

## Summary for week of 25 December 2017

- Stocks may move higher this week
- Dollar mixed with recovery possible later in the week
- Crude oil with bullish bias, especially in first half
- Gold likely extending gains this week

## US Stocks

Stocks inched higher last week following the signing into law of the Trump tax overhaul. The Dow added 100 points on the week to 24,754 while the S&P 500 finished at 2683. This bullish outcome was in keeping with expectations as I thought the early week would be bullish on the Mercury-Jupiter alignment. I thought we might have seen some upside into midweek but gains were confined to Monday. The late week was more mixed.

With the tax bill now done, markets may be looking for new sources of hope and caution. Some follow on upside is still possible in the days or even weeks ahead as details of the complex rewrite of the tax code become more widely known. Corporate earnings are likely to rise and this should be a boon to shareholders through either increased dividends or rising share prices through buybacks. The tax bill should be seen as generally putting a bid under most stocks for the foreseeable future, all other things being equal. Whether or not the US economy can prosper is another question which will take some time to determine. One would think that the cut in taxes should free up consumer spending in the short run in any event. In other words, the fundamentals are bullish and offer good evidence for the continued “buy the dip” logic.



The planetary outlook is similarly bullish in the short run. There is a preponderance of Jupiter aspects in December and early January which also hint at further optimism. Jupiter aligns with the Lunar Nodes in late

December and then will align with Pluto in early January. The Jupiter-Pluto alignment will be part of a much larger alignment in the second week of January (around the 9<sup>th</sup>) when the Sun and Venus conjoin Pluto at 24 Sagittarius and Mars conjoins Jupiter at 24 Libra. This exact degreewise alignment is potentially significant for indicating a *possible* peak in optimism. So the January planets offer decent evidence for some kind of pullback but it is unclear to me how large it will be. Higher highs are still possible in February after the likely January pullback although a lower high is also possible. A lower high would be a more appropriate prelude to the larger pullback I am expecting in March or April. Regardless of whether we see a lower high or higher high in February, I think a lower low is more likely by April relative to any low we see in January.

The technical picture still strongly favors the bulls. Resistance appears to be 2700 on the SPX following last week's action. Channel resistance from the August low may be closer to 2720, however, in the event we see more short term upside. MACD is starting to roll over although that hasn't counted for much during this 2017 Trump rally. It may simply mean that we will soon enter a period of consolidation where MACD is in a bearish crossover and the SPX moves sideways for a while. But that assumes that this overbought market can continue indefinitely.

Support is now at 2675 with intermediate support closer to 2655 near the 20 DMA. A deeper pullback could test the 50 DMA and 2600. While bears should expect a retest of the 200 DMA at 2476 eventually, it may take some time for that more bearish technical set up to occur. A retest of the 200 DMA would first require a period of volatility marked by a few daily declines of >1% and a failed rebound which then forms a lower high. Breadth indicators are still bullish, however, as the Bullish Percent Index is testing previous highs and is in a bullish crossover. The weekly Dow chart indicators are still at record levels as RSI and MACD have never been higher in the modern era. This argues against significant more upside in the coming weeks and months and greater increases the probability of a correction. Marginally higher highs are still quite possible with these indications, however. Meanwhile, the bond market finally began to take the growth implications of the tax bill seriously last week as yields rose across the board. The 10-year pushed higher to 2.5% although it is still below some horizontal resistance at 2.6%. Short term yields also rose, however, thus the yield spread remained at a rather low 60 basis points. Eventually, bond yields will become high enough that they will force some asset reallocation by institutional investors seeking yield and safety. Depending on how quickly this occurs, such a reallocation could produce some volatility in stocks.



This week is shortened for Monday's Christmas holiday. Typically, the week leans bullish as the Santa Claus rally takes over. However, some tax selling is also to be expected following a very bullish year. The planets

generally favor more upside this week as Mercury continues its alignment with Jupiter. The alignment is in place all week so I would not be surprised to see gains occur on any particular day. However, the late week sees a slightly increasing downside risk as the Moon opposes Mars on Thursday and Friday. I would not expect significant declines on either of these days but there is a possibility of some profit taking here. Generally, the chances for higher highs are quite good this week, even if they may not hold by Friday. 2700 looks within reach here and 2720 would not be out of the question either. If I am wrong and stocks fall this week, then next week also offers a good chance for some upside.



Next week (Jan 1-5) looks bullish due to the approaching Jupiter-Pluto alignment. However, one big caveat is that Tuesday-Wednesday will see Mars align with the Lunar Nodes. This increases the possibility of a sudden decline. I'm not convinced it will actually occur, however, since Mars is in close proximity to Jupiter which may act as a kind of buffer. But some caution is warranted early in the week. Venus aligns with Neptune on Wednesday and then Mercury approaches a bullish aspect with Uranus on Friday. Both are more likely to coincide with some upside. Higher highs are therefore possible here. The following week (Jan 8-12) also



promises some gains, especially early in the week as the Sun and Venus conjoin Pluto and Mars conjoins Jupiter. The risk here, however, is that these alignments could end up diminishing optimism as the week progresses. Some selling is therefore more likely than not by the end of the week. It is also possible these alignments may mark an interim high. Mars enters Scorpio on January 17<sup>th</sup> and that may increase downside risk. Declines are therefore more likely in the second half of January. We should see a rebound in February but I suspect it may not be too strong. Nonetheless, higher highs cannot be ruled out. The rebound looks likely to reverse lower sometime in March and the correction should continue into April as Saturn turns retrograde. Lower lows are more likely to occur in April. May and June look more bullish and should coincide with a strong rebound which lasts through much of the summer. Higher highs are therefore quite possible by early fall 2018. Q4 looks more mixed so another correction is possible then. Higher highs look fairly likely in 2019 despite a probable correction in Q2 2019.

**Technical Trends**

**Astrological Indicators**

**Target Range**

Short term trend is UP  
(1 week ending Dec 29)

bullish (confirming)

SPX 2680-2720

Medium term trend is UP  
(1 month ending Jan 29)

bearish (disconfirming)

SPX 2600-2660

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

bearish (disconfirming)

SPX 2400-2600

## Indian Stocks

Stocks pushed to new all-time highs last week following the passage of the US tax bill and positive domestic earnings. Despite some initial uncertainty following the Gujarat election results, the Sensex rose by more than 1% on the week to 33,940 while the Nifty finished at 10,493. This bullish outcome was in keeping with expectations as I thought the Mercury-Jupiter alignment would translate into some upside, especially in the first half of the week. Indeed, most of the gains this week occurred on Monday and Tuesday. Friday's gain was somewhat unexpected and so the Nifty pushed above its penultimate resistance of 10,400.

The outlook is bullish in the short term although there is no shortage of areas of concern. The likelihood of stronger US growth should be a net positive for global growth. While rising interest rates may be a negative influence on emerging markets as capital is repatriated, it is unclear just when major outflows are likely to take place. That may allow for further gains in the short term before any major adjustments take place. Also, the narrow BJP victory may force the government into a more populist stance which would create inflation pressure. Ultimately, this would be a negative for stocks as the RBI would have to raise rates sooner than expected and this could have a weakened earnings. Indeed, domestic bond yields are rising now as these headwinds are being priced in by debt holders. As usual, equity holders are more optimistic and have a shorter time horizon.

The planetary situation is bullish in the short term. Jupiter is still dominant in the sky here as it aligns with Rahu in late December and then Pluto in early January. These influences will therefore tend to support positive



outcomes in the markets. However, once the Jupiter alignment in early January has passed, there will be a rising vulnerability to declines. A rare five-planet alignment takes place on 9<sup>th</sup> January and could coincide with an interim top. Once the planets begin to separate from the alignment, caution and pessimism may rise and the risk of pullback increases. I would therefore expect January to be on balance negative for stocks. More downside is also more likely than not by April around the Saturn retrograde station. In between these pullbacks, there is still the possibility of higher highs in February or March. I would note that the April pullback looks worse and could well negate any preceding gains that may occur in Q1. Overall, the first half of 2018 looks less positive than 2017 and indeed it could end up negative.

The technical outlook remains bullish. Bulls are no doubt feeling better given the new highs. That said, 10,500 is still key resistance as it marks the upper end of this range. A sudden pullback would therefore keep the indices within the recent trading range. A close above 10,500 would likely silence the naysayers for a while. Monday's intraday test of 10,100 was telling as it affirmed key support in the event of a pullback. If we see the Nifty close above 10,500, the measured move upside target would be 10,900. RSI is not yet overbought and argues for more upside in the short term. Support is now at 10,400 so any move below that level could produce a retest of the convergence of the 20 and 50 DMA at 10,300. Buyers would likely step it at that level, especially if the Nifty has a close above 10,500.

The weekly Sensex chart depicts a powerful bull market. Last week's rise saw stochastics again form a bullish crossover which argues for more upside. RSI is not overbought and also could see more gains given the right circumstances. The 2016 measured move has been fulfilled at 33,000 so current levels are more vulnerable to a pullback. That said, further modest gains are very possible in the short term. Retracements have generally been bought on moves down to the 20 WMA, now at 32,534. We should expect any future pullbacks to also draw in buyers at this level, even if the Sensex eventually tumbles below it. I think a break of this 20 WMA support level is likely by April, if not before. Previous corrections and pullbacks in 2015 and 2016 have been 50% retracements from the high. If this should happen again in 2018, then we could see the Sensex fall to 30,000. Meanwhile, HDFC Bank (HDB) rose to a new all time high. The chart is strongly bullish and even if we see a move below the November high, there will likely be good support at the December low. Only a break below the December low would make this chart bearish in the short term. Long term, it is still bullish. ICICI Bank (IBN) is more of a laggard in the banking sector although it is testing recent highs. Although weaker than HDFC, the chart still argues for higher highs in the short term.



This week is shortened for the Monday holiday. I would still lean a bit bullish here as Mercury remains in alignment with Jupiter for most of the week due to slow velocity after ending its retrograde cycle. And yet we could easily see one or two down days as the Moon aligns with Mars. I would have a slight bearish bias on Tuesday perhaps as Venus will be in conjunction with Saturn. This is not a strong influence, however. Wednesday and Thursday could be more positive as the Moon aligns with Venus and the Sun. Friday leans a bit bearish as with the Moon-Mars opposition. The bottom line is that I would not be surprised by any outcome here as the planets are not strongly inclined one way or the other. The Jupiter-Rahu influence should give the bulls an edge, although that may only manifest as limiting any short term losses. Given the current technical situation, I think there is a 50-50 chance that there is a move above 10,600 at some point. I'm less certain that the Nifty can end the week above that level, however.



Next week (Jan 1-5) looks bullish also. I should note that there is considerable downside risk on 1 and 2 January given the Mars-Rahu square. This could coincide with a fairly sharp loss, although I am uncertain if it will bring significant damage to the technical outlook. The rest of the first week of 2018 should be more positive as Venus aligns with Neptune and Mercury aligns with Uranus. Given the possible early week decline, it is conceivable that the first week of January may actually be negative. That would not surprise me. However, I would retain a bullish bias in any event given the approaching Jupiter-Pluto alignment on 9<sup>th</sup> Jan. After that, the relative balance of optimism and pessimism may start to shift towards the bears. And after Mars enters Scorpio on 17<sup>th</sup> January, I would lean more bearish as declines will become more likely. February should bring a rebound that lasts into early March at least. However, another move lower looks likely by April as Saturn stations retrograde. There is a real possibility for a lower low in April-May as a result of the Saturn Rx period. This could be the necessary bearish alignment that produces a test of the 200 DMA at 9800. The June-July period could see a period of consolidation and the formation of a significant bottom. The second half of 2018 looks more bullish with higher highs likely either by Q4 or in 2019.



**Technical Trends**

Short term trend is UP  
(1 week ending 29 Dec)

**Astrological Indicators**

bullish (confirming)

**Target Range**

10,400-10,600

Medium term trend is UP  
(1 month ending 29 Jan)

bearish (disconfirming)

10,000-10,400

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

bearish (disconfirming)

9700-10,500

## Currencies

The Dollar retreated last week as the passage of the Trump tax bill sparked some selling of Treasuries. The USDIX is clinging to support here just under 93. The Dollar has been weaker than expected as the Sun-Saturn conjunction did not promote any buying. I thought the chances were fairly good of at least a tagging of the 200 DMA at 95.5 but that is looking less likely now. The technical situation of the greenback is looking more precarious as the head and shoulders is taking shape. The neckline at 92.5 has to hold or else there could be an eventual decline to 90. This would be a significant development in currency markets as the current horizontal support is at 91.

A lower low would be bad news for the Dollar as it would end this potential rebound following a terrible 2017. And it could also open the door to a return to the bearish sub-80 range of QE. The weekly Euro chart looks like it is trying to retest its previous highs at 1.20-1.21. A quick rise up to that level would be bullish as it would increase the odds of a breakout higher. However, failure to match the November high at 1.195 could mean that the falling channel may continue for a while longer. Bulls would then have to hope for support at the 200 WMA at 1.16.

This week could see the Dollar rise. While I was wrong about last week and the effect of the Mercury-Jupiter alignment, the chances for some upside seem better since Mercury is now in direct motion. Some further downside is still possible early in the week on the Venus-Saturn conjunction, but the outlook would seem to be more bullish as the week progresses. That may translate into another test of neckline support at 92.5 and then a bounce, perhaps above 93. Let's see. Next week looks bearish to start the New Year but a recovery is likely by Friday. There is a reasonable chance for the Dollar to hold its own and rally a bit higher in January. I have less confidence in making that forecast given how unexpectedly bearish December has been. However, as we go later into January, the risk for a decline will rise. I think the bulk of the Dollar correction is more likely to occur in February, March and April. However, late January will be an interesting test as Mars enters Scorpio. A move



below the previous low of 91 looks extremely likely by April. Even if we get a sudden rally up to 95 in January, I think there will be a major risk of a correction that tests 91 and quite likely moves below that level. The Dollar should bottom in April-May and then begin to rebound strongly through the summer of 2018. More upside is possible in 2019 but the Dollar may well be under pressure during the next two to three years.

Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Dec 29)	bullish (disconfirming)	93-94
Medium term trend is UP (1 month ending Jan 29)	bullish (confirming)	95-96
Long term trend is DOWN (1 year ending Dec 2018)	bullish (disconfirming)	96-99

## Crude oil

Crude oil rose last week as inventories showed a larger than expected draw. WTI gained more than 1% to finish above \$58 while Brent ended the week just under \$65. This bullish outcome was somewhat unexpected as I thought the Sun-Saturn conjunction might have correlated with some selling at least. However, after Monday's modest pullback, prices rose through the week. The technical outlook is improving lately as bulls have put in a higher low as prices attempt to return to the previous high. An ascending triangle is forming here which argues for further retesting of horizontal resistance at \$59. Eventually, if we do see a breakout it would have an upside target of \$63 for WTI. The chart therefore looks bullish even if the current sideways phase continues for a while longer.



Bulls will lose confidence only if there is a move below the previous significant low of \$55. Even if that were to happen, there is still channel support at \$52 for WTI. Buyers would likely enter the market around this level and would thereby keep prices above the 200 DMA at \$50. The weekly Brent chart tells a similar bullish story, albeit on a longer time frame. Prices are encountering a lot of overhead resistance at \$65-70 so it may take some time to

break above that level. And yet pullbacks continue to be bought to keep prices above \$60. One wonders if a brief shake-out below \$60 may be necessary in order for Brent to rally higher into this resistance zone above \$65.

This holiday-shortened week also leans bullish as Mercury remains aligned with Jupiter for much of the week. I would think the transit of the Moon through Pisces on Tuesday and Wednesday might be more positive than its subsequent transit through Aries on Thursday and Friday. While I would be open to gains occurring on any day this week, the first half of the week is a bit more bullish than the second half. That sets up a plausible case for a retest of horizontal resistance this week. Higher highs are also possible although I am less inclined to think they could hold by Friday. We shall see.



Next week (Jan 1-5) looks bullish and could well produce higher highs. The transit of the Moon through Cancer starting from Wednesday is further evidence that we could see some upside. Friday looks somewhat less bullish, however. The following week could see further gains which could coincide with higher highs. The risk of a pullback grows after 11<sup>th</sup> January and the Mercury-Saturn conjunction. This pullback could last for two or three weeks and extend into February. It may only retrace back to the 200 DMA, however. However, February looks more bullish on the whole and the rebound should last into March. Higher highs are possible in March although I am reluctant to say they are likely. April should bring a significant correction as Saturn stations retrograde. Another move higher is likely in May and June but the summer looks bearish on the Saturn-Uranus alignment.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending Dec 29)	bullish (confirming)	\$57-59
Medium term trend is UP (1 month ending Jan 29)	bearish (disconfirming)	\$55-58
Long term trend is DOWN (1 year ending Dec 2018)	bullish (disconfirming)	\$50-70

## Gold

Gold moved higher last week on Dollar weakness and the sudden crash of Bitcoin. Gold gained \$20 and finished at 1278. This bullish outcome was unexpected as I thought Thursday's Sun-Saturn conjunction might have produced some downside. Thursday actually posted a small gain and built upon the more predictable early week bullish sentiment. Gold is again showing signs of life as it has climbed above its 200 DMA. It is currently trading at trend line resistance so any further gains would be seen as the start of a more bullish phase beyond just a simple bear market rally. Any move above 1300 would be bullish and suggest more upside. The presence of the higher low at 1240 would ultimately be seen as a positive technical factor. Currently, the convergence of the three moving averages at 1260-1280 highlights the importance of this range. Failure to post a sustained move above 1280 (e.g. on a weekly basis) would mean that bulls do not have enough strength. Bears will become stronger if price falls back below 1260 fairly quickly. Neither of these scenarios are foolproof, however, as prices can move above or below key moving averages for several days without creating a new trend. That is why it may take a move above 1300 or below 1240 to solidify the bulls or bears, respectively.



This week could see further upside for gold. Mercury continues its alignment with Jupiter for most of the week so that could help boost sentiment. The second half of this shortened week looks somewhat more bullish as the Sun and Venus move further away from Saturn. The Saturn influence hasn't proven to be very bearish at all, but this nonetheless ought to coincide with added strength. While I would lean bullish this week, I am not convinced we will see that much upside. I would not necessarily expect a move above 1300 just yet. I think we could see that in early January but the planets don't look quite so positive yet. Let's see.

Next week (Jan 1-5) also leans bullish as Venus aligns with Neptune and Mars approaches its conjunction with Jupiter. I think there is a decent chance for gold to continue to rally up to the Sun-Venus-Pluto conjunction on Jan 9<sup>th</sup>. It is difficult to say how high gold could go. Maybe 1300, or maybe 1320. But I would think gold is more likely to reverse lower very soon after Jan 9<sup>th</sup>. It may even begin to decline a day or two ahead of that date. Gold is likely to come under increase downside pressure in the second half of January as we approach the eclipse period that begins Jan 31. We could see an interim low in early (?) February after which there should be a bounce. But then March looks bearish. I think Q1 will be generally vulnerable to declines with a stronger rebound likely starting by April and continuing through May and June. The late summer could see a correction but Q4 looks more bullish and may even create higher highs. 2019 also looks generally bullish and should produce a stronger bull trend.

<b>Technical Trends</b>	<b>Astrological Indicators</b>	<b>Target Range</b>
Short term trend is UP (1 week ending Dec 29)	bullish (confirming)	1260-1290
Medium term trend is DOWN (1 month ending Jan 29)	bearish (confirming)	1240-1280
Long term trend is DOWN (1 year ending Dec 2018)	bullish (disconfirming)	1250-1400

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