

## Summary for week of 14 August 2017

- Stocks could decline further, especially in first half of the week
- Dollar may bounce, especially in the first half of the week
- Crude oil likely moving higher although early week is uncertain
- Gold could go higher this week

## US Stocks

Stocks pulled back last week on rising tensions in the Korean peninsula. The Dow fell 1% to 21,858 while the S&P 500 finished at 2441. This bearish outcome was in keeping with expectations although I thought we could see the downside more focused in the early week or late week. The midweek bounce didn't quite play out as expected although we did see a new intraday high on Tuesday to 2490.

Last week's war of words between US President Trump and North Korea has suddenly awakened the market to some very disturbing scenarios going forward. At this point, I think very few investors would bet on an all-out war but at least investors are beginning to factor in the possibility as money is being taken off table. A nuclearized North Korea now seems inevitable but that may be unacceptable to Trump, who may have a vested interest in more saber-rattling as the Russia investigation continues to close in on him. It is still very possible that diplomacy can produce a way out of the stand-off although the tensions may remain elevated for a while yet. Markets may continue to sell-off even without any actual armed engagement if the two sides take further steps toward confrontation, such as the removal of US citizens from South Korea or reports of major US troop deployments. As I have outlined on my website, the horoscope of the US looks quite afflicted in the coming weeks so I would tend to think that some kind of limited military action is more likely than not, either in North Korea or conceivably somewhere else. However, I can't see any solid evidence for some kind of worst case total war scenario.



The astrological indicators suggest more downside is very likely. The total solar eclipse on August 21 across the US could be pivotal in this respect and may even act as a self-fulfilling prophecy as uncertain and worried Americans become more fearful about the future of their country. The downside risk is significant from about Friday, August 18 until September 15. It is difficult to predict how what size decline is most likely. An 8% pullback to the 200 DMA looks like a fairly reasonable target although a bigger decline is still possible given the complex alignments in play. Saturn's station takes place while in alignment with the Lunar Nodes and is key in this respect. This bearish pairing increases the probability of significant downside and may even bring about a 10%+ correction. And yet the slow motion of Saturn here means the alignment with the Lunar Nodes will be within range until October. That introduces some uncertainty about when further declines may occur. I do think early September looks worst in this respect although we cannot rule out additional declines in the period after that initial Aug 18-Sep 15 window.

The technical picture is still bullish in the medium and long term but the short term outlook is becoming bearish. Thursday's sharp decline and Friday's tepid bounce suggested that more downside was likely in the coming days. While there may be buyers around these levels at the 50 DMA, any subsequent rebound should be fairly strong. If not, then we could see another wave of selling. Previous tests of the 50 DMA in May and June were met with a quick rebound, although the March test was weaker and produced a protracted pullback into April. The SPX is therefore sitting on key support as the rising 2017 channel more or less matches the 50 DMA. If we get further downside then 2410 may act as horizontal support. Now that 2460 is no longer support, it could act as resistance in the event of any bounce this week. And we should also note that 2410 could become a neckline if a head and shoulders pattern takes shape. The subsequent right shoulder would be just below the old support level around 2450. The downside target of this possible head and shoulders would be around 2330 which also happens to be the approximate level of the 20 DMA (2338). Breadth continues to be a problem as the percentage of stocks above their 50 DMA suffered the biggest weekly decline since 2016. A negative divergence with respect to the March level is now clearly in evidence. As usual, the weekly Dow chart shows how insulated the longer term bullish trend is against any short term gyrations. Even weekly stochastics is nowhere close to falling below the 80 line. A test of the 20 WMA at 21,203 would be in keeping with the recent pattern of pullbacks. Previously, buyers have enthusiastically jumped in at that level. However, now the market is still very overbought as RSI is at 70. Buyers may be more skittish, especially as the Trump trade fades. Not surprisingly, the geopolitical tensions pushed bond yields lower as the 10-year hit 2.19%. In addition, inflation data has been weaker than expected and this has reduced the odds of a rate hike in 2017. Currently, the market only sees a 35% chance of a December hike. With yields fast approaching their June lows at 2.1%, we could see important clues about the future direction of the bond market in the coming weeks.



This week could see more downside, especially early in the week. Monday's Moon-Mars square looks bearish and would appear to provide good evidence for some follow through on the downside. This aspect is closest in the morning so we cannot rule out the possibility of a down open and then a rebound. That said, I would lean towards a bearish day overall. And there is also an elevated risk of a significant down day (>-1%). Tuesday lacks any strong clues either way but Wednesday could see some upside as Venus aligns with Jupiter. I think the chances for some upside between Tuesday and Thursday is fairly good. Whether or not it could offset any declines is another question. Friday looks less positive as Mars aligns with Jupiter. Overall, the week leans bearish although it may be less bearish than last week. I would not be surprised to see a gain here although I am reluctant to predict a positive week given the overall negative tone of the planets.



Next week (Aug 21-25) looks more bearish. Monday's solar eclipse could prove to be pivotal, not only because we are likely to see a decline that day but also because of its after effects. It is possible we could see a shift in outlook after this eclipse as uncertainty could rise. A sharp decline is possible, perhaps more so in the first half of the week. The late week Venus-Uranus alignment could be more positive and could produce an up day Thursday or Friday. Overall, the week should be negative. The following week (Aug 28-Sep 1) looks bearish to start as Mars conjoins the North Lunar Node. Some upside is possible midweek as Venus aligns with the Sun. The first week of September looks volatile as Mercury stations direct in alignment with Uranus and also conjoins the solar eclipse point. This is an unpredictable alignment which suggests a large move in either direction. Lower lows are possible after Labor Day. We could see a rebound in mid-September as Jupiter enters Libra and aligns with Uranus. But late September looks bearish, possibly as a result of the debt ceiling deadline on Sep 29. This could mark another pullback that lasts into mid-October. I don't know if it will produce a lower low relative to what we may see in early September. A rebound is likely in late October and November. After that, December and January lean bearish and could well produce a negative outcome for Q1 2018 as a whole.



Technical Trends	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending August 18)	bearish (confirming)	SPX 2380-2420
Medium term trend is UP (1 month ending Sep 18)	bearish (disconfirming)	SPX 2300-2400
Long term trend is UP (1 year ending August 2018)	bearish (disconfirming)	SPX 1900-2200

## Indian Stocks

Stocks fell sharply last week on rising tensions between the US and North Korea. The Sensex fell more than 3% to 31,213 while the Nifty finished the week at 9710. This bearish outcome was in keeping with expectations although the extent of the decline was surprising. The absence of any midweek upside on the Sun-Jupiter alignment was one reason for the size of the weekly decline.

Suddenly, all the positive fundamentals pale in comparison to the frightening prospect of nuclear war in Asia. While few investors think an all-out war is likely in the Korean peninsula, markets have begun to factor in the possibility of it. For now, both Trump and Kim Jong-un are ratcheting up the pressure through words alone. President Kim is no stranger to bellicose rhetoric and most observers do not take his threats literally. But what is different this time is that the US is led by the equally bellicose Donald Trump. Moreover, Trump likely has a vested interest in saber-rattling since his popularity is at an all-time low. While Trump may not really want a war with North Korea, he is doing his best to rally his political base behind him in an effort to recapture popular support. While his bluster is so far only words, the chance rises for a disastrous miscalculation on either side with this tension.

For the past several months, I have noted on my website that the US is more likely to be involved in some kind of military action in August and September. The horoscope of the USA is very afflicted at this time with a special focus on the planet Mars, the bringer of War. That said, I do not expect an all-out catastrophe to take place in the coming weeks. However, a limited action is more likely somewhere in the world as Mars is strongly activated. Therefore, any such US military action in North Korea -- or Venezuela or the Middle East for that matter -- is a plausible reason for markets to move lower.

Aside from the particularities of the US horoscope, the financial alignments are still looking negative for the near term. As I have noted previously, the current eclipse period (Aug 7-21) is likely to coincide with increased volatility. My best guess is that last week's decline is the beginning of a larger pullback which is likely to extend into early September at least. The solar eclipse on 21 August will be closely followed by the Saturn station on the 25<sup>th</sup>. Both should be seen as negative for market sentiment given the proximity of Mars. There is an elevated risk of declines through mid-September at least. Some kind of rebound is likely to begin in September and eventually we should see further upside in October and November. However, I am uncertain if the Nifty will move to higher highs above 10,100 in Q4. Another pullback is likely in December-January. The first half of 2018 looks much more bearish than 2017 so it is quite possible we could see lower lows next year.



The technical picture looks more mixed here after the key indices broke support last week. The Nifty slashed through several levels of support last week without difficulty. Clearly, investors were taking profits ahead of any geopolitical uncertainty. Even the downside target of 9870 was quickly taken out later in the week without any significant buying to stem the tide. Friday's close broke below the 50 DMA for the first time since January. As with previous brief violations of the 20 and 50 DMA, stochastics is now in oversold territory and beckons the bulls to reload and go long. Will they? RSI shows a pattern of increasing extremes as stocks have been very overbought recently and now almost oversold at the 30 line. It is too soon to tell where stocks could go in the short term from a technical perspective, although the downward momentum alone suggests at least marginally lower lows are more likely.

There is some horizontal support at 9700 so it is quite possible we could see some buying this week at this level. Resistance is likely near 9900 in the event of a bounce. If current levels do not hold, then the Nifty is in danger of a deeper retracement, possibly down to the 200 DMA at 9000. This level is made more plausible as a downside target because it is 50% off the high as measured from its December 2016 low. The weekly stochastics on the Sensex fell below the 80 line for the first time since January. This could be seen as a medium term sell signal even if we see happen to see a bounce over the next week or two. MACD has also begun a bearish crossover and may be indicating a deeper pullback. While MACD is often a lagging indicator, its crossovers often suggest market direction for the next several months. Meanwhile, Tata Motors (TTM) plunged last week after a disappointing earnings report. The decline broke sharply below the 2017 lows. While the stock could find some temporary support around current levels, there is a rising risk that it will retest its 2016 double bottom. ICICI Bank (IBN) also posted a negative week although it may be clinging to support here. The break below the 50 DMA signaled the end to this year's rally but it remains unclear if the stock is entering a sideways phase of consolidation or a deeper decline.

This week could see more downside. The early week looks bearish as the Moon squares Mars on Monday. I think lower lows are a likely outcome here although we are also likely to see a bounce soon after. Tuesday could see some upside as the Sun approaches its conjunction with Rahu. Wednesday looks perhaps even more bullish as Venus aligns with Jupiter. If Tuesday happens to be negative, then Wednesday looks like a good bet for gains. In any event, I would think the midweek looks bullish and should be strong enough to offset any losses from Monday. The late



week leans a bit bearish as Mars approaches its alignment with Jupiter. This is not a strong indication of downside, but it does not clearly suggest a favourable outcome either. Overall, I am reluctant to forecast a particular outcome this week. There is some reason to think we could see an oversold technical bounce here although if it doesn't quite happen I would not be surprised.

Next week (Aug 21-25) looks more bearish as Tuesday's solar eclipse over the USA is likely to coincide with some bearish sentiment in the early week. Mars moves into close conjunction with Rahu in the late week so there are multiple negative factors in play here that could see stocks make new lows. Wednesday's Moon-Saturn alignment also hints at pessimism. I am therefore reluctant to single out any particular day as being worse than other days. Certainly, there is a heightened risk of declines through the week even if stocks will manage some positive days also along the way. The following week (Aug 28-Sep 1) looks like a better candidate for a rebound as



Mars moves past Rahu. The first week of September leans bearish as Mercury conjoins Mars right atop the eclipse point. Tuesday, 5<sup>th</sup> September looks quite bearish in this respect and could retest previous lows or even make new lows. While a rebound is likely to begin by mid-September on the Jupiter-Uranus alignment, it seems unlikely to be sustainable. Late September and early October look fairly bearish and could upset any ongoing rally attempt. I'm uncertain if any sell-off in early October could form lower lows. A stronger rally is likely in October and November. Again, it is hard to say with confidence if this could produce a higher high. Perhaps not if the current retracement turns out to be fairly deep, such as to 9000 and the 200 DMA. More weakness is likely to occur by January and the first half of 2018 looks fairly bearish. Bulls may have to wait until the second half of 2018 or 2019 before the market regains its optimism.

**Technical Trends**

**Astrological Indicators**

**Target Range**

Short term trend is DOWN  
(1 week ending 18 August)

bearish (confirming)

9600-9700

Medium term trend is UP  
(1 month ending 18 September)

bearish (disconfirming)

9300-9500

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

bearish (disconfirming)

8000-9000

## Currencies

The Dollar slipped again last week as inflation data came in weaker than expected. The USDIX finished the week below 93 while the Euro settled above 1.18. In keeping with its geopolitical safe haven status, the Japanese Yen strengthened to 109 while the Rupee ended flat near 64. While we did get some early week gains as expected, the late week was more bearish and the Dollar finished lower. The greenback looks like it may be attempting to retest its recent lows above 92 as bulls wait for confirmation that the low is in. There is a lot of long term support around 92 so it is possible we could see a longer basing period in the near term before the rebound gains strength.



As long as the bottom holds, there is a reasonable chance for a rally, even if it is only the bear market variety back up to the 200 DMA. Bulls are still very weak at the moment, however, as the 20 DMA is acting as resistance. A lower low would undermine the bullish view, of course, although a brief and sudden one-day shake out could still be bought. The weekly Euro chart looks very bullish as it approaches intermediate resistance at 1.20. There isn't a lot of overhead resistance at that level although the chart looks a bit stretched as price is way above the 20 WMA. If the Euro does pullback, then 1.15 would become key support. A move below that level would suggest the beginning of a new technical phase. While a return to the previous range of 1.05-1.15 would be unlikely, there could be a somewhat higher range.

This week could see a bounce in the Dollar, especially in the early week. A retest of last week's high is possible by Wednesday although the late week looks less positive. I am uncertain where the Dollar could finish, however. Next week looks more bullish as Mars aligns with the Lunar nodes shortly after Monday's solar eclipse. It is possible we could see a fairly large move. The astrological indicators offer some support to the notion that the Dollar has bottomed here. While some retracement is likely in mid-September, I would think the preceding period should be more bullish and therefore prevent a lower low. By October, the Dollar is likely to begin a more sustainable rally which should last into December at least. Q1 2018 looks more bearish however, with the possibility of a retesting of the 2017 low. Lower lows are also possible. A significant rally is likely to begin in Q2 and last into Q3. A move back above the 200 DMA is possible.



### Technical Trends (Dollar)

Short term trend is DOWN

### Astrological Indicators

bullish (disconfirming)

### Target Range

93-94

(1 week ending August 18)

Medium term trend is DOWN    bullish (disconfirming)                      94-96  
(1 month ending Sep 18)

Long term trend is UP                      bullish (confirming)                      96-99  
(1 year ending August 2018)

## Crude oil

Crude moved lower last week as supply continued to outstrip demand. WTI fell by almost 2% to below \$49 while Brent settled above \$52. I thought we might have got more midweek upside but while Thursday's high above \$50 was the high for the week bulls could not hold it by the close. Bulls look stuck here as they bump up against resistance of the 200 DMA on WTI. This was a fairly predictable place for the rally to pause, however. Friday's close above the 20 DMA at least kept the up trend in place although there is a growing risk of a bigger sideways move now. Nonetheless, bulls have managed to keep prices high for somewhat longer than previous rally attempts. Although crude has only managed a lower high, it has not reversed lower as quickly as in April and May. This could be a signal that crude could be forming a more durable bottom. Even if bulls cannot hang on here, even a higher low at the 50 DMA at \$46 might be a reasonable level from which to begin a new rally. On the other hand, a close above \$50 would be more bullish and could make a more persuasive case for further upside. The weekly Brent chart shows a potentially significant move above the converging 20 and 50 WMA. The bearish crossover of these moving averages is obviously not a plus for this chart but more upside is nonetheless possible from here. And yet unless Brent can break above its May high, the chart looks like it is forming a bearish rounded top.



This week could see some upside, especially after Tuesday. Wednesday's Venus-Jupiter alignment looks fairly bullish so that could be enough to produce a winning week. The early week is more of a question mark, however, so it is possible the downside could offset any subsequent gains. Still another test of \$50 resistance looks likely.



Next week (Aug 21-25) looks more volatile as Monday's solar eclipse looks bearish. The late week could see a bounce but overall the week seems negative. The last week of August also leans bearish as the Moon conjoins Saturn on Wednesday. It is possible the down trend could

continue into the first week of September. I would still think that the previous low of \$42 will hold, and a higher low is still conceivable. A rebound looks more likely to begin in mid-September and last into October and probably November. Higher highs are very possible in Q4 although I suspect the rally will fade out by December. Q1 looks much more bearish.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending August 18)	bullish (confirming)	\$49-52
Medium term trend is UP (1 month ending Sep 18)	bearish (disconfirming)	\$42-46
Long term trend is DOWN (1 year ending August 2018)	bullish (disconfirming)	\$45-60

## Gold

Gold rallied strongly last week as geopolitical risk caused a flight to safety. Gold rose by more than 2% on the week to 1294. While I thought we would see some gains midweek, I did not expect the bulls to be so strong. Bulls are again in control although Friday's close was right at resistance just below the all-important 1300 level. The bulls successfully defended support at the 50 DMA at 1254 before this second leg higher. Also it is worth noting there was very little hesitation at the previous Aug 1st interim high of 1280. Maybe bulls finally have enough momentum to take gold higher. This is the third time this year gold has approached this level and bulls still have something to prove. Obviously, any further escalation by the US or North Korea will put gold over 1300 easily and thus we could have a significant bullish breakout. But from a purely technical position, gold looks fairly neutral as it remains range bound between 1200 and 1300. Gold is looking somewhat overbought here as RSI sits at 70. But that won't matter much if North Korea or the US take some kind of military action in the coming days. The moving averages are still converging here at 1230-1260 and thus underline the importance of the current trading range. A move above 1300 would provide more evidence of a new bullish phase.



This week could see further upside although I would think there would be moves in both directions also. Some upside is likely on Wednesday or Thursday with the Venus-Jupiter alignment. At the same time, the Sun conjoins the more bearish Lunar Node. This could indicate sharp intraday reversals are more likely. Friday looks more bearish in that respect, especially as Venus aligns with Saturn. I do not have a strong opinion about the early week, however, although I would lean a bit bearish. The presence of some bullish influences here could mean that gold rises and closes above 1300 at some point.

Next week (Aug 21-25) could see some early gains around the solar eclipse on the 21<sup>st</sup> however I'm uncertain if they will hold by Friday. The late week looks more bearish. The following week (Aug 28-Sep 1) looks more bearish, especially in the second half. I would think the chances are fairly good for a weekly decline. Early September also looks more bearish although gold looks more bearish in the second and third weeks of September and the Sun-Saturn square. Gold could rally again starting in late September and continuing for much of Q4. Higher highs are possible in Q4. A retracement is likely to begin by December at the latest and extend through much of Q1 2018. This looks like a larger than normal decline. Gold could again become more bullish in the second half of 2018.

<b>Technical Trends</b>	<b>Astrological Indicators</b>	<b>Target Range</b>
Short term trend is UP (1 week ending Aug 18)	bullish (confirming)	1280-1320
Medium term trend is UP (1 month ending Sep 18)	bearish (disconfirming)	1200-1240
Long term trend is DOWN (1 year ending August 2018)	bullish (disconfirming)	1250-1400

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