

Summary for week of 20 November 2017

- Stocks may become more volatile early this week
- Dollar likely to rally again this week or next
- Crude oil prone to declines, especially in first half
- Gold becoming more vulnerable to declines this week

US Stocks

Stocks moved fractionally lower last week on lingering doubts about the likelihood that the GOP tax bill will be passed by the Senate. The Dow lost about 70 points to 23,358 while the S&P 500 finished at 2578. This bearish outcome was in line with expectations as I thought we could see some downside in the wake of Monday's Venus-Jupiter conjunction.

While investors are nervous about what the Senate may do with the tax bill, the more pliant House of Representatives did fall into line and pass it on Thursday. The resulting gain that day gave the bulls hope that the Trump rally could continue after suffering a small pullback this month. It is difficult to say how likely it is that the Senate passes this version or, more likely, some watered-down version of the tax overhaul. It seems the most likely outcome is for passage of a less ambitious overhaul which may only offer temporary tax cuts for both individuals and corporations while likely retaining many popular tax deductions. The chances of passage is further undermined because of uncertainty surrounding the Alabama Senate election (Dec 12) where a once-safe GOP seat now appears in jeopardy in light of the Roy Moore sex scandal. Despite these uncertainties, I would think that the passage of *any* bill will produce some upside in the markets as it would give a more solid foundation for the fledgling Trump administration.



The planetary outlook would seem to confirm the likelihood of some difficulty in the weeks ahead, possibly due to a political impasse on Capitol Hill. I am still focused on the upcoming Mercury-Saturn conjunction in early December as a possible key time for the market. This conjunction is likely to occur during a bearish phase since Mercury turns retrograde on the 3rd. To be clear, I would not say a large decline is likely over the next three weeks leading into this date, but it should at least produce lower lows relative to where the SPX is now. My general view is that a deeper retracement is looking more likely in Q1 2018 although it is unclear if it will decline as far as the 200 DMA. Another rebound is likely in late December so we could, in fact, see stocks pullback once again in Q1 but from higher levels.

The technical outlook is still bullish. Friday's pullback after Thursday's gain may have hinted at a new level of caution as bulls were unable to generate much follow through after the House's passage of the tax bill. Support is now at 2570 so if the SPX falls below that level, we could see 2550 and the 50 DMA tested fairly quickly thereafter. Resistance is the previous high just under 2600. A move above that horizontal level would suggest the likelihood of a push to the rising channel trendline near 2625.

If we do not see a decline below 2550 soon, then the momentum will still be bullish and we should expect higher highs. But there are few clear indications that the rally is anywhere near over. As always, the market is overbought but that really isn't any reason for bulls to worry. The market has been overbought for months and on a weekly basis, it has been overbought for most of the year. The weekly Dow chart could continue to climb for many more months or it could begin to reverse lower tomorrow. It's hard to determine from technical factors alone. The rally appears to be narrowing as the Bullish Percent Index has only moved sideways in recent weeks although we do note a bullish crossover of the 5/10 EMA which argues against any big moves lower. To be sure, the Dow is stretched above its long-term 200 WMA so that does not present a compelling case for going long at this time. Incremental gains are probably the best bulls can hope for now. Meanwhile, the yield curve is getting flatter now as the spread between the 2-year and the 10-year fell to its lowest since November 2007 – just 62 points. A flatter curve is generally indicative of a slowing economy and may rein in the Fed's willingness to raise rates next year. The bottom line here is that the technicals are still very bullish, even if the astrology is leaning bearish for the next few weeks. That could mean that even if we get a pullback, it may be fairly mild. Perhaps the bullish technicals will prevent a decline to the 200 DMA in the near term. Let's see.



Historically, this week typically has a bullish bias due to the Thanksgiving holiday on Thursday. However, Monday's Mars-Rahu alignment looks problematic. I would be surprised if we didn't get some downside early on the week with this pattern. Even Wednesday looks interesting in that respect due to the apparently bearish Moon-Mars square. And on this occasion, the Moon is conjunct Pluto. Venus is in the mix too from Tuesday onwards, so that introduces the possibility of divergent outcomes. I would still lean bearish on Monday with somewhat reduced likelihood of declines on Tuesday and Wednesday. The late week Mercury-Uranus alignment looks more bullish so that could argue for some positive trading in Friday's short session. Overall, I would not be surprised by any outcome here, although I do think there is a fairly plausible set up for the bears to at least revisit last week's low of 2555 at some point here.



Next week (Nov 27–Dec 1) also features an elevated downside risk in the wake of Monday's Mercury-Saturn conjunction. Tuesday and Wednesday look more bearish as Mars enters Libra and forms an opposition with Uranus. This increases the risk of a larger than normal decline, although there is still a reasonable possibility that no decline will take place. Nonetheless, bulls should exercise extra caution here. The late week looks somewhat more positive. The following week (Dec 4–8) also leans bearish, especially in the first half when Mercury turns retrograde. One possible scenario would be a lower low during this week of Dec 4-8, perhaps below the 50 DMA. I think the odds for a more bullish trend will begin to shift by mid-December so we could see a rally through Christmas and into early January. It is possible this could produce higher highs in January. Another significant pullback is likely to begin in Q1 2018 and it could well be larger than whatever may come in Q4 here. I think 2018 as a whole will be bearish, especially in the first half of the year. A significant rebound is likely to take place in the second half which could well extend into 2019.



Technical Trends

Astrological Indicators

Target Range

Short term trend is DOWN
(1 week ending Nov 24)

bearish (confirming)

SPX 2540-2580

Medium term trend is UP
(1 month ending Dec 24)

bearish (disconfirming)

SPX 2450-2560

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

bearish (disconfirming)

SPX 2200-2600

Indian Stocks

Stocks ended the week mixed after the Moody's upgrade on India offset previous nervousness regarding the US tax bill. The Sensex closed fractionally higher at 33,342 while the Nifty lost some 40 points to 10,283. I had expected bears would likely prevail here although the picture was not clear. Also, I mistakenly thought gains would be focused in the first part of the week.

The Moody's rating upgrade was certainly welcome news for investors last week. Analyst targets were subsequently raised across the board, with many now seeing a 10-20% increase for stocks over the next two years. The fundamentals definitely make the bullish case quite persuasive as the Modi government continues to find favour with FII and domestic buyers alike. And with a further strengthening of the government's position looking likely with the Gujarati elections, bullish investors have a renewed confidence going forward. And yet the global picture could end up being the source of problems for stocks here as Trump's tax reform bill may encounter difficulty in the Senate. Failure to secure major reforms would be a disappointment for most markets which have been bid up, in part, in the expectation of higher growth and better corporate earnings. Moreover, the bond markets in both the US and China are signalling potential slowing as the yield curves are flattening. The US spread between the 2-year and 10-year is at its narrowest (60 basis points) since November 2007, which was the time of the market peak before the Meltdown the following year. So overall the fundamentals are encouraging but not without some areas of concern.

The planetary outlook offers more reason to be cautious in the weeks ahead. As the Sun and Venus leave Jupiter behind in Libra, there may be less optimism available to boost stocks further. Some upside is still possible in the coming days as Venus lingers in Libra but the Mercury retrograde station on 3rd December would seem less conducive to gains. I would still expect some downside to occur around the time of this pattern. However, I am uncertain if the pullback I would associate with this pattern will occur before or after 3rd December. A more bullish scenario could keep the Nifty above support at 10,250 until early December. A sub-variant of this bullish scenario would even see a retest of the high and perhaps even higher highs. But in that case, December would still be more bearish with the probability of more downside in January and February.



The technical picture looks more bullish after last week's apparent reversal at support. The Nifty bounced off the 50 DMA at 10,100 and moved sharply higher. Stochastics now shows a classic short term buy signal as it has moved above the 20 line after being previously oversold. Immediate resistance is at 10,350 and I would expect it to be broken to the upside. That would also suggest the technical picture favours a higher high above 10,500.

But if the bulls have second thoughts this week, support could be near the gap fill at 10,225. A quick retracement to fill that gap could be the catalyst for more buying. Any move below 10,225 would be negative obviously and would invite another retest of 10,100. If we do not see a move above 10,350 first and instead get a retest of the 50 DMA at 10,100, that would load the dice in favour of the bears. That is actually somewhat plausible this week given the early week Mars alignment with Rahu. The weekly Sensex chart remains bullish. Stochastics are starting to slope down but have not yet moved below the 80 line and produced a sell signal. Last week's candle with the long lower shadow was bullish, especially since the low matched horizontal support at 32,500 – which was also the approximate level of previous highs. The 20 WMA is quickly approaching that level as it now stands at 32,200. As in previous pullbacks, we could see several consecutive weeks of tests of that moving average. Even a larger pullback to 30,000 and the 50 WMA would still be a buying opportunity as long as the decline did not occur too quickly. Meanwhile, Infosys (INFY) posted a positive week after Wednesday's piercing test of the 50 and 200 DMA. The rebound was strong enough to suggest that higher highs are more likely from here. Nonetheless, there is significant overhead resistance at this level so we could see some consolidation before a move higher. ICICI Bank (IBN) also pushed higher as it followed a rising channel. It has more upside to go before encountering channel resistance and if all goes well, the 2015 highs (US \$11.50) are also within reach. The chart is clearly bullish.

This week could be choppy as the early week Mars-Rahu alignment seems bearish. This suggests that Monday and Tuesday have a somewhat higher chance of declines. And with Pluto also in that alignment, there is the possibility of a fairly large move. However, I would be careful about being too bearish here since Venus also joins the alignment by midweek. When there are several planets in alignment, it can produce gains even if one or two of the planets are negative. I would be more positive for the late week perhaps on the Mercury-Uranus-Saturn alignment. I would generally be slightly bullish for the week although I would acknowledge an



elevated risk of a larger decline early in the week which could confound that larger bullish expectation. One possible scenario would be some early selling that retests 10,225 (at least) and I would not be surprised if the Nifty fell close to 10,100 either. But a subsequent rebound does look likely. If Monday turns out to be positive, then we could be looking at a significantly more bullish week with the previous high of 10,500 within range.

Next week (Nov 27-Dec 1) could start on a positive note as Venus enters Scorpio on Monday. However, Mercury conjoins Saturn on Tuesday and the Moon opposes Mars on Thursday. These are both bearish influences which could be enough to produce a down week overall. I would shift my bias towards bearish here. The following week (Dec 4-8) looks more bearish as Mercury turns retrograde on the 3rd and then aligns with Mars at the end of the week. A retest of 10,100 is very possible here, depending on where the Nifty has previously topped out at. Stocks may become more bullish for the second half of December and into January. Now whether this can produce another higher high (10,600?) is difficult to say. It is certainly possible. Another pullback is likely to start in January and extend into February. I am uncertain if this will produce a lower low or break rising channel support. After more upside in March, April looks bearish. That is perhaps a better bet for a lower low which interrupts the rally. Generally, I think the first half of 2018 looks much less bullish than the market has been in 2017. There are enough likely pullbacks here that a net negative market performance is quite possible in 2018 until about June-July. The second half looks more positive and could reverse any losses suffered in the first half. At this point, I would expect the bull market to continue to make higher highs into 2019 at least.



Technical Trends

Short term trend is UP
(1 week ending 24 November)

Medium term trend is UP
(1 month ending 24 December)

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

Astrological Indicators

bullish (confirming)

bearish (disconfirming)

bearish (disconfirming)

Target Range

10,200-10,400

10,000-10,250

9000-10,500

Currencies

The Dollar moved lower last week on worries over whether the Trump tax bill will pass the Senate. The USDIX tried to rally later in the week but ended Friday near 93.5. The Euro finished the week just under 1.18. This bearish Dollar outcome was somewhat unexpected although I thought the Venus-Jupiter conjunction would likely coincide with some selling. However, the late week bounce was very small and eventually fizzled. Bulls did enter the market at the 50 DMA and thus created a higher low. There bull story for the Dollar remains intact at this level although the size of this retracement is rather large compared with the preceding advance. This suggests a weakening of the rally at the very least. Last week's decline was a break below rising channel support so any modest upside could merely be back testing that channel trend line. If there is a rebound from here, resistance would be at 95 from the previous high. Channel resistance would be closer to 96, however. And at that point, the Dollar would be within striking distance of its 200 DMA at 96.4. This would not be signal that the down trend is over but it would open the door to a possible new phase. The weekly Euro chart shows a 50% retracement higher off the recent low. I would think a move back above 1.19 would increase the odds of a retest of the high at 1.21.



This week offers a reasonable chance for a bounce. The early week Mars-Rahu alignment may be the best opportunity for the Dollar to move off this support level of the 50 DMA. The late week looks somewhat less positive but I would retain a bullish bias in any event. Next week could also be marked by some upside as Mercury conjoins Saturn. Saturn aspects have a slight tendency to be bullish for the Dollar and this one has the added feature of occurring in a key point in the Euro chart. So it is quite possible we could see a tagging of the 200 DMA by early December. December as a whole looks bullish although I would look for signs of weakness in the second half of the month. January and February look more bearish so a significant retracement is likely at that time. The period of retracement and consolidation could extend into April. Given the length of time of this more bearish period, it is possible we could see the Dollar again retest key support at 91. More Dollar strength is likely after April with a stronger rally for much of the summer which could retest 2017 highs.



Technical Trends (Dollar)

Short term trend is DOWN
(1 week ending Nov 24)

Astrological Indicators

bullish (disconfirming)

Target Range

93-94

Medium term trend is DOWN bullish (disconfirming) 95-97
 (1 month ending Dec 24)

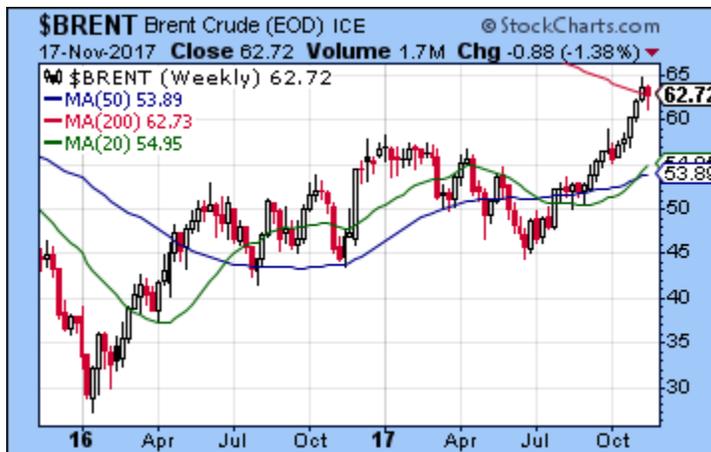
Long term trend is UP bullish (confirming) 96-99
 (1 year ending Nov 2018)

Crude oil

Crude ended the week mostly flat as a late week recovery offset some early week selling. WTI was unchanged at 56.71 while Brent lost 1% and settled below \$63. This mixed outcome was not unexpected as I thought we could see some choppiness. As expected we got some selling after Monday's Venus-Jupiter conjunction following news of rising inventories. Last week's consolidation was in keeping with general technical expectations as the midweek low was right around the previous WTI resistance level of \$55. This is now key support so any break below this level would undermine the bullish prospects for the rally going forward. For now, though, the charts still look strong and are pointing towards higher highs eventually. Resistance is near \$57 for the short term so any move above that level would likely load the dice in favour of the bulls. A move to \$60 would likely not take long in that case. The weekly Brent chart is hesitating near resistance of the 200 WMA and the rising channel trend line. The trend line is actually closer to \$65-70 but it is fairly predictable that some profit taking should take place in this area. More upside is still possible in the near term but barring some sudden geopolitical developments, it would likely require a lot more time for prices to exceed \$70. Longer term channel support is now near \$50 for Brent so even a deep correction back to this level could still keep the medium term bull market intact.



This week offers the bears an opportunity to retest immediate support. Monday's Mars-Lunar Node alignment is a bit of a wild card but it contains an elevated downside risk. Venus will join the alignment on Tuesday and Wednesday so that could lead to a quick reverse of losses. Trading will be lighter in the second half of the week due to US Thanksgiving and that often coincides with a positive market bias. The Mercury-Uranus alignment on Friday also supports this bullish view. I do think a pullback is coming by December, although it is still possible it may not begin this week.



Next week (Nov 27-Dec 1) again would seem more bearish as Mercury conjoins Saturn in the first half of the week. Thursday's Moon-Mars opposition may also coincide with a bearish day. The following week (Dec 4-8) has an increased risk of declines as Mercury turns retrograde on the 3rd. If crude does fall here, it looks likely it could break support, whether that is \$55 or even at the 50 DMA at \$52-53. A rebound could begin sometime in mid-December and continue into early January. January as a whole looks more bearish so another pullback is likely and it could extend into February. I am agnostic on whether this puts in a lower low. A strong rebound is likely starting in February and continuing through April or May. The summer looks fairly bearish again, however.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending Nov 24)	bullish (confirming)	\$56-60
Medium term trend is UP (1 month ending Dec 24)	bearish (disconfirming)	\$50-54
Long term trend is DOWN (1 year ending Nov 2018)	bullish (disconfirming)	\$50-70

Gold

Gold showed signs of life last week after Friday's gain on uncertainty about the Trump tax bill passing the Senate. Gold rose by almost 2% on the week to 1296. This bullish outcome was in keeping with expectations, although I was mistaken in thinking that gains would be focused early in the week. Monday and Tuesday were positive, but Friday was the decisive day despite the apparent weakening of the Sun in Scorpio. The bullish view on gold is still quite viable here after rebounding off support at the 200 DMA. As always, however, there are two ways of reading the technical charts. The bulls see a tradeable base at support followed by Friday's promising gain. Bears see Friday's gain as a lower high relative to the 1310 high in October and thus they remain skeptical of the rally. A quick reversal back to 1270 would again put pressure on the bulls. However, the additional encouraging sign is that we had a series of slightly higher lows last week which suggested that bulls were getting stronger as buyers became more eager to buy the dip. Any move above 1310 would be bullish and would likely have some significant follow through on the upside. Obviously, a reversal lower to 1270 would be bad news and would increase the chances of a breakdown of support.



This week could bring some larger than expected moves. There is an increased downside risk in the early part of the week due to the Mars-Node alignment. At the same time, I am reluctant to say that a decline is certain because Venus is also aligning with Mars around the same time. Again, I am bearish for gold in the coming weeks but it would not surprise me if the bulls managed another gain here. And the technicals do argue for more upside so that should be taken into consideration also.

Next week (Nov 27-Dec 1) would seem to favour the bears again. The early week could see some upside but the second half of the week looks less favourable as Mercury approaches its retrograde station on the 3rd. It is possible that the retracement lower may only begin around the 3rd and the retrograde station. I would think there would be some downside at least before that date but November has not quite played out as bullish as I expected. The following week (Dec 4-8) also seems bearish as Mars aligns with Mercury and Saturn. It is possible we could see a break down in support at 1270 in December. I would think that is the more probable scenario than not. After a rebound in late December, however, more troubles look likely in January. A rebound is more likely to begin in February and extend into April or May. Q3 2018 looks more bearish again.

Technical Trends

Astrological Indicators

Target Range

Short term trend is UP (1 week ending Nov 24)	bearish (disconfirming)	1270-1300
Medium term trend is DOWN (1 month ending Dec 24)	bearish (confirming)	1220-1270
Long term trend is DOWN (1 year ending Nov 2018)	bullish (disconfirming)	1200-1400

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