

Summary for week of 21 September 2015

- Stocks vulnerable to declines, especially in second half of week
- Dollar could retest support at 94 early
- Crude oil could retest resistance in first half of week
- Gold may extend gains early but prone to declines later

US Stocks

Stocks finished the week slightly lower after the Fed left interest rates unchanged. The Dow lost just 50 points on the week closing at 16,384 while the S&P 500 finished at 1958. While I was expecting some selling following Thursday's FOMC statement, the week was more bullish than expected. Monday saw only a tiny decline and then the bulls took over. While I thought some midweek gains were possible, the extent of the rise above SPX 2000 was surprising.

Markets are again looking a bit shaky here as Janet Yellen's ultra-dovish statement was unable to encourage any buying. In fact, the Fed's economic outlook was so somber that a near-permanent zero interest rate policy indefinitely is no longer enough to boost stocks. Clearly, the message is finally get out there that we are at risk of another global recession. It means that the Fed and other central banks may have to intervene again either through more QE or perhaps through negative interest rates (NIRP). In fact, one Fed member actually made that preference official in the Fed's much-watched dot plot diagram for interest rates expectations over the next several years. While such a move may be stimulative as more liquidity flows into the risk assets such as stocks, it had the opposite effect of actually scaring off investors. Of course, it may not matter how bad the real economy gets here as the stock market has become detached from economic fundamentals for some time. For our purposes, stocks still look vulnerable to more downside. To be sure, I thought we might be lower than we are by now as the Saturn-South Node alignment is just a week away from exactitude. Does this mean that markets are getting closer to rebounding? I

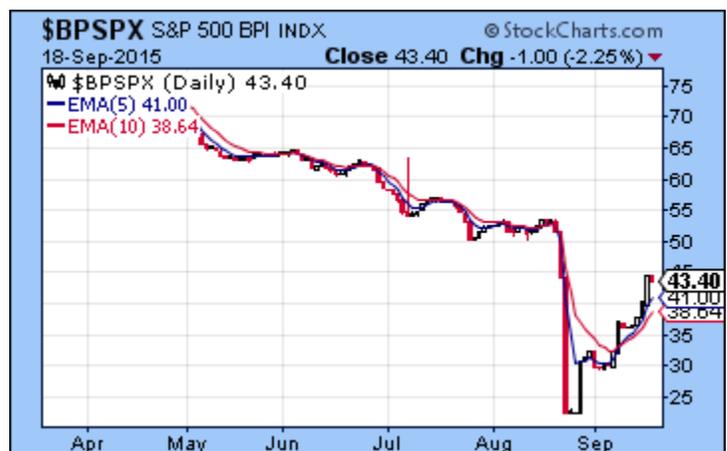


don't think so, at least not in a meaningful way. Once this Saturn-Node pattern is done with in the next 5-10 days, we should be in a better position for a rebound. My guess is this we will get some kind of interim bottom soon, and then October will have a more bullish bias around the Jupiter-Pluto aspect. November therefore looks more bearish again as Saturn is due to square with Neptune at the end of the month. I'm not sure if this will produce a lower low (below 1867, or below whatever low we see in late September early October). It's possible, but it does mean that the market is unlikely to make a V-shaped bottom either now or in October.

The technical picture looks uncertain and for that reason I think it still favors bears. We did get a strong bounce last week but Thursday's intraday reversal looked bearish. The move above resistance at 2000 was bullish to be sure, but Thursday's gravestone doji more or less nullified any of its positive effects. More upside is possible here as there has been a bullish trend since the August 24th low at 1867. But the 50 DMA at 2038 and the 200 DMA at 2068 are looking fairly strong as resistance levels as there is a lot of overhead volume above. Another rally back above Thursday's high of 2020 would probably require a successful defense of 1940 first. A breakdown of support at 1940 could open the trap door and a possible retest of 1867.

Given the astrology in the next week, that kind of scenario is actually possible. If it stopped near 1860-1880, then the resulting double bottom would be quite bullish and would be the natural jumping off point for a stronger rebound. A breakdown of 1867 is unlikely in the near term, but if it should happen, we would be quickly revisiting 1820, the October 2014 low. The rising trend line support comes in at 1700 so that is another level to watch in the event we get a sudden sell-off here in late September or later in November. The weekly Dow chart posted a very bearish weekly candle. This weekly gravestone doji on is bearish and points to more downside ahead. This is the opposite of the bullish hammer candles from Feb and Oct 2014. The MACD bearish crossover is still in effect so this chart is still bearishly biased. RSI and stochastics have recovered somewhat from their oversold levels but they could go either way at this point. Interestingly, the Bullish Percent chart is much more bullish as the bullish crossover is clearly in effect here. Bond yields appear to be pointing lower here after peaking at 2.3% for the 10-year at midweek. Of course, there is considerable support at the 200 DMA here at 2.1% so it will take a major equity sell-off to breach this level.

This week offers up some planetary bearishness. The most important alignment occurs on Friday when Mars squares Saturn. This is a high probability bearish alignment that is likely to manifest on either Thursday or Friday. There is also a greater likelihood of a larger decline on this pattern. The early part of the week looks more mixed. Gains are likely on either Monday or



Tuesday on the Venus-Uranus aspect. I would not be shocked if we got two days of gains but that seems a little unlikely. Monday has a slightly more bearish bias due to the Mercury-Saturn aspect. Tuesday looks more bullish by comparison. If those two days are a wash, then it would set up a more bearish second half of the week. The Sun-Node-Saturn alignment is closest on Wednesday and Thursday so that leans bearish also. We could conceivably retest 2000 in the first half of the week but that doesn't seem likely. If the late week is as bearish as I think it could be, the chances of a breakdown of 1940 are very high, and 1900 could be quite doable.

Next week (Sep 28-Oct 2) could start negatively on the remnants of the Mars-Saturn square but I think Monday is more likely to end in the green in any event. The week as a whole leans bullish also as Venus enters Leo on Thursday and the Sun aligns with Jupiter on Friday. The following week (Oct 5-9) is uncertain as Mercury backs into its alignment with the North Lunar Node and Saturn at the end of the week. There is significant downside potential in this alignment so I would think that would impede and even negate any possible rebound rally that has begun in the preceding week. If we do get a rally between Sept 25th and Oct 7th or so, it may not be too strong.



While October will likely see some upside on the Jupiter-Pluto aspect, I do not think this is a time for bulls to become comfortable in long positions. There remains an elevated downside risk from now until late November. Some gains are likely to be concentrated in the second half of October but they may only return the indexes to their 50 DMA, if that. Venus enters Virgo on November 3rd while in conjunction with Mars so that could well start (or accelerate) the next major down leg that lasts throughout November as Saturn aligns with Neptune. I think the chances are high that we at least retest 1820 on the SPX by the end of November. I think the chances are also fairly good that we get that channel support test at 1700, or perhaps even the old highs of 1550. But that is getting ahead of ourselves. The Jupiter-Rahu conjunction should ensure a big rebound in December and January, possibly as a result of central bank intervention. Although this could be sudden and powerful, it may not last long. It would also seem unlikely to change the bearish technical dynamic of lower highs and lower lows that will be in place soon enough if all goes according to plan. But that remains to be seen, since central banks may be getting very creative next year as they try to postpone the next debt-fueled recession. 2016 as a whole looks bearish, although much of that decline may be concentrated in the last quarter of that year.

Technical Trends

Astrological Indicators

Short term trend is UP
(1 week)

bearish (disconfirming)

Medium term trend is DOWN
(1 month)

bearish (confirming)

Long term trend is UP
(1 year)

bearish (disconfirming)

Indian Stocks

Stocks extended their gains last week as the Fed left rates unchanged on fears of a deeper global slowdown. The Sensex climbed more than 2% on the week closing at 26,218 while the Nifty finished at 7981. I thought we might have seen more downside, especially on Friday following the Fed decision. As expected, we did get some decline on Tuesday as Mars entered Leo and the midweek was more bullish as expected. Friday's gain was more surprising in light of the Fed decision. While the decision to leave rates unchanged was welcomed in most emerging markets like India's, Europe and the US sold-off sharply as Chair Janet Yellen surprised the market with an unexpectedly gloomy picture of the global economy including the possibility of negative interest rates. As I suggested last week, some kind of confusion was more likely since Mercury turned retrograde just minutes after the statement was released.

The Fed's ultra-dovish stance may have rescued Indian equities but for how long? To be sure, a lower Dollar is helpful in stemming the flow of foreign capital out of the country. With the Fed now unlikely to raise rates until Q1 2016, there is more room to maneuver as long as the financial situation in the rest of Asia remains stable. While there is a bullish argument to be made for equities here, the planets do not offer much support to that view over the next two months. While I think some significant gains are likely down the road, I would be surprised if the market was able to continue this rebound for much longer. In my view, the downside risk is still significant. I had noted the probable bearish effects of the Saturn-Ketu (South Lunar Node) alignment in the second half of September. We have yet to see what effects that will have on Indian stocks although markets in developed economies have already felt the pinch. It seems unlikely that India can escape unscathed from this celestial pattern. It's possible, but not what I would call probable. Even if we see another rally attempt in October around the Jupiter-Pluto aspect (exact 12th October) here again there are significant obstacles for an extended rally. Venus enters sidereal Virgo on 3rd November, a sign that almost always accompanies a pullback, if not correction. Also the end of November again features a prominent Saturn aspect, this time a square with Neptune. Saturn squares are typically bearish and I expect this one to follow suit. But the larger question is whether this likely November decline will be a lower low below 7600. Several months ago, I thought the chances were decent that we could retest that 7000 breakout level in Q4. I'm now less predisposed towards that kind of decline over the next two months, however. I think there will be ample opportunity for bears to push prices below current levels, but it is possible we may only get a retest of 7600 before another rebound. Of course, if we get a retest of 7600 fairly soon (e.g. by early October), then perhaps November could see significantly lower levels. We shall see.



The short term technical picture looks bullish here, although Friday's gravestone doji candlestick is bearish. The fact that buyers backed off at resistance below 8100 is a sign that the rebound may have to consolidate a bit before attempting to fill the gap between 8100 and 8300. Friday's session topped out below 8100 and equaled a 50% retracement from the previous high. Given the weakness of the market, that may be all bulls can hope for in the short term.

Some support is likely at 7900, although a move below that level is unlikely to cause too much trouble for the bulls. A retest of 7800 could actually be quite bullish since it would create an inverted head and shoulders pattern which is often bullish. If completed, this pattern would have an upside target near 8600. The current rebound will only be in jeopardy if we see the Nifty move below 7800. If we do, then a retesting of 7600 is likely. The double bottom would likely be a bullish buying opportunity. A break below 7600 could clearly be quite negative for the market. For more cautious bears, the 50 DMA at 8230 or the 200 DMA at 8400 may be safer places from which to short. The weekly chart is showing the beginnings of a bullish crossover in stochastics.

This is a useful buy signal even if the daily chart and planetary alignments do not offer much bullish confirmation. With the bearish crossover of the 20 and 50 WMA still very much in effect, a rally back to either of these lines is very possible before we see any lower lows. Meanwhile, Tata Motors (TTM) had a down week in US trading, mostly as a result of Friday's sell-off. The stock is trying to consolidate after the piercing low of 24th August. So far the bounce has been fairly weak so a retest of that low looks more probable. HDFC Bank (HDB) enjoyed more of a bounce last week and is trying to retest recent highs. For now, the chart is bullish but we will likely see a retest of support at the 200 DMA before revisiting the August high.

This week gives the bears a chance to do some damage, especially in the second half of the week. The first half of the week looks more mixed. Mercury aligns with Saturn on Monday so that loads the dice in favour of the bears, but only a bit. Some upside is likely on either Monday or Tuesday, with Tuesday looking more likely as the Moon aligns with Jupiter. Venus also aligns with Uranus across these two days so I would have net bullish bias across those two days. Wednesday is harder to call as the Sun conjoins Rahu (North Lunar Node) and that could invoke the Saturn influence through a broader alignment. However, it is still possible we could see some upside from the Venus pattern. Thursday is even more bearish as Mars squares Saturn. The square is exact on Friday but with



the market closed for a holiday, stocks could avoid some of the fallout. Nonetheless, I think the risk across Wed-Thurs may be enough to produce a down week overall. I think there is some chance that we could see 7800 tested although it is also possible that the net downside may be more modest.

Next week (Sep 28-Oct 2) looks more bullish. Monday's lunar eclipse may see gains as Mercury aligns with Jupiter. Perhaps the first half of the week is more positive than the late week. Wednesday and Thursday look more bearish as Mercury conjoins the Sun. Friday is also a bit negative on the Mars-Moon square although again with the BSE closed for a holiday some downside may be mitigated. Overall, the week could end fairly neutral given the likely early week gains. The following week (Oct 5-9) looks more bearish as Mercury conjoins Rahu while aligning with Saturn late in the week. Some gains are possible early in the week but overall I would think we see more declines here. It is possible we could see a retest of 7600 by this time although calling levels is more difficult. We should see some upside in mid-October as Jupiter aspects Pluto but I do not think it will be substantial. I would retain a bearish bias throughout October in any event, even if we do get some rallies. Lower lows are very possible in November as Venus enters Virgo on the 3rd. December and January look more bullish as Jupiter conjoins Rahu. This often produces speculative and uncontrolled buying so the rebound could be quite sharp. However, another correction will likely begin by February at the latest and last until April or May. This should produce lower lows. After a major rally from May to August, markets are likely to fall once again into the end of 2016.



Technical Trends

Short term trend is UP
(1 week)

Medium term trend is DOWN
(1 month)

Long term trend is UP
(1 year)

Astrological Indicators

bearish (disconfirming)

bearish (confirming)

bearish (disconfirming)

Currencies

It was a tale of sound and fury last week perhaps as the Fed's dovish statement saw the Dollar tank Thursday only to have it rebound strongly on Friday as investors sought a safe haven. The DX ended down slightly on the week at 95 while the Euro declined modestly to 1.13 and the Rupee Index fell below the 66 level. This bearish result for the Dollar was disappointing as I thought there would be enough Saturnian energy available to induce more safe haven buying. We got some but not enough to make a serious dent in resistance at the 50 DMA at 96.5. Support is still around 93-94 which is in the vicinity of the 200 DMA.

Buyers will likely to continue to come into the market at that level but we have been seeing a series of lower highs more recently. This suggests that bulls have felt more vulnerable and have bailed out of their positions. The narrowing of the range of the moving averages may precede a bigger move and a new trend – either higher or lower. If 93 is broken to the downside, then that would spell the end to the current dollar rally. Conversely a move above resistance at 98 would be bullish and could indicate a retest of the highs at 100 and the possibility of further upside.



This week could see some larger moves in both directions. The early week looks bearish for the Dollar as Venus aligns with Uranus on Tuesday and Wednesday. The late week Mars-Saturn aspect looks bullish, however, so I would expect a significant rise across Thursday and Friday. I think there is some upside here for the Dollar but I'm unsure if it will manifest fully this week. We may well end up fairly close to current levels. Next week could see another pullback early, but the late week again looks bullish for the Dollar. I am expecting the Dollar to at least remain above support at 94 for the month of October and there should be some significant rally attempts that retest resistance at 98 along the way.



An interim high looks possible sometime in November, probably below the 100 level, and after that some retracement will take place. The Dollar will very likely retest 94 during this retracement and I suspect it could fall further than that by January. Another Dollar rally will likely begin in February and continue into March and early April. This could well see the 100 level retested.

Technical Trends (Dollar)

Short term trend is DOWN
(1 week)

Astrological Indicators

bullish (disconfirming)

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

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

Crude oil

Crude oil was mixed last week as the Fed warning of a slowdown let the air of the tentative rally. WTI ended 2% higher on the week to \$45.32 while Brent was down modestly below \$48. I thought that crude might have been more bearish actually although Tuesday's gain was not too surprising on the Venus influence. Support held firm at \$44 so bulls can take some credit for keeping the game going a while longer. \$44 is critical support now so any close below that level would likely mean a retest of \$38 was imminent. The 50 DMA may be acting as resistance now but a pop up to the 200 DMA at \$52 is very possible also. The longer WTI cannot close above \$48, the more vulnerable it will become to retesting support at \$44 and perhaps breaking it. A down sloping head and shoulders pattern is still viable here with the right shoulder at \$48-50. A move lower below the neckline at \$37-38 would have a downside target close to \$16-20. That seems improbable for now, but it bears watching for 2016.

This week looks mixed. The early week could see some upside around the Venus-Uranus alignment on Tuesday. We could easily have two up days here and I would not be surprised to see \$48 tested again on WTI. Wednesday could see a return to bearishness, however, as Mars forms a square aspect with Saturn and the Sun conjoins the North Lunar Node. I would lean bearish overall, although perhaps that only means we test \$44 yet again. That said, I would not be surprised if we broke below that level. Next week (Sep 28 – Oct 2) looks more bullish, especially in the first half of the week as Venus enters Leo. I would think the chances are good that WTI stays above \$44 here and it could retest resistance along the way. My general view for October is that it will have a bullish bias. I think there will be a good chance to move above \$50 and retest the 200 DMA. But the rebound should peak in the last week of October and then we should see a downtrend through much of November. This will likely retest \$38 and we could easily see something below that. December and January look more bullish as Jupiter conjoins the North Lunar Node. Crude oil price will again come under pressure in early 2016. I think the chances for a new bull market are fairly small in 2016 as crude will continue under pressure.



Technical Trends

Short term trend is DOWN
(1 week)

Medium term trend is DOWN
(1 month)

Long term trend is DOWN
(1 year)

Astrological Indicators

bearish (confirming)

bearish (confirming)

bearish (confirming)

Gold

Gold rallied strongly last week as the Fed chickened out of a rate hike yet again. Its ultra-dovish stance opened the door to further stimulative measures which would tend to put pressure on the Dollar. Gold rose 3% on the week finishing at 1139. While I had been uncertain about last week, the strength of the rally was surprising, especially the late week moves which came despite an apparently significant Saturn presence. Bulls were able to defend 1100 and push it up to the intermediate high of 1140. But the rally needs to move above the previous high of 1170 before this move is anything but a short squeeze. We could be forming a neutral pennant pattern here of higher lows and lower highs. Stochastics are not yet overbought so we could see more upside here in this push up. So has gold finally bottomed? From a purely technical perspective, it's impossible to tell as this is still early days after this 4-year long decline. It will likely take several weeks to know if this current period of consolidation is going to hold up. So far, we can say that the pre-conditions are present. Until that time, gold traders may take a more short-term approach.

Gold bulls may get another opportunity to push prices higher this week, although the best chances would appear to be in the first half of the week.

Venus aligns with Uranus on Monday and Tuesday so we could easily see more upside follow through, perhaps even towards that 1170 resistance level. However, the approaching Saturn-Node alignment seems quite bearish and for this reason I tend to think that any rallies won't last. Generally speaking, the planetary factors here give more support to the bearish notion that rallies should be sold. The downside risk rises through the week with Thursday and Friday looking more bearish on the Mars-



Saturn square. Where gold finishes this week is hard to say. It may end up fairly close to current levels (1139). Next week also looks choppy with some selling likely in the beginning and end of the week with some upside possible midweek. Oct 5-9 looks more bearish, however, as Mars opposes Neptune on the 6th and 7th. I would think this could coincide with a retest of support at 1100 at least. We should another rally attempt in mid-October on the Mars-Jupiter-Pluto alignment. But late October and November look bearish again so I think the chances are good that we will break support at 1080. That is also the time frame where we could see a decline to 1000 or below. Gold should launch a major rebound starting sometime in late November or early December which may continue into January at least. February will likely see another major correction begin which lasts into April. I'm uncertain if this will produce lower lows, however.

Technical Trends

Astrological Indicators

Short term trend is UP
(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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