

Summary for week of 16 May 2016

- Stocks with bearish bias, especially in second half
- Dollar likely strengthening this week
- Crude oil more prone to declines especially later
- Gold may decline this week especially in second half

US Stocks

Stocks ended modestly lower last week after larger retailers reported weak results. The Dow lost 1% on the week to 17,535 while the S&P 500 finished at 2046. This bearish outcome was largely in keeping with expectations as I thought we would likely see a test of that support line at 2040-2050. We did get some of the forecast early week upside on the Venus-Jupiter aspect and then the midweek turned more negative just as Venus aligned with bearish Saturn.

Markets appear to be waiting for their next cue, whether it is another major central bank move or some fresh new worry. The rise of Donald Trump as the presumptive nominee of the GOP has caught many by surprise (including me, I'm sorry to say) and could become a source of market uncertainty. Trump's economic platform seems both vague and unpredictable but strongly points to rising tariffs on imports which could depress global trade. A more protectionist trade regime would be negative for the stock market. As Trump's candidacy becomes more plausible – especially as we get closer to the convention on July 21st – we can look for markets to become more skittish. Currently Hillary Clinton is favored to win on political betting markets but that may change. The UK Brexit referendum on June 23rd is another source of uncertainty although the consensus view now is that it will vote to stay in the EU. Based on my reading of the planets, however, I suspect it won't remain in the EU and that is one reason why I think volatility will rise in June.



As I see it, there will likely be two distinct down legs in the weeks ahead. The major indexes are already off their highs and this down trend should continue into the last week of May at least. With both the Sun and Venus opposite Mars and Saturn in late May and early June, I would say there is a high probability of more downside due to those alignments. Obviously, the usual caveats apply (i.e. the future is ultimately unknowable; and I make lots of mistakes) but the aspects do look bearish based on past experience. I think the chances are also fairly good for another decline in late June which incorporates the volatility of the entry of Uranus into Aries on June 23rd – Brexit day. If these declines manifest more or less as expected, then we could see the SPX trading below 1950 by early July. Forecasting the size of any decline is difficult, however, so it would also not surprise me if we saw something closer to 1810. But certainly, there is a good case for a larger than normal pullback here which I think warrants our attention.

The technical outlook became more bearish last week. The retest of support at 2040 created a fairly clear head and shoulders pattern. While these patterns do not always foretell further declines, they often do. If the SPX closes below 2040, the downside target of this pattern would be in the vicinity of 1960-1970. This would still be above the interim double bottom high of 1950 and would therefore theoretically protect this post-February rebound. Buyers would likely enter the market in the event of a deeper pullback to 1970 but after April's lower high, some bulls may not have too much patience to stay in their long positions if things don't go according to plan. Resistance is likely near last week's high at 2080. A close above last week's high would be somewhat bullish and could take the bearish head and shoulders option off the table. Of course, there is still a lot of overhead resistance between 2080 and 2120 so it may take some time for any advance to reclaim the all-time high of 2134.

Breadth is confirming this down trend as the Bullish Percent chart also peaked in April and is now in a bearish crossover of the 5 and 10 EMA. Although this is somewhat bearish, the bears really need a close below the May 5th intraday low of 2040. The Nasdaq is similarly testing that low.

The Dow, however, broke below its May 5th low on Friday and now is looking more precarious. While there is some horizontal support at 17,500, stochastics are on the verge of crossing below the 80 line. Some previous pullbacks have also found support at the 20 WMA which is now near 17,000. Therefore, a decline to that level may well entice some buying. MACD is about roll over, however, so that could signal the beginning of a larger correction. From a medium term perspective, there isn't a clear sell signal here. The weakness in the oil market pushed treasury yields lower last week as the bond market continues to price-in a slowdown in the months ahead. Technically, this chart looks like it wants to go lower and a retest of the February low of 1.6% seems quite possible. Without further central bank stimulus, this yield argues for lower levels in stocks.

This week also leans bearish. The Sun will enter Taurus this week and therefore will absorb some of the nasty Mars influence through the opposition aspect. While I'm not certain when this will manifest, it is very possible it



could hit this week, especially in the second half. This may only produce one down day, however, but it could be another decline of greater than 1%. The other bearish pattern here is that Mercury is aligning with Saturn as it completes its retrograde cycle. This is more negative although it could be spread across several days. It is closest late this week and early next week. The early week here has a somewhat higher probability of gains. We should get at least one up day on either Monday or Tuesday. Two up days are also possible. But I would think the odds shift in favor of the bears by Wednesday with the late week looking more bearish. Even if we get some early upside, I would be surprised if it was enough to push above last week's high of 2080. A lower high seems more likely and another retest of 2040 is therefore also probable. We could easily close Friday below 2040 although I'm not certain of that outcome here. I think we will get there but since the early week is a bit of a question mark, it is conceivable that the bulls could survive for another week.



Next week (May 23-27) looks bearish to start as Mercury returns to direct motion. The Sun first opposes Mars on Sunday (to be exact) and then Venus opposes Mars on Tuesday. I think a large decline is more likely here early in the week so the chances for a breakdown of 2040 are high. We could easily fall to 2000 on these planets. The following week (Mar 30-June 3) will be shortened for the Memorial Day holiday Monday. Here again, bears may have the last word as Sun and Venus oppose Saturn. Tuesday looks a bit more bullish but the rest of the week leans bearish. I would not rule out a test of 1970 by Friday June 3rd. That said, I would also not be overly disappointed if we only got down to 2000 or so. It's hard to say. The first full week of June also leans bearish as Mercury opposes Mars on June 10th. After a likely rebound in mid-June, late June sets up as potentially volatile as Uranus aligns with Mars just in time for the Mars station on June 29th and the Uranus ingress into Aries on the 23rd. Both of these influences look bearish. A sharp decline (>5%) is therefore more likely than at other times. A rebound should begin in July and extend into August. This should produce a lower high (2000?) which will then be sold in September and October. With Saturn due to square both Neptune and Rahu (North Lunar Node) well into the fall, it seems likely the market will fall to lower lows. I would think that 1600 is very possible by Q1 2017.



Technical Trends

Astrological Indicators

Target Range

Short term trend is DOWN
 (1 week ending May 20)

bearish (confirming)

SPX 2010-2050

Medium term trend is UP
 (1 month ending June 20)

bearish (disconfirming)

SPX 1950-2000

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

bearish (disconfirming)

SPX 1400-1700

Indian Stocks

Stocks moved higher last week on rising crude oil prices and a stable economic outlook. The Sensex gained 1% to 25,489 while the Nifty finished the week at 7814. I thought stocks might have been weaker as the Venus-Saturn alignment influence the second half of the week. As expected, we did see some upside early in the week with the Nifty touching 7900. Wednesday's pullback was also not surprising as I thought the bullishness might wane. Thursday's gain was most unexpected in that respect although Friday's sell-off brought stocks back down to earth.

The market is still waiting for direction here. Global cues are muted as indications of further slowdown can be found in most major economies. Bulls hoping for a quick rate cut were disappointed when the RBI reiterated its vigilance against inflation which currently remains elevated at 5%. At least the favourable monsoon forecast offers hope that the domestic economy will be on solid footing. But with global growth still underwhelming, it seems more likely that higher stock prices are more dependent on central bank moves. The bond market is still betting on further slowdown as yields are falling. Even US Treasury yields are fast approaching their record lows. To be sure, this is in part the result of European and Japanese institutional buyers seeking returns no matter what the cost as their own domestic bond yields have now entered negative territory.

The astrological outlook is still problematic in the coming weeks. The period from June to October has several potentially bearish alignments which seem likely to push stocks lower. While not all of these alignments may play out exactly as expected, the number of bearish aspects is significantly greater than bullish aspects. This loads the dice for the bears, even if it does not create a definite negative outcome. The focus of these aspects appears to be late June-early July and then in September-October. There should be enough downside in these down moves to prevent any significant rally and therefore keep the bear market in place. Lower lows are still the most likely scenario by Q4 2016.



The technical outlook became a bit more bullish last week as the Nifty closed at the 200 DMA. Support at 7700 from the previous week held firm and provided the basis for the early week rally. Although this rally was bullish, stocks formed a lower high at 7900 which endured a second test on Thursday and then reversed Friday. This is still a normal-looking consolidation after a major rebound so bulls do not need to worry too much just yet. A daily close below 7700 would be more bearish, however, as it would confirm the lower high and make the subsequent reversal more significant.

In the event that the pullback continues this week, the measured move downside target would be 7600. While this would create a low which was lower than the previous low, it would not necessarily end the rally since the early April low of 7525 would still be intact. For bears to take control once again, they likely would have to retest 7500. Resistance is 7900 so any close above that level would suggest an imminent rise of 8000 would be likely. The weekly Sensex chart shows prices just under the 50 WMA. This line may be acting as resistance for now so any weekly close above that line (now near 26K) could extend the rally considerably. Support is closer to the 20 WMA just under 25K. Stochastics is still in a bearish crossover but it is managing to remain above the 80 line for now. A close below this line would make the chart somewhat more bearish. A close below the early April low would make it more bearish still and could open the door to a retest of the February low at 23,000. Meanwhile, HDFC Bank (HDB) rested its 2015 highs last week. Although it may prove to be difficult to move higher in the short term, the chart still looks bullish so I would expect dips to be bought. Infosys (INFY) ended the week modestly higher after finding support near the 50 DMA. This is also a bullish chart, especially if it can bounce from here and remain above the early May low.

This week looks bearish as Mercury aligns with Saturn for much of the week just before it ends its retrograde cycle. Mercury is moving quite slowly this week so the alignment will be in place for several days. This makes it somewhat harder to pinpoint when declines are more likely. I think the number of down days is likely to outnumber the up days here. Monday lacks clarity, however. The Venus-Uranus alignment is closest on Tuesday and Wednesday we should see at least one up day there. I would lean slightly towards Tuesday looking more bullish but it's hard to say. The late week may be somewhat more likely to see declines although not by much. If we have seen some upside by Wednesday, then I would think the chances for a late week pullback are quite good. One



possible scenario would be some early week gains that retest last week's high of 7900. A move above that level seems somewhat unlikely. That would set up a late week decline which may well retest 7700 by Friday. While I would not be surprised to see 7700 broken here, the likelihood of some upside this week suggests that the Nifty may finish lower, but perhaps not by much.

Next week (May 23-27) also looks bearish, especially in the first half of the week. The Sun opposes Mars on Monday and Venus opposes Mars on Wednesday. Two down days are therefore more likely, although it is possible they may not fall exactly on those two days. Mon-Tue, or Tue-Wed are also possible combinations for this bearish energy to manifest. I would expect 7700 to be broken here and even 7500 is possible. Even if we get a rebound late in the week, stocks should finish lower overall. The following week (May 30-June 3) also looks difficult as the Sun and Venus oppose Saturn in the second half of the week. This could see lower lows below 7500 even more possible.



A strong bounce is likely in the first full week of June although the Mercury-Mars opposition on 9 June is could offset some of this upside. Late June may be more bearish again, however, as Uranus enters Aries on the 23rd and Mars stations direct on the 29th. While nothing is certain in financial astrology, this period has a high probability of declines, with larger than normal declines also more likely. My general expectation is that the Nifty should move lower here. It could retest that interim double bottom high at 7200 or it could retest the low itself at 6900. A rebound is likely in July and early August, but another corrective phase is likely to begin in late August and extend into September. Lower lows are very possible in Q4 or Q1 2017.

Technical Trends

Astrological Indicators

Target Range

Short term trend is UP
(1 week ending 20 May)

bearish (disconfirming)

7600-7800

Medium term trend is UP
(1 month ending 20 June)

bearish (disconfirming)

7200-7500

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

bearish (disconfirming)

5000-6400

Currencies

The Dollar extended its rebound last week as investors piled in after the retest of the range low the previous week. The USDX finished the week at 94.59. The Euro slipped to 1.13 while the Rupee held mostly steady at 66.77. This bullish outcome was not surprising, although the week proved to be more positive than I expected. While this bounce has been fairly strong, it may not necessarily indicate a major new rally in the Dollar. While it could regain its previous trading range of 93 to 100, we can also see a declining channel that has been in place since January. Friday's gain pushed to resistance in this channel so we shall see if it can move above this level.

The move also tagged the 50 DMA which acted as resistance in early March. One would think some retracement is likely in the short term from here. However, a close above 95 would exceed the previous high and may persuade more bullish investors to jump in. The Euro chart still looks bull-friendly as the current range bound trading may be building a bottom. A close above 1.15 is required for the next move higher.

This week looks generally favorable for the Dollar as Mercury aligns with Saturn for much of the week. Some retracement is likely in the first half of the week on the Venus-Uranus alignment but I would think the chances for a move above 95 are quite good. We could also see a fairly big move higher this week, especially in the second half. Next week also looks bullish as the Sun and Venus oppose Mars. Gains are somewhat more likely in the first half of the week. It is even possible we could see a test of the 200 DMA at 96.74. More upside is likely as we move into June as the Sun and Venus oppose Saturn on June 2-3.

A retracement lower looks more likely to occur in the middle of June. This should be fairly modest, however, so I am not expecting the up trend to be significantly interrupted. More downside risk is likely in late June when Mars stations direct in alignment with Uranus. This looks like an unstable period which could generate some large moves which could last into July. I'm unsure how high the Dollar could go, but it is conceivable it could rise back up to resistance at 100. That seems like a stretch now, but certainly the planets do hint at some bullishness at that time. Some significant retracement is likely during July-August but another rally is likely in September. Overall, I think 2016 will be bullish for the Dollar with higher highs possible by Q4 or Q1 2017.



Technical Trends (Dollar)

Astrological Indicators

Target Range

Short term trend is UP (1 week ending May 20)	bullish (confirming)	94.5-96
Medium term trend is DOWN (1 month ending June 20)	bullish (disconfirming)	97-98
Long term trend is UP (1 year ending May 2017)	bullish (confirming)	105-110

Crude oil

Crude moved up last week on supply concerns and improving economic data. WTI gained 5% to \$47 while Brent finished a bit below \$48. This bullish outcome was unexpected as I thought we would get more midweek selling. The rally continues here as the bulls got their higher high and higher low. Although the chart looks good here as crude moves further into that resistance zone at \$45-50, the rising wedge pattern is still in place. This is a bearish pattern. Wedge support is near \$44 and resistance is now just above \$48. Wedges often resolve first into rising channels as the lows deepen. In this case, that would suggest an initial downside target near \$40-41 – very close to the

intersection of the 200 DMA. Even a retracement that large would be bullish in the medium term as it would remain above the early April low of \$36. Last week's golden cross of the 50 and 200 DMA also gives bulls something else to cheer about. Given the strength of this rebound, I would think that even a deep pullback here to \$40 will be bought fairly aggressively. If there is going to be a reversal in the oil market, it will require a lower low (e.g. \$42 which is then followed by a lower high (e.g. \$44). The weekly Brent chart is similarly showing some strength even if further gains may be more difficult as it revisits a previous area of support at \$50.

This week offers the bears another decent chance as Mercury aligns with Saturn. This looks like a difficult alignment which could put pressure on crude, especially in the second half of the week. A test of resistance at \$50 is still possible this week, especially close to Tuesday's Venus-Uranus alignment. But the week overall looks less likely to bring about another gain. I think a retest of last week's low near \$44 is more likely. Next week (May 23-27) also leans somewhat bearish on the Venus-Mars opposition early in the week. I would think \$40 is possible here. The late week could see a rebound, however. Early June also presents some hurdles for this rally as the Sun and Venus align with Saturn on the 2nd and 3rd. More downside is likely in June with the second half of the month most vulnerable to declines as Mars stations in alignment with Uranus. I think the chances are good that we will see a



retest of \$36 sometime in June and a retest of the February low is also possible. A rebound is likely in July and August which could return crude to its current trading range of \$35-50. September and October should see another move lower with a likely retest of the June low. While another correction is likely in Q1 2017, I am unsure if this produce a lower low (\$20-25). It's possible, of course, but let's first see how the summer unfolds.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending May 20)	bearish (disconfirming)	\$42-45
Medium term trend is UP (1 month ending June 20)	bearish (disconfirming)	\$35-40
Long term trend is DOWN (1 year ending May 2017)	bearish (confirming)	\$20-30

Gold

Gold pulled back last week on the strengthening Dollar and stabilizing economic data. Gold lost 1% on the week to 1274. While I was unsure where gold would finish last week, this outcome was not unexpected. I thought we would get some upside at least around Tuesday's Venus-Jupiter aspect and indeed gold did rise Tuesday and Wednesday. Monday was sharply lower, however, on the Sun-Mercury conjunction and Jupiter direct station. I had noted the possible wild card effect of this Jupiter station as prices could move in either direction. Gold is again in retracement mode here although the chart is still generally bullish. Support is holding firm at 1260 just above the 50 DMA. While some bulls may be growing impatient, they can still note the series of higher lows over the past three months. Short term resistance is 1280 so any close above that level would suggest another test of 1300 is likely. As the 200 DMA is now sloping upwards, there is an increased likelihood that dips will generally be bought. Even deeper retracements may not necessarily signal the end to this bullish phase in the gold market. While I believe the planetary alignments look bearish in the coming weeks, it will be important for technicals to confirm the end of this rally. So far, there are no obvious bearish technical signals.



This week also has a bearish bias. I tend to think we may not get that much downside when all is said and done this week but the entry of the Sun into Taurus on May 14th could shift sentiment somewhat. Also we should be aware of the possible implications of Jupiter's reversal of its direction on May 9th as it is now moving forward into a tightening aspect with Saturn. The early week offers bulls some hopes perhaps as Venus aligns with Uranus on Tuesday. That should be good for at least one up day in the first half of the week. The Sun approaches its opposition with Mars in the second half so the chances of a pullback are higher then. Since I have a medium term bearish outlook, it would be welcome if gold were to fall below 1260 this week and begin the process of eroding bullish confidence. And yet, I'm not holding my breath given the recent strength in the market. Perhaps it will again finish between 1260 and 1280.

Next week looks more bearish as both the Sun and Venus align with Mars in the first half of the week. Therefore the chances are good for a move below 1260 and the 50 DMA. The following week looks choppy as the Sun-Venus conjunction tightens but moves into alignment with bearish Saturn by Friday June 3rd. While this late May/early June period looks bearish, it is possible we may only see modest declines. It's hard to say. The entry of Venus and the Sun into early Gemini in mid-June should coincide with some upside but it may be a lower high. It all depends on how deep the preceding decline is. Late June and early July looks more bearish again with the risk of a large decline on the Mars-Uranus alignment. A rebound is likely in July and into August but I would expect that rebound to fail as Saturn aspects the Node as we move into September. Another move lower is therefore likely in September and October. I'm not sure where gold will be by the fall. It may still remain above the December low of 1050 but let's see if it actually does reverse lower here in May and June.

Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending May 13)	bullish (confirming)	1280-1320
Medium term trend is UP (1 month ending June 13)	bearish (disconfirming)	1200-1250
Long term trend is DOWN (1 year ending May 2017)	bearish (confirming)	800-1000

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