

## Summary for week of 29 January 2018

- Stocks looking a bit more vulnerable this week
- Dollar could bounce this week, especially after Fed on Wednesday
- Crude oil mixed but more upside possible early
- Gold leans bearish this week, especially after Wednesday

### US Stocks

Stocks pushed higher again last week as earnings remained strong and GDP growth slowed somewhat but came in at a reasonable 2.6%. The Dow gained less than 1% on the week to 26,616 while the S&P 500 finished at 2872. This bullish outcome was unexpected as I thought the early week might have brought some selling. However, Monday was higher and Tuesday saw further upside.

The bull market remains locked in here as the combination of low inflation and rising earnings could well prove to be the perfect recipe for the Fed to exit its loose money policy. Wednesday's FOMC meeting is expected to deliver clearer signals for a March 21<sup>st</sup> rate hike as Powell attempts to normalize rates as soon as possible. For now, core inflation remains just under the critical 2% threshold. However, bond yields are moving higher as the falling Dollar and rising commodity prices are forcing investors to think more defensively about the inflation threat. The 10-year yield passed the key 2.63% level last week and is positioned to move higher if inflation continues to rise. While rising earnings will continue to underwrite the current high valuations in the stock market, a quick move to 3% on the 10-year would be bad news for stocks. Much of the economic expansion since 2009 has relied on cheap borrowing on both the corporate and individual level and sharply higher rates would likely cause some panic. However, as long as the 10-year yield rises slowly and remains under 3%, it is possible that improving earnings could keep stocks afloat a while longer.



The planetary outlook is mixed in the short term. The month of February may see stocks struggle to make higher highs as there are several tense short term aspects in play. I would not expect a large pullback, however, as Saturn is not yet dominant and Jupiter is yet to make its retrograde station. This occurs in early March and could coincide with a final (?) push higher. Higher highs are therefore quite possible between now and March. However, Saturn will likely bring significant downside starting in late March and continuing through April and May. It's alignment with Mars and the Lunar Nodes extends into June and July so it is even possible that fallout could continue into the summer. However, I think Jupiter's alignment with Neptune is likely to help to eventually boost stocks in the summer. But overall, I think a 10%+ correction is quite likely this year, probably sometime between April and June.

The technical outlook is clearly bullish. Pullbacks will occur, of course, but they will be bought. The 20 DMA is serving as immediate support (now at 2772) and the 50 DMA (just below 2700) should offer support in the event of a slightly deeper pullback. If we finally get a more serious correction, the 200 DMA at 2520 could well be in play. I would think that any initial correction will be fairly modest, perhaps only down to 2800 or perhaps to the 20 DMA. A proper correction of 10% or more will likely require a sell-off from a lower high. We are some ways from that scenario now. It is only a failed rally that can set the stage for a deeper decline.

As noted last week, the long term weekly charts suggest that the indexes are very close to resistance. The logged weekly Dow chart is now at its rising channel resistance while the SPX is fast approaching its same channel resistance at 2900-3000. This is not to say that it will immediately reverse lower after tagging this channel. It is also possible that the indexes could climb this channel resistance for several weeks (or months!) as it happened in 2014. But at least it creates a possible scenario whereby stocks could begin to retrace part of the rally. If circumstances move against the market, then a deeper retracement becomes more likely, perhaps down to the 200 WMA now at 2167. The planets are sufficiently bearish this year to make such a deeper retracement a possibility. The Bullish Percent chart appears to be stalling in January and is offering further evidence that a pullback may not be long in coming. The absence of higher highs creates a divergence with price which argues for a pullback in the near future. And as noted above, the Treasury chart is the bears' best friend here as yields have now climbed above resistance closing at 2.66%. It is still possible that this is a temporary rise which may not bring a further rise in yields. However, the prospect for significantly higher rates is still on the table with this break above 2.63% and many investors will be watching bonds for further clues. If inflation pressures increase either through macro data, a falling dollar or through higher commodity prices (e.g. oil, gold), then we can expect rates to rise. This is likely to create greater downside risk in stocks, even if it will likely require an external catalyst like Korea or the Mueller investigation to light the fuse that causes a major re-ordering of the market.



This week leans a bit bearish. Wednesday's lunar eclipse occurs on FOMC day and increases the likelihood of some surprises. I would not say this is a strong likelihood of major declines but there is definitely an increased risk of some downside. The early week Venus-Lunar Node conjunction leans bullish but also contains a somewhat increased risk of selling. This is a kind of two-tailed outcome to start the week. Tuesday is also hard to call although it leans more bearish. After Wednesday's uncertainty, Thursday could see some upside although I would say the indications are not strong. Friday leans bearish again as Mars aligns with Saturn. Overall, there are again some bearish alignments which could generate some downside here. I would think the first half of the week is somewhat more bullish than the post-FOMC half of the week. Higher highs are therefore possible this week although it may be more challenging for bulls to hang onto gains by Friday. Overall, I would lean towards a negative week although not by much.



Next week (Feb 5-9) looks mixed but with some added downside risk. The early week looks a bit bullish as Venus enters Aquarius on Tuesday and aligns with Uranus on Wednesday. We could see a retest of the highs here and even higher highs. The late week Mercury-Lunar Node conjunction looks more bearish, however, and could undermine the preceding gains. Some sideways movement is therefore possible. The following week (Feb 12-16) is also mixed. The first half of the week is bullish on the Sun-Uranus alignment while the second half of the week looks more choppy as Thursday's solar eclipse could be more negative. Late February could see gains and early March also offers the possibility of more upside leading into the Jupiter retrograde station on the 8<sup>th</sup>. Higher highs are possible in March. But I am expecting sentiment to begin to weaken in March. By April, stocks are more likely to decline, especially following the Mars-Saturn conjunction on the 3<sup>rd</sup>. This may coincide with a correction which could well last through May, and perhaps into June. A rebound should begin by June at the latest and continue through July and into August. The Saturn-Uranus-Lunar Node alignment may bring more selling by September. Whether this second correction/pullback creates a lower low is harder to say. With Q4 looking mixed to bullish, it is possible that 2018 won't be strongly bearish overall. Perhaps the year will pass with only a moderate loss or a more neutral outcome. Early 2019 looks more bearish, however.



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**Technical Trends**

**Astrological Indicators**

**Target Range**

Short term trend is UP  
(1 week ending Feb 2)

bearish (disconfirming)

SPX 2820-2850

Medium term trend is UP  
(1 month ending March 2)

bearish (disconfirming)

SPX 2770-2850

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

bearish (disconfirming)

SPX 2500-2800

## Indian Stocks

Stocks pushed higher last week on positive global cues and a weaker Dollar. The Sensex rose by more than 1% to 36,050 while the Nifty finished at 11,069. This bullish outcome was in keeping with expectations as I thought the Mercury-Jupiter alignment would likely have the final say. However, stocks were unexpectedly bullish in the early week as the lion's share of the gains occurred on Monday and Tuesday.

The bull market is as relentless as ever here on improving global economic prospects. Next week's Budget is likely fueling part of recent gains as investors are not anticipating a major divergence from recent policy. Some popular spending is likely but FM Jaitley's fiscal conservatism is expected to carry the day once again. Some short or medium term turbulence is still possible as central banks may be forced to tighten further amid a background of more robust inflation. The rising inflation risk is already been reflected in rising yields in US Treasuries as the 10-year note pushed past an important level last week. The global bond market is clearly preparing for higher rates which may force an asset reallocation out of equities in the medium term. Moreover, a significant portion of recent growth has been funded by debt and therefore this growth would become vulnerable if rates were to rise further. Higher rates are anathema to growth, particularly at the consumer level. Any consequent tightening of global credit would likely impact Indian stocks also, albeit perhaps more indirectly.

The astrological outlook suggests that stocks will become increasingly vulnerable to declines over the coming months. We could see some tentative selling in the days ahead as Mars aligns with Saturn and Mercury. I would not necessarily expect this to lead to significant downside just yet, however. Some optimism is likely to prevail in late February and early March as Jupiter stations retrograde. This may well produce higher highs. However, the planetary situation becomes more bearish as we approach April and the Saturn retrograde station. A 10% correction appears to be more likely to occur in that April-May time window.



The technical outlook is as bullish as ever. The move above 11K is clearly bullish although stocks are increasingly overbought. RSI is now over 80 on the Nifty. Also stocks have moved above resistance from the rising channel dating back to 2016. While the overthrow may be bullish in the short term, it may also increase the probability of a more violent pullback down the road. The 50 DMA is one possible support level, now near 10,475. Recent pullbacks have pushed below this line briefly before bouncing back. Bulls are no doubt expecting a similar dynamic for any upcoming pullback so buyers will stand at the ready to scoop up bargains.

A move below the previous low at 10,050 would complicate the short term picture somewhat as it would interrupt the bullish pattern of higher highs and higher lows. However, the 200 DMA at 9967 would also present a buying opportunity for many market participants as this line is often tagged a few times at least during the course of a bull market rally. Given the huge upside momentum we have seen last year, there is every reason to expect the Nifty to rebound strongly from any such test of the 200 DMA. While the rally looks unstoppable at this point, it is worth noting that the long term BSE chart may be fast approaching some key resistance.

The logged chart shows rising channel resistance now near 38,000. Currently, the Sensex is about 5% shy of this level and it is possible we could see it hit 38K in the coming weeks, perhaps around the Jupiter station in March. Of course, it doesn't have to exactly hit 38,000 before becoming vulnerable to a larger pullback. But bullish investors should be aware that forthcoming upside may be fairly limited while the risk of a correction is increasing. Channel support in this chart would be close to the 200 WMA at 27,897. Meanwhile, Tata Motors (TTM) slipped further last week as bulls bailed out after a tag of the falling 200 DMA. The chart is bearish as the 50 DMA is below the 200 DMA and both are sloping downwards. It could find a temporary bottom near the December low but a retest of the August low is also possible in the weeks ahead. HDFC Bank (HDB) moved to higher highs as bulls had the last word after horizontal support was repeatedly tested at \$106 in US trading. While the chart is strongly bullish, the measured move upside target of \$110 is getting closer. While this may not act a key resistance, it is a level worth watching as bulls may begin to take profits.

This week looks less bullish although perhaps not quite bearish. The lunar eclipse falls on Wednesday – the day before the Budget so we could see some volatility around that time. Monday's Venus-Ketu conjunction also suggests elevated volatility although I am uncertain if it will translate into a decline. Tuesday is harder to call although it could prove somewhat bullish on the Moon-Jupiter alignment. Wednesday leans bearish on the eclipse but I would not expect anything too dramatic. Thursday leans bullish not



only because budget days are usually bullish but because the Moon aligns with Venus. Friday looks more bearish perhaps as the Moon aligns with Mars. We could easily see further upside this week although I would expect gains to be more modest. Also, if we do get some down days (e.g. Wednesday and Friday), then they may be fairly large. Whether or not they are large enough to offset the gains this week is harder to say. I would retain a bullish bias perhaps but I would not be surprised if the Nifty finished a bit lower overall. February is due to produce some downside but I'm not sure it can take place this week.

Next week (Feb 5-9) looks mixed with some upside likely around the entry of Venus into Aquarius on Tuesday. However, the Mercury-Ketu conjunction on Thursday and Friday looks more bearish and could bring on some selling. Overall, I would have a slight bearish bias for the week. The following week (Feb 12-16) also features positive and negative alignments which may well offset each other. Some gains look likely on the Sun-Uranus and Mercury-Uranus alignment. However, the solar eclipse coincides with the Mars-Neptune square late in the week should produce a pullback. It is possible we could see the Nifty consolidate during the first half of February, perhaps between 10,500 and 11,200. The Mars-Rahu aspect on 19<sup>th</sup> Feb could begin a period of choppy trading, however, as daily declines may increase in size. At the same time, positive days will still occur as Venus and Mercury align with Jupiter going into the Jupiter retrograde station on 9<sup>th</sup> March. An interim high is quite possible in March on the strength of this Jupiter energy. However, I am expecting market conditions to deteriorate either in late March or in April as Saturn is likely to become dominant around its own retrograde station on 17<sup>th</sup> April. It possible we could see stocks fall through late April and for much of May. Late May and early June look particularly bearish as Saturn aligns with Mars and Ketu. A 10% correction is likely by May or June. This could well test support at the 200 DMA below 10,000. A rebound is likely in July and August although I am uncertain if it will be strong enough to push the Nifty to higher highs. The Saturn alignment with Uranus and Rahu in September will likely see another pullback although it is unclear if this will produce lower lows relative to the interim low in May-June. More upside is likely in Q4. If we haven't seen higher highs in Q3, then they be more likely in Q4. So while 2018 may not produce much upside overall, 2019 looks more bullish.



### Technical Trends

Short term trend is UP  
(1 week ending 2 Feb)

Medium term trend is UP  
(1 month ending 2 March)

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

### Astrological Indicators

bullish (confirming)

bullish (confirming)

bearish (disconfirming)

### Target Range

11,000-11,200

10,800-11,500

9700-10,500

## Currencies

The Dollar extended its rout last week on the sell-off in Treasuries and the growing consensus that the ECB would end its QE program. While I thought we could see some downside pressure last week, I did not expect these significantly lower lows. The DX is already flirting with the downside target of 88 as the logic of the chart patterns are playing out well ahead of schedule. It is not so much a Dollar-weakness story here but rather the likelihood that the Euro is poised to rise after an end to the emergency asset purchasing program. Lurking in the background, however, is the possibility that the US could begin a trade war which would ultimately damage the Dollar. The technical outlook is bearish but there is now an argument for the Dollar getting close to a bottom.

Some support is likely in the 88 area as the head and shoulders pattern plays out. If 88 does not hold, then there is some horizontal support at 85 that dates back to 2014. A full-on retest of the key area of 79-81 is possible if these higher levels of support do not hold. The weekly Euro chart has now tested its upside target of 1.25 although it pulled back a bit from that high on Friday. There is more overhead resistance at 1.27 so we may not see too much more upside in the short term. In the event of a pullback, support is now at 1.20. A move below 1.20 would likely entail another test of 1.16. A crossover of the long term 50 and 200 WMA is imminent and underscores the strengthening of the Euro.

This week looks more bullish for the Dollar. The Venus-Lunar Node conjunction early in the week could spark some buying. Wednesday's lunar eclipse also looks somewhat bullish. Since the eclipse occurs on FOMC day, it is possible that Powell et al. will become more hawkish in their statement. Next week (Feb 5-9) looks more mixed with some upside possible in the second half of the week. We could see a retesting of the low at 88.5 at some point, however. A low in the Dollar is perhaps more likely to occur in mid-February around the Mars-Neptune square on Feb 19<sup>th</sup>. I would expect a strengthening to take place after that date with more upside into March. It may not be more than a bear market bounce, however, perhaps to the 50 DMA at 92 or the 200 DMA at 94. More downside looks possible in April although I am uncertain if it will be to a lower low. A stronger rebound will likely begin sometime in April or May and may continue through the summer. An interim high is possible in August. I would think the USDIX will move back above its 200 DMA by this time and it could well be higher than that. Another correction is likely to begin in September and extend through much of Q4. The first half of 2019 looks somewhat bearish but the second half should bring a substantial rise. 2019 as a whole leans bullish overall.



Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Feb 2)	bullish (disconfirming)	89-90
Medium term trend is DOWN (1 month ending March 2)	bullish (disconfirming)	90-92
Long term trend is DOWN (1 year ending Feb 2019)	bullish (disconfirming)	90-94

## Crude oil

Crude oil moved higher last week on more Dollar weakness and lower inventory data. WTI gained more than 4% on the week to \$66 while Brent touched \$70. While I thought we could see crude pushing higher to test resistance at \$65 at some point, the strength of the move was somewhat surprising. The higher highs confirmed the strong upside momentum for another week as prices are testing channel resistance at \$67-68. In the event of a pullback, support is near \$64 and the 20 DMA. Most likely any pullbacks will be bought, although a breakdown of \$64 could produce a retest of \$59 near the November high. The technical chart looks quite bullish overall with higher highs more likely than not. All three moving averages are rising and reflect a strong bull market where dip buying is the prevailing logic. While the short term outlook looks good, the weekly Brent chart suggests significant resistance at these levels. Rising channel resistance is being tested now and only offers incremental gains as price climbs up the trend line. This configuration suggests that some retracement is likely fairly soon. Channel support is near \$53 in the event that there is some sharp selling. Only a weekly close below \$53 would jeopardize the current bull market.



This week looks mixed with perhaps more choppiness. The early week Venus-Lunar node conjunction as well as the transit of the Moon through Cancer suggests a bullish bias. I would think higher highs are quite possible by Wednesday. However, Wednesday's Fed meeting coincides with a more tense alignment of Mars and Saturn. This is not a strongly negative pattern, however, and it could be partially offset by the going Venus influence. But there is an added downside risk from Wednesday to Friday. Friday looks more bearish in this respect. I am not convinced crude will be significantly lower this week but it would not surprise me if it ended in the red.

Next week (Feb 5-9) leans more bearish, especially in the first half of the week. The late week may be more positive as Venus enters Aquarius. I would not expect a major retracement here but some profit taking is more likely. The following week (Feb 12-16) also looks less bullish as Mars aligns with the Lunar Nodes. This alignment is exact in the following week on the 19<sup>th</sup> but it may depress sentiment here somewhat. I would think some kind of retracement is likely although it may not get too far. We could see an interim low sometime in mid-February which another rally attempt could take shape. This upside is more likely to occur in the last week of February and the first week of March. The Jupiter retrograde station on March 8<sup>th</sup> is likely to take crude higher, with higher highs quite possible during March. However, late March and into mid-April look more bearish so a pullback is likely. May could see another rally attempt but it looks unlikely to last much into June. I would be hesitant about forecasting a higher high in Q2 for this reason. July and August look more bearish on the Saturn-Lunar Node alignment and we may well see a lower low in Q3. This could test channel support and may test the 200 DMA. Q4 looks more bullish.



Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending Feb 2)	bullish (confirming)	\$65-67
Medium term trend is UP (1 month ending March 2)	bullish (confirming)	\$62-70
Long term trend is DOWN (1 year ending Feb 2019)	bullish (disconfirming)	\$60-70

## Gold

Gold pushed higher last week on further Dollar weakness and a protracted shake-out in the crypto market. Gold climbed by \$20 on the week to 1352. This bullish outcome was not unexpected as I thought the midweek Mercury-Jupiter alignment would likely produce some upside. Gold finally retested its previous high of 1360 before pulling back on Friday. The chart is looking bullish although a potentially bearish double top pattern is now forming. Bulls will have to keep prices above support at 1340 in order to keep the pressure on to the upside. A break above 1360 would be more bullish obviously. The range between 1310 and 1340 is a bit more indeterminate as it may imply a deeper consolidation but one which does not preclude further upside. Perhaps only a close below 1310 would cement the bearish impact of the double top pattern. If the bulls continue to rule the roost, then 1390 may be one possible upside target. This is the measured move target from the recent low of 1240. If we take a longer term view, gold may be forming an ascending triangle dating back to its 2014 low at 1050. This pattern is marked by a series of equal highs and successively higher lows. In the event of a breakout above resistance at 1360-1375, the upside target of this pattern would be 1650-1700.



This week leans more bearish. All eyes will be on Wednesday's Fed meeting this week. A lunar eclipse will occur on that day and suggests increased volatility. However, the patterns are not clearly bearish at the time of the eclipse so I would not necessarily predict a negative reaction to the Fed statement. The early week looks weaker as Tuesday's Moon-Mercury opposition hints at some selling. Friday also looks more bearish as Mars aligns with Saturn. Overall, I would lean bearish here but keep an open mind about Wednesday. A retest of support (1340?) may be a more likely scenario here.

Next week (Feb 5-9) looks mixed with some upside likely on Tuesday and Wednesday as Venus enters Aquarius. This could produce a more bullish week overall although I would not expect higher highs. The following week (Feb 12-16) looks slightly bullish also as the Sun aligns with Uranus. While we could see some upside in the first half of February, there could be more difficulty in the third week of the month. This could produce another test of support, perhaps at 1310 although it is hard to say. I would expect the period around the Jupiter station in early March to be more bullish. The middle of March may be negative, however, and could weaken any incipient new rally. April may be more bullish and the rally should extend into May at least. Higher highs seem likely at that time. Whether they reach 1390 or more is harder to say, however. June may see the rally weaken and eventually reverse lower. July and August look more bearish and could easily retest the 200 DMA. Q4 looks mixed to bearish with lower lows possible. 2019 on the whole looks more positive for gold, however.

<b>Technical Trends</b>	<b>Astrological Indicators</b>	<b>Target Range</b>
Short term trend is UP (1 week ending Feb 2)	bearish (disconfirming)	1340-1360
Medium term trend is UP (1 month ending March 2)	bearish (disconfirming)	1300-1360
Long term trend is DOWN (1 year ending Feb 2019)	bullish (disconfirming)	1250-1350

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