

Summary for week of 1 January 2018

- Stocks may move higher this week
- Dollar remaining under pressure this week
- Crude oil could move higher, especially in midweek
- Gold should extend rally this week

US Stocks

Stocks edged lower on the week on some modest end of year tax selling. The Dow was down just 35 points on the week to 24,719 while the S&P 500 finished at 2673. This mildly bearish outcome was not unexpected as I thought the range of influences would likely keep the indexes fairly neutral. The midweek upside on the Mercury-Jupiter alignment was more muted than expected, however, although the late week Moon-Mars square did correspond with some weakness.

2017 has produced a very impressive 20% gain for US equities. It seems less likely to repeat that performance in 2018 although many bullish analysts are still making the case for perhaps a more modest 5-10% gain. Investors may be awaiting new developments out of Washington before pushing stocks significantly higher. Corporate earnings should be higher once the Trump tax overhaul kicks in but it may take a quarter or two for these results to become clear. Legislative progress on the long-awaited infrastructure plan would also be bullish for stocks. More spending on infrastructure would have a Keynesian-type growth effect and would boost economic activity. If the program were sufficiently large and bipartisan, markets would respond favorably. But that rosy picture assumes

there are no major problems on the horizon. Issues surrounding the level of Chinese debt are again surfacing and this could force Beijing to cut growth in order to stabilize its economy. This would be bearish for stocks. Also the North Korean situation is simmering at the moment but it could easily take another step toward a military resolution. More analysts are now suggesting that some kind of US military action is looking likely in 2018. A



military scenario on the Korea peninsula is no longer unthinkable. Needless to say, markets could sell off massively (>10%) in the event of such a development depending on specifics.

The astrological picture looks more bearish for January. While some upside is possible in the first days of January, the overall picture looks somewhat more risky than in past weeks. The multi-planet alignment on January 8-9 could be pivotal in this sense. Jupiter will be front and center so that is one reason why I think we could get some strength in the days leading up to the alignment on the 8-9th. But there is a chance that any preceding gains may not produce higher highs and may only offset some the increasing negativity (e.g. on Tuesday Jan 2 and the Mars-Lunar Node square). As usual, we can only think probabilistically about how the alignments may correspond with investor psychology. Certainly, there is a very good case for a pullback in January although I would not expect it to be too large -- perhaps just 3-5%. A larger pullback looks more likely to take place in March-April-May around the Saturn retrograde station. But between the January pullback and the larger correction in early spring, it is still possible we could see higher highs on the indexes in February or early March. Let's see how strong the rebound is after the initial January sell-off.

The technical picture is becoming more mixed. Friday's end of the day selling was a bit worrisome as the low for the week occurred at the final bell -- rarely a good sign. Stocks are pushing up against resistance at 2700 so it may take some time for that level to be broken. There may be some buyers at 2660 and the 20 DMA but 2620 and 2600 are likely more reliable levels for bulls to defend in the event of a quick sell-off.

The technical indicators argue for more downside in the short term. MACD is in a bearish crossover and stochastics has fallen below the 80 line. Previous indications such as these have yielded little downside, however. Bears are hoping for a tagging of the 200 DMA at least at 2482 at some point in the near future. I'm not sure that is possible in January but certainly the medium term indications are very overbought and argue for a proper correction soon. The small cap Russell 2000 has formed a potentially bearish double top as the month of December turned out to be merely neutral. This is another sign of a possible narrowing of the rally breadth and a harbinger of a pullback in the near future. The weekly Dow chart is as outrageously overbought as ever. RSI and MACD are at record highs. While an infrastructure program could push stocks higher for a while longer, this kind of technical condition looks unsustainable and may well end badly. The market may be priced for perfection so if anything goes seriously wrong, there may be a rush to the exits. But it is difficult to predict how deep a pullback or correction may be. A major 50% retracement of the Trump rally since Nov 2016 would take the Dow back to 21,500 so that may be one place where buyers might re-enter the market in the event of an unforeseen economic development. Bond yields fell last week as the euphoria over the Trump tax bill faded and concerns emerged over China. The 10-year is back at its 200 DMA at 2.40%. The 2-10 yr spread is still just 50 basis points reflecting an ongoing skepticism about global growth prospects.



This week looks mixed. After Monday's holiday closing, there is an elevated downside risk for Tuesday and perhaps even into Wednesday on the Mars-Lunar Node square. But the odds for a bounce should rise as we get further into the first week of 2018. The Venus-Neptune alignment is exact on Wednesday so that could mark a reversal in the event that Tuesday is lower. Friday's Mercury-Uranus alignment looks a bit bullish also so that might boost the chances for some further gains. While bulls may well prevail this week and even test 2700 again, bulls should be cautious. The negative influences are accumulating although when they will manifest is hard to say precisely. Therefore, I would not be surprised if the week is positive or negative. My preferred scenario would be some early week selling perhaps down to 2650-2660 and then another test of resistance at 2700 by Friday. That may well prove to be overly optimistic but the upcoming Jupiter alignment next week at least offers evidence for some buying in the near term.



Next week (Jan 8-12) could prove highly significant. Mars conjoins Jupiter on the 7-8th while the Sun and Venus conjoin Pluto on the 9th. And all five planets will be situated in a 6th harmonic relationship with each other. It is a fairly unusual occurrence and may signal some changes in market psychology and direction. Gains are possible early in the week but there is a rising likelihood of declines following these patterns. I would lean bearish for the whole week just to be on the safe side. Also we should note that it is possible the full impact of the alignment may not be felt until Thursday the 11th when the Moon conjoins Mars and Jupiter. The following week (Jan 15-19) may also feature some down days as Mars enters Scorpio on Tuesday the 16th. Thursday's Moon-Mars square also looks bearish and may well produce a down week overall. I am less clear about what happens for the rest of January. I think a rebound looks more likely around the 24th and this could well extend into February. The rebound could produce a higher high above 2700 but it is difficult to say. At some point in February or March, the rebound will fail and stocks will again turn lower. This is likely to produce a larger pullback and probably a full-on correction that lasts into April, or possibly May. We should then see a significant rally starting in May or June which lasts through the summer. Higher highs are possible sometime in the second half of 2018 although Q4 doesn't look all that bullish. We may therefore have to wait for 2019 for higher highs.



Technical Trends

Short term trend is UP
(1 week ending Jan 5)

Astrological Indicators

bearish (disconfirming)

Target Range

SPX 2660-2700

Medium term trend is UP
(1 month ending Feb 5)

bearish (disconfirming)

SPX 2600-2660

Long term trend is UP
(1 year ending Jan 2019)

bearish (disconfirming)

SPX 2400-2600

Indian Stocks

Stocks pushed modestly higher last week on favourable global cues. The Sensex rose by 100 points to 34,056 while the Nifty finished the week at 10,530. This bullish outcome was not unexpected as I had been fairly neutral about the week given the mix of influences. The late week proved to be more bullish than expected, however, as Friday ended on a positive note.

As we start a new year in 2018, stocks still have the wind at their backs. Global monetary policy remains very accommodative as the ECB and BOJ have reaffirmed their commitment to low rates and more asset purchases. While the Fed is raising rates in the US, the incoming Chair Powell has signaled that he is likely to err on the side of dovish caution lest he upset the apple cart. However, the likely increase in US rates coupled with the new Trump tax policy is likely to create a net outflow of assets from emerging markets such as India. Whether or not this proves to be a decisive factor in market performance in 2018 remains to be seen, however. The domestic picture looks more mixed as rising oil prices could tie the hands of the RBI and keep rates elevated longer than investors might like. The Union Budget may add to inflation pressures as Modi attempts to introduce more popular measures that require more spending. Moreover, there is renewed concern about unsustainable levels of debt in China which may produce more risk of a slowdown in the world's largest economy as the PBOC may be forced to apply the



brakes. Of course, the usual caveats about geopolitical uncertainty in the Korean peninsula are another danger area for 2018 as more analysts now predict some kind of military action taking place there. In other words, a repeat of the 28% gains in 2017 look quite unlikely and investors may have to be satisfied with a great deal less.

The astrological outlook confirms the likelihood of lower returns in the equity market. Weakness is likely to begin to manifest in January following the multi-planet alignment that focuses on Jupiter. The exact alignment takes place on 8-9th January as Mars conjoins Jupiter and then Sun and Venus align with Pluto. All five planets will be situated in a harmonic resonance at 24 degrees of their respective zodiac signs. We may therefore see further upside leading into this alignment as the bullish influence of Jupiter culminates. After that date, stocks may be more likely to decline as optimism will be in a shorter supply. However, I would not expect any January pullback to be too severe. A significant rebound is likely to occur in February and perhaps into March. Higher highs cannot be ruled out. I think another bearish window may begin in mid-March and continue into April and perhaps May as Saturn turns retrograde and aligns with Rahu. This is likely to coincide with a larger retracement and quite possibly lower lows.

The technical outlook is quite bullish as the indices have finished the year at their highs. The Nifty appears to be pushing towards channel resistance at 10,650. The move above horizontal resistance at 10,500 may well have provided enough impetus for a test of this higher high. Channel support is near 10,150 which is just above the key horizontal support level of 10,100. Only a move below 10,100 would tilt the scales in favour of the bears, especially if there is no preceding push to 10,650.

Despite last week's gain, the 20 and 50 DMA remain very close together. These two moving averages have yet to form a bearish crossover during this 2017 Trump rally so it could be telling if we see the 20 slip under the 50. While not definitive, it would nonetheless add some credibility to the notion that the rally was entering a new consolidation phase where higher highs were less likely. In the event that we see a deeper pullback, the 200 DMA at 9800 is looking like a plausible place for bulls to defend. This would be just a bit above horizontal support at 9700.

Interestingly, a decline of this magnitude (8%) would not fundamentally alter the bullish technical situation, at least not immediately. The strength of any subsequent rebound would then become more important. The weekly BSE chart is indicating support at the 20 WMA now near 32,600. I would think a test of that line is fairly likely in January based on the astrological influences. We may have to wait until April for a deeper retracement, however, such as to the 50 WMA at 31,100. Meanwhile, Tata Motors (TTM) posted a winning week as Friday's US close ended on the 200 DMA. This may be fairly strong resistance here so it is unclear how much bulls may have left in the tank. After the August low, the chart still retains a bullish bias so I would be surprised if prices fell directly from here. However, a move back below the 50 DMA would be very bearish and may indicate an imminent retest of the August low. HDFC Bank (HDB) finally pushed above



resistance last week after an early week retest of support. The chart is bullish on all time frames although any breach of last week's low would be a source of concern.

This week looks mixed. The first half of the week leans bearish on the Mars-Rahu square aspect. This is normally a fairly reliable bearish influence but here its negativity is offset somewhat by the proximity of Jupiter to Mars. Nonetheless, the downside risk is elevated from Monday to about Wednesday on this configuration. I would not expect a huge decline or even a multi-day pullback but I think the chances are fairly good for at least a one day decline of 1% or more. The late week looks somewhat more bullish and could mark a rebound in the event of any early week selling. One possible scenario would see a modest decline Monday on the Moon-Saturn opposition, possibly below 10,500. Another down day may occur Tuesday or Wednesday and may see the Nifty trade closer to 10,400. But it's hard to call levels in any event. If the late week is more positive, then we could see the Nifty finish close to 10,500. I would still lean bearish for the week but perhaps not by much. Let's see.



Next week (Jan 8-12) sees the Jupiter alignment take center stage on Monday and Tuesday. This is a bullish influence which could correspond with some early gains. Higher highs are not out of the question here. However, the late week looks more suspect as the Jupiter alignment begins to separate. While January looks bearish as a whole, some upside during this week is definitely possible. The following week (Jan 15-19) looks more bearish as Mars enters Scorpio on Tuesday the 16th. I would not expect a big down move here but the week overall leans a bit bearish. The rest of January looks mixed at best with the possibility of testing support at 10,100. February looks more bullish as Jupiter slows down ahead of its retrograde station in early March. Higher highs are possible by late February or early March. The market is likely to reverse lower sometime in March and the down trend should continue through April and perhaps into May. A tag of the 200 DMA is likely by that time and stocks could well fall further than that. Let's see. A rally is likely to begin in May or June and extend into September. Generally speaking, I think the second half of 2018 should be more bullish than the first half. Higher highs are therefore more likely by Q4 2018 or indeed into 2019.



Technical Trends

Short term trend is UP
(1 week ending 5 Jan)

Astrological Indicators

bullish (confirming)

Target Range

10,400-10,600

Medium term trend is UP
(1 month ending 5 Feb)

bearish (disconfirming)

10,200-10,500

Long term trend is UP
(1 year ending Jan 2019)

bearish (disconfirming)

9700-10,500

Currencies

The Dollar continued its decline last week as investors sold the news in the wake of the Trump tax bill. The USDX lost a full cent and finished below 92. The Euro climbed above 1.20 while the Rupee Index strengthened to below 64. Bitcoin initially rebounded after its pre-Christmas swoon but then weakened again later in the week and is now trading below 13,000. I thought the Dollar would have had more upside later in the week but the Mercury-Jupiter had little effect. The Dollar has had a difficult year falling more than 10%. Sentiment is quite bearish here as the Fed is expected to follow a fairly dovish policy in 2018. With the Eurozone recovery likely continuing, the relative advantage of the Dollar is waning. The technical picture also favours the Euro now as the DX appears to be headed for a double bottom at 91. The double bottom is bullish but only if support at 91 holds. Alternatively, a head and shoulders pattern is also more evident now with a neckline of 93 and a downside target of 91. And it is also possible to see a second head and shoulders pattern with a neckline at 91 and a downside target of 87. Nonetheless, I would think that significant buying would occur at 91 which should produce a sizable bounce, however temporary. The weekly Euro chart is now at key resistance at 1.20. A weekly close above this level would likely open the door to a move to 1.25 or higher.



This week looks mixed. The early week could see more downside on the Mars-Nodal alignment. A quick decline down to support at 91 is therefore quite possible. But a recovery looks more likely later in the week. I would keep a neutral stance here. Next week (Jan 8-12) could see a bounce as Mars conjoins Jupiter early in the week. A bullish week is therefore more likely. I think an interim bottom is possible in the first half of January and perhaps 91 can hold as support. Late January looks more bullish and could mark the beginning of a significant bounce that extends through most of February. However, March and April look bearish and a retest of the low of 91 (or 87) is very possible sometime in Q2. The Dollar will be in a better position to rally in May with further gains likely during the summer 2018. While another significant rally is likely in 2019, the Dollar looks unlikely to establish a



significantly higher trading range. It may therefore continue to be under pressure for the next two or three years. Look for a lower trading range over that time, perhaps between 80 and 95.

Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Jan 5)	bearish (confirming)	91-92
Medium term trend is DOWN (1 month ending Feb 5)	bullish (disconfirming)	93-94
Long term trend is DOWN (1 year ending Jan 2019)	bullish (disconfirming)	92-96

Crude oil

Crude oil rallied last week on Dollar weakness and strong demand data. WTI gained 4% and finished the week above \$60 for the first time since 2015 while Brent settled just under \$67. This bullish outcome was in keeping with expectations as I thought the Mercury-Jupiter alignment would likely bring higher prices. As expected, the Moon's transit of Pisces on Tuesday brought bigger gains, although the late week was more bullish than I expected. The bulls are definitely on a roll here as prices are following the rising channel after the June low. Channel resistance is now \$62 for WTI and one would think we should see a test of that line fairly soon. The steeper channel from the August low has resistance closer to \$65, however. Channel support is now near the 20 DMA at \$57-58. Any move below that level could end this particular rally phase for now. However, analysts are growing more bullish for 2018 with most forecasting higher oil prices. We are still some ways away from returning to the halcyon days of 2013 but there is nonetheless a more consistent bid. While a move below \$58 could stall the rally, I suspect only a move below the 50 DMA at \$56 would halt the advance and introduce a longer period of consolidation. The weekly Brent chart is approaching some horizontal resistance from 2015 at \$70. This is also the approximate area of channel resistance. The 20 and 50 WMA are sloping upward and reflect the rising trend that has taken hold in 2017. I would think that for the foreseeable future dips will be bought.



This week also leans bullish. After Monday's holiday closing, the early week has a slight bearish risk although I would not expect a big move. And there is still a viable case for further gains on Tuesday in any event. However, I think the transit of the Moon into Cancer on Wednesday makes the midweek somewhat more bullish. Overall, I think the chances are good for a test of channel resistance at \$63 and perhaps higher.

Next week (Jan 8-12) also looks bullish, at least at the start of the week. Higher highs are possible on Monday or Tuesday but some of the gains may become vulnerable as the week progresses. The

week as a whole may well finish negatively as sharp declines are possible as Mercury conjoins Saturn. The following week (Jan 15-19) is mixed at best as early week declines are more likely with the entry of Mars into Scorpio. I think the second half of January could be more bearish than the first half. Therefore, higher highs are less likely to occur after Jan 16th. I think crude could come under greater pressure from mid-January to about mid-February. The Mars-Node alignment on Feb 20th is a possible low after which we could see some upward movement. Late February and early March still look a bit bearish but more upside is likely in mid- to late-March. Higher highs are therefore possible in March although I would not say they are likely. We shall see. April looks bearish but some recovery is likely in May and June. But there is a high probability of a correction in summer which may negate any preceding rally in the spring.



Technical Trends

Astrological Indicators

Target Range (WTI)

Short term trend is UP
(1 week ending Jan 5)

bullish (confirming)

\$60-62

Medium term trend is UP
(1 month ending Feb 5)

bearish (disconfirming)

\$55-58

Long term trend is DOWN
(1 year ending Jan 2019)

bullish (disconfirming)

\$50-70

Gold

Gold had another strong week as the Dollar continued to slip. Gold gained more than 2% and finished at 1309. This bullish outcome was in keeping with expectations as I thought the Mercury-Jupiter alignment would generate some buying. The extent of the rally was stronger than anticipated as I thought 1300 was more likely in early January. Well, here we are already at 1309. The weekly close at the high is very bullish technically and argues strongly for more follow-on upside this week upcoming. There could be some horizontal resistance at 1320 but it is unclear how durable it will be. There is more resistance at 1340 if the rally continues. After the higher low at 1240, a higher high at 1340 would be bullish even if there was some profit taking afterwards. Bulls do not necessarily need to break above the previous high of 1360 right away in order to keep the current rally intact. However, gold is getting overbought here with stochastics at 98 and RSI at 69. Further gains are possible in the short term but some consolidation is likely fairly soon. The confluence of moving averages at 1270-1280 is now strong support in the event of a pullback. Buyers will likely defend that level with some conviction. Any move below 1270 would call into question the current rally, however, and would likely produce a retest of 1240.



This week also leans bullish as Venus approaches its conjunction with the Sun. Tuesday looks somewhat less bullish owing to the Mars-Node alignment but I would think the odds favor gains for most of the week. I am uncertain how much upside we can reasonably expect this week, however. If there is some early downside, then perhaps the upside may be fairly modest. But I would not be surprised to see 1340, for example.

Next week (Jan 8-12) marks the culmination of the Jupiter alignment on the 9th. While this is a bullish alignment that should translate into further gains, it may also start a period of rising downside risk. The late week leans bearish for this reason although I tend to think the week overall will be positive. Let's see. The following week (Jan 15-19) could begin positively but the entry of Mars into Scorpio on Tuesday would appear to help the bears. I think gold is likely to form an interim high sometime in January, possibly in the first half of the month. February looks more bearish in any event so some pullback is likely by that time. Gold should trend lower into March at least. I would expect a significant pullback, probably back below the 200 DMA at 1270. 1210 is also possible by March. Gold should begin to rally by the end of March or early April. The rally should continue well into May and June. Higher highs are possible by June. While pullbacks are likely in the late summer, I would expect gold to avoid lower lows.

Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Jan 5)	bullish (confirming)	1300-1340
Medium term trend is UP (1 month ending Feb 5)	bullish (confirming)	1280-1340
Long term trend is DOWN (1 year ending Jan 2019)	bullish (disconfirming)	1250-1400

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