

Summary for week of 11 June 2018

- Stocks bullish early in the week but prone to declines in second half
- Dollar mixed with further tests of support likely
- Crude oil mixed with early gains possible
- Gold likely trending lower, especially after FOMC

US Stocks

Stocks extended their rebound last week as the uncertainty over Italy passed and US-China trade jitters eased. The Dow gained almost 3% on the week to 25,316 while the S&P 500 finished at 2779. This bullish outcome was in keeping with expectations as I thought the Sun-Mercury alignment with Jupiter would likely translate into more upside. Thursday was mixed as expected, but Friday's potential negativity did not materialize as the SPX ended the week at its highs.

The rebound appears to be in full swing now as bulls have the ball once again. Despite the considerable "wall of worry", most market observers are again taking about new all time highs in the coming months. Traders have largely discounted Trump's bluster about trade as a negotiating tactic and do not expect it to significantly damage global growth. If the consensus is wrong, however, it may still take months before the market realizes that trade and growth have been affected. As always, financial markets only see what is directly in front of them and cannot take into account problems on the longer term horizon. While Trump's chaotic approach to governing is gradually being discounted, it remains to be seen how the market could react to any negative economic data. As the Fed is slowly reducing its balance sheet of QE assets, there is a reduction in liquidity which market players will have to absorb. The FOMC is due to meet again this Wednesday and another interest rate hike is widely anticipated. Markets will be attuned to the forward guidance in the event of any new hawkish tone. Any hike should be seen as neutral in its effects on stocks, although the language around inflation tolerance will be watched



carefully. Previously, the Fed had dovishly suggested a willingness to allow inflation to temporarily rise above its target of 2%.

The astrological outlook still leans bullish for June, albeit with growing caveats. I am still somewhat bullish given the ongoing Jupiter-Neptune alignment. It has passed its exact alignment but it is still keeping sentiment afloat. One possible reason may be because Jupiter is slowing down ahead of its direct station in July. This will keep the alignment with Neptune largely intact and it will eventually extend it to include Pluto. This is one key reason why I do not expect any major sell-offs to take place this summer. To be sure, the Saturn-Lunar Node alignment looks bearish and will eventually manifest as one or two pullbacks. However, I think this may take several more weeks, perhaps well into August before we get much downside. So my general outlook is for a pullback to be relatively modest so it creates higher lows (late June/early July) and then allow for higher highs above 2800 in July and August. A retest of the ATH of 2872 is definitely possible later this summer.

The technical outlook looks bullish for now. With a series of higher lows in the past four months in place, the chart overall looks bullish. The bullish breakout from the triangle and falling trend line resistance took another step forward last week. The next target is likely the March 13th high of 2800. After that, it would be a retest of the ATH at 2872. One potentially important intermediate level may be 2835 which represents the measured move upside target based on the previous rally of May 3 to 13. This push up was 150 points so if we take that and add it to the May 29th low of 2676, we get 2835. So that is another possible reversal level before the next inevitable period of consolidation takes place.

We saw 2760 tested this week on Thursday and Friday so that is acting as immediate support. If that breaks, then a move back to test the previous resistance level at 2740 looks likely. This is just a little above the 20 DMA at 2731 so that could increase its magnetic effects in the days to come. The 20 DMA (i.e. middle Bollinger band) is a common support level when rallies retrace. The weekly Dow chart printed a bullish solid white candle last week that was above the 20 WMA. This line was a fairly important level of resistance so it tilts the scales towards the bulls a bit more here. Stochastics (67) is not yet overbought so there is a plausible case for more upside over the next several weeks. Of course, this does not help us predict when it may become overbought above the 80 line – it could happen next week or if we get a pullback soon, then it may be postponed until July. But overall, the chart looks bullish. The Russell 2000 is one key reason why the market is in rally mode. New all-time highs are forecasting a possible upside target of 1750 in the coming months according to the ascending triangle. Pullbacks are inevitable, but the breakout level of 1610 is likely to hold as support for some time to come. Meanwhile, the NASDAQ is currently sitting at resistance at its all-time highs. To be sure, it could slip back and consolidate further before bulls try for another higher high. But the chart is clearly bullish so dips and pullbacks will likely be bought fairly quickly.



This week is less bullish than last week. Beyond that, it is hard to say where stocks are likely to finish. I am neutral here but I would think the upside is limited. The early week looks bullish as Mercury aligns with Venus on Monday and perhaps into Tuesday. Trump meets North Korean leader Kim on Tuesday in Singapore so there is a possibility of a relief rally if all goes well. Alternatively, even if the summit goes well, we could get a “sell the news” event. It’s hard to say how the market will react. Monday looks more bullish than Tuesday, however. Tuesday afternoon’s Moon-Mars-Node alignment could be bearish actually. If Monday has been higher and reached the resistance level of 2800, for example, then that would increase the odds of a pullback on Tuesday. Wednesday is FOMC day, and it just so happens to fall on a New Moon. New Moons are often bullish although they can mark approximate reversal dates for price trends. If Wednesday is neutral to bullish, then Thursday leans bearish as Mercury aligns with the Moon and Saturn. Friday could be a bit bullish, especially if Thursday has been negative. If by chance Thursday has been positive, then Friday may be weaker. So one possible scenario this week may be a push up to 2800 or more on Monday followed by consolidation down to 2770-80 on Tuesday and Wednesday. Thursday’s decline looks likely but it is hard to guess how large it will be. Maybe it will be down to 2740-2760. Friday could see another bump higher so the SPX finishes somewhere between 2770-2790.



Next week (June 18-22) looks mixed with greater volatility perhaps. The Mercury-Jupiter-Neptune alignment is likely to coincide with one or two up days, mostly likely between Monday and Wednesday. Higher highs are therefore possible, including a possible run-up to that measured move upside target of 2835. The late week Venus-Mars aspect looks bearish, however, and may manifest as early as Wednesday afternoon or as late as Thursday. Friday leans bullish. The following week (June 25-29) looks more bearish as Mars turns retrograde on Tuesday the 26th and the Sun opposes Saturn. This late June/early July bearishness should be enough to at least produce a retest of 2740 and the 20 DMA, depending on how high we go beforehand (2810?). After a possible bottom in early July, I would think we see the rally resume in July and extend into August. Most of the gains look like they will occur in July actually. We could see a retest of 2872 or go higher. I’m not sure. But September does look bearish in any event and could bring a 10% retracement and possibly another test of the 200 DMA. A bounce is likely in October and early November but there is a possibility this may be a lower high. Another correction is likely to begin in mid to late November and continue into December. Q1 2019 looks mixed at best with more downside likely in Q2. I would think we could see lower lows by Q2 2019, perhaps as low as 2200 on the SPX. As always, that is very much a guess. The second half of 2019 looks more positive.



Technical Trends

Short term trend is UP

Astrological Indicators

neutral (disconfirming)

Target Range

SPX 2760-2790

(1 week ending June 15)

Medium term trend is UP
(1 month ending July 15)

bearish (disconfirming)

SPX 2650-2750

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

bearish (disconfirming)

SPX 2300-2600

Indian Stocks

Despite the RBI rate hike, stocks edged higher last week on positive global cues and reduced trade tensions. The Sensex gained more than 200 points to 35,443 while the Nifty finished the week at 10,767. This bullish outcome was in keeping with expectations as I thought the midweek Sun-Mercury-Jupiter alignment would likely boost sentiment. As expected, Monday was lower on the Mars-Ketu pairing but Tuesday was also surprisingly negative before the Jupiter influence finally asserted itself. The late week was unexpectedly positive.

The economic outlook is still favourable for stocks. Global growth is steady and is being led by the US and China. However, domestic concerns about fiscal discipline and rising oil prices could undermine the outlook for equities going forward. While the RBI maintained its neutral stance, it is clear that inflation pressures will continue and that could force bond yields higher. They already passed the 8% threshold last week as foreign investors are now net sellers. Buyers are seeking a greater reward for holding Indian debt given the fiscal headwinds facing the current government. The US Federal Reserve will issue its latest statement on Wednesday this week and is widely expected to hike rates. Like the RBI, the Fed has raised rates while maintaining dovish language in its long term outlook. If possible, the Fed would prefer to postpone a return to 3%+ until well into 2019. Obviously, any hints of a more hawkish stance this week would be bad news for global equities as liquidity and credit would dry up further.

The astrological outlook looks mixed for the month of June. Bullish Jupiter remains in alignment with Neptune for the rest of the month, although its influence may be diminishing as the alignment is gradually moving out of



sync. At the same time, bearish Saturn is retrograde and moving backwards in alignment with unpredictable Rahu. This alignment will remain in effect for the next three or four months and will likely limit any potential rallies that may occur. As an added bearish factor, Mars is conjunct Ketu (i.e. opposite Rahu) as it approaches its retrograde station on June 26th. My general view is that the bears are owed a pullback at some point in June but I am unsure if it will begin this week upcoming or next. But it also means that the window for retesting the previous high of 11,171 is shrinking, at least in the near term. Bulls will likely get another chance for the ATH in July and, more likely, in August.

The technical outlook is still generally bullish. The Nifty closed the week above all three main moving averages although it is sitting at resistance at 10,800. Bulls may choose to focus on a possible inverted head and shoulders pattern which has an upside target of 11,200. If and when the Nifty moves above 10,800, this will become a more likely outcome. However, bears may focus on Thursday's long upper shadow which essentially rejected horizontal resistance. Nonetheless, I would still think the bulls have a stronger case since last week printed a higher low at the 50 DMA. This suggested that buyers were becoming more eager to move in. Even if there is more difficulty crossing above 10,800, bulls will try to form another higher low, perhaps near 10,652 and the 20 DMA.

Stochastics are getting overbought on the daily chart but this should not preclude more upside in the short term. MACD is now entering a new bullish crossover so there is a plausible set up for another leg higher. I would think that this bullish technical set up would be undermined if last week's low was taken out. A move back to 10,500 would suddenly make this more neutral. A double bottom pattern at 10,400 is one possible resolution of another down move in the coming days, although that would also be bullish eventually. The weekly Sensex chart still argues for more upside eventually. Last week's candle was the third consecutive one to have a long lower shadow – a bullish sign that buyers have the advantage. Stochastics is getting overbought but it is once again in a bullish crossover. The Sensex could easily move higher. The chart is long term bullish so even if there is a test of the 200 WMA at 28,839, it would still be a buying opportunity under certain conditions. One possible difficulty would be if the Sensex failed to make a higher high and then suffered a correction down to 29,000. The slope of the 200 WMA would likely still be upwards so the bull market would be intact, but there would be greater uncertainty about the prospects for a rebound. However, if there was a higher high made first and then it retraced back down to 29,000, then that would be an easier bullish entry for long positions. Meanwhile, HDFC Bank (HDB) suffered a predictable consolidation after its preceding surge. The prevalence of long lower shadow candles last week suggests that support may at hand here near the February high (\$102 USD). A close below Friday's low would be more bearish, however. Infosys (INFY) pushed up to resistance and its previous highs. The chart is clearly bullish after this recent period of consolidation and the cup and handle pattern is pointing to new highs in the near future.



This week looks somewhat mixed. Wednesday's New Moon is a possible indicator of a reversal lower in the near term. However, this is only a very approximate influence. More specifically, the early week Mercury-Venus alignment should boost sentiment on Monday and into Tuesday. Monday looks more bullish than Tuesday, however. Wednesday leans a bit bullish. Thursday and Friday may be more prone to declines, however, as Mercury opposes Saturn on both days. Friday could turn positive as the Moon aligns with Jupiter at midday. Thursday is therefore the higher risk day. With gains likely in the early week, there is a reasonable chance that the Nifty could push above resistance at 10,800. That would be an important technical development. Even if Tuesday is negative, it may simply translate into a retest of support at 10,800. Thursday's presumptive down day may be testing a higher level of support (10,700?). I would think the chances are good for a close above 10,800 but it is uncertain if it will hold by Friday's close.



Next week (June 18-22) is also mixed but with growing downside risk. The early week Mercury-Jupiter alignment should produce a solid up day on Monday or Tuesday. However, after that Venus will oppose Mars on Wednesday and Thursday. Friday lacks clear indications. I would not rule out a positive week here but the signals do not look promising. The following week (June 25-29) looks more bearish still as Mars turns retrograde on the 26th just as the Sun opposes Saturn. We could see the Nifty fall by 200 points in this week. This could bring a retest of lower levels of support. An interim low is possible sometime in early July although I am uncertain about level, probably somewhere between 10,100 and 10,500. The rest of July looks choppy with the market looking more bullish in August. Higher highs are possible. September looks like a pullback to higher lows and then more gains are likely in October and into early November. Again, we should allow for the possibility of higher highs in November. However, late November and December look bearish and we should see a correction. On the whole, Q1 2019 looks bearish with a significant low early in Q2 (9000? 9700?). The rest of 2019 looks more bullish and we should see Indian equities resume their upward climb.



Technical Trends

Short term trend is UP
(1 week ending 15 June)

Medium term trend is UP

Astrological Indicators

bullish (confirming)

bearish (disconfirming)

Target Range

10,600-10,900

10,000-10,400

(1 month ending 15 July)

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

bullish (confirming)

9500-10,500

Currencies

The Dollar pulled back last week as US economic data came in a bit weaker than expected and the Italy situation stabilized. The USDX fell by half a cent to 93.54 while the Euro rallied to 1.176. This bearish outcome was surprising as I thought the midweek offered the promise of some upside. With the early week being negative as expected, there was little time left for Dollar bulls to regain control. Friday's session was only weakly bullish as the long upper shadow reflected a reluctant to hold long positions over the weekend. This pullback is not unexpected from a technical perspective as the rally has been strong and uninterrupted. Last week's retest of the 20 DMA is a plausible reversal level for the rally to continue. Interestingly, Thursday's low closely matched the previous initial rally thrust high from May 9 and offers more evidence that this current level of support at 93-93.5 may hold. Conversely, a close below 93 would be bearish and could indicate that the Dollar will revisit its previous interim low and the convergence of the 50 and 200 DMA. The 92 level may well be a safer bull entry point for new long positions although there is no guarantee the retracement will go that far. Of course, we are now on the verge of a golden cross of the 50 and 200 DMA so that could give bulls more conviction going forward. The weekly Euro chart suggests we could see a bounce up to 1.20 in the near term. This would correlate with an approximate fall in the USDX down to the 200 DMA at 92. Failure to move above 1.20 would be bearish as it would set up the right shoulder in a possible head and shoulders top pattern. This pattern would have a downside target of 1.07.

This week could see the Dollar attempt another rally. The early week looks fairly bullish in this respect as Mercury aligns with Venus. Monday looks more bullish than Tuesday, however. It is possible we may only see one up day from that alignment. Wednesday is FOMC day and the planets suggest the Dollar could decline. This is not a clear indication, however, but I would have a bearish bias on Wednesday in any event. The end of the week looks mixed with a bearish bias. Again, the indications here are somewhat unclear. Overall, I think the Dollar is unlikely to resume its rally this week. Further consolidation is therefore possible. Next week (June 18-22) looks more



positive, especially in the first half as Mercury aligns with Jupiter. I would expect the Dollar to form a higher low somewhere between June 15 and June 27 or so. The Sun-Saturn alignment on June 27 is one possible turning point for this current retracement. I expect the Dollar will have another leg higher in July which should reach higher highs. The USDIX could reach the 98-100 area by August. One possible calculation to this end is assuming a June retracement to 92 and the 200 DMA and then a measured move to 98 using the initial rally from 89 to 95 as a frame of reference. A larger retracement is likely in September and October although it should put in a higher low and thus maintain the bullish technical set up. More upside is likely starting in November. Higher highs are looking likely in Q1 2019. However, the second half of 2019 may be more somewhat bearish.

Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending June 15)	bearish (confirming)	92-94
Medium term trend is UP (1 month ending July 15)	bullish (confirming)	93-95
Long term trend is DOWN (1 year ending June 2019)	bullish (disconfirming)	94-100

Crude oil

Crude oil was mixed last week as rising supply data largely offset any benefit from weakness in the Dollar. WTI was unchanged on the week closing at \$65.74 while Brent edged lower to \$76.46. This neutral outcome was largely in keeping with expectations. I thought that Monday would be lower but that we would see a midweek bounce. While we did get some buying on Tuesday and Thursday, the gains were modest. As a result, there was no significant retest of the 50 DMA for WTI at \$68. Last week saw the break below rising trend line support from the February low. The late week bounce merely back tested that trend line support at \$66.50 which is now acting as resistance. If there is a move above this line, then we should see \$68 as the next level of resistance. If there is a failure to move above either of these resistance levels in the coming days, then the prospect of another



leg lower will grow. There may be some horizontal support at \$62 but the 200 DMA at \$60 may well act as a magnet in the weeks to come. Brent has been more positive, however, as the weekly chart shows it has not yet tested support of its rising trend line from the 2017 low. That support level is around \$72. This trend line has had several tests thus far and should be a fairly reliable source of support. Also it matches well with the previous January high of \$70-72 so it should be a good entry point for cautious bulls. However, a weekly close below that trend line would be bearish and would signal an end to the rally and the start of a new phase of consolidation.

This week also looks mixed with a bearish bias. The early week could see some upside but the indications are not strong. Monday looks more bullish in this respect. Tuesday looks less bullish as the Moon aligns with Mars and the lunar nodes. I would not rule out a push up to \$68 for WTI here although I suspect the gains won't last. Wednesday is hard to call but the late week looks more bearish as Mercury opposes Saturn. I think the chances are good for a retest of last week's low at least and lower lows seem quite possible.

Next week (June 18-22) leans bearish again as Venus opposes Mars at midweek. Some upside is likely early in the week on the Mercury-Jupiter aspect, however, but there could be more testing of support here. The following week (June 25-29) could see crude bottom out early in the week on the Sun-Saturn opposition on the 27th. Mars turns retrograde the same day so that tilts the playing field decisively towards the bears. The late week looks more positive, however, and we could see a bounce heading into early July. Another retracement is likely in mid and late July although I am uncertain if this will form a higher or lower low. Crude should move higher again starting in August and the rally may continue into September. This looks unlikely to create another higher high although the rebound may be fairly strong. Q4 looks more bearish than bullish so perhaps that will be a technical reaction to a lower high in September. Crude should rally again in the first half of 2019 with higher highs possible in Q2. The second half of 2019 looks more bearish, however.



Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is DOWN (1 week ending 15 June)	bearish (confirming)	\$63-67
Medium term trend is UP (1 month ending 15 July)	bullish (confirming)	\$66-72
Long term trend is UP (1 year ending June 2019)	bullish (confirming)	\$60-75

Gold

Gold edged higher last week as traders took a wait-and-see approach ahead of this week's FOMC decision. Gold traded in a very narrow range between 1293 and 1307 before settling at 1302. The narrowing of the trading range was a possible indication that a breakout in either direction is coming soon. Gold is trading below its 200 DMA, however, so that gives the bears the edge in terms of possible direction to any breakout of the current range. And yet bulls may be seeing a falling wedge forming since April which may hold the promise of a breakout higher. Even if we do get a pop higher from that falling wedge, the overall chart seems more bearish. Bulls would need to see a close above the early May high of 1320, which is also the rough level of the 50 DMA. For now, price is sitting on the rising trend line dating back to 2017. A break below it would be a fairly serious technical development. A close below 1290 would very quickly lead to more downside, perhaps to the measured move downside target of 1260. The longer term rising trend line from late 2015 is now around 1240. This is very close to the long term 200 WMA (1235). This would presumably be a safer place for gold bulls to enter new long positions. As long as that level holds in any future sell-off, then the long term bullish ascending triangle would be intact. This is a well-known and obvious pattern has an upside target of 1700. No doubt it is the reason why gold bulls are hanging on here so tenaciously. A weekly close below 1240 would be bearish as it would call into question the bullish outlook. In that event, gold would be more likely to retest previous lows such as 1125 or even 1040.

This week looks more bearish. The early week could see some upside, however, as Mercury aligns with Venus on Monday and Tuesday. Tuesday looks more bullish than Monday, however. The late week seems may have a higher risk for declines. Thursday's Moon-Mercury-Saturn alignment looks negative and after Wednesday's FOMC decision there does seem to be a plausible set up for some selling. I would not be surprised to see gold test new lows below 1290 late this week. Friday looks somewhat more bullish as the Moon aligns with Jupiter and Neptune. If Thursday has been very bearish as I expect, then this suggests a small technical bounce.

Next week (June 18-22) looks mixed with a bearish bias. The early week Mercury-Jupiter looks bullish and should deliver at least one positive day on Monday or Tuesday. However, the midweek Venus-Mars alignment looks bearish and could negate any preceding gains. I am generally bearish on gold here in June although I am uncertain when we are most likely to see the low. Perhaps the following week (June 25-29) is a better candidate for the low as the Sun opposes Saturn on the 27th. This could well coincide with a quick move down to 1260, although it could also fall to 1240. I'm not sure. A rebound is likely to start very soon after the 27th as the Sun aligns with Jupiter and Neptune on July 2-5. Gold should rebound into August and perhaps even return to its



previous trading range of 1310-1360. September may see a pullback but another up move is likely in October and into early November. Higher highs are possible by November. A larger correction looks likely to begin in late November or early December. This could last well into Q1 2019. I do not expect a huge decline but there is a risk for retesting of any June-July lows (1240?). A significant bottom is possible in Q2 after which gold should become more bullish for most of the rest of 2019.

Technical Trends	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending June 15)	bearish (confirming)	1270-1310
Medium term trend is DOWN (1 month ending July 15)	bullish (disconfirming)	1280-1320
Long term trend is DOWN (1 year ending June 2019)	bullish (disconfirming)	1250-1450

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