

## Summary for week of 26 September 2016

- Stocks should extend gains this week
- Dollar could bounce early but vulnerable to more selling later
- Crude oil may rise this week
- Gold should continue rally this week

### US Stocks

Stocks moved higher last week as the Fed left rates unchanged once again. The Dow gained less than 1% to 18,261 while the S&P 500 finished at 2164. This bullish outcome was not unexpected given the entry of Venus into Libra last Sunday. However, the post-Fed gains were a little surprising as I thought we had a chance of seeing some brief downside. That never came to pass as markets were generally favourable towards the dovish Fed statement.

So investors can resume their current 'buy the dip' bias for now as the next possible rate hike is after the election in December. The Bank of Japan also added a new wrinkle to its policy by promising to ensure a rising yield curve across a 10-year horizon. It's unclear to what extent the BOJ can promise anything these days as the Yen still looks like it wants to push below the critical 100 level with the US Dollar. For now, financial markets have found a quiet equilibrium. Higher highs in US stocks seem very possible here although few really believe this is the start of a major leg higher.

It's hard to imagine how stocks will decline sharply from here and yet my view is that they are increasingly ripe for such a fall. The September-October period looks largely bearish given the difficult alignment of Saturn to the Lunar Node and Neptune. I had thought there was a chance we could see some of this manifest in early September when the short term Venus in Virgo transit was taking place. But all we got was a small pullback and now the bulls are back in the driver's seat as Venus is much stronger in Libra. But this rally seems very likely to end soon. I think October looks more bearish in this respect so I would be



somewhat surprised if a correction began as early as this week, the final week in Q3. Bulls have been very strong in 2016 and despite the predicted Brexit pullback, it never did much technical damage. The default bullish bias from the Fed's policy has created a situation where we could see new all-time highs in the coming days despite mediocre US fundamentals and more signs of slowing global growth. Alas, that's life in a central bank-driven stock market.

The short term technical picture remains bullish as the indexes are within striking range of their recent highs. Bulls will need a clear push above SPX 2194 in order to avoid the dreaded double top pattern. Failure to close above 2200 in the coming days, for example, would cause some bulls to take profits and reassess. The size of any subsequent pullback may reveal just how worried investors may be going forward. The SPX remains above resistance at 2160 and that argues for at least a final push to 2194 or above. If stocks cannot close above Thursday's high of 2180 and instead trade below last week's low of 2140, then that would be an early warning sign that a larger correction may be imminent. The September low of 2120 is likely still the critical support level to watch.

Not only is it horizontal support, but it is approximately where the rising wedge support is off the February low. This trend line is now a bit higher, probably closer to 2130. The rising wedge has dominated 2016 and is an ultimately a bearish pattern. When the support trend line is broken it often resolves into a rising channel once the initial sell-off has completed. If this were to happen in the coming weeks, channel support is around 1980-2000. That would be a possible downside target of any October (and into November)

correction. The medium outlook is more uncertain as the weekly Dow chart still shows a bearish crossover in stochastics which is below the 80 line. While this is by no means a perfect indicator, it does suggest that the Dow has to post some bigger gains on a weekly basis in order to nullify the bearish crossover, if not the fall below the 80 line. It is possible we could get a weekly close that roughly equals the previous highs at 18,500 but this may not produce a bullish crossover or a move back above the 80 line. The fragility of this bounce is also seen in the Bullish Percent chart which didn't move much higher last week and is still in a bearish crossover. It could enter into a bullish crossover in the coming days, of course, but we should pay attention to its next high relative the stock index. A significantly lower high would be another bearish signal. Meanwhile, bond yields fell last week after the Fed meeting. The 10-year appears to have tested resistance at 1.7% and is now heading lower. Support is likely near 1.5%. A move below that level would suggest deeper financial problems which would force more investors into safe havens. This would likely accompany any large scale correction in equities.



This week again leans bullish. The early week looks more bullish on the Venus-Sun-Jupiter alignment on Monday. This may only produce one up day, but it is possible its effects could linger into Tuesday. I would expect significant upside early on then, possibly approaching 2194. A close above 2180 looks likely on Monday or Tuesday. Wednesday looks somewhat less bullish but perhaps not quite bearish. There is a rising downside risk by Wednesday. If we have seen some gains beforehand, then Wednesday is a possible day for profit taking. Thursday looks somewhat more bullish although perhaps not by much. Friday looks even more bullish as the Moon conjoins Jupiter and the Sun. Friday's planets offer decent evidence for an end-of-quarter window dressing gain. Overall, we should move higher and perhaps we will finish very close to the previous high at 2194. I would also not be surprised if we closed above 2200.



Next week (Oct 3-7) brings a new month and a new quarter. Monday the 3<sup>rd</sup> has an elevated downside risk as the Sun and Venus align with Saturn. I wouldn't expect any big declines here in any event as Mercury also enters Virgo on the same day. Unlike Venus, Mercury does very well in Virgo so we are likely to see some upside from its transit. The late week looks more bearish as Mars squares Jupiter on Thursday and Friday. This isn't a particularly nasty aspect but it nonetheless doesn't look bullish. Overall, the week could be mixed with modest moves in either direction. The following week (Oct 10-14) could see some early week upside on the Mercury-Jupiter conjunction. This is the kind of alignment that could mark a market top. That's still very much a guess but given where we are and where we are likely to go for the rest of October and November, it's definitely a scenario to consider. The second half of October looks increasingly bearish so I would expect a test of rising wedge support at 2120-2140. It likely won't hold although timing the break down is difficult. The end of October is a possible breakdown scenario. The first half of November also looks bearish so we are likely to get some follow through on the downside. It is therefore possible we could see that channel support tested at 2000 or thereabouts. We shall see. After a bounce in late November and early December, I think another move lower is likely in January and into Q1 2017.



Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Sep 30)	bullish (confirming)	SPX 2180-2200
Medium term trend is UP (1 month ending Oct 30)	bearish (disconfirming)	SPX 2080-2120
Long term trend is UP	bearish (disconfirming)	SPX 1500-1800

(1 year ending Sep 2017)

## Indian Stocks

Stocks moved higher last week as investors welcomed the Fed's decision to stand pat. The Sensex gained 1% on the week to 28,668 while the Nifty finished at 8831. This bullish outcome was in keeping with expectations although I was wrong about any negative reaction to the Fed statement. Stocks were somewhat weaker early in the week as expected although the pullback was very modest.

Investors breathed a sigh of relief after Janet Yellen refrained from raising rates yet again. A December hike is still very much on the table as the odds are largely unchanged at 55%. Therefore, there is a significant time window for more liquidity to flow into emerging markets assuming nothing else changes. This should be good news for bulls in the short term and may well create sufficient upward momentum to take the Nifty back to 9000 and perhaps its all-time high at 9119. Many things could still go wrong, of course, as other central banks continue to grapple with stagnant economies that are stubbornly resistant to their inflationary efforts. Markets are increasingly skeptical about the ability of the BOJ and ECB to solve this ongoing crisis. The Yen is not depreciating as the BOJ would like as investors do not think the BOJ will be successful in its efforts. Portuguese bond yields have risen sharply in recent weeks as concerns grow over that country's ability to pay its debts no matter what guarantees the ECB may give.



The astrological indications continue to support the notion that stocks could push a bit higher here although time may be growing short for that double top scenario at 9119. As Venus transits Libra over the next three weeks, further upside is likely although it is uncertain just how high they could go. I suspect the Nifty won't quite make it back to 9119 and that perhaps 9000 is a more likely target before the influences become more bearish in mid-October. We shall see. But the overall picture here is one of a rally on its last legs before a significant correction takes place starting most likely in October and continuing into November. This could well produce enough downside to test the 200 DMA at 7973. This upcoming correction may be enough to dent the bull market but it likely will take another correction in early 2017 to actually break it.

The technical picture is still bullish across all time frames. Last week's test of support at the 20 DMA confirmed the strength of the bulls although they now have to move above the early September high of 8968. There may be some hesitation as we approach 9000, however, so some sideways consolidation may be forthcoming. Even if there is a pullback to the 50 DMA, this would not jeopardize the likelihood of a new high above 8968. However,

a close below the 50 DMA and 8700 could introduce a new level of anxiety into the market. I suspect bulls will be able to defend 8700 without difficulty on the first try and even 8800 may hold as support in the event of more profit taking here. Any trades below the 50 DMA at 8676 would open the door to a possible retracement to horizontal support at 8500. This would amount to an approximate 50% retracement of the rally since February.

One possible bearish view of recent price action suggests that last week's high on Thursday was merely a gap fill from the decline on 12<sup>th</sup> September. Now that the gap has been filled, prices may be more likely to fall. Bears will therefore be watching for any possible weakness to confirm this view. However, if there is a rally this week and the Nifty can climb above 8880 or so, then the bearish gap fill thesis will be nullified. The weekly Sensex chart confirms the bullish medium term and long term trends. The RSI is still very high and should give bulls some pause about any dreams they are entertaining for the next major leg higher. Certainly, there is no technical reason here why the Sensex could not match its previous high of 30,000. However, one would expect some consolidation around that level before any possibility of further upside. Bulls enjoy a solid cushion here so that even a retracement to the 20 WMA is unlikely to produce a sell signal in weekly stochastics. Weekly stochastics has remained above the 80 line through most of this rally. A move below 80 would therefore be significant and could mark its end or at least a major retracement. Meanwhile, Infosys (INFY) continues to form a bottom as it moves sideways. Resistance at the 50 DMA is becoming more difficult to surmount as most traders are content to trade the range. I think the chart argues for a breakout higher eventually although if support should fail from the August low, then it is likely to fall much lower. Tata Motors (TTM) had been following the market higher but was mostly unchanged last week. There is support here at the 20 DMA although an extended pullback to the 50 DMA is also quite possible. Nonetheless, both pullbacks look like buying opportunities for this strongly trending stock.

This week looks bullish, especially in the early going. The Venus-Sun-Jupiter alignment on Monday and Tuesday is likely to produce a net positive outcome across both days, possibly even two up days in a row. Monday afternoon could see some weakness on the Moon-Saturn alignment, however. Wednesday also leans bullish as the Moon will align with Venus in the afternoon. Even if Monday or Tuesday happen to be lower, I think we should see two up days out of the first three. Thursday looks somewhat less bullish as the Moon is aspected by Saturn. Friday looks fairly positive, however, as end of quarter



window dressing is likely to boost stocks further. Overall, there is the potential here for a push above the recent high and 9000 is very possible. While one or even two down days are possible this week, it seems quite unlikely that they will do much technical damage. I suspect the 20 DMA will remain intact and that the Nifty will finish higher on the week.

Next week (Oct 3-7) looks somewhat less bullish although I think stocks are still likely to rise. Monday has several alignments in play which increase the possibility of a decline as Saturn is highlighted by the Sun and Venus. At the same time, Mercury enters Virgo where it does quite well. I would retain a bullish bias for early in the week but there is an increased risk here for sure. Even if it is a down day Monday stocks are unlikely to give back all of the previous week's gains. Tuesday looks more bullish but Wednesday's Moon-Saturn conjunction could be a little bearish. Thursday leans bullish but Friday seems more bearish on the Moon-Mars



conjunction. Overall, it's a mixed picture. Higher highs are possible but I'm less certain they will hold. The following week (Oct 10-14) looks bullish to start on the Mercury-Jupiter conjunction but the two-day holiday closing on Tuesday and Wednesday could mark a shift. The late week looks more bearish on the Mercury-Mars alignment. This week definitely looks more bearish than the previous two weeks. More downside is likely in the second half of October. The week of Oct 17-21 looks very bearish and could see the indices suddenly retest the 20 DMA if not the 50 DMA. November could see a rebound attempt but it is possible this could fail and produce a lower high which is then sold. More downside is likely in the coming months. By the end of Q1 2017 we could see a retest of 6800 on the Nifty.

**Technical Trends**

**Astrological Indicators**

**Target Range**

Short term trend is UP  
 (1 week ending 30 September)

bullish (confirming)

8900-9100

Medium term trend is UP  
 (1 month ending 30 October)

bearish (disconfirming)

8600-8800

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

bearish (disconfirming)

6000-8000

## Currencies

The Dollar lost ground last week as the Fed kept its rates on hold and postponed any hike until December at the earliest. The DX tested 95 on Thursday but settled a little above that level by Friday. The Euro climbed above 1.12 while the Rupee strengthened to 66.6. Despite the BOJ's latest plan to maintain a steep yield curve, the Yen remained strong at 101 to the Dollar. I was wrong about last week as I thought the Dollar was more likely to bounce following the FOMC meeting. Despite the decline, the technicals are leaning bullish in the short term given the ascending triangle pattern of equal highs and higher lows over the past month. Resistance is still near the 200 DMA and 96 but support is following the rising trend line and is now at 95. A close below 95 would negate this pattern and could send the Dollar back down to 94 in short order. The clustering of the moving averages at 95-96 suggests this is a key technical area. The longer the Dollar remains below this contested zone the more bearish it may become. If it can climb above this area then it could break out to the top of longer term range between 96 and 100. The weekly Euro chart should still give Dollar bears some comfort as the sideways move looks more like a bottoming process. For its part, the Yen chart looks like it wants to go lower and break below that crucial 100 level. Any such move below 100 would likely coincide with an equities sell-off.



This week could see the Dollar bounce early on but I'm not sure if it will be able to hold onto any gains by Friday. So we could see another test of resistance near the 200 DMA by Tuesday or Wednesday. I would also not be surprised by a move above that level. But the late week looks more bearish with declines more likely on Thursday and Friday. It's possible the DX may not finish too far from its current level.



Nonetheless, I would retain a bearish bias on the Dollar for now. I think it is due to rally soon but we may have to wait until October. Next week (Oct 3-7) could be bullish to start but again there is a risk that gains may not hold by the end of the week.

It's possible that these next two weeks will be consolidation before a move higher. By the second half of October, I think the Dollar will begin to rally and close above the 200 DMA and likely stay there for a few weeks. November looks more bearish for the Dollar, however, so a pullback below the 200 DMA is likely. The Dollar should rally again in late November and into December. This looks like a bigger move higher which will extend into January and possibly February. The Dollar should retest its range resistance at 100 by this time. Higher highs are also possible, although we may have to wait until Q3 for those.

### Technical Trends (Dollar)

Short term trend is UP

### Astrological Indicators

bearish (disconfirming)

### Target Range

94-95

(1 week ending Sep 30)

Medium term trend is DOWN    bullish (disconfirming)                      95-97  
(1 month ending Oct 30)

Long term trend is UP                      bullish (confirming)                      100-110  
(1 year ending Sep 2017)

## Crude oil

Crude oil moved higher last week on Dollar weakness and more talk of a production freeze. WTI gained 2% on the week closing above \$44 while Brent was unchanged at \$46. This bullish outcome was in keeping with expectations although Friday's decline was surprising as I thought the late week would be more bullish. I also mistakenly thought that Wednesday might bring some selling. While the rally into Thursday was fairly impressive, the reversal Friday was large and created a lower high. From a technical standpoint, there is reason to expect some follow on selling this week. Bears are no doubt taking note of a descending triangle pattern in the making with \$43 as critical horizontal support. If \$43 is broken to the downside, then this pattern has a downside target of \$37. This is roughly equal to the penultimate low made back in April. In order to avoid such a dangerous development, bulls will have to defend \$43 with all they can muster. While price satisfies the basic bullish criteria since it is above the 200 DMA, the chart is looking increasingly bearish here given the series of lower highs. Bulls will need to a close above \$50 to keep their story going for a while longer. If not, they will be subject to repeated tests of support at \$43. As the technical rule says, the more tests of support or resistance, the more likely it is to break. The weekly Brent chart looks a little less dire as crude only needs to trade above its April low.



This week also looks bullish. Monday could see some additional downside, however, as the Moon aligns with Saturn in the morning. I think this could be short-lived and we could even see a positive close on Monday. Tuesday and Wednesday lean bullish on the Venus-Jupiter alignment. I'm less confident about the late week outcome although I would not say the aspects look particularly bearish. In the absence of any bearish aspects, the bias here should be bullish. Next week looks more mixed although some upside is very possible. It is less clear if gains will hold by Friday, however. The late week looks more bearish. Further upside is possible around the Mercury-Jupiter conjunction on Oct 10-11 but the rebound in crude may not last too much longer after that. Large



declines look likely in mid and late October. WTI could retest support at \$43 and will probably break below it by the end of October and early November. Late November could bring a rebound which extends into December. This interim high in December looks likely to remain within the recent range of \$43-52. Another move lower is likely in Q1 2017. A lower low is possible and a retest of the 2015 low is conceivable.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending Sep 30)	bullish (confirming)	\$45-48
Medium term trend is DOWN (1 month ending Oct 30)	bearish (confirming)	\$41-45
Long term trend is DOWN (1 year ending Sep 2017)	bearish (confirming)	\$30-50

## Gold

Gold moved higher last week as the Fed once again postponed any rate hike to December at the earliest. Gold rose more than 2% on the week and closed at 1341. This bullish outcome was largely in keeping with expectations, although I thought there was a reasonable chance of a pullback on FOMC Wednesday. This didn't happen and gold finished above its 20 and 50 DMA. So far, gold is making the most of the Venus transit through Libra. Venus is one of the planets associated with gold (besides the Sun and Jupiter) so the friendly confines of Libra are likely to keep a bid under gold for at least a couple more weeks. The technicals still look a bit shaky as Thursday was a lower high and added more rationale for the bearish descending triangle pattern. Friday's mild pullback amid a strong Dollar rally was perhaps a better sign of renewed strength in gold. Bulls will regain control of the market with a close above 1360, the previous high. Another retest of support at 1310 is still possible without relatively less risk of a breakdown. I don't think a breakdown will happen imminently but we can see that chart is not looking bullish in the medium term. After a bullish ascending triangle pattern from February to July, the last three months follow a bearish descending triangle. If there is a breakdown of support at 1310, then the downside target would



be 1240. This is roughly where the 200 DMA is now and offers a convenient buying opportunity for longer term bulls seeking a cheaper entry price.

This week looks bullish. Venus aligns with Jupiter and the Sun on Monday and Tuesday. Wednesday may have an increased downside risk although I would still not call it bearish. Thursday or Friday could produce a down day although it seems unlikely to offset any preceding gains. I think it is likely that gold will move to 1360 at some point and it could even finish at or above that level. Therefore, the odds favour a bullish break of resistance of the descending triangle.

Next week looks less bullish although not quite bearish either. Monday leans bearish as the Sun and Venus align with Saturn. Tuesday and Wednesday could be modestly bullish but Thursday's Moon-Saturn conjunction leans bearish. I would not be surprised if gold posted another gain on the week although the downside could offset any gains. This suggests that a return to 1380 during the week could be difficult, although still possible. The following week could see some upside on the Mercury-Jupiter conjunction on October 11. But the gold story weakens after that with Venus leaving Libra on Oct 14. I'm not sure if gold will be able to remain above 1310 by the end of October. A breakdown of 1310 is certainly more likely by the time of the Venus-Saturn conjunction on Oct 30. Gold will remain bearish until early or mid-November. I would think the chances are good that gold could trade at 1240 at least by November, if not lower. A bounce is likely going into December but this should produce a lower high. Another leg lower looks likely in January and February so we could see gold move below 1200 by that time and perhaps retest 1050.

<b>Technical Trends</b>	<b>Astrological Indicators</b>	<b>Target Range</b>
Short term trend is UP (1 week ending Sep 30)	bullish (confirming)	1350-1380
Medium term trend is DOWN (1 month ending Oct 30)	bearish (confirming)	1310-1340
Long term trend is DOWN (1 year ending Sep 2017)	bearish (confirming)	1000-1300

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