

Summary for week of 8 May 2017

- Stocks lean bearish this week especially after Tuesday
- Dollar may bounce this week after possible early weakness
- Crude oil may retest Friday's low this week, especially in second half
- Gold could rise early but vulnerable to declines later

US Stocks

Stocks edged higher this week on a solid jobs report and the passage of the GOP health bill in the House. The Dow gained by about half a percent to 21,006 while the S&P 500 matched its previous high closing at 2399. This bullish outcome was in keeping with expectations although I erroneously thought we might have seen some late week selling.

The groundwork appears to be laid for higher highs next week as long as the French election does not bring any surprises. A Le Pen victory seems out of the question now, although the margin of victory for Macron could be important for the amount of support he gets in the upcoming House elections in June. A win with less than 60% could make governing difficult without requisite legislative support, although it is unclear if the market would see that as an immediate negative. The passage of the GOP health bill is also a plus as it improves the likelihood that the GOP can find House support for Trump's tax plan in the coming months. The Senate is still a significant stumbling block on both fronts as the devil-in-the-details is more likely to be exposed through the chamber of sober second thought. But for the moment, the political climate looks bullish.



The astrological indicators remain positive in the short term but with increasing risk. I had expected some upside in the middle of May from the Venus-Jupiter alignment that is exact on May 19th. But that doesn't necessarily mean that the month of May will be net positive. Some downside is possible this week upcoming but the higher

risk period appears to be late May when Mars aligns with Saturn. This could begin a period of higher volatility and at best a choppy market that lasts through most of June. I would not expect a huge decline to take place but I would not be surprised if it verged on correction territory (10%). It may well turn out to be larger than a typical bull market pullback. Even if we get some kind of relief rally in July, the rest of the summer also will have an elevated downside risk due to the unusually long Saturn-Lunar Node alignment. This seems likely to produce lower lows by September or October. A rally is likely in Q4 but I would be cautious about expecting higher highs at that time.

The technical outlook is bullish on all time frames. Friday's close at the highs of the day and the week matched the previous high on the S&P. While investors were likely awaiting the 'all clear' sign from Sunday's election in France, the chart looks bullish and is pointing to higher highs above 2400. If we do see a breakout higher, channel resistance would likely be around 2500-2550. Short term horizontal support is near 2375 in the event of a pullback. This is just above the intersection of the 20 and 50 DMA at 2366. This confluence of factors should therefore be seen as important support in the event of a pullback. Any move below this level could change the dynamic and raise the possibility of another period of consolidation underneath 2400.

If there is another pullback without a higher high, then the measured move downside target would be 2250 – now just 4 points from the 200 DMA. That would be a more plausible scenario for the SPX if, for example, something went wrong this week and the market fell below support at 2375. While the technicals are generally bullish, the market is not keeping pace with the rise of the 200 DMA. Breadth is also narrowing as the Bullish Percent Index actually fell last week despite gains in the major indexes. Moreover, there is now another bearish crossover of the 5/10 EMA. This would suggest that even if we get higher highs on the indexes, they may only be marginally higher highs before a pullback begins. The percentage of stocks above their 200 DMA is also creating a negative divergence after making a high in early March. The weekly Dow chart now has a bullish crossover in stochastics which may support higher highs going forward. Key support is now near 20,500 and the 20 DMA. But this chart shows the clearly bullish trend for the longer term as all three moving averages are sloping upwards and arranged bullishly. It would likely take two separate pullback/corrections to produce a consequential bearish crossover of the 20 and 50 WMA or the 20 and 200 WMA. It seems very unlikely that the bull market will suddenly come to an end with the next correction.



This week leans a bit bearish. Monday's alignment of the Moon opposite the Mercury-Uranus conjunction suggests a strong move in either direction following the French election results. I would lean bullish here but it is very much a wild card. The most likely scenario would be a positive reaction to a Macron win which pushes the

SPX above 2400 on Monday. I would not be surprised by other outcomes, however. But by Wednesday, Mars squares Neptune which may introduce more bearishness into the market. Wednesday also has the distinction of being the day of the Full Moon which is a slightly bearish influence. A higher high near the Full Moon could provide a plausible set up for a subsequent retracement lower. Friday's Moon-Mars opposition also looks bearish so we could see some profit-taking this week even without the early week higher highs. Even if we do see some downside this week, bulls will likely have some upside insurance on next week's Venus-Jupiter alignment.



Next week (May 15-19) leans bullish as Venus aligns with Jupiter on Friday. Monday looks somewhat bearish as Mars aspects the Moon. Tuesday looks less bearish and Wednesday looks more bullish on the Moon-Jupiter alignment. Thursday looks iffy on the Moon-Saturn alignment and then Friday features the Venus-Jupiter alignment. The high for the week could therefore occur on either Wednesday or, less likely, on Friday.

The following week (May 22-26) looks more difficult as Mars tightens its opposition with Saturn. The late week looks most bearish as Mars enters Gemini. A breakdown of support is quite likely here although that could mean 2400, 2375, or perhaps even 2325. The following week looks more bearish as Mars opposes Saturn just after Memorial Day and aligns with Rahu (North Lunar Node). As Rahu tightens its aspect with Saturn in June, I am expecting the market to struggle somewhat. The pattern of higher highs seems likely to be interrupted. An elevated downside risk seems likely through much of June although I am uncertain when we could get an interim low.



It could occur in early June or perhaps in late June. July looks more bullish following the Jupiter direct station and I would not rule out higher highs by the end of July. But higher highs will depend on where the interim low is formed in June. Another down move looks likely to begin in late July or early August. This should form a lower low in September. It seems likely that the 200 DMA will be tested by this second corrective move, if not lower. Q4 looks more bullish although December looks more bearish again.

Technical Trends

Short term trend is UP
 (1 week ending May 12)

Astrological Indicators

bearish (disconfirming)

Target Range

SPX 2370-2400

Medium term trend is UP
(1 month ending June 12)

bearish (disconfirming)

SPX 2240-2350

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

bearish (disconfirming)

SPX 1800-2200

Indian Stocks

Stocks edged lower last week as loan reforms and weak global cues weighed on sentiment. The Sensex ended Friday fractionally lower at 29,858 while the Nifty finished at 9285. This slightly bearish outcome was not so surprising as I thought the late week could see some selling. I had been uncertain about the week as a whole but Friday's decline coincided with the bearish Mars-Moon aspect.

Wednesday's Fed meeting essentially confirmed a June rate hike barring some unforeseen development. This proved to be a non-event for Indian equities as more investors expect domestic buyers to pick up the slack from any possible FII outflow. Earnings remain a source of optimism and could help to keep a bid under prices. However, the falling price of oil may become a concern if it continues much longer as it is a bellwether for global economic activity. No matter how ebullient the market may be, slowing growth would likely take the wind out of its sails as profits would suffer. China may again be an area of concern going forward as the shadow banking sector is again in the spotlight. For its part, the outlook in the US showed signs of improvement as the Trump administration scored a much-needed legislative win as it got its health care bill passed in the House of Representatives. While it has yet to pass the Senate, it suggested the possibility that recalcitrant Republican lawmakers could be brought inside given the right circumstances. This bodes more favourably for the ambitious Trump tax plan which would likely boost growth and give another shot in the arm to the stock market.



Time is growing short for the current phase of the rally. We could see more upside in the month of May, especially just before the Venus-Jupiter alignment on the 19th. However, the clouds appear to be gathering here ahead of the Mars-Saturn opposition on May 29th. In June, the Saturn-Rahu aspect may also come into play and could hamper sentiment further as we head deeper into summer. The Saturn-Rahu alignment is usually bearish here because it occurs just as Saturn completes its retrograde cycle. This will create a very long time window when these two bearish planets are in alignment. This will likely intensify their negativity and take stocks lower by September. While Q4 should be more bullish, a higher high is uncertain. We could therefore be range bound (8500-9500?) for much of 2017.

The technical outlook remains bullish despite the failure of the bulls to make higher highs last week. Friday's reversal day was decidedly bearish but buyers stepped in on cue just under support at 9300. Bears may be emboldened to try for a gap fill now at 9250 just above the 20 DMA. This is unlikely to change the general picture since it would still be a higher low. Bears will only gain strength with a close below 9100, the April low. Channel resistance is near 9400 as the rising momentum has slowed somewhat. If this new, flatter channel were to assert itself, then support would be close to the 200 DMA at 8653. Interestingly, this would also represent a 50% retracement off the early 2017 low. So we can think of that 8650 area as a possible downside target and buy zone in the event of a significant decline.

Stochastics may be flagging here as it skirts the 80 line. This is not a strong indication of any immediate pullback, however. The Sensex has yet to have a weekly close above 30,000 and this could introduce some skepticism into the market over time. For the moment, the bullish pattern of higher lows is clear. It does seem like only a matter of time before the old high is broken. The measured move upside target is still 32,500-33,000 and the chart suggests it is likely to get there. But the indicators look like they may be weakening as RSI is close to overbought and MACD is flattening out. If there is a longer period of consolidation, then support may be close to the previous high or the 50 WMA at 28,000-28,500. This would also represent a 50% retracement off the previous major low in December. Meanwhile, ICICI Bank (IBN) broke sharply higher last week. The chart had been bullish in any event but the rally tested channel resistance. The stock is still 20% below its all-time high from 2015 but the medium term trend is still up. Tata Motors (TTM) plunged last week as it appeared to be testing long term horizontal support. While a bounce is likely in the short term, the chart looks bearish as it traces out a large descending triangle pattern going back to 2016.

This week looks more bearish. The early week could see some upside, however, as Mercury conjoins Uranus. Monday's Moon-Jupiter conjunction looks like bold action will be taken in any event although that also leans



bullish. But Wednesday's Full Moon could see a shift towards greater caution. We could see still some upside going into Wednesday but the odds rise for some kind of pullback on or after the 10th. This is perhaps more likely to manifest on Thursday and Friday when Mars squares Neptune. There is a decent chance that the declines this week will outweigh any gains that may occur early in the week. That said, I would not be surprised if the bulls managed to squeeze out a winning week here although I think that time is against them now. One scenario would be for a lower high by Wednesday intraday (9350?) and then some selling which sees the Nifty close below support at 9275.



Next week (May 15-19) looks somewhat more bullish as Venus aligns with Jupiter on Friday the 19th. Monday looks somewhat bearish on the Mars-Moon aspect, however. The midweek and late week look more bullish and therefore increase the odds for a bullish week. A retest of 9400 is possible here and higher highs cannot be ruled out. Stocks look more vulnerable to declines after the 22nd and the Moon-Venus conjunction. The late week looks bearish. The beginning of June could bring some improvement but the rally may peter out by the middle of the month. I would not rule out higher highs here. Late June and early July should bring another pullback. Even with a bounce in mid-July, I would think stocks will become increasingly vulnerable to deeper pullbacks which disrupt the bullish pattern of higher highs and higher lows. I would expect a lower high in July and lower low by August and again in September. A sizable rebound is likely in Q4 and could challenge the highs for the year.



Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending 12 May)	bearish (disconfirming)	9200-9350
Medium term trend is UP (1 month ending 12 June)	bearish (disconfirming)	9000-9300
Long term trend is UP (1 year ending May 2018)	bearish (disconfirming)	7500-8500

Currencies

The Dollar slipped further last week after an uneventful Fed meeting amid more signs of economic slowing. The USDX traded in a narrow range all week and settled finally at 98.53. The Euro pushed higher to 1.10 while the Yen moved above 112 and the Rupee stayed bullish near 64. This bearish Dollar outcome was in line with expectations although I thought we might have got more late week strength. The Dollar is testing horizontal support here just under the 200 DMA. Its pattern looks more and more like a falling wedge, albeit a gently sloped one. These patterns may have a bullish bias if and when there is a break above falling trend line resistance. This resistance is near the 50 DMA at 100. But the Dollar could fall further here before any major breakout in either direction. But at least bulls can console themselves with the fact that falling trend line support is holding for now. A breakdown of that trend line at 98 would be more bearish and could signal a proper falling channel with support closer to 96. This would retest the pre-Trump election low. The weekly Euro chart is attempting to re-enter its upper trading range here. The strength of the move looks bullish for more upside. One would think a clear Macron win in the French election would prompt a bit more buying. Since it is sitting at resistance now in the recent rising channel, a close above 1.10 would suggest a possible move to 1.15.



This week could see some larger moves.

Monday's Moon-Mercury-Uranus alignment hints at a possible strong reaction to the French election. It looks Dollar bullish on the face of it, but I admit the evidence for upside is thinner than I would like. Some downside is more likely into midweek and the Mars-Neptune square. The late week offers the possibility for some gains as Mars aligns with Jupiter. I would lean bullish overall here and yet my uncertainty about the early week makes me less confident of this outcome. Next week looks mixed with gains likely in the early part of the week. However, the Venus-Jupiter alignment on the 19th could be bearish. Late May should be bullish as Mars aligns with Saturn.



The Dollar may continue this up trend into June but the rally may not be overly strong. A test of falling trend line resistance is quite likely but beyond that it is harder to say. Another significant retracement may occur in late June and into July. This is likely to retest the 200 DMA at least. After that, the rest of the summer looks bullish on the Saturn-Node alignment. A retest of last year's high at 104 is possible. Q4 looks somewhat more bearish and early 2018 may continue the weakening trend.

Technical Trends (Dollar)

Short term trend is DOWN

Astrological Indicators

bullish (disconfirming)

Target Range

99-100

(1 week ending May 12)

Medium term trend is DOWN bullish (disconfirming) 100-102
(1 month ending June 12)

Long term trend is UP bearish (disconfirming) 95-98
(1 year ending May 2018)

Crude oil

Crude oil dramatically broke through support last week on strong supply data and more signs of weakening demand. WTIC fell 5% on the week before closing above \$46 while Brent finished near \$49. I missed this decline as I thought we would see early week gains followed by late week downside. As it happened, the early week broke support ahead of Thursday's rout. The failure to hold onto \$47 has changed the technical landscape significantly. Resistance is now \$47 with the next level of resistance at \$49 and the 200 DMA.

Friday's piercing low down to \$44 was quickly bought and produced a bullish hammer candlestick. This offers some hope to bulls that the rebound could be extended in the days ahead. Now there is a risk of a bearish crossover of the 50 and 200 DMA – a death cross. Also we can see a lower high and now a lower low since February's top at \$55. The chart is turning bearish now in the medium term. Bulls may still choose to defend \$44 in the event of a retest in the days ahead. This would at least be a higher low relative to last summer's low of \$39. Weekly Brent has broken through the 50 WMA for the first time in a year. At minimum this suggests a moderating of the rebound after the 2016 low as bears probe for support in the \$42-48 range. Of course, the recent lower high in April looks more telling now as the fairly steady up trend since 2016 may be over. Bulls may be hoping for some more sideways consolidation before another leg higher is attempted.



This week looks mixed with a bearish bias. Previously, I had thought we might see some downside here but some of that may have manifested already. Monday and Tuesday could be bullish as bulls try to push the oversold technical bounce higher. But the outlook by Wednesday and beyond looks more unfavorable as Mars squares Neptune and Mercury aligns with Saturn. It is possible that these difficult alignments may have manifested early but there should still be some downside potential remaining. A retest of Friday's intraday low is therefore conceivable here, probably later in the week.



Next week (May 15-19) leans bullish. The early week could be negative, however, on the Mars-Moon aspect but a decent recovery is likely going into midweek and the Venus-Jupiter aspect. It is possible we could test one or both of those lower resistance levels -- \$47 or \$49. Some additional downside is likely in late May on the Mars-Saturn aspect. It is possible this could produce lower lows by early June. June generally looks more bullish, however, and the rebound should extend into July. The Saturn-Node alignment in August and September still carries a bearish potential which seems likely to translate into another correction. Lower lows are possible by September. Q4 looks more positive and should build a more sustainable rally.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is DOWN (1 week ending May 12)	bearish (confirming)	\$42-46
Medium term trend is DOWN (1 month ending June 12)	bearish (confirming)	\$40-49
Long term trend is DOWN (1 year ending May 2018)	bullish (disconfirming)	\$50-70

Gold

Gold extended its losses last week as commodities sold off and the near-certainty of a June rate hike from the Fed. Gold fell 3% to 1226. This bearish outcome was surprising as I could not identify any negative aspects later in the week. However, gold broke key support at 1240 on Thursday and did not recover by week's end. While I have generally bearish about gold in 2017, I thought the focus of the negativity would be in the summer. Perhaps that view needs to be revised in light of the sharpness of the current pullback.

Technically, gold is still following a rising channel and is now sitting on a support trend line. Bulls can still point to a series of higher lows since the December bottom. In the medium term, it is still a bullish chart. However, bulls will need to defend 1220 in order to preserve the rising channel. If we do see a bounce, then channel resistance is near 1320. Before that, we would likely see resistance near the moving averages which occupy the 1249-1267 area. It may be difficult for bulls to move prices above this level in one quick move higher. And yet there is still good reason for bulls to buy as the golden cross of the 50 and 200 DMA is closer now. Of course, both lines are beginning to slope downwards so that may mitigate some enthusiasm. Bears need to break the sequence of higher highs and higher lows. This means either creating a low at or below 1200 or taking a longer term view, at least preventing a higher high above 1300.



This week looks mixed. I had previously thought we could see some upside here, especially in the early week. I still think some gains are likely early on but the second half of the week could be more negative in light of the size of this May pullback thus far. It is difficult to estimate the relative sizes of these moves. If we do get an early week bounce, then 1240 should be within reach, perhaps even 1250. By Wednesday, the downside risk increases however. A retest of 1220 is therefore very possible. Friday looks more bearish in this respect due to the Moon-Mars aspect.

Next week (May 15-19) looks bullish to start as Venus approaches its aspect with Jupiter. We could see one or two decent up days here early in the week. But the second half of the week looks more bearish starting on Wednesday's Sun-Saturn alignment. It's tough to say where this week will end up. I am concerned that the decline I had expected in late May could be arriving a bit early. I think bulls will be on the defensive for a while here. The Mars-Saturn opposition on the 29th also looks bearish and could depress sentiment until June 2nd. Given where gold is now, I would expect a test of 1200 at very least and probably it will go lower by early June. A rebound is likely to begin sometime in June on the Jupiter station. This should continue into early July. Given how weak gold has been in May, the prospect of a lower high in July is looking more likely. But the Saturn-Node alignment is still likely to take gold lower in August and September. Lower lows are still very likely from this pattern. (1125? 1050?) Gold could stage a stronger rebound in Q4 which should continue into early 2018.

Technical Trends	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending May 12)	bearish (confirming)	1200-1240
Medium term trend is UP (1 month ending June 12)	bearish (disconfirming)	1180-1250
Long term trend is DOWN (1 year ending May 2018)	bullish (disconfirming)	1250-1400

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