

## Summary for week of 15 August 2016

- Stocks with bullish bias this week but with rising downside risk
- Dollar could rebound early but may trend lower later
- Crude oil may rise further this week
- Gold may rise this week but more vulnerable to declines in August

## US Stocks

Stocks held steady on low volume last week in the absence of any significant developments. The Dow finished the week marginally higher at 18,576 while the S&P 500 settled Friday at 2184. While I thought we might have seen a little more upside with the Jupiter influence this neutral outcome was not unexpected.

Investors appear to be on autopilot these days as negative bond yields are making stocks the only game in town. With central banks standing at the ready to step in at any time, the argument for high equity exposure is a compelling one, especially in dividend-paying shares. At the same time, some voices in the financial media are now openly talking about how valuations have now sharply diverged from earnings and fundamentals. This skepticism over the sustainability of the current market rally is also a persuasive viewpoint. But it is worth recalling that a chorus of analysts warned about the dot-com bubble in the 1990s for several years before the day of reckoning finally came. In other words, bubbles can continue longer than many people expect. As long as US data continues to be only fair to middling, there will be no strong reason for the Fed to raise rates. Friday's poor retail data more or less offset the inflationary risks of the previous week's jobs report. If US data stays mixed, there will be little pressure on the Fed to normalize rates. This "lower rates for longer" scenario is exactly how the current rally could remain in place and take stocks higher, exogenous factors notwithstanding.



In astrological terms, the ongoing strength of the market in August appears to fit well with the Jupiter influence as it entered Virgo on Thursday the 11<sup>th</sup> and aligned with Uranus over this weekend. But now that these Jupiter patterns are behind us, it would seem the risk of a pullback and possible outright correction are rising. As before, I think we could remain elevated up to the Mars-Saturn conjunction on August 23<sup>rd</sup>. I would not rule out higher highs before or around that date, perhaps above 2200. And yet with the Jupiter influence receding somewhat this week, it is also possible that stocks may have difficulty pushing higher. So I'm open minded on whether the SPX hits 2200 or not. In addition to the Mars-Saturn influence, Venus will enter Virgo on August 25<sup>th</sup> so this is another bearish influence that will last into mid-September. I would expect a significant pullback (>5%) in late August and early September which is followed by another rebound in late September. Depending on the depth of the preceding pullback, this could be a higher high or lower high. I would lean towards a lower high but bulls have been consistently prevailing the bears for most of the year. Another move lower is likely in October which could bleed into November. A lower low (below the September low) seems more likely since that would set up the deeper correction that I am expecting starting in December and into Q1 2017.

The technical outlook is bullish as the main indexes remain near all-time highs. Resistance is near 2190 now with immediate support at Wednesday's low of 2170 and the 20 DMA. In this apparent breakout move, the 20 DMA may be acting as support until further notice. With the SPX now above the old resistance level of 2134 for a month, the medium term bullish case is becoming more compelling. While a pullback will come soon enough, the upward momentum suggests that higher highs are more likely. Thus, bulls will regard any pullback as yet another buying opportunity. Some buyers will likely enter at 2134 in any event, although a deeper pullback is very possible and would not significantly affect the probability of higher highs.

A deeper pullback could well bring another retest of the 200 DMA at 2050. Even this kind of deeper pullback would not significantly jeopardize the bull market rally as it would be less than a 10% correction. In other words, bulls have a lot of room to play with before the market could turn against them. Since the planets look fairly bearish going into September, I would think this deeper kind of pullback down to near the 200 DMA is more likely than some bulls may anticipate.

Stocks do seem overdue for a pullback of some size as the number of stocks above their 50 day moving average remains well below its April and July highs. This negative divergence suggests some consolidation is necessary if the broader market is going to move higher. The weekly Dow chart is still showing no obvious sign of trouble as the bullish crossover of the 20 and 50 WMA is still in effect. We can see how the medium and long term bulls now look at this chart. The 50 WMA acted as resistance in 2015 and early 2016 but now it may well be acting as support (at 17,358). This would mark a return to its technical role in the 2012-2014 period when it acted as good support. A weekly close below 17,358 would be more bearish and could indicate a return to volatility. Meanwhile, Treasury yields were lower last week after appearing to reject resistance at the 50 DMA again on Thursday. Normally, lower yields indicate a slowdown and



the greater likelihood of falling equity prices. Nowadays, it may also be a reflection of non-US investors desperately seeking any kind of yield on bonds.

This week also leans bullish as Mercury approaches its conjunction with Jupiter later in the week. Jupiter is still likely going to have the last word on sentiment here as it remains very closely aligned with Uranus in the first degree of Virgo. Monday leans bullish as Venus conjoins Rahu (North Node). And yet there are some negative short term aspects in the mix this week also which will likely limit any weekly upside. I think the negative influences are more likely to manifest on Tuesday or Wednesday although that is something of a guess as the Moon comes under the influence of Saturn. Thursday and Friday look somewhat more bullish, although not overwhelmingly so.

Overall, it is possible we could see the SPX hit 2200 this week. And yet with the prospect of some midweek selling, I would think it is not probable that we get a weekly close above that level. We shall see. The negative aspects do not look that strong so I would be surprised if they brought much downside. That said, Jupiter is gradually moving past its peak bullish energy this week so we should be on the lookout for any potential shifts in market behaviour. But my guess is any major shifts are more likely to occur next week.



Next week (Aug 22-26) brings the Mars-Saturn conjunction which is exact on Tuesday the 23<sup>rd</sup>. This is a combination of two negative planets which could bring about a change in the market mood. I suspect we may only see it in the days following the conjunction but certainly there is an elevated risk for a sell-off on the day of the conjunction also. I just don't think a big sell-off is probable on Tuesday. Venus enters Virgo on the 25<sup>th</sup> (Thursday) so that will be another burden on sentiment going forward. Friday looks quite bearish. I'm not certain the week will actually be negative although the chances for a decline are greater than the previous weeks in August and the planets do lean negative.



The following week (Aug 29-Sep 2) looks more negative as Mars aspects the Lunar Nodes early in the week. We could see the SPX move below 2135 by this time and perhaps below 2100. The first half of September also looks bearish as Saturn begins to square the North Lunar Node. We could see a significant interim low around September 15<sup>th</sup> and the Sun-Mars square. This will occur right at the end of the Venus transit of Virgo. I think a move down to the 200 DMA is possible in September. After a likely rebound in late September and early October, another correction is likely in the second half of October. I am more bearish about Q4 so my general expectation is that we will see lower lows in late October or perhaps in late December. Whether or not these challenge the 2016 low of 1810 remains to be seen, however. More downside is likely in Q1 2017 so that may be a better time for the bears.

**Technical Trends**

**Astrological Indicators**

**Target Range**

Short term trend is UP

bullish (confirming)

SPX 2180-2200

(1 week ending Aug 19)

Medium term trend is UP  
(1 month ending Sep 19)

bearish (disconfirming)

SPX 2040-2080

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

bearish (disconfirming)

SPX 1500-1800

## Indian Stocks

Stocks ended the week mixed as higher than expected inflation data weighed on sentiment against mostly positive global cues. The BSE Sensex was fractionally higher on the week at 28,152, while the Nifty edged lower to 8672. I had thought we might have seen more upside although this neutral outcome was also not unexpected. Friday's rise was more surprising given the tense Moon aspects at the end of the week.

Investors may be in a reflective mood as they contemplate their options given the imminent departure of RBI chief Rajan in September. His replacement remains unknown although the market expects someone who may be less hawkish than Rajan was. But the troubling inflation data presents a difficult chore for whoever may take the reins as there may be little choice but to keep rates high. Some investors were no doubt hopeful of a rate cut this year to stimulate growth but now that prospect is looking more uncertain. Bulls can take some solace that the US outlook is similarly mixed with no further rate hikes more likely for the rest of 2016. This should keep the Dollar under wraps for a while and allow for more FII inflow into Indian equities and other emerging markets.



Astrological factors would also seem to argue for some period of consolidation at least, if not an outright correction. Stocks have recently extended their rally as Jupiter has strengthened through its alignment with Uranus and through its entry into Virgo. However, with both of those clearly bullish factors now in the rear view mirror, it is less clear how stocks could rise further in the coming weeks. Further upside is still possible, of course, but I would say that the planetary influences do not provide evidence for that case. In fact, there are several negative influences coming up that suggest that a pullback or correction is more likely than further gains.

The Mars-Saturn conjunction on 23<sup>rd</sup> August is potentially significant in this respect, as is the entry of Venus into Virgo two days later on the 25<sup>th</sup>. Venus is said to be debilitated in Virgo and it has a bearish track record to prove it. Stocks have generally declined during the once-a-year four-week transit of Venus through Virgo. The bearish case is further strengthened as Saturn aspects Rahu in September and October. Although I cannot say how large any pullback may be, it does seem quite likely that a significant pullback is coming.

The technical outlook remains bullish in all time frames. Monday's higher high was bullish as stocks remain in a rising channel since the February low. Channel resistance is now approaching 8750 and channel support is roughly in line with the 50 DMA at 8400. We should expect any pullback to the 50 DMA to be a buying opportunity for bulls. Recent pullbacks have found buyers at the 20 DMA, however, and reflect the strength of the recent rally. A reversal of this strong up trend requires a lower high and lower low, regardless of channel support. For example, a failure to close above Tuesday's high of 8728 this week would open the door for a lower low below 8500. A close below 8500 would then be bearish and would likely hasten a retest of the 50 DMA. Bulls would still have the final say in the matter as buyers would likely step in at 8400, at least initially.

Bears require a close below the 50 DMA in order to expect more significant downside. In that scenario, we could see a test of the 200 DMA at 7900. A test of the 200 DMA would still allow bulls to keep the upper hand as long as the Nifty remained above it. The weekly BSE chart looks bullish for the longer term. The recent bullish crossover of the 20 and 50 WMA is a positive development. And after the test of the long term 200 WMA in February, stocks are more likely to continue to rally in the coming years. Of course, another retest of the 200 WMA is still very possible in future. However, the overall bullishness of this chart suggests that the momentum is positive enough that any sharp corrections will be buying opportunities. The bullishness of the weekly chart still comes with an important caveat and that concerns the possible bearish double top pattern in the event the rally continues to 30,000. One would think that resistance at that level would create a pullback but one which would be bought fairly aggressively. Eventually, the upward momentum of the weekly chart should carry the day and push the BSE over 30,000. Meanwhile, Infosys (INFY) attempted to rally last week but sold off Friday to retest its recent lows. One would think that it is getting close to a tradeable bottom here as it has matched the February low. Nonetheless, the failure to move above even the lowly 20 DMA last week suggests the bottom formation may take several weeks. ICICI Bank (IBN) has a flat week but it remained above its 200 DMA. Its rebound off the February low is still going and the chart looks bullish for now. Any close below the 200 DMA may signal a deeper impending retracement, however.



This week may see more upside although volatility may increase. Saturn returns to direct motion this week so that could introduce subtle shifts in sentiment. With much of the Jupiter influence behind us now, there are rising downside risks here although I would still put them at less than 50% for this week. After Monday's holiday closing, Tuesday leans somewhat bullish as Venus conjoins Rahu. Wednesday also seems more conducive to gains as the Sun aligns with Jupiter and Uranus. Thursday and Friday look more mixed as the Moon is aspected by Mars. Friday looks more bearish in this respect than Thursday. Overall, I think the chances are fairly good that we will see Monday's high of 8725 retested and quite possibly broken to the upside. Even if we get some late week selling, I would think it is more likely that the Nifty will finish above current levels. It seems fairly unlikely that 8500 would be tested this week although I would not rule a retest of Wednesday's low at 8540 at some point.



Next week (Aug 22-26) looks more mixed. Tuesday's Mars-Saturn conjunction could prove to be an important signal for stocks. I would expect some declines to occur on or after Tuesday as a result of this conjunction. At the same time, the early week Mercury-Jupiter conjunction could bring some upside, most probably on Monday and perhaps into Tuesday. Thursday and Friday look more bearish as the Moon opposes Mars and Saturn while Venus enters Virgo. Even if we get some upside in the first half of the week, I would lean towards a more bearish outcome overall. The following week (Aug 29-Sep 2) looks more bearish as Mars aspects Ketu. This is likely to manifest in the first half of the week. I would expect more downside to be focused around the Sun-Mars square in the second week of September. This is a possible interim low. It is difficult to predict levels but it would seem likely to at least test the 50 DMA at 8400. A rebound is likely in the second half of September and early October. It is unclear if this will form a higher high or lower high. Another move lower looks likely in late October on the Saturn-Rahu aspect. After a rebound in November, stocks may come under pressure again in December. A more significant correction should take place in Q1 2017. Depending on how the September-October Saturn-Rahu aspect unfolds, it is possible we could see a retest of the February low of 6800.



**Technical Trends**

Short term trend is UP  
(1 week ending 19 August)

Medium term trend is UP  
(1 month ending 19 September)

**Astrological Indicators**

bullish (confirming)

bearish (disconfirming)

**Target Range**

8650-8800

8300-8500

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

bearish (disconfirming)

6000-8000

## Currencies

The Dollar slipped a bit last week as poor retail sales data lessened the chances of a Fed rate hike in 2016. The USDX turned tail at the 200 DMA early in the week and finished near 95.5. The Euro climbed towards 1.12 while the Rupee traded sideways near the 67 level. The Japanese Yen resumed its retest of recent lows of 100 and firmed up below 102. I thought we might have got more upside to the Dollar in the early going but Monday proved to be the high water mark as bulls could not push it above the 200 DMA. The Dollar is retesting rising channel support here at 95-95.5. A move below 95 would be bearish, especially after the failure to trade above the 200 DMA at 96.5. A close below 95 would hasten a retest of 93.5, if not a full on retest of lower range support at 92. On the other hand, if buyers come in at 95, we could see the Dollar move above the 200 DMA and try to move above the previous high at 97.5. Technically, the Dollar looks mixed as it negotiates this contested zone where there is a clustering of the three main moving averages. A sustained move lower from here would be bearish as the moving averages would constitute stronger resistance. Conversely, a decisive move higher above the moving averages could signal a significant move higher. The weekly Euro chart is moving sideways here although as long as it continues to trade in the upper half (>1.10) of its long term range of 1.05 and 1.15, it looks more bullish than bearish over the long term.



The Dollar could be mixed this week with more downside possible. I think we should see more declines later in August but I'm unsure if they will occur as early as this week. The early week leans bullish as Venus conjoins the North Lunar Node on Monday and Tuesday. This may correspond with a bounce off of channel support. I would not expect the bounce to be very strong, however. It seems likely to fall short of the 200 DMA once again. The late week looks more bearish and therefore it is quite possible we could retest the channel support. It is possible we could see a breakdown also. Next week looks more bearish as the early week features a Mercury-Jupiter conjunction. While a rebound is possible late week, there is a greater risk of declines. I think more downside is likely going into early September also. It seems possible that we could retest the bottom of the trading range at 92-93 by early or mid-September. A strong rebound is likely going into late September, however, and this should



continue into October. Although significant, it may not be able to break above the 200 DMA. We shall see. A retest of support is possible in November but then the Dollar looks set to move higher again in Q1 2017.

Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Aug 19)	bullish (confirming)	95-96
Medium term trend is UP (1 month ending Sep 19)	bearish (disconfirming)	93-94
Long term trend is UP (1 year ending August 2017)	bullish (confirming)	100-110

## Crude oil

Crude oil moved higher last week on tighter supply data and rumours of new talks involving large Middle East producers. WTI gained more than 5% for week closing at \$44.49 while Brent settled Friday just above \$47. While this bullish outcome was in line with expectations I thought most of the gains would come early in the week. This was not the case as the late week provided most of the fire power for the bulls. The week was technically significant as horizontal resistance at \$44 was broken. Although bullish, there remains a lot of overhead resistance above \$44. Bulls are therefore unlikely to push through it too quickly. The next level of resistance may well be \$46-46.50. The bounce off the 200 DMA now is looking somewhat more credible and argues for perhaps a longer rebound here. It still doesn't mean that crude is destined for higher highs above \$52 for WTI but at least it argues against a quick collapse under \$40. And bulls can still point to the fact that price is clearly above the 200 DMA once again. The 200 DMA should therefore act as support in the event we get another retest in the coming days and weeks. A decisive break below \$40 would be trouble as it would point towards a retest of the bottom below \$30. The long term Brent chart shows how bearish the crude market has been as lower lows have followed lower highs. A weekly close above the June high of \$52 would go a long way to reversing the bearish long term sentiment in crude.



This week could see more upside as Venus conjoins the Lunar Node on Monday. Some downside is somewhat more likely on Tuesday and Wednesday as the Moon is aspected by Saturn, however. But the late week leans a bit bullish again so we could well see WTI test the next resistance level at \$46. Next week could be more mixed with an increased risk of declines. Thursday and Friday look to have the most bearish potential as Venus enters Virgo on Thursday. Late August and early September are more likely to trend lower. I think it is unlikely that crude will extend its rebound into early September. It seems more likely that we will see a possible retest of support at \$40 and the 200 DMA. I tend to think support will hold but I would keep an open mind about that. A rebound is likely in late September and early October but late October looks bearish again. This could reflect greater volatility and some uncertainty about the overall price trend. It seems unlikely that the rebound will be strong enough to break above the high of \$52. I think crude could remain range bound through November and December, probably between \$38 and \$52. A more significant correction is likely to begin in December and deepen in January and February 2017. This could be a retest of the 2015 lows of \$26, although it may be a higher low as well. We will have to wait and see just how range bound crude will be in the coming months.



Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending Aug 19)	bullish (confirming)	\$44-46
Medium term trend is DOWN (1 month ending Sep 19)	bearish (disconfirming)	\$38-44
Long term trend is DOWN (1 year ending August 2017)	bearish (confirming)	\$30-50

## Gold

Gold saw significant intraday volatility but ended mostly flat for the week. After trading as high as 1360, gold settled Friday at 1343. I thought we might have seen more upside this week on the Jupiter in Virgo influence. We did get modest gains into midweek but bulls were unable to hold gains by the daily close. Although the week lacked upside, bulls did successfully defend support at 1340 on multiple occasions as bears do not seem to have the conviction to short aggressively just yet. The repeated inability to hold onto gains could be worrisome for bulls as the reality of a bearish double top sets in. But 1340 is still a very healthy support level for the rally and is consistent with the sequence of higher lows. Bulls will need a higher high fairly soon to keep the bulls' game going. A lower low below 1320 and the 50 DMA would be bad news obviously as it would begin to look like the double top might signal the end of the rally. 1320 is also important as it is the current location of the 50 DMA. A break below 1320 would create the downside target of around 1240-1260. Of course, the dividing line between medium term bullish and bearish is likely 1200. Anything below 1200 and we would likely see a return to the previous trading range of 1050 and 1200. As long as gold remains above 1200, the bulls' story as hope for an eventual return to 1500 would remain plausible.



This week looks more bullish as the Sun enters Leo on Tuesday. While this is often not a clear influence, it should be more positive this year given the presence of Venus and Mercury in Leo also. Monday leans positive on the Venus-North Node conjunction. The midweek is more likely to see some profit taking but the late week Moon-Venus aspect leans bullish. While I think some upside is the most likely outcome this week, there is a rising downside risk here as we move deeper into August. It is not impossible that gold could actually decline this week although the planets appear to offer bulls another chance here. As the Sun comes closer to its aspect with Saturn in late August, declines will become more likely. It is also possible we could see a close at or above 1360 and I would not rule out 1380 either.

Next week looks more challenging as Mercury moves past Jupiter early in the week. The early week may therefore be the last chance for the bulls. The late week looks more bearish as Venus enters Virgo, its sign of debilitation, on Thursday. I would not rule out more upside here but my sense is an overall decline is more likely. We could see gold break below 1320 support in the following week. We could see gold trading closer to 1250 by mid-September, although that level is merely a guesstimate. A rebound looks likely starting in late September and extending into early October. This is not a very long period and therefore I would not expect it to make up for the preceding down move. A lower high, in other words, is the most likely outcome. October looks fairly bearish also although I would hesitate to forecast a lower low in late October. We will have to wait and see.

A solid rebound is likely in November but again I will reserve judgment about whether this could be a higher high (1400?) or lower high (1320?). I would lean bearish here in any event. December looks more decidedly bearish and should pave the way for significant declines into Q1 2017. A retest of 1050 is still very possible in early 2017.

<b>Technical Trends</b>	<b>Astrological Indicators</b>	<b>Target Range</b>
Short term trend is UP (1 week ending Aug 19)	bullish (confirming)	1350-1380
Medium term trend is UP (1 month ending Sep 19)	bearish (disconfirming)	1260-1320
Long term trend is DOWN (1 year ending Aug 2017)	bearish (confirming)	1000-1300

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