

## Summary for week of 2 May 2016

- Stocks mixed this week with gains more likely early
- Dollar under more pressure early in the week
- Crude oil could extend rally early but more mixed afterwards
- Gold likely to move higher this week, especially early

## US Stocks

Stocks finished lower last week as the Bank of Japan surprised investors by standing pat and not increasing its QE asset purchase program. The Dow fell by more than 1% to 17,773 while the S&P 500 finished at 2065. This bearish outcome was in line with expectations as I thought we would get some selling after Wednesday's FOMC meeting. As it happened, Janet Yellen didn't move markets much at all. Monday was slightly lower as forecast and then we got a modest rally into midweek which touched 2100. Ultimately, it was the BOJ decision which expressed the bearish potential of the Mercury-Mars alignment as stocks sold off on Thursday and Friday.

Some cracks in the status quo may be appearing here as the reluctance of Kuroda to push further upon the easing string is another sign that central banks are running out of ammunition to keep markets aloft. Negative interest rates are increasingly seen as a failure and may be ruled out in all but the most dire scenarios for the foreseeable future. That leaves either more QE (but probably diminishing returns there) or something along the lines of "helicopter money" – issuing checks directly to consumers in order to increase spending. Central banks may be praying for the recovery to take hold soon before these more radical measures are tried but the data do not paint a rosy picture. Falling treasury yields across the board show that the market is expecting further slowdown.



But while there may be cracks in the status quo, we are still some ways away from a serious crisis. However, I would contend that the planets over the next couple of months are strongly indicating that the financial situation is likely to deteriorate. So far in 2016, we have seen stocks rebound sharply to challenge previous highs. My expectation here is that the market is in a topping process, albeit one that has taken longer than I expected. Further upside is possible in early May but it seems fairly unlikely it will challenge previous highs on the blue chip indexes. A lower high would then set the stage for the larger decline I am expecting in late May and lasting into late June at least. This decline could challenge the February low. With another big decline likely in Q4, there is an increasing likelihood for lower lows to extend into early 2017. This should be enough downside to officially put an end to the bull market.

The technical picture became more uncertain last week. The late week pullback broke 2075 and tested support at 2050. This pullback looked a bit more bearish given that it occurred after the SPX touched 2100 on Wednesday and thus put in a slightly lower high from the previous week. While the bounce off 2050 suggested some support there, we could see this current pullback fall to 2030 and the proximity of the 50 DMA and even the 200 DMA. Resistance is now near 2100. If we get another bounce this week it will be very telling to see whether or not it can reclaim 2100. If not, then investors may move to the exits. Bulls still have some reason to hope since Friday's low was a higher low with respect to the early April low at 2040. And while a retest of the 200 DMA at 2014 would be more bearish it would also provide a plausible buying opportunity for bulls.

If support in the 2020-2030 area breaks down then we could see a quick decline to 1950. Tech stocks had a bad week after several earnings disappointments from the likes of Microsoft and Twitter. The Nasdaq fell below its 200 DMA and seems to be extending its pullback after testing horizontal resistance in the 4900-5000 area. The small cap Russell 2000 fared somewhat better although it is now in an area of significant resistance dating from late 2015. It could go higher, of course, but if it was going to decline this would be a good place for it to begin to do so. The weekly Dow chart printed a red candle last week. It is worth noting that even if we get another down week or two here, stochastics may not fall below the 80 line. After the recent rally, it will take several weeks of a down trending market to create that stochastics sell signal when it falls below the 80 line in a bearish crossover. As I mentioned above, the 10-year yield fell again last week after the latest Fed meeting and the BOJ surprise. With stocks looking overvalued and risky, the bond market may be the place where frightened investors choose to put their money. This could push yields down to 1% eventually.

This week is hard to call. There is a mix of both positive and negative influences which could indicate some choppy trading. Some sizable daily moves in either direction are also possible here. The early week leans a bit bullish on the Sun-Jupiter aspect with Monday looking more bullish than Tuesday. But I would not put a high level of confidence on this early week bullish outcome since Mercury will remain in aspect with Mars throughout the week. The late week leans a bit bearish on the Sun-Saturn alignment which is closest on Friday. Again, this



is not a clearly negative influence but I would be extra cautious in the second half of the week, especially if we do get one or two up days in the first half. I'm not sure there is enough negative energy here to call for a test of the 50 DMA at 2032. If it happens that we get some early week selling, then perhaps that is more likely. But then that would suggest some kind of rebound which would lift stocks by Friday at least back to current levels. If we do get some pullback early on Monday, there seems to be a better chance for a bounce later that day and perhaps lasting into Tuesday. But it's a difficult call. That said, I would slightly favor a scenario whereby we see a lower high early in the week (2080?) and then another test of 2050 by Friday. I would not be surprised if we broke below 2050 in that case. I think stocks are likely to see some significant downside in May but I'm less convinced it will happen this week.



Next week (May 9-13) looks bullish to start as Venus aligns with Jupiter on Monday and Tuesday. The second half of the week looks more difficult, however, as the Sun and Mercury align with the North Lunar Node. Like the previous week, these are not high probability alignments either way. I do think some upside is likely here so that could be the lower high that is necessary before the sell-off begins in earnest. That lower high is more likely to occur sometime between May 2 and May 13. The following week (May 16-20) looks more bearish as Mercury aligns with Saturn. Some upside is possible on the Venus-Lunar Node alignment early in the week but this looks like a high probability negative week. The last week of May also looks bearish as the Sun and Venus oppose Mars. I think this down trend could even last into the first week of June. There is a good chance that we will see the 200 DMA broken (2014) by that time, and I think 1950 could be within reach. June also looks bearish with late June looking especially vulnerable to declines as Uranus enters Aries on June 23<sup>rd</sup> just a week ahead of aligning with a Mars station. It is possible we could see a retest of the February low of 1810 by late June or early July. The rest of 2016 leans bearish as Saturn will align with the Lunar Nodes and Neptune for several months from June to October. I think we could see 1600 on the SPX at some point in Q4 with further downside possible in early 2017.



**Technical Trends**

**Astrological Indicators**

**Target Range**

Short term trend is DOWN  
(1 week ending May 6)

neutral (confirming)

SPX 2040-2075

Medium term trend is UP  
(1 month ending June 6)

bearish (disconfirming)

SPX 1950-2000

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

bearish (disconfirming)

SPX 1400-1700

## Indian Stocks

Stocks pulled back last week as investors reacted to the Bank of Japan's decision to stand pat and not add to its asset buying program. The Sensex fell less than 1% to 25,606 while the Nifty finished the week at 7849. This bearish outcome was in keeping with expectations as I thought that Thursday's Mercury retrograde station would likely correlate with some downside. Thursday proved to be the most bearish day of the week. Monday was also bearish as forecast and then we saw some modest buying into midweek.

Ironically, it wasn't the Fed that moved markets last week but rather the Bank of Japan. Janet Yellen issued a fairly non-committal statement as the Fed left rates unchanged. While some observers saw her slightly hawkish statement as keeping the door open for a June rate hike, the market still sees this as only a 20% chance. The market is leaning towards only one hike in the second half of the year. For Indian stocks, no news was good news as any further hikes and consequent Dollar appreciation would spell trouble for the equity market. And yet the inaction of the BOJ may be further evidence that central banks are beginning to realize that they are not omnipotent. Japan's flirtation with negative interest rates is now widely seen as a failure and now Governor Kuroda did not pull the trigger on further easing. Central banks can only do so much and their bottomless pockets of liquidity can have diminishing returns, if not unintended consequences. Emerging markets like India's may therefore be forced to sink or swim on their macro and corporate fundamentals in the medium term.

One wonders if this new-found caution among central banks could allow for another correction in the stock market. Although the Fed has explicitly tied its mandate to driving up asset prices, it may be in a more difficult position here as the world economy continues to slow and yet like the BOJ, it may be more reluctant to launch another round of stimulative measures. From an astrological perspective, there is considerable uncertainty hanging over the market in 2016. One especially difficult alignment is Saturn's ongoing aspect to Rahu and Neptune which lasts from June until October. This alignment is one reason why I expect stocks to correct significantly in the months ahead.



If the planets are looking bearish, the technical picture looks more bullish for now. Last week saw a test of resistance at 8000 and Wednesday's close was a higher close than the previous week's. Bulls are still in the driver's seat, even after the late week profit taking. There is some support here at 7750-7800 so we should expect buyers to buy the dip again this week. However, there is also a possibility of an "island reversal" pattern in the event that support at 7750 is broken. This isn't necessarily a likely prospect and yet the proximity of the 200 DMA suggests that a close below that level could create some anxiety among bulls. The possibility of a deeper pullback is perhaps reflected in the fact that stochastics have fallen below the 80 line.

Although the outlook is still short-term bullish, last week's test of falling channel resistance at 8000 opens up the possibility of a deeper pullback. Taking a longer-term perspective, we can see that the slope of the 200 DMA is still negative which is a bearish indication. And we are still a few weeks away from any kind of golden cross of the 50 and 200 DMA which might further signal a significant upturn in the markets. The weekly Sensex chart shows the bearish crossover of the 20 and 50 WMA still very much in place. Bulls may only feel safe if and when this bullish crossover takes place. Last week saw another rejection of the 50 WMA and thus gives the ball to the bears in the short term. Stochastics is getting overbought but we may be some time away from a bearish crossover and the tell-tale move below the 80 line which would increase the chances of a major correction. Meanwhile, ICICI Bank had a difficult week as earnings disappointed on Friday. The rejection of the 200 DMA continues here as better support may be found near the early April lows and the 50 DMA. Any close below these April lows would likely mean a retest of the February low. Infosys (INFY) also extended its pullback after its recent all-time high. Friday's low may have matched the downside target of the measured move as seen from the previous early April pullback. This should bring in bargain hunters here. If not, any close below the 50 DMA would likely mean a deeper pullback was at hand.

This week looks mixed. There is a somewhat higher chance of some upside early in the week as the Sun aligns with Jupiter on Monday and Tuesday. Monday looks more bullish than Tuesday in that respect. However, there is a bearish alignment of Mercury and Mars that will extend through the whole week which could upset some of this bullish potential. For this reason, the probability of an early week gain is only moderate. In other words, we should not be surprised if we get more downside in early going. Nonetheless, I would think that the bulls have a slight edge here in the first half of the week. The



second half of the week tilts somewhat bearish, however, as the Sun aligns with Saturn. Thursday could be more bearish than Friday in that respect. One possible scenario could be a retest of resistance at 8000 early in the week followed by another pullback later. I would be skeptical about the chances of a hard retest of 8000 with lower highs somewhat more likely by Wednesday. I am agnostic on where stocks could finish this week. I would be open-minded but allow for some upside here in early May just in case. May as a whole looks more bearish but I'm less convinced we will see much downside this week.

Next week (May 9-13) could well be the last chance for the bulls. The early week Venus-Jupiter aspect looks positive but its effects may not last through the week. Tuesday's Mercury-Sun-Rahu alignment looks potentially volatile although I'm not quite prepared to say it is bearish. But it is a possible turning point nonetheless. Thursday's Venus-Saturn alignment does look more negative, however. It is possible the Nifty could remain above 7750 here. Another retest of 8000 is also conceivable. But the following week (May 16-20) looks more negative as the Sun and Venus enter Taurus and therefore oppose Mars in Scorpio. The late week has more downside risk than the early part of the week but I would think the bears will prevail here. The last week of May looks more bearish as Mercury stations in close alignment with Saturn. I am expecting the Nifty to decline to at least 7400 by early June. More downside is likely in the second half of June as Uranus enters Aries while in close alignment with Mars. A retest of the February low of 6900 is very possible by early July. The second half of 2016 should bring more downside with lower lows likely in Q4. I think the old Nifty highs of 6400 are possible by Q1 2017 and we could see stocks fall even further.



Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending 6 May)	neutral (confirming)	7700-7900
Medium term trend is UP (1 month ending 6 June)	bearish (disconfirming)	7200-7500
Long term trend is UP (1 year ending May 2017)	bearish (disconfirming)	5000-6400

## Currencies

The Dollar sank to new lows last week after the Bank of Japan did not announce any further stimulus measures. The inaction surprised markets and further weakened the outlook for the Dollar following a fairly vague Fed announcement on Wednesday. The Dollar Index finished just above 93 while the Euro moved above the 1.14 level. Most commodity-related currencies also rose sharply although the Rupee performed more modestly. This bearish outcome was disappointing as I thought the Dollar was more likely to rise after the Fed. This new low further postpones the Dollar rally that I was expecting. May was more likely to be the time when the

Dollar could enjoy its bigger gains but now it seems it will be rallying from a lower starting point. The USDIX is sitting on some crucial technical support now. No doubt Friday's quick collapse through 94 was the result of a wave of stop losses being triggered near that level. A close below 93 could well trigger more selling and would significantly weaken the bullish case for the greenback. Resistance is now at 94. The Euro is pushing up against the all-important 1.15 level. A weekly close above 1.15 would open up more upside including the possible target of 1.25.



This week looks more mixed for the Dollar. The early week Sun-Jupiter aspect suggests more downside pressure. Given that the Dollar is at support now, that could mean that we are more likely to see some kind of breakdown, even if it turns out to be a brief shakeout of long positions. The rest of the week looks more bullish as the Sun aligns with Saturn. Next week looks more bullish as Jupiter ends its retrograde cycle on May 9<sup>th</sup>. Gains are more likely to take hold as the week progresses. The DX could be back above 94 by the middle of May. Late May should see further gains as the Sun and Venus oppose malefics Mars and Saturn. I would expect the Dollar rally to continue into June with a possible test of resistance at 100.5 by early July. For that very bullish forecast to be correct, the Dollar would first have to hold support at 93 here into early May. Let's see. July and August look bearish so it is possible that may translate into another test of support at 93-94. I'm not convinced there is enough bearish energy for that large of a retracement in the summer, however. Another move higher is likely in Q4 with higher highs likely in early 2017.



### Technical Trends (Dollar)

Short term trend is DOWN  
(1 week ending May 6)

### Astrological Indicators

bullish (disconfirming)

### Target Range

93-94

Medium term trend is DOWN bullish (disconfirming) 97-98  
(1 month ending June 6)

Long term trend is UP bullish (confirming) 105-110  
(1 year ending May 2017)

## Crude oil

Crude oil resumed its upward climb last week on Dollar weakness following the Fed and BOJ announcements. WTI jumped 6% closing just under \$46 while Brent moved above \$47. The gain was somewhat surprising as I thought there was a chance we could see some selling following the Fed on Wednesday. This expectation proved to be incorrect although most of the upside occurred in advance of the Fed. My general view is that crude was likely to remain above \$40 into early May in any event with a possibility of going as high as \$50. Last week's rally suggests that high end of the trading range may well be within reach. Friday's session was a possible sign that the rally may be getting close to the end as it could not hold onto earlier gains. But for now the upward momentum looks strong enough that further upside is likely. If there is going to be a reversal, it may take a couple of weeks. Price has pushed up into the resistance zone so it may be more difficult for crude to keep rising without some kind of retracement. As a reflection of the recent rally, WTI is quickly approaching a golden cross of the 50 and 200 DMA. While this is often bullish in the medium term, it may be a contrarian indicator in the short term. In other words, a bullish crossover of the 50 and 200 DMA may coincide with a pullback. The weekly Brent chart shows how much horizontal resistance there is here at \$45-50. Even if crude were to extend this rally, it seems likely that it will pause soon.



This week could be bullish to start as the Sun aligns with Jupiter on Monday. The second half of the week looks somewhat less positive, however. Perhaps the gains may not hold by Friday. I would nonetheless lean a bit bullish here overall. However, I'm not sure there is enough positive energy to see a push to \$50 this week. Next week could also start positively on the Venus-Jupiter alignment. But this week looks less bullish than the previous week as the rest of the week leans bearish. This suggests a move below \$45 for WTI and possible retest of \$40. Late May should continue to see crude prices struggle. I think the chances are good that crude trades below



\$40 and retests the early April low (\$35/38). The retracement is likely to continue in June as Saturn squares Neptune. It is possible the June decline will see a retest of the February low, although if crude touches \$50 in early May, that may be asking too much of the bears. We should see a significant rebound in July and August. September and beyond looks more bearish again and lower lows are possible by the end of year.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending May 6)	bullish (confirming)	\$43-48
Medium term trend is UP (1 month ending June 6)	bearish (disconfirming)	\$35-40
Long term trend is DOWN (1 year ending May 2017)	bearish (confirming)	\$20-30

## Gold

Gold jumped 5% last week following the Bank of Japan's decision not to announce further stimulus. As the Dollar fell sharply, gold finished the week at 1294. The gain was surprising as I thought gold was more likely to remain within its recent trading range. That said, I was expecting some upside into early May which could test 1300 so we seem to be there somewhat ahead of schedule. The technical picture for gold is improving here as it broke out of its recent range. Further upside is quite likely now which will take it above 1300. 1300 is significant resistance, however, as it marks the previous major high for gold. If gold can have a weekly close above 1300 then that would suggest the rally has a lot more upside. I suspect there will be some reluctance in the market at levels above 1300. In that sense, it may matter more where the next low is. If we see a retracement this week, we could see buyers move in at 1260-1280. This would be quite bullish as it would imply a new, higher trading range. If and when 1300 is broken to the upside, it's unclear just where the next resistance level is. Possibly near 1360 based on the previous trading range of 1200-1280. Gold bulls are feeling the wind at their backs now as gold has rallied off its 20 and 50 DMA. With the 200 DMA now beginning to slope upward, the technical outlook looks more positive.



While I remain bearish about gold going forward based on planetary alignments, I do take these bullish technical signals seriously and they should not be ignored.

This week should see more upside, especially in the first half as the Sun aligns with Jupiter. A close above 1300 looks likely and we could see gold move well above that on Monday and into Tuesday. The late week looks more challenging, as the Sun aligns with Saturn. While some of the early week upside may be negated by this late week influence, I would lean bullish this week overall. Next week could also start on a bullish note as Venus aligns with Jupiter on Monday and Tuesday. This could produce a sharp gain, perhaps even to 1360. But the rest of the week looks more difficult. I would still lean bullish here in any event but there is a rising downside risk.

As the Sun and Venus enter Taurus in the 3<sup>rd</sup> week of May, some of the planetary fuel for the rally may be in shorter supply. I would expect a pullback at least into the first week of June. If gold tops out at 1320-1350, then the best bears can hope for by the time of the Sun-Saturn opposition on June 3<sup>rd</sup> may be 1200. Let's see how it all unfolds. Late June should see another move lower on the Mars-Uranus alignment. This should correspond with a sharp drop in gold, most likely well below 1200. A strong rally is likely in July and August which could challenge the May high. Since I am bearish on gold for 2016, my hope is that we will get a lower high in August. This would set up the next corrective phase which looks likely to begin in September and continue through much of Q4. I think a retest of the 1050 December low is very possible by Q4 with lower lows still possible in 2017. The path to sub-1000 gold is still on the table but it will require the May-June correction to do some technical damage to the current rally, at least down to the 200 DMA at 1150.

<b>Technical Trends</b>	<b>Astrological Indicators</b>	<b>Target Range</b>
Short term trend is UP (1 week ending May 6)	bullish (confirming)	1300-1350
Medium term trend is UP (1 month ending June 6)	bearish (disconfirming)	1200-1250
Long term trend is DOWN (1 year ending May 2017)	bearish (confirming)	800-1000

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