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Summary for week of 1 February 2016

- Stocks likely under pressure early but should recover late
- Dollar testing resistance into midweek but retracement likely in February
- Crude oil may retrace early in week but regain strength by Friday
- Gold prone to declines in first half of week but could rally again late

US Stocks

Stocks rebounded late last week after the Bank of Japan surprised markets with the introduction of negative interest rates. The Dow climbed 2% to 16,466 while the S&P 500 finished the week at 1940. This outcome was a bit unexpected as I thought we might have got more late week downside on the Mars-Saturn alignment. That said, I had been cautious about the bearish possibilities given the inability of the Mercury-Pluto conjunction to push down prices in the previous week.

Last week's events were a reminder that central banks are key drivers of stock prices. The BOJ's move came just two days after the market had been disappointed by the latest Fed statement. While Janet Yellen did acknowledge a greater fragility in global economy, the market felt she could have been more dovish. But the US market's positive reaction to the BOJ suggests that other central banks can pick up the slack when necessary, such as when the Fed is reluctant to admit a policy mistake by raising rates prematurely. The BOJ move into negative rates also legitimizes a new policy option for central banks worldwide after QE has largely come and gone with mixed results. If the economy weakens into recession, the Fed will also make rates negative in order to stimulate more bank lending. Such a move would likely spark a rally in equities. And for the short term, this BOJ move should offer some support for stocks although no doubt it is being closely watched by the powers-that-be.

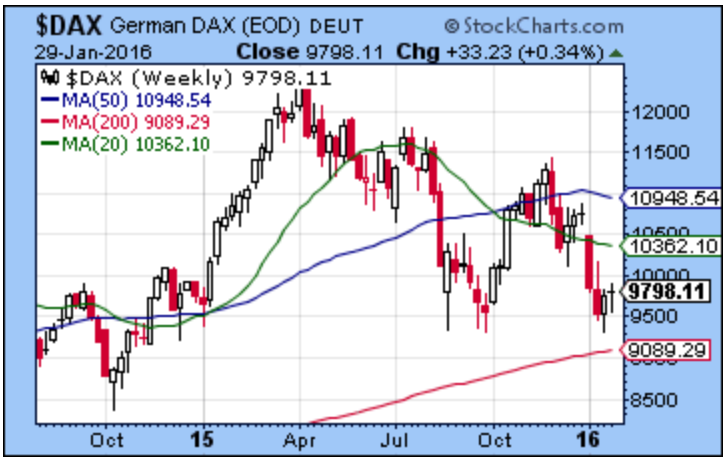
The astrological outlook for stocks in February looks mixed but with a bullish bias. As I suggested last week, I don't think there are enough bearish influences to create a lower low (below 1812) in February. A higher low seems more likely and indeed, it is possible that we already got that last week after the SPX traded at 1872 on Wednesday after the Fed statement. Even if we get some downside this week as I expect, it seems unlikely it will offer a serious retest of 1872. The upside potential for February looks more noteworthy, and may be focused in the second and third weeks of the month when Mercury and Venus are both aspected by Jupiter. These are fairly reliable bullish aspects. So it seems more likely that the SPX will get back to that resistance zone at 1980-2000 in February. This would be a logical technical setup for another decline in March. I'm uncertain if this March low will be a lower low. At this point, I suspect it may not be a lower low. A lot will depend on where and when the preceding rally tops out.

The technicals are looking short term bullish as the SPX broke decisively above the 1900-1920 resistance level. The next resistance level could be near 2000 which were previous interim lows. Support is likely around 1910 so any move below that level would invite further downside to 1880. 1850 remains the plausible make or break support level between continuing this rebound and a lower low below 1812. Long term support is the rising channel from 2009 is near 1770. Horizontal support may also be found near the 2007 high at 1550-1600. Stochastics are not yet overbought suggesting this bounce could have further upside. MACD just entered a bullish crossover as well so bulls are likely feeling more confident following the Oct-Jan double bottom. The Bullish Percent chart is also on the verge of a bullish crossover as this rally pushes higher. The more difficult question is what happens if the bounce goes to 2000. A close above that level would be bad news for our medium term bearish view. However, it is still possible to argue that any lower high below 2081 does not violate the medium term bearish view and eventually another retest of the January low. Nonetheless, any close above 2000 should be seen as tilting the balance in favor of the bulls.

The weekly Dow chart now shows stochastics moving above the 20 line in a bullish crossover which is a buy signal of sorts. This increases the odds of a more substantial rebound, perhaps along the lines of the rebound that followed the August low. The Russell 2000 and the DAX also extended their bounce off support last week. Both indexes look weaker than the SPX and the Dow as the down trend has been more firmly established. Resistance on the Russell 2000 is near 1080-1100 and around 10,500 for the DAX. Friday's rate cut in Japan prompted a strong reaction in the bond market as yields on the 10-year fell below 2%. This is a reflection of falling inflation expectations as well as the increased appetite for higher yielding US treasuries. Bonds may be signaling that the Fed is unlikely to raise rates again in 2016 which itself may be broadly supportive of stock prices.

This week looks mixed but with bearish opportunities. There is a Sun-Mars aspect in force for much of the week which is likely to produce at least one solid down day, and perhaps two. Monday's Moon-Mars conjunction also leans bearish, as does Wednesday's Moon-Saturn conjunction. Declines are also possible on Tuesday and

Thursday, although the patterns look less bearish on paper. Friday leans more bullish as Mercury approaches its aspect with Jupiter and Venus conjoins Pluto. If stocks have been down for the first half of the week, then we could see a strong bounce late in the week, especially on Friday. But while we should get at least 2% on the downside at some point out of these patterns, I'm unsure if the week as a whole will be negative. The medium term influences such as Jupiter conjunct the North Lunar Node are becoming more bullish in February so these short term aspects may not be decisive. If I am correct about the bearish Monday-to-Wednesday time frame, then we could test support at 1900 or 1910. But I admit we could almost as easily move higher Monday and then retrace into midweek. I think the technical situation argues for a bullish bias here in any event so bears may need to be on their toes. I would lean slightly bearish overall but not by much.



Next week (Feb 8-12) leans bearish at the start of the week as the Mars-Sun aspect becomes exact on Monday. But the week looks bullish overall as the Sun and Venus align with Jupiter into midweek. Even if the previous week is bearish, this week offers a decent chance of a close above the current level of 1940 and perhaps even up in the resistance zone of 1980-2000. The following week (Feb 15-19) looks less positive, however. I think some pullback is likely to occur in the second half of February although I'm not certain if it will be focused on the 3rd week or 4th week. The Mars-Lunar Node alignment is exact in the first half of the week and should coincide with some downside. The second half of the week could bring some improvement, however. The fourth week of February seems somewhat more bullish. March looks more bearish as Mars joins Saturn in Scorpio, a more volatile zodiac sign. Mars will square Mercury and Venus in the first half of March so I would expect some significant downside, quite possibly taking the SPX back under 1900. Slow moving Saturn also squares Jupiter throughout the month of March so that will likely be an added burden on sentiment. If March leans bearish, April looks more bullish, especially in the second half. May should see more upside in the early going but stocks are likely to decline starting in May and continuing in June and July. While I am uncertain if stocks can make lower lows below 1812 between February and April, the odds of lower lows seem quite high in the June-July time frame. We could even see that key support level of 1600 tested by July as Saturn aligns with Neptune and the North Lunar Node. The second half of 2016 looks mixed at best. A rebound is likely in September and October but the end of the year looks very bearish.

Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Feb 5)	bearish (disconfirming)	SPX 1920-1950

Medium term trend is DOWN (1 month ending March 5)	bearish (confirming)	SPX 1900-1940
Long term trend is UP (1 year ending Feb 2017)	bearish (disconfirming)	SPX 1500-1700

Indian Stocks

Stocks moved higher after the Bank of Japan unexpectedly cut interest rates into negative territory in order to stimulate that moribund economy. The Sensex rose almost 2% on the week to 24,870 while the Nifty finished at 7563. I thought we might have seen more downside last week, especially in the second half on the Mars-Saturn alignment. That alignment proved to be surprisingly benign, perhaps due to the approaching Jupiter-Rahu conjunction.

There is now a much stronger bullish case to be made for stocks in the short term. While Wednesday's Fed decision was not as dovish as some analysts had hoped, the BOJ took central bank baton and ran with it. The world's central bankers simply will not accept a falling stock market if they can help it. QE seems like old news now and there is a growing sense that it is ineffective as an economic stimulus. Therefore, we may expect negative interest rates to be the preferred policy tool for developed economies going forward. We should also note the bounce in oil prices helped equities regain their footing as January finally turned in a bearish performance. Just as the fundamental and technicals make the case for more short term upside, the astrological influences also argue for a more bullish February. Jupiter and Rahu are moving retrograde in close conjunction and this should put a floor under the market for a few weeks at least. Jupiter's bullishness is likely to suffer from Saturn's pessimistic influence in March and April when the two planets align in a close square aspect. Therefore, the medium term outlook is still fairly bearish with another decline likely by April. It is another question whether this is a lower low, however. It is possible that the Nifty could be range bound between March and May somewhere between 7300 and 8000. Even if this more bullish scenario were to unfold, I think the chances of a lower low are still quite high in June and July. The midyear alignment of Saturn, Neptune and Rahu looks quite bearish and indicate another leg lower is more likely than not.

The technical outlook became much more bullish in the short term after support at 7400 was successfully defended. There is now growing evidence to suggest the short term low at 7250 is in. 7600 now stands as immediate resistance which is near previous support. Failure to move above 7600 would be problematic for bulls who need to see that this rebound can at least return to channel resistance near 8000 and the 200 DMA. Once 7600 is broken to the upside, we could quickly see a rise to the 200 DMA. Stochastics is not yet overbought and MACD is in the early stages of a bullish crossover. As I noted last week, the declaration of a formal bear market after a 20% decline is often a contrarian indicator and can coincide with a rally, if only temporarily. We seem to be in the midst of such a bounce here after the Nifty briefly fell below that 7250 level.

The weekly BSE chart shows how the current down trend remains in a fairly orderly channel. Stochastics have began a bullish crossover but are still weak and below the 20 line. Nonetheless, this is still a valid medium term buy signal given the previous close tag of channel support. The downward sloping 20 and 50 WMA reflect the current down trend and suggest that rallies should be regarded skeptically. Current resistance is likely near the 20 WMA just under 26,000. At some point, we should expect a break in this neat pattern of lower highs and lower lows, if only to reflect changing market conditions. I would therefore not be surprised if bulls manage to push prices above the 20 WMA at some point fairly soon or if bears similarly manage to push prices below channel support. Meanwhile, HDFC Bank (HDB) powered higher last week after testing support the previous week. The gain was strong enough to argue for more follow through on the upside. There is considerable resistance just above current levels so it may take more than one up trend to recapture the all-time high. But the chart is still bullish. ICICI Bank (IBN) had a more difficult week, however, as it is stuck near its lows. Nonetheless, it may be forming a tradeable bottom here from which a rally can take place.

This week leans bearish, especially in the first half. The short term aspects look mostly negative while the medium term Jupiter-Rahu conjunction is a positive influence. The Jupiter influence here could offset some of the negativity but probably not all of it. I would therefore expect to see at least one or two down days this week. Whether or not it is enough to produce a negative week overall is another question. Monday's Moon-Mars conjunction looks negative and could coincide with some significant downside. Tuesday also leans bearish as Mars tightens its aspect to the Sun. Wednesday's Sun-Saturn aspect offers the bears yet another plausible down day.

Thursday and Friday's Venus-Pluto conjunction look more bullish, however, so that tips the probability toward some late week gains. While the presence of several apparently bearish days opens the door to some downside, I am not really expecting any big declines here. It is possible that 7400 could be tested as support, although I would be surprised if the Nifty fell below that level. I would also be surprised if the Nifty finished the week near 7400. The late week aspects argue for some upside at least which ought to make any net downside more modest.

Next week (Feb 8-12) looks more bullish although it may begin on a negative note on Monday's Sun-Mars aspect. But the rest of the week looks fairly bullish so we may get a more decisive move higher, probably above resistance at 7600 if that level hasn't been broken already. The following week (Feb 15-19) also leans bullish, although perhaps less so than the preceding week. The midweek Mars-Ketu aspect could coincide with some downside but I'm not convinced it will be sufficient to produce a down week. The last week of February is Budget week and the planets look more mixed. The month of March looks more bearish as Mars enters Scorpio to join fellow malefic Saturn. Mars aspects both Mercury and Venus in the first half of March and should produce some quick declines. And with Saturn aspecting Jupiter for several weeks here, there is a possibility we could see 7200 by early April. I am not quite prepared to say that such an outcome is probable but it is definitely possible. April and May could see another rebound but this may only be a prelude to a larger decline in June and July. We are likely to see 7000 tested on the Nifty by that time and we could easily test longer term support at 6400 then also. Some significant rebound is likely from August to October but Q4 looks quite bearish again with another significant low likely in January or February 2017.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is UP (1 week ending 5 Feb)	bearish (disconfirming)	7400-7600
Medium term trend is DOWN (1 month ending 5 March)	bullish (disconfirming)	7500-7800
Long term trend is UP (1 year ending Feb 2017)	bearish (disconfirming)	6400-7000

Currencies

Dollar ended the week fractionally higher after the surprise BOJ rate cut. The USD X again tested the 100 level before settling at 99.65. The Euro was steady above 1.08 and emerging market currencies such as the Rupee gained ground. This outcome was largely in keeping with expectations although I thought we might have seen more Dollar strength lasting for longer than just one day. The technical indications favour more upside given the ascending triangle pattern although it may be too much to ask for the Dollar to vault over the 100 threshold in the near term. Support is now at the 50 DMA just under 99. If this should fail, then we could see the Dollar fall back to the 200 DMA at 97 quite quickly. Further weakness in the economic data could see the Dollar slip back into previous range of 94-96. Of course, if the ECB lower rates further into negative territory, then that would push the Dollar higher as the best currency out of a bad lot. Eventually, even that situation would be untenable for the Fed and its stated plans to normalize rates. The weekly Euro chart shows how weak the bounce has been and how close it is to support. The longer term trend is still down and points fairly clearly to lower lows ahead. A lower Euro and higher Dollar are usually bearish for stocks so one would think that any move in the Euro below 1.05 would be bad news for equities.

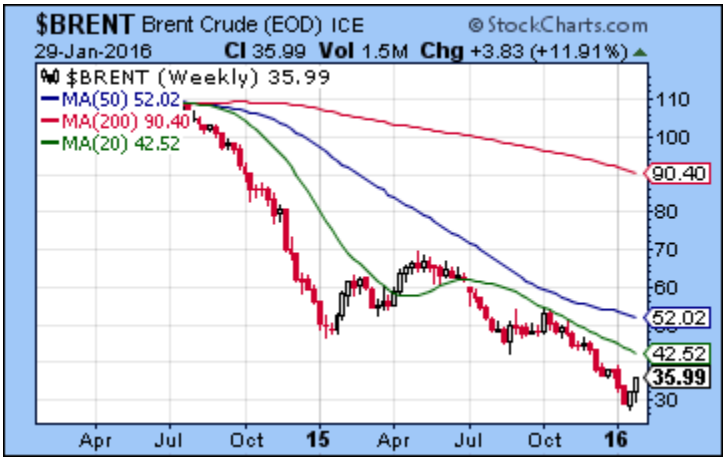
This week could see more upside for the Dollar. The first half of the week leans bullish in this respect as the Moon aligns with Mars and then Saturn on Monday and Wednesday, respectively. Throughout the week, the Mars-Sun aspect could create enough tension to encourage more safe haven buying in the Dollar. We could easily get a close above 100, although I would be surprised if it got as far as 100.5, which is the recent high. The late week looks more bearish, so perhaps the Dollar may finish close to current levels. Next week looks more bearish as Jupiter's aspect to Mercury and Venus should entice investors into risk currencies. The following week also looks fairly bearish so we could easily see the Dollar fall below 99 and the 50 DMA. My expectation is that it should get closer to the 200 DMA. But we should see a strong rally in the Dollar by March and continuing into early April. It may well climb above that old high of 100.5. Another period of retracement is likely between mid-April and perhaps mid-May but higher highs are likely in June and July. We could see the Dollar Index to hit 105 by summer. This would equate to parity with the Euro and a move above 70 for the Rupee Index. And in all likelihood, this higher Dollar will correlate with significantly lower stock prices. Another Dollar rally is likely in early 2017 although I am uncertain if this will be a higher high.

Technical Trends (Dollar) **Astrological Indicators**

Short term trend is UP (1 week ending Feb 5)	bullish (confirming)
Medium term trend is UP (1 month ending March 5)	Bullish (confirming)
Long term trend is UP (1 year ending Feb 2017)	bullish (confirming)

Crude oil

Crude oil finally enjoyed a bounce last week on rumours that an OPEC meeting to cut production may be in the offing. WTI gained almost 5% closing just below $34 while Brent jumped more than 10% finishing near $36. While I thought we might have seen a test of these resistance levels, I mistakenly thought it could occur early in the week. On the strength of this bounce, there is some reason to expect more upside although we still have to see if prices can push above resistance of the mid-December low ($34/36). It seems likely we will get a hard retest of that resistance but crude could slip back towards its low. Any quick move above the 50 DMA for WTI would be quite bullish and could signal a move back to $40. Conceivably, a retest of the 200 DMA at $50 is likely at some point in the coming weeks, although it seems unlikely to bounce that high without some prior retracement. Longer term, the Brent chart is still bearish and even the most faithful bulls would have to expect a retest of the recent lows of $28 in the fairly near future.



This week could see some retracement in the first half as Mars aspects the Sun. Monday and Wednesday could see significant moves although even here there is a possibility that the up trend could continue. I am generally bullish for crude oil in February but the short term aspects early this week look somewhat more conducive to a pullback. The late week looks more bullish as Mercury aligns with Jupiter. So the planetary influences offer some support to the notion of a test of resistance here at $34/36 and then a retracement. I would not strongly favour a bearish outcome overall here but certainly a pullback this week would not surprise me. Next week looks

more bullish overall although the early week looks a bit bearish. Nonetheless, we should see another retest of $34/36 and probably a move above that level. The third week of February could see the rebound run out of steam, however, as Mercury and Venus fall under the aspect of Saturn. March looks more bearish and we will likely get that retest of $28 at some point. Whether or not we get a lower low is harder to say. Another rebound is likely in April and May but it doesn't look very strong. At most, it could retest the 200 DMA. And then we may get another move lower in the summer which could well be to lower lows, perhaps even $20. A substantial rally looks likely to occur between August and October but Q4 looks bearish again. In other words, 'shorting rallies' could well be the default strategy for most of the year.

Technical Trends	**Astrological Indicators**	**Target Range (WTI)**
Short term trend is UP (1 week ending Feb 5)	bearish (disconfirming)	$30-32
Medium term trend is DOWN (1 month ending March 5)	bullish (disconfirming)	$33-38
Long term trend is DOWN (1 year ending Feb 2017)	bearish (confirming)	$20-30

Gold

Gold extended its recent gains last week as investors sought safe haven from the possible currency wars. Gold rose 2% on the week closing at 1118. I thought we might see more downside but at least I noted the possibility of a Wednesday high around the FOMC and some selling thereafter. The technicals are improving here in the short run as gold is now on the verge of reclaiming its 200 DMA for the first time in four months. It is a bullish development but it may not change the longer term outlook if it fails to hang on to that level. So how long can this rally last? Stochastics are overbought already and RSI is getting quite close to the 70 line. Previous touches of the 70 line have resulted in significant declines and there is nothing in the current picture to change that likely outcome. The falling channel resistance at 1170 could also bring an end to this rally as cautious bulls take profits and await the next market signal. Short term support is 1110 so buyers may come in at that level this week. But if 1110 fails to hold, then we would likely see gold fall below 1100 again. It may not mean that this rally is over but it would simply mean that the tag of the 200 DMA requires a three-legged move. Long term support is still from the falling channel which is now near 1020.

This week looks mixed. The ongoing Jupiter-Rahu (i.e. North Lunar Node) conjunction may be providing a floor for prices here but the short term aspects look difficult. They focus on Wednesday's Saturn-Sun aspect which tends to be bearish. I would therefore lean bearish until Wednesday and then switch to bullish for the late week as Venus conjoins Pluto. The Jupiter-Rahu influence may mean that the bearish short term aspects won't do too much damage so perhaps gold can remain above 1100 by Wednesday. We shall see. The late week could see a recovery as Venus conjoins Pluto. Overall, the week could go either way although I would lean a bit bearish. Next week looks more bullish as Venus is aspected by Jupiter on Wednesday. A decline is possible Monday but I would think that the week will see gold push above 1120. The following week (Feb 15-19) lacks clear indications although I would retain a bullish bias in any event. The last week of February looks bearish as Venus comes under the influence of Saturn. This may mean that this rally could top out here, probably fairly close to the 200 DMA. The month of March looks more bearish so it seems likely that gold will retrace significantly. A retest of 1050 is quite possible in late March or early April. Another rebound is likely in April and May but this may well remain within the confines of the falling channel. That is the most likely scenario at this point. But then in June and July we will likely see a major sell-off which takes gold to new lows, probably below 1000. Even after a rebound from August to October, gold is likely to remain weak into early 2017 at least.

Technical Trends **Astrological Indicators** **Target Range**

Short term trend is UP (1 week ending Feb 5)	bearish (disconfirming)	1100-1120
Medium term trend is UP (1 month ending March 5)	bullish (confirming)	1120-1150
Long term trend is DOWN (1 year ending Feb 2017)	bearish (confirming)	800-1000

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