

Summary for week of 19 March 2018

- Stocks lean bearish this week especially after FOMC Wednesday
- Dollar mixed with bearish bias
- Crude oil could push higher this week, especially early
- Gold may bounce in first half of the week

US Stocks

Stocks slipped last week on poor retail sales data and more chaos in the Trump White House. The Dow lost more than 1% on the week to 24,946 while the S&P 500 finished at 2752. This bullish outcome was somewhat unexpected as I thought the early week upside might have been stronger. That said, I was leaning more bearish generally so the negative outcome was not too surprising. And we did get the intraweek high on Tuesday's Sun-Jupiter alignment but bulls could not hold onto gains by the close. The SPX tagged the 2800 resistance level and then sellers took over.

All eyes are on the Fed this week as new Chair Jay Powell will issue his first policy statement. A rate hike is virtually certain but markets will be closely watching any changes in language which might provide clues for the projected rate of increase over the coming year. Markets have fully discounted three hikes and may have largely discounted four hikes. Most observers are expecting a reassuring and upbeat statement which will not break with the status quo. We shall see. The Trump administration is undergoing a major turnover in personnel and this could be another headwind for equities. There is now talk of punitive tariffs on China in the coming days which could renew trade war fears. If Trump's China trade policy is poorly handled, then markets could get jittery once again. But it is also possible that none of these risks will manifest and that markets could again find their bullish footing as we begin the 2nd quarter in April. And it is worth noting that the bond market is signaling a return to relative calm as yields may be steady here



below that critical 3% threshold for the 10-year. As long as yields do not rise further, stocks have a better chance for resuming their rally.

The planetary outlook would suggest that the bears have the short term advantage at least. The Mercury retrograde station on Thursday the 22nd occurs a day after the FOMC meeting. This is not a strongly bearish factor but it nonetheless increases the downside risk somewhat. The more significant alignments are the Mars-Sun square this week upcoming and then the very tense Mercury-Mars-Saturn alignment in the first week of April. It is tempting to paint that whole three-week time window as bearish although that seems too lazy somehow. And yet it offers a plausible scenario for further downside which may include a retest of the previous low of 2532. Therefore, I still think we could see a breakdown of support this week that leads another significant pullback by April. I am reluctant to forecast a retest of 2532 in the near term, however, as the charts do not offer clear evidence of that. Some downside looks likely but the size of the pullback is unclear. A strong bounce looks more likely in the second half of April and May around the Jupiter-Neptune alignment but this looks unlikely to create new highs. Another negative period looks likely in late May and June as Saturn aligns with the Lunar Nodes and Mars turns retrograde.

The technical picture is mixed. The SPX managed a higher high after a higher low and thus gave bulls hope that the rebound could continue. Last week closed right at support at the 50 DMA and therefore leans bullish on the daily chart. Friday's trading attempted a gap fill at 2740 which is now more or less completed. The chart features a bearish rising wedge, however, with key support at 2720. A break down from this wedge could open up a retest of 2600 and 2532. But one would think that we will see more upside in the short term after last week's gap fill with key resistance at 2820 or so. Therefore, a move higher above 2800 would not be surprising given the current technical situation. The resumption of the Trump rally to higher highs would require a decisive close above 2840 which would be another gap fill from late January.

The Nasdaq did push to a higher high but now is holding onto key support near the old high at 7480. While the higher high is bullish, the rising wedge pattern is here, too, and creates an elevated downside risk of a deeper pullback in the coming weeks. The Dow has underperformed the other indexes and is now forming a more neutral pennant pattern. A breakout higher or lower is therefore imminent, most likely in the coming days. At the same time, the more bearish outlook on the Dow can be modified somewhat if we only take into account weekly candle closes. These have created a bullish ascending triangle which argues for an eventual breakout on the upside. The weekly Dow chart still leans bearish for the medium term, however, as stochastics is not yet oversold and also not yet in a bullish crossover. MACD is still in a bearish crossover also. If the pennant pattern breaks down, it would have a downside target which is lower than the Feb 9th low, perhaps below 22,000. Meanwhile, Treasury yields went sideways last week as the 10-year ended the week at 2.84%. Support at 2.8% is



potentially significant as any move below that level would suggest the recent dangerous rise in yields was over. As before, any move above 3% could be bearish for stocks as bonds would draw more money out of stocks.

This week leans bearish. The Fed delivers its latest policy statement on Wednesday just ahead of the Mercury retrograde station. The late week also looks more risky since Mars aligns with the Sun for several days. This is a moderately bearish pairing which would indicate some downside. But if the late week leans bearish, the first half of the week may well bring some upside. Typically, the pre-FOMC trading is slightly bullish anyway and the Mercury-Venus conjunction on Monday and Tuesday would argue for a similar outcome here. Monday looks somewhat more bullish than Tuesday in that respect. While the short term bullish aspects don't look especially strong, we cannot rule out another move up to 2800 this week. I don't think it's likely but it's possible. We could see the Dow fail to break above pennant resistance at 25,250 and then sell-off. That's possible also. While I would lean bearish overall here, I would not necessarily expect too much downside later in the week. So if we see the SPX trade at 2780 or 2800, then the late week doesn't look negative enough to argue for 2700 just yet. I think we will see 2700 fairly soon, but I'm less convinced it will happen this week.



Next week (March 26-30) also has a bearish bias. The Sun aligns with Mars and Saturn throughout the week so declines are possible at any time. Some gains are also likely, however, as Venus enters Aries on Monday and Tuesday. But I would side with the bears here, although again I am reluctant to speculate on exact levels. A test of rising wedge support at 2720 looks likely if it hasn't already been tested. A break below 2700 is also quite possible. The following week (Apr 2-6) also looks bearish as Mars conjoins Saturn on Monday the 2nd just as both planets align with retrograde Mercury. It is hard to see how stocks could rise with this pattern and thus a significant decline is possible. If we are going to see a sudden decline to 2600 or below, I would think this is the most likely week for that to happen in March or April. If we do in fact get more downside in the first week of April, then I would expect stocks to begin to bounce soon after as Jupiter aligns with Pluto. One possible scenario is that stocks rebound from mid-April until mid to late May and the Jupiter-Neptune alignment. It seems unlikely that we could see a higher high in May. Therefore, a lower high (2700? 2750?) looks more likely but another correction looks possible starting in late May and extending through June and perhaps into July. Lower lows are very possible in Q3. A rebound is likely in Q4 but 2019 looks unsettled with a deep decline possible in the early summer of 2019.



Technical Trends	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Mar 23)	bearish (confirming)	SPX 2700-2750
Medium term trend is UP (1 month ending Apr 23)	bearish (disconfirming)	SPX 2600-2650
Long term trend is UP (1 year ending Mar 2019)	bearish (disconfirming)	SPX 2200-2500

Indian Stocks

Stocks edged lower last week on political uncertainty and persistent fears of a global trade war. The Sensex lost 131 points to 33,176 while the SPX finished at 10,195. This bearish outcome was not too surprising, although I wondered if the early week gains might prevail. As expected we got some early week upside on the Sun-Jupiter alignment on Tuesday. The intraweek high occurred on Tuesday after which bears took over and culminated in Friday's sell-off on the Mercury-Rahu aspect.

While the market reacted nervously to the withdrawal of the TDP from the NDA coalition, the BJP government is widely expected to retain its working majority. Further coalition defections would likely bring about more downside but that seems unlikely at this juncture. More worrisome perhaps are the risks of a trade war as the Trump administration is expected to announce punitive measures against China in the coming days. It is unclear what China's response will be but safe to say that trade and global exports could be affected. This will likely negatively impact economic growth during 2018, although it is still unclear how serious the decline in trade may be. This week all eyes will be on Jay Powell's first FOMC meeting on Wednesday. The Fed is certain to hike rates but markets will be parsing the statement for any new signs of hawkishness. Inflation is a renewed concern in 2018 given the strengthening global recovery and the loose fiscal policy of the Trump administration. While Powell is unlikely to rock the boat here, there is always the chance that markets could be caught off guard.



The planetary picture actually offers some evidence that markets may well be disappointed by the Fed. So far, the month of March has been more bearish than expected. However, the next two to three weeks do not suggest that a reversal higher is imminent. There is a series of apparently bearish alignments involving the negative planets, Mars and Saturn, starting this week. These alignments are not certain to correlate with declines but they nonetheless contain a distinctly bearish bias. Therefore, I think we will see lower lows in the next few weeks. A rebound is likely to begin in April and continue through May. However, another significant decline looks likely in June and quite possibly July as Mars begins its retrograde cycle. At this point, I am uncertain if we will see a lower low in July relative to April. It's certainly possible. A stronger rebound is likely to begin by Aug-Sep and continue through most of Q4. Overall, 2018 is unlikely to deliver annual gains. 2019 looks bearish to start but stocks should fare better in the second half of the year.

The technical outlook is fairly bearish. Tuesday's reversal at 10,500 suggested growing bearishness as the lower high confirmed the down trend. Friday's decline again tested support at the 200 DMA and formed a possible double bottom. Buyers were no doubt enticed by this prospect as 10,150 is likely to produce a bounce of some size at least. It is possible that horizontal support could hold at 10,150 but bulls should also be prepared for a marginally lower low at 10,050-10,100. This would not only test the December low but also form a bullish falling wedge pattern. If we get a bounce this week, then resistance may be in the proximity of the 20 DMA at 10,379.

The real problem for bulls is what happens if the marginally lower low at 10,050 doesn't hold. A test of 10,000 is still quite possible since it is the downside target of the broken rectangle pattern between 10,300 and 10,600. But below 10,000, there is a risk of a quicker descent, perhaps down to 9500. The weekly BSE chart reflects the current consolidation phase of the bull market rally. The Sensex has already matched its measured move downside target if we compare the 3000 point retracement at the end of 2016 as a yardstick. The Sensex is currently down about 3000 points from its high at 36,000. This may provide some comfort for bulls seeking an entry point around current levels. However, stochastics isn't quite oversold below the 20 line so that may mean that more downside is likely in the short term. The next possible downside target may well be 31,000 which would be a 50% retracement of the Trump rally. Even if we saw such a decline, the bull market would likely remain intact for some time to come. Meanwhile, Tata Motors fell to lower lows last week as bulls appear to have thrown in the towel. All the moving averages are sloping down and resistance is at the lowly 20 DMA. In other words, bulls are only playing for short term bounces before they exit their positions. HDFC Bank (HDB) bounced off its 200 DMA last week and may well be headed higher. Friday's pullback approached key support just below the 20 DMA which would be 50% retracement from Thursday's high. Any move below this level would suggest a retest of the 200 DMA was afoot.



This week leans bearish as Mars aspects the Sun while Mercury turns retrograde. Both aspects appear to be focused in the second half of the week so declines are more likely then. The early part of the week may be more bullish, however, as Mercury conjoins with Venus on Monday. Monday looks more bullish than Tuesday in this respect. Wednesday is harder to call as downside risk is rising as the Mars-Sun alignment tightens. The Fed meets Wednesday and this sets up a more bearish possibility for Thursday's session. The Mars-Sun aspect is very close here and I would lean bearish. Friday looks more bearish as Mercury turns retrograde while in aspect with Rahu. While I would retain a bearish bias this week again, I would not be surprised if the week actually ended in the green. This would be the potential outcome if the early week aspects turned out to produce some sizable upside. Since it is difficult to gauge the relative size of bullish days vs. bearish days, it may be better to think in terms of the probability of testing resistance and support. The early week has a fair chance of testing resistance at 10,397 although I would not say it is probable. Since the late week looks bearish, I would also think there is a greater chance of testing support at 10,150 but it's much closer obviously.



Next week (Mar 26-30) looks mixed, as downside risk may be limited due to the shortened trading week. The Venus-Uranus conjunction is likely to coincide with one up day here, possibly on Tuesday or Wednesday. However, the Mercury-Rahu alignment will still be intact and is likely to produce at least one down day, probably on Monday. I wouldn't be surprised if we got some upside here after a preceding decline but it may not be enough to break above the 20 DMA (10,350). Nonetheless, the bearish influence won't be far away. The following week (April 2-6) is the highest downside risk in the near term given the Mars-Saturn conjunction and the larger alignment with Mercury. Monday and Tuesday are possibly more bullish than the other days so some upside is quite likely. But Wednesday to Friday look more bearish as Mars squares Mercury very closely. This is a high probability bearish alignment. Lower lows are quite possible here so a break below the 200 DMA seems on the cards, if it hasn't already occurred. The planets start to look less bearish in the second week of April as Jupiter aligns with Pluto. The negative Mars-Saturn influence may still be in evidence but there is a better chance that it will be offset. April as a whole therefore leans bullish and May should also begin on a bullish note as Jupiter aligns with Neptune. I would not expect higher highs above 11,171 in May although if we see a rebound off the early April low it could be sizable. June looks very bearish, however, as Mars aligns with Ketu and Saturn. Mars then turns retrograde in late June and will conjoin Ketu for several weeks. Further downside is therefore likely (9000? 9500?) and may well offset the preceding rebound in April-May. August looks more bullish although I would not expect a strong rebound in the second half. Stocks may be choppy through Q4 although I would expect a bullish bias. The rebound should strengthen in 2019 with higher highs possible by the second half.



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Technical Trends	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending 23 March)	bearish (confirming)	10,000-10,300
Medium term trend is UP (1 month ending 23 April)	bearish (disconfirming)	9500-10,100
Long term trend is UP (1 year ending March 2019)	bearish (disconfirming)	9700-10,500

Currencies

The Dollar traded a bit lower last week as weak retail sales data undermined the argument for interest rate hikes. The DX moved within a narrow range and finished just under 90. The Euro settled just under 1.23 while the Yen pushed towards the 106 support level. This bearish outcome was in keeping with expectations as the Jupiter influence is more often negative for the reserve currency. The Dollar continues to look weak as prices have slumped following the early March break above resistance at 90.5. The series of lower highs would tend to suggest another retest of support at 88.5 may not be far away. Of course, with each successive retest of support there is a higher risk of break down so bulls need to form a higher low in the coming days. If there is a higher low and more sideways consolidation near 89, then the convergence of the 20 and 50 DMA would strengthen the argument for a larger rally in the near term. This week's Fed meeting may well tell the tale as a hawkish statement would likely lift the greenback to new highs. The weekly Euro chart suggests a major move is coming soon as the trading range has been narrowing recently. The chart is in a clear up trend so a breakout higher would seem somewhat more likely. However, we also see more downside in the short term as another bull flag forms as part of a larger rally. Currently, the 20 DMA is acting as support so any pullback to 1.20-1.21 would likely be bought. The Euro chart would only become bearish on a break below 1.20 which was the 2017 high.



This week could be more of the same. There is a mix of influences here that make a major breakout less likely. The first part of the week leans bullish, however, so a move back up to 90.5 seems possible. However, the alignments for FOMC Wednesday lean bearish suggesting a dovish statement. The indications are not strongly bearish so decline may be short-lived. The late week indications are mixed so it is possible the Dollar will have difficulty rallying. I would retain a bearish bias here. Next week starts bearish as Mars aligns with the Sun on Monday and Tuesday. The rest of the week is harder to call although the Venus-Uranus conjunction suggests the elevated chance of a larger move. I am uncertain about the direction but a breakout from the current range is more likely here. I am expecting the Dollar to bottom out in the coming weeks, probably in April. A rebound should begin in April or perhaps in May and it may be fairly strong. The rebound should last into July at least and may well correlate with further declines in stocks. A rebound back up to 95 looks quite likely during the summer and it could well exceed that target. Q4 looks more bearish but I would not expect another major down trend. 2019 looks mixed with the first half looking more bullish than the second half. 2020-2022 look more bearish with lower lows possible.



Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Mar 23)	bearish (disconfirming)	88-89
Medium term trend is DOWN (1 month ending Apr 23)	bearish (confirming)	86-88
Long term trend is DOWN (1 year ending Mar 2019)	bullish (disconfirming)	85-95

Crude oil

Crude edged higher last week as the Dollar weakened and expectations of supply interruptions from Venezuela. WTI gained less than 1% on the week to \$62.41 while Brent finished at \$66. While I thought we might see some downside last week, this bullish outcome was also not very surprising. Friday's rise was doubly bullish as it was a breakout from the descending triangle pattern of the past couple of weeks. This suggests some upside in the near term is more likely. Of course, breakouts sometimes fail or become subsumed by other patterns. This could be the case here as falling trend line resistance from the early February high is very close to Friday's close.

In other words, bulls will have to push prices a bit higher to give this rebound more strength. Friday's close was also just under the 50 DMA so that is another reason to be cautious about the breakout. Crude is still in a period of major consolidation following the rally. A larger retracement would likely involve a tagging of the 200 DMA at \$54. The weekly Brent chart reflects the current narrowing trading range. And yet the chart is still quite bullish as prices are still riding up the 20 WMA. If Brent falls out of its current range, then a possible downside target would be \$58 near the 50 and 200 WMA. This convergence of averages is a key dividing line between bullish and bearish trends. A weekly close below these lines would be quite bearish and could indicate a major shift in sentiment. That said, the rising trend line off the 2016 low comes in just under these moving averages around \$54-55 and would offer patient bulls a decent buying opportunity.

This week looks mixed although there are indications for a favourable reaction to the FOMC meeting on Wednesday. I would therefore lean bullish here. The Mercury-Venus conjunction in the early week looks positive and could well see WTI push higher on either Monday or Tuesday. Tuesday is perhaps more bullish than Monday in this respect. Wednesday looks bullish, as does Thursday. Friday may be more prone to pullbacks, however, as the Sun aligns with Mars.

Next week (Mar 26-30) looks more bearish as the Sun forms an alignment with Mars and Saturn.

The first half of the week is more negative than the second half in this respect. Even if we see some upside in the second half, I would think the week will be negative. The following week (Apr 2-6) also leans bearish as Mercury aligns with the Mars-Saturn conjunction. I would think that we will get an interim low in April, probably in the first half of the month. Another move higher looks likely at the end of April and May as Jupiter aligns with Neptune. Higher highs are possible but I am reluctant to say they are probable. Crude is likely to undergo another correction starting in late May and continuing through June. A test of the 200 DMA (\$54) is quite possible in the early summer. Another rally should begin in July or perhaps August and continue for most of the rest of 2018. While the second half of the year may be more bullish, I would not expect a strong rally. Instead, the market looks choppy so the rally will likely see many pullbacks.



Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is DOWN (1 week ending Mar 23)	bullish (disconfirming)	\$61-65
Medium term trend is UP (1 month ending Apr 23)	bearish (disconfirming)	\$56-65
Long term trend is UP (1 year ending Mar 2019)	bullish (confirming)	\$60-75

Gold

Gold slumped last week as strong industrial output data increased the likelihood of more rate hikes this year. Gold fell 1% to 1312. This bearish outcome was in line with expectations as I thought the late week Mars influence could take prices lower. As expected, the first half of the week was more bullish as the Sun aligned with Jupiter. The technical picture is pretty bearish here as the midweek high was lower than the preceding high. Bulls threw in the towel right at resistance from the 20 and 50 DMA at 1330. This is formidable resistance that no doubt sparked the late week sell-off. Now gold bulls find themselves again in a precarious position after yet another test of support at 1310. As rule, the more tests of support, the more likely it will be broken. This suggests the bears have the upper hand and that 1310 will break down fairly soon. The chart will become more bullish only if we get a close above the 50 DMA at 1330, and more likely, a close above the previous high of 1340. One reason why the bulls are so tenacious here is that are still hopeful that the multi-year inverse head and shoulders pattern has to play out eventually. This pattern has an upside target of 1700 and should reward patient bulls. But the short term situation is less positive and if we get a break below 1310 we could quickly see a decline to the measured move



downside target of 1260. This would provide another test of the 200 DMA at 1290. Such a decline would at least be a higher low relative to the December low and could keep the longer term bullish perspective intact.

This week could see gold enjoy some early week gains. Monday's Mercury-Venus conjunction looks bullish and it is possible we could see more upside on Tuesday. Wednesday also leans bullish on the Moon-Jupiter alignment. But the late week seems less positive as Mars aligns with the Sun after the FOMC meeting. This isn't a strongly bearish pattern, however, so I am less inclined to think it could correspond with a breakdown of support at 1310. Especially if the early week is bullish, then any late week selling may only take gold back near its current levels.

Next week (Mar 26-30) looks more bearish as the Mars-Sun alignment moves closer to Saturn. This pattern may be a better candidate for coinciding with a breakdown of support at 1310. The late week Venus-Uranus conjunction could be bullish, however, so the week may be quite eventful. The following week (Apr 2-6) features the Mars-Saturn conjunction and could see more downside. The early week Sun-Mercury conjunction is a bit bullish but the second half of the week looks more difficult. Lower lows are possible. One possible scenario is that gold bottoms in early to mid-April and then begins to rebound. The week of April 16-20 looks more bullish, for example. The month of May looks bullish also as Jupiter aligns with Neptune. This should at least produce another retest of resistance at 1360. I would not rule out a bullish breakout above 1360 although if gold trends lower into April, then that could be a bridge too far. June looks more bearish as Saturn aligns with the Lunar Nodes. This could produce another significant pullback which again pushes bulls back on their heels. Gold may finally begin to rally again by August and the uptrend could remain in place for most of the rest of 2018. The outlook for 2019 seems fairly positive so that may be a more likely time frame for a move up towards 1700.

Technical Trends	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Mar 23)	bullish (disconfirming)	1300-1340
Medium term trend is UP (1 month ending Apr 23)	bearish (disconfirming)	1250-1350
Long term trend is DOWN (1 year ending Apr 2019)	bullish (disconfirming)	1250-1450

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