MVA INVESTOR NEWSLETTER

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Summary for week of 29 May 2017

- Stocks vulnerable to declines this week
- Dollar could extend rebound, especially in first half
- Crude oil likely under pressure this week, especially early
- Gold less bullish this week with declines possible

US Stocks

Stocks moved higher last week as the Fed minutes revealed its plan to unwind its balance sheet. The move was seen as evidence of strong enough growth to justify normalization of interest rates. The Dow gained 1% on the week to 21,080 while the S&P 500set a new all-time record finishing at 2415. This bullish outcome was unexpected as I thought we would get more late week downside on the Mars-Saturn opposition. While I thought we could well see gains into midweek, the pullback never materialized as Thursday was higher and Friday was merely flat.

So the rally continues. With President Trump safely out of Washington last week, there was less likely to be more bad political news. Markets are still expecting a Fed rate hike on June 14, so it would seem that the political arena is one of the major movers here. If Trump can settle down into a more predictable routine that shows even incremental progress on health care and tax reform, stocks can remain in this up trend. The longer the Russia investigation stays in the news, however, the worse it is for Trump since it will erode his ability to command Congressional support for his agenda. His approval ratings are now hitting new lows (-15% = 39/54) and if they worsen over the coming weeks, then members of the GOP Congress will distance themselves from him in anticipation of a midterm bloodbath in November 2018. Without the votes from his own party, Trump's growth agenda will not be realized.

The planetary outlook is still at odds with the favourable fundamentals as the Saturn influence is likely to increase over the coming weeks and, indeed, months. I had thought we would get more downside at the end of May on the Mars-Saturn alignment but we have yet to see any real hints of trouble. Previously, my favored scenario was for a pullback in late May and early June (2300-2350?), followed by a rebound in mid-June (2350-2400?) around the Jupiter direct station. Another pullback would be possible in late June and early July (2250-2350) as Saturn tightened its alignment with the Lunar Node. More upside would be likely in July and early August (2350-2450?) before the larger and more probable decline in the late summer and early fall to more significant lows (2100-2250?). I did not rule out higher highs in July although it seems we have them already here as are about to head into June. The planetary influences still portend declines but pinpointing the exact timing of a fundamental shift in sentiment is proving to be difficult.

The technical outlook is still bullish on all time frames. The new high on the SPX was the big news this week as it would seem to indicate the likelihood of a new leg higher. However, the high was not confirmed by the Dow so that suggests at least some room for caution. Technology is leading the market higher as the Nasdaq has been following the same rising channel throughout the Trump rally. The SPX, however, has seen its rising channel flatten recently. Resistance is likely around 2475 with horizontal support at 2390-2400. Channel support may be closer to the 50 DMA at 2360-2370. Bulls have to keep the pattern of higher lows intact which means 2350 cannot fail. A move below 2350 would suggest a retest of the previous low of 2320.

Not only are the blue chip indexes lagging the Nasdaq, but the Bullish Percent Index is still falling despite the higher highs. This is a negative divergence that should worry bulls as it is likely to undermine the rally sooner rather than later. To be sure, the indexes can continue to rise for a while longer before they succumb to this underlying logic. But this narrowing rally suggests we are less likely to be witnessing the start of a major new leg higher. If the Bullish Percent Index reversed higher and validated the higher highs in the SPX then we would reassess this technical anomaly. The percentage of stocks above their 200 DMA is similarly following a declining channel although it did post a gain last week. The weekly Dow chart depicts a choppy market near a major top where there is no clear trend. While the medium and long term bias is still bullish, a bearish crossover of the 20 and 50 DMA is not out of the question. Without a new high above 21,200, the technical outlook could still argue for further consolidation and hence, the possibility of another pullback. The bond market is also signaling caution as yields are still testing the low end of their recent range at 2.2%. Previously, I thought that no new highs were possible on the SPX with these kinds of low yields. I was wrong about that. I would still argue that these low yields should not give equity bulls much comfort as bonds are anticipating more economic slowing. Slower growth combined with a more hawkish Fed may prove troublesome for equity markets.

This week could prove to be more bearish. After Monday's holiday closing, the Mars-Saturn opposition will still be within range in the first half of the week. This bearish pairing had no effects last week but it's possible we could see some fallout in the aftermath of the aspect on Tuesday and Wednesday. The underlying planetary influences still seem bearish although it is more difficult to know when they will manifest. But the main point is that while Mars will be separating (=weakening) from Saturn, it will be approaching (=strengthening) its alignment with the Lunar Nodes. A strong Mars is *usually* bad news for stocks so there is some reason to be careful this week. Thursday and Friday looks somewhat bullish as Venus conjoins Uranus. Overall, this mixture of influences could well mean more of the same as stocks end up near their highs. However, I do think the chances are good for bigger moves in both directions and that means the bears could do some damage. But even if we do see some early week downside, I'm not sure that support at 2370 will be broken or even tested. And the prospect of some late week gains could mean that dips will continue to be bought.

Next week (June 5-9) looks more bullish as Mercury aligns with Venus and Mars. The first half of the week looks more bullish with Monday also looking bullish on the Moon-Venus alignment. Thursday and Friday could more negative, however, around the Saturn-influenced Full Moon. In other words, if we finally see some selling in the preceding week, then this week looks like a good bet for a rebound. A higher high is possible. The following week (June 12-16) looks less bullish, especially after Tuesday. The Sun and Mercury will oppose Saturn in mid-June so this could coincide with some pessimism. Late June looks more bearish as Mars squares Jupiter. While I think some upside is likely in July on the Jupiter-Neptune-Pluto alignment, there is an ongoing risk of declines since Saturn will be moving into closer alignment with the Lunar Nodes. To some extent, these opposing influences could offset each other. However, the Saturn influence looks stronger since it will be retrograde throughout most of the summer. Therefore, we should see any rallies that may occur in June or July with greater skepticism since some downside looks increasingly likely. If stocks have managed to remain firm through July, then August and September are much more likely to bring a correction. I would expect at least a 10% decline from the high so there is a good chance that we will see a tag of the 200 DMA at 2262 by September. That is a fairly conservative downside target, however, and assumes that the SPX can remain above 2350-2400 by July. If stocks have already topped in May or early June and are lower in July, then we could even see a retest of the pre-Trump November low of 2100 by October. Q4 looks more bullish, however, and argues for a rebound off a major low. 2018 looks choppy at best with some significant downside likely.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is UP	bearish (disconfirming)	SPX 2350-2400

(1 week ending June 2)

Medium term trend is UP (1 month ending July 2)	bearish (disconfirming)	SPX 2300-2350
Long term trend is UP (1 year ending June 2018)	bearish (disconfirming)	SPX 1900-2200

Indian Stocks

Stocks rallied strongly last week on positive earnings and the expectation of moderately paced rate hikes from the Fed. The Sensex gained 2% to 31,028 while the Nifty finished the week at 9595. This bullish outcome was unexpected as I thought the late week would likely see some selling in the advance of the Mars-Saturn aspect. While I thought some upside to 9500 was likely, I erroneously focused on the first half of the week as the more probable time frame for these gains.

It's seemingly all systems go for this three year-old Modi bull market. Business-friendly governance is combining with a favourable global environment to push stocks higher as emerging markets are seen as an attractive investment for global and domestic investors alike. Last week's Fed minutes outlined its fairly cautious plan to unwind its balance sheet this year. The market saw this is as appropriately measured and this allowed more capital to flow into equities. While geopolitical worries may persist for some time to come, the overall fundamental picture looks positive for the stock market.

The planetary outlook, however, still argues for at least two significant pullbacks over the next four months. Admittedly, I thought we would have at least seen the beginning of a pullback by now as Saturn increases in strength. This hasn't happened yet, but I think it is still probable that we will see the beginnings of the first pullback soon, perhaps as soon as this week. This may not shake the confidence of the bulls but it could set the stage for a larger reversal later on. Rallies occurring between June and August should therefore be seen with increased skepticism as they are more likely to be sold. As before, I think the larger pullback will be the second one, which will likely coincide with the closest alignment of Saturn and Rahu (North Lunar Node) through August to approximately October.

The technical outlook is bullish on all time frames. The new record highs are bullish and argue strongly for more upside. While I thought there was a good case to be made for the measured move upside target at 9800/32,500, I thought a pullback might be required first to avoid a severely overbought market condition. At this rate, however, the Nifty could well get to 9800 without sustaining much of a pullback. Last week was a big step towards realizing that target despite the indicators. Daily stochastics are not yet overbought and could signal the current move could have further to go in the short term. Resistance is likely near 9800 from the rising channel, although recently the rate of increase has moderated. Support is near the rising channel trend line and the 20 DMA at 9400. It also corresponds to some horizontal support. Any pullback to this level will likely be bought quite aggressively. If there is a breakdown of 9400, then would see 9200 fairly quickly. This would still be a higher low relative to the April low so it would not threaten the current rally.

The BSE is moving closer to its target of 32,500, although it is increasingly overbought. RSI is at a lofty 75 now and stochastics is well above 90. The market is very overbought although it could continue to climb to make incremental new highs. In the event that the Sensex reaches 32,000-33,000, the subsequent retracement could be as high as 50% as we saw in late 2016. This would equate to about 29,500. Given the amount of horizontal support around this level, it may be a plausible entry point for more cautious bulls seeking a discount. Meanwhile, Infosys (INFY) broke above resistance and the 50 and 200 DMA last week. Although this was a positive development, bulls will rest easier only after the March high is surpassed. With the golden cross of the 50 and 200 DMA only days away, bulls may be firmer ground going forward. ICICI Bank (IBN) also extended its recent rally as it pushed to higher highs. The rally may have sufficient momentum to retest the 2015 highs, although there is a significant amount of overhead resistance just above current levels (USD=$10) that dates back to 2015. Failure to move above this congestion area could see the current rally slip back and retest support at the 200 DMA.

This week again offers the bears a chance although we could see moves in both directions. After the failure of last week's Mars-Saturn aspect, I'm less confident that this pairing can coincide with much downside. However, aspects do not always function like clockwork so their negative effects may only manifest after the exact aspect. That is a conceivable scenario. In addition, Mars aligns with Rahu into midweek so that introduces an additional bearish influence into the mix. Wednesday sees the Moon join this alignment so that could be a pivotal day. Trend

reversals are more likely. But with the late week Venus-Uranus conjunction looking more bullish, it seems likely that any pullback will bring a rebound. I'm uncertain where the Nifty will finish. Further upside is definitely possible and a positive week is more likely if that occurs in the late week. If we do see some profit taking in the first half, I would still not expect support at 9400 to be broken.

Next week (June 5-9) looks more bullish as Mercury aligns with Venus and Mars in the first half of the week. I would not be surprised if we saw the Nifty push significantly higher, perhaps above 9700. The following week (June 12-16) could see some upside again in the early week on the Mercury-Jupiter alignment. But the downside risk will increase once the Sun opposes Saturn on the 15th. Assuming that stocks stay bullish into mid-June, I would expect the second half of June to be more bearish so a pullback is likely. This is unlikely to make a large dent in the rally but it may be the starting point for the larger correction I foresee over the summer months. More upside is possible in July as Jupiter aligns with Neptune and Pluto. It is conceivable that we could see higher highs into July but a lot will depend on any preceding June pullback. I suspect any rallies will be fairly short-lived. As Saturn aligns with Rahu in late July and August, I think stocks will sell-off significantly. Eventually, we could see a test of the 200 DMA at 8700 by September. Q4 looks more bullish so a rebound off of any interim lows will be significant. The first half of 2018 leans bearish so we should at least see a revisiting of the 2017 lows.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is UP (1 week ending 2 June)	bearish (disconfirming)	9500-9650
Medium term trend is UP (1 month ending 2 July)	bearish (disconfirming)	9200-9400
Long term trend is UP (1 year ending June 2018)	bearish (disconfirming)	7500-8500

Currencies

The Dollar moved a bit higher last week as the Fed provided sufficient rationale for more hikes and the unwinding of its balance sheet. The USDX finished at 97.2 while the Euro slipped under 1.12. The Yen traded at 111 and the Rupee was firm at 64.4. This bullish outcome was in keeping with expectations as I thought the late week Mars-Saturn would be positive for the greenback. The Dollar seems to have found a floor here near its pre-election November low. So far, the bounce has been tiny and does not warrant much optimism for bulls. Resistance is likely near the 20 DMA at 98.3. However, the declining channel resistance is somewhat higher near the 50 and 200 DMA at 99. The bearish death cross is now upon us although it can often operate as a temporary contrarian indicator and coincide with a brief rally. We will see if that happens here. The weekly Euro chart showed some predictable hesitation at horizontal resistance at 1.12. While key support is now at 1.10, bulls will want to keep most of their recent gains and try to avoid a hard retest of support. From a longer term perspective, the Euro is still in a basing pattern after its large decline. The lower low in late 2016 was bearish and the possibility exists that bulls may be unable to break the sequence of lower highs since early 2016. Obviously, only a move above 1.15 would be bullish enough to indicate the sideways basing phase is over and that the Euro may begin a new rally. This likely correlates with 94 in the USDX.

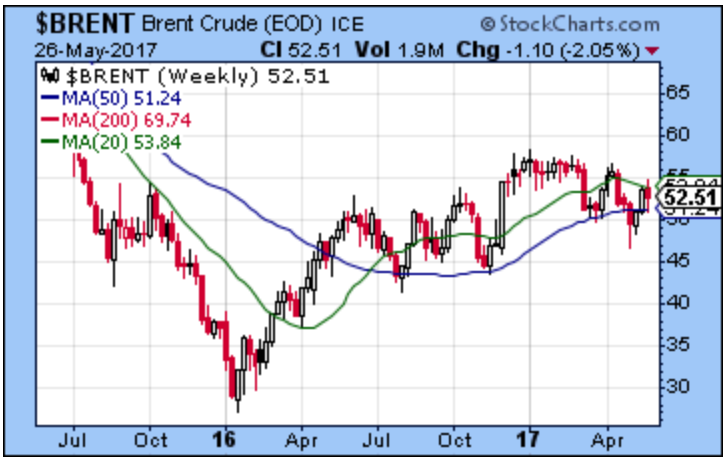
This week could see more upside in this rebound. After Monday's US closing, I would expect the Dollar to benefit from the aftermath of the Mars-Saturn aspect. Tuesday and Wednesday look like plausible days for gains. The late week is harder to call due to the Venus-Uranus conjunction. Venus aspects tend to favour the Euro so there is a case for a pullback in the Dollar by Friday. That said, I think the overall outlook is generally bullish so I would be surprised to see significantly lower lows below 97. Next week could see some downside as the Mercury-Venus-Mars alignment would seem negative. I wouldn't rule out a break below 97 but it does not seem probable either. The Dollar may be more bullish into late June although I would not necessarily expect a more above the falling channel resistance at 98-99. The rebound does not look that strong. July could seem some downward pressure on the Dollar. While lower lows are possible, they do not seem that likely. Generally, I am expecting the Dollar to strengthen this summer with August and September as a more likely time window for the larger rally. It seems likely that the Dollar will break out of its down trend by this time, if not before. We could even see a retest of the January high of 103, although a somewhat lower high is also possible. While some retracement is likely in Q4, I think the Dollar will be generally bullish for the second half of 2017. A more bearish trend is likely to begin in 2018.

Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending June 2)	bullish (disconfirming)	97-98
Medium term trend is DOWN (1 month ending July 2)	bullish (disconfirming)	98-99
Long term trend is UP (1 year ending June 2018)	bearish (disconfirming)	93-96

Crude oil

Crude oil declined last week as the market shrugged off the latest efforts by OPEC and Russia to limit production. WTI finished almost 2% lower to just below $50 while Brent fell below $53. This bearish outcome was somewhat unexpected as I did not think the late week decline would be so large. While I thought we would see some downside here in late May on the Mars-Saturn aspect, I thought it was more likely to hit this week after Memorial Day. The early week was positive as expected with the Moon-Venus conjunction as bulls tested resistance at $52. However, the inability to match the previous high was somewhat telling and now we have the second lower high in place following the February high. It is a difficult technical setup for bulls. Friday's recapture of the 200 DMA was a small consolidation but the chart is indicating a possible retest of the May low of $46, if not $44. Immediate support is near $48 so if bulls can defend that level for the next few sessions then a rebound may be more plausible. The weekly Brent chart similarly shows how this week finished up on key support at the 50 WMA. While the medium term rebound since 2015 is still intact, a lower close below $47 would raise doubts. A retest of horizontal support at $42-44 is becoming more likely in the weeks ahead.

This week is likely to see crude under pressure. After Monday's holiday closing, there is a real possibility of a retest of Thursday's low near $48. Wednesday looks more vulnerable to declines than Tuesday, however. The late week may be more positive as Venus conjoins Uranus. Next week (Jun 5-9) looks more bullish as Mercury aligns with Venus and Mars. There is a real mix of bullish and bearish influences here that makes forecasting shorter weekly moves more difficult. Generally, the first half of June could therefore see some upside around the Jupiter direct station. I would not expect a strong rally but it may be enough to keep WTI above its 200 DMA. The second half of June looks more bearish, however, so there could be additional retests of support at $48 and perhaps $44. I think there is a good chance for another rally attempt in July but it may not give the bulls the technical advantage of a higher high. With Saturn aligning with the Lunar Nodes for much of the summer, there is a likelihood of more downside. This is more likely to occur in August and September around the Saturn direct station (Aug 25). A break below $40 is possible by that time. September looks less bearish than August, however, so we could see a rebound take shape in September. The rebound is likely to continue into Q4 so we could see higher highs above $55 by the end of the year.



Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is DOWN (1 week ending June 2)	bearish (confirming)	$48-52
Medium term trend is DOWN (1 month ending July 2)	bearish (confirming)	$44-48
Long term trend is DOWN (1 year ending June 2018)	bullish (disconfirming)	$50-70

Gold

Gold pushed higher last week on weak US GDP data and the possibility of a more dovish Fed going forward. Gold climbed 1% to 1268. This bullish outcome was in keeping with expectations although the week was mostly flat until Friday's rally. I had mistakenly expected the upside to occur in the first half of the week. The technicals continue to favour gold here as bulls successfully defended the 200 DMA as support last week. Friday's high eclipsed the previous week's high so the dips are being bought with some enthusiasm. Gold is currently just above a key inflection point where the three moving averages converge. While the close above the 200 DMA was good for bulls, it is no guarantee that the rally can continue. A couple of bad news days and gold would fall back below 1247 and be on the wrong side of this area of support/resistance. I would think that a move below 1240 could hint at more weakness, while if 1240 holds as support then bulls can still point to it as a higher low. Below 1240, there is a greater likelihood of a retest of the previous low at 1215. Such a retest of 1215 without a preceding retest of the previous high of 1295 would be more bearish. But the chart overall leans bullish and makes a fairly good case for making its measured move upside target of 1320 at least. On that score, I would think the planetary picture offers some positive support given the upcoming Jupiter station on 9th June. A second time window for a rally would be July although that may be cutting it rather finely. The larger planetary problem for gold bulls is the upcoming Saturn-Lunar Node alignment this summer. This is closest in August and September although it could manifest earlier. I am expecting a significant correction and it seems quite possible it will reverse the bullish technical bias into a bearish one.

This week leans bearish in the aftermath of the Mars-Saturn aspect. I am uncertain exactly when we could see fallout from this aspect, especially since it also aligns with the Lunar Nodes. After Monday's holiday closing, we could see some upside on Tuesday and perhaps Wednesday as Venus enters Aries. However, there is an added risk later in the week as the Moon aligns with both Mars and Saturn. That is usually bad for sentiment in most asset classes. The complicating factor here, however, is that bullish Venus will conjoin Uranus on Friday. That could offset most of the negativity. Overall, I think bulls should be cautious here just in case. While there is good reason to expect more gains, I'm less confident they can occur this week.

Next week (June 5-9) looks more bullish on the Mercury-Venus-Mars alignment. The early week looks somewhat more bullish than the late week. The following week (June 12-16) could see a shift in sentiment as the Sun opposes Saturn on the 15th. Saturn aspects are often bearish so this is one plausible period when any potential rally could reverse lower. I am more bearish about late June and even early July so some kind of retracement is more likely during that time. It is difficult to know if it will break below the 200 DMA at 1250. If gold rallies

above 1300 in early June, then it is possible the subsequent retracement may be compatible with a bull market and stay above key support at 1240-1260. Mid-July could bring a bounce but my guess is that it will produce a lower high in late July which will then be sold. Saturn's station on August 25th looks bearish and one plausible scenario would see gold declining into that date. Q4 looks more bullish so we could see an oversold rebound begin in September or October. The rebound should extend into 2018.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is UP (1 week ending June 2)	bearish (disconfirming)	1240-1270
Medium term trend is UP (1 month ending July 2)	bearish (disconfirming)	1220-1270
Long term trend is DOWN (1 year ending June 2018)	bullish (disconfirming)	1250-1400