

Summary for week of 24 April 2017

- Stocks bearish especially early in week; large moves possible in both directions
- Dollar may rebound higher this week
- Crude oil could fall further in early week
- Gold could see gains, especially by midweek

US Stocks

Stocks rose last week on hopes that the Trump administration would be able to pass a significant tax cut. The Dow gained less than 1% to 20,547 while the S&P 500 finished at 2348. This bullish outcome was unexpected as I thought the early and late week bearish influences would outweigh any midweek upside. This was not the case as Monday and Tuesday's Mars influence was quite muted and only produced very small declines. Thursday's rally turned out to have the last word, Friday's market jitters about the French election notwithstanding.

With President Trump talking up his tax plan, investors will be looking for clues that it actually has a good chance of getting passed by a very fractured Congress. Wednesday's release of his plan could well be impressive enough to lift stocks on pro-growth expectations. But it will be the reaction of Congressional leaders in the hours and days after that will provide more important indications about its political viability. Of more immediate concern is the first round of the French presidential election held this Sunday April 23rd. The final two-candidate run-off happens two weeks later on May 7th. Last week's terror attack in Paris has slightly lifted the odds of an upset by anti-EU Marine Le Pen although a win remains an unlikely scenario. The markets are pricing in a win by the moderate centrist Macron so anything other than that outcome would be negative. It is worth noting that Le Pen is expected to win the most votes of any candidate in the first round although her plurality will likely be small, i.e. less than 3%. If it is a larger margin that could also spark some selling on Monday.



The planetary alignments are still tilting bearish in the coming days. I think some upside is likely in May which will likely limit any further downside in the coming days both in terms of magnitude and duration. Whether we get a higher high in May is difficult to say. I tend to think we will only get a lower high but the Trump rally has proven very resilient thus far so we should not rule out more upside. But I am still bearish in the larger sense – the prevailing market direction over the next six months will likely be down. But specifying exactly when the decline will occur is harder to say with certainty. The late summer looks most bearish in that respect but it is possible we could see some significant downside before then, such as in late May and early June when Mars and Saturn are in mutual aspect.

The technical picture is still bearishly biased in the short term. We can see a series of lower highs since early March and Thursday's rally only tested channel resistance. The inability of bulls to build on the gains suggested a tentativeness, probably as market players await the outcome of the French election. But if there is a favorable outcome on Sunday, then bulls will have a stronger case for seeing the chart as a bullish double bottom (2325). This pattern would have an upside target of 2425. Bears are looking at the chart more as a descending triangle. If horizontal support of 2325 is broken, then this pattern would have a downside target of 2250. This would be a little above the 200 DMA at 2234. I would think that if 2325 is broken then we could see some significant selling which just may well end up tagging the 200 DMA.

The Bullish Percent Index continues to confirm the current short term down trend with the bearish crossover of the 5/10 EMA. The weekly Dow chart also gives some food for the bears as both stochastics and MACD are still in bearish crossovers. These bearish indicators may be meaningless in the event of bullish real world events (e.g. maintaining the status quo in France or the unveiling of Trump's tax plan) but they nonetheless provide information about the default middle ground in the markets these days. Stocks are still overbought and need to correct at some point. There is horizontal support at 20,000 but a move below that line could change the medium term outlook more fundamentally. Meanwhile, yields continue to head south as investors seek out safe havens in US Treasuries. We saw a small move higher on news of the Trump tax plan but so far the bond market is still quite skeptical about major tax cuts and their growth impact. If Trump does announce something big on Wednesday we could see a retest of 2.6% on the 10-year. But weakening macro data and an uncertain EU environment will likely weigh on bonds further. It is hard to see how stocks can make higher highs if the 10-year remains below 2.3%.



This week could be choppy with moves in both directions. Both bearish and bullish outcomes are possible this week. I had previously thought we could see a positive week but now I'm less certain of that. There is a somewhat elevated risk of some large moves this week. The early week leans bearish as Mars aligns with the Lunar Nodes on Monday. This is one reason why we could see a negative market reaction to the French election. Tuesday and Wednesday could be positive as Mercury aligns with the Moon, Uranus and Saturn. That said, the presence of Saturn in this alignment means we cannot fully discount the possibility of more downside. But the recent pattern is for multi-planet alignments including Saturn to coincide with gains. We could get one down day at the end of the week, either on Thursday or Friday on the Moon-Mars conjunction. So I'm agnostic here. A retest of the previous low of 2325 is possible, especially if it happens on Monday or Tuesday. But the Mercury-Uranus conjunction is often bullish but its alignment with Saturn here makes it more difficult to call. I do think the bears are owed some downside but I wonder if it will be delayed for another couple of weeks. We shall see.



Next week (May 1-5) looks more bullish as Mercury stations direct in conjunction with Uranus. This pairing can produce a lot of extra energy which can be unpredictable. A sharp rise is possible, especially in the second half of the week. We should also be prepared for the (less likely) possibility of a surprising decline.



The following week (May 8-12) could see further upside as Venus aligns with Jupiter. But the early week has an elevated bearish risk as Mercury aligns with Saturn. A sharp reaction is likely to the final round of the French elections on May 7th. I think some downside is coming in May but the negative alignments appear to be more concentrated in the second half. Bulls should therefore be careful here as the rebound could fizzle quickly in early May. May 15-19 looks more positive as Venus opposes Jupiter. I am more focused on the Mars-Saturn opposition that seems to hit the week of May 22nd. This is likely to take stocks lower and could negate any preceding bounce. The pullback should last into June. The middle of June looks more positive as Jupiter stations direct and we could see the rebound extend into July. However, another move lower is likely starting in July and continuing into August and perhaps even September as Saturn aligns with the Lunar Nodes. This late summer decline could well be the largest decline of the year. It may also produce the low for the year.

Technical Trends

Astrological Indicators

Target Range

Short term trend is DOWN
(1 week ending April 28)

bearish (confirming)

SPX 2320-2350

Medium term trend is UP

bearish (disconfirming)

SPX 2250-2320

(1 month ending May 28)

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

bearish (disconfirming)

SPX 1800-2200

Indian Stocks

Stocks slipped last week on geopolitical concerns and a fairly mixed earnings picture. The Sensex lost just 100 points to 29,365 while the Nifty finished at 9119. This bearish outcome was broadly in line with expectations although the decline was more modest than forecast. I thought the early week Mars-Saturn aspect could be negative enough to break support at 9100 but the pullback was mild. We did see a midweek bounce on Thursday's Moon-Jupiter alignment and Friday was bearish as expected on the Mercury-Mars pattern.

Markets are on edge on several fronts. The French elections are looking increasingly unpredictable after last week's terror attack in Paris appeared to give a boost to the anti-EU National Front under Marine Le Pen. A good showing by her in this Sunday's first round could be shocking for investors, especially if poll favourite and centrist Macron does worse than expected. Also RBI minutes released last week suggested a more hawkish view than the market had expected. Significant rate cuts are therefore not a certainty going forward. This was bad news given the recent spate of rather mixed earnings reports. For all the upward momentum of Indian stocks recently, there remain considerable headwinds for investors to ponder.

The astrological indicators continue to be fairly bearish in April and suggest more downside in the short term. Venus remains in a weakened condition due to its protracted alignment with Saturn. We should see some improvement in sentiment in early May as Venus mutually aspects Jupiter. However, this rebound may be cut short due to the approaching Saturn-Rahu alignment. This alignment will be closest in July and August but it



could begin to influence markets as early as May. Mars aligns with both Saturn and Rahu in late May and therefore that May as a whole could bring more net declines. While higher highs remain a possibility by July, the outlook afterwards looks more clearly bearish.

The technical outlook is still generally bullish. The current pullback is entirely compatible with a bull market consolidation phase underneath major resistance. While the Nifty has climbed to new highs, the Sensex is lagging as it has yet to vault over 30,000. 9100 is so far acting as good support although 9000 is also looking like a reliable level of horizontal support in the event of any sudden sell-off. The gap at 9000 is important as bulls will want to keep the Nifty trading above that level at all costs. Failure to hold onto 9000 would create a possible island reversal pattern which would be quite bearish.

Bears can point to some weakness creeping into the technicals now that the indices are finally trading below their 20 DMA for the first time since December. This isn't saying much, however, since the steeply rising channel had to break some time. Friday's failure to hold onto intraday gains was fairly bearish as traders rejected the 20 DMA in an apparent back test of resistance which was previous support. If we do get a retest of 9000, that would create a possible head and shoulders top pattern with a neckline at 9000. That pattern would have a downside target of 8725. Stochastics has already touched the 20 line and is now pointing upwards suggesting a possible reversal higher. MACD is still in a bearish crossover although perhaps more importantly it remains above zero. The weekly BSE chart shows stochastics pointing lower but not yet in a bearish crossover. In other words, we do not have a clear sell signal in the medium term. MACD appears to be rolling over but it is also not in a bearish crossover yet. Higher highs are therefore still possible in the coming weeks from a technical perspective although resistance at 30,000 suggest that further gains may be difficult for bulls to come by. The measured move upside target is still 32,500 or thereabouts so bulls may choose to defend 29,000 in anticipation of higher highs down the road. Meanwhile, ICICI Bank (IBN) plunged last week after failing to make higher highs. While the chart is still bullish, any break down of the March low would be bearish and could call into the question the longer term bullish bias. Tata Motors (TTM) also extended its retracement after testing horizontal resistance last week. Last week's buyers appear to be hoping for a higher low given the recent bullish double bottom pattern. But the stock has fallen to below the key 50% retracement level and there is an increasing danger of another test of December low.



This week looks choppy and is therefore harder to call. The alignment of Mercury, Saturn and Uranus could be strong enough to move markets in either direction. I would lean bullish but not with much conviction. Normally, Mercury-Uranus conjunctions are bullish but the presence of Saturn opens up the possibility of some downside on Tuesday and Wednesday. Monday looks more bearish, however, as Mars aspects Rahu. This could represent some negative reaction to Sunday's French election results. I would not be surprised if we got a quick retest of 9000 on Monday on this aspect. But if Tuesday and Wednesday turn out to be bullish, then we could see the Nifty over 9100 once again and possibly higher than its current level. However, the late week looks difficult, especially Friday's Moon-Mars conjunction. Since we didn't get much downside last week, I am thinking we could see the bears do somewhat better this week. I would therefore lean a bit bearish overall, although the midweek is really a wild card.



Next week (May 1-5) could be more bullish as Mercury returns to direct motion while still in conjunction with Uranus. Some downside is still possible early in the week as well as on Friday's Moon-Mars alignment. The following week (May 8-12) could be bearish to start after the second round of France's election on 7th May. The second half of the week should see more buying as Venus aligns more closely with Jupiter. Late May looks more bearish as Mars moves into mutual aspect with Saturn. This single aspect alone may be sufficient to produce a negative month overall. We should see some rebound in June as Jupiter ends its retrograde cycle and returns to direct motion. After another pullback in late June, July could bring more upside. Higher highs are possible in July but I think not probable. August and September look quite bearish as the Saturn-Rahu alignment will take full effect. This may well produce the largest decline of the year. Lower lows are quite possible by September. Q4 looks mixed at best with more downside likely in early 2018.



Technical Trends

Astrological Indicators

Target Range

Short term trend is DOWN
(1 week ending 28 April)

bearish (confirming)

9000-9100

Medium term trend is UP
(1 month ending 28 May)

bearish (disconfirming)

8800-9000

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

bearish (disconfirming)

7500-8500

Currencies

The Dollar fell last week as uncertainty about the Trump tax plan raised questions about the interest rate outlook. The DX closed below the 100 level while the Euro finished near 1.07. The Yen stayed in its uptrend against the Dollar as the Index settled near 109. The Rupee was firm near 65. This bearish outcome was unexpected as I thought we could see some early week upside on the Mars-Saturn alignment. The retracement I had foreseen for May now seems to be arriving ahead of schedule. The Dollar has posted a series of lower highs and may be forming a falling channel or possibly a descending triangle. Both are bearish although the descending triangle may have longer to break support at 99. The 200 DMA at 99 is an obvious focus of support as well. A retest of this line is a common feature of many bull markets as buyers will often move in near this line in order to pursue the next leg higher. Resistance is at the falling channel which is now near the 50 DMA just underneath 101. The weekly Euro chart shows its attempt to break back over the 50 WMA and into the previous trading range. The two-year bottoming process ought to be sufficient to launch a decent rally eventually although this year's lower highs do not yet present a compelling bullish case.



This week looks bullish for the Dollar. The Mercury-Saturn-Uranus alignment will dominate the week and could produce some significant moves. Saturn is usually Dollar-friendly although there is a certain amount of unpredictability on this pattern. I think the early part of the week will be more bullish for the Dollar. The second half could see a pullback, however. Overall, some upside looks likely. Next week looks more bearish so another test of the 200 DMA at 99 is possible. More Dollar strength is likely following the final round of the French election on May 7th. However, we should see a pullback in mid-May although more strength is likely in late May and early June. This could keep the Dollar above its 200 DMA for a while longer and it may even be able to break above channel resistance at 101. June looks more bearish so another test of the 200 DMA is possible at that time. The summer looks more bullish for the Dollar as Saturn aligns with the Lunar Nodes. This should coincide with a strong Dollar rally into August and September. It could match the previous recent high of 104 or even go beyond it. Q4 looks more mixed with some weakness more likely in early 2018.



Technical Trends (Dollar)

Astrological Indicators

Target Range

Short term trend is DOWN (1 week ending April 28)	bullish (disconfirming)	100-101
Medium term trend is DOWN (1 month ending May 28)	bullish (disconfirming)	100-102
Long term trend is UP (1 year ending Apr 2018)	bearish (disconfirming)	97-100

Crude oil

Crude oil slumped last week on skepticism that OPEC can reach a deal to cut supply. WTI fell by more than 6% on the week closing below \$50 while Brent settled below \$52. This bearish outcome was in keeping with expectations although I thought we would see the selling mostly in early and late week. Wednesday and Friday turned out to be the big down days as even Thursday's bullish Jupiter influence did little to arrest the slide. The technical outlook is still long term bullish as some consolidation under resistance was likely in any event. The decline was perhaps steeper than bulls would have liked, however. Bulls can still make the case that the higher low here offers a decent entry for new long positions. Bears may point to the rather brief testing of resistance at \$54 and may be looking for a pennant pattern here comprised of lower highs and higher lows in a possible see-saw scenario in the days ahead. A retest of horizontal support at \$47 should bring in buyers. If not, then crude could fall to \$40 fairly soon. The weekly Brent chart also looks bullish as price is still on the north side of the rising 50 WMA. Even if bulls are unable to break above resistance at \$57 in the near term, a higher trading range would be bullish in the long run.



This week could see some continuation on the downside in the early week. Monday's Mars-Lunar Node alignment seems bearish. The midweek Mercury-Uranus-Saturn pattern is harder to call. There is a greater possibility for gains on Wednesday and Thursday but the picture is still unclear. Friday looks more bearish on the Moon-Mars conjunction. I think we could see a retest of the 200 DMA at some point here although a reversal higher should be coming soon, if not this week then next week.

Next week (May 1-5) looks more bullish although the early week may see some downside. I would



not expect a sharp rise here but there are some patterns that suggest more positive sentiment. The month of May looks more bullish as Venus aligns with Jupiter on May 19th. Late May and early June could see a pullback but this should be to a higher low. June looks fairly bullish and we could see resistance at \$55 broken to the upside. But late June and into July looks more bearish and could coincide with a retracement. The Saturn-Node alignment in August and September also looks likely to produce some significant downside which could retest key support. (\$47? \$40?) October and Q4 in general could begin a new up trend.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is DOWN (1 week ending Apr 28)	bearish (confirming)	\$47-50
Medium term trend is UP (1 month ending May 28)	bullish (confirming)	\$52-58
Long term trend is DOWN (1 year ending Apr 2018)	bullish (disconfirming)	\$45-60

Gold

Gold was largely unchanged last week as weaker US growth prospects weighed against its safe haven appeal amid geopolitical uncertainty. Gold traded in a narrow range and ended up fractionally higher at 1289. This neutral outcome was not unexpected as I thought the week as a whole looked less positive than the previous winning week. I did think that gold might have pulled back more in the early week, however. Gold is pushing up against 1300 here as bulls test the previous support level. Currently, 1280 is acting as good support. Gold may be tracing out a rising channel since its December low. But it seems unlikely to continue rise with the same force given the longer term resistance at 1300-1320. Some consolidation underneath this resistance is possible although buyers are likely to come in and form higher lows near support such as 1260 and the 200 DMA. While a brief move below 1260 could be bearish, I think 1240 may be a more critical level of support. If gold falls below 1240 then 1200 may well be tested also. For the moment, the chart looks bullish enough and argues for more upside. If we take the size of rally from the low of 1050 to 1375 in 2015-2016 as a measured move, then the current rally from the December 2016 low of 1125 would have an upside target of 1450. There is still a lot of overhead resistance above 1320 which would tend to make that strong a rally more difficult in any short span of time. But it is one possible scenario that gold bulls may be considering.



This week leans bullish as Mercury aligns with Uranus and Saturn. The early week Mars-Rahu aspect could coincide with some downside, however. Perhaps we will get a test of support at 1260 on Monday or Tuesday. However, the late week seems more bullish so I would be inclined to think we could end higher. That said, Friday does look bearish on the Moon-Mars conjunction. I am biased towards more upside in May so even if we get some retracement here, the chances are good that gains will come soon enough.

Next week (May 1-5) leans bullish also as Mercury returns to direct motion while in conjunction with Uranus. The late week looks more bullish than the early week in this respect. As Venus approaches its alignment with Jupiter on May 19th, we should see gold trend higher. A move above 1300 is therefore quite likely and 1320 seems doable. Late May and early June should see some retracement but it does not look deep enough to alter the market's upward momentum. Another move higher is likely in June and early July and could create a higher high. That's unclear but possible. But a significant retracement is still quite likely starting in July and lasting into August and September as Saturn aligns with the Lunar Nodes. This could interrupt the medium term bullish pattern of higher lows. A strong rebound is likely to begin by October and should carry through into early 2018 at least.

Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Apr 28)	bullish (confirming)	1280-1300
Medium term trend is UP (1 month ending May 28)	bullish (confirming)	1280-1350
Long term trend is DOWN (1 year ending Apr 2018)	bullish (disconfirming)	1250-1400

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