

Summary for week of 24 October 2016

- Stocks could move higher into midweek but bearish in late week
- Dollar could move higher in first half
- Crude oil could retest resistance this week
- Gold could push higher this week but more vulnerable late week

US Stocks

Stocks edged slightly higher last week on positive Chinese economic data and the growing likelihood that Hillary Clinton will win the US election. The Dow added just seven points to 18,145 while the S&P 500 finished at 2141. This outcome was somewhat unexpected although I also did not rule out the possibility of some upside. We did get some gains on Tuesday and Wednesday around the Moon-Venus aspect but the late week negative aspects didn't really inflict much damage.

Investors are generally welcoming the prospect of a Clinton win as it will represent a continuation of the status quo, albeit with the possibility of higher taxes. But as Election Day nears, it is also possible the market could 'sell the news' after a Clinton victory. That is another possible source of declines in November. The other problem now is what the Fed does in December. After Draghi and the ECB did nothing last week, the Dollar took flight and is now pushing back up towards its previous high. A high Dollar is probably incompatible with higher stock prices in the long run although it needn't immediately undermine the current rally. If the Fed goes ahead and hikes rates in December -- the current CME odds are 70% -- the Dollar would surely move even higher. Therefore, if there is more strong data between now and then, we should expect the Dollar to rally and for equities to become more volatile.



So far October has been only modestly bearish. I would have thought the ongoing Saturn-Neptune-Node alignment might have done more damage by now. With central banks pulling out all the stops to keep this rally

going, it appears it is going to take more negative planetary alignments to produce a fundamental change in sentiment. More downside is still the most likely scenario in November but it is unclear how far the decline could go. A large decline is still probable at some point between now and Q1 2017. But time is running out on the Oct-Nov window so it may only be shallower decline that occurs before the larger Wave 3 type decline, presumably in Q1 of next year. A large 10+% decline could still happen in November, but the probability now looks less than 50%.

The short term technical outlook seems slightly more bullish here. After the retest of support at 2120, the SPX may be bouncing higher in the short run, albeit well within the boundaries of its range. The 50 DMA at 2160 could be key resistance in the short term. The daily chart looks vulnerable to more downside so I would be surprised if bulls could push prices above 2160 in the near term. The 20 and 50 DMA are in a bearish crossover and both are sloping downwards. The recent price pattern resembles a descending triangle of equal lows but lower highs. This often predicts falling prices in the near future. If support fails at 2120, then the downside target could be 2060 which is a measured move from its current range. This would be approximately at the same level as the 200 DMA at 2072.

Breadth seems to be deteriorating also and could be another clue that lower lows lie ahead. The percentage of stocks above their 50 DMA is now almost as low as it was in June. On one hand this could indicate near oversold conditions but I think it also indicates that most of the buying is concentrated in fewer and fewer stocks. The weekly Dow chart is still looking problematic as stochastics is still in a bearish crossover and still not yet oversold. MACD is also in a bearish

crossover and is pointing towards lower prices ahead. Key support is at 18,000 and bulls should wonder just how much leeway they may have if there is an intraday violation of that level. If we see a daily close below 18,000 there could be a quick decline to 17,500. When the larger decline eventually occurs, we should at minimum expect another tag of the 200 WMA at 16,700. Meanwhile, bond yields drifted lower last week as the market anticipated increased demand for Treasuries with the higher Dollar. Despite the talk of a Fed rate hike and a possible higher inflation target, the bond market is still quite cautious and looks more indicative of an economic slowdown.



This week gives a plausible chance for the bears. However, most of the negative short term aspects are confined to the second half of the week. Therefore, it is very possible we could see an early week bounce. The Sun conjoins Mercury on Tuesday and Wednesday so that could well be sufficient encouragement for some modest gains. Venus also aligns with bullish Jupiter and Neptune on Tuesday and Wednesday so that increases the probability of some upside at that time. Monday is perhaps less bullish although overall I would think it is neutral and could go either way. Thursday features a rising downside risk although I would not say a decline is quite probable on that day. The approaching Venus-Saturn conjunction is exact on Sunday the 30th but may well manifest a bit earlier. How much earlier is hard to say, however. Friday's Mars-Uranus square aspect also looks bearish. Friday looks to be the most bearish day on paper this week. Overall, I'm not sure where stocks will finish this week. If the gains arrive early in the week then we could see 2160 quite easily by midweek, if not higher. That would not surprise me. While the late week aspects look bearish, the bears have been weak so it's unclear how much damage we can reasonably expect. We could see a sharp sell-off late in the week here that more than offsets any early week gains. However, I tend to think that's less than probable.



Next week (Oct 31-Nov 4) looks more substantially bearish. Mars enters Capricorn on Monday the 31st and this should correlate with a sizable decline on either Monday or Tuesday. It is possible this could be large enough to produce a new down trend. Wednesday the 2nd also seems bearish on the Mercury-Saturn alignment although it may only produce a modest decline. The late week could be more bullish on the Sun-Jupiter alignment. Overall, however, the week should be negative. The following week (Nov 7-11) also leans bearish as the US votes on Tuesday the 8th. As I noted earlier, it is possible we could get a 'sell the news' move after the result is known.



Alternatively, we could also see some shenanigans from Mr. Trump which might unnerve markets. Monday leans bullish as Venus enters Sagittarius. However, Wednesday's Mars-Saturn alignment looks bearish and should produce a bearish outcome for the week as a whole. I think November leans bearish overall although I do not have a strong opinion about where the low for the month may occur. December should bring about a rebound but Q1 2017 should bring another significant decline, including one which may retest the previous low of 1810. Generally 2017 looks bearish and I am expecting lower lows by mid-year which could signal an end to this bull market.

Technical Trends

Astrological Indicators

Target Range

Short term trend is DOWN
(1 week ending Oct 28)

bearish (confirming)

SPX 2120-2160

Medium term trend is UP

bearish (disconfirming)

SPX 2000-2100

(1 month ending Nov 28)

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

bearish (disconfirming)

SPX 1500-1800

Indian Stocks

Stocks climbed last week on better corporate earnings and encouraging data out of China. The Sensex added more than 1% on the week to 28,077 while the Nifty finished at 8693. This bullish outcome was unexpected as I thought we would get more fallout from the midweek Mars-Pluto conjunction. Instead, the mid and late week was mostly flat but Tuesday's gain was enough to produce a positive week overall.

The market remains in a trading range as it awaits its next major cue. While the recent RBI rate cut did help boost sentiment when it was needed, stocks are not out of the woods yet by any means. The ECB did not change its policy at all last week and that has provided more upward thrust for the Dollar. A higher Dollar is bad news for Indian equities so a December hike could prove to be another headwind for bulls in the coming weeks. Current odds of a hike now stand at almost 70% as it will take some significant disappointments in the data (e.g. the next US jobs report on Nov 4) to push this number down. Nonetheless, the likelihood of a US rate hike will likely forestall any ambitious bullish push to match the previous high at 9119.

While stocks have generally declined in recent weeks, the size of the decline has been more modest than I expected. The ongoing Saturn-Neptune-Rahu alignment offered the possibility of a larger decline across September and October. So far, we have only a small 5% pullback. While this bearish alignment is now waning in influence, I still think there will likely be more downside in November. That is due to the impact of some potentially triggering conjunctions of fast moving planets such as Venus (Oct 30) Mercury (Nov 23) and the Sun (Dec 10). I think lower lows (below 8500) are therefore the more likely scenario in November, although I'm unsure how much lower they will be. It is possible they may only be incrementally lower and they will not test the 200 DMA. Even if we see a rebound in December as I expect, I think another leg lower is likely in Q1 2017 as Saturn aligns with Uranus and then Rahu.

The technical outlook improved somewhat last week. While Monday's low broke below support at 8550 and actually touched 8500, the subsequent bounce was substantial. Resistance is now at 8700 near the confluence of



the 20 and 50 DMA. The chart may well be tracing out a falling channel now off the early September highs although a close above 8700 would negate this potential pattern. If the Nifty does follow this falling channel, then it would mean that any further downside may be fairly incremental. Resistance is now at 8450 or so. Even if 8550 was broken as horizontal support last week, 8500 still has some validity as horizontal support going back to July. Given the approximate descending triangle since September, a deeper downside target is still 8100. This is quite close to the 200 DMA at 8054 and could be a safer entry point for bullish investors looking to take long positions. A major pullback of that size would be entirely in keeping with this year's rally and would only represent a 50% retracement, if that.

Despite the bounce last week, the weekly BSE chart still has a bearish crossover in MACD and stochastics. Stochastics could still fall further before becoming oversold. If it even possible that a quick flush down to 26,000 and the 50 WMA would produce an oversold condition in weekly stochastics. In other words, an oversold situation in stochastics is a safer level from which to commit new capital on the long side. Despite the bearish-looking indicators, it is still conceivable that we could see the Sensex rise further from its current level and challenge its previous high. Meanwhile, ICICI Bank soared last week after a strong earnings report. After testing support at the 200 DMA the previous week, the stock rose to retest its September high. There may be some resistance at this level, however, so a quick move above the September high seems less likely. Bulls will have to keep prices above the 50 DMA at least during any possible consolidation phase. I suspect any dips in the near term will be bought. Infosys (INFY) continued to move sideways along its 50 DMA last week after retesting the bottom in the previous week. Bulls may be awaiting a convincing breakout above the August high before jumping in with both feet.

This week looks mixed. The first half of the week may be somewhat more bullish than the second half. Monday has a small bearish bias due to the Mars-Moon aspect in the morning. But sentiment may gradually improve across Tuesday and Wednesday as Venus aligns with Jupiter and Neptune. If Tuesday turns out to be negative, then the odds would increase for gains on Wednesday. But after Wednesday, the risk of declines increases. Friday's Mars-Uranus square aspect is most problematic in this respect. Thursday is somewhat less bearish than Friday. There is also a larger than normal risk of a large 2%+ decline late in the week although I would not say this is a



probable outcome. But certainly the Mars influence here suggests higher volatility. Overall, I would lean bearish for the week but I do acknowledge the possibility that the first half of the week could be fairly bullish and this could offset any late week (or Monday) declines. Declines are likely coming in November in any event.

Next week (Oct 31-Nov 4) is holiday-shortened with Monday's closing. The week could be bearish to start at least as Mars enters Capricorn on Tuesday. We could see a couple of down days here which could produce a retest of 8500. But the late week leans more bullish as Venus aligns with Uranus although I think there is some reason to expect a net decline. The following week (Nov 7-11) looks bullish to start as Venus enters Sagittarius. However, the second half of the week looks more difficult as Mars aligns with Saturn. A decline is more likely here, especially in the wake of the US election on Tuesday. I think incrementally lower lows are possible by mid-November. Late November looks slightly bullish as Jupiter briefly aligns with Saturn and Pluto. December looks mixed so if there is a significant rebound after the November low, it may be fairly modest. I would expect a lower high on the Nifty in December. Q1 2017 is still shaping up to be volatile as bullish Jupiter aligns with Uranus but then Saturn aligns with Uranus and Rahu. These alignments suggest a very choppy market with large moves in both directions. However, the Saturn-Rahu alignment may well have the last word and end up taking stocks lower again. I am still expecting lower lows by mid-2017 which retests the previous low of 6800.



Technical Trends

Astrological Indicators

Target Range

Short term trend is DOWN
(1 week ending 28 October)

bearish (confirming)

8600-8700

Medium term trend is UP
(1 month ending 28 November)

bearish (disconfirming)

8200-8400

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

bearish (disconfirming)

6000-8000

Currencies

The Dollar extended its recent rally last week as the odds rose for a December rate hike following another do-nothing meeting by the ECB. The USD finished the week at 98.69 while the Euro fell below 1.09. The Rupee weakened to the 67 level while the Yen held steady near 104. This bullish outcome for the Dollar was surprising as I thought the midweek pullback might have been deeper than it was. The Dollar has now moved above its previous high and is on course to retest the top of its trading range at 100. The market has largely priced in a December rate hike now although more favorable data in the coming weeks could push the DX higher right up to 100 if the hike becomes a certainty. And yet the Fed likely does not want the Dollar too high as it will wreak havoc with global equity markets. If there is any weaker than expected US data, it may be enough for Janet Yellen and Co. to back off the rate hike talk. Without a hike, the Dollar would likely fall back to its 200 DMA if not lower. In the short term, support is near 97.5-98 which bulls will have to defend if they hope to have a final rally back to 100 in the near term. The weekly Euro chart suddenly looks vulnerable once again as it now occupies the lower half of its trading range. With the ECB standing pat on its QE program, the Euro could now trade in this lower range of 1.05 and 1.10.



This week sees an increasing downside risk for the Dollar although I'm not quite convinced we will get a decline. I mistakenly thought the rally might have peaked last week but that view proved to be premature. This week is another possible reversal scenario as we could see a brief move higher followed by some late week selling. Monday actually looks somewhat bullish and we could see more upside into midweek. The late week looks more uncertain, however, on the Mars-Uranus square. It would not surprise me if the Dollar actually finished this week higher overall although it's getting late in the day. And it's possible that the Dollar could continue to rally right into the Venus-Saturn conjunction on October 31 (next Monday). If it does, then I would think it could reach all the way to 100 before consolidating. November still looks like a good bet for a retracement lower, at least until the middle or end of the month. It is possible we could see the Dollar again trade below the 200 DMA at 96. However, December looks bullish again so it seems likely that the Dollar will push back up to resistance at 100 by January at the latest. I would not be surprised if we saw the DX actually rise above 100 sometime in early 2017. Another spike higher is likely in April and May with more gains possible in the summer of 2017. Overall, 2017 looks bullish for the Dollar with higher highs very possible.



Technical Trends (Dollar)

Astrological Indicators

Target Range

Short term trend is UP (1 week ending Oct 28)	bullish (confirming)	98-99
Medium term trend is UP (1 month ending Nov 28)	bearish (disconfirming)	94-96
Long term trend is UP (1 year ending Oct 2017)	bullish (confirming)	100-110

Crude oil

Crude oil was mostly unchanged last week as the rising Dollar and a supply glut undermined the rally. WTI finished below \$51 while Brent ended the week below \$52. This neutral outcome was largely in keeping with expectations although I thought the early week was more likely to bring gains which would then be sold. As it happened, the gains came a day later with a high on Wednesday which then was met with profit taking. Wednesday's high was only a marginally higher high so bulls cannot quite claim victory here. Nonetheless, the chart is looking fairly strong here as most of October has traded above \$50. With every dip being bought aggressively, it seems more likely that we will get higher highs eventually. The measured move off the \$36 interim low suggests a possible upside target of \$56 for WTI. Horizontal support is near \$49-50. Any move below that level could weaken the current bullish trend in the chart. We should pay special attention to how the market reacts to any possible decline below \$49. The weekly Brent chart looks like it may be taking a pause here at resistance. While it may not be able to move higher in the short run, it seems more likely that any dip will be bought to form a higher low above \$44. Bulls are hoping that Brent could follow the rising channel which would have resistance close to \$60.



This week could see crude retest resistance. Monday looks more mixed while Tuesday is only slightly more bullish. Wednesday seems more bullish as the Sun conjoints Mercury. Even if we see a test of support early in the week, I would think the midweek should be bullish enough to produce a retest of \$52 on WTI. I am agnostic on whether it could move above that level, however. The late week may be more volatile as Mars squares Uranus on Friday. While a gain is not impossible here, there is an increased downside risk. Overall, the week could actually be positive. Next week (Oct 31-Nov 4) could be bearish to start as Venus conjoints Saturn. The focus of negative influences may be in the early part of the week as the late week looks more bullish. I would not rule out



higher highs here although there will also likely be another test of support at \$49. We should see some range bound trading in November and December. I think it is unlikely that crude will turn significantly bearish in November or December. While we could see some short term down moves, the alignments do not see overly negative. If anything, there should be a bullish bias in place for November and December, even if it does not translate into a major bull trend. A larger retracement lower is more likely to begin in late December or early January. This could amount to a full correction. A retest of \$40-43 is possible in January or February. Another rebound is likely in April and May but the summer looks quite bearish again.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending Oct 28)	bullish (confirming)	\$50-52
Medium term trend is UP (1 month ending Nov 28)	bullish (confirming)	\$48-56
Long term trend is DOWN (1 year ending Oct 2017)	bearish (confirming)	\$30-50

Gold

Gold moved modestly higher last week on weaker than expected US economic data. Gold rose 1% finishing at 1267. While I was somewhat bearish last week, this slight gain was also not unexpected. I thought the early week entry of the Sun into Libra could generate some upside and that was largely the case as gold rose into Wednesday. The late week was more bearish on the Mercury-Uranus aspect. Gold is trying to bounce off support at 1250 here. The bounce so far seems weak and should not be giving much comfort to bulls. Resistance is the old support level at 1300-1310 although I suspect gold will not be able to move that high in the near term. Both the 20 and 50 DMA are sloping downward and are indicating a significant correction is at hand. If 1250 were to break, gold could fall to 1200 fairly quickly. If 1200 is broken to the downside, then a possible downside target would be 1030 (1370-1200=170, 1200-170=1030). This is roughly near the previous low of 1050. I will admit my bearish bias for gold but the technicals reaffirm a cautious stance in any event. Yes, current levels could offer an attractive entry point for longer term bulls but one wonders how many stop losses there are at 1249 or 1199. A move below either of those



technical levels could generate a lot of selling. And yet, the 200 DMA is still rising and this should give bulls some confidence that they are on the right side of the trade.

This week looks mixed with significant moves in both directions. The early week leans bullish as the Sun approaches its conjunction with Mercury on Wednesday and Thursday. Monday leans bearish, however, so we could see some retracement below 1260 and perhaps down to 1250 again. While there is some legitimate reason to expect some upside this week, the Oct 30th Venus-Saturn conjunction is likely to limit any upside both in terms of magnitude and time. It is conceivable that gold could rise into Oct 30th although the conjunction itself is bearish. The late week looks more negative as Mars squares Uranus. I do not have a strong opinion about where gold finishes this week. I could be higher or lower. But I am leaning bearish generally here if only because of next week's patterns.

Next week looks bearish, especially in the early week. A breakdown of 1250 is definitely possible here. A rebound is more likely starting on Wednesday although I would be skeptical about its sustainability. The following week also leans bearish. We could see gold rebound in the second half of November and early December. But gold looks less likely to rebound strongly, much less make new highs above 1370. We may only see gold rebound to 1300 in December. January looks like the start of another move lower which could extend into April. I would think gold will fall below 1200 by April, if not retest 1050. Lower lows are quite possible in mid-2017.

Technical Trends	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Oct 28)	bearish (confirming)	1230-1270
Medium term trend is DOWN (1 month ending Nov 28)	bullish (disconfirming)	1250-1300
Long term trend is DOWN (1 year ending Oct 2017)	bearish (confirming)	1000-1300

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