

Summary for week of 14 March 2016

- Stocks mixed this week with declines more likely early in the week
- Dollar likely to retest support but could begin to rally
- Crude oil susceptible to retracement with possible test of support at \$34
- Gold vulnerable to declines early but late week should be more bullish

US Stocks

Stocks extended their rebound for a fourth week as the ECB's Mario Draghi delivered a stimulus bazooka which attracted more money into equities. The Dow gained more than 1% to 17,213 while the S&P 500 finished the week at 2022. While I thought we could test this resistance zone at 2000-2020, I thought it might have occurred earlier in the week before Tuesday's solar eclipse.

Investors generally welcomed the ECB moves although Thursday's volatility may have reminded the market that there are limits to what central bankers can do. The decline in oil prices temporarily neutralized Draghi's stimulus as the market is still being driven by deflationary concerns. And now all eyes are on the Fed as Wednesday's FOMC announcement will give markets more information on the possibility of additional US rate hikes. The economic data have been strong enough to support another hike but the global environment is likely still too shaky for Janet Yellen to follow through on her promise of multiple hikes in 2016. We shall see what sort of balance she strikes between domestic growth and global slowing. A rate hike or at least talk of another hike could again introduce too much divergence with other economies which would boost the Dollar. One would think this would be bearish for stocks although a lot will depend on the language she uses.



I think we are getting very close to the end of this rebound in terms of time. Honestly, I thought we would have seen more downside in early March which would have then set up a final failed upward thrust in mid-March to a

lower high. A lower high is usually necessary in order to create the technical logic for a significant decline. But we seem to be several days away from that at least. As I noted previously, a key planetary measurement is due on March 25th when Saturn turns retrograde while forming a 90 degree angle with Jupiter. It is possible that we could see stocks rise into that date, although they could easily lose altitude before that time. The larger question is what kind of decline are we looking at in late March and early April. Elliot Wave theory argues that the next wave lower (Wave 3) should be larger than the first wave lower which took place from November to January. I can't quite see a decline of more than 300 SPX points over the next month or so, however. The planets simply don't look that bad. A retest of 1810 is possible, of course, but a lower low in April (to 1770?) may be a bridge too far. A lot will depend on where this rally ends and reverses lower.

The technical outlook looks bullish in the short term as the upward momentum alone argues for at least marginally higher highs this week. But there remain at least two different scenarios here. The first would see a reversal lower from current levels near the 200 DMA now at 2019. This is the upper end of the main resistance zone formed from the Nov-Dec lows. A reversal lower from current levels would be more bearish as it would open up the possibility of a hard retest of the February low of 1810 and keep the lower low scenario to 1770 in play. But this rebound could also move higher and end up closer to the double bottom target near 2080. This would be more bullish obviously and would make another retest of 1810 (or below) less likely in April.

Support is likely near last week's low of 1775. I would think that a close below that level would suggest that a retest of the February low is doable. Stocks are getting overbought here as the RSI pushes towards the 70 line. Breadth may be weakening as the small cap Russell 2000 did not follow the blue chip indexes and made a lower high last week. While this may not mean a new decline is imminent, it loads the dice in favor of the bears in the weeks ahead. More worrisome for the bulls is that the German DAX also failed to move higher despite Super Mario's latest efforts to stimulate the stagnant European economy. A close above 10,000 would be a more bullish signal but the chart looks vulnerable. And declining German stocks will also be a drag on US stocks. The weekly Dow chart shows the strength of this rebound with four consecutive white candles. The rebound after last August's low was six weeks long so bulls can continue to believe that this thing could go on longer. Weekly stochastics is also not yet overbought so that would also offer bulls some reason to stay in their long positions. Treasury yields rose last week on expectation of greater economic activity and inflation after the ECB announcement. The 10-year yield is pushing up against resistance at 2% here. A Fed hike this week (unlikely) would push rates above that level whereas a more dovish message could see some retracement.



This week is all about the Fed's Wednesday policy announcement. My expectation is that we will see some selling both before and after Wednesday. I think the week as a whole has a bearish bias although it is possible that we may not get much downside. We should also note there is a chance for a marginally higher intraweek high this week. I don't think it is probable that stocks will finish higher this week, however. Monday's Mars-Venus square looks somewhat bearish but recently similarly bearish aspects have not been reliable, perhaps due to ongoing Jupiter alignments with slower planets such as Pluto and Uranus. Tuesday could be more neutral ahead of the Fed meeting. Wednesday and Thursday could be more volatile based on the Mercury-Node conjunction on those days. This is a plausible enough correlation for a bearish post-Fed reaction although I would not say it is a high probability pattern. Friday could go either way. If the market has already reacted negatively on Wed and Thurs, then perhaps that argues for a bounce at the end of the week.



Next week (Mar 21-25) looks more troublesome with the lunar eclipse on Wednesday the 23rd and the Saturn retrograde station on Friday the 25th. The early week Moon-Jupiter conjunction suggests Monday could be higher. But I would think the downside risk will rise as the week progresses. The Mars-Sun-Node alignment on Thursday and Friday would seem to strongly favor the bears although we should note that the markets will be closed on Friday for the Good Friday holiday. I would think this week pushes the SPX back below 2000 and probably below support at 1975. The last week of March also leans bearish as Venus conjoins the South Lunar Node on



Tuesday. Just to recap: I'm expecting the market to reverse lower at some point between March 14th and March 25th. My sense is it will occur fairly close to the Fed meeting but I would allow for the more bullish possibility of it happening in the following week. I think the first half of April looks challenging as Mars slows down ahead of its own retrograde station on April 17th. That would be a possible window for a low, probably a higher low perhaps between 1810 and 1850 although that is very much a guess. Another rebound is likely to begin in late April and extend into May. This looks very much like a lower high (1950? 2000?). A bigger move lower should begin in late May and extend into June. This is perhaps a better bet for a lower low, especially around the entry of Uranus into Aries in late June. We could even see 1600 by July on the SPX. After another lower high is formed by September, another large decline is likely in Q4 and into early 2017. This is likely to produce even lower lows.

Technical Trends

Astrological Indicators

Target Range

Short term trend is UP
(1 week ending March 18)

bearish (disconfirming)

SPX 1960-2000

Medium term trend is DOWN bearish (confirming)
(1 month ending April 18)

SPX 1820-1850

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

SPX 1400-1700

Indian Stocks

Stocks ended the week marginally higher as investors weighed the impact of the ECB's moves to further stimulate Europe's sagging economy and disappointing industrial production data. The Sensex added just 70 points on the week closing at 24,717 while the Nifty finished at 7510. This modestly bullish outcome was not too surprising although I thought we might have seen more downside following Wednesday's eclipse. As it happened, only Thursday was lower although the week finished below Wednesday's high.

The market is looking for a rate cut from the RBI as early as its next meeting on 5th April. This prospect could entice buyers to go long although caution may prevail here as investors wait and see what the follow-on reaction will be to Mario Draghi's latest bazooka of desperate measures to shake European banks out of their lending torpor. And this week global markets will have to react to the latest Fed announcement on Wednesday. US data has been strong enough to warrant another rate hike, but Chair Janet Yellen may be reluctant to do so given the still fragile nature of the global economy. Markets are not expecting the Fed to hike now but her forward guidance will be carefully parsed as usual. If the Fed adheres to its intention to hike again soon, it could be bad news for Indian equities given the likely subsequent FII outflows and rising Dollar.



The rebound looks like it could run out of steam very soon now as we approach the Saturn retrograde station on 25th March. I would not think stocks will extend their rebound into that date, however. It seems more likely that there will be some retracement and possible lower high before then which is then followed by another significant

decline. I am expecting this next move lower to last into mid-April at least. It should be significant enough to test channel support and therefore it seems likely to form a marginally lower low relative to the February low. We could see another rally attempt after Mars turns retrograde on 17th April but this looks like it will be similar to the bear market rallies we have seen over the past year. Another lower high is the most likely outcome from this rebound into the month of May. Another move lower is very likely starting in mid-May and continuing through June. This should test channel support and could be strong enough to even break below it. Retesting the old highs of 6400 on the Nifty is very possible by July.

The technical picture looks short term bullish. Last week saw a normal consolidation under resistance after the big run-up after the double bottom. Bulls are still a bit skittish here and have yet to push the Nifty above the previous high of 7600. A lower high is bad news for the bulls as it would do nothing to change the overall pattern of lower highs and lower lows in place since early 2015. If bulls do manage to take out 7600, then the double bottom target might be as high as 7700. This should be considered the next resistance level for bears who may be considering shorting. The rebound will likely remain intact as long as any retracement stays above 7400. A move below 7400 would not necessarily spell the end of this bounce, as more support could be found near 7300. Cautious bulls looking for lower entry points may be considering this sort of deeper pullback to 7300. However, with the bear market still intact, these kinds of deeper pullbacks are fraught with downside risk as weak bulls get shaken out. A close below 7300 would therefore likely suggest a retest of the February low at 6900.

The weekly Sensex chart shows that stochastics is in a bullish crossover and has a long way to go before becoming overbought. Previous rebounds have not necessarily reached all the way to the 80 line, however, so that may not give bulls much solace. Similarly, RSI is no longer oversold but as it approaches the 50 line it is now in a zone where previous rebounds have failed and reversed lower. After bouncing off the 200 WMA, the Sensex is attempting to break above the 20 WMA. This is the approximate area where two previous rebounds eventually reversed lower. Interestingly, this is roughly where there is also horizontal resistance (at 25K) so that is formidable. Any close that is significantly above that level would be more bullish for this index in the medium term, irrespective of any astrological considerations. Meanwhile, Infosys (INFY) retraced lower last week but managed to remain above support at the January high. As long as it can stay above last week's low, the chart looks bullish and could retest its recent highs. However, any move below support would suggest another imminent move back down to the moving averages cluster and perhaps the February low. HDFC Bank (HDB) showed signs of consolidating recent gains as it approached strong resistance at the 50 and 200 DMA. The chart looks bearish medium term, but the longer it can remain above support at the Feb 16-17 high and last week's low, the better chance it has of sustaining this rebound. Any move below last week's low would be bearish, however.



This week looks mixed again although the medium term influences are getting more bearish as we approach the Saturn station. Monday looks bearish as Mars aspects Venus and Mercury aligns with Saturn. A move down to 7400 is possible on this alignment. Tuesday also contains some bearish potential given the Moon-Saturn opposition. I would not expect a big downside here but nonetheless the short term aspects may be bearish. The midweek could be somewhat more bullish, however, and the post-Fed reaction also offers the possibility of some gains as Mercury conjoins Ketu. With both positive and negative influences here, I am agnostic on the eventual outcome this week. If the early week is bearish then we could test support at 7400 but we could also end up testing resistance at 7600 if stocks rally after the Fed on Thursday. Even if the Nifty ends higher, I still think time is growing short for the bulls as the cosmic switch may flip suddenly, and perhaps near March 25th.



Next week (March 21-25) is holiday-shortened for Holi and Good Friday. As it happens, the exchanges will be closed just as Saturn turns retrograde on Friday. That could shift some of the expected downside into the following week and thus allow this week to be more positive. Monday still looks somewhat bearish, however, as Mars squares the Moon. We could see some recovery into midweek as Venus opposes Jupiter. The following week (March 28-April 1) leans bearish as the Moon aligns with Mars and Saturn on Monday and Tuesday. I would think we could get a breakdown of key support at 7300 here, if not before. April as a whole looks bearish and I would expect the bulk of the downside to occur during this month. A marginally lower low is quite possible, perhaps around 6700. We are likely to see some rebound in May but this likely won't get far. Another major move lower is likely to begin in late May and continue through June and probably into July as well. 6400 is a conservative downside target here and I would not be surprised if we went lower. After a rebound into September, Q4 is looking quite bearish again with lower lows quite likely by early 2017.



Technical Trends

Short term trend is UP
(1 week ending 18 March)

Medium term trend is DOWN
(1 month ending 18 April)

Long term trend is UP

Astrological Indicators

bearish (disconfirming)

bearish (confirming)

bearish (disconfirming)

Target Range

7400-7600

6800-7200

5000-6400

(1 year ending March 2017)

Currencies

The Dollar fell last week after a wild ride following the ECB decision to cut rates further and expand its QE program. Despite the ECB's easing, it was Draghi's comment that he was unlikely was close to cut (negative) rates further that prompted traders to sell the greenback. The USDIX settled near 96, while the Euro climbed to 1.11 and the Rupee finished mostly unchanged near 67. I had been uncertain about last week given the range of influences in play but did not foresee the size of this retracement. If the DX can hold above 96, it will be a higher low and hence the bulls will still have an easy decision to make. However, if the previous low of 95.5 is broken, that would cause some difficulty for the bullish view of the Dollar. A longer and deeper retracement down to 93-94 could be at hand. The weekly Euro chart still looks to be forming a bottom although it needs a weekly close above 1.15 to make the case more convincingly. If it did breakout, then the upside target would be 1.25 at least. If support at 1.05 should fail, however, then the downside target would be near 0.95. Currently, the market doesn't expect the Fed to raise rates soon. But if Yellen does raise rates at this Wednesday's meeting or at least provides strong hints that one is coming, we can look for the Dollar to climb sharply.

This week could see the Dollar rise early although again I'm uncertain if this will produce a big or lasting up move. The second half of the week looks more bearish so it is possible we could retest 95.5. And the slight bullish bias late in the week suggests that perhaps Yellen won't be overly hawkish either. I'm less sure about that, however. Next week offers a somewhat better chance for the Dollar to rally as Saturn turns retrograde on Friday the 25th. As we enter the month of April, I would expect the Dollar to rally back to resistance at 98.5 and beyond. I think that 100 is possible by mid-April and the Mars retrograde station on the 17th. We shall see. The Dollar should pullback starting

in late April and continuing into May. I would expect this retracement to bottom out within its recent range between 95 and 97 perhaps. Another big move higher is likely to begin by June and continue into July. This is likely to move above 100 and set new highs for the DX. The up trend is likely to continue for the Dollar for most



of 2016 and into 2017. We should see the Euro move to parity by the summer with lower lows by early 2017. A rising Dollar is what one would expect in a bear market in stocks.

Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is UP (1 week ending March 18)	bullish (confirming)	96-98
Medium term trend is UP (1 month ending April 18)	bullish (confirming)	99-101
Long term trend is UP (1 year ending March 2017)	bullish (confirming)	105-110

Crude oil

Crude oil extended its recent rally last week on rumors of yet another OPEC meeting to cut production. Even though nothing came of it, crude held onto gains by Friday. WTI rose by 6% to \$38 while Brent enjoyed a more modest gain closing above \$40. This bullish outcome was not surprising as I thought there might be enough Jupiter energy available to produce a positive outcome. WTI is pushing ever closer to that key \$40 level which essentially separates the bears from the bulls. If crude can move above that level (about \$45 for Brent), then a lot of hard core bears would likely capitulate their positions and cover their shorts. Arguably much of this recent rally has been one big short squeeze although without any new reason to sell, crude may have found a temporary floor at \$25-30. A tag of the 200 DMA at \$43 would not be out of the question as it would be very much in keeping with a bear market rally. Support is likely near the late January high of \$34. If we get a pullback near that level, buyers may well move in. If not, then crude could collapse quickly back under \$30. Another retest of the February low is still possible without it pointing to a quick breakdown, especially after this sizable rebound. And yet if \$40 is not broken on the upside, then a lower low would come eventually.



This week looks more bearish for crude as Mars squares Venus on Monday and Tuesday. Some rebound is possible midweek but Thursday and Friday lean bearish. I can't see crude breaking above \$40 on these transits this week. It seems more likely that it will test support at \$34. It may finish above that level but that's unclear. Next week looks mixed with some gains possible early on but the late week looks more bearish. I would retain a bearish bias overall in any case. We could see some upside in the last week of March but this may not be strong enough to recapture the March high. April looks more bearish so I would expect at least a retest of \$30, if not \$26 for WTI. A rebound is likely in early May but this may only retest \$40 or some other fairly modest resistance level. June looks quite bearish as Saturn aspects the Lunar Node and Neptune. We could easily see lower lows by July, perhaps as low as \$20. After another rebound in late summer and early fall, crude is likely to experience more weakness in Q4.



Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending March 18)	bearish (disconfirming)	\$34-36
Medium term trend is DOWN (1 month ending April 18)	bearish (confirming)	\$24-28
Long term trend is DOWN (1 year ending March 2017)	bearish (confirming)	\$20-30

Gold

After a volatile week, gold finished lower despite the ECB's best efforts at further monetary easing. Gold traded as high as 1285 on Friday but finished at 1251 down less than 1%. This bearish outcome was broadly in keeping with expectations as I thought Friday looked sufficiently bearish on the Sun-Ketu conjunction to offset any preceding gains. My forecast for possible early week upside before the eclipse never really materialized, however, although we did see gold trade at resistance at 1280 on Tuesday. The technical outlook is still bullish for gold in the short term. Thursday's low tagged the 20 DMA which may have provided an entry for late comers to the current rally. The successful defense of 1240 by the bulls was a sign of strength, even if the upside is still more tentative. 1300 is the next major resistance level and if that is cleanly broken, then we could get another big move higher, bearish astrology notwithstanding. If 1240 falls, then the next resistance level is 1200. This is probably the more important dividing line between this brave, new rally for gold and the threat of sinking back into the bear market quagmire of the past four years. A close below 1200 would be very bad news and would likely trigger a wave of stop losses. But for now the chart does look bullish as all the moving averages are sloping higher, even the 200 DMA. Never say die gold bugs can be forgiven for their optimism at this point. But can the rally continue?



The planets this week look quite mixed. In the wake of last week's eclipse and the Sun-Jupiter opposition, it is possible we could see gold decline without any particular short term aspects in play. That said, I'm not that confident that gold will decline so decisively just yet. The early week Mars-Venus aspect leans bearish and yet the late week Mercury-Ketu conjunction could actually correspond with post-FOMC gains. I'm not sure where gold will finish this week. If the early week isn't that bearish, then we could see it push towards or even above 1300. Next week (Mar 21-25) looks more bearish as the Sun aligns with Mars. I should note that if we are still in an uptrend by Thursday the 24th, the Saturn retrograde station on the 25th has the potential to change market direction. April looks more bearish in any event as Mars will form a wide conjunction with Saturn at the time of its own retrograde station on the 17th. I do not have a strong opinion on the size of any late March and early April decline. It could be fairly modest but I still think it ought to break below 1200. If the correction in gold gets an early start in March, then we could see it closer to 1100 by the time the retracement is done. A bigger decline is conceivable but the indications don't make that clear. Another rally is likely in late April and early May. This could be fairly strong although I do not have a clear picture of whether it makes a higher high or lower high relative to wherever it tops out at in March (hopefully!). Presumably it makes a lower high which will then set the stage for a larger decline that I am expecting in late May and into June. Gold could well retest its low of 1050

by July, if not go lower. After a rebound that puts in a lower high by September, another leg down is likely in Q4 and Q1 2017.

Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending March 18)	bearish (confirming)	1230-1280
Medium term trend is UP (1 month ending April 18)	bearish (confirming)	1100-1200
Long term trend is DOWN (1 year ending March 2017)	bearish (confirming)	800-1000

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