

## Summary for week of 4 January 2016

- Stocks likely to be under pressure this week
- Dollar may test resistance at 100
- Crude oil could retest recent lows
- Gold likely to trend lower this week, especially later

**Happy New Year! Best wishes for a happy, healthy and prosperous 2016!**

## US Stocks

Stocks slumped in the last week of 2015 as weak crude oil prices again undermined investor confidence. The Dow lost less than 1% closing at 17,425 while the S&P 500 finished the week at 2043. While I thought stocks would be bearish, the week unfolded somewhat differently than expected as I thought the early part of the week had a greater probability for declines. As it happened, stocks were only marginally negative Monday and then rose sharply Tuesday. The sellers then moved in later in the week at a time that seemed to offer more upside potential. However, the week as a whole did appear to confirm the general negative sentiment I had suggested for the unusually long Mars-Mercury aspect that lasts into the first week of January.

So is this the beginning of the end for the great bull market? The fact that 2015 was the first negative year for US stocks since 2008 is perhaps a clue that the worm is about to turn. Or has turned already. I think all signs – both technical and astrological – are pointing towards another negative year in 2016. Declines are more likely to be steeper this year with fewer opportunities for bulls to ride the rebounds after the pullbacks. The bull market will only formally end if we get a decline of 20% or more. That would translate into about 420 SPX points or about 1700. I think that level is doable at some point during the year, probably in the summer. Of course, a lot has to happen before that is we are going to see those kinds of levels. While January



has some bearish potential, it is unlikely to be technically decisive. But it may be enough to prevent a higher high in February. I am still expecting some kind of rebound in February and if this is a lower high as I expect, then that would be nice bearish set up for a deeper retracement that I can see for the Saturn-Jupiter square in March and April. I'm not sure how big a decline we can expect at that time, although I would think the chances are fairly good that we will get at least a retest of the 1867 August low. And April-May rebound could keep the game in doubt for a while but hopefully another lower high would then precede the much deeper decline that I foresee starting in June and continuing through August. The rest of the year does not look too bullish either. On balance, I think the odds favor at least a 20% decline this year and it's even possible we could retest the old highs of 1550 from 2000 and 2007. But let's first see how January plays out.

The technical picture still favors the bears a bit here as Tuesday's lower high reversed right at the falling trend line resistance from the November high. To be sure, it did move above the previous high, but the bulls could not take the ball and run with it. The bears now have the opportunity to test the Dec 14 low of 1993 and perhaps form a lower lows which would be test falling channel support, now around 1980. More downside is possible in the short term as stochastics has rolled over and is now in a bearish crossover. Resistance is at 2080 and if we got a quick reversal higher this week and broke above 2080, I would think that would be quite a bullish development. I don't quite see it happening but it is something to keep in mind.

Bulls need to push it back over 2120 in order to make a serious try for a higher high. If we got a good jobs report on Friday, then it is possible stocks would rally back over 2100 in the coming days, depending on what kind of early week damage we got. The weakness of the market is more evident in the Russell 2000 chart. Unlike the clustering of moving averages in the SPX chart, the RUT chart is still in a death cross of the 50 and 200 DMA. A quick retest of the Dec 14 low would very likely mean that the August low was going to be tested also, and very likely broken. The Bullish Percent chart could go either way at this point as the bearish crossover has evened out. The weekly Dow chart shows a bearish candle for last week with a long upper shadow which followed a sizable white candle. Stochastics is now again in a bearish crossover while MACD may be in a slow motion rollover into a bearish crossover. The ongoing bearish crossover of the 20/50 DMA is a bigger medium term concern in this chart as the longer the market goes without putting in a higher high, the more this bearishness will manifest. Both averages are now starting to slope downwards in unison, which is another worrying sign.



This week offers the bears another good opportunity. The aforementioned Mars-Mercury square aspect is key in this respect and is exact on Tuesday just as Mercury turns retrograde. This is an unusual combination of factors which raises downside risk substantially, both in terms of probability and magnitude. Declines are therefore

more likely to occur in the early part of the week, although I mistakenly thought that about last week. I am particularly puzzled about what may happen later in the week, however. Venus conjoins Saturn on Friday just as Jupiter stations retrograde. The Jupiter influence should be seen as positive but the Venus-Saturn conjunction is more problematic. While a late week bounce is very possible here (assuming that the early and midweek has been sufficiently bearish) but I would not be surprised if stocks actually declined on Thursday and Friday on these patterns. So the week as a whole looks bearish but it is less clear when we will get the downside. I think it is very possible that we could even retest the Dec 14 low of 1993 as long as there isn't much preceding upside this week.



I am uncertain about next week (Jan 11-15). While the transits look bullish overall, other natal chart patterns are more mixed. The late week is perhaps more bullish as the Sun conjoins Mercury so it is possible we could see the bottom in this pullback occur early in the week before buyers move in. But it may depend on when we test support at 1980-2000. It may be a bullish opportunity even if that occurs in the preceding week. Monday and Tuesday (11-12<sup>th</sup>) look bullish on the Venus-Uranus aspect. Thursday is a large alignment of Sun-Mercury-Jupiter-Node which also leans bullish. The following week (Jan 18-22) looks bullish to start on the Venus-Jupiter alignment but the rest of the week is more suspect. I think we are likely to see some downside late in January although I'm not sure if it is focused on the 3<sup>rd</sup> week or 4<sup>th</sup> week. The last (4<sup>th</sup>) week of January leans bearish as Mercury aligns with Saturn and Mars. This is perhaps a better bet for more downside than the 3<sup>rd</sup> week. January as a whole should be negative and perhaps we will see the SPX trade below 1980. February looks more bullish as Mercury and Venus are aspected by Jupiter in the first half of the month. This may produce a modest rebound but it seems likely to be a lower high, perhaps in the 2000-2050 range. Late February looks bearish and March does also, especially in the second half. April and May could see a rebound but it does not look that strong. Another lower high is likely. June, July and August look bearish and are likely to coincide with a significant correction. There is a risk of a crash-type event in late June as Uranus changes signs while in aspect with Mars. I think that 1700 is very possible by the summer.



**Technical Trends**

**Astrological Indicators**

**Target Range**

Short term trend is DOWN  
 (1 week ending Jan 8)

bearish (confirming)

SPX 2000-2020

Medium term trend is UP  
 (1 month ending Feb 8)

bearish (disconfirming)

SPX 1950-2050

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

bearish (disconfirming)

SPX 1700-1800

## Indian Stocks

Stocks rose last week as investors were eager to get the New Year off to a bullish start after enduring a difficult 2015. The Sensex gained more than 1% closing at 26,160 while the Nifty ended the week at 7963. This outcome was somewhat more bullish than expected as we saw precious little selling on the early week Mars-Mercury alignment. When the sellers finally moved in on Wednesday, the pullback was modest. The late week was more bullish on the Moon-Jupiter conjunction.

While 2016 has opened on a mildly bullish note, my outlook for the year is bearish. There are a number of difficult aspects throughout the year which favours another negative performance for the major indices. The Saturn-Jupiter square hits in March and April, and then the Saturn-Neptune-Rahu alignment will dominate during midyear, say from June to August. This suggests more downside is very likely and the year as a whole should be negative. 2015 saw stocks lose less than 10% but my expectation is that 2016 will see a larger decline. Of course, there will be rallies in between but my expectation is that these will not be strong enough to reverse the overall down trend in this market. January and February could see the first of these bounces as Jupiter conjoins Rahu.

This can be a potent bullish combination although the approaching aspect from Saturn will likely reduce its upside potential. That said, the rally may be strong enough to give bulls hope to remain the game. This could well complicate the technical picture, such a break out of the year-long declining channel that began in 2015. But bearish Saturn will likely have the final word this year. A bear market will likely formally occur sometime in 2016 when stocks have declined by more than 20% from their top in early 2015. This will occur if the Nifty falls below 7360. Even if we see a significant rally into February, I would think the chances are good that this level will be tested in either April or, at the latest, in July.



Bulls scored a minor technical victory last week by matching the early December high of 7979. Declining channel resistance at 8100 near the 200 DMA is likely more important as an upside target. A close above that level would be more encouraging to bulls as suddenly 8336 could be in play. Given the bullish Sept/Dec double bottom, a close above 8100 and the 200 DMA would make a longer rally much more likely. The October high of 8336 would be more important technically since it is the high that separates the two 7550 bottoms. A move above that level would open the door to substantially higher prices. The upside target in that case would be a lofty 9150 – very close to the all-time high.

I don't see this kind of scenario happening but it is worth knowing in case the Q1 rally is stronger than expected. Support is near 7850 so any move below that level without a preceding new high above 7979 would be bearish and would increase the likelihood of more downside and a possible retest of the lows at 7550. The weekly BSE Sensex chart is showing signs of turning bullish as stochastics is in a bullish crossover and MACD is on the verge of making its own bullish crossover. Declining channel resistance is close to 27,000 so any move above that level would make this chart more bullish. Declining channel support is near 23,500. Infosys (INFY) put in a flat week but remains in a long term bullish trend. It is finding support here at the 50 WMA so there is good reason to think that any dips will be quickly bought. It may require a close below the May-June lows for this chart to become bearish. Until then, bulls will be expecting to continue the pattern of higher highs. HDFC Bank (HDB) enjoyed a small gain last week as it has apparently found support at its 50 WMA. We can see the makings of an ascending triangle here with a possible higher high. A breakdown of support at the December low could shake things up, however, and make this chart bearish.

This week leans bearish as the Mars-Mercury aspect culminates on Wednesday just as Mercury turns retrograde. This is a high probability negative pattern which is likely to have a global impact. It is likely to produce at least one strong down day on either Monday, Tuesday or Wednesday, although I would lean a bit towards Monday. If Monday is lower, I would retain a bearish bias for Tuesday and Wednesday just in case there is more downside. While the odds of another down day will fall if Monday is lower, the overall picture still looks tense. Wednesday is perhaps a little less bearish. Thursday could see a move in either direction as Venus conjoins Saturn.



I would still favour a negative outcome here although I would not be surprised if stocks actually rose. Friday is hard to call although I would lean bullish as Jupiter stations retrograde. Overall, I think the chances are good for immediate support to be tested at 7850 this week. Depending on when the down days arrive, we could see prices fall below that level fairly soon. However, the prospect of some late week upside would make me temper my downside expectations here. I think January is likely to be a bit bullish overall but this week seems difficult.

Next week (Jan 11-15) could begin on a negative note as Monday brings a Moon-Mars square. But the rest of the week is likely to bring gains on Tuesday's Venus-Uranus alignment and then the Sun-Mercury conjunction on Wednesday and Thursday. It is hard to suggest levels here although I think we could erase any declines from the preceding week. The following week (Jan 18-22) looks bullish again as Venus aligns with Jupiter early in the week. There may be enough upward momentum to generate a modest gain during the week. Perhaps the Nifty can reclaim 8000. The last week of January looks more bearish, however, as Mercury conjoins Pluto and aligns with Saturn. Early February looks quite bullish as both Mercury and Venus are aspected by Jupiter. This could be a more likely chance for bulls to push the Nifty closer to key resistance, perhaps to 8100 or even 8300. Most of the upside should occur in the first two weeks of February. After that, we are likely to see some modest retracement into late February but March looks worse as Mars enters Scorpio and approaches Saturn. This pullback may well offset most of the preceding rally. I'm not convinced it will be deep enough to retest 7550. It may be a more modest retracement but we shall see. A rebound should begin in mid-April and continue through May. June through August looks more bearish and this time frame will likely produce a significant decline that pushes the Nifty below 7550, if it has not done so already. A crash-type scenario is possible in late June as Uranus changes signs. This could push the Nifty down to channel support which by this time may be closer to 7000. We are unlikely to see a sustained rebound begin until early 2017.



**Technical Trends**

**Astrological Indicators**

**Target Range**

Short term trend is UP  
(Week ending 8<sup>th</sup> Jan)

bearish (disconfirming)

7700-7800

Medium term trend is DOWN  
(Month ending 8th Feb)

bullish (disconfirming)

7800-8200

Long term trend is UP  
(Year ending Jan 2017)

bearish (disconfirming)

6700-7200

## Currencies

The Dollar moved higher on safe haven concerns on worries over falling commodity prices. The USDX finished the week at 98.75 while the Euro closed below 1.09 and the Rupee continued to trade near the 66 level. I had expected some upside for the Dollar last week although most of it occurred rather unexpectedly late in the week. The Dollar is continuing to trade in a range here between 97 and 100 as bulls take a breather from the retest of the recent high. Any move below support at 97 would suggest a longer period of retracement below the high as the Dollar could retest its October low of 93-94. The chart would still be bullish although it would mean a much longer period of sideways trading. If there is no move below 97, however, and we get another rally towards 100, one would think the momentum would be on the bulls' side and that a higher high may not be far away. The weekly Euro chart still looks as fragile as ever as resistance appears to be near the 50 WMA. A close above that level would be bullish for the Euro obviously, and the double bottom upside target of 1.25 would still be in play.



This week could see more upside for the Dollar as the Mars-Mercury square is likely to bring gains. I would not rule out a quick retest of resistance at 100, although I wonder if it might fall a bit short of that level. It may well exceed the previous high of 99.35, however. Next week looks more bearish so it may well be a scenario of profit taking after testing resistance. The pullback could negate the previous week's gain. The third week of January looks more mixed but I would retain a bullish bias. The last week of January should see the Dollar test support at 97. I suspect it will break support in early February so we could see the DX fall closer to 95. But the Saturn-Jupiter square in March will likely see the Dollar rally again. I am expecting another retest of 100 by early April. And I would not rule out a move above 100 at that time. Another period of retracement is likely in late April and early May but this is unlikely to make a significant low. Instead, it will likely provide the jumping off point for another rally in the Dollar starting in May and continuing into June and July. I would expect a significant move above 100 by this time. This could correlate with a decline to 0.95 in the Euro. Another peak in the Dollar is likely in early 2017 although I'm uncertain if it will be a higher high.



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

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

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

## Crude oil

Crude oil resumed its losing ways last week as supply forecasts were better than expected. WTI lost almost 3% closing near \$37 while Brent suffered a little less damage. This bearish outcome was in keeping with expectations as the Mars-Mercury aspect correlated closely with a significant decline on Monday which set the tone for the week. As I suggested last week, the low from the 21<sup>st</sup> was retested although Thursday did finish a bit higher. Bulls are likely keeping their ambitions fairly modest since any bottoming process is likely to be protracted in any event after such a huge decline in crude over the past two years. As long as the December low holds, I

suspect bulls will be fairly content for the time being. Resistance is now at a very modest \$38 for WTI. This is bad news for bulls since this is barely above the former August low of \$37.75. Brent remains well below achieving this modest technical feat, however. In other words, there is a risk that support may still turn into resistance and that crude may not be able to break above \$38. If it does, then it could rally back to \$40 which is the next resistance level. The weekly Brent chart looks so oversold one would think that a short squeeze is possible at some point. A squeeze could quickly retest the 20 WMA at \$45.

This week will likely see crude under pressure again. Mercury turns retrograde on Tuesday while forming an exact square with Mars. This is likely to generate some downside. But the late week Venus-Saturn conjunction may be more important and perhaps even more damaging. This is somewhat less reliably bearish as an influence and yet the downside risk is still significant. I think crude is likely to retest its December low at least. Next week looks more bullish as the Sun conjoins Mercury on Thursday. The early week also offers some bullish possibilities. The third week of January looks more mixed although we could see some modest upside here. I can't quite see crude making a huge breakout higher in January although hitting \$40 for WTI would not be surprising. Late January looks choppy at best and could produce another retest of any recent lows but early February should be bullish.



This is a more likely time when a short squeeze might occur which sends prices sharply higher, if only for a few days. Late February looks bearish again and March looks very bearish as Saturn squares Jupiter. A new low in April is possible. Crude should remain in this down trend for most of 2016 with lower lows quite likely by the summer. I think \$20 is possible at some point this year with a bottom more likely forming in the second half in 2016 or early 2017. A substantial rebound rally is more likely to begin in 2017.

### Technical Trends

### Astrological Indicators

Short term trend is DOWN  
(1 week)

bearish (confirming)

Medium term trend is DOWN  
(1 month)

bullish (disconfirming)

Long term trend is DOWN  
(1 year)

bearish (confirming)

## Gold

Gold slipped lower last week as worries of the never-ending commodities collapse undermined sentiment. Gold finished more than 1% lower at 1060. This bearish outcome was in keeping with expectations as I thought the Mars-Mercury pattern would likely correlate with declines. Monday was lower and Wednesday also saw some selling. Gold is trading in a narrow range here between 1050 and 1090 as bulls attempt to build a tradeable bottom while bears anticipate the next test of support. A rebound would not invalidate the ongoing down trend as long as gold remained below channel resistance near 1160, just above the 200 DMA. In other words, bears may feel no urgency at all to put any shorts on after the recent touch of channel support. There simply isn't a compelling case for shorting until either the channel breaks down or there is a retest of resistance at 1160. We could also see a lower high closer to 1100 at the middle of the channel from which bears might entertain their chances to push prices lower. On the other hand, there is a better short term bullish case as gold is closer to support. From a medium and long term basis, gold is still not looking attractive as the prevailing trends remain down.

This week looks bearish as Mars completes its



square of Mercury on Tuesday and Venus conjoins Saturn on Friday. Monday and Tuesday may not actually produce that much downside since the Mars influence could be offset by the Sun's conjunction with Pluto. Therefore, we could easily see gold bounce on a day or two this week. However, I think the downside will manifest eventually, probably more so in the second half of the week. Friday's jobs report may be a catalyst. We could see 1040-1050 again at some point this week. Next week looks more bullish, as Tuesday's Venus-Uranus aspect could provide the bounce off support that bulls have been looking for. Thursday's Sun-Mercury conjunction also looks bullish so I would expect a significant gain. The following week (Jan 18-22) should see some follow through to the upside. Late January leans bearish, however, although it will likely put in a higher low. February should be bullish so perhaps we could see an interim high by the middle of the month. It is likely to be over 1100, and possibly reach channel resistance at 1160. But March and April look quite bearish and could test channel support which could come in at 1000 by this time. Another move lower is very likely in the summer so we could be looking at sub-1000 gold by July. Overall, 2016 is looking to be just as bearish for gold as 2015 was.

### **Technical Trends**

### **Astrological Indicators**

Short term trend is DOWN  
(1 week)

bearish (confirming)

Medium term trend is DOWN  
(1 month)

bullish (disconfirming)

Long term trend is DOWN  
(1 year)

bearish (confirming)

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