

Summary for week of 8 January 2018

- Stocks likely to extend rally, especially in first half
- Dollar could retest key support this week
- Crude oil may remain bullish but some declines possible late
- Gold likely to push higher this week, especially early

US Stocks

Stocks jumped out of the starting gate in the first week of 2018 as higher earnings estimates fueled market optimism. The Dow gained more than 2% and passed 25,000 level closing at 25,295. The S&P 500 finished the week at 2743. While this bullish outcome was not surprising, the extent of the gains was beyond my expectations. The early week turned out to be positive in US trading although it was more negative in Europe and Asia on the Mars-Lunar Node aspect. The bullish outcome for the rest of the week was more or less expected, however, as the multi-planet Jupiter alignment began to fall into place.

The Trump bull market looks unstoppable here as not even Friday's fairly ordinary jobs report could shake investor confidence. The promise of the corporate tax cut has shifted earnings expectations significantly higher and that should translate into higher stock prices in 2018. Global growth is still on the upswing and that should further boost the bottom line of international companies. The Fed is likely to deliver three or four rate hikes in 2018 and will likely set the tone with another hike in March. The market has thus far discounted this pace of tightening as more investors now believe that corporate fundamentals can now support stocks current lofty valuations. As the New Year begins, there are relatively few sources of uncertainty.



The astrological outlook offers some short term confirmation for the current bullish view. The five planet alignment centered around the Mars-Jupiter conjunction is exact this week upcoming. This is a bullish

configuration and is one reason why stocks have pushed higher in December and here in early January. However, I would still be cautious here in January since a pullback becomes more likely in the aftermath of this alignment. The Mars-Jupiter conjunction is exact on Sunday Jan 7 while the Sun-Venus-Pluto conjunction occurs on Jan 9. More upside is still quite possible this week, but the risk of a reversal grows as the week progresses. I am uncertain how long the January pullback will last. It may only be for a week, perhaps two. Higher highs are therefore possible in February and March. That said, I think that February and March look less bullish and more mixed than either November or December. My general expectation is that April will see a larger pullback or outright correction.

The technical outlook is strongly bullish. The new all-time highs may well reflect a kind of capitulation by the bears as there are now fewer reasons not to be in the market. To be sure, stocks are very overbought but the upward momentum is sufficiently powerful than any dips will almost certainly be bought aggressively. Friday's close pushed up and above recent channel resistance. Resistance may well be at 2800 at this point, although speculating where bulls may get cold feet is more difficult at this point. Support may be close to the 20 DMA at 2680 in the event of any pullback we might see this week or next. A move below 2680 would suggest a somewhat larger pullback perhaps to the 50 DMA now at 2629.

The small cap Russell 2000 continues to lag as last week's gain did not produce a higher high. This suggests the rally is not widely spread through the market although the Russell chart still looks bullish and may well punch through horizontal resistance this week. The Bullish Percent Index (not shown) did make higher highs last week and confirms the bullish move in the indexes. The weekly Dow chart paints a picture of this massive bull market. Of course, it is increasingly overbought and indicators such as MACD and RSI are at historic highs. Maybe the corporate tax cut gives some credence to the often delusional notion that "this time is different" and that the market is not in a bubble. When it comes, the pullback will likely find strong support at the 20 WMA, now at 23,300. Such a strongly trending market is unlikely to suddenly reverse lower all at once. The bond market continues to remain somewhat skeptical about growth prospects. While short term rates rose sharply last week, the 10-year yield only rose modestly to 2.5%. The chart is still pointing towards higher rates eventually as it appears as though the 200 DMA is holding up well as support. For now, inflation expectations are low and this is keeping a lid on long term rates.



This week could be interesting. The culmination of the Jupiter alignment occurs this week and we could see some follow-on type gains after last week's euphoria. The alignment actually occurs in two stages with the Mars-Jupiter happening on Sunday the 7th and then the Sun-Venus-Pluto on Tuesday the 9th. While the bullish

sentiment may be slightly lower on Monday in the aftermath of Mars-Jupiter, I would still be fairly bullish on Monday and perhaps even Tuesday. Some downside risk needs to be factored in for Wednesday although I will not be shocked if nothing happens. I would think the odds shift to the bears for Thursday and Friday as Mercury approaches Saturn. Thursday looks more bearish than Friday. It is difficult to say where the indexes will finish here. Higher highs are likely, especially in the early part of the week, but there is a good chance of some selling in the second half of the week. How these two opposing influences may tally up is harder to say. I think the bears have a reasonable chance this week but if the early week sees more strong upside, then any subsequent pullback may not produce enough downside.



Next week (Jan 15 -19) is shortened for the MLK holiday on Monday. The week could be mixed with some selling more likely on Tuesday and Wednesday as Mars enters Scorpio. This could bring a brief increase in anxiety. Some gains are likely by the end of the week, however, as the Moon conjoins Venus. Perhaps this is a mixed and more neutral week overall. The following week (Jan 22-26) leans bullish as Mercury aligns with Pluto. I would not necessarily expect a large gain here, although a retest of any early January high is very possible. We may see some kind of pullback develop in the final days of January or first days of February as Mars aligns with Saturn.



This is unlikely to alter the technical situation although a retesting of any January low is quite possible. February looks mostly bullish, except for the Mars-Lunar Node alignment on Feb 15-20. Late February and early March look bullish and therefore higher highs are possible. Stocks could begin to lose steam in March as Mars begins its conjunction with Saturn. At this point, I think most of the pullback will occur in April but we could also see some selling begin in March. I think a pullback/correction to the 200 DMA is doable during this time frame. Stocks should rebound strongly in May and June and the rally should extend into the summer. Another decline is likely to begin in Aug-Sep and continue into October as Saturn aligns with Uranus and the Lunar Node. This could rival the March-April decline in size. Despite these two pullbacks, I would still think the bull market will be intact for 2018. The pullbacks could be quite big but perhaps not big enough to create a 20% decline from peak to trough. We shall see. Bulls may therefore have to wait for higher highs in 2019.

Technical Trends

Astrological Indicators

Target Range

Short term trend is UP
(1 week ending Jan 12)

bearish (disconfirming)

SPX 2720-2750

Medium term trend is UP

bearish (disconfirming)

SPX 2650-2750

(1 month ending Feb 12)

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

bearish (disconfirming)

SPX 2400-2600

Indian Stocks

Stocks ended higher in the first week of trading in 2018 on positive global cues and hope for corporate earnings. The Sensex rose by 100 points to 34,153 while the Nifty finished at 10,558. While I had leaned a bit bearish, the week unfolded more or less as expected as we saw some weakness in the first half of the week on the Mars-Rahu alignment followed by gains in the second half which presaged the upcoming Jupiter alignment.

Global markets have started the New Year on a positive note on signs of growth and a favourable interest rate regime from the Fed and the ECB. Even if Chinese growth is now looking a bit more uncertain, the overall picture looks good for Indian equities in 2018. US corporations are more likely to flourish under the new Trump tax regime and this could induce higher earnings and hence higher stock prices. While capital repatriation is still a question mark for FII operating in India, the overall outlook seems broadly supportive. Domestic concerns may be more salient in the near term, however, as the February Union Budget will be watched carefully for populist spending promises which could then tie the hands of the RBI this year. With the Modi government heading into an election year, it may be too tempting to resist the urge to spend. Rising oil prices may also create inflation pressure which would make rate cuts even less likely. The India Inc. story still looks bullish for 2018 but there are some headwinds which could limit gains.



The astrological outlook reflects this picture of growing caution. The short term influences may well produce higher highs in January, but a pullback is looking more likely by early February. Optimism has been in the forefront as we approach the Jupiter alignment that is exact this week upcoming. This has produced higher highs in India, US and Japan, and significant rallies elsewhere. However, once the planets begin to separate from this rare five-planet alignment after 9th January, markets will become more vulnerable to pullbacks. I am still uncertain what kind of pullback we may see in January but I would nonetheless think that higher highs are less likely after this week. We could then see some retracement in the near term which is followed by a range bound market in February. While late February and early March looks bullish enough to produce higher highs, I would think a reversal lower is more likely in March and April. Even if stocks rally to higher highs into early March around the bullish Jupiter retrograde station, I think we could see a lower low in April or May.

The technical outlook remains bullish in light of the higher highs. Rising channel resistance is now near 10,600 in the event we get some follow-on gains this week. Bulls stepped in and defended support at 10,400 above the convergence of the 20 and 50 DMA. This is a critical level of support as it keeps the bulls story intact. A move below 10,400 would suggest bulls are losing their conviction and we could return to a more range-bound market. While the move above 10,500 was bullish, I would not expect 10,500 to offer much support in the event of a pullback.

Bulls can also readily point to the bullish crossover of the 20 and 50 DMA which is still in play here. If there is a deeper retracement which produces a bearish crossover of these averages, a significant rebound becomes less likely, at least in the short term. Bears will have to wait for that technical signal, among others. Even then, the huge rally over the past year means the momentum would encourage buyers to enter the market anew, perhaps at the 200 DMA and this could well begin a new move up to higher highs. The weekly BSE chart is offering support at the 20 DMA at 32,800. Dips to that level will likely be bought and produce higher highs down the road.

A move below 32,800 would open the door to a deeper retracement, possible down to 30,000. The 30K level would represent a 50% retracement from the Dec 2016 low. Of course, this is still well above the 200 WMA at 27,700 which marks the long term up trend. Eventually that line will be tagged and tested and it will provide an attractive enter point for new buyers. While 2018 looks more challenging than 2017, it is unlikely that we will get a retest of 27,700 in the upcoming year. It is only possible rather than probable at this point. Meanwhile, Tata Motors (TTM) extended its rebound last week as it bounced off support of the 200 DMA. Until it matches its November high, it is in a range bound trade with only a mild bullish bias. If the 200 DMA can hold as support in the coming days, then the odds favour the bulls taking it to a higher high. HDFC Bank (HDB) retested key support last week as bulls became more cautious. If the late December lows hold here, then the bulls will retain their easy control of the market. However, a move below the Dec 27 low would suggest a longer period of consolidation. The chart is still bullish, but higher highs may take longer to realize.



This week could see more upside, especially in the first half of the week. Front and centre will be the culmination of the five-planet alignment on Tuesday the 9th. This is a bullish alignment which is more likely to bring gains on Monday and Tuesday. Once the alignment is past exact, however, optimism will start to fade and pessimism could grow. There is also the increasing risk of a sudden and large pullback in the wake of the alignment although I would not say that it is a probable outcome here. Wednesday leans a bit bearish in any event, although Thursday's Moon-Jupiter conjunction could bring more upside. Friday's Mercury-Saturn conjunction looks somewhat bearish. Overall, I would lean bullish here but noting the rising downside risk at the same time. I think the chances are good that we will see resistance at 10,600 tested and quite likely broken to the upside. With some rising downside risk later in the week, I'm uncertain if the Nifty can close above 10,600 however.



Next week (Jan 15-19) looks less bullish as Mars enters Scorpio midweek. While this is unlikely to depress prices for more than a day or two, it could prove to be the deciding factor in the week as a whole. Some upside is quite possible in the early week and we should not rule out higher highs at that time. The following week (Jan 22-26) looks more bullish as Mercury aligns with Jupiter in the second half of the week. The early week might be a more mixed but I would expect some late week gains. Late January and early February may be more bearish, however, as Venus and the Sun conjoin changeable Ketu. The Union Budget is due 1st Feb but the market may be underwhelmed as Mars aligns with Saturn and Mercury in the first days of February. This is likely to produce a lower low relative to anything we see in January. While late February looks bullish, mid-February may see some selling around the Mars-Rahu alignment. A retest of 10,000 is even possible sometime in February. However, stocks should rebound fairly strongly into mid-March at least as Jupiter stations retrograde. I would not rule out higher highs by March. Markets are likely to sell-off in late March and especially in April as Saturn turns retrograde while conjunct Mars. This could produce a sizable pullback which could test the 200 DMA, now at 9851. A significant rebound is likely to begin in May and could continue through to July or August. I am uncertain if this rebound will be strong enough to produce higher highs. Another pullback is likely in September on the Saturn-Uranus-Rahu alignment which could postpone significantly higher highs until 2019.



Technical Trends

Short term trend is UP

Astrological Indicators

bullish (confirming)

Target Range

10,500-10,700

(1 week ending 12 Jan)

Medium term trend is UP
(1 month ending 12 Feb)

bearish (disconfirming)

10,300-10,500

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

bearish (disconfirming)

9700-10,500

Currencies

The Dollar had a choppy week but ended up slightly lower by Friday. While the early week was bearish and produced a test of support at 91.5, the subsequent recovery was quite tepid to say the least. Friday's jobs report was a bit disappointing and thus did not make the case for a more aggressive Fed in 2018. The market has priced in three hikes for now but without serious wage pressure, the Dollar is unlikely to rally back to last 2016 levels. The Dollar is hanging on here and remains vulnerable to breaking down further. Of course, the prospect of a double bottom is keeping bulls interested but it may take a flush down to 91 before buyers get serious. The head and shoulders downside target is 91 following the break of neckline support at 92.5. Friday's candle does not bode well for the rebound to continue any time soon. If we do see a bounce here, resistance is likely at 92.5. A move back above the neckline would be more bullish for the Dollar and could signal greater medium term strength. The weekly Euro chart looks bullish after the small retracement at resistance at 1.20. The Euro is again knocking on the door of 1.20-1.21 and seems poised to reach its upside target of 1.25. As growth returns to the Eurozone, the ECB may not be able to talk the Euro down now that its own QE program will be phased out.

This week looks mixed with some upside possible early in the week on the Mars-Jupiter conjunction. I would not expect any big moves in any event as the downside pressure on the Dollar could continue throughout January. I am generally bearish on the Dollar until April or May after which we should see a more sustainable rally. Next week (Jan 15-19) could see a bounce as Mars enters Scorpio. A major recovery back above 92.5 looks unlikely, however. Some gains are possible as we move into late January with a decent chance that the rebound could extend into February. The overall bearish technical outlook is unlikely to improve too much, however. Perhaps the Dollar will trade somewhere below its previous high of 95. March and April lean more bearish and could produce a



retest of support at 91. Lower lows are also very possible by April-May. A rally looks likely to begin by May and continue through to August at least. This should be a very strong rally which should reverse the medium term down trend. Even if the Dollar bottoms out at 87 by May, the rally looks strong enough to recapture 95 at least. Beyond that, it is difficult to say.

Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Jan 12)	bearish (confirming)	91-92
Medium term trend is DOWN (1 month ending Feb 12)	bullish (disconfirming)	93-94
Long term trend is DOWN (1 year ending Jan 2019)	bullish (disconfirming)	92-96

Crude oil

Crude pushed higher last week as Iranian civil unrest stoked supply fears. WTI rose by more than 1% on the week to \$61.44 while Brent finished just under \$68. This bullish outcome was in line with expectations as I thought prices could rise after some uncertainty on Tuesday. Tuesday proved to be slightly bearish and then the transit of the Moon into Cancer coincided with a sharp rise on Wednesday which lasted through to the Friday despite some profit taking. WTI came very close to a test of channel resistance at \$63 last week so bulls are still firmly in control. Previous tests of resistance has produced immediate pullbacks and that is what we got late in the week. Channel support is near \$58 and the 20 DMA. The strong upward momentum means that any pullback to that level will likely be bought fairly aggressively. Only a move below the channel and the 50 DMA might suggest that the rally could be in trouble. An end to the rally and a reversal lower would likely require a close below the previous low of \$57 as well as a bearish crossover of the 20 and 50 DMA. The weekly Brent chart looks bullish but price is pushing into a difficult area of overhead resistance near \$70. However, prices are still above the clustering of



the moving averages in the \$55-61 range. A retracement down to \$60 would not jeopardize the rally but a weekly close below \$60 might raise some questions.

This week could bring further gains as the five-planet alignment becomes exact in the first half of the week. I would lean towards gains on Monday and Tuesday. This could produce a retest of last week's high or it could form a higher high. Some downside looks more likely on Wednesday perhaps. Thursday's Moon-Jupiter conjunction could produce another gain but it could just as easily coincide with a sudden reversal lower. Friday leans bearish.

Next week (Jan 15-19) looks mixed with some downside possible on Tuesday or Wednesday with the entry of Mars into Scorpio. Further gains are still possible, especially later in the week but they may be fairly modest. The following week (Jan 22-26) brings rising downside risk. Gains are perhaps more likely early in the week but the entry of the Moon into Aries on Wednesday the 24th looks more bearish. From here, I think the cosmic dice may be loaded against crude oil as declines could become more likely in late January and into February. One possible date for an interim low would be Feb 19th when Mars aligns with the Lunar Node. I am uncertain if this will be a lower low in this little pullback but prices are more likely to rise thereafter and continue rising into March. Whether we see a higher high in March is difficult to say. It's certainly possible. Another pullback is likely in late March and into April but it is possible it may be a higher low which maintains the bullish technical outlook. Further upside is likely in May and June and we could even see higher highs at that time. A major correction is likely to begin in summer, perhaps by June or July. It is possible WTI could retest its major lows at \$42 at that time.



Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending Jan 12)	bullish (confirming)	\$61-63
Medium term trend is UP (1 month ending Feb 12)	bearish (disconfirming)	\$55-58
Long term trend is DOWN (1 year ending Jan 2019)	bullish (disconfirming)	\$50-70

Gold

Gold climbed higher to start the New Year on Dollar weakness and Asian buying. Gold added about 1% last week before settling at 1322. This bullish outcome was in keeping with expectations as I thought the approach of the Sun-Venus conjunction would likely boost prices. However, I mistakenly thought we could see some selling on Tuesday but that proved instead to be the largest gain of the week. Bulls clearly have the ball here as the previous high of 1360 looms large. Some retracement is still possible before making the attempt to reach 1360 although ideally the retracement should be less than 50% as measured from the last low at 1240. Perhaps a retracement to 1290-1300 would be sufficient if bulls require another leg higher in order to reach and exceed 1360. Obviously, any close above 1360 would be a game-changer for gold as the rally would enter a new and more credible phase. A move back below 1280 and the 20 and 50 DMA would be problematic for the rally as it would return gold to a range trade. The convergence of all three moving averages around 1270-1280 highlights that level as the make or break zone for the rally. Any move below line should be watched carefully as it could spark a lot of selling. With RSI at 73, gold is getting overbought so further upside may be more difficult.



This week could bring more upside as the Sun and Venus conjoin Pluto on Tuesday the 9th. The Moon-Jupiter conjunction on Thursday is also broadly bullish but I am uncertain if this current unbroken rally will extend that far this week. It is possible we could see some profit taking, possibly on Wednesday or on Friday. Friday is the more bearish day of the two as Mercury conjoins Saturn. Whether or not gold can reach 1360 is hard to say. It's certainly possible given the strength of the planets involved here but the risk is that the buying could suddenly dry up and the market could sell-off quickly. This is especially true after Tuesday. I think 1340 is quite doable at some point even if there is some late week selling. I would lean bullish overall in any event.

Next week (Jan 15-19) looks more bearish as Mars enters Scorpio on Wednesday. Some early week gains are possible but the downside risk rises significantly here. A move back below 1300 is conceivable. The following week (Jan 22-26) looks mixed to bullish with some gains likely in the second half of the week on the Mercury-Jupiter aspect. Higher highs are possible but perhaps not likely. Gold may come under more selling pressure in late January and especially in February. This looks like a significant retracement which could well put gold below that critical support level at 1270. I would not rule out 1240 or even 1210 by the end of February. Gold should recover strongly in March and April and further gains are possible into May and June. I would think higher highs are likely sometime in Q2, possibly above 1360. I am uncertain about gold during Q3 but I would expect some kind of correction by Sep-Oct. Let's see. Gold is likely to weaken significantly starting in Nov-Dec 2018 and continue to decline through much of Q1 2019.

Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Jan 12)	bullish (confirming)	1320-1360
Medium term trend is UP (1 month ending Feb 12)	bearish (disconfirming)	1280-1320
Long term trend is DOWN (1 year ending Jan 2019)	bullish (disconfirming)	1250-1400

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