

Summary for week of 18 June 2018

- Stocks could rise in first half but bearish in second half
- Dollar bullish in first half but prone to profit taking later
- Crude oil facing more downside pressure, especially early in the week
- Gold could bounce early but sellers likely to return later

US Stocks

Stocks edged lower last week as the US and China traded initial volleys in the incipient tariff war. The Dow lost 1% for the week to 25,090 while the less exposed S&P 500 ended the week unchanged at 2779. This slightly bearish outcome was in keeping with expectations although I thought we might have seen greater movement on the downside. We did see some early week attempts at 2800 but it never quite got there. The late week then showed more weakness although Friday saw a healthy intraday rebound off the lows.

Despite an eventful week, stocks remain basically range bound here just below the March 13 highs. I had thought we might see more downside but bulls have proven to be very resilient. Clearly, the rebound off the April-May lows is still the defining quality of the current market as investors seem determined to retest the ATH at 2872 and then go higher. Trump's trade shenanigans notwithstanding, markets have apparently discounted the Fed's quantitative tightening and rate normalization. The FOMC meeting brought another rate hike with the promise of two more hikes in 2018. This faster path towards rate normalization (3%) has been discounted as long as growth continues to keep pace. With much of the strength in retail spending based on cheap credit, it's unclear how long this giant bubble can last if interest rates continue to climb. Perhaps only another year or two.



The astrological outlook looks mixed in the near term. I am still expecting further downside over the next two weeks or so as we approach the Full Moon of June 27th. As it happens, this will coincide with a Sun-Saturn opposition and the retrograde station of Mars. All three configurations are bearish in their influence. That said, I'm not sure we will see a significant pullback into that date. There are some bullish short term aspects upcoming this week which could postpone any additional declines. But over the next two months, the influences could be more bullish. The Jupiter-Neptune alignment is ongoing and will eventually expand to include Pluto. This should generate some further gains in the summer. To be sure, the Saturn-Lunar Node alignment is a negative and I still think it is more likely to manifest later in the summer, especially in September. Therefore, the more likely scenario is for only a small pullback amid continued upside.

The technical picture favors the bulls. Last week's pullback was quite modest. Bulls can credibly state that it was merely a brief consolidation below resistance at 2800 (the March 13 high) before the indexes climb higher. This bullish view was further bolstered by the fairly strong rebound on Friday after a brief sell-off in the morning following the US tariffs on China. Friday's long lower shadow candle suggested buyers were still keen to go long and that it may be only a matter of time before the SPX closes above 2800.

Bears would no doubt insist that the pullback is just getting started. We can see a broadening top pattern forming on the SPX chart while shows a pattern of slightly higher highs last week and significantly lower lows. If price continues between these two lines, then we could well have marginally higher highs above 2800 this week or next but then be subject to sharp sell-offs closer to 2740-2750. There is some case to be made for significant support at 2740 which had been the top of a previous trading range. The weekly Dow chart is somewhat weaker although it remains above its 50 WMA. Stochastics are still moving higher in a bullish crossover and are not yet overbought. That is more evidence that we could see higher highs over the summer perhaps. However, longer term the 50 WMA is starting to roll over and may eventually cross below the long term 200 WMA. That would be a bearish technical development. In the near term, however, the other major indexes are still very bullish. The Russell 2000 put in another positive week and has an upside target of 1780 or so. Pullbacks will likely be bought until then. The NASDAQ is similarly moving to higher highs here. Even if we get a pullback in late June or early July as I expect, it may only fall to the previous highs around 7500. The medium and long term technicals clearly favor the bulls and higher highs in the months ahead. Even if the yield curve is flattening, we may be another 12 months or more from a recession. The 10-year slipped back below 3% last week and for now remains in that sweet spot between 2.7% and 3.1%.

This week looks mixed. On the plus side, Mercury will align with Jupiter and Neptune in the early part of the week so that should translate into some gains. Actually, the alignment will exist in some form throughout the week so I would not be surprised by gains on any day. However, Monday and Tuesday look more bullish than the other days so they would be my preferred bullish days this week. On the negative side, Venus opposes Mars this



week also, especially in the second half of week. My general expectation is that if the first half of the week sees upside then the second half is more prone to selling. One complicating factor is that Venus will also align with bearish Saturn as early as Tuesday so that could mean a choppy week in general. So it is possible we could get an up day on Monday followed by a down day on Tuesday given this interplay of offsetting influences. However, I would lean towards a retest of last week's high near 2800 before we get another significant move lower. We could even get a marginally higher high, in keeping with the logic of the broadening top. But Wednesday's Moon-Saturn square does look bearish in any event so if resistance has been tested earlier in the week (2800?), then that would argue for a top and a possible pullback. The late week could see even more declines as Thursday looks bearish. Friday also leans bearish although the indications are less clear. It is hard to say where the week will finish. It could end up fairly close to current levels although I would retain a bearish bias given the next week.



Next week (June 25-29) looks more bearish. The early week in particular looks negative as the Sun opposes Saturn on Tuesday and Wednesday, just as we have a Full Moon. Mars turns retrograde also on Tuesday so there is no shortage of dubious alignments in play. It is possible we could see the SPX fall to 2740 here, and perhaps even below that key support level. The late week looks less dramatic and may see a bounce if we have sold off beforehand. The following week (July 2-6) will be holiday-shortened could see a rebound. The early week could see lower lows as Mercury aligns with Saturn and the Lunar Nodes, but the Sun aligns with Jupiter and Neptune in the late week and that should translate into more upside. Overall, the month of July has some upside potential. Jupiter turns direct on July 10th as it begins to approach Neptune once again. This should coincide with more gains. We could retest the 2872 assuming that any preceding pullback is not that deep. Late July will feature a significant pullback around the eclipse on July 27th. Some additional upside is likely in early August but I suspect the market will become more volatile as we approach September. A significant decline is most likely to occur in early to mid-September. I am agnostic on levels at this point. After a bounce in October and early November, another pullback/correction will take place in late November and December. Lower lows are very possible here. Q1 2019 looks fairly bullish although a significant correction could take place in Q2. The second half of 2019 looks more bullish.



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Technical Trends

Astrological Indicators

Target Range

Short term trend is UP
(1 week ending June 22)

bearish (disconfirming)

SPX 2760-2800

Medium term trend is UP
(1 month ending July 22)

bullish (confirming)

SPX 2740-2800

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

bearish (disconfirming)

SPX 2300-2600

Indian Stocks

Stocks enjoyed modest gains last week as global cues remained mostly positive in the wake of a sharp decline in the Rupee. The Sensex added almost 200 points to 35,622 while the Nifty finished the week at 10,817. This bullish outcome was in keeping with expectations as I thought the early week Mercury-Venus alignment would lift sentiment. Indeed, stocks rallied into Wednesday's New Moon and then reversed with the late week showing some bearishness.

It was a mixed picture last week as the Fed hiked rates and promised two further increases in 2018. This tightening cycle has wreaked havoc in many emerging markets although India has proven more resilient than most. Stocks were nonetheless weaker on the heels of the Fed decision although sentiment did receive a boost from a relatively dovish statement on Thursday from the ECB. Mario Draghi indicated that while QE will be ending, it will be ending only gradually, and so that any loss of liquidity would not harm financial markets. Central banks know they have a difficult task of ending their unprecedented loose money policies as they attempt to normalize interest rates. The risk is that the global economy may have become so addicted to cheap credit that some significant decline in economic activity may follow the next tightening cycle.

The astrological outlook looks increasingly bearish in the near term. The Jupiter-Neptune alignment has helped to lift sentiment in May and here in early June. However, we are entering a period of greater uncertainty as Mars is about to turn retrograde on June 27th. While I do not expect the next pullback to last too long, it may be a time for the rally to take a pause. Buyers may return in force in early or mid-July and August also leans bullish as Jupiter aligns with Neptune and Pluto. I would expect any dips to be bought so we could well see higher highs during this July-August period. It is possible we could see the high for the year in August. September looks bearish but while October could see a rebound, I would not count on a higher high. November and December look decidedly more bearish.



The technical outlook is fairly bullish. Last week matched the previous May high, even if the Nifty ultimately rejected that level later in the week. For now support is at 10,750 with resistance at 10,900. If 10,750 does not hold as support, then the convergence of the 20 and 50 DMA at 10,650 could well draw in new buyers. Since the March low, the market has been in a strong up trend. The measured move target from this trend is 11,300. I am skeptical this level can be achieved in the coming days but I do think it is doable over the next month or two.

Bears will only gain strength if there is a close below 10,650. Besides the moving average convergence, this level is also at rising trend line support off the March low. A close below there would violate the up trend and could begin a sideways consolidation. The rally would still be intact although it may take much longer to make higher highs. The possibility of a pullback in the coming days is also hinted at by the overbought stochastics indicator which now may be rolling over. The weekly Sensex chart also looks a bit tired as last week's candle was a hammer with a long upper shadow. These are often associated with reversals after up trends. The chance for some kind pullback is increased due to the

overbought stochastics indicator. To be sure, it could also go higher but overall there are a growing number of bearish factors in these charts. Nonetheless, these factors are pointing to just a temporary pullback as the chart is still very bullish over the longer term. Meanwhile, Infosys (INFY) pushed higher last week on the back of the falling currency. This is a bullish chart that seems certain to test its 2016 all-time high which is now just 2% away. Some consolidation under this level is likely in the coming days and weeks but the chart suggests that a higher low above the April low is likely. The 20 DMA may well prove to be good support in the event of some consolidation. The deteriorating conditions in the financial sector made it a difficult week for banks, however. HDFC Bank (HDB) continued its pullback last week although it may have found some support at the 20 DMA. This level also matches some horizontal support from February and April. Buyers should step in en masse near the heavily congested level of \$100 on the US chart.

This week also looks mixed. Some upside looks very possible early in the week as Mercury aligns with Jupiter and Neptune. Monday is probably a better day than Tuesday in that respect. However, both days look more bullish than bearish from a planetary perspective. We could therefore see two up days to start the week and we could easily retest last week's high. A higher high is also possible. If Monday turns out to be bearish, however, I would still think Tuesday will be positive. In that sense, the bullishness is likely to manifest on at least one of those days. Wednesday



is harder to call so we could have a more neutral or range bound day. The end of the week looks more bearish as Venus opposes Mars. Both Thursday and Friday lean bearish in this respect, although Thursday looks more bearish than Friday. Overall, we could see a repeat of last week with another test of 10,900 early in the week and then profit taking afterwards. I would keep an open mind about where the Nifty may finish. I would lean a bit more bearish here as we head into the latter half of June, however. That said, I would not be surprised if the Nifty actually poked above 10,900 for a day or two and then finished green for the week. But the risk for a pullback does seem to be rising here.

Next week (June 25-29) looks more bearish. The early week could see some gains on the Venus-Jupiter alignment so there is a good chance for a solid up day on either Monday or Tuesday. But Wednesday's Full Moon looks very bearish and the selling could even begin late on Tuesday. The midweek should more than negate any preceding gains. The late week also leans bearish although less so. The following week (July 2-6) looks very bearish to start as Mercury aligns with Saturn and Ketu. However, we should see stocks rebound strongly on Tuesday or Wednesday as the Sun aligns with Jupiter and Neptune. I would expect stocks to climb through most of July, at least up to the Lunar Eclipse on 27th July. The late July period looks very bearish but it may only prove to be a sharp pullback in the midst of a larger up trend. We shall see. August should see another significant leg higher in the rally. Higher highs are possible. Late August and early September should bring another pullback in the rally. But more upside looks likely in October. A significant correction looks likely in November and December. Generally, Q1 2019 leans bearish with a possible low occurring in Q2 (9000? 9700?). Stocks should largely recover after that and the second half of the year should be more bullish.



Technical Trends

Astrological Indicators

Target Range

Short term trend is UP
(1 week ending 22 June)

bearish (disconfirming)

10,600-10,900

Medium term trend is UP
(1 month ending 22 July)

bullish (confirming)

10,300-10,900

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

bullish (confirming)

9500-10,500

Currencies

The Dollar pushed higher last week as the ECB latest statement proved more dovish than expected. The USDIX finished at 94.45 while the Euro fell to 1.162. This bullish outcome was somewhat surprising as I thought we might see more selling later in the week. The Dollar is back up at resistance at 95 and appears to be poised to break out on another leg higher. It seems likely this will happen soon, although the exact timing of it is less clear. I thought we could see a key bottom in the second half of June but I wonder if it has already happened following the June 14 ECB decision. That huge intraday move from a loss to a gain suggested a change in trend which would likely have follow on upside. The intraday low touched 93 which tested a level of resistance from a previous high on May 9. This is a classic test of support/resistance which often predicts more upside. Friday tested the high from May 29 without quite breaking out higher. While we could see further consolidation below this level of 95, it seems likely it will move higher soon. Bulls will not want to see a retracement below 94 and the 20 DMA as this might indicate a protracted consolidation process. The weekly Euro chart is again testing horizontal support at 1.16. A move back up to 1.20 is still possible although a close below 1.16 would jeopardize that right shoulder theory. There is still a lot of resistance at 1.15 which was the top of the previous range so if there is further weakness, it could occur only gradually. But if a breakdown does occur, then a possible target could be the 1.07 area.



This week looks bullish as Mercury aligns with Jupiter and Neptune. The first half of the week looks more bullish in that respect, although I'm uncertain if Monday will be positive. There is a bullish probability there for Monday but I would not be surprised if there was a pullback also. The late week looks less positive although the indications are not clear for a big pullback. Overall, I think the chances are good for a push above 95. Next week (June 25-29) also leans bullish with the first half of the week again looking more positive. July looks bullish so there is a real possibility of pushing to 100. August may also be bullish although I think most of the upside will occur in July. September and October should bring a significant retracement although it is unlikely to interrupt the larger rally as I am expecting a higher low. Another up trend is likely in November and December. The Dollar should remain fairly bullish in the first half of 2019 although it may be choppy. Another down trend may dominate in the second half of 2019.



Technical Trends (Dollar)

Astrological Indicators

Target Range

Short term trend is UP (1 week ending June 22)	bullish (confirming)	94-96
Medium term trend is UP (1 month ending July 22)	bullish (confirming)	95-97
Long term trend is DOWN (1 year ending June 2019)	bullish (disconfirming)	94-100

Crude oil

Crude oil moved lower in the week as the Dollar strengthened amid rising tariff fears and the likelihood that OPEC would increase its output this week. WTI fell by more than 1% to \$65.06 while Brent lost 4% on the week to \$73.03. This bearish outcome was in keeping with expectations as I thought the late week Mercury-Saturn alignment would correlate with declines. The early week was more bullish than expected as bulls prevailed until Thursday, although the week was choppy with Brent than with WTI given the OPEC supply concerns. I thought we could test the early June lows and indeed Friday's low matched that level in the \$65 area but Brent



actually broke well below it. WTI rejected resistance at the convergence of the 20 and 50 DMA last week so it is possible this latest move lower could have further to go. The next most obvious level of support would be \$60 for WTI which is trend line support from the June 2017 low. It also is where the 200 DMA is located and hence will likely act as a magnet for buyers and sellers. Another retest of resistance is still possible of course, and the 20 DMA at \$67.59 may be key in that respect. A close above that line would be bullish and could indicate that the pullback is over. The weekly Brent chart printed a very bearish candle last week. While there is some horizontal support at current levels, the rising trend line from the June 2017 low comes in at \$70. We could therefore see \$70 in the coming days. \$70 also enjoys some horizontal support since it was the January high so buyers will likely move in at that level at least for a bounce. The real question is what may happen if \$70 is broken to the downside. The next level of support may be close to \$65 while was a previous resistance level in late 2017.

This week is likely to bring further downside pressure. I would expect lower lows although it is possible Monday could see a small bounce. Nonetheless, there is a likelihood of downside in the first half of the week so any bounces will likely be sold fairly quickly. There is a possibility for a rebound in the second half of the week, however, as Venus aligns with Mars. Thursday looks to be the most bullish day on paper. I would expect another down week here although the prospect of a late week rebound could mitigate the overall downside.

Next week (June 25-29) could see moves in both directions. The Full Moon on Wednesday the 27th is likely bring some downside as the Sun aligns with the Moon and Saturn. It is possible that we could see an interim low put in at some point during the week, possibly on that Wednesday. The late week looks more bullish, however, so if there is some further downside early on, then the late week suggests a rebound. More upside is likely in early July although I am uncertain if it will be strong enough to break the current down trend. We could see crude prices rise until the third week of July. Late July looks bearish, however, but I would not expect a lower low. This possible higher low in late July could set the stage for a stronger rally in August and September. Higher highs are possible although the rally does not look very strong. A retracement should begin in October and extend into November. Another move higher will likely start in December and carry on into Q1 2019. We could see a peak in prices in Q2, possibly in June. After that, a large correction becomes more likely.



Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is DOWN (1 week ending 22 June)	bearish (confirming)	\$60-65
Medium term trend is UP (1 month ending 22 July)	bullish (confirming)	\$64-72
Long term trend is UP (1 year ending June 2019)	bullish (confirming)	\$60-75

Gold

Gold fell sharply last week as the Fed raised rates and the ECB promised to end its QE program. Gold lost almost 2% for the week at 1278. This bearish outcome was in line with expectations as I thought the Mercury-Saturn on Thursday would likely coincide with a sell-off. However, the big decline actually arrived on Friday after a final rally attempt on Thursday. Gold's new lows have now opened the door to more downside, most immediately to the target of 1260. It still could bounce in the short term, however, as it is currently sitting on channel support from the 2017 lows. While the chart is still bullish in the longer term, there is higher risk of more declines in the near term. 1260 would be the next support level, followed by 1240 which is the location of the long term rising trend line. A short term bounce would likely find resistance at 1290-1300 where there is some overhead supply from previous support. While a close above 1300 would be impressive for bulls here, Thursday's eventual rejection of the 200 DMA at 1309 was telling. I would expect trapped bulls to find a way out of their positions if we do get a bounce this week. Of course, if a bounce takes hold then the chart may well surprise us. But the weight of the technical evidence looks increasingly bearish as gold is trading below the convergence of the 20, 50 and 200 DMA. It's definitely not a bullish set up.



This week looks mixed with a bearish bias. The Mercury-Jupiter-Neptune alignment in the first half of the week offers the prospect of some upside, probably on Monday or Tuesday. The midweek Venus-Mars opposition looks more bearish, however, so some downside is likely on Tuesday-Wednesday-Thursday. The late week could see a bounce as Venus moves past Mars and the Moon approaches Jupiter. Friday is perhaps a more bullish day although Thursday could see some buying also. Given the mix of influences this week, I would not be surprised to see a net gain. However, that still seems less likely than more downside, especially given the bearish technicals. One scenario would be a bounce back to 1300-1310 and then more selling which produces a lower low perhaps near 1260-1270.

Next week (June 25-29) looks more bearish. Wednesday's Full Moon aligns closely with Saturn so we should be prepared for a sharp decline on Tuesday or Wednesday. The chances are good for a lower low here. A late week bounce is likely on the Mercury-Uranus alignment. The following week (July 2-6) could start negatively on the Mercury-Saturn alignment but I would expect significant gains later in the week on the Sun-Jupiter aspect. Generally, I would expect gold to move higher in July and August. However, there is a mix of influences in July that could make trading more mixed. I am therefore keeping an open mind about July. It may take until after the Lunar Eclipse on July 27th for gold to begin to rally significantly. Late August and September look bearish again so we could see most of any preceding rebound in July erased. That is my current expectation at least. Another

up trend is likely to begin by October and extend into November. This could even retest the resistance of the previous trading range of 1360. Another correction is likely in late November and December. The first half of 2019 looks mixed at best with a possible interim low in Q2. The rest of 2019 should see a more bullish trend.

Technical Trends	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending June 22)	bearish (confirming)	1250-1310
Medium term trend is DOWN (1 month ending July 22)	bullish (disconfirming)	1280-1320
Long term trend is DOWN (1 year ending June 2019)	bullish (disconfirming)	1250-1450

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