

Summary for week of 2 January 2017

- Stocks likely to remain weak in the US, especially early.
- Dollar could test support early but bounce possible later
- Crude oil looks mixed this week with gains more likely later
- Gold could extend bounce early in the week

Happy New Year! May I wish all my subscribers a happy, healthy and prosperous 2017!

US Stocks

Stocks moved lower in light holiday trading as investors took profits after the Trump rally. The Dow lost less than 1% to 19,762 while the S&P 500 finished the week at 2238. This bearish outcome was in line with expectations although I thought we might have seen more downside on Tuesday. Instead, the declines only arrived after Tuesday and were quite modest.

2016 proved to be more bullish than I had expected as stocks rose about 10% on the year. I thought there was a good chance stocks would be somewhat negative given the various bearish alignments throughout the year. But down trends and pullbacks were bought aggressively and rallies were stronger than I had anticipated. However, in terms of annual outlooks, I tend to put more weight on the May-to-May annual moves as May 17th is the inception or “birth” date for the NYSE (May 17, 1792). This is a more reliable astrological start/stop date than the January 1st benchmark. Since the NYSE 2016 birth date horoscope looked fairly bearish, I would still favour a bearish outcome by May 2017. The SPX was trading near 2050 in May 2016, so I think there is still a good chance that it could move lower than that level by May 2017. The prospect for some significant downside is quite strong in early spring although if we get higher highs by March, then it may be difficult for bears to push it down to 2050 by May.



January is shaping up to be somewhat bearish, although I am reluctant to be overly bearish. There is still likely going to be some upside, probably in the second or third week of the month, so that could offset some of the negativity that is more likely to occur in the first and fourth weeks. The entry of Saturn into Sagittarius on Jan 25th is likely to coincide with some downside but it is difficult to say how much. February looks more bullish as Jupiter turns retrograde and aligns with Uranus. March may be more mixed as I am expecting any rebound rally to run out of steam around that time. April and May should be more bearish and could generate lower lows. Stocks may rebound strongly in the summer but there will be another move lower likely in August and September.

The technical outlook is short term bearish as Friday took out support at 2250 and the 20 DMA. The next obvious support level would be closer to the previous high and the 50 DMA at 2200. However, after the breakdown of 2250, the measured move downside target is close to 2220. Depending on the severity of any news in the coming days, I would think buyers will move it at either the 2220 or 2200 levels. Horizontal resistance is the high at 2280, although channel resistance is closer to 2300. Stochastics is now below the 20 line and hence technically oversold although MACD is in a deepening bearish crossover. A short term buy signal may be a bullish crossover in stochastics that breaks above the 20 line.

If January plays out as expected, then there is a reasonable chance that we could see a tagging of the 200 DMA at 2136. I had thought that we might see a larger correction down to 2000 or so, but the recent series of only modest declines on bearish alignments means that is looking less likely. In technical terms, there may simply be too much upward momentum to produce any major reversal over the next four weeks. Market breadth continues to be a concern as the percentage of stocks above their 200-day moving average (\$SPXA200R) moved lower in tandem with prices last week. The negative divergence is still very much in place although current levels (64%) is still above the early December low of 61%. If the current percentage moves below 61% then this would increase the likelihood of a larger move lower. The percentage is still below its 200 DMA and the chart is still in a death cross of the 50 and 200 DMA. This last occurred in early 2015 in a year where stocks were flat at best. This death cross is a technical signal that argues for more downside in the medium term. The weekly Dow chart is finally showing a bearish crossover in stochastics although it has a long way to fall before it moves below the 80 line. This would be a more reliable indicator of a larger correction. Meanwhile, bond yields have begun to move lower again. The 10-year could easily fall to the 50 DMA at 2.2% and take stocks a little lower with it.



This week should give the bears another chance to do some damage. After the holiday closing on Monday, Tuesday's Moon-Mars conjunction looks somewhat bearish. This isn't a high probability pattern since the Moon will already be separating from Mars during the trading day. Wednesday also has an elevated downside risk on the Moon-Mercury square. This is also not a high probability bearish pattern although there is a risk of a larger than normal decline. Thursday or Friday should produce at least one up day as the Moon aligns with Uranus and Jupiter. Thursday is somewhat more bullish in this respect. Friday looks somewhat less positive as Mercury approaches its direct station. Overall, there is a good chance for some follow through downside this week. I think the chances are good that we test support at either 2220 or 2200. With the possibility of a late week bounce, I would keep an open mind about where stocks will finish. I would lean bearish for the week overall, although it would not shock me if they ended up fairly close to current levels.



Next week (Jan 9-13) looks more bullish although not clearly so. However, the early week could be somewhat bearish as the Moon aligns with Mars and Saturn on Monday and Tuesday. It is conceivable that we could see lower lows compared to the previous week. The second half of the week looks more positive as the Sun aligns with Jupiter and Saturn while Venus conjoins Neptune on Wednesday and Thursday. Friday (the 13th) is more bearish looking, however, on the Mars-Uranus alignment and therefore there is a possibility of a large decline on that day. I am reluctant to forecast anything too dramatic here but there is still a noteworthy risk. The following



week (Jan 16-20) could be bearish again as Mars aspects Jupiter. This is likely going to be bad for sentiment and also bad for politics, as Donald Trump will be inaugurated on Friday the 20th. I had expected more in the way of turbulence during his transition but so far any controversy has not affected stocks in a negative way. It is still possible we could see some more manifestations of trouble here that may damage sentiment. Late January also contains some bearish potential around the entry of Saturn into Sagittarius on the 25th. I think this could produce one or two bigger down days, probably on the square with Venus on the 26-27th.

While some of these bearish alignments may not play out, I think enough of them will and we could see the SPX trading at or below its 200 DMA at 2136 at some point by the end of January. February should produce a rebound as Jupiter turns retrograde on the 6th. The rebound may last into March but whether it produces a higher high above 2280 is hard to say. I tend to think it won't but if January is only modestly bearish (e.g. 2150-2200), then a higher high by mid-March is still very possible. Another down move is likely to begin in March and continue into April and May. This looks bigger than any decline we will see in January.

Technical Trends

Astrological Indicators

Target Range

Short term trend is DOWN (1 week ending Jan 6)	bearish (confirming)	SPX 2200-2240
Medium term trend is UP (1 month ending Feb 6)	bearish (disconfirming)	SPX 2000-2200
Long term trend is UP (1 year ending Jan 2018)	bearish (disconfirming)	SPX 1700-2000

Indian Stocks

Stocks rebounded last week as the Dollar rally eased and buyers entered the market at key support levels. The Sensex finished the week at 26,626 while the Nifty finished at 8185. This bullish outcome was somewhat unexpected as I thought the early week declines might linger for longer. While I expected mid and late week gains, I did not think they would be as strong as they were.

2016 turned out to be a somewhat more bullish year than I had anticipated. Stocks rose just 2% in 2016 but I thought they would be susceptible to deeper corrections and would post a losing year. Not so. The outlook for 2017 again looks bearish to me as there are a number of tense alignments that should produce significant corrections. Rallies will still occur to give bulls hope but I remain skeptical of their capacity to put stocks in the green for this year. Moreover, the Sensex horoscope (1 January 1986) looks afflicted for its next "birthday" on 1 January 2017. Mars is with Ketu and both malefic planets will align with the Moon and Rahu in the Sensex horoscope. While there are some bright spots – the Moon is aspected by benefic Jupiter on New Year's Day – this is not a chart that strongly indicates a major new rally for 2017. I will therefore stick to my forecast of a lower Nifty by the end of 2017.



The month of January looks mixed at best as Saturn enters Sagittarius on the 25th. Some gains are possible ahead of this date, but the end of the month looks sufficiently bearish that the month as a whole may be fairly neutral.

February looks more bullish as Jupiter turns retrograde on the 6th and then aligns with Uranus for the next few weeks. This should fuel further upside. However, the rebound may only last until early or mid-March as Saturn aligns with Rahu. This should produce some downside with may well evolve into a full-blown correction that lasts into May. A more bullish scenario would be a choppy range bounce market at the lower end of the recent trading range.

The short term technical outlook is bullish after the bounce off support at 7900 last week. Buyers moved in as expected and pushed up the Nifty with some force. The size of the bounce suggests that more upside is likely in the coming days. Resistance is the previous high of 8271 which is just a little above the confluence of the 50 and 200 DMA. Last week brought a death cross of these averages which can sometimes indicate lower lows ahead. However, I would put much more emphasis on the bullish double bottom pattern which has an upside target of 8700. But first the previous high of 8271 has to be exceeded for this pattern to play out.

Stochastics are not yet overbought so we could see more upside fairly soon, regardless of whether it exceeds 8271 or not. I think the short term technical outlook argues for a continuation of this rebound. Not only is the double bottom pattern looking bullish, but the correction was halted at 7900 which was about a 50% retracement off the high. Support may be close to the 20 DMA now at 8100. Any move below 8100 would be bearish and would ring alarm bells that another test of critical support at 7900 is possible. In the event the rally fails and we get another retest of 7900, the downside target of any technical breakdown would then be 7500. The weekly BSE chart is still showing stochastics in a bearish crossover and barely over the 20 line. In other words, this indicator is not producing a clear medium term buy signal. MACD is showing signs of coming out of its bearish crossover as the histograms are shrinking in size. A rebound from here would not be surprising but the same could be said for a tagging of the long term 200 WMA at 24,766. This is the approximate downside target of the Sensex in the event that we see a breakdown of support at 25,800. Meanwhile, Infosys (INFY) is still struggling to move above resistance at the 50 DMA. Its bounce off the November bottom has been fairly weak thus far. However, any close above its December high would be bullish and could argue for a retest of its 200 DMA. The chart is still bearish in the medium term, however. ICICI Bank (IBN) is similarly struggling somewhat as it clings to support at its 200 DMA. The stock is still bullish in the long term but any breakdown here would be bad news for bulls.



This week looks mixed but with a bullish bias. Monday's Moon-Venus conjunction leans a bit bullish so we could see an extension of last week's rally. Tuesday's Mercury-Venus alignment is also bullish although I am less confident that it will produce a positive day. Tuesday also features a Moon-Mars conjunction which could translate into jitters and anxiety. Nonetheless, there is a reasonable case for a test of resistance at 8271 in the early part of the week. Some downside is likely along the way, possibly on Wednesday or Thursday when the Sun conjoins Pluto. Friday is fairly bullish on the Moon-Uranus conjunction although the afternoon could see gains erode.

Overall, I think there is a good case for testing resistance at 8271 this week although I would be less reluctant to forecast a break above that resistance. It's possible, but the planets do not seem that reliably positive. While I think some more downside is coming next week, it seems less likely we could see a major move lower here.



Next week (Jan 9-13) looks bearish to start as Mars squares the Moon on Monday and Tuesday. Monday looks more bearish than Tuesday. Even if there is some selling, I would be surprised if it broke any key support levels. The rest of the week looks more bullish as the Sun aligns with Jupiter and Saturn and Venus conjoins Neptune. Friday is more of a question mark, however, as volatile Mars aligns with unstable Uranus and intense Pluto. The following week (Jan 16-20) looks more bearish as Mars aligns with Saturn for much of the week. The early week should be bearish as the Moon opposes Mars on Monday. A midweek bounce is possible but the late week also



looks troublesome as Mars aspects Jupiter on Wednesday and Thursday and then enters Pisces on Friday. All of these placements are bearish to some degree so even if they do not all coincide with declines, some of them likely will. I would therefore expect a retracement here, perhaps testing 8000. Even late January is unlikely to produce much upside as Saturn enters Sagittarius on the 25th. This should coincide with at least one or two strong down days. It is possible we could see another test of 7900 by the end of January. February looks more bullish, however, as Jupiter will align with Uranus as it slows down and turns retrograde on the 6th. I would expect a significant rally to take place in February. March looks more difficult, however, as Saturn is aspected by Rahu. Due to Saturn's retrograde cycle that begins in early April, this difficult aspect will be in place for the next several months. It is likely to make further gains very unlikely and I would expect more downside from March to May and again in August and September.

Technical Trends

Short term trend is UP
 (1 week ending 6 Jan)

Astrological Indicators

bullish (confirming)

Target Range

8100-8300

Medium term trend is DOWN
(1 month ending 6 Feb)

bearish (confirming)

8000-8200

Long term trend is UP
(1 year ending Jan 2018)

bearish (disconfirming)

6500-8000

Currencies

The Dollar rally lost some steam last week as traders took profits at year-end. The USD finished the week down half a cent at 102.3 while the Euro strengthened above 1.05. I thought we might have seen a bit more upside for the Dollar although I was correct in expecting early week gains that pushed towards 1.04. The late week proved to be more bearish than expected and the Dollar ended lower. The Dollar is sitting on horizontal support here at the 20 DMA as well as channel support that began in early November after the Trump win. If there is more selling in the days ahead, then the Dollar could easily fall to the 50 DMA at 100.5. This wouldn't change the dynamics of the rally much as there would still be a higher low to entice more bulls to enter the market. If support holds here, the measured move upside target would be close to 105. I would think the rally is only in trouble if there is an intraday trade below the 50 DMA or a daily close below 101. The weekly Euro chart shows the medium term weakness of most risk currencies against the Dollar. Last week's bounce off support at 1.04 was important but it still looks very weak. The Euro will need some strong follow through to the upside in order to make the market believe the rally is for real. A close above 1.07-1.08 would be a stronger indication that the Euro will continue to trade in this range of 1.04 and 1.15. The longer the Euro cannot reach 1.08, the more likely it will be to break below 1.04. The longer term technical downside target for the Euro is still 0.95.

This week looks mixed for the Dollar with a bearish bias. The early week looks bearish as Mercury aligns with Venus. This should translate into gains for risk currencies. Some upside is possible later in the week but it may not be enough to offset the preceding declines. I wonder if we could see the USD touch 101 at some point this week. It may well be that the January retracement I had forecast has already begun and will continue for most of the month. Next week (Jan 9-13) looks bearish to start but the late week should be bullish. This could reflect a testing of support early in the week (101? 100?) and then a bounce. More upside is likely around Jan 17-20 as Mars



aspects Saturn very closely. I would tend to think this won't produce higher highs above 1.035 but we shall see. Late January may see the Dollar move sideways, probably around this upper range of 101 to 104. Some more significant downside is likely in early February and a move below 100 is quite possible. February could see the Dollar consolidate further but I would not expect any big move lower. Another major rally attempt is likely to begin in late February or early March and continue into April. I think higher highs around 105-108 are possible by April or May. After a summer retracement, the Dollar could attempt another rally in early fall but I am less certain this will extend the rally higher. It may be that the Dollar will be range bound after its April-May high. A more significant decline is likely to begin in early 2018.

Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Jan 6)	bearish (disconfirming)	101-102
Medium term trend is UP (1 month ending Feb 6)	bearish (disconfirming)	99-101
Long term trend is UP (1 year ending Jan 2018)	bullish (confirming)	98-105

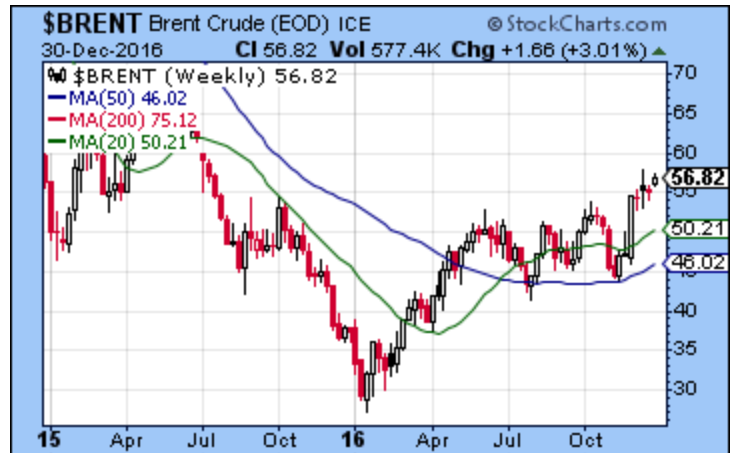
Crude oil

Crude oil moved higher last week on Dollar weakness and no more bad news out of OPEC. WTI gained more than 1% to close just below \$54 while Brent added 3% and finished the week just below \$57. This bullish outcome was not unexpected although I thought the gains would tend to be focused in the second half of the week. The higher high was good news for bulls as they pushed a bit harder against resistance. While no breakout was forthcoming, crude is still looking bullish, and perhaps even more so given the strength of the Dollar. One possible problem is that the daily WTI chart is showing a rising wedge pattern which often resolves into a fairly sharp decline. If support from the rising trend line was broken at \$52-53, this could initially resolve into a rising channel with a downside target around \$45, perhaps close to the 200 DMA. Only a close below the previous low of \$43



would give bulls serious pause that the medium term rally could be in trouble. But short term, any close below \$52 would be cause for concern. The weekly Brent chart shows the rising channel that has formed through 2016. Even if there is a pullback in the coming days and weeks, the bullish crossover of the 20 and 50 WMA looks bullish and will not be quickly undone.

This week looks somewhat mixed. Tuesday could bring some upside although I would be surprised if we got a large gain. Wednesday is more of a question mark, however, as Venus approaches its conjunction with the South Lunar Node. A decline is more likely here. Thursday and Friday should see at least one down day with Thursday looking somewhat more bullish as the Moon transits Pisces and conjoins Uranus. If Thursday is higher, then Friday presents a more compelling case for a down day. I think the planets do not favour a strong move in either direction this week, although the bears may have time on their side since some January pullback may arrive a bit ahead of schedule here.



Next week also have a mix of influences. The early week leans bearish as the Moon aligns with Mars and Saturn. But Wednesday and perhaps even Thursday look more positive. Friday looks volatile. I would lean bearish overall not only because there are some negative alignments but because the medium term aspects are likely to take effect at some point in January. Downside risk will increase in the second half of January and the retracement may extend into early February. I am uncertain if the pullback will last through the whole month of February but either way we should see a test of the 200 DMA by early February. Some kind of rebound is possible in February but more downside is likely in March. This will likely end up retesting the late Jan-early Feb lows. The corrective phase may extend into May and could therefore produce lower lows, perhaps below \$40. The second half of 2017 looks mixed so crude may be able to trade in a range between \$35 and \$55.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending Jan 6)	bearish (disconfirming)	\$51-54
Medium term trend is UP (1 month ending Feb 6)	bearish (disconfirming)	\$45-54
Long term trend is DOWN (1 year ending Jan 2018)	bearish (confirming)	\$35-50

Gold

Gold bounced off support last week as the Dollar weakened amid growing skepticism over future Fed rate hikes. Gold gained almost 2% on the week closing at 1151. While I thought we might see some upside last week, I thought the early week would have been more bearish than it was. Now it seems gold is trying to finally rally after forming a decent bottom. Last week tested resistance at 1160 and the 20 DMA. I would think a close above 1160 could produce a quick move up to 1200. Whether or not gold can push above 1200 will likely determine if this is anything more than a technical bounce. Thus far, I would be skeptical about gold's staying power given how bearish the chart is. If bulls cannot break above 1160, then a retest of 1120 could occur. This retest of key support may be a safer place for bulls to enter long positions. From a purely technical point of view, however, I wouldn't think another quick test of 1120 is likely. If we do see an extended bounce here, then it could move up to 1200 or perhaps even 1240. If or when support at 1120 fails, then the downside target would be initially the previous low of 1050 and then into the sub-1000 area. One would think that 10-year yields would have to climb above 3% for gold to fall below 1050. And that may require another rate hike from the Fed to silence the skeptics.

This week offers the potential for more upside especially on Tuesday and Wednesday. Mercury aligns with Venus on those days so further upside is more likely then. Thursday and Friday look more problematic although I'm uncertain how much downside they will actually produce as Venus comes under the affliction of the Lunar Node. In fact, we could even see significant gains on Thursday as the Moon conjoins Uranus. In that respect, Friday is probably the riskier day of the two. I would lean bullish overall this week with 1160 looking very doable and even 1200 may not be out of the question.

Next week (Jan 9-13) also has some bullish potential. Some downside is possible on Monday or Tuesday on the Moon-Saturn opposition but I would not expect too much. Wednesday and Thursday look more bullish as Venus conjoins Neptune. But Friday could coincide with some changes in trend as the Sun prepares to leave Sagittarius and enter Capricorn. Overall, there are some upside possibilities here with higher highs possible (1240?) but risk rises by the end of the week. The following week looks quite bearish with a decline likely on Tuesday following the holiday closing on Monday the 16th. The rest of week looks mixed at best. The rest of January leans more bearish as Saturn enters Sagittarius on the 25th. I am reluctant to predict lower lows by early February although a retest of 1120 looks possible. We shall see. More gains seem likely after February 6th when Jupiter turns retrograde, with the possibility of higher highs relative to January by early March. Another correction looks likely to begin sometime in March. My expectation is that it will involve a large decline and it could extend into



April and May. A move below 1120 by April-May looks more likely in this scenario. Even with another rally in June-July, the outlook for gold does not seem very bullish in 2017. Best case looks like a trading range between 1050 and 1200. Worst case may be gold falling below 1000. Gold is more likely to rally more strongly starting in 2018.

Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Jan 6)	bullish (confirming)	1150-1180
Medium term trend is DOWN (1 month ending Feb 6)	bearish (confirming)	1100-1150
Long term trend is DOWN (1 year ending Jan 2018)	bearish (confirming)	1000-1300

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