

Summary for week of 18 April 2016

- Stocks may have a bullish bias this week, esp. after Monday
- Dollar could retest support this week
- Crude oil may move higher, especially in second half of the week
- Gold may have bullish bias

US Stocks

Stocks resumed their rally last week as oil prices rose and corporate earnings were healthy enough to entice more buyers. The Dow gained almost 2% on the week at 17,897 while the S&P 500 finished at 2080. This outcome was more bullish than I expected, although the week unfolded more or less as forecast. We did get some selling Monday but the decline was tiny, and this was followed by the midweek rally which correlated closely with the Mercury-Jupiter aspect. Friday saw another modest decline on the Mercury-Saturn aspect but it did little to dent the bullish trend.

In the absence of any major news recently, stocks are pushing up against some important resistance here. So far, the earnings season has been mildly encouraging. The weakening Dollar is helpful for corporate forward guidance so a lot is riding on the dovish Fed to hold rates steady for as long as possible. While I remain as skeptical as ever about this market, it is important to consider the bull case since there is always someone on the other side of the trade. Bulls may be increasingly reliant on central bank moves to push stocks values higher, and yet as long as inflation remains tame in the US, the bullish case is at least plausible. With the market betting there won't be any more Fed rate hikes until Q4, stocks could conceivably melt higher for a few more months. And if some other central bank launches some shiny, new easing policy, perhaps there is even a case for significantly higher highs in US markets. More broadly, if investors believe in the Fed's omnipotence (i.e. the Fed put), then stocks should continue to rally since high asset values are now a de facto part of Janet Yellen's mandate.



While this bullish scenario is still conceivable, I think the technical and planetary indicators do not support this view over the medium term. The technical charts look topy at best with the real risk of a sudden reversal off a lower high here prompting another sharp decline. They could continue to meander sideways for some time, of course, but the planets are entering a somewhat higher downside risk zone once Mars turns retrograde on Sunday, April 17th. To be sure, the Saturn retrograde station in late March was not decisive as stocks have continued to rise in its aftermath. It is possible that even this Mars retrograde cycle may not closely correspond with a major reversal lower. As I see it, the highest downside risk window begins around May 12 and continues into early July. During that time frame there is a high probability (>80%) of significant declines. Between now and May 12 looks less negative (perhaps only 60%), although the twin retrograde cycles of Mars (Apr 17) and Mercury (Apr 28) are reasons to be cautious.

The short term technicals look bullish now as the head and shoulders option was negated by the midweek rise. The SPX is now in a gently rising channel from the late March lows. Channel support is near 2050 while resistance is 2095. These levels are probably not going to be decisive but they could shape market moves this week. Last week's Dow high matched the early December high which would equate to 2100 on the SPX. There is a fair amount of overhead resistance between 2100 and the all-time high of 2134 so in the event that the rally continues, one would think further gains will come only slowly. A quick short squeeze rally is possible if the SPX moves above 2100, but then it may only be able to jump up to 2120 before more sellers move in.

Besides the lower rising channel support at 2050, we can see that the 20 DMA (2056) has also acted as a recent entry point for buyers. A breakdown of 2050 would likely see a quick sell-off to 2025 and the 200 DMA at 2014. Stocks are still overbought here as the percentage over their 50 DMA is back up towards 90% which is near its historic upper range. We can see that the weekly Dow chart is also looking overbought as stochastics is over 90 and hinting at a possible bearish crossover. These indicators only argue for a pullback sooner than later but they do not indicate how deep the pullback may be. If we get a pullback in the coming days (as I expect) after the Dow has topped out between here and 18,250, then one level to watch may be the November low of 17,250 near the 50 WMA. This modest decline would be on the order of 4-6% and may not be technically decisive. But if buyers did not move in at 17,250 (SPX=2025), then the bears might have a stronger case. Even here, the double bottom interim high of 1950 may be the dividing line between normal bullish retracement and scarier retest of the February low of 1810. The Russell 2000 posted a decent gain last week but it is now coming up against potential resistance of the Nov-Dec lows as well as the 200 DMA. The broader market has been weaker than the blue chips as evidenced by the Russell only now reaching its 200 DMA, a level that the Dow achieved back in March. Bond yields are still looking bearish here as the 10-year appeared to reject the 50 DMA last week and turn lower.



This week will give us the first glimpse of Mars retrograde after it reverses its direction on Sunday. This is often a bearish influence and like other planetary stations (i.e. the reversing of planetary direction), it can provide a time marker for a trend reversal. While this is bearish, I don't have any high hopes of an immediate effect this week as it may take a little while for the negativity to manifest. Indeed, the short term aspects this week look somewhat bullish, especially in the middle of the week. Therefore, we have to maintain an open mind here. Monday leans a little bearish as Venus aligns with Saturn. I would think the odds are fairly good for a down day, even if it is only a modest one. Tuesday looks less bearish although I'm not sure where it may end up. Some upside is quite likely this week around the Moon-Venus-Uranus alignment which is in effect from Tuesday to Thursday. Wednesday seems to be the day with the higher bullish probability although there is a clustering of planets here that makes nailing down the big up day(s) more difficult. I do think that there is a good chance for two up days here in any event. The late week (Thurs and Friday) should produce at least one down day as Mercury aligns with Uranus and the Lunar Node. One possible scenario this week would be an early week pullback to 2060 and then a midweek rise back to 2080 (or even 2100?) and then a late week bout of profit taking. I have a bearish bias for the rest of April although I'm not sure if the decline will begin this week or next. Next week does look more bearish but it's possible we could see some downside this week.



Next week (Apr 25-29) looks more bearish as Mercury also turns retrograde on Thursday the 28th. Mercury will therefore align with Mars during the week and this could create some anxiety and rising tension. Monday has a decent chance for a decline as the Moon conjoins Mars and Saturn. An up day is likely on Tuesday or Wednesday as Venus enters Sagittarius. However, the late week should bring about another down day at least. Thursday looks more bearish in this respect. We could see a break of support at 2025 at some point. The following week (May 2-6) looks bullish to start as the Sun is aspected by Jupiter. While I think the month of May will be bearish overall, I would allow for the possibility of another modest rally here in the first week or two in the month. Ideally, this is where we would see a lower high following a late April pullback to 2000 or 2025. A lower high in mid-May could therefore be in the 2050-2080 range. This would set up the decline that I think it likely to occur in the second half of May. It is possible that the selling could begin in the second week of May but the probabilities point to the third week as more bearish. The low for May looks likely to occur in the fourth week as Venus and the Sun oppose Mars and Saturn. Perhaps there is enough bearish energy here to take the SPX down to 1950 by Memorial Day. I'm not sure but it's possible. June also looks bearish with the middle and latter parts of the month looking most vulnerable. The UK referendum vote on June 23rd is looking bearish for stocks since it coincides with the entry of Uranus into Aries. A large decline is very possible here. I would think that 1810 is quite doable and we could see something well below that key support level. Another leg lower is likely starting in September and October. I think the bears will likely have the final say this year with lower lows likely in Q4.



| Technical Trends | Astrological Indicators | Target Range |
|---|-------------------------|---------------|
| Short term trend is UP (1 week ending April 22) | bearish (disconfirming) | SPX 2050-2080 |
| Medium term trend is UP (1 month ending May 22) | bearish (disconfirming) | SPX 2000-2050 |
| Long term trend is UP (1 year ending April 2017) | bearish (disconfirming) | SPX 1400-1700 |

Indian Stocks

Stocks rebounded strongly last week on good earnings and improving commodity prices. The Sensex rose more than 3% on the week to 17,897 while the Nifty finished at 7850. This size of this bullish outcome was surprising as I thought we might have seen some downside early in the week. As it happened, only Monday provided a tiny intraday pullback which was then bought aggressively. The rally on Wednesday fit well with the Mercury-Jupiter influence as Indian investors condensed three days' bullish trading into one given the shortened trading week.

No news was good news this week as the full implications of a weaker Dollar from a dovish Fed began to sink in and encouraged buyers to take on greater risk. The market has found a short-term comfort zone as upward bullish momentum is unopposed by bears who are waiting for the next shoe to drop. Without anymore bad news, bears are either covering their shorts or waiting on the sidelines for some new plausible reason to sell. With the next Fed meeting not until April 27th, this is good reason to think that financial markets may be entering a wait-and-see period over the next week or two.

The market has extended its gains thus far in April despite the Saturn retrograde period which began in late March. I had been excessively cautious about the possible impact of this strong Saturn influence but the market has shrugged it off thus far. My main concern was



that the market was vulnerable to a large decline around the June-July time frame. This meant that the rebound off the February low was likely to run out of steam fairly soon, even if I was unsure if it was in March or April. Clearly, April has been quite bullish and there is a possibility that the rally could extend into early May. I would not rule out this more bullish scenario, although the beginning of the Mars retrograde period this Sunday 17th April is another potential burden on investor sentiment. With Mars staying retrograde until 29th June, there is a heightened downside risk in the markets for many weeks here. I would say that the second half of this 10-week Mars retrograde period is more bearish than the first half. Nonetheless, bulls should not get overconfident with this rebound. A significant reversal lower is very likely during this Mars Rx period.

The technical picture became more bullish last week after Wednesday's new high. This moved above the upside target of the double bottom pattern and made a test of channel resistance at 7900-8000 more likely. Wednesday's tagging of the 200 DMA was potentially important as it provided a possible entry point for bears looking to sell short. As a general rule of thumb, bear market rallies often reverse lower near the 200 DMA. Of course, the current rally could easily move above this line in the near term, but certainly there is an appeal for bears to enter their shorts near this level. Channel resistance is near 8000 here which also matches the early January high. Immediate support is near 7760. A gap fill to 7700 would also be a logical place for bulls to re-enter on the long side. Thus far, the rebound is following the bullish script with a series of higher highs and higher lows. A close below 7500 would therefore be more bearish and would indicate at least a period of protracted retracement. It may take a close below 7250 to end the bulls' hopes for a sustained rebound as it would increase the odds of a retest of the February low of 6900.

The weekly BSE chart suggests that we may be approaching a more vulnerable area as stochastics are getting closer to the 80 line. A bearish crossover now would be more worrisome for bulls as it could indicate an end to the rebound. The Sensex is still trading below its 50 WMA (26,137) which could prove to be important resistance. Bears can also point to the downward sloping 20 and 50 WMA in a bearish crossover which will be a huge obstacle for bulls to overcome. RSI is now in an area (50-60) where previous bear market rallies have failed and reversed lower. Channel resistance is 26,000 here and that is very close to the 50 DMA. A weekly close above that level could improve the medium term outlook for stocks although it would only match a recent previous high. Meanwhile, Infosys (INFY) reported strong Q1 earnings which pushed the stock to new highs. As expected, the bullish chart trend produced a higher high here although it is now up against resistance. If the rising channel holds, then we should expect a pullback from resistance here soon with support near the 20 and 50 DMA. HDFC Bank (HDB) also had a good week as it closed near resistance near its October high. This chart is also bullish in the long term although its longer sideways rectangular pattern may make it more difficult to achieve higher highs.



This week offers the bulls a midweek opportunity to push stocks higher. The Venus-Uranus conjunction this week should produce at least one or two up days this week, especially between Tuesday and Thursday. Monday leans bearish, however, as the Moon aligns with Jupiter and Saturn. This may increase the likelihood of some profit taking early in the week which could see resistance tested at 7750. Tuesday could go either way although perhaps the bears have a slight edge. But by Wednesday, we could see some upside as the Moon aligns with Venus and Uranus. This continues into Thursday. Even if there has been some early week profit taking, the midweek patterns suggest enough upside to challenge current highs at 7850. Friday also leans bullish as Mercury aligns with Uranus and Rahu. To be sure, there is some elevated downside risk here in April. But this week looks somewhat bullish from the Venus-Uranus aspect. I would think the chances are fairly good that the Nifty could finish above the 200 DMA perhaps even testing channel resistance at 8000.



Next week (Apr 25-29) looks more bearish as Mercury turns retrograde while in aspect with Mars. Monday looks bearish as the Moon conjoins malefics Mars and Saturn. This looks like something more bearish than simple profit taking. Tuesday also gives the bears a chance as the Moon aligns with Rahu and Ketu. The late week also leans bearish as the Sun aligns with Mars and Mercury turns retrograde on Friday. This pullback may only return the Nifty to the 7600-7800 range, however. The first week of May should be positively on the Sun-Jupiter aspect but the late week looks negative. This mixed outcome could produce a fairly neutral week overall. The second week of May could see some additional rally attempts as Venus is in aspect with Jupiter. I would not rule out higher highs here (8000?) although I suspect it may remain within recent range. The chances for a more significant decline increase after the Sun enters Taurus on 15th May. The Sun will oppose Mars and Saturn and this should coincide with deteriorating sentiment in financial markets. This corrective phase is likely to last into early June and could see the Nifty retest 7250. After a short bounce in mid-June, more downside is indicated by the alignment of Uranus with Mars in late June. Uranus also enters Aries on the 23rd so this could be a date to circle on the calendar as a potential decline. I think there is a good chance the Nifty will retest its February lows by July. And we could even see stocks fall much further than that, perhaps to the old highs of 6400. I am generally bearish on stocks for the balance of 2016 although I do not have a clear idea where they may bottom. It seems more likely that a low will occur in Q4, however. More downside is likely in early 2017.



Technical Trends

Short term trend is UP
(1 week ending 22 April)

Astrological Indicators

bullish (confirming)

Target Range

7800-8000

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

bearish (confirming)

7600-7800

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

bearish (disconfirming)

5000-6400

Currencies

The Dollar finished modestly higher last week on promising corporate earnings. After testing support just below 94 early in the week, the USDX finished at 94.69. The Euro slipped below 1.13 while the Rupee held steady in the 66 area. The Dollar is at a make-or-break level here as a close below 93 would set off alarm bells and trigger many sell stops. Over the past year, the greenback has been consolidating its gains after a strong rally as it has been range bound between 93 and 101. Last week did see buyers move in on the early break below 94. Could this be the beginning of another extended bounce off support? It's possible, especially since we can see a bullish

falling wedge pattern taking shape over the past two months. The midweek gain actually popped above wedge resistance and offered the prospect of more upside. A back test of that resistance line could still mean retracements close to 94 but let's see if the wedge pattern plays out. Bulls will try to regain the 200 DMA at least at 97. The weekly Euro chart saw a retest of resistance at 1.15 last week. After making a low of 1.05 in November, the Euro has been gaining ground and is now on the verge of a breakout. A weekly close above 1.15 could begin a new leg higher.

This week could see the Dollar push higher. While the short term aspects look mixed this week, Sunday's Mars retrograde station could provide an added boost for the greenback. Let's see. I am expecting the Dollar rally to begin at any time although it may have to wait until May to really get going. Perhaps the second half of April will only see more testing of support and only tentative rallies. Next week looks more bullish as Mercury turns retrograde on Thursday, just one day after the next FOMC meeting. This hints at more upside for the Dollar possibly as a result of the latest Fed statement. I'm not suggesting that a surprise hike is in store, but the planets here suggest that the Fed may be more hawkish in its language than expected. A quick rise to the 200 DMA is



possible. Early May could see some weakness in the Dollar, but the month as a whole offers a more compelling case for gains. It is possible we could see the USD_X move above the 200 DMA by the end of May. June will likely see the rally continue. The Mars station in late June is likely to correspond with some significant upside. A retest of resistance at 101 is quite possible here, although we will have to first see if it can reach 97 by the end of May. 2016 looks bullish for the Dollar. I am expecting a breakout above 101 at some point in the year. A possible significant high may occur in early 2017.

| Technical Trends (Dollar) | Astrological Indicators | Target Range |
|--|-------------------------|--------------|
| Short term trend is DOWN (1 week ending April 22) | bullish (disconfirming) | 94-95 |
| Medium term trend is DOWN (1 month ending May 22) | bullish (confirming) | 96-98 |
| Long term trend is UP (1 year ending April 2017) | bullish (confirming) | 105-110 |

Crude oil

Crude oil extended its rally to new highs last week on more news of a possible production freeze among OPEC members. WTI ended the week 5% higher just under \$42 while Brent rose more modestly to \$43. This bullish outcome was inline with expectations as I thought we could see gains on the Mercury-Jupiter aspect which tested the previous high. The gains occurred a bit earlier than forecast, however, as Monday and Tuesday were higher. The rally continues here as WTI is above its 200 DMA and is now carving out a rising channel off its February low. Support is likely here at the \$40 level although bulls would be content with another higher low above \$36 in the event of another retracement. Resistance is trickier to ascertain at this point. The previous high of \$50 from October could be the next target for the rally. A move above \$50 would be a bullish development as it would mean that the longer term bearish pattern of lower highs was broken. Bears can still point to the fact that last week's high was only incrementally higher after a much deeper retracement. This suggests that upside potential may be limited whereas downside risk remains substantial. The weekly Brent chart shows the hard road the bulls have to climb as it runs into major resistance above \$45 from the second half of 2015. It would not take much imagination to see a reversal lower from current levels as resistance at \$45-50 brings out more sellers.



This week is harder to call. The short term aspects look bullish, especially the Venus-Uranus conjunction in the second half of the week. But we could also see some of the sentiment disrupted as a result of Sunday's Mars retrograde station. It is difficult to pinpoint its effects given the apparently offsetting bullish transits this week. While I think this rally is due to fail, I'm not convinced it will happen this week. For that reason, I would lean towards another positive outcome here, although with a sizable amount of caution. Next week leans a bit more bearish as Mercury turns retrograde on Thursday. We could see some Dollar strength after the latest Fed meeting on Wednesday the 27th so that could put some pressure on crude prices. May looks more bearish as the Sun and Venus oppose Mars and Saturn. There is a good chance for a deep pullback in May with the second half looking more bearish than the first half. At minimum, I would think we could see a retest of the April low of \$35. Admittedly, that is a fairly conservative target but I have underestimated the strength of this rebound rally thus far. June is also looking bearish so we could see a retest of the February lows (\$25-30) when all is said and done. We could see a significant rebound begin in August and extend into September. Another decline is likely in Q4 although I am unsure if it will be to a lower low.



| Technical Trends | Astrological Indicators | Target Range (WTI) |
|---|-------------------------|--------------------|
| Short term trend is UP (1 week ending April 22) | bullish (confirming) | \$41-45 |
| Medium term trend is DOWN (1 month ending May 22) | bearish (confirming) | \$32-38 |
| Long term trend is DOWN (1 year ending April 2017) | bearish (confirming) | \$20-30 |

Gold

Gold retraced lower last week on renewed Dollar strength and a rally in bonds. After trading as high as 1260 on Monday, gold settled at 1235 down less than 1% on the week. This bearish outcome was somewhat unexpected as I thought we might have seen more midweek upside. As it happened my forecast for the week was inversely mistaken with the high occurring on Monday and the low on Thursday. Gold continues to go sideways here as the struggle between bulls and bears enters a more decisive phase. The early week high may have created a right shoulder in the possible head and shoulders pattern. More weakness in the days ahead could therefore test neckline support at 1200-1220. Given the recent lower high of 1260, any quick retest of 1200 could produce some anxiety for bulls as the chances of a breakdown would increase. The downside target to a breakdown of 1200 would be close to 1120, or just below the 200 DMA. This would still be a higher low relative to the December low and therefore could keep long term bulls in the game. Resistance is the previous high at 1280 with the 2015 high of 1300 also looming large. Failure to move above 1300 in the next few weeks would erode the short term bullish case for gold and would likely set the stage for another major retracement. Besides horizontal support at 1200-1200, gold is currently finding support from the 50 DMA. Also probably not decisive, any close below that line may be worth watching in terms of next day reactions.



This week leans bullish. The Venus-Uranus conjunction is likely to produce some upside here, especially around midweek. The one caveat is that sentiment could worsen in the wake of the Mars retrograde station on Sunday. This ten-week Mars retrograde cycle will last until late June and is likely to correspond with some significant downside. However, I am unsure if it will manifest immediately or whether it will require other factors as catalysts. My sense is that it may take some time before we get any declines. That said, Monday does look a bit bearish as the Moon aligns with Saturn and Jupiter. If we do see a pullback early on, I suspect that support will hold and that a rebound will take place this week. I would also not be surprised if we got another retest of 1260. Even 1280 is conceivable on this Venus influence. Next week (Apr 25-29) leans more bearish. Monday's Moon conjunction with Mars and Saturn gives an edge to the bears, as does the late week Mercury-Mars alignment. I would not expect any huge moves here but the short term aspects seem incompatible with gains or higher highs. Early May could see some upside on the Sun-Jupiter aspect which could test resistance at 1300. I would be skeptical about the prospects for a significant move above 1300, however. The downside risk for gold should increase by the second week of May with late May looking more bearish. The down trend is likely to take hold in June which should take it down below 1100. A significant rebound is likely to begin in July and carry over into August. Another corrective phase is likely in Q4 which should produce lower lows. It is possible we could see gold trading below 1000 by early 2017.

| Technical Trends | Astrological Indicators | Target Range |
|---|--------------------------------|---------------------|
| Short term trend is DOWN (1 week ending April 22) | bullish (disconfirming) | 1240-1280 |
| Medium term trend is UP (1 month ending May 22) | bearish (disconfirming) | 1200-1260 |
| Long term trend is DOWN (1 year ending April 2017) | bearish (confirming) | 800-1000 |

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