

## Summary for week of 20 June 2016

- Stocks could rise into midweek but late week looks bearish
- Dollar likely to move higher later in the week
- Crude oil mixed with bearish bias
- Gold may rise further, especially in first half of week

## US Stocks

Stocks are bending, but will they break? It was an eventful week as investors began to take seriously the possibility of a Brexit following new polls showing the Leave side ahead. The Dow lost more than 1% on the week to 17,675 while the S&P 500 finished at 2071. This bearish outcome was in keeping with expectations as the early week Mars alignment with Venus and the Sun coincided with declines. The midweek was more bullish around the FOMC meeting while Friday was bearish as forecast.

It's all about the Brexit now as the market awaits new polls and ultimately for the result of this Thursday's referendum on the UK's membership in the EU. While the Leave side had been gaining momentum in recent days, the shocking murder of pro-EU Labour MP Jo Cox may have shifted the dynamic, perhaps fundamentally. Markets began to rally on news of her death on the belief that sympathy for her and her pro-EU stance would weaken the voters' appetite for leaving the EU. Such are the cold, grim realities of money and power. I admit that this development complicates my preferred scenario somewhat. The murder is very much in keeping with the symbolism of Mars (violence) and Uranus (sudden events) acting in concert. And in that sense, the fact of the murder "burns off" some of the available energy for the Brexit vote. Therefore, it reduces the chances that the UK will leave and that markets will fall sharply. But there is still a lot more negative energy that has yet to manifest and that is why I would still favour a Brexit following this referendum. In addition, markets will soon have to contend with the results of an election in Spain on Sunday, June 26<sup>th</sup>. There is a real chance that the ruling pro-EU party



could lose its mandate. This would also be bearish for stocks, especially if it came on the heels of a Brexit vote just days earlier.

While the probability of a sharp decline in the coming days is a little less than it would have been, I still think the most likely outcome here is for a decline to take place over the next two to three weeks. But we should be open-minded about the various scenarios that could occur. It is conceivable that the UK could vote to Remain in the EU but that Spain elects an anti-austerity anti-EU government on the 26<sup>th</sup>. I still think the UK will vote to Leave, however, but I would no longer be surprised if they didn't. No doubt the release of the post-shooting polls early this week could drive the markets sharply in one direction or the other. The size of the likely decline should be larger than a simple bull market pullback although I'm not quite prepared to forecast a huge drop. But the most likely outcome would be a decline that raises questions about the current rally. A rebound (or further upside, whichever the case may be) is more likely to begin starting in mid-July and lasting into August. Another corrective move lower is likely in September and October. The outlook for 2016 is still largely bearish as I see it.

The technical picture worsened following the break down of wedge support at 2070 on Thursday. However, the violation was brief as stocks recovered. Resistance is now around the 50 DMA at 2089. I would think any close above that level would be bullish and would allow the bulls another run to test the all-time high at 2134. Support may be the Thursday's morning low at 2050. A move below that level would likely mean a retest of the May low of 2025 and the 200 DMA at 2017. Below 2025 things could get interesting as 1950-1970 may be the last chance for the bulls to prevent a full-on rout. As I said above, there is certainly an elevated risk that the upcoming decline could touch 1970 or below.

Market internals are mixed as the Bullish Percent Index for the SPX also moved lower last week and entered a new bearish crossover. That provides some evidence that rally breadth is diminishing and that lower prices are ahead. However, the small cap Russell 2000 is still quite strong and remains above its 50 and 200 DMA. The weekly Dow chart produced the forecast red candle last week following the bearish reversal gravestone doji of the previous week. The bearish crossover in stochastics is now well below the 80 line and is giving a sell signal for the medium term. While not foolproof, this signal suggests that rallies are more likely to be sold in the coming weeks as bulls weaken. Investors looking to go long may well wait for the next move below the 20 line in this chart and subsequent bullish crossover as happened last August and January. Due to Brexit fears, European stocks are even weaker as the DAX looks perched on key horizontal support at its March and April lows. If it breaks below 9400, the case grows for lower lows below the February low. Prolonged weakness in Europe would be a drag on US stocks in the medium term as it would be an obstacle to global growth. And the big story last week was plunging bond yields. The German 10-year went negative and the Swiss 30-year also went negative. 10-year Treasuries moved to levels last seen in 2012. Investors are piling into bonds to seek safety in turbulent times and do not care about



returns. Despite the flight to safety which has produced the lowest global bond yields in 5000 years (!), stocks are still bravely holding up. But for how long?

So here we are -- Brexit week. The stakes have rarely been higher as the market tries to make sense of what UK voters will do in Thursday's referendum. The planets look bearish given Thursday's entry of Uranus into Aries but there are also some short term bullish patterns in play this week. So we will likely see some significant upside along the way also as Venus aligns with the Moon on Monday. Monday is something of a puzzle, however, as the Venus influence is bullish but the Mercury-Saturn aspect is bearish. Any outcome is therefore possible on Monday.

Tuesday and Wednesday also have some upside potential as Mercury aligns with Jupiter and Rahu (North Lunar Node). I would expect at least one up day there. The late week lacks any short term positive aspects so the chances for a decline late week are greater. There are at least two scenarios of how the week will unfold. Monday could be negative and see a retest of 2050 early in the week. But there is also a decent chance for gains by Wednesday, even if I'm unsure if they will be strong enough to push above resistance at 2089. I acknowledge there is some indeterminacy here that makes calling the week overall more difficult. If the UK votes to stay (unlikely but possible), then stocks should be higher by Friday. I can't see that happening but it would open the door to a second scenario where declines are focused on next week and early July. But if Brexit occurs as I think is more probable, then we should see the SPX trade below 2025 and possibly even 2000.



Next week (June 27-July 1) also looks bearish as Mars stations direct in close alignment with Uranus. This is the week that will follow the Spanish election so that is another potential source of uncertainty for the market. The first half of the week looks more bearish as Mercury aligns with Mars and Uranus. A significant decline is very possible here and it may even be larger than the previous week. The following week (July 4-8) looks more mixed with gains more likely as the week progresses. Venus aligns with Uranus on Thursday and Friday so that should provide a lift. I would think that stocks will rebound by mid-July and it could bring about some stabilization to the market for a few weeks. But the planets look bearish again in late-August and September so I would think that the rally will not be sufficient to reverse the down trend. My expectation would be for a lower high (2050?), probably in August which is then sold fairly hard as we move into the fall. Lower lows are likely in Q4 and Q1 2017 which could retest the old SPX high of 1550.



**Technical Trends**

Short term trend is DOWN  
(1 week ending June 24)

**Astrological Indicators**

bearish (confirming)

**Target Range**

SPX 2000-2070

Medium term trend is UP  
(1 month ending July 24)

bearish (disconfirming)

SPX 1850-2000

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

bearish (disconfirming)

SPX 1400-1700

## Indian Stocks

Stocks ended the week little changed as more dovish signals from the Fed effectively offset growing concern over a possible Brexit vote in the UK. The Sensex ended the week down just 10 points at 26,625 while the Nifty was exactly unchanged at 8170. I thought we might have seen more downside, however, although we did get some early week selling as expected on the Mars-Venus-Sun alignment. Friday was stronger than expected as sentiment on the Brexit question shifted after the murder of a pro-EU British MP.

As grimly cynical it may be, the tragic murder of MP Jo Cox has resuscitated the fortunes of the Remain side as the market anticipates a sympathy vote in Thursday's hugely important referendum on EU membership. Before the shooting, polls were showing a consistent lead for the Leave side. The market will now place a greater importance on new polls that were taken following Thursday's violent event to see if the momentum for Leave has been undermined. While my view for a Brexit and subsequent market decline is essentially unchanged, I do acknowledge that some of the negative karma of the Mars-Uranus alignment has already been expressed through this shocking murder. I expect the full manifestation of this sudden and damaging planetary energy to take place in the next week or so. This is most likely to translate into a Brexit although it is conceivable that other scenarios may take place. Spain has an important election of its own on 26<sup>th</sup> June which could see anti-EU parties come to power. This is another source of potential turbulence in global markets.

The bottom line is that there is an elevated downside risk over the next two weeks due this Mars-Uranus alignment. Obviously, nothing is certain and it is conceivable that stocks may not move that much. But that more neutral scenario looks less likely here as some downside is probable around these patterns. Uranus enters Aries on Thursday and Friday so that should be seen as bearish. Mars stations direct next week on 30<sup>th</sup> June and is a second potential source of pessimism and rising caution. I think there is a decent chance that this imminent



decline will provide enough bearishness to end the rebound that begun from the February low. My preferred scenario is that we see stocks moving lower through 2016 as Saturn will become stronger until October.

The technicals look fairly bullish here. Bulls defended support at the 20 DMA at 8050-8100 and show no signs of weakness just yet. The current rally will likely be intact as long as the Nifty remains above its 50 DMA at 7934. This is roughly where rising wedge is situated so any dips down to that level will likely be bought. In the event of a steeper decline -- such as one that resulted from a Brexit vote -- more faithful bulls could still be enticed to go long as long as prices hold above the 200 DMA at 7767. Resistance is immediately near Wednesday's high of 8213 so that any close above that level would likely increase the chances for another test of the recent high of 8294.

MACD is in a bearish crossover here and argues for more downside. Stochastics is also in a bearish crossover and not yet oversold. This could also tip the balance somewhat towards lower prices in the short term. The weekly Sensex chart still looks bullish as stochastics is not yet below the 80 line. While the 20 WMA is still in a bearish alignment with the 50 WMA they are approaching a bullish crossover. If I am correct, however, and stocks fall in the near term, then this bullish crossover will likely not occur. Bulls looking for entry points to go long may therefore have to wait for the next tag of the 200 WMA. That proved to be a good entry point in the past and may well again in future. Meanwhile, Infosys (INFY) followed the broader market sideways last week. The chart still looks bullish as long as it can hold on to the April-May lows. A close below the 200 DMA may precipitate a retest of the February low. ICICI Bank (IBN) is trading in a key intersection of support and resistance near the 50 and 200 DMA. A close above the April high would likely produce a golden cross of the 50 and 200 DMA and would be bullish. A move below the May low would likely mean that a retest of the February low is imminent.

This week sees the downside risk increase further as Mars enters Libra (on Sunday) and Uranus enters Aries on Thursday. I would expect a volatile week with moves in both directions likely. Monday's Mercury-Saturn aspect is bearish and makes a negative outcome that day more likely. Some upside seems probable towards midweek as Mercury then aligns with Jupiter and Rahu on Wednesday. While I would be doubly cautious this week, I would not be surprised to see the midweek upside retest last week's high at 8213. A lot will depend on how sizable any early week decline may be. If we only retest last week's low



at 8063, then a move back to 8200 is more likely. All bets are off on Thursday and especially Friday as Uranus enters Aries. It is difficult to estimate what effects may result from this development. There is an elevated downside risk with this pattern although it is unpredictable in a general sense. We could see the Nifty quickly fall below 8000 or even 7900 in a single day. I would lean bearish here overall for the week but keep an open mind of possible unforeseen scenarios.

Next week (June 27-July 1) also looks bearish as Mars stations direct on Thursday the 30<sup>th</sup>. The first half of the week looks bearish as Mercury aligns with Mars and Uranus on Monday. Perhaps there will be negative fallout from the Spanish election on the previous day. Thursday and Friday could be more positive as Venus aligns with Jupiter. The following week (July 4-8) looks more mixed. The market may well be searching for a bottom in early July, wherever that may be. Late July looks more bullish as Jupiter approaches its alignment with Uranus. I would expect any rebound in late July and early August to be fairly strong. At this point, I am expecting any high in August to be a lower high compared to June, however. Obviously, that depends on what kind of negative effects we see in the next couple of weeks. If the Mars-Uranus alignment in June only brings a modest decline (e.g. 7900), then higher highs (above 8300) are quite possible by August. We shall see. Another correction is likely to begin in late August as Mars conjoins Saturn. Q4 leans bearish as Saturn aligns with Rahu and Neptune in October and Saturn aligns with Uranus in December. Lower lows are likely in Q1 2017. I would expect the February lows to be taken out by early 2017 and 6400 on the Nifty is also very possible.



**Technical Trends**

**Astrological Indicators**

**Target Range**

Short term trend is UP  
(1 week ending 24 June)

bearish (disconfirming)

7900-8100

Medium term trend is UP  
(1 month ending 24 July)

bearish (disconfirming)

7400-7900

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

bearish (disconfirming)

5000-7000

## Currencies

The Dollar ended the week lower after the murder of a UK MP appeared to diminish Brexit odds and hence its safe haven appeal. After touching the 95.5 level on Thursday, the DX ended the week at 94.34. The Yen soared to the 104 level after the BOJ stood pat and the Euro edged higher to just below 1.13. The Rupee weakened to the 67 level. I thought we might have seen more upside last week but the late week selling undermined the early week gains. Despite the loss, the Dollar is still making a higher low which gives the bullish view more credence. If a Brexit were to occur, one would think that a tag of the 200 DMA at 96.5 would be possible. Follow on gains thereafter could easily add to that break out higher. On the other hand, if the UK votes to Remain in the EU, then the Dollar could retest its May low of 92. After the most recent bout of equivocation from Janet Yellen at the FOMC meeting, the market no longer expects the Fed to raise rates anytime soon. Without the prospect of further hikes in 2016, the Dollar looks more likely to struggle just to stay above support at 92. Only severe turbulence in currency markets could change that bearish outlook. This includes a Brexit or some radical new stimulus program from the BOJ. Both are very possible obviously and could be sufficient reason for the Dollar to rally. But for now it seems any Dollar strength will not be the result of a strengthening US economy and the prospect of higher rates.



This week is the Brexit vote. I am still expecting the UK to vote Leave although I will admit an increased level of doubt now in the aftermath of the shooting of the Labour MP Jo Cox. But if the UK does vote to leave, then we should see the Dollar rally on Friday. I would think the Dollar will begin to rally at least a day or two before the actual vote as traders take positions. We should see further upside next week (June 27-July 1) around the Mars direct station on the 30<sup>th</sup> (Thursday). I think the chances are good that the Dollar will move above its 200 DMA by that time. A sharp retracement is likely to begin in July, probably around the middle of the month. The retracement should continue into August. At this point, I would think the bottom of the trading range at 92 should hold as support in any summer correction. Another major rally is likely to begin in September and extend into October. Higher highs are possible by October including the possible retesting of the high at USD<sub>DX</sub>=100. December and January 2017 also point to more upside with higher highs likely in Q1 2017.



### Technical Trends (Dollar)

Short term trend is DOWN  
 (1 week ending June 24)

### Astrological Indicators

bullish (disconfirming)

### Target Range

95-96

Medium term trend is DOWN bullish (disconfirming) 95-98  
(1 month ending July 24)

Long term trend is UP bullish (confirming) 100-110  
(1 year ending June 2017)

## Crude oil

Crude oil recovered lost ground on Friday to finish unchanged on the week near \$49 for WTI. Brent ended the week a little lower below \$50. I thought we might have got more downside here, especially at the end of the week. Somewhat surprisingly, crude did break through rising wedge support on Thursday but moved back above that line on Friday. Like most other assets, crude prices are dependent on the outcome of the Brexit vote. A vote to Remain in the EU could easily spark a rally to new highs above \$52. A vote to Leave, however, would likely see a break below the 50 DMA and a possible retest of the 200 DMA at \$41. This would reflect the rising wedge break

down and subsequent morphing into a rising channel. Resistance is near the 20 DMA at \$49-50. A rejection of that level and reversal to lower than \$46 would suggest a trend change was underway. Support is therefore near Thursday's low. The weekly Brent chart shows how modest the current rally has been in the larger scheme of things. A bullish crossover of the 20 and 50 WMA would be good news for the long term outlook but we aren't quite there yet. The chart is a reminder of how much horizontal resistance there is near the \$50 level. It may take some time for bulls to push prices above that level and keep them there.

This week leans bearish again as Mercury opposes Saturn early in the week and then Uranus enters Aries on Thursday. Some upside is more likely on Tuesday and especially Wednesday as Mercury aligns with Jupiter. It may all come down to the Brexit vote so Friday looms large. The Moon-Mars square that day is bearish by itself and when you throw in the Uranus influence, there is the possibility for a significant decline. It is difficult to estimate where crude will be by Friday given the unpredictability of the Uranus effect. I would not be surprised by any outcome – whether its \$41 or only \$48. Certainly, there is an elevated downside risk here. Next week also leans bearish as Mars is strong ahead of its direct station. The late week could see some recovery but overall I would expect more downside. Crude should rebound by mid-July and the bounce will likely extend into August. At this point, I am unsure where the August high may be relative to the June high. It could be a higher high or lower high – I'm



not sure. September and October look more bearish, however, so some retracement is likely. Again the size of this down trend is unclear at this time so I cannot say if it will produce a higher low or lower low relative to the probable low we see in early July. December and January look bearish again and should bring a larger correction. A retest of the 2015 low is possible in Q1 2017, although not quite probable at this time.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending June 24)	bearish (disconfirming)	\$41-48
Medium term trend is UP (1 month ending July 24)	bearish (disconfirming)	\$40-48
Long term trend is DOWN (1 year ending June 2017)	bearish (confirming)	\$30-50

## Gold

Gold moved higher as ongoing Brexit worries enhanced its safe haven appeal. Gold gained 2% for the week and closed at 1301. This bullish outcome was somewhat surprising as I thought the late week Moon-Mars influence could offset any midweek bullish influence. Gold did rise as expected in the first half of the week as Janet Yellen gave her best dove impression thus effectively taking more rate hikes off the table for the foreseeable future. Thursday was lower on the approach of the Moon-Mars conjunction but bulls returned in force on Friday. While I had leaned bearish last week, I noted that the ongoing Jupiter-Rahu conjunction would likely provide a floor for prices at least. The bulls are in control here with a weekly close over that potentially important 1300 level. If a Brexit happens, most observers expect a surge higher, perhaps to 1400. If a Brexit doesn't happen, then gold could quickly fall back to Earth and return to its previous trading range. An upside target of 1400 is possible given it matches the size of its previous trading range (\$100). However, we can see a rising resistance line that connects the highs in the current rally since February that comes in around 1330. Bulls will first have to push above this line before 1400 seems possible.



This week looks bullish, with or without a Brexit. I still think a Brexit is the most likely outcome in Thursday's vote so that further increases the chances of gains for gold. While I think there is some downside coming soon enough, this week is not looking like a good candidate for a pullback, Brexit result notwithstanding. Monday leans slightly bearish on the Mercury-Saturn aspect but the Moon-Venus aspect could easily negate any downside. It does not look like a reliable bearish set up, in other words. The midweek looks more bullish as Mercury aligns with Jupiter on Wednesday. Friday (post-Brexit vote) looks less bullish so that is perhaps indicative of some kind of pullback. Even here, the picture is less clear than I would like it. Next week (June 27-July 1) looks more bearish as Venus aligns with the South Lunar Node on Thursday. It is difficult to forecast possible levels given the large moves possible with Brexit. But I do think that gold is likely to retrace sometime between June 24<sup>th</sup> and say, July 6<sup>th</sup>. After July 6<sup>th</sup>, the odds for another move higher will increase with the rally likely extending into mid- to late-August. The Jupiter-Uranus alignment in early August is likely to be a key driver of the rally. Given the length of time involved, we could see gold make a significant move higher. I would not be surprised to see 1400 or higher by August given the current circumstances.

However, September and October look bearish as Saturn aspects the Lunar Nodes. Gold could enter a protracted bearish phase in September. Q4 and Q1 2017 look quite bearish. I would expect any recent gains in mid-2016 to be lost by early 2017. A retest of the December 2015 low of 1050 is very possible in 2017, as is sub-1000 gold.

<b>Technical Trends</b>	<b>Astrological Indicators</b>	<b>Target Range</b>
Short term trend is UP (1 week ending June 24)	bullish (confirming)	1280-1350
Medium term trend is UP (1 month ending July 24)	bearish (disconfirming)	1220-1300
Long term trend is DOWN (1 year ending June 2017)	bearish (confirming)	800-1200

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