

Summary for week of 14 December 2015

- Stocks likely to bounce this week
- Dollar vulnerable to further declines, esp. late
- Crude oil may rise this week
- Gold should be bullish this week but some downside possible late

US Stocks

Stocks fell hard last week as the rout in commodities continued unabated and signaled weakness ahead for the global economy. The Dow lost more than 3% closing at 17,265 while the S&P 500 ended the week at 2012. This bearish outcome was in keeping with expectations although the size of the decline was somewhat surprising. This was mostly due to the absence of any early week upside which I thought was somewhat plausible. But the late week alignment of Mars with Uranus and Pluto played out more or less according to plan with Friday seeing the biggest decline.

The decline sets up a very interesting week as the Fed releases its latest policy on Wednesday the 16th. Based on her recent speeches, Janet Yellen has all but guaranteed a rate hike for this meeting, the first such hike in 9 years. But now that commodities are collapsing and taking many emerging market currencies with it, Yellen may yet have second thoughts on this long-overdue hike. The Fed is increasingly sensitive to overseas markets given the interconnectedness of capital in the current era. And now that even US stocks are starting to look shaky, Yellen may have reason to do her best Lucy impression and pull the football away at the last second leaving poor Charlie Brown disappointed once again. I do not have any strong opinions of what Yellen may do on Wednesday. Given the December weakness in stocks, we may see stocks sell-off if she does go ahead and raise it. This likely wouldn't have been the case if the global economy was on better footing. But oil and other commodities are signaling trouble ahead for many economies around the world, even if the US can avoid the worst of it. If Yellen



decides to postpone a hike, then stocks could rally, along with most commodities and risk currencies. Since I am still expecting some upside before Christmas, that 'no rate hike' scenario actually seems somewhat more likely. Of course, stocks could bounce anyway, even if the Fed does pull the trigger and raises rates to a grand total of 12.5 pips to 0.25%. But in the current environment, it would require some seriously positive and dovish forward guidance in her press conference for that scenario to play out. In any event, the bottom line is that bull market is in trouble and the chances for a higher high in February have diminished significantly. It's still conceivable, but there would have to be a stunning recovery before Christmas. But I don't see that happening. The more likely scenario is that we will only see lower highs from here on in and throughout 2016.

The technical picture worsened considerably last week after Friday's decline broke key support at 2020. With the November low taken out here, the most bullish scenario would be merely a downward channel that finds support near 2000 on the SPX. This would still be bearish for the medium term since the lower low would follow the lower high from early December. But at least it might avoid a sudden decline for a while. MACD is in a bearish crossover now so that is another reason why an eventual retest of the September lows is more likely. Stochastics is oversold now, however, so that argues for at least a short term bounce.

But resistance at 2060-2070 is looking a bit ominous at the moment as that is where the three moving averages have clustered. When price is below such a clustering for an extended period of time, it can make a major rebound more unlikely. Bulls will have to retake the 50 and 200 DMA fairly quickly or suffer the consequences. Even a quick spike above the 200 DMA may not suddenly make this chart more bullish. The problem is the lower high. Bulls need a close above 2100 above the early December high to turn the tide. This may be challenging, especially if we see a move below 2000 and a breakdown of that declining channel. And the weakening breadth as seen in the Bullish Percent chart noticeably worsened last week. A bearish crossover is now well underway and is pointing to lower prices ahead. The weekly Dow chart still shows a bearish crossover of the 20/50 WMA which suggests lower lows in the medium term. The Dow has yet to break below its November lows so the chart looks a little stronger. But that may only reflect how more money is going into defensive blue chips while breadth is narrowing. Meanwhile, bond yields are moving lower as investors seek safety as the signs of slowdown proliferate. Friday's close on the 10-year broke below support of the 200 DMA. Lower long term yields and higher short term yields means flattening that usually precedes a recession.



This week is more likely to see a bounce. Not only is the Mars aspect to Uranus and Pluto separating and hence weakening, but the Sun enters Sagittarius on Wednesday. This is often bullish and the fact that it occurs on the day of the FOMC meeting is intriguing to say the least. One would think it raises the odds of a bullish reaction to

whatever the Fed decides. Although there is a bullish bias here, I would be very cautious given the more negative influences that may be coming to the fore very soon. Monday's Sun-Jupiter square leans bullish so we could see a snapback rally begin early. Mars is still fairly close to its alignment so it is possible we could get more downside on Monday. I'm not sure. If Monday is lower, then that might be a better buying opportunity for a bounce. Tuesday looks a bit more bullish than Monday. And Wednesday looks more bullish still as the Sun enters Sagittarius. Thursday also seems more bullish than bearish as Venus aligns with Pluto and Uranus. Friday could see the bulls squeeze another win as Mercury conjoins Pluto. I'm less confident of a gain on Friday, however, as Mars prepares to change signs and enter Libra next week. This often negative influence often manifests a day or two early. Overall, there is a decent chance for a positive week here although I would admit that there will likely be some bumps along the way which are hard to measure or predict. I would think the SPX finishes higher, perhaps between 2020 and 2040.



Next week (Dec 21-25) is shortened for the Christmas holiday trading. Monday looks bearish as Mars aligns with a couple of key natal positions in the NYSE and SPX charts. This could take effect on Friday the 18th but Monday seems more likely as the day when this negativity will manifest. Tuesday could see a rebound as Venus aligns with Jupiter. Wednesday Mars enters Libra so that could mean more volatility. But Thursday's Mercury-Jupiter aspect may give bulls another chance. The week as a whole looks mixed and I am reluctant to call it one way or the other. It seems unlikely to produce a big move, however.



The week between Christmas and New Year's leans bearish as Mars is in aspect with Mercury for several days running due to the approach of Mercury's retrograde period. Monday may be the day which has the most bearish potential, however. While a gain on the week would not shock me, I would be cautious due to this unusual Mars-Mercury aspect. 2016 will likely start on a negative note as the Mars-Mercury aspect will still be very close in the first week of January. The 4th and 5th look very bearish and could coincide with a breakdown of a key support level, wherever that may be. We should see 2000 broken on the SPX at that time, if it has not already been broken. We should see a bounce in mid-January on the Sun-Mercury-Jupiter alignment around the 13th. But January as a whole still looks bearish so the downtrend that began in December will likely continue. Another bounce is likely in early February but that will likely be sold fairly quickly also. As Saturn tightens its square aspect with Jupiter into March and April, there is a good chance that the SPX will break below its September low of 1867. Wherever that March-April low occurs, I think we should get a lower low by the summer around the Saturn-Neptune square, possibly 1700. A sudden decline or even a crash is also possible in late June.

Technical Trends

Short term trend is DOWN

Astrological Indicators

bullish (disconfirming)

Target Range

SPX 2020-2040

(1 week ending Dec 18)

Medium term trend is UP
(1 month ending Jan 18)

bearish (disconfirming)

SPX 2000-2040

Long term trend is UP
(1 year ending Dec 2016)

bearish (disconfirming)

SPX 1800

Indian Stocks

Stocks extended their recent slide last week on fears the Fed would raise rates despite a weakening global economic outlook and sharply falling commodity prices. The Sensex lost more than 2% closing at 25,044 while the Nifty finished the week at 7610. This bearish outcome was in keeping with expectations as I thought the Mars alignment with Uranus and Pluto would likely produce a negative week. I was mistaken in calling for early week gains, however, as stocks declined on Monday and generally moved lower thereafter.

So far December has been quite bearish. I still expect some upside this month, but the prospects for a positive month as a whole are quite unlikely now. The only thing that might save the equity market now is if Fed Chair Janet Yellen backtracks on her intention to raise interest rates at the FOMC meeting on Wednesday. To be sure, some of the recent decline is due to investors anticipating a hike so if and when the actual hike comes, I suspect it may be largely discounted already so stocks may not decline much at all. However, Yellen's situation has been made more complicated by the sell-off in commodities, especially oil. This reflects the growing fear that the global economy is slowing (esp. China) and that corporate earnings will have difficulty growing in 2016. The fall in commodities has also caused some disruption in emerging market currencies which Yellen may have to take into account when the Fed meets Wednesday. So will she or won't she? I honestly do not know the answer. The takeaway from the decision may actually have more to do with her forward guidance than any actual hike or non-hike. One would think the Fed



would not risk its credibility if it suddenly reversed course and did not hike. But if she goes through with it, then maybe she will find new, more accommodating language to allay market fears given the multiple headwinds it now faces. The planetary picture seems mixed at best for the rest of December, although I do think there is greater probability of a bounce during this week. Last week I wondered if the planets offered enough bullishness to drive the Nifty back up to 8300 by February. After last week, 8300 seems like a very tall order indeed. There is a rebound coming but I think the more likely window for it is between 15 Jan and 15 Feb. That means we could actually see more downside before any such recovery takes place. In other words, we are still very much in a bear market where the best strategy is to sell rallies, i.e. sell longs or enter shorts at resistance.

The technical situation also supports this bearish approach. The Nifty matched its September low last week with a retest of 7600. After the much lower high in October, this is a bearish development. Obviously, the Nifty is sitting on support here so some kind of bounce is likely in the near term. This is especially true since the RSI is close to 30 and hence fairly oversold. Stochastics is also oversold. While many bulls will be buying at current levels in anticipating a technical bounce, there is some risk that 7600 won't hold very long. The problem is that the Nifty is carving out a declining channel which now has a downside support level of about 7200. So if 7600 is broken (or perhaps closer to 7539 which was the exact September low), then the most likely next stop would be around 7200. Resistance may be the gap at 7850 from early December so weak bulls may take profits if the rebound approaches that level. The previous high at 7979 also may be significant in the event we see a bigger rebound in the near term.

The Nifty chart looks more and more bearish as price has fallen below the three moving averages and the 200 DMA is now clearly sloping downward. The weekly BSE chart is bearish with more downside possible as indicated by stochastics which are not yet oversold. RSI is also not yet oversold so bears may enjoy greater confidence in their actions here. The falling channel is clearly visible on this chart with support at 23,500 or 24,000. It is quite easy to imagine a tag of the 200 DMA at 22,492 if we get the forecast downside I am expecting into 2016. This moving average was last tagged in 2013. Even if we do see a correction to that line, it will likely still be rising thus indicating the continued viability of the long term bull market. As investors fretted about the impact of a Fed rate hike, ICICI Bank plunged more than 8% on the week as it broke support. We could easily see this stock revisit its 2013 lows. HDFC Bank (HDB) also suffered a large loss but it remains perched just above key support. If it should fall much more below current levels, it may fall another 15%. I suspect it will bounce here in any event but that may only postpone the inevitable.

This week looks more bullish than last week. As the Sun aligns with Jupiter early in the week and enters Sagittarius on Wednesday, sentiment will likely turn more positive. I think the week has a good chance for producing a gain. Monday looks bullish to start on the Sun-Jupiter alignment. While it is possible we could see



some intraday move below 7600, I think the chances are good for a close above 7600, possibly well above that level. Tuesday also looks bullish although the morning may see some caution. Wednesday will see the bullish entry of the Sun into Sagittarius. Although bullish, it need not manifest on the actual day of its entry. It is better through of a diffuse positive influence on the week as a whole. Some of that optimism may be dented, however, as Mercury aligns with Saturn that day. Thursday will see the market's reaction to the Fed meeting. It is hard to say which way it will go. Thursday does have some tense aspects in play (Mercury-Saturn) so it is possible we could see some selling. But Friday looks more bullish as Venus aligns with Pluto and Uranus. Even if there is some selling on Thursday, I would not expect it to become a multi-day sell-off. Perhaps we will see 7800 at some point during the week although it may be difficult to sustain by Friday.



Next week (Dec 21-25) will be shortened for the holiday on Friday. The early week looks bearish as Mars prepares to change signs and enter Libra. Monday therefore should be lower and it may continue into Tuesday. The best opportunities for gains look like Wednesday and Thursday as Venus aligns with Jupiter. The week looks mixed overall, however. The following week (Dec 28-Jan 1) leans bearish so the prospects for an extended rebound do not look good. The problem is that Mars aspects Mercury for more than week due to Mercury's approaching retrograde cycle which begins in early January. This is an unusually long time for the Mars influence to manifest. While I would not be shocked if stocks somehow managed to hold steady, there is definitely some significant downside risk with this Mars influence. Perhaps the best the bulls can hope for is that it will manifest mostly in the first week of January when Mercury actually turns retrograde. But my expectation is that there will be some selling in the last week of December also. We could get a retest of support at 7600. Early January looks quite bearish and therefore a breakdown of 7600 becomes more likely. A decline to 7200 is conceivable here. Some upside is likely in the second week of January and it is possible the month as a whole will finish in the green, albeit only modestly. But it may be hard pressed to recapture 8000. Early February looks bullish so 8000 may be more doable in that time frame. But late February is likely to see more weakness as the Saturn-Jupiter aspect tightens so lower lows are quite likely in March. This should be seen as a second chance for bears to push down to that lower channel at 7200. Another rebound attempt may begin in April and continue into May. Most likely, this will be another lower high, perhaps below 8000. Then another decline is likely in June and July and should form a lower low.



Technical Trends

Short term trend is DOWN
(Week ending 18th Dec)

Astrological Indicators

bullish (disconfirming)

Target Range

7700-7800

Medium term trend is DOWN
(Month ending 18th Jan)

bullish (disconfirming)

7600-7800

Long term trend is UP
(Year ending Dec 2016)

bearish (disconfirming)

7000-7500

Currencies

The Dollar pulled back further last week as traders feared the possibility that the Fed may not cut rates in their next meeting. The steep decline in oil prices is a signal for a slowdown which may force Yellen and Co. to postpone the long-anticipated hike on Wednesday. The USDX finished below 98 while the Euro rose to 1.10 and the Rupee Index drifted higher towards 67. The odds of a rate hike are still 70% although they did come down a bit after last week. If the Fed hikes, it seems likely the DX will head back up to test resistance at 100 fairly soon. Whether it has enough juice to climb above that level is another question and will likely depend on more economic data going forward. If the Fed does not hike, however, we could see a significant decline in the Dollar, perhaps back towards support at 94 in the coming weeks, or even days. The weekly Euro chart shows how this current bounce could go in one of two ways. Either it reverses lower fairly soon, perhaps at the 50 WMA at 1.11 or the rebound is stronger after the bullish double bottom and we get a retest of the August highs and perhaps even a breakout higher.

This week all eyes are on the Wednesday Fed meeting. However, the planets do not offer a clear indication how currency markets will react. The entry of the Sun into Sagittarius should be positive for the Euro but the Mercury-Saturn alignment on Wednesday could undermine that bullishness. I would retain a bearish bias on the Dollar in any event, but it really could go either way. Perhaps that will reflect a mixed message from Yellen such as a rate hike but with so many caveats about future hikes that the market is reassured that she will not be too hawkish in 2016. Next week looks somewhat mixed but with a better chance for gains. The week after Christmas may see the Dollar move higher again, however. Depending on how low it has fallen beforehand, we could see the Dollar



back in the 98-100 range by early January. Another pullback looks likely in late January and early February but higher highs look more likely by March and April. After a modest pullback into May, more upside is very likely over the summer of 2016 with a possibly significant high being made in July or August. This is likely to be at USDX=105 at least and probably even higher.

Technical Trends (Dollar) Astrological Indicators

| | |
|--------------------------------------|-------------------------|
| Short term trend is DOWN (1 week) | bearish (confirming) |
| Medium term trend is UP (1 month) | bearish (disconfirming) |
| Long term trend is UP (1 year) | bullish (confirming) |

Crude oil

Crude oil collapsed last week as more signs of an economic slowdown along with chronic oversupply inflicted significant technical damage. WTI broke support and fell more than 10% on the week to a new low while Brent also fell below \$40 for the first time in nine years. While I had been bearish last week, I thought the possibility of early week gains might sufficiently blunt the downside from the Mars alignment that support at the previous low could hold. Alas, it did not because the early gains never arrived. Sentiment is about as bad as it gets so perhaps that might encourage some contrarians to go long. The short term technicals are oversold although the lower low should be worrying. On the other hand, the current price roughly matches the lows from 2008 during the meltdown so there is some reason to think that prices could bounce from here. WTI has fallen to the support line of a falling wedge pattern that has formed over 2015. The falling wedge is a bullish pattern when it resolves and breaks out higher, but it may still have further to fall before this breakout occurs. This suggests that most, if not all, of the downside has already occurred here at \$35. Some intraday probing below that line is still possible but we should watch carefully to see where crude closes in coming days. If there is a bounce here, resistance from the falling wedge is in the \$44-45 range.



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This week looks more bullish. Wednesday's Fed meeting could produce a significant move the oil market as a rate hike could spark more selling as traders buy up Dollars. I don't know what the Fed is going to do but the planets seem to hint that there will be a favourable reaction in the oil market. It's possible we could see some early week downside on the Mercury-Saturn alignment on Tuesday but I would be surprised if it was significant. By Wednesday, the picture improves so we could see a significant bounce as the week progresses. Friday looks more bearish, however, as the Sun aligns with Rahu (North Lunar Node). Next week looks mixed at best as Mars prepares to enter the sign of Libra. There is some downside risk here so that may undermine any rally attempt. The week after Christmas leans more bearish as does the first week of January. This could represent a retesting of the December low. I'm uncertain where crude goes between mid-January to mid-February. It does not look bearish but at the same time, the bullish influences seem lacking. Perhaps it is merely moving sideways between \$35 to \$45 for WTI. But March and April still look bearish and it seems quite likely that we will get lower lows at that time. Crude will likely to trend even lower through August at least.



Technical Trends

Astrological Indicators

Short term trend is DOWN
(1 week)

bullish (disconfirming)

Medium term trend is DOWN
(1 month)

bearish (confirming)

Long term trend is DOWN
(1 year)

bearish (confirming)

Gold

Gold slipped last week as inflation prospects remained weak against a backdrop of slow global growth. Gold declined about 1% and closed at 1073. I thought we might have seen gold enjoy a little more upside although this result was not surprising. Monday's decline was unexpected, however, as it arrived on the day of a more bullish Moon-Venus conjunction. The pullback was perhaps fairly predictable as it resembles a bear flag in the midst of a wider decline. Bulls are hoping to keep prices well above the low of 1050 in order to build a decent bottom that will hold. A retest is still very possible in the days or weeks ahead, however. Resistance is around 1090-1100. A close above 1100 would be more bullish and may suggest that gold could test falling channel resistance at 1160. Only a breakout above that channel resistance would suggest anything like a more durable gold rally. The 200 DMA is still sloping downward and remains the most obvious indication of the current bear market.

This week leans bullish. The key day is Wednesday as the Sun enters bullish Sagittarius. As it happens, this is also the day of the FOMC meeting so perhaps that may mean that Janet Yellen talks down the Dollar somehow, either by postponing the rate hike (unlikely) or by assuming a dovish outlook to 2016. But the planetary picture is sufficiently complex that there is considerable uncertainty about what will happen and when. Monday leans bullish on the Sun-Jupiter square. Tuesday may be somewhat less bullish, however. Wednesday leans bullish on the Sagittarius influence (as the Sun and Jupiter are in each other's signs), but at least one day of either Thursday or Friday could be bearish as the Sun squares Rahu (North Lunar Node). I would lean towards a test of 1100 at some point, even we don't close at that level. By the same token, we may not see the rally last long at all. Next week looks more mixed although I would retain a bullish bias just in case. I can't see a huge breakout higher occurring here but we could see some additional upside. But the last week of December looks more bearish as Mars aspects Mercury. This downtrend will likely continue into the first week of January. Whether or not it retests the previous low of 1050 is harder to say. Perhaps it will only put in a higher low. Gold should rally in the second week of January on the Sun-Mercury-Jupiter alignment. January may well end up more mixed but February looks more bullish. A test of resistance at 1160 looks more possible then. But March and April look quite bearish as Saturn aligns with Jupiter. I would expect another test of channel support below 1050 at that time. I think 1000 is very possible by April. Gold may well fall further in the summer.



Technical Trends

Astrological Indicators

Short term trend is UP bullish (confirming)
(1 week)

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

Long term trend is DOWN bearish (confirming)
(1 year)

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