

Summary for week of 6 November 2017

- Stocks leaning bullish again this week but pullback approaching
- Dollar with bullish bias this week
- Crude oil could retrace early but more upside possible later
- Gold may rise this week but decline more likely next week

US Stocks

Stocks climbed higher for another week as Friday's jobs report offered confirmation of an improving economic growth. The Dow gained about half of one percent for the week to 23,539 while the S&P 500 was incrementally higher to 2587. This bullish outcome was in keeping with expectations as I thought the early week Mercury alignments would dovetail with the ongoing Jupiter influence.

The strong jobs report gave the bulls the fuel necessary to add to recent gains. With the newly-appointed Fed Chair Jerome Powell seemingly just as dovish as outgoing Chair Janet Yellen, investors feel the "Fed put" is still in place. The health of the stock market is now just as important as inflation or unemployment in shaping Fed policy. Therefore, it cannot be allowed to fall very far in the event of any unforeseen developments. And yet the bond market is sending a potentially dangerous signal as the yield curve continues to flatten. The spread between the 2 and 10-yr is at the lowest point since 2007 at the top of the previous bull market. The falling yields at the long end reflect the bond market's skepticism about longer term growth prospects particularly as the Fed is trying to raise short term rates. One source of skepticism may be the uncertainty in Washington and the ability of the fractured Republican Party to pass its tax reform agenda. While the outlook seems generally good for passage in the House, the Senate is a different story. Long term yields may begin to rise if or when the tax reform package gains Senate passage. Failure to pass the bill by Christmas would likely spark a pullback in stocks.



The astrological outlook remains short term bullish but medium term bearish. The bullish Jupiter influence is likely to persist a little while longer in November so that could well produce higher highs. And yet late November and early December have an elevated downside risk as Mercury turns retrograde while conjunct Saturn. It seems reasonable to expect some kind of pullback but I am uncertain if it will follow the recent pattern of testing the 50 DMA like the August pullback did, or whether we can expect something larger. Certainly, the market is overdue for a larger decline but I'm less confident that these alignments can produce a 6-8% decline which would test the 200 DMA. Recent bearish patterns have produced little downside so bears should be cautious about expecting too much downside.

The technical picture is still bullish as the SPX rides up the rising channel trend line resistance. Another week of gains and we could be hitting 2600 from this trend line. Support is immediately from the 20 DMA at 2564. Any move below that line would invite a test of the 50 DMA at 2522 as well as horizontal support at 2500. A standard bull market pullback would fall to the 50 DMA so that seems to be the minimum we can expect from the upcoming down move. Breadth is still a problem, however, as the Bullish Percentage remains in a bearish crossover despite recovering somewhat last week. By itself, this indicator isn't sufficient reason for bears to short or for bulls to expect a bounce. However, it does reflect the higher level of ambiguity of the rally at this late stage.

The weekly Dow chart is increasingly overbought with stochastics at 98 and the RSI at a lofty 82. Most likely it is too late for new bulls to join the rally as most of the gains have occurred already. But the RSI tells a compelling story of a huge stock rally in 2017 as all the pullbacks stopped at 60 before moving higher once again. Bulls can remain confident that the next dip will be bought until it isn't. And even then, the RSI could provide an important "tell" whenever it finally happens to fall below 60. This would be a signal that the Trump rally is over and markets will resume a more normal dynamic. The Dow looks quite stretched above its long term 200 WMA and ripe for a correction. It is even more stretched now than it was in early 2015 before the correction that occurred in the second half of that year. As noted above, the yield curve is flattening as the long end fell last week with the 10-year closing just above its 200 DMA at 2.34%. Since the 2-year yield is 1.6%, the spread is now just 0.7% a level last seen in 2007 near the stock market peak before the meltdown the following year. It may not mean that another major decline will occur soon, but it does argue against expecting this year's rally to continue indefinitely. The long end could find support here at the 200 DMA where it would be in a better position to rise if the Trump tax plan showed more signs of becoming a reality.



This week could see further upside. The approach of the Venus-Jupiter conjunction could coincide with more optimism although it will not be exact until next Monday, Nov 13th. The early week leans more bearish as the Moon opposes Saturn on Monday and Tuesday. I wouldn't expect a big pullback on either of these days but the probability for some kind of downside is elevated beyond the usual during this rally. A pullback to the 20 DMA at 2564 would not surprise me. But the second half of the week looks more positive and it is very possible the bulls will end up having the final word here again this week. This week is likely somewhat less bullish than last week but I can't quite see a negative week overall. It's possible but I would think the bears will have a better chance to inflict some damage later in the month.



Next week (Nov 13-17) could begin positively on Monday but there is a risk of hangover immediately thereafter, perhaps even before the close on Monday. I would expect a net negative outcome by Tuesday/Wednesday which nullifies any possible upside on Monday. Thursday's entry of the Sun into Scorpio could mark a shift in sentiment away from this melt-up bull market. Overall this middle week of November looks more bearish than the preceding weeks. Thanksgiving week is even more bearish, although I realize that this holiday week tends to be historically bullish. Sharp declines are more likely on the 20th and 21st due to the Mars alignment with the Lunar Nodes.



I would therefore think we should consider the possibility that the 50 DMA could be tested here. Late November and early December also feature some bearish alignments which could be sufficient to induce a down trend, however modest. The Mars-Uranus opposition on Nov 29-30 is worth watching in this respect as is the Mercury-Saturn conjunction from Nov 28 to Dec 6. Some kind of rebound is likely in the rest of December as Jupiter aligns with Neptune and then Pluto. But more downside is very possible in January. I would not rule out lower lows in January. We are very likely going to see a correction of 10% or more at some point in the first half of 2018. My analysis suggests that April-May is the most likely time for a sizable decline although it may arrive somewhat before or after that time. A significant rebound is likely in the second half of 2018 which could extend into 2019. Higher highs are very possible so we could even see the bull market enter its 10th year in March 2019. But I am currently expecting a major decline to likely take place after that, especially in 2020 and 2021.

Technical Trends

Astrological Indicators

Target Range

Short term trend is UP
(1 week ending Nov 10)

bullish (confirming)

SPX 2570-2600

Medium term trend is UP
(1 month ending Dec 10)

bearish (disconfirming)

SPX 2500-2550

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

bearish (disconfirming)

SPX 2200-2600

Indian Stocks

Stocks pushed higher again last week as strong bank earnings hinted at the underlying health of the economy. The Sensex rose almost 2% to 33,685 while the Nifty finished higher at 10,452. This bullish outcome was in line with expectations as I thought the Mercury-Venus-Rahu alignment would likely coincide with some upside. However, most the gains arrived somewhat surprisingly in Wednesday's session.

The bulls appear unstoppable here as the market moves into uncharted territory of higher highs. While one can find possible sources of worry, the overall domestic and international outlook is solidly bullish. Fallout from the GST implementation appears to be modest while Europe is now growing faster. China is also maintaining its commitment to growth although we should note its bond yield curve has now inverted (short term yields higher than long term yields) which can be a sign of slowing. The US is still looking generally positive although concerns remain about the ability of the fractured Republican Party to pass its ambitious tax reform package. But the "Fed put" is still in place as the new Fed Chair Jerome Powell is widely seen as continuing the loose monetary policies of Janet Yellen.



The current planetary picture looks broadly favourable for markets through part of November. This would suggest that the rally is likely to continue for another week or two. Late November may bring some kind of pullback. Early December also looks more bearish as Mercury turns retrograde while in conjunction with Saturn. I would not expect significant pullbacks although it could still make life uncomfortable for bulls for a short while. A retest of the 50 DMA looks quite possible and even a test of the October low of 9700 cannot be ruled out. I think a larger pullback or correction is more likely during Q1 2018. This may or may not be preceded by a higher high in late December or early January. The first half of 2018 looks more bearish overall and is unlikely to see the current rally continue. Instead, we may be looking at a period of significant consolidation before the second half of 2018 brings another major rally.

The technical picture remains extremely bullish. The Nifty appears to be on course to reach its upside target of 10,600 in the coming days. It's obviously overbought now on a daily basis with the RSI at 71 but in a strongly trending market these indicators do not count for much. Immediate support is Friday's low of 10,400 so any move below that level could invite a test of the 20 DMA at 10,220 and the high from 17th October. A move down to the 50 DMA at 10,000 is also conceivable in the coming weeks although this would not upset the bullish outlook. A lower high around 10,000 would be an important retest of support and would quiet the euphoria from the current rally. But given the strength of this year's rally, such a deep pullback would likely be bought fairly aggressively.

The weekly Sensex chart is similarly overbought as RSI is above the 70 line and stochastics are above 90. There could be short term support at 33,000 but a proper pullback would likely test the 20 WMA at 31,948 at least. I would think the bearish alignments in late November and early December could well test this level. Horizontal support at 31,000 might even be possible depending on where the current move up tops out at. Resistance is likely close at hand now

according to the rising channel from the late 2016 low. It may rise as far as that measured move upside target of 34,000. But the advance is getting stretched as prices are far from the upward trending long term 200 WMA. It stretched further in 2015 following the Modi election but it isn't clear that the current situation is as singularly bullish. Eventually, stocks have to come back to retest fundamental support at this line (27,125). Its upward slope suggests that any such deep correction -- if or when it occurs -- will be a buying opportunity. Tata Motors (TTM) extended its recent rebound and is now pushing up against resistance at the 200 DMA. Current levels also test resistance of the falling channel from earlier in the year. A weekly close above this resistance convergence area will be bullish and would suggest the stock will rise further. ICICI Bank (IBN) had a stellar week as it rallied back to horizontal resistance to its previous mid-year high. The steepness of the recent bounce suggests momentum is strong enough to push to a new high fairly soon.

This week also leans bullish as Venus approaches its conjunction with Jupiter. This meeting of two bullish planets doesn't actually take place until next Monday the 13th but I would expect some optimism ahead of that date. We could see some declines on Tuesday or Wednesday perhaps as the Moon opposes Saturn. I do think that we will see one or two down days this week but they may be fairly modest. And the gains are likely to be larger than the declines given the strength of Jupiter at this time. I'm not sure about Monday although it does not have any clearly bearish



alignments. That could translate into more upside. Friday looks more positive as Mercury aligns with Jupiter. There could be enough positive sentiment here to take the Nifty up to that 10,600 level this week. I'm not saying this is a probable outcome but it is getting more likely now. Perhaps it happens next week. At the same time, there could be some hesitation along the way, especially midweek, so a test of support at 10,400 is quite likely. Even if stocks happen to fall below 10,400 by midweek, I would still lean bullish overall.

Next week (Nov 13-17) also leans bullish although there could be some downside later in the week. The Sun enters Scorpio on Thursday the 16th so this could weaken sentiment somewhat. Previously, the Sun was in Libra alongside bullish Jupiter but its departure could introduce more uncertainty into the market. With some early week gains looking likely, we could well see 10,600 at some point here. The following week (Nov 20-24) tilts bearish as Mars squares Pluto and aligns with Rahu early in the week. A sharp daily decline greater than 1% is possible here on this alignment. Even if there is a late week rebound, I think the week will be down overall.



There is also elevated downside risk heading into early December as Mercury conjoins Saturn on the 1st. Mercury turns retrograde on 3rd Dec. A pullback lasting into mid-December looks possible although it may only fall as far as the 50 DMA at 10,100. Let's see. After a bounce going into the New Year, January and February still look much less bullish than Q4 2017 and could well end up coinciding with more downside. My expectation is for lower lows by February, possibly testing the 200 DMA. A strong rebound is likely from about March to May-June. Higher highs are possible sometime in the first half of 2018. Another pullback is likely in mid-2018 which will be followed by another move higher.

Technical Trends

Astrological Indicators

Target Range

Short term trend is UP
 (1 week ending 10 November)

bullish (confirming)

10,400-10,600

Medium term trend is UP
 (1 month ending 10 December)

bearish (disconfirming)

9800-10,250

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

bearish (disconfirming)

9000-10,500

Currencies

The Dollar was mostly flat last week after Friday's gain following the strong jobs report. The USD finished just below 95 while the Euro ended the week at 1.16. The Yen weakened to 114 and the Rupee Index moved below 65. This neutral Dollar outcome was in line with expectations the early week Mercury-Venus alignment coincided with some modest profit taking. The technicals still look bullish in the short term as Friday's intraday low bounced off the trend line support at 94. A move below 94 could be followed by a retest of the 50 DMA at 93. Bulls will be looking for a new high above 95 however that could prove difficult as the measured move upside target is 95.

If 95 is broken to the upside, then channel resistance is near 95.6. The weekly Euro chart shows a possible consolidation process underway just under the 200 WMA. Gradually, the Euro is moving closer to testing the previous range high of 1.15. This should be an area of support that will hold in the event of further downside pressure. Probably only a move below 1.14 will mark a decisive return to the previous trading range. Longer term, the chart is still bullish as the current retracement is typical of bull markets after a year of gains.

This week leans bullish as Venus approaches its conjunction with Jupiter. The early week could see a pullback, especially on Monday and to a lesser extent, on Tuesday. The late week looks more bullish and could well offset any early week declines. Overall, I think the chances for a move above 95 are fairly good and we could also see channel resistance tested at 95.6. Next week could see more downside pressure, especially in the first half. Gains are more likely later in the week so there could be a large enough recovery to prevent serious damage. I would retain a bullish bias in any event. There is a real possibility that the rally could continue through November and most of December. While some further retracement is likely along the way, there is now a plausible scenario whereby the Dollar tests its 200 DMA at 96.7. This could well occur in November. A larger retracement is likely to begin by January and last for a couple of months at least and perhaps into Q2 2018. A low is possible in April-May. Another rebound is likely for the second half of 2018 and should be quite strong.



Technical Trends (Dollar)

Short term trend is UP
(1 week ending Nov 10)

Astrological Indicators

bullish (confirming)

Target Range

95-96

Medium term trend is DOWN bullish (disconfirming) 96-98
(1 month ending Dec 10)

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

Crude oil

Crude moved higher last week mostly on news of falling rig counts in the US. WTI was higher by 2% finishing above \$55 while Brent closed near \$62. This bullish outcome was a little surprising although I had been generally bullish here in November. I thought we might have seen more of a mixed performance during the midweek although I did think that Friday looked more bullish and that proved to be the most bullish day of the week. Last week's high broke above key horizontal resistance dating back to the beginning of the year. This is a bullish development for crude going forward as it suggests that more upside is possible. It is still possible for a reversal



lower here which would raise questions about the bullish breakout and whether it might be false. Bulls will need to keep prices above support at \$54. If there is a quick retracement below \$54 this week, it could undermine confidence in the current rally. If there is a move below \$54, the next level of support would be the 50 DMA near \$50. This kind of deeper retracement would still keep the medium term rally intact, however. The weekly Brent chart suggests price may be following a rising channel. Channel resistance is \$65-70 which is just above the 200 WMA. Channel support is near \$50 which is a bit below the key convergence of the 20 and 50 WMA. Bulls will likely remain in control as long as those moving averages are tested but not broken. One alternative interpretation is that crude is forming a bearish rising wedge pattern dating from its 2016 low. If crude cannot break above \$65 and channel resistance, then the wedge becomes a more viable pattern.

This week leans bullish again. The Venus-Jupiter conjunction is exact on next Monday the 13th but I would expect sentiment to be optimistic in advance of this alignment. There is a raised risk of some retracement early in the week on the Moon-Saturn opposition. It does not look too strong, however, so we may not see a significant decline. A retest of support at \$54 is very possible this week. But higher highs are also looking possible here. That said, I think there is an increasing risk the rally will shift into a sideways or retracement phase soon. This could start sometime in November and may last for 2-3 months.



Next week (Nov 13-17) looks more bearish as Mars begins to form an alignment with the Lunar Nodes and Pluto. Declines could begin as early as Monday. Bulls should be cautious here. I would not expect a huge decline on the week and perhaps the bulls can find a way to keep the rally going. The following week (Nov 20-24) also looks bearish as the Moon conjoins Saturn early in the week. A move below \$54 looks very likely by this time and a test of \$50 is quite possible also. If I am wrong about the exact timing of the pullback, the early December conjunction of Mercury and Saturn offers the bears a second chance to inflict some damage. This is a tense alignment which has a higher reliability of coinciding with declines. A move below \$50 is likely at this time. There will likely be a rebound during the rest of December but higher highs look less likely. January and February again seem bearish and lower lows are possible. A WTI retest of \$46 is definitely possible. A stronger rebound should begin in February-March and extend well into Q2 2018.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending Nov 10)	bullish (confirming)	\$54-57
Medium term trend is UP (1 month ending Dec 10)	bearish (disconfirming)	\$46-50
Long term trend is DOWN (1 year ending Nov 2018)	bullish (disconfirming)	\$50-70

Gold

Gold went sideways last week as Dollar strength and falling bond yields kept the bulls in check. Gold closed down \$2 on the week to 1269. I thought we might have seen more upside given the entry of Venus into Libra late in the week but Friday's decline erased Thursday's gain. From a bull's perspective, the technical picture looks somewhat promising as gold may be forming a base at 1270 just above the 200 DMA at 1261. However, bears can also take some hope in the fact that the repeated tests of support at 1270 do not have any corresponding tests of resistance. After the brief rally to 1310 in October, gold is looking quite weak. If gold does break decisively below 1270, then one possible area of support might be 1230 which would be the measured move based on the October rally to 1310. It would seem that 1261 is the line in the sand at this point as any move below that level would signal lower lows ahead. My expectations for a November rally are rapidly fading here as December looks more likely to produce some declines. That would suggest that the bearish view of a breakdown of support is looking more likely. As the Fed is likely to tighten in December and the Dollar still rallying, there are fewer reasons to own gold from a US perspective at least. It would seem that geopolitical uncertainty may be on the only thing that could revive gold prices in the near term.



This week offers gold another decent chance to rise. The Venus-Jupiter conjunction occurs next Monday and could exert some positive influence ahead of that alignment. The second half of the week looks more bullish than the first half. I am reluctant to forecast the relative size of any potential upside. The transiting planets look bullish but recently that hasn't counted for much. Bulls should be cautious here if gains turn out to be weak or fleeting. If we do finally see a positive week, it seems more likely that it will create a lower high below 1310.

Next week (Nov 13-17) looks more bearish. Monday's Venus-Jupiter conjunction could produce a significant move in either direction. Although bullish in nature, this conjunction often coincides with selling as soon as it comes exact. There is a risk that we could see Monday or Tuesday reverse sharply lower. The following week looks even more bearish as Mars aligns with Pluto and the Lunar Nodes on the 20th. A large move lower is possible although the volatility could go both ways for a few days. I would retain a bearish bias going into early December and the Mercury-Saturn conjunction. Gold is likely to test previous support at 1210 by this time. Lower lows are also possible. A rebound could begin sometime in Jan-Feb and could extend into Q2 2018.

Technical Trends	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Nov 10)	bullish (disconfirming)	1270-1300
Medium term trend is DOWN (1 month ending Dec 10)	bearish (confirming)	1220-1270
Long term trend is DOWN (1 year ending Nov 2018)	bullish (disconfirming)	1200-1400

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