

Summary for week of 23 October 2017

- Stocks mixed with early gains possible, late week more bearish
- Dollar could extend gains this week
- Crude oil may be more bearish this week
- Gold mixed with more downside possible in second half

US Stocks

Stocks moved higher last week as the Senate passed the budget bill which opened the door to the GOP's plan to cut taxes. The Dow rose by more than 2% closing at another all-time record at 23,328 while the S&P 500 finished at 2572. This bullish outcome was in keeping with expectations as the Jupiter influence outweighed other possible negative factors.

The passage of the budget has raised hopes that the Trump tax plan will become a reality. Markets cheered the news, although gains were still fairly modest. There remain numerous hurdles before the tax cut is implemented so markets will track the progress of the bill. I would think there would be more upside for several more months as long as progress continues toward the bill's final passage. Failure to pass it would be negative for stocks obviously, as a good chunk of the Trump rally assumed a tax cut and the subsequent growth in corporate earnings that would likely result from such a move. The GOP desperately needs a win so the betting is that they will deliver the tax cut. The choice the next Fed Chair is another source of uncertainty as President Trump looks likely to replace Janet Yellen. Current Fed member Jay Powell is odds-on favorite to replace her (now at 55%) and he is quite dovish. If Trump nominates Powell that would likely be modestly positive for markets and it would represent a clear continuity of the current easy monetary policy. But the market would likely react unfavorably to an outsider candidate like Warsh or Taylor who are both more hawkish and would raise rates more quickly.



The planetary picture looks bullish for the next few weeks, albeit not without some possible interruptions in the positive sentiment. I had thought that October would be more bearish and that November could bring a recovery of sorts. That now looks unlikely as October has been very positive so far. There is still the likelihood of some upside in early November as the series of Jupiter alignments continue until the middle of the month. But the final obstacle for October is the entry of Saturn into Sagittarius this week upcoming. I think there is a decent chance of some downside here at the end of the month although it likely won't be large enough to offset the preceding gains. Therefore, we could still be looking at higher highs in November. After that, I think the planetary pendulum should swing in the bears favor again.

The technical outlook is as bullish ever. No matter how overbought the market may be, the higher highs refute most bearish objections. Thursday's candle was very bullish: after the gap down, bulls stepped in a produced a positive day overall. Friday saw a continuation of the bull trend. The SPX is riding the rising channel resistance higher. It is possible we could see 2600 in the days ahead although gains may be fairly incremental now. Market watchers should be paying close attention to the effect of positive news going forward. Will the selection of a dovish Fed Chair produce strong gains or merely a sideways market? Will an agreement in principle for a tax cut result in more upside or will the market "sell the news"? This is a way to see if the bull is getting tired. RSI is pushing 80 so it is very overbought and yet until good news stops producing gains, there is little reason to take profits or sell stocks.

This week's Saturn sign change has a plausible chance of coinciding with some profit taking although it is unclear if the SPX will bounce at the 20 DMA at 2540 or whether it could retrace all the way down to the rising channel support at 2480 just below the 50 DMA. When stocks get this overstretched, it's always useful to ask how

overstretched are they? Stochastics on the weekly Dow chart is now at 99! We have seen previous readings of 98 but the difference does not matter. Stocks are overbought and are ripe for a retracement, even if a major trend reversal may not be in the offing. If there is a pullback in the coming days, then the 20 WMA at 22,000 would be one area of support. However overstretched the market may be, there is some confirming breadth to the rally as the Bullish Percent Index followed the market higher. This indicator suggests that bears need to be careful given the bullish crossover of the 5 and 10 EMA. The possibility of the tax bill passing boosted bond yields as the 10-year closed near horizontal resistance at 2.4%. With both the 50 and 200 DMA no longer declining, this chart is looking more bullish as there is some possibility of a bullish crossover and a new high above 2.6%. For the moment, yields are range-bound so they do are undermining the stock rally. Only a push above 2.6% would open up that possibility of higher highs in yields which would therefore detract from the appeal of stocks.



This week looks more bearish as Saturn enters Sagittarius on Wednesday. This isn't usually an exact correlation with declines so one down day may occur at any point during the week. Monday leans bearish as the Moon conjoins Saturn. I would not say this is a reliably bearish alignment but it raises questions about the possibility of further upside. Gains look more plausible on Tuesday and even into Wednesday as Mercury aligns with Venus. Wednesday could see a decline given the Saturn influence but the Sun conjoins Jupiter that day as well and that is usually bullish. While we could see some selling on Monday, my basic view is that there is an argument for early week gains and then the chances rise for some late week selling starting on Wednesday and increasing thereafter. Given the possibility of some upside here, I would not rule out more weekly gains. However, the Saturn influence should not be dismissed and will likely produce some downside. My view is that this downside has the real potential to offset any possible preceding gains. Higher highs are definitely possible here above 2580 but I think bulls will be hard pressed to hold them by Friday. I would lean a bit bearish overall although my downside expectations would be modest. Even 2540 may be too difficult for the bears this week.



Next week (Oct 30-Nov 3) could see a bounce back, especially early in the week. Venus and Mercury align with the Lunar Nodes on Monday and Tuesday so we could see previous highs retested. Wednesday looks somewhat bearish on the Moon-Mars opposition but Thursday will see Venus enter Libra and should coincide with some late week upside. Early November looks fairly bullish so we could see marginally higher highs at that time. But once Venus conjoins Jupiter on Nov 13 then may be less bullish energy available for the market. The Mars-Node alignment on Nov 20 looks more bearish and should coincide with an increase in volatility. Early December looks more bearish as Mercury turns retrograde while conjunct Saturn. I think there is a good chance for a pullback before any Santa Claus rally ensues in late December. Even if this bearish alignment finally delivers some downside, it may still be quite modest and could remain within the rising channel (e.g. 2480). If that scenario plays out, then the late December rally could produce a lower high which would then be sold in January. This would then produce a lower low and could test the 200 DMA sometime in Jan-Feb. Overall, I think 2018 looks bearish, especially in the first half of the year. I am reluctant to suggest target levels, however. A significant recovery is likely in the second half of the year.



Technical Trends

Short term trend is UP
 (1 week ending Oct 27)

Astrological Indicators

bearish (disconfirming)

Target Range

SPX 2540-2570

Medium term trend is UP
(1 month ending Nov 27)

bullish (confirming)

SPX 2540-2600

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

bearish (disconfirming)

SPX 2100-2400

Indian Stocks

Stocks edged a bit lower in a holiday-shortened week as RBI minutes revealed that no December rate cut would be forthcoming. The Sensex was down fractionally to 32,389 while the Nifty finished at 10,146. This bearish result was some unexpected although the early week was higher as expected on the Mercury-Jupiter alignment. Also the late week adhered to expectations as the Sun-Uranus alignment was more bearish.

The lack of any quick rate cut will likely dampen the market mood in the days ahead. And with the prospects rising for Trump's tax plan in the US, interest rates may be on the faster track towards normalization. The US tax cut is expected to boost growth and stoke inflation and this would force the Fed to raise rates more quickly. This would be bad news for Indian equities as FII would likely forgo some risk in order to obtain yield in safer havens. So while the long term picture clearly favours stocks, there are some headwinds that could muddy the waters in the coming months.

The astrological outlook looks mixed for the next several weeks. October has been more bullish than expected although the end of the month may bring a further pause in the rally as Saturn changes signs. November looks bullish, at least up until the 20th or so. Therefore, we can make a plausible case for higher highs in November. While it is possible the late October period could see a pullback, my expectation is that it will be fairly small. Between mid-November and mid-December, there is another higher risk period as Mercury turns retrograde while conjoining Saturn. This could be another pullback that does not disrupt the ongoing rally. January and February remains the more likely time window for a larger decline, perhaps testing the 200 DMA at 9400. But that scenario would require a lower high in late December after the initial decline from Nov 20-Dec 15. We shall see.



The technical outlook is still bullish on all time frames. Last week's higher high at 10,250 was a sign of strength and bulls did step in to defend support at 10,100. The short term outlook would only become bearish if we got a close below 10,100. Even then, there would likely be many buyers at 10,000 and the convergence of the 20 and 50 DMA just underneath that level. The general trend is still up, although bears may still note that the Sensex failed to confirm a higher high on a weekly closing basis. This may leave some uncertainty about the rally, especially if there is more consolidation upcoming this week.

If we take the range of 9700 and 10,150, then the upside target for the rally could be as high as 10,600 on the Nifty. However, RSI was recently near the 70 line so some kind of retracement is looking quite possible. The question is how deep it will go. Bulls are hoping for a much higher low at 10,000 or above so that the rally can push significantly higher. The weekly Sensex chart is bullish as stochastics is in a bullish crossover and is not yet overbought. MACD is still in a bearish crossover and reflects the current modest level of ambiguity in the technical outlook. On a medium term basis, the Sensex only turns bearish on a weekly close below 31,000. Even that kind of pullback likely wouldn't produce a bearish crossover of the 20 and 50 WMA. We are therefore a long way off before a bear market is even possible. For now, all dips will be bought. Meanwhile, banks had a tough week as ICICI Bank (IBN) fell sharply. The stock gapped down below its 200 DMA support level and now may be retesting its March low. However, it may have found temporary support here at the May low which includes a gap fill from that time. Bulls may be quick to sell their positions, however, especially if a bounce returns to the 200 DMA. A move back above that line would be more bullish. Infosys (INFY) also fell last week as it struggles to recapture its 200 DMA. There is some reason to expect another rally attempt as long as last week's higher low holds. A retest of the September low would be more bearish, however.

This week could give the bears another opportunity as Saturn enters Sagittarius on Wednesday. While this could produce one or two down days, there is a bullish Venus-Mercury alignment in the early week which could generate some buying. I would lean bullish for the first half of the week and then there may be an increasing downside risk for Thursday and Friday. One possible scenario would be a rebound off support at 10,100 in the early week. This could even retest the high. Then the late week could bring another test of support at 10,100. I think there is a bullish bias heading into November so even if we do end up lower this week, the dip will



be bought fairly quickly next month. The Saturn influence could be surprisingly strong this week or it could fizzle and not produce much downside at all. In other words, there is an elevated risk of a larger than 1% decline even if it is not quite probable.

Next week (Oct 30-Nov3) looks mixed. I would retain a bullish bias here but note the presence of a bearish Moon-Mars opposition on Wednesday and Thursday. The early week looks more positive as Mercury and Venus align with Rahu. Friday also looks bullish as Venus enters Libra. Assuming that the preceding week hasn't been unusually bearish, we could test resistance at 10,250 here and higher highs are possible. The following week (Nov 6-10) also looks somewhat positive as Venus approaches its conjunction with Jupiter. Higher highs are also possible here. Once Venus conjoins Jupiter on Nov 13th, there may be a reduction of optimism in the market. The Moon-



Mars conjunction on Nov 15th could be quite bearish and then the Mars-Rahu alignment on Nov 20th also looks negative. I would think there is a good chance that November as a whole will be negative and that the down trend is likely to extend into early December. The Mercury-Saturn conjunction looks quite bearish in the first week of December and looks likely to coincide with a larger pullback. A move below the 50 DMA at 10,000 is likely and we could easily see something lower. Late December and early January could produce a bounce but this may only be to a lower high. Another move lower is likely in Jan-Feb. The first half of 2018 could be somewhat bearish overall with a second significant pullback likely in April-May. I am uncertain if this will produce a lower low in Q2. The second half of 2018 looks more bullish, however.

Technical Trends

Astrological Indicators

Target Range

Short term trend is UP
(1 week ending 27 October)

bearish (disconfirming)

10,000-10,150

Medium term trend is UP
(1 month ending 27 November)

bullish (confirming)

10,000-10,400

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

bearish (disconfirming)

8000-10,000

Currencies

The Dollar moved higher last week as hopes for Trump's tax cut helped to push bond yields higher. The USDIX finished at 93.58 while the Euro again slipped under 1.18. The Yen was unchanged at 113 while the Rupee finished near 65. I thought the Dollar might have lost some ground last week although I did think the late week would be bullish. The Dollar remains below key horizontal resistance at 94 for now but the prospect of higher rates may provide more bullish fuel. Support is looking more solid given the bullish crossover of the 20 and 50 DMA. Their convergence zone at 93 will likely act as support in the event of any retracement. But any move below 92.5 would be more bearish and would jeopardize the current inverted head and shoulders pattern.

Currently, this pattern has a neckline of 94 and an upside target of 97. A break below the right shoulder of 92.5 would suggest a retest of the low of 91. 97 may have even more appeal for traders since that is the level of the 200 DMA. Even bear market rallies usually test the 200 DMA at some point. The weekly Euro chart shows a normal period of consolidation below resistance. The 200 WMA is currently acting as support and this is being reinforced by the 20 WMA. A move below these lines would be an indication of a deeper retracement and a possible end to the rally. Conversely, a close above 1.21 would suggest more upside was likely, at least to 1.25.

This could well bring more upside for the Dollar. Wednesday's Saturn sign change could be the catalyst and I would think that the second half of the week may be more bullish than the first half. Some retracement is therefore possible in the early part of the week although I would not expect it to be too large. So there is a reasonable chance that the Dollar will move above resistance at 94 this week. Next week looks more mixed. I would be surprised if the rally continued without some further choppiness. November should bring more upside and we could even see the Dollar rally quickly to 97. That would be the more bullish scenario. But late November looks more bearish and could coincide with a pullback. By December, I think the rally will be mostly played out as the alignments will tend to favour the Euro as we move into 2018. Q1 looks fairly bearish and will likely argue against more upside. A retest of the low of 91 is quite possible. The Dollar is likely to begin another significant rally in May or June and that should extend well into the second half of 2018. .



Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Oct 27)	bullish (confirming)	93-95
Medium term trend is DOWN (1 month ending Nov 27)	bullish (disconfirming)	94-96
Long term trend is UP (1 year ending Oct 2018)	bullish (confirming)	96-99

Crude oil

Crude oil edged higher on the week as the rising Dollar offset gains from prospects of Middle East supply disruptions. WTI rose by less than 1% on the week to just below \$52 while Brent settled just under \$58. This bullish outcome was in keeping with expectations as I thought the early week Jupiter alignment would be positive. As expected, we got some late week selling although Friday's recovery off the low was significant. While the bulls' failure to push above the previous high last week indicated some hesitation, Friday's higher low was confirmation of the rally's strength. The chart looks bullish and argues for a move above \$53 fairly soon. Of course, that could change if there is another test of \$50, which is currently the line in the sand. Without a higher high and another test of \$50, there could be a slackening of momentum as a range bound market takes over. The golden cross of the 50 and 200 DMA is imminent although that need not be decisive. Nonetheless, it is a reflection of the up trend in recent months and why dips will likely continue to be bought for the foreseeable future. The weekly Brent chart looks even more bullish as it pokes above horizontal resistance. The trend is clearly up.



This week looks choppy with likely moves in both directions. Saturn enters Sagittarius on Wednesday but I am unclear how much, if any, downside this could produce. The early week leans bullish in any event as the Sun approaches its conjunction with Jupiter. I would therefore expect a retest of the high of \$52-53 at least and higher highs would not surprise me either. But Thursday and Friday look somewhat bearish so we could see some retracement later in the week. Given the bullish technical outlook, the planets do not offer a compelling reason to

go against that positive bias in the market. Certainly, we could end up retesting \$50-51 late in the week but strong early week upside is a very plausible scenario.

Next week (Oct 30-Nov 3) could start off bearish but the late week may bring a recovery. The following week (Nov 6-10) may also have a bullish bias but I would think that the downside risk will begin to rise the further we go into the month of November. Nonetheless, we could see crude continue to rally to higher highs in November. Mid-November and the Mars-Pluto and Mars-Nodal alignments look bearish and are likely to coincide with a significant pullback. This pullback should deepen in early December on the Mercury-Saturn conjunction. A move below \$50 is likely and I would expect the technical outlook to worsen significantly in December. Q1 2018



looks like it could see crude initially struggling to begin another rally. Lower lows are possible although I am uncertain. By March, crude should begin to rise and the rally should extend well into Q2.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending Oct 27)	bullish (confirming)	\$50-53
Medium term trend is UP (1 month ending Nov 27)	bullish (confirming)	\$50-56
Long term trend is DOWN (1 year ending Oct 2018)	bullish (disconfirming)	\$50-70

Gold

Gold retreated further last week as the prospect of higher rates and Dollar strength undercut demand. Gold lost 2% on the week to 1280. This decline was unexpected as I thought the Mercury-Jupiter conjunction could have delivered more early week upside. While I did expect the strong Saturn influence this week (esp. on Oct 25th) to depress gold in late October, the size of last week's pullback was concerning for my bullish bias here going into November. Bulls can still claim a higher low at 1280 but the chart looks bearish in the short term. The previous week's high tested resistance at 1310 in a falling channel. The inability to break above this channel may give bears the incentive to test channel support at 1250. This is a little below the 200 DMA. In the event of a move down to 1257 or below, bulls will likely move in to defend that level. The chart will look more bearish but at least there will be a plausible level from which to launch another rally. Conversely, if we get a bounce this week, then a move back to 1310 will be more bullish. Last week's repeated retests of 1280 was a bullish gap fill and hence a bounce is definitely possible. A quick retest of 1310 could be enough encourage bulls to push higher. Interestingly, the current range of 1270-1360 matches the \$90 range of the previous trading range of 1210-1300. This is a small argument at least that buyers will tend to step in to defend 1270-1280.



This week looks mixed. The early week leans bullish as the Sun approaches its conjunction with Jupiter. Normally, this would translate into a probable gain. However, this week Saturn is stronger than usual as it changes sign on Wednesday. Weighing the relative significance of these two offsetting factors is difficult. I am generally bearish on gold over the next several months but I still think there is enough time for a modest rally as we go into November. But the Saturn influence this week should not be counted out and for that reason I would have a bearish bias here. One possible scenario would see an early week bounce to 1300 or so and then another retest of 1280 or even 1270.

Next week (Oct 30-Nov 3) looks somewhat bullish as Venus enters Libra on Thursday. This is a generally favourable sign for Venus and hence gold is more likely to do well. The late week is perhaps more bullish than the early week. The following week also offers bulls a decent opportunity to break above 1310 as Venus conjoins Jupiter. Downside risk will rise in the second half of November as Mars aligns with the Lunar Nodes on the 20th. The early December Mercury-Saturn conjunction also looks bearish and will likely involve a test of the 200 DMA and gold will probably trade below that level. A retest of 1210 is also very possible by January. The down trend will likely reverse in January or February. Gold will then likely rally from Feb-March to May-June.

Technical Trends	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Oct 27)	bearish (confirming)	1260-1300
Medium term trend is DOWN (1 month ending Nov 27)	bullish (disconfirming)	1260-1320
Long term trend is DOWN (1 year ending Oct 2018)	bullish (disconfirming)	1200-1400

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