MVA INVESTOR NEWSLETTER

16 March 2013 Volume 6, Issue 12

Summary for week of 18 March 2013

- Stocks vulnerable to declines early but recovery more likely late
- Euro trending lower but some rebound is possible later in the week
- Crude likely to trade lower early but recovery is likely late this week and next
- Gold could move lower into Wednesday but rebound after

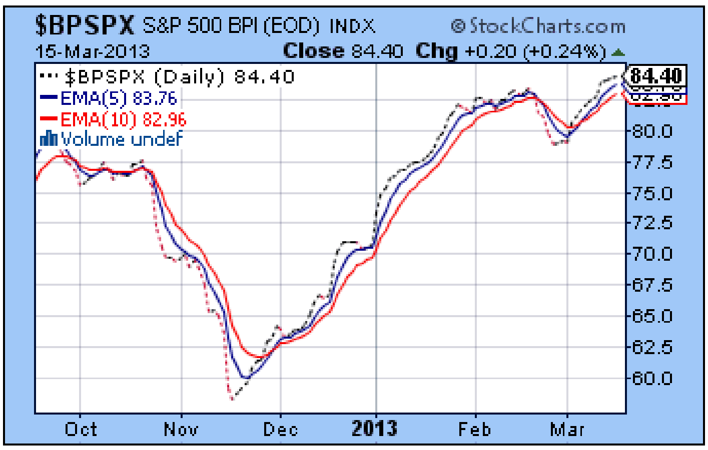
US Stocks

Stocks continued their seemingly unstoppable march higher last week as no news was good news. The Dow climbed less than 1% closing at 14,514.while the S&P500 finished the week at 1560. This mildly bullish outcome was not unexpected given the absence of clearly negative planetary influences last week. The week unfolded more or less according to the key aspects as Monday's gain coincided nicely with the bullish Moon-Jupiter aspect. Tuesday's pullback, however small, did correlate with the Moon-Mars alignment. The midweek was an unclear but the bulls took control with Thursday's gain. As expected, Friday was lower although the pullback was disappointingly small.

The market seems as overbought as ever and yet this is becoming a relentless rally to new highs. As the Dow hits new highs and the SPX approaches its 2007 high, it is harder than ever to take a cautious and bearish stance. And yet other than the upward momentum of the market itself, there seems to be few compelling reasons to switch to a bullish orientation. There is an FOMC meeting this week on Wednesday so one has to wonder what Bernanke could say that would push markets significantly higher. He has reiterated his commitment to ZIRP and QE3 before. Perhaps he could reassure the market that inflation is completely benign and there is no risk of a bubble and so this could invite more buyers in. That's possible although it's worth noting that he didn't see a bubble in 2007 either. But he could also strike a more cautionary tone about the extent of bond purchases going forward and thereby increase awareness that the loose liquidity policy will not last forever. But these divergent possibilities are always on the table whenever the Fed meets. The astrology would tend to support a cautious stance since February, although I admit I have been incorrect (or hopefully premature) in this call thus far. I had expected some gains in the second half of March on the Jupiter-Pluto aspect but thought we could form a lower high. No such luck. We appear to be in thick of that bullish aspect right now. This aspect is exact on the 24th a few days after the FOMC meeting so we cannot rule out some more gains as a result of Bernanke's remarks. These aspects involving distant slow moving planets such as Jupiter and Pluto have a significant margin of error so it is conceivable the rally could extend all the way to the end of Q1 on March 29.

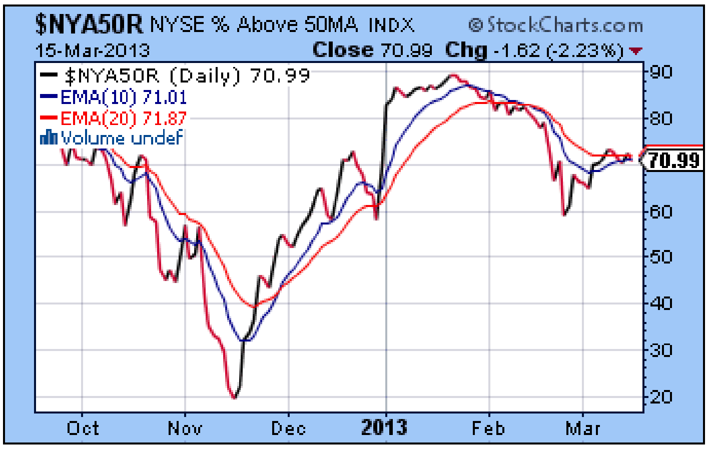
The technical picture is the same – bullish but overbought. The problem now is that the breadth indicators are showing increasingly clear buy signals after having reversed from their February bearish crossovers. The Bullish Percentage has now reached new highs although it remains below its recent all-time high in 2011 of 90. The bullish 5/10 EMA bullish crossover is still going strong here and strongly argues against taking any new short positions. Our other breadth indicator offers a more complicated picture. The percentage of stocks over their 50-day moving average remains well below its January peak suggesting a possible divergence in the making. Also we can see that the SPX's version of this measurement has a bullish crossover of the 10/20 EMA while the broader NYSE Composite ($NYA50R) remains in a bearish crossover. This could be a symptom of a narrowing market rally that is bound to fail. Or it may simply an artifact to readily seized upon by anxious bears. Nonetheless, the relative robustness of the NYSE indicator in the past should at least give caution to bulls that the market is still overbought and is long overdue for a pullback and consolidation before perhaps undertaking a new leg higher. I don't think a new leg higher is likely, but even bulls will have to accept the law gravity eventually.

The RSI on the daily chart is at 68 and therefore pretty overbought. It could push above it briefly if the SPX were to make new highs as now seems inevitable. 1565 is the all-time closing high so it is possible that we could see some resistance there. But the Dow pushed past its all-time high without much of a backward glance so it seems likely that the market may only take an approximate view of these milestones. A small pullback would likely find support near the 50 DMA at 1500. However, the market is more overbought now so it opens up the possibility of a deeper correction, perhaps down to the 200 DMA or below. The weekly chart is similarly overbought with the RSI well above the 70 line. The last time that happened was in 2011 after which the market sold off about 20%. That was a protracted process, however, that still required a higher high after the overbought condition.



This week offers a more plausible bearish scenario, at least before Wednesday's FOMC meeting. Mercury ends its retrograde cycle on Sunday and will form a bearish-looking alignment with Mars on Monday and Tuesday. Given the absence of any obviously bullish offsetting aspects, this sets up the probability for a net decline across the first two days of the week. Jupiter is still approaching its aspects with Pluto and Saturn this week so that may blunt the extent of any downside. And given how bullish the market has been lately, I would be surprised if the decline was significant. It is still possible we could see a 1-2% pullback across these two days with perhaps the 20 DMA acting as support.

That is pretty much the most bearish scenario. Probably the decline will be more modest and may not even produce negative outcomes on both days. Wednesday looks somewhat bullish at least heading into the midday meeting. There are no clear aspects after the meeting nor on Thursday. This makes it harder to predict the market reaction to Bernanke. Friday's Mars-Uranus conjunction suggests a significant release of energy although given the current trend, this is perhaps more likely to be bullish. In other words, the planets offer some mild confirmation to a bullish reaction to the FOMC meeting on Wednesday. But if the early week is more negative, then that might be enough to produce a negative week overall. It's hard to say, however, since a lot will depend on the extent of any early week selling.



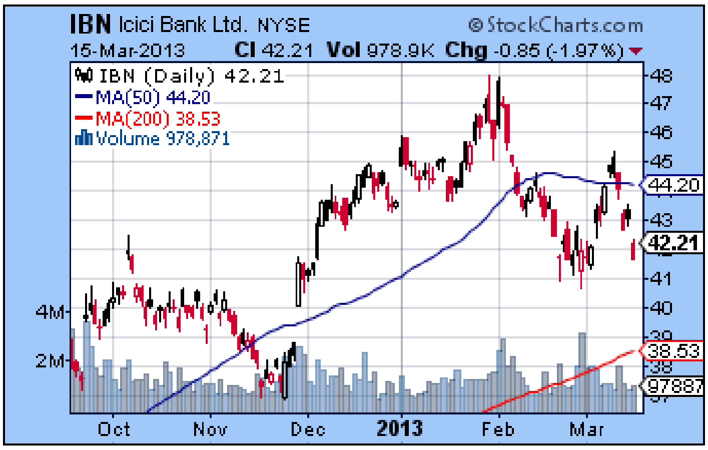
Next week (Mar 25-29) is the last week of the quarter so it is possible we could see an increase in volatility with the various options expirations. The early week again tilts bearish as Mars aspects Saturn. The complicating factor is that Jupiter is also in a tight alignment with Saturn and Pluto so I would not rule out more upside from the outset. Nonetheless, there is a somewhat higher risk of some selling on Monday. Wednesday and Thursday will see a triple conjunction of Sun, Venus and Uranus which could coincide with a sizable move. My guess is this move will be a gain although I would note a certain ambiguity in direction since these conjunction can also represent the culmination of bullish energies which then immediately reverse. A safer bearish stance would be to wait for the potential for more upside on this triple conjunction and then ponder one's choices. As April begins, there is less reason to expect the rally to continue as Jupiter will move past its key aspects with Pluto and Saturn. Short term aspects notwithstanding, April should see more weakness and hopefully the start of a significant correction. I tend to think the real downside won't begin until the second half of April although I also would not be surprised if it began a bit sooner. We should see a significant pullback in the first week of April on the Mars-Rahu aspect and the Mars-Venus conjunction. Perhaps that will set up a lower high in the second week of April after which the selling can begin in earnest. The down move may extend into the first or second week of May. This looks larger than a simple pullback to the 50 DMA. A rebound is likely in the second half of May but June looks quite iffy on the Saturn-Neptune aspect.

Technical Trends	**Astrological Indicators**
Short term trend is UP (5 days)	bearish (disconfirming)
Medium term trend is UP (1 month)	bearish (disconfirming)
Long term trend is UP (1 year)	bearish (disconfirming)

Indian Stocks

Stocks retreated last week on profit taking and mostly neutral global cues. The Sensex lost more than 1% closing at 19,427 while the Nifty finished the week at 5872. While I thought we might have got a little more upside, especially early in the week, this modestly bearish outcome was also not surprising. As it turned out Monday ended flat but Tuesday was bearish as expected on the Moon-Mars aspect. I had suggested that Wednesday and Thursday were hard to call and something of a toss-up and indeed the market made wide moves in both directions but ended flat relative to Tuesday's close. Friday was lower as expected on the Moon-Saturn alignment.

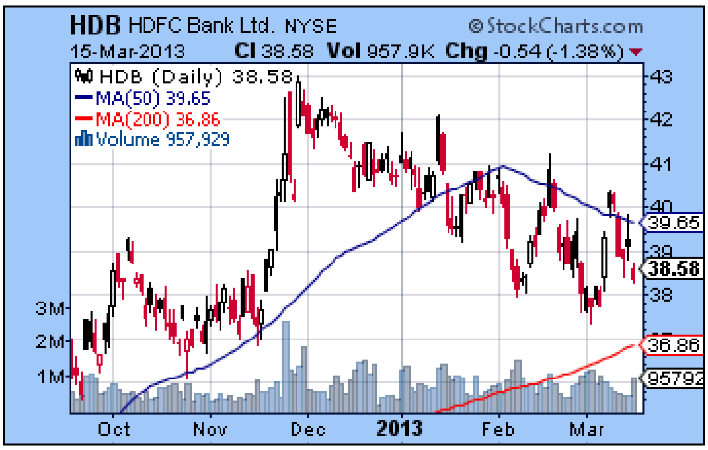
Last week's inflation data makes a rate cut somewhat more likely in Tuesday's RBI announcement, although it seems that the market has discounted a 25 point cut already. The WPI number was within expectations so that may reduce the possibility of a surprise 50 point cut that might boost stocks. Astrologically speaking, we may be in the middle of a small bullish air pocket here within a larger bearish alignment. I have generally expected stocks to trend lower between February and April or even May. I allowed for the possibility of some kind of rebound in March on the Jupiter-Pluto-Saturn alignment. This has arrived somewhat ahead of schedule as the market rebounded sharply in early March. It is still quite possible that this Jupiter influence could keep a floor under stocks for another two weeks and prevent any significant selling. It could also conceivably push stocks a little higher. But since it arrived early, it may also depart earlier than expected. For this reason, I would be quite cautious about taking bullish positions as they are more likely to be short-lived and produce relatively smaller moves. While the RBI is potential market mover in either direction, it is less clear what the catalyst for a correction will be. The US debt problem will again be in the news in the last week of March when Republicans will have the opportunity to pull the plug on the government debt ceiling. However, that seems unlikely at the moment.



The technical picture became more bearish last week as the Nifty could not close above the 50 DMA early in the week. This line has proven to be significant support and resistance recently and suggests that bulls are being careful at these levels. Stochastics on the daily chart has fallen below the 80 line and is in a bearish crossover suggesting a higher probability of more short term downside. MACD is still in a bullish crossover but there is no more upward momentum there. 5950 is therefore a crucial line in the sand for the Nifty here as any close above that level would be bullish and would likely produce a short squeeze and a quick run higher. A close below 5850 would be bearish and would increase the likelihood that last week's lows of 5700 will be taken out. If that happened, it would produce a lower low and ratchet up the pressure on the bull story. A test of the previous interim low at 5600 would also be significant in that it would create a head and shoulders pattern. This would then produce a downside target of 5100 over the next several months.

The weekly BSE chart is still showing a negative trend in place. MACD remains in a bearish crossover, albeit without much downward momentum. Stochastics are still in a bearish crossover and are not yet oversold and thus increase the likelihood for more selling in the weeks ahead. SAR is still showing a bearish trend in effect thus making bullish positions less attractive in the medium term. The prospect of a new rate cut hasn't done many favours for the banking sector as both ICICI Bank and HFDC Bank were lower last week. Any cut seems to have been discounted by the market completely and there may be some expectation that no cut may be forthcoming at all. HDFC (HDB) reversed right at resistance on Monday near the 50 DMA and remains locked in a bearish falling channel. ICICI (IBN) may also be stuck in a bearish head and shoulders pattern although it seems to be getting some buying support at $41-42.   While current levels are attractive entry points, the use of tight stops here increases the risk of a nasty decline if buyers suddenly abandon ship.

This week tilts bearish at least in the early part of the week. Mercury returns to direct motion on Sunday but it does so while in alignment with Mars. This is usually a bearish combination which increases the odds for declines.   Monday's Moon-Jupiter conjunction may be somewhat bullish, so that increases the likelihood for gains at the open. I would be less confident about these gains holding by the close on Monday, however. That sets up the RBI announcement on Tuesday as more likely to bring about a bearish reaction by the market.   It is possible the decline could be sizable. So that is two layers of probability to consider. The first is the probability (70%?) of a decline and then another 70% (?) chance that the decline will be greater than 1%. Wednesday is less clear. While the worst of the Mercury-Mars will be over, there is a very tense looking aspect with Moon-Mars-Uranus for part of the day that may give bears reason to cheer. While I would not be surprised to see a rebound Wednesday, it also does not look particularly good. Thursday looks mixed and hard to call while Friday looks more bullish as Mars conjoins Uranus (high energy but not necessarily negative) and the Moon aligns with Venus and the Sun. Overall, the week leans towards the bears assuming that the declines are large enough to offset any up days. I think there is a real risk that the previous low of 5800 will be taken out this week.   I would not rule out 5700 either, although we may be getting ahead of ourselves there.



Next week (March 25-29) looks more bullish although a one-day decline is more likely on Monday or Tuesday on the Mars-Saturn aspect. There is a triple conjunction of the Sun, Venus and Uranus during midweek that should encourage buying and push stocks significantly higher. If stocks have fallen the previous week as I expect, then this may only be a rebound back to resistance, perhaps at a lower level such as 5800. Another rebound to 5950 is possible but it seems unlikely given the other negative influences in play. April looks more bearish and the first week is likely going to be negative also as Mars aspects Rahu. This looks negative enough that it could erase most if not all of the previous week's gain. I am expecting lower lows in late April and early May. Just how low the Nifty could fall is hard to say. I think 5200-5400 is quite doable as a downside target by the first week of May. A lot will depend on what kind of pullbacks we get in the weeks March 18-22 and April 1-5. Both have the potential for larger (>2%) declines which could test support levels earlier than expected. If this happens, then 5200 or even 5000 would be possible by May. Some rebound is likely in late May and early June but it does not look solid or long-lasting. June and July look somewhat bearish on the Saturn-Neptune aspect so that is likely to eat away at any preceding rebound. There is therefore a significant risk of a new bear market emerging in 2013.

Technical Trends	**Astrological Indicators**
Short term trend is DOWN (5 days)	bearish (confirming)
Medium term trend is DOWN (1 month)	bearish (confirming)
Long term trend is UP (1 year)	bearish (disconfirming)

Currencies

The Euro enjoyed a mild rebound last week key EU finance ministers hinted that debt repayment terms may be eased to lessen the burden of austerity. The Euro ended the week just under 1.31. The Dollar Index stayed above 82 while the Rupee slipped to the 54 level. This bullish outcome for the Euro was generally in keeping with expectations as I thought the various Moon aspects would likely lean bullish although Friday's gain was surprising. The Euro remains weak here technically as Friday's close only moved it up to the 20 DMA on the daily chart. Last week's action actually saw the Euro trend lower at midweek as it closed below 1.30. This was yet another lower low. The daily chart is looking oversold here as MACD prepares for a bullish crossover. The weekly chart also is getting oversold as stochastics is now below the 20 line. More downside is perhaps more likely in the short term, but it would seem unlikely that it could fall directly to, say, 1.25 given the current oversold condition of the market. If the Euro continues to rebound here, the next level of resistance is around 1.33 which is also the 50 DMA. But that first presumes a close above 1.31 which has yet to happen.

This week looks mixed with some downside likely early in the week on the Mercury-Mars aspect. Tuesday is perhaps more bearish than Monday in this respect. Last week's lows may well be tested. Wednesday's open in Europe also looks pretty bearish as the Moon aligns with the Mars-Uranus conjunction. But the late week looks more bullish so some of that early downside may be erased. That said, I would lean bearish for the week overall. Next week may start bearish on the Mars-Saturn aspect but it is likely to turn bullish as the Sun, Venus and Uranus form a triple conjunction by midweek. I would expect a net gain overall. April looks like it will produce more downside and I would expect 1.27 to be tested eventually, perhaps as soon as the first week. We could see another bounce in the middle of April, but the end of the month and early May look more bearish again. 1.25 is very doable by early May and even 1.21 could be within reach if higher support levels (e.g. 1.27) are taken out in the first week of April.

Technical Trends	**Astrological Indicators**
Short term trend is DOWN (5 days)	bearish (confirming)
Medium term trend is DOWN (1 month)	bearish (confirming)
Long term trend is DOWN (1 year)	bearish (confirming)

Crude oil

Crude moved higher last week as renewed inflation fears added to the general mood of economic recovery. Crude finished the week above $93. This bullish result was largely in keeping with expectations as I thought there were enough Moon aspects in Pisces to push crude higher. We did not see much late week selling at all as bulls looked intent on testing resistance at $94-95. Crude has worked off its oversold condition as it has retraced back to the 50 DMA. This was perhaps a predictable move after it found support near the 200 DMA at $89. It will be interesting to see if crude can again close above its 50 DMA at $95. If it does, then it would suggest that it can make a run for its previous high at $98. I tend to think that crude is only experiencing a technical rebound here and that it is destined to go lower but it is still possible it could match its previous high first. We shall see. $85 remains the critical support level since crude will form a lower low thus ending the putative bull market.

Crude looks mixed this week. The early week may be bearish on the Mercury-Mars alignment but I would not expect too much downside. The midweek may improve sentiment as Mars approaches its conjunction with Uranus. The week could go either way, but I'm less inclined to think it will be a significant move. I would nonetheless retain a medium term bearish bias here as the market looks fragile heading into April. Some upside looks likely in the last week of March so that could put crude above $95 for a short time and perhaps even up to $98. But the first week of April looks quite bearish so I would expect any gains made in late March to be erased quickly. The next down leg is likely to dominate April with a low made sometime in late April or perhaps as late as early May. $85 looks like it will at least get tested and I would suggest will probably fall. A rebound looks likely in May and will continue into June. This looks like it will not be stronger enough to produce a new high. Another pullback looks likely in July. I'm uncertain if this will be a higher low relative to April-May.

Technical Trends	**Astrological Indicators**
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Medium term trend is DOWN (1 month)	bearish (confirming)
Long term trend is UP (1 year)	bearish (disconfirming)

Gold

Gold moved modestly higher last week fueled on new data that suggested a somewhat higher rate of inflation in the US. Gold finished the week at $1591. This bullish outcome was largely in keeping with expectations as I thought we would see a couple of up days perhaps around Monday's Moon-Venus conjunction. Tuesday turned out to be the largest gain of the week. Against expectations, however, was the fact that the late week did not see any pullback. Gold is looking mildly bullish here as it carved out a pennant pattern above its support level of $1520. Unless it moves above $1600 there may be little incentive to take this rebound as anything more than a technical bounce after a big sell-off. The trend in gold is still down although we should note a bullish crossover in the daily MACD chart. If $1600 is broken, then there may be enough short covering to push it quickly to the next level of resistance at $1620. A close above $1620 would be much more bullish and would suggest that a harder test of $1520 is less likely to occur in the short term.

This week is likely to start bearish on the Mercury-Mars alignment. There is some potential for downside here that may be somewhat significant although I would think gold will remain above last week's low. Later in the week could see some kind of rebound although I would think it won't be enough to reach $1600, nor even regain was is lost in the early part of the week. Next week may start bearishly on the Mars-Saturn aspect but the late week looks bullish as the Sun and Venus conjoin with Uranus. There is the potential for gold to move significantly here, so $1600 is very possible, as is $1620. There is some slight probability of some downside in early April as Mars aspects Rahu. However, I would expect some significant rallies to occur into mid-April so it seems unlikely that we could see $1550 tested on the downside. More likely that gold trades between $1570 and $1650 at that time. The late April and early May period looks more bearish so that may be a time when we test the previous low of $1555 or even $1520. While some rebound is likely to begin in May and carry into June, there is a significant risk of a major decline in late June and July on the Saturn-Neptune aspect. It is hard to say how low gold could go on this aspect but I would think that $1520 is again possible and I would not rule out lower lows.

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