

Summary for week of 5 October 2015

- Stocks may be choppy this week with bearish bias
- Dollar could be more bullish this week
- Crude oil mixed with bearish bias, especially late
- Gold could see gains early but prone to declines by midweek

US Stocks

Stocks rebounded last week as Friday's weak jobs report suggested a rate hike would not occur until early 2016. After Monday's precipitous drop, the Dow ended 1% higher on the week at 16,472 while the S&P 500 finished at 1951. I was fairly equivocal about last week so this bullish outcome was not hugely surprising. I noted the favorable Venus alignment which was likely going to produce some midweek upside and thought that might be enough to produce a little upside.. Unfortunately, I missed Monday's big decline, although in retrospect I wonder if it was a hangover of the Mars-Saturn square from the previous Friday as well as Sunday's lunar eclipse. I thought that Friday the 2nd also had some bearish potential but the opening sell-off after the disappointing jobs report was quickly reversed as bargain hunters moved in.

The outlook continues to look murky here. It is hard to imagine how the Fed could raise rates in October or December given the sub-200K jobs number and the absence of any wage growth at all. And yet there are some authoritative Fed voices in the media (e.g. Lacker) that still haven't foreclosed the possibility of a quick hike if for no other reason but to simply get it out of the way. But that view seems fanciful given the decline in treasury yields last week as the bond market prices in a slowdown. Earnings season begins this week as Alcoa reports on Thursday the 8th. With the Fed likely on the sidelines, corporate earnings and their forward guidance may be the next big market mover. A few more months of ZIRP's nearly-free money could encourage more buying as the risk asset trade hangs on for a while longer. And yet if enough forward guidance is bad, then bad



news could simply be bad news. After all, what happens if we get another recession? The Fed can't lower rates any further unless they go negative but that is likely the nuclear option at this point. This would be the Fed's worst nightmare as it will be plain to see that it is trapped in a prison of its own making. Another round of QE would likely be forthcoming if the data continue to go in the wrong direction. I think more QE is very possible at some point over the next six months given the Jupiter-Rahu (North Lunar Node) conjunction that occurs primarily between December and February. This is a pairing of planets that symbolize expansion and growth so this increases the probability that either the Fed, the ECB or the PBOC could make a big move. It likely will be bullish at least in the short term, although I suspect that QE is facing diminishing returns over time as the market recognizes it doesn't work very well. Alternatively, it could indicate a period of inflation although I think this is less likely in the current environment. Before the Jupiter-Rahu alignment tightens by December, however, I think the market will remain vulnerable to declines.

The technical picture is still open to interpretation. Monday's decline was a retest of the August low and put in a slightly higher low at 1880. That is a bullish development to be sure and it was one reason why we saw gains the rest of the week. Resistance is now likely near the interim high of 1990. A move above there and the bullish double bottom scenario would likely gain more believers. Stochastics is in a bullish crossover so that augurs well for more upside and the MACD bullish crossover does likewise. But a move above 1990 doesn't necessarily mean the mega-rally is back on. It may only mean that we will then likely get a serious retest of resistance at 2040. This is a more difficult obstacle for bulls to overcome given the huge number of buyers above that line. Some will likely be only too glad to get out if the opportunity is presented to them.

So short term, there may well be a bullish argument to be made for the market but the medium term picture remains fragile at best. The 200 DMA is now clearly sloping down – one of the classic signs of a bear market. We haven't seen that happen since 2011. To be sure, the market did recover shortly thereafter, but it should be noted that we eventually did get a lower low two months after the initial breakdown of support.

The weekly Dow chart produced a bullish hammer candle last week. But after the late August (bullish) hammer which was followed by mostly choppy trading, this candlestick should not be seen as a definitive signal of more upside. Market breadth looks bad as the Bullish Percent chart is again in a bearish crossover. Interestingly, the small cap Russell 2000 actually made a lower low last week and appears to be forming a declining channel here. This channel may have resistance at 1170 so the 50 DMA be act as important resistance in the event that the current rebound continues this week. The German DAX also looks weaker than the SPX and INDU as it got a harder retest of its August low. We will have to see if these other indexes continue to lag the market leaders. And as noted above, the bond market enjoyed big gains last week as the 10-year yield plunged below 2%. This chart is bearish as it looks like yields want to go lower. Friday's low was a hard retest of the August 24th low. If this gets retested again in the next few days, it will likely move lower. This would likely be bad for stocks.



This week looks more bearish as Mercury conjoins the North Node (Rahu) and aligns with Saturn. This is a difficult alignment that raises the possibility of a significant decline at some point in the week. I would not say it is likely, however, but it's problematic just the same as it suggests the theme of economic contraction. The early week in particular looks more negative as Mars opposes Neptune on Monday and Tuesday. Tuesday may have a greater downside risk since the Sun squares Pluto that day. I think the chances are high for a net negative outcome across both days and I would not be surprised if we got two down days in a row. That said, the Jupiter-Pluto aspect tightens this week so we should see some upside at some point. Wednesday is perhaps a more candidate for a gain in that respect. Thursday and Friday lean bearish. Thursday morning may see some gains as the Moon conjoins Venus. I'm less inclined to think that the gains will last, however. Maybe Alcoa will disappoint in some way. Friday's Moon-Mars-Jupiter conjunction could be bullish but I'm unsure if it will produce gains given the Venus-Saturn square that occurs at the same time. The upside potential this week means that a test of resistance at 1990 cannot be discounted. I would not be surprised if it happened actually. But the ongoing Saturn influence seems troublesome here so some downside seems more likely, even if it may not be enough to fundamentally change the technical outlook.



Next week (Oct 12-16) should be bullish to start as the Sun-Moon conjunction (i.e. New Moon) occurs opposite Uranus. This is an energetic alignment which could produce a big move in either direction, although I would be bullishly biased. The midweek looks more mixed but the late week Mars-Jupiter conjunction may be more bearish. I would not count on any enduring gains here although a positive outcome is possible. As I see it, October's rallies may not be sustainable as Saturn will strengthen again ahead of its square with Neptune in November. An interim high is possible on October 23rd as Mercury aligns with Venus and Jupiter. This could be at 1990 or 2040



or at some other lower high for the SPX. I'm not suggesting this will be THE interim high but it is a possibility to remember. November looks more bearish as Venus enters sidereal Virgo on Monday Nov 2nd. This is usually bearish and I would think that its conjunction with Mars that week will make it that much more reliably bearish. Perhaps we will get a retest of 1880 in early November. The tense looking Saturn-Neptune square is exact at the end of November and could put added pressure on stocks and a lower low is very possible, probably in the second half. Maybe the SPX can even hit the 1800 level. We shall see. December and January should be more positive as that Jupiter-Node alignment kicks in. It could coincide with some strong moves higher but they do not look solid. I think that downside risk will rise significantly by February with another major move lower around the Jupiter-Saturn square that is exact in March.

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 rose last week as investors welcomed the latest policy statement from the RBI. The Sensex gained more than 1% on the week closing at 26,220 while the Nifty finished at 7950. This bullish outcome was in keeping with expectations as I thought Tuesday's Venus-Uranus alignment would coincide with some upside around the RBI decision. Monday was lower as I suspected it might be following the lunar eclipse. Thursday was more bullish than expected, however, and did not negate any of Wednesday's gain. As expected, though, the absence of any trading on Friday prevented any downside on the Mercury-Mars aspect.

The RBI's surprise 50 point cut provided a much-needed boost to sentiment as investors focused on the positives in the India story especially when compared with its slowing neighbour to the east. Indian stocks may also stand to get another lift after Friday's poor US jobs report. The report showed weaker than expected job growth and thus made a Fed rate hike more unlikely in the near term. This in turn may mean a lower Dollar and less pressure on emerging markets. These fundamentals therefore look good in the short term. But the market is still dependent on growth occurring somewhere so the vulnerability to a larger global slowdown is still on the table. Astrologically, we remain cautious given the November double whammy of the Venus transit of Virgo and the Saturn square with Neptune. Both of these are bearish factors with moderate to high probability of coinciding with declines. The fact that they are occurring almost at the same time suggests that stocks are very likely to decline in November. Between now and then, however, the picture is less clear. Bullish Jupiter will have some effect in the next two weeks through its aspect with Pluto. However, Jupiter



is moving quickly at this time so I would not expect a huge impact from this aspect. Even if we do get some gains in October, I think the declines in November are likely to be larger in magnitude. Therefore, the most likely scenario is that we will see a retesting of September's low. And we could well see a lower low. In any event, November may provide a buying opportunity for bulls as December and January are likely to coincide with a rebound as bullish Jupiter conjoins acquisitive Rahu (North Lunar Node). This combination suggests greed, expansion, possibly more QE, if not outright inflation. I would think the odds are good for a significant rally on this conjunction.

The technical picture looks bullish in the short term. Tuesday's retest of the previous low at 7700 provided the basis for this latest bounce. Of course, the upside is limited given the gap resistance at 8050-8100. It may well take more consolidation for the bulls to break above that level because of the size of the gap that lies above it. Even if there is some upside, a simple gap fill would then mean that the next level of resistance is 8300. Bulls might then beat a hasty retreat. To be sure, the bulls do have the inverted head and shoulders still in play as that pattern has an upside target of 8500 once the neckline at 8100 is broken. But there are few technical clues whether such an upside breakout can occur or whether bears will take control again and retest support at 7700.

7700 is now very important support because if we get any move below that level – especially if the Nifty fails to move above 8050 – then the odds would begin to favour a breakdown of support. As a rule, the more times resistance or support is tested, the more likely it will be broken. Since the September 7th low, we have seen 7700 tested three times and 8050 tested twice. But the chart shows a lot of overhead resistance above 8000 and then 8300 so we could see many trapped bulls looking for a way out at the earliest opportunity.

The 50 and 200 DMA are both sloping down now so that is an added bearish factor to this chart. The weekly BSE chart still offers bulls some hope as stochastics is in a bullish crossover and is moving above the 20 line. These are not foolproof indications, however, as we got a similar false positive back in May that led to a lower low. The 200 WMA at 22K is looking more and more like a possible support level just as it did in 2013. This matches some horizontal support from 2014 so it could be an attractive entry point in the event of a piercing low. Meanwhile, Infosys (INFY) surged to new highs last week. This followed from a series of bullish chart indications including the golden cross of the 50 and 200 DMA. Support is now at the old August high. A move below that level could spell trouble. ICICI Bank (IBN) also rebounded but this chart is much weaker. Bulls will be hard-pressed to move back above the 50 DMA which now approximates key resistance.



This week looks bearish, although choppy given the high number of aspects in play. Early in the week, Mars opposes Neptune so I would expect some downward pressure to manifest on Monday and/or Tuesday. Tuesday looks more bearish perhaps as Monday's Sun-Jupiter alignment might be enough to bring more gains. The

second half of the week also leans bearish because Mercury conjoins Rahu while both planets align with Saturn. Both Thursday and Friday therefore have bearish potential but maybe Friday looks worse as the Moon conjoins Mars. While we could see gains on a couple of days here, my expectation is that the declines will more than offset them. If Monday is higher, then a retest of resistance at 8050 or 8100 is quite possible. It is conceivable that a gap fill to 8300 may also occur, although the planets do not favour that kind of sharp rise. So given the mostly negative planets this week, I would think there will be another pullback after any retest of resistance. I can't quite see enough negativity to have 7700 tested again this week but I think the Nifty will finish lower in any event.



Next week (Oct 12-16) is uncertain due to an unusually high number of bullish and bearish aspects in play. I would lean somewhat bullish overall due to Monday's Sun-Uranus opposition which may provide a nice boost. At the same time, the Venus-Saturn square could coincide with some downside although this could manifest on Tuesday. Also Thursday's Mars-Jupiter-Pluto alignment could coincide with gains later in the week. Perhaps the Nifty will retest resistance at 8100, or even 8300. I would not be surprised either way. The following week (Oct 19-23) could begin on a bullish note on the Mercury-Venus alignment but the late week looks difficult as Mars aligns with Uranus. Overall, the week could be mixed so it seems more likely that the Nifty could remain between 7700 and 8100. The last week of October leans bearish although the Venus-Jupiter conjunction early in the week could see a nice pop higher. But the late week is likely to erase any early gains. I am uncertain where the Nifty may be at the end of October although I suspect it won't be too far from its current levels (7950) even if there is a bearish bias. The first week of November looks quite bearish as Venus conjoins Mars while entering Virgo. November as a whole is likely to be bearish so I would think the odds are high that we not only retest 7600 but break below it. December is likely to see a rebound as Jupiter conjoins Rahu. This conjunction will last into early 2016 and should produce significant gains. The rally may only last 4-6 weeks however, as February looks more difficult and may begin a new correction. This will likely produce lower lows by April. A major rally will likely take place from May to August. But the last quarter of 2016 looks bearish again. Overall, I think stocks will be bearish for 2016.



Technical Trends

Short term trend is UP
(1 week)

Astrological Indicators

bearish (disconfirming)

Medium term trend is DOWN
(1 month)

bearish (confirming)

Long term trend is UP
(1 year)

bearish (disconfirming)

Currencies

The Dollar pulled back a bit last week as Friday's jobs report gave the Fed even less reason to hike rates anytime soon. The USDIX finished just below 96. The Euro was mostly unchanged at 1.12 while the Rupee strengthened to 65.5. This bearish Dollar outcome was in keeping with expectations. Friday's decline was not overly dramatic considering the weakness of the jobs report. This suggested a residual strength which was reflected in the fact that the bullish hammer candlestick found support at the 200 DMA. Short term, the Dollar chart looks bullish given the ascending triangle. However, the chart may be days away from a death cross of the 50 and 200 DMA. In this case, I'm less convinced this is a bearish indication given the ability of the 200 DMA to offer support. That said, the weekly Euro chart looks decidedly bullish in the medium term as a rising channel is being carved out here. The Euro chart would turn bearish if this rising channel support was broken at 1.10. This would roughly correspond to the resistance level of 98 on the USDIX chart. It is harder to discern from this chart if the Dollar is apt to make higher highs. I would still think we are in a healthy bullish consolidation phase after the huge rally of the past year or so.

This week looks more bullish for the Dollar as Mercury conjoins Rahu (North Lunar Node) while Mars opposes Neptune. Both alignments may reflect stressful situations that enhance the appeal of safe havens. I would think the chances are fairly good for a retest of resistance at 96.5 and for a move beyond that level. But next week looks uncertain, so I am not sure if there will be any follow through on the upside. Perhaps the Dollar will remain in its current range of 94-98. In late October, there is a decent chance that the Dollar will move higher. Interestingly, this roughly corresponds with the next FOMC meeting on the 28th so perhaps that could finally push the Dollar back over 98. Whether or not the Fed actually pulls the trigger and raises rates is another question. It may only be the case the forward guidance is sufficiently hawkish that Dollar bulls get their way in anticipation of a rate



hike. November will likely see an interim high in the Dollar, perhaps in that 98-100 range. But December and January look more bearish as Jupiter conjoins Rahu (North Lunar Node). This combination looks bullish for risk currencies so I would expect a major retracement, at least back to 93. And I would not be surprised if we saw 88-90 on the USDX by January. This would be a plausible starting point for the next move higher. A significant low is likely in January or February and then we will see another major rally begin. I am generally bullish on the US Dollar for 2016 with a possible high occurring in late summer. This new high should exceed 100.

Technical Trends (Dollar) Astrological Indicators

Short term trend is DOWN (1 week) bullish (disconfirming)

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

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

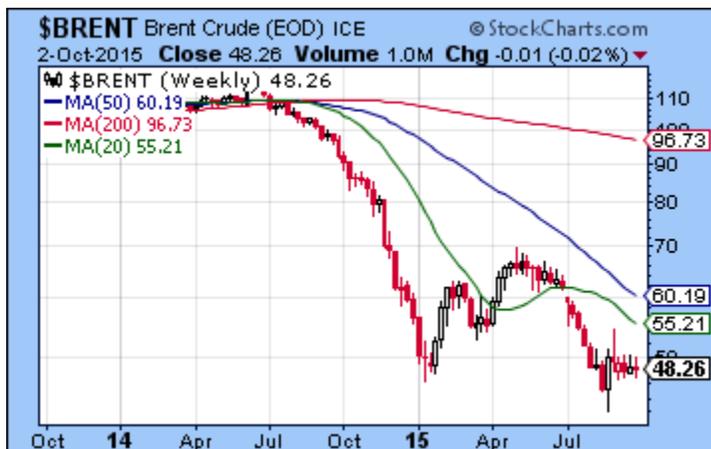
Crude oil

Crude oil ended the week mostly unchanged as markets lacked direction. WTI closed less than 1% higher at \$45.66 while Brent was unchanged. I thought we might have seen more upside here although we did get a weak retest of resistance on Thursday as \$47 was tested. The charts still look like they are in a holding pattern as the trading range remains between \$44 and \$48. However, the descending triangle is becoming more apparent as the highs are less enthusiastic in recent days. This suggests bears could have an edge. If the triangle plays out, it would have a downside target of \$40 – slightly higher than the August low. This could form a more bullish double bottom from which bulls could begin another rally attempt. As the weekly Brent chart shows, crude needs to find a solid bottom before it can recover from its precipitous drop. We got the initial bounce mid-year but that only retraced a third of the decline and only tested resistance of the 200 DMA. Now after making a lower low in August, we will see if bulls can again retest the 200 DMA which is now above \$50. We may see a declining channel evolve soon.



As the weekly Brent chart shows, crude needs to find a solid bottom before it can recover from its precipitous drop. We got the initial bounce mid-year but that only retraced a third of the decline and only tested resistance of the 200 DMA. Now after making a lower low in August, we will see if bulls can again retest the 200 DMA which is now above \$50. We may see a declining channel evolve soon.

This week looks more bearish although I'm not convinced we will get a breakdown in support at \$44. The Mercury-Node conjunction is closest late in the week so that is a somewhat more likely time frame for weakness. The first half of the week could be more positive, however, as the Moon transits Cancer, a water sign. This is often a mildly bullish influence. I think October is likely to deliver some gains but perhaps this will not be the week. Next week could be more bullish as Jupiter aspects Pluto, especially early in the week. The Mars-Jupiter conjunction on October 19th looks bearish and could interrupt any rally attempt in progress. The end of October looks biased towards the bulls so perhaps we will see that 200 DMA retested at \$51 at least. November leans bearish, however, as Venus transits Virgo for much of the month. A retest of the previous low of \$38 is very possible then and we could conceivably go lower. A more durable rebound looks likely to begin in late November or early December. This rally looks fairly strong and should last into February. Another corrective move lower will begin in February and last into April. This could retest previous lows and could make lower lows.



Technical Trends

Astrological Indicators

Short term trend is DOWN
(1 week)

bearish (confirming)

Medium term trend is DOWN
(1 month)

bearish (confirming)

Long term trend is DOWN
(1 year)

bearish (confirming)

Gold

Gold finished the week down modestly, after Friday's rally following the weak jobs report. After retesting support at 1100, gold ended the week at 1137. I was expecting more upside, especially early in the week as I thought the entry of Venus into Leo could bring in buyers early. I was also incorrect in thinking that Friday would be bearish. While the size of gold's gain on Friday was bullish, the chart appears to be forming a neutral pennant pattern of lower highs and higher lows. A break above resistance and the previous high at 1160 may therefore be more bullish and could indicate a return above 1200. Conversely, any close below 1100 might boost the bears' chances of breaking below 1080. Longer term, gold remains in a declining channel with resistance now near 1220 and support near 1050. We therefore cannot rule out a spike higher to 1220. However, the more likely target of any rally is closer to 1180 where there is a ton of overhead resistance. This is also the level of the 200 DMA. One would think that bears may be waiting for their next shorting opportunity in the event of a rally back to that level.

This week looks mixed for gold. While the month of October could see some upside given the Venus transit of Leo, I'm less certain if any gains made this week will last into Friday when Venus will align with bearish Saturn. Perhaps Monday will see a little follow through on the upside although I would be skeptical about the sustainability of any further gains. Perhaps we will see gold retest 1160 or 1170 – that would not be out of the question. But the mid and late week patterns seem more difficult. Certainly there is enough planetary torque involved to produce a big move in either direction. But Saturn often – but not always – coincides with declines so bulls will need to be careful. Monday the 12th features a New Moon opposite Uranus. This looks bullish and it could produce a strong move higher that could last through the week. Overall, I think it more likely that gold will be testing resistance at 1170 than testing support at 1100. I would expect gold to stay fairly strong at least until October 26th and the Venus-Jupiter conjunction. This could even be a top of some sort – perhaps 1180, 1220 or even higher. The Fed meeting occurs later that week so that may not be a coincidence. Certainly, if Yellen and Co. suddenly raise rates at that meeting, it would surprise markets and push gold sharply lower. The following Monday, Venus enters sidereal Virgo while conjunct Mars. This is a high probability bearish pattern and looks more compatible with gold declining through the month of November, probably to lower lows below 1080. Some gains are likely in the middle of the month but they are likely to produce a lower high. A significant low may occur on November 29th when the Sun conjoins Saturn and Venus leaves Virgo. A big move higher is likely after that date which should see gold rally strongly through December and January as Jupiter conjoins Rahu. Another major correction is likely as Saturn squares Jupiter in March and April.



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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