

## Summary for week of 15 May 2017

- Stocks more vulnerable to declines in second half of the week
- Dollar could extend gains this week or next
- Crude oil could see some upside in first half
- Gold mixed this week with increasing downside risk

## US Stocks

Stocks finished slightly lower on the week as the French election relief rally faded quickly. The Dow lost 100 points to 20,896 while the S&P 500 ended the week at 2390. Monday's rally was tiny as the bulls failed to push above resistance at 2400. As expected, the late week was more bearish as both Thursday and Friday brought minor declines.

The market continues to trade at the upper limit of a fairly narrow range between 2320 and 2400. Friday's weak macro data offered something for everyone. Fed watchers did not see enough of a slowing in the retail and inflation data to move the needle very far on a June hike. While the CME odds fell a bit, they are still at 80%. But bears filed the data away from a rainy day just in case a new slowing trend takes root. One would think it will take much stronger macro data to push the market to significantly higher highs. Geopolitical influences appear to be largely excluded from the market for now. A positive resolution of ongoing problems in the Korean peninsula may only provide a very small boost while if things got dramatically worse then the market could sell-off. The current high valuations in stocks make the assumption that worsening scenarios will be avoided through mutual self-interest and the status quo will prevail.



So far, the month of May is roughly following the fairly calm planetary alignments. The Saturn-Lunar Node alignment is not yet close so there may be additional time for prices to rise. April's Venus-Saturn square proved

to be much less bearish than expected and as a result the indexes are poised to hit new highs this month. This week's upcoming Venus-Jupiter opposition offers a reasonable prospect for gains so we could well see higher highs before trouble starts later in the May. To be sure, the expected downside in March and April was more muted than I had forecast. It is therefore possible that the late May/early June downside I am expecting may also disappoint on the downside. But one noteworthy difference is that the technical situation is less positive now than it was in March. Early March saw higher highs after which a fairly normal period of consolidation followed. But if stocks stall out here near the previous high of 2400, then even from a technical perspective there is a greater risk that the subsequent pullback may be more significant in size. Even more important is that the month of June will feature two distinct negative alignments: the Mars-Node-Saturn alignment in the first week of June and then the Sun-Mercury-Saturn opposition in the middle of the month.

It is always useful to integrate the planetary patterns with the technical set up. The technicals still look bullish in the medium and long term, but the failure to make a higher high may indicate more hesitation by the bulls in the short term. Marginally higher highs are still possible without necessarily indicating the start of a major new leg higher. Usually some follow-through is necessary in the event of a close above 2400. The most recent range is therefore between 2380 and 2400. An intraday breakdown of 2380 could indicate a downside target of 2360 in the short run. But for the moment this is some approximate support near the 20 and 50 DMA around this level.

With all three major moving averages rising, the market is still very much in the hands of the bulls. The outlook would only turn bearish if we got a move below 2320. The measured move downside target would then be 2240 which is just below the 200 DMA at 2251. If we did get a sharp pullback, one would think that buyers would be enticed to enter the market around this level. Given the upward momentum of the Trump rally, many bulls would likely relish the opportunity to buy stocks for cheap. Daily stochastics has fallen below the 80 line, however, pointing to more downside here while MACD is now rolling over. The Bullish Percent Index is still in a bearish crossover of the 5/10 EMA and indicates more downside in the short term. The percentage of stocks above the 200 DMA continues to erode as the rally seems more tired than ever. The stark negative divergence given last week's touch of 2400 is quite telling and should give the bears some solace. Even a marginally higher high seems unlikely to begin a new move higher. There simply are no longer enough stocks participating in the rally to keep it going for too much longer. Meanwhile, Treasury yields drifted higher last week despite Friday's data disappointment. For now, the bond market is not pricing in a slow down. Instead it is in a holding pattern between support at 2.2% and 2.5% and is awaiting its next cue. A lower high would be bearish for yields, however, and could provide more evidence for the notion that the economy is slowing.

This week gives the bulls another chance to push to a new high. The Venus-Jupiter alignment is exact early on Friday so we should expect at least one or two up days ahead of that day. The Moon aligns with Jupiter on Wednesday so that perhaps is the most bullish looking day in terms of short term aspects. The early week leans



bearish, however, on the Mars-Moon aspect on Monday. I would not expect a large decline here but the balance of influences seems somewhat negative. Perhaps we will get a test of immediate horizontal support at 2380. Tuesday leans a bit more bullish as the Moon aligns with Mercury. This does not look too strong as the influences are mixed. As mentioned, Wednesday could be the bulls' best chance for upside and perhaps to test 240 and beyond. Thursday's Moon-Saturn aspect could undermine the otherwise bullish set up with Venus. I'm uncertain which influence will prevail. I would lean a bit bullish here as a default but recognize that the downside risks will likely rise as we approach the end of the week and into next week. Friday is unclear in terms of aspects although with the Venus-Jupiter already separating by the time of the open, there is an increased risk of a sell-off. Overall, I would keep an open mind about where the market finishes here. While there is a good chance of gains into midweek, I would be wary about the bulls' ability to hold them by the end of the week. I would lean a bit bearish, especially given the Mars-Saturn opposition in store at the end of May.



Next week (May 22-26) also looks like it could give the bears more chances, especially in the second half of the week as Mars enters Gemini on Friday. Monday leans a little bearish on the Mercury-Mars alignment. However, some early week upside is still quite possible, especially on Tuesday and Wednesday. But overall, I would be cautious as lower lows are quite likely. I would not be surprised to see 2320 tested by the end of the week. The final week of May (and first week of June) will be shortened for the Memorial Day holiday. As it happens, the exact Mars-Saturn aspect falls on the holiday but I would still lean bearish due to the aspect from the Lunar Node.



We could see lower lows, especially early in the week. However, the late week looks more positive on the Venus-Uranus conjunction. We could see a rebound in the second and third weeks of June. This may be fairly strong. A pullback is likely towards the end of June on the Mars-Jupiter square. This could extend into the first week of July. I don't know if this will be a higher low or lower low relative to the late May/early June. July as a whole looks more bullish, however, so the rebound could be substantial. A higher high in July (above 2400) is possible although I still think the bears will inflict some significant damage before then which will make a higher high more difficult. The market should reverse lower in late July or early August. A major correction is possible for August-September on the Saturn-Node alignment. This decline looks larger than any potential late spring decline. A strong rebound is likely for October and into November. The likelihood of some strength in Q4 suggests the 8-year bull market could well last into 2018, even if we see lower highs. The first half of 2018 looks more bearish, however, so perhaps the worm will finally turn.

**Technical Trends**

**Astrological Indicators**

**Target Range**

Short term trend is UP (1 week ending May 19)	bearish (disconfirming)	SPX 2350-2380
Medium term trend is UP (1 month ending June 19)	bearish (disconfirming)	SPX 2240-2350
Long term trend is UP (1 year ending May 2018)	bearish (disconfirming)	SPX 1800-2200

## Indian Stocks

Stocks moved higher last week on positive corporate earnings and lower inflation data. The Sensex climbed 1% on the week to 30,188 while the Nifty finished at 9400. While the gains into Wednesday's session were not unexpected, I thought the late week selling would be stronger than it was. Thursday finished slightly positive and Friday saw only a very small pullback.

The outlook remains bullish on all time frames in the absence of any significant headwinds. Analysts expect domestic investors to pick up any slack left by FII as strong growth is forecast for the rest of 2017. Moreover, many international players are suggesting emerging markets may well have more upside than the overvalued US market. Only an abrupt slowdown out of China or the US could jeopardize the positive global picture. Both of those possibilities would seem to be relatively less likely than a more status quo outcome.

The astrological outlook is less positive, however, as Saturn approaches its alignment with Rahu (North Lunar Node) over the coming weeks. This is a bearish pairing which will very likely inflict some damage on the market between now and September. This is likely to unfold in two or perhaps three distinct pullbacks. The first should



begin in May, probably around the Mars-Saturn opposition that is exact on 29<sup>th</sup> May. This could translate into a one or two week pullback into early June. A bounce into mid-June is likely although I would be skeptical if this created a higher high. So far, the bulls have been stronger than I thought they would be so perhaps that could continue. But June as a whole looks more bearish than May so that could give the bears some hope. July as a whole looks fairly bullish as Jupiter returns to direct motion and aligns with Neptune. Again, it is an open question if any potential July or early August high will be a new all-time high or not. But then August and September are likely to be more bearish on the Saturn-Rahu alignment. This is likely to produce a significant correction in any event. An interim low is likely in September or October before a rebound takes place in Q4.

The technical picture remained as bullish as ever with the new all-time highs. The rate of increase is moderating since March so channel resistance is close to 9500. Horizontal support is likely near the 20 DMA at 9270. A move below that level would indicate a deeper retracement was at hand, although buyers would likely step in nearer to 9100 and the 50 DMA. The daily Nifty chart is sufficiently bullish that even a sharp pullback will likely be bought aggressively by bargain hunters. Longer term support is likely closer to the 200 DMA at 8650. This would equate to a 50% retracement as measured from the December low. Cautious bulls may be waiting for this sort of lower entry level for new positions. However, this bull run could well continue for a while longer before there is a major pullback to the 200 DMA.

As previously noted, the measured move upside target for the Sensex is 32,500-33,000 based on the relative sizes of the rallies over the past year and a half. This translates to 9800-10,000 for the Nifty. This is not a guarantee that this level will be reached but it is looking more plausible here. RSI is looking more overbought now, however, as it pushes up against the 70 line. This doesn't preclude more upside but it increases the likelihood of a significant pullback sooner rather than later. MACD is showing early signs of rolling over, although that is also an artifact of the slowing rate of price increase. Immediate weekly support is near 29,000. Any weekly close below that level could signal a major trend change in the market. Although the Modi bull market could remain intact, a correction becomes more likely. The 200 WMA at 25,600 becomes one possible downside target in the event of such a deeper retracement. Meanwhile, Tata Motors (TTM) bounced off its recent low last week. It is currently in a bearish pattern below the 50 and 200 DMA although further upside should be expected in the near term. Infosys (INFY) also moved higher last week as it closed above its 200 DMA for the first time in a while. A golden cross of the 50 and 200 DMA is fast approaching so bulls may be hoping that the worst is over.



This week offers the bulls a decent chance for more upside. The Venus-Jupiter opposition is exact on Friday and should coincide with one or two good up days sometime this week. Monday leans a bit bearish on the Moon-Mars aspect, however. Tuesday and Wednesday could be more positive as the Moon comes under the aspect of Jupiter. Wednesday looks somewhat more favourable than Tuesday. Thursday could also see some upside although there is rising downside risk as the week progresses. Friday is somewhat more bearish than Thursday. Overall, I think the chances are fairly good for higher highs this week even if the early week is lower. Even if Monday is lower, I would not expect support at 9270 to be tested. The negative aspects do not look that bearish. That should allow the better midweek aspects to retest the highs and perhaps move higher. That said, I believe we are coming up fast on the end of this 2017 rally. Next week is probably the more likely time when we will get some declines although I would not be shocked if the pullback began this week either.



Next week (May 22-26) looks more bearish with the approaching Mars-Saturn opposition. This aspect is exact on Monday the 29th but it is likely to manifest a few days earlier. The early part of the week could see some upside on the Moon-Venus conjunction. Tuesday's Moon-Uranus conjunction looks unsettled and could introduce a new dynamic into the market. The chances for some downside will increase after this pattern. Thursday and Friday look more bearish as Mars leaves Taurus and enters Gemini opposite Saturn. Significant declines are quite possible here and we could see the 20 DMA at 9270 could be tested and may be broken. The following week (May 29-



June 2) should begin on a negative note on the Mars-Saturn opposition. Some upside is possibly in the second half of the week, however, as Venus conjoins Uranus. This could signal the start of a small rebound that lasts into mid-June. It is possible it could push to a higher high although a lot depends on what kind of damage we see in late May. It is hard to say. Late June looks choppy which could coincide with a pullback that lasts into early July. Perhaps this is a retest of the May low, or even a higher low which forms the basis for a stronger rally in July. While July should be bullish overall, I would expect a major pullback to begin in late July. This should continue through August and into September. The Saturn-Rahu aspect should coincide with a significant decline, and perhaps even a correction (>10%). This alignment has the real potential to produce a test of the 200 DMA at 8650. A strong rally should begin in October and extend into November. This could be strong enough to negate the preceding decline and I would not rule out higher highs by December. Q1 2018 looks more bearish.

**Technical Trends**

Short term trend is UP

**Astrological Indicators**

bullish (confirming)

**Target Range**

9350-9500

(1 week ending 19 May)

Medium term trend is UP  
(1 month ending 19 June)

bearish (disconfirming)

9000-9300

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

bearish (disconfirming)

7500-8500

## Currencies

The Dollar moved higher last week after investors sold the news after the French election win by the pro-EU Macron. The USDX finished the week above 99 while the Euro dipped to 1.09. The Yen weakened slightly to 113 while the Rupee was firm near 64. This outcome was in keeping with expectations as I thought the alignments hinted at some upside after the election. Friday's decline was somewhat unexpected, however, as retail sales disappointed. While the odds of a June rate hike are still near 80%, the market is starting to discount the possibility of a slowdown and perhaps fewer hikes going forward. The chart continues to resemble a bullish falling wedge pattern although last week's reversal was well below resistance at 100.5. Further upside in the coming days is therefore quite possible. A close above 100.5 would be more bullish as it would negate the possibility of lower lows for now. And with the Dollar now sitting on its 200 DMA, there is an added importance to the next move – up or down. An incrementally lower low to 98 would keep the falling wedge intact and could still give bulls hope. But down is still down and there is a down trend in the Dollar now as the 20 and 50 DMA are soon to cross below the 200 DMA. The weekly Euro chart still looks bullish for the short term as it tests resistance at 1.10. A rising channel has been forming since early 2017 with support now near 1.07. In other words, even a significant pullback would not necessarily end the current move higher.

This week is hard to call. I think the Dollar is likely to rise further in May but I'm not sure it will be this week. The Venus-Jupiter aspect on Friday could be a bit bearish for the greenback although I'm less certain it will produce a net negative result. Some upside is possible on Monday and Tuesday although it's not clear cut. The midweek could be more positive. I think the Dollar will break above resistance at 100.5 soon but perhaps not this week. Next week looks more bearish for markets generally. This usually is bullish for the Dollar although this isn't always the case. Nonetheless, I would expect to see some upside.



We could see more gains in early June but I would not expect big upside. I think June will end on a more bearish note and the downtrend could extend into July. Another retest of the 200 DMA looks likely and we could easily see lower lows also. The Dollar should rally again in August and September on the Saturn-Node alignment. This looks fairly strong and could even end up retesting the 2016 high of 104. A major decline in the Dollar is likely to begin in Q4 and extend into early 2018.

Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending May 19)	bullish (disconfirming)	99-100
Medium term trend is DOWN (1 month ending June 19)	bullish (disconfirming)	100-102
Long term trend is UP (1 year ending May 2018)	bearish (disconfirming)	95-98

## Crude oil

Crude oil moved higher as US inventory data provided the necessary impetus for a technical bounce. WTI rose 3% on the week to near \$48 while the Brent finished just under \$51. This bullish outcome was somewhat unexpected as I thought the late week would be more bearish. The early week gains were less surprising, especially since crude had been fairly oversold. The bulls will try to push this bounce up to the key resistance zone of the confluence of the moving averages near \$49. The imminent death cross of the 50 and 200 DMA is another problem for the bulls as this rally could run out of steam soon. A lower resistance level of \$48 is also viable as it was the previous support level for the double bottom in March. For the short term, the technicals look bearish with a retest of the piercing low of \$44 looking fairly likely. Another move down to retest last year's low of \$39 is also quite possible. The problem for the bulls is that the lower low has come after a lower high. This is a bearish trend in the making. By contrast, November's lower low relative to September came after a higher high. That setup was more bullish than the current setup as bulls have to put in a higher low somewhere to begin a new up trend. Defending the recent piercing low of \$44 therefore takes on added importance. The weekly Brent chart shows a nice bounce but bears will wonder if this is merely a back test of the 50WMA which may now have turned from support to resistance. Bulls now have something to prove going forward.



This week could see some upside. Generally, I am leaning bearish for the month of May as the Mars-Saturn opposition approaches on the 29<sup>th</sup>. However, this week's Venus-Jupiter alignment offers some chances for the bulls to at least retest a higher resistance level, perhaps near \$49 and the 200 DMA. One possible scenario may see the high for the week occurring on Wednesday or Thursday just before the Venus opposition with Jupiter. Wednesday looks somewhat better than Thursday, however.

Next week (May 22-26) looks more bearish, especially later in the week. Perhaps this is the time when we could see a retest of the piercing low at \$44. It's something to consider. Monday's Moon-Venus conjunction looks bullish, however, so further testing of resistance is more likely initially. The final week of May leans bearish as does the first days of June. Therefore, I would think the chances of a retest of \$44 are fairly decent. June as a whole looks more bullish so a rebound is likely. July also looks fairly bullish as Jupiter aligns with Neptune and Pluto. It seems fairly likely crude will at least retest its previous high of \$54 during the early summer. Higher highs are also possible although that is harder to predict. August and September should see a correction take place on the Saturn-Nodal alignment. Lower lows below \$44 are quite possible by the early fall.



Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending May 19)	bullish (confirming)	\$47-50
Medium term trend is DOWN (1 month ending June 19)	bullish (disconfirming)	\$46-52
Long term trend is DOWN (1 year ending May 2018)	bullish (disconfirming)	\$50-70

## Gold

Gold was basically unchanged last week as the pro-EU Macron win in the French election soothed nervous markets. Gold ended the week higher by just one dollar at 1227. This mixed outcome was not unexpected although I thought we might have seen more movement in both directions. I was also mistaken in thinking the late week could be bearish. So far May has been much less bullish than expected. While my medium term view of gold is quite bearish over the next several months, I had thought there was some room for upside in early May and again in July. Now it seems more likely that gold will be under increasing pressure with the approach of the Mars-Saturn opposition on May 29<sup>th</sup>. Technically, the short term outlook is slightly bullish as the late week gains suggested that bulls had successfully put in a higher low at 1220. Additional retests of 1220 are possible in the coming days but it is important that these dips are bought. But the longer term outlook looks uncertain as the moving averages are starting to slope downward in unison. A bullish crossover, or even a golden cross, would give buyers more confidence that they are on the right side of the long trade. But bears can still view the current 2017 rally as little more than a retest of resistance of the 200 DMA in an otherwise bearish trending market. That is what makes the current moves so important. A move down to 1200 or below would be a lower low and could raise questions about the sustainability of this rally. There seems to be little margin for error here for the bulls.

This week looks mixed. The early part of the week could be bullish with Tuesday and Wednesday leaning positive on the Moon-Jupiter alignment. Monday could be a bit negative but the indications are not clear. The late week seems less positive as the Moon comes under the influence of Saturn on Thursday and Friday. So we could see more upside early on but gold may become more vulnerable to profit taking. I am agnostic on where gold may finish this week.

Next week (May 22-26) looks mixed but likely bearish later in the week. The early week could see some gains but they may not be strong enough to produce the needed upside for a push back up to channel resistance at 1300. We could see retest of support at 1220 and 1200 during the final days of May or early June. Will 1200 hold? I don't know but I would not be surprised either way. The planets look bearish enough to interfere with the current rally so that argues for a breakdown of 1200. But it's hard to say. June looks mixed with a rebound likely going into mid-June. But late June may be more bearish although I would not necessarily expect lower lows. July seems more bullish as Jupiter aligns with Pluto. But any early summer rallies look suspect as the Saturn alignment with the Lunar Nodes should produce some significant selling between August and October. I would expect lower lows by the early fall. A sustained rebound in Q4 and into 2018 looks more likely.



<b>Technical Trends</b>	<b>Astrological Indicators</b>	<b>Target Range</b>
Short term trend is DOWN (1 week ending May 19)	bearish (confirming)	1200-1240
Medium term trend is UP (1 month ending June 19)	bearish (disconfirming)	1180-1250
Long term trend is DOWN (1 year ending May 2018)	bullish (disconfirming)	1250-1400

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