

Summary for week of 28 August 2017

- Stocks mixed this week with bearish bias
- Dollar may rebound this week
- Crude oil leans bearish this week
- Gold mixed but prone to profit taking this week

US Stocks

Stocks edged higher last week on rumors of GOP progress on tax reform and the absence of any major news out of the annual Jackson Hole conference. The Dow gained more than 100 points and closed at 21,813 while the S&P 500 finished at 2443. This bullish outcome was somewhat unexpected as I thought we would see more selling later in the week. While I did not rule out the possibility of a positive week, the absence of any big moves was disappointing given Monday's eclipse.

While the rebound interrupted the recent losing streak, markets appear more vulnerable as the quiet summer period ends and trading volumes rise. Washington remains a key source of worry for markets, especially after President Trump has threatened a government shutdown if Congress does not agree to fund the border wall with Mexico. The threat of a shutdown coincides with the debt ceiling debate as the Sep 29 deadline approaches. The debt ceiling talks usually create some level of uncertainty for markets but the Trump factor increases the potential for real problems. And to make matter more uncertain, Trump has recently been attacking more GOP Senators. It's unclear what Trump's strategy is here since he needs their support to secure wall funding. Perhaps he already knows he can't win on that issue and he is pre-emptively setting up scapegoats for his failure to deliver on a key campaign promise. While these DC problems could be avoided or at least eventually resolved, there remains a significant risk to markets.



In astrological terms, there is still considerable downside risk. This post-eclipse period could be marked by increased volatility. Mars will pass over the eclipse point at 4 degrees Leo on Sep 4-5. This could act as a potential trigger for market uncertainty, perhaps related to the actions of President Trump. I would also note that the last time there was an solar eclipse at 4 degrees of Leo was in August 1998 at the time of the Russian ruble crisis which saw US stocks fall 12%. This is admittedly fairly thin evidence but it is still worth our consideration. Debt ceiling and government shutdown difficulties in late September or early October also have a plausible correlation with the ongoing Saturn-Lunar Node alignment that lasts into October. As I have previously noted, this is a slow-moving but potentially potent alignment which is likely to coincide with some declines in financial markets.

The technical outlook remains bearish in the short term. Last week's gain was modest and stopped short of recapturing the 50 DMA and 2460. A falling channel is still in place so bears have the opportunity to take stocks lower this week. A close above Tuesday's high at 2455 would be more bullish and could convince bulls that the pullback low is in. But if the SPX cannot rise above 2455 or so this week, then the case grows for a bearish head and shoulders top pattern, albeit one that is upward sloping. If last Monday's low was a test of the rising neckline at 2405-2420, then it is also possible that a putative right shoulder could be formed by a move to 2460-2470. This would exceed the 50 DMA but would retain a measure of bearish vulnerability. For the moment, however, I think last week's bullish higher low is the most important takeaway and that still supports the view that this market belongs to the bulls until proven otherwise.

Breadth still remains a question mark as the Bullish Percent Index is in a bearish crossover of the 5/10 EMA. While some of its negative divergence was erased through its positive week, this indicator has yet to indicate that the rebound has any staying power. The weekly Dow chart is showing a sell signal as stochastics has fallen below the 80 line. This doesn't mean a major decline is imminent since a similar sell signal occurred in April during that small pullback. And yet it may not be unreasonable to expect more downside in the near term, at least down to the 20 WMA at 21,311. That sized pullback did in fact occur in April so we could easily see that over the next little while. Despite the sell signal, there is nothing in this chart that precludes more upside in either the short term of medium term. The powerful upward momentum in this chart argues for higher highs no matter how big a decline we may see over the next month or two. Meanwhile, bond yields fell again last week as Janet Yellen's speech did not hint at any further tightening. The market expects the unwinding of the QE balance sheet to be announced at the next Fed meeting on Sep 20. Currently, the odds of a December hike are less than 50%. It would take a significant strengthening in the economic data to move that modest rate hike expectation. The 10-year yield is therefore still testing support at 2.1%. A hard retest of that level could mark a double bottom from which rates would be more likely to rise rapidly. We shall see.



This week is hard to call given the mix of bullish short term influences and bearish medium term influences. I would lean bearish in any event, but there is a good chance for some up days at least. Monday's Mercury-Venus alignment is one such possible up day although we could easily see a decline also since Mars enters Leo over the weekend. A large move in either direction is also possible. Perhaps the morning is more bearish given the Moon-Mars square. Tuesday looks somewhat less bearish than Monday so a gain is possible here. Wednesday's Moon-Saturn conjunction looks a bit bearish although the alignment with Jupiter could indicate gains.

Thursday and Friday look more bearish as Mars approaches its conjunction to Mercury. This conjunction will not take place until next week but it is very possible we could see some fallout this week. With the mixed indications here we should be prepared to see either a test of resistance at 2470 or a test of support at 2420.

Next week (Sep 4-Sep 8) will be a short week due to Labor Day on Monday. The Mercury-Mars conjunction occurs on the eclipse point on Tuesday and Wednesday. This increases the probability of some downside although I should note that gains are possible on Tuesday as well given the Mercury-Uranus alignment. It's a powerful pattern. But overall, I would say there is an increasing likelihood of some declines here compared with the previous week. And yet, there is still the possibility that we may only end up testing support again at 2410. And I hate to admit, it is still possible we could see gains. I don't think it's likely but I cannot rule it out. Larger moves in either direction are also more likely.

The following week (Sep 11-15) could see some upside as Jupiter enters Libra on Tuesday the 12th. Venus also aligns with the Lunar Nodes this week so that could indicate a significant bounce. This is perhaps more likely in the event that we have seen some downside in the previous weeks. However, late September looks bearish again as Mercury aligns with Saturn on Sep 25. Mars then aspects Saturn on Oct 9 just as Venus enters the bearish sign of Virgo. While my general view was that this decline would be focused in August and September, we cannot rule out declines (also) taking place well into October. The Saturn-Lunar Node is still within range by mid-October and that could have a depressed effect on sentiment. A rebound is likely to begin in October in any event and carry over into late November. Higher highs are possible but I wonder if bulls will have enough time. December and January look more bearish again.



Technical Trends

Short term trend is UP
(1 week ending Sep 1)

Medium term trend is UP

Astrological Indicators

bearish (disconfirming)

bearish (disconfirming)

Target Range

SPX 2410-2450

SPX 2380-2450

(1 month ending Oct 1)

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

bearish (disconfirming)

SPX 1900-2200

Indian Stocks

Stocks enjoyed a modest gain in a holiday-shortened week on positive global cues. The Sensex closed the week 72 points to the good while the Nifty finished at 9857. This bullish outcome was somewhat unexpected although I had been fairly open-minded about where stocks might finish. As expected, the indices were lower in the early week on the Moon-Mars aspect and the eclipse although they did not fall enough to provide a hard test of support at 9700. The subsequent rebound therefore pushed stocks into positive territory for the week.

Markets are moving sideways for now as traders await any news from the annual Jackson Hole conference this weekend. It seems unlikely that Yellen or Draghi would risk saying anything of substance that could reveal the future course of central bank policy. For now, the Fed is likely committed to announcing its unwinding of its QE balance sheet in its Sep 20 meeting while the ECB is likely going to continue to gradually tighten although not without a lot of flexibility. While central banks have now clearly reversed course on their post-crisis accommodative stance, inflation is still subdued and even quite weak. The market has grown skeptical of all this interest rate normalization talk given the low inflation data in developed economies and now even in some developing economies. Bond yields are trending lower as data comes in under expectations while money continues to flow into equities. Any extended period of central bank liquidity will be beneficial for Indian stocks as FIIs seek higher returns.

The astrological outlook continues to argue against a strong rebound. As Saturn aligns with Rahu for the next six weeks or so, stocks are likely to remain under pressure. For this reason, it seems likely we will see lower lows



both in the short term and medium term. The next couple of weeks should offer the bears an opportunity to test and break 9700 as Mars conjoins Mercury atop the point of last week's solar eclipse in early Leo. While there are no guarantees that the Nifty will take a more significant decline, it seems more prudent to be cautious into early September. A rebound looks somewhat more likely in mid-September as Jupiter enters Libra and aligns with Uranus. However, late September and early October could bring more troubles for stocks as the Saturn-Rahu alignment tightens. As an added burden, Venus is due to enter bearish Virgo on 8 October where it will remain for four weeks. This is usually a bearish indication, even if the downside is modest. Nonetheless, the prospect for higher highs above 10,100 between now and November looks unlikely. And as long as the mid-September rebound is small, it is possible we could actually see a lower interim low in October.

The technical picture is mixed. The Nifty is trading in a narrowing range after last week's second test of support at the 50 DMA. Bulls can claim a small victory there as it was a higher low relative to 9700. Bulls will have to take the Nifty above resistance at 10,000 in order for markets to regain its upward momentum. Bears can rightly point to this extended test of the 50 DMA as a sign of weakness compared with previous tests of the 50 DMA. MACD looks like it wants to rebound at this point as it tries to climb out of negative territory. In the event of a break below support at 9700, the measured move downside target is near 9550. In the event of a deeper sell-off, the 200 DMA could serve as an entry point for long term bulls. This is approximately the same level as a 50% retracement of the rally since late 2016.

The weekly Sensex chart still looks vulnerable to further downside. Despite last week's gain, MACD is still in a bearish crossover and remains at a very lofty level. Stochastics is still in a bearish crossover and has yet to be oversold below the 20 line. Both of these indicators argue for more downside in the coming weeks. Horizontal support is near 31,000 with a measured move downside target of 30,000. In the event of a quick sell-off in the next couple of weeks, we could see buyers move in at either of these levels. Given the tense astrological alignments in the coming weeks, I would think 30,000 is doable and we could see something below that. A more thoroughgoing decline down to the 200 WMA at 26,553 may have to wait until 2018, however. Meanwhile, Infosys (INFY) staged a rebound as investors welcomed its new CEO. After falling further early in the week to test support just a bit above the early 2017 bottom, the stock jumped in late week trading. More upside is likely this week as the upward momentum plays out. Technically-inclined investors may be waiting to see if it can move above its July high before confirming a bullish bias to the chart. It remains trading in a zone of congestion around the three moving averages. For this reason, it could still reverse lower on the first bit of bad news. ICICI Bank (IBN) added to its rebound last week and is now within striking distance of its July high. However, it finished last week near some resistance at its early August high. As the 20 DMA begins to curl under the 50 DMA, bulls need to keep the rebound going. A move back under the moving average convergence would be bearish and would hasten the bearish crossover.



This week looks mixed but a bearish bias seems prudent as Mars enters Leo on Monday and conjoins with unpredictable Rahu. For this reason, the early week is more likely to move lower. Tuesday and Wednesday could be somewhat more positive, however, as the Sun aligns with Jupiter. Some late week downside looks likely although it may be confined to just one day, most likely on Friday as Mars approaches its conjunction with Mercury. The conjunction will not be exact until next week but there is some reason to expect some early manifestations. A more bullish scenario this week would see only a small decline Monday followed by a stronger bounce into midweek to perhaps the previous week's high of 9950. This would then be sold in the late week. While we cannot rule out a gain this week I would nonetheless lean towards a neutral or negative outcome. If the early week turns out to be very bearish (e.g. Monday) then it is even possible we could see a retest of support at 9700. That could be too much of a stretch for bears, however, so I would not necessarily bet on it.



Next week (Sep 4-8) has added downside risk as Mercury ends its retrograde cycle while conjunct with Mars. Moreover, this conjunction will occur on the same degree of the solar eclipse of 21 August. While this is not a certain bearish pattern, it still suggests there is a lot of energy available for the market with big moves possible. Some midweek gains are possible on the Sun-Venus-Neptune alignment. However, the late week is more of a question mark. Nonetheless, I think the week will be bearish. The following week (Sep 11-15) should see a rebound as Jupiter enters Libra on Tuesday the 12th. The upside could be substantial and may well last through two weeks.



At the moment, I don't think any mid-September rebound is likely to challenge the high at 10,100 on the Nifty. Late September looks bearish again as Mercury squares Saturn on the 25th. This more negative trend is likely to extend into October. Venus enters Virgo on 8 October just as Mars squares Saturn. There is a chance we could see lower lows by mid-October. A stronger rebound looks likely in late October and November with the possibility of a retest of the old high. December and January look bearish again. I do not have a clear sense of what the Q4 Nifty chart will look. Given the mix of rallies and declines, we could perhaps see it range bound. 2018 on the whole looks more bearish than 2017 with higher highs looking less likely.

Technical Trends

Short term trend is UP
(1 week ending 1 September)

Medium term trend is UP
(1 month ending 1 October)

Astrological Indicators

bearish (disconfirming)

bearish (disconfirming)

Target Range

9750-9850

9600-9800

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

bearish (disconfirming)

8000-9000

Currencies

The Dollar slumped again last week after Fed Chair Janet Yellen did not give any clear indications for further rate hikes. The USDX finished the week below 93 while the Euro pushed to new highs above 1.19. The Yen went sideways at 109 while the Rupee strengthened to below 64. I thought we might have seen more early week upside in the Dollar but it barely held its own. Friday's low retested the previous week's low as buyers came in to prevent further downside. Cautious bulls will likely prefer taking long positions here given the double bottom pattern. Of course, any move below 92.5 could signal much more downside as stop losses are triggered.

If we do see a bounce here, the immediate measured move upside target would be near 95.5. This would be above the 50 DMA and could alter the downward momentum in the Dollar. At the same time, the 200 DMA is now sloping downward so long positions become more speculative. A rally up to the 200 DMA at 98 is still quite likely in the coming months, but it is more likely to be sold. The weekly Euro chart is now trading above its long term 200 WMA. It's a bullish development to be sure as the Euro eventually approaches its own measured move upside target of 1.25. At this point, there is little reason for the Euro to reverse lower. The chart is bullish enough that dips will likely be bought for the foreseeable future.

This week offers a better chance for Dollar bulls, especially in the first half of the week. Mars conjoins the Lunar Nodes on Monday so that could boost the greenback. Given the favorable technical situation, there is an additional reason to think we should see some kind of a bounce. Tuesday and Wednesday look somewhat more bearish although the late week is again more positive. I think the chances are good for a net gain on the week. Next week could bring some big moves in currency markets as Mars conjoins Mercury. I would lean bullish here even if the midweek is bearish. A move up to the 50 DMA or above is quite possible. Some retracement is likely in mid-September on Jupiter's entry into Libra. This should favour the Euro. The Dollar looks like it will rebound in late September and early October. I would expect a stronger rally in October which should extend into



November. A test of the 200 DMA at 98 is a conservative upside target for Q4. The Dollar will likely retrace in Q1 2018 with a possible interim low in April or May. This could well be a lower low below 92 although I'm uncertain. A strong rebound is likely to begin in Q2.

Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Sep 1)	bullish (disconfirming)	93-94
Medium term trend is DOWN (1 month ending Oct 1)	bullish (disconfirming)	93-95
Long term trend is UP (1 year ending Sep 2018)	bullish (confirming)	96-99

Crude oil

Crude oil finished lower in choppy trading on stronger US supply data. WTI fell 2% on the week to below \$48 while Brent settled below \$52. This bearish outcome was in line with expectations as I thought Monday's eclipse was likely to weaken sentiment. We did see a decline on Monday although bears were unable to do further damage. The rest of the week saw WTI trade in a fairly narrow range. Bulls were unable to push above the previous week's high but bears were similarly unable to create a new low. The current pennant pattern therefore reflects indecision in the market. The short term view is somewhat more bullish perhaps although the longer WTI remains below its 200 DMA, the more vulnerable it may be to yet another decline. Current support levels at \$47 and the 50 DMA should be enough to keep bulls interested although any break down would be more problematic. The longer term view is more bearish as crude shows a series of lower highs and lower lows in 2017. The chart argues against a significant rally any time soon although any close above the July high would clearly change the bearish technical picture. The weekly Brent chart reflects the current weakness as the 20 WMA has crossed below the 50 WMA. And yet as long as the 2017 low is higher than the 2016 low, it remains a plausibly bullish reading of the long term trend.



This week also leans bearish. Gains are somewhat more likely on Monday but Tuesday looks more difficult. The midweek could see more upside as Jupiter aligns with Saturn and the Moon. The late week is harder to call as Mars approaches Mercury. This is a close bearish aspect but not quite exact so it is hard to say if its effects will be felt late in the week or next week. Nonetheless, there is an elevated risk of declines this week. That said, I would not be surprised to see crude oil post gains.

Next week (Sep 4-8) looks more difficult as Mars conjoins Mercury. Tuesday could see some upside but Wednesday's Sun-Neptune opposition looks bearish for crude. Friday could see a gain on the Sun-Venus alignment, however. Overall, there is a likelihood of one or two up days so we should not be overly bearish here. A test of the 50 DMA seems doable but beyond that it is hard to say. Mid-September looks more bullish as Jupiter enters Libra. Some kind of bounce is likely although I don't know how strong it will be. A retest of the 200 DMA is definitely possible. But late September and the first half of October look more bearish as Saturn forms alignments with the inner planets. A rebound should begin in the second half of October and extend into November. But the rally will likely run out of steam by late November as another retracement is likely in December. The first half of 2018 leans bearish although I am reluctant to call for substantially lower lows.



Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is DOWN (1 week ending Sep 1)	bearish (confirming)	\$46-49
Medium term trend is UP (1 month ending Oct 1)	bullish (confirming)	\$48-52
Long term trend is DOWN (1 year ending Sep 2018)	bullish (disconfirming)	\$45-60

Gold

Gold pushed higher last week after Fed Chair Janet Yellen delivered a fairly safe address to the annual Jackson Hole conference. Trading was within a narrow range as gold gained half a percent to 1297. I had been fairly neutral about last week given the uncertainty of the eclipse effects although I thought we might have got a bit more downside. The technical chart is looking more bullish these days after repeated tests of resistance at 1300. As a rule, the more tests of a particular level of resistance or support, the more likely that price will break that level. That seems to be the case here as gold has been knocking on the door of 1300 for two weeks now. This is a much longer period of testing resistance than in previous attempts in April and June. Also, the pattern of higher lows in August is also bullish and tips the scales towards the bulls. If there is a move above 1300, then the measured move target would be around 1325. In the event of a pullback, support is 1280. Any move below that level would negate the bullish pattern of higher lows. As the 200 DMA is leveling out and gradually turning positive, the bullish case for gold may be gathering more adherents. While the short and medium term outlooks for gold are somewhat positive, the longer term view remains unclear. Gold has traded sideways for several years now after breaking key support at 1500. Bulls may see the chart as forming a long term bottom while bears see the inability of gold to recapture 1500 as a sign of its ongoing weakness.



This week leans a bit bearish as Mars approaches its conjunction with Mercury later in the week. This is not a high probability bearish pairing but bulls should be cautious here. The early week could bring some upside, however. I would not necessarily expect a big move lower but the planets do not look overly positive. My general expectation is that gold is vulnerable to pullbacks for the next two weeks or so. Then it will be move into a better position for another rally attempt, quite possible one that takes it over 1300. The rally should extend through October and possibly into November. Higher highs look like the most likely outcome here.

Next week (Sep 4-8) looks more bearish as Mercury conjoins Mars over the eclipse point. Larger than normal moves are more likely during this week.. The following week (Sep 11-15) looks more positive as Jupiter enters Libra. If gold doesn't move above 1300 in August, then this is the time when it could do so. Late September could be somewhat choppy on the Saturn-Node influence but I would expect a move higher to begin by October. Gold may move to higher highs by the first half of November with this rally. However, gold should peak sometime in November as bearish Saturn enters Sagittarius. This could begin a significant correction in gold that lasts into January 2018. We could well see a retest of 1200 sometime in Q1. Gold could strengthen in the second half of 2018.

Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Sep 1)	bearish (disconfirming)	1270-1320
Medium term trend is UP (1 month ending Oct 1)	bearish (disconfirming)	1250-1300
Long term trend is DOWN (1 year ending Sep 2018)	bullish (disconfirming)	1200-1400

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