

Summary for week of 7 August 2017

- Stocks more prone to declines, especially early and late in week
- Dollar could extend rebound this week
- Crude oil could move higher this week
- Gold could rise this week, but with rising downside risk

US Stocks

Stocks drifted higher last week on more encouraging earnings reports and Friday's fairly strong jobs report. The blue chips outperformed the rest of the market as the Dow rose 1% to another record high at 22,092 while the S&P 500 finished just fractionally higher at 2476. The Nasdaq and Russell 2000 were lower on the week, however. This mixed picture was in line with expectations as I thought we could see some midweek gains on the Venus alignment with Jupiter and Pluto. As expected, Monday did see some modest profit taking and the late week was also more prone to some selling on the Mars-Node alignment. As usual, however, the selling was restrained.

It's the summer doldrums now as more traders go on holiday and volumes ebb. Perhaps it is not surprising that the market continues to melt higher in the absence of any compelling reason to sell. The White House reality show still hasn't degenerated enough to threaten the economy. And Apple's earnings beat last week provided enough fuel to take the market higher. Friday's jobs report may have increased the likelihood of a Fed rate hike this year, but it did not produce a major move in bond yields. So the bull market is as powerful as ever as some commentators wonder if we have entered a "new normal" where overstretched valuations are irrelevant. Certainly, this extended period of easy money and near-zero interest rates could go on indefinitely as central banks hone their policies. No matter how debt-dependent the current asset bubble may be, central banks will do "whatever it takes", to use Mario Draghi's famous phrase, to keep economies afloat. If the Fed is faced with a new recession, and there is less room to cut



rates, the Fed may simply engage in more radical stimulus measures, such as buying stocks directly. In other words, the Yellen “put” is still a key part of this game.

Now that August is upon us, I would think we will start to see an increase in volatility. I had previously suggested that the August-September period featured several patterns which were more likely to correlate with declines. With the last obvious Jupiter alignment now out of the way for a while, the bulls may be looking over their shoulder more frequently as the clock begins to run down. Bearish Saturn looks more likely to predominate here as its direct station on August 25th occurs just four days after a potentially important solar eclipse. This eclipse occurs across the continental US (the first one to do so since June 1918) and is receiving a lot of media attention, both in terms of viewing possibilities and interestingly also for its possible symbolic importance. The current chaotic state of US politics may be one reason why many Americans may be more fearful of eclipses. I don’t think all eclipses are necessarily harbingers of doom and their relationship with market performance is mixed at best. On this occasion, however, we should note that the eclipse occurs in close proximity with malefic planets. Saturn will be active as we know but Mars as well will be a few degrees behind the eclipse points, both for the lunar eclipse this Monday the 7th and the solar eclipse on the 21st. These negative alignments increase the likelihood of declines in the stock market as uncertainty and disruption are more likely.

The technical picture is bullish although there are more signs of narrowing breadth to the rally. The Dow hit new highs but other indexes did not follow suit. The SPX is hesitating under resistance here at 2500. This is not bearish in itself as some period of hesitation or consolidation under resistance is totally normal during rallies. Support is near 2460 with a lower level of support at 2400-2410. The bears may choose to focus on the bearish crossover in MACD which could indicate lower prices ahead. Stochastics has also fallen below the 80 line in a bearish crossover.

But the more worrying sign for the market is narrowing breadth. The Nasdaq and Russell 2000 were both lower last week and their charts look weaker than the blue chips. For its part, the German DAX has been in a down trend for the past month. And the Bullish Percent Index suffered a significant decline last week despite a positive finish for the SPX as a whole. There are fewer stocks participating in the rally now as money is being increasingly funneled into momentum plays. The weekly Dow chart is quite overbought with RSI now at 79 and stochastics at 97. It could go higher, of course, but over the medium term, a pullback and possible correction look more and more likely. Trendline resistance will be reached soon, perhaps at 22,500. While a correction looks more likely than significantly higher highs, the powerful momentum of this chart suggests that any correction will be a buying opportunity. Unless the chart suffers significant technical damage in a correction, higher highs are more likely than not down the road.

Meanwhile, the bond market continued to bide its time as yields were flat last week. Yields on the 10-year did rise Friday but it remains well within its recent trading range near the 50 and 200 DMA. Former Fed Chair Alan Greenspan warned last week of the end of the 30-year bull market in bonds as he suggested that yields were set to



rise, perhaps sharply. The stock market could take a modest rise in yields in stride but a sharper move above the previous high of 2.6% would set off alarm bells.

This week is likely to see an increase in volatility. Monday's lunar eclipse is a key factor in that respect. Some downside is therefore more likely on Monday or Tuesday. There is an elevated risk of a larger decline here (>1%) although given recent bullish patterns, I am not holding my breath for that kind of pullback. Still, it's possible. A test of immediate support at 2460 would seem quite doable at least. The midweek Mercury-Venus alignment should bring some upside, presumably a bounce after some early week selling. I would not really expect higher highs this week, although the Dow is a possible exception on that score. There is some bearish possibility on Friday and into early next week as Mars conjoins the eclipse point at 21 Cancer. In actuality, the Mars conjunction occurs over the weekend, so it's possible stocks could avoid the worse of it. Nonetheless, I would think Friday leans bearish in any event. Overall, I would expect a down week here.



Next week (Aug 14-18) could start off on a bearish note as Mercury begins its retrograde period in a partial alignment with Saturn and Venus aligns with Mars. Some upside is still likely into Wednesday and the Venus-Jupiter alignment, however. The late week looks less positive as Venus aligns with Saturn. Higher highs look unlikely here, although I am reluctant to forecast a strongly bearish week either. The following week (Aug 21-25) will feature Monday afternoon's eclipse across the US. While Monday itself carries a downside risk, I'm not convinced we will see a big move either way on that day. The declines are more likely to occur later in the week and the following week as we move into September. The higher risk period will extend into the first week of September after Labor Day. It is difficult to estimate the size of the decline. The alignments look quite significant but it may only result in a pullback to the 200 DMA at 2330. It could be greater than that but it's hard to say with confidence. The rally should resume in the second half of September or early October and continue into November. Higher highs are possible in Q4 but a lot will depend on the size of any preceding decline. 2018 looks mixed at best.



Technical Trends

Astrological Indicators

Target Range

Short term trend is UP
(1 week ending August 11)

bearish (disconfirming)

SPX 2420-2460

Medium term trend is UP

bearish (disconfirming)

SPX 2250-2350

(1 month ending Sep 11)

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

bearish (disconfirming)

SPX 1900-2200

Indian Stocks

Stocks pushed higher last week as the RBI delivered the much-anticipated 25 bps rate cut. The Sensex added just 16 points to 32,325 while the Nifty enjoyed broader gains finishing at 10,066. This slightly bullish outcome was not unexpected as I had been fairly neutral on the week. We did see gains into midweek ahead of the rate cut after which investors sold the news.

As we begin the month of August, the rally looks more vulnerable to some kind of pullback. Upward momentum has been fueled by strong domestic and foreign growth as the EU is showing more signs of revival. In addition, the retreat in the US Dollar has slowed the rate of interest rate hikes and compelled FII to again seek better returns in emerging markets. Indian stocks are therefore likely to continue to make record highs as long as the low global interest rate regime remains intact and bond yields do not provide an attractive alternative. However, former Fed Chair Alan Greenspan last week warned of the imminent end to the bull market in bonds and that yields were likely to rise fairly soon. He noted that rising yields would likely cause problems for global stock markets as higher yields would eventually draw money out of equities. At present, that risk looks unlikely in the near term as growth looks too modest to warrant any steep rate hikes in the US or Europe.



The planetary alignments in August suggest that some kind of interruption of the current status quo is quite likely. As I have noted previously, Saturn is more prominent in August and September through its close alignment with Rahu, the North Lunar Node. Saturn is also due to station direct on 25th August and that could correspond either with a time of volatility in the market or with a significant reversal lower. Jupiter has completed its alignment with Pluto last week, so there may be less bullish energy available. This simultaneous increase in Saturn and

reduction of Jupiter energy is good reason to expect some kind of pullback or consolidation in the coming weeks. Besides Saturn and Rahu, August also features a lunar and solar eclipse. The lunar eclipse is due this Monday the 7th, while a total solar eclipse will occur over the US on Monday the 21st. Eclipses are traditionally associated with negative events and uncertainty, although they do not always cause problems for markets. This time, however, the unstable eclipse energy occurs during a time when malefic planets like Saturn are more likely to dominate collective sentiment. In that sense, the eclipse could act as a catalyst for sudden events and disruptions to the status quo. While some of these alignments are fairly unusual, I am cautious about forecasting a major correction just yet. Some kind of pullback is very likely by mid-September but I am uncertain about whether it will be a full-blown 10% correction. And since the size of this imminent pullback is unclear, we must allow for the possibility of higher highs in Q4.

The technical picture remains very bullish. The Nifty has pushed above 10,000 for the first time in its history. The rally is due for some consolidation as prices are stretched well above the 200 DMA. Typically, the market is more likely to correct when prices move more than 10% above the 200 DMA. Certainly, the daily chart as been overbought and is now showing signs of breaking down. MACD is now in a bearish crossover and stochastics is flashing a sell signal as it has fallen below the 80 line. Obviously, these indicators do not guarantee more downside but given where the Nifty is near round number resistance, there is a reasonable case to be made for a pullback in the near term.

Wednesday's intraday high is resistance at 10,137 and that also matches the rising channel resistance. Bulls will have to defend 10,000 as immediate support. A move below 10,000 could suggest a tagging of the 20 DMA at 9946. If the 20 DMA is violated, then a measured move downside target could be 9863. The weekly Sensex chart is very overbought here as RSI at 78 keeps moving higher. There is no reason why it couldn't go higher still before a correction but the odds are rising for a correction that negates this overbought condition. Significantly, stochastics has begun a bearish crossover but has yet to fall below the 80 line. In fact, it has remained above the 80 line since February. While no sell signal is perfect, any move below the 80 line in the coming weeks should be taken seriously as a possible indication of an imminent correction. Meanwhile, ICICI Bank (IBN) fell on profit taking last week. The chart is still bullish but it is currently sitting on a key horizontal support level. Any move below current levels would likely mean a test of the 50 DMA and quite possibly a break below that line. Infosys (INFY) ended the week unchanged after a failed push higher. Bulls are likely encountering a lot of overhead resistance at current levels but the recent series of higher lows still suggests that there could be more upside to come. Support from the 50 and 200 WMA may be helpful in that sense.



This week looks more negative. Monday's lunar eclipse is likely to bring some downside early in the week. Monday looks more bearish than Tuesday although I would not be surprised if we saw declines on both days. Some upside is also likely this week, probably at midweek on the Venus-Mercury alignment. This could increase the chances for gains on Wednesday and Thursday. Friday looks like a toss-up. More upside is very possible but there is a rising risk of some declines also as Mars approaches Monday's eclipse point. It seems more likely that the fallout from this Mars transit will take place the following Monday the 14th but I would not rule out a decline here. If the early week is negative as I expect, it is possible we could see a sizable decline in the early week. I would say the chances are good for a close below 10,000. Any subsequent mid to late week bounce may be less likely to make a higher high. I won't be shocked if we do get a higher high, but it seems less likely this week. In fact, a net decline looks more likely than not.



Next week (Aug 14-18) should start off bearish on Monday as Mars aligns with the Moon and Venus. Again, the presence of Mars here could mean a sizable decline, perhaps more than 1%. After Tuesday's holiday closing, some midweek gains are likely as Venus aligns with Jupiter. Friday looks uncertain as Venus aligns with Saturn. I would be neutral for the week overall given the mix of influences here. The following week (Aug 21-25) brings the double whammy of the eclipse on the 21st and the Saturn station on Friday the 25th. I would lean bearish here, with larger moves somewhat more likely. The late week looks more bearish than the early week. Early September is likely to see more downside as Mars transits over the point of the solar eclipse around the 4th. I would expect lower lows in early September. It is possible we could see a testing of the 50 DMA (9746) by this time. A bounce in mid-September is quite possible, however, this should produce a lower high. Another bearish phase is likely in late September and early October. At this point, I am unsure if we will see lower lows by early October. A stronger rebound looks likely to begin in October and continue into November. Another pullback or correction is likely in December-January. 2018 looks less bullish than 2017 so higher highs could be more difficult to reach and in fact some downside is possible. 2019 seems more bullish, however.



Technical Trends

Short term trend is UP
(1 week ending 11 August)

Medium term trend is UP
(1 month ending 11 September)

Astrological Indicators

bearish (disconfirming)

bearish (disconfirming)

Target Range

9950-10,000

9500-9700

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

bearish (disconfirming)

8000-9000

Currencies

The Dollar finally bounced last week after Friday's jobs report boosted the chances of a rate hike. The USD ended the week at 93.42 while the Euro also finished modestly higher just below 1.18. The Yen moved sideways at 110 while the Rupee strengthened after the RBI cut. The recovery in the greenback was not unexpected as I thought we would likely see some upside by midweek. The Dollar may be attempting to rally here although it would have to test the 20 DMA at 94 to even begin to make a case that this is anything but a doomed bear market rally. Of course, there is considerable horizontal support at 92-94 so the bullish case for the Dollar makes some sense, at least for a short term pop. If the rebound is longer, then a 50% retracement of the decline is possible which would be to the 97-98 area. This would be a little below the 200 DMA and may be a reasonable target for any rally, even within the context of a down trend. The weekly Euro chart shows a powerful up trend. While there is an upside target of 1.25 in the Euro, last week's gravestone candlestick could be a signal of an imminent reversal lower. Coincidentally, last week saw the tagging of the long term 200 WMA. This is another reason why we could see some consolidation in the near future. Key support is at 114-115.



The Dollar could extend its gains this week. Monday's lunar eclipse looks broadly bullish as does the midweek Mercury-Venus alignment. While some late week retracement is possible, I would lean bullish for the week. Next week (Aug 14-18) also looks bullish and could lift the Dollar back above the 20 DMA. Late August and early September could see a brief increase in volatility, so a retest of 92 is still possible. However, September and October look more bullish overall as Saturn aligns with the Lunar Nodes. I would expect the rebound to gain some traction and perhaps even recapture the 200 DMA at 99. We shall see. The Dollar is likely to form an interim high in late November or December and extend into Q1 2018. This could well involve a retest of the Q3 low (92?). Another major rally is likely in Q2 and Q3 which should boost the Dollar above its 200 DMA and perhaps even retest its recent highs of 102-104.



Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending August 11)	bullish (disconfirming)	93-94
Medium term trend is DOWN (1 month ending Sep 11)	bullish (disconfirming)	94-96
Long term trend is UP (1 year ending August 2018)	bullish (confirming)	96-99

Crude oil

Crude went mostly sideways last week as traders waited for clarity in the Venezuela political situation. WTI finished the week slightly lower just below \$50 while Brent remained above \$52. This neutral outcome was somewhat unexpected as I thought we could see more upside especially in the second half of the week. Monday saw the bulls force a close above \$50 but they were unable to hold onto that level. Crude is at a key inflection point as the 200 DMA is providing significant resistance. Support is likely at \$48 so any move below that level would spell trouble for WTI and a possible retest of the previous low at \$46. While the rebound has been strong, the overall pattern in the chart is still bearish as we have a series of lower highs. The fact that WTI has not clearly broken above the falling trend line is also reason for bears to be skeptical. However, a move above \$50 is still not immediately necessary for the bullish view as long as price can avoid any sharp declines. A sideways consolidation would help prepare the bulls for the next move higher. The weekly Brent chart still looks slightly bullish as price remains above the 20 and 50 WMA. The longer price can remain above these lines, the better the case for the bulls in the medium term.



This week leans bullish. The early week is a question mark, however, as Monday's lunar eclipse could signal some volatility. Some downside is therefore somewhat more likely on Monday. However, the midweek Sun-Jupiter alignment looks more positive so that should boost sentiment into Thursday at least. Friday is somewhat mixed. Overall, I would think the chances are again fairly good for a close above \$50 and a positive week even if Monday is negative.

Next week (Aug 14-18) also could bring more upside as Venus aligns with Jupiter on Wednesday.

The early week could be bearish, however, whatever upside there is here may be offset. Nonetheless, higher highs (\$52?) are possible. Late August and early September look bearish as Saturn aligns with the Lunar Nodes. A significant correction is possible at this time, and we cannot rule out a retest of the lows of \$42. A rebound should begin by mid-September and continue into October. A retest of \$54 is quite likely in October or November with higher highs also possible. I would lean bullish overall for Q4. A significant correction is likely to begin in Q1 2018, with the bulk of the decline occurring in February-March.



Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending August 11)	bullish (confirming)	\$50-52
Medium term trend is UP (1 month ending Sep 11)	bearish (disconfirming)	\$42-46
Long term trend is DOWN (1 year ending August 2018)	bullish (disconfirming)	\$45-60

Gold

Gold slipped last week as Friday's strong jobs report hinted at more Fed tightening. Gold fell almost 1% on the week to 1264. This bearish outcome was unexpected as I thought we could see some midweek gains. Instead we only saw a rise on Tuesday to resistance at 1280 before sellers moved in. Friday's sell-off was significant as it provided evidence that the interim high could be in place for now. The inability of the bulls to push above 1280 was a sign of caution. Support is now at 1250-1260 near the 50 DMA. If gold can hold above that level, then bulls may be able to launch another rally to retake 1280 and perhaps go higher. The moving averages have converged here and underline the importance of the current level. A sustained move above or below these averages would likely indicate the direction of the next major move. Given the Dollar's down trend, gold is perhaps even weaker than its chart would suggest. Usually, gold prices are inversely correlated with the US Dollar but it has barely moved since the Dollar's peak in March. Gold is trapped in a trading range between 1200 and 1300 as investors await to see which level breaks first. A move above 1300 would be bullish and could indicate a stronger rally ahead. Obviously, any break of support at 1200 would be quite bearish and could suggest an eventual retest of the 2015 low of 1050.



This week looks mixed but with rising downside risk. Monday's lunar eclipse looks like it may create some added downside risk although it is not a high probability bearish alignment. Some midweek gains are more likely on the Mercury-Venus alignment. But the late week alignment of Mars and Venus could be difficult. If Monday's eclipse is a non-event, then it is possible gold could finish somewhat higher this week. I would still advise caution for bulls, however, as August as a whole seems bearish. I'm not sure if we've seen the high in this current bounce but certainly that's possible.

Next week (Aug 14-18) looks bearish to start as the Moon aligns with Mars. Some midweek gains are likely as Venus aligns with Jupiter on Wednesday. I'm agnostic on where gold finishes here. The rest of August looks bearish and I would retain a bearish bias into mid-September as Saturn aligns with the Lunar Nodes and the Sun. I would think a retest of 1200 is very doable by that time, and we could well fall below that level. A rebound is likely in late September on the Jupiter-Uranus alignment which could begin a rally that lasts into October. Q4 should be fairly bullish for gold although I am uncertain whether it can move above 1300. Perhaps not. The first half of 2018 looks somewhat bearish with a rebound looking more likely in the second half.

Technical Trends	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Aug 11)	bullish (disconfirming)	1250-1270
Medium term trend is UP (1 month ending Sep 11)	bearish (disconfirming)	1160-1220
Long term trend is DOWN (1 year ending August 2018)	bullish (disconfirming)	1250-1400

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