MVA INVESTOR NEWSLETTER

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Summary for week of 4 September 2017

- Stocks likely more volatile this week
- Dollar mixed with bullish bias
- Crude oil choppy with some downside risk
- Gold could make large moves in either direction; bullish bias

US Stocks

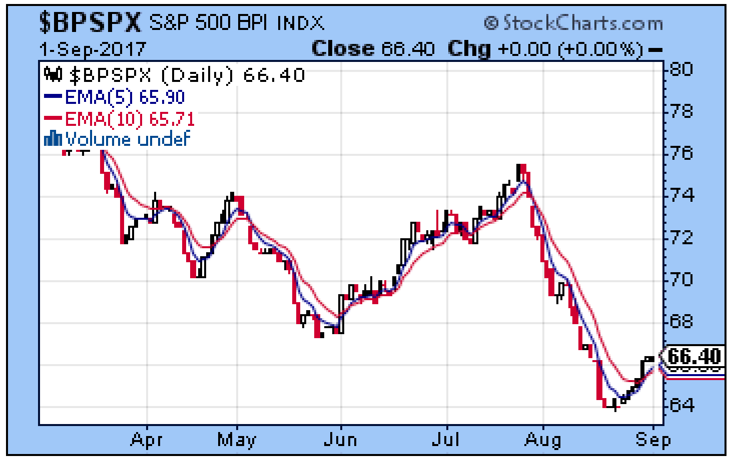
Stocks rebounded last week on easing tensions with North Korea and optimism over the chances for a tax reform bill. The Dow gained almost 1% on the week to 21,987 while the S&P 500 finished at 2476. While I thought the influences were fairly mixed, this solidly bullish outcome was somewhat unexpected. The early week saw some short-lived selling on Tuesday around the conjunction of Mars and the Lunar Node after the latest North Korea missile launch but the day actually ended positive.

August has come and gone and the indexes remain close to their all-time highs. While we did get a small pullback in the middle of the month, I thought the month as a whole would be more negative. At the same time, we are only part way through the key planetary alignments that I still believe should accompany a deeper pullback, if not outright correction. The Saturn-Lunar Node alignment has been slowly tightening through August and will move closer to an exact alignment through September and into mid-October. This alignment marks the approximate time window for a significant pullback. The mid-September entry of Jupiter into Libra is likely to create a more bullish influence but it could be temporary. While the week upcoming could well bring about an increase in volatility, I think it is important to be open to the possibility that a significant decline may not arrive until the end of September. That is a more bullish scenario as the decline would be postponed for a few more weeks. That said, it is also just as likely that a down trend could resume this week around the Mercury-Mars conjunction. Actually, a decline this week remains my preferred scenario but the absence of any downside last week makes me wonder if this week will also prove to be more bullish than expected. We shall see.

North Korea remains the geopolitical wild card here, as negative developments could come at any time. For now, markets are operating under the assumption that there will be fair warning in terms of further preparatory moves on either side before any actual hostilities may break out. This seems to be the correct view, although the planets are still showing an elevated likelihood of some kind military action in the near term, even if it is of a lesser nature. My view is that the Korean situation is likely to enter a more dangerous phase in November and December. The other more compelling source of worry for bulls is the debt ceiling debate and Trump's threat of a government shutdown if funding for the wall is not given. With the debt deadline on or around Sep 29th, that is another likely source of market uncertainty that is likely to translate into some selling around that time.

The technical picture looks quite bullish. The SPX and NASDAQ are retesting their highs, while the Dow is lagging a bit. After another higher low in August at 2420, there is good reason for bulls to believe in higher highs in the near term. Of course, a bearish double top pattern is still possible in the event that 2490 is not broken. But even if the SPX moves above 2490, it is unclear how bullish that would be. A marginally higher high would not fundamentally change the fact that the market is overbought and still overdue for a major pullback. Over the past several months, we can see that rallies have become a bit weaker as measured from trough to crest. The gradual weakening of the Trump rally is reflected in the rising wedge pattern since November. While higher highs can continue longer than many skeptical bears may wish, these patterns are considered bearish because they often resolve into broader rising channels. Current channel support is closer to the 200 DMA at 2362. This is a plausible downside target in the event that wedge support at 2430 is broken. Most likely, we would have to see a close below the previous low of 2420 in order to persuade reluctant bulls that the market was headed lower. The weakening of the rally is also seen in the negative divergence in the Bullish Percent Index. While the bullish crossover of the 5/10 EMA suggests the real possibility of more upside in the coming days, this indicator should not give bulls much comfort. The weekly Dow chart still hasn't produced a tag of the 20 WMA which might be considered the minimum for a pullback in this bull market. The chart depicts a market in a strong up trend where pullbacks are most likely to be bought. Stochastics are still in a bearish crossover and argue for more downside in the coming weeks, at least down to the 20 WMA at 21,388, if not lower. Bond yields tested support last week after the weak jobs report. The 10-year traded at 2.1% as investors became even more skeptical of the Fed's stated intention to normalize rates.

This week is shortened for Monday's Labor Day holiday. There is an increased risk of some large moves this week given the Mercury-Mars conjunction. The conjunction occurs on the same degree as the August solar eclipse so that could increase the planetary torque. It should be noted that it is still possible that we won't see too much action this week despite this unusual pattern. Alignments do not always play out as expected and the end of August has been surprisingly bullish so that up trend could perhaps continue a bit longer. And yet, it is prudent to use additional caution this week. Tuesday has the added difficulty of the Moon opposite Mars so that may produce some downside. Wednesday is a bit less bearish as the Moon aligns with Neptune. But the late week may be more vulnerable to declines again as the Sun and Venus align with Pluto. Overall, the risk of some surprising downside is elevated this week and yet it is possible it may not finally arrive. Therefore, it is difficult to make a clear call this week. A reversal lower from a double top pattern is very possible and a somewhat more likely outcome. And yet I would not rule out marginally higher highs above 2490 either at some point or even by Friday's close.



Next week (Sep 11-15) looks more bullish as Jupiter enters Libra on Monday the 11th. This may not translate into gains on Monday although I do think it should boost the week as a whole. The late week looks more bullish as Venus conjoins the Lunar Node and Jupiter. It is even possible we could see higher highs here although a lot will depend on what happens in the previous week. The following week (Sep 18-22) looks less positive, however, especially in the first half of the week as Mercury again conjoins Mars. Late September looks more reliably bearish, however, as Saturn aligns more closely with the Lunar Nodes. October also leans bearish as Venus enters Virgo on Oct 9. This is often a negative four-week transit that sees significant pullbacks occur at some point. If we see an interim low formed sometime in October, November should bring a rebound. It could be to a higher high although I tend to think it will be a lower high. Another difficult period is likely to begin in late November or early December and could extend into January. Lower lows are more likely by January relative to this Sep-Oct period. A rally in February and March is likely but on the whole 2018 looks more bearish and should bring lower lows.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is UP (1 week ending Sep 8)	bearish (disconfirming)	SPX 2420-2480

Medium term trend is UP (1 month ending Oct 8)	bearish (disconfirming)	SPX 2380-2450
Long term trend is UP (1 year ending Sep 2018)	bearish (disconfirming)	SPX 1900-2200

Indian Stocks

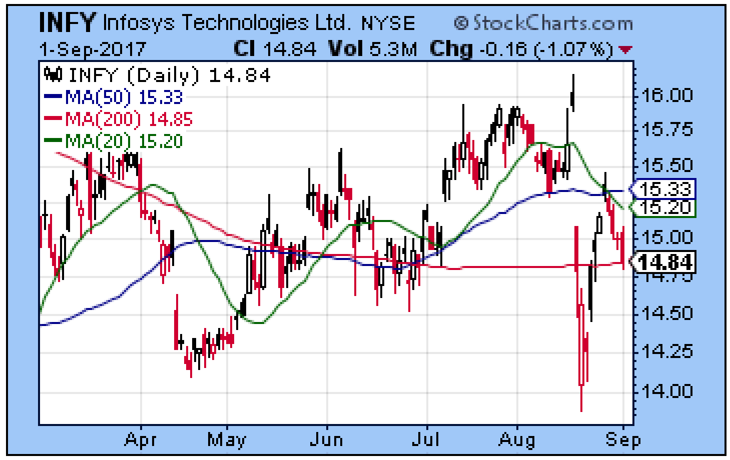
Stocks pushed higher last week as worries over North Korea quickly subsided. The Sensex rose by about 1% on the week to 31,892 while the Nifty finished at 9974. I thought we might have seen more downside, especially later in the week. As expected, we did see a pullback early in the week on Tuesday's sell-off. This roughly corresponded with the Mars-Rahu conjunction. The subsequent gains revealed the influence of Jupiter as it approached its alignment with Ketu.

Although August was mildly bearish, I thought we might have seen more downside on the approach of the Saturn-Rahu alignment. To be sure, this alignment is quite unusual this year in that it lasts much longer than normal due to the retrograde cycle of Saturn. Since both Saturn and Rahu are more likely to produce negative outcomes, this alignment has added the likelihood of declines for the period that the alignment is in force. In this case, the Saturn-Rahu alignment extends well into October. At its most fundamental level, the influence of this alignment reduces the likelihood of higher highs and increases the probability of lower lows. Rebounds are still possible along the way, of course, but they are more likely to be brief. I have previously focused on August-September as the most likely time window for a pullback/correction. Thus far, the pullback has been quite modest. Since the Saturn-Rahu alignment is not due to come exact until mid-October, it is prudent to extend this difficult period a bit further. Moreover, Venus is due to enter bearish Virgo on 8th October so that could be another source of caution for markets. The Venus transit of Virgo has a fairly well established record of pullbacks at some point during its four-week transit. Even if the transit as a whole is not so bearish, it is a fairly safe bet that some significant declines (>-3%) will take at some point during the transit which this year occurs from 8 Oct to 2 Nov.

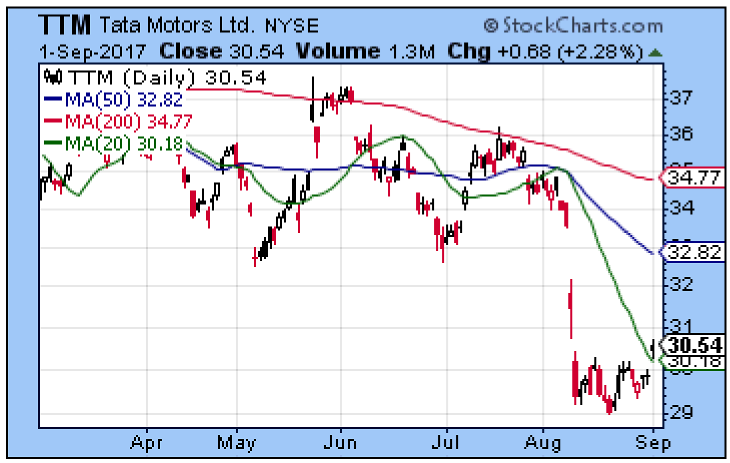
Investors remain hopeful that liquidity will continue to flow into stocks for the time being as US data is still quite weak. The Fed will be hard-pressed to raise rates anytime soon, let alone follow the path to normalization. The sinking US Dollar is therefore good news for Indian equities as FII seek more enticing yields offshore. Currently, the North Korea situation looks to be under control although it may only be a matter of time before the war of words escalates again. Based on my reading of the relevant charts, I tend to think significant military action may not occur until late November or December. This could allow stocks to remain more positive than would otherwise be the case. That said, this week's Mercury-Mars conjunction is a source of concern since it could trigger the eclipse point at 4 Leo and thus reflect some tense geopolitical developments.

The technical picture looks fairly bullish. While the Nifty is still trading below its recent high, last week's close was higher than the previous interim high at 9950. This gave short term bulls some bragging rights, especially after the repeated test of the 50 DMA over the preceding two weeks. Bulls should be feeling confident that a test of 10,100 should be forthcoming soon. It is still possible the Nifty may not make new highs, however, and that fact will determine the direction of the markets. The inability to crack 10,000 again could hasten another rest of the 50 DMA and perhaps even a retest of horizontal support at 9700. Failure to close above 10,000 followed by a test of 9700 would be bearish and would likely mean that a move below 9700 was imminent.

Bulls are hopeful for a retest and higher highs as MACD is again in a bullish crossover and back above the zero line. 10,000 could be a very important technical area as a close above that level would keep this year's rally going a while yet. The difficulty for bulls, however, as that if there isn't a close above 10,000, then the consequences are more serious. The 20 and 50 DMA are almost in a bearish crossover so that a negative week could in fact create the first bearish crossover since January. While the market may be less susceptible to the impact of such technical artifacts, it would nonetheless reveal the gradual weakening of the current rally. If 9700 is broken on the downside, the next support level would likely be the measured move target to 9600. After that, the 200 DMA at 9089 looms. The weekly Sensex chart still shows a bearish crossover in both the stochastics and MACD. These are indications for more downside in the near term as the market works off its overbought condition. Any violation of the 20 DMA at 31,137 would raise alarm bells for bulls and could open the door to a deeper sell-off. Meanwhile, Infosys (INFY) pulled back last week as the preceding week's big bounce. Bulls have an opportunity to go long here as Friday closed at the 200 DMA a plausible area of support. Any move below this level would likely hasten a retest of the August low and perhaps even lower lows. Tata Motors (TTM) may have found a bottom after last week's modest bounce. While it may be premature to forecast a quick retest of the 200 DMA, some kind of attempt at a gap fill to lower highs seems doable in the near term.



This week has considerable downside risk. The conjunction of Mercury and Mars is somewhat bearish and the fact that it occurs on the point of the recent solar eclipse at 4 Leo is something of a wild card. There is an added layer of volatility that is possible from this pattern although it should be noted that it may not coincide with anything that unusual. Due to Mercury's slow retrograde motion this week, the conjunction is intact for the whole week. This makes it harder to say when declines may be more likely. Perhaps Tuesday leans more bearish as the Moon opposes Mars. Monday may be less negative in that respect, and also Wednesday's Venus-Neptune alignment looks somewhat positive. Thursday and Friday also have a somewhat more bearish feel to them as the Moon comes under the aspect of Mars. I would not necessarily expect a large decline this week, although I wouldn't be surprised if one happened. Also, I would not be surprised if we got a test of 10,000 early in the week and a possible pullback thereafter.



Next week (Sep 11-15) looks more bullish as Jupiter enters Libra on Monday and Tuesday. This is a fairly reliable bullish pattern that could indicate some upside, especially if the previous week has been bearish. The midweek looks somewhat bearish as the Moon aligns with Saturn on Wednesday. Thursday's Sun-Saturn square also may lean bearish, although Friday's Venus-Rahu conjunction looks bullish. Overall, I think this week could be somewhat positive. The following week (Sep 18-22) looks bearish to start as the Moon conjoins Mars although some late week gains on the Jupiter-Moon conjoin may prove to be offsetting. Higher highs look unlikely but I would not expect too much downside either. Late September looks mixed as Mars opposes Neptune. The first half of October looks bearish and could produce lower lows. Some kind of recovery is likely to take place in late October or November but it may be fairly modest. I would not really expect higher highs by November. December and January look bearish and are likely to retest any lows we see in Sep-Oct. Lower lows are also possible. Generally speaking, I think 2018 looks decidedly more bearish than 2017 and indeed we could see the indices undergo more than one correction during the year. A negative outcome to the year is very possible.

Technical Trends	**Astrological Indicators**	**Target Range**
Short term trend is UP (1 week ending 8 September)	bearish (disconfirming)	9800-10,000
Medium term trend is UP (1 month ending 8 October)	bearish (disconfirming)	9400-9700

Long term trend is UP (1 year ending September 2018) | bearish (disconfirming) | 8000-9000

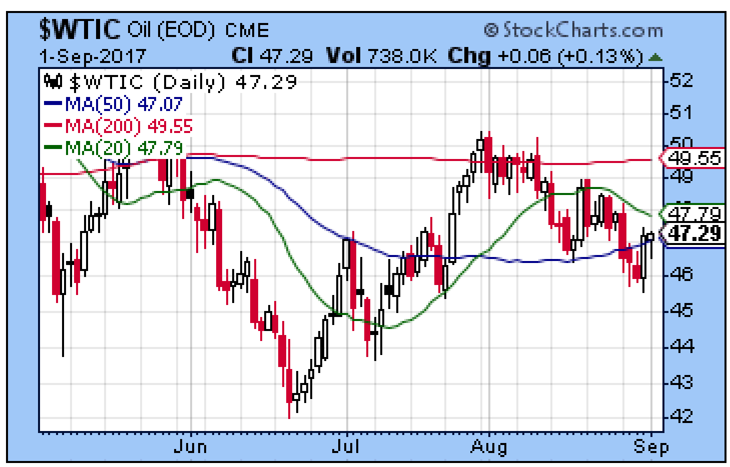
Currencies

The Dollar held its own last week as data remained mixed. The USDX finished just below 93 while the Euro slipped a bit under 1.19. The Yen slipped to 110 and the Rupee stayed firm at 64. The Dollar is trying to find a tradable bottom here as horizontal support is repeatedly tested in the 92 area. But with underwhelming data and the Fed taking a wait-and-see approach to further rate hikes, there isn't a bullish case for the Dollar aside from the technicals. Some progress on the Trump tax reform could boost the greenback but early indications do not look promising. Thursday's high touched resistance at the 20 DMA at 93. So far, the bounce has been weak so bulls cannot become overconfident as last week actually saw trades below 92. This hints that another leg down is also possible if events conspire against the Dollar. For now, the technicals do not look great so it may require a very dovish statement form the ECB at its Sep 7th meeting to boost its fortunes. The FOMC meeting for Sep 20th is expected to announce an unwinding of its QE balance sheet so that may also move the Dollar. For its part, the Euro tested 1.20 last week but could not hang on to that level. The weekly candle looks somewhat bearish although it may only be hinting at a more modest pullback in the short term. Long term resistance could be as high as 1.25 for the Euro with support now at 1.16-1-17.

This week could see some large moves in both directions. The first half of the week looks bullish for the Dollar as Mars conjoins Mercury. We could see a down day on Wednesday or Thursday but Friday's Sun-Venus alignment looks positive. I would lean bullish here overall. Next week (Sep 11-15) looks more negative as Jupiter enters Libra. If the Dollar bounces in the first week of September, then this mid-September retracement could produce a retest of the low, presumably at or a little below 92. The Dollar should begin to rally by the end of September and extend the gains into October and November. It is possible we could see a bear market bounce up to the 200 DMA sometime during Q4. But Q4 still doesn't look that bullish overall. The first half of 2018 looks bearish again so even if we get a decent rally in Q4 2017, much of it will disappear by Q2 2018. A significant rally in the Dollar is likely to begin by the early summer of 2018.

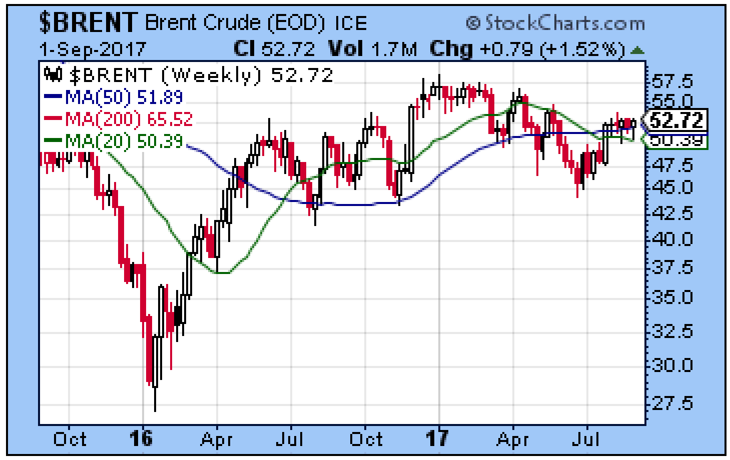
Technical Trends (Dollar)	Astrological Indicators	Target Range
Short term trend is DOWN (1 week ending Sep 8)	bullish (disconfirming)	93-94
Medium term trend is DOWN (1 month ending Oct 8)	bullish (disconfirming)	93-95
Long term trend is UP (1 year ending Sep 2018)	bullish (confirming)	96-99

Crude oil



Crude oil lost ground last week as supplies were expected to rise in the wake of a major US hurricane. Despite a late week bounce, WTI fell 1% but remained above $47 while Brent rose by more than 1% above $52. I had been fairly neutral last week although I thought some downside was more likely. Crude is still looking technically bearish as last week saw lower lows and lower highs relative to the previous week. In Dollar terms, crude is above its June lows but in Euro terms it is weaker, although we should note it is making a bullish double bottom pattern here. Both the short term and medium term outlooks for crude are bearish. Bulls will have to form a higher low fairly soon in order to prevent a retest of the June low. Given the intervening lower high in July, a double bottom pattern may not be reliably bullish. The June low may simply fail on the way to lower lows. The weekly Brent chart is slightly more bullish as support is holding at the 20 WMA at $50. However, the bearish crossover of the 20 and 50 WMA is still intact. If $50 holds as support, bulls can live to fight another day and attempt to take out resistance at $54. While crude has been struggling lately, the 2017 low is still higher than the 2016 low and offers hope to long term bulls.

This week could be mixed on the Mercury-Mars conjunction. Monday may be bullish but the Mercury station on Tuesday suggests some downside is likely into the midweek. But there is some potential for gains also as the Sun and Venus align with Pluto on Thursday and Friday. We could see significant moves in both directions this week.



Next week (Sep 11-15) looks more bullish as Jupiter enters Libra and Venus conjoins the Lunar Node. There is a good chance that crude will move back to the 200 DMA at $50 if it has not already done so. A move above the 200 DMA is also quite possible sometime in mid to late September. However, late September and early October look more bearish so some kind of retracement is likely then. Another rally attempt may begin in late October and extend into November. Again, another retest of the 200 DMA is likely and a return to $54 is also possible. But this rally should eventually fail by the end of November or early December. This should mark the beginning of a major retracement that lasts well into Q1 2018. Lower lows below $40 are quite possible at that time.

Technical Trends	**Astrological Indicators**	**Target Range (WTI)**
Short term trend is DOWN (1 week ending Sep 8)	bullish (disconfirming)	$46-49
Medium term trend is UP (1 month ending Oct 8)	bearish (disconfirming)	$44-48
Long term trend is DOWN (1 year ending Sep 2018)	bullish (disconfirming)	$45-60

Gold

Gold soared above 1300 last week, first on geopolitical jitters and then later on Dollar weakness. Gold rose by 3% on the week to 1338. This bullish outcome was unexpected as I thought the late week might see some pullback. The early week was bullish as expected, however. Gold is shining brightly here as it has already pushed above resistance. The bulls finally took out resistance after multiple retests of 1300. Gold is so strong that it also pushed above its measured move upside target of 1325. The breakout is technically significant as support is now 1300, the old resistance level. Any move below 1300 would suggest weakness and more downside. But bulls may be eyeing the 2016 high of 1380 as their next goal as most dips will now be bought quickly. Gold is overbought as it is above 70 RSI but it is little reason to sell as it is now a strongly trending market. Bulls have time on their side as a move up to 1380 need not happen quickly. The medium term chart still requires a high above 1380 in order to continue the rebound off the late 2015 low of 1050. Taking this low as a benchmark, the measured move upside target would be around 1450.

This week could see more upside although there are a mix of aspects here that make that call uncertain. Previously, I had been more bearish about this week's Mercury-Mars conjunction but I'm less certain now that we will get much downside. The alignment could actually produce moves in either direction. Declines are more likely late in the week, especially on Friday.

It looks like gold is likely to continue this rally through October and even into early November so any declines are likely to be only fairly modest pullbacks. Next week (Sep 11-15) looks bullish again as Jupiter enters Libra on Monday and Venus conjoins the Lunar Nodes on Friday. Higher highs are very possible here. The up trend may continue as Jupiter aligns with Uranus in late September. A pullback is likely around the time of the Mars-Venus conjunction in early October and the exact Saturn-Lunar Node alignment. I would not expect too much downside, however. It is difficult to speculate where gold will be by October. 1380 looks almost certain and 1450 may be in the cards as well. But as Saturn enters Sagittarius in late October, the trend is more likely to change. November and December look bearish and should bring a significant retracement. A retest of key support (1200? 1300?) is likely sometime in Q1 2018. Gold should recover most of its preceding decline in Q2 but the second half of the year may be much less positive.

Technical Trends | **Astrological Indicators** | **Target Range**

Short term trend is UP (1 week ending Sep 8)	bullish (confirming)	1280-1350
Medium term trend is UP (1 month ending Oct 8)	bullish (confirming)	1280-1320
Long term trend is DOWN (1 year ending Sep 2018)	bullish (disconfirming)	1200-1400