

## Summary for week of 26 October 2015

- Stocks choppy with bearish bias this week
- Dollar likely to extend rally
- Crude oil under pressure for most of the week
- Gold trending lower with possible test of support

### US Stocks

Stocks extended their rebound last week after the ECB hinted at more stimulus measures and the PBOC cut rates. The Dow rose 2% on the week closing at 17,646 while the S&P 500 finished at 2075. This bullish outcome was in line with expectations given the late week Mercury-Venus-Pluto alignment. As expected, we did get some modest selling into midweek around the Mars-Jupiter conjunction.

The size of the gains was a little surprising as I thought the SPX might only make it as far as a test of resistance at 2060 and the 200 DMA. As it turned out, we ended the week above that level with perma-bulls seemingly in control once again. With the Fed on hold apparently until early 2016, it now seems that other central banks are doing all the bidding necessary for the stock market. There is now more talk of the indexes retesting their all time highs from the summer. And with good reason, as the rebound after September's bullish double bottom at 1880 has now retraced most of the decline. But with stocks now bumping up against that strong resistance, what are the chances that we will see the SPX again at 2135? It seems quite unlikely that could happen in the near term, simply because I think November is likely to be negative given the Saturn-Neptune aspect and the transit of Venus through Virgo. But it is still very possible we may only see a pullback in November which does not fundamentally change the technical outlook for the market. In other words, we could see a higher low which will keep the bull market intact. Since I am fairly bullish about December and January on the Jupiter-Node conjunction, we should make allowances for some significant upside at that time. The question is whether we



could in fact match or exceed (!) the all-time highs by January. If November's decline is fairly modest (5-7%), then that January retest of SPX 2135 looks more likely. I think the current rally is likely to end this week around the FOMC meeting so that suggests it may only reach 2100 before reversing lower in November. I do not have a strong opinion on how deep the November decline will be – it could be a more modest 5% or it could be more like 10-12%. Even if it is at the bigger end of the range, it seems less likely that it could produce a lower low (below 1867). Time is also a factor here as the bears may only have 4-5 weeks to inflict their damage.

The technicals are looking overbought now so that argues for some kind of pullback at least. RSI is back at 67 now while stochastics are well above 90. These indicators themselves argue against any quick new retest of the all-time high. Just when the SPX may reverse now is hard to say. There were a couple of penultimate highs in August near 2100 which could be a key level of resistance in the short term over the next few days. Support is probably most significant at Wednesday's low of 2020. This also matches a preceding high so one would think that bulls will step in to buy once again on any decline that gets close to that level. Any close below 2020 could make the chart more bearish again, especially if the bulls have not managed to move above 2100 beforehand. A move below 2020 would open up the possibility of perhaps 1920-1940.

But the bullish double bottom pattern may well be playing out here. This pattern as an upside target of at least 2120 (2000-1880=120) and possibly as high as 2160. While the leading indexes are looking more bullish, the Russell 2000 continues to lag as Friday's close did not reach the Sep 17<sup>th</sup> high. This lack of breadth in the rebound is a potential sign that some significant consolidation lower is likely before any real attempt is made to reach new all-time highs. That said, the Russell was able to break above resistance on its falling channel. The German DAX similarly broke above its key resistance at 10,500. It has yet to reach its 200 DMA yet, however. The double bottom pattern neckline is situated at 10,500 so this pattern has an upside of 11,500. Even if the rebound rally got this far, it would still be a lower high which would encourage some significant selling. The falling resistance line from the megaphone pattern comes in a little below this level at 11,250. The weekly Dow chart suggests more upside is possible given that stochastics is not yet overbought. In the longer term, however, we still see a bearish crossover of the 20/50 WMA as well as the 10/50 WMA. Although these are lagging indicators, the presence of a bearish crossover indicates a greater degree of caution regarding stocks. Meanwhile, bond yields rose a bit on the favorable earnings report last week. But the chart overall is still looking bearish and is hinting at a further slowdown in the economy.

This week looks bullish to start as Venus conjoins Jupiter on Monday. I think the chances are good for some upside follow through on Monday but the question is whether the gains will hold by the close and what may happen on Tuesday. I would not be surprised if the bullish effects of these optimistic planets lingered a bit longer and we got more gains on Tuesday. But Sun aligns with Saturn on Tuesday also so that could indicate a decline. Certainly, I would think Monday has a better chance for gains than Tuesday. If Monday sees a rise up to some



obvious resistance level like 2100, then that could be a cue for a reversal down on Tuesday. Wednesday is the Fed announcement and the planets lean bearish there as the Sun aligns with Mars. This is neither a high probability negative aspect nor would I expect a big move. But it does open the door to the possibility of some further consolidation after Monday. Thursday's Moon-Saturn opposition may increase the chances for a decline somewhat, but only incrementally. Friday looks more bearish as the Moon squares Mars. Overall, the chances are good that we get some early week upside which could reach 2100 perhaps. But the week as a whole seems more bearish, especially as the week progresses. While I won't be shocked if the SPX ends higher on the week, it seems more likely that we will see some declines. I would be surprised if we saw key support at 2020 broken, however.



Next week (Nov 2-6) looks bearish as Venus conjoins Mars on Monday and both planets enter Virgo on Tuesday the 3<sup>rd</sup>. This has some significant downside potential. We could see 2020 tested by midweek. The late week could bring a rebound, however, as Thursday's Moon-Jupiter conjunction is bullish. I would still think that Friday's close is below current levels and possibly closer to 2020. The following week could be more bullish to start, but the late week Mars-Node conjunction looks bearish. This could put more pressure on stocks. I would expect the pullback to extend into the last week of November. We should see the SPX fall below 2000 by this time, and possibly retest 1920. Once Venus enters Libra on Nov 30<sup>th</sup>, a rebound becomes more likely. Early December still features some difficult aspects, but I'm unsure if they will be enough to produce a lower low. The second half of December looks more reliably bullish in any event as Mercury and the Sun are under the influence of Jupiter. The rally should continue into January but I am unsure how long it may last. We could see it reverse lower at some point during the month. February looks more bearish in any event, and March is perhaps even more bearish. I would therefore expect another significant down move to take place during Q1 2016. If the market has made higher highs by January, then this may only create another higher low by April. I tend to think, however, that the decline in Q1 will be large and that we will only see SPX 2100-2150 by January. This could mean that the September low of 1867 may be tested by April and we will likely see 1750 if not lower. As before, 2016 is looking generally bearish.



**Technical Trends**

**Astrological Indicators**

Short term trend is UP  
(1 week)

bearish (disconfirming)

Medium term trend is DOWN

bearish (confirming)

(1 month)

Long term trend is UP  
(1 year)

bearish (disconfirming)

## Indian Stocks

Stocks enjoyed a modest gain last week as investors welcomed the rate cut in China and the hint of further stimulus in Europe. The Sensex rose 1% on the week to 27,470 while the Nifty finished at 8295. This bullish outcome was in keeping with expectations as I thought the late week Mercury-Venus-Pluto alignment would coincide with some upside. As expected, we did get some modest declines into midweek on the Mars-Jupiter conjunction.

Bulls can thank the efforts of the world's central bankers to keep the rally going a little bit longer. In a bull market born of mass infusions of liquidity, the fragile state of the global economy means that any changes to the status quo can have huge consequences. With the Fed's rate hike now seemingly postponed until early 2016, emerging markets may enjoy more breathing room. This is perhaps doubly true now that the ECB and PBOC are taking steps to boost sagging growth. While we are likely to see some positive response to these recent moves eventually, I'm less convinced it will occur in the short term. Given the prospect of a much more bearish November, I wonder if the ECB's Mario Draghi will actually wait a few more weeks at least before committing himself to more easing. This is not to say that the whole month of November will be negative. But there is considerable bearish energy there given the twin prospects of the Venus transit of Virgo which lasts until 29<sup>th</sup> November and the Saturn-Neptune square which is closest in the final week of the month. The Venus transit of Virgo has a good track record of coinciding with at least modest declines of between 3-7% during the four-week transit. There is no guarantee that we will see that kind of decline this time but its probability is heightened. The added burden of the Saturn-Neptune aspect makes a bearish outcome for November that much more likely. We therefore have to consider just how big the decline may be and how it may alter the overall technical picture of the market. With a December-January rebound more likely, it is possible that any decline in November may only produce another higher low (e.g. 7800). This would then allow for a stronger rally which could eventually retest the July high of 8600.



The technical picture is still bullish in the short term as bulls attempt to fill the gap at 8400. We are very close to fulfilling this technical requirement. This rebound is now inching closer to a tag of the 200 DMA. Will it spark a reversal or will the rally be able to hold above it and thereby induce more investors to go long? Bulls can focus on the inverted head and shoulders pattern which has an upside target of 8600. There is no certainty this target will be reached but at least it is some evidence for further upside. However, stocks are getting overbought now as RSI is reaching levels (65) where pullbacks have occurred. This is another piece of evidence that suggests that we could see some retracement soon, perhaps as soon as the gap at 8400 is filled. If we do get a pullback, immediate support is at 8200 near Wednesday's low. Below that, 8100 would likely serve as a secondary entry point for buyers.

The weekly BSE chart still looks bearish over the long term given the bearish crossover of the 20 and 50 WMA. The current rebound is now testing resistance at the declining channel off the highs. This is very close to the 50 WMA and 28,000. A weekly close above this channel resistance would be more bullish, of course. Stochastics still has some upside before becoming overbought. Even if the Sensex reverses at this current level, bears would only gain the upper hand with a close below 26,000. If that were to happen, then we could see another test of support from the declining channel, perhaps around 24,000-24,250. Meanwhile, Infosys (INFY) had a good week as it bounced off support at the 50 DMA and appears to be on its way to retesting its high. The fact that it put in a higher low this week suggests the chances are good for a higher high in the days ahead. HDFC Bank (HDB) had a more difficult week, however, although the chart looks bullish. A higher high is very possible in the days head after this week's low formed a double bottom with the previous week. That said, the chart would still remain bullish even if it suffered another retracement to the 200 DMA.

This week could see some more upside but it may be concentrated early in the week. Monday is probably the more likely day for a rise as Venus conjoins Jupiter. We could see another attempt to fill that gap at 8375-8400. The odds of a decline increases on Tuesday, however, as the Full Moon aligns with Saturn. The Venus-Jupiter conjunction will still be close so I would not say a decline has a high probability. But I would lean bearish in any event. Wednesday looks more bullish as the Moon aligns with Jupiter. If Tuesday is lower, then it is possible Wednesday will see another move above 8300 and perhaps a test of the 200 DMA. A high above Monday's



high also cannot be ruled out. The latest Fed policy announcement is due on Wednesday after the close of trading. Thursday's Moon-Saturn aspect could coincide with some downside. Friday's Sun-Neptune aspect also looks slightly negative. Neither aspect looks likely to coincide with a big decline and some upside is even possible. But the odds of gains seems less after Wednesday. I would be neutral here with a likelihood that stocks finish fairly close to current levels. Given the probable decline next week, I might have a slight bearish bias, just in case the selling starts a little early.

Next week (Nov 2-6) definitely has more bearish potential. Venus enters Virgo on Tuesday the 3<sup>rd</sup>. This is the start of a four-week transit that is usually bearish. On the same day, Mars conjoins Venus and also enters Virgo. I would think that this will be more immediately negative for sentiment. We may not see a big decline on Tuesday and Wednesday but a bearish outcome is more likely. Perhaps we will see a retest of 8200 or even 8100 during this first week of November. In the following week (Nov 9-13) some gains are likely in the early going as Venus conjoins Rahu. However, the late week looks bearish as Mars then conjoins Rahu. The second half of November



looks bearish as the Sun and Mercury enter Scorpio on the 18<sup>th</sup> and thereby join Saturn. A steeper decline is more likely in the second half. Venus then enters Libra on 30<sup>th</sup> November so we should see a rebound after a possible bottom on the 27<sup>th</sup>. December generally looks bullish as Jupiter approaches its conjunction with Rahu. January looks choppy with a pullback likely in the middle of the month. A rebound is likely in late January and into early February. I am uncertain if the key high will occur in early January or early February. However, the rest of February looks more bearish so we could see the start of a new corrective phase then. March looks very bearish and the decline should extend into April. We could well see 7600 tested again by April and I think the chances of a lower low are fairly good. After another rally from May to August to a probable lower high, another leg lower is likely to begin in September. This could produce a major bottom in Jan-Feb 2017.

**Technical Trends**

**Astrological Indicators**

Short term trend is UP  
(1 week)

bearish (disconfirming)

Medium term trend is UP  
(1 month)

bearish (disconfirming)

Long term trend is UP  
(1 year)

bearish (disconfirming)

## Currencies

The Dollar took flight last week after comments from the ECB suggested more easing was likely. The Dollar Index gained almost 3% last week finishing above 97. The Euro tumbled to 1.10 while the Rupee held steady below 65. While I thought the Dollar was likely to rally soon, I did not expect it would happen last week given the planetary alignments. The bigger picture is less remarkable perhaps as the Dollar remains within its recent range between 94 and 98. After the previous week's test of support at 94, some kind of rebound was the most likely outcome. The size of this bounce is impressive although it is in keeping with previous rallies. Only a close above 98 would suggest that the rally may go higher. The weekly Euro chart is similarly open-ended in terms of hinting at future directions. Last week's close is now testing support on the rising channel off the March lows. A rebound from current levels is probably the most likely next move. But if the Euro does fall below that trend line around 1.09, then the chances of a full below retest of 1.05 is more likely.



This week looks bullish for the Dollar to start. Tuesday's Mercury-Mars alignment suggests we should see some follow through to the upside. I would think the chances of a quick retest of resistance at 98 are quite good. But the rest of the week may be choppy so I am unsure if we will see a breakout above 98. Wednesday's FOMC decision could be a market mover but the aspects do not clearly suggest a move in any particular direction. I would think the bullish bias will remain in place for a couple more weeks in any event, although I can't say if we will see the Dollar rally after Wednesday. But since early November still looks bullish, and we are close to resistance, I think the chances are good for a move above 98 in the next couple of weeks. We are likely on track for a retest of the 100 level (1.05 on the Euro) by mid-November. I think the Dollar rally will reverse sometime in mid to late November and then we will see it retrace into December. This could be a sizable move which sees the Dollar fall back to support at 94 at least. It is also possible that it breaks support at 94. Another major Dollar against the Euro rally is likely to begin by February and continue into April. Another retest of 100 is likely and perhaps we will see a higher high. I think a high above 100 is likely at some point in 2016 although whether it occurs in this Feb-April time frame or during the summer is unclear.



### Technical Trends (Dollar)

Short term trend is UP

### Astrological Indicators

bullish (confirming)

(1 week)

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

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

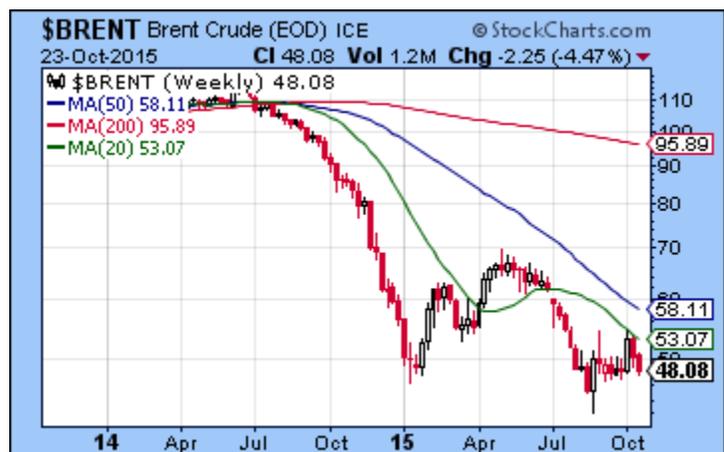
## Crude oil

Crude oil fell for the second week in a row on Dollar strength and growing supply data. WTI lost 6% on the week closing below \$45 while Brent settled near \$48. This bearish outcome was somewhat unexpected as I thought the late week Venus-Jupiter conjunction might have sparked more buying. We did get the forecast decline early in the week around the Moon-Saturn aspect and a small boost on Thursday. Well, so much for the bulls enforcing a higher low. Instead, crude remains very much stuck in a range between \$44 and \$50. \$44 is still the line in the sand beneath which crude risks retesting \$38 and falling further. Bulls may regard the recent range as a normal part

of consolidation before eventually breaking above the 200 DMA. The next rally may well test resistance at \$50 again and could reach \$54 which would be the upside target of the measured move. This could also see an attempt to fill the gap at \$56. Longer term, however, the current rebound may simply be forming a lower right shoulder in a sloping H&S pattern. If the neckline at \$36-38 gets broken, then it could open up a much bigger downside closer to \$20. If crude can recapture its 200 DMA and then hold above \$55 it for a while, then this ultra-bearish scenario would be nullified.

This week looks choppy. The early week could see some upside, especially on Monday. However, the planets look more bearish after that with Tuesday and Thursday looking more problematic. Since I am generally bullish on the Dollar over the next couple of weeks, I think the odds are that crude will break support at \$44 and retest \$38. However, I'm uncertain if we will break below \$44 this week or next. I would lean bearish in any event. Even if we do get some upside Monday, any gains are likely to be sold fairly quickly. Thursday looks bearish also so a break below \$44 is more likely towards the end of the week. Next week also looks bearish although an early week bounce is likely. The Venus-Mars conjunction is likely to put pressure on crude until about mid-

November. There is a real chance that crude will fall below its August low of \$38 although that is difficult to predict with confidence. We should see crude bottom in late November and rally again in December. It is



possible that crude could be bullish into January although I'm not sure how high it could rebound. Possibly back to \$55-60 (WTI) but that is very much a guess. By February, I would expect crude to reverse lower. A significant correction is likely between February and April. This will likely retest whatever lows are made in November (as well as the August low) and it could also form a lower low.

**Technical Trends**

**Astrological Indicators**

Short term trend is DOWN  
(1 week)

bearish (confirming)

Medium term trend is UP  
(1 month)

bearish (confirming)

Long term trend is DOWN  
(1 year)

bearish (confirming)

**Gold**

Gold moved modestly lower last week as the ECB's hints to ease further and subsequent Dollar rally depressed sentiment. Gold lost 1% on the week closing at 1164. This bullish outcome was somewhat unexpected as I thought the Venus-Jupiter conjunction might have provided more of a boost. However, I had been fairly muted in my upside expectations and thought that a more neutral outcome was likely. Although gold was down, bulls can point to some resilience here as it outperformed other Dollar-denominated commodities. Clearly, the promise of further currency debasement in Europe is broadly bullish for gold. Gold is sitting on some support here near the August high of 1160. The chart is still bullish in the short term as long as the pattern of higher highs and higher lows remains intact. The current rebound could likely also withstand a pullback to 1140 without too much damage. The indicators are not looking too bullish, however, as MACD is rolling over and about to enter a bearish crossover. Stochastics is also in a bearish crossover and may be heading lower. While the short term chart still looks bullish, the longer term trend is still down as gold is following a downward channel. Resistance from this falling trendline may be as high as 1230 so only a



weekly close above that level would improve the chances for a more sustainable rally. The bears may be waiting to short gold once again in the event the rally moves above 1200.

This week leans bearish as Venus is under the influence of Mars. Monday could see some upside, however, in the wake of Sunday's Venus-Jupiter conjunction. However, the rest of the week seems more difficult. Tuesday's Sun-Saturn alignment is bearish and Thursday's Moon-Saturn opposition is also bearish. Even if we get some upside on Monday, I think gold will be under pressure. It may be difficult to keep it above the 1140 level. Next week gives the bears another chance to inflict some damage as Venus enters Virgo and conjoins Mars. Both are likely negative for gold prices. I think the chances are good that we see 1100 tested in November and 1080 will likely also be in play. We should see a bounce in the second week of November on the Sun-Jupiter alignment but this may be short-lived. There is a reasonable chance that the long term falling channel support may be tested later in the month. This is now currently at 1050. A bottom is possible in late November or perhaps early December. A rally is likely during December and January as Jupiter conjoins Rahu (North Lunar Node). Although this could see some sharp gains, I would still be skeptical about this rally. It may not be enough to change the longer term outlook on gold which remains bearish. Another corrective phase is likely to begin by February and continue into April as Saturn squares Jupiter for an unusually long time due to Saturn's retrograde cycle. While I cannot be certain, my expectation is that gold will continue to trend towards a lower low by April. We could see gold finally trade at 1000 by this time. Overall, 2016 looks bearish.

#### **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 DOWN  
(1 year)

bearish (confirming)

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