

Summary for week of 19 February 2018

- Stocks could retrace lower this week
- Dollar mixed but gains more likely in second half of the week
- Crude oil could retrace lower this week
- Gold more vulnerable to profit taking although bias is still bullish

US Stocks

Stocks rebounded strongly last week as inflation concerns subsided and the Dollar fell sharply. The Dow added 4% on the week to 25,219 while the S&P 500 finished at 2732. While the bounce in the first half of the week was in keeping with expectations, the second half of the week was much more bullish despite the apparent bearish Mars-Lunar Node alignment.

The size of the rebound suggests that bulls haven't thrown in the towel by any means. Some analysts are suggesting we could see a simple V-shaped bottom that takes the indexes back to new highs in the coming weeks. While I think we are likely to see some more gains in March, I am skeptical that the market will simply resume its previous melt-up pattern. Bond yields remain elevated and that is likely to change the logic of asset allocation going forward. Equities are no longer the only game in town in terms of return so that would tend to suggest that further upside may be limited and that downside risk and normal volatility is back on the table. Even if there is miraculous return to higher highs by March (unlikely I think), the stretched valuations of stocks now look less attractive compared with bonds. Overall, there is a healthy range of opinion about where the market is: bulls see the decline as a necessary but temporary blip, while bears, especially those who rely on technical analysis, think there will likely be more turbulence in the weeks ahead, even if the bull market will eventually resume in the coming months.



I would still side with the bearish analysts. While, I did not quite expect the bounce to be this strong, I was fully expecting this size of a rebound by March. We just got there ahead of schedule. The astrological outlook may give the bulls some advantages in the near term but I am still concerned about April-May. The Saturn influences in April seem bearish and I think they will coincide with some downside. Now whether we get another leg lower to a lower low by April-May is harder to say. But I do think there is good reason to expect a retest of the lows at SPX 2532, even if it ends up forming a higher low. And it is also possible that my timing may be off and it may not occur in April, but perhaps a bit earlier in March. But my general point is that the V-shaped bottom hypothesis seems unlikely given the planetary patterns in place over the next two to three months.

The technical picture looks mixed. Bears staged a strategic retreat last week after the classic tagging of the 200 DMA. While the rebound was slow and plodding at times, the SPX has nonetheless reclaimed the 50 DMA and 20 DMA (middle Bollinger band). This suggests a strong upward momentum that could provide some follow-on buying this week upcoming. On the other hand, it would also be fairly normal to have some consolidation and retracement following the tagging of these faster moving averages. Friday's candle has a long upper shadow with a small body and is a shooting star. It is also a bearish indication as it can often signify the end of a rally and the beginning of some kind of pullback.

The rebound channel support level is near 2700. Any break below this line could spell trouble. There is some horizontal support at 2650. This is also fairly close to a 50% retracement off the low which would be about 2640. That is one plausible downside target at least. A deeper retest would be closer to 2600, of course. Bears can also point to the tagging of channel resistance dating back to Nov 2016 with Friday's gain. This channel disregards the euphoric overthrow in January and thereby includes more touches of both resistance and support. We can see this on the weekly Dow chart. And despite last week's rebound, MACD and stochastics are still in bearish crossovers. Their sell signals are still in place and do not provide supporting evidence for a continuation of the bull market rally. At least not yet. Taking a long term view, the weekly SPX chart dated from 2008, shows rising channel resistance still near 3000 if we use a logged chart, although using an arithmetic chart resistance is near current levels. Channel support in the logged chart is near 2200-2300, very close to the 200 WMA. This hints at the possibility of more downside in the coming weeks if there is a sudden reversal lower. If 2532 doesn't hold as a low in the weeks ahead, then this channel support level around 2200 could be a level where the bull rally could resume. Yields were still in the foreground last week as Wednesday's CPI data pushed the 10-year to 2.9%. The chart is pointing to higher yields but it is unclear if it will simply keep rising above 3%. The Fed does not want rates to move too quickly as this could cause a recession as credit dries up. All eyes will be on the new Fed Chair Jay Powell at the next FOMC meeting March 21st.



This week looks mixed. The Mars-Lunar Node alignment will still be in effect at the beginning of the week although with Monday closed for a holiday some of the negativity may be muted. Tuesday therefore leans somewhat bearish. This is a negative combination but since it's past exact, I'm uncertain how much damage it could do. Wednesday looks a bit bullish as Venus conjoins Neptune. The late week leans a bit more bearish as Venus is under the aspect of Mars. These short term influences lean bearish but it is unclear if the underlying influences could limit the impact of any downside. Certainly, there is a technical argument for some retracement after last week's big gains. And the planets seem somewhat bearish although not overly so. I would not be surprised if the week actually ended a bit higher although that would not be my favored scenario. I think it's more likely that we get some kind of pullback, although it may be fairly modest. Perhaps it will even remain in the rebound channel above support at 2700. It's possible.



Next week (Feb 26-Mar 2) actually could be more bearish. I realize this is a change from my previous forecast which expected more upside in late Feb and early March. However, stocks have been stronger than expected in the middle of Feb so some of the positive energy has been expended already. The first half of the week leans bearish as Mars aspects Mercury on Tuesday and Wednesday. That is a possible retracement low, probably below 2700 but probably not below 2650. But forecasting levels is very speculative. The late week seems more bullish as Venus aligns with Jupiter. The first full week of March looks more bullish as Jupiter stations retrograde on Thursday the 8th. I'm taking an open-minded view about March. I tend to think it will be more bullish, at least in the first half of the month. Higher highs above Friday's high are therefore possible (2800?). And yet, the technical picture would require higher lows (2650-2700?) in February before we could see more upside in March which might test 2770 or 2800. The planets look more active in late March and in April so I think the downside is more likely to be concentrated then. A move down to 2600 is very possible and it could fall further than that. A rebound should begin in May or perhaps June and extend into August. This looks like a substantial rally which could win back much of any preceding decline. Another decline is likely in late August and through September. Q4 looks mixed with a bullish bias but the year may be negative overall. Early 2019 may be more bearish again but the second half of the year should be more positive. Higher highs are quite possible.



Technical Trends

Astrological Indicators

Target Range

Short term trend is UP
(1 week ending Feb 23)

bearish (disconfirming)

SPX 2650-2720

Medium term trend is UP

bullish (confirming)

SPX 2600-2800

(1 month ending March 23)

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

bearish (disconfirming)

SPX 2200-2600

Indian Stocks

Stocks were mostly flat last week as the PNB fraud case cast a shadow over market despite positive global cues. I thought we might have seen a bit more upside, especially in the first half of the holiday-shortened week. But Monday posted only a small gain and Wednesday's intraday gain didn't hold by the close. Friday's sell-off returned the indices to neutral.

The financial outlook looks unclear here. While global stocks rebounded strongly, Indian equities are lagging. At the same time, the smoke hasn't cleared yet from the fallout from the correction due to renewed inflation fears. The rebound is certainly welcome but there is a new logic in place as equities will have to compete with bonds on a more level playing field as central banks gradually stop being the buyer of last resort. Greater supply will continue to put upward pressure on yields worldwide and this could eventually undercut the bottom line as lending decreases. Rising yields will also make India less attractive to FII as more money is repatriated to higher yields jurisdictions in developed economies. This may not upset the bull market immediately but it is definitely a potential headwind for stocks for 2018.

The planetary outlook is still somewhat tense.

The next week or two will feature Mars aspects with Rahu, Venus and Mercury. These are generally bearish influences which may preclude a quick recovery back to previous highs. The Jupiter retrograde station on 8th March suggests somewhat more optimism, however. For this reason, I would think there will be another significant rally attempt in March. If we get more downside in late February, however, the prospects for higher highs above 11,171 appear minimal. If late February is more sideways, then perhaps bulls can enjoy a retest at least of the previous high. However, April-May still is the main focus of negative patterns. It is possible they could begin to be felt in the second half of March. I would expect lower lows in April, probably below 10,000. Stocks may be in a better position to rally by June and through Q3.



The technical picture remains cloudy. The failure of the Nifty to bounce last week should be worrying for equity bulls. Moreover, Friday's close was below resistance at the 50 DMA and just above channel support. It is a precarious position. Of course, a close above the 50 DMA would boost the bulls' chances since the current pullback has been quite small thus far. It won't take much for the rally to get back on track. But the risk of a significant failure exists now, such as a close below the previous low of 10,300. If we get a few more negative days, then we would also possibly see a bearish crossover of the 20 and 50 DMA. This would be a more serious sell signal.

The weekly BSE chart is still trading above its key support level of the 20 WMA. In that respect, long term bullish investors should feel comfortable. But the sell signal on the stochastics is still in place and has further to fall before becoming oversold. 34,000 is key horizontal support so a weekly close below that level would be more concerning. Moreover, if we do go below 34K, a decline down to 32,000 and the 50 WMA is quite plausible indeed as that is the downside target of the measured move off the high of 36K. I would think that 32,000 is likely soon, although if it's late February or April is harder to say with confidence. Longer term, I would think we could even get a retest of the 200 WMA at 28,000. This is defining support for the post-2008 rally and would present an attractive entry point for longer term investors. Meanwhile, Infosys (INFY) had a positive week as it remained above support from the 50 DMA. It is encountering significant horizontal resistance at this level, however, although the series of higher lows in February hint at the possibility of a breakout higher. A move higher would likely translate into another test of the previous high. HDFC Bank (HDB) is consolidating here at support near its 50 DMA. After the early February hammer candlestick, this chart still looks bullish so we could see another test of the January high.

This week looks a bit more bearish. Mars aligns with Rahu (North Lunar Node) early in the week so we should expect at least one down day, possibly two. Tuesday and Wednesday look slightly more bearish than Monday although I would not be surprised to see declines on any day. The Mars-Rahu is a fairly high probability negative pattern and a 1% decline or greater is possible. The Venus-Neptune conjunction is likely to produce at least one up day this week, possibly on Thursday although I would keep an open mind about it. Friday leans a bit negative but it really could go either way. I think bulls will be hard-pressed to keep the Nifty trading above the



previous low of 10,300 this week. There should be some optimism returning to the market soon, but this week does not look like a good candidate for it.

Next week (Feb 26-Mar 2) could be bearish to start as Mars aspects Venus on Monday and then Mercury on Wednesday. Lower lows are possible here. The second half of the week should be more bullish as Venus aligns with Jupiter late on Wednesday and Thursday. Mercury then receives Jupiter's positive aspect on Friday. We could see the Nifty post a winning week here. The first full week of March could lean bullish also as Jupiter stations retrograde on the 8th. While there is bullish potential here, I would not expect a large gain. Higher highs above 11,171 seem less likely. March may gradually become less bullish so that by the end of the month, stocks may be trending lower once again. The conjunction of Mars and Saturn in early April looks particularly bearish and may coincide with a high risk decline. A breakdown of key support is more likely in early April. I would expect the Nifty to move below 10,000 by this time and even 9500 is possible by May. This would amount to a 50% retracement of the Trump rally since Nov 2016. A recovery may begin in May although there remains some difficult patterns at the end of May and early June which could postpone the beginning of a significant rally. Q3 looks more bullish so that should be the result of a bounce off key support. Another corrective phase is possible in September and October. Q4 may have a slight bullish bias.



Technical Trends

Short term trend is UP
(1 week ending 23 Feb)

Medium term trend is UP
(1 month ending 23 March)

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

Astrological Indicators

bearish (disconfirming)

bullish (confirming)

bearish (disconfirming)

Target Range

10,200-10,500

10,300-11,000

9700-10,500

Currencies

The Dollar fell again last week as investors began to question the speed of rate hikes this year from the Fed. The USDIX fell more than a cent to 89 while the Euro pushed above 1.24. Bitcoin extended its recent bounce to above \$10,000. The pullback in the Dollar was somewhat unexpected although I noted that the indications were unclear. The Dollar is testing key horizontal support here at 88. A double bottom pattern could provide the impetus for more buyers in the short run. In the event of a move above 90.5, the measured move upside target would be 92.5. If such a move were to occur, it likely wouldn't change the bearish view on the Dollar. Both the 50 and 200 DMA are sloping downward and the Dollar has yet to even tag the 200 DMA at 94. The other problem for the Dollar is that it has already violated trend line support which connected the lows dating back to 2015. While we could see a bit more of a bounce in the near term, this would only amount to a back testing of this falling trend line. Any break below 88 could see the Dollar quickly return to a previous range in the 80-84 area. The weekly Euro chart is still arguing for more upside to 1.25 and beyond. The bullish target of 1.25 has more or less been reached and there is the possibility of further upside to 1.27. This would match falling trend line resistance dating back to 2008. So while further upside is likely for the Euro, it may prove difficult to push above this trend line resistance at 1.27 or so.



This week looks more bullish for the Dollar. Mars aligns with Venus and Neptune here and I would think this will translate into some buying. The presence of Mars creates some additional uncertainty but there is nonetheless a plausible case for some upside. Perhaps the late week is a bit more bullish in this respect than the early part of the week. We could therefore see a retest of last week's low of 88 first before another bounce that creates more upside by Friday. Next week (Feb 26-Mar 2) looks more bearish as Venus and Mercury align with Jupiter. There is a risk that we could see the Dollar test 88 once again. I would also not rule out lower lows as well. It may be that the Dollar will remain under pressure until at least March 8th and the Jupiter retrograde station. After that date, there could be a shift in the landscape. The Mars-Saturn conjunction in early April could be another important turning point for financial markets. Generally, this looks like a time of great tension which should translate into buying of the Dollar as a safe haven. The Dollar should continue to rally into May and June with a move above the 200 DMA and perhaps well above that level. I would not expect another corrective move until perhaps September. So it is possible we could see the Dollar trending higher from March or, more likely, April until September. Q4 looks generally bearish. 2019 leans bearish although it should see some significant rallies starting in May. Looking further ahead, I think the Dollar Index will trend lower in 2020-2022. It could even retest its previous 2008 lows of 72 by that time.



Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Feb 23)	bearish (confirming)	88-89
Medium term trend is DOWN (1 month ending March 23)	bullish (disconfirming)	87-91
Long term trend is DOWN (1 year ending Feb 2019)	bearish (confirming)	85-90

Crude oil

Crude oil rebounded strongly last week as the Dollar weakened and the stock market rebounded. WTI rose more than 3% on the week to \$61.55 while Brent settled Friday at \$64.90. This bullish outcome was both unexpected and premature. I thought the bears were weakening a bit but wasn't sure if the bulls were ready to take the reins. The gain was a little less than a 50% retracement from the recent pullback off the high. The close above the 50 DMA was an accomplishment of sorts for the bulls, although they came up short of tagging the 20 DMA. From a bearish view, there may be attempt to back test the broken rising trend line around \$63-64. The rebound could therefore continue up to that level and then we could see some selling. One problem for the bulls is that the February correction is larger than we have seen in a while and sets up the possibility that the market is entering a new phase. After straying far from the 200 DMA recently, we could see WTI eventually tag that boundary line. A 50% retracement of a rally as measured from the June low would be just above that line at \$54. The weekly Brent chart shows the bounce occurred at the 20 WMA. This is an increasingly contested area as the moving averages are converging between \$56 and \$64. They should offer support in the medium term, even if there may be some temporary violations of any of those lines. Channel support dating back to 2016 is near \$56.



This week could be choppy. With the US holiday Monday, some of the negativity of the Mars-Lunar Node alignment may be muted early in the week. I still think Tuesday leans bearish for this reason although bears should have modest expectations about any downside. Wednesday also has a slight bearish bias although the picture is mixed. The Venus-Neptune conjunction seems bullish but the bearish Mercury-Saturn alignment will be exact that day so the two may offset each other to some extent. The late week is mixed although Friday looks more bearish on the Moon-Mars opposition. While I think some more upside is likely over the next few weeks, there are indications this week favour a pullback rather than more upside.



Next week (Feb 26-Mar 2) could see some downside early in the week on the Mars-Venus square but the late week looks more positive as Venus aligns with Jupiter. This week leans bullish overall. The first half of March also seems fairly positive as Jupiter stations retrograde on the 8th. Therefore, I think the most likely scenario is that any further downside in February will likely be bought and we should at least a retest the previous highs in March. Higher highs are also possible although I don't know how likely they are. The outlook seems less positive as we enter the second half of March as Mars approaches its conjunction with Saturn which is exact on April 2. This is likely to move markets significantly. I may be somewhat off on the timing of it but a pullback looks likely. A move down to the 200 DMA is possible, especially in May and June when Saturn aligns with the Lunar Nodes. Q3 also may find crude under pressure although Q4 should be more bullish.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending Feb 23)	bearish (disconfirming)	\$57-62
Medium term trend is UP (1 month ending March 23)	bullish (confirming)	\$60-70
Long term trend is DOWN (1 year ending Feb 2019)	bullish (disconfirming)	\$60-70

Gold

Gold rebounded sharply last week as the Dollar fell on diminishing rate hike expectations. Gold gained more than 2% on the week to 1356. This bullish outcome was unexpected as I thought any early week gains wouldn't last beyond Wednesday. As it happened, Wednesday saw strong buying after the mixed inflation data. So now gold is again on the verge of a major technical breakout. I thought a retest of resistance at 1360 was possible in March but here we are already. The question is whether gold can significantly move above that level and hold its gains. Certainly, the technical charts argue for more upside after the last dip to 1310 was bought quite aggressively. MACD is starting a bullish crossover here although stochastics is already overbought. Bears may hope that gold is now merely range bound between 1310 and 1360 although any gains could trigger a short squeeze above 1360. As I noted before, gold is looking bullish over the medium and long term with an upside target of at 1700 over the next 1-2 years. A close above the January high of 1360 may have a measured move target of 1410 based on its recent trading range. The bearish view will become more credible not only if gold cannot move above 1360 but more importantly if it falls below 1310. Until that happens, the trend will be up.



This week looks mixed and hard to call. The Venus-Neptune conjunction should provide some lift on Tuesday or Wednesday. And yet the Mars-Lunar Node aspect on Mon-Tue looks tense as does the Mercury-Saturn on Wednesday. The late week looks a bit more positive on the Mars-Venus square aspect. I think there is more upside for gold in the coming weeks but this week isn't clear due to these possible bearish aspects. It may be that we get a retracement this week. However, I am reluctant to speculate about levels.

Next week (Feb 28-Mar 2) looks bearish to start as Saturn aspects the Sun on Monday the 26th. However, the chances for some upside will rise by midweek. I would lean bullish overall, especially in the late week on the Venus-Jupiter aspect. A move above 1360 seems more doable here. We shall see. The following week (Mar 5-9) features the Jupiter station on the 8th and that is a generally bullish influence. I think the first half of March should have a bullish bias. That said, the charts do not look strongly positive so perhaps a major push to 1410 may not be doable. It could happen but the planets do not look that positive. We shall see. However, the second half of March leans bearish so some profit taking may occur. Moreover, April looks more bearish although there will likely be bigger moves in both directions in April as tensions may increase around the Mars-Saturn conjunction on 3rd April. May looks more bullish as Jupiter aligns with Neptune and Pluto but June seems quite bearish as Saturn aligns with the Lunar Nodes. Even if May is bullish, there is a risk here of a longer down trend that could begin in April and extend through June and July. It's a scenario worth considering. Q4 could be more bullish for gold and that could finally begin a more sustained rally that brings higher prices in 2019 and 2020.

2018 therefore looks more mixed with the longer term outlook more bullish. 2018 could still end up being positive for gold but the indications are less clear than I would like.

Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Feb 23)	bearish (disconfirming)	1310-1370
Medium term trend is UP (1 month ending March 23)	bullish (confirming)	1310-1400
Long term trend is DOWN (1 year ending Feb 2019)	bearish (confirming)	1250-1400

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