

Summary for week of 27 June 2016

- Stocks vulnerable to more downside, especially early
- Dollar should move higher with possible close above 200 DMA
- Crude oil likely moving lower, especially in first half
- Gold likely to extend rally with retest of Friday's high of 1362 likely

US Stocks

The long wait is over. Global financial markets sold off sharply on Friday following the UK's surprising vote for Brexit in its EU referendum. US stocks suffered somewhat less than European markets although the damage was nonetheless significant. After rising into Thursday's session, the Dow lost more than 1% on the week to 17,400 while the S&P 500 finished at 2037. This bearish outcome was in line with expectations as I thought a Brexit was probable given the sign change of Uranus into Aries on Thursday. As expected, we did get some preceding upside into Thursday on the Mercury-Jupiter alignment although this was somewhat larger than forecast as the SPX closed at 2113 on Thursday.

The bottom line here is that the market has taken another necessary step towards reversing the current bull market. Brexit is a major disruption to the financial status quo which has the very real potential of not only sparking more short term selling but indeed it may usher in a new age of post-globalization. That means we could see more restrictive trade policies and higher tax rates down the road. Global trade is already lower in the past two years due to a slowdown in China but if the EU begins to unravel as I think it might, then trade would take a further hit. This would be bad for the corporate bottom line and hence bearish for stocks.

So far, so good as far as the dominant planetary alignment begins to create a plausible scenario whereby the market could move significantly lower over the rest of the year. While the entry of Uranus into Aries has



delivered its bearish payload as expected, the current late June and early July period still argues for more downside. Mars is due to station direct on Wednesday, June 29. This is another negative influence that makes a quick rebound less likely in the upcoming week. In my preferred bearish scenario, it is important that the SPX breaks below 2000 in the coming days and hopefully below 1950. Since I am expecting a rebound to begin by late July (possibly earlier) and in August, it is critically important that any rebound high in August is a lower high below 2120-2134. Therefore, the more damage we get now with this Mars-Uranus alignment, the more likely any rebound will produce only a lower high. This would then open the door to a more thoroughgoing bearish scenario where the larger wave 3 down (according to Elliott Wave Theory) takes place in the fall.

The technical picture shifted towards the bears after Friday's huge move down. I had hoped we might see 2020 and 2000 broken after Brexit but as it happened the rest of the week was more bullish than I thought it would be. So we will have to be a little patient about breaking through those key support levels of the May low and the 200 DMA at 2020. If we do, then the rectangle pattern that goes back to April has a potential downside target of 1920 or so (2120-2020=100 pts). Given the intense downward thrust of Friday, I would think bears are owed more downside anyway, even if 1920 may take several tries. Stocks are near support now so a bounce is possible early next week, especially if the ECB or the BOE comes out with some surprising stimulus moves designed to calm the market. If a bounce were to occur, I would think that the 50 DMA near 2079 might be a key resistance level. Bears would likely be eager to short once again at that level, however. A close above 2079 would be more bullish and would suggest that the range bound market can continue. But such a strong rebound seems a bit unlikely here even if Mario Draghi is capable of performing some impressive magic tricks.

The Bullish Percent Index has rolled over for real now and is pointing to more downside. RSI is at 38 and indicates that more downside is possible before the market becomes oversold. The weekly Dow chart is testing support at 17,500 quite seriously here. The current close below 17,500 is more bearish than previous intraweek violations of that level. The bearish crossover in stochastics is plunging lower now but still has some way to go before becoming oversold. Another leg lower is therefore possible with this indicator. MACD is also in a bearish crossover now. The German DAX is still a good proxy for Europe and may provide leading signals for trends that affect US stocks. The London FTSE didn't suffer as much damage due to the sharp decline in the Pound. The DAX ended Friday on key support at 9500 after battling back from much lower levels. While a rebound could continue this week, that violation down to 9200 looks like a red flag and may well be revisited in coming days. The turmoil in global markets sent bond yields sharply lower in the flight to safety. US Treasuries matched their previous low at 1.55% for the 10-year. The yield trend is lower and this points to a slowdown which should be bearish for stocks.



This week will see more fallout from the Brexit. One would think more downside is likely given the intensity of Friday's selling. And yet the possibility of a central bank intervention could produce a big bounce. I think the first half of the week looks more bearish than the second half so that would tend to argue against a quick rebound. Monday's Venus-Saturn alignment and Mercury-Mars-Uranus pattern looks bearish. It is therefore possible we could see more significant downside on Monday and perhaps into Tuesday. Wednesday also leans somewhat bearish although I would expect at least one strong up day this week on the Venus-Jupiter alignment. This is exact on Friday so that is probably the more likely day for a rise in stocks. Thursday afternoon looks problematic on the Moon-Mars opposition. My sense of the planets this week is that they provide supporting evidence for more downside although some sharp gains are also likely just as one would expect after such a big selloff. It's difficult to estimate levels. Certainly, there is a real chance for a breakdown below 2000. I would say that is probable at some point this week. I'm not sure there is enough pessimism to fall all the way to 1920, however. And with the likelihood of some upside, it is conceivable we may not finish too far from support at 2020. We shall see.



Next week (July 4-8) looks like a better set up for a bounce. Tuesday and Wednesday has a little more downside risk perhaps on the Sun-Mercury-Node pattern. But the alignment of Sun and Mercury with Jupiter should translate into at least two good up days I would think later in the week. The following week (July 11-15) looks bearish to start as Mars (now in direct motion again) enters Scorpio on Monday. Some upside is likely in the middle of the week on the Mercury-Venus conjunction. Thursday's Moon-Mars conjunction looks somewhat ominous, however. If we get another leg lower, this could be the most likely time. More downside is likely July 18-20 but the worst may be over at that point. Late July and early August look quite bullish as Jupiter begins to align with Uranus. Perhaps we will get a 50% retracement off the July low. That's possible. Another move lower is likely in September as Saturn aligns with the Lunar Node. This should be a large enough move that it offsets most if not all of the preceding bounce. Another bounce is likely in early October but the bears will again prevail in late October and November. Lower lows are likely in Q1 2017. I think SPX 1550 is still in the cards.



Technical Trends

Astrological Indicators

Target Range

Short term trend is DOWN
(1 week ending July 1)

bearish (confirming)

SPX 1950-2020

Medium term trend is UP

bearish (disconfirming)

SPX 1850-2000

(1 month ending Aug 1)

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

bearish (disconfirming)

SPX 1400-1700

Indian Stocks

Stocks ended the week lower after the shocking Brexit vote in the UK referendum caught many traders by surprise. Early week strength however limited the weekly decline to merely 1% as the Sensex closed at 26,397 and the Nifty finished at 8088. This bearish outcome was in line with expectations as my prediction for a Brexit came to pass given the Mars-Uranus influence. The preceding upside into Thursday was somewhat stronger than forecast, however, as the Nifty touched 8285 on Thursday.

As the shock of Brexit wears off, investors will have to dig deeper into the details to assess what the ongoing damage may be to the corporate bottom line. It is possible that the departure of the UK from the EU may be a mostly local phenomenon confined to Europe. The diminution of trade could be proportional and may have limited global impact. However, it is also possible that it could act as a catalyst for other anti-EU parties in Europe which could raise doubts about the viability of the EU itself. It may also signal a rise in anti-free trade sentiment which could further reduce global trade below current levels. I think that Brexit has the potential to be a game-changer in the global economy at least at a symbolic level. Since I am generally bearish for 2016, Brexit is an appropriate interruption of the financial status quo which very well could signal a sea change in the global economic order.

The Brexit shock is reflective of the unstable nature of the Mars-Uranus alignment in addition to the once-every-seven-year sign change of Uranus that took place on Thursday the 23rd. The Mars-Uranus alignment will remain quite close until mid-July when Mars begins to move forward once again. This may well put more pressure on stocks in the coming weeks. While a rebound looks likely during the Jupiter-Uranus alignment in August, bearish Saturn will still dominate the sky in the coming months. First, it will form a square aspect with Neptune and then later in September and October, it will square Rahu (North Lunar Node). Therefore, the bearish influences appear to outweigh the bullish ones over the next several months. For that reason, I would expect stocks to fall further.



The technical picture turned more bearish in the short term following a plausible double top at 8285. The double top pattern is bearish as buyers are put on the defensive following the inability to create new highs. Double top support on the Nifty is near 8060 which was broken with Friday's selloff. This pattern has a downside target of 7835. Bulls are not dead yet, however, as they did manage to defend lower support from the April high and 50 DMA at 7950. But bulls will need to move decisively back above 8100 on a closing basis. Otherwise a quick reversal lower becomes more likely.

8100 or thereabout may also loom large as resistance as it represents support turned resistance from the rising wedge. A back test of this line is quite possible but very often it is a prelude to lower prices as the wedge transforms into a rising channel. This would translate into 7400-7500 on the Nifty. That is one area to watch for support in the event we do see more downside. Above that level, the 200 DMA at 7775 is another obvious area where buyers could step in if we got more downside. The weekly BSE chart issued a sell signal as stochastics entered a bearish crossover and moved slightly below the 80 line. While we may not want to adhere too precisely to the specifics of this signal, it nonetheless increases the risk of a medium term correction in the weeks and possibly months ahead. Meanwhile, Infosys (INFY) got battered in its US session on Friday and finished near its June lows, just above its 200 DMA. The chart is still bullish in the longer term but there is a disturbing series of lower highs dating back to April that may indicate bears could well inflict more damage. It is possible that the 200 DMA may not hold and that a revisiting of the February low is looking more likely. By contrast, HDFC Bank (HDB) is doing relatively better as it pulled back to its 50 DMA last week. Nonetheless, a possible bearish rising wedge may be forming here too and therefore it may be vulnerable to some considerable downside. A retest of its 200 DMA would be possible if this wedge breakdown played out.

This week again tilts bearish as we will see what additional fallout there may be from the Brexit vote. Mars returns to direct motion on Thursday the 30th June and so there is added risk of more volatility this week. The early week leans bearish as Mercury aligns with Mars and Uranus on Monday. I would not be surprised if we retested Friday's low of 7927. Some midweek gains are likely as Venus aligns with Jupiter and Rahu. Wednesday and Thursday look more bullish than other days this week due to this alignment. Friday looks bearish again as the Moon opposes Mars. While one or two up days are likely this week, I would expect bears to prevail again here. Large



declines are still quite possible on any given day so that makes calling a range more difficult. I think the Nifty should finish below 8000 in any event, and it could well end up below 7927. In the event that I am wrong we get a snapback rally due to central bank intervention this week, I would still think the chances are good that any bounce will be sold fairly quickly. The higher risk time window extends into mid-July.

Next week (July 4-8) looks more mixed. The early week leans a bit bearish as Mercury and the Sun are aspected by Ketu. This is not a high probability bearish influence but it seems unlikely to produce gains. After Wednesday's holiday closing, the late week may be more bullish as Venus aligns with Uranus and Mercury aligns with Jupiter. The following week (July 11-15) looks more bearish again as Mercury aligns with Mars and Uranus on Monday the 11th. Some recovery is possible later in the week. Overall, I would think we should see a significant pullback into July, perhaps to the 7400 level although that is very much a guess. The end of July looks somewhat more bullish as Jupiter approaches its alignment with Uranus. August should see the rebound extended. I would think we will get a lower high (8000?) before sellers take over once again in late August and September as Saturn squares Rahu. Lower lows are very possible by late September or early October, perhaps including a retest of February's low. Stocks will continue to struggle through to the end of the year and into Q1 2017. I would still favour the bearish scenario of lower lows (<6900) at this time with 6400 also possible.



Technical Trends

Short term trend is DOWN
(1 week ending 1 July)

Medium term trend is UP
(1 month ending 1 August)

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

Astrological Indicators

bearish (confirming)

bearish (disconfirming)

bearish (disconfirming)

Target Range

7700-8000

7400-7900

5000-7000

Currencies

The Dollar jumped higher following the unexpected Brexit vote on Friday as traders sought safety in a suddenly unsafe financial world. The USDX briefly traded at its 200 DMA of 96.5 before settling at 95.5. The Japanese Yen also soared amidst the chaos as it touched the key 100 level. The Euro tumbled to 1.11 and the Rupee Index pushed higher towards 68. This bullish outcome for the Dollar was in line with expectations as I thought the Brexit vote would lift the greenback. The closing price matched the May high so we could see a little retracement at this resistance level before any further push higher for the Dollar. Nonetheless, I think the cosmic dice have been loaded for the Dollar to close above its 200 DMA at some point in the coming days. We could see a measured move up to 97.5 fairly soon. Some retracement may occur around that level before any further upside takes place. Resistance is still fairly significant at the 100 level. Distress in the Eurozone could quickly push the Dollar up to that level and even beyond. If Spain votes out its current pro-EU government and elects an anti-austerity government on Sunday, the EU would be in more serious trouble than it already is. I think it would take more Brexit-type existential shocks to break above 100 given that the Fed is now on hold indefinitely. And yet more shocks are very possible. The weekly Euro chart shows support here at 1.11 on the 50 WMA. A retest of the February low of 1.08 is looking more likely now.



This week again looks bullish for the US Dollar. The early week seems to be more bullish than the late week as the safe haven Mars-Uranus influence should be stronger. It is possible we could get another test of the 200 DMA at this time. The late week could see more up and down, however, given the Venus-Jupiter alignment. Next week looks more mixed as Venus aligns with Uranus late in the week. This should coincide with some pullback. The following week may bring more upside as the Sun aligns with Mars. The Dollar should remain in an up trend until mid-July at least. While 100 may be a bridge too far just now, I would think that the Dollar could top out somewhere between 97.5 and 100 in July. A significant retracement is likely in August although I would not expect it to fall back to support at 92-94. A higher low is more likely. That would set the stage for another rally in September on the Saturn-Node alignment. This is perhaps more likely to test resistance at 100 and could well move above that level. A significant high is possible in the first half of October. Another move higher is likely in December and January. This may push the Dollar to a higher high in Q1 2017.



Technical Trends (Dollar)

Astrological Indicators

Target Range

Short term trend is UP (1 week ending July 1)	bullish (confirming)	96-98
Medium term trend is DOWN (1 month ending Aug 1)	bullish (disconfirming)	96-98
Long term trend is UP (1 year ending July 2017)	bullish (confirming)	100-110

Crude oil

Crude declined last week largely as a result of the Brexit shock that took financial markets by surprise. WTI lost 2% on the week closing below \$48 while Brent finished a bit above that level. This bearish outcome was largely in keeping with expectations as I thought Friday would have the final say on the week. I had been unsure about the size of the possible decline although it turned out to be fairly modest. WTI is now retesting support at the 50 DMA. After the breakdown of the rising wedge and subsequent retest of the line of support/resistance, oil is looking a bit more vulnerable to declines. A close below \$46 would be necessary to empower the bears further, however. That would create a lower low and after the low high (at \$50), it would create the basis for a trend reversal down. For now, buyers can move in with some degree of safety as long as the 50 DMA acts as viable support. In the event of more Brexit currency related fallout, however, there could be a sudden downdraft in crude prices. Resistance is still near \$50-51. A move above that level would be bullish. The weekly Brent chart shows prices are backing off here right near some significant horizontal resistance. I would think any weekly close below \$47 (the April high) would indicate more downside to come. The May-June trading range has been entirely between \$47 and 54. Any move below that range could see a retracement back to \$40.



This week could see more downside as Mars stations direct on Wednesday. I would therefore expect more selling pressure, especially in the first half of the week. It is possible we could see a sharp move lower, although I am reluctant to say that such a move is probable. Nonetheless, the planets do suggest heightened volatility. Friday's Moon-Mars aspect also elevates downside risk. I think the chances are good that WTI breaks below support at \$46 this week. I am less confident it can fall back to the 200 DMA at \$41 although that is obviously quite possible now in the aftermath of Brexit. Nonetheless, I would not be overly disappointed if we saw only minor declines. Next



week looks more mixed. Monday looks bearish on the Mercury-Saturn pattern but the midweek could see some upside. Friday (July 8) looks bearish on the Moon-Saturn aspect. I think we could very well see a tagging of the 200 DMA at \$41 by mid-July. Late July looks more positive so a significant rally may begin at that time and continue into August. The rally may be fairly strong but I'm uncertain if it could post a higher high by mid to late August. In any event, another move lower is likely to begin in late August and continue into September. This looks sizable and could well challenge any low we get in July. I think there is a good chance we could get lower lows in Q4 and Q1 2017. I'm uncertain if these will match the January lows of \$25 but it's conceivable. If we get lower highs in August (e.g. \$45-48) then the chances rise for a retest of \$25 by early 2017.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending July 1)	bearish (disconfirming)	\$41-46
Medium term trend is UP (1 month ending August 1)	bearish (disconfirming)	\$40-48
Long term trend is DOWN (1 year ending July 2017)	bearish (confirming)	\$30-50

Gold

Gold ended the week higher following the surprise Brexit vote as investors sought safe haven from a volatile currency market. After falling through most of the week, gold exploded higher on Friday following the Leave vote and finished more than 1% higher in the week at 1319. While the bullish outcome was in keeping with expectations, I thought the midweek might have been more bullish. Instead, gold pulled back significantly down to 1260 before the Brexit decision brought a 5% gain. Gold did briefly trade over 1360 on Friday before falling back underneath the rising trend line. Support is now near 1250 so any pullback to that level will likely be bought. Resistance is the intraday high of 1350-1360. The 100 point measured move from the previous rise suggests that a retest of 1350 is fairly likely in the coming days. The medium term chart still looks bullish enough as we can see higher highs and roughly equal lows at 1200-1220. The chart will only become more bearish if we see a close below 1200. Arguably a close below 1250 would hint that the rally may be entering a more volatile and potentially final phase. While gold could still rise to 1400 in this up move, the rising trend line resistance comes in close to where Friday topped out at – near 1360. We should pay close attention to prices when they approach this key potential resistance level of 1360.

This week could see gold rally further as the Mars-Uranus alignment is still in effect. Venus also aligns with the Lunar Node and Jupiter in the second half of the week so that should be supportive of prices. I think the chances are good that gold at least retests 1360. I would not be surprised if it moved beyond that level also. Next week looks more mixed, however, with some downside more likely in the second half of the week. However, I think gold could remain generally bullish until the middle of July. Where it may peak is hard to say but certainly 1400 looks quite doable now. Gold should then retrace lower starting in mid to late July. This may only amount to a pullback, however, since August looks bullish again on the Jupiter-Uranus alignment. The high point in this rally could therefore come in mid-July or in late August. I would favour the late August time window but I'm not certain. September should begin a deeper correction for gold around the Saturn-Lunar Node aspect. After a rebound in October and November to hopefully what will be a lower high, December and January 2017 look quite bearish as Saturn aligns with Jupiter and Uranus.

Previously, I had thought that gold would likely trade below 1000 sometime in early 2017. Now I'm not so sure. The size of this gold rally under the ongoing Jupiter-Rahu conjunction during the first half of 2016 is stronger than I expected. We may therefore have to revise our targets upwards for early 2017. Perhaps the best bears can hope for is retest of 1050. We shall see. While I am unsure about 2017 price target, I do think the largest percentage decline is more likely to take place between December and April 2017.



Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending July 1)	bullish (confirming)	1330-1400
Medium term trend is UP (1 month ending Aug 1)	bearish (disconfirming)	1250-1320
Long term trend is DOWN (1 year ending July 2017)	bearish (confirming)	1000-1300

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