

## Summary for week of 16 October 2017

- Stocks likely to push higher, especially early
- Dollar could retrace further
- Crude oil may extend gains this week
- Gold with bullish bias this week, especially in first half

### US Stocks

The melt-up in stocks continued for another week as growth prospects offset any worries about weak inflation data. The Dow added 100 points to 22,871 while the S&P 500 finished slightly higher at 2553. The absence of any real selling was puzzling as I thought that at least one of the planetary patterns might have delivered for the bears. It's possible there may be a delayed manifestation of some of these influences although it's also possible we may have to wait a few more weeks before any major pullback to take place.

Last week's release of the Fed minutes from September underscored its division on inflation and the proper rate to normalize rates. For now, the market has fully priced in a December hike but perhaps only one hike in 2018. If inflation continues to underwhelm, there could be a decision to slow the reduction of its balance sheet assets. It's unclear how equities would react to such a move since more liquidity has been good for stocks although the possibility of slower economic growth would likely be seen as more generally bearish. Despite my expectations that the presidency of Donald Trump would be sufficiently chaotic to dampen economic confidence, it seems that the promise of big tax cuts and deregulation continue to beguile investors as the Trump rally is still very much intact. Obviously, failure to deliver on these promises would force the market to sell-off but until such failure becomes inevitable, hope will spring eternal. I suspect the market will remain patient well into 2018 for his program to be put into place. As long as legislative progress is being made, stocks will likely remain buoyant.



The astrological outlook still argues for caution in October. Of course, I have been wrong so far as the Saturn-Lunar Node and Mars-Saturn alignment have produced no downside at all. Clearly, I am missing some other bullish factors which are distorting the more typical effects of these patterns. The transit of Venus through Virgo lasts four weeks and is also a bearish influence so that could dampen or even offset any further upside for the rest of the month. We still have the entry of bearish Saturn into Sagittarius on 25 October to consider and hence I would be reluctant to endorse this rally. Bulls may have to become more nimble as we enter November. While more upside is likely in the first half of the month, the second half again leans bearish.

The technical outlook remains clearly bullish on all time frames. The SPX may be forming a bearish rising wedge in recent days so that could offer some hope to bears. Resistance from this pattern is at 2560 so there is some prospect for downside in the coming days, however modest. The longer term rising channel has greater upside resistance at 2600 so dedicated bulls may be looking for ways to make some gains up to that level. Immediate support from the rising wedge is near the 20 DMA at 2525 and if that is broken, then the rising channel support is 2425. That channel support is coming closer to the 200 DMA at 2403. But there is no time indication when a retest of this line will come.

The daily SPX is overbought on all time frames but this is a situation that can persist for some time. However, we should note that the rally narrowed last week as the Bullish Percent Index actually declined despite higher highs on the indexes. A bearish crossover is at hand and would greatly strengthen the bearish case for a pullback if it came to pass. The weekly Dow chart is as overbought as ever with stochastics at 98 and RSI at 77. Momentum is a powerful thing but bulls may have to recalibrate their risk/reward ratios at these levels. Of course, any pullback here will be seen as a buying opportunity so we should see a strong bounce. And yet the nature of the bounce will tell the tale about how much technical damage the bull market can suffer without undermining its foundation. A move down to the 20 WMA at 21,848 looks fairly likely in the coming weeks and this dip will likely be bought. Meanwhile, yields fell sharply last week after Friday's inflation disappointment. After a test of the falling trend line on the 10-year, it seems that bonds are still capable of rallying no matter how much the Fed promises to normalize rates and lighten its balance sheet. Clearly, the bond market is more pessimistic about the economy as investors are not expecting inflation and growth to catch fire any time soon. We could see some support at the 50 DMA at 2.22% but it looks like US Treasuries remain the safe haven of choice.



This week looks mixed with a bullish bias. The early week Mercury-Jupiter conjunction looks fairly bullish and could coincide with more upside. Tuesday looks like the most bullish day as the Moon also conjoins Venus. But once these bullish patterns separate on Wednesday, I would think the market could become more prone to declines. Given the strength of the rally, this may not amount to much downside but the planets at least make a case for some kind of retracement from Wednesday on. Thursday's New Moon could be an important trend reversal day. It actually looks bullish given the alignment with Uranus but the risk of selling on Friday would increase if Thursday proved to be positive. While we could see some sellers creep into the market here as Venus weakens in Virgo, it does not look overly negative. I would expect the bulls to at least be able to push to higher highs early in the week but I'm uncertain how far they could go.



Next week (Oct 23-27) looks more bearish as Saturn enters sidereal Sagittarius on Wednesday the 25<sup>th</sup>. These Saturn sign changes are often bearish although their effects are usually only felt for one day around the time of the sign change. Nonetheless, it could be a significant (e.g. >1%) decline. I would expect the early week to lean a bit bullish but perhaps not to the point of producing higher highs. After Wednesday, the market is more likely to fall. But given how strong stocks have been that may only mean a test of the 20 DMA at 2530, if that. Clearly, the bears will have their work cut out for them and it will take several weeks to change the direction of this runaway Trump bull market.



The following week (Oct 30-Nov 3) looks mixed. The early part of the week leans a bit bullish but not strongly as Venus aligns with Mercury and the Lunar Nodes but the midweek may be uncertain. The late week looks more bullish as Venus enters Libra on Thursday. I would consider this to be a bullish influence that could give the bulls the opportunity to rebound if there is any preceding decline. Early November leans bullish and it is very possible we could see higher highs, assuming October only brings a modest decline. November will gradually tilt towards the bears, first after the Venus-Jupiter conjunction on Nov 13 and then the Mars-Lunar Node aspect on Nov 20. Early December should be quite bearish on the Mercury-Saturn conjunction. A decent pullback is therefore quite likely by Dec 10. It could be significant and test 2425 or even 2403, although I am now more reluctant to call for that kind of decline given the failure of some of these recent aspects to deliver for the bears. A Santa Claus rally is quite possible but it may end up producing a lower high and then January could be bearish again. Lower lows are therefore a plausible outcome in early 2018. Let's see how much strength the bears will have. The first half of 2018 is likely to be fairly bearish with still lower lows possible but a significant rebound will occur in the second half.

**Technical Trends**

Short term trend is UP  
(1 week ending Oct 20)

**Astrological Indicators**

bullish (confirming)

**Target Range**

SPX 2540-2570

Medium term trend is UP  
(1 month ending Nov 20)

bullish (confirming)

SPX 2530-2600

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

bearish (disconfirming)

SPX 2100-2400

## Indian Stocks

Stocks extended their rebound last week on lower inflation data and positive global cues. The Sensex gained 2% on the week to 32,432 while the Nifty traded above its previous record high and finished at 10,167. This bullish outcome was unexpected as I thought we would see more downside from the Mars-Saturn aspect and the entry of Venus into Virgo.

Currently, the macroeconomic picture looks favourable for equities as both domestic and global growth prospects are solid. The usual array of potential trouble spots do exist but they do not present any imminent threat to the market. 'Steady as she goes' is what bulls are hoping for as any sudden changes to the financial status quo are likely to upset the apple cart. With global earnings and growth quite positive, central bankers are committed to raising rates at a slow but consistent basis. Friday's low inflation print in the US gave some investors pause as the bond market remains somewhat skeptical of the Fed's drive to rate normalization. This is possibly due to the bond market's more pessimistic view of the effects of the withdrawal of the removal of liquidity. It may also reflect an elevated sense of caution regarding the US political sphere and the Trump administration's ability to enact a radical tax cut that so many on Wall Street have been hoping for. As usual, however, equity markets are more optimistic than bond markets.



The astrological outlook looks mixed. I had thought we would see more downside in the month of October. That seems less likely now given the new high in the Nifty. However, there are still some difficult influences for bulls to contend with. Not only is Venus going to be weakened during its transit of Virgo for the next three-plus weeks but Saturn will enter Sagittarius on 25<sup>th</sup> October. However, the absence of any declines last week suggests that pullbacks during the rest of October could be fairly small. Therefore, it is possible that the rallies could be

sufficient to produce higher highs as we head into November. That means that bears seeking a larger pullback may have to wait until the next major negative alignment of planets in December-January.

The technical outlook looks more bullish. The new high on the Nifty suggested a possible breakout of the recent range between 9700 and 10,150. A possible measured move upside target of this breakout would be 10,600. Channel resistance from this year's rally would come to a similar level, perhaps closer to 10,500. Bulls will try to defend 10,100 in the event of a pullback early this week. Any move back into the previous range would be more bearish obviously, although I would think some consolidation down to around 10,000 is still possible and would not necessarily harm the upward momentum. The convergence of the 20 and 50 DMA at 10,000 is another reason why we could see a retest of that support level in the coming days.

Friday's up move was strong enough to suggest at least some additional upside in the near term even if it doesn't prove durable. Only a decline below 10,000 would truly nullify the breakout and would signal a false breakout and return to the previous trading range of 9700-10,150. One reason for skepticism is that breakout hasn't yet been confirmed on the Sensex. Friday's close was the highest weekly close but the intraday levels were slightly lower than previous highs. Support is therefore still at 31,000 and MACD remains in a bearish crossover. Marginally higher highs are possible within a bearish crossover in MACD. This would indicate significantly slowed upward momentum and the rising risk of a full-blown correction. Meanwhile, ICICI Bank (IBN) finally rallied after bouncing strongly off support and the 200 DMA. Although the late week gain was large, the bounce was fairly predictable in technical terms. Key overhead resistance will be the August low so any move above that level would likely indicate that the rally could challenge the July high. If the bounce weakens, then we could see a retest of support and the 200 DMA. But for now, the bounce looks big enough that there should be some upside follow through. Similarly, HDFC Bank (HDB) also rallied strongly last week and is now retesting its all time highs. The chart looks bullish unless proven otherwise.

This week is shortened due to Diwali and leans bullish. The early week Mercury-Jupiter conjunction offers the bulls a reasonable shot are more upside. There is a good chance for further gains across Monday and Tuesday. Wednesday looks less bullish but overall I think the three trading days this week could be positive even if we get a down day mixed in. This suggests the odds are good that the Sensex will follow the Nifty to new intraday highs and most likely also higher highs on a closing basis. The late week



looks more vulnerable to declines in the wake of Thursday's Sun-Moon-Uranus alignment so investors may have to play catch up next week given the holiday closing. A retest of 10,100 is possible here on Monday but I would think there will be a push to 10,200 and above. If in fact we get higher highs here in October, then pullbacks from the various bearish alignments are more likely to only test support rather than breaking it. Thus, the bull market is looking more likely to last into November.

Next week (Oct 23-27) looks more vulnerable to declines as Saturn enters Sagittarius on Wednesday the 25<sup>th</sup>. Saturn sign changes are often correlated with down days, although they may only last one day. And another caveat is that their associated declines could also arrive a day ahead or behind their exact sign change. Monday leans bearish on the Sun-Mars alignment, although Tuesday could bring recovery. The late week may be more the focus of the selling. I would not expect a large decline here in any event and support should hold, whether it is at 10,000 or 10,100. The following week (Oct 30-Nov 2) looks more bullish, especially in the first half of the week as Venus aligns with Mercury. Thursday may be bearish but gains are more likely on Friday as Venus enters Libra that day. If the preceding week turns out to be bearish, then a retesting of the highs is possible here. I would expect the bullish bias to continue into about mid-November. The Venus-Jupiter conjunction on 13 Nov is one possible interim top and then the Mars-Rahu alignment on 20 Nov is another potential reversal point. The Mercury retrograde station on 3 December is another source of uncertainty and is likely to correlate with some downside. A pullback of some size is likely to occur between December and January. Depending on how high it climbs beforehand, it is possible we could still see a test of the 200 DMA (now at 9361) sometime in early 2018. The first half of 2018 looks more bearish with lower lows very possible by April-May. The second half of 2018 should bring a significant rebound, however.



**Technical Trends**

**Astrological Indicators**

**Target Range**

Short term trend is UP  
(1 week ending 20 October)

bullish (confirming)

10,100-10,300

Medium term trend is UP  
(1 month ending 20 November)

bullish (confirming)

10,000-10,600

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

bearish (disconfirming)

8000-10,000

## Currencies

The Dollar fell last week as investors grew more skeptical about the possibility of multiple rate hikes in 2018. The USDIX slipped below 93 while the Euro moved back above 1.18. The Yen strengthened to below 112 and the Rupee Index fell below 65. This bearish Dollar performance was surprising as I thought we could see some gains on the Mars-Saturn alignment. The midweek retracement was not unexpected although the size of it was. At some level, the retracement was a normal technical consolidation at resistance at the previous high of 94. Support is now found at the 50 DMA which could provide the basis for another rally. Support at 92.5 would also set the possible bullish inverted head and shoulders (a higher low) with a neckline at 94. This would have an upside target of 97 and would approach the 200 DMA. That is a plausible enough scenario. Any move below 92.5 would be more bearish and would likely entail another test of the recent low of 91. The weekly Euro chart is similarly showing a fairly predictable technical bounce at support at 1.17-1.18. The intersection of the 50 and 200 WMA is a place where bullish buyers will move in and try to cash in on the next rally. Any move below 1.17 would be bearish, however. Any move above 1.21 would be bullish and would indicate the possibility of hitting the upside target of 1.25.



This week also looks bearish for the Dollar. The culprit is the early week Mercury-Jupiter conjunction that is exact on Tuesday. It may be difficult for the DX to hold onto support at 92.5 given this alignment. The second half of the week is more positive, however, so it is possible the Dollar may end up fairly close to current levels. Next week looks more bullish as Saturn enters Sagittarius on Wednesday the 25<sup>th</sup>. I am assuming that this will be a positive development for the Dollar although it may not manifest exactly on that day. But it does suggest some upside in late October generally. The first half of November also looks mostly bullish and a move above 94 looks doable. However, a retracement should begin in late November or early December which sees the Dollar lose much of its recent gains. More upside is likely in late December and January although I am unclear if it can produce higher highs. Q1 2018 looks more bearish and could see the Dollar retest its recent lows. Any rallies that we may see in early 2018 are likely to be sold fairly quickly. A lower low is very possible in Q2 2018, possibly in the 88-90 area. The Dollar should recover in the summer of 2018 and the strength will likely persist in the second half of 2018.



Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Oct 20)	bearish (confirming)	92-93
Medium term trend is DOWN (1 month ending Nov 20)	bullish (disconfirming)	94-96
Long term trend is UP (1 year ending Oct 2018)	bullish (confirming)	96-99

## Crude oil

Crude oil rose on a weaker Dollar and a decline in inventories. WTI added 4% on the week closing above \$51 while Brent climbed above \$57. This bullish outcome was unexpected as I thought the Mars-Saturn influence would likely put downward pressure on prices. Instead, the battle over the \$50 continues with bulls now having the upper hand. The reversal off support at the 50 and 200 DMA was quite strong last week and should provide further upward momentum this week. As usual, the tale will be told when crude reaches resistance at its previous high of \$52-53. Since the June low, we have seen a series of higher lows and higher highs. Bulls will need to push to a higher high in the coming weeks here to keep the up trend going.



The rising channel resistance is now around \$54-55 for WTI. This would equal the early 2017 high. We should expect even more resistance at that level and therefore it seems unlikely that crude could easily break above that level. If WTI cannot break above its September high, then a longer period of consolidation is possible. Bulls may only have to defend the 200 DMA here without necessarily worrying about making new highs. However, bulls should be concerned if crude reverses lower and thus makes a lower high. The weekly Brent chart also looks bullish as last week's gain attempted to retest the intraweek high from late September. There is considerable horizontal resistance at current levels so any quick push higher looks unlikely. And yet the chart still looks bullish so that it may only be a matter of time before higher highs occur. The Brent chart makes a strong argument for buying dips.

This week looks bullish given the early week Mercury-Jupiter conjunction. I would expect more upside in the first half of the week on this combination. Some retracement is likely also, with Friday looking more vulnerable to declines. Tuesday also carries a slightly elevated downside risk. I am uncertain if any gains this week will push WTI back up to \$54. It's possible.

Next week (Oct 23-27) looks more bearish as Saturn enters Sagittarius on Wednesday the 25<sup>th</sup>. Further upside looks likely in the first half of the week as the Sun approaches its conjunction with Jupiter. But the second half of the week looks more bearish. Overall, I would lean bearish for the week. Further retracement is likely in the first days of November although I would not think a break below \$49 is likely. More upside is possible in November but bulls should be cautious. I would not rule out higher highs above \$55 for WTI but they may not last long. Rallies may be fairly strong but my expectation is that a significant pullback is likely in late November and December. The pullback will likely take crude back below its 200 DMA and a retest of previous lows is very possible. We could even see \$40 retested at some point in early 2018. A stronger rebound is likely to begin in Q1 2018 and extend into the summer.



**Technical Trends**

**Astrological Indicators**

**Target Range (WTI)**

Short term trend is UP  
(1 week ending Oct 20)

bullish (confirming)

\$50-53

Medium term trend is UP  
(1 month ending Nov 20)

bullish (confirming)

\$52-55

Long term trend is DOWN  
(1 year ending Oct 2018)

bullish (disconfirming)

\$50-70

## Gold

Gold rebounded last week as weak inflation data pulled down the US Dollar. Gold rose more than 2% to 1304. This outcome was somewhat unexpected as I thought we could see more downside. While I thought a rebound was coming soon, it arrived ahead of schedule. The bulls are showing signs of life with the close over 1300 and the 50 DMA. The bounce off 1260 gave a boost to the bullish requirement for a higher low and a soft retest of the 200 DMA. The next level of resistance is 1320 so if price rises above that level, then there may be a more compelling argument for a retest of the previous high of 1360. The chart looks sufficiently bullish that I would think the technical outlook favours such a retest. On the other hand, failure to move above 1320 this week could stop the rebound in its tracks and could begin a period of range bound trading. The technical indicators favour the bullish view here as MACD is now in a bullish crossover and RSI is bouncing off of near-oversold levels. Even if there is a struggle to climb over 1320 this week, there seems to be enough positive momentum to prevent a lower low in the near future. Even if there are some negative days ahead, these will most likely be bought as the direction is clearly up.

This week should see an extension of last week's gains. The early week Mercury-Jupiter conjunction looks bullish and could bring a move to 1320 fairly quickly. A move above 1320 is also quite possible on this combination. Declines are more likely in the second half of the week but I suspect they will not be large enough to offset the probable preceding upside. Generally, I think gold is looking bullish for the next four weeks or so as the conjunctions in Libra with Jupiter should be enough to keep the bullish trend going.

Next week (Oct 23-27) could bring some retracement given the outsized Saturn influence as it enters sidereal Sagittarius on Wednesday the 25<sup>th</sup>. I'm not certain this will produce a large decline but it does not look bullish in any event. The week overall could well be negative although if a pullback doesn't happen I would not be surprised either. The following week (Oct 30-Nov 3) looks bullish as Mercury and Venus align with Saturn. The Saturn influence is a bit of a wild card here, however, but I think it could nonetheless bring more upside. The Venus-Jupiter conjunction on Nov 13 should mean that the rally continues into that date at least. But the second half of November looks more problematic as dips may become larger and rebounds smaller. A larger pullback looks likely to occur in December-January. A retest of the 200 DMA looks likely during this period and a retest of the previous low of 1210 is also very possible. A strong rally will likely begin in January or February 2018 and continue in early summer. Higher highs are possible by mid-2018.



<b>Technical Trends</b>	<b>Astrological Indicators</b>	<b>Target Range</b>
Short term trend is UP (1 week ending Oct 20)	bullish (confirming)	1310-1340
Medium term trend is DOWN (1 month ending Nov 20)	bullish (disconfirming)	1340-1400
Long term trend is DOWN (1 year ending Oct 2018)	bullish (disconfirming)	1200-1400

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