

Summary for week of 30 October 2017

- Stocks could be mixed with bullish bias this week
- Dollar mixed with retracement possible
- Crude oil could extend gains this week
- Gold mixed but with bullish bias

US Stocks

Stocks pushed higher last week on a strong Q3 GDP number and positive earnings results. The Dow gained more than 100 points on the week to 23,434 while the S&P 500 finished at 2581. This modestly bullish outcome was not completely unexpected although I thought we might have seen more downside along the way. We did see a bit more in the way of downside on Monday and especially Wednesday which fit well with the entry of bearish Saturn into Sagittarius.

So the rally continues as corporate earnings look generally positive. Amazon's blowout earnings singlehandedly pushed the Nasdaq higher by more than 2% Friday. With the GOP tax plan seemingly well on its way to passage before the end of this year, it would seem there is a solid bullish case for higher highs in Q4. As usual, the bull market climbs a wall of worry as reports today suggested that if the GOP can't find the votes to pass the tax cut, then the market could quickly fall 5%. Also, Donald Trump is due to name the new Fed Chair this week upcoming. If he sticks with Yellen (unlikely) or goes with current Fed Governor Jay Powell, then markets will breathe a sigh of relief and could move higher. But if Trump decides on Taylor or even Warsh, then the market could sell-off abruptly given both of their more hawkish views. But the more likely scenarios here are positive for equities and that is why the indexes stand at all-time highs.



The astrological picture does not provide confirmation for this bullish outlook for Q4. To be sure, I have been wrong about October as stocks have recovered from their late August solar eclipse lows. Even last week's Saturn ingress into Sagittarius did little to dampen the euphoria in the market as Wednesday saw a significant recovery before the close. So it is important to note that even bearish phenomena are having little effect on the market. Therefore, I may well be wrong about the coming pullback I am forecasting for late November and early December. And yet, the planetary alignments do not look positive at that time. For this reason, bulls should be cautious as there is an elevated downside risk. Bullish Jupiter looks fairly good in the first half of November as it moves further into Libra and conjoins Venus on Nov 12. After that date, there may be diminishing chances of higher highs.

The technical outlook is bullish. The higher highs on the SPX were matched by the Nasdaq and the Dow, although not the small cap Russell 2000. Nonetheless, the higher highs give bulls more breathing room in the event of some consolidation. The pattern of higher highs and higher lows continues apace with no signs of slowing down. Wednesday's low tagged the 20 DMA and then rebounded strongly – a good sign that the upward momentum could easily withstand a much deeper pullback. The SPX is pushing up against channel resistance here and is overbought at the 70 RSI line. It could go higher in the short term but one would think that only marginally higher highs are possible. Perhaps 2600 is a plausible resistance level after which bulls may choose to move to the sidelines.

Horizontal support is 2540 but channel support is close to 2480, just below the 50 DMA. The indexes look overdue to a larger pullback and a test of the 200 DMA. The last time that happened was just before the election of Donald Trump. A test of the 200 DMA is inevitable so it is a matter of timing. Even then, a move down to 2400-2450 would do little to derail the Trump rally and the 8-year old bull market. Cautious bulls may well be waiting for this kind of deeper pullback before committing new money on the long side. A pullback is looking more likely now that the Bullish Percentage has surprisingly produced a bearish crossover of the 5/10 EMA. Its divergence from last week's gain was stark and is a reminder of how narrow the current push higher really is. The weekly Dow chart is still bullish, of course, but the indicators look unsustainably overbought as stochastics is at 98 and RSI at 81. A pullback to channel support at 22,000 looks to be the minimum sort of pullback we can expect in the coming weeks. And it is even possible that we could see that longer term 200 WMA tagged sometime in 2018 if things go the bears' way. But let's not get ahead of ourselves. Bond yields were higher last week as inflationary forces appeared to be gathering. 10-year yields are approaching a key inflection point at 2.6% where we could see some major reaction across different asset classes including stocks. A quick rise above 2.6% seems like it would be bearish for stocks.



This week looks mixed. I would retain a bullish bias in any event given the apparent strength of Jupiter in Libra at this stage. The first half of the week looks a bit more bearish, especially on Wednesday's Moon-Mars opposition. But while Wednesday looks negative, there should be enough bullish energy to produce an up day on either Monday or Tuesday as Mercury aligns with Venus and the Lunar Nodes. Perhaps Monday is more positive in this respect. If we in fact get some upside Monday, then the odds rise for a pullback on Tuesday and indeed on Wednesday also. No matter how much selling we may see Mon-Wed, Thursday looks more bullish as Venus enters Libra. This isn't a certain gain, but it is a fairly reliable bullish indicator. Friday also leans somewhat bullish. So perhaps we will see a test of support at 2540 at some point this week – it's possible. But I don't think bears should not hope for much here just yet. But the late week seems more positive so it's quite possible we could see another positive week. And yet if we see a net decline this week I would also not be surprised given those early patterns. It's possible the indexes may not move too far from their current levels.



Next week (Nov 6-10) also should be seen as having a bullish default as Venus conjoins Jupiter late in the week. The early week therefore has some downside risk although I would not expect a lot of action either way. The following week (Nov 13-17) lacks any strong short term aspects. I would tend to think there could be an inability to push higher although there are no clearly bearish patterns either which would compel a lot of selling. The late November period around Thanksgiving looks more vulnerable to declines. I would expect at least a test of the 50 DMA by the end of November. Early December looks even more bearish as Mercury turns retrograde while in conjunction with Saturn on Dec 3. A test of channel resistance (now at 2480) is possible by that time. Late December looks more bullish but another move lower is likely in January. Lower lows are possible but not probable. I do think that lower lows are more likely to occur during the pullback that should occur between March and May 2018. A bullish scenario would see this is the time when the test of the 200 DMA would finally occur. But it is also possible the pullback could evolve into a 10% correction which would take the indexes well below their 200 DMA for a while. The first half of 2018 looks bearish but I would expect a strong rally to take place in the second half of 2018. It is possible this could produce higher highs and even keep the bull market going into early 2019. I'm not sure but it's possible. More downside looks likely as we move closer to the next US election in 2020. A larger decline looks likely in 2020 and 2021.



Technical Trends

Short term trend is UP

Astrological Indicators

bullish (disconfirming)

Target Range

SPX 2550-2590

(1 week ending Nov 3)

Medium term trend is UP
(1 month ending Dec 3)

bearish (disconfirming)

SPX 2500-2550

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

bearish (disconfirming)

SPX 2200-2500

Indian Stocks

Stocks moved higher last week on positive global cues and strong earnings. The Sensex rose by more than 2% on the week to 33,157 while the Nifty finished at 10,323. This bullish outcome was somewhat unexpected as I thought the entry of Saturn into Sagittarius might have produced more downside in the first half of the week. The early week was only modestly positive but Wednesday's gain pushed to new highs.

The rally continues unabated in October as the fundamentals argue for higher valuations. Global growth looks strong enough to be able to withstand a modest tightening of monetary policy in the US and Europe, especially since Japan looks more likely to ease further after the Abe re-election. Inflation is currently within an acceptable range and this should allow the RBI to cut further next year. There is some uncertainty surrounding who will be the next Fed Chair and President Trump is due to name his choice in the coming days. The odds-on favourite now is a sitting Fed Governor Jay Powell who is likely to maintain Janet Yellen's dovish stance. If Trump chooses someone else then it could produce some selling, as a more hawkish policy at the Fed would mean sharply rising rates sooner rather than later. Higher global interest rates are likely a negative influence for Indian equities, especially if there are multiple hikes in 2018.



The astrological outlook looks bullish for the short term. October has been much more bullish than expected as stocks have rebounded strongly after their late-September pullback. The bearish influences I had identified for October appear to have been offset by the ongoing strength of Jupiter in Libra. As the fast-moving inner planets form conjunctions with Jupiter, optimism may be in greater supply. For this reason, I would keep a close eye on the last of these conjunctions on 13 Nov when Venus conjoins Jupiter. It is therefore possible and even likely that the market will extend its advance at least up until that date. The relative balance of influences will shift towards the bears after that and that should translate into some kind of pullback as we go into December.

The technical outlook is bullish on all time frames. The higher highs last week gave the bulls more strength after breaking above the previous high of 10,250. Channel resistance may be closer to 10,600 now with horizontal support at 10,250. It is worth recalling that the measured move upside target of the previous trading range was also 10,600 so that could be a more doable goal for bulls in coming weeks. A move below that level would indicate a longer period of consolidation and a more likely test of the 20 and 50 DMA at 10,000. Interestingly, we did not get a bearish crossover of these moving averages in recent weeks and this has reflected the strengthening upward momentum. Even if we did see a deeper pullback below 10,000, it would likely be bought fairly aggressively just as the August and September dips were.

The technical indicators are getting overbought (RSI=67) but this likely does not matter given the new highs. Eventually, we will see a retest of the 200 DMA (9466) as we did in late 2016. Given the size of the rally, most investors will treat this as a buying opportunity. The key is what happens after the first major pullback to the 50 DMA or the 200 DMA. If the rebound is weak and falls short of the previous high, only then will the up trend be reversed. The weekly Sensex chart is also getting overbought but it still has some ways to go before we see the RSI above 70, for example. From the previous trading range, the upside target of this breakout may be near 34,000. This is just 2-3% higher than current levels and looks quite doable. But such a rise would likely push the indicators further into overbought territory and would then create a less inviting technical picture for bulls. Meanwhile, Tata Motors (TTM) had a flat week but seemed to extend its bounce since the August low. The pattern of higher highs and higher lows is clear so we could see a retest of resistance at the 200 DMA fairly soon. ICICI Bank (IBN) had a positive week as it pushed above its 200 DMA. The late week consolidation occurred at previous support level and argues for further upside as long as support holds. While we may need to see more sideways consolidation of last week's gains first, the chart looks like it could retest the July high eventually.



This week looks like it will extend the bullish bias. The early week looks bullish as Mercury aligns with Venus and Rahu on Monday and Tuesday. It's possible we could see two up days there although we may only get one. Nonetheless, I would expect a net bullish outcome. Wednesday leans more bearish as the Moon opposes Mars. Thursday is hard to call although the Mercury-Saturn alignment looks somewhat bearish. Friday's entry of Venus into Libra is more bullish so that should be enough to put the bulls in the driver's seat once again. I would not be surprised by some downside here but I don't think the chances are good that support at 10,250 is broken. It could well be tested by Wednesday but there should be enough positive sentiment to offset at least of the downside. Even if we don't get higher highs this week, I suspect they will be forthcoming next week anyway. That upside target of 10,600/34,000 looks like it could well be fulfilled in the coming days.



Next week (Nov 6-10) although could see some upside as Venus approaches its conjunction with Jupiter. Some early week pullbacks are possible, especially on Tuesday's Moon-Saturn opposition and Wednesday's Moon-Mars square. Depending on when these down days occur, we could see more tests of support at 10,250. However, I would retain a bullish bias in any event. The following week (Nov 13-17) begins with the Venus-Jupiter conjunction on Monday. This suggests a bullish start to the week at least. Wednesday's Moon-Mars conjunction looks quite bearish and may negate any preceding gains made that week. Higher highs are still possible here but they look somewhat less likely. As we move further into November, the downside risks increase as Mars aligns with Rahu on 20 Nov and then oppose Uranus on 30 Nov. And with Mercury set to turn retrograde on 3 Dec while conjoining Saturn, there is a very decent chance of a pullback down to the 50 DMA at least. The 50 DMA may be above 10,000 by this time but nonetheless, it should be enough to disrupt the bulls' confidence. A Santa Claus rally may follow but there is another possible pullback likely in Jan-Feb 2018. Lower lows are possible here --- including down to the 200 DMA -- if the late December rally produces a lower high as I think is quite possible. A strong rebound is likely from March to May but this will be followed by a sharp decline in May-July. I am uncertain where this midyear correction may end. I am reluctant to predict lower lows given the preceding Q2 rally may be quite strong. In any event, the second half of 2018 and early 2019 look more bullish and could well produce higher highs. If that proves to be the case, then the bull market may last until 2020. A sharp decline looks likely in 2020-2021.



Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending 3 November)	bullish (confirming)	10,200-10,500
Medium term trend is UP (1 month ending 3 December)	bearish (disconfirming)	9800-10,250
Long term trend is UP (1 year ending November 2018)	bearish (disconfirming)	9000-10,500

Currencies

The Dollar extended its rally last week after strong GDP data and promising earnings reports. The USDX ended the week a little under 95 while the Euro hung on to 1.16. The Yen moved above 113 while the Rupee finished near 65. This bullish outcome for the Dollar was in keeping with expectations as I thought the second half of the week would likely be bullish. The Dollar has finally broken above key resistance at 94 and may well be headed towards the 200 DMA at 97. It is forming a rising channel here since its September low. Resistance is near 95 with support at 93.5. The measured move upside target from this October bounce is also near 95. The Dollar rally may only be in trouble if it falls below the 50 DMA. While the USDX rally has been strong, it is less impressive against the Yen. Euro weakness is therefore a greater factor, most likely due to the political uncertainty in Spain and Catalonia. The weekly Euro chart shows the move below the long term 200 WMA. Support should be found fairly soon, especially at 1.15, the old resistance level. A move below 1.15 would return the Euro to its previous trading range and would effectively end the current rally. It would also negate the upside target of 1.25 derived from the measured move of that previous trading range.



The week looks more mixed. The early week could see some retracement on the Mercury-Venus alignment. Thursday's entry of Venus into Libra also leans bearish for the Dollar. I would not be surprised if we got some retracement this week although my general expectation is for more upside in November. Next week (Nov 6-10) looks more positive so higher highs look doable. I think the chances for a test of the 200 DMA at 97 are fairly good in November and into early December. If a few things go right for the Dollar, then we could see a move above 97 by the early December Mercury-Saturn conjunction. This looks bullish and could see the Dollar extend its gains.

December as a whole may be bearish, however, although more upside looks possible in January. A major correction is likely to begin in Q1 (February?) and extend into April or May. The second half of 2018 looks more bullish and the Dollar could move more sustainably above its 200 DMA at this time.



Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Nov 3)	bullish (confirming)	94-95
Medium term trend is DOWN (1 month ending Dec 3)	bullish (disconfirming)	96-98
Long term trend is UP (1 year ending Nov 2018)	bullish (confirming)	96-99

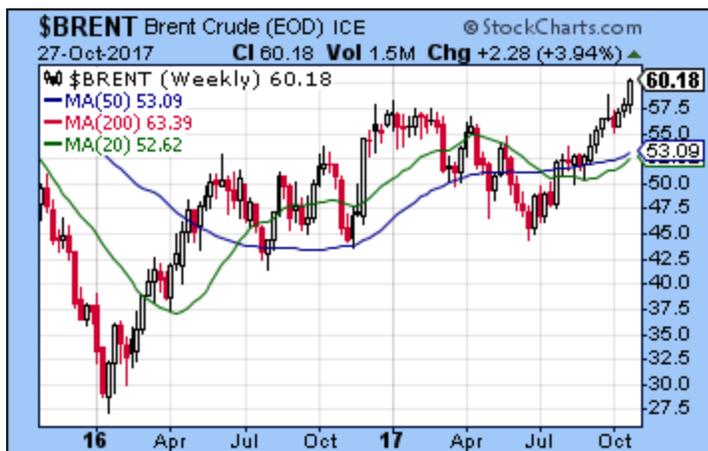
Crude oil

Crude oil rose sharply last week as OPEC signaled an extension of its program to cut production. WTI gained 4% on the week settling just below \$54 while Brent climbed to \$60. This bullish outcome was not unexpected although I thought the late week might be bearish. This was incorrect as it was Friday's gain that pushed above key resistance. The breakout above \$53 is clearly bullish for crude as it traces a rising channel after the June low. It has now almost matched the \$55 highs from early 2017. There is still considerable resistance at that level which may prove to be difficult for bulls. For now, however, the trend is up and higher highs are more likely. Immediate



support is now \$53 with a lower level of support likely at \$51-52. A retracement to that level would still maintain the bullish pattern of higher lows. Even a quick move down to the 200 DMA at \$50 would likely not seriously jeopardize this move higher. The weekly Brent chart looks more bullish than the WTI chart as it has broken above its early 2017 highs. It is currently following a gently rising channel which shows resistance at \$65-70. A move above the long term 200 WMA at \$63 looks quite possible. In the event of a retracement, the convergence of the 20 and 50 WMA at \$53 would likely act as support. This level would be a logical entry point for more cautious bulls on the long side.

This week looks less bullish but I would not expect a large retracement either. Previously I had thought we could see some early week pullbacks, but now I think the early week could actually be more bullish on the Mercury-Venus alignment. Declines could be postponed under Wednesday or Thursday. Friday could be more bullish, however. This week is difficult to call although I would retain my bullish bias. If there is a retracement, it may be modest enough that support is only tested but not broken. That could mean that we will only see \$53 for a midweek retracement, assuming of course that the early week is more bullish.



Next week (Nov 6-10) looks bullish as Venus approaches its conjunction with Jupiter. This is a slightly increased risk of a late week decline but it is not clearly defined. I would expect higher highs here, perhaps to \$55-58 for WTI. We shall see. The following week (Nov 13-17) looks more bearish. Declines are a real possibility here so bulls should be careful. Tuesday's Moon-Mars conjunction could mark the start of a retracement. Nov 20th also looks like it could produce a significant move as Mars aligns with the Lunar Nodes. This looks bearish although we should allow for the possibility of an inverted move which produces a sudden gain. But generally, there is an increased risk of declines as we go further into November and early December. A move below the 200 DMA at \$50 looks quite likely. By mid-December WTI may be in the \$45-50 range). A rebound is likely to begin by February or March and extend into June. Higher highs above the current range are possible.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending Nov 3)	bullish (confirming)	\$52-55
Medium term trend is UP (1 month ending Dec 3)	bearish (disconfirming)	\$48-52
Long term trend is DOWN (1 year ending Nov 2018)	bullish (disconfirming)	\$50-70

Gold

Gold fell again last week as improving US economic conditions raised the chances for more rate hikes. Gold lost less than 1% to 1271. This bearish outcome was not unexpected although I had been uncertain about the week as a whole given the range of influences. The early week proved to be less bullish than expected as prices fell more or less through the week. From a technical perspective, gold is sitting on key support at 1270. But is this a bullish double bottom or a retest of support after a weak bounce? Bulls need to hold the line here in order to keep hope alive. Prices are close to the 200 DMA so a bullish retracement to that level is not incompatible with the bullish view. And yet the preceding bounce to 1310 was quite small and may not instill much confidence in a return to 1360 anytime soon. If 1270 does not hold in the coming days, then the measured move scenario could become more plausible: the downside target of this move would be 1220 – a 90 point decline from the most recent top. Coincidentally, this would match the key level of horizontal support that has been repeatedly tested over the past year. Suddenly, the bulls have a less persuasive technical case to make. But if 1270 does hold this week, then perhaps bulls can launch another rally and try to move above the preceding high of 1310. The direction of gold in the near term may have more to do with Trump's choice of the next Fed Chair than technical factors, however. A more hawkish choice like Taylor or Warsh would likely send gold lower while Powell or Yellen may be more neutral or bullish for the gold market.



This week has the potential to be more positive. The early week Mercury-Venus alignment is often bullish, as is the entry of Venus into Libra which takes place on Thursday. Between these two patterns, I think there is a reasonable expectation that we get a bounce off support at 1270. And yet the larger picture is still one that favours the bears for the next several weeks at least. Therefore, bulls need to be very careful here if gains do not pan out. While I would be surprised if gold kept declining this week and next, it would not shock me either given the growing influence of Saturn in the background.

Next week (Nov 6-10) has more upside potential as Venus approaches its conjunction with Jupiter. A move back to 1300 is possible here depending on what happens the preceding week. The following week looks less positive as Mars approaches its alignment with the Lunar Nodes on Nov 20th. I would expect some declines in the days around that exact aspect with more selling likely thereafter in the end of November. The Mercury-Saturn conjunction on Dec 3rd also looks bearish. A big move is possible here and I would lean bearish overall. It is conceivable that we could see 1220 tested at this time. Moves in both directions are also possible although I would favour the bears chances overall. Late December could bring a rebound but January also looks bearish for gold. I am reluctant to speculate how far gold may fall from now until Jan-Feb but it could even decline below

1200. Let's see. A rebound is likely to take hold by Feb-March and continue into May-June. It looks quite strong.

Technical Trends	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Nov 3)	bullish (disconfirming)	1270-1300
Medium term trend is DOWN (1 month ending Dec 3)	bearish (confirming)	1220-1270
Long term trend is DOWN (1 year ending Nov 2018)	bullish (disconfirming)	1200-1400

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