

Summary for week of 24 August 2015

- Stocks to remain under pressure but bounce is likely in first half
- Dollar likely to weaken further in first half of week
- Crude oil looks mixed this week with possible rebound into midweek
- Gold could move higher in first half of week

US Stocks

Stocks got hammered last week on fears that China's slowdown could be much worse than previously thought. The Dow lost more than 5% on the week closing at 16,459 while the S&P 500 ended the week at 1970. Needless to say, the size of the sell-off caught me by surprise. While I had been generally bearish for the summer, I had thought we had passed through a danger zone three weeks ago and that stocks actually had a reasonable change to bounce in mid to late August before entering another higher risk time window starting in September. How wrong I was! The early week did see the bulls attempt to rally and this did broadly fit with some more positively looking Mercury and Venus aspects. I had also expected the late week to be more bearish but nothing like this – the selling started in earnest a day earlier than expected on Wednesday and continued through Friday's huge 3% decline.

While I was off in my probable timing for a decline by several weeks, at least the market appears to be breaking down as expected. China is clearly the main area of concern now as more data is showing a significant slowdown in the world's most dynamic economy. The Fed seems that much more unlikely to raise rates in September now but the market likely doesn't care as falling bond yields are a signal that caution is again the watchword. For the moment, then, we are back to a semi-sane world where bad news is really bad news. That is until the Fed is forced to launch QE4 or some other intervention in the markets the next time things turn ugly. For now, we are still broadly on track to fulfill the decline I had earmarked for September-October. So how close to the bottom are we in terms of timing? While



last week's decline has arrived somewhat before (and later) than I thought it would, I think there are more astrological indicators that suggest further declines are likely. The technical indicators are bearish in any event (see below) so there is that much more reason to expect further downside in the weeks ahead. My basic view is that we are still on the first down leg down of at least two down legs. I can't be sure how big the second down leg will be but it is likely to be focused around the September and October time frame. Since the SPX is below 2000 already, I think the chances are fairly good that we will eventually fall to 1900 and possibly retesting the October low of 1820. Picking downside targets is difficult but the planetary set ups do support the notion that the high for the year is in (SPX=2134) and that even if there is a Santa Claus rally as I expect, it is very unlikely to match that level.

The bears inflicted considerable technical damage on the market as several support levels were broken all in one swoop. The key 2040 level was broken on Thursday and then Friday took out the 2000 level. Support now is likely closer to the 1950 level which is the downside target of the multi-top pattern from May to July. This translates to about 1130 on the Russell 2000 and about 16,200 on the Dow. Resistance is likely around the 2000 level, and above that, of course, 2040. If we do get bounce this week, the action around these levels will be important tells for the market going forward.

Needless to say, we could see those support levels tested very soon this week after which we could see a quick bounce. Stocks are getting oversold here as the daily RSI is only 24. This argues that a bounce should happen soon. All commodities except gold sold off also and this is another reason why stocks may have further to fall. Regardless of official Chinese data, the falling price of oil and copper are very good indicators of falling worldwide demand and the rising risk of a new recession. Treasury yields are also suggesting a slowdown ahead as the 10-year closed just above the 2% level below the 200 DMA. While we could see another higher low on this chart around 1.7-1.8%, it nonetheless suggests that there is more downside here before a reversal. Short term rates also fell thus reflecting the diminished expectations for a September rate hike. The Bullish Percent chart also fell sharply and now stands at 44, just a few points above its low from October 2014. This is another possible reason to expect a bounce fairly soon. The Dow weekly chart is quite oversold now and also argues for a bounce. RSI is 31 and stochastics are below the 20 line. The Dow is getting close to its August and October 2014 lows, so a bounce could begin to form a possible right shoulder that tops out at 17,250 or perhaps as high as 18,000. If this larger head and shoulders pattern played out, it has a downside target of around 14,500 which translates to about 1750 on the SPX.



This week offers some evidence for an oversold bounce in the early part of the week. The Sun's conjunction with Jupiter on Wednesday is usually bullish although in the current environment I wonder how important this pattern

will be. The Saturn-Lunar Node alignment I noted for September is only three degrees away now and may be one reason why things are falling apart here. That means that ancillary aspects to this pairing will take on an added importance. This week, Mercury aligns with bearish Saturn on Wednesday and the Lunar Node on Friday. Both should be seen as negative influences. The bottom line here is that we could see an early bounce but I'm not convinced it will hold by Friday. The week as a whole could well end negative. Monday and Tuesday therefore look fairly bullish on paper although I doubt we will see two up days in a row. I would have a bearish bias here but the lower lows may only be incremental. Perhaps the Mars-Venus conjunction on Sept 1st marks an interim low. That's a possible short term scenario.



Next week (Aug 31-Sep 4) is likely to begin negatively on the Mars-Venus conjunction but we could see a stronger bounce the second half of the week. The first half of September could see an extended rebound although the planets are not clear on this point. But if we are still down and oversold by September 1st, then at least the rebound scenario for the following two weeks becomes more likely. However, the entry of Mars into Leo on September 15th is one date to watch for in terms of a possible interim top and reversal lower. The Saturn-Node alignment will be nearly exact at that time so there could be added downward pressure on the market. I would therefore expect another move lower in the second half of September. If we have seen a preceding rebound, then the question will be whether we get a lower low in late September or indeed, in October. I think a lower low is the most likely outcome here although nothing is 100%. I think we will get an important low in October one way or another. This may well be below SPX 1930 and quite possibly below the October low of 1820. Stocks should begin to recover in the second half of October or perhaps November and then generally rise through to January as Jupiter conjoins the Lunar Node. Another corrective phase is likely to begin by February 2016 and extend for at least two months. The second half of 2016 looks quite bearish so a lower low looks probable at that time.



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 UP
(1 year)

bearish (disconfirming)

Indian Stocks

Stocks slumped last week on growth fears and more bad economic news out of China. The Sensex lost almost 3% on the week closing at 27,366 while the Nifty finished at 8299. This bearish outcome was surprising as I thought we might have seen more upside in the first half of the week. Monday was down as I thought it might be but there was very little upward movement on Tuesday and Wednesday around the Mercury-Venus-Uranus alignment. Despite these usually bullish planets, stocks only went sideways. The late week was bearish as expected on the Sun-Saturn alignment although without the preceding gains, the indices ended lower on the week.

Suddenly, world equity markets are on the edge of a Chinese-made abyss as investors have started to panic. While I thought the current summer period would likely lean bearish, I thought that August could actually be more bullish. With the two key exact Saturn alignments falling in late July and mid-September, I believed there was some space available for some upside, however modest. This now seems increasingly unlikely as stocks have fallen throughout most of August thus far.

Commodities continue to crash as oil and copper have hit multi-year lows, and there are more signs of a global slowdown. Investors have shifted their attention away from any Fed rate hike in September and are digesting the possible implications of a full-blown recession in China. While we could see some short term rallies here in at the end of the August, they are unlikely to undo the damage already done. September still looks bearish as the Mars-Venus conjunction on the 1st is likely to bring about more downside. The Saturn-Ketu alignment around the 15th coincides with the entry of bearish Mars into Leo. In other words, the most likely scenario is for lower lows to occur in September. Since we are already testing key support here at 8300 on the Nifty, we should not be surprised if even more important support levels such as 8000 come under pressure by late September. October may also bring more downside although I would expect a significant rebound to begin sometime in that month. November and December looks decidedly more bullish as Jupiter conjoins Rahu (North Lunar Node) so we could see a significant portion of the correction erased by early 2016.

The technical picture became more bearish last week. Not only did the bulls fail to break above resistance at 8600 or 8650 but Friday's outcome saw a brief move below support at 8300. To be sure, the hammer candlestick was



somewhat bullish as it suggests that more upside is more likely in the days ahead. The intraday low matches the 29th June low and thus could provide a reasonable jumping off point for another move higher. That said, bears will be watching to see how the gap below Thursday's close at 8370 will be filled. There may be a tendency for bulls to go long here but then quickly abandon ship as the Nifty approaches Thursday's close. If the Nifty can move above 8370, then one would expect more upside to follow.

Of course, the bigger problem is that the Nifty is now clearly below the three clustered moving averages. This was not the case in late June and therefore it puts added pressure on bulls to quickly recapture the 50 DMA. A larger move lower here would likely push the 20 and 50 DMA on a downward slope and create bearish crossovers with respect to the 200 DMA. Thus, we can see one neckline (8300) above a second neckline here (8000). The failure to hold 8300 would suggest a downside target of 8050. However, a retest of 8000 would suggest a possible larger head and shoulders pattern. If we did see a decline to 8000 in the coming weeks, we could easily see a significant rebound and the formation of a right shoulder near 8500. That will be something to watch for. The weekly Sensex chart is looking increasingly bearish now as stochastics is in a bearish crossover and pointing down below the 80 line. MACD looks like it wants to roll over and begin its own bearish crossover. A retest of the June low looks more likely in this chart. Meanwhile, Infosys (INFY) succumbed to profit taking last week after testing resistance early in the week. While the decline was sharp, it is still above key support here, just above the early August low. Any move below that level would make this chart more bearish, however. For the moment, it still could be consolidation before attempting to make a higher high. HDFC Bank (HDB) moved lower last week and similarly finds itself perched on support at its July low and April and May highs. Any further decline would raise alarm bells but we could well see another rally attempt here.

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This week may well see some follow through on the downside. The early week is a bit mixed as Monday's Moon-Saturn aspect is bearish. The Sun will also remain in wide aspect with Saturn so I would think the odds favour the bears in the early going. However, the Sun-Jupiter conjunction on Tuesday and Wednesday brings the possibility of some upside. I would not expect a big bounce but it is nonetheless possible. The late week leans bearish again as Mercury aligns with Saturn on Wednesday and Thursday and approaches its conjunction with Rahu on Friday. If Monday is down, then we could see another rest of 8200 although I would be surprised if the Nifty



fell that far. A rebound could similarly retest Friday's close at 8300 and I would not rule out a gap fill to 8370 either. However, the rest of the week seems negative enough that we may well close lower. Overall, this is not a great week for a significant rebound as we may have to end up waiting for after the Venus-Mars conjunction on 1st September for that eventuality.

Next week (Aug 31- Sep 4) looks bearish to start on the Venus-Mars conjunction. I would think the chances are fairly good that we will see 8200 broken on the downside. A rebound is more likely to occur in the second half of the week as the Sun and Mercury align with Neptune although it does not look strong. The following week (Sep 7-11) could see more upside as Venus ends its retrograde cycle and begins to move forward again. While there are some bullish short term alignments here, the medium term is still unfavourable so we cannot rule out a possible retest of 8000 at some point here. I tend to think it won't happen until late September, but it could easily happen sooner.



More downward pressure is likely as Mars enters Leo on 15th September and Mercury turns retrograde on 18th September. These are likely to wipe out any brief preceding gains and I would think they will pave the way for lower lows – probably below 8000 by the end of September. A significant low is possible around the 10th October as Mercury returns to direct motion while in aspect with Saturn. I'm not sure if this will be THE low for the year, but it is one plausible candidate. Late October also looks iffy in that respect. We could see the low bottoming out anywhere from perhaps 7000 to 7800. However, November and December do seem more bullish as Jupiter approaches its conjunction with Rahu (North Lunar Node). This rally will likely continue into January 2016 at least as Jupiter is due to station retrograde. I would think the Nifty could retrace a good chunk of its previous correction, perhaps 50% of it. February to April looks bearish and is likely to at least retest the 2015 lows, if not go lower. Q4 2016 looks very bearish and could well see lower lows once again.

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 took it on the chin last week as global economic weakness meant it became less likely that the Fed would move in September to raise rates. The USDIX finished the week down 1.5 cents at 95. The Euro climbed to just under 1.14 while the Rupee followed the bearish trend in Asian currencies and approached 66 to the Dollar. This bearish Dollar outcome was in line with expectations as I thought the late week Venus-Uranus alignment would see some selling. That said, the extent of the decline was surprising as the Dollar now seems to be moving towards a retest of its 200 DMA at 94.60. This is still a bullish chart as we can see a series of higher lows. The Dollar likely can withstand a little more downside without fundamentally changing the technical outlook. The key level is at 93 which matches previous lows. However, the Dollar is getting oversold here as stochastics is below the 20 level and RSI is at 33 so a bounce is looking increasingly likely. Although bullish, the chart is not pointing a clear path to higher highs above 100 just yet.



This week could see a little more downside for the Dollar as the Sun conjoins Jupiter on Wednesday. I would expect at least a tag of the 200 DMA at some point this week. The late week is perhaps more bullish, but not overly so. It is possible we could see the Dollar finish lower but I would think there is enough upside here to produce a more neutral outcome. Next week looks more bearish as Venus conjoins Mars on Tuesday September 1st. It is possible we could see the Dollar bottom out here but I think it is more likely it will move higher on the week. I would expect the Dollar to continue to appreciate until September 25th at least when Mars squares Saturn. While we will likely see a brief dip at the end of September, the first half of October is also bullish. Whether this produces another higher high is harder to say. I think there is a decent chance we will see the Dollar back at 100 again, although it could also stop just short of that level. The Dollar should peak in October and then begin a significant correction from November to January at least. This should produce a technically bullish higher low. The Dollar is likely to remain bullish through most of 2016 with higher highs above 100 very possible.



Technical Trends (Dollar)

Short term trend is DOWN
(1 week)

Astrological Indicators

bullish (disconfirming)

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

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

Crude oil

Crude's death spiral continued last week as evidence of China's slowdown piled up amid reports of a supply glut. WTI fell to its lowest level since 2009 and lost 5% on the week finishing near \$40. Brent followed suit closing near \$45. I thought we might have seen more upside on the Venus influence but the late week proved to be more bearish than expected. We did see the high for the week on Wednesday which did closely coincide with that Venus alignment but prices reversed sharply intraday and the bears had their way after that. So where and when is the bottom for crude? Sentiment is terrible, it's technically oversold on most time frames, but there isn't a good reason for traders to go long. That could be enough contrarian evidence for a speculative bullish position but it's still hard to make the case. There may be some support here at the psychological level of \$40 but the trend is clearly down. The inability of \$42-44 to hold as support has thrown the head and shoulders scenario out the window also. The short term technicals are therefore very hard to read. Eventually, it should rally back near its 200 DMA (now at \$54) but that could happen anytime. If we do get a bounce, resistance is near \$45 and the 20 DMA.

This week looks mixed but perhaps there is a realistic possibility of a bounce around the midweek Sun-Jupiter conjunction. Monday looks somewhat bearish, however, so perhaps we will see WTI fall below \$40 then. But I would not expect the rout to continue unabated through the week. It seems more likely that we will get some upside here. I would not expect a huge gain, but we could test that first resistance level at \$45. Next week (Aug 31-Sep 4) looks more bearish as Venus is conjoined by Mars. Lower lows are possible here in early September. I think the Saturn-Node alignment in mid-September will put more pressure on prices. That means a snapback rally is unlikely to take place, although we could see smaller bounces along the way. Some upside is more likely to take hold by mid-October as Mars conjoins Jupiter. I'm not certain September will be as bearish as August has been. It's possible, but the indications do not look as negative. Perhaps we will only see an incrementally lower low (\$35?) rather than something more catastrophic. But the low could occur in October and this should set the stage for a major rebound which extends into January



2016. This should recapture the 200 DMA at least and may well exceed that level. 2016 as a whole looks somewhat bearish with lower lows quite likely.

Technical Trends

Astrological Indicators

Short term trend is DOWN
(1 week)

bullish (disconfirming)

Medium term trend is DOWN
(1 month)

bearish (confirming)

Long term trend is DOWN
(1 year)

bearish (confirming)

Gold

Gold surged last week as China fears made a Fed rate hike in September much less likely and pushed more investors towards the safe haven. Gold rose 4% on the week closing just below 1160. While I had been bullish on the approaching Sun-Jupiter conjunction, the extent of the gains was a little surprising. That said, we did see the strongest gains arrive midweek around the Venus-Mercury-Uranus alignment. Friday's Sun-Saturn aspect did not coincide with any significant profit taking, however. The ball is in the bulls' court now as gold has successfully pushed back above the key 1140 resistance level. Now that all the bears' stop losses have been triggered and the shorts cleaned out, could gold actually make a real rally here? It's possible, especially given the decent period of consolidation at 1080. Of course, gold is overbought on a daily basis now as RSI is at 69 and stochastics is well above the 80 line. A further move higher to the 200 DMA at 1186 would be entirely in keeping with the notion of a passing bear market rally. While the bounce was stronger than I expected, the planets are not obviously supporting the notion that a major rebound is at hand. The technicals also have a long way to go before this is anything more than a flash in the pan bounce. A close above 1230 would probably convince more investors that the



bounce was for real. Support is now around 1130-1140 so any move below that level could spell trouble for the bulls once again.

This week could see this rally continue, at least until Tuesday or Wednesday when the Sun exactly conjoins Jupiter. Wednesday or Thursday could see some of the upside momentum fade, however, with Friday looking perhaps most suspect in this regard as the Moon aligns against Venus and Mars. I would think gold could finish higher on the week although it is unlikely to repeat last week's performance. That said, I am still not convinced that this rally is going to last. The question is whether it fizzles this week or next – or conceivably the week after that. Next week (Aug 31 – Sep 4) looks more bearish as Venus conjoins Mars on Tuesday the 1st. We could see some upside after that but it doesn't look too strong. Early September looks mixed at best. I would not be shocked if we saw gold edge higher – perhaps towards that 1230 level – but this doesn't seem probable at this point. A key date to watch is the entry of the Sun into sidereal Virgo on September 17th. This is likely to be bearish and could begin or accelerate a corrective move lower which lasts into October. I would expect a retest of 1080 by early October with lower lows most likely to occur by late October or November. A strong rebound is likely to begin in November and last into early 2016 on the Jupiter-Node conjunction. This rally will likely top out in February and then another correction will be begin and last into April. As a whole, 2016 looks bearish for gold with sub-\$1000 prices likely.

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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