

Summary for week of 26 February 2018

- Stocks mixed with bullish bias
- Dollar may retrace lower this week after Powell testimony
- Crude oil likely to push higher
- Gold could test resistance again this week

US Stocks

Stocks ended the week modestly higher as inflation fears eased and Fed members reaffirmed their commitment to QE. The Dow rose by 100 points to 25,309 while the S&P 500 finished at 2747. This bullish outcome was somewhat unexpected although stocks were lower going into Friday. I thought the pullback would be fairly small in any event and that 2700 could well hold as support. That proved to be the case as 2700 was the low on Thursday before Friday's rebound.

The week may well have been lower had it not been for the four different Fed members who talked up the market by reaffirming the possibility of more QE-type bond purchases in the future. Stocks are dependent on the bond market now and the closer the 10-year gets to 3%, the riskier stocks will become. The Fed is keen to keep yields as low as possible in order to keep this debt-burdened economy going as long as possible. If yields rise too far too fast, it will undermine credit expansion and consumer spending and thereby spark another recession. The prospect of yet another round of QE was likely a critical factor for yields falling on Friday as the Fed again showed itself as a reliable buyer of last resort. So no matter how big US deficits get under Trump, the Fed will be able to buy up the excess supply and thereby keep yields down. As long as the Fed stands ready to intervene, it would seem there is a plausible case for more upside in stocks over the medium term. That said, in the long run not even the Fed will be able to control the Dollar. If there is another round of QE debasement, it will stoke more inflation which will paint the Fed into a corner. But there are likely a few years yet before this financial end game plays out.



The planetary alignments are still broadly supportive of more upside in the short term. While we could see some selling this week upcoming on some brief Mars aspects, I would not expect any new big leg lower just yet. I still think the odds for a larger sell-off will rise as we go further into March. The second half of March looks more risky in that respect, and the April alignments of Mars and Saturn look to have the highest probability of coinciding with some selling. While a higher high in March (>2872) still looks quite unlikely, I think the chances are high that the SPX climbs back to 2770-2800. But since the April planets look quite bearish, I think the prospects for a retest of the low at 2532 are good. We could well fall below that level although it is impossible to predict based on the planets alone.

The technical outlook looks bullish in the short term. The rebound has been undeniably strong and Friday's close at the highs for the week is bullish. The SPX is now within a few points of its post-sell-off high of 2754. Bulls ably defended 2700 last week and now they are likely aiming for 2800 and beyond. 2800 is arguably important because it was the start of the waterfall decline in early February. Stochastics is not yet overbought so that is another argument for further upside.

What can bears point to? First, there is a bearish crossover of the 20 and 50 DMA. This is usually part of the negative architecture of a longer pullback although we often see the market move briefly higher at the same time we get such a crossover. Bears also can note that such a steep sell-off is usually followed by some kind of retest of the low, no matter if it is higher or lower. While not certain, some kind of pullback is likely in the coming days/weeks, even if the bulls step in at 2600 or 2650, for example. The defense of the 50% retracement at 2704 suggests that more upside is likely, perhaps to the 75% retracement at 2790 or so. Despite the strong rebound, the weekly Dow chart still is showing bearish crossovers in MACD and stochastics. MACD is more of a lagging indicator, but the stochastics crossover argues for more downside in the weeks to come. That said, if we get another strong up week or two, the bearish crossover will reverse higher and nullify the sell signal. We shall see. The Bullish Percent Index confirms the strength of the rebound as there is now a bullish crossover of the 5/10 EMA. Even if this is likely to create a negative divergence with respect to any previous highs, the trend is up and argues for more upside in the near term. Of course, the week was all about bond yields and how the 10-year is closing in on 3%. It peaked Wednesday at 2.94% before settling at 2.87% on Friday following the Fed jawboning. While a move above 3% looks inevitable eventually, it is possible that a sudden flight to safety could push yields lower before they climb above that much-talked about threshold. This week all eyes will be on New Fed Chair Jay Powell who will give testimony to the House Finance Committee on Tuesday, Feb 27. Markets will still be looking for clues of possible hawkishness, esp. whether the Fed will hike 4 times in 2018 instead of 3. A hawkish Powell could be bearish for stocks.



This week looks mixed. I do not have a strong view either way on the week although I would have a bullish bias here leading into the Jupiter retrograde station on March 8th. We could still see some selling along the way this week but it is less likely to interrupt the rebound dynamic that has been in place since the Feb 9th low. I do think we are likely to see some down moves, with Tuesday, Wednesday and Friday looking a bit more bearish than Monday or Thursday. With Powell speaking on Tuesday, there is a reasonable chance of a negative market reaction although I would not say it is a high probability outcome. But Wednesday's Mars-Mercury square looks pretty bearish and should coincide with some selling. If Monday is higher (to 2754 and beyond?) then we could see some selling down to immediate support at the 50 DMA at 2730. 2700 would also not surprise me. Is it possible the market could reverse sharply lower this week? I don't think it's likely just yet. If we get a bounce on Thursday, then Friday's Moon-Mars-Mercury alignment also poses a downside risk. There is the potential for gains here which may be enough to offset any declines. At the same time, we are overdue for some profit taking so a net decline on the week would not be shocking either.



Next week (March 5-9) may begin on a bearish note as Mars enters Sagittarius. One or two down days are very possible although the late week Mercury-Venus conjunction looks bullish, especially as Jupiter turns retrograde on the 8th. Higher highs are possible here. The following week (March 12-16) looks mixed with more gains late in the week as Venus aligns with the Lunar Nodes. The early week is more of a question mark so I am uncertain if stocks could slip lower. By March 23rd and the Sun-Mars square alignment, stocks will have shown more weakness. The Mars-Saturn conjunction of April 2nd also looks bearish and should coincide with a significant decline. It may be to a higher low (2600?) or lower low (2450?) -- I'm not sure. I think that a strong rebound should begin in May or early June and extend into August. Higher highs are possible during the summer, depending on what kind of damage we see in March-April. Another significant correction is likely starting in late August and September. It may form a bottom in October. I'm not sure where the markets will be by Q4. If the summer produces higher highs (2900?), then the late summer correction may simply be another higher low (2600?) which would keep the bull market going a while longer. Q4 may have a bullish bias but Q1 2019 looks more bearish. I would expect stocks to recovery more fully by the second half of 2019.



Technical Trends

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

Astrological Indicators

bullish (confirming)

Target Range

SPX 2700-2770

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

bearish (disconfirming)

SPX 2650-2750

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

bearish (disconfirming)

SPX 2200-2600

Indian Stocks

Stocks ended the week modestly higher as the government promised swift and decisive action to deal with the bank scam fallout. The Sensex rose by less than half of one percent to 34,141 while the Nifty finished at 10,491. I thought we might have seen more downside given the Mars-Rahu alignment but after Monday's decline, stocks moved sideways. Friday's gain was an approximate reflection of the Venus-Neptune conjunction. I thought that support at 10,300 would be tested and it was, although I wondered if it might break down.

Indian equities continue to underperform other global markets here as rising bond yields threaten to derail economic growth. The fiscal outlook remains a source of concern for FII, especially in a rising rate environment. With the Modi government taking longer to get its spending under control, yields will continue to rise and thereby hamstringing future infrastructure initiatives. The RBI is further complicating the situation by strictly limiting foreign bond purchases to 5% of total issued. This reduces the number of potential buyers of debt and will likely keep yields on an upward trajectory for the foreseeable future. Markets are therefore seeking direction here as it is unclear just what the effects of the bearish rate environment will be on corporate earnings.



The planetary alignments look somewhat bullish in the near term. Jupiter will station and turn retrograde on 9th March so this should coincide with some upside before and after that date. More gains are quite possible this week also as the faster moving planets like Venus and Mercury move into alignment with bullish Jupiter. I would not rule out higher highs in March but time may be running out for bulls to exceed 11,171. My main concern is the upcoming Mars-Saturn conjunction on 2nd April and the subsequent Saturn retrograde station on 17th April. Jupiter's stations lean bullish but Saturn's are more often bearish. And the close proximity of Mars increases the probability of declines around that late March and early April period. A more bullish scenario would be a retest of 11,171 in March and perhaps a marginally higher high and then a retest of last week's low of 10,300. I think this is fairly optimistic, however, as a test of the 200 DMA at 10,100 is looking more likely sometime in April. A more bearish unfolding would be a lower high in March followed by a decline below the 200 DMA, perhaps to 9500. We shall see.

The technical outlook looks bullish in the short term. Last week's double bottom at 10,300 gave bulls a golden opportunity to break above resistance at the 50 DMA at 10,610. The upside target for this pattern is 10,900. Double bottoms do not always play out as expected, however, so we should watch carefully what the Nifty does when it approaches resistance at 10,600. There may be some hesitation and consolidation and it could require several attempts to move above it. If it does, then the odds favour a rise to 10,900 at least.

The bears may try to short at 10,600 especially since we are on the verge of a bearish crossover of the 20 and 50 DMA. As with most technical signals, it is not foolproof but it does reflect a possible new phase in the market. The 20 DMA last crossed below the 50 DMA in 2016 during a significant correction. If stocks rise next week then perhaps this bearish crossover can be delayed. But it looks like it will happen sometime in the next couple of weeks. The weekly BSE chart looks uninspiring. MACD and stochastics are in bearish crossovers and stochastics is not yet oversold below the 20 line. The rebound since the early February sell-off has been tepid as the Sensex is clinging to support at the 20 WMA. A close below that line would make this chart more bearish. Conversely, if support holds at 34,000 and we see a weekly close above 35,000, then the bulls will be back in the driver's seat once again. Higher highs should be forthcoming in that scenario. Meanwhile, Tata Motors (TTM) retested its recent lows. There is some horizontal support here dating back to early 2016 so it is possible it could bounce from here. However, the chart is following a declining channel which suggests at least a bit more downside in the near term. The chart is very bearish as price is below the 50 and 200 DMA, both of which are sloping downwards. TTM may well end up doing a round trip back to its 2016 low of \$22. HDFC Bank (HDB) also tested horizontal support last week and has formed a decent double bottom. A bounce looks likely. However, resistance is close at the 50 DMA so it may take multiple attempts to move above that line. Nonetheless, the chart is still very bullish.



This holiday-shortened Holi week looks mixed with a bullish bias. The early week leans a bit bearish as Venus is aspected by Mars on Monday and then Mercury aligns with Rahu on Tuesday. Neither of these is a highly reliable bearish indicator but they nonetheless hint at some profit taking on at least one of those days. Monday may be somewhat more bearish than Tuesday. The new Fed Chair Jay Powell is due to give Congressional testimony on Tuesday so that could increase the odds of a strong move on Wednesday. I would lean bullish here as Venus is approaching its aspect with Jupiter towards the end of the week. Perhaps Thursday and Friday are more bullish in this respect than Wednesday but generally the last three days of the week seem positive, even without any trading on Friday. One possible scenario is that we get some early week selling which produces a higher low. That looks more likely than a sudden retest of 10,300. The planets don't seem that bad here for that kind of decline. With the outlook likely improving in the second half of the week, I would think the chances for gains overall are quite good. A test of resistance of 10,600 looks likely and I would not be surprised if the Nifty moved above it.



Next week (March 5-9) looks choppy as Jupiter turns retrograde on Friday. The early week could see some downside as Mars aligns with Jupiter. Perhaps this will be a retest of support at 10,600 assuming that the preceding week is bullish. The late week looks more positive so it is possible we could see further gains. I think the overall bullish bias should continue for the first half of March although it is difficult to say exactly which week the interim high could occur. The following week (March 12-16) may be bullish to start on the Sun-Jupiter aspect but the optimism may fade by Friday. I am paying close attention to the Mercury retrograde station on 23rd March. This occurs under the close aspect of Rahu so it may signify confusion and uncertainty in the markets. The last week of March looks more bearish and should coincide with a significant correction that extends into April. An interim low is possible in late April or early May. It is difficult to forecast levels but a move below 10,000 is very possible and 9500 may be on the cards by May. But let's first see how the bulls do in March. A rebound should begin in May and extend through to July and August. In August, Saturn will align with Rahu and Uranus for an unusually long period and this should correspond with another move lower. The August to October period therefore has a high risk of a second correction and lower lows are quite possible. Q4 may be more bullish but 2018 as a whole is more likely to have a negative performance. 2019 looks more bullish generally, especially after Q1.



Technical Trends

Short term trend is DOWN
(1 week ending 2 March)

Astrological Indicators

bullish (disconfirming)

Target Range

10,400-10,600

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

bearish (disconfirming)

10,100-10,400

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

bearish (disconfirming)

9700-10,500

Currencies

The Dollar rallied last week as inflation fears subsided and bond yields fell. USDX closed the week just under 90 while the Euro settled below 1.23 and Bitcoin slumped below 11,000. This bullish outcome for the Dollar was in keeping with expectations as Wednesday's Venus-Neptune conjunction coincided with some upside. But technically, the Dollar still looks vulnerable to declines. The bounce was fairly predictable after the double bottom the previous week at 88. Bulls now have to exceed resistance at 90.5 in order to transform the bounce into a more promising rebound. It remains to be seen if the greenback can do that, although no doubt Fed Chair Powell's testimony on Tuesday could be key in that respect. A dovish Fed that comes across as more tolerant of inflation will likely spark a sell-off in the Dollar. A hawkish Fed that keeps the door open to four hikes in 2018 will likely boost the Dollar significantly. If we get another test of the low at 88.5, it is less likely to hold support. The downside target in the event of a breakdown is 86.5. The weekly Euro chart shows the narrowing range in recent weeks. This kind of coiling often occurs before a significant breakout. While the chart is bullish there has been more downside testing than upside recently, so one might think that a move below support at 1.22 is a bit more likely. If, however, there is a move higher above 1.24, then the upside target would be around 1.27. This also is the approximate area of the long term falling resistance trend line.

I would lean bearish for the Dollar this week. With the late week Mercury-Venus alignment with Jupiter looking better for risk currencies, there may be a possible retest of support at 88.5 at some point here. The early week is more mixed so another push up to 90.5 or perhaps higher is possible. Overall, the indications are not clear either way. Next week (Mar 5-9) looks bearish to start the week on the Sun-Neptune conjunction with a recovery later in the week. With influences in both directions, it is more difficult to call a general direction. My bias is bearish for the Dollar for March and perhaps extending into April. The Mars-Saturn conjunction on April 2nd could



coincide with some significant moves. However, a strong rebound is coming soon and will likely begin by mid- to late April or at the latest in May. This should shift the trend from down to up and last through most of the summer. Q4 may be somewhat bearish but it may not be sufficiently negative for a new down trend. A sideways consolidation of gains may be more likely. I would think that 2018 on the whole should be a bullish year for the Dollar. 2019 may be more mixed, with gains more likely in the first half of the year and weakness predominating in the second half. Long term, the Dollar looks more bearish in 2020-2022. A retest of its historic 2008 low of 70-72 is possible at that time.

Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Mar 2)	bearish (confirming)	88-89
Medium term trend is DOWN (1 month ending Apr 2)	bullish (disconfirming)	87-91
Long term trend is DOWN (1 year ending Mar 2019)	bullish (disconfirming)	85-95

Crude oil

Crude oil rose again last week as declining stockpiles offset the bounce in the Dollar. WTI gained more than 3% to 63.55 while Brent was higher by 4% to 67.31. This bullish outcome was somewhat surprising as I thought the first half of the week had some added downside risk. That said, my general bias was to the upside given the approaching Jupiter station, so some of that positive energy has arrived a little ahead of schedule. The bulls appear to be back in the saddle here as the rally resumes. The breaking of the rising trend line is now creating a back test situation. Resistance from that line is at around \$64 so markets will take note what happens when WTI hits that level in the coming days. A pullback is more likely here, especially since it matches the horizontal resistance from January. Depending on what happens this week, the chart is moving closer to a bearish crossover of the 20 and 50 DMA. This last occurred in early 2016 and presaged a correction. If we see more upside in the near term, however, it is possible the bearish crossover will not occur. If there is a pullback at \$64, then bulls



A pullback is more likely here, especially since it matches the horizontal resistance from January. Depending on what happens this week, the chart is moving closer to a bearish crossover of the 20 and 50 DMA. This last occurred in early 2016 and presaged a correction. If we see more upside in the near term, however, it is possible the bearish crossover will not occur. If there is a pullback at \$64, then bulls

will try to create a higher low above \$58, possibly in the 61-62 area near the 50 DMA. Bulls have to like the weekly Brent chart where price is now above all three moving averages after bouncing off the 20 WMA. But while it's definitely better to be above these moving averages than below them, it's less clear where the upside target may be. Brent is pushing up against channel resistance which would tend to indicate only incremental gains going forward. If prices can move above \$68, then the next target would be close to \$72. If we see a full-fledged correction, however, channel support would be around \$54 which is near the 200 WMA.

This week leans bullish again. The Venus-Jupiter alignment on Thursday and Mercury-Jupiter aspect on Friday both look bullish and should be sufficient to offset any other downside we may see. Wednesday's Mars-Mercury aspect could reflect some profit taking midweek but it does not look very strong. While some of the bullish energy of Jupiter arrived early last week, I would still think there is more than enough left this week to take crude higher still. WTI is likely to test resistance again at \$64 and most likely break above it.



Next week (Mar 5-9) looks more mixed. While the second half of the week is positive on the Sun-Jupiter alignment and the Jupiter Rx station, the early part of the week is more suspect as Mars aligns with Jupiter and enters Sagittarius on Tuesday and Wednesday. I would retain a bullish bias in any event, but we could see some early retracement. The following week (Mar 12-16) leans a bit bearish as Venus aligns with Saturn early in the week. We could see still higher highs in mid-March, but late March looks more bearish, especially after Mercury turns retrograde on March 22nd. A pullback is likely in late March and early April, and a retest of the February lows is likely. Generally, I am expecting lower lows in April. A bounce is likely starting in late April and May as Jupiter aligns with Neptune. This rebound does not look especially strong and long-lasting so I am reluctant to forecast higher highs in Q2. It may simply end up retesting the highs we get in March. Let's see. However, a significant retracement is more likely starting in June and lasting through much of the summer as Saturn aligns with Uranus and Rahu. A retest of the 200 DMA is more likely to occur in that Q3 time frame. Q4 looks moderately bullish with another rally to higher highs likely in the first half of 2019. The second half of 2019 should bring a major correction.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending Mar 2)	bullish (confirming)	\$62-65
Medium term trend is UP (1 month ending Apr 2)	bearish (disconfirming)	\$58-65
Long term trend is UP (1 year ending Mar 2019)	bullish (confirming)	\$60-75

Gold

Gold pulled back last week on Dollar strength and receding inflation fears. Gold fell 2% to 1330. This bearish outcome was not unexpected as I thought we might get some kind of retracement given the Mars influences. The chart still looks bullish, however, as all these tests of long term horizontal resistance at 1350-1370 are likely to produce a breakout higher eventually. The question is when. Bulls did manage to put in another higher low last week at 1325-1330 and this shows that buyers are eager to participate in the anticipated rally in the coming weeks. Bears should be getting nervous here as most indications are for more upside. If we do get a move above 1360, then the short term measured move upside target would be close to 1410. Longer term, we can see measured move targets of 1520 (from 1200) and 1700 (from 1040). But while the technicals look bullish, it doesn't mean that a move higher is guaranteed. Patterns sometimes fail, especially when they are too obvious. Or at least the market makes them more complicated by introducing some unexpected twists and turns. So we may well get to 1700 eventually but I would not preclude another significant move lower first, perhaps this year.

This week could be more bullish. The early week is less positive, however, especially on Monday as Mars aspects the Moon. We could see a retest of last week's lows of 1320-1325. That is one possibility at least. But Wednesday's Venus-Jupiter alignment looks bullish and suggests that Fed Chair Jay Powell's first Congressional testimony on Tuesday could be fairly dovish. Friday also looks bullish as Mercury aligns with Jupiter. I would think there is a good chance for another test of resistance at 1350-1360 this week.

Next week (Mar 5-9) looks choppy. The early week Mars-Jupiter alignment hints at some selling while the Jupiter station on Thursday seems bullish for the late week. Higher highs are possible here but I would not say probable given the potential for some offsetting downside. The following week (Mar 12-16) could see some early week upside but the late week looks more bearish. I would not be surprised if gold moved above 1360 in early March although I'm not persuaded that there is enough positive energy to achieve 1410, for example. We shall see. The second half of March looks somewhat less bullish so any up trend may be prone to reversal. April looks more bearish as Saturn turns retrograde on the 17th. April may therefore bring about a more significant pullback, perhaps testing 1310, and probably falling below that level. We should see a rebound into May as Jupiter aligns with Neptune. However, I would not expect a higher high from this pattern. It's possible, but maybe not probable. Another major correction looks possible starting in June and extending into July and perhaps August. This should produce a lower low below anything we may see in April. Perhaps another test of 1240. Q4 looks somewhat more bullish and 2019 also looks favourable so we could well see that 1700 target met by then.



Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Mar 2)	bullish (confirming)	1330-1370
Medium term trend is UP (1 month ending Apr 2)	bearish (disconfirming)	1290-1350
Long term trend is DOWN (1 year ending Apr 2019)	bullish (disconfirming)	1250-1450

Disclaimer: For educational and entertainment purposes only. The MVA Investor Newsletter does not make recommendations for buying or selling any securities. Any losses that may result from trading are therefore the result of your own decisions. Financial astrology is best used in conjunction with other investment approaches.

Before investing, please consult with a professional financial advisor.

©2018 Christopher Kevill