

Summary for week of 6 February 2017

- Stocks could move lower this week
- Dollar likely to remain under pressure
- Crude oil bearish in early week but could recover later
- Gold may rebound further this week, especially in second half

US Stocks

Stocks were little changed on the week as Friday's stronger jobs report recouped some early week losses. The Dow finished fractionally lower to 20,071 while the S&P 500 finished slightly higher at 2297. This neutral outcome was somewhat unexpected as I thought the bears might have done a bit more damage. We did see several early retests of support at 2280 on the Mars-Venus conjunction but Friday turned out to be positive.

While bond yields rose after Friday's jobs report, the market is still skeptical about the Fed's intention to hike rates. Wage growth was modest and therefore inflation pressures remain well within limits. Wednesday's FOMC statement was quite dovish and the prospects for three hikes in 2017 are diminishing. A more modest two-hike scenario would be more bullish for stocks as the Dollar rally would likely remain under control. And with Trump now pledging to deregulate financial services and undo the Dodd-Frank reforms, there are still solid fundamental reasons to be long stocks this year. Overall, the domestic economic situation in the US looks broadly favorable for equities.

The planetary alignments do not strongly confirm this sanguine view of the market, however. To be sure, the Jupiter-Uranus alignment in February and March should provide support for sentiment and may well produce higher highs by March. However, the picture darkens considerably after March so that we could see at least two and possibly three corrections of 10% or greater in 2017. My default scenario then would be the high for the year occurring sometime in Q1 and then for stocks to struggle after that. As a whole, 2017 should be a net



negative year, although I am uncertain how deep the corrections may be. We could well see the SPX fall below 2000 and even retest of the 2016 low of 1810. A lot will depend on how high stocks may climb by March, however. If we see only marginally higher highs by March, then the chances for a retest of 1810 would increase.

The technical picture remains bullish as the indexes are retesting their all-time highs. A quick reversal lower in the coming days would encourage bears that a double top pattern was forming. Even if stocks reversed lower at 2300, the immediate downside target would still only be 2240 or thereabouts – near the December low. Rising channel resistance is near 2320 in the event the SPX pushes above 2300. That is still very possible in the short term. Upward momentum remains considerable despite the moderating gains in recent weeks as the 20 DMA is acting as approximate support. The Trump rally would only be in trouble if we got a breakdown of 2240.

While the planets seem more bullish in February, we should watch out for a possible bearish head and shoulders pattern here. If stocks reverse near 2300, and fall to 2240, then the subsequent rebound to a lower high and the right shoulder would be near 2280. With the neckline at 2240, the downside target of that pattern would be close 2180 which is just above the 200 DMA at 2161. I could see that kind of scenario playing out more in March and April given the bearish planetary alignments but let's wait and see. The weekly Dow chart still shows an overbought but strongly up trending market. RSI is still above the 70 line and therefore argues against a medium or long term bullish case. Stochastics is also still high at 96 and similarly makes it less appealing for significantly higher highs in the short and even medium terms. And yet the longer term indicators are still quite bullish as seen in the rising slope of the key moving averages. Stocks are likely strong enough to withstand one or even two large corrections without necessarily ending this bull market. The Bullish Percent Index finally fell last week and is now showing a clearer negative divergence. Moreover, there is now a bearish crossover of the 5 and 10 day EMA. This is more evidence that some kind of pullback may be at hand in the coming days. While Treasury yields bounced Friday they fell through the week. The bond market is likely awaiting more evidence of real pro-growth policies from the new administration before pushing yields to new highs above 2.6%. For now, support is still near the 50 DMA. If yields were to fall below that line, it would indicate a deeper correction perhaps down to the 200 DMA. At the moment, falling yields should be seen as bearish for stocks.

This week looks similarly mixed although we could see some important developments. Jupiter turns retrograde on Monday and thus there is an increased possibility of a reversal lower. While I think the medium term effects of the Jupiter retrograde period will be bullish in the coming weeks, I am less certain that we will see much upside this week. A retracement is therefore still possible here. The Jupiter influence may therefore serve to keep declines orderly and fairly modest. Monday has a special downside risk due to the equal velocities of Venus and Mars on that day. This phenomenon only occurs at most twice a year around the approach of the Venus retrograde cycle. It's not a high probability bearish influence but it is nonetheless worthy of mention. Tuesday



also leans somewhat bearish on the Mars-Moon square aspect. Even if one of these days ends up positive, there is still a decent chance that we will get another test of 2280 in the first half of the week. Wednesday looks a bit bullish as the Moon aligns with Jupiter, Uranus and Pluto. Thursday also has some bullish potential as Mercury aligns with Venus. Friday is more of a question mark given the Full Moon later that day. Some positive sentiment is still possible on the Sun-Jupiter aspect but I would not give it too much weight. With some downside likely in the first half of the week, it seems less likely that this week will post significant gains. We could end up higher, of course, but probably not by much. And if the declines turn out to be large, then we could even see stocks finish the week lower.



Next week (Feb 13-17) leans a bit bearish. Monday leans somewhat bearish on the Sun-Saturn aspect. This is a moderately reliable negative influence. Tuesday and Wednesday look more bullish as the Moon approaches its conjunction with Jupiter. The late week leans bearish again as Mars aligns with Mercury. While I think the chances for a net decline is moderately high here, I would not expect a large decline.



The following week (Feb 20-24) looks more bullish although some late week downside is likely as Mercury is aspected by Saturn. Late February and early March also lean bullish as Mars aligns with Uranus and Jupiter. However, Venus begins its own retrograde cycle on March 4th so we could see more pessimism after that date. If stocks have been bullish into early March, then I would expect more weakness after that. A move down to the 200 DMA at 2161-2180 is possible by April. A rebound is likely in late April but May looks more bearish again. It is possible we could see lower lows by May-June. I am agnostic on where the SPX may be by this time. I think the chances are good that we see the SPX trade below its 200 DMA by, say, early June and the Saturn-Lunar Node alignment. It could be much lower than that (2000?) although it is hard to forecast levels. A summer rally is likely but I would not expect higher highs. That would set up another corrective phase in August-September. Q4 looks mixed at best.

Technical Trends

Astrological Indicators

Target Range

Short term trend is UP
(1 week ending Feb 10)

bearish (disconfirming)

SPX 2270-2290

Medium term trend is UP
(1 month ending Mar 10)

bullish (confirming)

SPX 2260-2350

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

bearish (disconfirming)

SPX 1800-2100

Indian Stocks

Stocks generally rose last week as investors welcomed the latest budget measures to cut taxes and increase spending. The Sensex gained more than 1% to 28,240 while the Nifty finished at 8740. This bullish outcome was largely in keeping with expectations as I thought the midweek would be positive and would likely boost stocks at the time of the budget. As expected, we did get some modest selling early in the week on the Moon-Ketu conjunction. Despite Friday's Saturn influence, stocks managed to finish flat in the final session of the week.

The budget has generally been well-received as balanced and fiscally responsible with expectations that growth should rebound above 7% later in the year. The bullish India story therefore seems very much back on track despite the uncertain aftermath of the cash crunch. If the Dollar is reined in by the Fed, there is good reason for investors to think that Indian equities could enjoy further upside this year. The Fed's latest statement was quite dovish so it is possible we could see only one or two more hikes this year leading to only a modest rise in the Dollar against emerging market currencies. On the other hand, Trump's controversial travel ban against Muslims may be creating uncertainty in the outsourcing IT sector. On the whole, the outlook seems favourable for stocks as long as the global economy can remain relatively stable.

The astrological indicators look mostly bullish for the short term as Jupiter aligns with Uranus throughout the month of February. After that, the outlook is more uncertain as the number of negative influences will gradually offset the positive alignments. Key in this regard is the unusually lengthy Saturn-Rahu alignment that will start to bite in May and last until September. Declines are much more likely during this four-month period. Even if we



get more upside in the coming weeks here, the prospect of a bearish Q2 and Q3 suggests that a new major leg higher above 9000 is looking unlikely. Another significant retracement is therefore more likely. It is unclear how the probable midyear correction will affect the overall market outlook as lower lows below 7900 would significantly diminish the longer term prospect for equities.

The technical picture remains bullish on most time frames. Wednesday's budget rally pushes further into overhead resistance and provided a stronger argument for bulls wishing to be long. However, the double bottom upside target of 8700 has now been fulfilled so bulls may find further gains more problematic. Most investors probably think a retest of the previous high of 9000 is inevitable eventually, even if the market doesn't get there immediately. The Nifty is tracing a sharply rising channel since its December bottom with channel support near 8600 and channel resistance at 8825. A pullback below 8600 would signal the end of this strong up move although the previous interim low near 8550 may also loom large. A break below either of these support levels may indicate that another retest of the 200 DMA (8352) may be at hand. Such a retracement would not jeopardize the 2017 rebound but would likely be seen as a buying opportunity for faithful bulls.

The weekly Sensex chart is looking more bullish as stochastics is not yet overbought although the bullish crossover is still in effect. With MACD in a bullish crossover also, there is some technical reason to expect more upside in the coming weeks. Again, most participants are anticipating a test of horizontal resistance at 29-30,000. It is unclear how much importance we should put on 2016's lower high of 29,000 relative to the slightly higher 2015 high of 30,000. It was an approximate retest but it fell just a bit short. To be sure, if the Sensex reverses lower this week and next week, then it may give bulls some reason to worry as it could create a more bearish situation of a two consecutive lower highs. I tend to think that the highs should be treated as rough equals. Therefore, it may matter more how deep a retracement we get. If there is an ascending triangle under formation here then we should see a retracement to a higher low, such as to 27,000, relative to the December low. The bull market will only be called into question if 1) there is no new high above 30,000 and 2) we get a low below the December low of 26,000. Meanwhile, bank stocks like ICICI Bank (IBN) did well last week as a result of the budget. The bounce was not unexpected after the test of the support at the 50 and 200 DMA. Bulls will be pushing for a higher high here above the November high. HDFC Bank (HDB) similarly had a good week as it looks likely to retest its September high. The strength of this rebound suggests it will at least reach that September high and could well move above it eventually. The 200 DMA appears to be acting a key support so any close below that line would be bearish.



This week could see some retracement lower. However, since Jupiter turns retrograde on Monday we are also likely to see some upside through the week. This will likely limit any selling and minimize declines. It is also possible that the week could be positive although I think we are due for a pullback this week or next. Monday leans a bit bullish as the Moon aligns with Jupiter. This is not a strong influence but it could offset some negativity. Tuesday looks less positive as the Moon aligns widely with Ketu. Wednesday is more of a toss-up with the late week looking more bullish as the Sun comes under the influence of Jupiter. While I would lean a bit bearish this week, I would not be surprised to see a net gain as the late week could be more positive. Generally, February looks bullish but my sense is the market has risen too far, too fast and needs to take a breather. One possible scenario would be a test of channel support near 8600 and then a rebound afterwards back towards current levels.



Next week (Feb 13-17) looks more mixed with some downside possible early. Monday's Sun-Saturn aspect looks bearish in that respect. However, the midweek should be more positive as the Moons aligns with Jupiter. While Friday's Mercury-Mars alignment looks bearish, it is quite possible that we could see the week finish in the green. The following week (Feb 20-24) looks more positive as Mercury aligns with Jupiter and Uranus. Generally, I would expect late February and early March to lean bullish so that should negate any bearishness we may see in the first half of February. And that means, we could see the Nifty rise above current levels, e.g. 8800 or above.



I'm skeptical about whether the indices can match their all-time highs, however. March looks more uncertain after Venus turns retrograde on 4th March. A deeper retracement looks likely in late March and into early April. This could well test the 200 DMA depending on how strong February is. Stocks may bounce in late April and early May but I would not expect higher highs in May. Instead, I think we will have a more mixed technical situation on the indices with a sideways trade taking root, perhaps between 8600 and 9000. And then another move lower is likely in May and June as Saturn aligns with Rahu. This could create more downside pressure and lead to another correction in August and September. My general expectation is that this will retest the previous low of 7900. Whether or not it breaks below that key support level is harder to say with confidence.

Technical Trends

Short term trend is UP
(1 week ending 10 Feb)

Medium term trend is UP

Astrological Indicators

bearish (disconfirming)

bullish (confirming)

Target Range

8600-8700

8800-9000

(1 month ending 10 Mar)

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

bearish (disconfirming)

7500-8500

Currencies

The Dollar retreated further last week on weaker data and a dovish Fed statement. The USD closed below the 100 level for the first time since November while the Euro pushed towards 1.08. The Rupee strengthened to 67 while the Yen finished the week at 112. This bearish outcome for the Dollar was somewhat unexpected. While I am generally bearish here for February, I thought we might have seen more early week gains. The post-FOMC sell-off was in keeping with expectations. It seems as though Dollar bulls are having second thoughts here as the Trump administration seems scattered and confused recently and that lack of focus could undermine

some of its spending plans. The Fed also seems to be in no rush to hike rates so it is possible we may have not to deal with a runaway Dollar after all. The DX is perched on support here so any move below this level would increase the likelihood of a decline to the 97 area, just below the 200 DMA. Alternatively, a 50% retracement from the high as measured from the August low would suggest possible support at 98.5-99. Longer term, the chart for the Dollar still looks bullish although that could change if it falls below the 200 DMA and stays there for any length of time. The weekly Euro chart is still bearish as price appears to be closing a gap at 1.08 from early November. A move back up into its November trading range above 1.08 would be more bullish. That said, the Euro is still trading in the lower half of its trading range between 1.04 and 1.15.

This week could see more downside for the Dollar. A rebound is somewhat more likely in the first half of the week as the Moon opposes Saturn. I would think Monday and Tuesday are more likely to be net positive. However, the second half of the week seems more negative as Mercury aligns with Venus. There may not be enough upside to produce a winning week, however. Perhaps there will be enough upside to keep the USD in the proximity of the 100 level. Next week could see more of a rebound, especially later in the week on the Mars-Mercury alignment. I would not expect too much upside here although it may be sufficient to keep the Dollar from sinking



further. February looks somewhat less bullish than March or April so a pullback is more likely this month. That said, it seems likely that the DX will stay above the 200 DMA. Another rally should begin sometime in March and extend into April. This should retest the previous highs at 103-104. Higher highs are possible in May although the indications are unclear. A significant retracement is likely in June and July which could again retest the 200 DMA. Another major move higher should begin in August and could see the Dollar retest its recent highs by October or November. The Dollar should correct more significantly in early 2018.

Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Feb 10)	bearish (confirming)	99-100
Medium term trend is UP (1 month ending Mar 10)	bullish (confirming)	99-101
Long term trend is UP (1 year ending Feb 2018)	bearish (disconfirming)	98-102

Crude oil

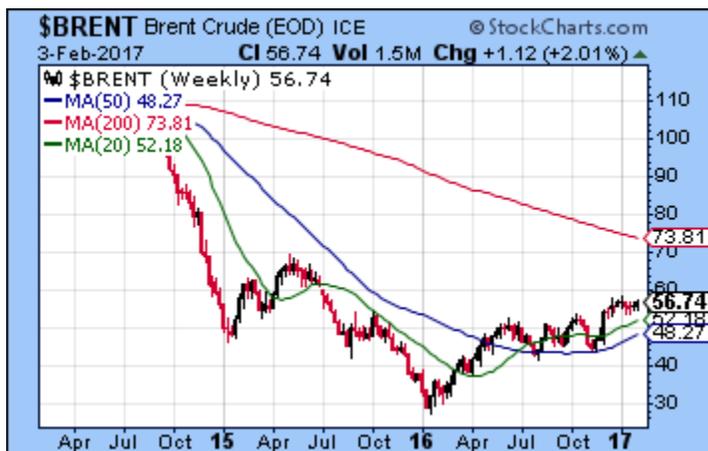
Crude oil posted modest gains last week as the Dollar weakened following the Fed's dovish comments. WTI added 1% on the week and finished just below \$54 while Brent closed above \$56. This bullish outcome was somewhat unexpected as I thought we could see more midweek downside. Bulls are still very much in control as dips are being bought at successively higher levels. The resulting ascending triangle pattern offers the target of \$60, if not higher. However, any move below \$52 would negate this bullish pattern and we could then see crude trade in a more sideways fashion. In that case, the previous WTI low of \$51 would act a critical support. If crude falls below that level then the technical situation would quickly shift in favor of the bears. I



would think that a move below \$51 would hasten a retest of the 200 DMA. In terms of resistance, \$54 looks to be a fairly hard level. A decisive close above that level (e.g. 54.50) could be enough to create a short squeeze that takes prices up rapidly. We have seen several intraday moves above \$54.50 but bulls have not yet managed a close above that level. The weekly Brent chart remains near the top of the rising channel reflecting the overall

bullish technical bias. And yet in recent weeks, the move has been more sideways. This may be the clue that the bulls are running out of gas and need to regroup at a lower level.

This week also has some bearish potential although there will be some up days likely mixed in also. The first half of the week may be more bearish on the strength of Tuesday's Moon-Mars square. This is not necessarily a done deal for the bears, however, but it is a higher downside risk pattern. Monday's Jupiter retrograde station could offer some support for prices in the coming days but may not be enough to have the final word. The late week looks more bullish as the Moon transits the watery sign of Cancer. Given the possible bullish influences here, any downside is likely to be fairly modest.



Next week (Feb 13-17) starts off on a more bullish note perhaps as the Moon aligns with Mars and Venus on Monday and Tuesday. The late week could erode any early gains, however, as Mercury aligns with Mars. I'm uncertain where crude will finish on the week. The following week (Feb 20-24) may begin on a negative note as the Sun conjoins the South Lunar Node but prices may rise by the end of the week. Late February and early March could see more upside, although I'm skeptical that we could see a technical breakout higher towards \$60. But if I'm wrong and the early February retracement doesn't happen, then we could see WTI move towards \$60 by the time of the Venus retrograde station on March 4th. Some retracement is then likely starting in mid-March and it could extend into April as Saturn turns retrograde. We could see crude retracement to its 200 DMA by April or May. That's possible. A rebound should begin by June at the latest and extend into the summer. Generally, the second half of 2017 looks more bullish although August and September could bring a sharp sell-off.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending Feb 10)	bearish (disconfirming)	\$52-54
Medium term trend is UP (1 month ending Mar 10)	bullish (confirming)	\$54-58
Long term trend is DOWN (1 year ending Feb 2018)	bullish (disconfirming)	\$45-60

Gold

Gold moved higher last week on a dovish Fed statement and weakness in the Dollar. Gold added 3% on the week closing at 1220. This bullish outcome was in keeping with expectations as I thought the midweek Mercury alignment with Jupiter and Uranus would likely coincide with gains around Wednesday's FOMC meeting. Gold is one again testing resistance here at 1220. One would think the bulls have a fairly good chance of pushing above this level given the orderly and rapid rebound off the 50 DMA at 1180. Moreover the retracement from 1220 to 1180 was less than 50% as measured from the December low. That is another clue that bulls have more strength going forward. The next horizontal resistance level is probably 1250 and above that, the 200 DMA at 1266. 1300 is another line in the sand for this protracted gold rally. If gold can move above 1300, then it will be in a better position to challenge its previous high of 1375. If this rally falters before 1300, then it could be mired in sideways trading for a while. The technical outlook will only become more bearish if there is a close below the 50 DMA at 1177. And even if that were to occur, it is possible it could form a more bullish and durable double bottom pattern. One would think that a significant uptick in inflation would be necessary for a retest of the previous low 1125. This would force the Fed's hand to raise rates quickly.



This week looks bearish to start but could well end up bullish. The early week Moon-Saturn opposition suggests caution and pessimism and may be incompatible with rising gold prices. Monday or Tuesday therefore could see a pullback. But the late week Sun-Jupiter aspect looks bullish and that could well tilt the balance in favour of the bulls this week. Even if we get some retracement off resistance, a higher low is likely (1200?) but buyers should return later in the week. Higher highs are quite possible here.

Next week (Feb 13-17) also may be bearish to start as the Sun is aspected by Saturn. This may only produce one or two down days, however. The rest of the week should see gold climb higher. Generally, I would expect gold to remain fairly bullish for the rest of February and into early March. I would not rule out 1300 by early March although the rebound may stop short closer to the 200 DMA at 1266. We shall see. Venus turns retrograde on March 4th so that could be significant for gold and an interim high is possible at that time. There is some downside risk in late March and early April as Saturn also turns retrograde. Late April and early May looks quite bullish but it may only be a technical bounce off support. More weakness is likely in May-June. By September, I would expect lower lows including a possible retest of 1050 and even sub-1000 gold would not surprise me.

Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Feb 10)	bullish (confirming)	1220-1250
Medium term trend is DOWN (1 month ending Mar 10)	bullish (disconfirming)	1250-1300
Long term trend is DOWN (1 year ending Feb 2018)	bearish (confirming)	1100-1300

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