

## Summary for week of 25 July 2016

- Stocks look mixed with declines more likely late in the week
- Dollar could retrace early but firmer later
- Crude oil could rebound in first half of week
- Gold could rebound in first half of week but vulnerable to selling later

## US Stocks

Stocks drifted higher last week as Q2 corporate earnings reports have been generally positive thus far. The Dow rose by just 50 points to 18,570 while the S&P 500 finished at 2175. I thought we might have seen more selling but as has been the case recently, the down days have proved to be not that negative. As expected, we did get some downside early in the week -- on Tuesday -- and on Thursday's Moon-Mars aspect. Wednesday was bullish as expected but Friday's gain was the difference maker for the week overall.

The market has made new all-time highs but there is a growing sense of disbelief about its sustainability in some circles. Volume has been low indicating a fairly weak basis for a major new leg higher. Many technical indicators also seem overbought and are indicative of a major pullback rather than a big move higher. And yet with negative interest rates prevailing in many countries, the relentless search for yield is having the final say as global investors buy up US stocks and bonds regardless of fundamentals. It is possible this situation could continue for a while and push stocks even higher as the ECB and BOJ are seemingly committed to weaken their currencies by any means necessary.



But while there is a reasonable prima facie case for higher US stock prices, the astrological influences look more challenging in the weeks ahead. Although the size of July's rebound was unexpected, I think it is important to note that another significant correction is likely in September and October as Saturn aligns with the Lunar Nodes and Neptune. I would say this alignment is a high probability bearish pattern that could correlate with at least a

10% correction. That leaves August as something of a buffer period between this post-Brexit relief rally and the start of the Saturn influences. August will feature both Saturn and Jupiter influences and could well bring about more volatility but also the real possibility of higher highs. Saturn turns retrograde on Aug 13 and could indicate bearish reversal. Interestingly, this occurs within days of a bullish Jupiter-Uranus alignment as Jupiter changes signs and enters Virgo. So there's a lot going on in the sky in August and it may translate into a new direction for stocks.

The technical picture is still bullish. The major indexes are above their breakout levels which increases the probability that higher highs will be forthcoming. Support is now at 2150 with the actual breakout level of 2134 likely bringing in more buyers. If we follow a recent pattern of pullbacks, then we could see a move down to the 20 DMA or 50 DMA at 2100-2120. A move below 2134 will not negate the bullish breakout although the size of the subsequent retracement will be important. If 2100 or so brings in buyers, then bulls will have a typical buy-the-dip opportunity which many will expect to produce a higher high, perhaps close to 2200. A sudden retracement closer to the 200 DMA at 2037 would be more worrying for bulls although it would certainly produce a rebound of some size.

Stocks are getting overbought here as the RSI is pushing towards the 70 line. More upside is still possible but one would expect some kind of retracement fairly soon. The weekly Dow chart also has the RSI closing in on 70 suggesting that it is likely too late to buy until a retracement occurs. Stochastics are also near the top of their range now and provide more evidence for selling than buying. Of course, the medium term outlook looks more positive now in light of the bullish crossover of the 20 and 50 WMA. This is an important trend indicator for the market which suggests that dips are likely to be bought and higher highs are more likely than not. It may take several weeks of declines to reverse this bullish crossover. Since I am bearish for September-October, that may be the first chance were this could occur. Even then, it may take a second corrective wave (e.g. in December) to initiate the bearish crossover of the 20 and 50 WMA. Europe is still underperforming US markets as the DAX is still making lower highs. Although it climbed past its 200 DMA, it still needs to break the bearish pattern in place since April. Treasury yields have rebounded back to resistance at 1.6%. Suddenly, there is again talk of a Fed rate hike in 2016 as US data improve. Although the trend is still down, further upside above the 50 DMA is likely and perhaps even a tag of the 200 DMA is possible.



This week looks mixed. The short term aspects do not offer a compelling case for a strong gain or a significant pullback. I would be surprised if we got either of those outcomes. The early week could be more bullish as Mercury aligns with Jupiter on Monday. The midweek looks more volatile, however, as Mercury aligns with Uranus on Wednesday. This should produce at least one down day in the first half of the week. But if recent

patterns hold, it may not be a significant decline. I would expect a net positive outcome into Wednesday. Thursday's open looks bearish as the Moon opposes Mars so a down day is more likely. It is tempting to think this bearishness may follow the outcome of the Wednesday FOMC meeting. While a hike is a virtual impossibility, new language and hawkish forward guidance is not. Friday also has some potential for selling on the bearish Mercury-Mars square, however, this could be offset by the bullish Venus-Jupiter alignment. Even if we do get two down days this week, I don't think there is a lot of evidence for a big retracement to 2134, for example. Early August would seem to be a better bet for a pullback. While the week could well finish negative overall, it may only be slightly lower, like to 2160. But with two fairly likely up days here, we could also finish in the green again.



Next week (Aug 1-5) would appear to favour the bears more, at least later in the week. The early week should see some upside as Venus aligns with Uranus on Monday August 1<sup>st</sup>. Tuesday's New Moon looks more problematic since it aligns with Saturn. I think Wednesday could go either way but Thursday and Friday have more bearish potential with the Mercury-Saturn square. This is perhaps a more bearish week which could retest the key 2134 level and perhaps even down to the 20 DMA at 2118. The following week (Aug 8-12) should see a bounce as Jupiter enters Virgo on Thursday the 11<sup>th</sup>. The early week may bring more downside, however, but I would expect any dip to be bought here. A higher high is therefore possible. We shall see. Another move down is likely following the Saturn direct station on Aug 13<sup>th</sup>. I would expect the market to trend lower into September with the most vulnerable periods being Aug 29-31, Sep 20-30, and October 15-25. A bounce is likely in November but another move lower to a possible lower low is likely to begin in December and extend into January. I would think there is a good chance of retesting SPX 1810 sometime in Q1 2017.



**Technical Trends**

**Astrological Indicators**

**Target Range**

Short term trend is UP  
(1 week ending July 29)

bullish (confirming)

SPX 2150-2190

Medium term trend is UP  
(1 month ending Aug 29)

bearish (disconfirming)

SPX 2050-2120

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

bearish (disconfirming)

SPX 1500-1800

## Indian Stocks

Stocks went sideways last week as currency markets stabilized in the wake of no new global developments. The Sensex ended fractionally lower on the week to 27,803 while the Nifty was unchanged at 8541. This neutral outcome was in keeping with expectations as I thought we were unlikely to see any big moves. As expected, we did get some selling on Monday's Saturn influence but shares rebounded into the midweek Moon-Venus alignment. Despite Thursday's anticipated decline, stocks recovered Friday.

Markets appear to be waiting for direction underneath some fairly important technical resistance at 8600. Bulls are expecting more easing from the world's central banks to depress yields further and provide additional risk-on liquidity to funnel into Indian stocks. Bears may be wary of the current ultra-low rate environment, especially given the renewed expectations of a Fed rate hike later this year. With much of the Brexit risk now off the table, improving US data may compel Janet Yellen to pull the trigger before the year is out. Any Fed rate hike would send the Dollar higher and create significant FII outflows which would then depress Indian share prices. While a July hike still seems highly unlikely, the Fed could change its language in its Wednesday meeting this week over the prospect of a September or December hike. If there is any change in the Fed's forward guidance, I suspect some investors will choose to take profits later this week.

Even if markets do not get a rude surprise from this week's FOMC meeting, the astrological influences still favour the bears in the weeks ahead. The difficulty for the market is that Saturn is soon approaching the end of its retrograde cycle on 13 August. When this bearish planet reverses direction and returns to direct motion, it is more likely to coincide with pessimism and caution. One complicating factor for August is that bullish Jupiter is due to change signs and enter Virgo on 11 August – just two days before. Jupiter sign changes are generally bullish indications although I have found they may only produce a day or two of gains around the time of their sign change. Furthermore, Jupiter aligns with bullish Uranus on 13 August so that again could act as a buffer against the worst of Saturn's influence. Nonetheless, I am still expecting the month of August to be bearish as the Saturn influence will likely linger for many days and weeks. Saturn is due to align with Rahu and Neptune in September and October so this should be a signal for an extended retracement in stocks.



The technical picture is still bullish as the Nifty rides up the rising resistance channel near 8600. It found buyers at 8500 throughout last week so there may be more of an appetite to push above 8600 in the short term. Nonetheless, it seems increasingly overdue for a pullback at least to the 20 DMA at 8388, if not the 50 DMA at 8202. Both of these levels should be seen as important support for the current rally. The chart shows that pullbacks to the 50 DMA have occurred almost every month so one would think the Nifty is due for another one in coming days. The larger question is what happens if there is a close below the 50 DMA. While a move below 8202 could signal a quick decline to the 200 DMA at 7831, bulls would still have the momentum on their side from a medium term perspective. The 200 DMA is now sloping upward and thus paints a more bullish medium term outlook. A correction down to 7831 would still constitute a 50% retracement from the high and would still be compatible with the longer term rally.

The indicators are pointing to a pullback sooner rather than later as stochastics is approaching a move below the 80 line and MACD is on the verge of a bearish crossover. RSI has also been flirting with the 70 line over the past two weeks.

The weekly BSE chart offers more evidence that the longer term rally is intact given the bullish crossover of the 20 and 50 WMA. While this is a lagging indicator, it nonetheless points to the durability of the current rebound. It will be important to see if the expected correction over the next two months produces another bearish crossover in this indicator. Meanwhile, Infosys (INFY) continued to struggle in the week following its earnings disappointment. Friday saw a retest of its 15 July intraday low. Any failure to hold above that low will likely see further downside which tests the February low. However, if current levels do manage to hold, then it could rebound up to the 200 DMA. Tata Motors (TTM) pushed to a new 2016 high as it continues to rally off its double bottom. While more upside is likely in the short term, resistance may be significant at the December 2015 low at \$40-41.

This week sees rising downside risk, especially later in the week. I am uncertain if a pullback will begin in earnest this week or next, but certainly there are some bearish aspects in play. With the FOMC meeting scheduled for Wednesday, we could see some negative fallout after the Fed statement. Before that, we should see some upside. Monday may produce a gain on the Mercury-Jupiter alignment and Tuesday also offers some bullish potential as the Moon conjoins Uranus. I would think the chances are high that we see a net gain across both days and I would not be surprised to see two straight up days. However,



the Nifty is fairly close to resistance here so that could offset some of the upside. Perhaps a brief move above 8600 is possible by Wednesday. Wednesday looks less bullish so that may be a mixed day. Thursday looks bearish as the Moon aligns with Mercury and Mars. Friday also looks negative as the Moon opposes Saturn and Mercury tightens its alignment with Mars. I think the chances are fairly good that we will see two down days later in the week. Whether or not this is enough to offset any preceding gains is hard to say. I am leaning bearish overall but I won't be surprised if we finish fairly close to current levels.

Next week (Aug 1-5) could be bullish to start as Venus enters Leo and aligns with Uranus. This should produce at least one solid up day. Tuesday looks less bullish, as the New Moon (Sun conjunct Moon) aligns with Saturn. Wednesday could see some gains but the late week looks bearish as Venus aligns with Mars and Mercury is square to Saturn. I think the chances are good that the Nifty will fall to the 20 DMA (8388) at least here. The following week (Aug 8-12) could see a bounce as Jupiter enters Virgo on the 11<sup>th</sup>. While this bounce could be significant, it may not be enough to produce a higher high. Friday looks bearish as Saturn aspects Venus. The rest of August leans bearish. A retest of the 50 DMA at 8200 is possible sometime in August and I would not be surprised if we got a sudden drop down to the 200 DMA. September also looks bearish so lower lows are more likely, especially in the second half of the month. A test of 7800 and the 200 DMA seem more likely during late September. A bounce is likely in early October but there is a likelihood of more selling in the second half of October. This would suggest that there will not be a quick recovery of the rally after the August-September sell-off. Lower lows are indeed quite possible by late October. Even if stocks do find a lower trading range in September and October and avoid lower lows, the outlook for December and Q1 2017 argues for more downside. Lower lows and a retest of 6800 are therefore quite possible in early 2017.



**Technical Trends**

**Astrological Indicators**

**Target Range**

Short term trend is UP  
(1 week ending 29 July)

bearish (disconfirming)

8400-8550

Medium term trend is UP  
(1 month ending 29 August)

bearish (disconfirming)

8100-8300

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

bearish (disconfirming)

6000-8000

## Currencies

The Dollar pushed higher last week as improving fundamentals made US investments more attractive. The DX climbed decisively above the 200 DMA at 97.5 while the Euro finished below 1.10. As the BOJ appeared to rule out helicopter money, the Yen was stable at 106 while the Rupee held steady at 67. The gain in the Dollar was in keeping with expectations as the late week Moon-Mars aspect proved to be very bullish. The Dollar continues to shine here as improving macro data has once again opened up the possibility for a Fed rate hike later in 2016. This week's FOMC meeting could well see new language which could make the case for higher rates. The technicals

look fairly bullish. Bulls may be running out of steam here as last week's close of 97.5 matched the measured move upside target. Further upside is still possible, but some retracement is looking more likely in the short run. Support is likely near the 200 DMA at 96.5. A close below that level would likely mean that a deeper retracement was likely. Bulls would then have to defend 95.5 in order to keep the bulk of the rally intact. The Dollar chart becomes more bearish with a close below 95.5 as it would open the door to a possible retest of range lows at 93-94. The Euro's weekly close below 1.10 was a bit bearish. The larger problem was the June break down of the 2016 rising channel. A retest of former resistance of that channel is still possible in the event of a rally -- now at 1.12. In the event of further downside, buyers will still likely move in at 1.08 given the horizontal support at that level. In other words, even if the Euro suffers more downside from improving US data or an Italian bank collapse, it is more likely to decline fairly slowly. Key support is at 1.05. And if that goes, then the next downside target would be close to 0.95. I think we will get there eventually, although it may take until 2017.

This week looks fairly bullish again for the Dollar, although most of the gains may be focused later in the week. Monday looks bullish as the Moon aligns with Uranus. We could see the DX move to 98 on Monday or Tuesday. The midweek could see a pullback but probably not a large one. The late week Mercury-Mars square looks bullish so a retest of Monday's high is likely on Thursday and/or Friday. Next week could see some retracement, especially in the first half of the week. I would be surprised if it significantly interrupted this rally, however. Perhaps we will only get a retest of the 200 DMA or conceivably the lower support level of 95.5. The late week

looks bullish again on the Mercury-Saturn aspect. Some additional retracement is likely into mid-August but it seems unlikely to break below 95.5. We shall see. I think the final days of August and most probably the first half of September will be more bearish for the Dollar. The more bearish scenario is that the Dollar returns to the bottom of its range at 92-93 although I can't quite see that happening. Late September should be bullish again and into October and higher highs are possible by early November. Another Dollar rally should begin in December and continue through much of Q1 2017. Higher highs above 100 are very possible.



Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is UP (1 week ending July 29)	bullish (confirming)	97-99
Medium term trend is UP (1 month ending Aug 29)	bearish (disconfirming)	95-97
Long term trend is UP (1 year ending July 2017)	bullish (confirming)	100-110

## Crude oil

Crude oil fell last week as supply data showed an ongoing glut in the face of middling demand. WTI lost 4% on the week to near \$44 while Brent finished just under \$46. I thought we might have seen more upside, especially later in the week. The early week was bearish as expected but the midweek rally I had forecast fizzled after just one day on Wednesday. Crude is following the declining channel lower here as Friday's low took out the previous June low. Resistance is fairly close to the 20 DMA now at 46.50. Any close above that level – and the June 18<sup>th</sup> high of \$47 -- would be bullish and would signal the end of this month-long retracement. Even if we get a test of the 200 DMA at \$41 that would only approximate a 50% retracement of the rally off the February low. Buyers would likely move in at that level and attempt to keep the rebound going. While bulls may be thinking the current pullback is just a normal retracement, it is worth noting that this retracement is now entering its fifth week. This is no longer merely a bull flag lower such as occurred in March. Its length is more problematic for the bullish case for crude. Perhaps a decisive wash out of weak bulls down to the 200 DMA is needed before the rally can resume. The weekly Brent chart is still following the logic of its small step approach. Since early June, we have not had two consecutive positive weeks. If the rally is going to resume, one would think that will have to happen first.



This week could see a rebound, especially in the first half of the week. Monday's Mercury-Jupiter aspect could be bullish although this is not particularly strong. Tuesday and Wednesday sees the Moon under the aspect of Jupiter. This is also mildly bullish although it may not translate into very much upside. But after the FOMC decision on Wednesday, there is a raised possibility of a pullback. Thursday's Moon-Mars aspect is bearish as is Friday's Mercury-Mars aspect. If the early week sees a move above \$46, then it is possible any late week selling could bring a retest of \$44 for WTI. But I am agnostic on where crude oil will finish this week. I do think some upside is coming but I'm unsure if it will manifest this week.



Next week looks more bullish as Venus enters Leo and aligns with Uranus early in the week. Some gains are very likely. Even if the late week is bearish as I expect, the week has a better chance of finishing in the green. The following week also leans bullish as Jupiter approaches its entry into Virgo on Thursday 11<sup>th</sup> August. I am unsure if this early August bullish phase will be strong enough to break out of the falling channel and move above resistance at \$46-47. It's definitely possible. But more downside is likely during the week of Aug 15-19. The second half of August looks bearish and should retest \$44. I think we could also see a move down to the 200 DMA at \$41 by early September, if not lower. September is likely to see more downside so we could see sub-\$40 crude at that time. October looks more bullish and the rebound should continue into November. I would be skeptical about this rebound's ability to reverse the ongoing down trend, however. December looks very bearish and may well erase any of the preceding rebound. After a strong rally in January, more downside is likely in February and March. It is possible this early 2017 correction could retest the 2015 low of \$26 although I would keep an open mind on that question.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is DOWN (1 week ending July 29)	bullish (disconfirming)	\$44-46
Medium term trend is UP (1 month ending August 29)	bearish (disconfirming)	\$40-46
Long term trend is DOWN (1 year ending July 2017)	bearish (confirming)	\$30-50

## Gold

Gold slipped further last week as the BOJ appeared to rule out the possibility of helicopter money. Gold fell 1% on the week and settled at 1323. This mildly bearish outcome was not wholly unexpected as I had been fairly uncertain about the mixture of influences. Although this retracement is now into its third week, the chart still looks bullish. We did get a break below the previous week's low at 1330 but we did not get a move down to 1300 as buyers moved in at 1310 and channel support. Stochastics is getting oversold so that could entice more buying in the days ahead. But a close below Thursday's low at 1310 would be more bearish in the medium term as it could signal a two-legged retracement as we got in May. This time around such a retracement might well retest 1260. Resistance is still the post-Brexit high of 1380. Bulls will have to create a higher close above 1380 in order to keep the rally intact. A double top which peaks at 1360-1380 would be bearish, however. If gold extends the current rally, it could well follow the pattern of measured moves higher. These moves have averaged about \$100 from the preceding low. Assuming we get a quick reversal here from the recent low at 1310-1320, then we could have an upside target of 1410-1420.



This week could see some gains, especially early in the week. I'm not sure they will hold by week's end but the chances for some upside are gradually improving as we move into August. Monday's Mercury-Jupiter aspect and Tuesday's Moon-Uranus conjunction both seem like plausibly bullish short term aspects. Wednesday looks somewhat less bullish but perhaps more mixed before the FOMC meeting. It seems unlikely that these early week aspects could coincide with significant downside such as to 1300. A more likely outcome would be gains, at least back to 1340 or 1350. But the late week looks more bearish as the Moon aspects Mars. If the Fed changes its forward guidance and talks up the likelihood of a rate hike in 2016, then we could see gold sell-off. The late week may therefore offset some or all of the early week gains.

Next week (Aug 1-5) looks bullish. Venus enters Leo aligned with Uranus on Monday. This should produce a significant gain. I would expect more upside to follow into midweek. The late week is harder to call although I would retain a bullish bias. It is difficult to forecast levels. I think we should retest the July high of 1380 at least in early August. The second week of August should also be bullish as Jupiter enters Virgo on Thursday the 11<sup>th</sup>. Higher highs are very possible on this Jupiter influence, perhaps over 1400. However, gold's fortunes may reverse in the second half of August. At minimum, we should see a significant pullback into late August and early September. The mid-September low is likely to be a lower low with respect to any July or August low. After a short rebound in late September and early October, another round of selling is likely in late October.

Gold could retest that crucial 1200 support level in September or October. More downside is likely starting in December and extending into Q1 2017.

<b>Technical Trends</b>	<b>Astrological Indicators</b>	<b>Target Range</b>
Short term trend is DOWN (1 week ending July 29)	bullish (disconfirming)	1320-1350
Medium term trend is UP (1 month ending Aug 29)	bullish (confirming)	1320-1380
Long term trend is DOWN (1 year ending July 2017)	bearish (confirming)	1000-1300

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