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Summary for week of 5 December 2016

- Stocks more prone to declines this week, esp. Monday and late week
- Dollar likely to retest resistance
- Crude oil may retrace this week
- Gold likely to move lower

US Stocks

Stocks pulled back a bit last week as traders digested the latest jobs report and awaited the results of weekend votes in Austria and Italy. The Dow actually closed a few points higher last week at 19,170 while the S&P 500 fell less than 1% to 2195. This modest bearish outcome was not surprising as I had been fairly neutral about where stocks would end up. I thought we might have seen more early week upside but only Tuesday posted a gain while Wednesday's intraday high didn't hold by the close. Surprisingly, the late week multi-planet alignment did not produce any sizable moves.

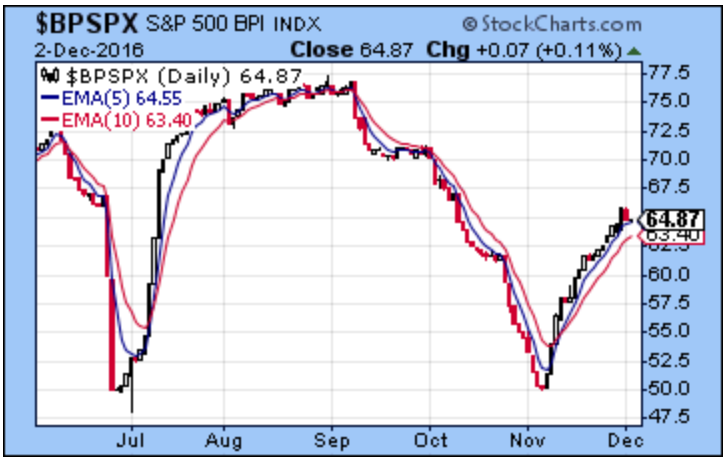
The jobs report was strong enough to keep expectations high for a rate hike in the next FOMC meeting on Dec 14. The hike has been discounted by the market although the language Yellen uses will still be important for guidance going forward in light of Trump's more expansionary fiscal policy. Markets may also be largely pricing in a defeat in the Italian referendum on Sunday as well as a possible resignation by PM Renzi. While a one-day sell-off is possible on Monday after a no vote, there isn't much chance of a Brexit-type surprise. A yes vote would be bullish. The Austrian vote could also easily go against the EU if the right-wing populists win. Perhaps if both of these anti-EU outcomes occur, markets could become more volatile. But overall, I think most analysts are not expecting any dramatic market moves irrespective of the outcomes. A possible wild card is still the US election and now the possibility of recounts in swing states. These may not happen now given GOP petitions to block them but it remains a conceivable black swan-type event. I am not

expecting Trump to be denied the presidency at this late date, but the possibility of a delay or some wrangling that raises uncertainty is more likely. Uncertainty is bad news for markets, of course, so we may have to wait until the Electoral College meets on Dec 19 to see if Trump gets the necessary 270 votes.

Astrologically, there is good reason to expect some downside starting sometime soon in December as Saturn aligns with Jupiter and Uranus. Jupiter's presence in this alignment complicates matters somewhat but I would still think the odds of a large pullback, if not outright correction, are fairly high. The focus of negativity may be around the Mercury retrograde station on Dec 19 and the Uranus direct station on Dec 29. The alignment of Mars and Saturn on Jan 18, two days before the inauguration, is another potential source of market anxiety. A strong rebound is likely to begin in late January and extend into early March. It is unclear if this will produce a higher high, however. Another correction is likely in Q2 as Saturn aligns with the Lunar Node and Uranus. This decline looks larger than anything we may see in Dec-Jan. Therefore it could well produce a lower low. The second half of 2017 may be more bullish.

The technical picture remains bullish. After testing resistance at 2220, bulls may be taking a breather so we could see some more consolidation. Despite support at the old highs of 2180-2190, a deeper retracement would not be surprising also. Stochastics has fallen below the 80 line and is in a bearish crossover. RSI has come off its overbought levels and may be approaching a more attractive level here for buyers. However, MACD is now in a bearish crossover and may be signaling some sideways movement, if not a deeper pullback.

The broadening top megaphone pattern is still in play and could conceivably generate another modestly higher high before making a larger move lower. A downside target would be in the 2050 area. Of course, the 200 DMA at 2110 would likely act as a magnet first in the event of a larger pullback. Given my astrological expectations for the next six weeks or so, I would think a tag of the 200 DMA is a bare minimum. A more likely downside target would be 2050 at least. This assumes that we don't get too much more upside in the days ahead. This Trump rally has pushed to new highs but sustainability remains a question mark. The Bullish Percent chart shows a clear negative divergence with respect to previous highs and is signaling a possible failure of the rally down the road. For the moment, however, there is still a bullish crossover of the 5 and 10 EMA which may indicate no imminent danger to the rally. The weekly Dow chart is looking more overbought as stochastics are well over 90 and RSI is closing in on 70 fairly soon. Support is initially at 18,800 and after that we could see a return to the previous trading range between 18,000 and 18,600. In the even of steeper sell-off, the 200 WMA at 16,851 is a possible area where buyers could re-enter the market. Meanwhile, bond yields continued to creep higher last week as the jobs report did little to dampen expectations of a hike. The long term effects of higher rates are bad news for both the economy and for stocks as the incentive towards buying risk assets in a near-zero rate environment will no longer exist.



This week leans bearish again. The early week is likely more bearish in this respect as Monday's Moon-Mars conjunction would appear to be an appropriate signature for rising anxiety after the weekend votes go against the EU status quo. A significant decline (1%+) is quite possible across Monday and Tuesday. I would also lean bearish for Tuesday as the Moon conjoins Neptune and the south Lunar Node. Some upside is likely on Wednesday and/or Thursday. Friday could be somewhat bearish on the approach of the Sun-Saturn conjunction which is exact on Saturday. If I am mistaken about Monday and we get some early week upside, then higher highs would be possible, especially on the Dow. However, I think the more likely scenario is that most of the indexes are lower this week. The medium term influences (Saturn to Uranus/Jupiter) are looking more bearish as they align more closely throughout December. Even if we see more upside this week, the likelihood for declines will rise next week and the week after.

Next week (Dec 12-16) also leans bearish although Monday could post a gain. The problem is the Full Moon on Tuesday and Wednesday that highlights the Sun-Saturn conjunction. This could be very bearish. The following week (Dec 19-23) is typically bullish with the Santa Claus rally. However, Mercury turns retrograde on Monday the 19th while conjunct Pluto and in alignment with Mars. This is the day the Electoral College casts its votes so there could be some surprises here. Even if the voting goes as planned I would lean bearish for the first half of the week on this difficult alignment of planets. Dec 26-27 also looks bearish on the Mars-Node conjunction. I would expect the interim low from this corrective move to occur in the last week of December or perhaps in mid-January. I am reluctant to specify where the low may occur. There is certainly the elevated risk of a large decline here – to 2050 for example – but it remains to be seen. A larger decline down to 2000 by January would also not surprise me. A rebound is likely to begin by late January and extend into March. A higher high is possible in March although a lot will depend on the size of the preceding correction. Q2 looks bearish as Saturn aligns with the Nodes and Uranus so we could easily move to lower lows by May-June. While the summer looks fairly bullish, I would be skeptical for the prospects of higher highs by August. The rest of 2017 looks mixed at best.

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Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is UP (1 week ending Dec 9)	bearish (disconfirming)	SPX 2150-2200

Medium term trend is UP (1 month ending Jan 9)	bearish (disconfirming)	SPX 1950-2100
Long term trend is UP (1 year ending Dec 2017)	bearish (disconfirming)	SPX 1500-1800

Indian Stocks

Stocks ended the week modestly lower ahead of two key EU votes on Sunday and Wednesday's RBI announcement. The Sensex fell less than 1% to 26, 230 while the S&P 500 finished the week at 8086. This bearish outcome was in keeping with expectations although I mistakenly thought losses were more likely in the first half of the week As it happened, stocks rose into Thursday morning and then pared gains.

With demonetisation seemingly a work-in-progress, investors are looking for fresh cues elsewhere. There is some concern about the EU here as votes in Italy and Austria on Sunday could create more problems for the currency zone. Markets have been fairly cautious leading into these votes so there is unlikely to be any Brexit-type surprises on Monday. As the same time, if there is a strong 'no" vote in Italy and PM Renzi resigns while Austria votes for a populist government, stocks are likely to be vulnerable for at least a day or two. The RBI could come to the rescue on Wednesday, however, as some kind of accommodation is likely following the disruption created by Modi's currency reform. Investors will be parsing Mr. Patel's words closely for hints of further support if growth takes a hit in future quarters. It is possible that Wednesday's announcement could be bullish if the RBI is seen to be proactive. A more passive wait-and-see approach could bring about more selling.

The astrological outlook is mixed at best in the coming weeks. Bearish Saturn is still making itself felt through its alignment with Uranus and Jupiter in December. For this reason, I think the chances for a major rebound this

month are fairly low. We may therefore have to wait for January and then February for a larger rebound to take hold. Jupiter aligns with Uranus through much of January and February so it may be a time for bulls to take the reins. However, Saturn will return soon enough as it is due to align with Rahu and Uranus starting in mid-March and continuing into April and May. Another correction is therefore likely in Q2 and I would expect the size of the decline to be larger than whatever we may see here in Q4. At this point, I think the chances are good for lower lows by May 2017. Another rally is likely in Q3 but Q4 looks bearish enough to negate those gains. Overall, 2017 is looking to be fairly bearish.

The technical picture is still mixed. Last week's higher low offered the possibility that a more sustainable rally was possible in the days ahead. And yet a harder retest of the previous low at 7900 is still very possible. The Nifty is trading around its 200 DMA which should give bulls some comfort. After the long rally of 2016, a pullback to this level was to be expected. While some short-term trades below this line are likely, there is good reason to think that there will at least be a longer term bounce off the 200 DMA. Last week's high reversed near the 20 DMA but a more sustainable rebound should return the Nifty to the 50 DMA. Even if there are lower lows ahead, the momentum of this year's rally would likely indicate the probability of a bigger rebound from here.

Thursday's high reversed at 50% retracement from the recent pullback. 8250 is now resistance while 7900-8000 is support. Buyers will likely return in the event of a pullback. A close above 8250 could signal a longer rebound to 8400. That would be another 50% retracement, this time from the September high to the November low. Stochastics has worked off its oversold condition now and it approaching its interim "sell zone" near the 50 line. If bulls gain the upper hand this week, they could push stochastics back up to the 80 line. This could translate into something approaching resistance at 8250 or even 8400. The weekly BSE chart makes an argument for at least some upside in the short term given how oversold stochastics are. RSI has not yet hit the 30 line, of course, so that could mean that more downside may come in the weeks ahead. If we get more downside in December as I am expecting, then it is very possible we could see another tag of that 200 WMA at 24,622. If prices held firm at that time, it could confirm the bull market as evidenced in the rising 200 WMA line. Meanwhile, Tata Motors (TTM) suffered another loss last week as it tested long term support. The stock is currently testing the May gap and therefore could fall a bit further before buyers with conviction finally appear. In any event, one would think that a bounce is likely in the short term and that could recover the 20 WMA. Any move below the April highs, however, would suggest much more downside to come. Similarly, HDFC Bank (HDB) appeared to find horizontal support last week as it traded above its April 2016 highs. Again, a bounce seems more likely than not although it remains to be seen if the bounce will morph into a full-blown rebound.

This week could begin on a negative note on Monday's Moon-Mars conjunction. I would think the odds favour a decline on Monday, possibly as a result of the EU votes. The second half of the week looks slightly better so that could argue for a favourable reaction to Wednesday's RBI announcement. However, the late week looks more problematic as Mars aligns with Mercury, especially on Thursday. That suggests that even if the RBI offers help to the market, it may not last. Friday may be somewhat more bullish on the Moon-Jupiter-Uranus alignment. Overall, the week retains a bearish risk although the likelihood of some up days here may minimize the damage. If Monday brings a sharp decline, then the Nifty could trade under 8000. I would not be surprised. But the gains should be sufficient to boost the Nifty above 8000 for the week. Whether or not it can close in the green by Friday is harder to say.

Next week (Dec 12-16) could be more bullish. Monday looks bearish on the Moon-Mars square but the rest of the week may see more of a rebound. I am still uncertain if there will be a meaningful rebound here, however. We may have to wait until the last two weeks of December for larger gains to take hold, and even then the last week of December could be somewhat bearish. January may be quite choppy with a retest of December's low quite likely. Whether or not we get a lower low is hard to say, however. Some gains are more likely in February when Jupiter turns retrograde and aligns with Uranus. This could be a bullish window that coincides with several weeks of gains that last into early March. I would not expect a higher high by March, however. More downside looks likely starting in March and continuing into April and May. While this period may be fairly choppy, the Saturn-Uranus-Rahu alignment is likely to put pressure on sentiment for the most of the second quarter. Lower lows are very possible in May or even June. Q3 looks more bullish but it may not be enough to repair the technical damage of the first half of the year.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is DOWN (1 week ending 9 Dec)	bearish (confirming)	7950-8100
Medium term trend is DOWN (1 month ending 9 Jan)	bearish (confirming)	7600-8000
Long term trend is UP (1 year ending Dec 2017)	bearish (disconfirming)	6000-8000

Currencies

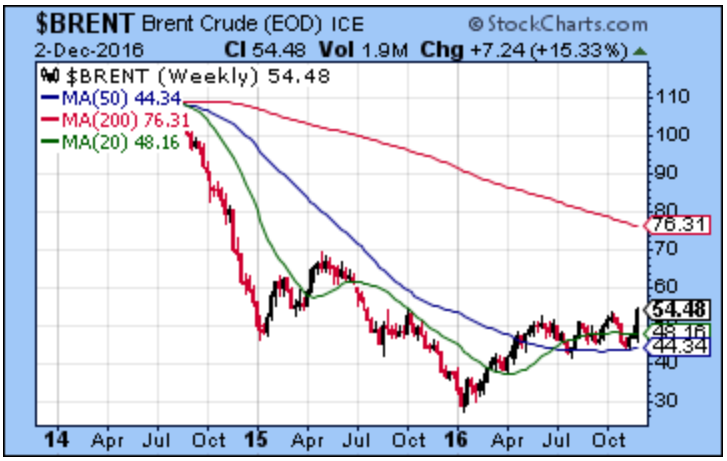
The Dollar retreated last week as investors took profits after the strong rally. The USDX finished the week just below 101 while the Euro settled below 1.07. Most other currencies strengthened against the Dollar including the Rupee to 68 and the Yen which moved to 113. This bearish outcome for the greenback was somewhat unexpected as I thought the late week could generate more upside. Support is now at 100.5 which is approximately where the previous highs were. A move below this level would not necessarily damage the rally as a deep 50% retracement would be 99.5. And a break down of 100.5 would suggest a downside target of 99 given the head and shoulders top pattern in recent weeks. If resistance at 102 is broken to the upside, then we could eventually see 1.08. This is the upside target of the year-long cup and handle pattern. While I am generally bullish on the Dollar for the next month or so, I would be surprised if it fulfilled this 1.08 target by January. The weekly Euro chart is still looking vulnerable to more downside after testing support at 1.05. So far, the bounce has been modest. Bulls will need to extend this bounce very soon or else risk another test of 1.05. If the Euro cannot break above 1.07 soon, then a quick retest of 1.05 could very well bring a break down of that level. Of course, if the votes on Sunday go against the status quo then the Euro would likely test 1.05 very soon and probably fall below that level quickly. Interim support may then be at 1.025, even if the longer term downside support would be closer to 0.95.

This week could see the Dollar resume its rally. The early week leans a bit bullish on Monday's Moon-Mars conjunction. We could see some retracement on Tuesday or Wednesday but the late week may bring more upside as the Sun approaches its conjunction with Saturn. It's possible the Dollar may end fairly flat but the more likely outcome here would seem to be more gains, even if they do not move above the previous high of 1.02. Next week could see some downside early in the week but the midweek could be more positive. Overall, I would not expect a break down of 100 nor would I expect higher highs. The Dollar could push to new highs the following week as well as after Christmas. January may bring the end of the rally although I am unsure if this could occur in the first half or second half of the month. Possibly we will see a high in early January which is tested by mid-January. February looks more bearish as the Jupiter-Uranus aspect should increase risk appetite. More gains are likely in March and April and these could produce higher highs. While a correction is likely in Q2, the Dollar looks likely to rebound strongly in Q3. A sharp correction is likely in late summer, however, and that may signal the start of a larger decline that is likely to occur in early 2018.

Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Dec 9)	bullish (confirming)	100-102
Medium term trend is UP (1 month ending Jan 29	bullish (confirming)	104-108
Long term trend is UP (1 year ending Dec 2017)	bullish (confirming)	100-110

Crude oil

Crude oil surged last week as OPEC finally made a deal to cut production. WTI jumped 10% on the week to close above $51 while Brent settled Friday above $54. While I did not rule out a late week bullish outcome here, the size of this move was decidedly unexpected. The early week was more mixed on the Moon-Mercury alignment whereas the Mars-Jupiter-Saturn pattern appeared to coincide with the sharp gain. It is hard to argue with this kind of upside momentum although it should be noted that the rally was halted at resistance near $52. After the bullish higher low that touched the 200 DMA the previous week, one should think there is more upside coming. Whether or not it is sustainable is another question although higher highs will be bullish in the short term and will insulate the bulls from undue anxiety in the event of some profit-taking. While my astrological indicators are looking more bearish, this technical momentum complicates matters. Perhaps the best the bears can hope for at this point is a marginally higher high (e.g. WTI=$54) and then some period of retracement which lingers longer than investors expect. The weekly Brent chart is more bullish having made a higher high so now we can see that rising channel take shape once again. That said, Brent is near the top of its channel right at resistance so further upside may be slow in coming. In the event of a pullback, support is near the 50 WMA at $44.



This week could see a retracement. Monday's Moon-Mars conjunction looks bearish so the possibility of a follow through to the upside seems reduced. To be sure, the technicals argue for follow through but the planets do not concur. This introduces some ambiguity in the overall picture. Wednesday also seems bearish as the Moon is aspected by Saturn. While Friday may well lean bullish on the Moon-Uranus alignment, there is an argument for retracement here. This is more plausible because WTI is up against resistance. Perhaps it will remain above support at $49. Next week (Dec 12-16) also could prove troublesome although the early week looks bullish. Even if we get some early week upside, it may not be enough to decisively break above $52/$54. While I wouldn't be shocked if we got to a higher high, the rest of the week is more negative and is likely to produce some retracement in any event. Crude may be mixed at the end of December and into early January. I would not expect a major rally to begin at this time. January looks more likely to see crude come under pressure, or at least form a top which then sees a reversal lower. After a short corrective phase that may end in late January, crude could rally again in February and March. Another corrective phase is likely to begin in March and extend into May. Crude may retest its August lows and perhaps may fall further. After an early summer rebound, more downside is likely from August to October.

Technical Trends	**Astrological Indicators**	**Target Range (WTI)**
Short term trend is DOWN (1 week ending Dec 9)	bearish (confirming)	$49-52
Medium term trend is UP (1 month ending Jan 9)	bearish (disconfirming)	$39-45
Long term trend is DOWN (1 year ending Dec 2017)	bearish (confirming)	$25-40

Gold

Gold moved sideways last week as investors weighed the prospect of Eurozone uncertainty against the likelihood of a Fed rate hike on Dec 14. Gold ended slightly lower on the week closing at 1177. I had been fairly neutral about gold this week given the Moon-Saturn conjunction. I was incorrect in thinking that the early week could bring declines, however, as gold rose into Tuesday. Bears were happy last week because gold made lower lows to 1160 on Thursday. There is a lot of air underneath that level before any obvious support at 1125. Bulls look quite weak here as they could not push price back over resistance at 1200. This would suggest lower lows are still more likely than a move back over 1200. That said, gold is oversold here both on stochastics and RSI so we should expect a larger bounce before too long. A close above 1200 would be clearly bullish and may indicate a rebound at least back to the 20 DMA if not the 50 DMA. If gold manages to move above 1200 then we could see 1240 fairly quickly. But even with a possible bounce, the downside target is still close to 1030 which would return gold to its previous lows. Gold is looking more bearish in the medium term now as its 200 DMA is now sloping downward, a telltale sign of a bear market.

This week leans bearish, especially in the second half. The Sun conjoins Saturn on Friday-Saturday so that could damage sentiment. I think there is a raised downside risk throughout the week, and Monday's Moon-Mars conjunction is also problematic. While some gains are likely, they may be limited to perhaps Wednesday and Friday. There is an increased risk of a large decline this week although I should note that a gain would not shock me as well. That is because while the Sun-Saturn combination is bearish, it is aligned with bullish Jupiter this week so we cannot assume the same high level of confidence in a decline. Nonetheless, I think the bears have a good chance.

Next week (Dec 12-16) also has some bearish potential although it seems less pronounced than this week. The late week looks more bearish than the early week, however. The following week (Dec 19-23) could see a rebound especially later in the week on the Venus-Jupiter aspect. But the post-Christmas period also looks difficult. I wonder if gold will be testing 1100 if not below by Jan 1. It's possible. We could see a bounce in the first half of January but I suspect it won't get too far. Late January looks bearish again as Saturn enters Sagittarius. Then a rebound should begin in February and extend into March. This is very likely to top out at a lower high and we should see another move lower starting in March and extending into May or June. Gold could retest 1050 here and could well fall below 1000 on the Saturn-Node alignment. We shall see.

Technical Trends	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Dec 9)	bearish (confirming)	1120-1170
Medium term trend is DOWN (1 month ending Jan 9)	bullish (disconfirming)	1175-1250
Long term trend is DOWN (1 year ending Dec 2017)	bearish (confirming)	1000-1300

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