MVA INVESTOR NEWSLETTER

3 September 2016 Volume 9, Issue 36

Summary for week of 5 September 2016

- Stocks moving lower, especially later in week
- Dollar could retest support early but may recover later
- Crude oil could retest support, especially later in week
- Gold likely to remain under pressure this week

US Stocks

Stocks ended the week higher after Friday's underwhelming jobs report reduced the chances for a September rate hike. The Dow gained 100 points on the week to 18,491 while the S&P 500 finished at 2179. This outcome was more bullish than expected as I thought we might have seen more late week downside. At the same time, I acknowledged the difficulty in predicting Friday's outcome given the contradictory aspects in play, so the gain after the jobs report was not hugely surprising either.

It now seems more unlikely that the Fed will hike rates at its September 21st meeting. All other things being equal, this is a bullish influence on stocks in the near term as the Dollar will likely trade lower and cash will continue to flow into stocks. We are still very much in the "bad news is good news" mode for stocks as the market has become dependent on ultra-low rates in order to prop up prices and justify valuations. Moreover, the rest of the world is likely also dependent on low rates as this keeps the Dollar low. The Fed may well be trapped here since any hike is bad for stocks both here and abroad. Since the Fed wants to boost stocks and asset prices to produce the trickle down wealth effect, it will be reluctant to do anything that undermines stock prices.

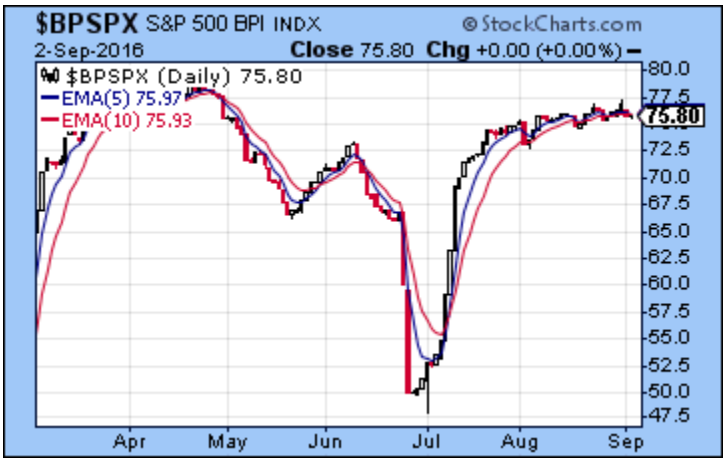
While we may not get a September hike, my view for September is still bearish. Perhaps the decline in stocks will come from another catalyst, such as more hawkish comments from a Fed member or some news from outside the US. The Venus transit of Virgo lasts until Sep 18 and is more likely to bring about declines between now and

then. Of course, that does not mean the SPX will necessarily break below the old high of 2134 before Sep 18. But it does suggest that a retest of that level is more likely due to the effects of a debilitated Venus. While a rebound is likely in late Sep and early October, I am still unsure if this will produce a lower high or a higher high. Since more downside is likely in October, it is possible we could see some fundamental changes to the market picture during Q4. I think we could see another test of the 200 DMA at 2055 over the next couple of months although it is possible we may now have to wait until January.

The technical picture remained mostly bullish as support was tested at 2160 on Thursday. Stocks are trading in a range now between 2150 or so and 2190. Higher highs are still very possible as the rising wedge has more room to run, if necessary. If the SPX fails to retest resistance at 2190 and instead retests support at 2150-2160 this week, a break down is more likely. The next support level could be 2120-2130. 2100 would represent a 50% retracement off the June low, however. 2100 is also a plausible downside target of the current rectangle pattern in the event of a break below support at 2150.

While I expect a test of the 200 DMA at 2055 over the next two or three months, it is important to note that such as sharp down move would not significantly undermine the current up trend. No doubt most bulls would see any such decline as just another buying opportunity. And they would have the technical evidence on their side given the relentless upward momentum of this market. That also applies to any smaller pullbacks we may see in the coming days such as to 2150 or even 2120. And yet the current astrological influences would seem to diminish the likelihood of the bullish view of inevitably higher highs going forward.

The weekly Dow chart looks a little more bearish than it has previously as the current sideways moves in August have produced a noticeable rolling over of MACD. It is not yet in a bearish crossover although it is currently quite high (+317). This is as high as it was in early 2015 before the market moved lower. If we do get a major pullback we could see a decline down to the 50 WMA at 17,489. This line was served as an approximate level of support in previous pullbacks. The Bullish Percent chart is still looking like it wants to fall as a bearish crossover from its current high levels will likely produce a sizable pullback. Meanwhile, Treasury yields moved sideways as Friday's weak jobs report only generated a small bump. The short term trend is still higher with resistance likely kicking in near 1.7%. But the longer trend is still down as the global search for yield continues. Indirectly, this may be a bullish influence on stocks as yields dwindle further towards zero. Investors seeking returns will have no choice but to go into stocks even more. But that is becoming a very crowded trade indeed.



This is a shortened week due to Monday's Labor Day holiday. Again, there are a couple of short term bearish influences here this week which could be enough to produce a down week. Unlike last week, the short term bullish influences look less powerful so I think declines are more reliable. Retrograde Mercury has moved past bullish Jupiter now so there is a greater risk of general weakness. I still don't think we are likely to see a big single day decline this week (>2%), although the planets look somewhat worse towards the end of the week and could inflict some damage. Tuesday and Wednesday look somewhat less bearish so if we are going to get some more upside, it is more likely to occur on those days. I would not rule out another test of horizontal resistance at 2190 although I don't think this is a probable outcome. Thursday and Friday look more volatile as the Moon conjoins Saturn and Mars. Both days look bearish and could produce significant declines. Even if we do end up getting some early week upside, I think the late week influences will likely outweigh them.

Next week (Sep 12-16) could start off with a bang as Monday's Sun-Mercury-Mars alignment looks quite bearish. Some follow through on the downside is likely into midweek. Even if the rest of the week turns out to be more mixed, I think this should be a negative week overall. Just where the SPX will be trading by the 16th is hard to say. I think the chances are good for a test of the old high of 2134 at least. The following week (Sep 19-23) looks more bullish as Venus enters Libra on Sunday the 18th. Mercury ends its retrograde cycle here in a difficult spot aligned with Saturn, however, so I would not rule out more downside. Interestingly, Mercury changes direction on Wednesday – the day after the FOMC decision. Could this spark a change in trend also I wonder? Late September looks more bullish so that would argue for some kind bounce after a mid-September pullback. Early October also contains some positive influences which could extend the rally but late October is likely to see more downside. Again, I am uncertain if this will produce a lower low or higher low relative to the low we will see in September. A rebound looks possible in November but December looks more bearish as Saturn aligns with Uranus. Lower lows are more likely in December and January. Indeed, Q1 2017 should be mostly bearish with a retest of 1810 quite possible. 2017 looks choppy at best with more volatility likely.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is UP (1 week ending Sep 9)	bearish (disconfirming)	SPX 2120-2160
Medium term trend is UP (1 month ending Oct 9)	bearish (disconfirming)	SPX 2150-2190
Long term trend is UP	bearish (disconfirming)	SPX 1500-1800

(1 year ending Sep 2017)

Indian Stocks

Stocks moved higher last week on positive earnings reports and the reduced likelihood of a Fed rate hike in September. The Sensex rallied almost 3% to 28,532 while the Nifty finished the week at 8809. This bullish outcome was not in keeping with expectations as I thought the late week would produce more selling. The early week gains were not wholly surprising, however, as I noted the possible bullish effects of the Mercury-Jupiter conjunction.

After Friday's mediocre US jobs report, the Fed looks less likely to raise rates at its meeting on 21 September. This definitely strengthens the bulls' case in the short run as the more likely scenario would be for a December rate hike. That could give Indian stocks more breathing room, especially if the domestic economy remains strong. And yet the market is ever more reliant on central bank easing these days, whether it comes from the Fed, the BOJ or the ECB. The Dollar is key to the emerging markets story so any sudden appreciation in the greenback could spell trouble for stocks. Even if the Fed stands pat in September, the Dollar could still rise in the event of a major new easing policy from the other main central banks. In that sense, stock prices are dependent on the Dollar remaining relatively low.

The astrological influences are still suggesting that stocks are more likely to come under pressure in September. Thus far, we have yet to see any negative effects of the transit of Venus through Virgo. However, this is a four-week long transit which could still coincide with some downside. While we may not see a larger >5% decline as in past transits, it is important to note that this is a bearish influence. Therefore, the possibility of a quick run up to old highs above 9000 on the Nifty seems unlikely in the short term. In addition, the alignment of Saturn with Rahu and Neptune is likely to produce some further downside in October. While some gains are likely along the way, the overall picture looks more bearish than bullish until November.

The technical picture remains as bullish as ever here as the Nifty pushes towards channel resistance at 8900. The rally seems intent on retesting the all-time high at 9119 eventually, as it now seems more a question of when that will happen. Bulls are aware of the potentially bearish double top pattern in the event that the rally is halted at or near that level. More immediately, support is likely near 8550 and the 50 DMA. The strength of this rally suggests that any pullback to that level will be bought fairly aggressively. But if 8550 is broken to the downside, then we could see a retest of the 200 DMA at 7910. The post-February rally has found buyers near the 50 DMA so any violation of that line would suggest a new logic may be taking over in the market.

Of course, the long term view would still be quite bullish given the upward slope of 200 DMA and the series of higher lows and higher highs we have seen over the past several years. The rally would only be in serious jeopardy if the Nifty moved below 7800-7900 which represents a 50% retracement from the February low. Generally speaking, retracements that are larger than 50% are usually a sign of a weakening market. The weekly BSE chart looks more bullish now although it is quickly becoming overbought. Last week's long white candle suggests more short term upside follow through is likely. The chart shows how the bulls have assumed control of the market after defending the long term 200 WMA in February at 23,000. Even if sellers move in as we approach 30,000, many investors will still likely want to buy the market at lower levels. This could involve another retest of the 200 WMA (now at 24K) or more likely bulls will try to keep stocks above the 50 WMA. The long term rally is in trouble only in the event of a weekly close below 23,000. Meanwhile, Infosys (INFY) appeared to bounce off the bottom last week in an attempt to form a viable bottom. Bulls will need to push the stock above its August high in order to make this rebound stick, however. Until that happens, it may be range bound. HDFC Bank (HDB) continues to rally to new highs with no end in sight. It is currently trending above the 20 DMA and is becoming overbought and hence has a risk of a pullback. Any violation of the 50 DMA could generate more selling and a possible retest of the 200 DMA, although we are far from that scenario.

This week looks bearish again in a holiday-shortened week. Unlike last week, there are fewer clearly bullish aspects in play such as the Mercury-Jupiter conjunction. Mercury is separating from Jupiter here so there should be less positive sentiment. And yet the clearly bearish aspects may only arrive on Thursday and Friday when the Moon conjoins Mars and thus highlights the square with the Sun. I would say there is a fairly high probability of a net negative outcome across Thursday and Friday with a >1%

decline quite possible on either day. However, Tuesday and Wednesday lack clarity and therefore we could well see some upside there, perhaps even testing channel resistance to 8900. Even if we test 8900 by Wednesday, I still think we are likely to finish lower on the week, although perhaps not by much. If the early week turns out to be more mixed, then we could see the Nifty finish below 8700 by Friday.

Next week (Sep 12-16) also leans bearish, largely on the early week alignment of the Sun, Mercury and Mars. This is likely to push stocks lower on Monday and perhaps even into Tuesday. As it happens, markets are closed on Tuesday so that could mitigate some of the downside. The midweek looks somewhat more bullish but Friday also looks bearish on the Sun-Mars-Moon alignment. We could conceivably retest 8550 at some point here. The following week (Sep 19-23) looks mixed. Some downside is likely into midweek as Mercury aligns with Saturn. However, post-FOMC meeting on the 21st looks more bullish as the Sun conjoins Jupiter. Venus will leave Virgo and enter Libra during this week also so that is another reason to expect that sentiment will recover here. Late September and early October also lean bullish with a possible interim high near the Mercury-Jupiter conjunction on 11 October. At this point, I'm uncertain if this could be a lower high or higher high. Late October and early November look bearish, however, as Venus conjoins Saturn. This looks like a significant pullback but whether it puts in a lower low relative to the September low is uncertain. A November rebound is likely but December and Q1 2017 look more bearish. I would expect lower lows during early 2017 and we could retest 6800-6900 by March.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is UP (1 week ending 9 September)	bearish (disconfirming)	8550-8800
Medium term trend is UP (1 month ending 9 October)	bearish (disconfirming)	8600-8900
Long term trend is UP (1 year ending Sep 2017)	bearish (disconfirming)	6000-8000

Currencies

The Dollar finished the week higher despite the underwhelming jobs report on Friday. Even as many investors effectively discounted the possibility of a September rate hike, the Dollar still put in a winning day and a winning week finishing just under 96. The Euro ended the week below 1.12 while the Rupee strengthened to below 67. The Yen weakened to the 104 level as traders anticipated more moves from the BOJ. This bullish outcome for the Dollar was in keeping with expectations although I mistakenly thought the early week would be more bullish. The technicals are looking better here as the bulls have created a higher low above 94. However, the midweek highs rejected the 200 DMA so bulls will have their work cut out for them. Failure to close above 96 would be more bearish as the more recent declining channel in August could become the defining pattern going forward. A close above the 200 DMA would keep the bulls in the driver's seat, however. The weekly Euro chart shows a narrowing trading range near the 20 and 50 WMA. This kind of narrow range can go on for some time but usually precedes a breakout one way or the other. Since the Euro has seen a series of higher lows throughout 2016, the technical bias here should be to the up side as the ascending triangle is still in play.

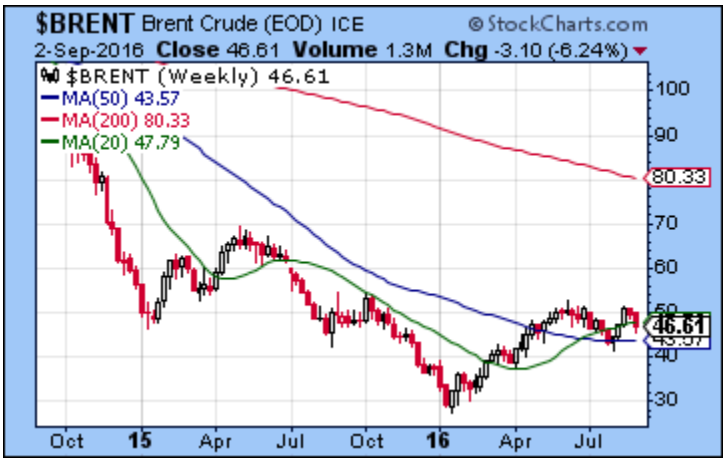
This week looks bullish for the Dollar, especially later in the week. We could see some retracement on Tuesday or perhaps Wednesday although it may not be too much. Even if the early week is bearish, I think the chances are fairly good that we could see at least a retest of the 200 DMA, if not a break above it. Next week also looks bullish as the Sun-Mars-Mercury alignment should produce some gains early in the week. We could conceivably hit the July high of 97. But the second half of September may prove to be more difficult for the Dollar. This may be related to the FOMC meeting on Sep 21st where the Fed is unlikely to move rates. The Dollar could retrace significantly into early October. A retest of 94 is quite possible and I would not be surprised if we saw something below that. But late October and early November look more bullish. There should be enough upside there to offset any preceding declines and at least keep the Dollar within the trading range of 92-100. Moreover, December and then Q1 2017 look bullish again. A retest of resistance at 100 is likely by March or April. Further upside is also possible into summer 2017.

Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Sep 9)	bullish (confirming)	96-97

Medium term trend is DOWN (1 month ending Oct 9)	bearish (confirming)	95-96
Long term trend is UP (1 year ending Sep 2017)	bullish (confirming)	100-110

Crude oil

Crude oil tumbled 6% on the week as data from Iraq and the US showed new supply coming back online. WTI finished the week below $45 while Brent slipped below $47. While the size and scope of the decline was more than forecast, I was not surprised by this bearish outcome. I thought we might have got some early week upside around the Mercury-Jupiter conjunction but that never materialized. Wednesday and Thursday posted larger losses just as the Sun conjoined Rahu (North Lunar Node). While some retracement after the rally was to be expected, the speed of the current pullback has some traders worried that there is more downside to come. The failure to match the previous high was the first red flag perhaps as the rebound topped out at $49 -- $3 lower than the previous high. Bulls will need to prevent a hard retest of the early August low of $39 or else risk a fundamental shift in sentiment in crude. If the measured move plays out here, the downside target would be $36. This would match the penultimate low in April but it could offer a better entry point for long term crude bulls. Friday's gain may have stopped the bleeding but resistance is now at $45-46 and the 20 and 50 DMA. Bulls will need to punch above this level fairly soon or risk another wave of selling that breaks below the August low. The weekly Brent chart shows the development of a possible double top in the making. If $42 is broken to the downside, this double top has a downside target of around $33.



This week looks likely to retest last week's low at least. I would lean bearish, even if we don't get more downside by Friday's close. The second half of the week looks more vulnerable to declines so a retest is more likely at that time. Next week (Sep 12-16) looks bearish to start on the Sun-Mars-Mercury alignment. This pattern is likely to be bullish for the Dollar, so it is possible we could see more downward pressure on crude. I think crude is unlikely to fall too much further here in September although a retest of 200 DMA is conceivable. A bounce is likely in late September and early October although it may not be too strong. Higher highs seem less likely in October and even retesting resistance at $52 could prove difficult. Late October could produce another pullback although I am uncertain if it will produce a lower low. November looks more bullish but again the evidence for a higher high is unclear. The astrological influences do not paint a strong case for a higher high in November or

December. Another significant correction looks likely by December-January with more downside likely through Q1 2017. I would expect a retest of the 200 DMA by that time (if not before) and a retest of the low of $26-28 is also more likely at that time.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is DOWN (1 week ending Sep 9)	bearish (confirming)	$42-44
Medium term trend is UP (1 month ending Oct 9)	bullish (confirming)	$46-52
Long term trend is DOWN (1 year ending Sep 2017)	bearish (confirming)	$30-50

Gold

Gold was mostly unchanged on the week as the weak US jobs report lowered the prospects for a rate hike in September. After testing 1310 midweek, gold finished at 1326. This neutral outcome was not too surprising although I thought we might have seen more early week gains. I had been somewhat non-committal on the jobs report reaction due to the mix of contradictory influences in play. The technicals are leaning a bit more bearish here as last week's lows were slightly lower than the July lows. Bulls did defend 1310 but price is now on the wrong side of a bearish crossover of the 20 and 50 DMA. Resistance is now at 1340 and it will be important for bulls to push gold above that level on a closing basis. If not, there is a greater risk of another test of support at 1310 which may be less inclined to hold the third time around. A close above 1340 would be bullish and could hasten a retest of the highs at 1380. But the chart is looking more vulnerable here as if bulls may have to accept the possibility of re-entering the trade at a lower level, such as 1250. 1250 is the approximate downside target of the double top pattern with support at 1310. This may be a more appealing entry point for longer term bulls. It would still be a higher low than the key 1200 level and hence would still be plausibly bullish. 1200 is still the line in the sand for this 2016 rally, however. If gold falls below that level, then it could be effectively over.

This week also contains some downside risk although gold could conceivably remain close to its current levels. Venus remains weak in Virgo and it may well weaken further as Mercury separates from Jupiter. This pattern looks weaker than last week so I would not be surprised to see gold retest 1310 at some point. And I would also not be surprised if it fell below that level. The late week looks more bearish although perhaps only moderately so. Picking outcomes here is tricky due to potentially offsetting effects of the Venus worsening its position in Virgo but the Sun's improving condition in Leo after separating from Rahu (North Node).

Next week has some early week downside potential but the second half of the week actually looks more bullish. Where gold may finish is harder to say. As Venus leaves Virgo and enters Libra on Sep 18, we should see gold bottom out and begin to rebound. This will likely coincide with the FOMC meeting where the Fed does not raise rates and Janet Yellen sounds as dovish as ever. The rebound should extend into early October and could push above 1340, and possibly even retest its highs of 1370. However, I think it is more likely to come up short as late October and early November look more bearish. Lower lows are quite possible by November, possibly below 1300 and even to 1250. More downside is quite likely in December and in early 2017. This should produce lower lows and we should see gold fall back below 1200. More downside looks likely in 2017 including the possibility of sub-1000 gold.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is DOWN (1 week ending Sep 9)	bearish (confirming)	1300-1330
Medium term trend is UP (1 month ending Oct 9)	bullish (confirming)	1320-1360
Long term trend is DOWN (1 year ending Sep 2017)	bearish (confirming)	1000-1300