

## DON'T SWEAT THE SMALL STUFF!

Some short-term indicators are Overbought at this juncture. The Astro-work is difficult for the next 1-2 weeks, three if you count the Mercury Retrograde period (Feb 3-25). Our markets could be choppy & confused and could manifest "backing and filling" characteristics.

Near-term charts are "rolling over" (losing momentum). Many recently HOT stocks are pulling back in normal "retracement" fashion from 50-Day or 200-Day Moving Averages. CBOE Put/Call readings (10-Day) have dropped from 81.2 to recent lows at 52.7 while 10-Day ARMS (TRIN) has dipped from 1.34 to .93. A consolidation phase is in order, to refresh the underlying power of the advance so as to springboard issues & indices over Resistance areas now holding overhead.

However, the Longer term, and probably Overriding Internal Market Conditions, are coming together in a Powerful and Unmistakably BULLISH arrangement!

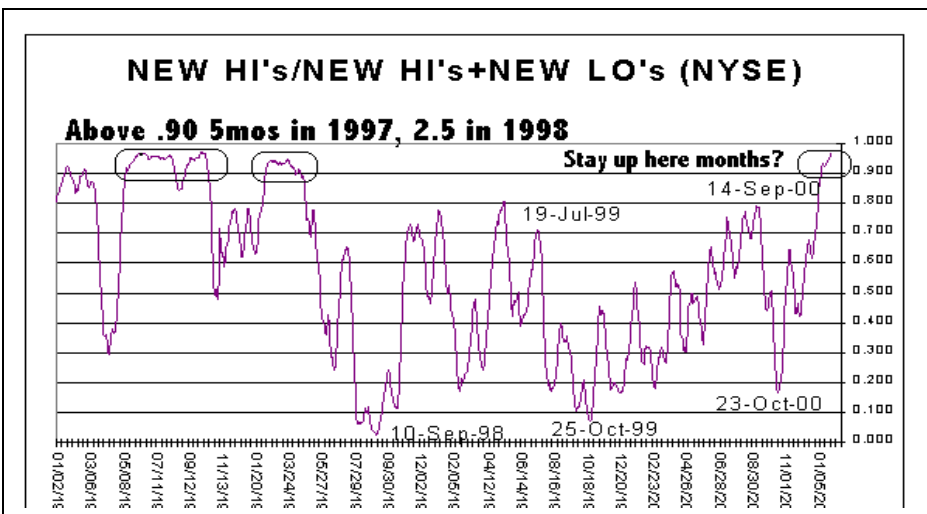
For the last 3 years, Major Price Indices

## Vital Signs

**COVERED ALL SHORT SALES AT CLOSE ON NOV 20 & BOUGHT ALL NEW 200% LONG POSITIONS ON OPEN NOV 24, USING FULL MARGIN.**

**POSITION STOPLOSS ORDERS -5% BELOW YOUR PURCHASE PRICE.**

**IF STOPS WERE HIT, RE-ENTERED 200% LONG POSITION ON A MOVE BACK ABOVE 10,373.54 djia OR 1315.23 VS S&P500 CASH INDEX. IT IS POSSIBLE SOME MAY BE STOPPED ON THE S&P500 AND BACK IN AGAIN. PLACE NEW -5% STOP ORDERS UNDER ANY NEW LONG POSITION.**



have charged ahead while more stocks drifted lower from April, 1998, where the NYSE Advance-Decline Line peaked. Now it appears that the reverse is taking hold, that more stocks are moving higher, many breaking into 52-week highs, while Price Indices languish!

Although these Indexes have barely nudged ahead in the New Year, gains from their Lows are quite respectable with S&P +10.3%, DJIA 13.9% and the NASDAQ +27%. In addition, Wilshire5000, the broadest measure, is up commensurate with the S&P500 while the smaller capitalization Russell2000 has gained close to 17%. These are good figures for a Full Year, yet all but the Dow Industrials have accomplished this only since December 21!

A normal "breathing" exercise here, during some Astronomic turbulence could last as long as the Sun/Mercury conjunction squaring Saturn on February 12. Oversold HOURLY readings developing into the close last Friday, plus the Mars opposition to Saturn (Saturday) could end an "A-wave" on Monday or Tuesday. A few up days of a "B-wave" could lead to a higher momentum "C-wave" decline into the 12<sup>th</sup> or so, completing a reasonable downward correction.

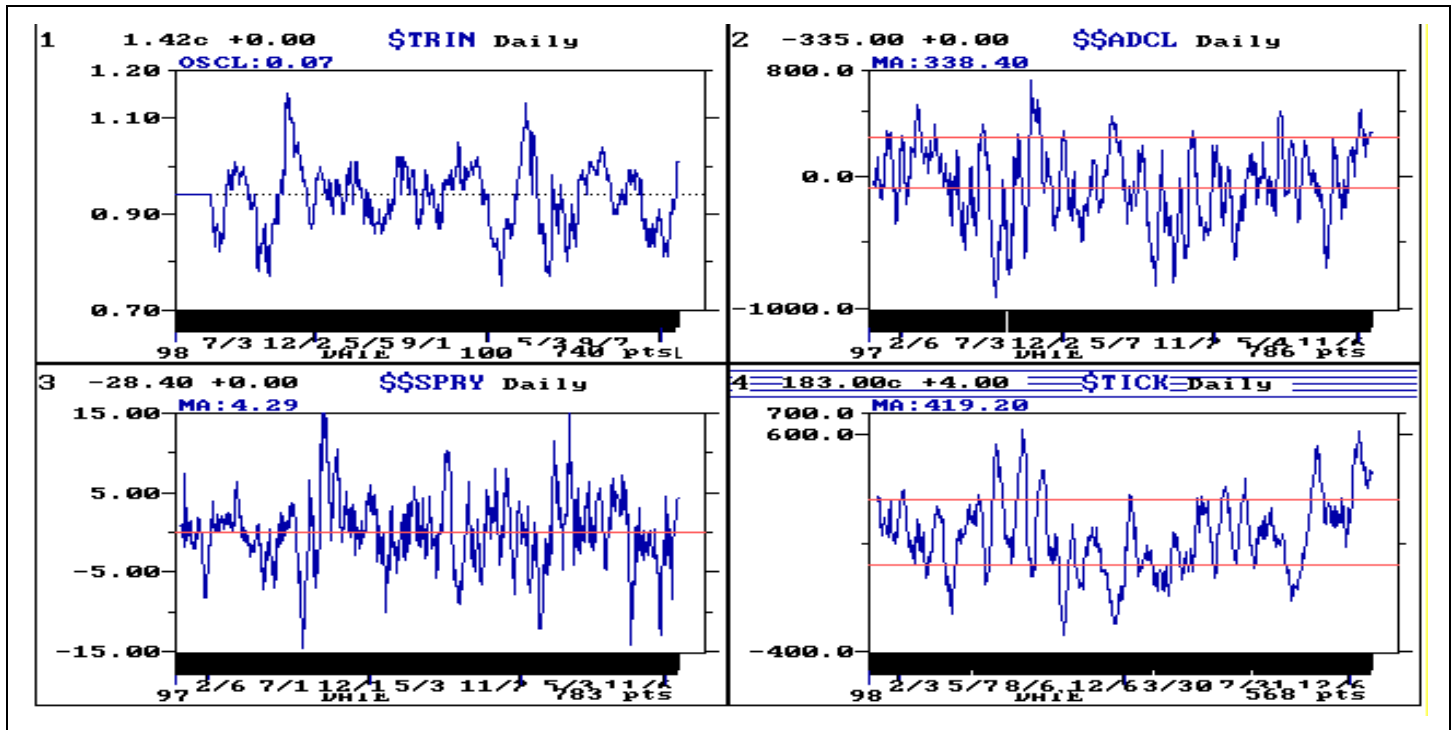
We emphasize the Fact that the market Can do Anything! Yet, our understanding of technical conditions leads us to believe that a break of the December lows is HIGHLY UNLIKELY. The BRADLEY MODEL (shown last month),

in agreement with our technical analysis, indicates that this year's BEST RISE will commence from there and carry well into April. We think this decline will be too small in price and time to modify our Investment Position in this letter. We will attempt to take advantage for traders on our various Hotline Updates. (1-900-776-3449 updated at 10 & 2 EST for \$4.30/call)

The strongest statistics we have are in the chart (above) showing the relation of New 52-week Highs to Lows on the New York Stock Exchange. Utilizing Gerald Appel's formulation of New Hi's/New Hi's+New Lows, we see from the chart that recent figures are at the highest levels for the entire 4-year period. Notice that the only instances near this magnitude remained very high for several months! This is a powerful indicant that markets have begun a "Momentum Push" type advance.

Although we never saw typical Up/Down Volume confirmation off the market lows, we readily accept these New High/New Low and Advance-Decline stats as 'Gospel', as the "rainbow promise" after the Flood that the Destruction was over, at least for the present. It is doubtful that the NASDAQ will be able to return to its stratospheric haunts, but it should not be hard for the DJIA and S&P500 to ascend to new heights, as they never left their Aerie abodes.

**WE REMAIN 200% LONG, USING FULL MARGIN in this BEST OF ALL POSSIBLE WORLDS!**



### PULL BACK? YES, BUT HOW FAR?!

As a general rule, these indicators are positive when low and rising, weak when high and falling.

Chart (1) \$TRIN is an oscillator consisting of a 55-day moving average of the ARMS Index (TRIN) minus a 21-day moving average of the same. After forming an A-B-C corrective phase, lower than its previous mildly oversold condition, this oscillator has overcome its downtrending pattern and blasted through to a mild overbought position. In the meantime, raw TRIN or ARMS figures have declined to where a minor market correction would not be surprising. The 55-day (longer term component) has risen to levels surpassing those of the October bottoms of prior years. The strongest Buy has registered as this oscillator has turned back up to Major Peak territory! The status of these longer series will likely hold the degree of market weakness in check.

Chart (2) \$\$ADCL is a 10-day moving average of the net change in Advances-Declines (NYSE). This indicator has now matched or beaten the highest readings of the last two years, a tremendous positive. Completed a base, now with higher lows and higher highs, this indicator has strongly manifested the Bullish case! During the last 19 days, with 9 DJIA declines, only 3 of those days were able to show more Declines than Advances. These are clearly Bull Market statistics, and we do not understand how any Technical Market Analyst can deny this strength!

Chart (3) \$\$\$SPRY is a measure of "smart money" action in the S&P futures. This indicator actually matched its strongest reversal pattern of 3Qtr 1998! Recording its highest downside volatility since that August event, which would tend to be at a market low, or at least the beginning of a base with

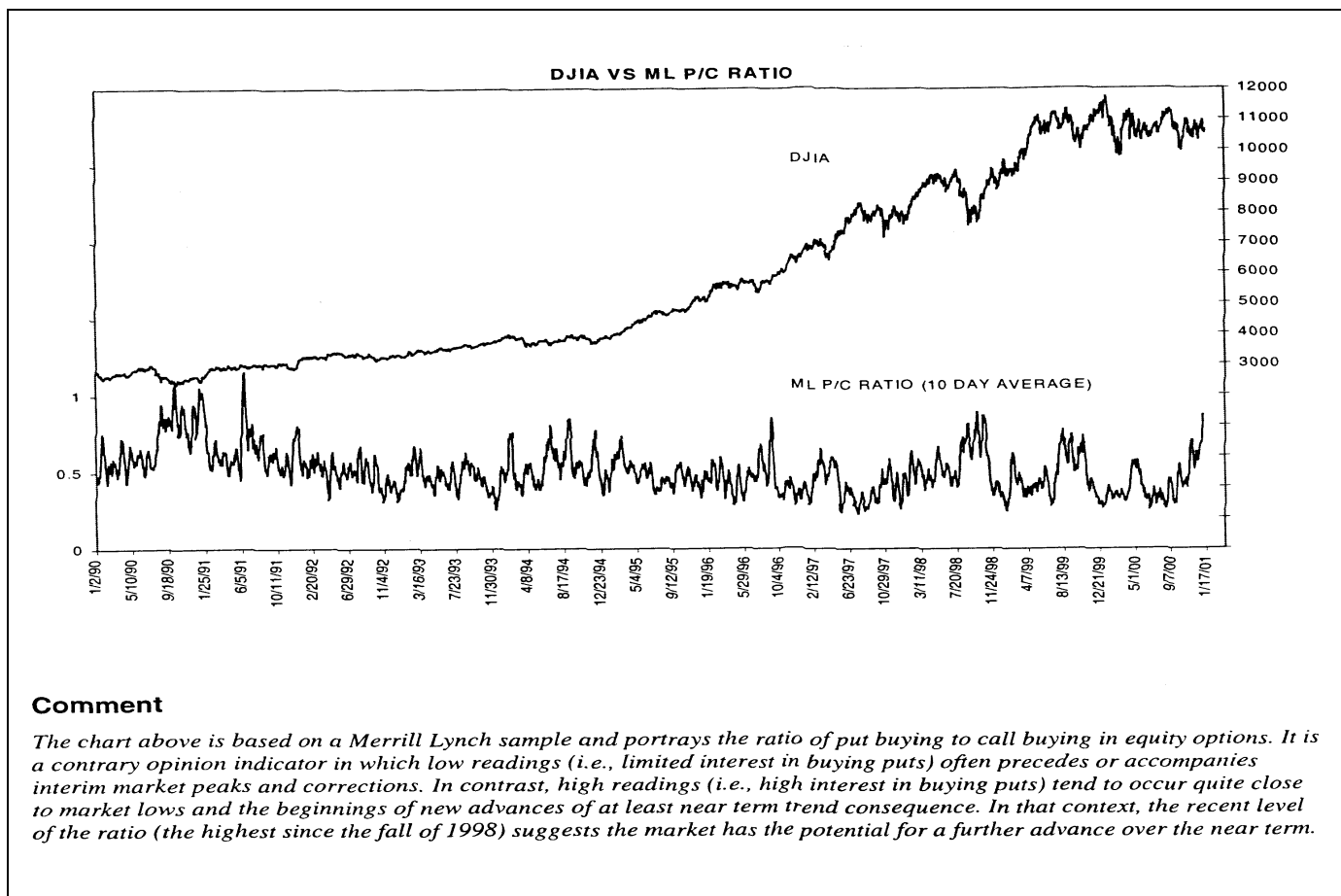
an eventual BUY. A secondary break that held the previous lows constitutes a "downside non-confirmation" and a "higher high" has confirmed our confidence that the higher trend is in place.

Chart (4) \$TICK is Closing TICK (NYSE 10-Day). This index was the first to rebound to sharp "new highs" after a "Moderate Oversold" condition. As we expected, a quick return to high Neutral set up a still stronger indication that the "complex base" formation would resolve on the upside. Very positive.

"The Stock Trader's Almanac 2001 is very emphatic about the signal that the market sends in January: if the S&P500 is up for that month in an odd year in which Congress convenes, since 1950 the market has moved higher that year. No exceptions! For the record, here's how we did last month: S&P500 +3.4%, DJIA +.9%, Nasdaq Comp +12.2%, Wilshire 5000 +3.7%, Russell 2000 +5.1%." From: Bill Blankenburg (Ret. Research head at Advest) in a semi-private communication.

The "Superbowl Indicator" this year was rigged in that the market was predicted to go UP whichever team won! This had to do with the Origin of the teams, which had shifted over time & space.

Then there's the *McClellan Summation Index*, derived from market breadth, which has gone over +3000 for the first time since 1997, and practically insures continuation of the Bull for months, and possibly years. (*McClellan Market Report*-253-581-4889).



### MISCELLANEOUS OTHER TECHNICAL FACTORS

You have seen the charts of New Highs related to New Lows (NYSE) on page one. Above, you see one of the most reliable of all Put/Call ratios from a privileged source. Here is a partial list of other important market indicators we are following with great interest:

**55-Day ARMS (TRIN) INDEX:** Now at levels only bested in late 1997-early 1998, and higher than at any other major market Low since then. The 21-Day ARMS Index, shown in the December letter, has had a more significant pull-back from its highs. Remaining in Highly Bullish territory, the extent and rapidity of the recent drop could well herald a short to intermediate dip in major markets. The 55-Day longer terms are still near their MAX and clearly point to much higher prices over time.

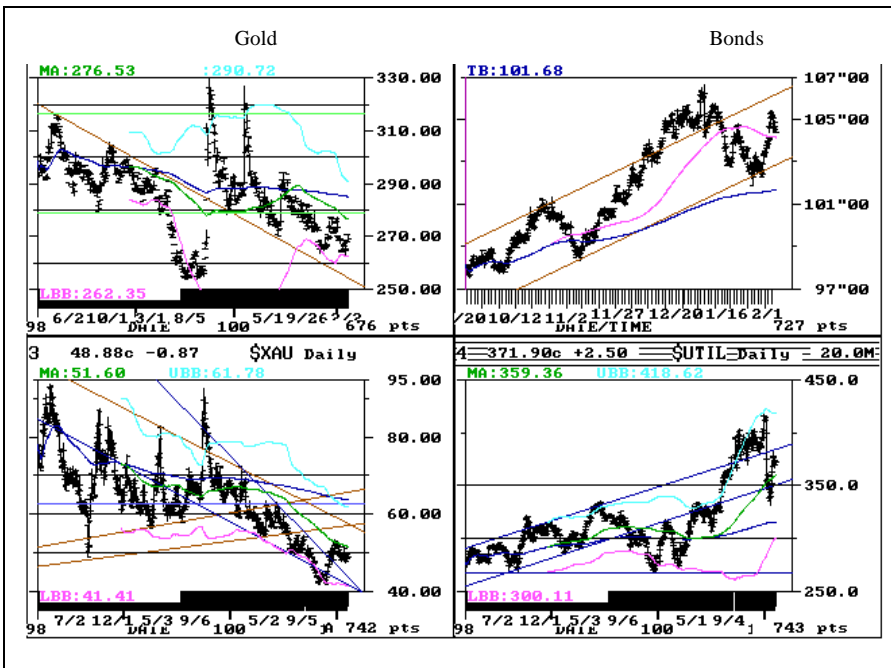
The NYSE Advance-Decline Line has broken out through two downtrend lines and a "previous high" resistance level. This is the most Bullish action in several years. The great bulk of stocks are now moving ahead. Major Indexes not yet following.

**ODD LOT SHORT SALES** absolute levels have been in a rising trend since the summer of 1999, much more so since the Index Price Peaks last January-March. Recently holding near the highs, continuing to herald an uptrend in Price momentum.

**GRANVILLE DOW 30 NET FIELD TREND (10-Day)** highlights a consistent trend of Higher Lows, and is now turning up from a trendline across those lows. This helps build a case for the Dow Industrials continuing as the strongest segment.

So, we have a condition among a broad spectrum of indicators that all support each other for a massive consensus that stock markets are on the verge of significant recovery of the "large loss" category, and important further progress among stocks and groups that registered losses some time ago and have been constructing Base patterns for over a year. Not since 1997, or earlier, have the market internals exhibited such unanimity, such cohesion, such unmitigated possibility. NEWS continues to be the sort that might discourage the uninitiated, creating a Wall of Worry that holds the overly cautious in bondage to fear. The professional CLIMBS that Wall to a new round of affluence, ahead of the pack which they left by selling out near the Top!

The **CRB Index** is holding in the middle of its range since last September. Momentum has ceased, and the pattern is sideways until the trading range breaks below 220 or above 240. **Crude Oil** popped back above 31 this week after establishing lows at year-end near 25. **Heating Oil**, after recent declines, is completing a base from which once more to challenge the highs! **Natural Gas** has leapt ahead to bold new highs, topping on Jan 9 and consolidating since. Could be ready to run again soon! **Soybeans and Corn** broke below their October lows, and appear ready to try the upside again. The **XAU Index** is pulling back a bit after its best move in many months (10-points since mid-November), and may be completing a Head-and-Shoulders Bottom. **Silver** making new rally highs where **Platinum** made lows, and lows in early Jan where **Platinum** made highs?! **Copper** holding above its lows, not yet exciting or dynamic.



Bottoming action in **GOLD** recently, but not yet complete. We are Buyers again above 271! Technical action improving rapidly. We said to BUY more at expected low on Dec 9 at the Jupiter/Neptune trine. Tech action remains strong.

We bought the **LONG BOND** on Stop at 101½ on 11/28 as it was increasing volume and momentum on the New High. Raised that stop to 104:00, and stopped there shortly afterward for a 2 ½ point gain (80/32)! It is losing momentum and may be forming a TOP pattern. We mentioned last two months that the period of the Dec 25 and Jan 9 Eclipse cycle dates increased the probability of turns in Metals, Bonds and Currencies! **They all turned between those Eclipses!** And, of course, the -.50% inter-meeting drop in rates by the FED occurred in our target period as well!

The **U.S. Dollar** double topped while many currencies bottomed (relatively) on the two New Moons in October and November! Then they all reversed between the Eclipses, and are now uncertain as to Intermediate trend direction. Price momentum lines appear to support \$ Down & Others Up until trends are reconfirmed by price.

## ASTRONOMIC ACTIVITY

JAN 24 = Maha Kumbh Mela = Most Holy Hindu Day for 12 years. 20 Million gather at Ganges for blessings of Gurus! Near-Eclipse conjunct Neptune while Jupiter & Saturn both Stationary Direct within hours

This will truly be the spiritual birth of the New Millennium, The Aquarian Age!!

FEB 9 = Sun conjunct Uranus, Venus semisquare Uranus, Mercury square Mars = Technology groups take a hit!

FEB 11-12 = Sun conjunct Mercury, both square Saturn. Limitation on Internet? Taxes? Hackers? Minor low in stocks.

**Until April = BUY THE DIPS!!**

FEB 14-15 = Mars enters Sagittarius = Breakthrough in peace talks? Travel stocks Increase.

FEB 21-23 = Sun squares both Mars & Jupiter = Days of happiness in Enterprise.

FEB 25 = Venus trines Pluto, Mercury sextiles & midpoints both = Another sexual scandal pops up somewhere?!

MAR 5 = Sun squares Pluto = Coercion, use of force, interest changes.

MAR 8 = Venus goes Retrograde at 18 Aries. International Woman's Day. Stock market TOPS says Bradley!

**ATTENTION: Next month's letter will be published February 25<sup>th</sup>.**

**Our twice-daily HOTLINE update is available at 10AM & 2PM EDT for \$4.30 total per 2-3 minute call  
1-900-776-3449**

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CRAWFORD PERSPECTIVES 6890 E. Sunrise Drive, Suite 120-70, Tucson, AZ 85750-0840 Tel. (520) 577-1158 FAX (520) 577-1110