

Summary for week of 19 September 2016

- Stocks likely to rebound this week although some negative reaction possible from FOMC
- Dollar could retrace this week, possibly as part of a larger pullback
- Crude oil may bounce this week, especially in first half
- Gold likely to rise into Wednesday and again on Friday

US Stocks

Stocks staged a modest bounce last week despite Friday's stronger than expected inflation data. The Dow gained about half of one percent to 18,123 while the S&P 500 finished at 2139. While I thought we could see early week declines, we did not see a significantly lower low as support at 2120 held firm. As expected the late week was somewhat more bullish although Friday's inflation report again raised the specter of a possible rate hike as soon as this Wednesday at the FOMC meeting.

It's all about the Fed this week again as the Wednesday meeting will likely move markets decisively one way or the other. While Friday's data raised the likelihood of a hike, it would still be surprising. A more likely scenario would have the Fed hold rates steady but issue much stronger language for a December rate hike. So far, the market only gives a December hike a 55% probability. If that got raised due to a more hawkish tone from Janet Yellen, then it could be bearish for stocks in the short run. On the other hand, if Yellen simply dishes out more of the same with only standard caveats about inflation, the market could rally higher.

Certainly, there is some astrological evidence for a bullish reaction to the FOMC this week. Venus is now moving out of bearish Virgo and into Libra where it tends to coincide with rising prices. This is a fairly good correlation although it is important to remember that the transit of Libra lasts four weeks. In other words, it needn't correctly predict a bullish market reaction to the Fed this week. It is an underlying influence that suggests some kind of rebound will occur. This is likely to reduce any



possible downside if the Fed surprises markets on Wednesday with either a hike or a firm promise of one. And yet at a deeper level, the planets still look bearish for the next 6-8 weeks. Saturn's square aspect with the Lunar Node and Neptune looks likely to coincide with more downside but the question is when that is more likely to occur. I still think the probability is for another leg lower in October, probably starting in the second week. But I acknowledge I could be wrong and it may begin sooner, perhaps even with this Fed meeting. But the more likely scenario is for some negative reaction to the Fed this Wednesday but for an eventual rebound that fails close to the previous high and then we get that second leg lower mostly in October or perhaps into early November.

The technical picture looks somewhat bullish now that support near the old high at 2120 was tested several times last week. While this argues for another rally attempt, resistance is close at hand at 2160 and the 50 DMA. Failure to break above those levels would be bearish and would likely weaken support at 2120. A lower low would then become more likely. The 200 DMA at 2058 is one possible downside target in the event of a surprising Fed announcement. A more neutral but still fairly hawkish tone would still be bearish, however, although it may only produce a marginally lower low, such as 2100.

This pullback has seen the percentage of stocks above their 50 DMA fall to 35%. This matches the bottom of the post-Brexit sell-off and is one argument for a short term bounce. Of course, previous deeper pullbacks saw this figure fall to 10% so it is not inconceivable that could happen again, especially if the Fed surprises markets. But given that the SPX is sitting near support at 2120 and the \$NYA50R figure is sitting on a plausible low, there is some reason to expect at least some upside in the near term. The weekly Dow chart is looking more bearish over the medium term now that stochastics has fallen below the 80 line and is in a bearish crossover. Even more telling, is that MACD is in a bearish crossover. Given its elevated levels, there is added reason for longer term bulls to be cautious as a larger pullback or correction is now more likely. Of course, these sell signals do not preclude another rebound or even higher high. But the weekly chart is more vulnerable now and resembles the interim tops that occurred in Q4 2015 and Q2 2016 before stocks declined. Meanwhile, bond yields continued to rise last week as markets anticipated higher rates down the line. The 10-year fulfilled that ascending triangle pattern upside target at 1.7% and a tag of the 200 DMA at 1.8% is well within reach. While this rebound has been fairly strong, the overall trend in yields is down as the bond market is not anticipating a major shift in central bank policy or the global economy either for that matter.



This week is all about the Fed meeting on Wednesday. The entry of Venus into Libra on Sunday could give a bullish bias to the early part of the week. On the bearish side of the ledger, Mars enters Sagittarius and actually aligns with Venus on Monday and Tuesday. This is a moderately bearish influence but I wouldn't count on it pushing prices lower. It may only serve to limit the upside. I think it is possible that we could see the SPX test resistance at 2160 on Monday or Tuesday. That would be my preferred scenario at least. But Wednesday features a difficult Moon-Saturn aspect which also brings in a larger alignment with Mercury and Neptune. It definitely contains bearishness that the early week seems to lack. Therefore, there is a raised possibility for a negative market reaction to the FOMC announcement. I would lean bearish here although a positive outcome was also not surprise me. Thursday looks less bearish although the tension may remain in place as Mercury turns direct. If Thursday's open is lower, there is a greater chance for a reversal higher intraday. Friday leans more bullish perhaps as the Sun aligns with Venus and Jupiter. Even if there is a Fed surprise on Wednesday, there is still some significant upside potential this week. Of course, Wednesday may produce some significant downside, so I'm uncertain if it will offset any preceding or subsequent gains. I would lean a bit bullish on the week but keep an open mind.



Next week (Sep 26-30) looks bullish, especially in the first half of the week. Venus will stay aligned with the Sun-Jupiter conjunction and that should be enough to move stocks higher. We could see some profit taking on Wednesday or Thursday but Friday also looks bullish as the Moon conjoins the Sun and Jupiter. Overall, I would think the SPX finishes September at or above 2160. The first week of October also leans bullish, although Monday and Tuesday look a bit more bearish. But I would expect stocks to generally move higher into the Mercury-Jupiter conjunction on October 11. Whether we will get a higher high above 2200 or an approximately equal high (2180-2190) is difficult to say. But stocks are likely to become vulnerable to declines in mid-October with a significant correction quite possible. I would expect the down trend to last into the month of November. A test of the 200 DMA looks likely by November and we could well see the SPX fall below 2000. After a rebound in late November and early December, there is a good chance for a lower low in Q1 2017. 2017 is looking bearish generally with lower lows likely by the middle of the year. I think the chances are good to break below 1810 at some point and even 1575 could be on the table as well.



Technical Trends

Astrological Indicators

Target Range

Short term trend is DOWN
 (1 week ending Sep 23)

bullish (disconfirming)

SPX 2120-2160

Medium term trend is UP

bearish (disconfirming)

SPX 2080-2160

(1 month ending Oct 23)

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

bearish (disconfirming)

SPX 1500-1800

Indian Stocks

Stocks fell last week as traders began to factor in the possibility of an early Fed rate hike. The Sensex lost more than 1% to 28,599 while the Nifty finished the week at 8779. This bearish outcome was more or less in keeping with expectations. The early week saw the biggest decline as the Nifty touched the 20 DMA at 8700. Also as expected, we saw some late week upside, although it was fairly modest.

All eyes will be on the Fed this week as Janet Yellen and Co. will issue their latest statement on US interest rates. Friday's strong inflation data seems to have rekindled expectations of an early hike although it is still very much a minority view in the market. Odds of a December hike are now at 55%, however, so even if the Fed doesn't pull the trigger on Wednesday afternoon at the FOMC meeting, there could be a more hawkish tone. A greater likelihood of a hike at some point in 2016 would be bearish for Indian stocks for the usual reasons – a higher Dollar, better returns at home and less liquidity for emerging markets. But unless Yellen really does go all out and raise rates this week, I would think we are unlikely to see a big negative reaction in stocks. The only thing that could change that rosy picture is if the ECB or the BOJ backed off of its commitment to easing and reduced liquidity. While that moment may well be coming as criticisms accrue about the ineffectiveness of QE-style intervention, it seems unlikely to occur in the short run.



Venus in Virgo has now come and gone but this time around the Indian market actually rose 2% during the course of its four-week transit. Most other global exchanges were lower as expected during this period, but Indian stocks continued to outperform as they have done through much of 2016. And with Venus now entering Libra, there is a stronger case for more upside in the next four weeks. While bulls are likely owed some gains from this improved Venus placement, the larger picture is still clouded by the ongoing Saturn-Rahu-Neptune alignment. My preferred scenario is therefore some more upside in the near term before a significant move lower in October and November. Whether that takes the Nifty to higher highs is uncertain. Given how elevated and increasingly overbought it is, higher highs are somewhat less likely. The more important question is how deep will the

correction be in Q4? I think it will be fairly large although it is unlikely to fundamentally alter the longer term bullish trend of the market.

The technical outlook remains bullish although the short term picture took a hit last week. The pullback to the 20 DMA was fairly predictable as the kind of shallow pullback we have often seen in 2016. But as bulls stepped in to defend 8700, the ball is firmly in their court. They do need to make a new high, however, and at these lofty levels that may not be easily done. Horizontal resistance is at 9000 but channel resistance is closer to 9100 and the all-time high. There may be some courageous bears who will choose to sell short at 9000 although the more cautious among them may wait until 9119.

In the event of a deeper pullback, the bears can only realistically hope for a decline to the 50 DMA at 8634. As long as that rising channel remains intact, stocks will stay on this impressive run.

The daily Nifty chart only becomes more bearish if we get a close below the 50 DMA. A move down to the 200 DMA at 7951 seems like a long way off and even that would not significantly undermine the bull market. From a longer term perspective, these tags of the 200 DMA are usually better buying opportunities for bull markets. Only a close below the 200 DMA (7800?) would suggest the bull market could be in jeopardy. The weekly BSE chart is bullish but showing signs of becoming overbought as RSI is now 66. When weekly RSI gets this high it is generally a poor investment to commit new long term money to the market as corrections are more likely. While the lofty RSI is irrelevant to whether the Sensex climbs back to 30,000, it seems less likely to move significantly above that level in the near term. Meanwhile, Infosys (INFY) continued to trade sideways as it attempts to carve out a bottom near its 2015 low. Resistance is near the 50 DMA but any close above that level would likely signal a breakout higher. Overall, the stock looks more likely to bounce from current levels. Tata Motors has fared better of late, as it is retracing after a new high. Like the broader indices, pullbacks to the 50 DMA have been buying opportunities. That still seems to be the case now.

This week looks more bullish in the first half as Venus enters Libra on Sunday. While I would not necessarily expect major gains from this transit, it does skew the sentiment towards the positive. Wednesday looks somewhat more bullish than Monday or Tuesday as the Moon aligns with Jupiter that day. I would not expect too much downside early in the week in any event, however. Perhaps only a retest of the 20 DMA at 8700. But there may not be sufficient bullish sentiment to



match the previous high at 9000 either. Thursday looks more bearish as the Moon opposes Saturn. This alignment comes after the Fed decision on Wednesday so that may indicate a negative reaction to the Fed statement. It is possible it could be a significant decline, around 1%. Friday looks more bullish, however, as Venus aligns with the Sun and Jupiter. Friday's alignment may well be enough to offset any Thursday decline. So that still creates a plausible case for net gains on the week although they may be modest. Perhaps the Nifty finishes above 8800 but below 8900.

Next week (Sep 26-30) also leans bullish as the Sun conjoins Jupiter early in the week. We could see some declines Wednesday or especially Thursday when the Moon conjoins Mercury, Friday looks bullish and the week should see gains. The following week (Oct 3-7) also looks positive, especially in the first half of the week. The late week Moon-Mars conjunction looks more bearish and may be the beginning of a topping process. The Mercury-Jupiter conjunction occurs on 11th October and is another potential top for the rally. Given the time between now and then, it seems likely that the Nifty will take a serious run at 9119. A higher high is also possible. But once Mercury has passed Jupiter, there may be less optimism available for the market. The rest of October looks more bearish and the down trend is likely to continue well into November. It seems likely that we will see a test of the 200 DMA at 7900 by November. I am expecting another corrective move in March-April 2017 and then an even larger move lower in mid-2017. This is likely to create lower lows and should at least retest the February low of 6800.



Technical Trends

Short term trend is DOWN
(1 week ending 23 September)

Medium term trend is UP
(1 month ending 23 October)

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

Astrological Indicators

bullish (disconfirming)

bearish (disconfirming)

bearish (disconfirming)

Target Range

8800-8900

8700-8900

6000-8000

Currencies

The Dollar posted a gain last week after Friday's inflation data increased the odds of a Fed hike this year. The USDIX finished the week just above 96 while the Euro slipped below 1.12. The Rupee Index weakened to 67 while the Yen held steady near 102. While I thought the Dollar could rally last week, I was mistaken about the late week time frame as I thought that might be bearish. As it turned out, Friday's gain almost tagged the 200 DMA. The Dollar is looking somewhat better here after making a higher low and then pushing back up to resistance. But it is still range bound and there is little evidence for a bullish breakout in the near term. The moving averages remain clustered here and this speaks to the likelihood of an eventual breakout either higher or lower. Bulls need a close above the 200 DMA while bears need to break below the August low of 94. It now seems that we are in the middle of a pennant pattern that reflects a narrowing trading range. The weekly Euro chart is also narrowing in the upper half of its two-year trading range. The chart looks to be forming a long term bottom but until there is a weekly close above 1.15, it is difficult to say where it will go next. While the technicals lean bearish for the Dollar, the planets still appear more bullish.



This week looks bullish for the Dollar, especially after Wednesday's FOMC meeting. The early week could see some retracement as Venus enters Libra. However, the midweek looks more bullish although the effects may be short-lived. We may only get a one-day up move, perhaps only on Wednesday. Some declines look more likely into Thursday and Friday. Where the Dollar finishes it harder to say, although it seems fairly unlikely it could close above its 200 DMA. With Venus now in Libra, I think it is more likely that rallies will be sold until early October. I would not rule out a retest of the low end of the recent trading range at 92. However, we may well see a higher low such as something in the 93-94 range. But October and November should be more bullish for the Dollar and I think the chances are fairly good for a move above the 200 DMA and 96. We should see the DX trade in its upper range of 96-100 by November and December. I think we could see the DX retest resistance at 100 sometime in Q1 2017. The Dollar looks bullish through much of 2017.



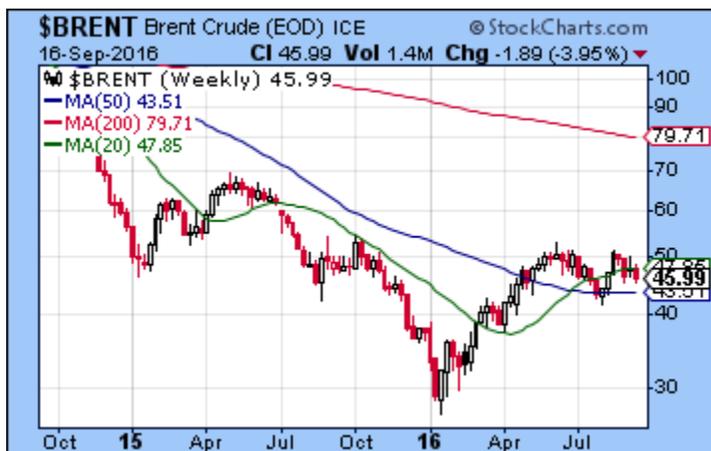
Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Sep 23)	bearish (disconfirming)	95-96
Medium term trend is DOWN (1 month ending Oct 23)	bearish (confirming)	94-96
Long term trend is UP (1 year ending Sep 2017)	bullish (confirming)	100-110

Crude oil

Crude lost ground last week on supply data that showed more US rigs coming back online. WTI lost 4% on the week closing below \$44 while Brent settled Friday near \$46. This bearish outcome was not surprising although I had been uncertain just how much downside we could see. I had expected a possible retest of support at \$43 at some point but thought the midweek period would be more bullish. Bulls are looking vulnerable here after the previous week's lower high below \$50 and now this retest of horizontal support at \$43. The bears appear to have the tactical advantage at the moment with any subsequent retest of \$43 more likely to break down.

If \$43 breaks, then we could see a quick decline to the 200 DMA at \$40. While this dip would likely be bought fairly aggressively, it would nonetheless make the crude chart even more problematic going forward after the lower high. This is why bulls will need to defend \$43 here and maintain a higher trading range. The weekly Brent chart still offers some hope for bulls to keep price above its 50 WMA. The sideways trade between \$42 and \$52 at least prevents another retest of last year's low. A weekly close below the August low would be quite bearish, however, and would boost the odds of an eventual retest of a move back to \$30.

This week looks somewhat more bullish for crude as Venus enters Libra on Sunday. The early week leans bullish, even if we may not see a big bounce. Wednesday looks bearish as the Moon aspects Saturn. This could reflect a Fed statement that boosts the Dollar. However, the late week would seem to have enough up side to offset any midweek selling. If crude does end the week higher, it may not be by very much. Next week (Sep 26-30) looks more bullish still as Venus aligns with Jupiter and the Sun. The following week may produce more upside as Mercury approaches its conjunction with Jupiter on 11



October. I'm uncertain how much upside there may be for WTI. I think the chances are good to at least match its previous high of \$48-49 and we could well see \$52. Another move lower looks likely to begin by mid-October at the latest. This should at least retest intermediate support at \$40 by perhaps mid-November. A rebound should last into December but this may produce a lower high which then sets up the technical justification for another sell-off. Therefore, I am expecting another corrective phase to begin January and extend into March and April. This is the more likely time when we could see a retest of \$30 and below.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is DOWN (1 week ending Sep 23)	bullish (disconfirming)	\$44-46
Medium term trend is UP (1 month ending Oct 23)	bullish (confirming)	\$46-50
Long term trend is DOWN (1 year ending Sep 2017)	bearish (confirming)	\$30-50

Gold

Gold moved lower last week on renewed potential for higher rates from the Fed. Gold lost more than 1% on the week and finished at 1310. This bearish outcome was in keeping with expectations as I thought the Mars alignment with the Sun and the weakness of Venus in Virgo would likely produce a test of support. This proved to be the case although the late week bounce never materialized. The technical picture on gold looks worse than ever now as the descending triangle of lower highs and equal lows seems to be pointing towards a breakdown of support at 1310 in the near future. This doesn't have to happen, but it will take Janet Yellen at her most dovish on Wednesday's FOMC meeting to rescue gold from falling further. A hawkish tone that virtually guarantees a hike in December could be the straw that breaks the camel's back here. On the other hand, I think the market may have largely discounted a December hike so unless the Fed comes out with some surprising language, it is conceivable it could hang on to 1310 a while longer. The downside target of this triangle pattern is around 1240-1250. As it happens, this is very close to where the 200 DMA now is at 1238. If gold does decline to near that level, many bulls will likely take advantage of the lower prices and



regard it as a buying opportunity. This would be entirely logical given that ongoing bull market in gold as seen in the upward sloping 200 DMA. Gold would only become more problematic in the medium term if it were to fall below 1200.

Gold is likely to enjoy some upside this week as Venus enters Libra. The early week looks to be mildly bullish with Monday looking somewhat more bullish than Tuesday. I would not expect any big gains here but we could see gold move back up towards 1330 perhaps. There is a real chance that gold could fall on Wednesday and the FOMC statement. Mercury stations direct in aspect with Saturn on Wednesday and Thursday so some downside seems more likely then. It could even be sufficiently negative to produce another retest of 1310. But Friday looks more bullish as Venus aligns with the Sun. A close above 1330 seems quite possible, assuming there hasn't been any midweek surprises.

Next week (Sep 26-30) looks bullish also as Venus aligns with the Sun and Jupiter. The first half of the week looks somewhat more bullish than Thursday and Friday, however. Early October also leans bullish as the approaching Mercury-Jupiter conjunction on 11 October is likely positive for gold. Another retest of 1375 looks possible by that time and I would not be surprised if gold moved above that level. However, another pullback looks likely in the second half of October and into November. Lower lows are also indicated in December and into Q1 2017. I think gold is likely to break below that crucial 1200 level by December or January. A retest of 1050 is therefore possible by April although we will have to see just how resilient the bulls are in the face of serious headwinds. Another major corrective phase is likely in mid-2017 and this may well produce lower lows.

Technical Trends	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Sep 23)	bullish (disconfirming)	1310-1330
Medium term trend is DOWN (1 month ending Oct 23)	bullish (confirming)	1330-1375
Long term trend is DOWN (1 year ending Sep 2017)	bearish (confirming)	1000-1300

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