

## Summary for week of 13 June 2016

- Stocks vulnerable to declines, especially in first half
- Dollar likely to move higher
- Crude oil mixed with bearish bias
- Gold less bullish than last week with increasing downside risk

## US Stocks

Stocks ended the week fractionally lower as investors worried about a possible Brexit. The Dow was actually slightly higher on the week at 17,865 while the S&P 500 finished lower at 2096. The broader indexes were also lower. The week unfolded more or less as expected as stocks rose in the first half of the week on the Sun-Venus conjunction. As has been the case recently, bulls were a bit stronger than I thought on the Wednesday high of 2120. As expected, the late week Mercury-Mars opposition coincided with some selling as Friday brought a decent sell-off.

A growing number of opinion polls are showing a slight lead for the Leave side in the UK referendum. While polls can be unreliable, the market has finally started to take the possibility of a Brexit seriously. If the UK does leave the EU as I expect it will, there will certainly be more downside for US stocks. It's unclear, however, if this will merely produce a few down days or if it will completely change market sentiment. As I am still bearish for the month of June, I think there is some considerable downside risk attached to the referendum vote and the late June period.

Regardless of the outcome of the vote, it is noteworthy that George Soros has reportedly now joined Carl Icahn on the short side. Both investors have made heavy bets on a significant market sell-off in the months ahead. Since my view is also fairly bearish here, if nothing else, it's good to be in that kind of company. Thus far, the market has proved to be more resilient than I had expected. So instead of breaking key support by July as I had once projected, we may have to be content with a far more protracted topping process. Even if there



is a shock sell-off after Brexit, the SPX could still manage to remain above 1970 and then proceed to rebound into August. The problem here is that it is difficult to assess how big the possible late-June decline may be. It could be 5% (SPX=2000), 10% (SPX=1900), or even more (1810?). That is the nature of the Uranus ingress into Aries. It's very unpredictable in its effects. Certainly, there is a bearish planetary set-up given that Mars will align with Uranus in late June. But I am keeping a very open mind about how low we could go.

The technical picture is still bullish enough after we got a higher high last week. Despite the late week pullback, bulls are still in the driver's seat. To be sure, they are running up against significant resistance here at 2120 and 2134, of course, which was the all-time high. While a reversal lower is very possible in a technical sense, the size of this post-February rebound means that dips will be bought and even corrections will eventually be bought. So even if the market freaks out over Brexit, there likely will be buyers in sufficient numbers that a complete meltdown will be prevented. Immediate support is likely near the previous week's low of 2085. A move below that level could spark more selling to the next support level at 2040.

Bears may be eyeing the possibility that the SPX is forming a rising wedge pattern which often resolves in significant downside. Rising wedge support is near 2070 so a move below that level could spell trouble. Bears may also take solace in the obvious negative divergence in the percentage of stocks above their 50-day moving average. June's high was much lower than the April high and indicates a narrowing of the rally's breadth. We will see if the current pullback also puts in a low which is below the May low. If it does, then that would suggest that stocks may have further to fall in the near term. The weekly Dow chart shows a bullish crossover of the 20 and 50 WMA. By itself, that would offer some evidence for more upside in the medium term. However, last week's gravestone doji (long upper shadow but little change in closing price) suggests a trend reversal is more likely in the short term. Stochastics is holding near 80 so it could break either way. A move lower this week upcoming would likely mean a bearish crossover and a break below the 80 line. Perhaps the bigger story last week was the flight to safety into Treasuries as yields were pushed lower on Brexit fears. The 10-year is now on the verge of retesting its winter low of 1.6%. German 10-year bunds yields are now almost negative. The bond market is preparing for trouble it seems so that is another argument in favor of equity bears.



This week looks more bearish. Mars will aspect both Venus and the Sun in the early part of the week. This makes it more probable that we will get additional short term downside. The period from Monday to Wednesday therefore leans bearish with two down days somewhat more likely. The FOMC meets on Wednesday but the planets do not offer further evidence for a bullish reaction to Yellen's decision. Usually, FOMC days are bullish as the Fed Chair goes out of her way to reassure the markets. This could still take place, but the planets do not

offer strong support for that familiar scenario. It seems likely that we will see the SPX fall to support 2085 in the early week and there should be enough negative sentiment to push it lower than that. Thursday is hard to call but Friday looks somewhat bearish on the Moon-Mars conjunction. Even if there is some unforeseen upside on Wednesday and Thursday, I would think the chances are good for the SPX to finish lower this week, probably below immediate support at 2085. Perhaps the wedge support at 2070 will be tested and broken. I would not be surprised by some sudden (and overdue) selling here although if it doesn't quite happen next week looks even more bearish.



Next week (June 20-24) is all about the Brexit vote on Thursday the 23<sup>rd</sup>. There is the possibility of a major decline here around that date. Monday's Mercury-Saturn aspect is likely to translate into some early week downside either on Monday or Tuesday. Some buying is likely also, although I'm unsure when the gain will come. If Monday turns out to be positive on the Moon-Venus aspect, then that would load the dice for some selling on Tuesday and Wednesday. Uranus enters Aries on Thursday so that is a big red flag for a possible decline. The other aspects that day don't look overly negative, however, so it is conceivable that the market may stay afloat.



But that is not a view I would want to rely upon too much as the planets look quite nasty. Nailing down the exact days of decline is difficult although one would think that a Brexit vote effect would manifest on Thursday and Friday. The following week (June 27-July 1) also has a red flag as Mars stations direct on Thursday. That may heighten further downside especially in the first half of the week. Gains are more likely to occur on Thursday and Friday as Venus aligns with Jupiter and Pluto. I would be surprised if stocks were higher on the week, however. Again, it is hard to predict where the S&P may end up here. Volatility should be significantly higher and no outcome would shock me.

A rebound is likely to begin sometime in July and continue into August around the Jupiter-Uranus alignment. My general expectation is that this will produce a lower high (1950? 2040?) which will ultimately lead to another wave down to a lower low, probably in September and October. But another lower low is likely in the December to February 2017 time period. I think it is still very possible that we will see 1600 tested and even broken on the SPX by Q1 2017.

**Technical Trends**

**Astrological Indicators**

**Target Range**

Short term trend is UP  
(1 week ending June 17)

bearish (disconfirming)

SPX 2050-2080

Medium term trend is UP

bearish (disconfirming)

SPX 1850-1970

(1 month ending July 17)

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

bearish (disconfirming)

SPX 1400-1700

## Indian Stocks

Stocks ended the week modestly lower as fears over a possible Brexit took hold later in the week. The Sensex fell by less than 1% to 26,635 while the Nifty finished at 8170. I thought we might have seen a bit more upside although the week was more or less in line with expectations. The early week was bullish as the Sun-Venus conjunction aligned with Pluto and Rahu to boost sentiment into Wednesday. As expected the Nifty touched 8300 and then the bears moved in just in time for the Mercury-Mars aspect on Thursday and Friday.

Indian stocks appear attractive here as long as a possible Brexit vote on 23<sup>rd</sup> June does not produce a domino effect. Earnings continue to be strong and the monsoon is on track to support growth in the agricultural sector. And yet, if the UK votes to leave the EU in two weeks, all bets may be off as markets react to a potentially huge shake-up in the global trading regime. Increasingly liberal International trade has been the basis of the massive bull market in India over the past twenty years. As long as trade was becoming freer, then India could benefit from its comparative advantages on price and expertise. But a Brexit could change all that as the viability of the EU could be called into question. The rise of nationalist protectionist parties in Europe and the Trump candidacy in the US has put global free trade assumptions on notice. Even more telling is the fact that global trade volumes are now negative year-over-year as the slowdown in China shows no sign of reversing. It is therefore conceivable that a Brexit could have a negative ripple effect over many markets in the weeks and months to come.

My analysis suggests that a Brexit is the most likely outcome and that the markets will react negatively. As previously noted, this is in part due to the entry of Uranus into Aries. In addition, the alignment with Mars in late June suggests much higher downside risk. Just how far stocks could fall is harder to say, however. Certainly, the risk of a large decline is greater than at other times. And yet given the recent strength of stocks, it is possible that bulls could step in fairly soon and support prices with only a modest amount of damage. Whether stocks decline 5% or 10% here, I still think the most likely scenario is for the market to struggle for the rest of 2016. Even if



bulls prove more resilient in the short term, I have to think that the various Saturn aspects later in the year will weigh on sentiment more heavily.

Despite the decline, the technical picture remains bullish. Friday's low was still higher than the previous week's low so that is bullish as buyers may be induced to step in. Rising wedge support is near 7900 which is the 50 DMA. In other words, even if we were to see a sharp pullback to 7900, it would not necessarily mean the rally was over. Buyers would likely move in at 7900. If 7900 does not hold, then the bears would be on more solid footing. More support is likely near the 200 DMA and the horizontal support area of 7700. A more serious correction could mean the wedge is resolving into a rising channel with support closer to 7300-7400. Although obviously a blow to bulls, it would still be bullish in the medium term.

If previous pullbacks are an indication, then the measured move target for any decline would be around 8000. This would be a 300-point decline which would mirror the late April-early May decline. All three of the technical indicators look bearish as RSI has come off the 70 line and has further to fall before it hits support at 50. Stochastics is in a bearish crossover and MACD may be on the verge of rolling over into a bearish crossover of its own. In the event that bulls can take the reins again and push higher, rising wedge resistance is close to 8350. The weekly BSE chart should give the bulls some reason to buy in the medium term as stochastics remains in a bullish crossover. The 20 and 50 WMA are coming closer to a bullish crossover but it is still some ways off yet before we get that stronger medium term buy signal. Meanwhile, Infosys (INFY) plunged more than 4% Thursday on poor forward guidance. The decline came shortly after a retest of resistance of recent highs. Shares found support at the May low but one would think that more downside is likely short term. Nonetheless, the 200 DMA should act as support as the chart remains bullish in the longer term. HDFC Bank (HDB) pulled back a bit last week but the up trend remains firmly intact. Bulls may be waiting to buy the dip at the 50 DMA.

This week also leans bearish. Mars aspects both Venus and the Sun early in the week so that may give bears the advantage. The period from Monday to Wednesday looks more likely to be negative overall. Wednesday has a somewhat more bullish bias as the Moon aligns with Venus. There is some chance that we could see 8000 tested on the Nifty in the early week although I would not say it is probable. The Fed meets on Wednesday for its latest announcement. The planets do not appear strongly inclined in any



direction on Thursday. The odds of a gain are somewhat higher perhaps on that day. Friday looks more troublesome as the Moon conjoins Mars. Overall, I think stocks should finish lower on the week. I would be surprised if the decline was sizable, however. While I do expect some significant selling in the days ahead, I tend to think it will occur next week and the week after rather than this week. As Mars approaches its dangerous alignment with Uranus, however, the downside risks are rising even this week.

Next week (June 20-24) looks more bearish. Uranus enters sidereal Aries on Thursday – the same day as the UK votes on EU membership. I am expecting a Brexit vote to carry the day. This should be negative for stocks globally including India. The early week also leans bearish as Mercury opposes Saturn on Monday and Tuesday. I would expect a net negative result across both days even if one day turns out positive. Overall, the week should be bearish. The following week (June 27-July1) also has some negative potential especially in the early week. Mars turns direct on Thursday and Friday so that could signal an interim low and reversal higher at the end of the week. Early July could be choppy as the market tries to find a bottom. A rebound is likely to begin in late July and extend into August as Jupiter aligns with Uranus. I would expect a lower high in August. However, another correction is likely to begin in late August and continue through much of September as Saturn aligns with Rahu. Stocks are likely to struggle through the end of the year and into Q1 2017. A lower low is likely by April, possibly retesting the old high of 6400.



**Technical Trends**

Short term trend is UP  
(1 week ending 17 June)

Medium term trend is UP  
(1 month ending 17 July)

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

**Astrological Indicators**

bearish (disconfirming)

bearish (disconfirming)

bearish (disconfirming)

**Target Range**

8000-8100

7400-7700

5000-7000

## Currencies

The Dollar rebounded last week as investors sought safety as polls showed a possible Brexit vote in the UK referendum. The Dollar finished at 94.63 while the Euro fell below 1.13 and the Rupee Index touched 67. This bullish outcome was in line with expectations as I thought the late week would be forgiving to the greenback. The early week Sun-Venus conjunction was bearish as expected. As usual, the technical situation offers plausible arguments for both bulls and bears.

Bulls can now point to a higher low here from which more upside is likely. But Dollar bears are likely sleeping more comfortably these days as it remains in a declining channel. It is still close to the low end of its recent trading range, however, so that may give bulls some hope that they can at least ride a bounce higher to the halfway point of the range near the 200 DMA. Obviously, a lot will depend on this week's FOMC meeting and then the UK referendum. If the UK votes to leave the EU, then the Dollar could recapture the 200 DMA at 96.5 in short order. One would think a Brexit vote would push the Euro right down to support at 1.11 at the 50 WMA. A move below that level would be problematic as it would increase the odds of a retest of the low at 1.05.



This week should see the Dollar move higher.

The early week is more uncertain, however, as we could see a down day Monday on the entry of Venus into Gemini. But the Mars aspect to Venus and the Sun dominates the first half of the week and should help to boost the Dollar and perhaps put a floor under any selling. Wednesday's FOMC meeting is often somewhat bearish for the Dollar as the always dovish Janet Yellen finds new ways of putting off rate hikes. The planets do not offer any clear clues in either direction in that respect. The late week looks more bullish, however. Next week is the UK vote and the planets look bullish for the greenback. Wednesday and Thursday (the 23<sup>rd</sup>) look particularly bullish. I think we could see the Dollar rally up to the 200 DMA



although estimated upside targets is quite speculative. The following week could see more upside as Venus aligns with Jupiter and Rahu. Some consolidation is likely to begin in early and mid-July and carry into August. I would still expect any low to be within the old range of 92-94. The Dollar should rally further in September and October. Further upside is likely in late 2016 and early 2017 with higher highs above resistance at 100 quite possible by April 2017.

Technical Trends (Dollar)

Astrological Indicators

Target Range

Short term trend is DOWN (1 week ending June 17)	bullish (disconfirming)	95-96
Medium term trend is DOWN (1 month ending July 17)	bullish (disconfirming)	96-100
Long term trend is UP (1 year ending June 2017)	bullish (confirming)	100-110

## Crude oil

Crude oil was mixed last week as Brexit fears offset any early week optimism. WTI was unchanged on the week just under \$49 while Brent settled slightly higher above \$50. This neutral outcome was generally in keeping with expectations as I thought price would remain with the rising wedge pattern. As expected, we got some early week gains on the Sun-Venus alignment which pushed WTI above the psychological resistance level of \$50. The late week was bearish as forecast as the Mercury-Mars opposition saw profit taking. Bears will need to break below \$48 for WTI in order to produce any selling pressure. There is some horizontal support at that level also which could trigger some stop loss selling.



Until that happens, however, the chart still belongs to the bulls as rising wedges can remain in play for considerable time. Even if there is a breakdown of support, there is rarely a sharp waterfall decline. Instead, rising wedges resolve into rising channels. If this were to occur with oil, then it would suggest support near the 200 DMA at \$40-42. Cautious bulls may therefore be waiting for this sort of lower entry point before they take more long positions.

This week looks more bearish, especially later in the week. The early week Mars alignment with the Sun and Venus also looks bearish but I'm not confident that it will be sufficient to produce much downside. Wednesday looks somewhat bullish, possibly due to the latest FOMC announcement. While the bears look like they will have some decent chances this week, I am hesitant to forecast a breakdown of wedge support at \$48. It could happen, but it's still not quite yet in the probable category. Next week (June 20-24) could see the after effects of the Brexit vote. I am expecting a Leave vote which should be positive for the Dollar and hence bearish for crude oil. However, the



crude oil horoscopes do not seem unequivocal on that score. There is some elevated bearish potential to be sure, but it is not as clear as I would like to see. Nonetheless, a move below \$48 still looks likely and we could even get a quick move down to the 200 DMA at \$42. I would expect crude to be mixed through July, possibly trading

between \$40 and \$50. Another interim high is possible in early to mid-August. It is hard to say if this will be a higher high above \$51. A lot will depend on what kind pullback we see in late June. Another correction will likely begin in late August and continue through September and into October. A retest of the winter low is very possible by October. I am unsure if we will see a lower low below \$26. But if a lower low is going to happen, then the first quarter of 2017 is the most likely time for it.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending June 17)	bearish (disconfirming)	\$47-48
Medium term trend is UP (1 month ending July 17)	bearish (disconfirming)	\$40-45
Long term trend is DOWN (1 year ending June 2017)	bearish (confirming)	\$25-40

## Gold

Gold extended its recent rally last week as Brexit fears fueled a flight to safety. Gold rose more than 2% closing at 1276. This bullish was in keeping with expectations although I was mistaken in thinking that the gains would be concentrated in the first half of the week. And the apparently bearish influence of the late week Mercury-Mars aspect did not impede the rally at all. So maybe the bulls aren't dead just yet. The extent of this rebound off support at 1200 has been impressive. That said, bulls will need to push prices above resistance at 1300 in order for the rally to enter a new phase. A Brexit vote on June 23<sup>rd</sup> could be enough to push gold above 1300 although if polls are showing a Leave win beforehand, then the gains could come earlier. While Brexit would prompt many investors to move into gold, the longer term impact may be more difficult to gauge as it would also boost the US Dollar. Gold and the US Dollar cannot both rise in tandem for any length of time as one or the other wins out. There is significant overhead resistance at 1280-1300 so it may take several up sessions to punch through that level. Support is in the 1250 area near the 50 DMA. A move below that level would likely indicate another retest of 1210-1200 was in the cards. And if we did happen to get a quick reversal lower from here and



gold fell below 1250, then chances of a breakdown of support at 1200 would be somewhat more likely.

This week leans more bearish as Mars aspects both Venus and the Sun in the first half. Bullish Venus enters Gemini on Monday but most of that optimism may be nullified by the Mars influence. Some upside is more likely on Wednesday's Moon-Sun-Venus alignment. But the late week carries downside risk on the Moon-Mars conjunction. While there are some bearish aspects in play this week, bears need to be careful here. Jupiter is still fairly strong as it approaches its conjunction with Rahu (North Node) in the coming days. Therefore, I am open minded about where gold will finish this week. I think there is an increased downside risk here but it may not be enough to negate another possible positive week. Next week (June 20-24) is the UK referendum so we should see some significant moves. A quick rise on the day before and the day of the referendum looks quite possible as Venus is fairly strong that day. On the other hand, the Mars-Uranus alignment is very volatile but it may only negatively affect the stock market rather than the gold market. The following week could actually be somewhat bullish as Mercury joins Venus and the Sun in Gemini.

Admittedly, the picture is less clear than I would like. It is possible gold could suddenly drop to 1200 in late June. But the evidence is mixed and we could easily see gold remain fairly strong as it touches resistance at 1300. For this reason, I am reluctant to make a specific prediction about gold following the Brexit vote and the late June alignment of Mars and Uranus.

Gold looks more vulnerable to declines in early July. Another up trend is likely to begin by mid-July and the Jupiter-Uranus alignment. This may well last into August. I am agnostic on whether this will be a higher high or lower high relative to 1300. But September and October still look bearish as Saturn aspects the North Lunar Node. This should be a significant correction of at least 10%. After a significant rebound in late October and November, a lower low is likely in December-January. This should be a lower low and could include a retest of the previous major low of 1050. Further downside is likely by April 2017 and sub-1000 gold is still quite possible at that time.

<b>Technical Trends</b>	<b>Astrological Indicators</b>	<b>Target Range</b>
Short term trend is UP (1 week ending June 17)	bearish (disconfirming)	1220-1280
Medium term trend is UP (1 month ending July 17)	bearish (disconfirming)	1180-1280
Long term trend is DOWN (1 year ending June 2017)	bearish (confirming)	800-1200

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