

Summary for week of 11 January 2016

- Stocks likely to rebound this week
- Dollar may decline this week, especially in second half
- Crude oil may rebound strongly
- Gold could extend rally this week

US Stocks

Stocks fell sharply last week as a looming financial crisis in China threatened to engulf the entire world. It was the worse start to a new year in US history as the Dow fell more than 6% on the week closing at 16,346 while the S&P 500 finished at 1922. While I thought last week would very likely be bearish, but I didn't expect it to quite *that* bearish. The early week Mars-Mercury square played out as expected and produced that retest of falling channel support at 1980-1990. I had been uncertain about the late week Venus-Saturn conjunction and thought that while a rebound was somewhat more possible then, it could also coincide with more selling. This is in fact what happened as not even Friday's fairly decent jobs report could salvage the end of the week.

So far, so bearish. My expectation of 2016 as a bearish year is proceeding according to plan although it is still early. Obviously, we can't read too much into one week but if January ends negative as I expect it will, then statistics suggest that greatly increases the probability of a negative year overall. But how negative could it be? If China continues to struggle and undertakes a larger and more destabilizing devaluation of the Yuan, the downside potential would be quite large and we could see that retest of the old SPX highs of 1550. Even if this new turbulence forces the Fed to cut rates again, it may not be enough to pump up the market as before. As the reaction to Friday's jobs report suggests, China's troubles are the world's troubles and if they're bad enough they can trump good news elsewhere. The



China's troubles are the world's troubles and if they're bad enough they can trump good news elsewhere. The

commodities sell-off is part of this China story. And as long as oil, copper and other primary raw materials continue to decline, stocks will likely fall along with them.

My basic view is that we likely won't see much more downside in January and February will likely produce a lower high, possibly around 2000-2050. Then there will be another move lower in March and into April. This could be a lower low below 1867 although I'm uncertain about that. June and July should see another downward thrust which is very likely to produce a lower low. The summer time frame contains a larger downside potential. I would not be surprised if we saw something below 1800 at this time. Even 1550 is possible by July although that is fairly speculative. An even deeper decline is possible in the October to December period. I am assuming that any rebounds are weak enough that they don't interrupt the bearish pattern of lower highs and lower lows. The low of the year is therefore likely to occur in Q4.

The technicals took a sharp turn for the worse last week after the breakdown of both the Dec 14th low of 1993 and channel support at 1980. Bulls will need to step in and buy at 1900 in order to prevent a more dangerous hard retest of the 1867 August low. If stocks reverse higher this week then at least bulls can entertain the thought that we've just seen a (bullish) higher low relative to August and September and that there is some upside potential. To be sure, stocks look oversold here as RSI is below 30 and stochastics is in single digits. So we are due for some kind of bounce in any event. Resistance is likely near the old support level of 1980-2000. Bulls may get cold feet if the SPX rises towards that zone and take profits. If not, and the SPX can close above 2000, that would suggest more upside, perhaps closer to the 200 DMA at 2058. There is a bearish clustering of the moving averages around that level and the SPX is now well below it.

The broader market looks even more bearish as the Russell 2000 made a new low last week below its September low. This chart is now in a longer term declining channel. Channel resistance is a bit above the 50 DMA at 1180. Interestingly, last week's low of 1046 matched the October 2014 low. Any decisive close below that level – say, below 1030 – would open up a lot of new downside. A broadening top megaphone pattern could then be in play which would have a downside target of 980. The weekly Dow chart looks very bearish now for the medium term as stochastics is in a bearish crossover and has fallen well below the 80 line. MACD has also just started a bearish crossover so we could be on the verge of a whole new leg lower. We could see a shock low near 16K in this chart in the coming days before a rebound ensues. That would be a stone's throw away from the 200 DMA at 15,742. This line was tagged in August and could well be tagged again sooner rather than later. And with risk off last week, we saw Treasury yields fall sharply. They are still in a position to reverse higher if China can stabilize and US data can continue to be positive. This would give the Fed enough impetus to raise rates again, perhaps in March. I suspect only a move below 2% on the 10-year would be a market signal to the Fed that it is on the wrong side of the interest rate argument.



This week offers a decent prospect for a rebound. However, I think the second half of the week looks more bullish than the first half. Therefore, it is possible we could see additional declines on Monday or Tuesday. I do not have a strong opinion on the possibility of early declines here. While they are more likely to occur early than later in the week, I would not say they are actually probable. But I would not rule them out either so it is conceivable we could see 1900 at some point this week, maybe even lower. But the odds of gains rises as we get further into the week. The key pattern in this respect is the Sun-Mercury conjunction on Thursday the 14th. This aligns closely with Jupiter and Rahu so we could see a sharp gain between Wednesday and Friday from this pattern. North Node/Rahu's presence in the mix here is a bit worrying, however, and lowers the probability of a gain a little more than would otherwise be the case. My preferred scenario would see only some weakness Monday – perhaps even only intraday – and then a rebound that retests that resistance zone of 1980-2000 by Friday.



Next week (Jan 18-22) is a short trading week with a Monday closing. The week looks more mixed with a bearish bias. I think the chances for a second week of a rebound are not that great. If there is any upside, it may be fairly modest. I would shift to a bearish bias here, if only because the last week of January looks negative and we could get an early start on any post-rebound retracement. The early part of the week may be more bullish than the latter part. Mercury conjoins Pluto on Thursday and Friday, so that may elevate the downside risk. The following week (Jan 25-29) looks more negative as Mercury stations direct while in close alignment with Mars and Saturn. This is a high probability bearish alignment which could retest the January lows and perhaps even retest 1900. February looks more bullish, at least in the first half of the month. But this rebound may also be short-lived so we may not get back to SPX 2000, let alone the 200 DMA at 2050. The second half of February looks bearish and we could easily retest that August low of 1867 by early March as Saturn squares Jupiter. A rebound will likely begin around mid-March but may fizzle in April as it looks more problematic. May looks choppy although bears should be cautious as some upside is likely. But while April and May look harder to call, they seem less likely to coincide with significant upside. June and July are likely to see another sharp move lower around the entry of Uranus into Aries on June 24th as well as the Saturn-Neptune-Node alignment in the summer. It is also worth noting that Uranus will actually enter Aries twice due to its retrograde cycle – once in June 2016 and then again in April 2017. Both dates may coincide with significant market declines and possibly even crashes.



This is a high probability bearish alignment which could retest the January lows and perhaps even retest 1900. February looks more bullish, at least in the first half of the month. But this rebound may also be short-lived so we may not get back to SPX 2000, let alone the 200 DMA at 2050. The second half of February looks bearish and we could easily retest that August low of 1867 by early March as Saturn squares Jupiter. A rebound will likely begin around mid-March but may fizzle in April as it looks more problematic. May looks choppy although bears should be cautious as some upside is likely. But while April and May look harder to call, they seem less likely to coincide with significant upside. June and July are likely to see another sharp move lower around the entry of Uranus into Aries on June 24th as well as the Saturn-Neptune-Node alignment in the summer. It is also worth noting that Uranus will actually enter Aries twice due to its retrograde cycle – once in June 2016 and then again in April 2017. Both dates may coincide with significant market declines and possibly even crashes.

Technical Trends

Astrological Indicators

Target Range

Short term trend is DOWN
(1 week ending Jan 15)

bullish (disconfirming)

SPX 1960-2000

Medium term trend is DOWN bullish (disconfirming) SPX 1950-2050
(1 month ending Feb 15)

Long term trend is UP bearish (disconfirming) SPX 1500-1700
(1 year ending Jan 2017)

Indian Stocks

Stocks were pummeled last week as China's financial crisis quickly went global. The Sensex lost more than 4% on the week closing at 24,934 while the Nifty finished at 7601. Although I had expected this kind of across the board sell-off, the extent of the rout was somewhat surprising. The Mars-Mercury square delivered its bearish payload more or less on schedule as Monday saw a large drop. The selling continued until Friday when we got a very modest bounce which coincided with a slightly more tempered outcome as the Jupiter station offset the other negatives.

There is a growing consensus now that the market is in trouble as it confronts multiple headwinds. Rising US rates will be unhelpful for enticing any new FII cash into India and now China seems on the verge of the dreaded 'hard landing' as its growth prospects deteriorate. The PBOC seems committed to a substantial devaluation of the Yuan which could cause more uncertainty with China's various trading partners. The ongoing decline in commodity prices continued last week as oil and copper hit fresh lows. These markets are proxies for Chinese demand as equity markets are finally waking up to rapidly diminishing earnings prospects. India is not immune to these larger economic forces as stocks are now clinging to a key technical level. My outlook for 2016 was bearish in any event, but this ugly start to the year has increased the likelihood of that outcome. My conservative 2016 downside target was 7000 on the Nifty with a possibility of 6350. 7000 is looking very conservative indeed now, and 6350 is suddenly becoming a more probable outcome by Q4, perhaps even sooner. January may well finish in the red overall although February still looks more bullish. Nonetheless, I think the 2015 pattern of lower highs will likely continue throughout much of 2016. It will be very important to see if the current support level holds before we get that expected February rebound. If 7550 holds and we bounce from there, then February's high may approach the 200 DMA at 8166. However, it is possible that 7550 may not hold, so that the rebound begins from a lower level. This would intensify the downward spiral in prices that I am expecting for the March-April period and then the more dangerous June to August period.



The technical picture became a lot more bearish as support at 7800 and then 7700 did not hold. Friday's bounce off critical support at 7556 offers a glimmer of hope to the bulls. After the preceding matching high at 7972, bulls can persuade themselves that the Nifty is range bound between 7550 and 8000. But MACD is now in a bearish crossover and the key moving averages are all sloping down. From a purely technical perspective, we should anticipate more of a bounce this week although the downside risk is considerable if 7550 is broken. But stochastics is already quite oversold so that may argue for a bounce first and then another possible retest of support. For the rebound to have some staying power, bulls will need to produce a couple of large up days this week. Resistance is still at 8000 so any close above that level would be bullish.

Bulls will first have to fill the gap at 7700 before taking the Nifty any higher. If the gap fill is followed by a down day, it would be a more bearish indication. And if 7550 is broken, then channel support is close to 7200. Falling channel resistance is just below the 200 DMA near 8100. That will be the most logical upside target in the event of any sustained rebounds. The weekly Sensex chart also shows the precariousness of current prices as there are several horizontal touches of this level going back to 2014. A breakdown would therefore be more significant from a longer term perspective, although buyers may come into the market again at channel support at 23K-24K. The long term trend is clearly down now as the 20/50WMA bearish crossover is getting wider. The bear market will only be declared after the Sensex falls below 24K which would be a 20% decline from the March 2015 top. Meanwhile, Infosys (INFY) also retested its December low and risks falling below support here. While the chart is still bullish, a close below the May low would change this chart from bullish to bearish. HDFC Bank (HDB) also remains above long term horizontal support which held multiple times throughout 2015. A close below that support would be bearish in the short and medium term.

This week leans bullish. There is some added early week risk of more downside, however, as Mars squares the Moon on Monday. I would not rule out a gain on Monday but overall the prospects do not look that good. The chances of some upside steadily improve as the week goes on. Tuesday and Wednesday are likely to be net positive as Venus aligns with Uranus. Thursday and Friday also should be mostly bullish as the Sun conjoins Mercury while in aspect with Rahu and Jupiter. The Rahu factor is a bit of a wild card, but if there is going to be an oversold bounce, this would be a good time for it. There is considerable bullish energy contained in these



short term aspects so I would not be surprised if the gains were large. In the broader picture, there are still some very difficult medium term influences which could limit the upside somewhat. If Monday is lower, then we could see 7550 tested again. I would be a little surprised if it was substantially broken, however. I think the chances for that gap fill at 7700 are quite good and I suspect the Nifty could finish somewhat higher than that by Friday.

Next week (Jan 18-22) looks bullish to start on Monday's Venus-Jupiter alignment. The favourable sentiment may well carry over into Tuesday as Venus enters Sagittarius. But the end of the week looks quite bearish as Mercury conjoins Pluto and squares Uranus. Even if we have been higher into Wednesday, the Nifty may be hard-pressed to recapture 8000. Thursday and Friday lean bearish and we could see much of that week's gains quickly erased. The following week (Jan 25-29) looks more bearish still as Mercury aligns with Mars and Saturn. The whole week looks difficult, although I would not expect to see a repeat of the damage we got last week.



Nonetheless, we could see 7600 again fairly easily, perhaps even lower. February looks more bullish as Mercury and Venus are aspected by Jupiter in the first half of the month. Another push towards the 200 DMA is possible here. But late February and early March look bearish again so much or all of February's upside could be negated. A rebound in late March is likely but April looks difficult as Mars turns retrograde while in close proximity to Saturn in Scorpio. There is a good chance that we will see that support at 7550 finally broken in either March or April. If it is broken before that time, then lower lows are more likely. May could bring a rebound but June and July look quite difficult. The entry of Uranus into Aries in late June is likely to increase volatility and push stocks to even lower lows. We could easily see Nifty at 7000 by July. We should see a major rally unfold starting in August and continuing through September. But Q4 looks very bearish and much of that rally will be erased by December. Lower lows are also very possible by December, including 6350.

Technical Trends	Astrological Indicators	Target Range
Short term trend is DOWN (Week ending 15 th Jan)	bullish (disconfirming)	7700-7800
Medium term trend is DOWN (Month ending 15th Feb)	bullish (disconfirming)	7800-8100
Long term trend is UP (Year ending Jan 2017)	bearish (disconfirming)	6700-7200

Currencies

The Dollar enjoyed some midweek gains but eventually ended the week flat below 99. The Euro slipped a bit but settled above 1.09 while the Rupee Index edged closer to 67. I had expected a possible retest of the 100 level and the USDX came very close on Wednesday. The Dollar may well be range bound between 97 and 100. A neutral pennant pattern may be in play at the moment. A break below support from the rising trendline at Thursday's low might hasten a retest of the December low at 97, just above the 200 DMA. As long as the DX remains above that level, the bulls will be firmly in control. In the event of a breakdown of 97, we could see the Dollar slip back to the 94 area. Such a deeper pullback would not be incompatible with the medium term bull market. And the weekly Euro chart shows just how strong the Dollar has been and how far the Euro has to go. To be sure, the Euro chart does show a bullish crossover of the 20 and 50 WMA. However, the Euro needs to move above 1.10 quickly or else risk falling back towards 1.05 and a risky retest of longer term support. The Rupee Index looks destined to retest its 2013 high of 69. Given the bullish momentum of the chart, the odds favour an eventual move above that level, possibly as high as 80.



The Dollar looks like it will decline this week, especially after Tuesday. The Sun-Mercury conjunction is likely to make risk currencies more appealing. Even if there is some early week upside to the Dollar, I suspect we could see that pennant support tested at 98. A breakdown is quite possible. Next week looks more mixed although I would lean a bit bearish on the Dollar here. Another test of resistance is likely in the last week of January so we could see the DX move above 99 once again. But February looks more bearish so that 97 low in December is likely to come under pressure. I tend to think it won't hold. Late February and most of March look bullish for the Dollar so we should see another test of 100 and I would think the odds favour a breakout higher. By mid-April the Dollar should reverse lower and perhaps move back into that 97-100 range through early May. But another major Dollar rally should begin sometime in May and carry into June and July. I am expecting DX=105 at least. This should equate to the Euro falling below parity and the Rupee Index moving well above the 70 level. A long term high in the Dollar is possible in Q1 2017.



Technical Trends (Dollar)

Short term trend is DOWN
(1 week ending Jan 15)

Astrological Indicators

bearish (confirming)

Medium term trend is UP
(1 month ending Feb 15)

bearish (disconfirming)

Long term trend is UP
(1 year ending Jan 2017)

bullish (confirming)

Crude oil

Crude oil slumped further last week as China's slowdown threatened to morph into a full-blown crisis. Commodities were pushed to new lows as WTI fell 10% on the week to below \$33 while Brent finished just above that level. This bearish outcome was in keeping with expectations as not only were the December lows tested but they were easily broken. Is there a bottom in sight here? Apparently not, as crude oil is declining faster than most other commodities. After finding a temporary floor above \$37, crude seems likely to fulfill the downside target of \$26 from its sloping head and shoulders pattern. We are not far from that now. While it is oversold on most time frames, its high volatility means that standard technical indicators may not have much purchase. Crude is now below its 2008 low and many analysts are talking about \$20 crude at some point in 2016. With OPEC showing no sign of restraining supply and Chinese demand falling, it may be a perfect storm that will push crude much lower.

To be sure, my astrological analysis confirms this bearish outlook for 2016. I think \$20 is quite possible. This week could see a bounce, however, as the early week Venus-Uranus aspect looks bullish as does the Sun-Mercury conjunction on Thursday. It is possible the rebound could begin on Monday although I'm not sure. If Monday happens to be lower, then I would think the odds will favor a rebound on Tuesday and beyond. I think the chances are good that we will at least rebound to \$35 and I would not be surprised if we got a spike well above that resistance level. Next Monday is closed for a US holiday, but the planets look more mixed that week. Some early week gains are possible but the late week Mercury-Pluto conjunction looks bearish. We could see crude fall back below \$35. The following week looks bearish so we will likely see a retest of the \$32 low and lower lows are quite possible. But the first half of February actually looks bullish so a sharp reversal higher is likely. Depending on how much damage is done in the last week of January, we could easily get a rebound to \$40 or above by the second or third week of February. But the rally will fail in late February and another big decline is due for March as Saturn squares Jupiter. This should produce a lower low, probably below \$30 by April. Another sharp rally is likely in late April and into May. Another decline is likely in June with a lower low made sometime in July. A



strong rally is likely to begin in August and carry into September. But Q4 looks bearish again so we could see a retest of the summer low, wherever that may be. A more durable rally is likely to begin in early 2017.

Technical Trends

Astrological Indicators

Short term trend is DOWN
(1 week ending Jan 15)

bullish (disconfirming)

Medium term trend is DOWN
(1 month ending Feb 15)

bullish (disconfirming)

Long term trend is DOWN
(1 year ending Jan 2017)

bearish (confirming)

Gold

Gold rebounded last week as China’s devaluation pushed more investors to seek safe haven from an imminent currency war. I thought we might have got more late week downside but only Friday posted a modest loss. Gold looks to be firming up here as it may make a run towards channel resistance near 1160. Support is now near 1090 so I suspect any pullbacks to that level will be bought. A quick rally up to 1160 won’t change a whole lot in the gold situation but it will create some tension in the market if and when it gets there. A move above that level would be more bullish and we would have to consider the previous high of 1191 as the next target. Gold is suddenly becoming overbought on a daily basis as stochastics is over 80. RSI has a little ways to go before it reaches the 70 line. Previous bounces to channel resistance have coincided with the RSI hitting 70 before reversing lower so that will be one to watch. Bears may try to aggressively short at these levels but many are likely waiting for the rally up to 1150-1160. The longer term trend is still down as the slope of the 200 DMA is negative. If we see the slope even out and then a bullish crossover of the 50/200 DMA, then the prospects for a new bull market in gold will be possible. Until then, the chart is still bearish.



This week looks more bullish so we are likely to see some significant follow through on the upside. Monday could see some downside, however, as Mars squares the Moon. I would not expect it to be large, if it even

happens. Tuesday is more likely to be bullish as Venus aligns with Uranus and the odds for gains will increase as the week progresses. Thursday's Sun-Mercury conjunction looks quite bullish. I'm not sure about Friday, however. If gold has risen before Friday, then we may see some profit taking then. If Monday sees a pullback to say, 1090, then we could see gold move higher into Thursday to 1130 or perhaps even 1150. Some late week selling may mute those gains somewhat. Next week, the gold market is closed for the US holiday on Monday. The early week leans bullish on the Venus-Jupiter alignment but the rest of week is mixed at best. A move to 1150 is possible, but I would think it is unlikely to move above that level. The last week of January looks more bearish as the Sun comes under the influence of Saturn. This could be a possible retracement after a test of channel resistance. The first week of February looks bearish as the Sun remains under the influence of Saturn. The second and third week of February could see gold attempt to rally again. This could produce a higher high. Late February and March look more bearish, however, so I would expect another move below 1100, and probably a retest of channel support at 1000-1040. Gold is likely to remain bound by this declining channel through to July. Another rest of resistance above 1100 is likely in May but we should see gold fall below 1000 by the summer. A significant low is possible in July which may be followed by a sizable rally extending into September. The end of the year looks bearish again, however, although I'm uncertain if it will produce lower lows.

Technical Trends

Astrological Indicators

Short term trend is UP
(1 week ending Jan 15)

bullish (confirming)

Medium term trend is DOWN
(1 month ending Feb 15)

bullish (disconfirming)

Long term trend is DOWN
(1 year ending Jan 2017)

bearish (confirming)

Disclaimer: For educational and entertainment purposes only. The MVA Investor Newsletter does not make recommendations for buying or selling any securities. Any losses that may result from trading are therefore the result of your own decisions. Financial astrology is best used in conjunction with other investment approaches. Before investing, please consult with a professional financial advisor.

©2016 Christopher Kevill