

## Summary for week of 4 July 2016

- Stocks mixed this week but with possible bullish bias in US
- Dollar could retrace early but could rally later
- Crude oil may rise further, especially early in the week
- Gold more mixed this week but some retracement more likely early

### US Stocks

Well, I didn't see that coming. Stocks rebounded strongly last week following the Brexit vote as investors welcomed the news of more central bank accommodation from the BOE and ECB. The Dow was up 3% on the week to 17,949 while the S&P 500 finished at 2102. As expected, we did see a break below key support of 2000 on Monday but the subsequent rebound was much stronger than anticipated. While I thought we were likely to see some late week gains on the Venus-Jupiter alignment, I did not foresee the extent of the bounce.

Now it's almost as if the Brexit never happened. US stocks have almost returned to their June 23<sup>rd</sup> levels although European stocks remain significantly lower. UK stocks are now higher than their pre-referendum levels, although that is partially due to the huge depreciation of the Pound. So will this 7-year long bull market resume its relentless upward march? I think there is still good reason to be skeptical of the sustainability of the bull market even if we could see some additional short term upside here in July. In last week's newsletter, I did not rule out a possible higher high in August given the somewhat bullish Jupiter-Uranus alignment at that time. I thought that the chances of a higher high depended on how deep a decline we got post-Brexit. The SPX did break through the 200 DMA at 2020 and fell to 1991 on Monday. That was a decent bearish signal although the subsequent bounce for the rest of the week has essentially nullified whatever technical damage that may have been done. But two points should be noted which raise questions about last week's bounce. First, it was the end of the quarter and end of the first half of the year so



institutions could have been doing some window dressing in order to pump up prices. Second and more importantly, bond yields did not rise significantly after Tuesday which is what one would have expected after a strong rally. Bonds are a safe haven from uncertainty, and the record low yields in Treasuries suggest that some participants are not joining this 'risk-on' rally.

No matter how suspect last week's resurgence is, it seems more likely that we could see higher highs above 2134 in the coming weeks. I still think the next two to three weeks in July have some significant bearish potential although it is unclear if we will retest the low of 1991. Perhaps not but let's see how the market reverses here first. Obviously, a higher low in July (e.g. to 2050 – a 50% retracement) would make a higher high in August more likely. I'm not sure how much optimism there will be in August but I would keep an open mind about possible higher highs. Given my overall bearish outlook, ideally we would not get a higher high this summer so that would allow for an easier technical transition to a deeper decline in September and October. And that still seems like a more likely scenario at this time.

The technical picture is mixed. Monday's low of 1991 broke horizontal support at 2020 and the 200 DMA. Bulls mounted a very strong rebound but they have yet to make good on their hopes of a higher high, at least higher than the June high of 2120. In other words, if there is a quick reversal this week, then we could see another lower high which would be bearish. But the upward momentum was so strong that a quick reversal lower seems unlikely. While a small pullback this week would make sense as the rebound consolidates, a sudden plunge here looks unlikely. By the same token, a quick run-up to higher highs above 2120 and 2134 seems unlikely also. There is a lot of overhead resistance at these levels which argues for more than one rally attempts.

But on the bulls' side, we can see a megaphone pattern forming with lower lows and possibly higher highs. This pattern would argue for a higher high above the June high. This is still possible, even if it would then be followed by another lower low below 1991 in the weeks ahead. Another reason to distrust this bounce is that the percentage of stocks over their 50 DMA is forming another lower high (\$NYA50R). This shows a narrowing rally and is a negative indicator for the rally over the medium term. While it does not preclude a short term higher high, it also suggests that a significant correction is more likely down the road. The weekly Dow chart has a large white candle for the week but price is still range bound between 17,000 and 18,000. The lower highs and lower lows this year are perhaps a hint of a bearish bias, however. Stochastics are still in a bearish crossover despite last week's gain and MACD still looks like it wants to roll over into a bearish crossover. Despite more easing in Europe, the DAX chart still looks bearish. Yes, stocks rebounded back above that key 9500 support/resistance level, but the trend is still down as stocks remain below their 50 and 200 DMA. 10-year yields fell to a record low last week briefly hitting 1.38 before settling a bit higher. This may be seen as a safe haven move as investors remain concerned about global growth following Brexit and more disturbing data out of China. On the other hand, falling yields reflect the search for any kind of positive return on assets. US



Treasuries are now one of the highest yielding bonds in the developed world. So part of the ongoing bond rally should be seen as a reflection of the negative yields in Europe and Japan.

This week looks choppy. I think we could see sizable moves in both directions this week given the mix of short term aspects. I do not think the chances are high for a sharp reversal lower. After Monday's closing for Independence Day, Tuesday leans a bit bullish as the Moon enters the sign of Cancer. I would not call this a high probability bullish influence, however. Wednesday may see a rise in downside risk as Venus aligns with Mars and the Sun conjoins Mercury and aligns with the Lunar Nodes. Gains are still possible here, however. Thursday's Mercury-Jupiter alignment leans a bit bullish. Friday also has an elevated bearish risk as the Moon aligns with Saturn and the Nodes. A larger decline is somewhat more likely on Friday on this pattern. I would not rule out a move to 2120 or above on these aspects this week, even if it seems less likely that we will finish the week at those levels. Similarly, I would be surprised if we fell below 2050 at any point this week. I think we are likely to see 2050 and below at some point in July but I think it's unlikely to happen this week.



Next week (July 11-15) looks bearish to start as Mars re-enters Scorpio and aligns with Uranus. This looks negative and could spark some selling on Monday or Tuesday. Some gains are more likely in the second half of the week as Mercury conjoins Venus. The week looks more bearish than the previous week (this week). The following week (July 18-22) looks more bearish still as Mercury and Venus align with Saturn. Late July looks more bullish as Jupiter begins to align with Uranus. The first half of August may well see further gains take place although even here that will be some difficult aspects (e.g. Aug 5<sup>th</sup> when Mercury squares Saturn). This is one reason why I tend to think that higher highs are not the most likely scenario in August. Saturn then turns retrograde on Aug 12/13 so that could signal a reversal in the trend. The Mars-Saturn conjunction on Aug 23 is another key date that could indicate a move lower. The final days of August and early September could see a rise in volatility. September is likely bearish with lower lows (below 1991, perhaps even 1810) quite possible by early October. Q4 is shaping up to be bearish also with the down trend likely to continue into Q1 2017. We could see SPX fall back to 1550-1600 by April.



**Technical Trends**

Short term trend is UP

**Astrological Indicators**

bullish (confirming)

**Target Range**

SPX 2070-2120

(1 week ending July 8)

Medium term trend is UP  
(1 month ending Aug 8)

bearish (disconfirming)

SPX 1950-2020

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

bearish (disconfirming)

SPX 1500-1800

## Indian Stocks

Stocks rebounded last week after investors welcomed the promise of fresh central bank stimulus in the wake of the UK's vote to leave the EU. The Sensex gained more than 2% on the week to 27,144 while the Nifty finished at 8328. While I thought we could see some late week upside on the Venus-Jupiter alignment, the absence of any early week declines to offset the late gains was very surprising.

The blue chips are now at their 2016 high. The market is trading off the promise of more easing in Europe and prospect for the passage of the GST bill and improved corporate earnings. Brexit may well prove to be a non-event as the negotiations drag out over a year or two and the UK may choose to not even leave the EU, either through another referendum or general election. For all of the volatility and unexpected twists and turns that have accompanied this Mars-Uranus alignment, stocks have been remarkably resilient. The series of Saturn aspects over the next four months remains a huge obstacle for any rally to surmount. I had expected some significant upside to occur around the Jupiter-Uranus aspect in August but that now seems to be manifesting somewhat earlier than expected. As a result, the market is on firmer footing since any post-Brexit declines were truncated. This may postpone any technical breakdown of the Indian market by several weeks.



But the long term outlook is still unchanged as the ongoing transit of Saturn through Scorpio is likely to depress stocks over the next 12-18 months. For this reason, I am sticking to my forecast that we will see the Nifty move

significant lower into 2017 and it could well retest old Nifty high of 6400 retested sometime in Q1 2017. Critical in this respect is the technical damage that is done at the time of the Saturn-Rahu-Neptune alignment in September and October. This is a very bearish alignment which has the potential to break key support and reverse long-standing up trends. Of course, stocks are now in a stronger position so any reversal that takes place will require a significant lead time. July may therefore be less bearish than I had previously thought with only minor consolidation possible at the time of the difficult short term aspects (e.g. 11th July, 22nd July). That may mean that August is more bearish than I had previously expected, despite the relative strength of Jupiter. Saturn ends its retrograde period on 13 August so that could be an important date to watch for trend reversals. I would expect stocks are more likely to move lower after that date. With September looking quite bearish at this point, we could see a significant correction take hold from August to September. Whether or not it will be sufficiently bearish to break this up trend is another question. I think it could seriously undermine the post-February rebound to the point where at least we see a greater than 50% retracement. That would support my expectation for lower lows in Q4 and Q1 2017.

The technical picture became more bullish following last week's higher high. The Nifty appears to be following a rising channel here with resistance now near 8450. Channel support may be close to the 50 DMA at 8024. A move up to 8450 would therefore not require any significant news but may occur from upward momentum. If we did see some bad news, however, buyers would likely move in at 8024 or above. Only a close below the 50 DMA might cause bulls some anxiety.

With the MACD poised for a bullish crossover, we can see that RSI has some ways to go before becoming overbought. This may be an argument for another test of channel resistance at 8450. Even if the 50 DMA were to be broken, support would likely be found at the 200 DMA near 7700-7800. Bulls could still believe in the hope of higher prices down the road since a retracement to the 200 DMA would still ensure a higher low which was above the previous May low. The weekly Sensex shows the 20 WMA almost in a bullish crossover with the 50 DMA. This crossover seems quite likely now and would be a longer term buy signal for the index. The current rally is now challenging the series of previous highs from 2015, one at a time. The 7000 point decline from its high of 30K to the recent low of 23K means that the Sensex recently past its 50% retracement at 26,500. The next major retracement level is 61% and is fast approaching at 27,300. This is another level at which bulls may take profits and the market could consolidate or even reverse lower. Meanwhile, Infosys (INFY) bounced off support at the 200 DMA last week. There could be a quick retest of the 200 DMA in the days ahead. If that should fail, then the stock could end up back at its February low. Bulls will need to push it over the 50 DMA fairly soon in order to preserve the upward momentum. HDFC Bank (HDB) retested its all-time highs last week. The chart is pointing to higher highs with support at the 50 DMA. Dips will likely be bought fairly aggressively for the near term.



This holiday-shortened week looks mixed with a bearish bias. Monday's Mercury-Saturn alignment leans a bit bearish although it is not a strongly negative influence. Tuesday leans somewhat bullish on the Moon-Venus conjunction. There is an alignment of the Sun and Mercury with Ketu in midweek which should produce a down day on Thursday, which would follow Wednesday's holiday closing. Global markets could decline on Wednesday but in any event, I would think Thursday might be the more bearish days of the two. Friday looks somewhat more positive as Venus enters Leo and Mercury aligns with Jupiter. Given the presence of some bearish aspects here, it seems less likely that we could see a test of channel resistance at 8450. That said, I would not be surprised if the week ended positive. However, I think the more likely outcome here is for some profit taking and consolidation. I would think any pullback we see will be modest, say between 8200 and 8300. Possibly the 20 DMA at 8195 may act as support in the event of a modest pullback.



Next week (July 11-15) has a bearish bias to start as Mars re-renters Scorpio. This should produce at least one down day on either Monday or Tuesday. Tuesday looks somewhat more negative in this respect than Monday, although we should keep an open mind. The close alignment with Uranus may serve to amplify its effects somewhat. Gains are more likely midweek but Friday's Moon-Mars conjunction looks bearish. I would think the market will be lower on the week, perhaps finishing fairly close to the 50 DMA. The following week (July 18-22) also has some downside potential. Mercury and the Sun both align with Saturn that week so it is possible we could get a decline in the first half of the week. Overall, the week looks unlikely to produce many gains. It is therefore possible we could see support at the 50 DMA tested again. The last week of July could see a bounce but early August also leans bearish. The Mercury-Saturn square aspect on 5<sup>th</sup> August could coincide with a significant decline. I am unsure if this decline will be strong enough to break support at the 50 DMA. Mid-August looks bullish as Mercury conjoins Jupiter but late August may be bearish as Mars conjoins Saturn on the 23<sup>rd</sup>. My expectation is that September will be mostly bearish on the Saturn-Rahu aspect. This should produce enough downside to break the up trend of the rising channel and move below the 200 DMA once again. Q4 and Q1 2017 still look bearish so we could see a re-test of the February low of 6900, if not lower.



**Technical Trends**

**Astrological Indicators**

**Target Range**

Short term trend is UP  
(1 week ending 8 July)

bearish (disconfirming)

8200-8300

Medium term trend is UP  
(1 month ending 8 August)

bearish (disconfirming)

7600-7900

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

bearish (disconfirming)

5000-7500

## Currencies

The Dollar ended slightly higher on the week despite promises of more stimulus from both the BOE and ECB following the Brexit vote. The USDX touched the 200 DMA at 96.5 early in the week but could not hold it and finished just below 96. The Euro moved a bit higher above 1.11 while the Rupee strengthened towards the 67 level. Even with the huge equities rally, the safe haven Yen remained elevated below 103. This bullish outcome for the greenback was in line with expectations as I thought we would get more fallout from the Mars-Uranus alignment. The Dollar seems to have found support at 95.5. If there is more easing in Europe, then that would likely be bullish regardless of the Fed's dovishness. A move below 95.5 could signal a deeper retracement in the current rally, perhaps below the 50 DMA. However, there remains ample room for the Dollar to make a higher low and create a more durable base from which to launch a more sustainable rally. On the other hand, the talk now is that Brexit really isn't that bad for Europe so who know how much more easing will actually take place. Perhaps the more problematic factor here is the health of European banks which have been hit hard by the ECB's negative interest rates. A bank failure could cause problems for the Euro which would be bullish for the Dollar. The weekly Euro chart still looks like it could be building a plausible bullish base although it may need to move above the 50 DMA fairly soon.

We could see the Dollar under some pressure this week, especially in the first half. The entry of Venus into Cancer may be bearish in this respect but the late week Sun-Mercury-Jupiter alignment may be more bullish. I am uncertain if the Dollar will rise further this week. I think the Dollar will likely have more upside in July but this week is more of a question mark. Next week looks bullish to start as Mars enters Scorpio but the late week could see any gains disappear. Nonetheless, there is a real chance we could get a close above the 200 DMA and perhaps above last week's high at the 97 level. Some Dollar weakness looks likely in August as Jupiter strengthens as it enters Virgo. I would expect a higher low from any retracement we see in August, perhaps 94-95. The Mars-Saturn conjunction on 23<sup>rd</sup> August could signal another rally in the Dollar which continues into September. This rally could well see



the Dollar test resistance at 100 once again. After another period of consolidation in October and November, another rally is likely to begin by December and continue through much of Q1 2017. It is possible we could see the US Dollar make higher highs at this time, above the 100 level.

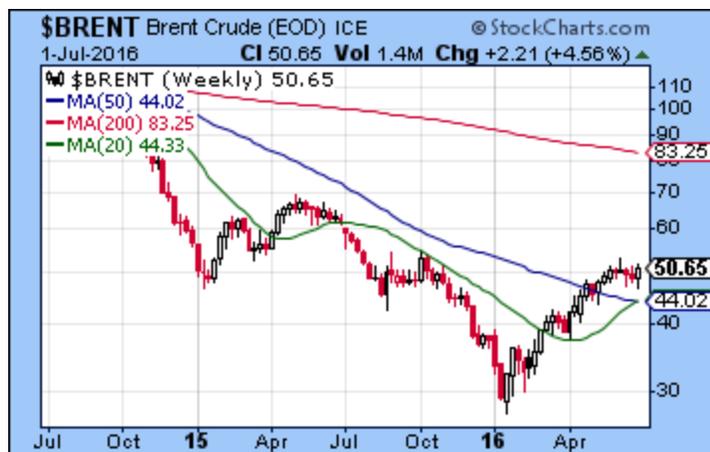
Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is UP (1 week ending July 8)	bullish (confirming)	95-97
Medium term trend is DOWN (1 month ending Aug 8)	bullish (disconfirming)	96-98
Long term trend is UP (1 year ending July 2017)	bullish (confirming)	100-110

## Crude oil

Crude oil joined the wider rebound last week as talk of stimulus and an eventual Brexit-lite agreement was enough to bring buyers back in. WTI finished above \$49 while Brent ended the week above \$50. This bullish outcome was unexpected, however, as I thought we would see more lingering damage from the Mars-Uranus alignment. Monday was lower as forecast and we got a test of horizontal support at \$46 but the bounce was fairly strong after that. Perhaps significantly, Wednesday's high was a little below the previous week's high so that suggests that bulls are not yet in control of the market. As the 20 and 50 DMA converge here, we could see trades within a fairly narrow range for a while. Bears will no doubt be focusing on Monday's violation of the 50 DMA although it may only signal sideways consolidation rather than a reversal of the up trend. Nonetheless, the current rectangle pattern of recent weeks has a downside target of around \$42 (WTI), which would be fairly close to the 200 DMA. While a deeper retracement may set off alarm bells for weaker bulls, being on the north side of the 200 DMA is rarely a bad thing. The weekly Brent chart now features a bullish crossover of the 20 and 50 WMA. Although not a solid indicator of a changing medium term trend, it does reflect the base formation of the chart in recent months. There remains a lot of resistance at \$50 that may require more time to sort out.



This week could see more upside early on as the Moon transits Cancer. The late week may be more volatile as the Moon aligns with Saturn and the Lunar Nodes. Friday may be more bearish in this respect. Overall, there is not a strong case for gains or losses this week. I would have a bullish bias in any event, but it is possible we could see \$46 tested again by Friday. At the same time, if the early week gains arrive, then \$52 is quite possible also. Next week looks more bearish as Mars enters Scorpio. The week as a whole leans bearish so we could get another test of horizontal support at \$46 at this time, perhaps lower. I would expect crude to remain under pressure until 22<sup>nd</sup>



July at least. Even then, it may only retrace back to the 200 DMA at \$41. Bears shouldn't expect too much downside. Late July and early August look more bullish, however, as Jupiter enters Virgo. This may not be a particularly strong rally but it should at least keep crude above the 200 DMA for a while longer. I would think a retest of resistance at \$50-55 is also possible in August. Another move lower then looks likely, perhaps starting in late August and continuing into September. This seems likely to produce a lower low, possibly even retesting \$36. We shall see. A rebound is likely to begin in October and extend into November. Another major corrective move is likely in Q1 2017. This could retest the 2015 lows although let's first see what kind of decline we get in September. If crude falls below \$40 in the probable September pullback, then the chances rise for a retest of \$25 by early 2017 and possibly a lower low.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending July 8)	bullish (confirming)	\$47-51
Medium term trend is UP (1 month ending August 8)	bearish (disconfirming)	\$40-48
Long term trend is DOWN (1 year ending July 2017)	bearish (confirming)	\$30-50

## Gold

Gold extended its rally last week as investors sought a safe haven in the face of post-Brexit currency fluctuations and the prospect of even more easing from the BOE and the ECB. Gold finished the week up 2% at 1344 after briefly trading as high as 1360 on Monday. This bullish outcome was largely in keeping with expectations as I thought the Mars-Uranus alignment and then the Venus-Jupiter aspect could boost prices further. Gold has tested resistance of the rising channel at 1360 and now may have found support at 1300. Gold is still looking technically bullish here even if it is getting a little overbought (RSI=68). Bulls can rest easy as long as gold stays above 1300. Resistance is still the rising channel now around 1360-1370. One would think a retest of resistance is likely in the coming days. 1360 is the upside target of the 100-point measured move off the most recent low of 1260. If there is a stalling of the rally at 1360, we could see more bulls take profits. The gold rally is looking more durable these days as the 200 DMA is now sloping upwards. The rally will only be in clear jeopardy if there is a move below 1200.

This week looks somewhat less bullish. That said, I'm not convinced the week will be bearish but it may be somewhat more mixed overall. After Monday's holiday closing, Tuesday looks somewhat bearish as the Sun aligns with the South Lunar Node (Ketu). I would not expect a big move here in any event. Wednesday is hard to call. There is an elevated downside risk as Mercury also aligns with Ketu although this is not as obviously negative. Thursday looks more bullish as Venus aligns with Uranus and the Moon. The bullish bias may extend into Friday also as Mercury aligns with Jupiter. If the early week pullback plays out as expected, then perhaps gold will finish fairly close to current levels.

Next week could see more upside as the Sun aligns with Jupiter early in the week. I would not be surprised to see 1400 at some point here. The late week could be more bearish so perhaps gold finishes within its current range of 1320-1360. That is very much a guess, however. Some retracement looks likely during the week of July 18-22 as Venus aligns with Saturn. But I would not expect too much downside here so gold could remain above 1300. The first half of August also looks fairly bullish so maybe we will see gold rise to 1400 or above. But the picture darkens in late August as Saturn begins to align with the Lunar Nodes. September should bring a significant correction although if gold has reached 1400 in August, then it may well remain above that key level of 1200. Another rally is likely in late September and October but I'm less confident this would be to a higher high. November will likely see a reversal lower and we should see a significant sell-off in December and January 2017. Depending on where gold tops out at, I would expect a move below 1200 by January and we could easily see a retest of 1050 by that time.



<b>Technical Trends</b>	<b>Astrological Indicators</b>	<b>Target Range</b>
Short term trend is UP (1 week ending July 8)	bullish (confirming)	1320-1360
Medium term trend is UP (1 month ending Aug 8)	bullish (confirming)	1300-1400
Long term trend is DOWN (1 year ending July 2017)	bearish (confirming)	1000-1300

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