

Summary for week of 5 June 2017

- Stocks likely to extend gains, especially in first half
- Dollar could fall further this week
- Crude oil may rebound this week, especially in first half
- Gold bullish in early week with retracement possible later

US Stocks

Stocks pushed to higher highs last week as the jobs report was just good enough to entice more buyers. The Dow gained less than 1% on the week to 21,206 while the S&P 500 finished at 2439. This bullish outcome was unexpected as I thought the early week downside would be more substantial. While we did get some selling on Tuesday and Wednesday in keeping with the Mars-Saturn-Lunar Node alignment, the declines were tiny. As expected, the late week was bullish but the gains were large enough to take the indexes to new all-time highs.

The rally seems as strong as ever as investors are piling into the market in anticipation of higher earnings growth. On the face of it, it would seem to be a rational decision. Whatever the political vulnerabilities of the Trump administration, there is still a default comfort zone for equities given the pro-business animus of the White House and the always dovish Federal Reserve. What could possibly go wrong? Well, it is often difficult to see market tops ahead of time, especially during powerful bull markets as we have here. Stocks can remain overbought and in would-be bubble territory for years defying any reasonable technical objection. While these higher highs are bullish and do strongly indicate to more upside in the short term, stocks are increasingly vulnerable to external shocks as prices are reflecting ideal conditions. Of course, without an external shock like a war with North Korea or the start of impeachment proceedings, there is good reason to think that equities could continue to rise further. But now the bond market is rallying at the same time with yields sinking to new lows last week. It's a somewhat unusual development to have both bonds and



stocks rallying. Eventually, the traditional correlation between yields and equity prices will assert itself. That means that either yields will begin to rise again in expectation of higher growth and inflation or stocks will fall as diminishing economic prospects finally assert their logic.

So the pullback I had expected for late May and early June is obviously off the table now. Higher highs are more likely heading into mid-June. My scenario for a quick pullback in May-June and then a larger correction in late summer needs to be amended somewhat. Typically large corrections follow smaller pullbacks which then set up lower highs which are then sold with more force. We could still see that classic correction scenario this summer although the initial pullback off the all-time high looks more likely to occur in late June and early July. I had previously singled out this late June period as bearish although I was uncertain how it would fit into the larger technical picture. With some kind of rebound possible in mid to late July, it could well create a lower high in late July which sets the stage for a deeper sell-off in August-September. This would closely coincide with the difficult Saturn-Lunar Node alignment.

The technical picture is bullish as the new highs suggest more upside momentum. Rising wedge resistance may be near 2485 although it is unclear if the SPX will be able to rise that far. This roughly matches the measured move upside target of 2480 ($2400-2320=80$; $2400+80=2480$). In other words, bulls will likely hang on to their positions for a while longer, at least as long as support at 2400 isn't broken. Wednesday's retest of 2400 found buyers stepping in just above that level and the 20 DMA. Bears may have to wait until 2400 is broken before things get at least a little interesting. Even then, a retest of the 50 DMA would still be quite bullish as it would follow the pattern of a higher low. Bears need to break below the previous low of 2355 to call the Trump rally into question.

There was at least some broadening of the rally last week as the percentage of stocks above their 200 DMA ended higher. The negative divergence remains in place but is somewhat less stark now. A similar negative divergence also remains in place in the Bullish Percent Index (not shown) although we are on the verge of a bullish crossover of the 5/10 EMA. This is an indicator that further upside is likely in the near term although there remains significant downside risk in the medium term. The weekly Dow chart looks overbought as RSI is again at the 70 line. Higher highs are still possible, of course, but they come with increasing risk. Stochastics has been flirting with a bearish crossover right around the crucial 80 line. Recently support has been found at the 20 WMA now at 20,669. A dip to this line at least is therefore fairly likely in the next few weeks. Whether or not such a pullback will be the necessary prelude to a lower high and then the correction is hard to say. I suspect the first pullback will have to be larger to create more nervousness. The big story this week was perhaps in the bond market as yields on the 10-year fell to new lows at 2.16%. Support may be found here at the 200 DMA but there is some risk of lower lows as the down trend appears to be re-asserting itself. There isn't much support below 2.1%, however, so if that level is reached, then we could see a decline to 1.9% fairly quickly. The market is anticipating some slowing here but with the Fed



still on track to raise rates on June 14th, the yield curve could flatten further. This is a potentially negative indication for both stocks and the economy.

This week could well see more upside especially in the first half of the week. The alignment of Mercury, Venus and Mars hints at more gains here. Therefore, the planetary situation offers support to the technical bullish view that upside momentum likely hasn't exhausted itself yet. Monday looks bullish as the Moon opposes Venus-Uranus. Tuesday also leans bullish although perhaps less so. I would even extend the bullish window to Wednesday although there is a gradually increasing risk of a decline then. The late week leans bearish as Mercury moves on and Mars aligns with Venus. Friday may be the most bearish day of the week as there is a Full Moon that is conjunct with Saturn. So we could see both higher highs at some point this week but also the possibility that stocks could finish well below those highs. I would still lean bullish overall given the technicals and the positive planets in play, but the week as a whole is hard to call. One important additional factor is the role of the Jupiter direct station on Friday. Jupiter has been retrograde over the past four months but it will return to forward motion this Friday. Changes in investors' risk/reward assumptions and asset allocation are therefore more likely to occur around this date.



Next week (June 12-16) looks more bearish. The Sun opposes Saturn on Thursday and could coincide with some downside at different points in the week. Gains are somewhat more likely on Monday or Tuesday on the Mercury-Jupiter alignment but the bears are more likely to assume control on Wednesday and after. While I would not rule out another up week overall, we could see some downside. The following week (June 19-23) could be somewhat bullish to start on the Sun-Mercury-Uranus alignment but the rest of the week may be choppy as Mars squares Jupiter. Late June looks more bearish as Mercury conjoins Mars. I would expect a pullback in late June and early July to perhaps produce two or three down weeks in a row. Mid-July looks more bullish as Jupiter aligns with Neptune and Pluto. Another move lower is likely in late July, perhaps as early as the Mars-Uranus square on July 21st. One plausible scenario is that the late July decline will follow a lower high in mid-July. The decline will then accelerate and continue into August and into early September. While the exact timing will likely turn out to be different, I still expect a significant decline to coincide with the Saturn-Lunar Node alignment this summer. The Saturn direct station on August 25th may roughly coincide with an important moment for financial markets. It seems likely that the 200 DMA (2267) will be tested at some point during this larger decline. Q4 looks bullish although I would be skeptical about the possibility of higher highs.



Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending June 9)	bullish (confirming)	SPX 2420-2480
Medium term trend is UP (1 month ending July 9)	bearish (disconfirming)	SPX 2350-2400
Long term trend is UP (1 year ending June 2018)	bearish (disconfirming)	SPX 1900-2200

Indian Stocks

Stocks rallied to new all-time highs last week on positive global cues and the upcoming RBI statement. The Sensex rose more than 200 points to 31,273 while the Nifty finished at 9653. While the gain was not entirely unexpected, I thought we might have seen more early week declines. As it happened, the first four days of the week were mostly sideways. As expected, the late week Venus-Uranus conjunction proved to be more bullish as Friday saw the bulls take control again.

Investors continue to buy equities given the strong domestic and global fundamentals. While the GST rollout may not be without some hiccups, a generous tax credit scheme is in the offing and could soften the blow for India Inc. Donald Trump's abrupt exit from the climate deal will only enhance India's appeal as a destination for foreign capital intent on greener investing. The RBI is expected to keep rates steady this week while the Fed is seen as very likely to hike on 14th June. The Fed's plan for three more hikes in 2017 is being regarded with increasing skepticism, however, as US data is now pointing to more muted growth rates. A slower pace of rate hikes would be good news for India as US domestic yields would be less competitive with emerging market returns.



The astrological outlook is less sanguine, however. In the short term, higher highs are quite possible and even likely. However, I think a significant correction is coming soon. Previously, I had thought it might appear in late May. Now it seems that mid- and late June is a more likely time window for a pullback. This initial decline may be fairly modest but it should set the stage for a larger decline in subsequent weeks. As a rule, strongly trending bull market rallies do not usually reverse quickly. August and September seem to have a higher probability of declines as Saturn will station while in aspect with Rahu (North Lunar Node). Moreover, this Saturn-Rahu aspect will align closely to key points in the Sensex and NSE horoscopes.

The technical picture is bullish on all time frames. The new highs are good news for bulls, of course, but with each high the indices move a bit closer to that technical upside target. The Nifty may find it difficult to move above 9800, for example, since that would fulfill the measured move target dating back to 2016. These targets are not etched in stone but it is worth considering here as the Nifty is now less than 2% from that level. Channel resistance is close at hand at 9700 so we could see some profit-taking in the event of a rise to that level. RSI is overbought now on the daily chart and could make further upside more arduous for bulls. Support is near the 20 DMA at 9480. A pullback to that level would not interrupt this rally. The pullback I am expecting now in mid June should be larger and move below the 20 DMA. So a move below that line and probably down to the 50 DMA at 9312 which could signal a new phase in the rally. This would produce a lower interim low and thus end the series of higher lows we have seen since December. Once the 50 DMA is breached, it is possible stocks could sell-off more rapidly. A test of the 200 DMA would therefore be within reach once 9312 is tested.

The weekly BSE chart shows a very overbought and nonetheless bullish market. It is also inching closer to its potential target zone of 32,000-33,000. Even if the Sensex reverses sharply lower in the coming weeks, it's next downside target may be in the 28,000-29,000 range near the 50 WMA as happened previously. In other words, no matter how sharp the sell-off, it will be seen by most market players as a buying opportunity. This bullish logic will only be questioned if there is a bearish crossover of the 20 and 50 WMA or if the Sensex breaks below its long term 200 WMA at 25,837. Meanwhile, Infosys (INFY) pulled back a bit last week but remains above its 50 and 200 DMA. This chart is looking increasingly bullish the longer it can remain above those moving averages. The March high still looms large, however, so that could prove to be significant resistance. Tata Motors (TTM) pushed higher last week as it also attempts to remain above its 200 DMA. It is encountering major resistance at this level which dates back to the gap left by the February crash. This is the second attempt (after March) to regain that level so we should think the bulls have a better chance the second time around.



This week offers support to the possibility of more upside. Monday's Moon-Venus-Uranus alignment looks fairly bullish and could see a push to 9700 if not above. Tuesday also leans bullish although somewhat less so than Monday. Wednesday could also see some gains although it is more of a mixed picture. The late week seems more prone to some selling. Thursday's Moon-Mercury opposition looks a bit bearish and Friday's Full Moon also suggests an additional downside risk. Overall, I would lean bullish on the week with a decent chance of a weekly close above 9700. The late week is more of a question mark so we should not rule out the possibility that any early week gains may not last. Nonetheless, the planets this week could give the Nifty another boost towards that upside target of 9800.



Next week (June 12-16) looks bullish to start on the Mercury-Jupiter aspect. We could see one or two more up days to start the week. However, the Sun opposes Saturn on Thursday so that could translate into some late week selling. Overall, the week may still lean bullish but perhaps less so than the previous week. The following week (June 19-23) could also see some early week gains on the Mercury-Uranus alignment but the late week looks more bearish as Mars aspects Jupiter. Overall, the week looks more bearish. I would expect more downside in the last week of June and first week of July. I think a test of the 50 DMA is a possibility by early July. Mid-July may bring a rally attempt but it could be fairly short-lived. More downside to lower lows is likely in August as Saturn stations direct on 25th Aug. A test of the 200 DMA at 8742 is very possible by September. A significant rebound will begin in October and Q4 should bring a major rebound. I would be skeptical about the possibility of higher highs at that time. Early 2018 looks fairly bearish so a retest of the Sept-Oct lows are possible.



Technical Trends

Short term trend is UP
(1 week ending 9 June)

Medium term trend is UP
(1 month ending 9 July)

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

Astrological Indicators

bullish (confirming)

bearish (disconfirming)

bearish (disconfirming)

Target Range

9600-9750

9200-9400

7500-8500

Currencies

The Dollar slipped again last week as weakening economic data hinted that the Fed may be forced to hike more slowly this year. The USDIX hit new lows at 96.67 while the Euro finished a bit under 1.13. The Yen strengthened to 110 and the Rupee was steady at 64.4. I thought we might have seen more of a bounce in the early week but bulls could not hold onto Monday's gain. The late week was bearish on the Venus-Uranus conjunction. While the markets fully expect the Fed to hike rates at its next meeting on June 14, the rate outlook for the rest of the year is murky. Fridays' jobs number was disappointing and other recent data have also not lived up to expectations. The Trump rally may

still be underway in stocks, but the currency market has lost all its enthusiasm for the Dollar. And now with the Dollar trading below the level of death cross of the 50 and 200 DMA, the technical case for the Dollar is also difficult. The Dollar may be forming a falling wedge which may ultimately produce a snapback rally but it still presumes at least marginally lower lows in the near term. The measured move downside target is close at hand now at 96.5. We could see buyers move in around current levels as bulls attempt to push up prices. But longer term, there may be a growing expectation that horizontal support at 94 may be tested eventually. The weekly Euro chart is pushing up into overhead resistance in the 1.13-1.15 area. While this rebound has been strong, this 1.13 area is typically the zone where rebound rallies have gone to die during the past two years. Bulls are hoping that this time is different after the long basing pattern and the breakout above the falling channel at 1.11.

As we move into June, the Dollar retracement is fully underway. I think we will likely see more downside in the short term. This week leans bearish again as Mercury aligns with Venus early in the week. I would expect lower lows here until perhaps Wednesday. The second half of the week could see a rebound although it may not be enough to prevent another losing week. Next week (June 12-16) could offer better prospects for a bounce as the Sun opposes Saturn on Thursday. We should the Dollar move higher during the second half of June. I would not expect a significant change in the down trend, however. Perhaps a retest of resistance of the falling wedge



may be a more likely outcome. July looks somewhat bearish around the Jupiter-Neptune alignment. While lower lows are possible, we could also see a simple retest of the June low, wherever that may be. I do think the Dollar is likely to rally fairly strongly in August and September on the Saturn-Lunar Node alignment. A double bottom pattern in June and July could be a plausible technical set up that would precede such a rebound. I would expect the late summer rally to test the 200 DMA at 99 and quite possibly to the 101-102 area. Q4 looks choppy with the Dollar likely retracing lower at least down to the 200 DMA and perhaps lower. More downside is likely in early 2018 with a possible retest of the recent lows. Lower lows also cannot be ruled out.

Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending June 9)	bearish (confirming)	96-97
Medium term trend is DOWN (1 month ending July 9)	bullish (disconfirming)	98-99
Long term trend is UP (1 year ending June 2018)	bearish (disconfirming)	93-96

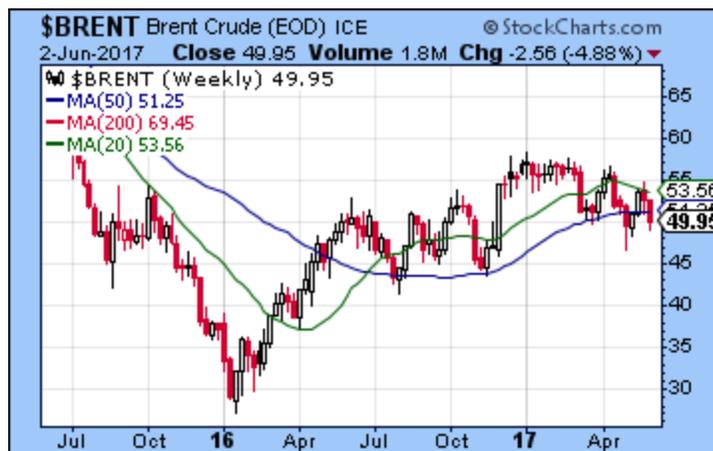
Crude oil

Crude oil retreated last week as the supply glut showed little signs of ending soon. WTI fell 5% to below \$48 while Brent slipped below the \$50 level. This bearish outcome was in keeping with expectations as I thought we could get a retest of the previous week's low of \$48. That guess proved correct although my expectation for a late week rebound missed the mark as Friday's session posted another loss. However, at least Friday settled above the intraday lows and hence produced a somewhat hopeful hammer candlestick. When a hammer occurs after a pullback, it can indicate an interim bottom and a reversal higher. Buyers stepped in at \$47 which matches a previous low and creates a sort of inverted head and shoulders pattern. This is typically bullish although its right shoulder may be too low to create a stable neckline at \$52-54. A move below \$47 would be bearish and would likely indicate a retesting of the May low at \$44. But I suspect the next few days will likely



bring a bounce on the strength of this hammer pattern alone. Resistance is near the 200 DMA at \$50. A close above \$50 could signal a push to retest the crucial \$54 area. The chart still looks somewhat bearish after the previous lower high of \$52. Bulls will have to prevent a lower low in the coming days or else the technicals would become very gloomy over the medium term. The weekly Brent chart looks more vulnerable here. While it could withstand another weekly decline or two, there is a risk that the 50 WMA could begin to slope downwards, a bearish signal. Moreover, a bearish crossover of the 20 and 50 WMA would also suggest the medium term trend would be down. In that case, a retest of the 2016 low at \$27 would become much more likely.

This week could see a bounce. Just as the technicals argue for a bounce, so do the planets seem fairly bullish as Mercury aligns with Venus and Mars. A test of resistance at the 200 DMA at \$50 looks quite doable. Whether or not we get a close above that level is harder to say. The late week looks less positive so that could mean that there is some profit taking after some early gains. Friday's Full Moon looks most bearish in this respect. Next week (June 12-16) looks somewhat less bullish, however, as the Sun opposes Saturn on Thursday. The early week Mercury-Jupiter argues for some upside at least, but overall the week could see any rebound attempt fizzle.



Generally, I am bearish for the second half of June. A retest of \$44 is therefore quite possible. A rebound is likely in July although I would not expect it to be strong enough to post new highs. We may simply get another test of horizontal resistance at \$52-54. But my general outlook for crude is bearish over the next several months. The Saturn-Node alignment in the late summer looks difficult and is likely to coincide with some significant downside, probably focused largely in August. It is even possible we could get a retest of \$27 although that does not seem probable either. But a retest of \$40 looks quite doable at least. A rebound is likely in September which extends into October. This looks fairly strong. More upside is likely in early 2018.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is DOWN (1 week ending June 9)	bullish (disconfirming)	\$48-52
Medium term trend is DOWN (1 month ending July 9)	bearish (confirming)	\$44-48
Long term trend is DOWN (1 year ending June 2018)	bullish (disconfirming)	\$50-70

Gold

Gold pushed higher last week as weak US data diminished the chances for more rate hikes. Gold rose 1% on the week to 1280. This bullish outcome was somewhat unexpected, although I did acknowledge the likelihood of some upside later in the week and beyond. The early week was less bearish than forecast, however. It is still a bullish market as support is found with the rising 50 DMA at 1257. Any dips to that level are being bought fairly aggressively. But it is also up to the bulls now to push above 1300 in order to complete the bullish pattern of higher highs and higher lows. A close above 1300 would signal that the gold rally has more upside, although the measured move upside target is still just 1320 or so. Nonetheless, it could give the impetus for some analysts to call for 1450 or even 1500 in the months ahead. While the 200 DMA is still sloping downward, the golden cross of the 50/200 DMA is more prominent now. The bulls have momentum on their side. But if there is no higher high above 1300 in the coming days, then the picture becomes more complicated. Bears are hoping that there is no higher high and that bulls cannot defend support at 1257. The rising channel support suggests we could even see a move down to 1240 without interrupting the upward trend as it would be a higher low. Bears would again take control of the market only with a lower low below 1215-1220. I think the astrological influences are unclear about the prospects for a substantially higher high above 1320 but appear more to confirm the likelihood of an eventual breakdown of support during the summer.



This week looks mixed but more upside is likely in the early week at least. Mercury aligns with Venus and Mars until midweek so we should expect some gains during that period. While I am bearish on gold for the month of June, I think it is quite possible we could get more upside this week. A retest of 1300 is therefore quite possible here and I would not be surprised if it went above that level. The late week looks more problematic, especially with Friday's Full Moon. One possible scenario would be an early move up to 1300-1320 and then profit taking later back down to support – either at 1300 or 1280.

Next week (June 12-16) looks more bearish as the Sun opposes Saturn on Thursday. Some early week upside is still possible on the Mercury-Jupiter aspect but I think the bearish influences could prevail. Late June also looks more bearish as Mars aspects Jupiter. While downside is likely it may only be an orderly decline back down to rising channel support, now around 1230-1240. July could be bullish again but there is a risk that the rebound will fail to make higher highs. This is one very plausible scenario which could be the appropriate technical set up for the larger decline I foresee in August and September. Lower lows below 1215 are likely by the time of the Saturn direct station on Aug 25th. And we could easily see gold fall below 1200. Gold should begin to reverse

higher by October and continue through Q4. This looks like a strong rebound which may well extend into 2018. Higher highs above 1300 are definitely possible.

Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending June 9)	bullish (confirming)	1280-1320
Medium term trend is UP (1 month ending July 9)	bearish (disconfirming)	1220-1270
Long term trend is DOWN (1 year ending June 2018)	bullish (disconfirming)	1250-1400

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