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Summary for week of 17 October 2016

- Stocks likely trending lower, especially at midweek
- Dollar could retrace this week
- Crude oil could test resistance early in week but prone to declines afterwards
- Gold could rise early but still vulnerable to declines

US Stocks

Stocks fell last week on weak Chinese data and a growing expectation of a Fed rate hike. The Dow lost less than 1% closing at 18,138 while the S&P 500 finished at 2132. This bearish outcome was in keeping with expectations as I thought the culmination of early week Mercury-Jupiter conjunction could coincide with some selling. Monday saw modest gains leading into the conjunction. The late week was somewhat less bearish than expected although Thursday was lower on the Mercury-Mars square.

Last week's release of the Fed minutes shows a clear division of opinion about when to hike rates. For now, Yellen is siding with the doves although more recent data is making a stronger case for a December hike. Current CME odds stand at 64%. And yet in comments made on Friday, Yellen wondered if letting inflation exceed the 2% target might also be advantageous. Such a "high-pressure" economy would mean not hiking rates for a while or least not normalizing them in the longer term. This suggests that if investors can count on very low rates for longer, then the elevated equity prices could also be further justified as the cost of borrowing capital would continue to be very cheap. Yellen may be trying to talk down the Dollar with this idea. She may also be trying to preclude a sudden sell-off for fear of normalizing rates and hence the possibility of never actually repaying all that borrowed money.

So far October is unfolding roughly according to plan. We didn't get a higher high in early October and so the market is in a better position to fall further during the rest of the month. I think the chances are very good (80%?) that we will get significant downside over the coming weeks. The down trend could extend into November as Saturn remains in a tense aspect with Neptune and the Lunar Node. I think there is a chance we could retest the June low of 2000. I would not be surprised if the decline was larger than that although I am reluctant to go out on a limb and predict it. It is still possible that the decline could be somewhat less dramatic and perhaps only tag the 200 DMA. However, that seems like a less likely scenario.

The technical picture became more bearish last week. As expected, we did get the hard test of support at 2120. That matches the early September low as bulls now have the ball. For the moment, it seems the SPX is range bound between 2120 and the 50 DMA at 2164. A close above this line would be quite bullish and could signal a move back to the all-time high at 2194. I don't think this is likely to happen, however. Any move below 2120 would be more bearish obviously, as there could be a measured move downside target now of 2060 – which is roughly where the 200 DMA is. It is possible that a move below 2120 could see a quick plunge down to 2060. Buyers would likely step in around that level.

Daily stochastics could be oversold here after bouncing off the 20 line so some sort of rebound is possible in the coming days. However, RSI could still fall further before becoming oversold so bulls may still be cautious. The market is looking like it may want to go lower as the percentage of stocks below their 50 DMA is below its September low. This negative divergence suggests the path of least resistance may be down. A lower low would also be indicated if the next bounce topped out at a lower lever than the September highs in the 45-55% range. The weekly Dow chart looks bearish given the bearish crossovers in both stochastics and MACD. Stochastics is well below the 80 line and could have further to fall. It is possible it could soon reverse here as it did in June, but it is worth noting that MACD was not in a bearish crossover in June whereas it is now. A test of the 50 WMA at 17,624 is quite possible in the current down trend. And a tag of the 200 WMA at 16,663 is also possible in the current down trend. Critical support here is at 18,000. Bulls will be on alert if that level is again breached this week. While it was bought fairly aggressively last week, a quick retest would raise the possibility of a breakdown. Meanwhile, the bond market was signaling both higher rates and higher inflation expectations as the 10-year yield moved above its 200 DMA for the first time since January. This may not amount to a major new trend but rather a somewhat larger rebound in yields which could test resistance at 2%.

This week also leans bearish. Mars conjoins Pluto on Wednesday so there will likely be some fallout for at least a day or two around that time. Monday seems difficult as the Sun enters Libra and the Moon aligns with the Nodes. While this is not a high probability negative alignment, I think the odds slightly favor the bears here. Tuesday

leans a bit bullish as the Moon aspects Venus. I would not expect a big gain here but it does offer the possibility of some upside at least. Wednesday looks more bearish as the Moon opposes Saturn. The late week also leans bearish with Friday looking somewhat more bearish than either Wednesday or Thursday as the Moon opposes Mars and Pluto. While the week overall contains some noteworthy bearish aspects, there is still the real possibility of some upside along the way. I would also not be surprised if there was a rally attempt back to 2164. I am doubtful that this sort of rebound will hold up, however. It seems more likely that we will get a breakdown of 2120, at least briefly.

Next week (Oct 24-28) looks more bearish than this week. There are two patterns in play, both of which are likely more powerful in the second half of the week. Venus approaches its conjunction with Saturn late in the week while Mars squares Uranus on Friday. A negative outcome is very likely here and it could be large. Gains are somewhat more likely early in the week on the Jupiter-Neptune-Venus alignment. If the preceding week has been negative, then perhaps this could indicate an oversold bounce. But more selling is quite likely in the second half of the week and it should produce lower lows. I think the first half of November is likely to see the bears prevail. This should produce more downside with lower lows. A test and breakdown of the 200 DMA seems very likely and a test of the June low of 2000 is probable. A rebound should begin sometime in November and extend into December. I am expecting a lower high in December but let's see what the bulls and the central banks can do to keep the markets afloat. Another move lower is likely in January although a quick rebound in February could prevent a lower low. March and April look bearish could finally break the back of the bull market. I do think we will get a bear market at some point in 2017, starting in spring or summer.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is DOWN (1 week ending Oct 21)	bearish (confirming)	SPX 2100-2140
Medium term trend is UP (1 month ending Nov 21)	bearish (disconfirming)	SPX 1950-2050
Long term trend is UP (1 year ending Oct 2017)	bearish (disconfirming)	SPX 1500-1800

Indian Stocks

Stocks tumbled last week on weak Chinese data and a growing likelihood of a Fed rate hike. The Sensex fell more than 1% to 27,673 while the Nifty finished the week at 8583. This bearish outcome was in keeping with expectations as I thought the Mercury-Mars aspect late in the week would coincide with some downside. As expected, Monday saw some modest upside but not enough to test resistance at 8800.

The market took another step towards discounting a Fed rate hike in December. As US data continues to come in fairly strong, the odds of a rate hike now exceed 60%. This is bad news for Indian equities in the short term since it will likely reduce FII inflows. While the Indian economic story is still very bullish, the likely reduction in liquidity from a rate hike means that some further consolidation is likely. Higher rates mean a higher Dollar, of course, and Fed Chair Janet Yellen may be looking for ways to blunt any sudden increases in order to maintain global economic stability. To that end, Yellen remarked in a speech Friday that a higher rate of inflation may be acceptable in order to deepen the economic recovery. This may mean that even if the Fed hikes in December, further hikes would be limited as the Fed could accept inflation moving above its 2% target.

The bottom line here is that central banks are still the prime movers of equity markets. It is unclear if they can retain the faith of investors as their policies have not delivered as promised. The astrological outlook suggests that some turbulence is likely in the near term. The rest of October should see more downside. I am keeping an open mind about how low stocks could fall. It is likely to be larger than a simple pullback and could even be quite significant. I would expect a bottom to occur in November or possibly December. However, the rebound does not look strong enough to produce a new high. And with the likelihood for more downside in Q1 2017, stocks may struggle for some time.

The technical picture looks more decidedly bearish now. The failure to retest resistance at 8800 was a sign that bulls were losing conviction. Then we saw a hard retest of support at 8550 on Thursday before Friday's modest recovery. If 8550 does not hold in the days ahead, then all bets are off as the downside target of the descending triangle after the high is 8150. One would think bears will be emboldened now that the 20 DMA is about to form a bearish crossover of the 50 DMA. This has not taken place since late 2015. Resistance is now likely at the 20 DMA at 8724 which is the approximate location of the falling trend line from the recent high.

If we do get a deeper sell-off as I expect, then 8150 may a possible entry point for bulls. This is still a little above the 200 DMA at 8035 which is another possible magnet for prices in the event of a larger correction. The weekly BSE chart looks very bearish also as stochastics is headed towards the 20 line. There is room for more downside before it becomes oversold. MACD is now in a bearish crossover also. Even if we get one or two positive weeks, these indicators are likely to remain bearish and both suggest that lower lows are very likely. The Sensex is sitting on the 20 WMA which did act as support back in April. However, this time may be different given the length of the current rally. The market is looking like it needs a deeper retracement before bulls can make an attempt at a new high. The 50 WMA at 26,185 is one possible target of a retracement with the 200 WMA at 24,368 as a second level of support. Meanwhile, the earnings of Infosys (INFY) disappointed investors once again as the IT services giant reduced its revenue guidance. With Friday's close retesting recent lows, it is still possible that it could finally begin to move higher. Any move lower would be bearish, however, as it would signal lower lows ahead. Bulls need to push prices above resistance at the August high. ICICI Bank (IBN) is also testing important support here as the chart leans bearish. While buyers could keep prices above the 200 DMA in the near term, the longer it trades below the 50 DMA the more vulnerable it will become to steeper sell-offs.

This week leans bearish again. Mars conjoins Pluto midweek so we are likely to see some significant down days around that time. Some sizable declines are likely at some point this week, possibly 2% or more. I am uncertain exactly what days are more likely to produce declines, however. While the conjunction is exact on Wednesday, I would not be surprised if Monday was negative. Tuesday and Wednesday could also be negative with Wednesday looking more bearish than Tuesday. Some upside is likely, possibly on Thursday at the time of the Mercury-Uranus aspect. Friday looks somewhat bearish again although perhaps not as bearish as earlier in the week. One possible scenario would be a quick retest of support at 8550 on Monday. Given the influences this week, I would think that support is unlikely to hold at 8550. We could therefore see the Nifty fall below 8500 and possibly to 8400, although that is very much a guess. Even if we get a big up day on Thursday while Friday is more mixed it seems likely that stocks will finish below 8550 this week. How much below is hard to say.

Next week (Oct 24-28) could see an early week bounce after Monday's holiday closing. But the late week again has some bearish potential as Mars squares Uranus on Friday as Venus approaches its conjunction with Saturn. While it is possible the negative effects of these patterns could be felt the following week, there is still good reason to be cautious, especially Wednesday and after. As we move into November, there is a good chance that stocks will find a bottom, perhaps somewhere near 8000. A rebound is likely to take place in November and extend into December. This looks likely to produce a lower high (8500? 8700?) which will likely prompt another move lower in late December and January. It is unclear if we get a lower low in Q1 or Q2 2017. There will likely be another major correction starting in April as Saturn turns retrograde while in aspect with Rahu. This is a very bearish combination which could take the Nifty back down to 6800. Overall, 2017 looks bearish.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is DOWN (1 week ending 21 October)	bearish (confirming)	8400-8500
Medium term trend is UP (1 month ending 21 November)	bearish (disconfirming)	8000-8200
Long term trend is UP (1 year ending October 2017)	bearish (disconfirming)	6000-8000

Currencies

The Dollar moved sharply higher last week as US economic data boosted the case for a Fed rate hike in December. The Dollar Index finished at 98 while the Euro tumbled below 1.10 for the first time since July. The Rupee held steady in the 66 area while the Yen weakened to 104. The bullish outcome for the greenback was in line with expectations as I thought it could extend its current rally. It's seemingly all about the Fed now and what it may do in December. The market has partially priced in a hike already although I suspect that the DX could hit 100 if a hike becomes inevitable. Also the ECB meets this week so that could be another factor in the

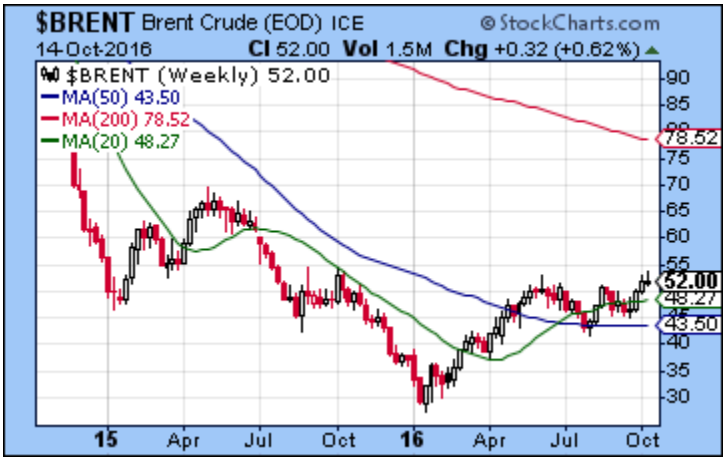
equation. If Draghi begins to unwind the QE program, that could boost the Euro for a while. The technicals look bullish for the Dollar in the short run as it traces out a rising channel. Trend line resistance may be closer to 99 here. To be sure, last week's high was higher than the post-Brexit high in July. This is clearly a short term bullish signal. However, it may also force central banks to coordinate some action to prevent the Dollar from rising too fast. The weekly Euro chart still looks a little bullish as last week's close tested the July low. If it bounces from here, it could remain in the upper half of its year-long trading range. A move below that level would be more bearish, however, as it would suggest the Euro could be again in the 1.05-1.10 range.

This week looks more bearish for the Dollar. The midweek Mars-Pluto conjunction looks likely to coincide with some significant downside. I suspect the ECB will shift its policy to reduce its QE asset purchase program. Alternatively, we could get some weaker US data which reduces the likelihood of a rate hike. In any event, we should see the Dollar Index fall back below its previous high of 97.5. I would not be surprised if it declined all the way back to its 200 DMA at 96. Next week looks more mixed with a strong rebound possible early in the week. We could see the Dollar fairly mixed overall. November does not offer any clear direction so we could see some further retracement in the Dollar, probably below the 200 DMA. Perhaps it may also be mixed although it is also reflects the fact that there is a lack of discernible planetary influences. The Dollar should begin to rally again by December and continue into Q1 2017. April and May look quite bullish also therefore higher highs are very possible at that time. A retest of 100 is likely by May 2017 and higher highs are very possible by mid-2017.

Technical Trends (Dollar)	**Astrological Indicators**	**Target Range**
Short term trend is UP (1 week ending Oct 21)	bearish (disconfirming)	96-97
Medium term trend is UP (1 month ending Nov 21)	bearish (disconfirming)	94-96
Long term trend is UP (1 year ending Oct 2017)	bullish (confirming)	100-110

Crude oil

Crude oil extended its rally last week as Russia indicated it would adhere to the OPEC production freeze. WTI gained 2% and closed just below $51 while Brent ended the week near $52. I thought we might have seen a bit more downside late in the week, although the retest of the previous high of $52 was not unexpected. We did see gains on the Mercury-Jupiter conjunction on Monday as forecast and they proved to be the highs for the week. We also got some retracement after that but it was fairly modest. The technical picture is now at a crossroads: after the test of horizontal resistance where does crude go? A double top is a bearish pattern but that would be nullified by a higher high. Support for WTI is near $49 so that tilts the scales in favour of the bulls somewhat since it is so close to resistance. As long as $49 holds as support, there is good reason to think crude will push higher. Obviously, a close below $49 would change all that and we could even see a pullback to the 50 DMA at $46. That would not jeopardize the chances for higher highs down the road but only delay them. The weekly Brent chart looks more promising for bulls as the higher lows suggest that bulls are gaining the upper hand.



This week looks less bullish. I'm uncertain of the ultimate direction this week although I would lean a little bearish. Monday has a mix of influences that makes it hard to call. More upside and a retest of resistance is possible although a decline may also occur. The midweek looks more bearish as the Moon opposes Saturn on Tuesday and especially on Wednesday. If crude has tested resistance on Monday or Tuesday, then Wednesday looks like it could bring profit taking. The late week also looks mixed as Thursday may be fairly neutral although Friday has a bearish tinge given the Moon-Mars opposition. Overall, I think we are more likely to see a retracement this week although I can't say for certain if it will break below support at $49. Next week also leans bearish as the late week Venus-Saturn conjunction is likely to coincide with some selling. We could see $46 and a retest of the 50 DMA or it could even be lower. We could see a rebound into November and December. I am uncertain if we will see WTI move above $52 by this time. It's certainly possible although it will depend on what kind of retracement we will see in October. Some significant downside is likely by late December or January. This should be a deeper retracement than October, although I am uncertain if it will break below $43. It's possible and I would not rule out a retest of $30 either.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP	bearish (disconfirming)	$48-50

(1 week ending Oct 21)

Medium term trend is UP (1 month ending Nov 21)	bearish (disconfirming)	$43-46
Long term trend is DOWN (1 year ending Oct 2017)	bearish (confirming)	$30-50

Gold

Gold moved sideways last week as investors began to discount the likelihood of a Fed rate hike. Gold traded in a narrow range and settled just $4 higher on the week at 1255. This neutral outcome was more or less in keeping with expectations as I thought the mix of influences would be unlikely to see gold break support at 1250. While Janet Yellen is no fan of gold, her remarks on Friday about the possibility of allowing inflation to rise above the 2% target could put a bid under gold here. The ECB meeting this week may also be a market mover as any reduction in QE could depress the Dollar and thus boost gold. The technical picture for gold is still bullish in the medium term as bulls are no doubt buying here as gold trades at the 200 DMA. If 1250 breaks, then buyers should come in again near 1200. That could spark a bounce, but a return to 1200 would make for a fairly bearish looking chart. To be sure, 1200 is key support and could provide the basis for another leg higher. And yet, the chart would test the conviction of bulls enormously since any close below 1200 would effectively take the bull market case off the table. Therefore, it is much safer for bulls to create a higher low here somewhere in the 1200-1250 range. Resistance is likely near 1300-1310 which is the old support level. It may prove difficult for gold to rise above 1300 in the near term given the large amount of overhead resistance. Gold is oversold on RSI and stochastics so that argues for some kind of bounce here off 1250 at least.

This week looks mixed. The early week leans a bit bullish as the Sun enters Libra on Monday. Tuesday's Moon-Venus aspect also increases the probability of some buying although not hugely. Both of these influences look quite modest in both their probability and the size of the moves. Wednesday's Moon-Saturn aspect looks bearish so some pullback is likely, especially if the early week has been more bullish. Thursday's Mercury-Uranus aspect seems bearish also. The ECB makes its latest announcement on Thursday so that could be negative for gold in

some way. Friday also looks a bit bearish. I would lean bearish here as a default although I would not be surprised if gold ended the week a bit higher, presumably on the strength of the early week influences.

Next week (Oct 24-28) should be more bearish as Venus approaches its conjunction with Saturn. The late week is a better bet for declines in this respect. I think there is a good chance that gold will fall below 1250 here if it hasn't already done so. The down trend should continue into early November. I would think the chances are good that we get a retest of 1200 in November. There could be a technical bounce in November and into December but December as a whole seems bearish. The planets do not offer compelling evidence for a move back above 1300, much less 1375. I think gold is more likely to struggle through January and it could very well fall below 1200. After a rebound in February and March, April and May look very bearish. It is quite possible that gold will retest 1050 some time in Q2 2017. I am generally bearish for gold in 2017.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is DOWN (1 week ending Oct 21)	bearish (confirming)	1230-1260
Medium term trend is DOWN (1 month ending Nov 21)	bearish (confirming)	1200-1250
Long term trend is DOWN (1 year ending Oct 2017)	bearish (confirming)	1000-1300

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