

Summary for week of 7 November 2016

- Stocks prone to declines, especially after Tuesday
- Dollar likely trending lower
- Crude oil mixed with possible rebound later
- Gold may extend recent gains this week

US Stocks

Stocks tumbled last week as investors began to price in the possibility of a Trump presidency as the polls narrowed. The Dow lost 1.5% to 17,888 while the S&P 500 finished at 2085. This bearish outcome was in keeping with expectations as the entry of Mars into Capricorn Tuesday coincided closely with the break of support at 2120. I thought we might have got some upside Monday and possibly Thursday but buyers never appeared.

So here we are on the cliff-edge peering over into the abyss of a possible Trump presidency. While the polls have tightened, most still favor a Clinton win but her win probability varies significantly depending on the pollster. I still think the planets favor her and yet I have to acknowledge some uncertainty (and fear!), if only because I'm trying to make sense of the likelihood of a November sell-off. If Clinton wins, there will likely be a relief rally. But that doesn't really fit with what I'm seeing in the charts. It may be that Trump will formally contest the results which could produce a political stalemate in Washington for several weeks or months. Markets hate uncertainty so that is another plausible explanation for the likelihood of more declines in the coming days and weeks. This is my preferred scenario then: a Hillary win but with confusion (or recounts?) and formal legal challenge from Trump which disrupts the transfer of power before Inauguration Day on January 20th. And just to make things even more interesting, if Hillary is indicted by the FBI, then that could strengthen Trump's hand in any legal proceedings. It seems likely that the GOP will try to impeach her as soon as



possible anyway, perhaps starting the process even before the Inauguration. There could be some crazy times ahead.

In astrological terms, Saturn is separating now from its square with Neptune and the Lunar Node but it is still quite prominent through its alignment with Pluto into the middle of November. This is one reason why I think lower lows are likely in November. How much lower is harder to say, although there is a reasonable chance for a further significant (>10%) decline even if it's not quite probable. I think it is likely that we will get that sort of decline at least in the next couple of months but I'm not certain exactly when and in what proportions it will occur. If we get a post-Thanksgiving bounce into early December, then another move lower is likely around Christmas. This may coincide with more political uncertainty surrounding the Electoral College vote on December 19th. That second downward move should last into January. A rebound is likely in late January and early February but it may not last as Saturn will align with Uranus in March and April. This is likely to limit the duration of any post-Inauguration rally and we could in fact see any previous interim lows retested or perhaps even broken.

The technical outlook is more bearish after the breakdown of support at 2120 on the SPX. This opens the door to the measured move downside target of 2060 or so. We are very close to that already and could reach it in another session. A somewhat more optimistic picture is that we could be seeing the formation of a more gently sloping declining channel with Friday's close testing channel support. That would suggest that any further downside may only be marginally lower. With the SPX sitting on its 200 DMA there is at least a rationale for bulls to buy. RSI and stochastics are oversold now so that could further encourage a bounce in the short term. If there is a violation of the 200 DMA, bulls may reasonably anticipate a quick recovery, even if it doesn't last. A bounce could happen soon but it may run out of gas near the falling channel resistance near 2140.

The percent of stocks above their 50 DMA (\$SPXA50R) is roughly the same level as during the Brexit sell-off. Moreover, there is a slight positive divergence forming here at 27% on this chart with respect to an equal October low while the SPX itself has fallen further since that time. This is another reason why an oversold bounce is likely sometime soon. Stocks could still fall further without a bounce, but the chances are reduced. In the event of more sharp downside, the next support level could be closer to long term rising channel

support at 1950-1975. The weekly Dow chart looks more bearish as last week's red candle closed at its low, a bearish sign. One glimmer of hope for bulls is that stochastics is now below the 20 line and hence a rebound is becoming more likely. That said, it is easy to see that we will get a test of the 50 WMA at 17,648 quite soon and longer term, the 200 WMA at 16,746 is looking doable. Meanwhile, political uncertainty pushed yields lower as investors sought safety. A Trump victory would likely prevent the Fed could raising rates in December and would depress yields across the curve. Friday's jobs report was strong enough to make a rate hike more compelling although CME odds didn't move much at 66%. The \$TNX chart is on the verge of a golden cross of



the 50 and 200 DMA and could indicate rising rates over the medium term, irrespective of any short term fluctuations.

This week is all about Tuesday’s election of course. While I had been bearish about this week, I have to admit that I would not be surprised by any outcome. The late week Mars-Saturn alignment should be enough to produce some significant downside, however. I would lean bearish for that reason. Any yet, if Clinton wins as I expect there ought to be some buying on Wednesday and beyond. It’s a more muddled picture than I would like unfortunately. Monday leans a little bullish, however, as Venus enters Sagittarius. Tuesday lacks any clear indication although I would assume a bullish default. Wednesday looks bearish and should be enough to negate any early week gains. A rally attempt is likely on either Thursday or Friday as Venus aligns with Mercury. I do not have a strong opinion of which day is more likely to see upside. Since there are some up days here, we cannot rule out a positive week. That said, the election uncertainty is likely to coincide with some downside although its magnitude is unclear. I would remain very cautious in any event due to the elevated risk of a sudden decline.



Next week (Nov 14-18) looks mixed with a somewhat better chance for rebound. Even here, there is doubt as bullish Jupiter is aligned with bearish Saturn. The early week looks somewhat more bearish although bears should be careful. While I am generally bearish for November and December, the Mercury-Venus-Mars alignment during the week seems a bit bullish overall. The following week (Nov 21-25) is Thanksgiving and leans bearish in the early going on the approaching Mercury-Saturn conjunction. Wednesday and Friday look more positive although it’s unclear if this usually bullish week lives up to its benign reputation. This potential rebound could extend into early December although I’m unsure how long it will last. I suspect it could reverse lower fairly early in the month. If we do see a rebound in the second half of November, then a retest of the November lows are very likely in December. The planets look sufficiently bearish that lower lows may be the more likely outcome here. A stronger rebound should begin in early to mid-January and extend into February. This rebound rally should form a lower high which is then sold starting in March or April. The correction should be significant (>10%) and could negate most if not all of the preceding rally. 2017 as a whole is shaping up to be bearish.



Technical Trends

Short term trend is DOWN
(1 week ending Nov 11)

Astrological Indicators

bearish (confirming)

Target Range

SPX 2020-2100

Medium term trend is UP
(1 month ending Dec 11)

bearish (disconfirming)

SPX 2000-2120

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

bearish (disconfirming)

SPX 1500-1800

Indian Stocks

Stocks extended this decline last week as uncertainty over the US elections undermined sentiment. The Sensex lost more than 2% to 27,274 while the Nifty finished the week at 8433. This bearish outcome was in keeping with expectations as I thought Tuesday's entry of Mars into Capricorn would likely dominate the week. This proved to be the case as stocks fell across all four days.

It's all about the US election now as global financial markets have scrambled to price in the possibility of a Trump win. A Trump presidency would create uncertainty because he is anti-free trade and quite unpredictable to boot. Polls still show Mrs. Clinton with a narrow lead although that has tightened considerably since last week's bombshell FBI letter that re-opened her email server controversy. Even if Clinton wins as I expect, Trump may not concede the result and has talked about mounting a legal challenge. If taken to its conclusion, it could produce a stalemate for several weeks, at least until the Electoral College votes on 19th December. Republicans have also been discussing the possibility of starting impeachment hearings in January before Mrs. Clinton is even sworn-in on 20th January. There is an atmosphere of distrust and rancour in Washington that is unlikely to be resolved after Tuesday's election. My assessment of the relevant astrological influences suggests that this kind of political uncertainty is very possible and has the potential to drag down markets from now until January.



The decline since September has coincided with the Saturn-Neptune-Rahu alignment. So far, we have only seen a modest 6% pullback. As Saturn separates from Rahu, we could see some kind of bounce in the near term. And yet, Saturn has now aligned in Pluto in November so more downside is still possible in the short term. But Jupiter will align with Pluto and Uranus over the next few weeks so we should expect a bounce. So there is a real mix of influences here. Whatever the results of the US election, my guess is the next major phase of the decline may not begin until early December. However, I think the chances are good that it will produce a lower low, perhaps down to the 200 DMA at 8100. A rebound in January and February could be quite strong but is unlikely to produce a higher high above 8900 on the Nifty. Another move lower is likely starting in March and continuing into April.

The technical outlook remains bearish. Stocks appear to be carving out a declining channel here after the breach of support at 8500. To be sure, the possible downside target of 8100 is still in play although channel support at 8400 may hold for now. Daily RSI is almost oversold at 33 while stochastics remains in a bearish crossover and below the 20 line. More downside is possible in the short term although a sharp decline from current levels seems unlikely just now. Strong support may reside near the 200 DMA at 8100. This would also approximate some horizontal support from earlier in the year which could bring in buyers. A 50% retracement off the high translates into about 7800, however, so that is still well below the 200 DMA. In other words, there are several places where cautious bulls may choose to enter new long positions.

More downside is likely in the short and medium term as there is yet to be any positive divergence in any of the daily indicators. Normally, some positive divergence emerges as a signal for a rebound higher, even after a lower low is made. This is something to watch for this week upcoming. The weekly Sensex chart looks bearish and stochastics can fall a bit further before becoming oversold. This is another indication that we could see more downside before a substantial rebound. With MACD now in clear bearish crossover, we could have a situation like in January where we saw a short rebound above the 20 line in stochastics only to have the Sensex fall to new lows in February. However, the news lows nonetheless created a positive divergence in the weekly stochastics chart and signaled the bottom of the correction at that time. Meanwhile, Infosys (INFY) plumbed new lows last week as horizontal support broke down. However, the long term chart offers some evidence that a rebound could come soon enough once there is a test of the 200 WMA. HDFC Bank (HDB) is showing more signs of breaking down as support was also broken last week. In addition, we got a bearish crossover of the 20 and 50 DMA. While there is likely fairly good support at the August low, it would not be surprising to see this stock retrace down to its 200 DMA eventually.



This week looks mixed but with a bearish bias, especially in the second half. The culprit here is the minor Mars-Saturn aspect on Wednesday and Thursday. This is a moderately reliable bearish pairing that could coincide with some selling. With the US election on Tuesday, one would expect any negative reaction to the results to occur during Wednesday's session. Of course, there is an added risk that unexpected consequences could rise some time later as legal challenges are more likely. Monday looks bearish, at least to start. Some buying is possible later in the day as Venus enters Sagittarius. Tuesday leans bullish, especially is Monday has finished lower. Wednesday has a stronger bearish bias so it could negate any previous upside. Thursday may be more mixed and Friday leans somewhat bullish. I do not have a strong opinion about the late week, however. It could go either way. It seems likely that we will see a retest of channel support at 8400 at some point but it is more difficult to say if the Nifty could fall any further than that.



Next week (Nov 14-18) looks more bullish to start as Mercury aligns with Venus. A more stable mood may prevail for the first half of the week but the late week could be more bearish as Mars aligns with Mercury. Friday also looks bearish as Mercury aligns in a square angle with Rahu. Again, the planets do not suggest any major moves lower. At worst maybe an incrementally lower move is possible although if the early week is higher, we could see a positive week overall. The following week (Nov 21-25) looks mixed as well as the midweek Mercury-Saturn conjunction could coincide with some selling. While we could get some upside on Monday and later in the week, the downside risk in the middle of the week is likely to limit any upside. Therefore, any rebound we may see in the second half of November looks modest and may only move back up to resistance of the falling channel. December looks bearish with a new decline likely to begin as soon as the first week of December. My expectation is that November's low will be taken out in December and we will get a lower low by the end of the month, quite possibly down to the 200 DMA at 8100. A rebound beginning in January and continuing into February could be substantial but is unlikely to recapture 8900. Another correction looks likely to begin in March and extend into April. 2017 looks bearish at the mid-year Saturn-Rahu alignment is likely to coincide with significant new downside.



Technical Trends

Short term trend is DOWN
(1 week ending 11 November)

Medium term trend is DOWN

Astrological Indicators

bearish (confirming)

bearish (confirming)

Target Range

8400-8500

8300-8500

(1 month ending 11 December)

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

bearish (disconfirming)

6000-8000

Currencies

The US Dollar slumped last week amid concern over a possible Trump election win. The USD index ended the week sharply lower just above 97 while the Euro settled at 1.11. The Rupee extended its sideways move just below 67 while the Yen improved to 103. This bearish Dollar outcome was in keeping with expectations as I thought downside was likely following the entry of Mars into Capricorn. The Dollar looks like it is headed to retest key support at the 200 DMA after its testing of channel resistance at 99. Channel support happens to be very close to the 200 DMA near the 96 level and could provide a better entry point for cautious bulls. While the decline was steep, the Dollar chart still looks bullish in the medium term as long as it stays in the rising channel above the 200 DMA. A close below the 200 DMA could mean that it will trade in a lower range, perhaps even testing range support at 92. The weekly Euro chart shows a nice pop higher after a recent test of support. However, Euro bulls will need to break above falling channel resistance at 1.125 to challenge its recent high of 1.15. If the falling channel continues to form, it would be a bearish signal for the medium term. Failure to move above 1.125 could mean a quick return to support at the weekly close at 1.08. With the falling channel more solidly established, bulls may be more likely to sell their positions in the event of a close below 1.08.



This week also leans bearish for the Dollar. This may or may not be the result of the election but it seems likely that the Dollar will end up lower on the week. I would expect more downside early in the week with some recovery possible later. A test of the 200 DMA is possible by Wednesday but we will likely finish above that level. Next week also leans bearish with more downside likely in the first half of the week. Another retest of the 200 DMA seems likely and a move below it is also possible. Overall, I think November will be bearish for the Dollar and I would expect a move below 96, if not 94. However, December and January look much more bullish and I would expect a retest of channel resistance by early 2017. USDX 100 is possible here depending on what kind of post-election damage we see in November. A retracement is likely in late January and February but another rally is likely by March. There is a decent chance we will finally see the DX move above 100 by April-May. Overall,



2017 looks bullish for the Dollar. The Dollar is likely to suffer a major decline only starting in late 2017 and continuing through 2018.

Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Nov 11)	bearish (disconfirming)	96-97
Medium term trend is UP (1 month ending Dec 11)	bullish (confirming)	96-98
Long term trend is UP (1 year ending Nov 2017)	bullish (confirming)	100-110

Crude oil

Crude oil suffered its biggest loss since January last week on growing US inventories and skepticism about an OPEC deal to cut production. WTI plunged 10% to \$44 while Brent finished the week below \$46. This bearish outcome was in keeping with expectations although the size of the decline was bigger than forecast. The late week also did not produce any rebound which might have moderated any downside. Suddenly, all the bullish sentiment seems to be disappearing as WTI is again sitting on key support at the 200 DMA. While buyers are likely to step in around these levels, it is unclear what kind of bounce we can expect if OPEC fails to reach an agreement. As



long as there is not a hard retest of the August low at \$39, the chart is still broadly bullish. However, any test of \$39 would mean the chart could go either way. This is increasingly likely since I still think November promises some more downside. Clearly, if we get a breach of \$39, then suddenly the chart will look more bearish as the double top pattern will have a downside target of \$26 for WTI ($52 - 39 = 13$; $39 - 13 = 26$). This would roughly equate last year's low and may be a safer place from which bulls could mount a rally. The weekly Brent chart still looks bullish although the size of last week's decline should be worrying to bulls. From sheer momentum alone, we should expect lower lows from here, even if only briefly.

This week could see crude move lower at least briefly. While I would expect price to dip lower, I'm less certain it will finish lower overall. The early week seems bullish on Monday's entry of Venus into Sagittarius. This is in keeping with the likelihood of a technical bounce off support. It is conceivable WTI could rise to the 50 DMA at \$47 although I would not say that is probable. I think we could see some selling on Wednesday and after with a retest of \$43 quite possible. Whether crude finishes lower on the week is hard to say. Next week (Nov 14-18) may begin negatively so it is conceivable that \$43 could be tested once again. I would not rule a breach of that support level. The late week should see a recovery. Some further recovery is likely in late November and perhaps into early December as well. I'm uncertain how strong the rebound will be into December but it seems likely to not exceed the previous high of \$52. Then another correction is likely starting in mid-December at the latest. This correction should extend well into January and should retest November lows, if not lower. After a rebound that lasts into March or April, we should see another major correction starting in May at the latest. It is possible this could break support at \$38 and may even fall below \$30.



Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending Nov 11)	bearish (disconfirming)	\$41-44
Medium term trend is UP (1 month ending Dec 11)	bullish (confirming)	\$48-54
Long term trend is DOWN (1 year ending Nov 2017)	bearish (confirming)	\$30-50

Gold

Gold rallied last week as uncertainty about the US election pushed the Dollar lower. Gold rose more than 2% closing at 1304. This bullish outcome was unexpected as I thought we would see more late week selling. As it happened, the late week was choppy but still flat. Gold has now pushed up to resistance which is the previous support level of 1310. The size of the move was encouraging for bulls who now can claim to have a fighting chance at returning to the previous trading range. However, it may be more difficult to get a close above 1310 in the near term. A quick move above that level would definitely be bullish. If we do see a move above 1310 then one possible target would be the falling channel resistance line near 1330. Gold may be forming a large pennant pattern here with an increasingly narrow range. For now, support is still the rising 200 DMA now near 1275. If there is a new range now of 1275-1330, it could take a few weeks to determine which eventual direction is more likely. Stochastics is overbought now so that argues for some kind of pullback fairly soon. Conversely, if gold fails to close above 1310 and again revisits the previous low at 1260 or even 1250, one would think the chart would lean bearish once again. The chart doesn't seem that bearish just yet but any violation of that support would be bad news for bulls. 1200 would come quickly and after that, the entire 2016 rally could be in jeopardy.



This week could see the continuation of the rally. The early in particular looks bullish as Venus enters Sagittarius on Monday. I had thought that November would be more bearish for gold but now I wonder if that will be the case. I am now somewhat uncertain about the short term outlook. More upside is possible in the near term with a reversal lower perhaps more likely as we move towards the end of the month. I still think that gold is likely to decline significantly, but we may have to wait for December before that happens. So this week should see gold climb over resistance at 1310, and I would not rule a sudden push higher to 1350 (?) if we see some unforeseen results in the election.

Next week (Nov 14-18) looks more mixed as the Sun enters Scorpio. Declines are somewhat more likely later in the week. I would not count on any significant change in this current uptrend, however. The following week (US Thanksgiving) may bring some choppiness as the rally could weaken and reverse lower. This is not a high probability outcome but the planets do seem less positive here. I am expecting gold to decline more substantially starting in late November and especially in early December around the Sun-Saturn conjunction. Depending on how high gold has risen in November, we are likely to see it again retest support at 1250. I would expect gold to fall back to 1200 by late December or January. Another rebound may begin in January and extend into February. It seems unlikely to significantly change the current trading range, however. By late February, another reversal

lower is likely with a correction extending into March and April. Gold is likely to fall below 1200 by April at the latest with a retest of 1050 quite possible.

Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Nov 11)	bullish (confirming)	1280-1340
Medium term trend is DOWN (1 month ending Dec 11)	bearish (confirming)	1250-1300
Long term trend is DOWN (1 year ending Nov 2017)	bearish (confirming)	1000-1300

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