MVA INVESTOR NEWSLETTER

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Summary for week of 12 February 2018

- Stocks still vulnerable to declines, especially in second half of week
- Dollar could rally further this week
- Crude oil may bounce early but gains are uncertain
- Gold may remain under pressure this week

US Stocks

Stocks plunged last week as interest rate fears forced many investors to contemplate an end to the low-rate goldilocks environment that has been in place since 2009. The Dow lost 5% on the week to 24,190 while the S&P 500 finished at 2619. While I thought we could see additional selling early in the week, I never expected Monday's shocking 4% decline. Also, I was correct about the bounce on Tuesday and Wednesday on the Venus-Uranus alignment, although it was a purely oversold bounce at that point. The end of week was also bearish as expected, although by that time the rules of the game had shifted and the market had entered a strange, new risk-off reality.

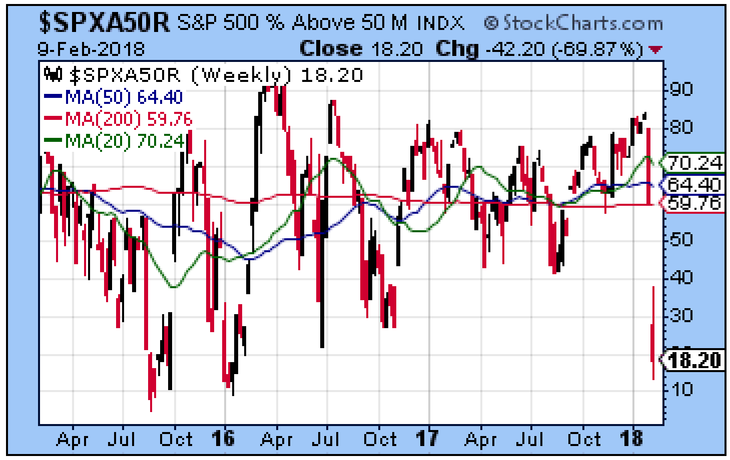
Is this the end of the 9-year bull market? It's certainly possible but I do not want to commit to any definitive predictions just yet. The summer rally is likely to be quite strong and therein lies the possibility of a higher high. And yet clearly, the ground has shifted beneath the complacent bullish view as the central bank liquidity rally is now gone, seemingly forever. Or least until the next recession when the Fed will no doubt fire up the printing presses once again. But central bankers are signaling they are not going to bail out investors this time as tightening is taking place throughout the world. This is forcing up yields across the board and making stocks less attractive. Moreover, the US is going further into deficit with the new spending and Trump tax cuts so there is now an oversupply of debt. More supply and fewer buyers means falling bond prices. Most worrying perhaps is that yields did not fall once stocks had sold off. This is reminiscent of 1987 or 1994 when yields stayed high despite falling stock prices. The problem is that inflation is rising and this is putting pressure on bond valuations. If yields continue to rise in the weeks ahead, there may be nowhere to hide as both stocks and bonds will be in decline. That is the worst case scenario at least although we are not quite there yet. This Wednesday's CPI and core inflation numbers will be key in moving markets forward in the short run.

The astrological outlook is still bearish in the medium term. Obviously, I did not predict this kind of 11% correction (so far) in February. I thought we might get a smaller 3-7% pullback before the big decline which I though was most likely to occur in late March and April. Since some of that negative Saturn energy has manifested sooner than expected, I am somewhat less bearish about April. And yet, I would still say that all of the negative energy has not yet manifested. Therefore, 1) we could see a lower low in February although this is not certain and 2) I think we should see another leg lower in that late March-April-May time frame. The size of the February decline means that the chances for a higher high in March are commensurately lower. I suspect we could see a lower high in March, possibly at 2700-2750. This would then be followed by at least a retest of the February low at 2550 or probably lower. While I am still uncertain, I would lean towards a lower low by May. This April-May decline would then be the prelude to a strong rally in June to August.

The technical outlook is bearish on the short and medium time frames. Friday produced a potentially important tag of the 200 DMA from which a bounce could begin. This offers the bulls some prospect that a rebound may have further upside and that the current correction could actually be over. Wednesday's rejection of the 50 DMA at 2720 now sets up that line as key resistance going forward. Further tests of that line are possible if we see the SPX holding above 2539. As noted last week, the parabolic advance of the Trump rally suggests a retracement to about 2550 so we're already there.

Immediate resistance may be closer to 2680, however. If the 200 DMA can't hold, then another possible target for rampaging bears may be 2460 while would be a 50% retracement of the Trump rally. I suspect we will get there eventually, although it may take until April. At the same time, it wouldn't shock me if it happened this week. So now the question is: how close are we to an interim bottom? The percentage of stocks above their 50 DMA has fallen below 20% and is getting close to levels seen in early 2016. We could fall farther in the coming days, but some kind of technical rebound looks more likely in the next week or two. The weekly Dow chart is suddenly flashing a medium term sell signal as stochastics are in a bearish crossover and have fallen below the 80 line. This indicates that subsequent rallies are best sold in the coming weeks unless there is a sharp change in trend back upwards. Even the more lagging MACD has entered a bearish crossover. The parabolic retracement suggests a downside target of 22,000 or so. While the bull market still looks solid in this chart, it does raise the possibility that if 2018 unfolds as I expect, a tagging of the 200 WMA at 19,000 is no longer far-fetched. And just like the previous week, the real story last week was bonds. Yields pushed a bit higher despite the sell-off in equities as the safe haven play never really took hold. A poor bond auction only made matter worse as the 10-

year remained above 2.8%. A move above 3% could well cause a full-on crash in stocks at this point although nobody really knows what might happen. Again, this week's inflation data could well tell the tale.



So where does this shell-shocked market go from here? This week is quite mixed. As before, I think the planets in the first half of week suggest more upside. The Sun-Uranus alignment looks positive enough to offset most negative influences. To be sure, I have underestimated the impact of those negative influences, so we will have to see if bulls have any juice left in the tank. Monday looks short term bullish and we could see further upside on Tuesday as the Sun enters Aquarius. But the fate of this week may come down to what happens on Wednesday and the release of the inflation data at 8.30 a.m. The planets look unclear unfortunately as Mercury looks bullish as it also enters Aquarius but Mars is inching closer to its dangerous alignment with the Lunar Nodes. And if that wasn't enough, Thursday is a solar eclipse. The planets do not present a clear indication for either a reaction rally or a sell-off on Wednesday. Perhaps the inflation number will be a consensus reading that doesn't move markets much. I would lean a bit bullish but I think the overall probabilities shift towards the bears by the end of Wednesday and then the rest of the week as well. Next Monday is Presidents' Day holiday so no trading and that happens to coincide with the exact Mars-Node alignment. Perhaps that means the market can avoid the worst of it. Generally, I think there is a case for a bounce early this week, perhaps to 2680 but then the late week downside could see a move back below 2600. A retest of the 2539 is also not out of the question, although if I'm right about the early week bounce, then I would be surprised if the late week selling became that extreme.

Next week (Feb 19-23) begins on Tuesday and we could see some further weakness as Mars is within range of the Lunar Node. A retest of the low is possible and lower lows are also possible. But we should also see some upside on the Venus-Neptune conjunction on Wednesday. I am uncertain if we will get a lower low in the second half of February. It's definitely possible so that could mean 2460 but who knows. And yet by the following week (Feb 26-Mar 2) the odds for a stronger bounce improve as Venus and Mercury align with Jupiter. The month of March looks more bullish as Jupiter is due to station retrograde on the 8th. A higher high in March looks quite unlikely now but the bulls could be surprisingly strong nonetheless. If we get that lower high, that might be the pre-condition for the next wave of selling in late March and April. Lower lows are possible on the Mars-Saturn conjunction on April 3rd. Some gains are likely in the early May on the Jupiter-Neptune alignment but the Saturn-Node-Mars alignment in late May looks very nasty. It seems too late for a lower low so it may simply be part of a protracted consolidation process in April and May, perhaps between 2200 and 2500. But those levels are just guesses. A strong rally is likely in June and continue through July and most of August. Higher highs cannot be ruled out as the planets look quite bullish here. Another move lower around the Saturn-Uranus-Lunar Node alignment in late August, September and October. Q4 looks mixed with a bullish bias but the year as a whole may prove to be negative. Early 2019 also leans bearish although improvement is likely by the second half of the year.

Technical Trends	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Feb 16)	bullish (disconfirming)	SPX 2600-2650
Medium term trend is UP (1 month ending March 16)	bullish (confirming)	SPX 2700-2800
Long term trend is UP (1 year ending Feb 2019)	bearish (disconfirming)	SPX 2200-2600

Indian Stocks

Stocks fell last week on global concerns from rising interest rates and hawkish comments from the RBI. The Sensex lost 3% to 34,005 while the Nifty finished at 10,454. While I was somewhat bearish for February as a whole, this negative outcome was somewhat unexpected. Monday's bearishness was not surprising given the Mars-Saturn alignment but the midweek was less positive as Wednesday's gain did not hold by the close and Thursday saw only modest upside. Friday was bearish on the Mercury-Ketu conjunction.

Global equities are feeling the pressure here as fundamental assumptions about value and risk are being called into question. Rising interest rates in the US threatens to upset the easy goldilocks environment of modest growth and low interest rates. With more central banks tightening around the world, there is a greater supply of bonds and this is one key factor why yields are rising. The US government has also expanded its deficit this year so that is further complicating matters as even more debt must be issued. More supply means yields must rise as prices fall and that could upset the delicate balance that has been in place since 2009 in the aftermath of the financial meltdown. Higher yields, in turn, will increase servicing costs for borrowers and this could reduce lending and choke off growth. This dynamic is taking shape in many economies around the world, including India's. If inflation continues to rise in the US and elsewhere, then this will certainly push stocks lower. The unique problem now is that the sell-off in stocks has not sparked a flight to safety to bonds as yields did not fall last week. This double whammy of falling stocks and falling bonds could begin a more tumultuous phase in the global economy.

The astrological outlook remains negative for the next few months. February is still prone to some further downside as Mars aligns with Rahu this week and then Mars aspects Venus in the following week. These are not strongly bearish alignments but they may act as a drag on any possible rallies. March could see some upside around the Jupiter station on the 8th but the planets do not look strong enough to create a higher high. We shall see. Then the picture worsens in April as Mars conjoins Saturn on the 3rd and then Saturn turns retrograde on the 17th. I would expect lower lows in April and May as the full effect of Saturn is felt. A move below the 200 DMA at 10,000 is looking more likely now. Indeed, we could see a tagging of the 200 DMA here in February. This would still suggest a lower low by May or perhaps early June when Mars turns retrograde.

The technical picture looks increasingly bearish. For now, bulls can point to last week's higher low as proof that the rally is still a going concern. But the bounce after the low was fairly weak and there is a lot of overhead resistance above 10,700. A close below Tuesday's low of 10,300 would be bearish as it could open the door to a retest of the 200 DMA at 10,000. However, the presence of some horizontal support at 10,000 could boost the chances of a stronger than normal bounce off that level. Clearly, it would be a more attractive entry point for bulls looking for a discount. A close above 10,700 would likely take the pressure off bulls to some extent. Stocks are getting oversold on a daily basis so that hints at a bounce in the coming days. Even a close back above 10,600 would help stabilize the chart for the bulls somewhat as it would remove immediate threat of a technical breakdown.

The Sensex chart issued a sell signal as weekly stochastics have fallen below the 80 line. This doesn't necessarily mean stocks will begin a medium term down trend but it definitely increases the possibility of that outcome. So far, the two-week pullback sits on frequent support of the 20 WMA. Previous pullbacks during this rally have also found buyers at this level. But horizontal support at 34K is also at a critical level as this was resistance in Oct, Nov, and Dec. So while a bounce here in the coming days looks quite plausible, the overall market looks vulnerable to further declines. Meanwhile, HDFC Bank (HDB) has tested its key horizontal support and broken below it last week. Friday's gain was modest and did not immediately repair the technical damage done to the chart. The breakout is now in doubt so unless bulls can quickly take prices back into their previous range, the risk will be more to the downside. Infosys (INFY) looks somewhat stronger after filling the breakaway gap. It remains above its 50 DMA and above its previous horizontal resistance. A move below the 50 DMA would be more bearish, however.

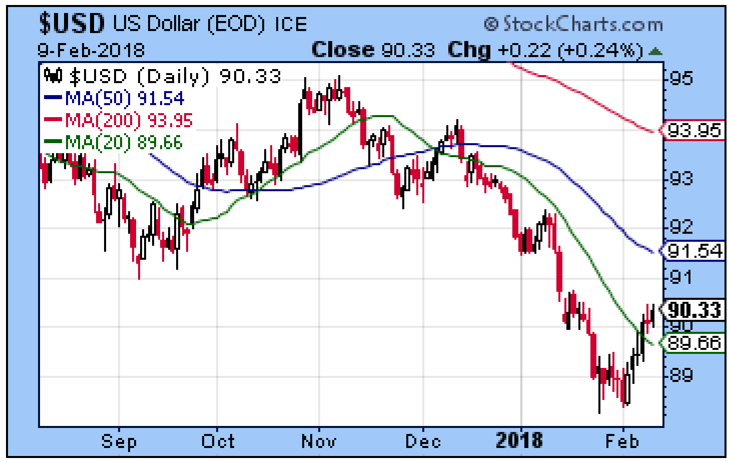
This week is a mixture of aspects which offers some hope for a bounce. That said, the approach of the Mars-Rahu alignment is a source of concern since it could reverse rallies quickly. Monday's Sun-Uranus alignment should be bullish and a solid gain is more likely than not. 1% looks very doable here and 10,600 is not an unreasonable target here. Tuesday is closed for a holiday so that may reduce the bullish exposure for traders this week since that day also leans bullish on the Mercury-Jupiter alignment. Wednesday also has a modestly bullish bias as Mercury approaches its alignment with Uranus. If we do in fact get two up days to start the week, then the Nifty could return to 10,700. This is perhaps a bit too optimistic and yet the short term planets do look fairly good. The late week sees a rising risk to the downside as Mars tightens its alignment with Rahu (North Lunar Node) and Venus is aspected by Saturn. Friday has the added feature of a solar eclipse. I think at least one day on Thursday or Friday will be negative. Friday looks a bit more bearish than Thursday. Overall, we could see a positive week but that assumes the late week selling is modest.

Next week (Feb 19-23) looks less bullish. The early week looks bearish on the Mars-Rahu alignment although a midweek bounce is more likely on the Venus-Neptune conjunction. The late week again leans bearish on the Venus-Mars aspect. A retest of last week's low is possible here. The following week (Feb 26-Mar 2) looks mixed but the bias could be more bullish as Jupiter aligns with Venus and Mercury. Further gains seem possible in early March ahead of the Jupiter Rx station on the 8th. Once that has passed, we could see rising uncertainty in the market. March as a whole may still have a bullish bias but the rally could be quite modest. I tend to think that higher highs are less likely in March although I cannot quite rule them out. More turbulence is likely at the end of March and into April as Mars aligns with Saturn. April looks likely to break 10,000 (if it hasn't already broken). May looks mixed with a retest of the new low in late May or early June. Lower lows are also possible. A 50% retracement of the Trump rally since Nov 2016 would be about 9500. That is one possible target for this correction by Q2. Stocks should then rally strongly starting in June and continue in July and August. Higher highs are not impossible in Q3 although they seem less likely. Another large correction is likely from Aug to Oct as Saturn aligns with Uranus and Rahu. This could erase much or all of the preceding gain. Q4 leans bullish although Q1 2019 may be more bearish. Overall, 2019 looks bullish with higher highs quite possible.

Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending 16 Feb)	bullish (confirming)	10,500-10,700

Medium term trend is UP (1 month ending 16 March)	bullish (confirming)	10,700-11,200
Long term trend is UP (1 year ending Feb 2019)	bearish (disconfirming)	9700-10,500

Currencies



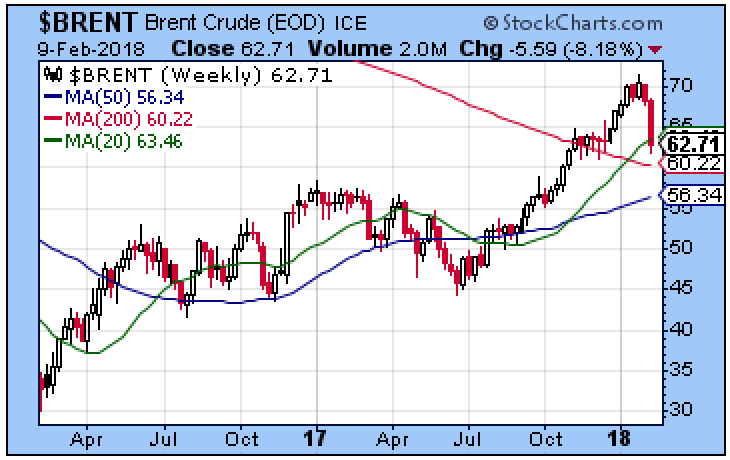
The Dollar pushed higher last week amid the financial turmoil and rate hike expectations. The USDX finished above 90 while the Euro slipped below 1.23. Bitcoin bounced off 7000 and finished the week near 8400. While I was leaning bullish, the strength of the move was somewhat surprising. Wednesday saw the largest move higher and that coincided closely with the bullish Mercury-Neptune alignment. The Dollar is finally showing signs of life but so far it looks just like a bear market rally. And yet the bounce off the double bottom does offer some hope for bulls for at least a larger rebound. There is a lot of resistance at 91 as that was the area of previous support (91.5). If there is a close above 91 -- or probably better 91.5 – then we could see the Dollar move higher. The next target area may be 94-95 around the 200 DMA. That still wouldn't change the technical outlook as the tagging of the falling 200 DMA is classic bear market rally material. And yet it would be the first step in changing the medium and longer term trend in the Dollar. The weekly Euro chart is showing a normal consolidation phase here with support at 1.22. There is more important support at the previous highs of 1.21. Bulls will have to defend that area in order to keep the bullish story alive. If the Euro falls below 1.21 then it could enter a longer sideways phase of range bound trading between the breakout level of 1.15 and 1.25. As Bitcoin bounced last week, one wonders if there is a temporary bottom here. It's possible after the parabolic breakdown although the outlook is much less bullish than it was. Currently, it is pushing up against falling channel resistance so a move up to 9000-9500 could change the down trend.

This week also has a bullish bias. However, I would hold that view quite loosely as the planetary indications are quite mixed. Some gains are more likely to occur early in the week on the Sun-Uranus alignment. However, the late week Mars-Neptune square could be more problematic. Wednesday's planets do not paint a clear picture for the inflation data release in terms of the Dollar. However, the more vulnerable days are Thursday and Friday so there is little clarity here. Next week could see further upside testing, possibly to 91.5, especially early in the week. However, the rest of the week may be more prone to declines. I think we could see a pullback in the Dollar in late February and into March. I am expecting another move lower at some point in March-April but I'm uncertain when it will begin in earnest. I think the Dollar will likely form a lower low by April, possibly in the 85-88 range. A strong rally is likely after that, with a probable advance above the 200 DMA. The rally should be strong enough to reverse the down trend. USDX will likely trade above 95 and even 100 is conceivable. The Dollar rally is likely to extend from April-May to July-August. Q4 looks more bearish, however, and the down trend will likely extend into early 2019.

Technical Trends (Dollar)	**Astrological Indicators**	**Target Range**
Short term trend is UP (1 week ending Feb 16)	bullish (confirming)	90-91
Medium term trend is DOWN (1 month ending March 16)	bullish (disconfirming)	89-92
Long term trend is DOWN (1 year ending Feb 2019)	bearish (confirming)	85-90

Crude oil

Crude oil fell sharply last week as US shale oil production continued to surge and the Dollar gained strength. WTI lost 8% and finished below $60 while Brent plunged to $62. This bearish outcome was in keeping with expectations although I thought we might have seen more midweek gains. The market proved to be more negative as even Tuesday's Venus influence did not produce any upside. Last week's decline inflicted significant technical damage as the rising trend line was broken at $62. While bulls can still point to a higher low here, we could get further testing of horizontal support at $58 before achieving any stability. A close below $58 may indicate further weakness to come. A 50% retracement as measured from the June low would be $54. That is one plausible downside target if the selling continues. This is a little above the 200 DMA at $52 so that area could act as a magnet if the decline picks up steam. Crude has been quite bullish so I would be surprised if the rally completely collapses anytime soon. There will be no shortage of buyers at the 200 DMA or at $58. The weekly Brent chart broke through neckline support at $68 and even exceeded the downside target of $65. It may find support near the 200 WMA at $60 so buyers are likely to re-enter the market. Usually there is some follow-on selling in the next week after such a large drop so at least a testing of $60 looks likely in the days ahead. After the rejection of trend line resistance, it is possible that this retracement could even test trend line support just below the 50 WMA. That would be another attractive entry point for buyers looking to go long.



So far my expectation of a bearish February is coming to pass but I am uncertain how long the down trend will last. This week looks less bearish although bears can count on another significant down day or two later in the week or next week. The Mars-Lunar Node alignment is closest next Monday the 19th so we could see some selling leading up to that day. The early week looks more bullish as Mercury aligns with Jupiter on Monday and Tuesday. Perhaps a technical bounce back for WTI to $62 is possible then. But I would expect the late week to be more difficult and lower lows are also possible. At minimum, we should see a retest of Friday's low by Monday the 19th.

Next week (Feb 19-23) looks bearish to start. There won't be any US trading on the Monday holiday but the week leans bearish. Friday's Mars-Moon opposition stands out in this respect. I think a reversal higher will come soon but I'm uncertain if it could occur here. Perhaps we will get more downside pressure. The following week (Feb 26-Mar 2) could be more positive as Jupiter aligns with Mercury and Venus. I think March as a whole will be more bullish so we could see a retesting of the recent highs at some point. April looks quite choppy as Saturn turns retrograde and begins to move into alignment with the Lunar Nodes. We could see a brief rally but eventually this will fail. The alignment is likely to bring a retracement in May and June but it could begin as soon as April. This Q2 decline could even extend into Q3. A move below the 200 DMA is likely by June or July and even a retest of $42 for WTI is possible. Q4 looks more promising, however.

Technical Trends	**Astrological Indicators**	**Target Range (WTI)**
Short term trend is DOWN (1 week ending Feb 16)	bearish (confirming)	$56-60
Medium term trend is UP (1 month ending March 16)	bullish (confirming)	$60-70
Long term trend is DOWN (1 year ending Feb 2019)	bullish (disconfirming)	$60-70

Gold

Gold slumped again last week as the Dollar became the preferred safe haven amid all the financial turmoil. Gold lost more than 1% and closed at 1315. This outcome was unexpected as I thought the Venus influence might have produced more up days early in the week. We did get some intraday gains on Tuesday's alignment but bulls are weaker than expected here. The technical picture is not looking good. There is a head and shoulders topping pattern forming now with a neckline at 1310. If we get a close below 1310, then the downside target would be 1260. This would be below the 200 DMA at 1280 although a move to 1260 would at least create a higher low. However, after the potential double top at 1360 any declines here are not helping the bullish view. The longer term chart still argues for an eventual breakout above 1350-1375 as the ascending triangle has an upside target of 1700. However, it may take longer for gold to form a reliable bottom. A higher low is key in that respect so that the pattern of equal highs and progressively higher lows is maintained. If we get a bounce here, resistance may be the 20 DMA at 1336 although 1350 seems to be the upper limit of the recent trading range. For now, gold prices are being kept low in the expectation that the Fed will be hawkish given the renewed inflation threat. However, if incoming Chair Jay Powell blinks in the March FOMC meeting and doesn't raise rates, then gold could rise. It is possible that the Fed could opt to accept more inflation in the short term instead of raising rates too fast which could invert the yield curve. Also, the Fed could become more timid this year if stocks extend their decline. This would also likely be a plus for gold as more inflation and hence more currency debasement would be tolerated.

This week looks mixed with moves possible in both directions. The early week leans a bit bullish as the Sun aligns with Uranus on Monday. However, a similar alignment occurred last week with Venus and gold did not rise. Therefore, Monday cannot be relied upon too much for a bounce. Inflation data is due out Wednesday just as the Moon aligns with the Lunar Nodes and Venus comes under the aspect of Saturn. This leans bearish for gold and could represent a stronger Dollar. The late week also seems bearish. Overall, I would lean bearish for the week so we could see a move below 1310 here.

Next week (Feb 19-23) could see some upside around the midweek Venus-Neptune conjunction. Monday's Mars-Nodal alignment is more of a wild card although without US trading on Monday there could be a muted reaction to this Mars energy. I am reluctant to suggest price targets here as the indications are not clear. I would lean a bit bullish. The following week (Feb 26-Mar 2) looks more bullish as Jupiter aligns with Mercury and Venus. More upside is quite possible in March although I wonder if the month as a whole will be more mixed. I had previously thought gold would be strong enough to retest 1360 but now I'm less confident that will happen.

We shall see. Some downside is likely in late March and April. This could retest key support such as the 200 DMA or even 1240. Gold is more likely to rally in May as Jupiter aligns with Pluto and Neptune. It is unclear if there will enough positive sentiment to break above key resistance at 1360. More downside looks likely in June and July and perhaps into August. Q4 does not present any clear indications so it seems less likely there will be a large rally. I suspect we may have to wait for 2019 for gold to move substantially higher. Perhaps it can reach that target of 1700 in 2019 and 2020. Generally speaking, those years look more bullish than 2018.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is DOWN (1 week ending Feb 16)	bearish (confirming)	1280-1330
Medium term trend is UP (1 month ending March 16)	bullish (confirming)	1310-1350
Long term trend is DOWN (1 year ending Feb 2019)	bearish (confirming)	1250-1350