MVA INVESTOR NEWSLETTER

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Summary for week of 7 May 2018

- Stocks may rise early in week but vulnerable to selling later
- Dollar could extend gains this week
- Crude oil more prone to pullback, especially in second half
- Gold more likely to bounce this week

US Stocks

After a turbulent trading week, stocks finished Friday down slightly as the Fed held rates steady and Apple reported strong earnings. The Dow shed just 50 points on the week to 24,262 while the S&P 500 ended the week at 2663. As expected, we got another tag of the 200 DMA (SPX=2615) but the week ended on a surprisingly bullish note. Thursday's decline was more or less in line with the bearish entry of Mars into Capricorn. I had suspected there might not be enough bearish energy to decisively break below 2600 and that proved to be correct as Thursday morning briefly bottomed out at 2594 before bouncing back strongly in the afternoon.

Friday's jobs report was positive for the market in that there were no surprises. Modest wage growth meant less inflation pressure and the possibility of fewer Fed rate hikes this year which would make debt easier to service for longer. Bond yields did not react significantly in either direction and remained below the key 3% level for the 10-year Treasury. Now if the Trump administration can actually carve out a durable trade deal with China, there is a more bullish case for stocks in 2018. But the bigger picture is that the jury is out on interest rates and indeed global growth as the US may be just one surprising data point away from pushing above 3% on the 10-year. And as the yield curve flattens, more investors are seriously wondering about the possibility of a recession next year. Indeed, the ECB has been forced to acknowledge it will continue its QE program because growth in Europe has been lagging the rest of the world.

The planetary outlook looks likely to improve in the coming weeks. In regards to the perennial question, 'is the low in?', the evidence is suggesting that it could be for now. Last week saw only a brief break below 2600 before bulls took control once again with a strong, if somewhat predictable bounce, off the 200 DMA. Technical considerations aside, the planets look less bearish to me in the month of May. For this reason, it may be more difficult for bears to press their case and break below 2600 again. To be sure, there are still some bearish alignments in play such as the Mars-Mercury-Uranus alignment later this week and early next week. This is likely to coincide with some significant downside. However, I am less inclined to think it could outweigh the bullish influences that are now in play. The Jupiter-Neptune alignment is strengthening ahead of its exact aspect on May 25th. This pattern should serve to support prices over the next three weeks. At the same time, we should note that the more bearish Saturn-Lunar Node alignment will also tighten in May and will continue into June. This could serve as a countervailing influence which may dampen the upside. Perhaps this means rallies will remain muted.

The technicals still look bearish to me, however. Certainly, Thursday's bounce off the 200 DMA and Friday's continuation was bullish. We should expect to see more upside early this week from the upward momentum alone. And yet the battle between bulls and bears rages on. The indexes are stuck between support of the 200 DMA and resistance of the 50 DMA. It is very much a story that has yet to unfold. The pattern in the SPX looks more like a bearish descending triangle. Unless there is a decisive break above falling resistance at 2720 (and also the previous high of 2717), the chart still has a bearish bias. Therefore, there remains a risk that a close below 2575-2600 could start a new leg lower. Friday's solid white candle was impressive but it doesn't mean much if bulls can't push above the 50 DMA at 2681 and then 2720. Bears are hoping that this rebound off support will fizzle like the previous ones and we will see a reversal lower in the coming days.

At some point, we know the 200 DMA may not provide the same reliable source of support that it has in the past. So if this bounce ends at 2720 and reverses lower, then bears will get another chance to force the issue at 2600 and the 200 DMA. The Nasdaq is somewhat stronger than the blue chip indexes as it closed above its 50 DMA but it remains below its mid-April high. This keeps the bearish-looking head and shoulders pattern in play for a while longer. The weekly Dow chart is in the eye of the beholder. Bears can see the anemic bounce off horizontal support while it is still below the 20 WMA at 24,864. Bulls, however, can see two bullish hammer candles and stochastics in a bullish crossover above the 20 line. The stochastics crossover is a kind of Step 1 in the rebound but bulls need a solid white weekly candle above 24,864 for Step 2 and a more viable path higher and an conclusively end to the bear hypothesis. This equates to 2707 on the SPX and is very close to that falling trend line off the January high. Meanwhile, the 10-year yield fell back below 3% last week as inflation worries subsided. While we are still some ways away from the bearish inverted yield curve where the 2-year yield exceeds the 10-year, we should wonder if all this central bank intervention in recent years may have altered that equation somewhat. It could well be that a bear market and recession may not wait for the moment of inversion this time around.

This week offers the bears another chance, although I think the late week is the more likely time. The early week seems more bullish as Venus aligns with Neptune and the Moon and the Sun aligns with Jupiter on Monday and Tuesday. Monday looks more bullish than Tuesday although both days could end up finishing green. Therefore, the chances are good that we will see the SPX test and probably close above the 50 DMA at 2681. The next level of resistance at the falling trend line and the previous high 2717 is also quite possible. I would think that bears will have more of an opportunity after Tuesday as Mercury enters Aries on Wednesday and comes under the hostile aspect of Mars. This Mercury-Mars alignment is closest and most damaging on Friday the 11th but it could start to manifest during the midweek period. I would keep an open mind about where we might finish overall. If the early week is strong then it may be difficult for bears to produce a negative weekly close below 2663. I suspect it may be fairly close to current levels but I would lean a bit bullish. Perhaps somewhere close to the 50 DMA at 2680.

Next week (May 14-18) seems more bearish. The Mercury-Mars-Uranus alignment is exact over the preceding weekend and looks quite negative. While the worst of the alignment could be over by Monday, the early week still looks bearish. Midweek could be more bullish as Venus aligns with the Sun. Friday seems bearish again as Mercury and the Moon align with Saturn. While some fallout is likely here I would not say a retest of the 200 DMA is likely. It just doesn't look that bad, but we shall see. The following week (May 21-25) looks more positive. The early week Sun-Mars alignment could be bearish but the second half of the week should be bullish as Jupiter aligns with Neptune. If the May finishes on a positive note, then that sets up two possible scenarios. A more bullish one where the low is in and we see a move above 2717 in late May and early June. This could top out sometime in early or mid-June perhaps around 2750-2800. Then we would get a pullback starting in late June and the Mars retrograde cycle which lasts through most of July. The second scenario would be less bullish and suggests a choppier market which does not break above that key 2717 trend line but manages to stay above 2600 for a while longer and then falls from there starting in June. This could conceivably have an eventual downside target of SPX 2300. Other scenarios are possible too, obviously, but those are two I am considering more seriously now. After a 5-10% pullback into July, we should see another rally in August and September. Higher highs are possible. Late September and October may be more bearish with Q4 on the whole leaning bearish, especially in December.

Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending May 11)	bullish (confirming)	SPX 2650-2680
Medium term trend is DOWN (1 month ending June 11)	bullish (disconfirming)	SPX 2680-2750
Long term trend is UP (1 year ending May 2019)	bearish (disconfirming)	SPX 2300-2600

Indian Stocks

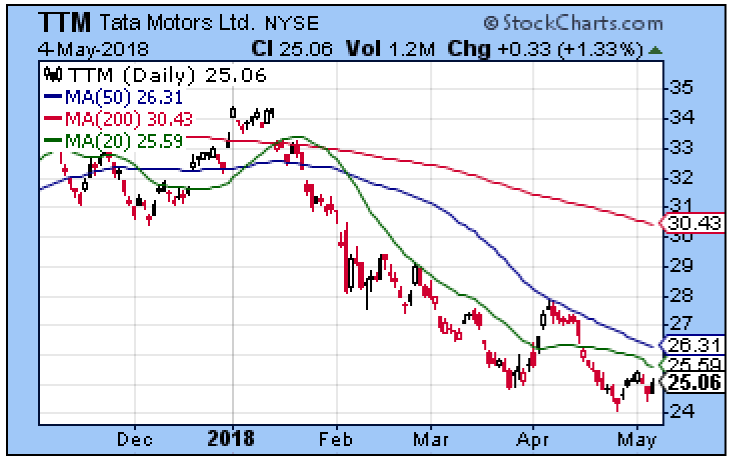
Stocks slipped last week on negative Asian cues and ongoing trade worries between China and the US. The Sensex was down fractionally to 34,915 while the Nifty fared somewhat worse finishing at 10,618. This bearish outcome was more or less in keeping with expectations as I thought the midweek entry of Mars into Capricorn could coincide with some selling. However, the early week was more positive than expected so the Nifty finished somewhat above its targeted range.

Despite its mediocre performance last week, Indian equities may have dodged a bullet after the Fed statement and the modest US jobs report. The Fed continues to make the dovish case which will likely limit the number of rate hikes this year to two. Lower US rates are likely good news for stocks since they will encourage FII to take advantage of risk opportunities in emerging markets. Stronger US growth and a faster pace towards rate normalization (>3%) would be bearish for stocks. On the domestic front, the rising price of oil may become inflationary if it persists much longer. This would tie the hands of the RBI and compel it to raise rates again this year. Oil prices are closely tied to geopolitics, especially now the possible dissolution of the Iran nuclear deal. President Trump has indicated he wants to withdraw the US from the deal and this would likely feed further rises in the price of crude as Iranian supply removed from the market. Trump has to decide by 12th May, so it is still possible he could consent to it but with face-saving conditions. This would likely see some of the risk premium taken off.

The astrological outlook looks somewhat favourable for the month of May. There are two background influences that I am expecting to largely offset each other – the bullish Jupiter-Neptune alignment that peaks on 25th May and the bearish Saturn-Rahu alignment that is slowly building through May and extends into June. While the Saturn-Rahu pairing is likely to cause problems eventually, I tend to think that they will be focused more in June and possibly July. The month of May, therefore, could see the current rebound continue. The shorter term aspects will move the indices in both directions along the way, of course, but they do not look bearish enough to suggest an imminent correction. Therefore, it is possible we could see a retest of the ATH at 11,171 at some point and I would not rule out higher highs as well.

The technical picture approximately parallels the astrological outlook. Since suffering a pullback in February and March, the Nifty has rallied strongly and is now less than 5% from its all-time high. The early week higher highs may well have taken the head and shoulders pattern off the table as the would-be right shoulder is now well above the left shoulder level of 10,500. The Nifty could still fall from here and test that key horizontal and neckline support at 10,000 but the case is somewhat harder to make. Immediate support is 10,600 so a break below could invite a test of the 50 DMA at 10,392. This would equal a 50% retracement off the recent high as measured from the March 23rd bottom. Bulls will need to defend this level in order to keep the rally momentum intact. A move below the 50 DMA would jeopardize this rebound and could signal at least a sideways move, if not another eventual test of 10,100.

Stochastics are in a bearish crossover and have fallen below the 80 line. This could make some downside more likely in the short term. The weekly Sensex chart also offers food for both bulls and bears. Bulls can seemingly sit back and relax in their medium term long positions as stochastics is in a bullish crossover and not yet overbought above the 80 line. The rebound off the 50 WMA was a good entry point which argues for more upside in the coming weeks. However, bears can take some solace in last week's gravestone doji candlestick with its longer upper shadow. When this candlestick appears after an up move, it can signal a reversal may be coming soon. It is only one piece of the puzzle, of course, but bears have little else they can hold on to. A weekly close above last week's high would effectively invalidate the bearish potential of the gravestone doji. Meanwhile, Tata Motors (TTM) edged lower last week as it attempts to rally off a recent new low. A hard retest of the April 25th low is still quite possible so bulls may be under pressure to hold onto positions. A close above the 50 DMA would be an important first step in establishing a bottom. HDFC Bank (HDB) tested resistance last week and finished higher. The convergence of the 50 and 200 DMA could prove to be formidable resistance so we should expect a protracted struggle. Bulls have their work cut out for them after last week's death cross of the 50 and 200 DMA. Perhaps a controlled decline that follows a channel lower is the best the bulls can hope for at this point, instead of a sudden collapse out of the recent trading range. The trading range since late 2017 looks somewhat toppy. I would think it will eventually header lower.



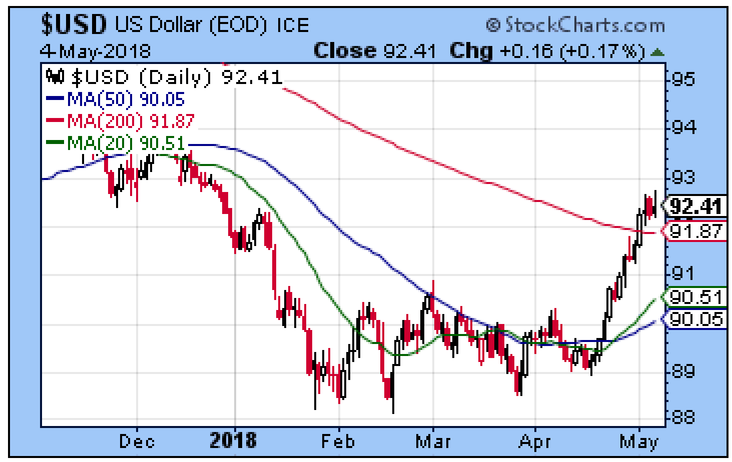
This week could see some upside, especially in the first half. The Sun aligns with Venus and Jupiter on Monday and Tuesday so I would expect at least one green close, perhaps two. Tuesday looks more bullish than Monday, however, as the Moon aligns nicely with the above three planets in the afternoon. Even if Monday happens to be down, there is a better chance for a net gain after Tuesday. The second half of the week has a lower probability of upside. Wednesday is an in-between sort of day although it is less bullish than the preceding two days. Mercury comes under the aspect of Mars starting on Wednesday and the aspect will tighten through Friday. Friday is therefore more bearish than Thursday, which is in turn is more bearish than Wednesday. While there is some downside risk in the second half of the week, I would be surprised if we got any big declines. Perhaps one day of 1% down and another more modestly down day. With the early week looking bullish, there is a good chance that we will retest last week's high of 10,790. I think the chances are decent that the Nifty will move above that level at some point. Whether the Nifty can end the week above that level is harder to say. Perhaps not, but we shall see.

Next week (May 14-18) looks more bearish as Mars aspects both Mercury and Uranus early in the week. Monday looks most bearish in this respect and a significant decline (>1%) looks possible. Tuesday also looks somewhat negative although less so. Some midweek gains are possible but the late week may be bearish again. I would lean bearish for the week as a whole. The following week (May 21-25) looks more bullish as Mercury aligns with the Jupiter-Neptune aspect. We could see stocks form a top sometime in late May or early June. June looks more bearish as Mars conjoins Ketu ahead of its retrograde cycle which begins on 26th June. While the month of May should be bullish overall, the month of June looks more bearish. We could see some sizable declines so even if the Nifty manages to hit 11,000 or more, there is a genuine risk of a retest of 10,000 sometime in June or July. Lower levels are also possible but harder to forecast with confidence. A bottom is likely to occur in July. August and early September should see strong gains. Q4 may be less bullish although not quite bearish, except for December. 2019 looks generally bullish although the first half of the year looks less positive. Q2 2019 in particular may bring a significant correction.

Technical Trends	Astrological Indicators	Target Range
Short term trend is UP (1 week ending 11 May)	bullish (confirming)	10,600-10,800

Medium term trend is DOWN (1 month ending 11 June)	bullish (disconfirming)	10,500-11,000
Long term trend is UP (1 year ending May 2019)	bullish (confirming)	10,000-11,000

Currencies



The Dollar climbed again last week as rising bond yields enticed more buyers. The USDX finished the week at 92.41 while the Euro closed at 1.197 and the Yen settled at 109. This bullish outcome was in keeping with expectations as I thought the FOMC statement would be bullish. As it happened, most of the gains preceded the Fed. The Dollar has already reached its upside target based on its previous trading range. I thought it might have taken longer so that could mean the possible forthcoming summer rally could well see significantly higher highs. Resistance is now support at 90.5 or so. Any retracements we may see from here are likely to find many buyers at this level. The bullish crossover of the 20 and 50 DMA is another sign that we may have seen an interim bottom in the Dollar. Resistance is the intraday high from last week near 92.7. After that, the November high of 95 could be the next level of resistance. The weekly Euro chart reflects a possible shift in the longer term trends. On one hand, the recent 4 cent move down mimics the size of a previous retracement in 2017. However, this pullback has occurred more quickly and indicates greater weakness. While it could find some support here at the 50 WMA, it may mean that it is vulnerable to further selling in the future. If the current pullback stops above the previous low of 116, then perhaps bulls can be persuaded to go long once again and the Euro can resume its rally.

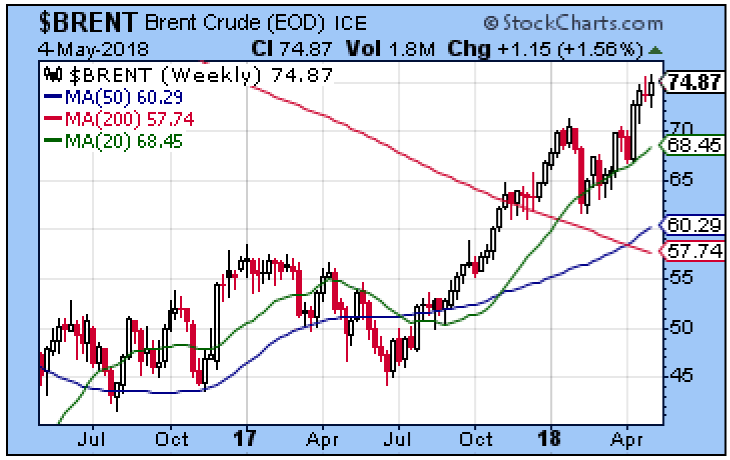
This week is likely to see a continuation of the rally. The early week looks bullish as Venus and the Sun align with Jupiter. Monday is most bullish perhaps, with Tuesday still positive but maybe less so. A retest of last week's high is likely and higher highs are also quite doable. The late week looks less bullish so some retracement is likely on Thursday and Friday. Overall, I think the week could be bullish. Next week (May 14-18) looks less positive so a retracement is likely. Another week of retracement is possible in the following week although I would not expect a large decline. Basically, the second half of May looks like it could see a retest of support at 90.5.

Given the strength of the Dollar recently, however, it may not fall that far. Early June looks more mixed so the next major up move could take place in mid or late June. The rally should last through July and into early August. If there is a retracement low near 91 in early June, then we should see a move above 95 during the summer. I would not rule out 100 either, although exact levels are difficult to forecast. Q4 looks more bearish and should bring a major retracement although probably with higher lows. 2019 seems mixed but with some weakness likely in the first half. It is possible we could see lower lows (below 88) by Q2. The rest of 2019 may be more positive. Longer term, the Dollar may be trending lower after 2020.

Technical Trends (Dollar)	**Astrological Indicators**	**Target Range**
Short term trend is UP (1 week ending May 11)	bullish (confirming)	92-93
Medium term trend is DOWN (1 month ending June 11)	bullish (disconfirming)	91-93
Long term trend is DOWN (1 year ending May 2019)	bullish (disconfirming)	85-95

Crude oil

Crude pushed higher for another week as the geopolitical premium continued to supply a bid under prices. WTI gained more than 2% to 69.72 while Brent finished just under $75. This bullish outcome was not unexpected as I thought we would see some late week strength on the Mercury-Jupiter-Neptune pattern. The early week was more negative but I was unsure how much downside we could see. So the rally continues as we quickly approach the key May 12th date for the Iran nuclear deal. Trump would like to kill the deal for political purposes if nothing else, but that will likely raise oil prices further. If he finds a way to keep it intact, then we should see crude pullback sharply. The technicals looks bullish as the higher highs pave the way for the upside target of $74/78. Immediate support is near the 20 DMA which is $67.54. Rising channel support from the 2017 low comes in around $64 and the 50 DMA. A pullback to this level would keep the rally intact while shaking out weaker bulls. The weekly Brent chart displays a bearish rising wedge pattern. This pattern could have many more weeks before resolution but it does hint at the possibility of a significant retracement sometime in the coming weeks. Support is near the 20 WMA at $68-70. A break below this level could signal a larger decline, perhaps towards the 200 WMA at $58. This could roughly equate to rising long term channel support.



This week looks less bullish. The early week will likely bring more upside, however, as the Sun aligns with Venus and Jupiter. One or two up days look likely on Monday and Tuesday. Higher highs are therefore quite possible. But the late week looks more bearish as Mercury aligns with Mars. It is possible that the week could finish somewhere around current levels, but I think the downside risk is rising here. Bulls should be careful.

Next week (May 14-18) leans more bearish. The early week looks a bit difficult with Tuesday's New Moon. The late week also leans bearish on Friday's Moon-Saturn opposition. The late week is more negative in that respect. The following week (May 21-25) does not look especially bullish either. It is possible we could see a two or three week retracement in May. Some upside is possible in late May and early June, however. I would not expect a big bounce. June and July look more bearish overall so lower lows are quite possible. A move down to the 50 DMA is quite likely by this time, if it hasn't already happened in May. If we have seen a retracement down to the 50 DMA in May, then the June-July pullback could well test the longer term channel support and 200 WMA. A rebound should begin in July and August and continue into September. Q4 looks modestly bearish but higher highs could be possible in the first half of 2019.

Technical Trends	**Astrological Indicators**	**Target Range (WTI)**
Short term trend is UP (1 week ending 11 May)	bearish (disconfirming)	$67-70
Medium term trend is UP (1 month ending 11 June)	bearish (disconfirming)	$60-68
Long term trend is UP (1 year ending May 2019)	bullish (confirming)	$60-75

Gold

Gold fell again last week as the Dollar rally continued against a backdrop of rising bond yields. Despite the fairly dovish Fed statement, gold lost $9 and settled at 1314. This bearish outcome was in keeping with expectations as I thought the early week would likely see some selling. While the FOMC day was fairly neutral, the late week was bullish as expected. Gold is gamely clinging to support here as it has now tested its 200 DMA. Wednesday's low of 1302 was a bit lower than horizontal support at 1310 and could be signaling a shake out of some weaker bulls. The late week bounce off support was quite small and could be seen as a strengthening of the bearish view. And yet the larger picture for gold remains unchanged as the inverted head and shoulders and ascending triangle are still compelling patterns that point to significant upside in the long term. 1650-1700 is the standard upside target if these patterns eventually play out. If we see a daily close below 1300, then perhaps we will see a quick move to 1250-1260. I think we will get to 1260 soon enough, but a lower downside target is looking likely for the summer. 1125 is a possible target if we see a breakdown of 1250.

This week looks mixed but with a bullish bias. There is a good chance for some upside around the Sun-Venus-Jupiter alignment. This will be in effect from Monday until Wednesday although I would not expect gains on all those days. Tuesday and Wednesday look somewhat more bullish than Monday in that respect. So if Monday retests last week's low of 1302, then there is a better chance for a stronger bounce this week. The convergence of the 20 and 50 DMA at 1330 is an obvious upside target this week. I would not be surprised to see gold exceed that level either. But the late week looks bearish as Mars squares Mercury. Some of the preceding gains will likely be lost on Thursday or Friday.

Next week (May 14-18) also has a bullish bias as Venus enters Gemini. Thursday's Moon-Venus conjunction looks particularly bullish. There will still likely be some down days here – possibly on Monday or Tuesday -- but the bulls could have the final say. Another test of resistance at 1350-1360 is possible. The following week (May 21-25) leans bearish as Venus opposes Saturn later in the week. June is looking mostly bearish as Saturn aligns with the Lunar Nodes. I would expect a move below 1300 at that time. Late June could see a bounce as Mars turns retrograde on the 26th. July will likely see a retest of the June lows, or possibly lower. A rebound is likely in August and into early September. After a retracement in September, Q4 looks a bit more bullish as Jupiter enters Scorpio. Generally, 2019 looks fairly bullish for gold. With more Dollar weakness likely into 2020, there is a good chance that gold could finally achieve its long term upside target of 1700.

Technical Trends	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending May 11)	bullish (disconfirming)	1320-1350
Medium term trend is DOWN (1 month ending June 11)	bullish (disconfirming)	1300-1360
Long term trend is DOWN (1 year ending May 2019)	bullish (disconfirming)	1250-1450