

## Summary for week of 21 December 2015

- Stocks unlikely to rebound this week, especially early
- Dollar likely to rest resistance
- Crude oil unlikely to rally this week
- Gold could bounce this week, esp. after Monday

## US Stocks

It was a rollercoaster week on Wall Street as the initial euphoria after the Fed's first rate hike in nine years quickly fizzled later in the week. Despite strong upside in the first half, the Dow actually ended the week modestly lower at 17,128 while the S&P 500 finished at 2005.55. While the extent the late week selling was a little surprising, the week unfolded more or less according to expectations. I thought we would likely see gains into the Wednesday Fed announcement and indeed stocks moved up to resistance. I had cautioned about Friday and the growing Mars influence although I was uncertain if it would hit on Friday or Monday.

So Santa looks like he may not make the trip south this year after all. But I'm not sure if it's entirely fair to characterize Janet Yellen as the Grinch who stole the traditional Santa Claus rally. Stocks were struggling anyway given the ongoing sell-off in oil and other commodities. In fact, one could argue that if Yellen had chickened out again this time, it would have sent an even more bearish message to investors and the decline may well have been worse. Perhaps more investors are coming to the realization that there is only so much the Fed or other central banks can do to stimulate a slowing economy. With the Fed beginning to tighten credit, US stocks will need to rely on positive domestic data to justify current prices. That is still possible, of course, but one wonders what the Plan B is for the Fed if that economic improvement is not forthcoming.



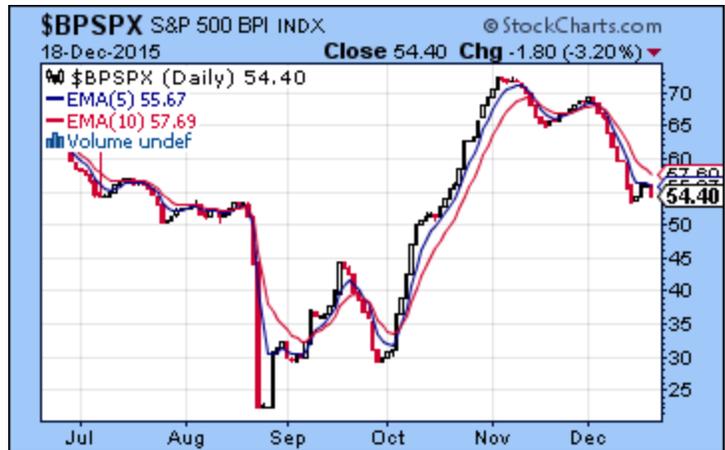
My outlook remains largely unchanged here in that I think 2016 is shaping up to be mostly bearish. Since I am still expecting more downside over the next two or three weeks, I think the chances for a higher high in early 2016 are quite small now. It seems more likely that the top is in and we will see a series of lower highs for a while. February still should see some kind of rebound but I would be skeptical it could rise above 2135. It seems even a stretch to think the SPX could recapture 2100. March looks like it could be negative on the Saturn-Jupiter square. It could produce sudden declines although I'm not sure if it will be a lower low, i.e. below 1867. That will depend on how big the preceding bounce will be in January-February. A rebound should begin in late March or April and likely continue into May, stocks look vulnerable to a larger decline in June and July. This is the bears' insurance policy for a lower low so that if the probable March sell-off only produces a higher low (1900?), then the summer offers a good chance at a larger percentage decline. We could easily see 1700 by July. And I would not be surprised if we revisited the old 2000 and 2007 double top resistance level of 1550 at some point in 2016.

The technical picture looks more bearish as Friday's low was lower than the previous week's closing low. There may well be some buyers step in here around SPX 2000 as they did on Monday. But with a series of lower highs over the past two months, it would take a courageous bull to hang onto a long position. Wednesday's high exceeded the convergence of the moving averages at 2061, but the quick reversal reaffirmed the notion that price is now on the wrong side of those moving averages. Resistance is likely around 2060 while support may be found in the declining channel near 1980. That is also the approximate downside target of a measured move that mimics the pullback after the November high. In other words, even if the SPX falls below 2000 in the coming days, it is just as likely to rebound near 1980 as fall more sharply. One would think that a move below 1980 would be more worrying to bulls as a retest of the September lows would become likely.

The Bullish Percent chart is still in a bearish crossover although it essentially mirrored market performance last week. Nonetheless, this indicator is still pointing to more downside ahead. The weekly Dow chart shows the current support offered by the 20 WMA. This has often acted as support in the past, although temporary violations are common. 17,000 has also been support on several occasions in the past so we will have to pay attention to the market as it approaches this level. If there is a decline but buyers do not enter the market at 17,000, then things could degenerate quickly. The bearish crossover of the 20/50 WMA is still in effect and offers more evidence that the medium outlook for stocks is less rosy than one might like. Stochastics are also in a bearish crossover now and have fallen below the 80 line. In keeping with the deflation and recession fears, bond yields fell at the end of last week. There is likely good support at 2% on the 10-year although that might correlate with a 5% decline on the SPX.



This week is shortened for the Christmas holiday as markets will close for the week at 1 pm on Thursday. Trading is usually light and has a bullish bias during the days leading up to Christmas. However, there is an elevated risk of more early week downside here as the Mars influence I mentioned last week could manifest again. Mars makes a close alignment to a key point in the NYSE chart as well as aligning with Jupiter on Monday and Tuesday. Since Friday was significantly lower, however, some of this energy has already manifested. I would therefore not expect another big decline. Nonetheless, I do think Monday and Tuesday lean bearish overall although perhaps both days will not be bearish. Monday seems a little more bearish than Tuesday. The bearish planetary bias here suggests that 2000 will likely be broken and that channel support at SPX 1980 could well be tested. If I'm wrong and there isn't much negative sentiment left for this week, I still don't see the market rallying too strongly. Wednesday and Thursday lean bullish as Mercury approaches its aspect with Jupiter. If volumes are low, I'm not sure there will be enough upside in the middle of the week to offset the possibility of declines early on. Therefore I would lean bearish for the week overall. Even if we end up higher, however, it is unlikely to last too long.



Next week (Dec 28-Jan 1) also leans bearish as Mars aligns with Mercury and the North Lunar Node (Rahu) early in the week. This is a fairly high probability bearish alignment and there is a greater chance of a sizable decline (>1%) on Monday and perhaps even on Tuesday, although Monday looks worse. Wednesday and Thursday look more bullish as the Moon conjoins Jupiter. I'm uncertain if this Jupiter pattern will be enough to offset the preceding downside, however. So it looks as though 2015 will end with a negative week and that will produce a negative year overall for US markets. The first week of January looks problematic also as the Mars-Mercury square aspect will continue. Monday and Tuesday look the most vulnerable to declines. I would think we will get at least one day with a decline of greater than 1%. But the second half of that first week of 2016 may well be bullish as Jupiter turns retrograde. The second week of January looks more bullish as the Sun approaches its aspect with Jupiter. But the rest of January looks iffy at best. Overall, the month looks mixed with a significant downside risk. Perhaps the bullish final week can offset some of the losses. Early February looks fairly bullish but the rebound does not look strong enough to change the essentially bearish trend here. More downside looks likely to resume by late February and continue into March. While I think the first half of the year will follow a down trend, the most bearish period appears to be June and July. The summer may well coincide with the low for the year, although I am not too optimistic about the rest of 2016 either.



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**Technical Trends**

**Astrological Indicators**

**Target Range**

Short term trend is DOWN  
(1 week ending Dec 25)

bearish (confirming)

SPX 1980-2020

Medium term trend is UP  
(1 month ending Jan 25)

bearish (disconfirming)

SPX 1950-2000

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

bearish (disconfirming)

SPX 1700-1800

## Indian Stocks

Stocks moved higher last week as investors joined the global applause for the Fed's first rate hike in nine years. With hopes rising for improvement in the US economy, the Sensex added 2% closing at 25,519 while the Nifty ended the week at 7761. This bullish outcome was in keeping with expectations as I thought the combined effect of the Sun-Jupiter alignment and the midweek entry of the Sun into Sagittarius would likely lift sentiment. While I thought we might see some late week profit taking, I erroneously thought that Thursday looked more bearish than Friday.

With the Fed hike now behind us, markets can better focus on incoming macro and micro data. The problem now is that the fall in oil prices is setting off alarm bells as more fears grow for a deeper economic slump in China and elsewhere. If there is more weak data out of China or Europe, then that would likely magnify the problem of the divergence in central bank policy between the tightening Fed and loosening everywhere else. With the Fed on course for at least two more hikes in 2016, more weakness in the global economy would likely spark a disastrous Dollar rally which would further cripple emerging markets like India's. Janet Yellen is betting that the data in Asia and Europe will improve soon so that this scary divergence scenario does not occur. As it is now, there is already a tale of two central bank paths which may become more problematic down the road. My astrological analysis suggests that 2016 will see some version of this divergence scenario play out as I am expecting the US Dollar to climb higher into mid-year. This will likely put more pressure on Indian equities, and indeed on most global stocks. 2016 is thus still shaping up to be mostly bearish with substantially lower lows in sight. I think the chances are high for a significant low to be made in July or August. But there is another bearish alignment in November and December that makes me wonder if stocks could conceivably make an even lower low at the end of 2016. It's possible, although let's first see where we are in July.



The technical picture improved somewhat although last week's gain could easily be written off as an oversold bounce since RSI was sitting on the 30 line. But bulls can take some solace in the fact that Monday's intraday low was a nice retest of the September low of 7539 – just 12 points above it. This sets up the possibility of a bullish double bottom pattern and it no doubt was the reason why investors jumped in and took long positions for much of the week. Thursday's high topped out near resistance of the falling channel which is close to the 20 DMA. In order to get a new rally going, bulls will have to push prices above this channel and ideally make a higher high relative to the previous high at 7979. Support is likely close to 7700 now, so any move below that level should be watched carefully. If the Nifty starts to fall quickly below 7700, then it would call into question the whole bullish double bottom scenario. And if we see another retest of the low at 7550 before more upward moves, then there is an increased risk that support will fail and that we are going to lower lows, possibly closer to falling channel support at 7200.

The weekly Sensex chart shows how important the 25,000 support level is to the market. It is possible it could reverse higher from here, but certainly the chart is bearish and the channel is suggesting that 23-24K may be more likely than a major reversal higher from here. On the other hand, stochastics are now at the 20 line so bears may not want to press their luck as much. The bearish crossover of the 20/50 WMA still haunts this chart as it needs to be undone if stocks are going to break out of their current funk in the medium term. The longer bulls can keep the Sensex above 25K, the more likely a rebound may be. However, one gets the feeling that if 25,000 does not hold, there will be many sell stops that will be triggered and the market will fall more decisively. Infosys (INFY) is one of the shining stars of the current market and its weekly chart shows it is merely experiencing a normal pullback within a larger bull market. This chart will only become bearish if the mid-year lows of 2015 are broken. HDFC Bank (HDB) is also a leading light in the banking sector although it is showing signs of a top. A close below the December low (and hence the 2015 low, excluding lower candle shadows) would be trouble and change this chart to bearish.

This week is holiday shortened with a Friday closing. Overall, it leans bearish as the early week has Mercury form an unstable square aspect with Uranus while Mars moves into alignment with Rahu and Ketu. Monday looks like the worst day of the week and that is perhaps unsurprising given the drubbing in US markets on Friday. Tuesday may well continue the weakness as Mars will move within range of entering the new sign of Libra. But the afternoon Moon-Venus aspect looks bullish so there is a decent chance of an intraday



reversal higher. Wednesday and Thursday look somewhat more bullish on the Venus-Jupiter alignment so I would expect a net positive outcome across those two days. Wednesday is perhaps more problematic, however, as the Moon-Saturn aspect could be a drag on the mood. Mars actually enters Libra on Thursday so there really is no rest for the bulls here as every day in the week has some difficult planetary energy to contend with. I still think that the bulls' best chance is likely Thursday but the presence of Mars undermines my confidence somewhat in a bullish outcome that day. If Monday is lower as expected, then we could test support at 7700 very quickly. Even if there is a bounce on Tuesday, I would not expect it to go too far. 7900 seems very unlikely at any time this week and even 7800 is not looking probable at any point. Assuming Monday's sell-off avoids the worst of it, I think Thursday could finish closer to 7700. We shall see.

Next week (Dec 28-Jan 1) may also begin on a bearish note as Mars aspects Mercury on Monday and Tuesday. I would favour at least one significant down day and perhaps even two. If the Nifty is sitting near support at 7700 before Monday, then there is a real risk that support will be broken and it will retest the previous low of 7550. The Moon-Jupiter conjunction on Wednesday and Thursday could coincide with at least one up day, but I think it is unlikely to offset the preceding Mars-Mercury negativity. The week therefore leans bearish. The first week of 2016 will likely pick up where 2015 left off with more selling as that unusually long-lasting Mars-Mercury square will be punctuated by Mercury turning retrograde on Tuesday the 5<sup>th</sup>. This is a very bearish pattern which is likely to coincide with at least one big down day (>-2%) between Monday and Wednesday. Monday and Tuesday look worse than Wednesday in that regard. While the late week could see some gains, I think there is a real risk that the Nifty could fall to 7200 and that falling channel support in the first week of January. The second week looks more bullish as the Sun aligns with Jupiter on 13-14<sup>th</sup> January. January 18-22<sup>nd</sup> also looks bullish as Venus aligns with Jupiter. The rebound that begins in January will likely continue into February. This looks unlikely to significantly improve the technical picture, however. Late February should see the rally fall apart and March looks quite bearish as Saturn aspects Jupiter. A rebound is likely in April and May but more downside is likely in June and July. Lower lows are highly likely by July and 7000 should be quite doable and the old highs of 6300 could well be in play.



**Technical Trends**

**Astrological Indicators**

**Target Range**

Short term trend is DOWN  
(Week ending 25th Dec)

bearish (confirming)

7600-7700

Medium term trend is DOWN  
(Month ending 25th Jan)

bearish (confirming)

7600-7800

Long term trend is UP  
(Year ending Dec 2016)

bearish (disconfirming)

6700-7200

## Currencies

The Dollar enjoyed a solid gain in the aftermath of the Fed's first rate hike in nine years. The DX touched 99 before finishing a little below that level while the Euro traded below 1.09 and the Rupee strengthened a bit at 66.3. I had been uncertain about what the reaction to the Fed might be given the mix of influences in play.

Interestingly, the Dollar declined modestly on the day of the announcement (Mercury-Saturn) but then rallied as investors contemplated the impact of weaker economic data. The Dollar's recent consolidation has been fairly shallow as it has bounced off support at the 50 and 200 DMA. The chart is still bullish so one would have to expect

another test of the high at 100+ sooner rather than later. If we get a deeper pullback that falls below 97 then we could see a more protracted correction in the Dollar. But for now, the Dollar bulls have Janet Yellen in their corner as the prospect of more hikes in 2016 is making even this most overcrowded trade seemingly indestructible. But the double bottom in the Euro chart still offers the real possibility that the Dollar could suffer the slings and arrows eventually.



This week looks choppy. The early week Mars-Jupiter aspect looks bullish for the Dollar but I'm not sure it will hold up by the end of trading on Thursday. Some weakness is likely in the midweek before the holiday break. The DX could well finish below 99 again although I suspect it could briefly eclipse last week's high. Next week looks bullish for the Dollar in the start of the week as Mars squares Mercury. Perhaps we will get a hard retest of resistance at 100 at that time. But the late week looks weaker so more consolidation under resistance is likely. More upside is likely in the first week of January and we could even see a marginally higher high than near 101. I think a deeper consolidation for the Dollar is more likely to begin in the second or third week of January. This could last



well into February. It seems likely to test immediate support at 98 and I would not be surprised if the DX fell below that level. The pullback should end by late February and then the Dollar will rebound strongly again into March and April. I would expect another retest of the 101 at minimum. The Dollar is likely to break to new highs in June and July (105?). At this point, I am uncertain if this mid-year high will be a multi-year top for the USDX. It's possible, but there are some favourable alignments in early 2017 that could push it higher again.

Technical Trends (Dollar)	Astrological Indicators
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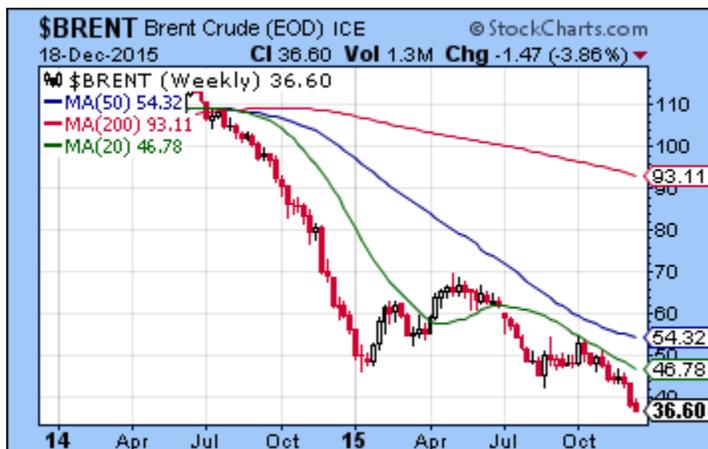
Short term trend is UP (1 week)	bullish (confirming)
Medium term trend is UP (1 month)	bearish (disconfirming)
Long term trend is UP (1 year)	bullish (confirming)

## Crude oil

Crude oil was mixed last week as demand worries continued to suppress prices. WTI enjoyed a 1% gain closing just below \$36 while Brent lost ground and finished below \$37. I thought we might have seen a bit more upside around the midweek Fed decision. We did get some early week gains on the Sun-Jupiter alignment but Friday was lower on the Sun-Rahu alignment. The WTI chart is making marginally lower lows and in so doing seems to be carving out a falling wedge pattern. These patterns are ultimately bullish as they break up over resistance. However, there is still some room before the lines of support and resistance merge. Currently resistance is at \$42.50 while support is near \$34. A close below \$34 would indicate the possibility of significantly lower lows as stop losses get triggered. Brent has already fallen through its falling wedge support line. So the technicals really can be argued either way. More downside is possible if WTI breaks below support at \$34 but it is oversold already so one would think a bounce is due fairly soon. But the Brent chart may now be following a downward channel with lower lows ahead. If a bounce does come, it will likely be quite weak. Only a move above resistance at \$42.50 for WTI would suggest a significant change in the direction of the chart.



This week looks bearish to start as Mars aligns with Jupiter. I would expect crude to remain under pressure on Monday and Tuesday with Monday looking the worst of the two days. I think last week's low (WTI=34.53) will be tested here. Some rebound is possible into midweek and the Venus-Jupiter alignment but it may not produce a net gain overall. So the prospects for a bullish breakout here seem fairly low. Next week looks very bearish to start (the 28<sup>th</sup>) as Mars aspects Mercury. This could well produce a lower low although a late week rebound is possible. Early January looks bearish also so I would not be surprised if that pushed prices lower still, possibly even falling below \$30 for WTI. But the prospects for a reversal higher look good for the second week of January. This could well produce a multi-week bounce. The most bullish scenario here is that it lasts from mid-January to mid-February. It seems unlikely to break above its October high (WTI=\$51), and this could be the technical rationale for the next wave of selling in March and April. This is likely to bring a fairly large decline. The downtrend in crude oil will likely continue into July and August and we could well end up at \$20 at some point in 2016.



**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 slipped lower again last week as the Fed's rate hike gave investors one more reason to sell. While it traded at 1080 on Wednesday, it could not hold onto gains by Friday settling at 1065. I thought we might have seen more upside, especially on Monday but sentiment remains quite bearish here. Thursday's low created a nice double bottom in December and no doubt that was why Friday saw a rally. While it's always possible this could be the bullish double bottom that eventually turns the gold ship around and ends this nasty bear market, there is a long way to go before that happens. Trading above the previous interim high of 1088 would be a start. This double bottom has an upside target of 1131 if we do see a move above 1088. This wouldn't mean much in the grand scheme of things (i.e. the falling channel) but who knows. Falling channel resistance is close to 1160 which is just above the 200 DMA. In other words, gold could enjoy a nice 10% rally and still not break out of this bear trend in which it is caught. 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 a reliable indication of the current bear market. Falling channel support is moving lower at a rate of about \$7-10/month so it is quite gradual. At that rate, gold will fall to 1000 in March or April. That actually isn't too far-fetched since I am expecting more selling to take place at that time.



This week looks somewhat bullish. Monday is a bit of a question mark as Mars aligns with Jupiter. I would lean bearish here just in case, but Tuesday's Moon-Venus alignment looks bullish. Wednesday and Thursday also seem more bullish than bearish as Venus aligns with Jupiter. If Monday happens to be positive, then we could easily see that interim high of 1088 bettered. If Monday is lower, however, then the gains could be more modest. But the gains look short-lived as next week seems bearish, especially Monday and Tuesday. Even if we get some late week gains, the week as a whole looks negative and could well retest last week's lows. The first week of January looks bearish as Venus conjoins Saturn late in the week. Some upside is likely in the second week of January on the Sun-Mercury conjunction and Jupiter stations retrograde. This could again put gold back above its 20 DMA (now at 1067) and perhaps challenge that interim high of 1088. The rest of January looks mixed while February could see some more upside but I suspect it will only be a modest bounce. Perhaps it will touch channel resistance at 1160. That is one possible scenario. But late February and March look bearish as Saturn squares Jupiter. We could see lower lows by April and perhaps that seemingly inevitable test of 1000. With the US Dollar likely rising through the summer, I think gold could well fall to lower lows below 1000.

**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)

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