MVA INVESTOR NEWSLETTER

11 March 2017 Volume 10, Issue 11

Summary for week of 13 March 2017

- US stocks trending lower this week, especially after Wednesday; Indian stocks mixed with bullish bias
- Dollar likely retesting resistance at 102 this week
- Crude oil may make marginally lower lows this week
- Gold may bounce early but vulnerable to further downside after Wednesday

US Stocks

Stocks slipped a bit last week as investors positioned themselves ahead of a near-certain Fed rate hike this week. The Dow lost 100 points on the week closing at 20,902 while the S&P 500 finished at 2372. This modest pullback was not unexpected as I thought the indexes likely wouldn't move too far given the mix of influences. The week unfolded somewhat less dramatically than expected, however, with only tiny declines early in the week on the Mars-Saturn alignment and only two positive sessions finally arriving on Thursday and Friday around the Mercury-Jupiter aspect.

All eyes are on the FOMC meeting this week as Janet Yellen is widely expected to raise rates. Friday's strong jobs report all but removed any doubt as the market puts the odds of a hike on Wednesday at 88%. Another hike in June is now also seen as more likely than not. While a March hike may now be fully discounted, the Fed's forward guidance will be scrutinized more carefully for the possibility of a more fundamental hawkish shift. There is still a lot that could go wrong with the US economy, not least of which is failure by Congress to deliver tax cuts and real regulatory reform. Paul Ryan's new health care proposal is seen as not having much chance of passing the Senate. If the GOP is seen as ill-prepared and improvising policy as it goes along, then the pro-business optimism for the Trump administration could suffer.

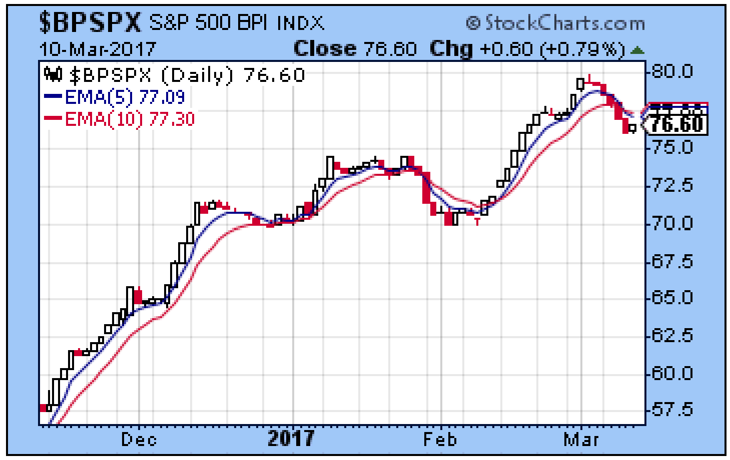
From an astrological perspective, the imminent rate hike this week is coming at an appropriate time. My general view is that the planets are looking increasingly bearish in March and April so that we should see some kind of pullback or hopefully a full-blown correction. The Venus retrograde cycle is only in its 7th day out of 41 so there is still a lot of time left by that measure for investors to re-assess their risk-reward profile. I think it is highly likely that stocks will be lower by April 15th, probably significantly so. But the Venus retrograde cycle is only one factor out of many that could put pressure on stocks over the next few months. For this reason, I think any initial decline we see in the coming few weeks is likely to be followed by another move lower by June. A higher high in May therefore seems somewhat less likely. We shall see.

The technical outlook is bullish although there are growing signs that the rally needs to consolidate soon. While resistance is the previous high of 2400, support is likely near 2350. This is both horizontal support and channel support as taken from the November low. It is also the approximate level of the 20 DMA which has coincided with previous testing levels during this Trump rally. A break below this level wouldn't necessarily be catastrophic for bulls, although it would depend how easily and quickly that level is broken. If 2350 breaks, then the measured move downside target would be close to 2300 which is just a bit below the 50 DMA.

Eventually, we will get a retest of the 200 DMA (now at 2195) which was previously tested before the Trump election win. Given the planetary alignments upcoming, I think it is possible we could see this happen as soon as April. I would not say that more bearish scenario is probable but it definitely would not surprise me.

The rally breath is narrowing again as the Bullish Percent chart now features a bearish crossover of the 5 and 10 EMA. We previously saw a similar crossover in January which did not produce much downside. Now this index is at an even higher level and therefore crossovers have greater potential to reflect more significant technical damage. That said, there is not yet a clear negative divergence here with respect to the SPX. The weekly Dow chart is still overbought on most indicators as RSI has only dipped to 77. Stochastics is still above 90 so it will take at least a couple more weeks of declines before this indicator falls below 80 and thereby issues a sell signal on the medium term time frame. MACD is still some ways away from a bearish crossover. The last one occurred in September and coincided with only a very shallow pullback during a consolidation phase of the rally. That may well happen again although the market is more overbought now than it was then and hence more vulnerable to larger declines. Meanwhile, bond yields drifted higher last week as the economy showed more signs of improvement. 10-year yields have yet to move above the key 2.6% resistance level, however, so the bond market is still seeking direction here. A more optimistic Fed statement on Wednesday could finally move it above that level.

This week leans more bearish than last week. There are two possible negatives in play. During the first half of the week, Mars aligns with the Lunar Nodes. Then at midweek, Mercury joins that Mars-Node alignment and makes it more potent. Interestingly, the Mercury-Mars alignment is closest on Wednesday which is FOMC day. Although this is not a certain indication for selling, it nonetheless makes a more compelling case for a bearish reaction to the Fed. Monday leans bearish while Tuesday has a small bullish bias on the Moon-Jupiter conjunction. The late week also argues for some downside as Friday's Sun-Saturn square should coincide with some selling on either Thursday or Friday. Therefore, the week as a whole looks bearish with sizable declines more likely. I'm not prepared to say that we are *probably* going to see anything larger than a 1% decline on any given day but the odds are higher for that kind of a sell-off sometime this week. Overall, then there is a good chance that we will test support at 2350 and hopefully finish below that level.



Next week (Mar 20-24) also has a bearish bias although probably less decisively so. Monday's Mars-Venus alignment hints at some selling while the midweek Sun-Lunar Node alignment also looks somewhat bearish. Friday's Mercury-Jupiter aspect could coincide with some upside. The following week (Mar 27-31) may hinge upon a midweek Mercury-Saturn alignment. This is a bearish pairing which could produce a negative week. A rebound looks more likely in the first days of April and yet Saturn turns retrograde on Thursday the 6th just after Uranus enters Aries. These are both higher risk indications which could send stocks tumbling once again. I would retain a bearish bias until April 15th when Venus completes its retrograde cycle. It is difficult to forecast levels but a test of the 200 DMA at 2200 is very possible. A rebound is likely in late April and into May. At this point, I would not expect a higher high in May although a lot will depend on what kind of pullback we get in the coming days and weeks. If it is shallow to, say, 2300, then higher highs are possible by early to mid-May. I still think that's unlikely, however. More downside is likely in June although I am uncertain if it will form a lower low relative to the April low. After a brief summer rally, another correction is likely in August and September around the Saturn-Lunar Node alignment. This looks very bearish and should produce a correction that is larger than 10%. Q4 looks mixed at best. Overall, I think 2017 will be negative for stocks with a growing possibility that we could see a fundamental shift in investor sentiment.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is UP (1 week ending March 17)	bearish (disconfirming)	SPX 2320-2350
Medium term trend is UP (1 month ending April 17)	bearish (disconfirming)	SPX 2200-2300

Long term trend is UP (1 year ending March 2018)	bearish (disconfirming)	SPX 1800-2100

Indian Stocks

Stocks moved slightly higher last week on growth prospects and favourable global cues. The Sensex added more than 100 points on the week to 28,946 while the Nifty finished at 8934. This bullish outcome was in keeping with expectations although I was mistaken in thinking that gains would be concentrated in the latter part of the week. As it happened, Monday was bullish after which we saw some profit booking. As expected, the late week was more positive although only modestly so.

Bulls must be salivating at their prospects following the landslide victory of the BJP in the Uttar Pradesh state election results delivered on Saturday. The win strengthens Modi's mandate and gives him more authority to push through any necessary reforms. Whatever the fallout from demonetisation, the election results are a testament of Modi's remarkable political appeal and suggest he is likely to remain the driving force in reshaping the Indian economy towards a more free market orientation. Clearly, the results are bullish for the stocks but the problem is that the Fed is now very likely to raise rates at its Wednesday meeting. So what Modi giveth, Yellen may taketh away. Friday's strong US jobs report has essentially made a rate hike a done deal and investors will now be watching the Fed's forward guidance for signs of increased hawkishness. It seems that three rate hikes in 2017 is looking more likely and that is bad news for FII and Indian equities.

While there is a bullish case to be made in the wake of the UP results, the astrological indicators do not seem very positive. If there is going to be some upside on the strength of this result, it is less likely that any rally will go far or last very long. That is because we are now in the Venus retrograde period which lasts until 15th April. This may not preclude some upside in the short term but the second half of this 41-day cycle is more likely to coincide with declines since there is a difficult Saturn alignment with Venus. Also Saturn itself turns retrograde on 6th April and hence markets may be more prone to selling.

The technical outlook remains bullish as the Nifty is trading within a narrow range just below long term resistance at 9000. The series of higher lows gives the bulls a clear technical advantage that points to a retest of 9000 and 9119 in the near term. While some period of consolidation is to be expected here, one would think that the bulls have the momentum to take prices higher eventually. Currently, support is provided by the 20 DMA at 8879 so that any close below that line would open up the possibility of a deeper sell-off. With the planetary influences looking more bearish over the next few weeks, it may mean that bulls may have to defend the 200 DMA at 8474 to keep the bull market going. This is one possible support level that could be tested in the event of a deeper pullback.

The technical indicators are pointing to more downside in the short term as stochastics is in a bearish crossover and is now below the 80 line. MACD is also in a bearish crossover and moving lower. In the event that the 20 DMA is breached, then the Nifty could find support next near 8700. The weekly BSE chart shows a market that is getting close to overbought as RSI moves toward the 70 line. A weekly close above 30,000 could open the door to 33K based on the measured move from the previous low at 26K. But resistance may be formidable as the Sensex approaches the previous highs at 29-30K. Further consolidation below resistance is therefore quite possible from a technical perspective. In the event of a sudden decline to the long term support of the 200 WMA at 25,000, bulls would likely regard the decline as a buying opportunity. Meanwhile, HDFC Bank (HDB) fell modestly last week after a previous test of resistance. Further consolidation below resistance is possible although a decline below the 200 DMA would likely indicate the current rally is over. Such a decline would likely lead to a retest of the January low. Infosys (INFY) finished higher last week as it took another step back to resistance and the 200 DMA. More upside is likely in the short term but another corrective phase is likely once the 200 DMA is reached. Bulls will need to defend the March low in order to keep this major rebound going. If not, there is a greater likelihood of a retest of February low.

This week looks mixed with a slightly bullish bias due to the election results. With Monday closed for a holiday, Tuesday will be the focus on any post-election result optimism. We should expect some buying from these results although it is unclear how this will fit with some of the short term bearish aspects in play this week. Mars aligns with Rahu early in the week, while Mercury then also aligns with Mars and Rahu on Wednesday and Thursday. This could translate into gains on Tuesday but Wednesday looks less positive. After the Fed meeting Wednesday,

Thursday leans more bearish as the Moon opposes Mars in the morning. I would think the odds are high of a negative reaction to the Fed meeting on Thursday morning. Friday looks less bearish although not quite bullish either as the Sun squares Saturn. Overall, the planets do offer some evidence for early week gains in the wake of the election as common sense may dictate. However, I would think that stocks will run into difficulty by Thursday at the latest. It's hard to say if where stocks may finish this week. A retest of resistance at 9000 is very possible but some negativity suggests the Nifty may not be able to end the week at or above that level. It may be hard pressed to finish above its current level of 8934.

Next week (Mar 20-24) looks somewhat bearish as Venus aligns with Mars early in the week. I think one down day is likely, probably on Monday and perhaps even Tuesday. Wednesday and Thursday could be more bullish, however, with Friday again leaning bearish. I would not expect any large moves or declines here but the influences do not offer support to the notion that the market can continue to rise without interruption. This looks like a consolidation week. The following week (Mars 27-31) again looks mixed with gains likely in the first half but declines looking likely in the second half of the week. While a positive week overall is still possible, I see the downside risk rising as we move from March to April. Early April will feature Saturn turning retrograde on Thursday the 6th so that could coincide with a decline, especially after that date. Large declines are somewhat more likely around this Saturn station. We could easily see 8700 tested by 15th April. Whether or not the Nifty falls further than that is hard to say. Some sideways movement is likely for the rest of April and into May. A rebound of some size is likely but it is unclear if it will be strong enough to produce higher highs or even retest resistance at 9000. It's possible. But the picture worsens in June and beyond as Saturn will align with Rahu for an extended period. The most bearish window in this extended June to September Saturn alignment is likely August and September. The market is likely to correct sharply at that time. In general, I think the second half of 2017 will be bearish and produce a net negative outcome on the year as a whole. Whether it is enough to end this bull market is less clear, however. We may instead see the previous low of 7900 retested in, say, September, after which there is another rally attempt which will likely fail by early 2018.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is UP (1 week ending 17 March)	bullish (confirming)	8900-9000
Medium term trend is UP (1 month ending 17 April)	bearish (disconfirming)	8600-8800
Long term trend is UP (1 year ending March 2018)	bearish (disconfirming)	7500-8500

Currencies

The Dollar finished lower on the week as traders sold the news after Friday's strong jobs report. The USDX finished at 101.1 while the approached the 107 level. The Yen went sideways at 114 while the Rupee Index strengthened somewhat at 66.5. This bearish Dollar result was somewhat unexpected although we did get the test of resistance at 102 as expected. And the late week was bearish as forecast around the Mercury-Jupiter alignment. With the Fed likely to hike rates on Wednesday, it seems unlikely that the Dollar will rally as the hike is largely priced in already. If Yellen delivers a more optimistic economic summary, then that could give bulls more reason to rally as forward guidance could indicate three or more hikes in 2017. In any event, bulls will need more reason to push the DX above 102 otherwise, we could see a retest of recent low of 99.5 fairly soon. The weekly Euro chart is leans bearish as it trades below its 20 WMA. To break the current torpor, the Euro needs a weekly close above the January high at 108. As long as it trades below that level, it will have added downside risk of a quick retest of support at 104. A retest of 104 over the next month or two would be very bearish and could open the door to a possible parity trade with the US Dollar.

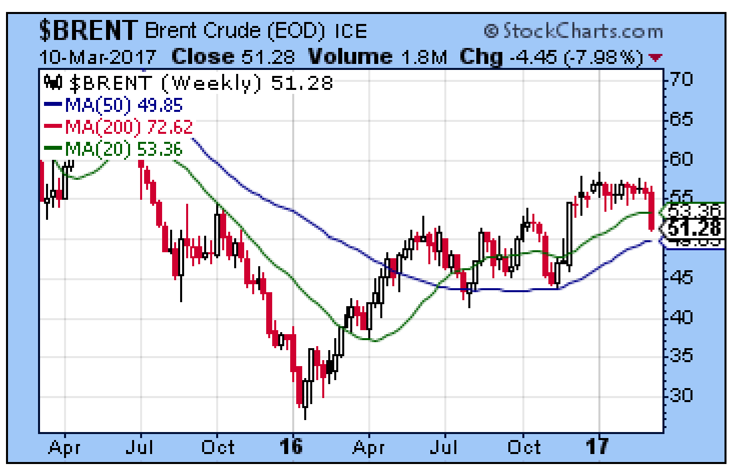
This week looks more bullish for the Dollar. The early week could see more retracement but I would expect some upside after the FOMC statement on Wednesday. The late week Sun-Saturn square looks bullish so we would at least see a retest of resistance at 102. Next week looks more mixed with the late week looks somewhat negative although I retain a bullish bias on the Dollar. We should see the Dollar push above 102 in early April or perhaps into May. My expectation is that the Dollar should rally back to the previous high of 104 by this April-May time period. Higher highs are also possible. A larger pullback looks likely to begin in June and July. If the Dollar has pushed to 104-108 by early June, then this pullback could well see a retest of 100. Another rally is likely from August into October. I am agnostic on whether this late summer/early fall rally could produce a higher high, however. Even if Q4 turns out to fairly neutral, I think the Dollar is likely to decline significantly in early 2018.

Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is UP (1 week ending Mar 17)	bullish (confirming)	101-102

Medium term trend is UP (1 month ending Apr 17)	bullish (confirming)	102-105
Long term trend is UP (1 year ending March 2018)	bearish (disconfirming)	98-102

Crude oil

Crude oil plunged up to 8% on the week as US inventories hit record levels. WTI broke key support on Wednesday and finished below $49 while Brent settled Friday near $51. The sharp decline came as a surprise as I thought the short term aspects offered some hope for a late week rebound. That said, from a longer term perspective the decline was in keeping with my bearish view for March and April as I expected some retracement would come soon. My mistake is that it arrived at least a week earlier than expected. Also the decline was much deeper than I had expected as I thought we could see a retest of the 200 DMA sometime before April 15th. Well, that has already happened as Friday's closing price was actually slightly below the 200 DMA. Suddenly, things are looking gloomy for crude. This kind of downward momentum suggests a lower low is likely in the days ahead. While we should see some bargain hunting around the 200 DMA, at least a marginally lower low is likely. A move down to $46 is more likely now as this level coincides with channel support off the penultimate low from last April. The $40-42 area could serve as last ditch support for bulls before a retest of the previous major low of $26 becomes more likely. I would therefore expect some buyers to move in fairly soon, perhaps at $46. An additional leg lower after a technical bounce would likely find buyers at that $40 level. The weekly Brent chart offers some hope to long term bulls as a bounce looks fairly likely around the 50 WMA now at $50. Buyers moved in around this line on two previous sell-offs so bulls have a reasonable expectation that good things may well come in threes.



This week could see more downside although I would think perhaps only a marginally lower low. Some of the downside I had been forecasting for March has already occurred, so further declines may both less likely and less significant. Some upside is likely on either Monday or Tuesday on the Moon-Venus aspect. However, the Mars-Node alignment should produce some downside around midweek and perhaps as a result of the Fed meeting on Wednesday when the Moon is opposite Mars. Friday also looks fairly negative on the Sun-Saturn square. A bounce is unlikely to return to key support at $51 so we could easily see $46 at some point this week.

Next week (Mar 20-24) looks more bullish so a decent bounce is perhaps indicated as Mercury aligns with Jupiter. Late March and early April also lean bearish as Mars aligns with Saturn and Saturn turns retrograde on April 6th. With additional downside likely at this time, we could see something closer to $40-42. It's hard to say with confidence since the preceding bounce could push prices back to above $51 for a few days. This would make a significantly lower low less likely. Nonetheless, I think the first half of April leans bearish. A bigger rebound is likely in late April and early May. This seems unlikely to produce a higher high above resistance at $54, however. Then late May and early June lean bearish again although a lower low is uncertain. A significant rebound is quite likely in June and July but the rally should end sometime in late July and another major correction will begin and last into September. It is possible this could produce a lower low and even retest $26 by September. I would not say that this a probable outcome but it is possible assuming any preceding rallies are fairly weak.

Technical Trends	**Astrological Indicators**	**Target Range (WTI)**
Short term trend is DOWN (1 week ending Mar 17)	bearish (confirming)	$46-48
Medium term trend is UP (1 month ending Apr 10)	bearish (disconfirming)	$40-46
Long term trend is DOWN (1 year ending March 2018)	bullish (disconfirming)	$45-60

Gold

Gold slumped last week as part of a broader commodities sell-off. Gold lost 2% on the week closing at 1201. While I am fairly bearish on gold in March, I thought we might see a late week rebound to cover the early week losses. The bulls never showed up, however, as the early week declines on the Mars-Saturn alignment did eventually test support at 1200 as sellers took over the market. At least bulls can point to Friday's higher low relative to the January low as a sign that the gold rebound still has legs. Well, maybe but it's not looking very good. Any further decline to the previous low of 1180 would be a severe test of the current rebound. Some buyers will certainly move in here and at 1180 but bulls will need a sharp bounce to convince other participants that they can return gold back above 1300 eventually. A 50% retracement off the recent peak is equivalent to 1195 which is just a bit below Friday's close. We could see bargain hunters move in fairly soon here. Initial resistance is near 1225 with the 200 DMA at 1265 still acting as longer term resistance. If bulls can prevent a close below 1195, then we could see the market reverse and make another run up to the 200 DMA. A second quick retest of that resistance level would tilt the scales in the bulls' favour. But the chart as a whole looks sufficiently bearish that it will eventually produce a retest of the December low of 1130. That may be a better entry point for longer term gold bulls.

This week leans bearish on the Mars-Nodal alignment. However, some of the negativity I had expected for this week arrived a bit early so I would scale back my downside expectations somewhat here. Nonetheless, the late week Sun-Saturn square looks bearish in any event so that could produce a retest of support at 1200 or even 1180. An early week bounce is therefore somewhat more likely, especially on Tuesday on the Moon-Jupiter conjunction. 1225 would not be surprising at that time. I would be bearish overall this week although lower lows may be fairly modest.

Next week (Mar 20-24) looks more mixed. The early week leans bearish, especially on Monday's Moon-Saturn conjunction. However, the second half of the week should see some buying take hold as Mercury aligns with Jupiter. This should begin a little rebound that extends into the following week which lasts into the end of March. A lower high is likely by March 31, perhaps somewhere between 1220 and 1240. Early April looks quite bearish, however, Saturn turns retrograde and then Venus completes its retrograde cycle on April 15th while squaring Saturn. This should produce a lower low for gold by mid-April. Given where we are already, I would not rule out a retest of 1130. A sharp rally is likely to begin sometime in April, probably after the 15th. May looks choppy but some upside is possible. A stronger rally is likely to begin in late May and carry through June and perhaps into July. A higher high above the 200 DMA seems unlikely. Another correction will begin in late

July or August and continue into September as Saturn aligns with the Lunar Node (Rahu). Lower lows are possible in the early fall although this would first require lower highs in the early summer rally. Gold looks likely to strengthen in Q4 and Q1 2018.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is DOWN (1 week ending Mar 17)	bearish (confirming)	1180-1220
Medium term trend is DOWN (1 month ending Apr 17)	bearish (confirming)	1130-1180
Long term trend is DOWN (1 year ending March 2018)	bearish (confirming)	1100-1300