

Summary for week of 21 May 2018

- Stocks vulnerable to more declines this week
- Dollar could retrace this week but rally is not yet over
- Crude oil could extend rally in first half but downside risk is rising
- Gold could bounce early but with bearish bias after

US Stocks

Stocks pulled back a bit last week as bond yields pushed above their previous 2011 high. The Dow lost 100 points to 24,715 while the S&P 500 finished at 2712. This modestly bearish outcome was in keeping with expectations although I thought we might have seen more downside, especially on Friday. As expected, bulls tested 2740 although that occurred prematurely on Monday and bears tested 2700 although that weekly low followed on Tuesday.

The narrow trading range reflected the state of indecision in the market as investors await trade news with China. A breakdown of trade talks would likely prompt a move lower, at least to 2680, if not all the way back to 2620 and the 200 DMA. Alternatively, a settlement could see the rebound move higher and quickly challenge its penultimate high of 2800. At the same time, the yield story is lurking in the background. If rates are rising gradually, then the market can adapt to the changing risk landscape. Higher yields can be bearish for stocks if they rise too quickly and begin to significantly increase the cost of borrowing. With consumers and corporations carrying high levels of debt, higher rates will force some difficult choices. We may be still be some months away from the day of reckoning in terms of stocks prices, but rates will likely remain a central concern for the rest of this year.



The astrological outlook is still uncertain in the coming weeks. The ongoing Saturn-Lunar Node alignment suggests that we could see more downside over the next couple of weeks. June is shaping up to be quite volatile

in its own right as Mars is due to align with Saturn and the Nodes throughout the month and then turn Rx on the 26th. I would still expect some gains can be had in June as Jupiter slows down and strengthens in advance of its direct station in early July. The high number of very strong influences – positive and negative – makes this early summer period more difficult to forecast. After we put in some kind of low (2670? 2620? 2570?) in late May or early June, we should see a bounce. I am uncertain how long that bounce can last, however, given the often bearish retrograde station of Mars on June 26th. Perhaps we only get a brief dip in late June and then more upside through July. The picture isn't as clear as I would like I must admit. But I do think bears will have another opportunity to take control of the market this summer. It could happen as soon as late June but perhaps more realistically it may be late July or early August. An August correction therefore looks somewhat more probable in that respect. It is difficult to forecast price targets, but if the June bounce produces a lower high (2720?), then there is a chance we could see lower lows (SPX=2450? 2200?) by September.

The technical outlook seems generally bullish. Last week's pullback was small enough that bulls could see it simply as normal consolidation after the preceding strong rally. The pullback resembles a bull flag pattern in this respect as price appears to be back testing support of the falling triangle trend line which had previously been resistance. Tuesday's low of 2701 was a near exact test of that line but the subsequent bounce has been weak. Further back testing of that line could indicate a move down to 2685 in the days ahead.

Bears are no doubt expecting a deeper back test – perhaps to the convergence of the 20 and 50 DMA at 2677. The inability of the bulls to follow through to the upside last week also should give bears some hope that a deeper retracement is still possible, including yet another test of the 200 DMA, now at 2627. This roughly matches the measured move downside target of 2619 based on the two most recent highs (2717, 2742). Bears can also point to the ongoing weakness of the Nasdaq chart which still resembles a head and shoulders pattern. An additional 1% gain the coming days would reach the symmetrical right shoulder target 7500. Bulls may note the bullish breakout in the small cap Russell 2000 chart which reached a series of new all-time highs last week after finally pushing above its January high. This may or may not prove to be technically significant for the other indexes but certainly it is a bullish development. The weekly Dow chart shows the market in between support of the 50 WMA and resistance of the 20 WMA. A weekly close above or below those lines could well determine its next major move. Stochastics is in a bullish crossover and has further to climb before becoming overbought. However, last week's candle looked like a reversal candle as it traded higher before closing Friday lower than the previous week. The 10-year Treasury yield pushed above its previous high of 3.05% last week as inflation worries showed no sign of ebbing. Support is now 3% in the event of further declines in yields. Resistance may be close to 3.2% which represents the measured move as determined from the April and May lows. There is no way to predict what the effect of a rise to this level may have on financial markets.



This week should give the bears another shot. Overall, I would expect more downside than last week. While there are likely to be both up days and down days, I think the chances are good that we see another back test of the triangle resistance/support line at 2685. I would also think a test of 2670 and the 20 and 50 DMA is fairly likely. Whether or not we see anything deeper than that is much harder to say. One possible scenario would be a surprising gain on Monday to a lower high (2730?) and then some selling on Tuesday to 2700. Wednesday could then see a range day where bulls fail to return to then previous high and then Thursday and Friday bring harder selling, perhaps down to 2670 or below. But I'm not sure if Monday will be bullish or bearish. There is some reason to think that we get one up day on Monday or Tuesday given the Mercury-Jupiter-Neptune alignment. I would think Monday looks slightly better than Tuesday in this respect but it's hard to say. Could the week end up bullish? Yes, it's possible although I would be surprised if that happened. I think bulls are due for more upside soon but this week doesn't look like a prime candidate.



Next week (May 28-June 1) is shortened for Monday's Memorial Day holiday. The week may be more mixed. Tuesday and Wednesday lean bullish as Venus aligns with Neptune and Jupiter. And yet throughout the week, Mars is approaching its conjunction with the South Lunar Node. This will highlight the latter's alignment with Saturn. The late week looks more bearish as the Moon aligns with Saturn. There is a still a risk for lower lows here although the evidence is less compelling. The following week (June 4-8) looks more solidly bullish as the Sun and Mercury align with Jupiter and Neptune. Even here, however, the late week could see a retracement as Mars exactly conjoins the Lunar Node. Generally, there is a good chance for a rebound in June. 2800 is possible although it may depend on whether it is preceded by a higher low (2620?) in late May. We could see a second leg of the rally higher in July, perhaps after a late June pullback due to the Mars Rx cycle beginning on the 26th. I am still expecting a significant retracement to begin by August at the latest, although it may start in late July. This is likely to extend into September as Saturn aligns with the Lunar Nodes and Uranus. Lower lows look very possible this summer, possibly down to 2200 on the SPX. Q4 could bring a technical rebound but December looks bearish again. I would not expect a strong bull market to return until probably the second half of 2019.



Technical Trends

Astrological Indicators

Target Range

Short term trend is UP
(1 week ending May 25)

bearish (disconfirming)

SPX 2650-2700

Medium term trend is DOWN

bullish (disconfirming)

SPX 2700-2780

(1 month ending June 25)

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

bearish (disconfirming)

SPX 2300-2600

Indian Stocks

Stocks slumped last week due to rising oil prices and a strengthening US Dollar. The Sensex fell by 2% to 34,848 while the Nifty finished at 10,596. This bearish outcome was in keeping with expectations as I thought the late week was especially prone to selling given the Mercury-Saturn-Rahu alignment. Interestingly, the early week was more bullish than expected although Tuesday's intraday high did not hold by the close.

Despite a promising monsoon, the glass is suddenly half-empty here as investors see reasons for caution. US rates are rising and are taking the US Dollar higher thus creating pressure for the emerging markets. FII now have more choices open to them and this could remove the comparative advantage that India Inc has enjoyed for the past several years. And worse still, crude oil is showing no signs of ending its rally anytime soon. This is creating fiscal pressure for the government as energy inputs are likely to be a burden on spending. A RBI rate increase is looking more likely in the next quarter.

The planetary picture is looking more bearish for the short term. Last week, I suggested the positive effects of the Jupiter-Neptune alignment were likely to prevail a little while longer before bearish Saturn became dominant in June. While I was uncertain when the next pullback would begin, I thought we could see a gradual transition from bullish to bearish over the second half of May. It seems that Saturn is flexing its muscle a bit more strongly here in May. Bulls are getting skittish as rallies are being sold more quickly. This pattern may well hold up for several weeks as Jupiter recedes and Saturn aligns with Rahu and Mars. While strongly positive days are still likely this week and next, they are more likely to be negated by significant sell-offs. I would expect stocks to remain under pressure for at least two more weeks. If the market begins a correction now, then that could mean that June as a whole will become less negative than I had originally thought.



The technical picture looks more mixed now. Last week's pullback stopped at horizontal support at 10,600. Some kind of retracement was bound to occur after the strong rally off the March low and therefore still compatible with the bullish view. If we get a bounce from here this week, then bulls will be in a better position to challenge last week's high. But Tuesday's shooting star candle with the tall upper shadow was decidedly bearish as it came after a long rally. This bearish interpretation isn't foolproof, of course, but it may now take some time for bulls to reach that intraday high of 10,929 and it may well require a proper retracement to take place first. Resistance is likely to be substantial at 10,800 if it reaches that high.

In the event that support at 10,600 doesn't hold, then we are likely to see a retest of the 50 DMA at 10,400. This would represent a 50% retracement of the rally and could still bring in buyers. The indicators argue for more downside in the short term as MACD is in a bearish crossover and stochastics is not yet oversold. I would think it is highly likely that we see a test of 10,400 this week based on these technical factors alone. The planets would also tend to support this view. The weekly Sensex chart also looks increasingly bearish. While stochastics isn't yet overbought above the 80 line nor is it in a bearish crossover, the weekly candle is a classic reversal candle. In fact, it mirrors the reversal pattern we saw in January where the intraweek high occurred during a down week which began a longer correction. Last week's high was higher than the previous week but bulls could not hold it by Friday. Another test of the 50 WMA at 33,100 is possible although a measured move target of 32,000 is also conceivable. Meanwhile, Tata Motors (TTM) had another bad week as it is now retesting its major low of 2015 and 2016. Buyers will likely step in around these levels and play for at least a short term bounce. However, the chart is more bearish than it was in 2016 when it formed a bullish double bottom. There is a real risk that it breaks support here and forms new lows in the months ahead. ICICI Bank (IBN) also declined last week as it retested its April low. If it can hold above the April low, then it could use the convergence of the 20 and 50 DMA as a basis for a tradeable bottom.

This week could see more downside pressure by the bears. There is a bullish bias in the early week as Mercury aligns with Jupiter and Neptune. Even if we get a negative open Monday, there is a decent chance for a green close. Tuesday also could be positive at least in the first half of the day. And yet the rest of the week looks more bearish as the Sun aligns with Mars. Wednesday could see some buying but its ultimate outcome is unclear. Thursday and Friday look more bearish and could determine if the week finishes in the red. One possible scenario for this week could be



a move up to 10,700 or 10,800 on Monday or Tuesday followed by another move lower. I would think Friday's low of 10,596 will likely be tested again this week, possibly on Thursday or Friday. I would lean bearish overall here so I think the chances are fairly high that we have a negative week. That said, I would not be shocked if bulls manage to hold onto to modest gains. I do think that stocks have started a corrective phase which will last into early June at least.

Next week (May 28- June 1) also leans bearish. The Full Moon on the 29th (Tuesday) aligns closely with Rahu and Saturn so we could have some strong down moves, especially in the first half of the week. A bounce is likely late in the week on the Venus-Jupiter-Neptune alignment but it seems unlikely to produce a positive week overall. I would therefore expect lower lows here, perhaps below 10,400. The following week (June 4-8) looks more positive although the early week Mars-Ketu conjunction will likely be negative. But the late week may be strong enough to reverse the downward trend. Some upside is possible in mid-June but the start of the Mars retrograde cycle on the 26th could undermine any ongoing rebound. It is possible we could see a retest of any early June low in late June or early July. Stocks may begin to recover sometime in July and the rebound should extend into August.



I am agnostic on whether we get a higher high in Q3. I suspect we won't get a higher high above 11,171, but let's first see how deep the current retracement goes. After another correction in late September and October, stocks will partially recover in November. Overall, Q4 does not look very promising. Stocks could be choppy well into 2019 with a more durable rebound beginning in May and June and extending for the rest of the year. Higher highs look more likely in 2019.

Technical Trends

Astrological Indicators

Target Range

Short term trend is DOWN
(1 week ending 25 May)

bearish (confirming)

10,400-10,700

Medium term trend is UP
(1 month ending 25 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 rallied again last week as bond yields rose amid growing weakness in the Euro. The USDX added a full cent to 93.54 while the Euro sank below the 1.18 level. Other currencies also struggled as the Yen touched 110, the Rupee neared 68 and Bitcoin tumbled to 8100. This bullish Dollar outcome was somewhat unexpected as I thought we could see more two-way action. Monday brought some short-lived weakness but prices recovered by the close. While the Dollar looks overbought here, it is unclear when the rally may stumble. The technicals still look bullish and argue for a retracement, if not quite a correction. Support is likely near the 20 DMA when the sharply rising channel off the April low is broken. Monday's low tested horizontal support near 92 so this is likely a key area to watch in any retracement. Resistance is likely near 95 which was the previous high in 2017. A move above 95 would indicate a much more durable rally was taking place and that the Dollar could return to its previous highs near 100. The Euro is getting closer to a test of its previous low of 1.16 as it closed below its 50 WMA last week. Euro bulls may take solace that it is a higher low and thus the path to previous highs is still viable. However, the chart is looking increasingly bearish and one can envisage a head and shoulders topping pattern in the making with a neckline at 1.16. This pattern would have a downside target of 1.06.



This week could bring some retracement for the Dollar. While I am still very bullish on the Dollar over the next few months, I would expect some period of consolidation. I had thought we might have seen some pull back last week and this week also could see some down days. Monday is one such possible down day as Mars aligns with the Sun. However, I would also expect some upside on Tuesday or Wednesday as Mercury aligns with Jupiter. Overall, I would retain a bullish bias. Next week (May 28-June 1) could see another day or two of pullback early in the week but I would think the bulls will remain in control and produce higher highs. Generally speaking, I think most dips will continue to be bought through June and July. Deeper retracements are likely but may not last too long. It seems quite likely the USD will reach 95 in the next couple of weeks. Higher highs seem very likely in June and July and even 100 is looking increasingly likely. A deeper retracement may occur in August and September although it will likely settle at higher low such as 93-95. Q4 looks mixed with a bearish bias but I would not expect a return to the recent trading range of 88-92. 2019 should bring another sizable rally, especially in the first half of the year. It may well retest its 2018 highs. However, the longer term outlook for the Dollar is bearish. We could see consolidation in the latter half of 2019 with growing weakness in 2020 and beyond.



Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is UP (1 week ending May 25)	bullish (confirming)	93-95
Medium term trend is DOWN (1 month ending June 25)	bullish (disconfirming)	95-97
Long term trend is DOWN (1 year ending May 2019)	bullish (disconfirming)	90-97

Crude oil

Crude oil ended higher again last week as geopolitical uncertainty kept the risk premium in place. Gains were more moderate, however, as WTI gained less than 1% to \$71.37 while Brent finished at \$78.51. This bullish outcome was not wholly unexpected although I thought we might have seen more late week selling. Friday was lower but only fractionally so. The rally may well be entering a new phase as bulls are getting more cautious at these lofty levels. Some consolidation looks imminent although bulls will be hoping for only a modest bull flag-type pullback, perhaps down to the 20 DMA at \$69.61 for WTI. In the event of a deeper retracement, the 50 DMA at \$66 would likely act as a magnet. Some bulls are no doubt counting on for more upside, perhaps to the ascending triangle (Jan-Apr) upside target of \$74. We're almost there but if we use daily closing prices then the target is \$71 and that goal has been reached. This is one reason why gains may be harder to come by now. The weekly Brent chart posted a candle with a long upper shadow last week indicating a rising risk of a pullback this week. Although the larger sized body of the candle disqualified from a bearish shooting star or gravestone doji, previous candles with long upper shadows have often coincided with pullbacks. If we do see a pullback here, then \$72-74 would likely provide initial support. However, the 20 WMA at \$69.55 has been tested repeatedly in recent months so a pullback could well eventually test that level. Only a weekly close substantially below this line (e.g. \$65) would raise questions about the recent rally. The longer term up trend will remain in place as long as price remains above the rising trend line at \$55. This is in the area of the 200 WMA.



This week could see more gains in the first half of the week. Monday's Mercury-Jupiter-Neptune alignment looks quite bullish and should coincide with at least one solid up day. It is possible we could see crude prices rise for more than one day, however. I would expect a retest of last week's intraday high at least with higher highs possible. The late week should be more bearish although I am uncertain where the week will finish. I think a significant pullback will begin soon although it may require another week or two. If we see sizable early week gains, then perhaps another positive week is possible. However, if the early gains are only incremental, then a negative week becomes more likely.



Next week (May 28-June 1) looks more bearish as Mars conjoins the South Lunar Node. The late week Venus-Jupiter alignment suggests that some gains will still be possible and could mitigate any negativity. For this reason, the week as a whole should not be seen as strongly bearish. The following week of June 4th looks more negative in this respect and could indicate a more bearish pattern as Mars aligns exactly with Saturn and the South Lunar Node. June as a whole leans bearish and could well begin a significant retracement. A test of the 50 DMA is possible in June. Mid-June could see a small rebound as Mercury aligns with Jupiter. However, this seems unlikely to retest the May high. More downside looks likely in late June and July, possibly to lower lows. A stronger rebound is likely to begin sometime in July and then gain momentum in August. I am expecting the Dollar to pull back in late summer which should give crude oil an additional boost. At this point, I am uncertain if we could see higher highs by September. Another pullback is likely in October with Q4 as whole looking somewhat bearish. Another up trend should take hold in 2019 which has a good chance of achieving higher highs.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending 25 May)	bearish (disconfirming)	\$70-74
Medium term trend is UP (1 month ending 25 June)	bearish (disconfirming)	\$60-68
Long term trend is UP (1 year ending May 2019)	bullish (confirming)	\$60-75

Gold

Gold finally broke support last week on the rising Dollar and reduced geopolitical tensions. Gold settled at 1291 on Friday after breaking below its 200 DMA on Tuesday. This bearish outcome was in line with expectations as I thought the Sun-Saturn and Mercury-Saturn patterns would likely have the final say. The technicals on gold look weak here as a death cross of the 50 and 200 DMA is fast approaching. A 20/200 cross may only be days away, however, and speaks to the vulnerable position of gold longs. Of course, the higher low relative to December's 1240 print is some reason to stay on the long side. And the narrow range trade in the late week may have stabilized the market somewhat. A retest of support/resistance at 1300-1310 may be next but it will be difficult for bulls to undo the damage from last week's break down. The downside target of the previous range still points to 1260. Bulls may be seeking to regroup around 1260 or perhaps slightly above. I would note the rising trend line from the July and December 2017 lows is near 1270. A retest of this line would keep the larger ascending triangle intact and keep bullish hopes alive. A break below this line would be more bearish and could jeopardize the longer term bullish outlook. However, I suspect the 1230 area could be more significant in that respect as this is long term trend line support that dates back to the 2015 low of 1040. Therefore, a close below 1230 would negate the long term ascending triangle/inverted head and shoulders target of 1700. In other words, cautious bulls may look at this 1230-1270 area as a possible entry point for new positions.



This week looks bearish again. We could see some upside in the first half of the week on the Mercury-Jupiter alignment, however. Monday would seem to be the most likely day for a gain although the aspect will remain in place for Tuesday and Wednesday. But the Sun-Mars alignment in the second half of the week looks more bearish and could see downward pressure return. Given these less than positive influences, I would think the chances of a move back above the 200 DMA are not very good this week. A retest of resistance at 1300-1310 does look possible and even likely, but I would think the late week could return gold to current levels and perhaps lower.

Next week (May 28-June 1) is likely to see more downside. The tightening of the Mars-Lunar Node alignment does not seem compatible with any kind of significant rebound. If we do see some upside, it seems unlikely to hold. One day of particular note may be June 1st which will feature a very bullish Venus-Jupiter-Neptune alignment at the same time as a very bearish Mars-Saturn-Mercury-Lunar Node alignment. I would think the bears will have the last word but we should be open to a big move in the other direction. Gold should bounce in the week of June 4th and this rebound could extend into the following week. But the Sun-Saturn opposition in late June looks likely to usher in another move lower. I am expecting this move to last into July and it could well

produce lower lows (1230? 1175?). Gold should begin to rebound by late July and it is likely to move higher through August and into September. It is difficult to forecast levels but I would be skeptical about a move above key resistance at 1360. Q4 is looking choppy with gains possible in October as Jupiter enters Scorpio. However a sharp decline is likely in December. Prices are likely to trend higher in 2019, especially in the second half. 2020 looks more bullish as the Dollar is likely to weaken.

Technical Trends	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending May 25)	bearish (confirming)	1270-1310
Medium term trend is DOWN (1 month ending June 25)	bearish (confirming)	1240-1300
Long term trend is DOWN (1 year ending May 2019)	bullish (disconfirming)	1250-1450

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