

Summary for week of 1 August 2016

- Stocks prone to declines especially later in the week
- Dollar could rebound in second half of the week
- Crude oil likely to rebound in the first half of the week
- Gold likely to extend gains this week

US Stocks

Stocks moved slightly lower last week as the Fed retained its very dovish language about a possible rate hike. The Dow ended a bit lower at 18,432 while the S&P 500 finished at 2173. The Nasdaq was higher on the back of strong Apple earnings. This neutral outcome did not come as a surprise as I thought the influences looked fairly mixed. I thought we might have seen more late week selling but that quite never arrived.

The market continues to defy gravity here as investors are putting their faith in the world's central bankers to keep the game going, seemingly forever. With the Fed apparently too scared to raise rates, the Bank of Japan did not offer anything new in its Friday announcement. Some analysts had wondered about the possibility of helicopter money but it merely announced more of the same – more QE style asset buying. Maybe all this manipulation can keep prices high indefinitely. It's never been done before so anything is possible. However, one would think that as prices rise well beyond stocks fundamental value, the financial system becomes increasingly vulnerable to shocks. Some kind of unexpected event could therefore crash the whole system. The problem now is central banks are deeply in the red already and seemingly unafraid of negative interest rates and perhaps even helicopter money. What happens when they have to provide additional stimulus in order to further support the market? The danger is they may not have enough ammunition to do so.



This is not to say the entire system is on the verge of collapse. I still expect some significant declines by September but they may not be that disorderly. But the correction should be sufficiently large enough to push prices well back into their previous trading range as Saturn aligns with the Lunar Nodes and Neptune. I suspect the second decline will be larger in scope and looks more likely to occur starting in December when Saturn aligns with Uranus for several months. Even if we get the expected big Wave 3 lower into early 2017, I have my doubts that it will be serious enough to be called a “collapse”.

Stocks remain at their all-time highs albeit on low volume. Bulls are no doubt taking heart that the SPX is above its breakout level of 2134 for a second week. The longer this situation lasts, the more likely stocks will make new highs down the road. We are still likely to see 2134 tested and broken to the downside, but the upside momentum should be sufficient to prompt another strong rebound. Whether or not they have pushed above, say, 2200, depends in part on how deep a pullback we may see in the coming days. But stocks may be preparing for a decline here as the percent of stocks above their 50 DMA is showing a clear negative divergence with respect to both the early July high and the April high. Despite new all-time highs last week, the percentage actually fell indicating a narrowing of the rally. Without breadth, the rally is less likely to make higher highs after any initial pullback.

Daily MACD still looks like it wants to roll over and with stocks this overbought, such a move lower is more likely. If we do see a pullback in coming days, then initial support could be close to the 20 DMA at 2148. A move below that level could bring a retest of the old high of 2134 in fairly short order. After that, 2050 and the 200 DMA could next in line to be tested. The weekly Dow chart shows the bullish crossover of the 20 and 50 WMA to be widening. The wider this crossover is, the more likely this medium term buy signal will remain in place even after any initial correction. Stochastics are just at the beginning of a bearish crossover although it may take another week or two of declines to push this below the key 80 overbought line. For its part, the German DAX (not shown) is now testing key horizontal resistance at the 10,500 level. This is another indication that a global pullback may be imminent. The Fed’s tentative statement and the poorer-than-expected GDP number pushed bond yields lower as the market anticipates more slowing. The yield on the 10-year Treasury fell back below 1.5%. After testing resistance near the 50 DMA, yields may be heading back down to the post-Brexit low. Unless we get some more central bank infusions, the falling yields argue for some selling in stocks in the near term.

This week looks more bearish, especially later on. The early week looks a little bullish as Venus enters Leo on Monday. But Tuesday’s New Moon aligns with Saturn so there is a possibility that we could reverse lower as soon as Tuesday. This is not a high probability bearish aspect but it’s worth noting. Wednesday’s Moon-Venus conjunction looks more positive, however. Thursday and Friday look more bearish as the Moon conjoints



Mercury and is aspected by Saturn. My guess is the last two days of the week will have the final word on the overall outcome this week and the result should be lower. A larger decline is somewhat more likely on this Saturn influence but bears have been very weak lately so we'll have to see. If Monday is higher, then we could see the SPX hit 2190 or even 2200. I think higher highs are therefore likely this week, probably by Wednesday or before. However, I think the chances are good that we will get a test of the 20 DMA at 2148, probably towards the end of the week. I would not be surprised if the SPX fell to 2134 either, although that may not be likely.



Next week (Aug 8-12) could see some important developments as Saturn stations direct on the 13th just after Jupiter enters Virgo on the 11th. The Jupiter influence looks bullish and should provide at least one or two solid up days during the week. The late week sees an increase in negative influences as the Moon conjoins Mars and then Saturn. There is a real mix of influences here that could see larger than normal moves. I would keep an open mind about possible outcomes here. I would not be surprised if the week finished positive or negative. The following week (Aug 15-19) looks more bullish as Venus conjoins the Lunar Node and then Mercury conjoins Jupiter on Friday.



This looks like it could be a rebound that follows a dip. Again, I am uncertain if this could produce a higher high. That's possible. But all bets are off by Aug 23rd and the Mars-Saturn conjunction. Even if stocks manage to hold up around that date, it is a bearish alignment which should have negative effects in the days and weeks to follow. Saturn's close square aspect in September with the North Lunar Node (Rahu) and Neptune looks like a high probability bearish pattern. I think we should easily break below the 200 DMA and 2050. A 10% correction which is also very possible in September would put the SPX under 2000. Late September and late October look bearish so we could well have lower lows at the end of October. I would not rule out a retest of 1810 by that time, although that may be a bridge too far for the bears. After a rebound in November, I think stocks are likely to struggle further as we move into 2017.

Technical Trends

Astrological Indicators

Target Range

Short term trend is UP
(1 week ending Aug 5)

bearish (disconfirming)

SPX 2140-2160

Medium term trend is UP
(1 month ending Sep 5)

bearish (disconfirming)

SPX 2050-2120

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

bearish (disconfirming)

SPX 1500-1800

Indian Stocks

Stocks pushed higher last week on a dovish Fed statement and optimism over the GST bill. The Sensex rose less than 1% to 28,051 while the Nifty ended the week at 8638. This bullish outcome was somewhat unexpected as the late week declines were very modest. While I did expect a test of resistance at 8600 last week, Thursday was actually higher and more than offset any weakness.

The fundamentals still look bullish here as the domestic environment is stable while global liquidity flows continue to fuel the risk-on trade. Alas, the Fed did little to change perceptions of its default dovishness which suggested December as the earliest possible date for a rate hike. Thursday's US weak GDP numbers if anything may well push that date out further into 2017 as growth continues to be slow. The Fed may also have a pro-Democrat, anti-Trump bias against a hike just before the US election in November which could disrupt the markets. So this is the best possible situation for Indian equities as the US Dollar is unlikely to strengthen in the current slow growth outlook while more easing from the ECB and BOJ look more likely than not.

The astrological influences are not strongly supportive of these positive fundamentals, however. In the short term, further upside is very possible in August as Jupiter enters Virgo and aligns with Uranus on 11th August. Jupiter is a fairly reliable bullish influence and its alignment here looks favourable. But a significant correction becomes more likely around the time of the Mars-Saturn conjunction on 23rd August and then also in September and October when Saturn aspects Rahu and Neptune. The resulting pullback is likely to be big enough to set up the conditions for a lower high, perhaps in October or December. More downside is likely in Q1 2017 which should produce a lower low and may retest the February low of 6800.

The technical picture is as bullish as ever. The Nifty pushed above 8600 last week as it is riding its rising trendline resistance here. Conceivably, it could continue to follow this trendline even higher for a few more days yet. And yet the indicators show the market is quite overbought as RSI is close to the 70 line. Horizontal support is at 8500 so one would expect buyers to enter the market in the event of a pullback towards that level. This is



also the approximate placement of the 20 DMA which is another plausible source of support. If 8500 is broken, then we could see a retest of channel support near the 50 DMA at 8300. The bulls may only begin to get nervous if the channel breaks down. If that should happen, then a retest of the 200 DMA is possible at 7845. Such a deeper pullback would only represent a 50% retracement from the high, however. This likely would not jeopardize the medium term rally and even the long term trend would remain bullish.

The weekly Sensex chart shows how bullish the market has been recently. After the tagging of the 200 WMA, stocks have rebounded strongly. Just looking at the chart, one would think there is a decent chance of at least a close test of the old high at 30K. RSI is getting overbought but if the conditions are right, this indicator can rise past 70 before any pullback occurs. The last overshoot of the 70 line may have been more of a one-off since it occurred in 2014 at the time of the Modi election. Stochastics have bounced off the 80 line twice through May and June so that could provide a clue in the event of a future pullback. If the pullbacks are shallow enough, then the 80 line will not be violated. Therefore, any weekly close below the 80 line should be seen as a sell signal.

And given the bullish long term patterns here (including the bullish crossover of the 20 and 50 WMA), any correction that takes the weekly stochastics down to the 20 line is likely a good bet for a buy signal. Meanwhile, Infosys (INFY) suffered more downside follow through last week. Friday's US close broke below the post-earnings disappointment low. The chart may now be pointing towards a retest of the February low. Bulls will have to recover quickly this week in order to prevent more downside. ICICI Bank (IBN) tanked on Friday following some disappointing Q1 profits. The recent up trend may well continue but buyers will have to step in quite soon, perhaps fairly close to current levels. Even further declines to the 50 and 200 DMA would likely be buying opportunities, however.

This week looks more bearish, especially at the end of the week. Monday offers some chances for the bulls as Venus enters Leo. This isn't a strongly positive influence but it leans bullish nonetheless. Tuesday is harder to call as the Sun aligns with Saturn. This is a weakly bearish influence. Wednesday also leans bearish as the New Moon aligns with Saturn. Thursday and Friday are more likely to be produce bearish outcomes although perhaps only one of those days will end in the red. I would think Thursday is more bearish than Friday. Overall, the bears will have several decent chances to push prices lower. However, bulls have been strong lately so it is



possible that down days will see only modest declines. If Monday ends higher as I think it might, we could see 8700 but then the planets look more bearish. I would think the chances are good that the Nifty will at least retest last week's low of 8572. A Friday close below 8600 is also quite possible and I would not even rule out a test of 8500 depending on what kind of upside we may get early on.

Next week (Aug 8-12) could be quite telling as Jupiter enters Virgo on Thursday the 11th. This looks like it could be a bullish week overall although the late week is a question mark. Monday could go either way and has a little downside risk following the Venus-Mars square. Tuesday and Wednesday look more bullish as Mercury aligns with Pluto. A gain is quite possible on Thursday as Jupiter enters Virgo but at the same time there is an elevated downside risk. Friday looks more bearish in that respect but despite the Jupiter influence, I would not be surprised if stocks actually fell on Thursday. The following week (Aug 15-19) looks bullish also as Mercury conjoins Jupiter late in the week. Some downside is more likely in the middle of the week. Late August looks more vulnerable to significant declines as Mars conjoins Saturn on the 23rd. September should be bearish as Saturn aligns with Rahu and Neptune, especially later in the month. That means we could see a bounce in the first half of September which produces a lower high which is then sold. I would think the chances are quite good that we get a test of the 200 DMA by October. More downside is likely in December with a possible lower low. A rebound is possible for January but another major correction is likely in Q1 2017. I am expecting lower lows by April which could retest the previous low of 6800.



Technical Trends

Astrological Indicators

Target Range

Short term trend is UP
(1 week ending 5 August)

bearish (disconfirming)

8500-8600

Medium term trend is UP
(1 month ending 5 September)

bearish (disconfirming)

8300-8600

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

bearish (disconfirming)

6000-8000

Currencies

The Dollar tumbled last week on the double whammy of a dovish Fed statement and weak GDP numbers. The USDX lost 2% on the week closing at 95.5. The Euro finished the week under 1.12 while the Rupee strengthened modestly to 67. The Yen rallied sharply to 102 following an underwhelming BOJ meeting. I was off the mark here as I thought we could see the Dollar rally for perhaps one more week before retracing. It seems the retracement has started in earnest. And it has already reached one plausible downside target in the 50 DMA. The next support level would be the June low of 94. Below that, the Dollar could fall as far as the bottom of its range at 92-93. The bulls can still point to the higher low and an approximate inverted head and shoulders pattern here. Nonetheless the size of Friday's decline suggest more downside is likely in the short term. The weekly Euro chart still looking bearish as any rebound here could be treated as a mere back test of the rising channel. A rally up to 1.13 would therefore be in keeping with a back test. Any move above 1.13 might be more bullish, however. As before, 1.15 is a more critical resistance level above which a major new rally could begin. The upside target in that unlikely event would be 1.25.



This week should see further downside for the Dollar. Monday looks bearish in that respect although some gains look likely for Tuesday and perhaps Wednesday. The late week looks choppy. Perhaps both days will offset each other. While it seems likely we could see 94 at some point, I'm less convinced the Dollar will finish the week lower. There is some potential for gains here also which may be enough to lift it higher. Next week looks more bullish so we could see the Dollar recapture the 95.5 level, especially in the first half of the week. The rest of August has a bullish bias although I'm not sure there is enough upside there to move above last week's high of 97. Another retracement is likely in early September which could retest support at the bottom of its recent range at 92-93. This would be followed by another move higher into October. I think we could see the DX make higher highs in October. The Dollar is likely to remain fairly bullish into Q1 2017 with higher highs more likely. There is a good chance we will see the DX move above resistance at 100 at some point in 2017, probably in Q1.



Technical Trends (Dollar)

Short term trend is DOWN
(1 week ending Aug 5)

Astrological Indicators

bullish (disconfirming)

Target Range

95-96

Medium term trend is UP (1 month ending Sep 29)	bullish (confirming)	95-97
Long term trend is UP (1 year ending August 2017)	bullish (confirming)	100-110

Crude oil

Crude oil extended its pullback last week as oversupply concerns continued to depress prices. WTI fell another 5% closing below \$42 while Brent fell below \$44. I mistakenly thought we might have seen more upside, especially early in the week. However, prices generally fell throughout the week before modestly recovering on Friday. Suddenly, crude is testing its 200 DMA as Friday's bounce was largely technical in nature after buyers moved in the long term average had been tested. One would think that crude is poised to bounce a little higher here in any event after testing support. \$40 represents a 50% retracement from the high for WTI. Further testing of this support level seems likely in the near term. A close below \$40 would be more worrisome for bulls as it likely hasten a retest of \$36 which is the penultimate low. And below \$36, there will likely be a retest of the December low of \$26-28. Long term crude oil bulls may be waiting for just such a shake out after this extended rebound. A double bottom would be a firmer base from which to launch of sustainable rally after the massive sell-off over the past two years. Short term resistance is likely around \$44 so any move above that level would likely encourage some additional buying.



This week gives the bulls a couple of good opportunities. Monday's entry of Venus into Leo could be bullish. Tuesday is uncertain as the New Moon in Cancer (normally bullish) aligns with Saturn which is bearish. A large move is possible here and I would lean bullish. But I admit it could also bring about some selling. Wednesday through Friday looks more bullish although perhaps Thursday is a slightly better candidate for a down day. I would not be surprised to see \$40 tested again this week but I think there is enough upside potential to end higher. I would lean bullish here overall. We may well see resistance at \$44 tested at some point. Next week looks bullish, at least in the first half of the week as Mercury conjoins the Lunar Node (Rahu). Perhaps crude can rise for a second straight week. But late August looks more challenging as Mars conjoins Saturn and then squares the Lunar Nodes. This could coincide with a retest of support at \$40, and possibly go lower. The first half of



September looks more bullish and a rise up to \$50 is conceivable. Another move lower is likely in late September and continuing into October. This could well produce a lower low, probably below \$40. A rebound is likely in November but there will likely be another correction starting in December which continues into Q1 2017. My thinking now is that this will challenge the 2015 low.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is DOWN (1 week ending Aug 8)	bullish (disconfirming)	\$42-44
Medium term trend is UP (1 month ending September 8)	bearish (disconfirming)	\$38-44
Long term trend is DOWN (1 year ending August 2017)	bearish (confirming)	\$30-50

Gold

Gold came back to life last week as the Fed's cautious statement and weak GDP number further diminished the chances of a rate hike this year. Gold rose 3% on the week finishing at 1357. While I was fairly bullish on gold here I didn't expect the late week to be so positive given the difficult Moon influences. Gold looks more technically bullish here after repeated tests of support at 1320. Bulls need a close above 1380 for this rally to take the next leg higher. After the successful defense of 1320, the measured move target for the bulls is \$1410-1420. An inability to move above 1380 would create a potentially bearish double top pattern. In that eventuality, any breakdown of support at 1320 would have a downside target of 1260. Given the medium term rally, that would still be an attractive entry point for bulls. Again, this rally probably needs to remain above 1200 to be viable in the medium term. The short and longer term moving averages are still rising and they are bullishly aligned. Interestingly, the chart is sufficiently bullish now that even a pullback down to 1200 would only just tag the 200 DMA. This would provide a lower entry point for bulls seeking medium and longer term upside.

This week looks choppy for gold, albeit with a



bullish bias. Monday's entry of Venus into Leo could be bullish. Tuesday's Sun-Saturn alignment is harder to call as it could go either way. Nonetheless, it has a noteworthy downside risk that other days this week lack. Wednesday's Moon-Venus conjunction looks bullish and Thursday looks more bearish as the Moon aligns with Saturn. Friday looks bullish again as the Moon conjoins Jupiter. It is possible a big down on Tuesday or perhaps Thursday could upset the bullish bias this week but I would still lean bullish here in any event. A retest of 1320 seems unlikely whereas a test of resistance of 1380 is more likely.

Next week also leans bullish as Jupiter aligns with Uranus. The first half of the week looks fairly bullish so we could see gold move above 1400. But the late week could be less positive so we could see a sharp pullback on Thursday and especially Friday. The following week looks choppy but still quite bullish. August should be mostly bullish. September looks more bearish with the first half of the month looking more negative than the second half. This may not bring much more than a pullback, however, so the rally should be intact into October at least. October looks like it will bring a second pullback which could create a more bearish technical outlook. It seems unlikely to break below 1200 in October given that 1400 may only be days away. A rebound is likely to a probable lower high in November (1320? 1360?) but then a significant correction will likely begin before the end of 2016. This should continue into 2017 and should see some or all of the gains from this year disappear. The bulk of gold's correction appears to be concentrated in the middle of 2017.

Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Aug 5)	bullish (confirming)	1350-1380
Medium term trend is UP (1 month ending Sep 5)	bullish (confirming)	1350-1420
Long term trend is DOWN (1 year ending Aug 2017)	bearish (confirming)	1000-1300

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