MVA INVESTOR NEWSLETTER

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Summary for week of 6 June 2016

- Stocks with bullish bias in first half of week
- Dollar could retest support early in the week
- Crude oil may test resistance early in the week
- Gold likely to extend gains early in the week

US Stocks

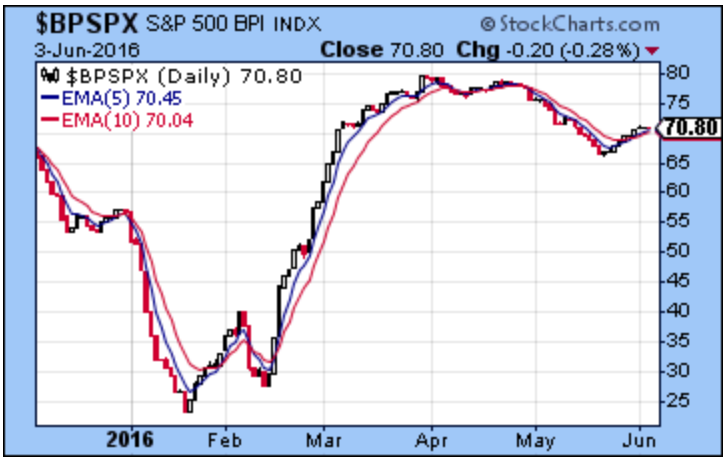
Stocks were mixed last week as Friday's disappointing jobs report ended the week on a sour note. The Dow was down fractionally to 17,807 while the S&P 500 finished exactly unchanged at 2099. This neutral outcome was more or less in line with expectations although the late week selling was somewhat more muted than I had hoped.

Friday's weak jobs report has essentially taken the June rate hike off the table and now even July looks less likely. In the goldilocks world of US equities, this means that there may be more room for stocks to rise as rates will stay low for longer. Of course, the economy can't get too weak as that would frighten investors off stocks completely. As modest as Friday's decline was, it nonetheless hinted that weakening economic fundamentals are not market friendly in the short run. This view assumes does not include any additional measures by the Fed or other major central bank to stimulate growth, however. But for the moment, bad news in the economy is still bad news for stocks. But I would think that it would require a lot more bad news to force investors out of stocks. In that sense, the market is still navigating a path through a happy medium of low interest rates and only moderate growth. The market is only likely to sell-off significantly if growth accelerates to a point where the Fed has to hike rates quickly or growth slows even further. Of course, the possibility of a Brexit vote on June 23rd is another factor in the equation which investors would see as negative for most global stocks.

While stocks remain stuck just below their all time highs, the planets still present a viable picture of rising downside risk in the coming weeks. I would not rule out marginally higher highs in the next couple of weeks. The planets do not look decisive in that sense. A little more upside would therefore not surprise me. However, the odds for some significant downside will rise as we approach late June and early July. While I would not expect any major decline to begin between June 6th and June 17th, it is possible that stocks may begin to weaken ahead of a steeper sell-off during the next two weeks. I am uncertain about where stocks will be by next week. Most likely, they will not be able break support at 2040 until late June. At least, that is my cautious bearish view.

The technical picture still looks bullish as we did see a close above 2100 last week. Friday's gap down at the open was also bought fairly aggressively and reflected the strength of the bulls. On the other hand, the SPX is trading in a narrow range here between 2040 and 2100. A bearish double top pattern is still quite possible if we do not move significantly above 2100 in the coming days. If the SPX does not exceed 2100, then a break of support at 2040 would have a downside target of 1970-1980. As much as the planets may offer the elevated potential of a deeper sell-off by early July, the technicals suggest that any initial selling may be fairly modest as a retracement down to 1980, for example, would likely find many buyers. The bears may therefore have to wait until a move below 1970 before there is a chance for a more significant correction to occur.

The generally bullish short term picture is perhaps reflected in the fact that the Bullish Percent chart now has a bullish crossover of the 5/10 EMA. While this is not an infallible predictor of higher highs to come, it nonetheless suggests that bulls are not dead yet and that any pullback is likely to be bought. Of course, bears can take some solace in the fact that current levels in this indicator are well below their April high and thus set up a bearish negative divergence. This loads the dice in favor of the bears somewhat, albeit on a slightly longer time frame of weeks instead of days. The weekly Dow chart is looking somewhat more tired as the bearish crossover in stochastics was again confirmed by last week's outcome. Stochastics has now also fallen below the 80 line for two straight weeks thus creating a stronger medium term sell signal. While no indicator is guaranteed to work every time, a more significant decline from here would be very much in keeping with this configuration. And yet, we did finally get a bullish crossover of the 20 and 50 WMA thus providing some evidence that the previous correction may be over. While I would still put more weight in the stochastics indicator, it's clear the medium term technical picture is mixed at this point. Meanwhile, Treasury yields fell sharply to 1.7% on the 10-year after Friday's jobs report as they retested support levels from April and May. The bond market is more concerned with a slowing economy than the equity market it seems, although that may be partially explained by the rising expectation of more easing which favors stocks. I would think a move below 1.7% would indicate a retesting of the February low at least. It would also seem to increase the probability that stocks would undergo some selling also as investors shifted into safer assets. And if the UK does vote Leave on June 23rd, we could see that February tested and broken.



This week again could be mixed although Thursday's Mercury-Mars opposition could make gains more difficult. Monday's Sun-Venus conjunction seems positive but it may also be a harbinger of a quick reversal intraday or on Tuesday. So while this is likely a bullish indication for the early part of the week, it comes with a warning. If there was no Mercury-Mars opposition this week, I would be more inclined to think that stocks could finish higher overall. But it seems probable that we will get some downside from that Mercury-Mars aspect, with the most likely time window on Wednesday or Thursday. One possible scenario this week would therefore see another brief move above 2100 on Monday or Tuesday. I would not be surprised we even got to 2120 for that matter. And yet the Mars influence looks quite negative this week so any new high (if it happens, that is) is likely to be met with stronger selling. The chances of breaking below last week's low are fairly good and a test of the 50 DMA at 2070 is also doable as long as we don't see a sharp early week gain on the Sun-Venus conjunction.

Next week (June 6-10) looks bearish to start as Mars aligns with Venus and then the Sun. Some midweek upside is likely as the Moon aligns with the Sun and Venus. This coincides with the Fed announcement on Wednesday June 15th and could offset most of the early week bearishness. But the late week looks negative again as the Moon conjoins Mars on Friday just as Mars prepares to enter the sign of Libra. The presence of these negative alignments early and late in the week makes the prospect for higher highs more unlikely. I would think the SPX would be hard pressed to remain above 2100 even if there is a bullish response to the Fed announcement on Wednesday. Depending on how the preceding week turns out, even the 50 DMA could be difficult. The following week (June 20-24) is Brexit week. As I have written previously, there are several planetary indications that suggest that volatility may increase. Current betting odds strongly favor the UK remaining in the EU. I think the chances of a Brexit are considerably higher actually given the entry of Uranus into sidereal Aries on the same day as the referendum. This is often (but not always!) an indication of disruptions, surprises and shocks. There is considerable downside potential during this week. And with Mars stationing direct the following week while in close alignment with unpredictable Uranus, the downside risk rises further. Of course, I could be wrong about all of this. There are no certainties in astrology, only probabilities. And sometimes not even that. But most of the evidence I am tracking is consistent with some kind of decline around this time, even if it may not be the result of a Brexit. We shall see. The negative planets would appear to extend into July, at least into the first half. It is difficult to estimate the size of any possible decline. 1970 seems very doable but quite conservative. We could easily fall much further although SPX 1810 seems unreachable at this point.

After a likely rebound into August, September and October again look bearish as Saturn aligns with the Lunar Nodes and Neptune. If we get a correction into July then I would expect a deeper Wave 3-type decline into the fall. November and December actually look worse in some ways so the timing of the larger decline is an open question. Further downside is also likely into March-April. This is a potentially significant low for US stocks. It should be below the February low and possibly testing 1550-1600.

Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending June 10)	bearish (disconfirming)	SPX 2050-2100
Medium term trend is UP (1 month ending July 10)	bearish (disconfirming)	SPX 1850-1970
Long term trend is UP (1 year ending June 2017)	bearish (disconfirming)	SPX 1400-1700

Indian Stocks

Stocks enjoyed a modest follow through to the upside last week on optimism about the monsoon and an improved corporate bottom line. The Sensex ended the week less than 1% higher to 26,843 while the Nifty finished at 8220. While I had been fairly neutral in my outlook last week, the extent of the gains was somewhat surprising. We did get some of the expected early week gains but the upside was quite muted as the indices approached resistance. Despite its increaased uncertainty, the late week Sun-Venus-Jupiter-Saturn alignment proved to be mildly bullish.

The market continues to shows signs of firming up here as bulls consolidate recent gains. Friday's poor US jobs report may add to the enthusiasm in this upcoming week as it effectively takes a June Fed rate hike off the table. This would be good news for Indian equities since it means more liquidity, especially for FII. It would appear that only the possibility of Brexit stands in the way of more upside as most global markets would react negatively to the UK leaving the EU. Polls show only a narrow lead for the Remain side but betting markets strongly favour the Remain side with an 80% probability.

My own view is that the risk of Brexit is much

higher than betting markets are now indicating. With the referendum scheduled for 23rd June, the chance of unexpected outcomes is greatly increased since Uranus enters sidereal Aries on that very day. Uranus changes signs only once every 7 years. This is not a necessary outcome from the Uranus influence, but it nonetheless means that some volatility is much more likely to occur on or around that date. As an added negative factor, Mars will station direct in very close alignment with Uranus just a week later on 29th June. Mars-Uranus alignments may reflect intense or even violent situations. To be sure, there may be other symbolically equivalent events that could occur in that 23-29 June time frame which could negatively impact the market. It needn't be Brexit. And yet the coincidence of the referendum date with the Uranus sign change seems noteworthy. Investors may have to react quickly.

The technical picture remains bullish in both the short and medium term. The Nifty touched resistance of the falling channel near 8200 last week. This may hasten a modest retracement as bulls gather their forces to take another run at a breakout higher. But the strength of the current rally will mean that any dips will likely be bought quite aggressively, at least at first. Support may lie near 8000 in the event of a pullback. We did get that golden cross of the 50 and 200 DMA last week. Given the mixed or even contrarian nature of this indicator, we may be even more likely to see a short term pullback in the days ahead. RSI is now at the 70 line so the rally is becoming overbought. That may not be a good enough reason for bulls to sell, however, especially if all the news is still mostly good. And taking the prospect of a Fed rate hike off the table definitely counts as good news.

The most bears can hope for at this point is some kind of shallow pullback to perhaps 8000 which would then lead to a lower high. This would also match the support of the rising channel. In fact, we can see the beginnings of a bearish rising wedge here. Wedge support comes in close to 7950 which is approximately where the 20 DMA is. A break below that line could morph the wedge into a deeper channel with support closer to 7400-7500. That kind of decline could shake up the bulls although it would still be a higher low and hence present itself as a buying opportunity for those on the long side. The weekly BSE chart shows stochastics still safely ensconced in overbought territory and is no longer poised to fall below 80. The bearish crossover of the 20 and 50 WMA is still in place although it is narrowing. Meanwhile, Tata Motors broke decisively above its previous high in a bullish breakout. The breakout followed a pullback just at the time of the golden cross. In this case, the golden cross proved to be a reliable indicator of more eventual upside. One would expect the rally to continue in the days and weeks ahead. Infosys also pushed higher as it moved into a resistance area just below its recent April high. The chart will remain bullish until there is a move below the May lows. One would think that buyers are more likely to move in if there is a pullback to those levels.

This week could see more upside into midweek. The ongoing Sun-Venus conjunction is usually bullish and its added alignment with Pluto and Rahu into Wednesday looks like it could produce more upward movement. Monday is more uncertain, however, as the Moon transits Gemini. I would still lean bullish in the early week,

especially given the likelihood of a bullish reaction to the US jobs report. Tuesday and Wednesday look bullish also as Mercury aligns with Uranus. Even if we get a down day, I would expect a net positive outcome into Wednesday. The late week looks more bearish, especially given Friday's Mercury-Mars opposition. Friday morning looks to be the most bearish alignment of the week. One possible scenario may be more gains to perhaps 8300 and then another pullback late week which sees this week's lows of 8200 tested at the end of the week. I would tend to think the week leans bullish overall, especially if we get the expected Monday follow-through higher. But given the late week bearishness, the Nifty may end up only modestly higher. That said, June is characterized by more downside risk so bulls need to be careful. I think it is unlikely we could see significant selling this week.

Next week (June 13-17) looks more bearish, especially at the start of the week. Mars aspects both Venus and the Sun on Monday and Tuesday. While we may not get two down days in a row, it looks likely that stocks will be net negative across both days. Some upside is possible later in the week following the Fed policy announcement on the 15th, but overall the week looks bearish. We could easily see the Nifty fall below 8200 here. A retest of 8000 may not be out of the question either. The following week (June 20-24) is the possible Brexit week with the vote due on Thursday the 23rd. The early week contains some bearish potential as Mercury opposes Saturn on Monday. Uranus enters Aries on Thursday thus making the whole week vulnerable to declines. The whole late June period looks like a time of increasing volatility. It is unclear how much downside we could get although that transformation of the wedge into a channel with support tested at 7400-7500 is something to watch out for. The bears are likely to have the upper hand into the first half of July. After that, some rebound is more likely which could lift stocks for much of August. I believe this will produce a lower high (7800? 8000?) after which another test of the previous low is likely by September. We are likely to retest the February low of 6900 at some point this year, most likely in December. I am still expecting lower lows in Q1 2017.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is UP (1 week ending 10 June)	bullish (confirming)	8200-8300
Medium term trend is UP (1 month ending 10 July)	bearish (disconfirming)	7400-7700

Long term trend is UP (1 year ending June 2017)	bearish (disconfirming)	5000-7000

Currencies

The Dollar took a beating last week after Friday's grim jobs report negated the possibility of a June rate hike. The USDX fell 1.5% and closed near 94. The Euro jumped 2% to 1.13 while the Rupee strengthened to 66.7. This bearish outcome was somewhat surprising as I thought the Dollar might have gained after the jobs report. While I acknowledged the elevated chances of a two-sided outcome, the extent of the gain was unexpected. Dollar bulls are hoping that the decline will soon reverse at a higher support level, perhaps somewhere in the 93-94 area. This would create a higher low and allow for another rebound to take place. Bulls can still point to the bullish crossover of the 20 and 50 DMA as a sign of better days ahead. But a recapture of the 200 DMA is probably going to be more persuasive evidence that a significant rebound is underway. The weekly Euro chart shows how support of the 20 and 50 WMA appears to be holding after last week's bounce. As before, bulls need a close above 1.15 to fundamentally change this range bound trade. Bears failed to break below 1.11 so now it's the bulls' turn to see how much upside they can produce. The chart overall still looks bullish over the long term as this protracted consolidation after the decline argues for some upside eventually. While I am still bullish on the Dollar in the medium term, I admit this Euro chart is somewhat at odds with that bullish view.

This week could see the beginning of a rebound for the Dollar. The early week Sun-Venus conjunction may bring additional pressure but I suspect it may only produce one or two more down days. The late week looks more positive on the Mercury-Mars opposition. So it is quite possible we could see 93 at some point this week but if the late week brings some upside then perhaps the Dollar won't finish too far from its current levels. Next week looks more bullish as Mars aspects Venus and then the Sun. The late week looks more bearish as Venus strengthens in Gemini. But we should see the Dollar rally in the second half of June and early July. The rally could be quite strong although it is difficult to say how high it could go. At minimum, I would expect a tagging of the 200 DMA. It may well move past that level depending on what happens in the Brexit vote. Nonetheless, the possibility exists of a strong Dollar reaction to a possible Leave vote in the referendum. A retracement to a higher low is likely by August. I would expect the Dollar to remain mostly bullish for the rest of the year. While

a steeper decline is likely in October and November, the subsequent period from December to April 2017 looks bullish. Higher highs are quite possible in early 2017.

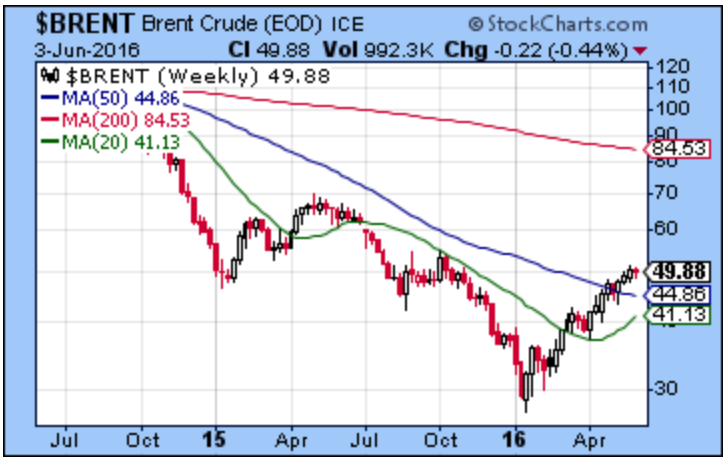
Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending June 10)	bullish (disconfirming)	94-95
Medium term trend is DOWN (1 month ending July 10)	bullish (disconfirming)	96-100
Long term trend is UP (1 year ending June 2017)	bullish (confirming)	100-110

Crude oil

Crude oil pulled back a bit last week on uncertainty over the prospect of OPEC production cuts. WTI lost more than 1% closing below $49 while Brent dipped below $50. This bearish outcome was in keeping with expectations although I thought we might have seen a bigger move late in the week. WTI briefly traded above $50 on Tuesday, but could not hold above that important resistance level. The market is likely expecting some period of consolidation below $50 given all the overhead resistance. It therefore seems unlikely that $50 can be broken quickly. Bulls will want to minimize the downside by keeping prices above $47 which was the previous week's low. The rising wedge has support near that level or perhaps a little higher. Any move below $47 could see more selling take place. Since rising wedges often resolve into rising channels, we could see a pullback down to $42-44 near the 50 DMA. If bulls continue to buy the dips at $47-48, then it is possible we could see it gradually move slightly above $50 as the rising wedge narrows further. The weekly Brent chart shows how this rebound may be pushing up against falling channel resistance. The current rebound is roughly the same magnitude as the rebound in early 2015 – about $20. This falling channel therefore adds another obstacle that bulls must surmount in order to extend this possible bear market rally into something more sustainable.

This week looks mixed with gains more likely in the first half of the week. The Moon transits the sign of Cancer on Tuesday and Wednesday so this may produce at least one up day. Depending on what happens Monday, we could see WTI again move above $50, at least on an intraday basis. Thursday and Friday look more challenging

on the Mercury-Mars opposition. I would not expect too much downside overall this week so perhaps crude will remain within the wedge pattern. Next week looks a bit more bearish although I would be surprised if we got a large pullback. It seems more likely that crude will test support at $47-48 even if it does not break it. The following week is, of course, the UK referendum on EU membership which could coincide with market volatility. I expect crude will be under more downside pressure around this vote and will likely move lower into early July at least. At minimum, this should fall to the 50 DMA. A rebound may begin in July and last until mid-August. After a possible lower high, we could see another round of selling as we head into September. After a rebound in October and November, crude looks likely to fall further in December and January. My expectation is that it will retest its early 2016 lows by early 2017. Lower lows are also still quite possible in 2017.



Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending June 10)	bearish (disconfirming)	$46-48
Medium term trend is UP (1 month ending July 10)	bearish (disconfirming)	$38-44
Long term trend is DOWN (1 year ending June 2017)	bearish (confirming)	$20-30

Gold

Gold exploded higher this week following the bad jobs report in the US. Gold rose more than 2% on the week closing at 1246. While I had expected a big move on Friday given the Sun-Venus-Jupiter-Saturn alignment, I thought a decline was more likely than a gain. This view was mistaken, however, as gold traders took long positions on the possibility of a lower Dollar and more Fed stimulus. As expected, we did get a testing of support at 1200 on Tuesday but gold rebounded after that. So now bulls have to take their successful defense of 1200 and see how far they can take this rebound. Friday's rally ended at the 20 and 50 DMA which have previously acted as support. Bears may therefore be weighing the relative chances of a sudden reversal from current levels. I would think the 1240-1260 area will provide some resistance in the coming days. Currently, gold has retraced about 50% of its recent decline from 1300. This is another plausible point at which price could reverse and consolidate lower. Of course, the upward momentum is big enough that some follow through to the upside looks likely eventually. Even if we get some modest profit taking in the next few days, there should be more buyers now more eager to buy the dips.

This week looks somewhat bullish, especially in the first half. Monday's Sun-Venus conjunction may coincide with more upside. While we could get some profit taking on Tuesday and Wednesday, I would be surprised if it was anything major. In fact, more upside is still possible into Wednesday. This could mean that gold rallies up to 1260 at least. The late week Mercury-Mars aspect may be the bears' best chance this week. I would think the week finishes in the green, although perhaps not by too much. Next week is harder to call. The entry of Venus and the Sun into Gemini looks somewhat bullish but both planets will fall under the difficult aspect of Mars. There is an elevated downside risk with this Mars aspect even if it is not a high probability combination. I would not expect too much downside, however, as Jupiter conjoins Rahu during this week.

But the week of June 20th could see the bulls lose control as the UK votes on EU membership. While I think financial volatility will rise around this vote, it is quite possible that gold could enjoy more upside in the immediate aftermath. However, some downside is likely in the final days of June and into early July. It is quite possible we could see gold fall below 1200 by early July. I would not say that is a high probability outcome, however, but rather only moderate probability. A rebound is likely by mid-July and this should continue into August. A retesting of recent highs looks possible in August. A correction should then begin in September with choppy trading through the fall. A steep decline is likely in December and into Q1 2017. We should see the low of 1050 broken by early 2017 with more downside likely later next year.

Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending June 10)	bullish (confirming)	1240-1260
Medium term trend is UP (1 month ending July 10)	bearish (disconfirming)	1140-1200
Long term trend is DOWN (1 year ending June 2017)	bearish (confirming)	800-1200