MVA INVESTOR NEWSLETTER

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Summary for week of 30 April 2018

- Stocks may trend lower this week
- Dollar likely to extend gains, especially in second half
- Crude oil mixed with gains possible late in week
- Gold vulnerable to more downside this week

US Stocks

Stocks edged lower on the week as bond yield jitters negated the optimism from strong earnings reports. The Dow lost more than 100 points overall to 24,311 while the S&P 500 finished just one point lower at 2669. This slightly bearish outcome was more or less in keeping with expectations. However, the week unfolded somewhat unexpectedly as the decline occurred on Tuesday with the rest of the week more bullish.

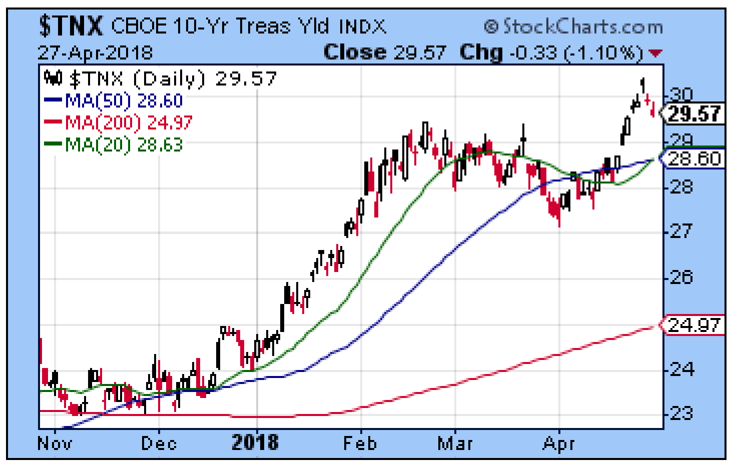
While stocks were mostly flat, the week was not good evidence for the bullish case. Bond yields aside, there was a flood of good news – huge earnings beats from Facebook, Amazon and many more, peace talks on the Korean peninsula and a solid GDP number. And yet the market could not rise. This is perhaps a clue that all is not well on Wall St. as investors are still grappling with the problem of how to invest in a rising yield environment. As the 10-year moves above 3%, there is a more compelling logic to shift assets out of equities and into bonds. Moreover, rising yields will mean higher debt service payments for both for corporations and consumers. If rates continue to rise, then this could hit spending and thus undermine growth. This week will focus on Apple earnings reporting after the bell on Tuesday, the FOMC statement on Wednesday and then the jobs report due Friday. All three could move stocks decisively in either direction.

So we can ask again: is the low in? There is no easy answer to that question although I think bears have a few more alignments to look forward to over the next two weeks or so. This week upcoming offers some bearish potential as Mars enters Capricorn on Wednesday. By itself, this is not a high probability bearish factor but here I note that Mars will sit on the near-exact midpoint between Saturn and the South Lunar Node. All three planets are bearish and therefore we must allow for some additional downside. And yet at the same time, bears appear to be weakening after managing only one solid down day last week given the very bearish Mercury-Saturn Lunar Node alignment. While some downside is to be expected this week, it is difficult to estimate its size. The month of May will likely see some gains given the Jupiter-Neptune alignment. For this reason, bears should be more careful here as the clock may be against them. Bears are nonetheless likely to get another excellent chance in June as Mars turns retrograde on the 26th.

The technical picture continues to favor the bears. Tuesday's low was a higher low at least and provided some comfort to bulls that the meaningful rebound off the double bottom near the 200 DMA may be underway. It is a sensible position to be sure. But last week's bounce was quite weak and occurred on falling volume so it was not really remarkable. Bulls need to be able to break above resistance – at the 50 DMA at 2688 and then at the previous high of 2717 and the falling trend line resistance near 2740. Bulls still have not yet bounced above the 50% retracement level off the lows so that is another clue that this correction may not be over.

For now, support is near the 20 DMA at 2653 which is just above a possible gap fill at 2640. If bulls can keep the SPX above this level then the rebound can continue. If this breaks down, however, then we will likely see another test of the 200 DMA at 2611 and quite possibly lower. While the technicals favor the bears, it is still an open question whether we will see a lower low (e.g. 2450) in the weeks ahead. It's still very possible but not guaranteed. We may simply see a protracted pattern of testing of the 200 DMA which produces a series of higher lows which then sets the stage for a stronger rally. The weekly Dow chart doesn't look all that bullish, however: the descending triangle hints at a possible test of 20,000 on the Dow in the coming months. This would become more likely if we got another test of horizontal support at 23,300 in the next week or two. Such a move could almost produce a test of the long term 200 WMA at 19,334 and would be a very favorable entry for cautious bulls. The Nasdaq chart isn't looking very bullish either as a rough sort of head and shoulders pattern is taking shape. We could see more upside in the right shoulder in the days head or it could simply fall from here. Friday's black candle should not give bulls any comfort. Bulls will have to protect Tuesday's low to ensure the neckline at 6800 isn't tested again. Meanwhile, the 10-year yield moved above 3% for the first time since 2014. While the effect was largely symbolic last week, investors have been put on notice. A move above the previous high of 3.05% would likely see a more telling reaction as it would indicate that yields were free to rise.

This week could see more downside pressure, although I am agnostic on whether we will get a break of the 200 DMA at 2611. Monday leans somewhat bearish as Mars is still conjunct Pluto. I would not say this is highly reliable influence but it nonetheless gives the bears the edge. While a large decline (>1%) is still possible on this pattern its reliability is suspect. Tuesday looks somewhat more bullish, especially if Monday has been bearish. Wednesday may be the crux of the matter as the market reacts to Apple's earnings in the morning and the FOMC issues a statement in the afternoon. Mars enters Capricorn on this day so that should give the bears a chance to do some damage. There is an elevated risk of a larger than normal decline on this influence. At the same time, it is important to note that sometimes aspects are not certain in their effects. Thursday looks a bit more bullish but not by much. If Wednesday is down big, then Thursday would be a reasonable day for a bounce. Friday seems more bearish again as the Moon conjoins Saturn in the afternoon. One possible scenario would be down Monday to the 50 DMA at 2653 and perhaps 2640 and the gap fill. Tuesday could see a recovery but probably to a lower high like 2650-2660. Then down hard on Wednesday to 2600 with a possible break down below it by Friday. Admittedly, this is a bearish scenario but still very possible given the planetary alignments in play this week. Of course, the ups and downs may not hit on the days I have suggested but I do think that bulls are unlikely to see significant break outs above resistance at 2688 or above. The downside risk just seems greater.



Next week (May 7-11) is more of a question mark. The first half of the week leans bullish as Venus and the Sun align with Jupiter and Neptune. While one or two up days are likely here, I am skeptical that they will signal a major shift in sentiment. The second half of the week looks bearish as Mars squares Mercury-Uranus. This is a high probability bearish pattern which could well negate any preceding gains. The following week (May 14-18) could again be bullish to start but the midweek Mars-Uranus square looks bearish. It is unclear if the SPX will be putting in higher lows or lower lows by this time. I would lean bullish by mid-month but I admit it is an open question. Late May looks more bullish as Mercury aligns with Jupiter and Neptune. More upside is likely into the first half of June. This should be a significant rebound although higher highs seem unlikely given the compressed time frame. Let's see. By mid-June, we should see a sharp pullback as Mars conjoins the Nodes and aligns with Saturn. This could well morph into another full-fledged correction into July as Mars turns retrograde in late June. This will likely undermine much of the gains of the preceding rebound. Another rally should begin in late July and extend into August and early September. Another pullback is likely from mid-September to mid-October. Q4 looks somewhat bullish although I would not expect a strong rally into 2019, at least at first.

Technical Trends **Astrological Indicators** **Target Range**

Short term trend is UP (1 week ending May 4)	bearish (disconfirming)	SPX 2600-2650
Medium term trend is DOWN (1 month ending June 4)	bullish (disconfirming)	SPX 2600-2700
Long term trend is UP (1 year ending May 2019)	bearish (disconfirming)	SPX 2200-2500

Indian Stocks

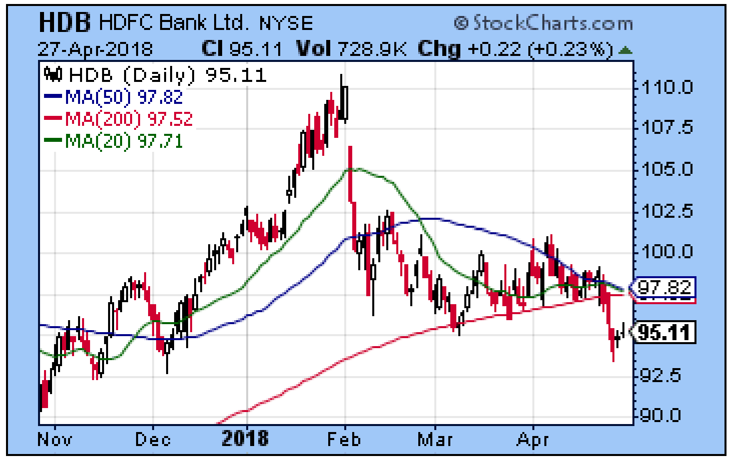
Stocks extended their rebound for the fifth straight week on strong earnings and improving global cues. The Sensex added more than 500 points to 34,969 while the Nifty finished at 10,692. This bullish outcome was unexpected as I thought we might have seen more downside on the Saturn alignment. The early week gains and pullback on Wednesday were in keeping with expectations, but the late week proved to be more bullish than forecast.

Bulls are resilient here despite the various headwinds of rising rates, inflationary pressures and global trade uncertainty. So far, the growth picture is sufficiently robust to offset any other worries. Certainly, last week was better than most as some of the problems appeared to subside with peace talks in Korea and the US and China actively engaged in negotiations to head off a more protectionist trade regime. This week will again see US interest rates take center stage as the Fed will issue its latest statement on Wednesday. While few are expecting a hike, forward guidance will be closely watched as usual. A more hawkish tone indicating a faster return to normal rates would be bearish for stocks globally. With the US 10-year yield already touching 3% last week, there is some risk of disruption in credit markets. Yield curves are flattening and risk profiles are forcing some investors to reassess their exposure to equities. The credit situation therefore warrants close watching in the coming weeks.

The planetary outlook is looking slightly more favourable as we head into the month of May. Some down days are likely in early May as Mars enters Capricorn on 2nd May (FOMC day, as it happens). Just how much damage might occur is more difficult to say. However, the Jupiter-Neptune alignment in mid-May argues for some further gains. It is possible we could see the all-time highs of 11,171 tested at some point in May. That said, I think stocks are more likely to be weaker in the near term. The bigger obstacle for stocks takes place in June when Mars conjoins Ketu and aligns with Saturn. Mars then turns retrograde on 26th June. These are significant warning indications for a significant pullback. A hard retest of the 200 DMA at 10,265 is quite likely by June and we could well fall below that level soon after.

The technical outlook is looking more bullish. Friday's gain was high enough that it likely negated the right shoulder thesis of the head and shoulders topping pattern. And Friday's gain also served to fill the gap from 2nd February. Further upside from here would be very bullish and would likely entail a retest of the ATH. However, gap fills can also signal a reversal as bulls take profits. We should not be surprised if we get some consolidation first before higher highs are attempted. Immediate support is near 10,630 (Thursday's high) so any move below that level would indicate a return to the previous trading range of 10,300 and 10,600. I would not be surprised to see a return to this range, although possibly with a higher low (e.g. 10,400).

The moving averages look bullish here so bulls will likely be fairly enthusiastic about buying dips. The recent double bottom and test of the 200 DMA are the kinds of touchstones that bulls look for when entering long positions. Let's see if their faith will be rewarded. The weekly Sensex shows how impressive this April rebound has been. The rebound has followed a textbook tagging of the 50 WMA in March. Stochastics is in a strong bullish crossover and has some room to go before becoming overbought. This is a good indication that we could see a retest of the ATH or more in the coming weeks, astrology notwithstanding. It is therefore quite possible we could see incrementally higher highs (e.g. 37,000) in this chart as a rising wedge dating back to 2015 plays out. Support may be close to 33,000 with this bearish pattern. A break down could entail a resolution into a rising channel with support fairly close to the 200 WMA at 29,000. It won't happen tomorrow, but it is worth considering for the medium term. Meanwhile, HDFC Bank (HDB) had a rough week. It broke support of the March lows as the death cross looms overhead. The convergence of these moving averages could therefore act as significant resistance in the event of a rebound. The chart looks bearish, although there may be some attempts to recapture the 200 DMA. ICICI Bank (IBN) fared better after a late week bounce off double bottom support. While the stock has performed worse than HDFC, the chart looks more bullish in the short term. However, it will likely encounter resistance at the April high and again at the falling 50 DMA.



This week looks mixed with a bearish bias. Monday leans bearish as Mars remains in a tense conjunction with Pluto. This is not a high probability negative outcome but it is nonetheless noteworthy. Tuesday looks more positive as the Moon aligns with Jupiter. The midweek has a greater downside risk due to the entry of Mars into Capricorn on Wednesday. This may not coincide with a decline Wednesday but it does mean that some kind of decline is likely on Wednesday or Thursday. Thursday looks more bearish as it follows the FOMC meeting. I do not see any clear indications for Friday although I would lean bullish. One possible scenario this week would be an early pullback to support at 10,600. It could fall below that level but I would not say that is likely. If there is a bounce Tuesday then that could retest Friday's high. Given my bearish bias this week, I would think a lower high is more likely. Wednesday is hard to call so we cannot rule out further upside, perhaps to 10,700. But it could just as easily stay close to 10,600. Thursday looks bearish so I would think the Nifty will fall back into its range, perhaps testing the 50 DMA at 10,375. Even if Friday happens to be bullish, it seems likely that the Nifty will find it difficult to finish above 10,600. Perhaps 10,400-10,500 is a more likely range. Let's see.

Next week (May 7-11) leans bearish to start on the Moon-Ketu conjunction. This could retest the previous week's low. However, a strong rebound should build into midweek on the Sun-Venus-Jupiter alignment. While this could produce two up days, it seems likely to form a lower high (10,600?). The late week looks bearish again as Mars squares Mercury on Friday. Overall, the week is hard to call. The following week (May 14-18) looks mixed as the bullish Jupiter-Neptune alignment is likely to prop up sentiment despite some short term negative aspects. I would expect late May to have a bullish bias. June looks more bearish as Mars conjoins Ketu early in the month. This is likely to produce a sharp decline. I am uncertain if this will begin the next major leg down or whether stocks will recover into mid-June. Either way, I think June should see rising downside risk. Another test of the 200 DMA is likely in June and 10,000 is also very possible by the end of the month. Further declines are likely to continue into July as Saturn moves into an extended alignment with Rahu. While it difficult to project targets, I would think that the Nifty will be under 10,000 by July and 9000 is not out of the question. A strong rally should begin in late July and continue through August and early September. After a pullback from mid-September to mid-October, there should be another push higher into November. Overall, 2018 looks quite choppy. Higher highs are possible in May and perhaps in early September but bulls should not count on them given the presence of some significant pullbacks/corrections along the way. 2019 generally looks more bullish.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is UP (1 week ending 4 May)	bearish (disconfirming)	10,400-10,600

Medium term trend is DOWN (1 month ending 4 June)	bullish (disconfirming)	10,500-11,000
Long term trend is UP (1 year ending May 2019)	bullish (confirming)	10,000-11,000

Currencies

The Dollar extended its bounce last week as rising bond yields drew more investors into the greenback in anticipation of higher interest rates. The USDX gained more than 1% to 91.34 while the Euro slipped to 1.214. This bullish outcome was in line with expectations although the extent of the upside was surprising. I was getting more bullish on the Dollar but thought that next week might be a better candidate for a sharp rise. Now that it has broken out above its range, we could see it move up to the target of 92.5. Friday's rejection of the 200 DMA at 92 hinted that it may be more difficult to the Dollar to climb further in the short term. If we see a retracement here, support is at 90.5. If that level is broken, then the convergence of the 20 and 50 DMA could also act as support around 89.5. While last week's move was quite strong, it is possible the Dollar could fall back into its previous trading range. As long as it puts in a higher low (>89.5) then a bullish pattern of higher lows will be in force. The weekly Euro chart confirms the breakdown with support coming in at 120. A move below 120 would complicate the picture for the Euro as it would represent a greater than 50% retracement on its recent up move. This would likely point to lower lows ahead. The possibility that the Dollar may be strengthening is also confirmed by the Yen chart which shows the Dollar has again entered its 2017 trading range of 108-114.

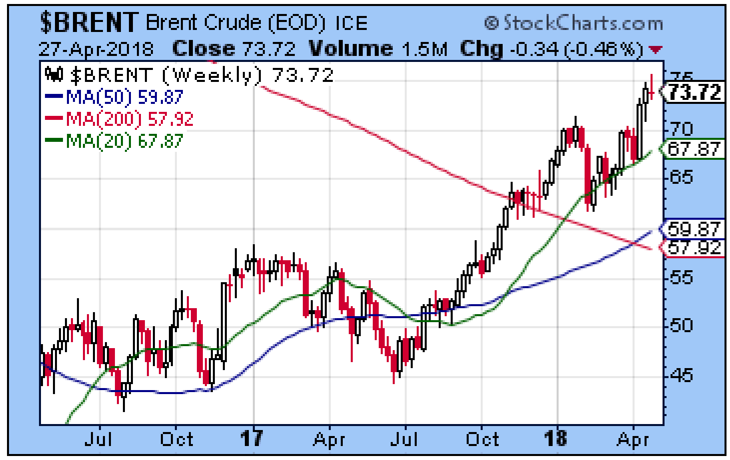
This week is likely to continue the bullish trend for the Dollar. The early week is more prone to some retracement, however. I would not expect anything too dramatic but a retest of 90.5 is quite possible. Wednesday is FOMC day and I would think the Dollar should become more bullish. The up trend may continue for the rest of the week. A retest of last week's high is likely and higher highs are also possible. Next week (May 7-11) should extend the up move, especially early in the week. Generally, I would expect the Dollar to be bullish in the first half of May with a reasonable chance of reaching 92.5. The second half of May could bring a significant retracement, however. I would still think a bullish higher low is the likely outcome, perhaps in the 90-91 area. Early June is hard to call, but there is a possibility of more weakness at that time. I would expect the Dollar to rally again in June and for more upside into July. Higher highs in the 95 area are very possible although it is difficult to estimate levels. We could again see the Dollar weaken starting in August perhaps. A larger retracement looks likely in September and October although I would still expect higher lows. 2019 looks mixed with a major decline likely in the first half of the year, probably between March and June. The second half looks more bullish, however. Longer term to 2020 and beyond, the Dollar outlook is fairly bearish.

Technical Trends (Dollar)	**Astrological Indicators**	**Target Range**
Short term trend is UP (1 week ending May 4)	bullish (confirming)	90-92
Medium term trend is DOWN (1 month ending June 4)	bullish (disconfirming)	91-93
Long term trend is DOWN (1 year ending May 2019)	bullish (disconfirming)	85-95

Crude oil

Crude oil pulled back a bit last week on a stronger Dollar and a reduction in geopolitical concerns. WTI failed to make a higher high and slipped to $68.10 while Brent settled below $74. This neutral outcome was not unexpected as I noted the mix of influences which might have reduced bullish sentiment compared with the preceding week. It seems as if the Iran situation will remain the main driver of prices until the US makes a decision about the nuclear deal and the possibility of re-imposing trade sanctions. Trump must decide by May 12 if the deal remains in place. If not, prices will likely move higher fairly quickly. An indication to renegotiate the deal would likely keep prices elevated, although it may prevent a sudden price spike. The technical outlook is still very bullish with support at $67 for WTI and resistance at $69. Channel support is currently near $63, just under the 50 DMA. A pullback to that level would not jeopardize the rally and would be a good entry for long positions. While the chart is bullish, we can see the beginnings of a bearish rising wedge now as the new highs appear to be leveling off. The weekly Brent chart also is displaying signs of a rally that is running out of steam. Last week's candle was a shooting star and may indicate a reversal soon. We can also see that Brent is pushing up against rising channel resistance that goes back to 2016. Gains can still occur, but they could be incremental and take more time. Bulls can still point to the upside target of the recent cup and handle pattern at $80.

This week looks mixed. The early week leans bearish although I would be surprised to see any big moves lower. The late week should be more bullish as Mercury aligns with Neptune and Jupiter. I am expecting the Dollar to rally after Wednesday's Fed statement so I'm not sure how that will square with possible strength in crude. It seems unlikely that both could happen. In any event, I would be generally bearish on crude here in May although I would not be surprised if we saw a retest of resistance at $69 WTI this week. Incrementally higher highs are also not out of the question.



Next week (May 7-11) should be bullish in the first half on the Sun-Venus-Jupiter alignment. This is a high probability bullish pattern that could produce two strong up days. The late week looks more bearish on the Mars-Mercury alignment, however. The following week (May 14-18) leans bearish due to the Mars-Uranus square. I would expect the end of May to be more bearish again with some significant testing of support (WTI: $64?). June should see more downside with a possible retest of the Feb and March lows. July is likely to see a bottom formed. There is a good chance for a bounce in the middle of July which may begin the process of a bullish reversal. Prices should rise through August and September as Jupiter again aligns with Neptune and Pluto. Q4 leans somewhat bearish, however. 2019 looks more bullish, especially Q2 which could challenge or exceed the highs of 2018. The second half of 2019 may be less positive, however.

Technical Trends	**Astrological Indicators**	**Target Range (WTI)**
Short term trend is UP (1 week ending 4 May)	bearish (disconfirming)	$65-69
Medium term trend is UP (1 month ending 4 June)	bearish (disconfirming)	$60-70
Long term trend is UP (1 year ending May 2019)	bullish (confirming)	$60-75

Gold

Gold slipped again last week as the Dollar strengthened along with bond yields and lessening geopolitical worries. Gold fell more than 1% to 1323. I thought we might have seen a bit more upside early in the week on the Venus influence. Nonetheless, the weakness was generally in line with my expectation that early May will see gold struggle to stay above support. Buyers did step in Friday at 1315 so support continues to be as reliable as ever. The trading range of 1310-1360 is seemingly unbreakable now as neither bulls nor bears have found sufficient rationale in world events or economic developments to claim victory. A strengthening Dollar is going to be bearish for gold, of course, and we could well see a major development this week as the Fed meets on Wednesday. More hawkish language could spell doom for gold bulls, especially since it is sitting close to support at 1310 already. But it is still possible the Fed could hint at a greater tolerance for inflation above 2% and thus not raise rates too quickly. A statement along those lines would be dovish and could boost gold back to resistance. A close above 1360 would be a likely bullish breakout and could signal a move to 1410. Conversely, a close below 1310 would be bearish and would likely lead to a move below the 200 DMA. This break down would have a downside target of 1260. The long term outlook remains unchanged: the inverse head and shoulders pattern argues for a rally to 1700 and beyond. Just when that may occur is not clearly revealed by the charts, however.

This week leans bearish again. The early week Mars-Pluto conjunction could produce some downside on Monday. The midweek also could be bearish given the Venus-Saturn alignment. Since this occurs right around the same time as the Fed statement, there is a higher risk of some selling on Wednesday. Friday looks more positive, however, as Mercury aligns with Jupiter. Given the bearish aspects in play this week, it is tempting to think that we could break below 1310. It is quite possible and yet I would not be surprised if it doesn't happen. If gold is weaker through Wednesday, then the late week should see some kind of rebound.

Next week (May 7-11) could be bearish to start on Monday or perhaps Tuesday but the rest of the week should see a strong rebound as the Sun aligns with Venus and Jupiter. The following week (May 14-18) leans a bit bullish perhaps as Venus enters Gemini and the Sun enters Taurus. However, the Mars-Uranus square could be bearish at the beginning of the week and could produce a sharp sell-off. The week as a whole is therefore harder to call. The rest of May should have a bullish bias with the Jupiter-Neptune alignment. Whether this is enough bullish energy to hit 1410 is hard to say. June and July look more bearish as Saturn aligns with the Lunar Nodes. This suggests a breakdown below the 200 DMA and perhaps to 1260. Lower lows also cannot be ruled out. A rebound should begin in August and September. Although Q4 looks mixed, I would expect gold to stay above its 200 DMA at the end of 2018.

Technical Trends	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending May 4)	bearish (confirming)	1300-1340
Medium term trend is UP (1 month ending June 4)	bullish (confirming)	1360-1410
Long term trend is DOWN (1 year ending May 2019)	bullish (disconfirming)	1250-1450