

Summary for week of 23 April 2018

- Stocks could rise early but declines more likely in second half
- Dollar mixed this week
- Crude oil subject to pullbacks, especially midweek
- Gold may rise early but more vulnerable to declines later

US Stocks

Stocks were modestly higher last week as the largely symbolic bombing of Syria mitigated geopolitical concerns. The Dow gained less than a half percent to 24,462 while the SPX finished at 2670. This bullish outcome was not unexpected as I thought the early week gains could well tell the tale. As expected, we saw some selling in the second half of the week on fears that Apple could disappoint when it reports earnings on May 1. The midweek gap fill at 2710 was basically in keeping with our forecast.

Earnings season has been underwhelming so far. If Apple surprises on the down side, then bulls could be in for a rough ride. The larger point is that expectations are so high for better than expected earnings, the market may be more vulnerable if and when they disappoint. Even if Trump's protectionist impulse may be on the back burner for now, bond yields are again a significant problem for stocks. Not only has the 2y-10y spread narrowed to 50 basis points, but the 10-year is again on the rise and may well push above that critical 3% level. Friday's trade actually pushed slightly above the February high of 2.94% so the day of reckoning is getting closer. It's hard to know what stocks will do if the 10-year yield goes above 3%. Maybe nothing, or maybe it will sell-off hard as institutional investors all decide to adjust their asset allocation at the same time. Certainly, it is an potential source of risk for equities.



The planetary alignments still gives the edge to the bears over the next couple of weeks. Therefore, I would lean towards a retest of the 200 DMA at 2600 by early May. Obviously, nothing is certain but there are still some bearish-looking alignments coming up this week and next which could make the bulls uncomfortable. While the rebound off the April 2 low has been fairly steady, Friday's decline raised the real possibility that the rebound could fail. I tend to think it will fail now, although if we get a higher high above Wednesday's high of 2717 would likely negate that more bearish outlook. This week sees Mercury align with two bearish planets, Saturn and the Lunar Nodes. Next week sees Mars enter Capricorn while transiting the midpoint of Saturn and the Lunar Nodes. But once these negative alignments are out of the way, then the bullish Jupiter-Neptune alignment is likely to take the market higher by mid-May. Whether we can see a meaningful rally in late May and June is harder to say. I think 2800 looks doable as long as there isn't some major preceding flush to 2450. The Mars retrograde cycle begins on June 26th and is also likely to bring another round of declines in the early part of the summer. Maybe bulls will have to practice their patience.

The technical outlook still favours the bulls in the short term as Friday's decline ended on key support of 2670. This is the level of the trend line support that originates from the April 2 low and it is also the approximate level of the inverted head and shoulders neckline. Therefore, it may well be the line in the sand for the bulls. If this trend line fails this week, then it significantly increases the likelihood of a retest of the 200 DMA and possible lower low below 2532. If bulls can defend it this week upcoming, then the odds of a push up to that larger falling trend line and 2740 will increase. Obviously, a breakout above that trend line at 2740 would likely mean at least a quicker retest of the March 13 high of 2800. It would also likely postpone or cancel the bearish lower low scenario on the SPX. And a move back to 2800 would likely ultimately entail a move to higher highs above 2872.

The medium term outlook looks iffy as the weekly Dow chart is attempting to rebound off a double bottom. It is encountering resistance at the 20 WMA (100 DMA). This is potentially important since the 20 WMA had acted as support after the first week of February. Stochastics has bounced above the 20 line indicating an increasingly viable rebound is underway. But bulls need to be aware that positive divergence in this indicator may also be necessary before assuming a strongly positive bias. This may require an equal or lower low in the Dow which prints a higher low in Stochastics. The resulting positive divergence therefore becomes a more reliable indicator that the low is in and a recovery is underway. Another symptom of a possible troubled market is that Apple is perched on key support at its 200 DMA here after selling off Friday. A move below this level could invite a retest of its February low and that could be enough to take the broader markets lower also. Meanwhile, bond yields continued their upward drift as the 10-year finished Friday at 2.95%, its highest level since 2014. It is possible we could see a push higher to 3% this week or next. It is difficult to say what response that may trigger. Suffice to say it is a wild card for stocks.



This week has a mixture of aspects although I would retain a bearish bias overall. The early week has a decent chance for some gains as Venus aligns with Uranus on Monday. At least one up day on Monday or Tuesday is likely and it is possible we could see two up days. However, the Mars-Pluto conjunction dominates after Tuesday so I would think some downside is very likely as the week progresses. In addition, Mercury squares Saturn on Wednesday and then aligns with the Lunar Nodes on Thursday and Friday. Both of these aspects look bearish. Since we are at the neckline/trend line support at 2670 now, the planetary indications might suggest a bounce off 2670 to perhaps a lower high like 2690 or 2700 and then another wave of selling by the end of the week. If the gains are strong in early week, then we cannot rule out a retest of 2717. This would complicate the outlook significantly as the late week bearish alignments may only bring another retest of the neckline of 2670. But I tend to think that we will see a lower high (2690?) early in the week which is then sold and then a possible break down of support at 2670 by Friday. That is perhaps a more bearish scenario then: a weekly close below 2670. The moderate scenario would be another close that is between support at 2670 and resistance at 2717.



Next week (Apr 30-May 4) looks bearish as Mars enters Capricorn on Wednesday May 1. This is a somewhat bearish indicator. Interestingly, Apple reports on May 1 also so that is another hint perhaps that it may disappoint the market. Of course, investors may discount their disappointment before the earnings are released but it is something to watch out for. The Fed meets on Wednesday May 2. I tend to think the week as a whole will be negative again, although again some early week gains are possible. Overall, there is a plausible planetary setup here for another hard retest of the 200 DMA at 2600 or lower. As bullish Jupiter approaches its alignment with Neptune in mid-May, sentiment should improve. Therefore, I would think we could see an interim low in early May. Therefore, a decent rally is likely between mid-May and mid-June. Higher highs above 2872 may be a stretch, however, but 2800 could be in the conversation. Mars is due to turn retrograde on June 26th, so that is very likely to coincide with another move lower. Lower lows are possible by July but it is too soon to say if they are probable. Another strong rebound is likely to begin by August and extend through September. The rest of 2018 looks choppy and not that bullish with pullbacks likely in early October and then more significantly, in December. A partial recover is likely in Q1 2019, but a major correction is likely in May-June. The second half of 2019 looks more bullish.



Technical Trends

Astrological Indicators

Target Range

Short term trend is UP
 (1 week ending Apr 27)

bearish (disconfirming)

SPX 2600-2670

Medium term trend is DOWN bullish (disconfirming)
(1 month ending May 27)

SPX 2600-2700

Long term trend is UP bearish (disconfirming)
(1 year ending Apr 2019)

SPX 2200-2500

Indian Stocks

Stocks pushed higher last week on favourable corporate earnings and positive global cues. The Sensex gained less than 1% to 34,315 while the Nifty finished the week at 10,564. This bullish outcome was in keeping with expectations as I thought the early week Venus-Jupiter alignment would coincide with gains. Most of the gains occurred on Monday only, however, and we didn't see much selling at all later in the week. Bulls are still firmly in control here after the test of resistance at 10,600.

The general outlook remains favourable for equities. Earnings reports are looking positive with encouraging forward guidance. The RBI minutes are hinting at a rate hike later in 2018, however, so that could be a headwind. The rising price of oil is also becoming a concern as a return to \$80 crude would likely increase inflationary pressures and thus could choke off growth. Despite the US attack on Syria last weekend, there is reason to hope for a return to the geopolitical status quo in the near term. This could provide an additional boost to stocks and could see at least part of the risk premium come out of oil prices. The wild card may be the US-Iran deal which Trump is threatening to scrap before its renewal date of 12th May. Investors are also keenly watching rising yields in US Treasuries as the 10-year bond hit a four-year high of 2.95% on Friday. 3% is widely seen as a critical threshold above which institutional asset allocation may undergo a major shift out of equities, including in emerging markets. FIIs will likely follow the logic of this safer yield play in the event that US rates continue to rise. Higher US rates are likely negative for Indian stocks.



The astrological outlook suggests downside pressure is likely to grow over the next two weeks or so. Stocks have risen thus far in April as Jupiter aligned with Pluto. But that influence looks mostly spent now, so there could be a more bearish phase until the next Jupiter alignment with Neptune in May. This week's Mars-Pluto conjunction and Mercury-Saturn-Rahu alignment suggests bears could have the edge and next week's entry of Mars into Capricorn also could be bearish. These influences suggest the Nifty is more likely to be testing support rather than rising further towards its previous high. It is possible we could see 10,000 by early May although a higher low is also possible. The Jupiter-Neptune alignment in May suggests another move higher into June. I don't know if this will be a higher high above 11,171. Perhaps not. The storm clouds gather again in June as Mars turns retrograde on the 26th. This appears to be a bigger decline which could well break decisively below 10,000.

The technical outlook is tentatively bullish. The bounce off support and the 200 DMA at 10,100 has been fairly strong. The Nifty is testing resistance here at the penultimate high, however. Even bulls would expect some consolidation below 10,600 before pressing higher. The larger problem is that the daily chart could be forming a head and shoulders topping pattern with the right shoulder at 10,600. It is therefore more important that the Nifty can have more than one daily close above 10,600. Ideally, a weekly close above 10,600 would reduce the likelihood of this pattern playing out. With a neckline at 10,000, the downside target of this pattern is close to 9000.

But if the bulls want to keep in control, they will need to limit the downside consolidation to perhaps 10,400, just above the 50 DMA. This would be a 38% retracement from the previous low and would keep the bulls' conviction intact. A move below 10,300 would be a 50%+ retracement and would signal a weaker market. If the Nifty rises from here, there is a gap above 10,700 that could be filled. That could be an intermediary target before any retest of 11,171. The weekly Sensex chart still paints a bullish picture for the short term. After bouncing off support at the 50WMA (250DMA), it is rallying again back towards its previous high. Stochastics was oversold below the 20 line but it is moving smartly higher now in a bullish crossover. Of course, this could still reverse lower before it becomes overbought at the 80 line. But more often than not, bullish crossovers on the weekly chart do reach the 80 level eventually. So the potential head and shoulders top notwithstanding, this is the most bullish technical feature in the chart for the coming weeks. Meanwhile, Infosys (INFY) enjoyed a strong bounce this week after tanking the previous week. It may have hit resistance at the 50 DMA so bulls may find it difficult to push higher in the short term. One possible pattern in the making here may be a gently falling channel from the January high. After another lower high, we could see a lower low which tests the 200 DMA before too long. ICICI Bank (IBN) had a more difficult week as a retest of its recent low appeared underway. With a death cross of the 50 and 200 DMA in force now, bulls may have their work cut out for them just defending the early April low. The chart argues for more downside.



This week leans more bearish than last week. The early week could see some gains on the Venus-Uranus alignment on Monday and Tuesday. While I wouldn't expect gains across both days, one up day seems likely. Monday is more bullish in that respect. The picture darkens afterwards as Mars conjoins Pluto on Wednesday and Mercury aligns with Saturn and Rahu on Thursday. The density of alignments this week means that declines could come anytime between Tuesday and Friday. I think the planets suggest at least two negative days and at least one of them may be sizable, i.e. >1%. While Friday still has a bearish bias, it may be less bearish than preceding days. One scenario this week would see a retest of resistance at 10,600 on Monday or Tuesday. A close above 10,600 is very possible. I would not be surprised to see that gap fill at 10,700 either. But the rest of the week leans bearish and should at least negate any preceding gains. I would think the Nifty could finish somewhere above the 50 DMA at 10,364 but below current levels.



Next week (Apr 30-May 4) also leans bearish. Monday's Full Moon looks bearish although Tuesday looks more bullish. I think the greater downside risk occurs on Wednesday and Thursday as Mars enters Capricorn. There is a risk that the Nifty could fall for the second straight week here. The following week (May 7-11) looks more bullish as the Sun and Venus align with Neptune and Jupiter. This may begin an up trend that extends through most of May. Depending on where the Nifty bottoms out in early (?) May, I would not rule out higher highs in late May or early June. It's difficult to say. However, another significant decline is likely to begin in June as Mars conjoins Ketu on the 15th and then turns retrograde on the 26th. Both are bearish indications which are likely to coincide with some steep losses. The 10,000 will very likely be tested again and it may well be broken. I would not rule out reaching the head and shoulders target of 9000 by July. A strong rally is likely to begin by August and continue into September. Q4 also has a bullish bias although the gains may be modest. 2019 looks mostly bullish, except for the months of January and May which could see sharp pullbacks.



Technical Trends

Short term trend is UP
(1 week ending 27 April)

Medium term trend is DOWN
(1 month ending 27 May)

Astrological Indicators

bearish (disconfirming)

bullish (disconfirming)

Target Range

10,300-10,500

10,500-11,000

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

bullish (confirming)

10,000-11,000

Currencies

The Dollar moved higher last week after Middle East geopolitical worries subsided and weaker European data. The USDX finished the week at 90.07 while the Euro slipped to 1.23. This bullish outcome was not unexpected as I thought the Sun-Uranus conjunction would likely coincide with some strength in the greenback. However, the absence of any late week declines was surprising and hence the Dollar held onto gains. While I am expecting the Dollar to rally soon, I tend to think we may have to wait until May for the breakout to begin in earnest. The technical outlook still looks bearish as the Dollar has been trading in a narrow range since January. While bears are expecting the decline to lower lows to resume shortly, bulls see the current range as forming a bottom. I would tend to side with the bullish interpretation of the chart. As price is attempting to move above the convergence of the 20 and 50 DMA, there could be an even better base of support at the 89-90 area. Obviously, a breakdown below 88.5 would be bearish as it would likely indicate a quick fall down to the target area of 86.5. Certainly, the narrow range suggests that any breakout in either direction could see a big move. The weekly Euro chart suggests that 1.22 is the line in the sand as any weekly close below that level would see a trend change lower. Interestingly, the Dollar may have already begun to rally against the Yen. After bottoming in late March at 105, it is now testing 108.



This week leans a bit bullish, especially early. The early week looks most bullish as the Venus-Uranus alignment is likely to coincide with some upside. Monday and Tuesday therefore have a bullish bias. Thursday's Mars-Pluto conjunction looks less promising, however. I would think the downside risk rises after Tuesday. It is difficult to say where the week might end overall. I would not be surprised by any outcome. While I am fairly bullish on the Dollar, I am still not convinced we can get a breakout above 90.5 this week. Next week looks more positive as Mercury aligns with Jupiter and Neptune. Wednesday May 2 is FOMC day so we could see a bullish Dollar reaction to the Fed's latest statement. A move above resistance at 90.5 is quite possible. May in general looks more bullish than April as the Jupiter-Neptune alignment is well placed in the US Dollar chart. I would think the



Dollar will begin to rally from here and the planets look more bullish in June and July. A retest of the previous major high of 95 is very likely. The bull trend will likely remain in place until September. A run up to 100 is not out of the question. Q4 looks more bearish and could see a retracement after the major rally. We could see more upside in early 2019, although I'm uncertain about the prospect for higher highs. The long term outlook is more bearish as weakness will develop later in 2019 with a significant retracement taking place in 2020 and beyond.

Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Apr 27)	bearish (confirming)	88-90
Medium term trend is DOWN (1 month ending May 27)	bullish (disconfirming)	90-92
Long term trend is DOWN (1 year ending Apr 2019)	bullish (disconfirming)	85-95

Crude oil

Crude oil pushed higher again last week on tightening supply and growing US demand. WTI gained more than 1% to \$68.40 while Brent settled Friday just above \$74. This bullish outcome was not unexpected as I thought we could see some gains in the first half of the week. As it happened, however, Wednesday was the only strongly positive day. The late week was also not as bearish as expected as prices hovered near their highs. So the rally continues here with some analysts now talking about \$80 or even \$100 eventually. Even with Syria now out of the headlines, the Iran deal is becoming a new source of concern as Trump could scrap it before its May 12th renewal date. It is difficult to know what the long term impact of such a decision could be, although it would likely be bullish for crude oil in the short term. Certainly, the technicals are bullish and still argue for higher highs. The WTI chart did have a breakout above key resistance at \$66. The ascending triangle has an upside target of about \$74. This translates to around \$78-80 for Brent. And yet Thursday's shooting star candle may



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signal a break in the rally, at least for a short time. Key trend line support is likely near the 50 DMA at \$63 for WTI. A move below that line could indicate an end to the rally. But the weekly Brent chart still looks bullish for the medium and long term. The bullish crossover of the 50 and 200 WMA argues for generally higher prices down the road. Critical support is likely near the 200 WMA at \$59. This is in close proximity to rising trend line support at \$55.

This week is hard to call. The early week leans bullish on the Venus-Uranus alignment. But it may only coincide with one up day, possibly on Monday. The larger question is what happens at the time of the Mars-Pluto conjunction on Thursday. I tend to think this will be bearish for crude but it is not clear cut. Jupiter is still in a fairly close alignment with Mars and Pluto this week so that is not inconceivable that we could see further gains. But there is a downside risk here that wasn't there last week. Higher highs are possible and we could even see a quick run up to resistance at \$74/78. That would not surprise me.



Next week (Apr 30-May 4) looks more bearish as Mars enters Capricorn. The early week leans bullish, however, but I would think the second half of the week after the FOMC meeting looks less positive. The following week (May 7-11) looks more bullish. It is possible we could see crude remain above the 20 and 50 DMA for much of the month of May. The Jupiter-Neptune alignment is exact on May 25th so it should reflect some positive sentiment in the second half of the month. Whether it can reach higher highs is harder to say, although I would lean bullish just in case. After May 25th, crude may encounter more problems as Saturn aligns with the Lunar Nodes. June therefore looks more bearish than either May or April. July also looks more bearish so we are likely to see a significant retracement in the early part of the summer. A test of the 200 DMA is possible in Q3. Another rally could begin in August and extend into Q4. Higher highs are possible in Q2 2019 but the second half of 2019 looks more bearish.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending 27 Apr)	bearish (disconfirming)	\$64-70
Medium term trend is UP (1 month ending 27 May)	bullish (confirming)	\$66-74
Long term trend is UP (1 year ending Apr 2019)	bullish (confirming)	\$60-75

Gold

Gold pulled back last week as geopolitical worries subsided and the Dollar strengthened. After testing 1360 early in the week, gold settled down less than 1% to 1338. I had been uncertain about last week given the mix of influences. I had thought we might have seen a test of resistance at 1370 but bulls came up short with Wednesday's high of 1360. The late week was unexpectedly bearish as Friday's sell-off coincided with the often bullish entry of Venus into Taurus. This is a signal perhaps that bulls are not as strong as they could be. So the struggle continues as the technicals still favour a breakout higher above 1370 eventually. Dips are still being bought aggressively, although Friday's decline broke a short term rising trend line and the 20 DMA. Key support may be closer to the 50 DMA at 1333. A close below that line could indicate a deeper retracement, possibly down to 1310. This is the line in the sand for bulls and it must be defended to keep this bullish technical pattern in place. If 1310 breaks, then there could be a rush to the exits and quick drop to 1260. Conversely, a break above 1370 would signal a breakout higher and at least a push to 1410 or so. Long term, of course, bulls are hoping to reach the inverted head and shoulders target of 1700. I think that is very doable although it may take another year or two to reach.

This week looks mixed. The early week has some bullish potential on the Venus-Uranus alignment. A push back up to 1360 is possible. But the midweek is harder to call as Mars conjoins Pluto. This is not a clearly bearish pairing but it nonetheless increases the risk of declines Wednesday and Thursday. Friday has a small bullish bias as the Moon aligns with Mercury. Even if we see a pullback this week, I would keep a bullish bias overall heading into May.

Next week (Apr 30-May 4) looks more bearish as Venus aligns with Saturn and Mars enters Capricorn. A retest of support at 1310 is more likely here, if it hasn't already occurred. The following week (May 7-11) could start off on a bearish note but the second half of the week looks quite bullish as the Sun and Venus align with Jupiter. Further gains look likely in the month of May. If support at 1310 holds in early May, then there is a chance for 1410 at some point later in the month. June and July look more bearish and could bring a major retracement. A test of the 200 DMA at 1300 looks very likely and I would not rule out 1260. August and September look bullish again and should keep prices above the 200 DMA for the rest of 2018. Gold may struggle in early 2019, however, although the second half of the year looks more bullish.



Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Apr 27)	bearish (disconfirming)	1320-1350
Medium term trend is UP (1 month ending May 27)	bullish (confirming)	1360-1410
Long term trend is DOWN (1 year ending Apr 2019)	bullish (disconfirming)	1250-1450

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