

Summary for week of 19 December 2016

- Stocks likely lower this week, especially early
- Dollar may test resistance early but late week is bearish
- Crude oil test support early in the week; outlook still bullish
- Gold could retest support early but bounce later in the week

US Stocks

Stocks were largely unchanged last week after the Fed raised rates for just the second time since 2006. As has been the case recently, the Dow outperformed other indexes as it posted gains to 19,853 but the S&P 500 was fractionally lower to 2258. While I maintained a bearish stance for last week, this neutral outcome was not hugely surprising. I thought we would get some downside around the FOMC and Tuesday's Full Moon and indeed Wednesday produced a modest decline. After Thursday's bounce on the Venus-Neptune alignment, Friday was also lower as expected. But bulls are still very strong here as buyers are still buying dips quite aggressively.

The rate hike came as no surprise but the Fed's outlook for 2017 showed three more hikes were likely. This was an increase of one over the previous dot plot forecast and suggested a more hawkish tone. For the moment, all is well as improved growth prospects are seen as compatible with higher rates. Over time, however, higher rates and a higher Dollar will pose a problem not only for the US economy but for stock prices. But how high would bonds yields have to rise before undermining the appeal of equities? Not much further, according to a Goldman Sachs and JP Morgan, who this week suggested that the current 2.6% yield on the 10-year was already at a key threshold. Any further rise in yields would jeopardize the rally in stocks as money will flow out of stocks into bonds.



The prospect of rising yields and falling stocks fits well with my astrological assessment for the weeks ahead which remains bearish. Yes, stocks have been stronger than expected recently but now we can look forward to some more specific short term bearish planetary alignments having a high probability of producing declines. The first is on Monday-Tuesday as Mercury turns retrograde while conjunct Pluto and in partial aspect with Mars. This is very likely to coincide with some downside, perhaps some significant downside. As I have previously noted, Monday is the Electoral College vote and there is an outsized risk for some unplanned outcomes there based on the Mercury retrograde station that day. This could produce political uncertainty which the market would likely not take kindly to. If nothing out of the ordinary happens with the EC vote, I still think stocks are more likely to decline this week and trend lower into early January at least. After the subsequent rally, the question of a higher high by March remains to be seen.

The technical picture is still quite bullish. Marginally higher highs are still possible in the short term although the market is overbought now and hence significantly higher highs may have to wait. RSI has only now fallen below the 70 line and stochastics has followed suit as it is in a bearish crossover below the 80 line. Resistance is likely at the high at 2280 while support may be close to the 20 DMA near 2210. If there is a breakdown of 2210, then we could see a pullback to the 200 DMA at 2125 in fairly short order. Of course, given the strength of this rally, any pullback to the 200 DMA will be seen by most investors as a buying opportunity and will likely be bought quite aggressively. Even a temporary piercing low below the 200 DMA would suggest a retest of the long term rising trend line which is currently in the 2000 area on the SPX.

In other words, this bull market has sufficient upward momentum to withstand multiple shocks. It could suffer a correction and this would keep it at or above that 2000 level on the SPX. But the sustainability of the current rally is more uncertain given the negative divergence of the percentage of stocks above their 200 DMA with respect to the previous July high. This divergence has been ongoing for some time already and could, of course, continue for a while longer. But we should note that there is a bearish crossover of the 50 and 200 DMA in this chart which often precedes larger corrective phases such as we saw in late 2014 and 2015. This bearish crossover is a sign that the rally may be prone to corrections sooner rather than later before it can attempt to move to significantly higher highs. The weekly Dow chart looks even more overbought as RSI is 74. It could go higher in the short run, but some kind of consolidation looks likely fairly soon. If the consolidation should turn into a proper pullback then the 20 WMA at 18,600 would be one possible area of support. Meanwhile, yields popped higher following the Fed's rate hike last week as the 10-year hit 2.6%. As noted above, this is a level that could tip the asset balance against riskier stocks and into more secure bonds. I would think that any further upside in yields would be a more immediate bearish influence on stocks. If I am correct about an imminent pullback/correction, then we should yields fall as investors move to safety. The 50 DMA at 2.08% is one obvious downside target in that eventuality.



This week has greater bearish potential than previous weeks. That's because of a difficult alignment that occurs early in the week as Mercury turns retrograde. By itself, this is not a negative influence, however, in this case it will conjoin Pluto and form an exact 45 degree angle with bearish Mars. This alignment is closest on Monday although it will be still be within range on Tuesday. I think there is a high probability of a decline, and I would lean towards a decline of greater than 1%. A larger decline is also possible given the hits to the USA horoscope, although I am reluctant to be overly gloomy here. The second half of the week looks more bullish so that could represent a rebound following a sell-off. My bias is bearish for the week although it is possible that if the early week decline is modest, then any subsequent bounce on Thursday and Friday could end up producing a winning week. The late week looks like it could produce two solid up days. I definitely wouldn't rule out that scenario given how bullish stocks have been recently. It will all depend on how much early week damage we see.



The following week (Dec 26-30) is shortened as Christmas is observed on Monday the 26th. Tuesday the 27th looks very bearish again as Mars conjoins the South Lunar Node in a close aspect with Uranus. This is a very unstable pattern that suggests anxiety and uncertainty, perhaps even violence. With Uranus stationing direct on Thursday the 29th, there is added reason for caution. The week looks quite bearish will probably less chance of a significant rebound. I wonder if we will see the 200 DMA tested at this time. It's possible. The first week of January looks more bullish as retrograde Mercury aligns with Venus. The late week looks bearish,



however, as Venus approaches its conjunction with the South Lunar Node. I think more downside is likely going into mid-and even late January as Saturn enters Sagittarius on January 25th. I would think that an interim low is likely in January from which a rebound can begin. I think the chances are fairly good that the SPX breaks below the 200 DMA by January and even that long term trend line support at 2000 looks possible. A rebound should gain momentum at the latest starting on Feb 5th when Jupiter turns retrograde and aligns with Uranus. I would not rule out a higher high by early March although that will depend on how deep the preceding pullback/correction will be. Another significant corrective phase is likely to begin in late March or early April. Saturn turns retrograde on April 6th, just one day after Uranus enters Aries. Uranus first entered Aries on Brexit day (June 24) and such sign changes of Uranus are often correlated with sudden events with negative market outcomes. We will likely see something similar here in the first two weeks of April. This correction will likely last into May and should produce lower lows relative to January. A strong rally is likely through most of the summer.

Technical Trends

Short term trend is UP

Astrological Indicators

bearish (disconfirming)

Target Range

SPX 2200-2250

(1 week ending Dec 23)

Medium term trend is UP
(1 month ending Jan 23)

bearish (disconfirming)

SPX 1950-2100

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

bearish (disconfirming)

SPX 1600-1900

Indian Stocks

Stocks slipped last week as investors pondered an uncertain future after the Fed raised interest rates. The Sensex fell 1% to 26,489 while the Nifty finished the week at 8139. This bearish outcome was in keeping with expectations as I thought the second half of the week looked more negative as Mercury approached its retrograde station in the company of Pluto.

While the Fed's rate hike was widely anticipated, its more hawkish outlook of three more hikes in 2017 was more unsettling. Emerging markets have been put on notice that the easy FII inflows of the past are no more and that markets will have to sink or swim on their own merits. India is still a relatively attractive story so that offers some possibility that the adjustment period to the sharply higher Dollar could be minor. And yet, if the incoming Trump administration pushes the envelope in terms of infrastructure spending, it could force Yellen's hand further as inflation picks up and creates an even tighter monetary policy. In some ways, the Fed's ultra-loose policy of the past six years was a stop gap measure given the gridlock in Washington to get anything done. Now that the GOP controls the White House and both houses of Congress, it will be easier for the Fed to step back and try to normalize rates. This will be a further headwind for Indian stocks, however, as US yields are likely to continue to climb and become competitive with Indian equities.



The astrological outlook still looks bearish although we could be getting close to a bottom soon. The central issue is that bearish Saturn is aligning with Jupiter and Uranus in December. This alignment is likely to produce a few more significant down days in the next couple of weeks. Therefore we could see the recent lows of 7900-8000 on the Nifty retested. January looks fairly mixed with bullish Jupiter aligning with Uranus early in the month but Saturn entering Sagittarius in the second half of the month. A more significant rebound is likely in February and early March as Jupiter stations retrograde on 5th February and then aligns with Uranus. I would expect an interim high in March which will then be followed by another correction in April and May. My expectation is that this next high (in March?) should be a lower high which will then be followed by a lower low in May, possibly in the 7600-7900 range.

The technical picture still favours the bulls in the short and medium terms. Stocks are trying to establish a bottom here around the 200 DMA. Thursday's higher low is commensurate with a bullish higher low that may produce a more durable rebound. A retest of 8075 would be more problematic as any failure would likely mean more downside and a retest of 7900. Of course, this would form a bullish double bottom pattern which may be a safer place for bulls to take long positions.

The current bounce needs a higher high above 8274 in order to keep the bullish momentum going. So far, the rally off the bottom has been modest and suggests a retest of 7900 may be more likely. From a bearish perspective, stochastics are in a bearish crossover and may have further to fall. MACD is looking vulnerable to a bearish crossover in the coming days. If the Nifty does continue to retrace lower and eventually retests 7900, then the double bottom upside target would be close to 8625. This would roughly match the previous horizontal support level. The chart would only become more bearish if support at 7900 was broken. The weekly BSE chart offers more hope to bulls as stochastics is edging above the 20 line now while MACD histograms are finally shrinking. A MACD bullish crossover may be some weeks away but it is moving in a more bullish direction at least. I don't have a strong opinion whether the BSE will tag its long term 200 WMA of 24,693 in the near term. I suspect it won't fall that far in the coming weeks. But it seems quite likely that it will tag that line by April or May. Meanwhile, HDFC Bank (HDB) had a difficult week as it collapsed below support on the retest of the previous low. Lower lows usually lead to more downside in the short term so this once shining star is looking like it may well continue to fall and retest its February low. Before that happens, however, it may find some support here at its February high. Infosys (INFY) pushed higher last week although there is a ton of overhead resistance just above its current price at the August and September lows. It seems very unlikely to push much higher in the short term. I would still think a double bottom retest is more likely.



This week is mixed with more downside risk. The early week alignment of Mercury, Pluto and Mars could be quite bearish, especially since Mercury turns retrograde late on Monday after the close. Both Monday and Tuesday therefore lean bearish and we should see a hard retest of the previous low of 8056. I would not rule out a break down of 8000 by Tuesday although it's difficult to say. I think we should see some upside, perhaps starting as early as Wednesday. Thursday and Friday look more bullish, however, as Venus aligns with Jupiter. It's hard to say if the week will finish higher or lower, however. My sense is the early week could be bearish enough to outweigh any recovery later in the week. But it is important that the downside is substantial, i.e. greater than 1%. If we see a more modest pullback by Tuesday, then we could well finish higher by Friday. My guess is the Nifty ends the week between 8050 and 8150.



Next week (Dec 26-30) contains some bearish potential. Mars conjoins Ketu on Tuesday and could coincide with some sudden and sharp selling. Moreover, the Mars-Ketu conjunction aligns with Uranus through the week and Uranus itself stations direct on Thursday. This is a very unstable alignment of planets that could see the Nifty fall below 8000 and even retest its previous low just above 7900. Some upside is possible on Thursday or more likely Friday as Venus enters Aquarius. The following week (Jan 2-6) looks more bullish as Mercury aligns with Venus. This pattern suggests a decent bounce after some kind of sell-off. But the rest of January looks mixed.



The late January entry of Saturn into Sagittarius suggests a significant (>1%) decline at that time. This may or may not produce a lower low relative to December. Some kind of rebound is likely in February and into March as Jupiter aligns with Uranus. I tend to think this will produce a lower high (<8900). Another corrective move is likely to begin by April as Saturn turns retrograde on the 6th on the day after Uranus enters Aries. It's a volatile combination that suggests sudden declines and a change in trend. The correction should continue into May. With more downside likely in August and September on the Saturn-Rahu aspect, there is a likelihood of lower lows by Q3 2017.

Technical Trends

Astrological Indicators

Target Range

Short term trend is UP
(1 week ending 23 Dec)

bearish (disconfirming)

8000-8150

Medium term trend is DOWN
(1 month ending 23 Jan)

bearish (confirming)

7800-8200

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

bearish (disconfirming)

6000-8000

Currencies

The Dollar rally continued for yet another week last week as the Fed raised rates and indicated more hikes to come next year. The USD finished the week just under 103 while the Euro briefly traded below 1.03 before settling above 1.04. Both the Yen and the Rupee were lower. While I was correct in expecting some early week retracement, it was quite modest. And the post-FOMC was also not surprising although it easily exceeded my expectations. It seems this rally is unstoppable as the US remains the most compelling growth story in a sluggish global economy. Incredibly, support is now at 102 with resistance close to 104 in the near term. Longer term, the USD still has a very good chance of reaching 108 as it was the upside target of the year-long cup and handle pattern. The rally has seen a series of higher lows that roughly match the 20 DMA. I would expect the rally will only falter if we get a close below the 50 DMA. Thus far, we have only seen intraday tests of that line. The weekly Euro chart is vulnerable to move downside as it has retested its low around 1.04. The Euro needs a close above 1.08 to take the pressure off this chart. Another failed bounce to 1.07 or so would not be sufficient to alter the bearish bias here. The immediate downside target is likely 1.02. Going forward, we could see 0.95 in the coming months.



This week looks mixed. The early week Mercury retrograde could coincide with some volatility. Hitherto, this kind of volatility has pushed the Dollar higher as a safe haven play. I'm not certain we will see the same dynamic here although there isn't a strong reason to think otherwise. The late week looks more bearish as Venus aligns with Jupiter. Overall, I would still be bullish on the Dollar although I would not be shocked if it retraced this week. Next week could see more gains around the Mars-South Node conjunction on Tuesday and Wednesday. I would expect the Dollar to continue to push higher until early January. At that time, some kind of reversal lower is likely which will likely extend into February. This should produce a significant retracement, perhaps back down to 98. I would also not rule out a retest of the 200 DMA at 96. Another rally should begin by March and continue into May. It is very possible we could see a higher high by May, perhaps to 108. A major decline is likely to begin by June and continue through the summer. Another rally attempt in Q4 is likely but higher highs look unlikely as we move towards the end of 20i7. Early 2018 looks quite bearish.



Technical Trends (Dollar)

Astrological Indicators

Target Range

Short term trend is UP (1 week ending Dec 23)	bullish (confirming)	102-104
Medium term trend is UP (1 month ending Jan 23)	bullish (confirming)	101-104
Long term trend is UP (1 year ending Dec 2017)	bullish (confirming)	100-110

Crude oil

Crude oil extended its rally last week as it shrugged off a Fed rate hike and finished higher. WTI gained 2% to \$53 while Brent settled above \$55. This bullish outcome was somewhat unexpected as I thought the impact of the Fed hike would last longer. While we did get some selling on Wednesday, buyers moved in on Thursday and reversed the decline. The rally is now establishing its staying power as it put in a higher low after the Fed. For now, support is at the 20 DMA near \$50. Bulls have to be feeling fairly confident here. If bulls can defend \$50 again in the coming days then there may be enough momentum to reach a higher high north of \$54. Bulls also have a cushion now as a close below \$50 need not spell the end to this significant 2016 rally. Any sudden sell-off down to the 200 DMA at \$45, for example, would likely be bought quite aggressively in anticipation of a return to resistance at \$52-54. The weekly Brent chart shows a gently rising channel. It is currently up against resistance at \$55 so a close above that level in the coming days could produce a sharper break out higher. A possible upside target might be close to \$65 which is the previous interim high from 2015. Alternatively, bulls may consolidate their modest gains and return to the previous trading range. But the outlook is bullish in any event.



This week could see some downside pressure, especially early in the week on the Mercury retrograde station. While this is likely to directly affect stocks, I'm less certain how much of an impact it will have on commodities like oil. Some kind of pullback seems likely, however. But Wednesday looks bullish as the Moon conjoins Jupiter and Thursday also looks positive as Venus aligns with Jupiter. Where crude finishes the week is harder to say. I would retain a bullish bias for the next few weeks, but it would not surprise me if crude finished lower. Perhaps it will end Friday somewhere close to its current price. Next



week looks bearish to start as Mars conjoins the South Lunar Node on Tuesday. However, the late week again could bring buyers back in. January should extend the gains so I would expect there is a good chance that we will see WTI close above \$55 by that time at the latest. And we could easily see a retest of the 2015 high of \$60-65 also. But the rally is likely to run out of gas sometime in January. A dip is likely in mid-January but the stronger downside may only appear in late January and into February. I would expect a significant retracement to continue into early March. We will likely see a move back down to the 200 DMA and perhaps the August low of \$39 is also possible depending on where crude tops out at. After another rebound in April, more downside is likely in May. A rebound is likely in June and July but this may not be strong enough to produce higher highs. With more weakness due in early fall and some strength in Q4, crude looks mixed for the second half of the year. I don't see a major rally taking place nor do I expect a huge decline either in the second half of the year.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending Dec 23)	bullish (confirming)	\$52-54
Medium term trend is UP (1 month ending Jan 23)	bullish (confirming)	\$48-55
Long term trend is DOWN (1 year ending Dec 2017)	bearish (confirming)	\$30-50

Gold

Gold extended its recent slide last week after Wednesday's Fed rate hike. Gold lost 2% on the week closing at 1137. While most observers were expecting a hike, it was the more hawkish forward guidance that pushed gold lower. With the Fed tightening and US growth returning and the lack of any obvious financial turmoil in the world, the bulls' case for gold is unpersuasive. The chart continues to look bearish and points to lower lows ahead. Gold is oversold so some kind of a technical bounce is still likely but so far there is no sign that any bounce will hold. There is some horizontal support in the 1100-1125 range so buyers could move in here if we begin to see more sideways consolidation. But the downside target of 1030-1050 looms large so most bulls are less likely to have conviction and may take profits at the earliest opportunity. Currently, gold is so weak that bounces do not even reach the 20 DMA now at 1175. That would be the most obvious area of resistance at this stage. And not only did gold fall to a lower low last week, we now can see that the 200 DMA is sloping downward along with the other two main moving averages. This is the tell tale sign of a major down trend underway. As a rule, any long positions should only be entered with caution.



This week looks mixed with more downside likely early on. The Mercury retrograde station on Monday could coincide with more downside. A retest of 1120 looks likely in the first half of the week and even 1100 could be reached. The second half of the week may be more bullish, however, as Venus aligns with Jupiter. The bounce could be quite strong and I would not be surprised to see a positive week overall. That said, I am not quite sure that gold is going to reverse higher just yet.

Next week (Dec 26-30) could see more downside early in the week on the Mars-Ketu (South Node) conjunction. This looks quite bearish and could produce a piercing low. The late week should be more bullish as Venus enters Aquarius. I'm uncertain where gold will finish here in the final week of the year. It could go either way. But I do think that gold will put in an interim low sometime in the second half of December or first week of January. January looks more bullish generally, especially after the Venus-Ketu conjunction on 7 January. The Jupiter-Uranus opposition should boost gold in the second half of January and into February. I would expect a significant rebound from this pattern, especially in February. A 10% rise or more is likely. Another major correction is likely in March and this may retest the December/January low. April and May look choppy with more downside possible in May and hence lower lows still on the table. I would think the chances are good that we see gold trading at 1050 by May, although it could conceivably happen much sooner such as in January. A strong rebound is likely in June and July but the Saturn-Node alignment in the late summer looks quite bearish. Gold may only begin a sustainable rally in 2018.

Technical Trends	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Dec 23)	bearish (confirming)	1100-1150
Medium term trend is DOWN (1 month ending Jan 23)	bullish (disconfirming)	1150-1250
Long term trend is DOWN (1 year ending Dec 2017)	bearish (confirming)	1000-1300

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