

Summary for week of 14 May 2018

- Stocks choppy this week with bearish bias
- Dollar could retrace further but gains are possible later
- Crude oil with bearish bias this week, especially after Wednesday
- Gold more vulnerable to selling, especially later in week

US Stocks

Stocks extended their rebound last week as tame inflation data put rate hikes on the back burner for a while longer. The Dow added more than 2% to 24,831 while the S&P 500 finished at 2727. This bullish outcome was not unexpected although the size of the gain was a bit surprising. The early week upside nicely reflected the Venus-Neptune-Jupiter alignment but the late week proved to be more bullish than I had anticipated.

So it is all clear sailing from here back to 2872 and beyond? I doubt it. While I think the low of 2532 won't be tested in the coming days, I still expect some kind of downside here in the second half of May. This bounce has coincided fairly well with the approaching Jupiter-Neptune alignment. Moreover, last week's alignment of Venus and the Sun with Jupiter-Neptune produced a very strong bullish configuration. There is no such configuration this week upcoming. In fact, the Mars-Mercury-Uranus alignment is quite bearish and is likely to produce a negative week. I would think it is larger than a simple pullback but probably not big enough to retest 2600. The first half of June may well bring more upside and could even produce a move above 2727 – maybe even back up to 2800. The problem with June is that the Saturn-Lunar Node alignment will be joined by Mars as we go further into the month. The retrograde station of Mars on June 26th could be an added source of instability for financial markets into July. For this reason, I am skeptical that we will see January high of 2872 retested in the coming weeks. Bulls may have to wait considerably longer.



Meanwhile, the yield curve continues to flatten and yields remain just under the 3% threshold for the 10-year yield. If inflation continues to be moderate, then it is possible we could see yields remain in a safe range. The debt outlook may only become difficult in 2019 or 2020 when yields finally normalize and the curve finally inverts. A recession is looking more likely at that point. Until then, however, the Dollar is the more likely source of problems for equities. While the Fed is likely to remain dovish, the weakness in Europe and the possible election of a Euroskeptic government in Italy could push the Euro down a lot further. A sharply rising Dollar would also be bearish for stocks over the medium term.

The technical picture improved significantly last week. The major indexes broke above falling resistance trend lines and retested their previous April highs. The SPX bested 2717 by 10 points and closed Friday well above its trend line. This stops the bearish pattern of lower highs at least. Resistance is now the previous high of 2800 although the next measured move upside target may be closer to 2750, using the Apr 2 and May 3 lows. While bulls may fully expect some selling this week upcoming, they may be looking to buy the dip close to 2700-2710 which would be a backtest of trend line resistance/support. If 2700 fails to hold as support, then the next support level would likely be near the 50 DMA at 2677.

Bears are no doubt back on their heels here as the breakout above falling resistance has confounded their best laid plans. I wonder if bears may have to be content with trading with a possible newly evolving rising channel off the April 2 low with resistance now around 2740 and support near 2620 and the 200 DMA. The Nasdaq chart still looks bearish as the head and shoulders top now has a more fully formed right shoulder at 7400. It could go a bit higher to 7500 but there is still some vulnerability from this pattern in the days ahead. The weekly Dow chart is looking more solid now given the solid weekly candle. Stochastics are still in a bullish crossover so that is another reason for bulls to stay in long position for the medium term. A close below the 50 WMA at 23,458 would be bearish and would be a sell signal. As noted above, bond yields are at 2.97% and are moving sideways. If they stay in their recent range of 2.8-3% they are unlikely to be a problem. Only a move above 3.05% would make some waves in financial markets as it would break above long term resistance. This would be the clue that yields are moving higher. The resulting rising costs of borrowing would likely impinge on credit expansion and economic activity.



This week will be a golden opportunity for bears. With the Sun-Venus pairing now moving away from bullish Jupiter-Neptune, we are likely to see more downside than upside. We could still see some gains, however, but I would tend to think they won't last into Friday's close. A down week looks very likely. Some declines are more likely due to the Mars-Mercury-Uranus configuration that is closest early in the week. Actually, the Mercury-

Mars square is the most problematic and that is exact on Saturday. The fact that it is separating on Monday is one reason why I would not expect a huge decline here. It should still coincide with some kind of decline, however. A pullback to 2700-2710 looks possible at a minimum. A rebound is more likely on Tuesday with the New Moon. This will highlight the alignment with Venus once again and could produce a strong rebound. For this reason, bears should not become over confident this week. Rallies may still be quite strong. I am open-minded about Wednesday and Thursday. Further upside is possible and we cannot rule out higher highs. However, the late week looks bearish again as Mercury aligns with Saturn and the Lunar Nodes on Thursday and especially on Friday. It may well be Friday's close which will produce a negative week overall. If the midweek has indeed brought higher highs (2740?), then bears may have to be satisfied with just 2700 again by Friday. 2680 is also possible but I wouldn't bet on it. As always, levels are difficult to predict.



Next week (May 21-25) also looks bearish. Tuesday and Thursday look more bearish than other days. Monday the 21st looks bullish to start so a bounce after a late week sell-off on the 18th is very possible. Lower lows are quite possible during this week, so perhaps we will see 2620. That said, I won't be shocked if they don't happen. Bears will likely get another chance later in June once Mars goes retrograde. The first half of June could first bring another rebound which may be strong, perhaps between 2750 and 2800. Late June and July could see another down move as Mars turns retrograde and aligns with the Lunar Nodes and Saturn. Lower lows are quite possible in July i.e. below the 200 DMA. Another rebound is likely in August and September but Q4 as a whole looks mixed. Nov-Dec looks more bearish again. With a series of down moves likely this year, a new ATH looks somewhat unlikely for 2018. It may have to wait until the second half of 2019.



Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending May 18)	bearish (disconfirming)	SPX 2680-2700
Medium term trend is DOWN (1 month ending June 18)	bullish (disconfirming)	SPX 2700-2780
Long term trend is UP (1 year ending May 2019)	bearish (disconfirming)	SPX 2300-2600

Indian Stocks

Stocks advanced last week on positive global cues as the April rebound has extended into May. Despite fairly narrow breadth, the Sensex rose by 2% to 35,535 while the Nifty finished the week at 10,806. This bullish outcome was in line with expectations as I thought the early week Venus-Jupiter alignment would boost sentiment. As expected, we got a test of the previous week's high. Friday's rise was somewhat surprising, however, as the bearish Mercury-Mars influence was not enough to compel much selling.

Last week's modest US inflation data no doubt helped the mood on Dalal St as it suggested that the Fed's path to rate normalization would be gradual. Higher US interest rates are a headwind for emerging markets as capital is enticed to stay home rather than seek out yield opportunities abroad. Another possible problem on the horizon is the rising price of oil, in part due to Trump's rejection of the Iran nuclear deal. While prices are elevated, most analysts do not expect the current spike to last for very long. For this reason, energy inputs are not expected to be inflationary. However, if things go badly in the Middle East, there is a chance that prices will remain high. This could force the RBI to raise rates as imports become a source of inflation.



The astrological picture looks broadly bullish for now. The key bullish influence is the Jupiter-Neptune alignment. This was highlighted last week as the faster-moving Sun and Venus joined the alignment. It is likely we will see more gains from this alignment this week. However, bearish Saturn is due to make an appearance fairly soon as it aligns with Rahu (North Lunar Node) late in May and through most of June. This is a slow-moving alignment that will be within range for several weeks and is very likely to coincide with a significant pullback. At this point, I think it is more likely to occur in June rather than May. That said, we could begin to see some nervousness creeping into markets in the second half of May as the Saturn influence grows. Also, there are several short term aspects which are likely to coincide with a few down days.

The technical outlook is bullish for now. Last week's higher high negated the possible head and shoulders pattern. A push up to the ATH of 11,171 is now looking more likely. On the other hand, we can see a possible bearish rising wedge pattern. The Nifty could enjoy incrementally higher highs here but resistance would be at 10,850. If it retraced from there, wedge support is very close at Thursday's low of 10,700. A break of this support line wouldn't necessarily produce a huge waterfall lower but it could undermine rally sentiment. A resolution of the wedge into a rising channel is one possible scenario. The 20 DMA may also be a possible target in the event of a pullback. Buyers would likely enter the market in great numbers. As before, I think the 50 DMA at 10,422 is the line in the sand for this rally. This represents the 50% retracement of the rally off the April low. Any move below that line would be bearish and would likely produce a retest of 10,100.

The daily chart is getting a little overbought as RSI has already touched the 70 line. It is now showing a little negative divergence which is the first step in any reversal. A lower high would be the next step, of course. If the Nifty falls short of reaching 11,171 in the next few weeks, then it will be facing another retracement. 10,100 could hold as support but if it is a deeper retracement, then a measured move to 9700 is possible. The weekly BSE chart shows the rally with strong momentum pushing higher. Stochastics is not yet overbought at the 80 line so there is a compelling case for medium term bulls to stay in their trades. Pullbacks will likely be bought fairly soon by this logic although one more up week this week could take stochastics over the 80 line. And with the Sensex approximating a double top pattern, there may be more reason for bulls to take profits sooner rather than later. This technical exhaustion would be another factor for the pullback I am foreseeing over the next two to four weeks. Meanwhile, HDFC Bank (HDB) put in a bullish week as it popped above its 50 and 200 DMA. The move was strong enough to indicate further upside in the days ahead. The chart is once again bullish as long as it trades above the convergence of its moving averages. Let's see if it can close above resistance at its April high. ICICI Bank (IBN) also moved higher last week as it appears to be on its way to reaching its double bottom upside target near its March high. A weekly close above this level and the 200 DMA could be enough to reverse the bearish orientation of the chart.

This week looks a bit more bearish than last week. Not only has the Sun and Venus moved away from Jupiter, but the Mars-Uranus square has the potential to bring about at least one significant down day. Monday leans bearish as Mercury conjoins Uranus while Mars aspects both almost simultaneously. The ongoing alignment of the Sun and Venus could offset some of this negativity so I would say it only qualifies as a moderately probable bearish day. And yet there is



an elevated possibility of a large move. Tuesday looks more bullish perhaps on the New Moon. We could see more gains midweek as Venus enters Gemini and the Sun enters Taurus. The late week looks somewhat less positive, however. Friday's Moon-Mercury-Saturn-Rahu alignment looks especially prone to selling. I would not rule out further upside this week but I would be less inclined they will hold by Friday's close. So we could see a pullback early in the week to 10,700 followed by a rebound to retest the Friday high of 10,806. Higher highs are definitely possible. If we then got a decline on Friday, we could see the Nifty finish fairly close to current levels. However, if the early week produces a deeper decline, say to 10,600, then a negative week becomes more likely. I would not say this is a probable outcome but it is one to watch out for.

Next week (May 21-25) looks mixed. The early week leans bullish on the Mercury-Jupiter alignment but the late week should bring more selling as Venus opposes Saturn. I am uncertain where stocks could finish on the week. Higher highs are possible in the first half of the week, however. The following week (May 28-June 1) looks more bearish, however, as the Sun aligns with Saturn and Rahu. The pullback may deepen by the time of the Mars-Ketu conjunction on 9th June. A retest of the 50 DMA at 10,400 is quite possible by this time. June as a whole looks bearish as Mars is due to remain in conjunction with Ketu for most of the month. I would not expect a large decline initially, however. The start of the retrograde cycle on 26th June will likely coincide with a sharper drop which takes the Nifty back to 10,100. Lower lows look quite possible in July. A strong rebound is likely in August and September. Higher highs are possible. Q4 looks more bearish with November and December likely marking another correction. Q2 2019 could see a modest gain but it does not look strong. It may therefore remain below any Sep-Oct highs. A significant low is likely in Q2 2019 after which stocks should rally strongly for most of the rest of 2019. Higher highs are likely.



Technical Trends

Astrological Indicators

Target Range

Short term trend is UP
(1 week ending 18 May)

bearish (disconfirming)

10,600-10,900

Medium term trend is UP
(1 month ending 18 June)

bearish (disconfirming)

10,300-11,000

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

bullish (confirming)

10,000-11,000

Currencies

The Dollar ended the week flat after soft inflation data. The USDX finished the week at 92.41 after briefly trading above 93. The Euro settled just under 1.20 while the Yen traded at 109. For its part, Bitcoin again fell sharply closing under 8600. This neutral outcome was somewhat unexpected as I thought the greenback could have moved higher. The week did unfold as expected, however, as the early week was bullish and the late week brought a retracement. So far, the Dollar rally is intact. Support is at the old resistance level of 92.5 or so. It could well fall further from here as the 200 DMA at 91.8 may act as a magnet and therefore better support. The rally would only be in jeopardy with two straight closes below the 200 DMA. A 50% retracement off the high equates to 91.5. If the Dollar bounces from here, then a push up to the previous high of 95 is likely. It seems the Euro may have found support at the 50 WMA. This represents a higher low and thus continues the bullish trend. However, the size of the recent pullback was bigger than the one in late 2017. This should give Euro bulls pause. Clearly, a more sideways market may be the best the Euro will be able to muster in the weeks ahead. And the risk remains of more downside as well. A move down to 1.16 could set up a head and shoulders pattern. This would then suggest a right shoulder at 1.20 and a neckline at 1.16. This pattern would have a downside target of 1.06.



This week looks mixed for the Dollar. Some large daily moves in both directions are possible. For this reason, forecasting a weekly outcome is more difficult than usual. I would retain a bearish bias in any event, but remain open-minded about possible large one-day gains. Monday may be one of those days as the Sun-Venus-Saturn alignment could produce sizable gains for the greenback. However, it is not yet a clear-cut influence. The midweek looks more bearish but probably not in a big way. The late week looks more bullish. Next week leans bullish, although the early week could see more weakness. I'm not certain if we will see the Dollar retrace to the 200 DMA although the planets suggest it could happen. I would expect the Mercury-Jupiter alignment on the 22-23rd to bring about another push higher. As time goes on, the Dollar is more likely to strengthen as we move into June. I would expect new highs in early June and 95 on the DX is very possible. The rally should extend through the rest of June and into most of July. It is difficult to forecast levels but certainly somewhere well north of 95 is possible. August and September look bearish and should coincide with a significant retracement. Q4 also leans somewhat bearish but perhaps not enough to break below the 88-90 support area. 2019 lacks a clear trend in terms of planetary influences although the long term looks bearish for the Dollar. This move towards lower lows below 88 could begin as early as 2019 although we may have to wait for 2020 and beyond.



Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is UP (1 week ending May 18)	bearish (disconfirming)	91-93
Medium term trend is DOWN (1 month ending June 13)	bullish (disconfirming)	93-95
Long term trend is DOWN (1 year ending May 2019)	bullish (disconfirming)	85-95

Crude oil

Crude oil extended its rally again last week after Trump pulled out of the Iran nuclear deal and re-imposed sanctions. WTI rose by 1% to \$70.70 while Brent finished the week at \$77.12. This bullish outcome was not unexpected as I thought the early week could bring higher highs. I was unsure, however, if any late week selling might offset any preceding gains. Friday's decline proved to be modest. Tuesday's sell-off was surprising although buyers came back during midweek. The technicals still favour the bulls although price appears to be moving in a bearish rising wedge pattern now. It is possible we could see the measured move target of \$74 for WTI reached while remaining in the wedge. However, gains are more likely to be incremental here. Bulls will likely become more cautious once this 74/78 target is reached in any event and consolidation will occur. For now, immediate support is the \$68-69 level for WTI which marked Tuesday's low. This is near the 20 DMA and it is likely to bring in buyers for the next dip. If we get a close below the 20 DMA, then it could signal the beginning of the end of the geopolitical risk rally. Support for the longer term rally is marked by the 50 DMA in the \$64-65 area. The weekly Brent chart looks quite bullish overall, although the rising wedge suggest the current rally is likely to undergo consolidation soon. If the wedge support is broken at \$65-67, then a resolution into channel support at \$56 near the 50 WMA is possible.



This week leans more bearish. More gains are possible but I think that time is running out for this latest rally. While I would not be surprised by yet another positive week, I do think the downside risk is rising. Declines are perhaps more likely in the second half of the week. If we see prices falling in the first half of the week, then we could see a more bearish week overall since there is a higher likelihood of more downside on Thursday and Friday.

Next week (May 21-25) should be bullish to start as Mercury aligns with Jupiter and Neptune. We could easily see two up days between Monday and Wednesday. But the late week looks more bearish as Mars aligns with the Sun on Thursday and Friday. It is unclear if we could see lower lows start to take hold here but that is something that is becoming more likely as we go later into the month of May. Late May and early June also look bearish so lower lows are probable at this time. Perhaps we will see WTI test its 50 DMA at \$66. Mid-June could see an oversold bounce although I would be surprised if it was big enough to retest the May highs. Late June and early July could see more downside pressure as Mars turns retrograde. July may be bullish overall, however, with further upside possible in August. It is possible we could see the May highs tested at some point although a lot depends on how big the sell-off is in June. Another retracement lower is likely in September and October. Q4 looks somewhat bearish overall. Higher highs look more likely in the first half of 2019. The second half may trend lower, however.



Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending 18 May)	bearish (disconfirming)	\$68-72
Medium term trend is UP (1 month ending 18 June)	bearish (disconfirming)	\$60-68
Long term trend is UP (1 year ending May 2019)	bullish (confirming)	\$60-75

Gold

Gold moved higher last week following weaker than expected US inflation data and rising tensions in the Middle East. Gold rose by just half of one percent to 1320. This bullish outcome was in keeping with expectations although I mistakenly thought gains would be confined to the first half of the week. I thought we might get a test of the convergence of the 20 and 50 DMA at 1330 and Friday's intraday high indeed tested that level. While the bounce was welcome news for bulls, it was fairly predictable since the 200 DMA at 1307 acted as support. Price is now stuck in a shrinking purgatory between the rising 200 DMA and the falling 20 and 50 DMA. Gold needs two or three closing days above the 20/50 DMA in order to prevent a large technical sell-off. I think a sell-off is coming soon so it may only be a question of when. The 20 DMA is now below the 50 DMA and both are heading for a double death cross under the 200 DMA. Gold bulls need some major geopolitical events to remain above support at the 200 DMA and 1307. A close below 1300 would likely lead to a quick decline to 1250 or even the previous interim low of 1240. From a technical view, a sudden decline below 1307 would likely require a clearly failed rally from a lower high. So we could see another run towards resistance at 1360 but perhaps to only a lower high. Certainly, the longer gold cannot move above its 20/50 DMA, the more worried bulls will become. That level may be key in coming days. Of course, a move back towards 1360 would be bullish as it would again raise the possible breakout that so many bulls have been waiting for. The long term patterns are bullish and make a compelling argument for 1700 or above at some point in the future.

This week leans bearish. Some upside is possible as Venus enters Gemini on Tuesday and then the Moon conjoins Venus on Thursday. However, Monday's Sun-Saturn alignment looks bearish, as does Friday's Mercury-Saturn alignment. I would not rule out a positive weekly close if we see enough midweek gains but the downside risk is rising for gold. If Monday is indeed negative, then we are more likely to have a negative week overall. A breakdown of support is possible this week.

Next week (May 21-25) also leans bearish. Some upside is likely early in the week on the Mercury-Jupiter alignment. But the midweek Sun-Mars alignment looks bearish, as does the late week Venus-Saturn opposition. If we don't break 1300 the previous week, then it is likely to happen here. The down trend will likely continue into early June. While we could see a bounce in mid-June for a week or so, this may only be a technical bounce from oversold levels. I would expect late June to also be bearish as Mars turns retrograde while in alignment with Saturn and the Lunar Nodes. A significant bottom is possible in July (1210?) (1150?). I think gold should rally in August and September as Jupiter aligns with Neptune and Pluto once again. An interim high is possible in mid-August with another peak likely in mid-October. At this point, I would think it could be difficult for gold to



recapture its current trading range of 1300-1360 but we shall see. Except for a likely sell-off in December, Q4 looks mixed but with a bullish bias as Jupiter enters Scorpio. Generally, I would think that gold trends higher through 2019 with the likelihood of higher highs in 2020 as the Dollar weakens.

Technical Trends	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending May 18)	bearish (confirming)	1280-1320
Medium term trend is DOWN (1 month ending June 18)	bearish (confirming)	1250-1320
Long term trend is DOWN (1 year ending May 2019)	bullish (disconfirming)	1250-1450

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