MVA INVESTOR NEWSLETTER

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Summary for week of 20 February 2017

- Stocks likely trending modestly higher this week
- Dollar looks mixed to bearish
- Crude oil likely to push higher although upside breakout is uncertain
- Gold mixed but with bullish bias

US Stocks

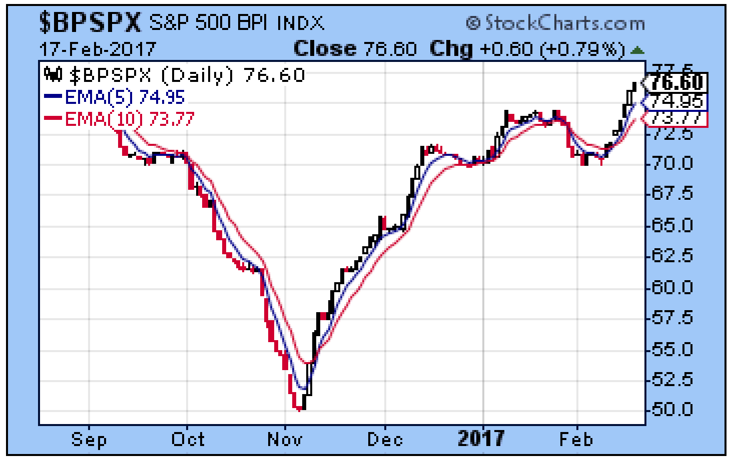
Stocks continued their winning ways last week on optimism over proposed corporate takeovers. The Dow gained more than 1% to 20,624 while the S&P 500 finished at 2351. I thought we might have seen more downside, especially on Friday, but as usual, the bullish sentiment more than made up for any negativity.

Stocks also appeared to take the possibility of a March rate hike in stride as Janet Yellen talked up the necessity of raising rates soon to respond to rising inflation. Current odds of a March hike are only 36% so the market is reserving judgment on that scenario. For the moment, however, most investors are becoming more comfortable with the prospect of higher rates as long as the Trump pro-growth agenda is implemented without any major setbacks or delays. And yet the fallout from higher rates is unknown and could put a serious damper on consumer spending and corporate borrowing. But Trump's America First policy is widely seen as bullish in the short term, at least until some of the inflationary consequences become manifest. It's clear that the border tax plan is inflationary and would add further impetus to raising rates earlier. As always, the Fed has to play a delicate balancing act as rates cannot be allowed to rise too fast or else they risk triggering another debt crisis like we saw 2008.

The February planetary alignments are broadly supportive of this rally as Jupiter aligns with Uranus late in the month. However, once that alignment has passed, downside risk will begin to rise again as sentiment could worsen. It is possible we could see an interim top in stocks as soon as Feb 27th on the Mars-Jupiter-Uranus alignment although it could also occur in early March. My general outlook is that some kind of correction is likely to begin sometime in March – possibly in the middle of the month – and that stocks will have to endure two or three difficult phases between March and June. The most bearish scenario would be a top in March and then a significant low in early June. That could happen, although I am doubtful that bulls will suddenly lose their mettle and be unable to generate rallies in April and May. We may therefore see a pullback and some sideways movement in the indexes. The most bullish scenario would see the market decline and tag the 200 DMA at 2173 at some point between, say, April and June but then rebound. Just how much bearishness we get in Q2 is hard to say with certainty. I would conservatively say that it basically makes higher highs in Q2 very unlikely.

The technical outlook is still bullish given the higher highs but the market is even more overbought now. The SPX is way above its 200 DMA which is an unsustainable condition over time. Daily RSI is pushing towards 80 as the current rally enters an apparently final phase. The rally is bumping up against channel resistance here at 2350. An overthrow above this line is still possible although it may be somewhat more likely to see only marginally higher highs as prices climb up the resistance line. Immediate support is likely around 2340 which was Thursday's intraday low. When that breaks, then the SPX would likely test the 20 DMA near 2300. This also corresponds with some previous horizontal resistance from late January. Market behavior at 2300 is likely more important to pointing the way forward. If a dip to the 20 DMA is bought aggressively, then bulls would naturally assume there will be another leg up to a higher high. However, if 2300 should break down, then the technical picture would become murky and could even open the door to a quick decline to the 200 DMA at 2173.

In the event of a 50% retracement off a hypothetical high of 2380 as measured from the November low of 2080, we would see the SPX fall to 2230. This would not indicate significant market weakness, however, as the slope of the 200 DMA would likely still be rising. The Bullish Percent chart looks more bullish here as there was a bullish crossover of the 5/10 EMA last week. Also, the short term negative divergence was invalidated with a higher high on this indicator. This suggesting a broadening of the rally and argues against any sudden declines. But over the medium term, the weekly Dow chart looks very overbought with RSI at 77. This condition could last for a while but it does not provide a compelling argument for bulls wanting to take long positions. If the market is still in a bull market, then there should be better entries ahead after some kind of sell-off. Over the longer term, those periods when weekly stochastics falls below the 20 line have been good entry points for long positions. Meanwhile, bond yields are in a holding pattern here. Despite Yellen's case for higher rates, yields appear to be drifting lower in anticipation of a pull back in stocks and perhaps even an economic slowdown, either domestically or globally. Key support on the 10-year is 2.3% so any move below that level would likely reflect rising risk in equities and commodities.



This week is shortened for the Presidents' Day holiday on Monday. Overall, the alignments this week argue for a bullish bias. The Jupiter-Uranus opposition does not become exact until the first week of March so that could keep prices relatively strong until then. The Mars-Uranus conjunction on Sunday, Feb 26 could signal a possible premature turn date for that bullish energy. The fact that there is a solar eclipse the same day adds to the potential for more volatility and volume next week. Until then, however, I think we are likely to see more of the same as the rally is unlikely to be significantly undermined. Tuesday's Sun-Lunar Node conjunction looks slightly bullish although I wouldn't call it a high probability aspect either. Wednesday's entry of Mercury into Aquarius also seems more bullish than bearish. Thursday leans more bearish perhaps as Mercury is aspected by Saturn. Friday also seems less bullish although not quite as bearish as Thursday. Overall, there is a plausible case to be made for marginally higher highs this week.

Next week (Feb 27-Mar 3) looks more important. The eclipse on the 26th could introduce some new instability into the market going forward. The early week is particularly vulnerable in this respect given the Mars influence on Uranus and Jupiter. My cumulative model does not yet seem overly bearish although the short term aspects suggest an elevated risk of a larger than normal decline. Even Wednesday's entry of Mars into Aries hints at rising volatility during the midweek as well. The bottom line is the week is likely to see at least one or two days with large moves and a heightened downside risk. I would also lean bearish here although acknowledging that the medium term influences do not clearly support the notion of a big decline.

The following week (Mar 6-10) looks more bullish as the Sun and Mercury align with Jupiter late in the week. If we have seen some selling in the preceding week, then this could represent a bounce to a lower high. I would not completely rule out a higher high either, although it would be very late in the day for that. Starting March 13th, the medium term influences look more clearly bearish. The second half of March could therefore offer the bears a more serious opportunity to take prices lower, probably below 2300. Early April is also problematic as Saturn turns retrograde one day after Uranus enters Aries. I would expect lower lows in the first half of April. The second half looks more bullish so that may coincide with a rebound that extends into early May. Higher highs seem somewhat unlikely although let's see how much damage the bears can inflict in March and April. Stocks look unlikely to rally in May and June as Saturn aligns with the North Lunar Node. It is quite possible we could see another leg lower during this May-June time frame. A stronger rebound is likely to begin in June and continue into July. Higher highs are less likely at this time and with the prospect of more selling in August-September, there may be an argument for lower lows, perhaps below SPX 2000. Q4 looks mixed.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is UP (1 week ending Feb 24)	bearish (disconfirming)	SPX 2320-2350
Medium term trend is UP (1 month ending Mar 24)	bearish (disconfirming)	SPX 2260-2320
Long term trend is UP (1 year ending Feb 2018)	bearish (disconfirming)	SPX 1800-2100

Indian Stocks

Stocks rose modestly last week on positive global cues and progress in the government's GST bill. The BSE-Sensex added 100 points closing at 26,468 while the Nifty finished the week at 8821. This bullish outcome was somewhat unexpected although I did think the indices would likely not move too far when all was said and done. I thought we might have seen more midweek gains but, as it happened, Wednesday proved to be the low for the week.

So far, we have seen some modest upside during this post-Budget period. This is more or less in line with expectations given the bullish Jupiter-Uranus alignment. Investors are focusing on the positive as proposed reforms are likely to further encourage growth. This is perhaps more impressive given the twin headwinds of the Trump administration and the likelihood of higher interest rates from the Federal Reserve. To be sure, there are still challenges for the market to surmount, but the resilience of stocks underscores the durability of the current bull market. No matter how contrived the lofty asset prices from the current ultra-low interest rate environment may be, the India story stands out from the crowd. Compared with China, Indian equities represent better value as recent returns clearly show.

But can the Nifty move to higher highs above 9119 this year? Both the fundamentals and technicals would appear to favour higher highs this year or next but the astrological alignments are more equivocal on that point. In the short term, higher highs are possible given the Jupiter-Uranus alignment. But once this is past exact in early

March, there may be less positive sentiment to take stocks higher. Moreover, the March-April period will be marked by alignments that appear to be more bearish. Venus turns retrograde on 4th March and then Saturn turns retrograde on 6th April. Saturn is probably the worst of the two retrograde cycles but together they may undermine the bullish sentiment that the long-lasting Jupiter alignment has produced. As we move into early summer, Saturn is again prominent as it aligns with Rahu, the North Lunar Node. This is a more directly negative influence is likely to coincide with declines during the period of May to September. This is not to say that the whole period will be marked by correction. Rather, that a correction is more likely to occur during those two windows: 1) March-April and 2) May-September. With two pullbacks/corrections likely in Q2 and Q3, it makes the prospects of higher highs less likely. Bulls may well have to be patient.

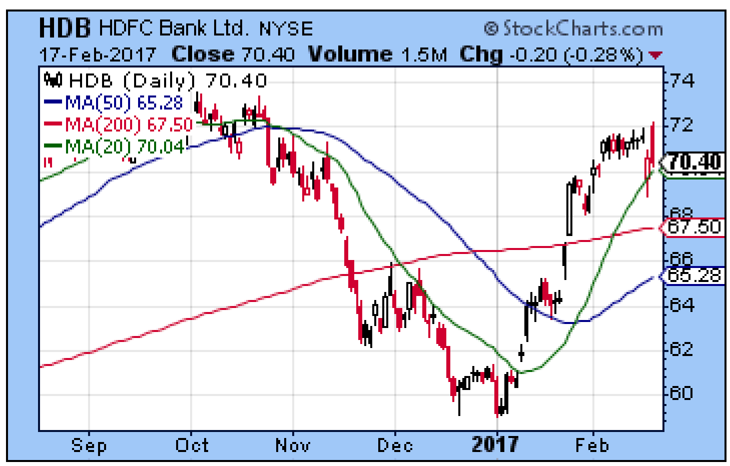
The technical outlook looks bullish across all time frames. Friday's intraday high retested the previous high so we could have more consolidation in the short term. Immediate support is at 8820 with 8700 acting as more important support. The rally off the December lows has been strong but probably too steep to sustain for the medium term. Eventually the rising channel support line will be broken. Currently, that support is somewhat above the 8700 level and the 20 DMA. Stocks look overbought here as RSI has barely moved below the 70 line while stochastics are flashing a short term sell signal as it moves below the 80 line. And despite last week's gain, MACD is still in a bearish crossover.

Given how close the Nifty is to making a double top pattern, these indicators are suggesting some sideways consolidation at very least, if not an outright pullback of some size. Higher highs above 9119 are still very much in the picture from a technical perspective but it seems unlikely they can happen in the short run. In the event of a pullback, bulls will want to defend support at 8400 and 200 DMA. This would represent a 50% retracement from the December low. I would think that any break below this level would jeopardize the current rally as it would likely invite a retest of 7900. Without a higher high above 9119, a move below 8400 would suggest a weakening of the bulls and a range bound market. The weekly BSE chart has stochastics overbought above the 90 line indicating the current period is a bad time for longer term investors to commit new funds to the market. But bulls can point to the RSI at 62 as a sign that there could be more upside in the short term as it has yet to become overbought. Meanwhile, Tata Motors plunged last week after reporting a sharp decline in earnings. Last week's low retested the December low and at least set up a possible bullish double bottom. A bounce is likely here although after the recent lower high, there are warning signs that higher highs may be far in the future. Tata is trading below its 200 DMA and that line is now starting to slope downwards. Bulls may decide to sell their positions in the event the rebound returns to the 200 DMA. HDFC Bank (HDB) also had a negative week although it may be seen as normal consolidation below resistance. After a possible bearish lower high in February, any move below last week's intraday low would be a bearish signal, especially if it fell below the 200 DMA.

This week looks basically bullish in advance of next week's Mars-Jupiter-Uranus alignment and Sunday's solar eclipse. The early week in particular looks bullish as Mercury aligns with Jupiter on Monday and Tuesday. Wednesday looks somewhat less bullish although I would retain a bullish default on that day in any event. Thursday looks more bearish as Mercury is aspected by Saturn. The market is closed on Friday for a holiday. So while we could see one or even two down days this week, the bulls have a better case here. I would think the chances are fairly good that the Nifty retests last week's high of 8900 at least. We could well move above that level as well. Even if we get some late week selling, the planets favour the bulls here for a positive week. The bullish sentiment is likely to diminish in coming weeks so bulls may be running out of time here to retest highs or push to new highs.

Next week (Feb 27-Mar 3) also looks bullish albeit with an increased risk of declines. The difficulty is that Sunday's solar eclipse could introduce some instability to this rally and reflect more volatility. The early week Mars-Jupiter-Uranus looks positive, however, so I would not expect any immediate fallout from the eclipse. Indeed, we could also see sharp rises on this alignment. Nonetheless, bulls should be more cautious as sudden and large declines are somewhat more likely with these patterns. The late week looks uncertain as Mars enters Aries on Thursday and Friday.

The following week (Mar 6-10) sees a significantly elevated downside risk as Mars aligns with Saturn early in the week and Venus turns retrograde on the 4th. I would not necessarily expect large declines here but it does not look positive. March looks more bearish although sharp declines may not occur until the end of the month. April looks more bearish in that respect as Saturn turns retrograde on 6th April. It is unclear how deep the retracement in March-April will be. I would say a decline to the 200 DMA at 8400 is possible although perhaps not probable. Let's see where the Nifty first tops out at in late February and early March. A rebound is likely in late April and early May but I would expect a lower high. The summer looks more bearish again as Saturn aligns with Rahu from May until September. A correction is much more likely under this aspect with higher highs looking very unlikely. I would expect a move below the 200 DMA at some point and a retest of 7900 is also possible.



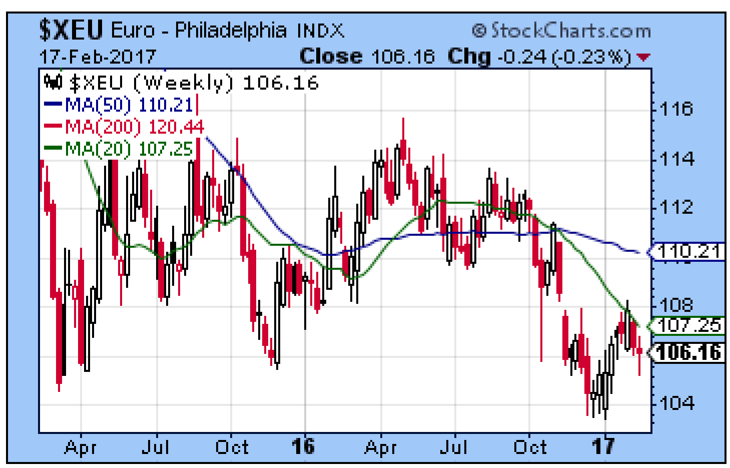
Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is UP	bullish (confirming)	8850-8950

(1 week ending 24 Feb)

Medium term trend is UP (1 month ending 24 Mar)	bearish (disconfirming)	8600-8800
Long term trend is UP (1 year ending Feb 2018)	bearish (disconfirming)	7500-8500

Currencies

The Dollar edged higher last week as odds of a March rate hike rose. After touching 102, the USDX finished just below 101. The Euro tested 1.06 while the Rupee traded at 67 and the Yen strengthened to below 113. This bullish Dollar outcome was in line with expectations as channel resistance at 102 was tested on Wednesday. The Dollar has found support at the 20 DMA at 100 and may be in a position to retest its recent highs at 103-104. Certainly, the higher low last week could give bulls some encouragement to take larger long positions. However, a retest of 99 seems just as likely and would give more impetus to the bears as a declining channel would be more discernible. The next week or two will be important in determining whether the consolidation phase is longer and deeper or if the bulls can reassert themselves. A close above last week's high would definitely be bullish in that respect. The weekly Euro chart still looks bearish as the common currency is trading in the lower half of its trading range. Bulls need a close above January's high at 108 in order to paint a more bullish picture for the Euro. Otherwise, the path of least resistance still looks to be down.



This week looks mixed. That said, I would begin to consider the upside potential of the Dollar in the coming weeks. Even if we get a similar fairly neutral outcome this week, the trend is likely higher as we head into March and April. For this reason, Dollar bears should be careful. It seems more likely that we will not see a move above 102 nor will we see a move below 100. Next week could bring larger moves, however, after the early week Mars-Uranus conjunction. I am not certain of the direction of this move but even if it is lower, I would think the resulting dip will be bought soon enough. March looks bullish as Venus turns retrograde. This may enhance the greenback's appeal as a safe haven. More upside is likely into April. I think the chances are good that we retest the 103-104 level by April. Higher highs are also possible. May could see the Dollar move sideways before trending lower in

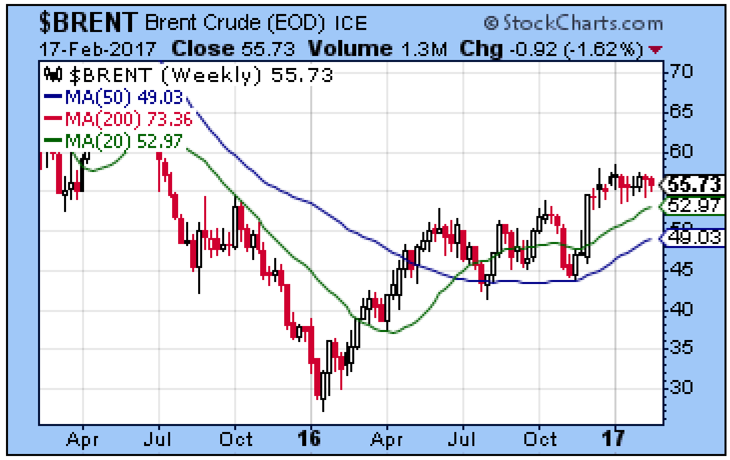
June and July. A rest of the 200 DMA is more likely to occur in the summer and it will likely be a buying opportunity as the Saturn-Node aspect will dominate the August-September period. I am uncertain about the prospect of a higher high for the Dollar in the second half of 2017. A sharper decline looks more likely in early 2018.

Technical Trends (Dollar)	**Astrological Indicators**	**Target Range**
Short term trend is UP (1 week ending Feb 24)	bullish (confirming)	100-102
Medium term trend is UP (1 month ending Mar 24)	bullish (confirming)	101-103
Long term trend is UP (1 year ending Feb 2018	bearish (disconfirming)	98-102

Crude oil

Crude was mostly unchanged on the week as geopolitical concerns abated. WTI ended the week fractionally lower below $54 while Brent slipped 1% closing under $56. While I thought we might have seen more upside last week, this neutral outcome was not too surprising as the indications were not that strong. Crude remains very much locked in a trading range, albeit a bullish one as the ascending triangle is intact for yet another week here. Last week's higher lows at $53 and the 50 DMA make a good case for a breakout higher eventually, even if the astrological alignments do not specifically confirm that likelihood. In other words, there is a tension there between the bullish bias of the technicals and the planets as I see them. The technicals do suggest that in the event we do see a close above $54, then we could move up to $60 in fairly short order. Alternatively, the bears are looking for a retest of the recent interim low of $51. If that level is breached, then it could be a game-changer for crude oil. In that case, we could have a measured move downside target of $47-48 which would be a retest of the 200 DMA. This could be a safer level for bulls to enter long positions as it would still be a higher low relative to November low. The bull market in crude would be in jeopardy only with a break below the November low of $42. While the bullish ascending triangle is bullish on the daily WTI chart, the weekly Brent chart looks weaker as price has been moving sideways for several weeks. The pattern of steadily rising prices has ended in this chart.

The US market is closed on Monday so regular trading resumes on Tuesday just as the Sun conjoins the South Lunar Node. This looks somewhat bearish although I would not say a negative outcome is highly probable. The midweek and late week looks a bit bullish. I think crude could well finish higher on the week although I wonder if it has the strength to close above $54. The planets look fairly positive but not overly positive. It's a tough call. Next week looks bullish as Mars aligns with Uranus and Jupiter. A sharp spike higher early in the week is a possible outcome of this alignment although I would not say it is highly probable. It is, however, more likely than it otherwise might be. The late week looks more bearish. Overall, the week looks positive. It is possible we could see more upside around the Venus retrograde station on March 4th. However, I would not expect any gains in early March to last. Declines become more likely by March 13th and we could see a sharp sell-off in the second half of March. A retest of the 200 DMA at $48 is very possible by April or May. A rebound is likely in June and July. Another correction is likely in August and September although it may not produce a lower low. The second half of 2017 leans somewhat bullish actually so we could see crude finally establish a higher trading range.



Technical Trends	**Astrological Indicators**	**Target Range (WTI)**
Short term trend is UP (1 week ending Feb 24)	bullish (confirming)	$53-56
Medium term trend is UP (1 month ending Mar 24)	bearish (disconfirming)	$51-54
Long term trend is DOWN (1 year ending Feb 2018)	bullish (disconfirming)	$45-60

Gold

Gold finished the week marginally higher as inflation concerns outweighed any possibility of an early Fed rate hike. Gold ended the week four dollars higher at 1239. This outcome was in keeping with expectations as I thought the bullish bias would remain intact. As expected we did get a little early week selling on the Sun-Saturn aspect but bulls quickly moved in to buy the dip. Technically, gold is trading in a narrow range between support at 1220 and resistance at 1240. Whichever of those two levels breaks first, will likely determine the next move in gold. The chart still looks bullish in the short term so one would think that a move above 1240 is more likely. Of course, the 200 DMA at 1265 looms large and may take several attempts to break. Even a close above 1265 would not necessarily provide a secure place for the bulls as rebounds off the low have a tendency to fail, at least in their initial stages. If 1240 is broken to the upside, then the measured move upside target off the previous low would indicate a new high of 1290. However, the measured move may be less reliable here for a target as the previous rise was smaller than the initial bounce off the December bottom. With each rally getting progressively smaller, one wonders if gold will only reach the 200 DMA before reversing lower. That is one bearish possibility at least. 1180 is likely still crucial support for this rebound as any move below that level could lead to a retest of the low.

This week looks mixed for gold. After Monday's holiday closing, Tuesday's Sun-Lunar Node conjunction seems bearish. I would not expect too much downside but I would not be surprised if we got a retest of support at 1220 on this aspect. At the same time, it does not seem likely that we would get a decline of that magnitude either. Some gains are possible on Wednesday and Thursday as Mercury aligns with Jupiter. Friday looks less positive, however. Overall, I would not be surprised by a gain or a loss this week although the move seems fairly small.

Next week (Feb 27-Mar 3) looks more bullish as Mars aligns with Uranus and Jupiter early in the week. There is a potential for a significant move here, and I will admit that it could go in either direction. However, my sense is the bulls have a better chance of pushing prices higher so resistance at 1240 is more likely to be broken. Perhaps there will be a test of the 200 DMA at 1265. But once Venus turns retrograde on 4th March, bulls may have a more difficult go of it. March looks more bearish, especially after the 13th. Late March and early April appear to be the focus of the negative alignments so we could see gold break at least one level of support, such as 1220 or perhaps even 1180. May looks equivocal but a rebound is likely to occur in June or July. However, any rebound looks unlikely to be sustainable as the Saturn-Node alignment will predominate in August and September. This may produce another corrective phase with the possibility of even lower lows sometime in the second half of

2017. A retest of 1050 is very possible and perhaps we will even see a break below 1000. Gold may be on firmer ground in 2018, however.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is UP (1 week ending Feb 24)	bullish (confirming)	1230-1260
Medium term trend is DOWN (1 month ending Mar 24)	bearish (confirming)	1200-1250
Long term trend is DOWN (1 year ending Feb 2018)	bearish (confirming)	1100-1300