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Summary for week of 21 November 2016

- Stocks vulnerable to significant declines this week
- Dollar likely to extend rally, especially early
- Crude oil may see profit taking this week
- Gold volatile with lower lows possible this week or next

US Stocks

Stocks rose for a second week on expectations that the incoming Trump administration will lower taxes and reduce regulation. The Dow traded at a new all-time high before closing at 18,867 while the S&P 500 gained almost 1% to 2181. This bullish outcome was in line with expectations as the early week Venus influence finally kicked in on Tuesday. The late week was somewhat more positive than I anticipated, however.

Does this Trump rally mean we on the verge of a major new leg higher as a more business-friendly administration begins to take over the levers of power? Bulls certainly think so and in some important respects these new rules of the game are very much on their side. Growth and earnings forecasts will be higher now and that should be a positive influence on stock prices. As always, however, there is a bearish case to be made. With rising inflation expectations given the free-spending Trump administration, the Dollar is rising sharply as investors factor in higher interest rates. A higher Dollar is negative for earnings, especially for larger multinational companies who sell abroad. The other problem is the higher rates themselves as they will increase the cost of public and private debt servicing and make bonds more attractive relative to stocks. Over time, higher rates could drain some money out of stocks as the tide into risk assets finally reverses and again goes out to sea.

In astrological terms, we can see that both bullish Jupiter and bearish Saturn will each likely have their windows of influence in the coming weeks. Jupiter is due to station retrograde in close aspect with Uranus in February.

This is usually a bullish influence which suggests that we will see a significant rally in Q1 2017. Just when it will begin is harder to say with certainty, although I would lean towards a January bottom and a rally commencing from there. Saturn is also likely to have its time on center stage as it aligns with Uranus in December and enters Sagittarius in mid-January. For this reason, I think we are likely to see a correction and then a rebound. However, I'm not certain when this correction will begin. It is possible it could start as soon as this week on the ominous-looking Mercury-Saturn conjunction. At the same time, I will not be shocked if that doesn't happen and we have to wait another week or two into December. In other words, we cannot rule out more upside for the Trump rally although I think it is getting quite risky.

The technical picture looks short term bullish as many of the main indexes made new all-time highs last week. This makes more upside the path of least resistance. The SPX is lagging a little so it hasn't yet broken above 2194. If it follows the other averages higher, then resistance could be close to 2220. Of course, there is no guarantee that it will move higher and it could well end up reversing lower from here. A double top pattern is bearish and we can see the makings of a descending triangle pattern of equal highs and lower lows with a downside target of 2050-2060 in the near term. On the other averages, the broadening top/megaphone pattern is now near resistance but also has a similar lower low downside target below the early November low.

Stocks are getting overbought in this bounce as RSI is again approaching the 70 line while stochastics is now over 90. The rally breadth is gradually improving as the percentage of stocks above their 50-day moving average has returned to September levels. However, some caution is advised for the medium term as the percentage of stocks above their 200-day moving average remains well below its 2016 highs. So while this rebound has been forceful, the longer term picture still looks fragile. The weekly Dow chart looks bullish with a series of higher highs and higher lows. The resulting rising channel suggests we could see more upside before a test of resistance occurs above 19,000. Stochastics is again in a bullish crossover and also points to more upside. RSI is getting closer to the 70 line, however, so in the event of another week or two of gains, the rally would become over due for a correction. Key support is still at 18,000 although with higher lows in place, the rally could break down more sharply if the Dow falls below 18,250 or so. Meanwhile, yields continue to climb as the 10-year finished the week above 2.3%. With the election of Donald Trump, the bond market is showing more signs of ending its long term downward trend in yields. Last week's rise confirmed the breakout higher out of the falling channel as investors demanded a higher inflation premium for treasuries. Higher yields are a sign of economic growth but in the current easy-money, high-debt environment, higher yields may prove less benign.

This week focuses around the Mercury-Saturn conjunction. This is exact on Wednesday, just before the Thanksgiving holiday break. This conjunction adds a special level of risk to the markets this week, both in terms of probable direction and size of the move. To be sure, bulls could still end up on top here since the Mercury-Saturn also aligns with Jupiter. This is one reason why I am hesitant about getting too bearish this week. But the added downside risk is appropriate given that the conjunction aligns with other points in the US national horoscope. It is possible we could see some surprising political developments which cause some anxiety or uncertainty. Therefore, a large decline is conceivable this week, even if we can't quite say it is probable as an outcome. Monday and Tuesday also lean bearish on the Mars-Lunar Node alignment. Friday looks more bullish on the Venus-Jupiter alignment, and we could see a rebound begin as soon as Wednesday assuming the preceding decline has manifested fully on Monday and Tuesday. I am reluctant to make any predictions about possible levels this week. If the decline doesn't happen, then the SPX will end up above 2200 by Friday. However, I would lean bearish here overall although the size of the decline is something that is hard to estimate.

Next week (Nov 28-Dec 2) is likely to see some upside on the Mars-Jupiter-Saturn alignment. At the same time, there is the likelihood for some volatility along the way. The early week could be somewhat more likely to see some declines as the Moon conjoins Saturn. The second half of the week may bring improvement as Venus enters Sagittarius on Friday. But even here, I would allow for a greater than chance probability for more significant downside. The indications are sufficiently mixed that it's hard to know what will transpire. Mid-December looks more bullish so if stocks have declined in late November and early December, that would be a good time for some kind of bounce. But late December still looks bearish as Mars approaches its conjunction with the South Lunar Node near Christmas. January also contains some potentially bearish influences such as the entry of Saturn into Sagittarius on Jan 25. I tend to think that we could see an interim bottom sometime in the second half of January, perhaps near the Inauguration on Jan 20. The subsequent rebound should extend through February and into March at least. It is possible we could see a higher high (>2200) in March or April although a lot will depend on what kind decline precedes it. It's hard to say. March to May looks more bearish although we could see some sudden gains mixed in also. Mid to late-May could be the bottom and a lower low is very possible. After an early summer rebound, more downside is quite likely on the Saturn-Node alignment in July and August. 2017 as a whole contains several difficult alignments that suggest difficulty for stocks. The planets look tumultuous for the US as a whole and markets are likely to reflect that uncertainty.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is UP (1 week ending Nov 25)	bearish (disconfirming)	SPX 2050-2200

Medium term trend is UP (1 month ending Dec 25)	bearish (disconfirming)	SPX 1950-2100
Long term trend is UP (1 year ending Nov 2017)	bearish (disconfirming)	SPX 1500-1800

Indian Stocks

Stocks fell for the fourth straight week on Dollar worries and fallout from the government's demonitisation policy. The Sensex lost more than 2% on the week to 26,150 while the Nifty finished the week at 8074. This bearish outcome was somewhat unexpected as I thought we would see some early week rally attempts on the Mercury-Venus alignment. As it happened, however, stocks lost ground Tuesday and could not stage a significant rebound for the rest of the week.

It's tough times for bulls on the double whammy of the soaring Dollar and the ongoing economic disruption of demonitisation. A currency shortage has hit the daily economy hard but its impact is likely to lessen soon. Over the long term, it will improve the fiscal situation and provide more flexibility for building new infrastructure. The same cannot be said for the Dollar which may spark more FII outflows as capital seeks higher returns at home. The full impact of the shock election of Donald Trump has not yet been felt as the Dollar continues to appreciate in the anticipation of higher inflation in the US. As the Dollar rises, so do US Treasury yields and this creates a rival asset class for investors in search of returns. A significantly higher Dollar is clearly bad news for Indian equities as risk assets are less compelled to go into emerging markets.

The current correction is best understood as a reflection of Saturn's prominence in the sky as it transits Scorpio and casts its aspect to Rahu. The negative effects of this transit have occurred somewhat later than expected but they are real enough now. While the Saturn-Rahu aspect is gradually separating and weakening, we should pay close attention to the Saturn-Uranus aspect in December. This is another potential source of negative sentiment which reduces the likelihood of a strong or enduring rebound in the near term. I would think that lower lows are a more likely consequence of this aspect, probably sometime in the month of December. January offers the prospect for a stronger rebound as Jupiter aligns with Uranus. This alignment is usually bullish and it is likely to last for at least two months due to Jupiter's retrograde motion. Therefore, we could see a significant rebound starting in Q1 2017. However, Saturn will again move to centre stage in by mid-2017 as it aligns with Rahu once again while in aspect with Uranus. Overall, the outlook for 2017 is bearish with a very real possibility of lower lows.

The technical picture remains bearish although the prospect for a bounce has arguably improved. As expected, we have seen a quick retest of the previous piercing low to 8000. If we see more selling, I would expect more buyers to enter the market near 8000. If there are any unexpected global developments, however, 8000 could fail. Resistance is near the 20 DMA at 8500-8600. The daily chart looks quite bearish here as both the 20 and 50 DMA are sloping downward in a bearish crossover. RSI (=26) is oversold, however, so we could see a bounce fairly soon.

In addition to the horizontal support at 8000, bulls are no doubt finding solace in the proximity of the 200 DMA. The late week trades found resistance at the 200 DMA but buyers will likely continue to enter long positions as long as the Nifty remains close to this line. 8000 also represents about a 50% retracement from the recent high at 8900+. If 8000 holds in the coming days, then we could expect another sharp bounce although I would suspect that bulls may abandon ship the closer the bounce gets to the 20 DMA. The weekly BSE chart looks as bearish as ever although stochastics are now below the 20 line indicating an oversold condition. We could therefore see a bounce over the next week or two. However, weekly RSI is not yet oversold so even if we get a bounce, lower lows are still very much on the cards. Cautious bulls may be waiting for another tag of the 200 WMA at 24,559 before going long. However, it is unclear how much technical resiliency this line actually possesses since the horizontal support at 22,500 may be more durable. Meanwhile, Tata Motors (TTM) followed the broader markets lower and is trading near its own 200 DMA. The downside momentum looks formidable here and it could easily fill the late May gap before rebounding. The chart is short term bearish. HDFC Bank (HDB) also suffered losses last week as it closed below its 200 DMA. A bounce is likely soon enough but the chart needs to form a durable bottom first. Perhaps bulls can hold on to the May low.

This week also contains some significant downside risk due to Wednesday's Mercury-Saturn conjunction. Ascribing a clear impact to this conjunction is more difficult since it will be part of a larger alignment with Jupiter and Pluto. For this reason, I would not rule out a possible positive outcome around the time of the conjunction. However, there is a larger risk here due to where this Mercury-Saturn conjunction is taking place – at 22 degrees of Scorpio. This is close to a sensitive point in the US national chart

and therefore it could indicate sudden political developments which may have a large financial impact. Monday could go either way although I would lean bearish just in case. Tuesday looks more bearish as Mars tightens its alignment with Rahu and the Moon. Wednesday is also bearish but Thursday and Friday offer a better chance for gains on the Venus-Jupiter alignment. If Monday is positive, then it is possible we could avoid a breakdown of support at 8000 this week. However, there are real risks here for more downside which should not be ignored. Bulls should be careful. Even if the late week is positive, it is difficult to see how this week is positive.

Next week (Nov 28-Dec 2) offers some hope for a rebound. The late week Mars-Jupiter-Saturn alignment suggests gains more than losses so I would expect some kind of bounce here, especially if the preceding week has been lower. It seems unlikely to interrupt the larger down trend however, even if we see a few strong up days. However, the early week looks bearish, so the overall gain may be limited. The following week (Dec 5-9) looks a bit more bearish again as Mercury aligns with Rahu late in the week. This looks less likely to produce lower lows, however. But the second half of December does seem more bearish as Saturn aligns with Uranus. I would expect lower lows here, including the likelihood of a breakdown of 8000, if it hasn't already happened. A significant low is likely in January after which stocks should begin a more durable rebound. The rebound should extend through February and into March. A higher high is possible but probably unlikely. A lot will depend on where the low is made in December-January. If it is well below 8000, then we can likely rule out higher highs. Another correction is likely in April and May. The Saturn-Rahu alignment in mid-2017 also looks bearish and will likely put additional pressure on stocks. Lower lows are possible.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is DOWN (1 week ending 25 November)	bearish (confirming)	7900-8200
Medium term trend is DOWN (1 month ending 25 December)	bearish (confirming)	7700-8100
Long term trend is UP (1 year ending November 2017)	bearish (disconfirming)	6000-8000

Currencies

The Dollar rally continued for a second week as investors anticipated sharply higher interest rates in a Trump administration. The USDX closed above 101 while the Euro tumbled below 1.06 and the Rupee Index climbed above 68. This bullish outcome was somewhat unexpected as I thought the early week might see some profit taking. So it seems the Dollar rally has arrived a bit ahead of schedule as the December gains I foresaw having already pushed the DX to resistance very quickly. While it may prove difficult for the Dollar to move much higher in the short run, it also seems likely that any pullbacks will be bought fairly soon as the upward momentum is undeniable. It is possible that the Dollar has been forming a year-long cup-and-handle pattern which has an upside target of 108-109. I am expecting the Dollar to break above resistance at 101 and to fulfill this upside target at some point in 2017. In the event of a pullback, support is likely near the previous high of 99 which is also near the 20 DMA. The weekly Euro chart is also showing this new trend as the bottom end of the range is now being tested at 1.05. If 1.05 is broken as I expect, then we should see the Euro trade below parity at 0.95 in the coming months. If Italy votes against constitutional reforms on December 4th, then we could get to that level sooner rather than later as the Eurozone would suffer yet another existential crisis. This level of currency instability is generally unhelpful for stocks.

This week also leans bullish especially in the midweek. Monday has a decent chance of a pullback but the Mercury-Saturn conjunction may be bullish. The late week also could see some profit taking but probably not enough to arrest the rally. While I would not be surprised if we had a negative week it seems unlikely to last. Next week looks like more of the same as pullbacks may be brief and shallow and likely to be bought. The month of December should be mostly bullish and the up trend may well continue into January. It seems likely that we will see the DX significantly higher at the top of this rally, perhaps all the way to 108 when all is said and done. A retracement is likely starting in January at the latest and continuing through February and into March. But another up trend is likely for April and May. I am uncertain if this spring rally will produce a higher high, however. A larger retracement is likely starting in June and July and continuing into September at least. This could break the bull market more decisively. While Q4 could be somewhat bullish for the Dollar, Q1 2018 may bring a large decline and bring lower lows relative to Q3 2017.

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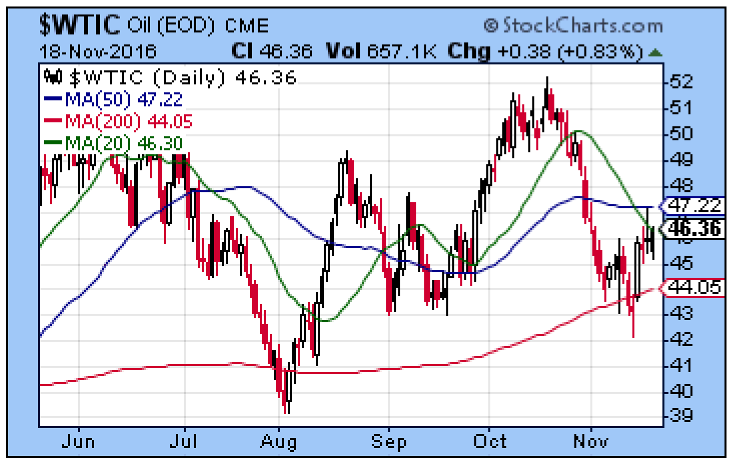
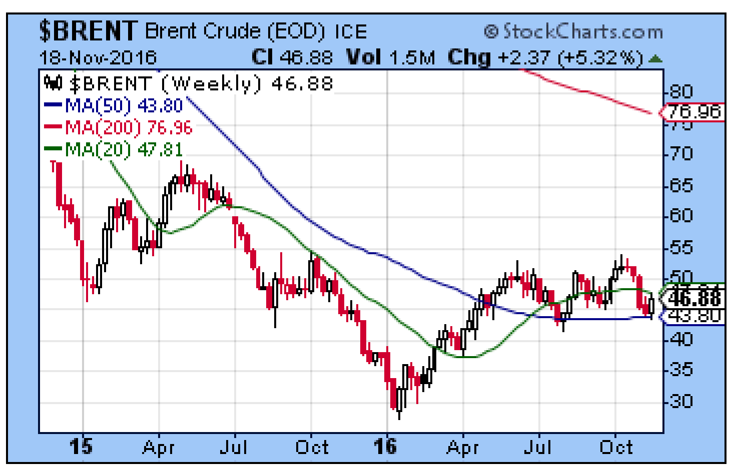
Technical Trends (Dollar) **Astrological Indicators** **Target Range**

Short term trend is UP (1 week ending Nov 25)	bullish (confirming)	100-102
Medium term trend is UP (1 month ending Dec 25)	bullish (confirming)	102-104
Long term trend is UP (1 year ending Nov 2017)	bullish (confirming)	100-110

Crude oil



Crude oil rebounded last week on hopes for an OPEC deal and improving US demand. WTI finished the week up 5% to $46 while the Brent settled just below $47. This bullish outcome was largely in keeping with expectations as I thought the early week Venus influence would correlate with gains. This proved correct as Tuesday's rise provided enough buying to last for the rest of the week. As expected, we did see a brief test of the 50 DMA last week as WTI rejected the $47 level. While the bounce off support was predictable, it is less clear what happens now. Bulls may be able to withstand another test of support at $43 but that would induce a lot of anxiety. Bears will likely aggressively short any subsequent tests of $47 as they are anticipate lower lows following the double top pattern. Any close above the 50 DMA at $47 would be more bullish and would suggest at least another retest of resistance at $52. The weekly Brent chart shows a gently rising channel still in place with resistance at $54. Any close below the 50 WMA at $43.80 would be problematic for this bullish trend, however. And a weekly close below the August low of $42 would signal that this rebound is likely over and there could be a retest of the 2016 low below $30.



This week would seem to offer the bears a better chance. The midweek Mercury-Saturn conjunction could coincide with some significant volatility in financial markets which may coincide with declines in some commodities. Monday could be somewhat more bullish than other days but the week as a whole suggests downside risk. After the Thanksgiving holiday Thursday, Friday could be more bullish. A retest of $43 is very possible this week. Next week could see some upside on the Mars-Jupiter aspect later in the week. The rest of December has a bearish bias, however, and a retest of the August low of $39 is quite likely. By January, there is a decent chance that crude will be retesting its early 2016 low below $30. A strong rebound is likely to begin in January and continue into February and early March. This does not seem strong enough to move above previous highs ($52). We shall see. Another corrective move is likely starting in March and continuing into April. A summer rally could finally return crude back to a more bullish trend.

Technical Trends	**Astrological Indicators**	**Target Range (WTI)**
Short term trend is DOWN (1 week ending Nov 25)	bearish (confirming)	$43-46
Medium term trend is UP (1 month ending Dec 25)	bearish (disconfirming)	$35-40
Long term trend is DOWN (1 year ending Nov 2017)	bearish (confirming)	$30-50

Gold

Gold moved lower last week on more Dollar strength and a more optimistic US outlook. Gold lost more than 1% to 1208. This modestly bearish move was not out of line with expectations as I was unsure where gold would finish up. As expected, its most bullish days were early in the week, such as they were. Bulls were weak and could not reach the old support level of 1250 and then as expected we saw lower prices later in the week. The technical picture is looking fairly bleak here as gold hangs onto support at 1200. It's oversold at least so that argues for a bounce as RSI and stochastics are deep in the red. And yet a long position entered at 1200-1208 seems almost too obvious a trade and it could quickly become very crowded. Bulls were unable to hold it above 1230 last week so we will see if they can reach that level intraday this week. We may have to see a washout below 1200 to get rid of the lazy bullish positions before a rebound can take place. If 1200 is broken, then a possible downside target would be 1030 over the medium term. In the short term, perhaps 1170 could find support (1230-1200=30). And to round out the bearfest, last week saw a near-death cross of the 50 and 200 DMA. If bulls are going to survive they need a weekly close above 1250.

This week looks volatile with more downside possible. I am unsure if Wednesday's Mercury-Saturn conjunction will be bearish for gold. I think there is an elevated downside risk although it could move higher also. It's a wild card in that respect. Friday looks somewhat more bullish on the Venus-Jupiter alignment. I am reluctant to suggest a possible target this week although I would have a bearish bias in any event. I would say that 1200 is very much in jeopardy although I won't be shocked if it holds up until Friday.

A decent bounce is coming for gold but I think we may have to wait until after the Sun-Saturn conjunction on December 10th. Between now and Dec 10th, gold may continue to be vulnerable to more downside. While some bounces are still likely in the next three weeks, they will likely be weak and followed by more selling. Therefore, it seems quite possible that 1200 will be broken to the downside by early December. But a rebound is likely in December on the Jupiter-Uranus opposition and it could even extend into January. The first part of this bounce could peak around Christmas. Early January looks bearish again, however, as Saturn approaches its alignment with Jupiter. However, the late January and February look more bullish so it is possible that gold could trade above 1200 again and perhaps even 1300. It all depends where it ends up bottoming at in Nov-Dec. More downside is likely to begin in March and continue into April and May. Lower lows are possible. Gold looks most bearish in June and July during the Saturn-Node alignment and we could well see gold fall below 1000.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is DOWN (1 week ending Nov 25)	bearish (confirming)	1170-1230
Medium term trend is DOWN (1 month ending Dec 25)	bullish (disconfirming)	1200-1300
Long term trend is DOWN (1 year ending Nov 2017)	bearish (confirming)	1000-1300