

Summary for week of 2 October 2017

- Stocks have bearish bias this week
- Dollar could rebound further
- Crude oil could see some retracement
- Gold vulnerable to more downside this week

US Stocks

Another week, another gain. Stocks closed the third quarter modestly higher as investors welcomed the outline of the Trump tax plan. The Dow rose by 50 points to 22,405 while the S&P 500 finished at 2519. This bullish outcome was somewhat unexpected although I did not expect a big move in any direction. Monday was lower as expected but only fractionally, and that set up the midweek gains to higher highs. Friday's gain was not unexpected given the Moon-Mercury alignment.

The bulls still retain control in the absence of any obvious sign of difficulty. While the Trump tax cut could boost growth, it is unclear if it can survive given its shortcomings and lack of detail. But for bulls, it's a start at least. Bond yields spiked higher because of expectations of higher growth and the probable increase in the deficit. Trump also is interviewing for a new Fed Chair and the indications are that Janet Yellen may not be reappointed to the job. This may introduce a new source of uncertainty after the selection has been made, most likely in October. Yellen has been very dovish and has accommodated the market at every turn. A more hawkish Fed Chair bent on normalizing rates faster could put pressure on equities in the event that economic growth and inflation are not forthcoming.

The astrological outlook remains difficult for October, despite September's net gain overall. To be sure, I was incorrect in thinking we could see some downside in September. However, that bearish view was predicated on a



deeper decline in the first week of September and some weakness showing up here in the final week of the month. But sentiment has been stronger than expected as the first week of September posted only very small declines that formed higher lows which spurred more buying. Last week was stronger than expected, although I wasn't that bearish in any event given the Jupiter-Uranus alignment. But the potential after effects of the Jupiter-Uranus alignment have yet to manifest and are lurking out there. It may require additional bearish alignments for any selling to take hold, such as the Saturn-Lunar Node alignment on Oct 9 and the entry of Venus into Virgo. Even if we get some kind of pullback in October, it is unlikely to be large enough to significantly change the bullish bias of the market. Subsequent higher highs are therefore still possible in November or perhaps even into December. We may have to wait for some months yet before the long term bullish pattern of higher lows and higher highs is reversed.

The technical outlook looks bullish. The new highs have afforded the bulls more of a margin for error. A pullback now will be less damaging as long as support holds from the 20 DMA at 2490. If that level should happen to break, then the 50 DMA at 2473 could act as support since it matches the rising wedge support dating from the Trump rally last November. A move down to this level would also likely entice buyers since it would fill a gap below 2480. Resistance is close at hand near 2520-2530 so some kind of pullback in the coming days is looking more likely. Whether or not there is enough bearish planetary energy to produce a tag of the 200 DMA at 2389 is another question. It may take a few more weeks yet.

The Bullish Percent Index is still in a bullish crossover so that suggests the rally could see more upside in the short term, even if there is a negative divergence. Larger pullbacks are usually preceded by bearish crossovers in this indicator. The weekly Dow chart shows the longer term picture of the bull market. Even if we get the expected pullback in October, it will do little to change the upward trajectory of the market. A test of the 20 WMA at 21,660 is likely during the next few weeks and there is a possibility that we could see a deeper pullback, such as to the 21,000 level.

There is some horizontal support there which could be enough to bring in new buyers. Even this larger pullback would be a buying opportunity for this market and therein lies the possibility of higher highs sometime in Q4. The possibility of tax reform boosted bond yields as investors factored in higher inflation and larger deficits. The 10-year yield finished the week at its 200 DMA a possible level of resistance. At this point, yields are remaining within a declining channel and hence probably not that disruptive of financial markets. However, if we saw a quick rise above 2.4% or especially 2.6%, then that could introduce a new logic into asset allocation. Higher yields are usually bullish for stocks but only if earnings are also growing. A very different dynamic may begin to assert itself given the current high levels of debt. Sharply higher yields would increase debt costs and thereby undermine growth as well as draw money out of equity markets.



This week again offers a decent bearish planetary set up. Key in this respect is Thursday's Venus-Mars conjunction. The conjunction is often bearish although not always. Also, it is within range for much of the week so it is more difficult to say exactly when it will manifest. Tuesday's alignment with the Moon looks bearish also so that may be a more likely day for a decline of some sort. Monday therefore leans slightly bullish although I would be reluctant to forecast a positive result. Wednesday and Thursday are hard to call. Friday leans bullish although the alignment of Moon-Jupiter-Uranus that day could provoke a significant move. Overall, I think the chances are good for at least one or two down days. These should produce more downside than we saw last week, for example. I would lean bearish for the week but I would not completely rule out some residual upside. A test of resistance at 2520-2530 is therefore quite possible but so is a test of support at 2490.



Next week (Oct 9-13) looks even more bearish. The key pattern is the Mars-Saturn square on Tues-Wed (10-11th). The Saturn-Lunar Node alignment is exact on Monday the 9th, which also happens to the same day that Venus enters Virgo. All of these are bearish influences. The weakened Venus needn't manifest immediately, however, and similarly the Saturn-Node pattern could take a few days to turn sentiment negative. But the week as a whole does offer a fairly good probability of some downside. I would not be surprised if the declines were significant and we got a test of the 50 DMA at 2472 or even something much lower.



The following week (Oct 16-20) could bring a bounce as Mercury conjoins Jupiter. Further gains are possible in late October but the entry of Saturn into Sagittarius on Oct 26 is likely to be a negative influence in the final days of the month. This is another reason why October is looking more likely to be a negative month overall. November could see some further gains into the Venus-Jupiter conjunction on Nov 12. These could conceivably produce higher highs although that seems less likely. Obviously, a lot will depend on what kind of damage the bears can inflict in October. Late November looks more bearish and we could see another pullback. I am uncertain if this will produce lower lows relative to October, however. The second half of December could see some gains on the Jupiter-Pluto alignment. Higher highs cannot be ruled out here either. January looks more bearish and should produce a sizable pullback that may last into February. Generally, 2018 should be decidedly more bearish as declines are likely to be larger than the small pullbacks we have seen in 2017.

Technical Trends

Short term trend is UP
(1 week ending Oct 6)

Medium term trend is UP

Astrological Indicators

bearish (disconfirming)

bearish (disconfirming)

Target Range

SPX 2490-2520

SPX 2420-2460

(1 month ending Nov 6)

Long term trend is UP
(1 year ending Oct 2018)

bearish (disconfirming)

SPX 1900-2200

Indian Stocks

Stocks tumbled last week as foreign investors pulled money out of emerging markets. The Sensex was down 2% to 31,283 while the Nifty finished at 9788. This bearish outcome was in line with expectations although the size of the decline was surprisingly large. The midweek bounce came later than expected, however, with only bargain hunting providing some modest upside after Wednesday's large loss.

The investment landscape may have changed for Indian equities after the Fed and the ECB are both now intent on withdrawing liquidity and normalizing interest rates. As rates rise in developed economies, FII will have less need to seek yields abroad in riskier markets. The reduced inflow of capital is likely to be a headwind for the market for the intermediate term. And as domestic growth starts to sputter, it will be even more important that the Modi government undertake some stimulus program. Without new growth, equities will be hard-pressed to live up to earnings expectations over the next year. All of this translates into the likelihood of a significant pause in the equities rally which now may be fully underway.

The astrological outlook suggests there is likely to be more downside in the weeks to come. While there are some favourable alignments in store in October, they look like they may be crowded out by bearish influences. The Saturn-Rahu alignment is exact on 9th October and is likely to depress sentiment further. Venus enters Virgo also on the 9th and will remain in a state of debilitation for four weeks. Since Venus is a bullish planet, the Virgo influence often correlates with some downside. Saturn's entry into Sagittarius on the 26th is yet another reason to be cautious in October. The outlook for Q4 looks fairly difficult. Even if we get some kind of rebound in November around the Venus-Jupiter conjunction, late November and early December will see some added downside pressure. After a possible Christmas rally, January again looks bearish. It is therefore difficult to see how stocks can return to their upward climb anytime soon. More likely, they will be testing key support levels over the next few months.



The technical picture looks mixed. Bulls managed to defend horizontal support at 9700 last week but thus far the bounce has been weak. A resumption of the rally is still possible from here and higher highs would not be out of the question either. However, the abruptness and severity of the pullback hints at more downside follow through in the days to come. If 9700 is broken, then it really could be the start of a whole new ball game. Stochastics are oversold and point to some kind of additional bounce and RSI is similarly attempting to rebound off the oversold line. Resistance is likely near the 20 DMA at 9950-10,000. The early August pullback brought an initial bounce to the 20 DMA and bulls needed a second try before they could push the Nifty over this level.

But even if 10,000 is recaptured, will bulls have the wind at their backs? It's difficult to say since that would merely suggest a range-bound market. September's high was only marginally higher and that was not confirmed by the Sensex. So what we may be looking at is a more ambiguous double top pattern. In this reading, any breakdown of the 9700 support level would create a downside target of 9300. This would be just a bit above the 200 DMA and therefore should be considered as a plausible target in the event of a deeper decline.

The weekly Sensex chart shows stochastics again in a bearish crossover but not yet oversold. A breakdown of 31,000 could see stochastics fall close to the 20 oversold line which would then become a better point for bulls to enter the market. MACD is in a deepening bearish crossover as the rally looks to be in jeopardy. HDFC Bank (HDB) briefly broke horizontal support last week but recovered somewhat by Friday. If bulls can take it back above the 50 DMA quickly and fill the gap at that level, then the preceding breakdown may be nullified. If there is another quick test of horizontal support, however, it is more likely to break more cleanly. ICICI Bank (IBN) looks like it is testing its 200 DMA. A bounce is quite possible in the near term but it will need to close above its August low for it to qualify as anything but a technical bounce. The chart looks weak and may eventually bring a retest of the May low.

This week could see more downside as Venus conjoins Mars. The conjunction will be within range for much of the week so negative effects are possible on any day. After Monday's holiday closing, Tuesday leans a bit bearish but perhaps not that much. Wednesday looks more bearish given the Moon-Saturn alignment. There is a somewhat more bullish pattern in effect on Thursday and Friday, however, as the Moon aligns with Mercury and then Jupiter. So while I would retain a bearish bias this week, there is perhaps a case for a more neutral outcome that reflects some positive days. I think next week is likely going to



be more bearish so we will likely see lower lows then. That suggests that a bounce is possible this week but it likely won't get far. If Tue-Wed are a negative, then that would likely retest 9700 and perhaps even break it. I would not bet the farm on a move below 9700, however. But a retest of 9700 would then create a scenario for another bounce in the late week. I would be surprised if the bounce exceeded the 20 DMA at 9978.

Next week (Oct 9-13) looks more bearish as Mars aligns with Saturn on the 11th. This could damage sentiment throughout the week. In addition, Venus enters Virgo on Monday just as Saturn aligns exactly with Rahu. It is a fairly pessimistic series of patterns. I would expect lower lows here, perhaps significantly lower. The following week (Oct 16-20) looks more bullish as Mercury conjoins Jupiter on the 18th. If the preceding week is as bearish as I expect, then an oversold rebound could be in store. Late October will see Saturn enter Sagittarius so we could see a retest of the early October lows. November may be more bullish but a sharp pullback is likely in late Nov and early Dec. I am uncertain if this will produce lower lows relative to October. December may see an improvement in sentiment but January-February look bearish. I would expect another significant pullback. The first half of 2018 looks bearish so we should see a down trending market last into June at least. A retest of the 200 WMA at 8100/26,800 is very doable by mid-2018.



Technical Trends

Short term trend is DOWN
 (1 week ending 6 October)

Medium term trend is UP
 (1 month ending 6 November)

Long term trend is UP
 (1 year ending October 2018)

Astrological Indicators

bearish (confirming)

bearish (disconfirming)

bearish (disconfirming)

Target Range

9700-9850

9500-9800

8000-9000

Currencies

The Dollar rebounded last week on hopes for the Trump tax plan. The USDIX gained almost a full cent to 92.88 while the Euro slipped to 1.18. The Rupee Index rose past the 65 level while the Yen ended the week at 112. While I am generally bullish on the Dollar for October, I had been uncertain if the Dollar could rise last week. The outlook for the greenback looks more positive as the Fed is signaling a more hawkish stance. Moreover, if Trump goes ahead and replaces Yellen as Fed Chair then her replacement (e.g. Warsh) could well commit to normalizing rates at a faster pace. Technically, the bounce off horizontal support at 91-92 seems to be underway.

Last week also pushed the Dollar above falling channel resistance. The close above the 50 DMA was the first since April. Any pullbacks now may act as a back test of that falling channel line which is now support. Further tests of horizontal support are still possible, although they should create higher lows such as 92. The rebound may gather steam if we get a close above the August high of 94. Until that time, the market may remain skeptical of the current bounce. The weekly Euro chart can still be seen as bullish which is undergoing a normal period of consolidation. Support is close by at 1.17 and the 200 WMA. A move under this level would suggest further downside is likely, perhaps to the breakout level of 1.15. Conversely, any move above the high of 1.21 would suggest a possible run-up to the upside target of 1.25.

This week looks bullish again. The late week could be more bullish than the early week as Venus conjoins Mars on Thursday. While some down days are likely here, I would think the Dollar will at least retest last week's high above 93. Next week also looks bullish as Mars aligns with Saturn. A large move higher is more likely at this time, possibly along the lines of a break out above resistance (e.g. 94). It is possible we could see the Dollar move higher through to the end of October and into early November. I am reluctant to call a target but we cannot rule out a quick run up to the 200 DMA just under 98. That may be too ambitious in this time frame but it may depend on when the DX can move above resistance at 94. A significant retracement will likely begin in November and continue into December. Nonetheless, Q4 should be bullish. 2018 looks more bearish again, especially in the first half of the year. I do not have a strong opinion whether the Dollar could make lower lows below 91 but it is possible. The second half of 2018 should bring a recovery.



Technical Trends (Dollar)

Short term trend is UP

Astrological Indicators

bullish (confirming)

Target Range

92-94

(1 week ending Oct 6)

Medium term trend is DOWN bullish (disconfirming) 94-96
(1 month ending Nov 6)

Long term trend is UP bullish (confirming) 96-99
(1 year ending Oct 2018)

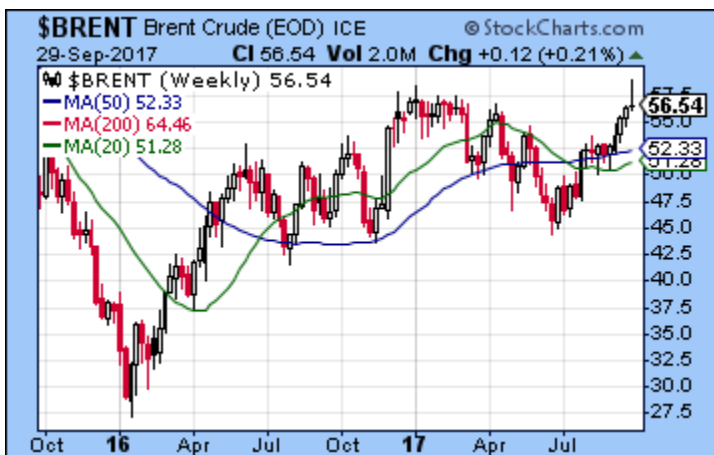
Crude oil

Crude extended its rally last week after Monday's rally on fears of supply disruptions in Iraq. WTI added almost 2% closing at \$51.67 while Brent settled above \$56. This bullish outcome was surprising as I thought the risks of a pullback would be rising. The gain was largely focused on Monday, however, and crude traded in a narrow range afterwards. The gain improved the technical outlook for crude which has moved above its falling channel resistance and bested its previous August high. Immediate support is now \$51 so buyers could move in at that level. A break of support would likely suggest a retracement to \$49 and the 200 DMA. While the outlook is bullish

there is a lot of overhead resistance at \$53-55. Although the astrological influences seem more bearish for October, the technical picture is more bullish. That divergence adds to my uncertainty about the future direction of crude prices in the near term. The weekly Brent chart shows the push up to resistance. Consolidation is still likely at current levels but the bullish chart indications suggest that pullbacks may be fairly shallow and that higher highs are looking more likely. The weekly gravestone candle with the tall upper shadow is somewhat bearish at the end of an uptrend. And yet that isn't much for bears to go on.

This week offers the bears another opportunity. The late week Venus-Mars conjunction could introduce some anxiety into the market. This is a bearish influence with perhaps a moderate reliability. Not quite "high" but it is another reason why bulls should be cautious this week. The early week could be more bullish but I would be skeptical about the possibility of significantly higher highs.

Next week (Oct 9-13) also leans bearish as Mars aligns with Saturn on the 11th. There is a good chance for additional retracement here although recent gains make me wonder if they will be



sizable. A break of the 200 DMA looks likely but it is still possible we could see a higher low above \$46 which keeps the bullish picture intact. The second half of October could be more positive, however, but it is unclear where the month as a whole could finish. Higher highs look unlikely but perhaps the decline is fairly modest. I'm not sure. The final week of October leans bearish, however, and could have the final word. November looks more bullish and could well challenge the Sep-Oct highs. However, December looks less positive and then weakness could extend into January. A significant retracement is likely at this time, and it is possible it could alter the otherwise bullish technical picture we have seen thus far in 2017. A stronger rebound looks likely starting in Q1 2018 and this could extend to the end of Q2.

Technical Trends	Astrological Indicators	Target Range (WTI)
Short term trend is UP (1 week ending Oct 6)	bearish (disconfirming)	\$49-51
Medium term trend is UP (1 month ending Nov 6)	bearish (disconfirming)	\$46-50
Long term trend is DOWN (1 year ending Oct 2018)	bullish (disconfirming)	\$50-70

Gold

Gold fell further last week on anticipation of higher interest rates and lower inflation. After Monday's rally pushed it above 1310, gold settled on Friday at 1284. This bearish outcome was in line with expectations as the midweek Moon-Saturn conjunction coincided with the reversal lower. The breakdown of the old resistance level of 1300 was a bearish indication. But is the rally over? As long as bulls can create a higher low above 1210, there is still hope for eventual higher highs above 1360. Bulls may be eyeing the 200 DMA at 1247 as a more definitive place to enter new long positions. Bears are noting the lower high at 1360 relative to 2016 and the sharpness of the current pullback. There is considerable ambiguity in the chart as the size of the pullback is hinting at a longer period of consolidation or even a range bound market before any significant break out in either direction can occur. If gold were to reverse higher near its current level, however, then the bulls would likely be sufficiently energized to retest 1360. If there is a rebound this week, then 1310 would likely be key resistance. Any close above that level could boost gold's fortunes and ensure another run to 1360 at least. However, failure at 1300-1310 could point to more downside, at least down to the area of the 200 DMA.



This week offers the bears more opportunities to do some damage. The Venus-Mars conjunction dominates the week and this is more likely to favour the bears. If I am wrong and we end up with some upside, however, I would still think the following week will be bearish and take gold to lower lows below 1284. My overall view is that gold will be prone to declines in the first half of October and then it will have a chance to bounce in the second half of the month and that this rebound could extend into November. More specifically this week, bulls may have a somewhat better chance on Monday and again at the end of the week, especially on Friday. A test of resistance at 1300-1310 is possible this week but I think lower lows below 1284 seem more likely overall. Sharp declines are also somewhat more likely this week although I would not say they are probable either.

Next week (Oct 9-13) looks more bearish as Mars aligns with Saturn and the Lunar Nodes. Volatility may increase here with a somewhat large risk of significant declines. Monday could be somewhat bullish but Tuesday's Moon-Saturn opposition may be bearish. A test of the 200 DMA at 1247 is possible. However, the following week (Oct 16-20) looks more bullish as Mercury conjoins Jupiter. There is a good chance for a significant bounce that may last for two weeks, although late October looks bearish as Saturn enters Sagittarius. If there is a rebound in October, then it could exceed 1300. Even if we get a late October decline, November's bullish sentiment suggests another possible retest of 1360. I'm uncertain of where gold may be in November, however, as there are many potentially offsetting influences in the mix at this time. But I do think that a more significant decline is still likely for Dec-Jan. This could begin as early as mid-November or at late as early

January. A retest of 1200 in early 2018 is looking more likely now and lower lows are also possible. A stronger rally looks more likely between February and June 2018.

Technical Trends	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Oct 6)	bearish (confirming)	1250-1280
Medium term trend is UP (1 month ending Nov 6)	bearish (disconfirming)	1250-1320
Long term trend is DOWN (1 year ending Oct 2018)	bullish (disconfirming)	1200-1400

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