

Summary for week of 11 December 2017

- Stocks mixed with a bearish bias this week
- Dollar may add to recent gains
- Crude oil mixed with more downside pressure in first half
- Gold continues weak here but rebound more likely in second half

US Stocks

Bulls emerged triumphant again last week after Friday's strong jobs report offset early week jitters. The Dow was higher by less than 1% and posted a record weekly close to 24,329 while the S&P 500 finished at 2651. While I was correct in thinking that we would see some downside in the first half the week, the bears were unable to break below support at 2620. The Mercury-Saturn conjunction was indeed bearish, only modestly so. The subsequent late week bounce on the Venus-Neptune alignment was also not surprising although it spread across two full days.

The rally seems unstoppable as ever. The jobs report will give cover to the Fed's desire to raise rates this week, even if wage growth is slower than many would like. Bulls will no doubt see the silver lining there as the absence of rising wages will translate into less inflationary pressure and hence lower rates for longer. This goldilocks-like jobs report was also reflected in bond yields which didn't move much on the short end or the long end. The spread remains quite narrow but at least yields are not moving sharply in any direction. For the moment, the Mueller inquiry is again on the back burner until its next indictment. While shocks are possible, the market seems to be taking it all in stride now. Even if Kushner or Don Jr. are charged, there is a growing sense that Trump will be able to ride out the storm. The tax bill has sufficient forward momentum that it is likely to become law no matter what happens with Mueller.



The planetary picture offers some confirming evidence to both bulls and bears. While this week upcoming has some bearish influences, I am reluctant to predict significant downside for the month of December. Jupiter will form alignments with the Lunar Node and Pluto later in December so that may act to negate or minimize any downside. As before, the bears may find themselves in a better situation in Q1 2018 as Saturn moves further into Sagittarius. I am expecting growing market weakness as soon as January with the more significant down moves occurring in February and perhaps into March. The size of the decline looks like it should be big enough to test the 200 DMA and a 10% correction may also be doable. Therefore, the month of December could bring somewhat higher highs and then a lower high in early January which is then sold. That is one scenario at least. Alternatively, we could get a higher high in early January which is then followed by a retracement.

The technical picture remains bullish on all time frames. The bears got a taste of honey last week on Monday after the higher high above 2660 couldn't be held by the close and the indexes actually finished lower on the day. This reversal day paved the way for more weakness into Wednesday but buyers entered the market as usual as bulls keenly defended support above 2620. Bulls will now contend with horizontal resistance at 2665 and channel resistance close to 2680.

If the SPX does not make new highs this week or next, then there is a greater risk that horizontal support at 2620 could break. Most likely, 2600 would act as the next level of support which would likely be bought. This also coincides to rising channel support as dated from the August low. The longer term channel from Nov 2016 offers a lower level of support near 2500. This is a bit above the 200 DMA at 2461 and may well come into play early in 2018. But dips of all sizes are going to be bought no matter how deep the initial pullback is. The weekly Dow chart is clearly overbought (RSI=84) and probably does not offer good value for medium term investors at this time. The 20 WMA has stretched far above the 200 WMA and illustrates that the current rally must undergo a retracement phase quite soon. The Bullish Percent Index touched a new high last week but also saw greater weakness in the late week period. This was a split decision of sorts: the higher high removed the negative divergence with respect to the July high but the late week was more bearish than the stock indexes. This is a short term negative divergence which offers some support to the view that the rally may be vulnerable. We will have to watch to see where this indicator goes this week. As noted above, the 10-year yield was mostly unchanged last week as traders are likely awaiting direction from this week's FOMC meeting. A hike is widely expected so it will be forward guidance and the Yellen press conference that could give the bond market something more to focus on. For now, the technicals are still leaning towards higher yields down the road as the 200 DMA is acting as support in this chart.



This week looks mixed with a bearish bias. I had thought we could see some downside this week but I am less convinced it will persist until Friday. The weakness of the bears last week makes me wonder if the downside will be less dramatic than hoped and any rebound will be fairly robust. Nonetheless, the bears do have some planets on their side at least. Wednesday's Moon-Mars conjunction occurs at the same time as the FOMC statement so that increases the likelihood of some negative market reaction on that day. Also, the Sun-Mercury Rx conjunction on Tuesday and Wednesday does add to the downside risk during that midweek period. Monday could go either way and the Venus-Jupiter alignment may be just enough to introduce a bullish bias. And yet I would not say this is a reliably bullish pattern. The late week could be more bullish, especially on Friday's Mercury-Venus conjunction. Given the range of influences, it is harder to say where the indexes will finish. I would not be surprised by higher highs, especially if the early week turns out to be positive. However, the probability of some midweek downside could mean that we get a retest of 2620-2630, especially if the early week isn't very bullish.



Next week (Dec 18-22) leans bullish as Mercury aligns with Jupiter and the Lunar Nodes on Monday and then Venus aligns with Uranus on Wednesday. In other words, the planets offer additional evidence that the traditionally bullish holiday period will occur again this year. The following week (Dec 25-29) also leans bullish although the early part of the week is questionable given the Venus-Saturn conjunction on Tuesday the 26th. But even if the early week is bearish, the late week again looks more positive as Mercury again aligns with Jupiter and the Lunar Nodes. The beginning of January includes an interesting set up of planets as Mars conjoins Jupiter. Mars is a bearish planet although Jupiter sometimes can “invert” other planets negativity. However, in this case, I think there a possibility for a reversal lower, perhaps sometime following the conjunction on Jan 5-7. Indeed there is a huge alignment of planets on January 9th which may also serve as a warning for the market. The Sun and Venus conjoin Pluto that day at 24 degrees of Sagittarius and they align with Mars and Jupiter at 24 degrees of Libra. These patterns are often bullish in the days leading into the alignment and bearish following the alignment. January as a whole therefore could end up bearish and February and into early March also look suspect in this regard. A rebound is likely in March and this could extend into April. However, the Saturn retrograde period begins in April also and this could prove to be a more volatile phase than usual. Therefore, it is possible there could be two distinct bearish phases during the first half of 2018 – possibly Jan-Feb and then Apr-May. A 10% correction is looking fairly likely at some point. The second half of the year looks more bullish and could see a rebound that takes stocks to higher highs into 2019.



Technical Trends

Astrological Indicators

Target Range

Short term trend is UP (1 week ending Dec 15)	bullish (confirming)	SPX 2620-2680
Medium term trend is UP (1 month ending Jan 15)	bullish (confirming)	SPX 2620-2700
Long term trend is UP (1 year ending Dec 2018)	bearish (disconfirming)	SPX 2400-2600

Indian Stocks

Stocks rebounded last week on favourable global cues from the encouraging Brexit negotiations and solid Chinese trade data. The Sensex gained more than 1% to 33,250 while the Nifty finished the week at 10,265. This bullish outcome was unexpected as I thought the midweek Mercury-Saturn conjunction would produce more downside. After Monday's modest gain on the Moon-Jupiter alignment, stocks did indeed decline but only by a very small amount putting in a marginally lower low on Wednesday. The late week rebound was strong, however, as the bulls had the final word.

Despite the good news this week, a certain level of uncertainty hangs over the market with the Gujarati election outcome due on 18th December. Early polling surveys suggest a strong BJP win which would strengthen Modi's hand in his reform agenda. The market is likely discounting a win already although the size of the win may still be important to move markets. A smaller than expected victory could see some investors take profits. We shall see. This week upcoming will feature a Wednesday FOMC meeting in which the Fed is widely expected to raise rates. The market has priced in this hike but the forward guidance and comments from outgoing Chair Janet Yellen will be closely watched. Indian equities remain sensitive to the low global interest rate environment so any signs of a rapid normalization of rates in 2018 would be somewhat worrying for Dalal St. While Friday's US jobs report was considered strong, wage growth was weak and thus inflationary pressures are still modest. This means the Fed is unlikely to get too hawkish anytime soon.



The planetary picture looks mixed to bullish here in December. On one hand, Saturn is undergoing a series of conjunctions with Mercury, the Sun and Venus which could highlight some short term negativity along the way. However, Jupiter is gradually forming more bullish alignments with Rahu (Lunar Node) and Pluto. These alignments appear to be more effective in the second half of the month and thus could underwrite more upside for a possible Santa Claus rally. However, there is a multi-planet alignment on 9 January which could signal some significant changes in the market. The conjunction of Mars and Jupiter occurs at 24 Libra at the same time that the Sun and Venus conjoin Pluto at 24 Sagittarius. The high number of planets involved in this alignment could mark a potential top, at least in the short term. January therefore looks more bearish and further downside is possible in February.

The technical picture is still long term bullish although the short term poses risks. The problem is that last week saw a lower low below 10,100 and now bulls have to break above falling channel resistance, now near 10,375. If there is hesitation at that level, bulls may choose to sell and this could open up the possibility of another move lower, possibly to 10,000. Stochastics is in a bullish crossover, however, so that argues for some short term upside at least. A move above 10,400 would be more bullish, of course, and would increase the chances of higher highs above 10,500. Channel resistance is 10,600.

Over the medium term, a key support level is the 200 DMA at 9713 which now closely matches some horizontal support from previous lows. There is some risk that a breakdown of 10,000 could entail a decline down to this level. But even with the short term lower low, bulls know that the 20 and 50 DMA remain in a bullish crossover. This bullish crossover has characterized the 2017 rally, although it came close to ending in September and October. A rebound in the coming days would likely extend the bullish crossover further and provide more technical evidence for the rally to continue. Over the medium term, however, the weekly Sensex chart is still hinting at a correction of some size in the coming weeks. Stochastics remain in a bearish crossover below the 80 line despite last week's gain. Another positive week may be necessary to negate this important bearish indicator. Long term, the chart still shows a strong buy as all three moving averages are sloping upwards. Therefore, the bull market is very likely to continue for the foreseeable future. Meanwhile, Infosys (INFY) pushed higher last week as it now tests key horizontal resistance from previous highs. While the chart looks somewhat bullish overall, it may take some time before resistance is broken. ICICI Bank (IBN) also had a positive week as it tests resistance. This chart looks somewhat more bullish as the uptrend is more clearly defined. Another hard retest of the 200 DMA is possible in the coming weeks but the momentum looks bullish. Only a move below the 200 DMA a retest of the previous low would make this chart look bearish.



This week offers the bears a second chance, although I am less convinced they can inflict much damage now. The early week could see some gains as Monday's Mercury-Uranus alignment leans a bit bullish. The midweek Sun-Mercury conjunction is more of a question mark and contains an elevated downside risk for Tuesday and Wednesday. That said, it seems unlikely to produce two negative days. Some late week buying is more likely on the Venus-Rahu alignment and Friday looks more bullish than Thursday in that respect. Overall, it is hard to forecast an outcome here given the mix of influences. Nonetheless, I would lean a bit bullish, if only because of the technical indicators given the ambiguity of the planets. I would think the chances are fairly good for a retest of channel resistance at 10,375. Whether the Nifty can move above that level is hard to say. A more bearish scenario would see a move back to 10,100 perhaps on Wednesday and Thursday, perhaps in part due to the Wednesday Fed statement. I don't think this is a probable outcome, however, but at the same time, it would not surprise me.



Next week (Dec 18-22) looks somewhat bullish on the Venus-Uranus alignment on Wednesday the 20th. All eyes will be on the Gujarati election results on the 18th, however, and the indications look mixed. The Mercury-Rahu alignment hints at unexpected outcomes, perhaps a weaker than expected margin of victory for the BJP. However, any downside reaction looks unlikely to linger given the favourable midweek patterns. The late week leans more bearish on the Sun-Saturn conjunction and the Moon-Mars alignment. Higher highs are therefore possible here. The following week (Dec 25-29) looks bullish as Mercury aligns with Jupiter in the last week of 2017. Again, higher highs are possible here especially since Jupiter will be approaching its exact alignment with Rahu and Pluto in January. January may bring a change in sentiment after the alignment of 9th January. The entry of Mars into Scorpio on 17th January looks more clearly bearish and should mark a more bearish phase that lasts into mid-February. I would not expect a major decline here but a test of the 200 DMA is possible although I would not say it is probable. Late February and March look more bullish as Jupiter stations and turns retrograde. The question here is whether this fairly brief positive window can produce another higher high. It may not and that could be the more bearish set up for the second decline I foresee, most likely occurring in April-May after the Saturn retrograde station. A lower low is possible and I would think a tag of the 200 DMA is more probable by this time. The second half of 2018 looks more bullish with higher highs looking likely by 2019.



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Technical Trends

Astrological Indicators

Target Range

Short term trend is DOWN
(1 week ending 15 Dec)

bullish (disconfirming)

10,100 -10,400

Medium term trend is UP

bullish (confirming)

10,200-10,700

(1 month ending 15 Jan)

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

bearish (disconfirming)

9700-10,500

Currencies

The Dollar pushed higher last week as Washington worries subsided and economic data continued to favor more rate hikes. The USDX finished just below 94 while the Euro slipped below 1.18. The Dollar is showing signs of life as the case for more rate hikes becomes more compelling with stronger economic data. While Friday's jobs report didn't show much wage growth, it is still seen as supporting the view towards faster rate normalization. This week's much-anticipated Fed meeting should raise rates and lay the groundwork for multiple hikes in 2018. But how many? If Trump's tax plan becomes a reality, then the Fed is more likely to err on the side of hawkishness as growth is expected to increase. The technicals look more bullish here after rising channel support at 92.5 was bought last week. Channel resistance is near 96 and the 200 DMA should be rally continue. However, bears will note the head and shoulders pattern with a neckline at 92.5 and the right shoulder at 94 now in place. If the bulls cannot push higher in the near term and we see a quick retest of 92.5 then there is a risk of a breakdown. The downside target would be 90. The weekly Euro chart still looks bullish as long as price remains above the 200 WMA and previous resistance at 1.15-1.16. The lower high should be concerning for bulls but until we get confirmation of the down trend with a lower low, the upward momentum is more likely to continue. Any move above 1.21 would suggest further upside to perhaps 1.25-1.26.



This week is mixed but we could see some gains, especially in the late week. Some retracement is likely around the Sun-Mercury Rx conjunction on Tuesday and Wednesday. I am uncertain if this retracement will be the result of the Fed statement on Wednesday afternoon. The conjunction occurs before that time so perhaps we will see the Dollar retrace lower in the first half of the week and then rally after the Fed. However, I think Thursday and Friday are more bullish than Wednesday in any event. One scenario here may be a pullback to support at 93 and then a bounce higher above 94. Next week looks more bullish as the Sun conjoins Saturn. I would expect higher highs and it is



possible we could even see a test of the previous high at 95. The final week of 2017 looks mixed with a bullish bias, especially in the late week. It is quite possible we could see a tag of the 200 DMA at 96 by early January. I

would be more cautious about the Dollar in late January and February. While we may not see a sharp decline, patterns look more mixed so we could see it range bound albeit with a bearish bias. Downside risk will increase in March and April. A retesting of the low of 91 is quite possible and lower lows are not out of the question. The Dollar will likely stage an impressive recovery starting in May or June and continue through the summer.

Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Dec 15)	bullish (disconfirming)	93.5-95
Medium term trend is UP (1 month ending Jan 15)	bullish (confirming)	95-97
Long term trend is DOWN (1 year ending Dec 2018)	bullish (disconfirming)	96-99

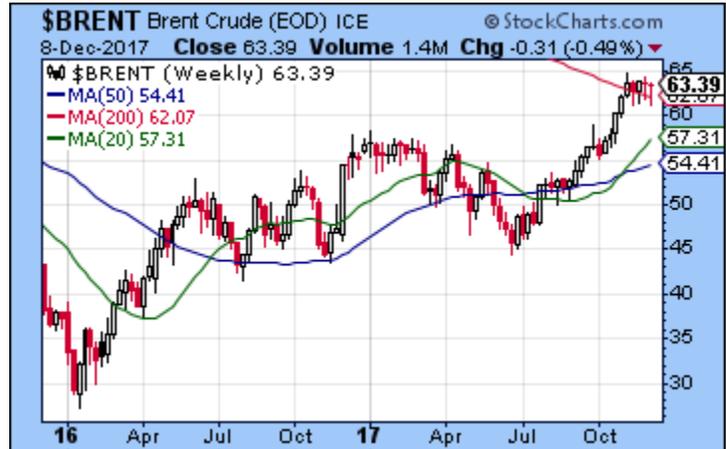
Crude oil

Crude oil fell last week on weakening demand data despite the approach of the winter season. WTI fell almost 2% on the week to \$57.36 while Brent ticked lower by just 1% to \$63.39. This bearish outcome was in keeping with expectations as I thought the midweek Mercury-Saturn conjunction would likely correlate with some selling. The late week was somewhat more bullish than anticipated, however, as crude staged a partial recovery. The technical outlook looks bearish in the short term as crude may be carving out a falling channel here. Last week's break below support at \$57 was a clear negative and even the subsequent rebound failed to break above resistance at \$58 from this falling channel. But bulls can still take comfort in the fact that there is a higher low after a higher high. As long as the higher low at \$56 holds, bulls can afford to take a bit longer to reach the previous high at \$59 and beyond. If the current rebound reverses lower and we get instead get a retest of support at \$55, then the risk of a breakdown will increase with a downside target of \$51. The weekly Brent chart is showing predictable hesitation climbing into its resistance zone of \$65-70. Despite the hesitation, bulls can still point to the long lower shadows in recent weekly candles. Buyers are coming in before the end of each week to ensure upside pressure continues.



This week looks less bearish although we could see more downside pressure early in the week. Monday is perhaps a more bearish planetary alignment as the Moon is squared by Saturn. Wednesday is FOMC day and it looks more volatile with a range of influences. I would still lean bullish here on the Sun-Mercury Rx conjunction although if prices fell I would also not be too surprised. However, the Venus-Lunar Node alignment on Thursday looks bullish. This suggests a reservoir of bullish sentiment this week which is more likely to determine the final outcome this week.

Next week (Dec 18-22) looks mixed with the early week leaning bearish with the approach of the Sun-Saturn conjunction. The exact conjunction occurs on Thursday so there will likely be ample time for some downside. However, I would expect a late week bounce. Overall, the bears have a decent chance here but I would not expect a major technical breakdown. Perhaps \$55 could be tested depending on where WTI has traded in the previous week. The last week of 2017 looks more bullish as Mercury aligns with Jupiter. A retest of resistance at \$59 is possible. More upside is possible in early January, but the planetary indications look more bearish as the month progresses.



I would not expect a large correction here but there is a risk of a sustained pullback or at least some consolidation until perhaps mid-February and the Mars-Lunar Node alignment on Feb 19th. After that, crude is more likely to rally as Jupiter approaches its retrograde station in March. The rally should continue in some form through much of Q2. I would expect higher highs by May or June. The summer looks more bearish, however, and may bring a significant retracement. A move back below the 200 DMA looks quite possible here.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending Dec 15)	bullish (confirming)	\$56-59
Medium term trend is UP (1 month ending Jan 15)	bullish (confirming)	\$56-64
Long term trend is DOWN (1 year ending Dec 2018)	bullish (disconfirming)	\$50-70

Gold

Gold fell sharply last week on further strength in the US economy and the ongoing Bitcoin mania. Gold lost more than 2% on the week to 1248 as key support at 1270 finally broke. This bearish outcome was in keeping with expectations as I thought the Mercury-Saturn conjunction would like bring about some selling. This week's Fed meeting could offer the bulls some hope for a revival in the event that outgoing Chair Yellen remains dovish in the absence of much wage pressure in the most recent US jobs report. But with the Trump tax plan still likely to pass soon, the inflation prospects are more likely to rise in the months to come. Gold is also losing some luster as an alternative asset class in the midst of the manic Bitcoin rally. More gold bugs may be hedging their bets with the cypto-currency as investors seek alternatives to mainstream asset classes. As long as the Bitcoin bubble doesn't pop, gold is looking more like yesterday's news. The technicals depict a distinctly bearish trend after falling below the 200 DMA. Gold could find support at 1230-1240 but the previous interim low of 1210 looms large now. A longer term measured move would have a downside target of 1180, however. Resistance is now near 1270 so any move above that level would likely bring more buyers.



This week could see more downside pressure, especially in the first half of the week. Wednesday's Sun-Mercury Rx conjunction could bring about significant movement on FOMC day. It's actually an ambiguous signal and I would lean bearish just in case. The Moon-Mars conjunction occurs on the same day and argues for volatility. The technicals here look terrible so there is still some downside risk although a reversal higher is also more likely. The late week seems to be a more reliably bullish pattern as Mercury approaches its conjunction with Venus. Where gold ends the week is harder to say. It will probably remain below 1270 but beyond that I don't know.

Next week (Dec 18-22) looks more bearish as the Sun conjoins Saturn on Thursday the 21st. Some early week upside is possible but I would be surprised if gold rallies significantly here as further downside is more likely. The following week (Dec 25-29) looks more bullish as Mercury aligns with Jupiter later in the week. As we move into early January, it is possible that gold could move above its 200 DMA and 1270 once again. Another pullback or correction is likely by mid-January and this could continue through much of February. Lower lows are possible, perhaps to 1180. Gold should rebound by March and it may continue to rally through most of Q2. Higher highs above 1360 are possible by June. Summer should bring a significant correction, however, but more upside looks likely in Q4 and into 2019.

Technical Trends	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Dec 15)	bearish (confirming)	1230-1260
Medium term trend is DOWN (1 month ending Jan 15)	bullish (disconfirming)	1250-1300
Long term trend is DOWN (1 year ending Dec 2018)	bullish (disconfirming)	1200-1400

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