

## Summary for week of 21 August 2017

- Stocks vulnerable to declines this week, with larger trading range
- Dollar could strengthen, especially in first half of the week
- Crude oil neutral this week with added downside risk
- Gold choppy this week with large moves in both directions possible

## US Stocks

Stocks extended their decline last week on growing concern about the Trump administration and its ability to implement its agenda. The Dow lost 1% to 21,674 while the S&P 500 finished at 2425. This bearish outcome was in line with expectations although I was mistaken in thinking the declines would be focused more in the early week. Monday was actually positive despite the Mars influence although we did see modest midweek gains around the Venus-Jupiter alignment.

Suddenly, bulls can't seem to catch a break. The previous week saw the market fall on worries about North Korea but last week saw a whole new area of concern emerge. After President Trump was widely criticized for comments following the Charlottesville violence, it may be much more difficult for the GOP to work with the White House to pass any tax reforms. Trump's alienation from Congress may only be temporary, but the current situation is undermining confidence in the Trump rally. If Trump is seriously weakened, not only will tax reform be pushed back to 2018 but even passing the debt ceiling (due Sep 29) could be in jeopardy. While markets are generally seen to prefer stalemate in Washington, there is less tolerance for dysfunction. In astrological terms, I would expect Trump's fortunes to hit a low point near the first week of September. Given how afflicted his personal horoscope is, it is worth considering the possibility that Trump could resign at that time. I doubt things will get that bad, but it cannot be ruled out given his worsening



alignments. But it does suggest that the uncertainty about Trump is more likely to worsen in the next two or three weeks. That should be a negative for the stock market.

The affliction to Trump's chart is echoed by the difficult alignments that I have noted for August-September. The Saturn-Lunar Node aspect is central to this overall pattern and will be in place until mid-October. It is a very slow moving aspect which means that declines are possible at various times during this aspect depending on co-factors. The next couple of weeks seem look most troublesome, however, given the solar eclipse this Monday across the US. The eclipse itself may not act as an instant trigger for more selling but it is likely to make markets more volatility in subsequent days. One scenario would see an interim low in the first or second week of September which is followed by a bounce in mid-September. Another dip is likely in late September and early October on the Mars-Saturn aspect. This may be debt ceiling related given the timing of this aspect. Whether we get lower lows in early October is hard to say. It's possible but it is not something I would bet on at this point.

The technical picture has turned more bearish following last week's lower low. It will be harder for bulls to reverse this down trend as investors playing for the oversold bounce are more likely to take quicker profits. Stochastics is near the 20 line so there is an argument at least that a bounce may be forthcoming. RSI isn't quite oversold yet although it has reached a similar level as previous pullbacks around 35. If the SPX is in a falling channel now, resistance is near 2460 which is the approximate location of the 20 DMA. Support from this channel would be close to 2400-2410. This almost matches the horizontal support at 2405-2410 (the June-July low) which should be considered a plausible downside target before significant buying comes in. This could then set up a possible neckline in a head and shoulders pattern.

The next level of support would be the head and shoulders downside target of 2320. This is a bit below the 200 DMA at 2346 and would match the April low. And if the pullback morphs into a correction, then 2150 could be one possible target area. This would represent a 50% retracement as measured from the February 2016 low. Breadth continues to narrow as the Bullish Percentage had another losing week. This narrowing of the rally is reflected in the relative weakness of the Russell 2000 chart which broke below its 200 DMA last week. Not only does this chart reveal the hidden weakness in the market, but it also closed at a crucial support level of 1350 which has remained intact for all of 2017 and the Trump rally. A break below that level could signal a much deeper correction both for the Russell and the other indexes. The weekly Dow chart reflects how resilient the market should be in the event of a correction. Not even a decline to 20,500 would do much technical damage for the medium and long term. On the other hand, a decline to 20,000 or below could change some fundamental assumptions about equities. Worries about the Trump agenda also sent yields lower last week as the 10-year appears to be testing support at 2.1%. One would think it will be difficult to move below that level in the short run. An eventual rebound in yields looks more likely.



This week looks mixed but with a bearish bias. Monday's eclipse adds an extra wild card element with a somewhat elevated risk of sharp declines over the week. But I am not at all certain the market will fall on Monday or even in the first half of the week. And yet more downside could occur at that time. The late week also looks bearish as Mars approaches its conjunction with the Lunar Nodes. And yet the presence of a square aspect between bullish Venus and Uranus could offset some of that late week negativity. Overall, the density of aspects is such that declines could occur at any time, and one-day snapback rallies are also very possible here. If it turns out that the early week does bring more downside, then we could actually see some gains in the late week. I think there is a good chance of a lower low on a closing basis this week and I would think that 2410 is also doable. I think a retest of channel resistance at 2460 at some point looks fairly unlikely although if the early week is positive then that is more plausible. I think we are in the midst of a pullback here so even if the week happens to end positive, gains are unlikely to hold into next week.



Next week (Aug 28-Sep 1) also could see a mix of influences but again with a bearish default given the underlying uncertainty of the longer term influences. Monday presents a puzzle as bullish Mercury aligns with Venus while Mars is still very close to the North Lunar Node. I would lean a bit bullish but stocks could easily sell-off here also. The second half of the week looks more bearish as Mars approaches its conjunction with retrograde Mercury. I would not rule out a gain overall on the week but it is unclear. The first week of September looks bearish, especially on Tuesday after Labor Day as Mercury finishes its retrograde cycle on the eclipse point. This is not a definite bearish indication but it nonetheless suggests a special element of uncertainty. I think there is a reasonable chance we could test the 200 DMA at 2346 by this time although the exact size of the pullback is hard to guess. I think we could see some kind of rebound in mid-September as Jupiter changes signs and enters Libra. It seems likely that we will get a lower high in mid to late September. Late September and early October could bring more downside perhaps related to the debt ceiling. Again, I am agnostic on if this could be a lower low relative to the (approximate) Labor Day low. October as a whole and November look more bullish although higher highs above 2490 in Q4 are very uncertain. December-January look bearish and will likely set the pace for a more bearish year in 2018 overall. A major correction is likely in March-April.



**Technical Trends**

**Astrological Indicators**

**Target Range**

Short term trend is DOWN  
(1 week ending August 25)

bearish (confirming)

SPX 2400-2440

Medium term trend is UP  
(1 month ending Sep 25)

bullish (confirming)

SPX 2400-2460

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

bearish (disconfirming)

SPX 1900-2200

## Indian Stocks

Stocks rebounded last week on positive global cues as bargain hunters moved in after the pullback. The Sensex rose by 1% to 31,524 while the Nifty finished the week at 9837. This bullish outcome was somewhat unexpected as I thought we might have had more downside on Monday. As expected the midweek was more positive after the Independence Day holiday but Friday was only modestly bearish.

Bulls are breathing a sigh of relief as the North Korea situation has quickly disappeared off the radar. Trump seems to have called Kim's bluff so there is now a much reduced risk of a war. While Trump now has his own domestic problems, it isn't clear how this could impact the Indian market. Since this Monday's solar eclipse hits Trump's Ascendant very closely, he is likely to suffer from additional political fallout in the coming weeks. A weakened or marginalized White House in the US could put additional pressure on the US Dollar which would be generally bullish for equities on Dalal Street although it would weaken growth prospects globally. I would think that Trump will remain on the defensive for at least two more weeks, although his resignation seems unlikely.

Nonetheless, Indian investors should be aware of possible geopolitical risks here around the total solar eclipse which passes over the US. Political uncertainty in the White House is likely to continue in the near term.

The astrological indicators are still suggesting that bears may be favoured over the next few weeks. Monday's solar eclipse may not be inherently bearish, but this particular eclipse looks more problematic since Mars is close to Rahu and the Sun. Eclipses do not necessarily mark specific days of declines but they can highlight periods of greater volatility. My expectation is that we are likely to see more downside in the coming weeks. In addition to the eclipse, the Saturn-Rahu alignment will extend into October. This will likely provide some fuel for the bears at various times. After the lower lows in September, we should see a significant rally in October and November. I would not rule out higher highs by November although a lot will depend on where the current pullback reverses higher. There is a high likelihood of a significant decline in December-January which should give bulls some reason for serious second thoughts.



The technical picture looks bullish in the short term. Last week's bounce was welcome by bulls who were looking to defend the 50 DMA. Their successful defense of 9700 provided a new source of optimism for long positions after the overbought pullback once the Nifty hit 10,000. Most bulls were expecting some kind of pullback from that level and the markets have delivered. But is this simply a replay of the June pullback which also tagged the 50 DMA? It's possible, but so far the Nifty has fallen further than in June. Thursday's intraweek high reversed at the 20 DMA and matched a 50% retracement from the recent low. Resistance is therefore at 9958 while support is at 9700.

If the Nifty closes above 9958, then there is a reasonable chance for a retest of the recent high. If rallies stall around the 20 DMA then bulls may quit their positions and take a wait and see approach. Any close below 9700 would be bearish and signal a measured move downside target of 9550. The weekly Sensex chart still shows a medium term sell signal in place as stochastics remains well below the 80 line. Another modest up week would probably not violate this bearish indicator which is pointing towards more downside in the weeks to come.

There is considerable horizontal support near 31,000 so any quick move lower could be fairly small. And despite last week's gain, MACD moved further into a clear bearish crossover. This is another reason why long term bulls should be nervous. And this indicator may well become a self-fulfilling prophecy as bulls use any rallies to sell their position. Meanwhile, Infosys (INFY) was the talk of Friday's session as CEO Vishal Sikka abruptly quit and sparked a crash in the stock despite the buyback announcement. While the 7% decline was painful, the overall chart is still somewhat bullish as the stock remains at its 200 DMA and within its rising channel that began with the Jan 2016 low. If the June lows fail, then the picture becomes more bearish as it would retest the April low. Tata Motors (TTM) retested its low last week as sentiment remained negative. Last week's rally attempt was feeble and hinted at more troubles ahead.

This week leans bearish as Monday's solar eclipse could have some lingering after effects. Monday looks a bit bearish on the Moon-Mars conjunction although Tuesday's Moon-Mercury conjunction may be more bearish. Wednesday's alignment of Moon-Mars-Saturn also leans bearish. While it is unlikely that all three days will be bearish, I do think the Nifty will be lower than 9837 by the end of Wednesday. Some gains are somewhat more likely in the late week as Venus aligns with Uranus on Thursday and the Moon conjoins Jupiter on Friday although markets are closed Friday. To be clear, I think gains could come at



any time during the week although the late week offers a more plausible case for gains. Nonetheless, there is a rising downside risk here that should not be ignored. Even if stocks happen to finish in the green this week – yes, it’s possible – the downside risk will grow next week. Overall, I think a retest of 9700 is possible this week although I am uncertain where the Nifty may finish. Perhaps stocks will finish closer to current levels at 9837.

Next week (Aug 28- Sep 1) looks mixed at best. Monday and Tuesday lean bearish on the Moon-Mars square. Some midweek upside is more likely but Friday again looks a bit difficult as Venus aligns with Saturn. Lower lows below 9700 are possible here. The first week of September looks bearish, especially in the early week as Mercury conjoins Mars on top of the location of the preceding solar eclipse. A rebound is more likely in the second half of the week. I think we could see more gains into mid to late September as Jupiter will strengthen as it changes signs and enters Libra. However, another pullback is likely in late September and into early October as Mars squares Saturn on 11<sup>th</sup> October. Significantly, Venus will enter Virgo around that time and that could further depress sentiment for much of October. If there is a bounce in October, it is likely to be quite mild. November could see more upside but higher highs are not at all assured. I think Q4 could end up being quite mixed since December and January look more bearish. Overall, 2018 looks more bearish than 2017.



**Technical Trends**

**Astrological Indicators**

**Target Range**

Short term trend is UP  
(1 week ending 25 August)

bearish (disconfirming)

9750-9850

Medium term trend is UP  
(1 month ending 25 September)

bearish (disconfirming)

9500-9800

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

bearish (disconfirming)

8000-9000

## Currencies

The Dollar edged higher last week after anxiety lessened over the stand-off with North Korea. The USDX finished the week at 93.36 while the Euro settled below 1.18. The Dollar continues to search for a bottom here as buyers are preventing any lower lows. US economic data remains modest at best but there is an ongoing debate about whether the Fed will hike rates at its December meeting. Perhaps Yellen will raise rates by default if for no other reason but to give the Fed more room to maneuver in the event of a slowdown. And yet the possibility that US tax reform may not get passed anytime soon could be another headwind for the greenback as the Trump pro-growth agenda gets derailed. The Dollar has made a decent start at a rebound although resistance is still just at 94. A close above that level would be bullish and could signal more upside to come. Bulls will try to defend support at 92.3 no matter what. Lower lows are the last thing the bulls need at this point after such a thoroughgoing decline over the past several months. It is worth remembering that a 50% retracement of this decline would take the Dollar back to 98 – roughly where the 200 DMA is located. This would likely be a reasonable place for any rallies to stop. The Euro appears to be encountering significant resistance here at 1.18 given the long term 200 WMA. Further gains above this line are possible in the short term but there could be more consolidation under this line in the weeks ahead. Consolidating to a higher low (1.13.-1.15) may be a better long term goal for Euro bulls.



This week could see further upside for the Dollar. Monday's eclipse occurs at 4 degrees of Leo and is in a difficult place in the Euro horoscope. I would think the first half of the week could see some Dollar gains with a retest of resistance of 94 quite likely. The late week could be more bearish, however, as Venus aligns with Uranus. Next week also could give a boost to the Dollar as Mars aligns with the Lunar Nodes early in the week. A sharp rise is somewhat more likely than would otherwise be the case. More upside is more likely than not in the first week of September as Mercury and Mars conjoin on the 4<sup>th</sup>. I think some consolidation is likely going into mid-September as Jupiter enters Libra. I would not expect a lower low, however. More gains are likely in late September and early October, and higher highs are quite possible. Nonetheless, I would not really expect a rally back up to the 200 DMA by this time. We shall see. October as a whole looks choppy while November could be more bullish. I think higher highs are more likely by December. Q1 2018 looks more bearish, however, so we could see the Dollar retest that key support level at 92 once again. The second half of 2018 could bring more upside once again.



**Technical Trends (Dollar)**

**Astrological Indicators**

**Target Range**

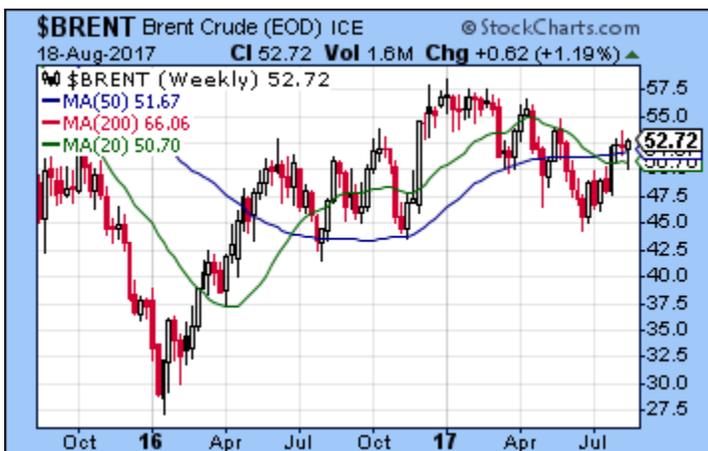
Short term trend is UP (1 week ending August 25)	bullish (confirming)	93-94
Medium term trend is DOWN (1 month ending Sep 25)	bullish (disconfirming)	94-96
Long term trend is UP (1 year ending August 2018)	bullish (confirming)	96-99

## Crude oil

Crude oil ended the week flat to slightly higher as Friday's news of a lower US rig count boosted prices. WTI actually slipped a bit closing below \$49 while Brent posted a small gain to just under \$53. I thought we might see more midweek gains and a WTI test of \$50, however, Dollar strength undercut any momentum. Thursday's low did tag the 50 DMA and offered bulls some confidence that the rally could resume. However, bulls still have a lot to prove as resistance at \$50 and the 200 DMA looms over the market. The sheer size of Friday's gain argues for more upside this week perhaps, and bulls can take comfort in the fact that strong resistance at \$50 should normally take several tries. In other words, last week's failure to break above resistance was not too surprising in the larger perspective. For now, the short term bullish rebound is intact as we have a series of higher highs and higher lows since June. A move below the 50 DMA would be trouble obviously, especially if it fell below \$45.50. But crude is fast approaching a make or break situation since the medium term trend is still bearish and as long as WTI remains below the May high of \$52. With only lower highs, any bounce becomes more susceptible to profit taking. The weekly Brent chart looks somewhat bullish also as last week's close finished above the 20 and 50 WMA. Last week's low of \$50 was tested three times and is therefore a significant support level. Any move below that level would spark some more selling.



This week looks less positive in the wake of Monday's solar eclipse. I'm not certain we will get a big move on Monday or Tuesday although it is possible. The late week looks more reliably bearish as Mercury approaches its conjunction with the Sun. While a decline is somewhat more likely this week, I'm uncertain of its size. For that reason, I would not be surprised by any sized decline. Next week leans more bearish given Wednesday's Moon-Saturn conjunction and the Mercury-Mars conjunction on Friday. A retest of the 50 DMA seems quite likely by that time, and we could see WTI fall below that level quite



easily. A bottom is possible in the first week of September as Jupiter prepares to change signs. This is often a bullish indicator. I am uncertain how much upside we should expect from this September rebound. It could be significant although it may not be enough to move much above \$50. It will depend on how deep any preceding retracement is. Late September and early October look bearish although a higher low seems more likely than not. The rest of October and November lean bullish although late November will likely see an end to the rebound rally. A significant correction is likely starting in December and January. Overall, the first half of 2018 looks fairly bearish.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending August 25)	bearish (disconfirming)	\$46-49
Medium term trend is UP (1 month ending Sep 25)	bullish (confirming)	\$46-52
Long term trend is DOWN (1 year ending August 2018)	bullish (disconfirming)	\$45-60

## Gold

Gold ended the week down slightly after the cooling off of the North Korea situation. Gold made an intraday high above 1300 on Thursday but finished Friday at 1291. This slightly bearish outcome was in line with expectations although I thought we might have seen a close above 1300 midweek. While we did see some upside on the midweek Venus-Jupiter alignment, gains were small. As expected, the early week and Friday were more negative. While bulls could not hold above 1300, the putting in of a higher low on Wednesday at 1275 was still evidence of strength. Bulls may have to take a couple of attempts at 1300 before they can force a close above it. The chart becomes somewhat more bearish only if there is a move below 1275 and the 20 DMA. This still wouldn't necessarily end the quest for 1300 but it would likely indicate a longer period of sideways consolidation.

From a longer term perspective, gold is looking more attractive as it is trading above its 200 DMA and the average itself is no longer trending lower. As long as gold can remain above 1200 or ideally above its 200 DMA, there will be more compelling reasons to buy it. At the same time, I



would think there could be a rush to the exits in the event of a sudden decline below those levels.

This week could bring some downside risk. That said, I do not have a strong sense of where gold will finish this week. Monday's eclipse is a wild card with larger than normal moves in either direction possible. I would lean bearish here in late August generally but I would not be surprised if we got a sharp rise early this week. The evidence simply isn't clear. The late week could see some downside, especially on Thursday's Mars-Saturn alignment.

Next week (Aug 28-Sep 1) looks more bearish as Mars approaches its conjunction with Mercury. While I had expected a significant retracement in late August, I wonder how significant it will prove to be. Gold is stronger than expected thus far, so we could end up only forming a higher low at or even above the 200 DMA at 1233. We shall see. Some gains are very likely in mid-September, perhaps starting on Sep 11 as Jupiter enters Libra that day. Gold remain fairly strong through the end of September and even into early October. More upside is possible in November although the influences look more mixed. Gold is likely to form an interim high in Q4, probably in November and then it will decline starting in December. Q1 2018 looks bearish and could produce a retest of key support such as 1200 or 1125. Gold may be more likely to stage a stronger rally 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 25)	bearish (disconfirming)	1270-1320
Medium term trend is UP (1 month ending Sep 25)	bearish (disconfirming)	1200-1300
Long term trend is DOWN (1 year ending August 2018)	bullish (disconfirming)	1200-1400

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