

Summary for week of 19 October 2015

- Stocks likely to remain bullish this week although declines possible midweek
- Dollar strong in the first half but likely under pressure later
- Crude oil generally bullish and likely to retest resistance again
- Gold mostly bullish around some midweek weakness

US Stocks

Stocks continued to move higher last week on hopes that the Fed would postpone its rate hike to 2016. The Dow rose by 1% closing at 17,215 while the S&P 500 finished at 2033. This outcome was somewhat unexpected as I thought we might have got more downside, especially later in the week on the Mars-Jupiter conjunction. As expected, we did get a small pullback after Monday's New Moon which was then bought as the rebound moved to new interim highs.

Bulls are still in the driver's seat here in October as the market begins to confront more formidable resistance from its pre-August levels. So far October has been more bullish in the aftermath of September's Saturn-Node alignment. I thought that October had a reasonable chance of a rebound given apparent the weakening of bearish Saturn and the prominence of the bullish Jupiter-Pluto aspect. I was unsure just how reliable the rebound might be, however, as I think the market remains highly vulnerable to declines until late November. For this reason, I was reluctant to emphasize the bounce for fear it might fizzle quickly. Once we got the double bottom confirmed in late September, however, the possibility for this kind of fairly decent rebound was greatly increased. As the SPX climbs back towards its previous summer range, it is worth noting again that these gains are likely predicated on more economic weakness and several more months (at least) of zero interest rates from the Fed. So we are back to the bad economic news is good news for the market given the logic of liquidity that has driven stocks higher since 2009. Of course, it is important that the 'bad news' only be slightly bad, in so far as it delays a stronger recovery but does not preclude it. My general



expectation is that this only bullish slightly bad news environment may become damaged in late October or early November, possibly as a result of what the Fed decides at its next meeting on Oct 28th. Between now and then, I would not rule out further gains that test some resistance levels which are now very close to where the market now resides. It seems a bit too soon for any serious downside before that meeting, although a sideways market is also possible.

Last week's gain moved above the previous interim high of 2020 and ventured into trickier territory. There is still a lot of resistance from 2040 to 2060 (and the 200 DMA) so we could see weaker bulls take profits there. The problem for the bulls is that the market traded fairly heavily between 2040 and 2130 for several months so it will take some significant developments to recapture those levels. I would think that many market players will be looking to short as the indexes approach their July lows (SPX=2040). Although it may be too obvious for this crazy market, it at least has a decent rationale behind it. If the market is as manipulated as many seem to believe these days, then we may see all the short sell stops run just above 2040 in order to muddy the waters.

Stocks aren't yet overbought on the RSI so that could indicate a little more upside room for the rebound. The Bullish Percent chart is still in a bullish crossover suggesting that for the moment the bulls have the upper hand. But the breadth according to the broader indexes is suspect as the small cap Russell 2000 is still below its Sep 17th high, as is the German DAX. While these may not be harbingers of an imminent decline, they do offer some evidence that the current rally may not be broadly based and therefore less sustainable in the medium term. This then becomes an argument against the bulls really taking the reins here and pushing stocks to new all time highs. The longer term weakness is apparent from the weekly Dow chart where the 20 WMA is still below the 50 WMA after its September bearish crossover. This is not a sign of a healthy market. The last time these lines formed a bearish crossover was February 2008 as the bear market of the Great Recession was starting. A similar bearish crossover occurred in 2001 before that two-year long bear market following the popping of the tech bubble. The 10/50 WMA is another crossover that is useful for highlighting long term buy/sell orientations. The probable postponing of a rate hike helped bond yields to move lower as the yield on the 10-year is again flirting with 2%. If it goes below 2%, one would think that the accumulation of bad economic news will signal not just more free Fed money but the rising risk of global recession. The market likes free money, but is less keen on the impact of a recession on earnings.



This week look like a mixed bag. Venus approaches its conjunction with bullish Jupiter (exact on Sunday Oct 25th) so that should provide some positive energy. Of course, the week after options expiry tends to be more

bearish so that might mute the upside somewhat. Perhaps the early week leans a little bearish as the Moon comes under the influence of Saturn. This is not a strong aspect so I would be surprised if we got a lot of downside into Monday and Tuesday. Tuesday may have a better chance at a decline than Monday. Wednesday and Thursday look more bullish as Mercury and Venus align with Pluto. Friday appears to have more torque as the Moon is in aspect with the Venus-Jupiter-Mars alignment. This suggests a greater possibility of a larger move. I think this is a bullish alignment although I would note that it is something of a two-tailed outcome here with the probability of a sharp sell-off also greater than normal. In any event, the week as a whole looks somewhat bullish so that suggests a reasonable chance that we will see tests of resistance at 2040 and perhaps 2060.



Next week (Oct 26-30) could be pivotal for the markets. The Fed delivers its latest policy statement on Wednesday the 28th. Gains are more likely early in the week on the Venus-Jupiter conjunction. This bullish pairing should deliver at least one up day and perhaps two. Monday looks more bullish than Tuesday. Things get murkier by Wednesday, however, as Mercury aligns with bearish Mars and the Sun aligns with bearish Saturn. It is possible we could see stocks generally 'melt up' into Wednesday's announcement and then sell-off afterwards. That would suggest a possible high (2060? 2080?) during the week and then some selling in the second half. A more bullish outcome suggests only a choppy, sideways move after Wednesday which produce an overall gain on the week. But then that sets up the first week of November which seems bearish as Venus enters the sign of Virgo where it typically does poorly. Venus also conjoins bearish Mars on Monday the 3rd so that is another good reason to expect some significant selling during that week. We could see a quick retest of 2000 during the week. November as a whole looks bearish with the late November Sun-Saturn-Neptune alignment as marking a plausible interim low. It now seems a bit improbable that we could retest 1880 that quickly but anything is possible. If we do get a higher low in late November, then I would think the rally I am expecting for December and January could confuse the technical situation. A higher low would give the bulls more confidence so we could see a retest of the all time high at 2135 by January. I still don't think this is the most likely scenario but a lot will depend on where that November low is. The market should reverse lower in late January or in February as Saturn begins to square Jupiter. This difficult aspect will be in effect for an unusually long time due to the retrograde cycles of both planets. I would therefore expect a significant decline into April that produces lower lows – perhaps to 1750 or even 1500. On the whole, 2016 looks bearish.



Technical Trends

Short term trend is UP
(1 week)

Astrological Indicators

bullish (confirming)

Medium term trend is DOWN bearish (confirming)
(1 month)

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

Indian Stocks

Stocks moved higher last week as fears of a Fed rate hike dissipated among favourable global cues. The Sensex rallied less than 1% closing at 27,214 while the Nifty ended the week at 8238. This bullish outcome was largely in keeping with expectations. As expected, we got some modest selling into midweek around the Mercury-Saturn alignment. Monday's Uranus-influenced New Moon was perhaps less significant but we did see a small pullback to a higher low. Then the late week was bullish as expected on the Venus-Neptune aspect which produced a "gap fill" near 8300.

So are stocks stabilizing ahead of a new move higher or merely fulfilling the promise of a limited technical bounce? My view is that this technical bounce has limited upside potential which is likely to run out of gas very soon. I had been generally bearish about August and September as the Saturn-Ketu aspect suggested more downside. This proved to be largely correct as we got a significant low in September. The subsequent rebound broadly correlated with the retreat of Saturn and the emergence of Jupiter's more optimistic orientation in October. While I was unsure just how much of a rebound October would bring, it seems as if there is a neat correspondence

here between the technical probabilities of a normal oversold rebound (from 7600 to 8300) and a more favourable planetary environment. As before, I think this rally is very unlikely to continue through November given the twin hurdles of Venus transiting Virgo and the Saturn-Neptune square. Both of these phenomena are bearish



influences which are likely to bring about declines. Whether this produces lower lows or higher lows is unclear although at least they may offer a better entry point for bullish investors. Since December and January look more bullish around the Jupiter-Rahu conjunction, one would think that the bulls will have another chance to push indices higher. It may well be their last chance to reverse the growing downtrend in stocks that began in Q1 2015. 2016 is looking at least as bearish as 2015.

The technical picture improved somewhat last week as bulls pushed prices back to the point of the August breakdown. This was further evidence of the gap fill. The midweek pullback tested support cleanly at 8100 so we will have to see how much conviction bulls have to push prices higher. While 8300 looms large as a technical boundary, it should not be forgotten that there is another gap at 8370 that could be filled. In the event of more upside, this could retest the 200 DMA. Even here, the bulls should not get too comfortable as it would still provide an adequate level from which profit taking could begin and thereby could spark a reversal lower.

With the RSI at 61, we could see more upside in the near term before becoming overbought. Even if we did get a strong move back to 8370, I would think that bulls would need some consolidation back to a higher low, perhaps 8200 or 8250. The daily Nifty chart only becomes bullish on a close above the 200 DMA. By the same token, the chart only becomes bearish with a close below last week's low of 8100. If we do see a reversal lower in this area of 8300-8400, then the pressure will be on the bulls to defend these higher lows.

Otherwise, the more bearish scenario will have a higher chance of playing out once the gap fill has been completed. But for now, the bullish inverted head and shoulders scenario is in play with a neckline at 8100. As long as the Nifty stays above 8100, there is an upside target of 8600. The weekly BSE chart is still bearish given the crossover of the 20 and 50 WMA. However, the current rebound has produced a bullish crossover in stochastics which has yet to become overbought. This is not a definitive indication that we will get more upside as it could reverse lower at any time. But we could say that cautious bears seeking a safer place to short may wish to see stochastics move closer to the 80 line. This would likely occur only after the Sensex had rallied back to the blue 50 WMA (27,751) or perhaps even higher. A rally back to that level of resistance would broadly conform to the resistance provided by the falling channel off the 2015 highs. This falling channel currently has support near 24,000. Meanwhile, Tata Motors (TTM) continued to enjoy its bounce off a double bottom with a strong gain last week. However, it is fast-approaching resistance from this pattern which is near the August high. Even bulls should expect some consolidation at this level before further gains can be predicted. A move above the August high would be decidedly bullish in the medium term. Infosys (INFY) suffered a huge sell-off following earnings guidance last week. While the size of the decline was perhaps unexpected given its bullish chart, we should note that it posted another higher low and therefore the chart remains bullish in the medium term.



This week looks mixed. Given where we are here, I think there is a good chance for some consolidation under resistance. This suggests a modest move lower during the first half of the week around the Mars-Jupiter conjunction. I think we will see a decline on either Monday or Tuesday. I would be surprised if stocks fell on both days, however. The decline may not be large so I would think that support at 8100 will hold. Wednesday is harder to call although the chances for gains may well improve as the week progresses. The late week features a nice Mercury-Venus-Pluto alignment which should coincide with at least one solid up day. Overall, the week may finish not too far from current levels. If the early week decline is small, then it is possible we could see 8400 tested by Friday. Generally, I think stocks will remain in a moderately bullish phase thanks to the approaching Venus-Jupiter conjunct that is exact on Sunday 25th October. The planetary influences therefore offer some support for bulls but time is likely running short for this current rebound.



Next week (Oct 26-30) will likely be focused around the Fed meeting on Wednesday. I think we are likely to see some upside ahead of the meeting on the Jupiter-Uranus alignment. It is possible that the Nifty could fill that second higher gap at 8400 by midweek. I would also not be surprised if it hit 8500 by that time. The late week (post-meeting) looks more complicated as the Sun aligns with Saturn and Mars aligns with Mercury. Both of these are difficult combinations which increase the chances for some late week declines. That said, they are not high probability bearish patterns. Instead, they merely increase the bearish energy available without necessarily making a decline a certainty. I would lean a bit bullish on the week overall but also be ready for quick reversals. The Venus-Mars conjunction on Monday 3 November could be a very important pattern for the market. It is a bearish combination which is made more negative by the fact that Venus enters the sign of Virgo on the very same day. I would expect a bearish first week of November. November as a whole leans bearish although I am reluctant to guess where the low may occur. It seems more likely that the timing of a low is more likely in late November or early December when the Sun conjoins Saturn. December and January should bring a significant rally as Jupiter conjoins Rahu. This rebound will likely produce a lower high (8400? 8600?). The period from February to April looks quite bearish, however, and a lower low is quite possible. I am expecting 7600 to be broken on the downside with 7000 a serious possibility. After another strong rebound into mid-2016, another major corrective wave lower is likely through to the end of 2016 and early 2017. This should produce a lower low and thereby extend the bear market for another year.



Technical Trends

Short term trend is UP
(1 week)

Medium term trend is UP

Astrological Indicators

bullish (confirming)

bearish (disconfirming)

(1 month)

Long term trend is UP
(1 year)

bearish (disconfirming)

Currencies

The Dollar moved lower last week as the Fed's reluctance to raise rates weighed on sentiment. The USD Index finished the week above support at 94.6. The Euro was unchanged at 1.136 while the Rupee Index remained below the 65 level. This bearish outcome was in keeping with expectations as I thought the current Jupiter strength was likely to favour risk currencies. The Dollar chart looks weaker here as we see a death cross of the 50 and 200 DMA. While support looks fairly solid at 93-94, September's lower high suggests fading enthusiasm for the Dollar trade. A breakdown of support would suggest a collapse down to 88 or 90. If we did get a failure to hold on to this

support level, it would likely be bullish for stocks, especially in emerging markets. Resistance is at the September high of 96.5. A move above that level would likely bring the summer high back into play at 98. The weekly Euro chart looks fairly bullish. If or when there is a move above 1.15, we could see a rally back to 1.25. That is the upside target of the current ascending triangle. Failure to break above resistance may entail a retest of the lows at 1.05.

This week looks fairly mixed. The Dollar could enjoy some strength in the first half of the week, especially on Tuesday and Wednesday as the Moon is aspected by Saturn. This may not be too strong so I would be reluctant to predict a retest of 96 and the 50 DMA. The late week may bring profit taking so some or all of the gain may be erased as Venus approaches its conjunction with Jupiter. Overall, I would think that support at 93-94 will hold here as time is on the side of the Dollar as we get closer to November. The entry of Mars and Venus into Virgo on 3rd November is likely to be bullish for the Dollar. November as a whole looks bullish so I would think the chances are good for at least a retest of 98.5. Perhaps there isn't enough time for the Dollar to rally back to 100. I'm uncertain about that possibility. By December, I think the overall bias will shift against Dollar as the Jupiter-Node conjunction is likely to be bullish for risk currencies. This should be a big move and we will likely see support at 93-94 tested. My expectation is that the move should be strong enough to break that support level to perhaps 90. A significant low is likely to occur in late January or February. After that, another major Dollar rally will begin. It should last from February until August at least and should at least retest the Dollar Index high of 101.



Technical Trends (Dollar) Astrological Indicators

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

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

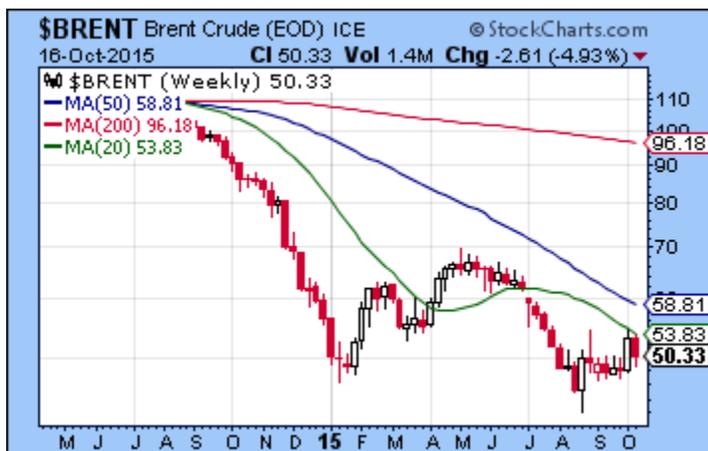
Long term trend is UP (1 year) bullish (confirming)

Crude oil

Crude oil slumped last week on profit taking and weaker demand prospects. WTI lost 5% and closed under \$48 while Brent finished a bit above \$50. This bearish outcome did not come as a surprise as I expected some consolidation last week although the absence of any upside on Monday was unexpected. The technicals favoured a pullback in any event after the tagging of the 200 DMA the previous week. Buyers moved in on Thursday near \$45 – just above the 50 DMA – so that is now the key support level. The fact that we got a higher low above \$44 was bullish. However, any trades below that level would suggest the rebound is in trouble. Bulls now have to try to retest the 200 DMA in order to keep the pressure on. I would think a close above \$52 would open up the possibility of extending the rally to \$56 and filling the gap from early July. Longer term, we may only be witnessing the formation of a right shoulder in a downward sloping head and shoulders pattern that goes back to Q1 2015. This pattern would suggest the rally will run out of steam fairly soon around \$55. If it does reverse lower around that level, then it could retest the \$ 38-42 neckline again. A breakdown would have a downside target in the \$20-30 range.



The planets this week look mixed with a bullish bias. The early week leans somewhat bearish as the Moon is aspected by Saturn on Tuesday. I would be surprised if this coincided with a large decline on either Monday or Tuesday, although a retest of \$45 is certainly possible. Given the more bullish short term technical outlook, perhaps a higher low is more likely. The chance for gains rises later in the week as Venus conjoins Jupiter. Friday's alignment may produce a fairly large move in either direction, although a gain is more likely than a loss. Overall, I think we should see \$50 tested again. Next week also leans bullish at



least in the early going before the Fed meeting on Wednesday. Monday is perhaps a good bet for a gain, but Tuesday's Full Moon looks bearish. Wednesday lacks any clear signs either way so perhaps the immediate reaction to the Fed is mixed. But Thursday does look bearish and that could continue into Friday. Overall, the last week of October leans bearish even if we get a retest of resistance at \$52 early in the week. November is looking more bearish so we could break support at \$44-45 during the first week as Venus conjoins Mars as both planets enter Virgo. I think we could see enough bearishness to retest that low of \$38 for WTI at some point in November. However, I am uncertain if there is enough bearish energy to suggest a breakdown of that support. Since December looks generally bullish, perhaps that is one clue that we will not get a breakdown of support. The rebound rally looks likely to extend into January. Depending on where the low occurs in November (?), we could see at least \$55 for WTI, if not higher by February. I am expecting a sharp reversal lower in February, with large declines in late February and early March. A retest of \$38 is definitely possible at that time.

Technical Trends

Astrological Indicators

Short term trend is UP
(1 week)

bullish (confirming)

Medium term trend is UP
(1 month)

bearish (confirming)

Long term trend is DOWN
(1 year)

bearish (confirming)

Gold

As prospects for a Fed rate hike faded, gold moved strongly higher. Gold traded as high as 1190 before settling at 1177. This bullish outcome was in line with expectations as I thought Monday's energetic Sun-Uranus aspect would be sufficient to improve sentiment. While we didn't get a big up day at that time, gold did generally rally through the week. Gold also managed to finish slightly above its 200 DMA as bulls took firmer control of the market. Things are looking a little overbought here as both stochastics and RSI are close to their technically overbought levels. Previous touches of the RSI 70 line have followed with sharp pullbacks. As gold moves into its heavy overhead resistance between 1180 and 1220, one wonders if some consolidation might be in order after this rally. Support may be found near 1155-1165. Any move below that would weaken the rally. Of course, the 1100 level is probably more important in determining the overall market direction. While the short term set up looks quite bullish here, the outlook for gold depends on the market making higher lows. Once the pattern of higher lows and higher highs ends, gold could reverse sharply lower once again.

This week is likely to have a bullish bias as Venus approaches its conjunction with Jupiter next Sunday the 25th. Monday looks fairly positive as the Moon aligns with Jupiter and Pluto. Perhaps this will be a retest of last week's high of 1190. It should hold up into the close of trading. Some downside is likely to manifest on Tuesday or Wednesday as the Moon comes under the influence of Saturn. I would be surprised if this down move was strong enough to break support at 1155-1165. Friday looks positive on the Moon-Venus opposition so bulls may get the final say this week. It is possible that gold may not finish with too much of a gain on the week. Next week starts bullish on the Venus-Jupiter conjunction on Monday. This could see a retesting of 1190 or 1200. Tuesday looks suspect, however, as the Moon aligns with the Sun and Saturn. This could produce a large decline which may negate any preceding gain on Monday. With the FOMC meeting due on Wednesday, I think the planets look more bearish in the second half of the week. I would expect a decline overall on the week. November starts off very bearish on Monday the 3rd as Mars conjoins Venus in Virgo. The approach of the Saturn-Neptune square at the end of November may weaken sentiment throughout the month also. I would therefore expect a



significant retracement here, perhaps down to 1100, or even lower. It's hard to say how much downside we could see. I would not be surprised if gold fell all the way to 1000 by Nov 30th. But I am reluctant to predict that such a move is probable. A rebound will likely begin on or near Nov 30th when Venus enters Libra. As Jupiter approaches its conjunction with the Lunar Node (Rahu) in December, gold should recover further. This could be a sudden and sharp bear market rally that lasts into January. Gold will likely undergo another correction from February to April as Saturn squares Jupiter. Overall, 2016 looks bearish for gold. I think the chances are good that we see gold trade near 1000 at some point in the year.

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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