

## Summary for week of 25 April 2016

- Stocks with bearish bias this week, especially after Wednesday
- Dollar likely to move higher
- Crude oil vulnerable to declines this week
- Gold mixed this week but perhaps bearish late week

## US Stocks

Stocks edged higher last week on favorable earnings and rebounding oil prices. The Dow gained more than 100 points closing at 18,003 while the S&P 500 finished at 2091. Although I leaned a bit bearish last week, this outcome was not too surprising. I thought we would get some midweek upside on the Venus-Uranus conjunction and indeed stocks climbed into Wednesday's session. However, my expectation for some selling on Monday proved incorrect as stocks reversed higher after a negative opening.

Just how far can this rally go? If oil prices trade higher above \$40 and corporate earnings come in above expectations as they have been doing thus far, then it would create a scenario for a retest of the all-time high of 2134. While I have my doubts stocks could rise that much, I do acknowledge that this scenario is plausible enough. Of course, there are any number of things that could put pressure on stocks. The latest would seem to be the re-emergence of China as a catalyst for a global sell-off following Friday's report that billionaire investor George Soros is sounding the alarm about China's debt bubble. Soros believes that sharply rising yields in the Chinese bond market are mirroring what happened in the US in 2007-2008 when the housing bubble finally popped.

Certainly there are many big-name investors who have voiced concern about China in recent years, but Soros represents a more mainstream view and for that reason it may be more noteworthy. Nonetheless, it may only represent a medium term risk to the market over the coming weeks and months.



More immediately, the Fed meets this week and will release its latest statement on the economy and interest rates on Wednesday. The planetary alignments look less bullish this week so it is quite possible we could see markets react negatively. Even if we get a down week as I expect, this will only be a warning shot for the bull market as bulls will likely buy the dip just as they have been doing for the past several years. My preferred scenario is therefore for a pullback this week that may be a bit bigger some people expect, and then a lower high in early May which then gets sold in the second half of May. As before, the most bearish time window looks to be June and July with another bearish window in September and October. Therefore, we are still very much in the prologue phase here as the topping process could conceivably be extended for another two to three weeks.

The technical outlook suggests we could get some further consolidation after Wednesday's touch of resistance at 2100. There is some horizontal support at 2075 as buyers moved in close to that level on Friday. A breakdown of 2075 might mean that 2040 would be in play again. Bulls need a higher low to keep the rally going and 2040 is likely more critical support in that respect. Any move below that level could indicate a deeper pullback is at hand. Resistance for now is last week's high of 2100-2110. If we do get a pullback this week (to whatever level) then bulls may try to push the SPX back up to 2120.

The SPX is on the verge of a golden cross of the 50 and 200 DMA. However, a previous golden cross proved to be anything but golden in December as it was followed by a significant decline. While nominally bullish, golden crossovers are often contrarian indicators, at least for a few days, as bulls often choose to take profits. We will see what happens here. The broader indexes are still a bit weaker than the blue chip indexes as the Russell 2000 is below its November-December highs. The Russell 2000 has reclaimed its 200 DMA for the first time since mid-2015. Interestingly, the Russell has broken above its falling channel resistance off the 2015 high. This is somewhat bullish and could indicate further upside in the short term. Support may be near 1120 which would be a back test of channel resistance/support which is also in close proximity of the 200 DMA at 1129. There is still a lot of overhead resistance between 1150 and 1200 which may take a further extension of the current rally.

The weekly Dow chart suggests the rally may need to take a breather at least as stochastics is looking overbought and may soon roll over. Despite this huge rebound off the February low, the bearish crossover of the 20 and 50 WMA remains intact although both are leveling off somewhat. With the exception of the brief crossover in 2011, the last time we got this kind of extended bearish crossover of the 20/50 was preceding the meltdown in 2008. Meanwhile bond yields actually rose last week as bullish oil prices pushed more money into riskier assets. The rise in yields will only take on greater significance if it moves above resistance at 2% on the 10-year. Until that time, the TNX chart will remain bearish and will argue for a further deflationary impulse. Central bank intervention notwithstanding, this should be bearish for stocks.



This week could see the Fed's Wednesday announcement move markets to the downside. Actually, Monday's Moon-Mars-Saturn conjunction looks bearish in itself although some of the negativity could be mitigated by the entry of Venus into Aries. I would still lean bearish for Monday but the odds of a decline should be seen as more like 60%. Tuesday looks somewhat less bearish as the Moon aligns with Venus at midday. I'm unsure if we will get a positive or a negative Tuesday although if Monday is negative perhaps that may increase the likelihood for an up day. Wednesday is FOMC day and features a Sun-Mars alignment which could be difficult. This is not necessarily a high probability bearish alignment but it nonetheless carries some downside risk. The potential multiplying factor here is that Mercury turns retrograde the following day (Thursday) and forms a very close alignment with both Sun and Mars. This increases the potential for a larger than normal move in either direction. It does seem bearish although there is still some possibility for a sharp move upwards on Wednesday afternoon and Thursday. I think bears are likely to reap some profits very soon and this week is the best opportunity in a while. Late May still looks more bearish, but this week definitely holds some downside potential. While we cannot rule out another move above 2100 at some point this week, the chances for a breakdown below 2075 are larger here. I would not be surprised if we tested 2050 either.



Next week (May 2-6) looks more bullish as the Sun aligns with Jupiter on Monday. Some follow through is possible into Tuesday and perhaps even Wednesday. The second half of the week looks more suspect, however, as the Sun aligns with Saturn. There is a chance we could finish higher on the week although it is not at all clear-cut. The following week (May 9-13) looks more bearish although we could see some modest upside early in the week on the Sun-Mercury conjunction and Venus-Jupiter aspect. The week as a whole leans bearish and may well mark the end of the topping process and the beginning of a decline. As the Sun and Venus oppose Mars in late May, I would expect the SPX to break below support (2040? 2000?). The decline should last into the first week of June. After a small rebound into mid-June, stocks look increasingly vulnerable as Uranus enters Aries and Saturn aspects the North Lunar Node. As I have noted previously, there is a potential for a major swoon in late June and into early July. I think the chances are good that we will retest the February lows (1810) at least. After a technical rebound into July and August, stocks look primed to fall again in September and October. I am expecting lower lows in Q4 and Q1 2017. I would think the technical target of the old highs of 1550 was quite doable by early 2017 and we could easily fall further than that.



**Technical Trends**

Short term trend is UP  
(1 week ending April 29)

**Astrological Indicators**

bearish (disconfirming)

**Target Range**

SPX 2050-2075

Medium term trend is UP  
(1 month ending May 29)

bearish (disconfirming)

SPX 1975-2025

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

bearish (disconfirming)

SPX 1400-1700

## Indian Stocks

Stocks inched higher last week on rising oil prices and positive corporate earnings. The Sensex climbed less than 1% on the week to 25,838 while the Nifty finished at 7899. This modestly bullish outcome was in line with expectations as I thought we would see some midweek gains on the Venus-Uranus conjunction. While we did not get any downside on Monday we did see a modest pullback later in the week.

The market appears to be in a comfortable middle zone here well above its recent lows but also not really threatening to match its previous 2015 high. The relative safety of equities at this juncture is a reflection of continued global growth against a backdrop of very accommodative central bank policies. The prospect of a near-normal monsoon this year may give bulls more reason to stay invested although rising corporate bond yields in China are a new source of anxiety as the debt bubble may be reaching a critical stage.

Billionaire investor George Soros rang the alarm bells last week about unsustainable Chinese debt and the potential havoc it could wreak on world stock markets. More immediately, the Federal Reserve is due to announce its latest views on the US and global economy on Wednesday. Few analysts are expecting any significant moves,

although the market is eagerly awaiting any possible change in emphasis in Yellen's forward guidance. Any serious discussion to raise rates as early as June, for example, would be seen as hawkish and therefore bearish for stocks, especially those in emerging markets like India.



With the rebound continuing off the February low, we are likely approaching a top very soon. To be sure, the market has pushed higher despite some potentially bearish planetary alignments. Given the Saturn and Mars retrograde stations in the past several weeks, I had expected the rebound to have been shorter and weaker than it has been. Instead of the Nifty topping out at 7500-770 and then reversing lower and retesting the lows, we could see it push to 8000 and maybe even a little above. A wait-and-see approach makes more sense for the short term. As before, however, the second half of May looks troublesome and is likely to produce some downside. Whether or not it is a pullback or a larger correction is unclear to me. But given that June looks even more bearish, I think the downside risks over the next two months are considerable.

The technical picture is short term bullish as stocks extended the rebound above the 200 DMA. Immediate support may well be the 200 DMA at 7863. There is significant horizontal resistance at 8000 which matches the December and January highs. 8000 is also the approximate level of resistance from the falling channel off the 2015 high of 9119. A close above 8000 would likely be bullish as bulls would then look to 8300 as the next possible target. While things are looking fairly rosy here, the Nifty appears to be forming a bearish rising wedge off the February lows with channel support near 7800. A break below 7800 might produce a sudden wave of selling. Bulls could still tolerate some downside as long as a higher low was in place, say in the 7600-7700 area.

Despite the strength of the rebound, the 200 DMA is still sloping downward thus indicating a bearish trend. Standard technical assumptions would therefore suggest selling rallies as long as this moving average remains in a negative slope. And with RSI (=66) getting closer to overbought territory, there are fewer reasons for bulls to stay long without some kind of pullback first. The weekly BSE chart is also showing clearer signs of becoming overbought as stochastics has moved above the 80 line. Again, the bearish crossover and downward slope of the 20 and 50 WMA argue for a bearish trend. After the double bottom off the 200 WMA, there is now less compelling reason for new money to chase prices higher. The more prudent view would seem to be that the rally will exhaust itself eventually and that bears will again take control. Whether or not this will translate into a lower low cannot be determined from the technicals alone.

Meanwhile, Tata Motors (TTM) traded at resistance of the late November high last week. After a potentially bullish double bottom, there is some reason to expect some upside follow through in this stock. The moving averages are turning higher and a golden cross of the 50 and 200 DMA is imminent. Although this is often a contrary indicator of some short term downside, any close above last week's high could signal a bullish breakout. ICICI Bank (IBN) had a good week and is now pushing towards resistance and the 50 and 200 WMA. While the rebound has been strong, it nonetheless qualifies as a bear market bounce as long as it remains below key resistance of the August and November lows.



This week should give the bears an opportunity to take prices lower. Monday could be especially volatile as the Moon conjoins Mars and Saturn. Tuesday is less negative although there are no clearly positive alignments in play either. Wednesday looks somewhat tense as the Sun aligns with Mars. The Fed will make its decision on Wednesday so investors will react on Thursday just as Mercury turns retrograde. In itself, this is not necessarily a bad thing although here it forms an alignment with Mars which makes it more problematic. Friday could see some upside as the Sun approaches its alignment with Jupiter. Overall, this week leans bearish with perhaps a 70% probability. I would add, however, that the probability of a significant decline (>2%) is perhaps greater than chance would predict, say 30%. The density of the Sun-Mars-Mercury alignment this week increases the potential of a bigger move in either direction. I still think the essential qualities of the planets involved argue for a bearish bias here. I would think the chances are fairly good that support at 7800 is broken by the end of the week. We could easily see declines much bigger than that also.



Next week (May 2-6) looks more bullish as the Sun completes its alignment with Jupiter early in the week. But the Sun will align with Saturn later in the week so some of those gains may be eroded. I think the week could be positive overall although perhaps not by much. It is conceivable this could produce higher highs although my expectation is that the declines from the preceding week will be greater than any gains we see here in the first week of May. The following week (May 9-13) also leans somewhat bullish as the Sun conjoins Mercury. Jupiter also turns direct on Tuesday while in aspect with Venus. This increases the likelihood of early week gains. While the second half of the week looks less positive, I think the chances for a positive week overall are fairly good. Again, higher highs above 8000 are possible. But the second half of May looks increasingly bearish as the Sun and then Venus enter Taurus and fall under the harmful aspect of Mars and Saturn. A sharp decline is likely in late May and early June. This could even bring a retest of critical support at 7250. After a bounce into mid-June another leg lower is very likely in late June as Uranus enters Aries on 23<sup>rd</sup> June, the same day as the UK votes on EU membership. I am expecting markets to react negatively to this referendum outcome. We could see a retest of the February low of 6900 by early June. After a rebound into August, another leg lower is likely in September and October. It is very possible that we could see a revisiting of the old highs of 6400 on the Nifty in Q4 or Q1 2017.



**Technical Trends**

**Astrological Indicators**

**Target Range**

Short term trend is UP (1 week ending 29 April)	bearish (disconfirming)	7600-7800
Medium term trend is UP (1 month ending 29 May)	bearish (disconfirming)	7200-7500
Long term trend is UP (1 year ending April 2017)	bearish (disconfirming)	5000-6400

## Currencies

The Dollar finished the week higher on stronger corporate earnings and improving US economic data. The USDX closed above 95 while the Euro fell towards 1.12. The Rupee was mostly unchanged at 66.5 while the Yen weakened to 111. This bullish Dollar outcome was in line with expectations in the wake of the Mars retrograde station on the 17<sup>th</sup>. The technical outlook improved following the early week retest of the low. The somewhat higher low on Tuesday then set the stage for buyers to move in and take the Dollar higher. Resistance is initially here at 95 although the double bottom target is close to 96.5 and the 200 DMA. Given the significant support at 93-94, I would think that the rebound will likely extend to 97 at the very least. Friday's gain broke above resistance of the bullish falling wedge pattern and this also points to further upside. Whether or not the Dollar can move above its 200 DMA is difficult to assess based on the chart alone. I would think that a close above the 200 DMA could bring in more buyers and push the Dollar higher. The weekly Euro chart still looks somewhat bullish as this up trend since November endeavours to break above resistance at 1.15.



This week could see the Dollar add to last week's gains. Wednesday is the FOMC meeting so a market reaction to the latest announcement is possible. With Mercury turning retrograde this week while in alignment with Mars, there is a decent bullish planetary set up for the Dollar. The late week looks more bullish than the early week. It is possible we could see the DX get close to 97. That said, I would not be overly disappointed if there isn't that much upside this week since I think May will likely be more bullish for the Dollar. If we do get gains this week, then next week looks more bearish on the Sun-Jupiter alignment. The retracement could extend for a second week (May



9-13) although I think this will likely be a higher low (95?). The second half of May should be more bullish and take the DX above the 200 DMA at 97. I am expecting the Dollar to continue to rally well into June. Horizontal resistance at 100.5 looks quite doable by late June. The rest of 2016 should be mostly bullish for the Dollar with possible higher highs by the end of the year. Early 2017 also looks positive.

Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending April 29)	bullish (disconfirming)	96-97
Medium term trend is DOWN (1 month ending May 29)	bullish (disconfirming)	97-98
Long term trend is UP (1 year ending April 2017)	bullish (confirming)	105-110

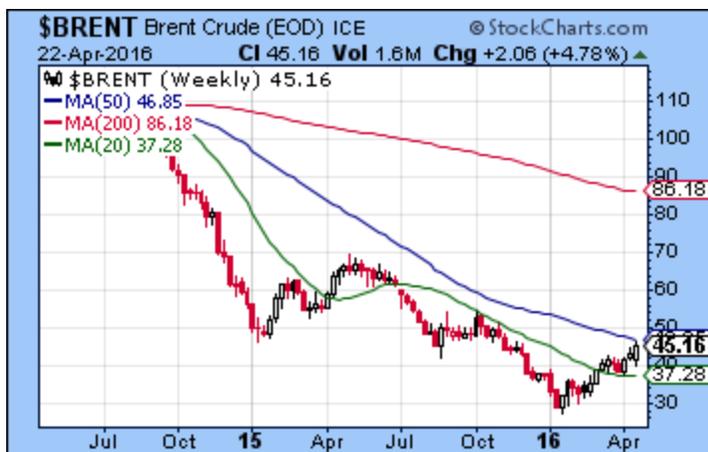
## Crude oil

Crude oil moved higher last week despite the failed Doha talks as sentiment improved on a tighter supply outlook. WTI gained 4% and finished above \$43 while Brent ended the week above \$45. This bullish outcome was in keeping with expectations as I thought the Venus-Uranus conjunction would likely push prices higher. With crude now trading above its 200 DMA, bulls may be eager for more gains as they confront considerable overhead resistance between here and the October high of \$50 for WTI. A move to \$50 is still doable within the confines of this bear market rally although we can see a bearish rising wedge forming here. Support in this pattern is around \$41-42 just above the 200 DMA. A close below \$41 could mark the beginning of a more significant retracement. That said, rising wedges do not always resolve in a decline and there could be more sideways movement before any move lower takes place. Resistance in this pattern is near \$46. It may take some repeated tests of resistance to break above that level. The weekly Brent chart shows the bulls' uphill battle as price is now in the thick of some horizontal resistance at \$45-50. The \$15 rebound (from \$30 to \$45) off the January low matches the size of the previous rebound from \$50 to \$65 that began in January 2015. If that measured move off the bottom is still valid, then we could see this current rally run out of gas without any further significant upside.



This week has more of a bearish feel as Mercury turns retrograde on Thursday. With the latest Fed meeting slated for Wednesday, it is somewhat more likely that we could see crude sell off on a stronger Dollar after Wednesday. With Monday also leaning a bit bearish, there is some reason to expect a pullback this week. Even with the pullback, WTI may stay over \$40. I'm not sure if this week will be the beginning of a bigger retracement or just another pullback before we get a higher high in early May. I am generally bearish on crude although I am not expecting significant downside to occur until the second half of May.

Crude may therefore be range bound between now and then, possibly between \$40 and \$50. Early May does offer the prospect of some upside (May 2-3) but the rebound may not be strong enough to last for the rest of the week. The second week of May also could see some buying on the Venus-Jupiter aspect. As the Sun and Venus oppose Mars in late May, we should see crude oil break below \$40 and ultimately retest that critical support level of \$35 for WTI. A retest of the January low is possible in late June. After a rebound in July and August, another correction is likely in September and October. Crude is likely to remain under pressure for most of 2016 with lower lows possible by early 2017.



**Technical Trends**

**Astrological Indicators**

**Target Range (WTI)**

Short term trend is UP  
(1 week ending April 29)

bearish (disconfirming)

\$40-43

Medium term trend is UP  
(1 month ending May 29)

bearish (disconfirming)

\$32-38

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

bearish (confirming)

\$20-30

## Gold

Gold finished largely unchanged last week as inflation concerns were ultimately offset by a rising Dollar. Gold fell just two dollars on the week to 1233. I thought we might have the midweek gains hold by Friday but this was not the case. Monday was slightly lower as expected and then the Venus-Uranus conjunction did correlate closely with a strong gain on Tuesday and then again intraday on Thursday. However, bulls could not hold onto the move above 1260 by the close. Gold continues to move sideways here as support at 1225 still looks firm. But the closing prices are narrowing here (lower highs and higher lows) so that could indicate a pennant pattern. This often produces a breakout in either direction and the emergence of a new trend. Pennants are often continuation patterns, however, so that slightly favours the bulls. I would think any close above 1260 would be short term bullish and could signal a run up to 1300. A close above 1300 would be even more bullish. Conversely, a move below 1225 may be bearish and could prompt a retest of that key 1200 level. A breakdown of 1200 would likely entail a retest of the 200 DMA at 1144. While the longer term chart still looks bearish given the series of lower lows, we should note that for the first time since 2012 the 200 DMA has started to slope upwards – a possible sign that a bottom has been reached. No doubt we shall see how telling that indicator will be in the weeks ahead. The rising 200 DMA in 2012 only lasted two months and proved to be a false positive as gold soon declined again to lower lows.



This week looks mixed. The late week Mercury retrograde station seems bearish, especially since it follows the FOMC meeting on Wednesday. Monday's Moon-Mars-Saturn conjunction also hints at uncertainty although that may benefit gold. I would lean somewhat bullish for the first half of the week leading into the Fed meeting and then more bearish afterwards. I'm not sure where gold will finish this week although I suspect it will remain within its recent trading range. While I am fairly bullish on gold in the medium term, I would be surprised if we got any significant decline soon. I think there could well be more upside in early May. This could follow some weakness this week post-Fed but the early May rally it should be enough to retest 1260 at least and quite possibly 1300. I suspect whatever upward momentum gold has in May will begin to weaken by the week of May 16<sup>th</sup> as the Sun enters Taurus and opposes Mars and Saturn. June looks more bearish so we should see support at 1200 broken in late May or perhaps early June. It's unclear where gold may bottom in June. Perhaps it will retest 1050 or perhaps it may only form a higher low (1144?). July should see a rebound to a lower high and then reverse lower in August. Another correction is likely in September and October. The planetary outlook for gold in 2016 still seems bearish although as always that is best confirmed by technicals. My expectation is still that we are more likely to see gold test 1000 by early 2017.

<b>Technical Trends</b>	<b>Astrological Indicators</b>	<b>Target Range</b>
Short term trend is DOWN (1 week ending April 29)	bearish (confirming)	1220-1250
Medium term trend is UP (1 month ending May 29)	bearish (disconfirming)	1200-1260
Long term trend is DOWN (1 year ending April 2017)	bearish (confirming)	800-1000

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