing they would want is a stronger Dollar at a time when major trading partners are devaluing. One would think that any further postponement of a rate hike would be bullish for stocks, all other things being equal. Despite the China problem, it's pretty much the same old story for this bull market as the rally is still dependent on liquidity and zero interest rates. If China has a hard landing which has global implications, it could force the Fed to shelve any rate hike and in the worst case scenario, compel Yellen to start



up the printing presses again with QE4. I think we could well see something like that occur at the end of 2015 and the Jupiter-Lunar Node conjunction, although probably not before there is some clearly negative developments which necessitate such a move. The rest of August could see a (hopefully) final attempt to make a higher high at 2135 but then September and October will see another phase of rising downside risk as Saturn aligns with the Lunar Node. The Lunar Nodes tend to magnify the effect of whatever planet they are aligned with, so there is a realistic possibility that a sizable decline could take place. Another round of central bank easing either at the Fed or in China would likely follow such a sell-off.

It was seesaw week as we got a higher low and lower high to satisfy both bulls and bears. The lack of a follow through higher after Monday suggested weakness with a lower high. But the strength of the rebound after Wednesday's low also boosted chances for more upside. Bulls stepped in above 2050 and thus averted any hard retest of 2040. Immediate support is around Thursday's low of 2080 on the SPX while resistance is Monday's high of 2105. A move above that level would be bullish and could presage a move towards 2135. The technical outlook would only turn bearish if stocks were unable to move above 2105 and then immediately retest 2040 again. This would increase the likelihood that 2040 would not hold.

Meanwhile the Bullish Percent chart remained in a bearish crossover of the 5/10 EMA suggesting that stocks were vulnerable to more downside. The Dow continues to look weak as does the Russell 2000. Wednesday's low touched key support at 17,000-17,100 but the rebound has some ways yet to go before the bulls can rest easy. The death cross of the 50/200 DMA received some media attention last week and likely should be seen as a contrarian (i.e. bullish) indicator in the short term. Failure of the Dow to recapture its 200 DMA might cast this death cross in a darker light, however. The German DAX took a huge hit last week and is now retesting its key July low at 10,700. If that support level should break down, then it could definitely suggest a lot more downside ahead, not only in Europe but in the US as well. The bull market in US Treasuries took another step forward last week as the China turmoil pushed more investors into safe havens like bonds and gold. The 10-year looks like it wants to move lower eventually although another rally back to its 50 DMA is possible before breaking support at 2.1%. Interestingly, short end notes pushed higher again as the 1-year ended the week at a higher high at 0.40%. The bond market is still expecting a Fed rate hike sooner rather than later.

This week leans bullish as the Sun enters Leo on Monday and Venus aligns with Uranus and Mercury in the middle of the week. Monday has the added bullish factor of Jupiter aligning with the Lunar Node and the Moon so I would be surprised if we saw a decline then. Tuesday could go either way, although there is an added risk of



a pullback, especially if Monday is higher as I expect. Wednesday looks bullish as the Mercury-Venus alignment tightens. My guess would be for the high of the week to occur on Wednesday or possibly early on Thursday. The late week leans bearish, however, as the Sun is squared by Saturn. I think the odds are fairly good that we will see the SPX trade above 2100 on Monday and probably on Wednesday also. I would also not be surprised if we hit 2120. But the late week does look like it could undercut those gains although I'm reluctant to say they will negate them completely. I would retain a bullish bias for the week although we could end up fairly close to 2100.



Next week (Aug 24-28) looks bullish to start on the Sun-Jupiter conjunction on Wednesday. Monday has a good chance of finishing higher but a reversal lower becomes more likely on Wednesday and after. Thursday looks especially bearish on the Moon-Mars opposition, although I would expect a huge decline here either. I would not rule out a higher high during the last week of August. September looks more bearish as Mars conjoins Venus on Tuesday September 1<sup>st</sup>. The first week of September looks unsettled so we are likely to fall back below 2100 at least. Stocks will become more vulnerable to larger declines after Labor Day as the North Lunar Node aligns with Saturn.



It seems unlikely that stocks will decline throughout the month of September but the beginning and end of the month look sufficiently bearish to produce a negative result overall. The Mars-Saturn square on September 25<sup>th</sup> looks quite bearish. A low in early October could mark the bottom of this corrective move, although a lower low is still possible in late October. Whenever the low is formed, it is very likely to be below 2000 and perhaps closer to 1900. We shall see. A significant rebound is likely to get rolling sometime in November as Jupiter aligns with the North Lunar Node. This should last into January 2016 or perhaps even February. Where this tops out is harder to say, however. It is conceivable that we could see a higher high but at this point, I don't think that is the most likely scenario. But a lot will depend on the depth of the preceding correction. Another major down trend is likely to begin in February and continue through March and into April. 2016 looks more bearish than 2015 with Q4 2016 looking to be the most bearish quarter of the year.

**Technical Trends**

**Astrological Indicators**

Short term trend is UP  
(1 week)

bullish (confirming)

Medium term trend is UP  
(1 month)

bearish (disconfirming)

Long term trend is UP  
(1 year)

bearish (disconfirming)

## Indian Stocks

Stocks got sideswiped by China's currency devaluation last week as traders feared deflationary pressure and diminished growth prospects. The Sensex lost less than 1% on the week closing at 28,067 while the Nifty finished at 8518. This modestly bearish outcome was in line with expectations. I thought the Mars-Rahu aspect would be bearish for the first half of the week and that proved to be correct as the Nifty closed at its low point for the week on Wednesday. The late week was more positive as expected on the Sun-Uranus and Venus influences coincided with gains on Thursday and especially Friday.

China's surprise devaluation caught many by surprise as global equity markets sold off in anticipation of further slowing by Asia's largest economy. It is unclear how much lower China wants the Yuan to fall. If they stop here, then equity markets could quickly regain their footing while additional moves would certainly roil markets further. Even in that more challenging scenario, the potential silver lining would be that the Fed may be dissuaded from a September rate hike. A postponement of a rate hike to December and beyond would be bullish for equities, all other things being equal. But if the PBOC is done with its devaluation and there is more strong US economic data in the weeks ahead, then the Fed would likely act. All of which is to say that stocks remain in a higher risk environment in the weeks ahead. As before, I think that the downside risk will increase significantly in September. That means that we are more likely to see gains through the rest of August as the Sun approaches its conjunction with Jupiter on the 26<sup>th</sup>. August has a decent chance of posting a gain for the month. Once that conjunction has occurred, the odds will swing back in favour of the bears with September leaning more strongly bearish given the Saturn-Ketu alignment in the middle of the month. As it happens, the exact alignment occurs within days of the next Fed meeting on 17<sup>th</sup> September. A negative market reaction to the latest policy announcement is therefore more likely, especially as late September and early October look difficult. This is likely to retest the June low and there is a good chance we could see a lower low sometime in October or November.



The technical outlook remained somewhat bullish as support at 8350 held firm. To be sure, the abrupt reversal at 8600 on Monday should not give bulls comfort especially since the possible head and shoulders pattern is still in play. Friday's gain now puts the ball in the bulls' court so we will have to see if there is any follow through. If

8600 can be broken to the upside, then we could see the Nifty approach 8800. A quick reversal lower from here, however, would increase the likelihood that support at 8350 would fail. The downside target of the head and shoulders pattern is 8050-8100 in the event that 8350 is broken.

Stochastics is starting a bullish crossover so that offers some hope for bulls. But MACD is looking tired and it is still trending down so those indicators are quite mixed. The weekly BSE chart presents a less compelling case for the bulls as stochastics is now over 80 and threatening to go into a bearish crossover. The 20 WMA is still below the 50 WMA and that is another medium term weakness in this weekly chart. More positively, however, current prices are still remaining above the convergence of these moving averages. A weekly close below these lines would be much more bearish. Longer term, this bull market could withstand a much deeper correction, even down to the 200 WMA at 22,000 which coincidentally is the level from which the Modi election rally began. It seems quite unlikely that any correction in the coming weeks could inflict that much damage, although we could well get there in Q2 2016. HDFC Bank (HDB) had a volatile week as it tested resistance at its all-time highs. The chart shows higher lows here so I would expect a breakout higher at some point fairly soon. Infosys (INFY) also tested resistance and looks similarly poised to move to new highs. Failure to break above the February high could extend the period of consolidation. Only a break below the July low would make this chart bearish.

This week leans bullish as the Sun enters Leo while Venus aligns with Uranus and Mercury. Monday looks somewhat problematic, however, as the Moon approaches its conjunction with Rahu. There is a higher risk of a negative outcome on Monday, although if we see a decline in the morning, I would be more inclined to think a recovery is possible in the afternoon. Tuesday looks more bullish as Jupiter aligns with Rahu. Wednesday is also somewhat more likely to be positive as Venus aligns with Uranus. Gains are also a little more likely than declines on Thursday. Friday looks more bearish, however, as the Moon is aspected by Mars. Overall, I think the bulls have some fairly good aspects here to seek a higher week. Even if Monday is lower, I would not expect too much downside. I think the odds are good that 8600 will be tested again at some point, and 8650 is also doable. If Friday is lower than the overall gain on the week could be more modest, say putting the Nifty between 8518 and 8600.



Next week (Aug 24-28) looks more mixed as the early week leans a bit bearish on the Moon-Saturn conjunction. But some gains are likely on Tuesday or Wednesday as the Sun conjoins Jupiter. The late week is more bearish, especially on Friday when the Moon opposes Mars. The week overall has a slightly bearish feel to it although it could go either way. September leans bearish, of course, starting with the Venus-Mars conjunction the 1<sup>st</sup>. We could see a brief bounce into mid-September, but the second half of the month looks quite bearish as Saturn aligns with Ketu and then Mars squares Saturn towards the end of the month. By October, there is a good possibility that we could see the Nifty retest its June low of 7900. October as a whole is mixed at best, and there is a chance we could get a lower low at the end of the month. I'm not willing to say this is likely but certainly it is possible. The low for the year is possible sometime in October or early November. A significant rebound is likely to begin at that time which will probably carry over into January 2016 as Jupiter conjoins Rahu. Although this looks like a strong rally, it may not be strong enough for a higher high above Nifty 9119. Another move lower is likely to begin by February and last into April. 2016 looks bearish as a whole with the most significant downside likely occurring in Q4, and most likely to lower lows.



#### 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

bullish (disconfirming)

bearish (confirming)

bearish (disconfirming)

## Currencies

The Dollar ended the week lower as China's devaluation of the Yuan implied a possible delay of the Fed's rate hike. The USDX lost 1% closing at 96.53 while the Euro closed at 1.11. The Rupee followed most Asian currencies lower as it broke above resistance finishing above 65. I thought we might have seen more early week upside on the Mars-Rahu aspect but the Dollar actually fell on that influence. The Dollar chart looks a little less bullish here as traders try to anticipate how the Fed will respond to China's actions. While the PBOC has calmed the waters for now, more devaluation in the days ahead would certainly make a September hike less likely. This would be bearish for the Dollar short term. Support is near the 50 DMA at the moment although if that breaks we could see a retest of the June low and the 200 DMA. While buyers would likely enter at 94, the Dollar chart would become more bearish following the lower high. Resistance remains at the 98-98.5 level. The Rupee finally broke above resistance at 64.25 last week and now seems like it will retest its high at 68 from 2013. Support is now at 64.25 and one would think any pullbacks to that level will be bought.



This week looks like we could see further retracement in the Dollar Index. The early week looks a bit difficult as the Sun enters Leo. Wednesday could see some rebound on the Moon-Uranus aspect. But the late week also looks bearish on the Venus-Uranus alignment. I wouldn't expect a big move lower here but the planets seem to favour more downside. Next week looks more bullish, especially in the second half of the week after the Sun-Jupiter conjunction. If there are any early week declines, these will likely be bought. I would expect a positive week overall, possibly returning to the area of the 50 DMA. September looks bullish overall, although the second half of the month looks more bullish than the first half. There is a decent chance that we will see the March highs retested by October. Whether the rally can move above that level is unclear. I am less confident now the Dollar can reach parity with the Euro in Q4 now but let's see how it unfolds. Another corrective move for the Dollar is likely to begin in October or November and last into January 2016 as Jupiter conjoins Rahu. This could well see a decline back to its 200 DMA, if not below. Another Dollar rally will begin in February, however, and last into April. I think there is a good chance the Dollar will reach a higher high in the second half of 2016.



**Technical Trends (Dollar)      Astrological Indicators**

Short term trend is DOWN (1 week) bearish (confirming)

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

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

## Crude oil

Crude extended its losing streak last week as excessive supply pushed WTI below \$43. Brent finished below \$49. This bearish outcome was in keeping with expectations as I thought that support at \$42 would be tested. The late week was less bullish than anticipated, however, as only Friday posted a small gain. The low of the week actually arrived on Thursday. So bears have got their wish so far with this hard retest of the major low. Sentiment is terrible for crude here with most analysts expecting lower lows ahead. One would think there could be some short term bullish speculators jumping in here to ride a bounce off support. Certainly, crude is oversold so a bounce is more likely than not in the near term. A bounce could go as far as the 50 or even 200 DMA in the \$50-55 range. As noted previously, this would form a bearish head and shoulders pattern which would have a downside target near \$26. On the other hand, we may simply see an incrementally lower low to a bit below \$40 to flush out the weak bulls before a rebound can take place. Either way, it seems quite likely that crude will fall below \$40 eventually.

This week could see crude rebound as Venus aligns with Uranus and Mercury. This alignment is closest in the middle of the week so the chances for gains will be somewhat higher at that time. We should not preclude some early week selling with this pattern although I suspect any declines will be quickly bought. Thursday and Friday look somewhat more bearish as the Sun squares Saturn. This aspect is closest on Friday. While I wouldn't be surprised if crude ended the week lower again, I think there is a better chance for a gain, however modest. Next week (Aug 24-28) also offers some possibility of gains as the Sun conjoins Jupiter on Wednesday. This may not necessarily produce a sizable bounce but it does not look conducive to more downside either. I would retain a modest bullish bias. September looks more bearish with the second half of the month looking especially negative on the Mars-Saturn square. The first half of September is more mixed so we could see crude remain above \$42 then. However, a breakdown of support looks fairly likely in the second half of September and into early October. We should see a more



significant rebound begin in the second week of October. This uptrend should continue into December and possibly January. I would think WTI crude will move back above \$42 by this time, and probably back to \$55 at least. However, another corrective move is likely to begin by February and continued into April. Lower lows (\$40? \$30?) are a real possibility in 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)

**Gold**

Gold finally managed to rally last week as the Yuan devaluation was sufficient reason for investors to seek a currency hedge. Gold climbed 2% on the week finishing at 1113. This bullish outcome was in line with expectations as I thought the Sun-Uranus alignment would boost prices. However, I mistakenly thought that the second half of the week would be the most bullish period as Thursday and Friday actually brought declines. Gold suddenly looks a lot more bullish on a technical basis here after holding at support at 1080 for a couple of weeks and rallying on cue after China's devaluation. Obviously, further moves by the PBOC would be bullish for gold but bulls should not count on that happening as there is no clarity on just what China intends to do next. Support is likely in the 1100-1110 area which had previously been resistance. Any pullback to that level will likely be bought. Any failure by the bulls to hold that level would be quite bearish as it would suggest another retest of 1080 was likely, and hence an increased risk of a breakdown. Resistance is probably the 1130-1140 area which was previous support. Bulls have to push prices above this level for this to be considered to be anything other than a technical bounce.



This week leans bullish again as the Sun enters Leo on Monday and approaches its conjunction with Jupiter which is exact on August 26<sup>th</sup>. It is possible we could see some downside on Monday but this is unlikely to last long. Monday may well finish higher in any event. I would be surprised if we broke support at 1100 as the planets don't look that bad. It seems more likely that we could test resistance at 1140 this week, although the late week Sun-Saturn aspect is somewhat bearish and therefore increases the likelihood of profit taking. My best guess is this week finishes higher overall, but perhaps only modestly so. Next week looks bullish to start on the Sun-Jupiter conjunction so that could represent another retest of resistance at 1140. I would also not be shocked if gold moved above that level. But the late week looks less positive so perhaps gold may not end with a gain. The first half of September looks more bearish although I not certain it will produce a major pullback. The second half of September after the Saturn-Lunar Node alignment is more negative, however, so we will likely see gold test 1080 once again. I am expecting that support level to break in late September or early October so the gold-at-\$1000 scenario could occur at this time. October looks bearish as a whole with a possible bottom in late October or early November. I think the chances are good that gold will test 1000 and could easily fall below that level. A significant rebound is likely to begin November. This should extend into January at least and could retrace a significant portion of the preceding correction. Q2 2016 looks bearish so we are likely to see gold remain under pressure for the first half of the year at least.

#### **Technical Trends**

#### **Astrological Indicators**

Short term trend is UP  
(1 week)

bullish (confirming)

Medium term trend is DOWN  
(1 month)

bearish (confirming)

Long term trend is DOWN  
(1 year)

bearish (confirming)

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