MVA INVESTOR NEWSLETTER

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Summary for week of 30 May 2016

- Stocks mixed but rising downside risk in second half
- Dollar may extend gains this week
- Crude oil more vulnerable to declines late
- Gold could fall further this week

US Stocks

Stocks moved higher last week as improving GDP data suggested growth may be picking up. The Dow was higher by 2% closing at 17,873 while the S&P 500 finished at 2099. This bullish outcome was somewhat surprising as I thought we might have had more early week downside. But Monday was only slightly lower and Tuesday's gain was very strong.

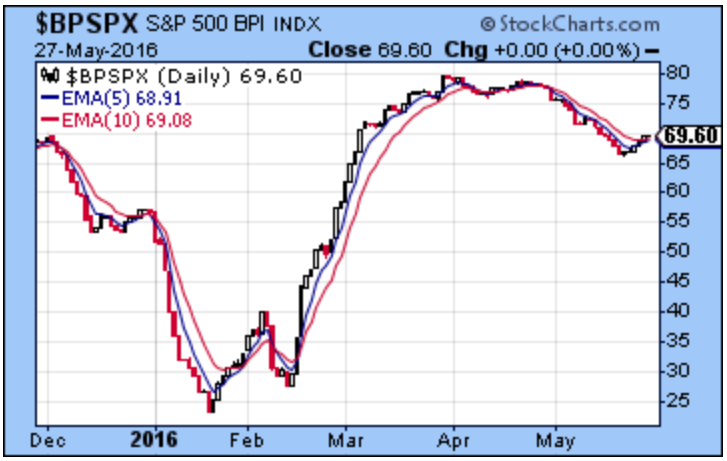
On Friday, Janet Yellen reaffirmed the Fed's view that rate hike would come in a matter on months if data continued to be positive. That may not make the case for a June hike, but July would be more likely. Markets are expecting a hike to come sooner rather than later as the Dollar extended its recent comeback. The Fed can accept a modestly strengthening Dollar but it knows that if it rises too quickly, it could upset the delicate balance in the global currency market. The May jobs report comes out this Friday (June 3rd) and will be another key factor in the Fed's decision at the next FOMC meeting on June 15th. A strong jobs report would make a June hike more likely and could accelerate the rise of the Dollar. It is unclear what the effect of a June rate hike might be on stocks. Traditionally, rates rise during times of economic expansion and this can be bullish for the stock market. But in the current ultra-low rate environment, there is a measure of uncertainty given that much of the bull market is has been dependent on the Fed's bottomless liquidity.

My astrological outlook is still bearish as we move into the month of June. To be sure, I have been wrong about a preliminary decline beginning here in May. The retest of support of 2040 happened but the pullback went no further. Now stocks are on the verge of retesting their all-time high. As I see it, this little boost is more likely to postpone the decline. It may also mean that the bottom for the first significant decline will be higher than it otherwise would be. In other words, SPX 1810 by July is looking more unlikely if we begin the month of June near 2100. This apparent topping process is sufficiently protracted to produce frustration in both bulls and bears and neither side seems to be able to take control. The year as a whole is still shaping up to bearish but the process of ending the 7-year long bull market will likely take several more months before the smoke clears.

The short term technical picture shifted in favor of the bulls last week. After the bounce off support at 2040, stocks moved back up to their recent range high at 2100. The bulls still have the wind at their back here although they will likely find it difficult to break too far above resistance near 2100. Some purely technical pullback is therefore likely in the days ahead as this normal bullish consolidation process plays out. Bears are looking for clues that the consolidation process evolves into something more dramatic but that would require a close below 2040. More courageous bears are likely considering short positions here near the top of the recent range. Failure by the bulls to move above the April high of 2100 would set up a potential double top pattern. This pattern has a downside target of 1970-1980.

The technical indicators do not offer solid evidence for any particular outlook as stochastics are getting overbought here but RSI still has some ways to go. The Russell 2000 and the Nasdaq followed the blue chip indexes higher last week and are also testing their April highs. The market could therefore go either way – higher to retest its 2015 highs or lower and retest its May low and open up the possibility of falling back to its winter low. The Bullish Percent chart enjoyed decent gains last week and is now on the verge of a bullish crossover. The weekly Dow is still showing a sell signal on stochastics as the bearish crossover persists below the 80 line. The 20 WMA is now pointing up and may be just a week or two away from a bullish crossover with the 50 WMA. This would be a bullish indication although these averages lag the market trend significantly. It should be noted that the 20/50 WMA bearish crossover in late August coincided with the approximate bottom of the sell-off. For markets that have faster-changing trends, this 20/50 signal is probably less useful and may indeed by a contrarian indicator. Bears take note! The bond market held mostly steady last week as the 10-year finished unchanged at 1.85%. The chart still looks oriented towards lower levels as we can see a series of lower highs. This could change if Friday's jobs report is stronger than expected as yields could quickly pop up to 2% and above.

The highlight this week is the late week Sun-Venus-Saturn-Jupiter alignment. Interestingly enough, it will closely coincide with Friday's jobs report. As a default stance, this alignment looks bearish. The strong Saturn position in this chart is often problematic for stocks although not always. The complicating factor here is that Jupiter is also part of the larger alignment and this could introduce a wild card element. I have been expecting a significant



decline on Thursday and Friday although the recent strength in stocks is reducing my confidence in that view. So instead of a high confidence bearish call, I would take that down a notch to a moderate confidence level. Gold has been falling and is likely to fall further after Friday's jobs report. That suggests it could well be a strong report and thus hasten the Fed rate hike. Recently, the market is not reacting as negatively as I expected to the prospects of a hike this summer. That is one reason why I would be careful in the late week. A fairly large move is more likely on this planetary alignment but the direction is less clear. As I said, I would still think the bears have a decent chance here. After Monday's closing, Tuesday lacks any close short term aspects. A pullback is perhaps 51% likely on Tuesday and Wednesday as Mercury aligns with the Lunar Node. The probability is marginal here and I would be surprised to see any big moves in either direction also. I would not be surprised if we got a daily close above resistance at 2100. And certainly if Friday's fireworks are bull-friendly, then we could even be at 2120 fairly quickly. However, I still think the larger potential size of any decline this week makes the bearish view more attractive from a risk-reward perspective. We could therefore see 2050 by Friday.

Next week (June 6-10) looks mixed. Monday's Sun-Venus conjunction looks bullish although it may not manifest immediately. I would therefore lean a bit bearish on Monday, especially if Friday has seen some selling. I think the week could become more bullish on Tuesday and Wednesday. Another down day is likely on either Thursday or Friday as Mercury opposes Mars. So the short term aspects are quite mixed, although the medium term influences look quite bearish to me. Therefore, a breakdown of 2040 is still possible here. The following week (June 13-17) should see some upside as Jupiter aligns with Pluto and the Sun and Venus enter Gemini. If we're going to get a higher high, this would be the time. I still think the first two weeks of June are sufficiently dubious that a higher high is a less likely scenario. But we shall see. The week of June 20th looks more bearish as Mercury opposes Saturn and Uranus enters Aries on Thursday the 23rd. This is the same day as the Brexit referendum. My expectation is that the UK will vote to leave the EU and that this could spark a bigger sell-off. If I'm wrong, I still think there will be enough uncertainty in the approach of the vote and the vote itself that stocks are more likely to decline. Stocks look vulnerable into early to mid-July. Where the bottom may be is harder to say. We may only get down to 1970 on the SPX. It depends on how big a reaction there is around the Mars direct station on June 29th that dangerously aligns with Uranus within just one degree. A rebound is likely to occur in the second half of July and into mid-August. My expectation is that this will be a lower high. Another decline is likely to begin in August and last into September. Lower lows are likely by December and into Q1 2017. A significant low is possible around the second Uranus entry into sidereal Aries in mid-April 2017. We could see a more durable rebound take place after that date.

Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending June 3)	bearish (disconfirming)	SPX 2050-2100
Medium term trend is UP (1 month ending July 3)	bearish (disconfirming)	SPX 1850-1970
Long term trend is UP (1 year ending June 2017)	bearish (disconfirming)	SPX 1400-1700

Indian Stocks

Stocks soared last week as investors celebrated favourable earnings, a good monsoon forecast and a strong inflow of FII. The Sensex gained 5% on the week to 26,653 while the Nifty finished at 8156. While I expected a more bullish second half the week, I did not foresee a gain of this magnitude. As expected, we did see a retest of support at 7700 in the early week on the Sun-Mars opposition. The bulls then took over Wednesday and stocks began their climb all the way into Friday's session.

Last week gave the bullish view of the market added credibility. Not only did the Nifty move above 8000, it did so against a backdrop of the likelihood of rising rates in the US. This marks a potential shift in a long-standing aversion of FII to the rising rates and Dollar appreciation. For now, it seems that FII have made their peace with a modestly higher Dollar and two rate hikes in the US in 2016. So as long as the earnings story continues to be good, India will be a beneficiary of foreign capital inflows. This quick reversal in sentiment comes as a surprise to me as I thought emerging markets like India would be vulnerable to capital outflows as the Dollar rose. It is still early but this view now seems mistaken. For now, markets have a growing tolerance of higher rates and a higher Dollar as long as economic growth can be maintained. We shall see how long this happy accomodation can last.

My view of the market is still skeptical, although I have been chastened by last week's surge. My expectation for a more thoroughgoing bear market in 2016 may be in need of some revision. While I still see a number of difficult planetary alignments for the rest of 2016 and into 2017, it now seems likely the market will be in a better position to withstand the inevitable pullbacks and corrections. I had expected some mid-June gains on the Jupiter-Rahu-Pluto alignment which I thought might have produced a lower high such as 7700 or 7900. Now it seems that bullish alignment will ensure the Nifty goes somewhat higher from here. But now the late June and early July correction that I am expecting may not be enough to fundamentally change the upward momentum of stocks. In other words, it seems more likely that we will get a higher low by early July, perhaps somewhere between 7500-7800. The subsequent down moves that I am expecting this year are therefore also going to have the net effect of postponing important tests of the key longer term levels of 6900 and 6400 into 2017.

The technical picture is now significantly changed. The short term trend is up and now the medium term trend is also up. With 8000 now in the rear-view mirror, 8000 should be seen a key support for this breakout. This is a potential game-changer, although I will remain skeptical based on my reading of the planetary alignments. Nonetheless, bears should be very cautious now until the rally is clearly exhausted. While the upward momentum from last week will produce some consolidation in the coming days, there should be enough bullish sentiment to keep the Nifty above 7900-8000 for a while. We can see the Nifty is now following a rising channel and is pushing up against channel resistance here at 8150-8200. Channel support is near 7800 which happens to be the confluence of the three moving averages – the 20, 50, 200 DMA. This breakout above 8000 should give bulls a lot more conviction to buy dips in the event we fall close to these moving averages or even channel support at 7800.

The Nifty is on the verge of a golden cross of the 50 and 200 DMA which is also somewhat bullish although it can often act as a contrarian indicator in the short term. Therefore a significant pullback may be even more likely in the days ahead. RSI (=69) is almost overbought although I would not put too much faith in that indicator given the strength of last week's rally. While the bullish breakout was impressive, we should not lose sight of the fact that the size of this move roughly equals the mid-April rally with about 450-500 Nifty points. If this measured move target holds, we may see the Nifty top out at 8200 before some serious consolidation takes place. And if the measured move pullbacks match, that would suggest a pullback to 7900. The weekly BSE chart now shows that stochastics is back in a bullish crossover. After edging slightly below the 80 line last week, the bulls reversed the down trend. We can see that previous big white candles have generally been followed by more upside in the subsequent weeks. This is a sign that dips will likely be bought in the coming days and even weeks. Meanwhile, Infosys (INFY) bounced sharply last week and is now approaching a retest of its previous high. There is some resistance here, however, so we could see some consolidation before the move higher extends to that lonely island candle from mid-April. It will take a break below the April low to make this chart bearish. HDFC Bank (HDB) pushed

up against resistance last week and now looks poised for a bullish breakout. The chart is bullish and it only seems like a matter of time.

This week looks mixed. The dominant aspect this week occurs late in the week when both the Sun and Venus oppose Saturn and square Jupiter. I would assume a bearish bias on this alignment. That said, the presence of Jupiter means that the probability of a decline is somewhat muted. I still think that downside is somewhat more likely than not, but the confidence level of a decline is only moderate. The first half of the week could see some follow through to the upside. The Mercury-Rahu-Pluto alignment on Tuesday looks somewhat bullish, although not strongly so. Perhaps that is an argument for a test of channel resistance near 8200. If we do get a pullback later in the week, then a dip down to 8000 is possible. While the downside risk here is real on this alignment, I'm not convinced that the momentum from last week's rally can be reversed so quickly. The other factor here at work here is that Jupiter-Rahu-Pluto is strengthening in the background and should provide some upward lift for sentiment into mid-June. I'm not sure if it can manifest this week given the fact of this bearish Saturn influence but it is not out of the question.

Next week (June 6-10) looks fairly bullish to start on the Sun-Venus conjunction. We could easily see a retest of channel resistance of 8200 on this pattern. The Mercury-Mars opposition on Wednesday and Thursday may produce one significant down day but it may not be enough to offset the preceding gains. The week as a whole looks slightly bullish. The following week (June 13-17) may start on a negative note as Mars aspects Venus. The late week looks mixed. This could represent a test of support at 8000 or even 7900. Then the week of 20th June could be a significant market mover as Mars aligns with Uranus, just as Uranus enters the sign of Aries. There is an elevated risk of a significant decline here, especially later in the week after the day of the Brexit referendum on the 23rd. While I am not certain the market will fall at the end of the week, the alignments suggest that a negative outcome is more likely. July looks mixed but I would think some kind of rebound should take place, especially if late June has seen some selling. My expectation is that July will see a lower high but that depends on what kind of correction we get in June. August looks somewhat more bearish with more downside likely into September. I would expect lower lows by September, possibly in the 6900-7200 range. Stocks will likely struggle into Q1 and Q4 2017.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is UP (1 week ending 3 June)	bearish (disconfirming)	8000-8150

Medium term trend is UP (1 month ending 3 July)	bearish (disconfirming)	7600-7900
Long term trend is UP (1 year ending June 2017)	bearish (disconfirming)	5000-7000

Currencies

The Dollar edged higher last week after Janet Yellen continued to talk up the likelihood of a rate hike this summer. The USDX finished at 95.58 while the Euro closed near 1.11. The Yen Index drifted higher to 110 and the Rupee strengthened to 67. As expected, the Dollar rose early in the week on the Venus-Mars aspect and then retraced afterwards. The Dollar appears to be pausing here after its bounce as it consolidates above the 20 and 50 DMA at 94.5. One would think that any retracement close to that level would be bought fairly aggressively, at least at the outset. A weak jobs report on Friday could place more pressure on the Dollar so that deeper retracement (50%) is possible, near 94. The most obvious resistance level is the 200 DMA at 96.6. A stronger than expected jobs report could send the Dollar close to this level as the prospects of a June rate hike would rise. The weekly Euro chart is looking a bit less bullish here after the break below the 20 WMA and the tagging of the 50 WMA. These lines have acted as support and resistance in recent months so we will have to watch carefully if the Euro can bounce off this key support level. The 20 WMA has been more telling as support recently so last week's breakdown was a small sign perhaps that lower lows are ahead. The next major level of support is 1.08.

This week would appear to load the dice again in favour of the Dollar bulls. Some retracement is possible early in the week but the late week Sun-Venus opposition with Saturn and square to Jupiter looks bullish. The fact that this alignment coincides with Friday's jobs report suggests a fairly big move is more likely that day. I would lean towards a bullish reaction although the presence of Jupiter in this alignment lessens the probability of a gain from high to moderate. An early week retest of 95 could then allow the dollar to move higher by Friday. A move to the 200 DMA is possible, although I would not quite say it is probable given the various uncertainties. Next week looks bullish to start on the Sun-Venus-Rahu alignment. A test of the 200 DMA is perhaps more likely then. The late week looks more bearish on the Mercury-Mars opposition. My expectation is that pullbacks will

be bought in June so that a deep retracement is less likely. I would expect a strong upside in the last two weeks of June. A sharp Dollar rally is possible on June 23rd around the Brexit vote. Nothing is certain in life and astrology, of course, but the planets appear to favour a rise in anxiety at this time. A retracement is likely to begin by mid-July but this may not be overly strong and sustainable. August looks more bearish but this should not change the up trend. I would expect a higher low (94-95?) by late August. Another strong rally is likely in November and December which could produce a move above 100. Another significant high is also likely in April 2017 when Uranus re-enters sidereal Aries following its retrograde period.

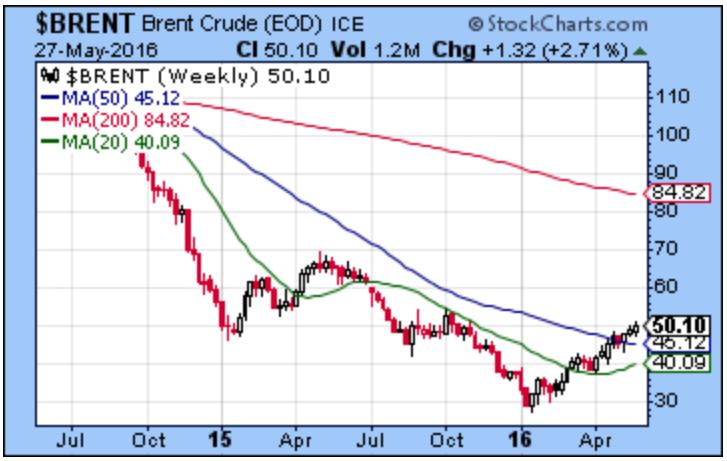
Technical Trends (Dollar)	**Astrological Indicators**	**Target Range**
Short term trend is UP (1 week ending June 3)	bullish (confirming)	95.5-96.5
Medium term trend is DOWN (1 month ending July 3)	bullish (disconfirming)	98-100
Long term trend is UP (1 year ending June 2017)	bullish (confirming)	105-110

Crude oil

Crude oil edged higher last week on improving US economic data and the prospect of higher interest rates. WTI gained 2% on the week to $49.50 while Brent closed just above $50 for the first time since October. I thought we might have seen more early week downside on the Venus-Mars opposition but only Monday was lower. While I had a bearish bias, I was somewhat uncertain about whether or not declines would actually manifest. As we prepare to enter the month of June, I think crude is still even more likely to retrace lower albeit from a higher top. The oil chart is still in a bearish rising wedge pattern so the technical picture still provides bears some rationale. Resistance in this rising wedge is near $51 for WTI and support is very close at hand at $47-48. A breakdown of support could see a retracement down to the $42 area near the 50 DMA. This would then create a rising channel pattern. It is important to note that even if we get a decline down to the 50 DMA, the medium term chart would still be bullish. The chart would become more bearish if we close below the 200 DMA at $40. The weekly Brent chart shows how price has now moved up into a strong resistance zone near $50. It seems somewhat unlikely this rally can continue to move up beyond $55 without a significant retracement first.

This week could see a big move late in the week on the Sun-Venus-Saturn-Jupiter alignment. This is exact on Friday – the same day as the release of the US May jobs report. There is some significant downside risk to this alignment. It is conceivable that the presence of Jupiter in the alignment could produce further gains but that

seems less likely. I am expecting some retracement to take place in June so this could be the beginning of a pullback. After the Monday holiday closing, the first part of the week could see more upside as the Moon transits watery Pisces. I would think the chances are good that WTI gets at least one close above $50 at some point this week.



Next week (June 6-10) looks more mixed as the early week Sun-Venus conjunction may coincide with some upside. The late week has an added downside risk as Mercury opposes Mars on Thursday and Friday. We could see another move higher into mid-June on the Jupiter-Pluto aspect but this may not provide a long-lasting boost. It may only be a retest of resistance ($50-51?). Late June has an elevated risk due to the Mars-Uranus alignment. The indications are not as clear as I would like, but nonetheless there is an added risk of a decline here. This possibility for a decline makes the case for the retracement to the 20 and 50 DMA more compelling. Another rebound is likely in July and into August. This could be fairly strong although I am unsure if it can produce a new high. Late August and September look bearish again as Saturn stations direct in aspect to Neptune and Rahu (North Node). This should produce a lower low (below $42? $36?) by early October. December and January look like another corrective move, most likely to a lower low. Previously, I had thought we would revisit the January low of $26 by mid-2016. The strength of the recent rally suggests that may be a premature call. We may well have to wait until Q1 2017 for crude to fall back below $30.

Technical Trends	**Astrological Indicators**	**Target Range (WTI)**
Short term trend is UP (1 week ending June 3)	bearish (disconfirming)	$46-48
Medium term trend is UP (1 month ending July 3)	bearish (disconfirming)	$38-44
Long term trend is DOWN (1 year ending June 2017)	bearish (confirming)	$20-30

Gold

Gold extended its recent pullback last week as improving economic data increased the chances of an early Fed rate hike. By Friday's close, Gold had lost 3% to 1215. This bearish outcome was in keeping with expectations as I thought Tuesday's Venus-Mars opposition would likely be bearish. Tuesday turned out to be the most bearish day of the week as gold broke below its 50 DMA. Suddenly, gold is looking vulnerable after the breakdown of support of the rising channel at 1235. It may well have found new support at the 1200-1210 level but that may be worrying to bulls who fear a return to bad old days of sub-1200 gold. Bulls not only have to defend 1200, but they must try to quickly push prices back above 1240-1250 and recapture the 50 DMA. The bulls can at least point to how oversold gold is now as stochastics is in single digits so that may argue for a short term bounce. RSI still has some ways to go before falling below the 30 line, however. If support at 1200 should break, then the downside target would be 1100-1120. I would think a break below 1200 may bring about a fairly rapid decline. On the other hand, if bulls can reclaim the 50 DMA, then they may be able to retest resistance at 1300. Gold is therefore still range bound for now between 1200 and 1300.

This week may be focused on the Thursday-Friday alignment of the Sun, Venus, Saturn and Jupiter. This pattern raises the bearish potential right around the time of Friday's jobs report which could significantly impact Fed rate policy. A big move is possible on this alignment. The presence of Jupiter reduces the probability of declines somewhat since it is a bullish factor. Overall, however, the alignment seems more negative. June as a whole looks bearish for gold so even if gold doesn't decline this week, it very likely will decline by the end of June. The early week here leans a bit bearish. This could mean some testing of support at 1200 on Tuesday or Wednesday.

Next week (June 6-10) looks more bullish as the Sun conjoins Venus on Monday and aligns with Pluto. If the previous week has been lower, then this offers a decent prospect for a rebound. The late week looks more bearish, however, as Mercury opposes Mars on Thursday. But overall I would lean somewhat bullish here. More upside looks likely into mid-June as Jupiter conjoins the North Lunar Node (Rahu). This looks like a lower high. The next move lower could begin around June 16-17 as Mercury opposes Saturn. Uranus enters Aries on Brexit Day on the 23rd so that could see some sharp moves. The Mars direct station on the 29th also looks volatile for gold with a more clearly bearish bias. My conservative guess is gold will move below 1200 by late June and possibly all the way down to that 1100-1120 area. We shall see. July and August looks somewhat more bullish as Jupiter aligns with Uranus. This should produce a significant rebound although I'm uncertain if it will be enough to make highs above 1300. I suspect it won't be strong enough but let's see what kind of pullback we get

in June. Another correction is likely to begin in late August and last into September as Saturn aspects the Lunar Nodes. I think the various bearish periods in 2016 will put added pressure on gold. Lower lows seem more likely by the end of the year and into Q1 2017.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is DOWN (1 week ending June 3)	bearish (confirming)	1180-1220
Medium term trend is UP (1 month ending July 3)	bearish (disconfirming)	1100-1150
Long term trend is DOWN (1 year ending June 2017)	bearish (confirming)	800-1200