MVA INVESTOR NEWSLETTER

20 August 2016 Volume 9, Issue 34

Summary for week of 22 August 2016

- Stocks more vulnerable to declines, especially later in the week
- Dollar staying weak although bounce is possible later
- Crude oil could extend recent rally
- Gold likely bullish, especially in first half of week

US Stocks

Stocks were mostly unchanged on the week as the release of the latest Fed minutes revealed some divergence of opinion on future rate hikes. The Dow ended the week fractionally lower at 18,552 while the S&P 500 finished at 2183. This outcome was not unexpected as I thought the likelihood of some midweek selling on the Saturn influence would somewhat offset any early gains.

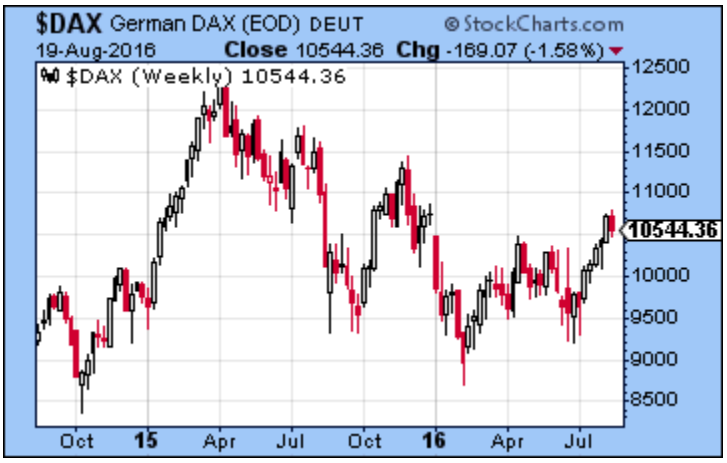
The Fed minutes hinted at more hawkishness but it is still not dominant. It seems the dovish Janet Yellen is going to delay any hikes until the 2% inflation target is reached and not before. Yellen is due to speak at the Jackson Hole conference on Friday and will likely provide clues about the timing of the next hike. The market is expecting December or later for the hike given the Fed's reluctance to muddy the political waters during an election campaign. This is another reason why most analysts are not expecting a move in September. And yet another strong jobs report to be released on September 2nd could force the Fed's hand. If and when it does come, a hike is likely to spark some selling although just how much may depend on other factors. Since I am bearish for the next few weeks, Yellen's speech on Friday the 26th could conceivably be a market mover.

Other catalysts for a pullback/correction are also possible obviously, but it is telling that the annual Jackson Hole address should fall in the same week as Mars conjoins Saturn and Venus enters Virgo. Both are bearish influences which have the potential to shift sentiment decisively. This is especially true of the Mars-Saturn conjunction which is exact on Tuesday the 23rd. The added difficulty of this once-every-two-year conjunction is

that it will begin an extended two month period where Saturn will form tense alignments with Neptune and the North Lunar Node (Rahu). The planetary influences are strongly indicating that a pullback will begin in the coming days. The more important question is whether a pullback could eventually morph into a full-fledged 10+% correction. Here I would give the correction scenario a greater probability than some bullish observers might allow. While a correction in the next two to three weeks is highly likely, there will be a bounce of some size into late September which will be followed by another move lower in October. My expectation is that October will produce a lower low but it is also possible that the intervening late (?) September bounce could be stronger than I expect.

The technical outlook is still bullish for the medium and long term as the indexes are still above their recent breakout resistance levels. The short term looks increasingly overbought and due for a pullback. It seems likely that the breakout level of 2130 will be tested soon enough. However, bulls could note that the 20 DMA is doing a good job so far of acting as support as Wednesday's intraday low bounced off this line quite cleanly. It also put in a higher low which may well allow the bulls to take it a bit higher, perhaps above 2200. This extended sideways move in a narrow range has brought SPX daily stochastics below the 80 line so that could hint at a pullback in the near term.

One would think that buyers would return near 2130 in the event of a pullback, although if Yellen drops a bombshell then we could see something larger. The next level of support may be a 50% retracement near 2100. Below that, the 200 DMA at 2050 is another possible target as it was back in June. The weekly Dow chart paints a picture of a bull market. No matter how manipulated the market is, stocks are at all-time highs and there is enough upward momentum to make any pullback or correction a buying opportunity. While there is no technical guarantee of a higher high after any pullback, the logic of the chart is such that the 50 WMA and 200 WMA offer plausible downside targets as they have in the recent past and hence they should be seen as longer term entry points for long positions. But while the long term picture seems bullish, the blue chip US market may be the last man standing in this central bank fueled rally. US small caps peaked in 2015 alongside many other global markets. The German DAX has enjoyed a post-Brexit bounce this summer, but it is also well off its previous highs. Moreover, the weekly DAX chart looks bearish. While this summer rally could go further, there is a risk of another lower high here and hence a retest of the 200 WMA may not be far off. A breakdown of that support level would be very bad news for European equities and for US equities also. Bond yields have bounced off their lows and may rise further here as the 10-year Treasury chart shows an ascending triangle of equal highs and higher lows over the past month. This pattern may only have an upside target of 1.8%, however, and would not significantly alter the negative outlook on global yields.



This week leans more bearish given the Mars-Saturn conjunction on Tuesday and Thursday's entry of Venus into Virgo. Monday's Mercury-Jupiter conjunction looks bullish, however, so we could see the SPX take another run at 2200 early in the week. Monday looks more bullish than Tuesday, although I would not rule out more upside on Tuesday. But Tuesday may well prove to be a turning point. Wednesday is hard to call although the Moon could suffer from the early aspects from Mars and Saturn. Thursday looks more bearish as the Moon is in closer alignment with Mars and Saturn. In addition, Venus enters sidereal Virgo on Thursday so that could weaken sentiment further since Venus is said to be debilitated in that sign. Friday could see some upside as Venus approaches its conjunction with Jupiter. This moderately positive influence would seem to be at odds with any sudden fallout from the Yellen speech on Friday morning. While I would not be surprised if the market sold off after Yellen's speech, the planets do not offer strong evidence for that more bearish scenario. I think the chances are good that we will finish lower on the week, although I'm not sure there is a strong case for a retest of 2130 just yet.

Next week (Aug 29-Sep 2) also looks bearish. The start of the week is a mixed bag of dense aspects. On the bulls' side, Venus conjoins Mercury just before the latter turns retrograde. However, Mars aspects the Lunar Node (Rahu) on Monday so we could see these influences offset each other. Nonetheless, the overall picture leans bearish. Therefore while I would not be shocked to see gains early in the week, I think it is more likely that we will get declines. Wednesday and Thursday also have significant bearish potential as the Moon comes under the influence of Saturn. Friday looks more bullish, however. The following Labor Day week (Sep 5-9) could see some upside early but the late week looks troublesome as the Moon conjoins Mars and Saturn. The tense Mercury-Mars-Sun alignment on Sep 12-13 looks quite bearish and could coincide with an interim low in the pullback. The second half of September looks more bullish as Venus enters Libra on the 19th. It is possible we could get a significant multi-week bounce here. But October leans bearish again as Saturn squares the Lunar Node and conjoins Venus. I'm not sure if late October will produce a lower low relative to any mid-September low. It's very possible but this bull market has been unstoppable so anything is possible. Any rebound after Halloween is likely to be choppy at best, and truncated at worst as December looks bearish. There is a significant downside risk for Q1 2017 due to a prolonged alignment of Saturn and Uranus. For this reason, I think a return to the bull market and higher highs in 2017 are less likely. I would instead think the planets favor a retest of the 2016 low of 1810 and we could also go much lower than that.

Technical Trends **Astrological Indicators** **Target Range**

Short term trend is UP (1 week ending Aug 26)	bearish (disconfirming)	SPX 2140-2160
Medium term trend is UP (1 month ending Sep 26)	bearish (disconfirming)	SPX 2080-2120
Long term trend is UP (1 year ending Aug 2017)	bearish (disconfirming)	SPX 1500-1800

Indian Stocks

Stocks were mixed last week as investors pondered possible future Fed moves following the release of its latest minutes. The Sensex ended the week fractionally lower at 28,077 while the Nifty finished at 8666. While I thought we might have seen a little more upside early in the week, this fairly neutral outcome was not unexpected.

Markets seem more tentative here in light of the growing debate about the role of the world's central banks in the financial system. Central banks still have the capacity to move markets and yet there is now a sense that they are fast approaching their effective limits. The Yen is rising as the market is increasingly skeptical about the Bank of Japan's ability to inflate the economy after twenty years of failure. Although its minutes were more hawkish than expected, the Fed seems confused about its next move. US inflation remains a bit below its target range of 2% but wage pressure is growing. Any quick hike would boost the Dollar to the detriment of most emerging markets like India as FII capital would repatriate in search of higher yields. Janet Yellen is scheduled to give her annual speech to the Jackson Hole conference this Friday the 26th. If there is new thinking at the Fed about the direction of the economy, it could be revealed in her speech.

The planetary outlook looks more bearish for about the next two months. With Mars conjoining Saturn this week, we could see the beginnings of a pullback or correction. This is not to say that stocks are likely to fall continuously for the next 8 weeks. But the September and October period do look more troublesome due to

several difficult factors. The Mars-Saturn conjunction occurs just ahead of a very close square aspect between Saturn, Rahu and Neptune. Faster moving Mars may well act as a trigger for the negative sentiment that this Saturn alignment may produce. Venus enters Virgo on Thursday and begins its own bearish transit of its sign of debilitation lasting until mid-September. This transit has a fairly reliable track record of coinciding with pullbacks in stocks, most often by 3-5% for the duration of the four week transit. With several negative factors in play, it seems more likely that by the end of October stocks will be lower than they are now. Just how much lower is an open question, although I suspect we could see some significant downside along the way. This corrective move is likely to have at least two distinct legs lower, one possibly starting as soon as this week and then another one starting in October. My general expectation is that the low in October will be a lower low but the evidence is not as clear as I would like for that more bearish scenario.

The technical outlook is still very bullish. The indices continue to push higher towards their 2015 all-time high. 9000 should therefore be seen as long term resistance here. Shorter term, the rising channel resistance comes in around 8800. Stocks are no longer overbought short term as RSI is now at 58. However, a deeper pullback to the 50 DMA may be more likely now after an extended upper band rally above the 20 DMA. If the Nifty breaks below the 20 DMA then the next level of support would be provided by the 50 DMA now at 8436. A 50% retracement of the post-February rally would take the Nifty down to 7800 or so which is very close to where the 200 DMA. Bulls with a longer term view may well be eyeing the 200 DMA as a better entry point if we got some sharp selling.

The weekly BSE chart shows some modest retracement after a long rally. The previous two weeks' hanging men candlesticks may be somewhat more worrying following last week's small pullback. If we get another losing week, then momentum may shift to the downside for a while. Some pullback is entirely compatible with this year's rally although anxiety may rise if the 50 WMA is broken at 26,000. This could create a stronger sense that 28K would be a bearish lower high and it may hasten a retest of the February low of 23K. In the event of a deeper correction, I would think that bulls would first step in close to the 200 WMA at 24,000 however. This line has acted as good support in recent years during previous corrections. This would preserve the bull market logic of a higher low and would likely begin another rally attempt. Meanwhile, Infosys (INFY) continued to struggle last week as it drifted back down towards its February low. This level has been tested multiple times over the past two years and should find plenty of buyers hoping for at least a bounce, if not another major bull rally. The recent death cross of the 50 and 200 DMA makes long positions a bit more risky perhaps. A close below the Jan-Feb low would be very bearish. But HDFC Bank (HDB) remains as strong as ever with another new high put in last week. The stock is seemingly unstoppable. The outlook may become bearish only if there is a close below the 50 DMA. This hasn't happened for many months and could be a signal that the current rally is in trouble. Until that time, however, it's bullish.

This week will see downside risk increase further as Mars conjoins Saturn on Wednesday. I'm not counting on a big decline on Wednesday but it could well be one factor that creates a significant reversal here at the end of August. Monday looks bullish as Mercury conjoins Jupiter. It is even possible we could see two up days on Monday and Tuesday as a result of this Jupiter influence. However, I would think the odds will shift a bit in favour of the bears by Wednesday. Thursday and Friday look more bearish as Venus enters Virgo on Thursday. The Moon also opposes Mars and Saturn on those days. At minimum, I would expect a net negative outcome across both Thursday and Friday in the event that one of those days is positive. If the early week is positive as expected, then we could see the previous week's high of 8725 tested and even broken. But the late week looks likely to negate any early week gains. I wouldn't necessary expect a lot of technical damage here just yet. We may only slightly breach the 20 DMA by Friday.

Next week (Aug 29-Sep 2) looks more mixed. Monday is hard to call owing to the bearish Mars-Rahu aspect and the bullish Mercury-Venus conjunction that fall on the same day. We therefore cannot rule out the possibility of early week gains. However, Mercury turns retrograde on Wednesday so the second half of the week looks more bearish as the Sun is aspected by Saturn. Overall, the week could go either way although I would lean a bit bearish as we head into the month of September. The following week (Sep 5-9) will also feature some negativity, especially around the late week Sun-Mars aspect. An interim low is conceivable around the exact Sun-Mars-Mercury alignment on 12/13 September. Stocks should strengthen again with Venus leaving Virgo and entering the more commodious confines of Libra on 19 September. This could begin a bounce of indeterminate size which lasts into early October. I would not rule out the possibility of a higher high at 8800 or above. But a lot will depend on how deep the preceding pullback into early September actually is. November should bring another rebound but it is uncertain if this will be strong enough to create a higher high. I tend to think it will not and that could prompt more weakness in Q1 2017 as bearish Saturn forms a prolonged alignment with unstable Uranus. There is a likelihood of a significant correction occurring in early 2017. Depending on how Q4 unfolds, this could even retest the February low of 6800. A lower low is possible by mid-2017.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is UP (1 week ending 26 August)	bearish (disconfirming)	8550-8650
Medium term trend is UP (1 month ending 26 September)	bearish (disconfirming)	8300-8500

Long term trend is UP (1 year ending August 2017)	bearish (disconfirming)	6000-8000

Currencies

The Dollar continued its slide last week as skepticism grew over the Bank of Japan's ability to create inflation and depreciate the Yen. The USDX fell to 94.5 while the Euro rose above 1.13. The Yen tested the 100 level for the first time since 2014 while the Rupee Index held steady at 67. I thought we might have seen some upside early on but the decline was not all that surprising. The Dollar looks increasingly out of favor here although that could change as soon as this week when Janet Yellen gives her annual Jackson Hole speech. Currently, the DX is sitting at a higher low. Friday's bounce off channel support was the bulls' attempt to push it higher once again. A break below channel support at 94 would be more bearish and we could then see the Dollar retest range support at 92-93. Given the length of the time the range has been effective, I would think that buyers would emerge en masse if we did get a hard retest of 92. Bears may be focusing on the fact that the Dollar is trading below the clustered moving averages. The longer that situation continues, the more likely we will see the Dollar fall further. The weekly Euro chart does not provide any clear clues about possible future movements. It has been trading in a narrow range for a year and a half after a major decline. One would think it is forming a basing pattern before breaking out higher (above 1.15) but until that actually happens, it's unclear what direction the Euro is going.

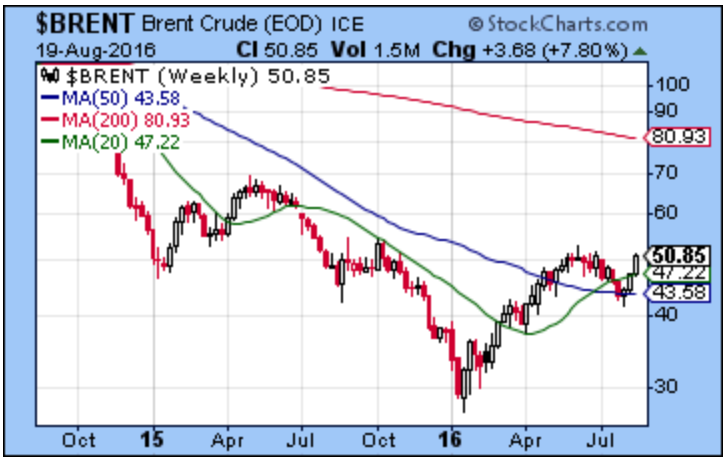
The Dollar looks likely to remain under pressure this week. The early week looks most bearish perhaps as Mercury conjoins Jupiter. I think we are likely to see 94 and channel support tested again and then some. But by midweek, the Mars-Saturn conjunction could bring a rebound. I am not expecting a gain this week for the Dollar although it is possible it could finish the week near 94. Next week begins bearish but could again reverse by the end of the week. Nonetheless, a move below 94 looks likely. I would not be surprised if we saw a move down to 93 at some point. The Dollar looks more bullish in September although the rebound may only begin in earnest in the second half of the month. I think there is a good chance we will see something more than a technical bounce off support and the rebound should extend through October. I would think the chances are good that it will test the 200 DMA and it could well go higher. But that depends on what kind of retracement it may suffer in

September. The Dollar will likely move back to the top of its trading range by Q1 2017. Higher highs are very possible by mid-2017.

Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Aug 26)	bearish (confirming)	94-95
Medium term trend is DOWN (1 month ending Sep 26)	bullish (disconfirming)	93-95
Long term trend is UP (1 year ending August 2017)	bullish (confirming)	100-110

Crude oil

Crude oil extended its recent bounce on more talk that the Saudis will freeze production. WTI soared 10% on the week closing above $49 while Brent pushed above $50. This bullish outcome was in line with expectations although it exceeded my fairly modest targets. Suddenly, crude looks likely to retest its recent highs of $52 (WTI) after easily punching through resistance at $46. Bulls will have to prove that the rally is for real by making a higher high. To be sure, they defended $40 successfully and put in a higher low above the penultimate April low of $36. Crude may find a lot of resistance at $50-52 which could then prompt a pullback. Just where this pullback stops will be important for anticipating where it will go next. Support is now likely at the $44-46 area so as long as it remains above that level (and the 20 and 50 DMA) crude should be able to move above the June high of $52. If it again falls below the 50 DMA, then that would be more problematic for prices in the medium term. A move back above $60 seems unsustainable since that the price where many US shale producers are likely to come back online. One possible upside target would be a measured move to $56. This would mimic the April to June rally move of $16. So for now, crude oil is looking bullish although a return to the glory days of $100 a barrel are not likely to return any time soon.



This week looks less bullish although I would still lean bullish overall. The early week could see more upside, however, as Mercury conjoins Jupiter on Monday and Tuesday. Even Tuesday's Mars-Saturn conjunction could be positive for crude. However, the second half of the week looks less promising and may bring some retracement. I would expect a close over $50 early in the week with a good chance to retest $52. Even if we get profit taking later in the week, I think WTI should end the week close to or a bit above current levels. Next week looks more mixed with increasing downside risk. Again, the first half of the week offers the bulls some positive sentiment as Venus conjoins Mercury. But the second half may bring more sellers, perhaps as crude tests resistance. I am expecting crude to pullback in September although I am unsure if it will break below $46 support. More upside is likely in the second half of September. In that sense, any pullback in late August or early September looks like a buying opportunity for bulls. A higher high above $52 is quite possible by early October. Late October looks more bearish, as does November. That said, I would not expect a big correction in Q4 2016. I think the next big correction is more likely to possibly begin in December or, more likely, in January 2017. Q1 2017 therefore should bring a significant decline. Depending on where crude tops out here, this is likely to fall below $40 and could well retest the lows of $26.

Technical Trends	**Astrological Indicators**	**Target Range (WTI)**
Short term trend is UP (1 week ending Aug 26)	bullish (confirming)	$48-52
Medium term trend is UP (1 month ending Sep 26)	bullish (confirming)	$48-55
Long term trend is DOWN (1 year ending August 2017)	bearish (confirming)	$30-50

Gold

Gold edged higher on the week on relatively hawkish Fed minutes and skepticism over the BOJ strategy. Gold traded in a narrow range between 1340 and 1360 before settling at 1343. While this neutral outcome was not too surprising, I thought we might have seen a bit more upside. The early week was bullish as forecast but Friday's decline was unanticipated. Gold remains in a bull market here against a backdrop of economic stagnation and increasingly desperate central banks determined to print as much money as necessary to create inflation. Gold bulls need the Fed to stay on the sidelines as long as possible in order to keep the Dollar under pressure. No doubt Janet Yellen's remarks in Friday's Jackson Hole speech will be watched carefully for any hints of future hikes. The technicals look bullish despite the bearish double top. Last week's support at 1340 held firm and thus created a higher low. This kept the bulls' dream alive since any close below 1340 would be big trouble as it would invite a retest of crucial double top support at 1320. If we get a breakdown of 1340, then we could get a retest of 1320. And that, in turn, could lead to a breakdown to the double top downside target of 1260. In the event of some upside, we could see resistance kick in again at 1380. Even then, the bias would be bullish because the resulting ascending triangle pattern would argue for a breakout higher eventually. In that scenario, gold would have an upside target of 1450.

This week again looks mixed for gold but with at least some upside potential. The early week appears to be the most promising around the Mercury-Jupiter conjunction on Monday and Tuesday. I would expect more retesting of 1360 intraday and we could easily see a close at or even above 1360. The late week is more of a question mark, however, so some profit taking is possible as Venus enters Virgo on Thursday and Friday. I am agnostic on where gold ends up this week. I would not be surprised with a gain or a loss, although the upside seems a bit more reliable here. For this reason, I would lean bullish overall. But gold is looking more problematic now as the Sun, the main planetary significator for gold, is approaching a double whammy of a conjunction with the Lunar Node (Rahu) and an aspect from Saturn. These may not manifest for another couple of weeks, but they could easily cause problems as soon as next week. So next week could go either way with the early week looking more bullish on the Mercury-Venus conjunction. I certainly would not rule out a move above 1380. But the first half of September looks more bearish so we could see a breakdown of support.

The second half of September and early October look more bullish as the Sun conjoins Jupiter. Whatever pullback we see prior to this alignment, we are likely to see a return to previous highs at least. I would not rule out higher highs in early October although I am reluctant to say they are probable. A rebound is likely in

November and into December. However, Q1 2017 looks more solidly bearish and could see a move back down to gold previous trading range of 1050 and 1200. By mid-2017, I think we could see gold retest 1050 and perhaps trade below 1000.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is UP (1 week ending Aug 26)	bullish (confirming)	1360-1400
Medium term trend is UP (1 month ending Sep 26)	bearish (disconfirming)	1260-1320
Long term trend is DOWN (1 year ending Aug 2017)	bearish (confirming)	1000-1300