

Summary for week of 10 July 2017

- Stocks more vulnerable to declines this week
- Dollar likely to extend rebound this week
- Crude oil could bounce this week, especially in the late week
- Gold could rebound this week

US Stocks

Stocks edged higher last week as Friday's strong jobs report suggested improving economic conditions. The Dow added 60 points to 21,414 while the SPX finished the week just two points higher at 2425. This slightly bullish outcome was generally in line with expectations as I thought the midweek Sun-Jupiter alignment would translate into some upside.

While the jobs report was positive and offered some confirmation for the Fed's policy to normalize interest rates, the absence of any significant wage growth was more worrisome. Without wage growth, there will be less inflation pressure and hence less economic growth. The market consensus is for one more rate hike this year, most likely in Q4. Normalization will happen, but only very gradually. Perhaps more important for the stock market is the speed with which the Fed unwinds its massive balance sheet of QE assets. This could be announced as soon as the next Fed meeting on July 26. The fresh supply of QE debt into the markets is expected to act as a drain on liquidity, which could put pressure on stock prices. If earnings continue to grow, then it is possible that current valuations can be justified even after this unwinding of the Fed balance sheet. But investors should nonetheless look at this possible loss of liquidity as a source of uncertainty going forward. If the Fed does go ahead with its QE unwinding, it will likely produce some downside in the market, at least temporarily.



The planetary picture would appear to support the notion of some significant downside in the months ahead. Whether it comes as a result of Fed actions, geopolitical developments, or some other source is unknown. But the unusually long alignment of Saturn and the Lunar Nodes substantially increases the downside risk, both in terms of likely outcomes and possible magnitude of any declines. In other words, any pullback we will see between now and October is very likely to be larger than the usual 2-4% pullback we have seen during this Trump rally. As I have noted previously, I think August and September are more likely to see some downside in this respect. It is quite possible that stocks could begin to sell-off here in July, although I tend to think that it won't get started in earnest until late July. That means that the month of July could still bring higher highs. Stocks are still within 1% of their all-time highs and it wouldn't take much to put them over the top here. But I would nonetheless think that the further we move into July, the greater the likelihood for weakness to manifest in the stock market.

The technical picture is ambiguous. The head and shoulders top pattern is still in place after Thursday's retest of the neckline at 2420. The close at 2409 was below that level and hinted that bears may be gaining the upper hand. Friday's bounce took the SPX back above 2420, however, so it is unclear where the market may go next. The bounce could see some follow through this week with a possible retest of resistance at 2440 and the all time high at 2453. In the bullish view, support may also be seen at the 50 DMA at 2414. This level was tagged twice last week and may have also acted as support over the past few months.

Alternatively, we could be seeing the beginnings of a falling channel. After the possible breakdown of support at 2420, lower lows this week could confirm the start of a down trend, especially if 2409 was broken. In the bearish view, last week's resistance at the 20 DMA at 2432 may be the start of a pattern of lower highs which would confirm the down trend. The head and shoulders downside target of 2390 would be a lower low and would provide further evidence for the bearish view. However, there may be significant buying near the horizontal support level of 2400. The market is trading in a tight range as it consolidates under this high. Bears may only gain the upper hand if the SPX moves below that key 2390-2400 level. The Nasdaq still looks more vulnerable as Friday's gain did not recapture the 50 DMA. This chart looks like it may be making a bearish back test of a broken rising trend line. If so, then it bodes poorly for the broader markets. The weekly Dow chart still argues for a correction fairly soon as RSI is overbought while stochastics is now in a bearish crossover. A move below the 80 line would be one possible sell signal that could precede a larger corrective move. We did see that occur in March, however, and the market only pulled back slightly. That could happen again, of course, although the planetary alignments look more bearish this time around. Bond yields are spiking here after the bounce off support at 2.1% on the 10-year. As long as it trades between 2.1% and the March high of 2.6%, there may be less instability in the equity markets. Problems for financial markets may emerge if the 10-year moves out of that range. The bond market reaction to the Fed announcement on QE assets sales will be watched very carefully. As a new supply of debt becomes available, there is a risk of a further, more destabilizing spike in yields.



This week looks somewhat bearish. The main culprit is the entry of Mars into Cancer. According to astrological lore, Mars is believed to be particularly damaging in this sign so there is a somewhat elevated risk of declines during the time of its transit of Cancer from July 11 to August 26. Stocks did experience a significant decline (5%) during the previous transit of Mars through Cancer in August-September 2015, although we should note that these outcomes are best seen as probabilistic rather than certainties. In addition to the entry of Mars into Cancer on Tuesday, Mars aspects the Moon on Wednesday and then aspects the South Lunar Node (Ketu) on Thursday. All three of these alignments should be seen as increasing the odds of declines. On the bullish side, Mercury aligns with Jupiter on Thursday and Friday, so that suggests a late week bounce is more likely. If we have seen selling in the first half of the week, then the odds for a rebound on Thursday and/or Friday are higher. Thursday therefore offers a mixed picture with both positive and negative influences in play. Outcomes are harder to forecast in that kind of scenario, although perhaps it will manifest as Thursday and Friday producing offsetting results with one of those two days rising and one falling. But if the early week is more bearish, then we could well see the SPX fall below last week's low of 2409. 2400 is therefore quite possible this week. Even if Monday is bullish, I would still lean bearish for the week.



Next week (July 17-21) looks more bullish as Venus aligns with Jupiter. This alignment is closest early in the week, however, so it is unclear if the week as a whole will be bullish. There will be increasing downside risk in the second half of the week as Venus opposes Saturn. Thursday and Friday look particularly susceptible to declines in this respect. The following week (July 24-28) is harder to call due to the mixture of influences. The entry of Venus into Gemini on Wednesday could be somewhat bullish while the Sun-Mars conjunction on Thursday may be bearish. I would retain a bearish bias here in any event, just to err on the side of caution. Early August could see some upside on the Jupiter-Pluto alignment. One possible scenario would be a pullback into the end of July which is followed by a brief rebound rally into early or mid-August. Ideally, this would create a lower high after which a larger down move can take place. I would expect the Aug 21 solar eclipse and Aug 25 Saturn station to figure prominently in any correction, either as possible reversal dates or dates of larger declines. September could therefore mark the time of a significant low after which the market could rebound into Q4. Higher highs are possible in Q4 although I would not say they are probable. It's hard to say. The first quarter of 2018 looks bearish again although I am uncertain if this will create lower lows.



Technical Trends	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending July 14)	bearish (confirming)	SPX 2400-2420
Medium term trend is UP (1 month ending Aug 14)	bearish (disconfirming)	SPX 2350-2440
Long term trend is UP (1 year ending July 2018)	bearish (disconfirming)	SPX 1900-2200

Indian Stocks

Stocks rebounded last week on positive global cues and anticipation of a fresh quarter of corporate earnings. The Sensex gained more than 1% to 31,360 while the Nifty finished at 9665. This bullish outcome was in line with expectations as I thought the midweek Sun-Jupiter alignment could bring some upside. The early week was stronger than expected so that pushed the indices above the 20 DMA. While Friday's Saturn influence correlated with some weakness, the decline was marginal.

Fundamentals remain bullish as investors are hoping for a decent round of earnings when reporting begins this week. The monsoon is also encouraging and offers to offset any roll-out setbacks from the GST. Clearly, the domestic picture gives bullish investors more than enough reason to be in the market. Global interest rates are on the rise, however, and it is unclear yet if the eventual withdrawal of central bank liquidity will harm stocks. While the ECB has made a longer term commitment to its easy money policies, the Fed is looking to unwind its QE asset purchases from its balance sheet soon. An announcement of the possible schedule of asset sales may come as soon as its next meeting on 26th July. If the unwinding goes ahead, it will be somewhat controversial as some Fed members including former Chair Ben Bernanke has advised against it. The problem



for the Fed is the reluctance to become trapped in the event of a new recession. If rates stay too low or the balance sheet is too large, it won't have enough room to cut in order to stimulate the economy once again. While the unwinding may not turn out to be a direct cause of declines on the equity markets, it should be seen as a drag on stocks nonetheless.

While fundamentals look generally positive, the near term astrological outlook is still a source of concern. The ongoing Saturn-Rahu alignment is a potential source of negative sentiment that will last well into September. Due to Saturn's retrograde motion, this pairing of two malefic energies will last much longer than normal and could coincide with a significant correction. Since both planets move slowly, however, it is more difficult to precisely forecast when declines will take place. I would nonetheless highlight a couple of smaller time windows as more likely to coincide with declines. The first is coming up soon in the second half of July after Mars enters Cancer. Mars is said to be more malefic during its transits of Cancer so that increases bearish potential from its entry on 11th July until 26th August when it is due to leave Cancer. The second window is actually right around the time Mars leaves Cancer and enters Leo in late August and early September. This is the time around the solar eclipse (21st August) and the Saturn direct station. While some upside is still very possible in between these two time windows, the overall picture suggests that stocks are more likely to be trading at lower levels in September than they are now.

The technical outlook is still quite bullish. Bulls successfully defended support at 9450 and the 50 DMA last week. Now they will try to retest the recent high of 9700 and attempt a higher high. The daily Nifty chart looks poised to move higher as MACD has begun a bullish crossover. Bulls have the wind at their back here and only a failure to make a higher high would introduce any measure of nervousness about the way forward. Some consolidation under the high is normal in a bull market but too much hesitation raises questions of flagging momentum. The Nifty has tested 9700 for a third time so it needs to break above it this week to keep the bullish story viable.

The longer the Nifty stays in this trading range of 9450-9700, the more likely we will see a bearish crossover of the 20 and 50 DMA. That will be a signal that the rally is due to take a longer breather. Of course, a move below the previous low of 9450 will be a much clearer signal for additional downside with a possible target of 9200. The weekly Sensex chart appears to be more vulnerable to declines as MACD may be rolling over soon. Higher highs are still possible even if the crossover takes place, but they are more likely to be only marginally higher highs. Moreover, they increase the odds for a larger correction. Stochastics is perched above the 80 line but may only be one down week away from issuing its own sell signal if it falls below that line and has a bearish crossover. If there is a sizable correction coming, then one possible downside target would be the 29,000 area near the 50 WMA. This is where buyers entered during the correction in late 2016. Meanwhile, Tata Motors (TTM) did find some buyers at support last week although the bounce was small. Bulls will have to extend the rebound this week or else risk a retest of horizontal support near



the February and May lows. The weakness of the bounce so far increases the chances of lower lows. Banks continue to be ride high, although ICICI Bank was mostly flat last week. There is an ascending triangle pattern in place now featuring a series of higher lows. This often precedes a breakout higher. Any move below last week's lows would suggest a deeper retracement is coming.

This week leans bearish. The first half of the week may have a higher likelihood of downside as Mars enters Cancer on Tuesday and then Mars aspects the Moon on Wednesday. As an additional bearish influence, Mars will aspect Ketu (South Lunar Node) on Wednesday and Thursday so these three negative aspects are more likely to overpower the bullish influences. To be sure, the Mercury-Jupiter alignment on Thursday and Friday offers a decent chance of some upside later in the week. Monday lacks any strong influences either way although I would lean bearish in any event. But if Monday turns out to be bullish, then we could see another retest of 9700. However, the midweek Mars influence would tend to suggest that there will be another pullback below that resistance level. Even if the late week is positive, I think bulls will have a difficult time pushing to higher highs this week.



Next week (July 17-21) could bring some upside, especially in the beginning of the week. The Venus-Jupiter alignment is exact on Tuesday so that could provide bulls with yet another opportunity to go for higher highs. I am uncertain if there is enough positive energy for higher highs although it is certainly possible. The late week looks more bearish as Mercury aligns with Saturn and Rahu. The following week (July 24-28) looks more bearish as Venus opposes Saturn and Mars conjoins the Sun. Depending on where the Nifty tops out at beforehand, it is conceivable that we could see support broken at 9450 before the end of July. August could bring some kind of rebound as Jupiter aligns with Pluto. While some upside is likely in August, the second half of the month could bring more downside. The eclipse and the Saturn station could bring a disruption in sentiment which increases volatility. An interim bottom is possible sometime in September -- possibly testing the 200 DMA at 8850 -- after which the odds will rise for another rebound. This should extend into Q4. Higher highs are possible by January 2018 although at this point I would not say they probable. Another significant retracement is likely in Q1 2018



Technical Trends

Short term trend is DOWN
(1 week ending 14 July)

Medium term trend is UP

Astrological Indicators

bearish (confirming)

bearish (disconfirming)

Target Range

9500-9600

9300-9500

(1 month ending 14 August)

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

bearish (disconfirming)

8000-9000

Currencies

The Dollar moved modestly higher on the week buoyed in part by Friday's strong jobs report. The USDIX briefly traded above 96 and settled at 95.79 while the Euro ticked lower to 1.14. The Yen Index went higher on the renewed BOJ commitment to reach inflation targets while the Rupee held steady at 64.6. This bullish outcome for the greenback was somewhat unexpected as I thought we could see more weakness. While I was expecting a rebound to begin sometime in July, I was uncertain that it could begin as soon as last week. The Dollar is still out of favor at the moment despite the probability that the Fed will continue to raise rates. For now, that has all been discounted as European growth prospects continue to improve and even out its relative growth rates with the US. A bounce in the Dollar would still not change the bearish technical outlook as resistance is near the 20 DMA at 96.5. A move above that level could be a signal that more upside is possible. Meanwhile, bulls will try to defend the previous low at 95.4. The weekly Euro chart still looks bullish. The current consolidation below resistance at 1.15 is normal and a breakout higher is likely as long as it remains above horizontal support at 1.13. The outlook for the Euro would become more mixed if it returned to its previous trading range below 1.13.



This week leans bullish. The early week could see some retracement as Mars enters Cancer on Tuesday. The odds of a stronger rebound are gradually shifting here. Last week's bounce was a little ahead of schedule but it seems that a Dollar rally could find its legs here. That said, I would not be surprised if we got a retest of support this week but there appears to some argument for some upside along the way. The late week Mercury-Jupiter alignment also looks bullish in this respect. Even if there has been a retest of 94.3, the late week offers the bulls a second chance. Next week could see some follow through to the upside as Venus aligns with Jupiter early in the week. I think a retest of falling channel resistance at 96.5 is very possible, and we could easily move above that level by the end of July. A retracement is likely in early August but I would be surprised if this formed a lower low. More upside is likely at the end of August and into September, and we could even see a rally back up to the 200 DMA



at 99. We could see the Dollar remain fairly strong through Q4, although the outlook seems fairly mixed. I would not rule out a move above the 200 DMA during Q4. A major correction is likely to begin by Q1 2018.

Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending July 14)	bullish (disconfirming)	95-96
Medium term trend is DOWN (1 month ending Aug 14)	bullish (disconfirming)	96-97
Long term trend is UP (1 year ending July 2018)	bearish (disconfirming)	93-96

Crude oil

Crude oil sold off again last week as supply data came in higher than expected. WTI lost 5% on the week and finished above \$44 while Brent fell below \$47. This bearish outcome was quite unexpected as I thought the midweek Sun-Jupiter could provide some upside. Prices reversed lower after a test of the 50 DMA at \$47 on Wednesday. The technical outlook remains bearish as the bounce has proved to be short-lived. In fact, this bounce has approximately matched previous bounces during this down trend. Bears will be hoping to continue the pattern of lower lows and perhaps even pushing prices down to their measured move downside target of \$37. That seems rather ambitious, however, given the important horizontal support at \$40-42. Buyers will likely step in at these levels so it seems likely there will be a move higher in the event that WTI falls to \$40 in the near term. The short term outlook will be more bullish with a close above last week's low. The medium term down trend could reverse higher if we got a higher low here above \$42. The weekly Brent chart shows the importance of horizontal support at \$42-44. For now, there is a slightly higher low here in the current retracement relative to the lows from 2016. In that sense, the medium term outlook could be seen in a somewhat bullish light. But the chart still looks weak as the 20 and 50 WMA are about to form a bearish crossover. The momentum is pointing down.



This week leans bullish. The entry of Mars into Cancer on Tuesday is a bit of a wild card. There is a risk that the early week could see some further downside. This may include Monday and Tuesday. Wednesday also has an added risk of a decline. But the late week Mercury-Jupiter alignment looks bullish. If the Mars influence turns out to be benign, then we could see some real upside, perhaps back up to the 50 DMA. If the early week brings a retest of support at \$42 (or lower) then crude may only be able to recover its current level.



Next week (July 17-21) should see more upside, especially in the early week. The Venus-Jupiter alignment on Tuesday should coincide with at least one solid up day, if not two. While the late week could bring some selling, the week overall leans positive. However, the final week of July looks bearish and we could see another sharp drop as the Sun conjoins Mars. Early August could see another rally attempt, but August as a whole looks bearish. The planetary indications do not clearly point to a likely time for a significant low, although I would lean towards September. A rebound is likely to continue into Q4 although I am uncertain if crude can break out of its current trading range. Another significant retracement phase is likely in early 2018.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is DOWN (1 week ending July 14)	bullish (disconfirming)	\$44-46
Medium term trend is DOWN (1 month ending Aug 14)	bullish (disconfirming)	\$44-50
Long term trend is DOWN (1 year ending July 2018)	bullish (disconfirming)	\$45-60

Gold

Gold fell sharply last week on the probability of more central bank tightening despite relatively tame inflation pressures. Gold fell more than 2% on the week to 1209. This bearish outcome was surprising as I thought the midweek Sun-Jupiter alignment could have produced more upside. Despite modest midweek gains, Monday's decline was quite unexpected even if Friday's wasn't. Suddenly, gold is in the danger zone of key support at 1200. Friday's low took out the May low although there could be some buying at current levels. The moving averages are looking rather ugly as the 20 DMA is in a bearish crossover with the 50 DMA and all three are sloping down. Gold is getting oversold on a daily basis as RSI is below the 30 line. This may argue for at least a short, technical bounce sooner rather than later. 1200 is an even more important level of support since it represents a 50% retracement as measured from the December 2016 low. Any close below 1200 would be bad news for bulls as it would greatly increase the likelihood of a retest of the previous low of 1125. When we do see a rebound, immediate resistance is near 1230 and the 200 DMA at 1236.

This week could see a rally attempt. I should note that I have become less bullish about the prospects for a significant rebound in July. I still think there should be some upside here although bulls will be hard pressed to recapture the 200 DMA, let alone 1260 or above. The early week could see some upside as the Moon is aspected by Jupiter. However, the midweek looks somewhat more bearish as Mars enters Cancer on Tuesday and then aspects the Moon on Wednesday. We could see gold retest resistance at 1230 at some point but I am uncertain if it could hold that level by Friday as the late week also has some bearish alignments.

Next week (July 17-21) has a reasonable chance for some upside in the early week on the Venus-Jupiter aspect. If the preceding week has finished higher, then it is possible we could get another test of 1230 or perhaps higher. However, the late week looks more difficult as Venus opposes Saturn. The last week of July looks very bearish as the Sun conjoins Mars. I would expect a retest of 1209 at least, if not a hard test of 1200 or below. An early August bounce looks possible as Jupiter aligns with Pluto. However, another move lower is likely in late August and into September as Saturn stations direct while in aspect with the Lunar Nodes. Given how close gold is to 1200 already, I think it is looking fairly likely that it will fall well below that level by September. 1125 is possible. A significant rebound is likely to start by October and Q4 should be mostly bullish.



Technical Trends

Short term trend is DOWN

Astrological Indicators

bullish (disconfirming)

Target Range

1210-1230

(1 week ending July 14)

Medium term trend is DOWN bearish (confirming) 1180-1220
(1 month ending Aug 14)

Long term trend is DOWN bullish (disconfirming) 1250-1400
(1 year ending July 2018)

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