

Summary for week of 22 February 2016

- Stocks mixed this week but with bearish bias in second half
- Dollar could test resistance but outlook is neutral this week
- Crude oil could see gains early but second half less positive
- Gold subject to more consolidation this week

US Stocks

Stocks finally rebounded last week on talk of an OPEC production freeze and the absence of any more bad news out of China. The Dow rose almost 3% on the week closing at 16,391 while the S&P 500 finished at 1917. While I thought we would get some upside, the size of the gain was a little surprising. The discrepancy focused on the Tuesday's upside despite the Mars influence which I thought might have produced some selling. We did get some midweek gains as expected with the late week somewhat more bearish.

No news is good news for the market as Chinese trading resumed last week without any major developments. If China can stabilize the Yuan and thereby reduce its capital flight, that would boost global sentiment as the deflationary impulse would be mitigated. A lower Yuan effectively exports deflation overseas in the form of lower prices for goods made in China. Japan also appeared to back away from the abyss last week as the Nikkei rose sharply thus lending credibility to the BOJ's foray into the netherworld of negative interest rates. However, Japan's recent economic data was very weak and suggests the Abenomics isn't working as advertised. Investors bought stocks in anticipation of more QE liquidity in a return to the 'bad news is good news' theme. Even if QE or NIRP may not actually work, they may still be able to temporarily boost stock prices. The difference now is that the favorable market reaction to these stimulus attempts doesn't last as long and hence the upside may be more muted.



So it seems the rebound is very much on here following the retest of the previous lows around 1820. But is it just an oversold technical bounce that will eventually fail or the start of a significant rally to higher highs? My view hasn't changed on this question as I continue to be skeptical of any rallies here. Nonetheless, contrary to my expectations we do have the makings of a fairly strong V-shaped bottom if the bulls can extend the gains in the days ahead. Of course, even if we get more short term upside, the fundamental outlook still looks bearish given the significant overhead resistance at 2000 on the SPX. A failed rally near 2000 would then set the stage for another move lower that I am expecting in March. The question here is whether this will produce a lower low. If the bear market is for real, then we should get a lower low below 1810. However, I'm not certain if the planets are sufficiently negative for this simpler bear market scenario to play out in March and April.

The technical picture improved in the short term following the strong bounce off the double bottom at 1810. Bulls have a viable game plan now as they attempt to push above the previous interim high at 1947. Any move above that level would greatly increase the likelihood of a run-up towards the 2000-2020 resistance area. Obviously, any move above 2020 would begin to tip the scales in favor of the bulls. Even in that case, it is a lower high which would keep the bears in the game. A lower high could therefore also technically include a spike to 2050 above the 200 DMA. If Draghi and the ECB surprise on the upside in March with a big new bazooka of stimulus, then we could see such a sharp move unfold. As long as any new high was lower than 2081 (the last significant high), then the huge topping formation that began in 2015 could still be a viable pattern, as painful as it might be for bears to endure.

The most bearish scenario here is that stocks cannot even move above 1947 and they retest their penultimate support level near 1875. If that failed to hold, then 1810 likely would not hold as support either on a 3rd test of that critical support level, especially if stocks reversed before a hard test of 1947. If we take 1810-1820 as support, then this 12-month long putative topping pattern in the making has a possible downside target of 1600 ($2130-1815=215$; $1815-215=1600$). This is just a little above that long-term support from the previous highs near SPX 1550 so that could be a plausible enough place for the end of the next wave down. Currently, I think the most likely timing for this next big wave down is the summer. The rising channel support line from the 2009 low is somewhat higher at 1760-1770 and could mark a reasonable bottom in the event that we do see a lower low in March-April. The weekly Dow chart is showing stochastics working off its oversold condition although it has a very long way to go before becoming overbought. This chart has more bearish attributes as you can clearly see the bearish crossover of the 20 and 50 WMA, the 2nd lower high in November and the double bottom pattern. The broader US indexes and Europe continue to lag as last week's rally on the German DAX chart only retested the January lows. Treasury yields also declined again last week and hinted at another retest of the recent low at 1.6%. Lower yields are usually correlated with reduced inflation expectations and economic contraction and hence are often bearish for stocks.



This week may bring increasing downside risk, especially after Tuesday. The early week leans bullish, however, as Monday's Full Moon aligns loosely with Venus so that could reflect some buying on Monday and Tuesday. Tuesday's Moon-Jupiter conjunction also looks a bit bullish so I would not be surprised if we got some follow through on the upside. I would think the chances are good for a push above the early February high of 1947. But Mercury comes under the influence of Saturn as the week progresses so I would not expect the rally to last through to Friday.

Wednesday and Thursday look more bearish than other days in that respect. Therefore, I would also think that it is unlikely we might see a quick run-up to 2000 this week. Friday is somewhat less bearish looking as Mercury aligns with Jupiter. Overall, I am uncertain where this week will finish. We could see a positive close or a negative close. As Saturn gradually moves towards its square with Jupiter, however, I would think the downside risk is increasing here so a negative week is a little more likely. Even if it does finish negative, the likely early week gains may mean that declines would be more modest.

Next week (Feb 29-Mar 4) looks more bearish, especially late in the week. Monday leans bearish as Venus is aspected by Saturn. The middle of the week could see some upside, however, so it's possible we will not see a sudden reversal lower. Instead, we could see some sideways movement in early March. I'm not sure. Friday March 4th looks more bearish as Mars squares Mercury. This is a high probability aspect which should closely correlate with a decline of 1% at least. Thursday also leans bearish due to this combination. Some upside is also likely in the following week (Mar 7-11) although I suspect it will be focused in the early part of the week. But March as a whole looks bearish as Saturn prepares to station retrograde on March 25th. As I noted above, I'm not sure how much downside we will get in March. A lower low is possible but the evidence is not as clear as I would like it to make that forecast. In terms of possible turn dates, the Saturn station itself on March 25th is a possible window for an interim low. A strong bounce is possible starting in late March and continuing into early April. Mars turns retrograde on April 17th so that could also indicate a top and a pullback. April and May look choppy but more upside is very possible, especially in early May. This could be the last chance for the bulls to recapture important technical resistance levels. A final top could occur in mid-May and then the number of negative influences will begin to increase. June and July should be quite bearish and we could even see a crash of sorts. The late June entry of Uranus into Aries is a possible indicator of a sudden and sharp decline. We could therefore see that 1600 level tested in the summer. A strong bear market rally is likely in August and September, but Q4 looks quite bearish again. I am expecting a significantly lower low (below 1600) by early 2017.



Technical Trends

Astrological Indicators

Target Range

Short term trend is UP (1 week ending Feb 26)	bullish (confirming)	SPX 1900-1940
Medium term trend is DOWN (1 month ending March 26)	bearish (confirming)	SPX 1800-1850
Long term trend is UP (1 year ending Feb 2017)	bearish (disconfirming)	SPX 1300-1600

Indian Stocks

Stocks bounced last week as Asian markets showed signs of stabilizing while OPEC producers agreed to freeze production. The Sensex rose 3% closing at 23,709 while the Nifty finished the week at 7210. While I had been uncertain about the week, the gain was not that surprising. After Monday's rally we did see some selling on Tuesday and early Wednesday which correlated closely with the Mars-Ketu aspect I had highlighted in last week's newsletter. The late week upside was not unexpected given the Mercury-Jupiter aspect.

As noted last week, the technicals clearly pointed to a bounce off declining channel support and that's pretty much what we got. But how far can this rebound go? Stocks appear locked in a downtrend after the Nifty high of 9119 last March with no clear bottoming pattern in sight yet. With fairly low investor expectations from the upcoming Union Budget on the 29th, there really isn't an obvious source of bullish sentiment in the works. Perhaps the ECB's Mario Draghi can surprise markets with a bigger than expected stimulus in March, although it must be said that investors are getting increasingly skeptical about the ability of central banks to boost markets against a backdrop of chronically low growth. It may well be that it is only the absence of more bad news out of China that could provide the basis of a relief rally. And yet more declines in crude oil or further uncontrolled depreciation of the Yuan would likely hit markets hard and push indices to new lows.

My view is still that there is more downside to come in March courtesy of the Saturn-Jupiter square aspect. This will coincide closely with the Saturn retrograde station on 25th March and seems more likely to depress stock prices for several more weeks. While a rebound will eventually come in April and May, it seems likely to be a



bear market rally that is part short squeeze and part oversold bounce. In other words, 2016 is looking like a bearish year with a lot of downside to come.

The technicals turned short term bullish as the bounce off channel support get some legs. Wednesday's intraday low was just under 7000 but formed a higher low which is bullish. This was one reason why the rest of the week was more positive. With a higher low in place, bulls can see how far the market can be pushed. To be sure, the declining channel is king here but it would at least allow for a potential upside to resistance at 7700 or so. But how likely is it that the Nifty could see a bounce that strong? The current measured move indicates a short term upside target of 7250 – just 40 points from Friday's close. We could therefore see some selling if and when 7250 is reached. Remember also that 7250 is important horizontal resistance since it was previous support in January. It may take a few tries for bulls to surmount that obstacle. Nifty stochastics are nowhere near overbought yet so more upside towards the 50 DMA at 7532 and 7700 is a bit more possible. If the Nifty moves above 7250 then that would be a short term buy signal as short stops would be triggered and we could see a quick run-up towards 7400 or even 7500. Failure to move above 7250, could run the risk of a lower low fairly soon. If 7250 is not breached to the upside, and we see the Nifty again testing 7000, for example, the technical situation would become more bearish with a breakdown of support more likely. A lower low below 6900 would then become probable.



It is an open question what happens if 6900 is broken decisively to the downside. This could break channel support and might spark a rush to the exits. A marginally lower low to say, 6850, may not be sufficient to trigger sell stops since it is a falling channel, after all, since support is also declining at a rate of about 5-6 points a day. There could be some support near 6800 which was the pre-election high in April 2014. Below that, support is close to the old highs of 6400. The weekly BSE chart reflects the technical logic of the current rebound. The previous week's low tagged the long term bull market support of the 200 WMA at 22,852. Last week's candle was a bullish hammer and finished above the previous week's low. This was also a test of the April 2014 pre-election high. So far, so good. Bulls are therefore in an excellent position to see how much of a bounce they can entice out of this set up. There could be some resistance at 24,300 which may cause some bulls to take profits. Otherwise, the rebound could easily move as high as 25,000 without fundamentally altering the technical picture. Meanwhile, Infosys (INFY) followed the indices higher last week as it bounced off key support. It could find some resistance here near the 50/200 DMA and the December highs. Failure to close above the December high would be bearish and could prompt another retest of the Nov/Dec/Jan lows. HDFC Bank (HDB) actually slipped a bit in US trading despite its recent bounce of Jan-Feb support. The weakness of the bounce so far loads the dice a bit in favour of the bears. Even if it manages to clear the Feb highs, there is a lot of resistance at the 50 and 200 DMA. This chart looks more bearish in the medium term so I would think lower lows are more likely.

This week could see some gains, especially early in the week. Monday's New Moon is in a loose alignment with Venus which could spur some buying. The Moon approaches its conjunction with bullish Jupiter on Tuesday and Wednesday so we could see more upside follow through. I would say these are only moderate probability influences for gains, rather than high probability ones. But the second half of the week looks more difficult as Mercury comes under the aspect of Saturn. This is exact on Wednesday and Thursday so there is a risk of declines then. Wednesday therefore could see early gains which fail to prevail by the close. Friday also leans a bit bearish on the Moon-Pluto opposition. It is hard to call an overall direction this week. I would retain a bearish bias here as we go into March although gains are still quite possible this week. Perhaps the more important question is whether the Nifty can move above resistance at 7250 or so if those early week gains come to pass. I would think there is enough planetary influence to push it over that level but we shall see. But the Mercury-Saturn aspect looks relatively more negative so that may give the bears the edge this week.



Next week (Feb 29–Mar 4) will focus on the reaction to Monday's Budget. Venus is aspected by Saturn that day so that bodes poorly for markets. It is possible that social spending is likely to be fairly constrained on that aspect, so there could be some room for disappointment. Reaction may become more positive, however, as we could see some midweek upside, as Mercury enters the sign of Aquarius. Two or perhaps even three positive days are quite possible here. But Friday looks problematic as Mars squares Mercury so the week overall could go either way. It seems likely that any post-Budget upside will be fairly muted and should remain within the bounds of the declining channel. I tend to think the Nifty will be hard pressed to reach the 50 DMA at 7532 by March 11th but we shall see. The following week (Mar 7-11) could start out positively as Venus enters Aquarius but the second half of the week looks bearish and the week as a whole leans bearish also. We could see another interim bottom between March 15th and 19th as Saturn prepares to station retrograde. Perhaps this low will test support again at 6900, or even 6800. That is one possibility. A rebound is likely to begin by the end of March and continue through April, although April is likely to be quite choppy given the Mars retrograde station on the 17th of that month. Nonetheless, I think it is possible we could see the rebound extend into early May. This would suggest at least a rally back up to channel resistance at 7600 or so. It may well move higher than that, however. May is likely to see a medium term market top as Saturn approaches its square aspect with Rahu. This is a difficult pairing which I am expecting to correlate with another significant move lower through June and into July. This should challenge the previous low (6800?) and I would think the chances are fairly good that we will see 6400 on the Nifty by July. A sharp bear market rally is likely in August and September, but the selling will return in spades by October and likely continue for the rest of 2016. A longer term low is possible in December or January 2017. It is quite possible this will be lower low below 6400.



Technical Trends

Short term trend is UP
(1 week ending 26 Feb)

Medium term trend is DOWN
(1 month ending 26 March)

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

Astrological Indicators

bearish (disconfirming)

bearish (confirming)

bearish (disconfirming)

Target Range

7000-7200

6700-7200

5000-6400

Currencies

The US Dollar rallied last week as some semblance of order returned to currency markets following the uneventful resumption of trading in China. The Dollar Index finished well above 96 while the Euro fell to 1.11. The Yen suffered a modest retracement while the Rupee weakened further to 68.5. The Dollar rise was in keeping with expectations, although biggest gain (on Monday) came somewhat earlier than I thought. Dollar bulls are on the lookout for a bottom forming here with the possibility of a double bottom at 95.5 or a higher low at 96 in the coming days. The Dollar tested resistance last week at the 200 DMA and then retraced lower. The 97 level is formidable resistance that was unlikely to be broken on the first try. We could therefore see the Dollar retest last week's lows and perhaps even lower before there is another test of resistance at 97. The weekly Euro chart shows how the 50 WMA was resistance but may now be acting as support. A break below this line at 1.10 would therefore be bearish in the medium term for the Euro. At the moment, we still have a bearish lower high from two weeks ago at 1.14 which is unremarkable in the larger scheme of things. Any combination of stronger than expected US data and a bigger than expected ECB stimulus in March would likely send the Euro back below that 50 WMA and a possible retest of 1.05.

This week has a mix of aspects that could move the Dollar in both directions. Monday's New Moon looks bullish but the midweek Moon-Jupiter conjunction could be bearish. Friday's Mercury-Uranus alignment also looks bullish. Perhaps we will see the Dollar again test resistance at 97, even as early as Monday. While some downside is likely into Thursday, I'm not convinced it will be low enough to retest the low at 95.5. Since March is shaping up to be more bullish for the Dollar, I am less inclined to think that 95.5 will be broken on the downside. A more likely scenario would be a double bottom, perhaps



in the first week of March. After that, the trend should be higher for the rest of March with a possible high in late March or early April. We could see the Dollar Index again test the 100 level at that time. While April could see some retracement, I am not expecting a large pullback. It is also possible we could get a distinctly higher low (above the March low) which creates that much more bullish momentum for the breakout higher I am expecting in May and June. A high of 105 or 110 is possible by July and August. After a technical retracement in September, another up trend is likely in Q4 and Q1 2017. This should be strong enough for a higher high. Of course, a high Dollar usually correlates with declines in stocks and other commodities. Therefore, a rally in the Dollar is one more reason to expect equities to continue to fall into 2017.

Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Feb 26)	bearish (disconfirming)	96-97
Medium term trend is UP (1 month ending March 26)	Bullish (confirming)	98-100
Long term trend is UP (1 year ending Feb 2017)	bullish (confirming)	105-110

Crude oil

Crude oil rallied last week on news that OPEC had agreed on a conditional production freeze. WTI enjoyed the biggest gain as it climbed 10% to \$32 while Brent only finished marginally higher at \$33. I thought we might have seen more downside on Tuesday but that turned out to be only a flat day. Gains arrived on Wednesday and Thursday which was not shocking, although the size of the rally seemed disproportionate with the planetary influences. In any event, the technical picture looks cautiously bullish, at least on a short term basis. WTI's weekly close above \$30 hints that a tradeable bottom may be in place. Support is in the 29.50-30 range so any move below that would mean a retest of \$26 is in the cards. Resistance is \$34 here for WTI and \$36 for Brent. Despite the higher low, a close above that resistance level would likely be more significant for a more enduring rebound. Some bulls may be waiting for an inverted head and shoulders pattern if there is another higher low at \$28 forming the right shoulder. \$28 therefore could bring in many buyers if we do get a pullback to that level in the near term. With the \$34 neckline this IHS pattern has an upside target of \$42. Not exactly the start of a new bull market but at least it could be the plausible beginning of some kind of bottoming process.



This week could see some upside but it could be confined to the first half of the week. We should see at least one up day on either Monday or Tuesday. Monday looks a bit more bullish but it could go either way. If Monday is higher, then it is possible we could even get a retest of resistance at \$34/36. I don't think there's enough bullish energy available here to go over that level, but we shall see. Wednesday and Thursday seem a bit more bearish as Mercury is aspected by Saturn. While I think crude oil is likely to retest its lows very soon, I'm not sure if it will be this week or next week. March does look bearish enough to produce lower lows, but it is conceivable that we get a more neutral outcome this week. Nonetheless, I would retain a bearish bias this week just in case. Next week also hints at a bearish bias as Monday's Moon-Mars conjunction could see a big move lower. The week as a whole looks negative and there is a decent chance of a retest of the low of \$26/27 here. I think the chances of a breakdown of support are 60-40 by the Saturn station on 25th March. A bounce is likely in late March and early April but it does not look strong. The Mars retrograde station on 17th April could coincide with more selling in mid-April. A rebound higher should begin in late April but it also looks short-lived. It may only retest recent resistance levels (\$26? \$34?) I think crude is unlikely to break out of its downtrend any time soon since June and July look quite bearish and should produce lower lows, possibly to \$20 or lower. August and September should bring a strong rally although another down phase is likely in Q4.



Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending Feb 26)	bearish (disconfirming)	\$29-31
Medium term trend is DOWN (1 month ending March 26)	bearish (confirming)	\$22-26
Long term trend is DOWN (1 year ending Feb 2017)	bearish (confirming)	\$20-30

Gold

Gold slipped last week as stability returned to currency markets in Asia and Goldman Sachs issued a sell recommendation. After falling more than 3% Monday, gold settled on Friday at 1226 down 1% on the week. This somewhat bearish outcome was not surprising as I thought we would likely see some retracement this week. While I thought the Mars-Node alignment was a bearish influence last week, I was uncertain if gold could actually close lower. Despite the negative outcome, bulls did defend the 1200 support level early in the week and we saw a bounce off that support later on. The chart still looks bullish in the short term as long as gold can remain above 1200. A retest of the previous week's high of 1260 (or closing high of 1240) is quite possible in the days ahead as the market looks for direction. Obviously a higher close would be bullish and would signal more upside, possibly to the next resistance level of 1300. So far, the current price spike is commensurate with both a brief bear market rally over the 200 DMA that turns out to be a bull trap AND the beginning of a significant technical breakout higher. A close above the previous high of 1300 would likely make that latter bullish view more compelling, however.

I believe the clock is ticking on this gold rally. It is possible we could see more upside this week or even next week, but there are rising downside risks. This week leans bearish as Mercury aligns with Saturn. Monday's New Moon looks a bit bullish given the proximity of Venus, however. I think gold is unlikely to move above 1260 this week and even a 1240 close seems unlikely. Another test of 1200 at some point in the week is probably a more likely scenario although a neutral outcome is also possible. I'm not certain there is enough negativity yet for a breakdown of support at 1200, however. Next week may be mixed with the early week Venus-Saturn aspect likely to correlate with some downside. A break below 1200 is possible on the 29th or the 1st of March. The Sun-Jupiter opposition in the week of March 7-11 (exact on the 8th) could mark an important reversal in gold. After that date, a decline becomes more likely. Saturn squares Jupiter for the rest of March so I would think gold will decline into the end of the month at least. I don't have a clear idea where gold may bottom out on this upcoming down move. It may not be enough to break below the previous low of 1050. April also looks difficult, especially in the middle of the month on the Mars retrograde station. Some upside is likely in late April and early May but this again looks like a brief rally that doesn't go anywhere. Another move lower should begin in May and continue through June and July. This should produce a lower low and could test 1000. Another rally should begin in July and continue through September but this may not be strong enough to interrupt the ongoing bear market in gold.



Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Feb 26)	bullish (confirming)	1200-1240
Medium term trend is UP (1 month ending March 26)	bearish (confirming)	1100-1200
Long term trend is DOWN (1 year ending Feb 2017)	bearish (confirming)	800-1000

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