

## Summary for week of 18 July 2016

- Stocks more prone to declines this week, especially late
- Dollar may more higher above 200 DMA, especially later
- Crude oil likely bullish although early week uncertain
- Gold mixed this week; direction unclear

## US Stocks

Stocks extended their post-Brexit rebound for a third straight week on improving China GDP data and rumours that Japan might deploy helicopter money. The Dow posted a new all-time high as it rose almost 2% on the week to 18,516 while the S&P 500 finished at 2161. While I thought we would see some midweek gains, the absence of any early week selling was surprising given the entry of Mars into Scorpio.

So the higher high has arrived well ahead of the August Jupiter-Uranus alignment. This opens the door to another bounce and the possibility of an even higher high in August after we get a test of the breakout support levels at 2135 in the coming days. I still can't quite believe we will move above current levels in August but I have so far underestimated the strength of the July rebound so anything is possible. Bearish aspects haven't produced much downside at all (e.g. Friday's Moon-Mars-Saturn conjunction) while bullish aspects have coincided with very strong gains. It seems that central banks are still pulling the strings as investors anticipate further easing in Japan, Europe and even China. As long as the Fed is on the sidelines and unwilling to raise rates, stocks are likely to stay bullish, barring some unforeseen problem such as a suddenly insolvent European bank or a Chinese yuan devaluation.



I'm still generally bearish on 2016 and 2017 and think we are headed substantially lower by early next year. Although I was wrong about a post-Brexit summer swoon, there are two other major time windows in 2016 that

should still produce significant downside. The first is centered in September-October and the next one is December-January 2017. Both look like high probability decline patterns, with a similarly high possibility for a larger than 10% correction for both. But given the higher highs, some of my previous downside targets have to be raised. We are still likely to retest SPX 1810 but it may take longer now, perhaps not until January 2017.

The new all-time high may have investors wondering if the market is embarking on a new leg higher. If the breakout above the recent range of 1810 to 2135 is for real, then it should be able to hold onto support at the breakout level. In other words, how the market retests 2135 will be important in shaping the road ahead. The longer the SPX can remain above 2135, the more credible the bullish view becomes that the market is going a lot higher. It seems more likely that 2135 won't hold in any retest of support, however. But that would still leave the question open of what kind of retracement may follow. Obviously, the shallower the retracement (2100?), the greater the likelihood of higher highs (>2200?) in the not-too-distant future. I think many bulls would be satisfied with a mild retracement to 2100. However, if there is a deeper retracement to, say, below the 50 DMA at 2086, then would reduce the likelihood of higher highs, or at least postpone them.

But the recent surge higher has returned us again to the default setting of buy-the-dip unless or until proven otherwise. Last week's rally pushed above resistance in the megaphone pattern, and may well have taken it off the table. The weekly Dow chart shows stochastics now overbought. We are still some ways away from any kind sell signal from a bearish crossover. RSI is not yet overbought on the weekly chart so that may encourage bulls to keep plowing cash into the market a while longer. US stocks have been the beneficiaries of plunging bond yields elsewhere as other equity markets have lagged. The German DAX enjoyed a big gain last week but it is now near a critical resistance level at the 200 DMA (at 10,063). The recent retest of long term support off the 200 WMA at 9400 is bullish and argues for a bigger bounce here. But bulls need to extend the bounce a bit higher in order to clear resistance at the 200 DMA and the falling resistance trend line. A move below the February low at 9000 could be very bearish indeed although we are still a ways from that. As money moved into equities, bond yields rose as the safe haven play lost its appeal. The 10-year Treasury yield is back up sharply over 1.5%. The recent retest of the 2012 low of 1.4% argues for more upside in yields in the short term at least. Resistance is likely near 1.7% so any move above that level could see a further move higher to retest resistance at the 200 DMA at 2.2%.



This week is likely to see a reduction in optimism as Mercury moves past its conjunction with Venus. Saturn will align with both Mercury and Venus as well in the first half of the week so that could add to the level of pessimism. This is not a high probability bearish pattern but it reflects at least some downside potential. Stocks look overdue for a pullback anyway, so it could well happen on this Saturn alignment. Wednesday looks fairly bullish by contrast as the Moon aspects Venus. If we have seen some early week profit taking, then Wednesday

would be a good candidate for another rally attempt. But the late week looks bearish, especially on Thursday when the Moon is squared by Mars. I would lean bearish here both for astrological and technical reasons since we are overdue for a pullback anyway. There is still some chance that we could see further upside on Monday or Tuesday although this seems less likely. Even if we get two up days this week (Wednesday and one other day), there is a chance we could get a quick retest of breakout support at 2135. If the early week is bearish then the test of 2135 could happen on Tuesday which produces Wednesday's possible bounce. A subsequent lower high (e.g. 2150?) would then be sold on Thursday and/or Friday.



Next week (July 25-29) leans slightly bullish to start on the Mercury-Jupiter alignment on Monday. But the rest of the week looks choppy as the bearish Mars-Mercury aspect will be alongside the bullish Venus-Jupiter aspect. These could offset each other to some extent, but I would lean bearish here anyway given the ongoing Mars in Scorpio transit. The late week looks more bearish than the first half. One possible scenario is that the early week will see another rally attempt to move to new highs. A higher high is possible but the late week negativity suggests it will be difficult for bulls to maintain it. The following week (Aug 1-5) could see early gains as Venus enters Leo but Thursday and Friday look quite bearish both in terms of likelihood of a decline and magnitude. It seems unlikely that week could bring a gain. We could easily see the SPX fall back to 2100 by early August. Whether it goes below that level is another question, however. Some upside is likely in mid-August as Jupiter enters Virgo with Mercury in tow. Mid-August could be more volatile, however, as Saturn turns direct on the 13<sup>th</sup>. The Mars-Saturn conjunction occurs on Aug 23<sup>rd</sup> and is another possible bad sign for the markets. Therefore August could go either way in that respect. A higher high would not be surprising given the prominence of Jupiter but the Saturn influences could manifest fairly quickly and signal a reversal and decline. Given that we have seen higher highs already in July, I wonder if August will be more bearish than I had previously anticipated. It's possible.



September still offers a compelling bearish picture as Saturn aligns with the Lunar Node (Rahu) and Neptune. Pessimism is likely to extend into October. I think the size of this decline will be surprisingly large and will likely be larger than 10%. But from current levels, that would only take the SPX back down to the 1900-1950 area. That's not really a target but rather just a ballpark possibility. After a bounce in November to a lower high (2100?) Another leg lower is likely in December and January that should produce lower lows. I think there is a reasonable chance of retesting 1810 by January. We shall see.

**Technical Trends**

**Astrological Indicators**

**Target Range**

Short term trend is UP  
(1 week ending July 22)

bearish (disconfirming)

SPX 2100-2140

Medium term trend is UP  
(1 month ending Aug 22)

bearish (disconfirming)

SPX 2080-2140

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

bearish (disconfirming)

SPX 1500-1800

## Indian Stocks

Stocks moved higher last week on positive global cues and the promise of the passage of the GST bill. The Sensex rallied more than 2% to 27,836 while the Nifty finished at 8541. This bullish outcome was somewhat surprising as I thought we would get some early week selling on the entry of Mars in Scorpio. While the midweek gains were in line with expectations the overall result was quite bullish as resistance at 8400 was tested and broken to the upside.

Bulls are firmly in control of the market. With more talk of the increasingly desperate Bank of Japan possibly moving from negative rates towards helicopter money, global equity markets are still the place to be for most investors in search of yield. As long as the Fed stays on the sidelines and does not hike rates, emerging markets will tend to do well as capital seeks decent returns. To be sure, the world financial system looks dangerously distorted by all this central bank intervention, and yet it is conceivable that the current rally could remain in place indefinitely. But this assumes that nothing goes wrong (e.g. an Italian bank insolvency) and that central banks will never make a policy mistake. The problem is that if something does go wrong at this stage, the results could be unpredictable and spiral out of control. In that sense, equity prices may not only be priced to perfection but also they are vulnerable to any number of unforeseen developments.



The astrological influences are still pointing to greater downside risk although the time frame is somewhat uncertain. I had thought July would be more bearish given post-Brexit anxiety but stocks have nonetheless rebounded strongly. I had noted the likelihood of some kind of rally around the Jupiter-Uranus alignment in August, although I thought it would have been a lower high. Instead, it seems to have influenced investor sentiment somewhat ahead of schedule. I think bulls will still be owed some gains in August around this Jupiter-Uranus influence but I am uncertain if we will get higher highs then. Volatility is likely to increase in August in any event. As before, however, the September-October time window still looks decidedly bearish as Saturn aligns with Rahu and Neptune. And another corrective move lower still looks likely for December and January. Previously, I had thought we might have retested the February low of 6800 by early 2017. That's still possible but bears may have to wait longer for that target given the current level of the Nifty above 8500.

The technical outlook is still quite bullish. The Nifty continues to trade within a rising channel as last week's gain pushed it up against resistance. Bulls could plausibly ride this resistance channel line higher for several more days (as it did in early June) but eventually it will pullback to the bottom channel support trend line. This is currently close to the 50 DMA at 8134. In other words, we should expect any pullbacks to that line to be bought. If this support is broken to the downside, then bears will be looking for a test of the 200 DMA at 7800. Even if we got a pullback to the 200 DMA, it would only constitute about a 50% retracement from the February low. In other words, it would still be compatible with the longer term bullish view.

RSI is again pushing up against the 70 line indicating the market is getting overbought on a short term basis. If we did see a pullback this week, support at 8400 could hold at least for a short while. This level was tested several times last week and buyers moved in each time. The weekly Sensex chart is looking more bullish now as we can see the bullish crossover of the 20 and 50 WMA. This momentum indicator suggests that pullbacks will be bought in the short term and should discourage bears from taking any large short positions. RSI is approaching overbought but more upside is still possible before hitting the 70 line. There may even be enough upside momentum here to create a double top pattern at 30K. The strength of the rebound after touching the 200 WMA suggests that is increasingly possible. Meanwhile, Infosys (INFY) disappointed investors with its latest earnings report which showed falling profits and poor forward guidance. The stock was hammered Friday and is now trading well below its 200 DMA but above its February low. A rebound back up to the 200 DMA is possible in the short term but a retest of the February low is possible either in the coming days, or after a failed rally back up to the 200 DMA. HDFC Bank (HDB) moved to a new all-time high last week. Resistance may be close to \$72 from the rising trend line off the 2012 low. Channel support is close to the 50 DMA. One would think any pullbacks to that level will be bought aggressively given how bullish the chart looks.



This week looks more bearish as there are two different short term aspects which lean negative. Whether or not these are enough to actually produce a losing week is less clear. The first is a Mercury-Saturn alignment on Monday and Tuesday which should produce one down day. Some upside is more likely on Wednesday and/or Thursday as the Moon aligns with Mercury and Venus. Friday looks bearish as Mars aspects the Moon. To be sure, some gains are likely here and it's even possible the week could turn out with a net positive result. A bullish scenario would therefore see only a modest decline on Monday that holds above support at 8400. Stocks could then rebound with more upside into Wed/Thurs that tests resistance. Even if Friday is bearish as expected, we could see the Nifty rise further. But I am still anticipating some weakness to manifest very soon although I'm not certain it will be this week. Given that early August looks bearish, I would think that any rallies up to resistance will be sold soon enough.



Next week (July 25-29) looks more bullish as Mercury aligns with Jupiter and Uranus early in the week. It is conceivable this could bring higher highs above 8541. However, the second half of the week looks bearish as Mercury aligns with Mars so some of any preceding upside will likely be nullified. The following week (Aug 1-5) looks more bearish as Mercury is aspected by Saturn late in the week. Some early week gains are still likely but the late week aspect should be strong enough to produce a negative week overall. Nonetheless, the Nifty is likely to remain above its 20 DMA.



The second week of August could also bring some downside as Mercury conjoins Rahu. It is possible this could produce a test of channel support near the 50 DMA. Some upside is likely in mid-August around the Jupiter-Uranus alignment. However, late August looks more bearish as Saturn approaches its alignment with Rahu and Neptune. I am expecting September to be sufficiently bearish to break below support of the 50 DMA with a possible retest of the 200 DMA (7800) in October. A bounce is likely in November but another move lower is likely in December and January. This should break below the 200 DMA. It is possible we could see a retest of the February low of 6800 although let's first see what kind of downside Saturn brings in September.

**Technical Trends**

Short term trend is UP  
 (1 week ending 22 July)

Medium term trend is UP

**Astrological Indicators**

bearish (disconfirming)

bearish (disconfirming)

**Target Range**

8400-8500

8200-8500

(1 month ending 22 August)

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

bearish (disconfirming)

6000-8000

## Currencies

The Dollar edged higher last week in the expectation of more easing coming out of Japan. The USDX finished atop its 200 DMA at 96.5 while the Euro ended the week near 1.10. The Yen continued to weaken to the 105 level while the Rupee held steady at 67. This bullish outcome was in keeping with expectations as I thought we could see early and late gains offset any midweek losses. The Dollar is attempting to push above resistance at its 200 DMA here. Last week's low was a higher low so one would think the bulls will eventually be able to break above 96.5. On the other hand, if the Dollar moves below its early July low of 95.5, then the chart will lean more bearish and we could get a retest of the June low of 93.5. The measured move target is still 97.5 and if we get a push above the 200 DMA we could fulfill that move very quickly. The weekly Euro chart still looks vulnerable to more downside as it had another close on the south side of the 50 WMA. While the chart is looking bearish, it is possible any future decline may follow the declining channel since the May high. This would suggest only incremental lows rather than a sudden breakdown back to 1.05 or below. Current falling channel support is near 1.09.

This week could see the Dollar move higher. The early week could see some retracement, especially on Monday. This looks unlikely to be a big move lower. The chances for a rebound will increase as the week progresses. The late week looks particularly bullish on the Moon-Mars alignment. We may well see a move above the 200 DMA this week. Next week looks less bullish, however, so some retracement looks likely. Early August could see more downside for the Dollar so a retest of 93.5 is quite possible. But the second half of August promises another rally as Mars conjoins Saturn on the 23<sup>rd</sup>. I would expect the Dollar to post a strong gain starting sometime in late August and continuing into September. There is good chance that the Dollar will move back above the 200 DMA to higher highs, including the possibility of 100. The Dollar should stay bullish into October but then reverse lower. November looks very bearish and we could even see a collapse back to the lower end of its recent trading range



(92-93). Another move higher is likely to begin in December and into Q1 2017. Although this should be a strong rally, it is unclear if this will produce a higher high.

Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is UP (1 week ending July 22)	bullish (confirming)	96-98
Medium term trend is DOWN (1 month ending Aug 22)	bearish (confirming)	94-96
Long term trend is UP (1 year ending July 2017)	bullish (confirming)	100-110

## Crude oil

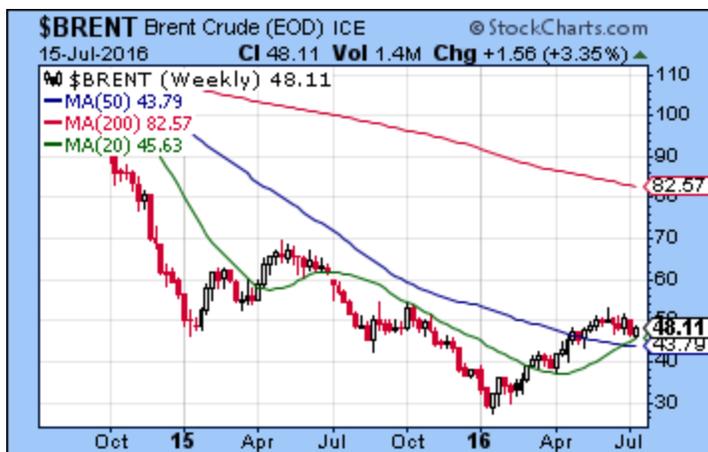
Crude oil rose last week as stronger than expected Chinese GDP data reversed its recent decline.

WTI gained more than 2% on the week to close above \$46 while Brent finished above \$48. This bullish outcome was unexpected as I thought we would get more early week downside. That view proved to be mistaken, however, as Tuesday's rise more than offset Monday's modest weakness. The technical outlook for crude remains fragile after the break below \$46. However, we can see a declining channel in play now with resistance near the 50 DMA at \$47-48. A move above that level would be more bullish and would likely indicate a retest of recent highs above \$50 and perhaps even open the door to higher highs. But if bulls cannot push it above the 50 DMA, then we could see crude drop back fairly quickly. In the event of a pullback in coming days, support from this channel is just below \$44. A pullback to the 200 DMA would not seriously jeopardize the current rally as it would still be above a 50% retracement off the low (now at \$39 for WTI). The Brent weekly chart paints a more bearish picture perhaps as price appears to be rolling over after a rally as before.



This week tilts bullish as the Sun enters the water sign of Cancer. Water sign placements tend to be supportive of crude prices all other things being equal. I have been fairly bullish about crude for August and we could see the upside appear as early as this week. Some selling is more likely to occur early in the week, however, so a retest of \$44 is quite possible on Monday or Tuesday. Wednesday and Thursday may be more bullish and should offset most of the possible early week declines. While I would not be surprised if we got a decline overall this week, I would lean bullish nonetheless. Next week may be bullish to begin the week but the week overall looks more vulnerable to declines as Mercury aligns with Mars.

The first half of August could see more gains although I'm uncertain if these will be higher highs above \$52 for WTI. It's certainly possible so bears should be quite cautious here. But August may see a rise in volatility as Saturn turns direct on the 13<sup>th</sup> and then it conjoints Mars on the 23<sup>rd</sup>. Both of these factors could create the basis for a reversal lower. Late August and September look bearish and we should see a large enough decline to make new lows at or below the 200 DMA. This assumes that early August doesn't see any sudden rally above \$52, however. The first half of October also looks bearish so it is possible we could see an interim bottom in mid-October. November should be bullish but probably will only produce a lower high. December through February 2017 looks bearish. Depending on where we see the rally top out at, we could see a retest of the low of \$26 sometime in Q1 2017.



Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is DOWN (1 week ending July 22)	bullish (disconfirming)	\$46-48
Medium term trend is UP (1 month ending August 22)	bullish (confirming)	\$46-55
Long term trend is DOWN (1 year ending July 2017)	bearish (confirming)	\$30-50

## Gold

Gold fell back down to Earth last week after the BOE surprised markets by not cutting rates. With reduced safe haven appeal, gold lost more than 2% and finished at 1337. This bearish outcome was somewhat surprising as I thought there were enough bullish patterns in play to keep the rally going. While Wednesday and Friday did post modest gains, I was mistaken about Monday as intraday gains failed to hold by the close. Despite the pullback, gold is still looking bullish from a technical perspective. Buyers did move in fairly predictably at support near the 20 DMA at 1330. A move below 1330 would suggest a longer retracement was in order, perhaps back to 1300 or even 1250. The problem with a break below 1330 is that the retracement would then exceed the size of the previous June retracement (= \$50). In itself, it wouldn't spell the end of the rally but it would raise some questions. It will take a series of technical failures to make the chart look genuinely bearish. In other words, gold bulls can withstand some headwinds here without too much risk. As before, I think gold will only be in real trouble if it breaks below 1200. And if gold does manage to stay above 1300, then the bull case for a rally to 1450 or even 1520 will still be intact.

This week looks mixed with moves likely in both directions. I am uncertain where gold will end up. Some downside is possible in the first half of the week as Venus aligns with Saturn. I would not say this is a high probability bearish influence, however. Wednesday's Moon-Venus aspect looks somewhat bullish and Friday's Venus-Node alignment also leans bullish. I am generally expecting gold to rally to new highs fairly soon although I'm less confident about this week. A gain wouldn't surprise me but I think we could get more downside first. Next week looks bullish, at least in the first half of the week. Higher highs are possible above 1375.

Early August should be bullish although the Mercury-Saturn square on Thurs-Fri Aug 4/5 may coincide with a sudden decline. Gold could stay bullish until around the Saturn direct station on August 13<sup>th</sup>. After that, I would be increasingly skeptical about any further upside. It could happen, but the planets don't argue strongly for it. I do not have an opinion about where gold may top out in August. It seems likely to rise above 1400 but perhaps not very far above. We shall see. Late August looks more bearish so we will watch carefully for growing signs of technical weakness. September's Saturn-Node aspect looks fairly bearish and it may coincide with a sizable correction. We should see gold fall back below 1300 and 1200 is very possible by late September or mid-October. Gold should rebound in November but another corrective phase is likely to begin in December when Saturn aligns with Uranus. If this plays out as expected, gold could end up retesting its 2015 low of 1050 during Q1 2017.



<b>Technical Trends</b>	<b>Astrological Indicators</b>	<b>Target Range</b>
Short term trend is UP (1 week ending July 22)	bullish (confirming)	1330-1375
Medium term trend is UP (1 month ending Aug 22)	bullish (confirming)	1330-1400
Long term trend is DOWN (1 year ending July 2017)	bearish (confirming)	1000-1300

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