

Summary for week of 18 January 2016

- Stocks mixed this week with bearish bias
- Dollar may be under pressure this week
- Crude oil unlikely to rebound and could fall further
- Gold likely trading in narrow range with more downside possible

US Stocks

Stocks fell again last week as this January pullback morphed into a full-blown correction as crude oil tumbled to new lows. China's slowing economy was the catalyst once again as the Shanghai market fell below support at 3000. The Dow lost more than 2% on the week to 15,988 while the S&P 500 finished at 1880. This bearish outcome was somewhat unexpected as I thought we might have seen more upside around Thursday's Sun-Mercury-Jupiter-Rahu alignment. As it happened, stocks did bounce that day, but Wednesday was a washout. While I cautioned that the presence of Rahu was potentially problematic, I did not take its negativity into full account.

The bears are running amok on Wall Street now as the mood has become very pessimistic. Without a floor in oil and/or a stabilization in China and its currency devaluation, stocks will face an uphill battle. Either of these conditions will eventually occur, either through natural market adjustment or through government intervention. The question as always is when. Last week, I thought that stocks were close to a bottom for January and that February would like see a significant rebound before tumbling again in March and April. I thought that the August low of 1867 was doable by March but it's already been tested and it's only the middle of January. Clearly, I was too conservative in my downside expectations. Since I still think the last week of January is likely to be bearish, I think we will get more downside before this month is over. In other words, I think a lower low is the most likely scenario in the coming days. It is possible stocks could bottom this week (Jan 18-22) although the planetary indicators do not look



sufficiently negative. But I was mistaken in thinking last week could have seen more gains so I would concede that a lower low on high volume may happen this week. A high volume decline is usually a feature of a bottom reversal where capitulation occurs. Volume did rise on Friday but it is still well below other large declines such as August 2016 or October 2014. When we get a high volume decline, the SPX may well get close to retesting the October 2014 low of 1820 before it reverses higher. And the main takeaway here is that once we get a close below the Aug 24 low, the medium term reversal will be confirmed. The November lower high at 2116 would therefore be followed by a January lower low that is below 1867. That bearish pattern could effectively spell the end of this rally and the six-year bull market. We would then be well on our way to retesting the old highs of 1550-1600 at some point in 2016.

The technical picture is obviously quite bearish now given the hard retest of the August low. Of course, a bounce is more likely after this kind of retest and we got the beginnings of one late Friday afternoon. Stocks are oversold on a daily basis as RSI is touching the 30 line so perhaps that argues for a bounce off support. Resistance is likely around 1950 (last week's high) in the event we get a rebound in the near term. A move above 1950 would likely increase the odds of a rebound back to 2000. If bulls manage to hold it above 1880 here and then we get a bounce to 2000, then that might be the first step in a sustainable rebound. But bears will likely be biding their time until the SPX rallies to 2000 in order to reload short positions. Of course, if bulls cannot hold current levels and we get a close below 1867, then even a strong rebound to 2000 would be regarded very skeptically and very likely be sold eventually.

The small cap Russell 2000 has now broken well below its August low and even its October 2014 low also. It is now more than 25% off its high and therefore is in a bear market. The Russell came close its support trend line from the megaphone pattern at 980 on Friday so we could be quite near to a bounce from this level. A marginally lower low (960?) in the coming days might be another path to a reversal higher. The weekly Dow chart shows another tag of the 200 WMA which duplicates the August low. Obviously, 16,000 is fairly important horizontal support. The longer the Dow trades below this level, the more bearish the overall picture becomes. Interestingly, the weekly indicators are not quite oversold yet as stochastics has yet to fall to the 20 line. This is another reason why lower lows may be somewhat more likely in the near term. RSI is also not yet at the 30 line. The commodities market has been signaling a slowdown over the past year not only in oil but also in metals like copper which fell below the key \$2.00 level last week. Not surprisingly, bond yields are also falling along with inflation expectations. Yield on the 10-year briefly moved below 2% and settled just a bit above that critical support level.



This week will be a shortened trading week for the MLK holiday on Monday. The week leans bearish although I think next week looks worse. This means we could see a move below 1867 this week but I'm less inclined to think we will then rebound strongly afterwards. Essentially, I would retain a bearish bias for the next two weeks just in case. Tuesday has a weak bearish bias as the Moon is aspected by the Mars. Gains may be slightly more likely on Wednesday as the Moon aligns with Jupiter and Venus but this does not seem like a big up day. I think the downside risk is higher on Thursday and Friday as Mercury conjoins Pluto. One possible scenario this week would be a modest bounce into Wednesday or early Thursday and then another decline at the end of the week which retests 1867. It could well unfold differently, of course, but overall I do not think there is a strong likelihood of a significant rebound. Therefore, 1950 looks unlikely this week. Whether or not the week finishes negative is harder to say. I would lean bearish in any event even if it turns out that most of the declines occur next week.



Next week (Jan 25-29) looks bearish. Mercury ends its retrograde cycle aligning with malefics Pluto, Saturn and Mars. It looks difficult to be sure. I think the chances are fairly good we get an early week close below 1867. We may also get that retest of 1820 on Monday or Tuesday assuming the previous week isn't too bullish. Early February looks more bullish as Mercury and Venus are aspected by Jupiter. Depending on where stocks bottom, we could see a rebound up to 1950 or perhaps even 2000. The rebound may last two weeks. Feb 15-19 looks more bearish, however, and could mark the end to the bounce. Even if we get some choppy trading in the last week of February, early March looks very bearish. But will this be a lower low? Perhaps not – it will depend on how strong the February rebound will be. The second half of March looks quite bullish but April is mixed at best the first half of the month looking bearish and the second half more bullish. It is possible we could see a large move higher into May but I'm uncertain about that. The second half of May looks bearish and the negative trend will continue into June and early July. This looks like a steep decline which is likely to create lower lows below anything we see in late January or perhaps March-April. This early summer period is a plausible time window for a retesting of that 1550-1600 level. There will likely be a significant rebound in August and September but another leg down is quite likely in Q4, probably in November and December. At this point, it looks like a lower low.



Technical Trends

Astrological Indicators

Target Range

Short term trend is DOWN
(1 week ending Jan 22)

bearish (confirming)

SPX 1860-1900

Medium term trend is DOWN bullish (disconfirming)
(1 month ending Feb 22)

SPX 1900-1950

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

SPX 1500-1700

Indian Stocks

Stocks continued their losing ways last week as China and the oil market showed no signs of stabilization. The Sensex lost almost 2% closing at 24,455 while the Nifty finished at 7437. This bearish outcome was somewhat unexpected as I thought the Sun-Mercury-Jupiter-Rahu alignment in the second half would correlate with gains. While I noted the bearish potential of the unpredictable Rahu influence, the negative outcome was a little disappointing. Monday was bearish as expected while Tuesday-Wednesday was net positive on the Venus-Uranus influence as I thought it might be. Thursday's decline was therefore the outlier for the week as gains never materialized.

Sentiment is quite gloomy at the moment as the deteriorating situation in China is forcing a difficult rethink for the many investors. Without China's dynamic growth, many economic assumptions will have to be altered, not the least of which is earnings potential as the devaluation of the Yuan will take a bite of corporate bottom lines across the globe. And with the Fed now in a tightening cycle, there is no obvious safe place left as a recession looms on the horizon. As the Rupee falls to new lows, there is less reason for FII capital to remain in country. It seems the great

unwinding of the Fed's loose money policy is finally taking its toll in many emerging markets. As I have written in previous newsletters, my outlook for 2016 is bearish for Indian equities. The question is: how low can the Nifty go before the down trend is reversed? With the key technical level of 7550 now broken, it seems even more likely that we will have a full-fledged bear market with a pattern of lower lows and lower highs. My expectation is that the post-Modi election breakout level of 7000 could be tested as soon as March-April. While the extent of January's decline has been surprising, I don't think there is enough negative sentiment to force a test of 7000 this month. However, the June to August period still looks quite bearish and we are likely to see a significant move lower than around the time of the entry of Uranus into Aries. This late June period looks very volatile and could



see a breakdown of 7000 and a retest of the old high of 6350 on the Nifty. While a rebound looks likely in August and September, this may not break the bearish pattern of lower highs so we could see stocks rally towards resistance (7000? 7550?) and then move lower once again in Q4 and Q1 2017.

The technical outlook took a decided turn for the worse last week after key horizontal support at 7550 was broken. While this does not necessarily mean that stocks must move lower, the inability for bulls to push the Nifty back over 7600 for the rest of the week was a signal that bulls were on the defensive and quick to hit the sell button. 7600 is therefore immediate resistance with the gap at 7700 the next resistance level. The falling channel resistance is closer to 8000 now and may be worth watching in the event we get the expected bounce in February. Support may be stronger in the falling channel at 7100 so that might be a level at which bulls may jump in with more conviction. Depending on the time horizon, this could even come close to the key 7000 level.

It is conceivable that a selling climax and capitulation in the coming days may actually test that falling channel support. On the other hand, we could also see a quick reversal higher which creates only a temporary breakdown of support at 7550. If the Nifty can quickly regain 7550, then it might provide the basis for a rebound. A quick rebound is possible now that the RSI (=31) is very close to oversold, although in a major downtrend, stocks can remain oversold for some time. The weekly BSE chart shows the rapid convergence towards the long term 200 WMA line which is one of the hallmarks of this current bull market. Even if the Sensex were to violate this line, its upward slope would ensure the continuation of the long term up trend for several more months. Stochastics are again oversold here so that could make bears nervous. Meanwhile, Tata Motors (TTM) had a tough week and broke below key support. The inability to hold above the September high was a sign that the double bottom upside target has been fulfilled and it may now be retesting the August low. As long as this chart is below the September high, it is bearishly biased. HDFC Bank (HDB) also had a bearish week as the stock finished Friday perched on support. Any move below current level could open up some significant downside. Given the recent lower high in December, I would say that breakdown of support is more probable than not.

This week is hard to call. I think there is more downside likely at some point over the next two weeks but I'm not certain the downside will manifest this week. The early week leans bullish as Venus aligns with Jupiter on Monday and Tuesday. Given the overall bearish influences in play at the moment, I would not call this a high probability bullish alignment. And yet there is some upside potential here. Tuesday also enjoys a



small bullish bias although it could go either way. From Wednesday to Friday, however, the planets look more bearish as Mercury conjoins Pluto on Friday. I think the odds of declines in the late week are higher than early week gains. In other words, if by chance the early week has been bearish, then that could create some significant problems later in the week. We could quickly fall towards 7100-7200. Even if the early week is bullish, it seems unlikely that stocks could finish higher. So one scenario to remember is a rise to 7600 by Tuesday and then another decline to below 7400 by Friday.

Next week (Jan 25-29) also has some bearish potential as Mercury ends its retrograde cycle in alignment with Saturn and Mars. The first half of the week looks more bearish than the second half, however. It is possible we could get a quick decline to 7100 with this pattern. I don't think that kind of sharp decline is probable, however, although the odds for such a plunge are clearly elevated with this alignment of malefic planets such as Mars and Saturn. But I know that time is running out on the bears here but I'm not sure when this capitulation will take place. Monday 1st February looks bearish on the Moon-Mars conjunction but the rest of that week should be more bullish. I would expect a rebound to take root at that time. The second week of February also leans bullish as Mercury and Venus are aspected by Jupiter. We should see a 5-10% bounce at least into mid-February. The rally will likely run out of steam by late February and early March looks bearish as Saturn squares Jupiter. However, I am uncertain if this will be to a new low below the January low. A bounce may begin in late March and continue into April. This looks like a fairly weak rebound even if it continues into May. Perhaps it will retest channel resistance, which by that time may be at 7600-7800. But another significant move lower is likely to begin in late May and continue through June and into July. The entry of Uranus into Aries in late June has a large bearish potential and we are likely to see lower lows at that time. A major rebound will follow in August and September and then another correction will likely begin in October and last through the rest of Q4 and into Q1 2017.



Technical Trends	Astrological Indicators	Target Range
Short term trend is DOWN (Week ending 22 Jan)	bearish (confirming)	7200-7500
Medium term trend is DOWN (Month ending 22 Feb)	bullish (disconfirming)	7600-8000
Long term trend is UP (Year ending Jan 2017)	bearish (disconfirming)	6400-7000

Currencies

The Dollar inched higher on the week as the sell-off in stocks and commodities pushed more money into safe havens. The Dollar Index finished just above 99 while the Euro ended the week unchanged near 1.09. Commodity-based and emerging markets currencies like the Rupee, AUD and CAD all suffered more downside, however. As expected, the Dollar enjoyed its biggest gains early in the week, although I was mistaken in my expectation for late week downside. The technical picture remains bullish for the Dollar although it is trapped in a narrowing trading range. The outlook is still bullish in the medium term but that may not prevent a retest of the 200 DMA. Currently, the 50 DMA is providing good support at 98.5. If the Dollar continues to strengthen and we get a retest of resistance at 100, we should expect a breakout higher eventually. The weekly Euro chart shows how weak this rebound has been off the low as bulls have sold their positions at the 50 WMA. A move higher in the Euro is still very possible in the near term, but there is considerable resistance if it is going to begin a more significant rebound. Similarly, the Rupee is testing 2013 resistance here at 68. Another retracement lower is likely in the short term, but the trend is up so we could see the Rupee weaken to 75-80 over the next year.



This week looks a bit bearish for the Dollar. The early week Venus-Jupiter alignment looks bullish but the midweek Mercury-Pluto conjunction could be more bullish. Perhaps the Dollar finishes fairly close to its current level by Friday. Next week also looks somewhat bearish for the Dollar. I think the Dollar is due for a significant retracement but it may occur more in February than in late January. Perhaps it will remain above support at 98.5 in late January. February looks like more downside so we will likely see the Dollar fall out of the pennant pattern and a retest of the 200 DMA at 97 is very likely. I am uncertain if the Dollar will fall below that level but it is certainly possible by late February. But the decline will likely reverse higher in late February and we should see another rally emerge in March. This should again test resistance at 100.5 by early April. I suspect it will move above that level but we shall see. Some consolidation is likely in April and early May but this will likely form higher lows. June and July look like another move higher for the Dollar, and in all likelihood we should see it move above 100, probably to 105. This could correspond with parity or lower on the Euro. Another significant high in the Dollar will occur in Q1 2017 although I am uncertain if it will be a higher high.



Technical Trends (Dollar)

Short term trend is DOWN
(1 week ending Jan 22)

Astrological Indicators

bullish (disconfirming)

Medium term trend is UP
(1 month ending Feb 22)

bearish (disconfirming)

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

bullish (confirming)

Crude oil

Crude oil extended its slide again last week as Futures broke below \$30 for the first time since 2004. WTI lost almost 10% on the week and finished below \$31 while Brent fell even more and closed below \$30. This bearish outcome was unexpected as I thought we would have seen more upside on the Sun-Mercury conjunction. That said, I thought that the rest of January would likely be bearish for crude so it seems it may take another week or two to find a bottom. The technicals are hard to read here as it has been a long time since crude traded at these levels. The measured move from the last two down declines in December and January suggests a WTI is already trading very close to its downside target of \$30 in the near term ($43-35=8$; $38-30=8$). This equates to a target of \$28 for Brent. In other words, there is some possibility that oil is getting close to a short term bottom. It is hugely oversold obviously, although that hasn't mattered much in recent weeks. One would think a bounce back to its 20 DMA is very likely quite soon although that would only be about \$35 for WTI. Last week's decline did occur on fairly large volume so that may be the capitulation necessary for a reversal higher.



This week will likely see crude remain under pressure. There is no trading Monday but Tuesday could see a small rebound but Wednesday looks bearish as the Moon opposes Saturn. Thursday and Friday also lean a bit bearish as Mercury conjoins Pluto. I think a rebound is coming for crude soon but the planets this week do not make a strong argument for it. It seems more likely that we could continue to test those measured move downside targets of \$30/28 this week. Next week (Jan 25-29) also looks bearish as Mercury aligns with Saturn and Mars towards the end of the week. I'm uncertain if there will be enough downside to push prices



significantly lower, although I think a rebound here is unlikely. February looks more bullish as Mercury and Venus are aspected by Jupiter. A significant rebound is very possible here, and I would think that crude moves above its 20 DMA at least, if not its 50 DMA. But March looks bearish, especially in the first half so much if not all of the February rebound may be negated. I am uncertain if March will produce a lower low, however. I tend to think it will not and that could create the conditions for another rally attempt in April and May. However, even

this rebound may be fairly modest (\$40? \$50?) and a new down trend is likely to begin in May and continue through June and July. This is likely to produce lower lows. We could see crude trading close to \$20 by the summer.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is DOWN (1 week ending Jan 22)	bearish (confirming)	\$28-30
Medium term trend is DOWN (1 month ending Feb 22)	bullish (disconfirming)	\$35-40
Long term trend is DOWN (1 year ending Jan 2017)	bearish (confirming)	\$20-30

Gold

Gold slumped last week as investors preferred bonds as a deflationary safe haven in the wake of more commodity weakness. Gold lost 1% on the week closing at 1088. I thought we might have had more upside, especially on the Sun-Mercury conjunction on Wednesday and Thursday. So it seems that gold could remain fairly muted here in January. The technicals look fairly weak as gold failed to move above 1110 which was the old support level of the September low. 1080 represents a 50% retracement from the December low to the January high so it is important that bulls defend this level in order to prevent another bearish retest of 1050. If gold can remain above 1080 and then make another quick run to 1100, then the chances are good that it will push above that level. The 200 DMA at 1140 would be the next resistance level. Above that the falling channel resistance near 1170 would be the next place where bulls may get cold feet. Gold remains in a two-year falling channel that is marked by relatively small price moves. A breakout in either direction from this channel could signal a major new trend.

This week looks unlikely to see a large move in either direction. Nonetheless, I would maintain a bearish bias just in case. After the holiday Monday closing, Tuesday could see a little upside as Venus enters Sagittarius. Wednesday lacks any close short



move. Wednesday lacks any close short

term aspects while Thursday's Moon-Venus opposition leans bullish. Friday looks somewhat bearish as the Moon opposes the Mercury-Pluto opposition. None of these aspects are high probability outcomes in either direction, however. I would think the chances of a gain on Tuesday are somewhat more reliable than the other days. Friday's bearishness also seems a little more solid. I would be surprised if we saw gold close above 1110 here although a test of that level is possible on Tuesday or Wednesday. 1100 may be more doable. I suspect gold will remain in its recent range in any event, probably between 1070 and 1100. Even if I am wrong and we get a close above 1100, next week will likely see some downside so it could be a higher low from which a more durable rally can be launched in February. Next week (Jan 25-29) looks more bearish, starting on Monday and Tuesday as Mercury conjoins Pluto and returns to direct motion. I would expect a decline to 1070, if not lower. We could even see 1050 once again. The late week looks choppy. February may start off bearish as Saturn aspects the Sun on the 1st and 2nd, but the late week should be more bullish. The second week of February also looks more bullish as Mercury and Venus are aspected by Jupiter. I think we could see gold rally to that falling channel resistance at least in February at 1170 or thereabouts. March looks like a retracement as Saturn aspects Jupiter. I am uncertain how strong this down move will be and whether it could produce a lower low. Even if we do see a lower low, it may only be marginally lower. Another rebound is likely to begin in April and continue into May. This rally will be followed by a strong in June and July. Gold could well fall below 1000 by July. After another significant rebound in late summer and early fall, another lower low is possible by Q1 2017.

Technical Trends	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Jan 22)	bearish (disconfirming)	1070-1100
Medium term trend is DOWN (1 month ending Feb 22)	bullish (disconfirming)	1120-1170
Long term trend is DOWN (1 year ending Jan 2017)	bearish (confirming)	800-1000

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