

Summary for week of 7 December 2015

- Stocks may be bullish early but susceptible to declines in second half
- Dollar likely to bounce this week but remain below resistance
- Crude oil looks mixed this week
- Gold could extend gains early but vulnerable to late week profit taking

US Stocks

Although it was an eventful week stocks finished largely unchanged. The ECB extended its QE program and further lowered its already negative interest rates but the moves were seen as insufficient. The resulting midweek sell-off was offset by a strong rally after Friday's impressive jobs report. The Dow closed the week slightly higher at 17,847 while the S&P gained all of one point when all was said and done finishing at 2091. I thought we might have seen a little more in the way of upside although this neutral outcome was basically in line with expectations. The wild swings on Thursday and Friday was surprising, however, as I thought Thursday looked more bullish on paper while Friday seemed a little suspect. In fact, markets played out in exact reverse order.

With a Fed rate hike looking increasingly likely on December 16th, investors may be getting more comfortable with the notion that rates will begin to normalize over the coming year. If the US economy really is strengthening, then perhaps bulls can make the case for higher stock prices. An added bonus for stocks was the relatively modest moves of the ECB which sent the Euro soaring at the expense of the Dollar. If the rally in the Dollar can be blunted, then that would boost the bottom line of many larger US-based international corporations as locally-denominated revenues could rise.

So what are the prospects now of new highs above 2135? To be sure, the transit of Venus in Libra isn't completed until Dec 24th so it is conceivable that we could get more upside between now and then. But the size of

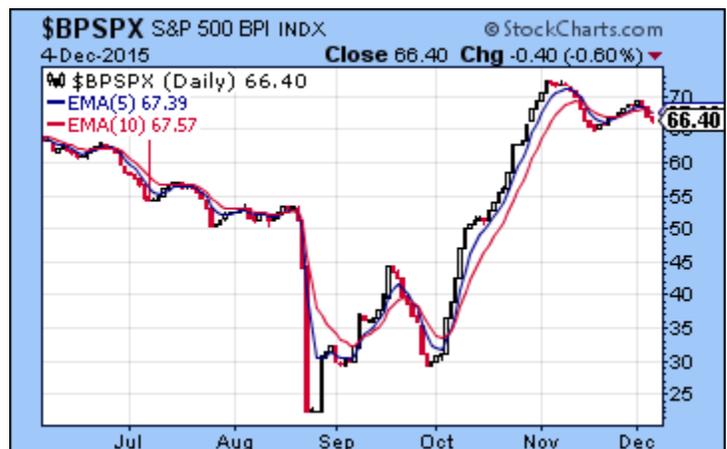


the declines last week was substantial so I am now leaning more towards lower highs in December. The problem is that this week upcoming looks bearish so that may confound the hopes of bulls for a full-fledged Santa Claus rally. And if there is some significant downside as I expect, it will then be harder for bulls to also push the rally in January and February to new highs at that time. Some kind of interim highs look likely in February but I think now think the chances for higher highs are less than 50-50.

The technical picture still looks bullish although bulls need to push above last week's high. The 50 DMA appears to be offering support here as buyers moved in at 2040. As long as the November low of 2020 holds, then the momentum will be up. A break below 2020 would be very bearish, however, especially if bulls fail to close above Tuesday's high first. One possible scenario would be an ascending triangle pattern which could create another lower high near 2120 and then a higher low above last week's low. That would be fairly bullish scenario actually given this week's more problematic planets.

The Bullish Percent chart is on the verge of a bearish crossover of the moving averages. This could be another sign that this rebound is vulnerable as breadth is narrowing. Interestingly, Friday's big 2% gain was not matched by this indicator and indeed it actually declined despite the gain. This is another clue that the rebound may be in trouble. The weekly Dow chart shows a hanging man candlestick for last week. Since it has come after a sizable rally since September, it may be interpreted as a potentially bearish signal. More importantly, the bearish crossover of the 20/50 and 10/50 WMA is still ongoing and underlines the vulnerability of the current rebound. Meanwhile, bond yields rose last week after the ECB announcement fell short of expectations. The yield on the 10-year is range bound here between the 200 DMA and the November high. Friday's decline in yields hinted that the bond market is less convinced that US growth will be a robust as equity investors appear to think. With short term yields continuing to rise -- the 1-year ended Friday at 0.60% -- the risk of recession is still out there as the yield curve is flattening.

This week could be pivotal for stocks. Another positive week would solidify gains and increase the chances that the rebound will continue. However, the Mars alignment this week seems bearish and tends to argue against a higher close. Some early week upside is possible and even likely. Monday's Moon-Venus conjunction is bullish, although not strongly so. The Sun aligns with Uranus and Pluto on Monday and Tuesday so that is another pattern that could conceivably correlate with gains. But Mars then opposes



Uranus more closely on Wednesday and Thursday so any gains may be short-lived. I would also not be surprised if the gains do not quite materialize even early in the week as the Mars influence could be felt a bit ahead of time. But I would lean towards some kind of early week follow through after Friday's gain. Perhaps we will get a close above 2100 or even 2120. But any rallies will likely be sold by the second half of the week. The Mars pattern could pack a punch so we see last week's low of 2060 tested at some point. I would be surprised if 2020 was in play, however. But we shall see.

Next week (Dec 14-18) looks more bullish as the Sun enters Sagittarius on Wednesday the 16th. This is the day that the Fed will announce its latest decision on interest rates so that suggests the likelihood of a favorable market reaction. To be sure, this is not a strong bullish influence but there isn't much evidence for selling at this time so I would maintain a bullish bias on the day and the week as a whole. Thursday could be somewhat bearish, however. I would be skeptical that the SPX could close above 2120 here. Even 2100 may be a tall order. The following week (Dec 21-25) looks fairly bullish as Mercury and Venus align with Jupiter in the middle of the week. The week after Christmas looks bearish as Mars aspects Mercury. I am uncertain how much downside we might see from this aspect. The Sun influence could offset some of the negativity of this aspect so we could see mixed trading before New Year's. However, I should note there is still a chance of some more significant downside here. Early January also leans bearish since the Mars-Mercury aspect will continue into the first week of trading in 2016. Gains are more likely by the second week of January. But January as a whole leans bearish. February could see a rebound but at this point I'm thinking it will produce a lower high (2060? 2100?) As Saturn squares Jupiter in late February and March, there is an elevated risk of more significant downside. We may even see the September lows of 1867 tested again. I expect 2016 to be mostly bearish, especially through August. June and July look particularly negative in that respect.



Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week – Dec 11)	bearish (disconfirming)	SPX 2040-2080
Medium term trend is UP (1 month – January 11)	bearish (disconfirming)	SPX 2040-2080
Long term trend is UP (1 year – Dec 11 2016)	bearish (disconfirming)	SPX 1800

Indian Stocks

Stocks moved lower last week as markets reacted to the smaller than expected ECB stimulus and increasing likelihood of a rate hike by the Fed in its mid-December meeting. The Sensex lost 2% closing at 25,638 while the Nifty ended the week at 7781. This bearish result was unexpected as I thought we might have seen more upside both early and in the late week. While we did see gains on Tuesday, they were very modest indeed. While the declines on Wednesday and Thursday were perhaps not surprising, Friday's decline was at odds with the apparent Jupiter influence. As it happened, stocks finally did rise Friday but only in time for the US market.

Investors suffered a double whammy last week after Mario Draghi did not deliver the amount of stimulus that bulls were hoping for. Moreover, US data continued to be strong enough to warrant a rate hike so investors are bracing for a possible outflow of capital from Indian stocks. Clearly, things are not shaping up in a positive way in the near term. So far the transit of Venus into Libra has not lived up to my generally bullish expectations. The transit remains in effect until 24 December so we could see some buying before it is over. But the upside potential of this transit is much reduced now, mostly since this week upcoming seem fairly bearish. That will leave only the two subsequent weeks where bulls have decent opportunities. December may therefore be more mixed than I previously thought. While upside is likely in January and especially into February on the Jupiter-Rahu conjunction, bulls may only be able to make a lower high. In fact, depending on how much damage we see in December, the Nifty may have difficulty recapturing the previous high of 8300. Even if we were to see a sharp rally into February, the Saturn-Jupiter square looms over the March and April period. This is a very bearish combination which is likely to produce significant selling. Saturn will likely remain the dominant planet for the first half of 2016 as it squares with Neptune and Rahu in June and July. Technical considerations aside, 2016 is still looking bearish.

For their part, the technical considerations are also looking quite bearish these days. October's high of 8300 was not only a lower high, but also seemed to tag the 200 DMA before falling back down. This looked like a classic back test of resistance in a bear market. A retest of the lows at 7600 is looking more likely after last week's early bounce was barely strong enough to tag the 50 DMA before also falling back. There is considerable horizontal support at 7700 so bulls may be waiting for a bit more retracement before venturing a long position. MACD is on the verge of a bearish crossover now, however, while stochastics has much further to fall before becoming oversold.



The technicals are therefore leaning bearish in the short term so one would think we at least will see 7700 in the coming days, if not 7600. Perhaps the Nifty will trade within this range of 7600 and 8300 for a while now. All things considered, bulls may be grateful just to maintain a sideways pattern given the downward sloping moving averages. The weekly Sensex clearly shows the contours of the current bear market. The bearish crossover of the 50/200 WMA is a crucial factor which argues against gains in the longer term. Horizontal support is fairly evident at 25K so it will be important for bulls to defend that level in the days and weeks ahead. Stochastics is trying to turn higher so perhaps that is a clue that we are close to a bottom and that 25K will hold. Bank stocks are looking weak although they also suggest that some kind of bottom may be near. ICICI Bank is close to a retest of its November low and no doubt there will be some buyers step in in the event of any further pullbacks. While the stock is clearly in a bear market, some kind of bounce looks likely fairly soon. HDFC Bank had a better week and is trying to rebound. After a higher low, there is some reasonable expectation that its bull market can continue. Some resistance is possible near the 50 DMA but bulls may yet try to ride this stock to higher highs.



This week leans bearish as Mars aligns with Uranus and Pluto at midweek and after. I think the chances are good that we will get some upside in the early week. This is to be expected in any event after the strong gains posted in the US on Friday. As it happens, Monday's Moon-Venus conjunction also seems bullish so that is a confirmation that gains are more likely. Tuesday also leans bullish as the Sun aligns with Uranus. Both are moderate probability bullish patterns. Perhaps we will see a bounce first before 7700 is tested. That is very possible. However, by Wednesday, I would think that the odds favour the bears as Mars closely opposes Uranus. Thursday looks more bearish perhaps given the Moon-Saturn conjunction. Friday's Venus-Neptune alignment tilts a bit bullish although perhaps not by much. So one scenario this week would be some early week gains that reach 7900 but cannot recapture last week's high. The bears then take over and retest current levels with the possibility that they could push stocks down to support at 7700. I think the bias is bearish this week although perhaps we may not see much more downside by Friday.



Next week (Dec 14-18) looks more bullish as the Sun aligns with Jupiter early in the week. Venus aligns with Pluto on Thursday as the market reacts to the result of the Fed meeting of the previous day. This is also a more bullish influence. Perhaps the Nifty will even be able to reach 8000 here. The following week (Dec 21-25) looks bearish to start but the midweek Mercury-Jupiter aspect is more bullish. At worst, this looks like a neutral week although I would retain my bullish bias in any event. Nonetheless, I would not expect any big gains here. The late December and early January period is more problematic as Mars aspects Mercury for an extending period of time due to the approaching Mercury retrograde period. Further upside looks unlikely here and we could well get a retest of previous lows (7700?). But by the second week of January, there are better indications for some upside although it may be choppy trading. The late January and early February period looks like the most likely time for gains. We could see the previous high of 8300 tested again. By late February, the planets turn more bearish as the Saturn aspect could affect the Jupiter-Rahu conjunction. Declines are more likely through March and into April. These could easily retest 7700 at least. Even if there is a bounce in May, June and July may be quite bearish. The late June period in particular could bring a sharp decline, perhaps even qualifying as a crash.



Technical Trends

Short term trend is DOWN
(For 1 week ending 11th Dec)

Medium term trend is DOWN
(For 1 month ending 11th Jan)

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

Astrological Indicators

bearish (confirming)

bullish (disconfirming)

bearish (disconfirming)

Target Range

7700-7800

8000-8200

7000-7500

Currencies

The Dollar sold off sharply this week after the ECB disappointed with its latest stimulus efforts. The USDX ended the week testing support just below 98.5 while the Euro took flight before settling at 1.09. Other risk currencies such as the Rupee were more mixed. The decline in the Dollar was in keeping with expectations as I thought we would see a retracement after testing resistance above 100. The late week was bearish as expected as the Dollar crumbled to below 98 on Thursday. While Friday's recovery suggested the Dollar wasn't quite dead yet, the size of last week's decline suggests the bears may not be done yet. On the other hand, an extended technical bounce is possible here as the Dollar seeks to move above its previous resistance now support at 98.5. If it can regain the lost ground in the days ahead, it may become range bound for a while between 100.5 and 98. This may well be the new normal for the Dollar. Traders have likely priced in the Fed rate hike on Dec 16th so it will take substantively more positive US data to expand the bulls' horizons. Janet Yellen's language on the 16th could tell the tale going forward. It is hard to imagine her taking a hawkish tone as the last thing she wants is a significantly stronger Dollar. Draghi's modest moves last week has already done her a huge favor in that regard. The weekly Euro chart suggests the double bottom bounce may well be at hand. The upside target of this pattern is 1.25 which would tag the 200 WMA. That seems like a plausible enough target as long as the US growth remains muted and Europe shows signs of coming out of its funk. However, the planets do not offer much support for a rebound of that size.



This week looks bullish for the Dollar. The mid and late-week Mars alignment is likely to see the Dollar push back towards the 100 level. The question is how much downside we might get in the early week on the Moon-Venus conjunction. I suspect we could see a retest of last week's lows of 97.5. The 50 DMA may well act as support in that scenario so a significant bounce is likely afterwards although likely to a lower high. Next week (Dec 14-18) looks mixed although I would retain a bearish bias. It seems likely that there will be another retest of 97.5 by Christmas. The last week of December looks bullish, however, but I think it is unlikely that we would see the Dollar move above 100. Generally, I think the period between now and early February will be sideways with some downside risk. There is a possibility we could see 97 broken to the downside at some point although it seems unlikely to break below 94. By mid-February, I think the overall picture will again favour the Dollar as it would again retest resistance at 100 by March. A break above that level is very possible. Eventually, I think the Dollar will likely establish a new trading range between 100 and 105 for much of 2016. This will mean that parity with the Euro will (finally) be a genuine possibility next year. A long term high in the Dollar is possible in July-August 2016.



Technical Trends (Dollar) Astrological Indicators

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

Medium term trend is UP (1 month) bearish (disconfirming)

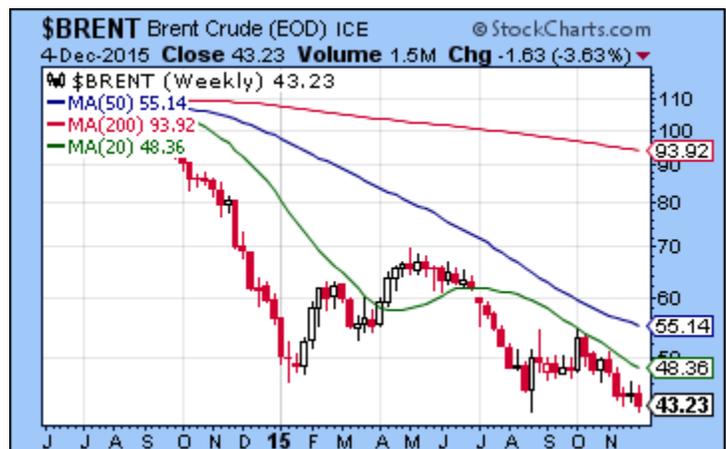
Long term trend is UP (1 year) bullish (confirming)

Crude oil

Crude oil lost more ground last week as OPEC appeared to lack any necessary unity to cut production at its latest meeting. WTI barely held onto \$40 while Brent retested its previous low closing just above \$43. I had thought we might have seen more upside last week but that view proved to be overly optimistic. WTI never did reach resistance \$44 and seemed more intent on testing support at \$40. The technical outlook seems fairly weak here after repeated tests of support last week. After the previous inability to break above the old WTI resistance/support level of \$44, one would think the bears have the advantage now and that \$38 will happen eventually. Brent is already there, of course, so we should pay close attention to see how many bullish investors are moving into the long trade in search of a double bottom bounce. The charts still looks quite weak obviously, so many investors will be looking to sell the bounce at some point. On the other hand, bulls with conviction may note that the double bottom has an upside target of \$62 for WTI (\$67 for Brent) so they may be more reluctant to sell. A lot will depend on if crude can quickly move back above its previous high (WTI=\$44) in the event of a bounce. If it cannot, then we could simply see crude fall below its previous low to make new lower lows.



This week looks mixed at best for crude as the late week Mars alignment may bring more downward pressure on prices. Some early week gains look more likely as the Sun-Uranus alignment on Tuesday is likely to coincide with some upside. It seems unlikely that WTI can climb back to \$44 on this pattern although it's possible. Nonetheless, the late week looks more challenging so crude may be hard pressed to hang onto current levels. It seems likely that we could see a retest of support here. I'm less inclined to think that crude



will fall below support, however. We could see crude enjoy a modest bounce in the period before Christmas. In the last week of December, however, crude could come under pressure again. Crude is likely to test support again in early January. Another rebound is likely through the rest of January and into February. This looks like a fairly weak rebound, however, and probably will not recapture the October high. A steeper sell-off is likely to take place into March where lower lows become a very real possibility. Crude oil will likely remain trapped in a bear market through much of 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 rallied last week as the Dollar retreated following the ECB's modest moves. Gold gained 3% on the week finishing at 1085. This bullish outcome was in keeping with expectations as I thought the effects of Venus in Libra and the late week Jupiter alignment would likely bring about some upside. The technical outlook here favors the bulls after the marginally lower low at 1050 touched channel support. The subsequent rebound off this line could well see a bounce to channel resistance near 1160 or 1170. Stochastics are looking oversold so that also argues for some kind of bounce. RSI wasn't quite oversold although it may well be close enough for bulls to consider a long position. Of course, the chart is still bearish in the medium and long term and it remains to be seen if this low of 1050 can hold as support for any length of time. I suspect it won't but bulls no doubt have other ideas. And just because it has appeared to touched support, it doesn't mean that the bounce will go all the way to the 50 DMA at 1160. It could well fall short of that level and resume its decline. With horizontal support unclear here, we will have to track the strength of the buying versus the selling. Friday's rally was



certainly strong so one would think the odds favor some upside follow through in the coming days.

This week looks mixed. The early week Moon-Venus conjunction seems bullish so I would tend to think we get some follow through by the bulls. 1100 looks doable and it could well exceed that level. But Wednesday and Thursday look more difficult so some of those early week gains may be in jeopardy. I don't have a strong opinion on where the week ultimately ends up, although I would maintain a bullish bias in keeping with the current transit of Venus in Libra which lasts until Dec 24th. Next week looks more bullish as the Sun enters Sagittarius on Wednesday, the same day as the Fed meeting. I don't know what the Fed will announce but gold seems unlikely to sell off in any event. Indeed, I would think the trend will remain up in the aftermath of the FOMC meeting. Perhaps gold can rally close to that channel resistance at 1160 before Christmas. It's possible although it may be a bridge too far at this point. The last week of December could be bearish, however, with a pullback lasting into January. This should push gold back below 1100 at least. Prices should bounce back by mid-January and the rally could last into February. I'm not sure it will be strong enough to create a technically significant higher high that is above channel resistance (1160) but it's possible. Gold will likely reverse lower in February with a retest of 1050 by March. The down trend will likely continue until August at least and I would expect lower lows by the summer, probably below 1000.

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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