MVA INVESTOR NEWSLETTER

29 April 2017 Volume 10, Issue 18

Summary for week of 1 May 2017

- Stocks lean bullish this week, especially in US
- Dollar could remain under pressure this week
- Crude oil could move higher, especially in first half of the week
- Gold has a bullish bias this week

US Stocks

Stocks pushed higher last week on a relief rally after the win by pro-EU candidate in the first round of the French election. The Dow climbed 2% on the week to 20,940 while the S&P 500 finished at 2384. While I thought some upside was likely on the slow-moving Mercury-Uranus conjunction, I did not expect the focus of the gains to be early in the week.

The Trump rally is still therefore very much a going concern. The indexes are just below their highs and are pointing towards higher highs, all other things being equal. So far earnings season has been solid and that has also boosted sentiment as investors anticipate more growth down the road. President Trump's bold plan to slash corporate and individual tax rates also has its share of believers. However, there are questions about how to pay for the cuts and the plan seems likely to increase the government deficit. That may not directly impact stock prices although it seems likely to drive up interest rates faster than would otherwise by the case. That would be an additional headwind for stocks given the Fed has already indicated two more hikes this year. And all this is taking place against a backdrop of slowing GDP as this week's Q1 number was weaker than expected.

The dominant astrological alignments look mixed to bullish for early May and somewhat more bearish in late May. There is some reason to expect the old adage to "sell in May and go away" could be true this year. Last week's gain may have brought forward some of the upside I was expecting from this week's upcoming Mercury-

Uranus conjunction. But we could easily see more upside from this pairing since Mercury ends its retrograde cycle on Wednesday the 3rd. And given the approach of the upcoming Venus-Jupiter aspect on May 19th, there would be be enough positive sentiment to produce higher highs sometime in May. They could happen as early as this week on or before the Mercury station or perhaps closer to the 19th. But the more dominant alignment in May is the bearish Mars-Saturn opposition that takes place at the end of the month. Bulls should be very cautious here as there is a chance it could manifest earlier and offset some or all of the potential upside in early May. After the 19th, the odds of some downside will increase and we could get a fairly decent decline as we go into June. As before, I think larger declines are probably more likely to occur somewhat later in the summer.

The technical outlook looks bullish on all time frames. The shallow consolidation since the March 1 high looks to be over as stocks are poised to move higher. Of course, they could stop here and reverse lower and thus create a bearish double top pattern. But I think the strong upward momentum suggests more upside is likely in the short term. Immediate support is likely near Monday's gap up open so a retest of 2365 is possible in the coming days. If bulls fail to push the SPX above 2400, then horizontal support near the previous lows of 2325 would likely again become support. While stochastics is overbought above the 80 line MACD appears to be just starting a new bullish crossover. In the event that we did see that gap filled at 2365, then that would coincide with a move below the 80 line on stochastics and that would be a short term sell signal.

But the strong up move did finally produce a bullish crossover in the Bullish Percent Index suggesting that more upside was more likely in the near term. That said, there is still a clear negative divergence with respect to the March high. Also the percentage of SPX stocks above their 50 DMA isn't keeping pace with the index as a whole. The negative divergence here is fairly stark. This is more evidence that the Trump rally is narrowing and could be vulnerable to a deeper consolidation in the days and weeks to come. The weekly Dow chart shows a canceling of the sell signal issued from the stochastics bearish crossover as it is now in a bullish crossover. As more of a lagging indicator, MACD is yet to follow suit and remains in a bearish crossover. When the deeper pullback finally does come, we could see the 50 WMA act as support once again. It is now at 19,144. Perhaps we could see previous patterns replayed where the Dow puts in a weekly close near horizontal support (now near 20,000) after some intraweek probing closer to the 50 WMA. While stock investors are feeling optimistic, bond buyers are less sanguine as yields continue to struggle below key resistance at 2.3%. Friday's GDP miss pushed yields lower as the market factored in the chances for a longer slowdown. Currently, it's a tale of two markets – equities and bonds. It is possible this divergence could continue. So it is still possible that we could see higher highs in stocks with the yield 10-year below 2.3%.

This week looks bullish, especially in the first half of the week. Mercury returns to direct motion on Wednesday while in an exact conjunction with Uranus. I would be surprised if we didn't see some upside on that day or on the day before. I had previously expressed some concern about the presence of Saturn in a larger alignment with Mercury but I think it is less likely to produce any declines. Monday leans bullish in the morning perhaps but somewhat less so in the afternoon as the Moon separates from its aspect with Mercury. Tuesday and Wednesday offer decent chances at gains. Thursday and Friday look somewhat less positive as the Moon is square with Mars.

Thursday is arguably the more bearish of the two days although I am likely splitting hairs. I would tend to think the bulls will prevail here for a winning week although if the late week is negative as expected, then anything is possible. Overall, higher highs are therefore quite doable this week.

Next week (May 8-12) could see some downside, perhaps as a continuation of the previous late week. Monday looks like it could be significant as the Moon aligns closely with the exact Mercury-Uranus conjunction. A big move is possible here and given that this follows the outcome of the French election, we could see a strong reaction. I got last Monday wrong thinking it would be bearish so maybe I will be wrong again about the Monday following the May 7th vote. But I would say that it does seem to be a powerful set up for a larger than normal move in either direction. The late week looks more bullish.

The following week (May 15-19) could begin bearish on the Mars-Moon aspect. But the balance of the week has a good chance for some gains as Venus opposes Jupiter on the 19th. After that, the downside risk will rise as Mars aligns with Saturn on May 29th. This is likely to bring about some fairly sharp declines over at least a couple of days. I would expect June to also begin on a negative note. There could be a brief rally in mid-June but late June looks difficult. It is possible we could see a test of the 200 DMA at 2240 at some point in June. That may be overly ambitious for the bears but I am expecting a shift in sentiment during this period. Some upside is possible in July but the Saturn-Lunar Node alignment is likely to dominate the rest of the summer. Therefore the late summer will provide another opportunity for the bears to test the 200 DMA or even break below it. A rally is likely in October but I am uncertain if Q4 can hold onto gains. A deeper decline is looking likely in Q1 2018.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is UP (1 week ending May 5)	bullish (confirming)	SPX 2370-2420

Medium term trend is UP (1 month ending June 5)	bearish (disconfirming)	SPX 2240-2320
Long term trend is UP (1 year ending May 2018)	bearish (disconfirming)	SPX 1800-2200

Indian Stocks

Stocks moved higher last week on the global relief rally after the pro-EU candidate Macron won the first round of the French election. The Sensex added 2% on the week to 29,918 while the Nifty finished at 9304. I had been uncertain about last week given the possible wild card effect of the Mercury-Uranus conjunction. I thought there was a risk of some selling on Monday but recognized that the midweek could well be positive. As it happened, the midweek was positive as well as Monday. Not surprisingly, the late week was more bearish although the downside was not enough to dent the overall gains.

Sentiment is again turning positive in the absence of many serious challenges. The EU appears to be safe for the time being as the populist wave suffered another defeat in France last week. Donald Trump's tax proposal is sufficiently bold to kick start to the US economy, its dubious fiscal underpinnings notwithstanding. And domestic indicators remain largely favourable as inflation is falling and the fiscal situation is improving against a backdrop of a reform-minded Modi administration. The fundamentals paint a compelling bullish picture for the next year to two as higher highs seem inevitable. Geopolitical headwinds are still possible, especially involving North Korea while the possibility of a US economic slowdown cannot be fully discounted. Friday's GDP number was disappointing as the expansionary cycle entered its eighth year. Expansions don't go on forever and if the US economy really does weaken, it could create some global fallout.

The planetary outlook is suggests we could see more upside in May but that gains may not be sustainable. I had mistakenly thought that we would get some downside in late April on the Venus-Saturn alignment. However, the ongoing Mercury-Uranus conjunction was sufficiently close to Venus-Saturn that it transformed it into a more positive influence. More upside is therefore quite likely from this unusually long-lasting Mercury-Uranus conjunction. Mercury has been essentially stationary in the sky for the past several days as it approaches the end of its retrograde cycle. But it will remain in close conjunction with Uranus for several more days after it returns to direct motion on Wednesday 3rd May. This should also be a positive influence on the markets. But the downside risk will increase substantially in the second half of May as Mars opposes Saturn. This probably won't produce a huge decline but it may bring about a pullback that is unexpectedly large and whch carries over into June. That will eventually set up a much larger correction that I would expect in the summer when Saturn aligns with Rahu.

The technicals remain as bullish as ever with last week's new highs. The Sensex finally cracked the 30,000 level although it finished just below it. The pattern of higher highs and higher lows is still intact and seems destined to go on indefinitely. Of course, it won't but what matters most is how that bullish pattern breaks down. The Nifty appears to be repeating its strong up trend from 2016 when it traded above its 50 DMA for many consecutive months. Once it moved below the 50 DMA, it began a significant retracement. In other words, the 50 DMA could act as a key technical marker for dividing up trends from down trends.

Bulls will be looking to push prices to the top of their measured move upside targets at 9800-9900 (about 32,500 on the Sensex). Bears simply want to be able to test support again at 9100. Even a retest of that level would be a small achievement even if it was quickly bought. Channel resistance is now 9400-9450. The Sensex looks bent on closing above 30,000 in the days ahead. Failure to do so would be a red flag obviously, but for now the trend is up. The downturn in weekly stochastics took a pause and remained above the important 80 line. Also the bearish crossover was negated by the positive week. So bulls may have more upside. But with RSI still up near the 70 line one has to wonder if the indices can hit its long term targets (32,500) without a more significant pullback. A move up to 32,500 from here would surely entail the RSI rising well above the 70 line. That is possible, of course, but it would require some major new bullish development in the economy. Meanwhile, ICICI Bank (IBN) had a choppy week but finished higher. The gain cemented the bullish higher low and kept the bullish bias in place. Bulls now have to exceed the April high to keep the momentum going. Infosys (INFY) also edged higher on the week after its steep decline. While the decline was arrested, the current up move looks like a weak bear flag that may only be setting the stage for another leg lower.

This week will be shortened by Monday's holiday closing. Tuesday and Wednesday look somewhat bullish as Mercury is approaching its conjunction with Uranus before turning direct. I suspect one of these two days will end up in the red, however, as the Moon does not look well aspected. Tuesday seems more bearish in this respect than Wednesday. But I think it is possible that stocks could finish net positive across both sessions. Thursday and Friday look less positive as Mars aspects the Moon, especially on Friday. Thursday's Moon conjoins Rahu so that introduces some uncertainty into the mix. Nonetheless, Thursday looks less bearish than Friday. It is difficult to say where the indices will finish here. The week looks more bearish than last week, but I'm not convinced stocks will finish in the red either.

Next week (May 8-12) could see some significant bearishness. The early week leans bullish as the Moon aligns with Saturn, Mercury and Uranus. Wednesday's Full Moon could signal a shift towards a more negative outlook as Mars squares Neptune later in the week. A down week overall is quite possible here. The following week (May 15-19) should be more positive as Venus aligns with Jupiter on the 19th. Monday looks bearish as Mars aspects the Moon but the midweek should be more positive. The rest of May looks more difficult as Mars approaches its opposition with Saturn on 29th May. It is still possible that May could be a positive month overall if the gains in the first half of the month are sufficiently large, but this looks more uncertain. June looks more bearish as Saturn is in aspect with Rahu. A lower low is quite possible in June relative to whatever lows we see in May. July looks more bullish, however, although higher highs may be less likely given the size of the preceding pullback/correction. August and September look quite bearish and should produce a lower low relative to May and June. Q4 looks mixed after a strong rally in October. Early 2018 seems quite bearish again.

Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending 5 May)	bullish (confirming)	9200-9400
Medium term trend is UP (1 month ending 5 June)	bearish (disconfirming)	8900-9100
Long term trend is UP (1 year ending May 2018)	bearish (disconfirming)	7500-8500

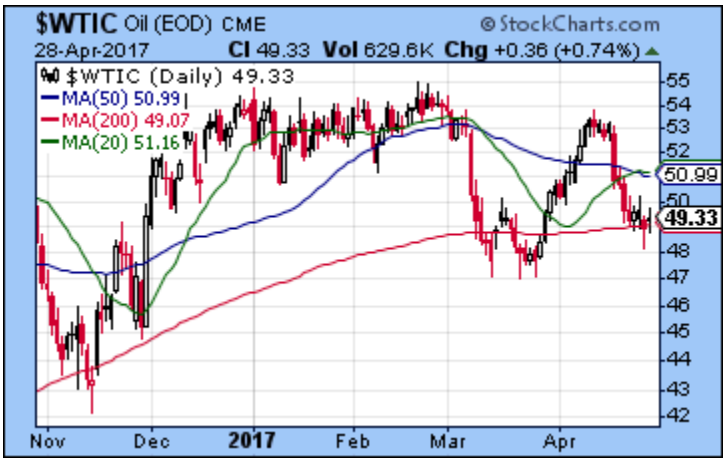
Currencies

The Dollar fell again last week following the relief rally in the Euro after the French election. The USDX finished the week just below 99. I thought we might have seen more upside although I was fairly cautious given the likelihood of imminent downward pressure around the approaching Mercury-Uranus conjunction. The Dollar is sitting on a key inflection point now at the 200 DMA. There is some horizontal support building at 98.5 but the chart is still bearish. One would think the path of least resistance is down even if there is a bounce in the near term. The chart may be following a falling wedge pattern which has a bullish bias. If channel resistance is broken at 101, then there may be some significant upside. But the falling wedge pattern is not for certain and we could simply see lower lows ahead for the Dollar. This doesn't mean that the long-term Dollar rally is on the verge of ending. Periodic tests of the 200 DMA are a normal part of any bull trend. The 200 DMA may even break down. I would think the previous November low at 97 would be more important as a make-or-break sort of level in the event the Dollar does trade below its 200 DMA. The weekly Euro chart shows new strength as it attempts to break into the upper half of its trading range at 1.10-1.15. There is a lot of overhead resistance near current levels, however.

This week could see more downward pressure on the Dollar. Wednesday's Mercury direct station could be pivotal in this respect. Ahead of the station, the Dollar is more likely to test support whereas after Wednesday, there could be a greater chance for a rebound. Where the Dollar may finish is harder to say. I would retain a bearish bias for now. I think the Dollar is likely to strengthen in May, but the more likely time frame for a rise appears to be the second half of the month. That said, some upside is also likely early next week following the second round of the French elections. June looks bullish to start but any rally may be short-lived as July looks more bearish. This could produce more retesting of support, most likely below the 200 DMA. August and September look more bullish for the Dollar as Saturn aligns with the Lunar Nodes. This should produce a significant rally and we could see a move above 102. October will likely see a significant pullback and perhaps another move down to the 200 DMA. Q4 looks bearish as a whole and the negative trend will likely continue into early 2018. I would expect the recent Dollar rally to end by Q4 2017 or Q1 2018.

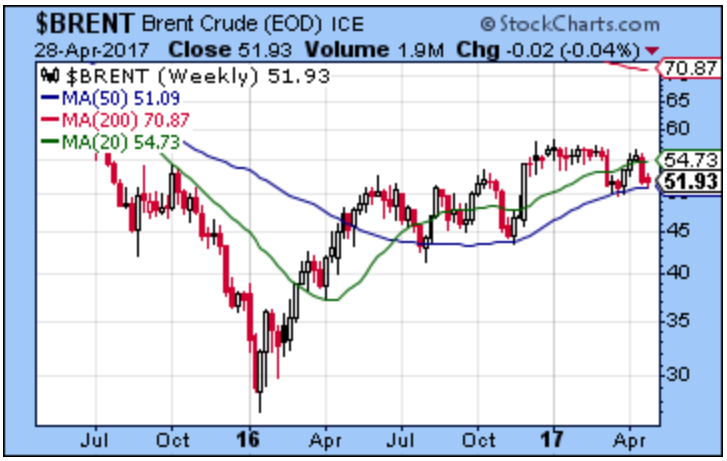
Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending May 5)	bearish (confirming)	98-100
Medium term trend is DOWN (1 month ending June 5)	bullish (disconfirming)	100-101
Long term trend is UP (1 year ending May 2018)	bearish (disconfirming)	95-98

Crude oil



Crude edged lower last week as weaker US data hinted at a possible economic slowdown. WTI fell by less than 1% closing above $49 while Brent was unchanged just under $52. This outcome was broadly in keeping with expectations as Monday's decline coincided with the Mars-Node alignment. As expected, we got a retest of the 200 DMA as bulls were put on the defensive. Thursday's hammer candlestick may have provided a plausible argument for the end to the current retracement. Bears were weak as they could not hold prices below the 200 DMA at $49. The higher low at $49 gives the edge to the bulls, although after the previous slightly lower high it was more important for bulls to avoid a hard retest of the previous low of $47. Perhaps we will see a pennant pattern evolve here where WTI is trading in a narrowing trading range between $49 and $54. Even a pennant pattern here would have a bullish bias as the 200 DMA is still rising. The weekly Brent chart is still adhering to the 50 WMA as key support. Last week saw a very close test of that line before buyers moved in. The chart is still bullish in the long term. It is interesting to speculate what would happen if there was a move below the 50 WMA. So far, this has acted as good support so any move below it would be bearish. And yet as long as there is a higher low relative to the November low of $43 bulls can still reasonably claim to have control of the market.

This week looks more bullish. The Moon transits watery Cancer on Monday and Tuesday so that could help support prices. A bounce is more likely with this transit also. Tuesday looks a bit more positive than Monday. Wednesday's Mercury station may also have a bullish bias. The late week could bring more profit taking. Overall, there is a reasonable case for a technical bounce off support this week.



Next week (May 8-12) looks choppy. Monday tilts bearish but some recovery is likely into midweek. The late week looks more bearish again. Perhaps the week as a whole could lean bearish. The following week (May 15-19) looks bullish as Venus opposes Jupiter later in the week. Even if the early week sees a decline, I would be fairly bullish here. We could see a retest of resistance at $54. Late May and early June look more bearish on the Mars-Saturn opposition. This could be another consolidation under resistance. While the pullback could be sharp, I would not expect it to do a lot of technical damage. June as a whole looks more bullish with the up trend likely extending into July. Higher highs seem likely. A correction may begin in August and September and could test significant lows. ($40? $47?) Another up trend is likely to begin by October.

Technical Trends	**Astrological Indicators**	**Target Range (WTI)**
Short term trend is DOWN (1 week ending May 5)	bullish (disconfirming)	$49-52
Medium term trend is UP (1 month ending June 5)	bearish (disconfirming)	$47-52
Long term trend is DOWN (1 year ending May 2018)	bullish (disconfirming)	$45-60

Gold

Gold was subject to profit taking last week after the status quo French election result. Gold fell by almost 2% to 1268. I thought we might have seen more midweek strength but the bounce after Tuesday's sell-off was tiny. While I thought we could see an early week retest of support at 1260, the lack of any sustained buying thereafter may have suggested some hesitancy in the market. From a technical perspective, last week's pullback was unsurprising given that gold was pushing up against resistance at 1300. Its key support level at 1260 and the 200 DMA held nicely. While the subsequent bounce was weak, bulls may be taking the longer term view and looking at the approaching golden cross of the 50 and 200 DMA. The last time that happened was February 2016 when gold was in the midst of a strong rally. This time around, however, the cross of those two moving averages takes place much closer to price. The previous crossover took place almost $100 below the prevailing price. The 1250-1260 level therefore acts a key support in addition to providing a technical indication for the medium term bullish view of gold. Another potential difference this time around compared with last year is that the 200 DMA is now sloping downwards rather than upwards. This suggests a weaker market trend which may be more prone to failure. But for the moment, the up trend is well established and pointing to higher highs.

This week leans bullish. I am bullish biased for the month of May generally and there is a decent chance that we could get some upside this week. Monday looks somewhat bearish, however, but a recovery is somewhat likely by midweek. The late week lacks any clearly negative aspects so there is a decent chance that gains will hold. A retest of 1300 seems possible here.

Next week (May 8-12) also leans bullish as Mercury aligns with Saturn. The first half of the week looks more positive than the second half. The following week could see further upside as Venus opposes Jupiter on the 19th. It is possible gold could begin to reverse lower very close to that date – even a day or two before. I would think that gold is more likely to retrace lower some time between May 19th and the first week of June. Another pullback is likely in late June although this may be fairly modest in size. July looks more bullish to start. A new high above 1300 is very possible in July. But I think it is important to note that any gains made between now and July are vulnerable to a significant pullback due to the Saturn-Lunar Node alignment that becomes exact in August and September. This alignment has a high probability of downside. The most bullish scenario here would be a higher low by September which would keep the rally intact. But that outcome is far from certain as the late summer correction looks fairly large. October should bring a major move higher and Q4 looks bullish generally. Gains should continue into Q1 2018.

Technical Trends	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending May 5)	bullish (disconfirming)	1280-1300
Medium term trend is UP (1 month ending June 5)	bearish (disconfirming)	1240-1280
Long term trend is DOWN (1 year ending May 2018)	bullish (disconfirming)	1250-1400

Disclaimer: For educational and entertainment purposes only. The MVA Investor Newsletter does not make recommendations for buying or selling any securities. Any losses that may result from trading are therefore the result of your own decisions. Financial astrology is best used in conjunction with other investment approaches. Before investing, please consult with a professional financial advisor.
©2017 Christopher Kevill