

## Summary for week of 13 February 2017

- Stocks with modest bearish bias this week
- Dollar could extend rebound this week
- Crude oil may push higher this week
- Gold vulnerable to some declines but should stay bullish

### US Stocks

Stocks pushed higher to new all-time highs last week on hopes that US-China trade tensions might now be averted after Trump's climb down on the one-China policy. The Dow gained 1% on the week to 20,269 while the S&P 500 finished at 2316. This bullish outcome was somewhat unexpected as I thought we might have seen more early week selling. While the mid and late week gains were in line with expectations, the early week was merely flat.

Stocks are rising in anticipation of higher earnings fueled in part on the hope of lower taxes and higher inflation. President Trump has promised lower taxes and his recent actions suggest he will follow through. With the businessman President looking likely to be the most pro-business president since Reagan, it is not surprising that investors are piling into the long side. Stocks have also benefited from the expectation that bond yields are rising and that the 30-year bull market in bonds may be over. While this rosy picture looks compelling enough, stocks are looking technically overbought on many time frames. Therefore they become more vulnerable to external shocks, such as an unexpected European election result or a Fed rate hike.



But for the moment, markets are strong. Jupiter turned retrograde last Monday and is now aligning with Uranus. This is typically bullish and so we should expect stocks to remain mostly bullish through much of February. A modest pullback is still possible but it seems unlikely to seriously alter the upward momentum of the market. I would assume a default position of marginally higher highs in February. In terms of shocks, I think we are more

likely so see something more disruptive in late March or April when Saturn turns retrograde. Therefore I think the chances are good of a 10% type correction in the spring. Another correction is also very likely in summer on the Saturn-Nodal alignment which could seriously damage the bull market. In other words, we could see a lower low by September relative to any April-May low.

The technicals look as bullish as ever as we got a new ATH last week. However, the SPX is pushing up against resistance for the rising channel from the Feb 2016 low. It could continue to follow this resistance higher through February but some kind of pullback is also looking more likely in the short term. Short term channel support is near 2280 with the longer term support line close to the 200 DMA to 2166. We could easily see a one or two day pullback to 2280-2290 without interrupting the upward momentum of this Trump rally.

The technical picture would become more bearish if we got a lower low below 2260, for example. This likely would not spell the end of the current rally, however, although it would depend how quickly stocks got there. A quick move down to 2240 would be more worrying and would greatly increase the likelihood of a retest of the 200 DMA at 2166. On the other hand, a slower, controlled decline to 2240 could induce more buyers. The SPX is overbought on a daily basis as RSI is near the 70 line. The rally is still suspect as the Bullish Percent Index barely budged last week despite the gains. There is still a bearish crossover of the 5/10 EMA as well which makes the higher highs somewhat tentative at this point. The weekly Dow chart is getting ever closer to that double bottom upside target of 20,500. The closer it gets, the more likely we will see a pullback and perhaps even a correction. The chart is overbought by most indicators thus making it a poor entry point for medium term long positions. Further upside is still possible in the short term, but eventually there will be another correction which tests the 50 WMA at 18,455 at least. That bearish crossover of the 20 and 50 WMA in 2015 is a long way away now. It will likely take two separate pullbacks and corrections to create another such bearish crossover. I do think that such a bearish crossover is still the most probable scenario for 2017. Meanwhile, the bond market is in a state of uncertainty as yields moved sideways last week. The early week decline appeared to test horizontal support at 2.3%. If we get another lower high near 2.5%, then this chart would look more bearish and hence bearish for stocks.



This week looks mixed as we are likely to see moves in both directions. Monday's Sun-Saturn aspect looks bearish and could produce a decent-sized decline. Let's see if it can outweigh the ongoing Jupiter-Uranus aspect. Tuesday's Moon-Mars aspect suggests some negative sentiment could emerge, especially in the afternoon. Wednesday's Moon-Jupiter conjunction hints at some strength in the morning. Thursday is harder to call although I would default bullish there just in case. Friday looks a bit more bearish as Mars aspects the Moon.

Overall, there are good chances for two down days this week but recently that hasn't counted for much. Stocks are often only flat as the underlying Jupiter influence prevents any selling from taking place. That still could happen this week although it is possible that something may have shifted with Friday's lunar eclipse. I'm not convinced it will be enough to create a significant pullback but it raises the probability somewhat. In other words, some downside looks likely this week but the question is how much upside can the bulls generate? Perhaps they can produce some gains but we are so overdue for a pullback that it might as well happen this week.



Next week (Feb 20-24) looks more bullish, especially in the first half of the week. Monday is closed for Presidents' Day but the planets are something of a question mark, however, as the Moon conjoins bearish Saturn. I wouldn't bet heavily on futures declining here but it's more uncertain. Tuesday's Sun-South Node conjunction looks more bullish as does Wednesday's Mercury-Jupiter aspect. The late week Mercury-Saturn aspect looks bearish, however. If stocks move lower in the preceding week then we could see a bounce here. That would be my preferred scenario.



The following week (Feb 27-March 3) is a possible reversal alignment as Mars conjoins Uranus exactly opposite Jupiter on Feb 27-28. It's bullish on the face of it but stocks could be more vulnerable afterwards. The solar eclipse on Sunday the 26<sup>th</sup> is unhelpful for stabilizing sentiment. The late week therefore has a greater bearish potential. Venus then turns retrograde on March 4<sup>th</sup>. This is another potential warning signal for the market as the planet of happiness and value undergoes a fundamental shift in its condition. I would not expect a sudden move lower on this Venus influence as it may require additional alignments to produce a sell-off. Mid-March therefore looks more problematic in that regard. The retrograde station of Saturn in early April is another possible warning for the market. While a strong rebound is likely in late April and early May, there is a possibility of more downside coming as soon as Mid-May. We could even see lower lows (relative to April) as soon as June. I'm not certain on this point but the Saturn-Lunar Node alignment looks difficult and will demand its pound of flesh eventually. It could come as soon as May-June or we may have to wait for August-September. Q4 is looking mixed at best and raises the real possibility that the bull market could actually end this year or perhaps early in 2018. It all seems a bit fanciful at this point given persistence of the Trump rally, but the planets do not look bullish this year.

**Technical Trends**

**Astrological Indicators**

**Target Range**

Short term trend is UP  
(1 week ending Feb 17)

bearish (disconfirming)

SPX 2270-2310

Medium term trend is UP  
(1 month ending Mar 17)

bearish (disconfirming)

SPX 2260-2320

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

bearish (disconfirming)

SPX 1800-2100

## Indian Stocks

Stocks pushed higher last week as budget optimism continued for a second week and fears eased somewhat over a possible US-China rift. The Sensex rose less than 1% to 28,334, while the Nifty finished the week at 8794. I thought we might have seen more early week downside but the selling was more muted than anticipated. The mid and late week rebound on the Sun-Jupiter aspect therefore improved sentiment accordingly.

Investors are generally bullish here but with a growing sense of caution pending the results of the upcoming state elections. A poor performance by Modi's BJP would be bad news for the market obviously, as reforms would be less likely to be carried through to fruition. While political experts pore over the turnout data in the coming days, final results will not be known until 11<sup>th</sup> March. Therefore, that is a potentially important day for the markets that will warrant special attention. The Trump administration is another source of uncertainty as tariffs and travel bans could reduce India's advantages on the global scene. Higher tariffs of imported goods to the US would stoke inflation and this would in turn likely force the Fed's hand to raise rates. Higher rates would be bad news for Indian stocks.



It is difficult to say exactly what combination of factors could derail the current rally. And yet the planetary alignments do seem to worsen in March and April which would naturally point the finger at a disappointing BJP

showing in the elections. The timing may only be coincidental as other factors could also play a role in any pullback or correction. There are several key alignments I am watching around that time. The first is the Mars-Jupiter-Uranus alignment on 28<sup>th</sup> February. This could mark the culmination of the bullish Jupiter-Uranus energy especially as it occurs just two days after a solar eclipse. Eclipses are classic indicators of uncertainty and sometimes correspond with reversals. Another key alignment is the Venus retrograde station on 4<sup>th</sup> March. The Venus retrograde cycle can often mark times when investor sentiment undergoes a review as notions of value and worth may be revised. With these patterns in mind, we should view March and April with greater caution.

The technical outlook is bullish on most time frames. The Nifty is pressing up against horizontal resistance at 8800 here. It has been following a sharply rising channel since its December double bottom. Channel support is near 8700 which was tested twice last week. A break below this level would presumably begin a period of sideways consolidation and deeper retracement. This would not be inimical to further upside, however, as the rally is likely safe as long as the Nifty trades above 8500 and the 200 DMA. A close below those levels would raise doubts, and perhaps 8300 would be the point of no return as far as bulls are concerned. On a daily basis, the Nifty is overbought as RSI is above the 70 line and stochastics are above 90. MACD may be topping out here, however, although it shows a positive divergence with respect to the previous high in September. This suggests there could be more upside to come.

But the indices are close to matching their previous September highs and with that comes the risk of a dreaded double top pattern. This is a bearish pattern which often leads to significant corrections once the second top is made. In this case, any halting of the rally at 8900 would give bulls with long positions significant pause. The longer term chart still looks bullish after the relatively shallow retracement in 2015. Nonetheless, cautious investors are likely taking a wait-and-see approach here as the Nifty is within 1% of its previous high. With so little upside in store, there is no incentive to go long unless there are major new developments. At this point, most investors are trading carefully until a clearer picture of the state election results emerges. The weekly BSE chart shows that stochastics are now above the 80 line. Further upside may be more difficult given this indicator so it seems less likely that we will see a sharp push to new highs. Some retracement first is more likely. A higher low to 27,000 would be bullish, however. Meanwhile, ICICI Bank (IBN) went sideways last week as it tested resistance. The chart is still bullish although even bulls may be expecting some further retracement here to hopefully higher lows. Infosys (INFY) had a positive week but it may be pushing up against resistance here as a downward channel is now forming. If February puts in a lower high relative to the January high, it could set the stage for a large sell-off in the weeks ahead which creates a bearish lower low.



This week looks mixed. Monday's Sun-Saturn aspect gives the bears an advantage so I would not be surprised to see some selling on Monday or perhaps Tuesday. But sentiment could improve by Tuesday afternoon as the

Moon aligns with Venus. Some midweek gains are therefore likely although they could come on Tuesday or Wednesday. Thursday and Friday tilt more bearish as Mercury aligns with Mars. Friday looks more bearish than Thursday. Thursday could even produce an up day but it may be a better day for profit taking if we have seen some preceding gains. So one possible scenario this week could be a retest of support at 8700 as per last week and then another push towards resistance by Thursday. I'm uncertain if there is enough positive sentiment to push above 8800. It wouldn't surprise me, especially if Monday's selling fails to materialize. And yet Friday looks sufficiently bearish that the prospect for gains this week seems fragile. Perhaps the Nifty will finish close to its current levels.



Next week (Feb 20-24) looks bullish to start as Mercury aligns with Jupiter on Monday and Tuesday. Wednesday and Thursday look less positive, however, as Mercury comes under the aspect of Saturn. Thursday is more bearish in this respect. With Friday closed for a holiday, the week as a whole looks somewhat bullish. Higher highs are possible with a move above 8800 also possible. The following week (Feb 27-March 3) could be significant as Mars conjoins Uranus opposite Jupiter just two days after a solar eclipse. This is a potent alignment that could bring upside early in the week but selling later on. Volatility may rise as the week progresses. Venus then turns retrograde on 4<sup>th</sup> March and this could further shift the mood of the market. I think it is possible we could see a top sometime in late February or early March. I would not necessarily expect a sudden decline in early March, however. I think declines are more likely in mid-March and afterwards. A test of the 200 DMA at 8400 is likely by April. After a bounce in late April and early May that forms a lower high, more selling is possible in May and into June as Saturn begins to align with Rahu. By September, there is a good chance that we will revisit the previous major low of 7900.



**Technical Trends**

**Astrological Indicators**

**Target Range**

Short term trend is UP  
(1 week ending 17 Feb)

bullish (confirming)

8750-8850

Medium term trend is UP  
(1 month ending 17 Mar)

bearish (disconfirming)

8600-8800

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

bearish (disconfirming)

7500-8500

## Currencies

The Dollar moved higher last week as investors regained their optimism for the Trump administration. The Dollar added a cent and pushed towards the 101 level while the Euro fell below 1.07. The Yen remained at the 113 level and the Rupee Index moved below 67. I thought we might have seen more downside late in the week on the Venus influence but the rally from the early part of the week continued without interruption. The Dollar's bounce off horizontal support at 99 should be seen as bullish. However, the modest rebound here may also be an indication of a declining channel. Resistance may be at 102 for both horizontal and channel resistance. A

move above 102 would give the bulls encouragement that a retest of the previous highs is possible. As long as the DX stays below 102, there may be more of a cautious range bound market. If the DX were to reverse lower before rising above 101, then a quick retest of support at 99 would be bearish as the risk of a break down of support would rise. The bond market is starting to doubt the whole Trumpflation story and rising rates. If the Fed gives more dovish signals, then the Dollar would easily fall below 99 and retest the 200 DMA at 97. The weekly Euro chart still shows the common currency trading in the bottom half of its long term range. If it manages to stay above 1.06, it would create a 50% retracement which might provide a more solid footing for a rally above the key 1.08 level. A close above 1.08 would give Euro bulls some hope that the long bottoming pattern here may be finally paying off. We'll see how long that takes.

This week looks bullish for the Dollar. Some early week selling is possible, but the rest of the week offers some plausibly bullish aspects. Depending on what kind of early week downside we may see, it is possible that channel resistance at 102 could be reached at some point. Next week could see some weakness as the Sun conjoins the South Lunar Node. I would not expect a strong move here but there is some reason for a retracement. I had generally thought that February favored a pullback in the Dollar I wonder now if the pullback will be quite modest. March looks more bullish as Venus turns retrograde in the first week. I'm not sure if this will coincide with a bottom or merely a strong rally above resistance (e.g. 102). But March and April also appear to be bullish as Saturn turns retrograde in early April. If we only get a shallow pullback here in February, then higher highs above 103 are quite possible by April. The rally could top out in May with a major retracement for the Dollar in June and July. A retest of the 200 DMA is therefore possible in the early summer. But the Saturn-Node alignment in early fall could send investors seeking safe haven in the Dollar. Another move higher is likely at that time although I'm uncertain if we will see higher highs. The Dollar should undergo another major correction in early 2018.



Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Feb 17)	bullish (confirming)	100-102
Medium term trend is UP (1 month ending Mar 17)	bullish (confirming)	100-103
Long term trend is UP (1 year ending Feb 2018)	bearish (disconfirming)	98-102

## Crude oil

Crude oil was unchanged on the week as traders considered news of OPEC compliance to the recent deal to cut production. WTI finished the week below \$54 while Brent finished fractionally lower below \$57. While I thought the bears had a decent chance last week, the early week downside was somewhat modest. As expected, prices rebounded as the Moon entered Cancer at midweek. Crude prices are going sideways here as they await new direction. Adherence to the OPEC deal looks unlikely to push prices above their current range, although more US-Iran tension could conceivably introduce a geopolitical risk.

While resistance at \$54 is looking quite solid here, the technicals are still bullish as resistance is being tested far more frequently than support at \$51. Friday's close was very close to \$54 and suggests that the market really wants to go higher but needs a reasonable excuse first. If support at \$51 should break down, then it could fall quickly to \$48 which is near the 200 DMA. Cautious bulls may well be waiting for that sort of opportunity given the narrow trading range recently. I would think that the bulls would still have the odds in their favour in the event of a deeper retracement to \$48 as it would constitute a higher low. Even a larger decline to \$43 would likely still be bought aggressively as it would equal previous lows. It is only a move below \$43 that could change the crude oil rebound story. The weekly Brent chart shows prices are going sideways and riding the resistance line. However, no further weekly gains have been posted in 2017 so that is a possible warning sign that the rally is weakening. Nonetheless, any pullback will still likely be a buying opportunity for bulls.



This week could see some upside, especially in the first half of the week. Monday and Tuesday will see the Moon align with Venus and Mars which may encourage some buying. I would not say this is a high probability bullish alignment but it looks more bullish than bearish. The late week may be more bearish although I would not necessarily expect anything major.

I am generally bearish on oil over the next few months but we could see some gains here in February and perhaps into early March. Next week may begin on a bearish note on Tuesday's Sun-Ketu conjunction. I would not expect support at \$51 to be tested however. More late week gains are likely and the following week should be mostly bullish also as we move into March. In the absence of any significant retracement in coming days, we could see crude move above resistance and push towards \$60. It's also possible that prices will remain range bound but I would expect a little more action as we approach the Venus retrograde station on March 4<sup>th</sup>. As we move further into March, I think the downside risk will increase. I would not rule out further upside into the middle of March but declines are more likely around the Saturn retrograde station in early April. A retest of the 200 DMA is quite possible in April or May. A rebound is more likely in June with the second half of 2017 looking more bullish even if there is a sharp decline in August and September.



Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending Feb 17)	bullish (confirming)	\$53-56
Medium term trend is UP (1 month ending Mar 17)	bullish (confirming)	\$54-58
Long term trend is DOWN (1 year ending Feb 2018)	bullish (disconfirming)	\$45-60

## Gold

Gold extended its recent rally last week as buyers remained bullish on the inflationary potential of a Trump administration combined with a still-dovish Fed. Gold rose about 1% to 1235 despite renewed Dollar strength. This bullish outcome was somewhat unexpected as I thought gains were more likely later in the week. As it happened, it was the first half of the week that brought gains. So gold has taken one step closer to respectability as it approaches its 200 DMA at 1266. The bounce has been orderly, if modest, but more importantly it has not seen any sharp declines. I would think the technicals favour more upside here with 1266 looking quite likely eventually. Whether or not gold can reach 1300 is harder to say. Traders will be watching the price action at 1260-1266 to see how strong resistance is. Horizontal support is near 1220 so any move below that level would be more problematic for the bullish case. Even in that case, buyers would likely enter the market as it would still represent a higher low. The 50 DMA near 1180 is probably more crucial for the rebound as it represents a 50% retracement off the low. A breakdown of 1180 would be very bad news obviously as it would invite the test of 1125 and the prospect of a major double bottom pattern.



Gold is vulnerable to declines early this week as the Sun is aspected by Saturn. I would not expect too much from this aspect and it's possible it may not manifest at all. Tuesday and Wednesday look more bullish as the Moon aligns with Mercury and Jupiter. The late week again leans bearish on the Mercury-Mars alignment. I would retain a bullish bias here in any event although the week could easily end up negative. Nonetheless, the Jupiter influence seems fairly strong.

Next week (Feb 20-24) could begin on a bearish note as the Sun conjoins Ketu (South Node) on Tuesday. Some midweek gains are still likely as Mercury aligns with Jupiter, however. The following week could see more upside as Mars aligns with Jupiter and Uranus. This could be a potent combination which could push gold up to the 200 DMA. Once Venus turns retrograde on 4<sup>th</sup> March, I am uncertain how much higher gold may climb. March looks uncertain with some declines likely. It is quite possible that we could see a top in gold in early to mid-March. April looks more bearish as Saturn turns retrograde. Lower lows look likely in either June or most probably by September as Saturn aligns with the Lunar Nodes. We could see a retest of 1050 at some point in the second half of the year.

**Technical Trends**

**Astrological Indicators**

**Target Range**

Short term trend is UP (1 week ending Feb 17)	bullish (confirming)	1230-1260
Medium term trend is DOWN (1 month ending Mar 17)	bearish (confirming)	1230-1270
Long term trend is DOWN (1 year ending Feb 2018)	bearish (confirming)	1100-1300

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