

Summary for week of 4 December 2017

- Stocks likely to decline this week
- Dollar could extend gains this week
- Crude oil could fall further, especially midweek
- Gold prone to more downside this week

US Stocks

The bulls remained in the control of the market again last week on improving prospects for the Trump tax plan. The Dow rose by almost 3% to 24,231 while the S&P 500 finished with a more modest gain to 2642. While I thought we could see some upside, the size of the gain was unexpected. Thursday's rally was especially surprising as it came on the volatile Mars-Uranus opposition. Friday's sudden 1% drop in mid-morning was perhaps a better representative of this more bearish late week energy but stocks largely rebounded yet again by the close.

It's all about Washington, DC now as investors are reacting to the twin story lines of the tax bill and now the Michael Flynn guilty plea in the Russia investigation. With the passage of the tax bill, markets are likely to rally further depending on what kinds of last minute compromises are necessary. Overall, this is still a bullish factor which could add to recent gains. However, the Russia investigation against the Trump White House is a growing threat to the administration as Flynn will likely implicate son-in-law Jared Kushner in collusion activity. These kinds of developments are bearish as they create uncertainty. We are still a long way from finding evidence that Trump knew about the Russia

contacts during the election but instead being of a long-shot scenario, it now is actually possible. The closer the investigation gets to Trump and his family, the more difficult it will be for stocks to rise. Downside risks will also increase in the event of more charges against or guilty pleas by Trump principals.



The astrological picture suggests that some kind of pullback is very likely in the coming days. I thought we might have seen more downside in late November but as usual, the bulls had other ideas. However, I did note that the Mercury retrograde station and Saturn conjunction on Sunday Dec 3rd was the most likely time window when we could expect some downside. With possible fallout from the Flynn plea, that is looking at least more plausible for this week upcoming. I would not expect the rally to be seriously undermined this month, however. For example, I would not think a test of the 200 DMA is likely in the coming weeks, even if it cannot be completely ruled out. A strong rebound is also looking likely in late December and into January. Higher highs are therefore not out of the question either. I suspect it could take a second period of volatility during Q1 2018 to introduce more fear into the markets. The February-March-April time period seems like a better bet for bears to press the case for a full 10% correction.

The technical outlook is still bullish but now there are more hints of volatility ahead. Volume rose on Thursday and Friday which can often indicate changes in market behavior in the future. Friday's large intraday decline and partial recovery also introduced a new dynamic that differs from the usual narrow daily range of this market melt-up. Thursday's high appeared to echo a similar peak in the rising channel in early March. The channel follows the slope of the 200 DMA. It is therefore more likely that the SPX is near key resistance here at 2650. Thursday's low at 2605 also seemed to confirm 2600 as a key support level. Buyers stepped in with enthusiasm at that level which had acted as previous horizontal resistance. If the tax bill passes over the weekend *and* there is no more bad news on the Russia front, then the rebound could continue this week and push to higher highs. However, some bad news may mean that bulls cannot recapture 2650 and that we will get a quick retest of Thursday's low at 2605. That would open up the rising risk of a breakdown to lower lows.

The odds of some kind of pullback are also higher since RSI and stochastics are both in overbought territory and starting to turn lower. If 2600-2605 doesn't hold, then the next level of support might be near the 50 DMA at 2567. Below that, of course, lies the 200 DMA at 2454. The rally is getting long in the tooth as it has been a full year since it last traded at its 200 DMA. One modest bullish indicator is that the market breadth is not too bad. The percentage of stocks above their 50 DMA is generally following the indexes higher, although it only just matches the highs from October. This suggests a maturing and narrowing rally but the divergence is not yet stark. The weekly Dow chart is similarly testing channel resistance and therefore argues against too much more upside in the short term. The degree of stretch above its long term 200 WMA is even wider now and gives the bears hopes that some kind of pullback and consolidation will come eventually. Bond yields edged higher last week but still showed some hesitation to fully embrace the growth implications of the Trump tax plan. No doubt part of the issue now is the viability of the presidency itself but yields are perhaps lower than one would expect given recent developments. If the 10-year moves above 2.6%, however, then we will have more proof that growth and inflation are more likely to rise.



This week offers the bears their best chance in a while. Mercury turns retrograde on Sunday and then moves back into a conjunction with Saturn. This is a high probability alignment for declines at some point here. I would also say there is an elevated risk for larger than normal declines (>1%). Monday's Moon-Mercury-Saturn alignment looks like it could move markets significantly. I would lean bearish here but I should note that Thursday's Moon-Mars-Uranus alignment powered stocks sharply higher. This isn't the same thing, but it does suggest that the presence of the Moon in these two-planet alignments can introduce a more unexpected outcome. Wednesday's alignment of Mars with Mercury-Saturn also looks quite potent. I would again lean bearish here in terms of a probable outcome. Friday's Venus-Neptune alignment could give the bulls the edge at the end of the week. My guess is this could represent an oversold bounce. I think the chances are good that we see a break below 2600 here. Beyond that it is hard to say. I am tempted to think the bears could inflict more damage on this pattern, but recent evidence suggests that apparently bearish patterns don't deliver too much. Let's see.



Next week (Dec 11-15) also leans bearish, especially in the first half of the week. Tuesday's Sun-Mercury conjunction could coincide with some downside and may even produce a lower low relative to the previous week. My general expectation is that the greater downside risk occurs during these first two weeks of December. Testing the 50 DMA at 2567 seems doable although it is difficult to say. I would think the chances for a rebound will improve after Dec 14th so an end of year rally is more likely to occur. Gains could continue into January and it is possible we could see higher highs once again. But it is difficult to say based on the planets alone



as a lot will depend on what kind of pullback we get in early December. Some downside is likely in the second half of January. The larger question is whether this will represent a significant break of the up trend. I am expecting a larger decline to occur in the February to April period and it is possible it could begin in late January. If it has not already happened by April, then a test of the 200 DMA is likely at that time. I would actually expect a deeper retracement than that which would only represent an 8% decline from current levels. I think a 10-20% decline is a more likely outcome given the planetary alignments through to April. A strong rally should begin by June and carry through the summer. Generally the second half of 2018 looks more bullish than the first half. Given the bearish outlook for the first half of next year, I would think that overall 2018 will much less bullish than 2017. A negative annual performance is also conceivable. 2019 looks more bullish and so we could see stocks more to higher highs once again.

Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Dec 8)	bearish (disconfirming)	SPX 2580-2620
Medium term trend is UP (1 month ending Jan 8)	bullish (confirming)	SPX 2600-2680
Long term trend is UP (1 year ending Dec 2018)	bearish (disconfirming)	SPX 2400-2600

Indian Stocks

Stocks fell last week on profit taking ahead of this week's RBI monetary policy review. The Sensex lost more than 2% to 32,832 while the Nifty finished at 10,121. This bearish outcome was in line with expectations, especially the late week sell-off which coincided with a key Mars alignment. The early week was actually less bullish than expected and hence the size of downside was somewhat greater than expected.

The RBI is expected to hold rates steady as inflation is not trending strongly in any particular direction. Investors may also be waiting for the outcome of the Gujarati elections as results will be known on 18th December. This could indicate a wait-and-see approach for the markets in the near term after the flurry of good news in November. Global cues remain mostly positive as there is hope that the German political situation may resolve quickly with a new coalition government. Similarly, the Trump tax plan in the US looks certain to pass the Senate this weekend, even if it will come under significant revisions before it is signed into law in the coming weeks. Of course, new revelations in the Russia investigation are again raising questions about the viability of the Trump administration in the medium term. US markets sold off briefly on news of former advisor Michael Flynn's guilty plea to the FBI but it is unclear if the investigation is likely to implicate President Trump himself. At this point, the market is not anticipating the investigation to touch Trump, even if other family



members (his son or son-in-law) are charged. If this view changes, it would be a very bearish development. For now, however, the positive global outlook will keep a bid under prices of Indian equities.

The astrological outlook looks mixed for December with further downside pressure likely in the next week or two. Last week's decline was partially attributable to the Mercury-Saturn conjunction which was exact on 28 November. However, Mercury is due to station retrograde on Sunday 3rd December so it will remain within close range to bearish Saturn for all of this week upcoming. This is one key reason why I think a quick rebound in stocks is unlikely just yet. More downside seems like a more likely outcome. While more downside is likely in early December, a rebound looks fairly likely in the second half as Jupiter aligns with Rahu and then Pluto. This could coincide with a rally that extends into mid-January. I am uncertain if this will produce higher highs above 10,500 in January. However, another decline looks likely for Q1 2018, probably starting sometime in late January or February and extending into March at least, possibly April. Lower lows are more likely the result of this pullback and we could see a test of the 200 DMA at least.

The technical outlook is less bullish here as a process of consolidation appears to be underway. The failure to break above resistance at 10,400 was a signal of growing caution and the subsequent pullback not only filled the gap at 10,250 but matched the previous low of 10,100. While another rebound from this level is still very possible in the coming days, the chart is more susceptible to further declines given the steepness of the pullback. Stochastics is not yet oversold so there is a plausible case for lower lows here. Resistance is likely near Friday's high at 10,280 while support is 10,100. A break below 10,100 would likely entail a test of 10,000. As it happens, 10,000 is also the measured move downside target.

The lower high last week bodes poorly for stocks in the short term. While we could get a quick bounce off 10,100, the resulting descending triangle pattern would still be bearish. This could have a downside target of 9700 if support is broken. There is a convergence of factors in that area as 9700 is the August and September low, and the 200 DMA is currently just below that level at 9679. The red candle in the weekly BSE chart shows the vulnerability of the market here. Unlike the previous test of 32,800 which saw a late week recovery and hence produced a long lower tail, last week finished at its lows. It's a more bearish pattern. Stochastics also fell below the 80 line and created a sell signal. A breakdown here could test 31,000 fairly quickly. Meanwhile, ICICI Bank (IBN) fell with the broader markets and is testing intermediate support. If it continues to decline, it would likely find support at the 50 DMA. Buyers would likely enter the market in the expectation of at least another retest of the recent high, if not higher. Tata Motors (TTM) broke below its November low and is trending lower. A retest of its August low is looking more likely in the weeks ahead. Whether that support level holds is another question as the stock has been following a falling channel throughout 2017. If current patterns continue, then lower lows are very possible.



This week leans bearish again. Mercury turns retrograde on Sunday, and then will again conjoin Saturn on Wednesday although it will be within close range all week. Mars also aligns with Mercury and Saturn on Wed-Thurs. Monday's Sun-Jupiter-Neptune alignment could produce some upside but this is not a clear influence. Nonetheless, it stands out as one of the few bullish-looking patterns this week. The late week Sun-Rahu alignment may be bearish as well. The bottom line here is that I think there is more downside here in December and this week is a prime candidate for lower lows. If I am mistaken and we get some buying this week, then next week would also offer the bears another chance. However, I think the more likely outcome here is for a break below 10,100 and perhaps even 10,000 may not hold.



Next week (Dec 11-15) also could see some selling as the Sun conjoins retrograde Mercury on Tuesday and Wednesday. The late week Venus-Rahu alignment offers some hope for a rebound. Overall, the week still leans bearish I think. The following week (Dec 18-22) will see the market's reaction to the results of the Gujarati poll. There is some risk of a negative reaction on Monday given the Mercury-Rahu alignment. However, Jupiter then aligns with Rahu in the second half of the week so that could be a clue that any fallout from the election result may be modest and brief. Stocks could well enjoy a rally into year end and into the New Year as Jupiter aligns with Pluto. I would not necessarily say a strong rally is a high probability but there is a better argument for it here. Higher highs are possible but not quite probable in my view. Another move lower is likely in late January, however, and it should extend into February and perhaps into March. Lower lows look likely and the 200 DMA at 9700 could be tested – if it hasn't already by this time. The April to June period looks somewhat choppy with lower lows possible. Stocks are more likely to rise in the second half of 2018 with higher highs looking more likely by 2019.



Technical Trends

Short term trend is DOWN
(1 week ending 8 Dec)

Medium term trend is UP
(1 month ending 8 Jan)

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

Astrological Indicators

bearish (confirming)

bullish (confirming)

bearish (disconfirming)

Target Range

9800 -10,100

10,100-10,500

9400-10,500

Currencies

The Dollar edged higher last week as positive data boosted the likelihood for rate hikes. The USDX finished below 93, however, while the Euro settled at 1.19. This neutral outcome was in line with expectations as I thought we might see a bit of upside in the early part of the week. The late week was more bearish as forecast. The Dollar could be firming up again as it tests key support at 92.5. This matches its previous interim low and is an important level for bulls to hold if they want to launch another rally. The passage of the Trump tax bill this weekend may be helpful in that regard as it boosts growth prospects. However, political uncertainty in the White House could negate the

positive effects of the tax bill as administration comes under closer scrutiny from special counsel Bob Mueller. If other members of Trump's inner circle are indicted or plead guilty as Michael Flynn has done, it could well push the Dollar lower. The weekly Euro chart looks bullish with recent consolidation appearing to be a temporary pause before a retest of the high at 1.21 and a possible higher high. The interim low at 1.15-1.16 was a near-exact test of the previous resistance level and top of the trading range. If we see the Euro break above 1.21, the measured move upside target would be 1.26. This closely matches the upside target of the measured move based on the previous trading range at 1.25. This would equate to about 87 on the USDX.

This week could see a bounce for the Dollar. The early week Mercury-Saturn conjunction looks bearish for the higher risk currencies. I would think the chances are fairly good for gains into Wednesday and even the late week does not seem particularly bearish. A retest of the 50 DMA and last week's high at 93.5 looks very likely and we could see the Dollar move above that level. There is more upside possible later in December although I am less certain about it. I would still lean bullish until early January but we could see some choppy trading. And even a technical breakdown would not surprise me either given the mixture of planetary influences in the key charts.

Nonetheless, I would lean towards further upside so we could still see that tag of the 200 DMA. The negatives will accumulate and the Dollar is more likely to fall starting in January and February. This could bring another hard test of support at 91. A low is looking more likely to occur in April-May. We could easily see 87 on the USDX and 1.26 for the Euro at that time. However, a strong rally is likely as we move into summer with a significant high in July-August. It is difficult to speculate where the Dollar may be at this point, although a move above the 200 DMA is looking more likely than not.



Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Dec 8)	bullish (disconfirming)	92.5-94
Medium term trend is UP (1 month ending Jan 8)	bullish (confirming)	95-97
Long term trend is DOWN (1 year ending Dec 2018)	bullish (disconfirming)	96-99

Crude oil

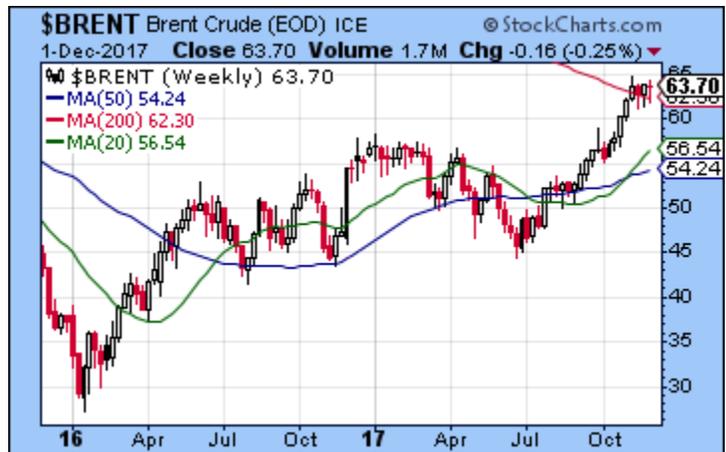
Crude oil finished the week slightly lower despite news of the OPEC-Russian extension of production quotas. WTI was fractionally lower at \$58.36 while Brent settled again just under \$64. This bearish outcome was in keeping with expectations as I thought the Mercury-Saturn conjunction could translate into some downside. However, I thought the late week would be more bearish but that was not the case as buyers entered the market in force. Supply restrictions are one reason for the ongoing rally in crude but the weakening Dollar is another major factor. For now, the Dollar seems to be trading in a range as the prospect for growth and higher interest rates may be offset by ongoing uncertainty in Washington.



The technicals are still bullish as last week's higher low confirmed the up trend once again. Bulls will have to try to push to a new higher high this week or next in order to keep the optimism fresh. Horizontal resistance for WTI is \$59 and support is \$57. The weekly Brent chart may be interpreted in a more bearish way as the rally runs into resistance near \$65. Rising channel resistance offers little room for bulls to take the rally higher. The current consolidation is a normal part of a bull market but also a possible indicator for a longer and deeper retracement phase. If we get a major retracement, then long term channel support would be close to \$50-52 at current levels.

This week leans more bearish than last week. The problem is that Mercury is now retrograde and aligned with Saturn. Mars joins the alignment at midweek and thus adds to the downside potential. This is not to say that a decline is certain, but the cosmic dice appear to be loaded in favour of the bears here. Monday could see some upside on the Sun-Jupiter alignment but it looks like the risk of declines will rise after that. Wed-Thurs looks more negative. We could get a retest of the previous high early this week but I would think there is also a good chance of a test of support at \$57 by the end of the week, with a real risk of a break of that level.

Next week (Dec 11-15) looks more mixed with the early week declines more likely. I am agnostic on where crude could finish here. Certainly there is a risk of lower lows at some point during the week. The rest of December looks choppy but I would shift to a weak bullish bias. It is possible we could see higher highs by early January although I would not say that is a high probability. Mid-January to about mid-February look more bearish and seem likely to negate any preceding gains. We could see a significant pullback at this time. Late February and March look more bullish, however. I would think the chances are good that oil prices will remain fairly firm into Q2 2018. However, a major retracement is likely to begin in May or June and extend into the summer. This is likely to complicate the bullish technical outlook.



Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending Dec 8)	bearish (disconfirming)	\$55-58
Medium term trend is UP (1 month ending Jan 8)	bullish (confirming)	\$55-64
Long term trend is DOWN (1 year ending Dec 2018)	bullish (disconfirming)	\$50-70

Gold

Gold slipped last week on improving prospects for the pro-growth Trump tax bill. After testing 1300 early in the week, gold closed down \$5 to 1282. This bearish outcome was in keeping with expectations although I thought we might have seen a bit more downside including a possible test of support at 1270. Friday's rally on the Michael Flynn guilty plea lost ground by the close of trading. This is perhaps a reflection of the weakness of the market, as well as the murky implications of this latest chapter of the Mueller investigation into the Trump campaign. While gold was lower last week, the technicals did not change significantly. Bulls did manage to put in an incrementally higher high and higher low relative to the previous week. This may be seen as slightly bullish in the short term. A close above 1310 would make the chart more clearly bullish as it would represent a move above the previous significant high. This is especially true given the extended test of support near the 200 DMA at 1270. I would think any move below 1270 could upset this bullish bias. If 1270 is broken, then we could see 1230 based on the medium term measured move target, and eventually 1180. Long term horizontal support is near 1210, however, and there would likely be no shortage of buyers at that level.



This week also leans bearish. The Mercury-Saturn conjunction will last for another week due to Mercury's retrograde motion and this could well produce some selling. The late week Sun-Lunar Node alignment also seems bearish so there are few reasons to expect any breakout higher above 1300. Indeed, I think another test of 1270 is more likely and the planets are such that a move below 1270 is quite possible. I would be surprised if gold doesn't fall below 1270 at some point this week, even if it somehow manages to close back above that level.

Next week (Dec 11-15) could see more downside, especially in the first half of the week. Wednesday's Sun-Mercury conjunction could be a turning point as gold is more likely to rise after this alignment. I would keep an open mind about where gold may finish on the week given the range of influences. The rest of December looks mixed at best as Jupiter's alignment with the Lunar Nodes and Pluto could help boost sentiment for a while. Some rally attempts are therefore likely, although I would be fairly skeptical about their staying power. If gold is still trading over its 200 DMA (1267) by early January, then it will be more likely to be below that line by the end of January. A significant correction is increasingly likely starting in January and lasting through February and into March. It is quite possible that this extended window could produce a lower low, such as to 1210, 1180 or below. The period from March to April-May looks more bullish and should see gold recover, perhaps back above its 200 DMA. The summer looks like another correction, however, and a lower low is also possible. Gold may be in a better position to rally as we move into Q4 2018 with more upside likely in 2019 and 2020.

Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Dec 8)	bearish (disconfirming)	1260-1280
Medium term trend is DOWN (1 month ending Jan 8)	bullish (disconfirming)	1250-1300
Long term trend is DOWN (1 year ending Dec 2018)	bullish (disconfirming)	1200-1400

Disclaimer: For educational and entertainment purposes only. The MVA Investor Newsletter does not make recommendations for buying or selling any securities. Any losses that may result from trading are therefore the result of your own decisions. Financial astrology is best used in conjunction with other investment approaches.

Before investing, please consult with a professional financial advisor.

©2017 Christopher Kevill