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Summary for week of 24 July 2017

- Stocks lean bearish this week, especially in first half for the US; second half for India
- Dollar mixed this week with possible bounce
- Crude oil may go lower this week, especially in first half
- Gold vulnerable to declines this week

US Stocks

Stocks finished mostly higher last week despite growing concern over the ability of the Trump administration to implement its agenda. The Dow closed slightly lower on the week to 21,580 while the S&P 500 finished higher by a half percent to 2472. This mildly bullish outcome was not unexpected, although as usual the late week declines were more muted than I thought they would be. The first half of the week was more positive on the Venus-Jupiter alignment although buyers only finally showed up in force on Wednesday.

So the beat goes on. No matter how long in the tooth this bull market may be, there is still no shortage of buyers out there. And who could blame them. The Fed may be raising rates, but Janet Yellen has insisted that there will only be a gradual return to normal levels. The Fed could start to unwind its balance sheet soon enough, but so far the market is not expecting a major shift in the Fed's overall dovish approach. Thus the liquidity-driven gains in recent years could well continue for some time to come. As evidence of the importance of liquidity and central banks easy money policies, European stocks fell significantly last week as investors anticipated the end of the ECB QE bond buying program. As the froth comes out of the market, central banks are in a uniquely pivotal position to single-handedly determine asset prices. If normalization is not handled carefully, one miscommunication could cause a sudden rush to the exits. Yellen and Draghi know this, of course, which is why they are more likely to err on the side of dovish caution.

The long term risk is that they could be caught without much room left to maneuver in the event of a recession or destabilizing geopolitical development.

Whatever the catalyst, I continue to expect a significant correction to begin in August and extend into September. There is a considerable amount of planetary tension during that time so we could see larger than expected decline. This may well translate into a tag of the 200 DMA and we could also see a 10% correction down to 2200 as well. The most volatile period is likely between the lunar eclipse on August 7th and the exact Saturn-Lunar Node alignment on September 27th. The late August and early September period may be an even more volatile sub-period as it coincides with a solar eclipse on August 21st and the Saturn station on August 25th. Before August 7th, I would not rule out more upside, although a pullback this week looks more likely than not. A lower high in early August therefore could be the technical signal that changes the market dynamic. That is one possible scenario at least.

The technical situation is still bullish on all time frames. The push to 2500 looks unstoppable although a move to that round number would likely result in some profit-taking as it would mark upper channel resistance. There is some support at 2460 with the gap at 2430 looking plausible enough. Rising channel support is near 2420 which is also near the 50 DMA. This line has acted as predictable support for previous pullbacks during the Trump rally. So even if we happen to get a pullback in the next couple of weeks to this line, bullish buyers will likely pile in as they have before. This time, however, the planets appear to be stacked against the bulls. Even if the correction takes place down to the 200 DMA (2314) or lower, we should anticipate a significant rebound afterwards given the huge upward momentum of the market over the past eight years.

As noted above, the German DAX chart is now in a down trend as the ECB prepares to end its QE program. The end of the liquidity rally and the rising Euro need not foretell the fate of the US markets but they are a warning nonetheless. Central bank policy reversals are likely more important to markets than quarterly earnings. In the event that US inflation rises, investors may again be put on the defensive as the Fed is forced to raise rates more quickly. The weekly Dow chart reflects the rise of this powerful bull market but also shows how gains have been moderating recently. By any measure, the market is overbought on a weekly basis and does not provide a cost effective entry point for investors over the medium term. The 50 WMA is now approaching 20,000 and intersects with horizontal support at that level. This is one possible downside target in the event of a pullback over the next two months. With weakening US data, bond yields fell again last week with the 10-year breaking below its 200 DMA. Moderately lower yields are good news for stocks, but it is possible that the chart is now forming an inverted head and shoulders pattern. If the next low in yields roughly matches the April low of 2.2%, then the next rise could see an important test of the apparent neckline at 2.4%. The upside target of this pattern would be 2.7%. If it happened quickly enough, it could generate bearish conditions for equities as Fed tightening could be more forthcoming.

This week leans more bearish, especially early in the week. The slow-moving Sun-Mars conjunction will be within one degree most of the week so we could see declines on any day between Monday and Thursday. While we should not necessarily expect several down days in a row here, there is an elevated possibility of a large daily decline greater than 1%. I would think the odds of declines are somewhat higher in the first half of the week. Monday's difficult Moon position with the Lunar Node should be seen as potentially bearish. That said, I would not be surprised if the market continued higher on Monday either. Wednesday's Moon-Saturn alignment looks bearish so some downside is more likely then. Friday's Moon-Jupiter conjunction may tilt sentiment in favour of the bulls at the end of the week. I'm reluctant to forecast possible levels although I would think 2460 is very likely. A gap fill of 2430 is also conceivable although bearish aspects haven't really delivered much downside recently. We will soon see if there is any hint of change in the air.

Next week (July 31-Aug 4) could see some upside as Jupiter aligns with Pluto. This is a muted background influence so I am uncertain when we will see gains. Perhaps the second half of the week is a better bet for some upside as Venus aligns with the Moon. Higher highs are possible here although a lot will depend on what happens the preceding week. The following week (Aug 7-11) features the lunar eclipse on Monday the 7th. This looks somewhat volatile actually. Eclipses don't usually have an immediate negative impact on sentiment but this one occurs with Mars in close proximity. There is a decidedly raised risk of a decline. Some upside looks more likely during the midweek Mercury-Venus alignment, especially on Wednesday. The late week looks bearish again. I would lean bearish overall for this week. Some gains are also possible in the inter-eclipse period (Aug 7 to 21), especially around Aug 14-16. But after the 21st, there is more potential for declines as Mars conjoins the Lunar Nodes and aligns with Saturn. The down trend should last until at least mid-September and the Sun-Saturn square on the 13th. A significant rebound could begin either in late September or in October. This looks fairly strong although I am uncertain about the prospects for a higher high (i.e. above 2500). The rally should run out of gas by early December at the latest. Q1 2018 looks mixed with a significant decline likely by March-April. I am uncertain if this will produce a lower low or higher low relative to 2017. 2018 as a whole looks more bearish than 2017 so that suggests that down trends may be stronger than up trends.

Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending July 28)	bearish (disconfirming)	SPX 2430-2460
Medium term trend is UP (1 month ending Aug 28)	bearish (disconfirming)	SPX 2350-2400
Long term trend is UP (1 year ending July 2018)	bearish (disconfirming)	SPX 1900-2200

Indian Stocks

Stocks edged higher last week on firm global cues and falling bond yields. The Sensex closed essentially flat at 32,028 while the Nifty enjoyed a modest gain to 9915. This muted bullish outcome was somewhat unexpected as I thought the late week alignments could undermine sentiment. This was not the case as stocks rose on Monday and Wednesday around the Venus-Jupiter alignment. As expected, we did get a retest of the previous week's high of 9913, although it came later than expected on Friday.

Gradually, we are entering a period where volatility is likely to increase. There are few signs of it yet, however, even if we get a pullback next week. I would not necessarily expect anything too dramatic next week or even the week after although the bullish pattern of higher highs is more likely to end. The downside risk is likely to increase significantly the further we go into the month of August and remain elevated well into September. The lunar eclipse of 7th August may be an important signpost for market sentiment. After that date, declines are that much more likely. The risk rises further around the solar eclipse on 21 August and the Saturn direct station on the 25th. Just to be clear, this August-September looks more bearish than any previous period this year. That

means that not only is the probability of a net decline higher than previous potentially bearish periods (e.g. late May, late June) but the magnitude of the decline is more likely to be larger than those previous periods.

Emerging markets remain vulnerable to liquidity flows. The recent dovish cues from the Fed have helped to keep the prospect of higher rates at bay. With US inflation low, the Fed will be reluctant to raise rates quickly. This should be good news for Indian stocks. The unwinding of the Fed's QE assets is another factor that may come into play. We could see an announcement on that matter as soon as the next FOMC meeting on July 26. An aggressive unwinding would be bearish as the market is not expecting it given the softness of economic fundamentals. But another dimension to the liquidity question now comes from the ECB. The Euro is rising sharply now as traders anticipate the end of the ECB's QE program. This will result is a reduction of global liquidity which may also impact Indian equities going forward. This is not an immediate threat but it is another headwind for bullish investors to consider.

The technical outlook is clearly bullish. Friday's close matched the previous week's high so it is up to bulls to see if they can make a higher high. However, rising trend line resistance is very close at hand at 9930 so it may not take much to test resistance and perhaps spark some profit taking. In other words, the immediate upside here looks fairly limited from a simple technical perspective. If the bulls cannot break above 9915, then there is support at 9800. Any move below 9800 could fall as far as 9685 which would be the measured move downside target based on the current trading range. This is a bit above the 50 DMA at 9628 which has served as reliable support in recent months.

If the next pullback does in fact morph into a correction in the coming weeks, then it is possible we could get a test of the 200 DMA at 8905. This downside target has added significance since it represents a 50% retracement as reckoned from the December low. While I'm uncertain how deep this next decline will be, the 200 DMA definitely looks doable for the bears. Let's see how it plays out. The weekly Sensex chart has now basically reached its measured move upside target of 32,000. This target was based on the size of the 2016 rally and extended from the December low. Further gains look less likely now as profit taking is more likely to occur the more the Sensex rises above 32,000. RSI is overbought at 76 and MACD is very elevated. A significant correction could end up testing the 50 WMA at 28,745 while a deeper decline will eventually test the long term 200 WMA at 26,267. Meanwhile, ICICI Bank (IBN) slipped a bit on some modest profit taking last week. The rally is intact here as there is strong horizontal support at the June highs. Only a move below the June highs would jeopardize this strong bullish run. Infosys (INFY) basically went sideways last week after bumping up against key resistance. The pullback was quite shallow so the chart remains bullish. The more tests of resistance we see without any significant pullback, the more likely resistance will be broken. The chart looks bullish for now.

This week leans more bearish. The culprit is likely the Sun-Mars conjunction which will be within range for much of the week. The second half of the week looks more bearish in this respect. Monday's Venus-Saturn opposition looks bearish, however, so bulls may have some difficult pushing above last week's high. Tuesday's Moon-Mercury conjunction could be somewhat bullish although probably not significantly. Wednesday sees Venus enter Gemini so that offers more hope to bulls perhaps. But that also does not look overly strong. Thursday and Friday in particular look more bearish as the Sun-Mars conjunction is almost exact. There is an increased risk of a larger daily decline of greater than 1% this week. While a move above 9915 is still quite possible this week, it may have difficulty holding above that level by Friday. And if Monday turns out to be bearish, then I would think the chances are good we could see support at 9800 tested at least.

Next week (July 31-Aug 4) could see some residual downside early in the week but a rebound is very possible afterwards. This could produce some downside on Monday and possibly Tuesday. I would not expect a big decline here and indeed declines may not occur at all. The Jupiter-Pluto aspect may build through the week and should be a mostly bullish influence. I would therefore expect gains to prevail, especially on Wednesday. The late week looks mixed with Thursday looking somewhat bearish and Friday hard to call. I would lean bullish overall. The following week (Aug 7-11) looks bearish. Monday's lunar eclipse occurs in close proximity to Mars so that greatly increases the downside risk on Monday and Tuesday. A rebound after that is likely but I'm uncertain if it can offset the likely early week declines. The middle of August could see a bit more upside but generally the rest of August looks bearish. Some big declines are possible here. September will likely see the down trend take hold and we will likely see the Nifty trade below 9500, and perhaps down towards 9000. A rebound is likely to begin in September or early October and could spark a strong rebound that lasts into December. It is possible this could produce a higher high above 9900 but it is difficult to say. December and January should bring a sharp pullback, although perhaps not to a lower low. Let's see. 2018 looks more bearish than 2017 so the possibility of higher highs may diminish.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is UP (1 week ending 28 July)	bearish (disconfirming)	9750-9900
Medium term trend is UP (1 month ending 28 August)	bearish (disconfirming)	9500-9700

Long term trend is UP (1 year ending July 2018)	bearish (disconfirming)	8000-9000

Currencies

The Dollar fell further last week as investors began to pour into the Euro following the ECB statement. The Dollar is the odd man out here as the ECB is talking about ending its stimulus program just as Janet Yellen hit the brakes on interest rate normalization. With further hikes delayed, the Dollar is coming crashing down to earth. I thought we might have got a bounce last week but that view proved premature to say the least. The USDX chart continues to follow the declining channel downward. Where will it stop? After breaking through 94, we can still say there is horizontal support nearby at 93. 92 was a piercing low in May 2016 so an interim bottom looks close at hand. If 92 cannot hold, then there is a lot of air underneath that level for the Dollar to fall. A possible downside target would be 82 in that case. However, if fundamentals change, then we could see an abrupt shift in the trend again and the Dollar could rally. I think Mario Draghi doesn't like the idea of the Euro appreciating too fast so he will likely talk it down as much as possible. From a technical perspective, the Euro has a weekly close above resistance at 1.15. Support is now at 1.15. While a quick move back into the previous trading range is possible, last week's close at 1.166 was noteworthy.

This week could be choppy for the Dollar. Some upside is likely on the Sun-Mars conjunction but it is unclear if gains can hold by Friday. Some weakness could accompany the entry of Venus into Gemini on Wednesday and Thursday. With a higher probability of a rebound in August and September, we are quickly approaching a situation where sell-offs may be bought by Dollar bulls. With the Dollar so close to support, the technicals make a more persuasive case for a bounce in the near term. Next week (July 31-Aug 4) could see the Dollar testing support. Further downside is possible in the first part of the week but a rebound is more likely later. August is likely to see the Dollar reverse higher. Previously, I had though we could get some upside in late July and early August followed by a retest of support in mid-August. I now wonder if the Dollar could actually make lower lows by mid-August. However, a sharp rebound is likely to take place in August, especially by the time of the Solar Eclipse on the 21st. The Dollar should begin to rally in September with more upside likely in October and November. Q4 as a whole looks bullish so at minimum we should expect a retest of the 200 DMA by the end of the year. The first half of

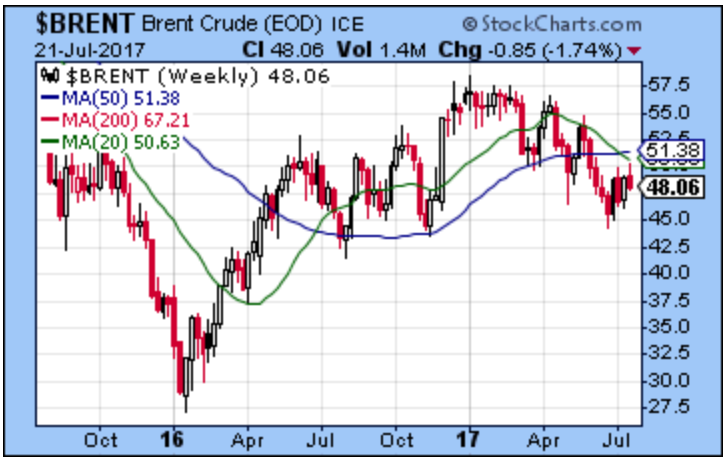
2018 looks bearish with lower lows possible. However, a significant recovery should take hold in the second half of 2018.

Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending July 28)	bearish (confirming)	93-94
Medium term trend is DOWN (1 month ending Aug 28)	bullish (disconfirming)	94-96
Long term trend is UP (1 year ending July 2018)	bearish (disconfirming)	90-94

Crude oil

Crude oil slipped last week as data showed a rise in OPEC supply. WTI fell more than 2% to below $46 while Brent settled at $48. This bearish outcome was not unexpected as I cautioned about the late week. As expected, the early week brought gains as WTI tested – and bested – the previous high of $47. Thursday's reversal indicated weakness in the bulls as crude is still below its 200 DMA. Bulls will have to try to form a higher low now above $44 to keep this small rebound viable. After the test of key horizontal support at $42, crude needs to recapture the 200 DMA first and then resume its upward climb. The bullish view requires that $42 holds and that there is a weekly close above $49 fairly soon, or at least before the 200 DMA begins to slope downwards. Once that happens, crude may be destined for lower lows. Currently, this moving average is totally flat and reflects the indecision in the market about longer term direction. The weekly Brent chart isn't looking very promising as the 20 WMA has crossed below the 50 WMA. With Brent trading below this intersection, the outlook is looking more bearish. A close above this intersection level would be more bullish and could help to turn sentiment more bullish. If and when we see a close above $51, then bulls may be on firmer ground for a retest of the January highs of $57.

This week looks more bearish. The Sun-Mars conjunction lasts through the week and could produce some significant declines. Without any strong offsetting bullish aspects, it may be more difficult for bulls. A retest of the previous low at $44 looks more likely. The first half of the week leans more bearish in this respect. The second half of the week could bring a rebound as Venus strengthens as it enters Gemini.



Next week (July 31-Aug 4) looks somewhat more bullish as Jupiter aligns with Pluto. While I am generally bearish on crude oil in the coming weeks, there could be some room here for a bounce in early August. The following week also leans bullish as Mercury and Venus align with Neptune. A retest of the 200 DMA is quite possible during this time. However, once Mercury turns retrograde on August 12, there could be more negative sentiment as we approach the solar eclipse on Aug 21. I would expect crude to test its low of $42 in late August or September as Saturn aligns with the Lunar Nodes. Lower lows are also very possible. We should see a rebound in Q4 although I think most of the rebound will occur in October and November. Weakness is more likely in Q1 2018.

Technical Trends	**Astrological Indicators**	**Target Range (WTI)**
Short term trend is UP (1 week ending July 28)	bearish (disconfirming)	$42-44
Medium term trend is DOWN (1 month ending Aug 28)	bearish (confirming)	$40-44
Long term trend is DOWN (1 year ending July 2018)	bullish (disconfirming)	$45-60

Gold

Gold extended its rebound last week as the Dollar rout continued on more skepticism about the US economy. With gains in all five sessions, gold finished the week at 1254. This outcome was in line with expectations although I thought we might have seen more downside along the way. Technically, gold is showing signs of life as it easily moved above the 200 DMA and approached resistance at 1260. If gold repeats its previous pattern, then a possible upside target for the measured move would be around 1280. That's a tall order after making a lower low but still possible now that it is above the 200 DMA once again. Both bulls and bears have seen some confirmation of their views in the chart. Bulls know that defending key support at 1200 ensured another potential rally and hence the possibility of a breakout higher above 1300. Bears are convinced that gold can't trade above 1300 since the 200 DMA is sloping downward and it has been trading sideways within a range between 1200 and 1300 for months. The weak Dollar could help gold climb back to 1300, but it may require some kind of Fed surprise to move above that resistance level. The FOMC meeting on July 26 therefore could be important for gold as Janet Yellen may announce details of the Fed's plan to sell off its QE assets. If she does not release details then, the market would have to wait until the next meeting on September 20.

This week looks more mixed with some significant downside risk. Monday's Venus-Saturn opposition could be bearish. The midweek could be more bullish as Venus enters Gemini on Wednesday. But the late week leans bearish again as the Sun conjoins Mars. I can't see gold moving significantly higher this week and indeed some retracement seems the more likely outcome. But bulls should have another chance for gains next week.

Next week (July 31-Aug 4) should produce some upside as Jupiter aligns with Pluto. The late week looks particularly strong as the Moon aligns with Venus. This could bring a retest of last week's high of 1254 at least. The following week (Aug 7-11) is harder to call. Monday's lunar eclipse looks benign and the late week Mercury-Venus alignment seems quite bullish. Higher highs are very possible here. But I would be more cautious as we approach the solar eclipse on the 21st. There is a rising risk of large declines in late August and it could be enough to halt this summer rally in its tracks. September as a whole looks bearish and an interim bottom is possible. We could see 1204 tested and even broken. A rally may begin in late September or early October and continue into November. Q4 looks more bullish on balance.

Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending July 28)	bearish (disconfirming)	1230-1250
Medium term trend is DOWN (1 month ending Aug 28)	bearish (confirming)	1200-1240
Long term trend is DOWN (1 year ending July 2018)	bullish (disconfirming)	1250-1400