

## Summary for week of 25 January 2016

- Stocks could extend rally early but late week looks bearish
- Dollar likely to test resistance this week
- Crude oil could test resistance early but prone to profit taking later
- Gold unlikely to rally too far; another test of support seems more likely

## US Stocks

It was another eventful week on Wall Street last week with stocks finally settling higher following a rebound in oil prices. The Dow gained less than 1% closing at 16,093 while the S&P 500 finished at 1906. The week featured a retest of both the August and October 2014 lows on Wednesday's steep decline. While I thought there was a good chance that we would see a retest of SPX 1867, I was unsure when it would occur. I thought the odds favoured a bottom in the last week of January. Therefore, I was somewhat surprised by the midweek decline both in terms of magnitude and its exact timing. I mistakenly thought the late week was more likely to be bearish.

The question now is whether we have seen the bottom in this current move lower. Certainly there are some good technical reasons for it given the retest of the previous lows, but the evidence does not all point in the same direction as I will elaborate below in the technical section. My assessment of the planetary influences suggests that another downward thrust is quite possible over the next two weeks. Whether or not this could be a lower low is hard to say based on astrology alone. I would lean towards a higher low in the coming days if only because 1) time is growing short for this upcoming Mercury-Mars-Saturn alignment; 2) I missed the late week rally which makes me suspect that further downside may be fairly muted; 3) my expectation of a February rebound makes more technical sense if we get a higher low in the coming days; and 4) the technical indications offer plausible support that Wednesday's low of 1812 was the bottom. I think it is important to note that even if we have seen the bottom for now, I still think the chances are good that it



will be eventually be broken by April. In that sense, we are still on course for lower lows in 2016, and will probably see the start of a bear market which occurs on a close below 1708 (>20% decline).

Central bankers are only starting to weigh in on the aftermath of this terrible start to the trading year. The ECB's Mario Draghi did the requisite jawboning last week for more stimulus in Europe and that may have boosted sentiment somewhat towards the end of the week. China's PBOC has been mostly silent thus far so it is possible that we could see some new announcements there also. Most importantly, perhaps the Fed releases its latest policy statement on Wednesday and the market will be hanging on what Janet Yellen says. If she blinks and acknowledges that growth is too slow and the global economy too vulnerable to sustain more rate hikes in 2016 as the market is now anticipating, then that could generate more buying and push up stocks. A dovish Fed that is willing to forego any further hikes if the economy gets worse will be bullish for the market. If she wants to stay the course and hike further, however, that could start a new wave of selling. So the FOMC meeting is another reason why this week will be very important.

The technical outlook seems more bullish in the short term after last week's retest of the August and October 2014 lows. The Wednesday retest was one reason why buyers moved in later in the week as they played the bounce. Whether this bounce off support has any legs is another question, however. One problem with Wednesday's low was that we didn't get a volume spike that often (but not always) accompanies a bottom. Volume was higher but it was not at the level we have seen on previous bottoms where many investors have capitulated. So the absence of volume is one area of lingering doubt that may keep the bulls more cautious and give bears hope. A retest of support at 1850 would be important as bulls would have to defend it or else risk another fall back to 1812 and quite possibly below that level.

If 1800-1812 does not hold, then we could get a test of long term support from the rising channel that dates back to the 2009 low. This trend line support is now around 1750-1770. But we would have to see the SPX fall below 1850 first for that scenario to even be contemplated. If the bounce continues, there may be another layer of resistance at 1950 so that is one possible area where bears may lie in waiting. If the SPX can rise above 1950, then it has a reasonable chance of climbing to 2000. Interestingly, the Russell 2000 and the DAX also tested some fairly important support levels last week. The Russell hit its megaphone broadening top support at 950-980 and then bounced while the DAX hit its August and September low at 9300. Both these tests are more evidence that a temporary bottom is in. The 10-year Treasury chart looks similar to the DAX chart in that support at 2% was tested early and the late week then saw a bounce in yields. But the chart as a whole looks bearish and descending triangles are taking shape in both. This pattern is slightly bullish biased for more upside in the short term, but the medium term still looks bearish. The weekly Dow chart offers more evidence that a short term bottom is in as the weekly hammer candle at the end of a down move is quite bullish. While the long lower shadowed hammer candle is bullish, it is worth noting that a similar hammer in August did not preclude more



downside the following week although it did not reach the intraweek piercing low on Aug 24<sup>th</sup>. Weekly stochastics are now oversold so that is another indication that the end of this down move is close at hand, if not in terms of time, than in terms of price.

This week offers the bears a fairly good shot at some downside. Mercury ends its retrograde cycle on Tuesday while in close conjunction with Pluto and aligned with Saturn and Mars. This alignment is not exact but may well be close enough to produce some negative sentiment at some point during the week. My nagging doubt here is that this pattern was also closely aligned late last week and stocks actually rose. So I would be a more cautious bear here perhaps. Although I would lean bearish this week, I would not be surprised if we got more upside on Monday and even into Tuesday. But if we do see more upside and a retest of 1950 by, say, Tuesday, then that would be a good reversal set up for Wednesday and beyond. Tuesday's Moon-Saturn square looks bearish, however, so that could see the rally fade. Of course, it seems a little more likely that Monday could be lower and that Tuesday will also see a decline as Mercury returns to direct motion. That is my preferred scenario although not by much – perhaps 60/40. Wednesday is FOMC day and it looks bearish as the Moon conjoins Jupiter and Rahu while Mars moves to within a degree of aligning with Saturn. Thursday will see the above-mentioned alignment of Mercury-Pluto with Mars and Saturn still very much in play. I was wrong about the first phase of this alignment late last week but it still has some bearish potential that could manifest in the market. In other words, the bears will get a second kick at the can late in the week if it turns out that the first half has been bullish.



Next week (Feb 1-5) also has some bearish potential as Mars squares the Sun for much of the week. This is a fairly reliable bearish influence although I'm uncertain if it will produce a down week overall. I would lean bearish if the preceding week (Jan 25-29) turns out to be fairly neutral or only mildly bearish. In other words, we should get some significant downside but I'm not certain when it will occur. This Mars-Sun transit does seem likely to coincide with perhaps two down days but these could be mitigated with some passing positive transits. Depending on what days these occur, it seems more likely that we will at least get a retest of intermediate support at 1850 at some point. 1800 is possible here if the declines occur early in the week before any positive days. Monday looks bearish as Mars conjoins the Moon. Tuesday also leans bearish, although somewhat less so. Wednesday looks more bearish again (like Monday) as the Sun is exactly aspected by Saturn. A rebound is more likely to take shape on Thursday and Friday as Mercury aligns with Jupiter and Venus conjoins Pluto. The following week (Feb 8-12) looks more bullish as Venus aligns with Jupiter. We could see more downside into the middle of February as Mars aligns with the Lunar Nodes on Feb 15-17<sup>th</sup>. I would not expect lower lows here (e.g. to SPX 1770) but February could end up seeing a protracted bottoming process that takes several weeks. I had previously thought that March would be more bearish than February but now I'm not so sure. The last week of February looks more bearish so the stronger rebound may have to wait until early and mid-March. That may be a more likely time frame when the SPX has a chance to recover the 2000 level. Late March and early April look



bearish as Mars stations retrograde on April 17<sup>th</sup>. A rebound is likely after that which extends into May. As before, June and July looks very bearish as Saturn aligns with the Nodes and Neptune while Uranus changes signs in late June. This is a potent combination that is likely to take stocks much lower. We could easily reach that 1550-1600 level by the summer. Perhaps even lower. The rest of 2016 looks fairly bearish so I would be skeptical about the possibility of a major rebound taking place later in the year.

| Technical Trends                                     | Astrological Indicators | Target Range  |
|------------------------------------------------------|-------------------------|---------------|
| Short term trend is UP<br>(1 week ending Jan 29)     | bearish (disconfirming) | SPX 1820-1860 |
| Medium term trend is DOWN<br>(1 month ending Feb 29) | bearish (confirming)    | SPX 1800-1850 |
| Long term trend is UP<br>(1 year ending Jan 2017)    | bearish (disconfirming) | SPX 1500-1700 |

## Indian Stocks

Stocks were mixed last week as the oil market showed signs of stabilizing late in the week. The BSE Sensex ended fractionally lower to 24,435 while the Nifty finished the week at 7422. While I was leaning a bit bearish last week, this fairly neutral outcome was in keeping with my general expectations. The early week was less bullish than expected although we did see a rise on Tuesday, albeit below 7500. The midweek was bearish but Friday was the anomaly as stocks rose following the rebound in crude oil.

It would appear that we are getting closer to an interim bottom here. European and US stocks bounced strongly at the end of last week and the ECB's Mario Draghi is doing his usual jawboning to restore confidence to equity markets. The Fed meets this week and will release its latest policy statement on Wednesday. Needless to say, this will be very closely watched as markets want to see if Janet Yellen has lost her nerve to raise rates again in 2016. The bulls' hope that Ms. Yellen will acknowledge the heightened economic risks and will take them into account and thereby deliver a more dovish statement. To some extent,



a more dovish Fed posture has already been discounted by the market so any insistence on further hikes in 2016 will likely spark some selling. An about-face by the Fed on the whole question of rate hikes could be quite bullish in the short term as the liquidity spigot would be opened once again. My view is that the Fed is unlikely to make any dramatic policy reversals just yet as it would damage its credibility. The Fed only just raised rates a month ago so the problem may fall to other central bankers (ECB, PBOC) to take up the slack for the time being if necessary. In other words, I believe the stage is set for a modest rebound in stocks but probably one that doesn't last very long or is strong enough to fundamentally change the technical outlook. Indian stocks remain in a clear down trend and are currently flirting with bear market status. A bear market is defined as a 20% decline which equates to 7300 on the Nifty. We actually fell below that level midweek but ultimately finished above it. There are no necessary implications of declaring a bear market other than the damage to popular sentiment. Initially, it may even act as a contrarian indicator.

The technical picture remained mostly unchanged after last week's lower low. Falling channel support is now getting very close to that key 7000 level so we may begin to assess the chances of a test of that line in the near term. Another decline in oil prices this week could well see another round of selling which could not only retest last week's low of 7241 but also open the door to a capitulation down to 7000-7100. I would think that any trades below 7241 now would make a test of 7000 probable. Of course, many cautious bulls may be waiting for just this kind of capitulation-like decline before they take any new long positions.

7600 may be an important resistance level in the event we get more of a bounce. This roughly matches the 20 DMA so any close above that level would likely indicate at least another push higher to test falling channel resistance at 7800. During this down trend, rebounds have generally been quite weak and have required up to two months to make the journey from channel support to channel resistance. So the force of any rebound is therefore another factor to consider. If bulls can quickly push the Nifty higher to channel resistance within just a couple of weeks, then that would argue more strongly for a breakout higher. Only a move out of this channel would begin to change the bearish technical outlook. Another sign that we could be near a bottom is that the weekly Sensex stochastics are now below the 20 line. While lower lows are still possible, there should be a decent rally attempt soon enough. The Sensex is approaching that key 23K post-election breakaway level which should now act as support. The 200 WMA at 22,718 is getting closer to that horizontal support level and may thereby strengthen support if that is tested. Meanwhile, Tata Motors (TTM) was mostly flat on the week although it did test support midweek. The inability of the stock to stay above its September high is a sign of possible weakness and lower prices ahead. The chart becomes more bullish once again if it moves above the September high. HDFC Bank (HDB) had a bad week as it fell through horizontal support. It then tested the intraday piercing low from 24<sup>th</sup> August. Resistance is now at the December low (\$56) so any delay in recapturing that level would put added pressure on the stock. A quick move to that level would be short term bullish although the chart looks bearish in the longer term as we now have a lower high and lower low confirmed.



This week gives yet another chance for the bears as Mercury stations direct on Tuesday while in alignment with malefics Mars and Saturn. This is a tense pattern that lasts throughout the week so pinpointing precise movements is difficult.

Monday could see some upside follow through although the aspects do not argue for this kind of move. Monday is therefore harder to call. There is no trading on Tuesday's holiday while Wednesday leans bullish as the Moon conjoins Jupiter and Rahu. This is not a high probability bullish pattern, however, as the afternoon looks more challenging. Thursday and Friday may be net negative across both days, although Friday looks the worse of the two days. Thursday will see the Indian market's first reaction to the Fed statement.

Overall, I think the cosmic dice are again loaded for the bears although if the declines do not manifest, there will be another chance next week on the difficult Mars-Sun aspect. I think we could see last week's low tested here and even lower lows are possible, although not quite probable I should think. Conversely, it also wouldn't surprise me if the Nifty rose above 7500 at some point during the week. I'm less inclined to think such a gain would hold by Friday, however.



Next week (Feb 1-5) leans bearish again on the Mars-Sun square aspect. This is a high probability bearish combination which should produce some significant downside (>2%) on at least one day. Monday the 1<sup>st</sup> looks quite bearish in that respect. Some upside is possible Wednesday or Thursday, but Friday looks bearish again, especially in the morning. Even if stocks have managed to move higher in the preceding week (Jan 25-29), they seem likely to fall here. Therefore a retest of 7241 is quite possible and 7000 is definitely not out of the question. The second week of February (8th-12th) looks more bullish as Venus is in aspect with Jupiter. The Mars-Rahu alignment on Feb



15-17 looks bearish but it may not be enough to reverse the stronger rising trend that I expect for February. I do not expect a sharp rebound in February so the Nifty may be hard-pressed to reach channel resistance at 7800. More downside looks likely around the Union Budget in late February. March looks bearish as Saturn aspects Jupiter although there will likely be some upside late in March and early April. Some rebound is also possible for May although again, I don't think it will be strong enough to alter this prevailing down trend. June and July look very bearish as Saturn aligns with Neptune and Rahu while Uranus enters the powerful sign of Aries. This summer period is more likely to see the Nifty fall below 7000. A rebound is likely in September and October but this is likely an oversold bounce from a lower low. November and December will likely see the down trend resume. A retesting of the hold highs of 6350 is very possible this year.

**Technical Trends**

**Astrological Indicators**

**Target Range**

|                                                      |                         |           |
|------------------------------------------------------|-------------------------|-----------|
| Short term trend is DOWN<br>(1 week ending 29 Jan)   | bearish (confirming)    | 7200-7400 |
| Medium term trend is DOWN<br>(1 month ending 29 Feb) | bullish (disconfirming) | 7400-7800 |
| Long term trend is UP<br>(1 year ending Jan 2017)    | bearish (disconfirming) | 6400-7000 |

## Currencies

The Dollar moved higher last week on both safe haven plays and improving US economic data. The USDIX finished the week at 99.58 while the Euro lost a cent to 1.08. The Rupee stabilized at 67.6 last week while commodity-based currencies enjoyed a pop higher later in the week. I thought the Dollar might have seen a little more selling although I was leaning towards February as the more likely time frame for a significant retracement. In any event, the Dollar is proving resilient here despite the bounce in crude oil last week. The Dollar does look stronger here and may well retest 100.5 very soon. It may not have enough oomph to push over the top in the near term, so we will have to see what kind of retracement we get after the presumed hard retest of 100 or 100.5. A deeper retracement to 94 would be bad news for Dollar bulls, while a shallower retracement that remains above the 200 DMA at 97 would create a favorable technical outlook in the medium term. The weekly Euro chart shows this pattern quite clearly as it is unable to close above the convergence of the 20 and 50 WMA. That may become very tough resistance (1.10). Similarly, the Rupee seems destined to weaken further and to eventually push above 70 on the Index.

This week could see the Dollar test that 100 level again as the Mars-Mercury-Saturn alignment looks favorable for the Dollar's safe haven status. Next week could see the Dollar again testing resistance although I would think that time would be running out on the current up move. The second week of February looks bearish for the Dollar so the retracement may begin in earnest then. But by the last week of February, we could see the Dollar again on the rise. I am therefore not looking for a huge retracement in the Dollar in February. Perhaps just back to the 200 DMA at



97. March looks quite bullish for the Dollar so we could easily see it move to 100 or above by early April. From mid-April to mid-May, the Dollar will likely retrace again, although perhaps not much. Mid-May should see the Dollar rise again and the up trend will likely continue through most of June and July. USDX 105 is very possible, if not higher. This would equate with a Euro at parity or perhaps lower. The Rupee also looks likely to move above 70 during the summer with an eventual target of 75-80 by early 2017. My expectation is that the US Dollar will form a significant top sometime during 2017.

## Technical Trends (Dollar)      Astrological Indicators

|                                                    |                         |
|----------------------------------------------------|-------------------------|
| Short term trend is UP<br>(1 week ending Jan 29)   | bullish (confirming)    |
| Medium term trend is UP<br>(1 month ending Feb 29) | bearish (disconfirming) |
| Long term trend is UP<br>(1 year ending Jan 2017)  | bullish (confirming)    |

## Crude oil

Crude oil bounced sharply last week as bargain hunters finally moved in to buy up this most oversold commodity. WTI rose 5% on the week to \$32 while Brent jumped 10% to the same level. I did not foresee this late week bounce as the planets only hinted at the midweek decline to new lows and not the sudden reversal afterwards. The technicals seemed to have been more effective in highlighting a possible measured move higher once WTI hit \$30. Actually it fell to \$28 before reversing so even that yardstick was wide of the mark. While the gains this week were strong, it may only be a short squeeze and a bear market oversold bounce. Crude needs to create a

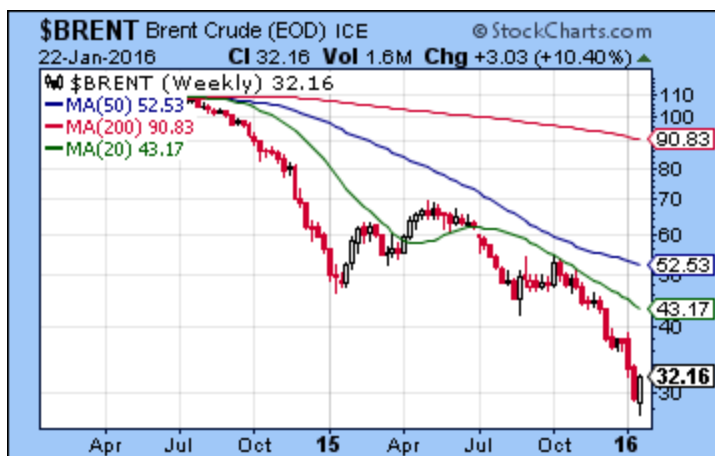
sustainable bottom before an end of this brutal bear market is possible. This will at least require a retest of last week's lows and some positive divergence on the indicators. Perhaps a move above the Dec low of 34.50 for WTI would be an important first step towards a durable bottom. This equates to about \$36 for Brent. Probably the rebound will stop at 34.50 or below and then test support again at \$30. It will be important for bulls to put in a



higher low in order to build some upward momentum. And the weekly Brent chart shows the next possible upside target near \$45 which was the previous summer low that was finally violated in November. Even a rebound to \$45 would likely fail eventually as it would still be in keeping with the logic of a bear market, i.e. old support becomes resistance.

This week looks mixed although more upside is very possible in the early week. There could also be a couple of down days which makes the overall outcome hard to call. The early week leans a bit more bullish whereas the late week seems more bearish on the Mars-Saturn alignment. Perhaps we will see that retest of resistance at \$34.50 for WTI early in the week with some pullback later that takes it closer to \$30 once again. Next week (Feb 1-5) could see some upside in the early part of the week but the late week is more bearish. I would lean bearish here in any event although I do not expect lower lows. The second and third weeks of February offer more opportunities for

bulls as Jupiter aspects Venus. I think there is a good chance we will see a move above the Dec low of \$34.50. I would be more cautious about the prospects of hitting \$40 for WTI, however. Late February and early March will likely see the bears take control once again and I would expect a retest of the January low. A lower low is very possible at this time. Crude is unlikely to rebound strongly in April although May and early June looks more bullish. July should see this rebound erased with another steep decline. We could therefore see \$20 crude by the summer. 2017 looks more bullish so that may be a better time for crude oil to launch a more sustainable rally.



| Technical Trends                                     | Astrological Indicators | Target Range (WTI) |
|------------------------------------------------------|-------------------------|--------------------|
| Short term trend is UP<br>(1 week ending Jan 29)     | bearish (disconfirming) | \$30-32            |
| Medium term trend is DOWN<br>(1 month ending Feb 29) | bullish (disconfirming) | \$35-40            |
| Long term trend is DOWN<br>(1 year ending Jan 2017)  | bearish (confirming)    | \$20-30            |

## Gold

Gold enjoyed a modest gain last week as investors sought a safe haven from recent market uncertainty. Gold climbed 1% on the week settling at 1098. While I had a bearish bias for last week, I thought that gold was unlikely to move very far. Gold bulls are trying to push above the previous interim high of 1110 and Wednesday's intraday high did reach that level before retreating by the close. The short term gold chart looks a bit bullish but it needs a close above 1110 to make the case more convincingly. Bulls will have to fiercely defend 1080 in order to maintain the upward momentum of this modest move higher off the December lows. The technicals therefore argue for more upside and probably a retest of the 200 DMA at least at 1134. More likely, a rally would test falling channel resistance near 1170. It will take at least a move out of this three-year long falling channel to change this bearish outlook on gold. And even that would only be a first step. It would take many weeks of rising prices for the 200 DMA to reverse its downward slope which is the tell tale sign of a bear market. Another down move would likely test long term support at 950-1000. This was the old high from 2008 which is now a plausible long term support level.

This week leans bearish as Mercury conjoints Pluto early in the week and Mars aligns with Saturn later. Both seem somewhat difficult although I suspect we will get more downside later in the week on the Mars-Saturn. Monday and Tuesday both lean bearish although I would be reluctant to expect too much downside, perhaps only to 1080 or so. Wednesday looks bullish on the Moon-Jupiter conjunction but perhaps it will not be able to climb above 1100. Post-FOMC on Thursday and Friday look bearish on the Mars-Saturn alignment. I think we could retest 1080 at some point this week and I would not be surprised if it fell further than that. Like last week, I don't think the planets make a strong case for a big move this week in any event. I think gold is due for some kind of move higher but I have my doubts about next week. The first half of the week will see the Sun under the bearish aspect of Saturn so that suggests more downside. The late week is perhaps a bit better as Venus aligns with Pluto and Uranus, although we may only get one up day out of it on Friday. It's hard to see gold moving significantly above 1110 by Feb 5<sup>th</sup> on these transits. Feb 8-12 looks more bullish so that may be a better time for a rally towards the 200 DMA. The rest of February also may be bullishly biased although the rally may run out of gas by the last week and into early March. But it may be strong enough to reach 1170. Some retracement is likely in March but I am uncertain if this will be to a lower low. I suspect it will be a higher low and this could be one reason why there will be another leg higher in late April and May. A significant move lower is likely to begin in late May and continue through June and July. Gold could well fall to 1000 or below during the summer. A significant rebound should begin in July and last into August and September. Q4 looks quite bearish so we could see lower lows by early 2017.



| Technical Trends                                     | Astrological Indicators | Target Range |
|------------------------------------------------------|-------------------------|--------------|
| Short term trend is UP<br>(1 week ending Jan 29)     | bearish (disconfirming) | 1070-1100    |
| Medium term trend is DOWN<br>(1 month ending Feb 29) | bullish (disconfirming) | 1100-1170    |
| Long term trend is DOWN<br>(1 year ending Jan 2017)  | bearish (confirming)    | 800-1000     |

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