CRAWFORD Perspectives

March 28, 2005 Vol. 05/04

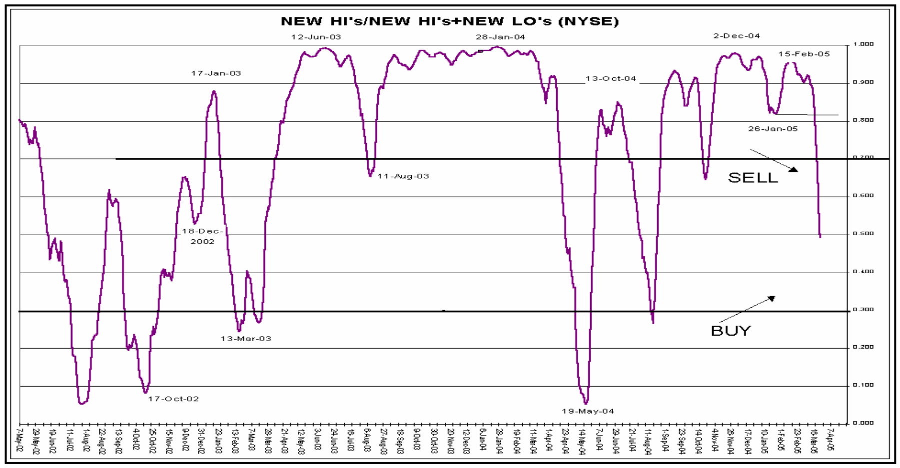
SELL SIGNALS FINALLY, ARE THEY TOO LATE?

Fortunately, our March issue remained skeptical of the new rally highs touched the Friday before publication, and our stoploss close-out prices were never activated. The title was "**DIVERGENCES, LOW VOLUME, ACCOMPANY MULTI-MONTH NEW HIGHS",** and we decided to hold our 200% Short positions, using full margin borrowing. Since then, the Dow Industrials have registered 11 down days out of the last 14, for a total decline of -497.68 closing basis.

The NASDAQ and NDX100 were not confirming those new highs, and they are among the few indicators that have now broken their January lows. This is especially distressing in that these segments have tended to lead in both up and down markets, and are clearly leading on the downside, currently.

Our question: "Are the sell signals too late?" comes as several technical measures are quickly reaching extreme readings for a "normal' pullback, and even a bit more on selected items. Are we too close to the next bounce to press the negative case?

Although some technical measures are more "Oversold" than at any time since last May, complacency remains thicker than a pea-soup London fog! We are concerned that the many historical measures that were superceded on the way up, will be followed by matching historical strings of negative bias, now that the tide has turned. Therefore, it may require greater than normal historical oversold phenomena to initiate anything more than (do we dare say it?) a "Dead-cat bounce"!



Thursday (24th) saw a rally attempt into a holiday suddenly fade into oblivion, with negative acceleration near the close, a surprisingly deadly combination, in light of the aforementioned "Oversold" circumstances. A pattern of up mornings giving way to down afternoons is further evidence of sellers wanting out. They will become more determined and aggressive if the major indices begin to crack their support 'necklines' at January's bottoms, coincident with their 200-day moving averages!

These factors mitigate the formation of a symmetrical right shoulder in index charts, to complete technical TOP patterns, as would normally eventuate at this juncture. We sense the greater likelihood of immediate further damage. Whether we get to experience a typical rally into month-end or not, the April Eclipses (8th & 24th) are sure to engender further turmoil for markets, and may precipitate a much-needed "wash-out" phase in order to coalesce a psychologic super-majority for a turn!

Although the more dangerous portion of the Mars-Uranus Crash Cycle is now past (as of March 23), and the likelihood of a full blown catastrophe is somewhat lessened, we must yet pass through the April eclipses which are capable of creating severe enough mischief on their own. There have been plenty of bear markets, without "Crashes" when Price/Earnings ratios have resided above 20 and Stock Index Dividend Yields below 2% (now 1.8% on the S&P500).

The extreme low interest rates over many months on the short end have so far protected markets from feeling the heat from their own low yields, but that is in process of change. Very short rates have risen dramatically from .94% last April to 2.77% this week. Finally, the 10-Year popped from 4.0% to 4.7% in the last 45 days. Well above its 200-Day MA, it has surpassed the highest levels of 2003 and 4.91%, if hit, will put it highest in 3 years.

That has now begun to affect mortgage rates, as even the 30-Year Rate has broken above important trendline resistance, though it remains relatively muted, compared to the shorter spectrum. Now only 25 basis points above the 10-Year rate, it MUST rise point for point from now on, at least!

Finally – a SELL in the New High, New Low ratio chart.

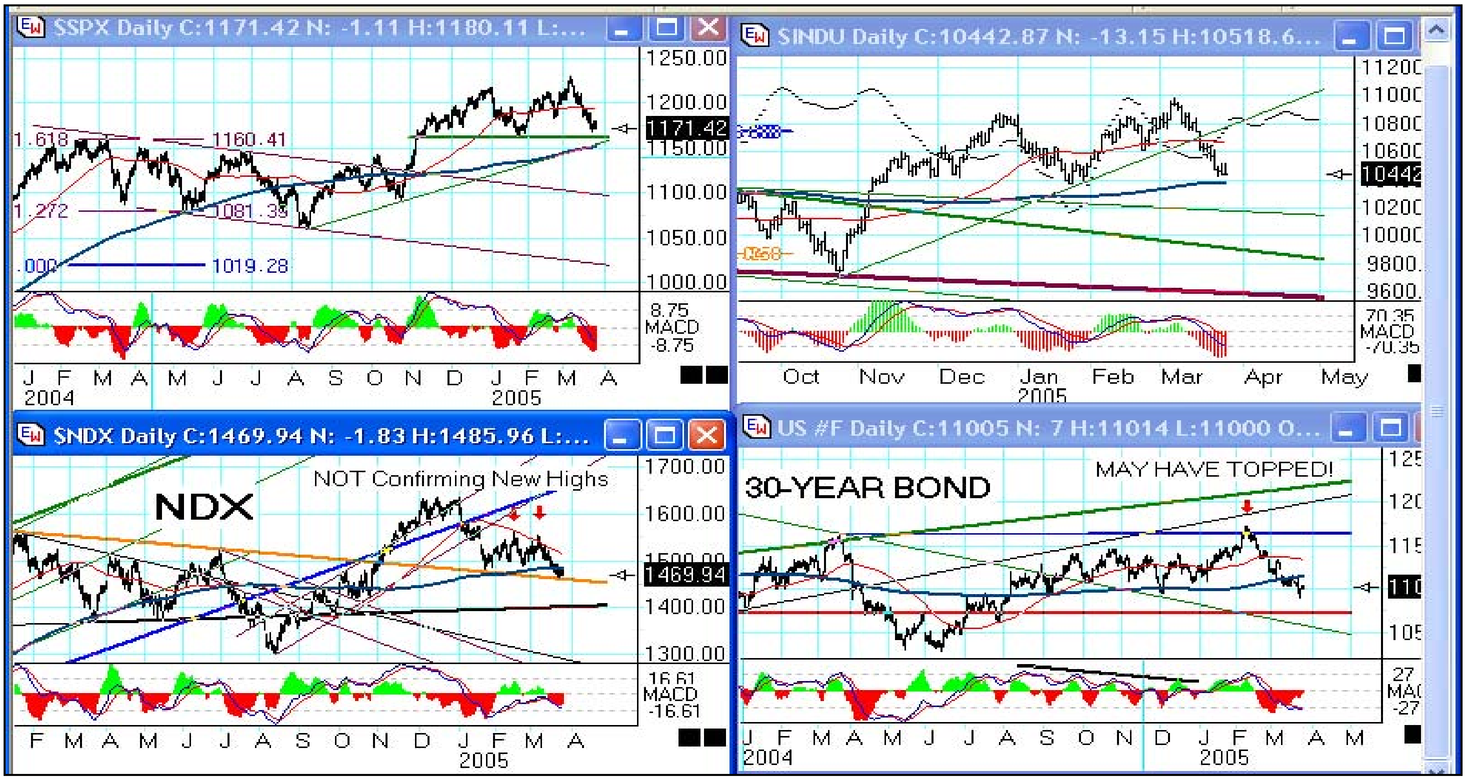
VITAL SIGNS

RETURNED TO 200% SHORT USING FULL MARGIN ON CLOSE DEC. 31!

THAT WAS 10,783.01 FOR THE DJIA
PLACE A STOPLOSS AT 11,125

THAT WAS 1211.92 FOR THE SPX
PLACE A STOPLOSS AT 1252

ALL OUR STOPS ARE CLOSE ONLY!!



PAYING ATTENTION TO DIVERGENCIES LAST MONTH PAID OFF!

Charts pictured above show ($SPX) S&P500 Cash Index, ($INDU) Dow Jones Industrial Average, ($NDX) NASDAQ 100 (not COMPosite), and (US #F) 30-Year T-BOND (price).

Both the SPX and DJIA broke up through all previous resistance levels of the last 3 1/2 years, under very divergent conditions, which we highlighted in last month's CP letter! NDX could still not beat its peak of Dec. 15, and along with the NASDAQ Composite (not shown) is the only Major Index to break down through the 200-Day Moving Average. The 30-Year Bond chart (US #F at lower right) has also broken its 200-Day MA, and augurs for a continuation of the rise in Interest Rates. The Dow Transportation and Utility averages have a long way to go before they can give a confirmation signal on the downside, but the fall back after breaking up is a negative signal in and of itself.

The weakness of the Thirty Year Bond has yet to be confirmed by a downward break of its 2 1/2 year old trading range. There may be another intervening rally prior to such a confirmation, as support is nearby, or they could break on down straightaway! These bonds led the stock indices in breaking up out of its long range pattern, then falling back, losing the technical advantage they had just gained! For both stocks and bonds, the technical breakout that failed is much worse than no breakout at all!

Excruciating extremes, in effect for some time, are now beginning to crack! The VIX, option volatility index, popped above its 200-Day MA (now about 14.20) to 15, but fell back, closing the week at 13.42, and has yet to hold high enough to give a confirm on the sell signal. NYSE new highs vs. new lows have capitulated completely, to render the long awaited sell signal! (Chart page one) ARMS or TRIN Index is holding at levels commensurate with normal market tops, even though we've been down three weeks and -500 DJIA points!

The order of progression for Moving Averages in the process of rolling over are these: 1. Price breaks below the rising 50-Day MA; 2. The 50-Day MA turns down; 3. Price breaks below the rising 200-Day MA; 4. The 50-Day MA breaks below the rising 200-Day MA; 5. The 200-Day MA turns down. Although this order may vary slightly, it is clear that an important decline is in effect when Price is below both, the 50-Day MA below the 200-Day MA and both MA’s are declining. Conversely, a bull market move is accompanied by Price moving above the rising 50-Day MA's, which are above the rising 200-Day MA's.

The major stock indices have now broken their 50-Day MA's, and the 50-Day MA's have turned down. Only the NASDAQ and NDX100 have Price below the 200-Day MA's, but all the 200-Day MA's are going flat from up. At this time, they are all close enough to break up or down through 200-Day MA's at the 'blink of an eye'! Either a bounce will begin in the next 3 days, or a much more damaging decline will begin to reveal itself! If it bounces, we think it will not last long or go far.

Arch Crawford will be speaking at the "Wealth Protection 2005" conference in Tempe, AZ April 1-2. Call 480-897-7444 for info.

GOLD CURRENTLY FORMING A TRIANGLE - COULD GO EITHER WAY NEXT – DOWN AFTER!

Weekly chart of GOLD (above) shows it to be in the middle of recent range. There is strong support from lower trend channel line (heavy black line), 50-Week moving average (thin red line) [colors in electronic version only], and previous February low (blue horizontal line). Black arrow points to where these intersect. The next critical support level is the rising trendline (lower light green line). That line is about 390 mid-March to 400 in late June.

If Gold breaks up in the next 2-4 weeks, the next heavy resistance resides in the 470-500 range. It would have to make that fairly quickly to keep from confirming momentum loss that is already evident (MACD indicator at chart bottom). Even if it makes new highs, it must do so dynamically, on increasing volume and velocity, or it will just be another weak sell signal.

Astronomic aspects for further strength in metals/oil show some positive bias for April, but not much! It is very possible that an Intermediate Top is already in place. Under the disruptive influences of the eclipse series (April 8 & 24), anything can happen! After that, cyclical factors begin sliding into the negative for inflation hedges, generally.

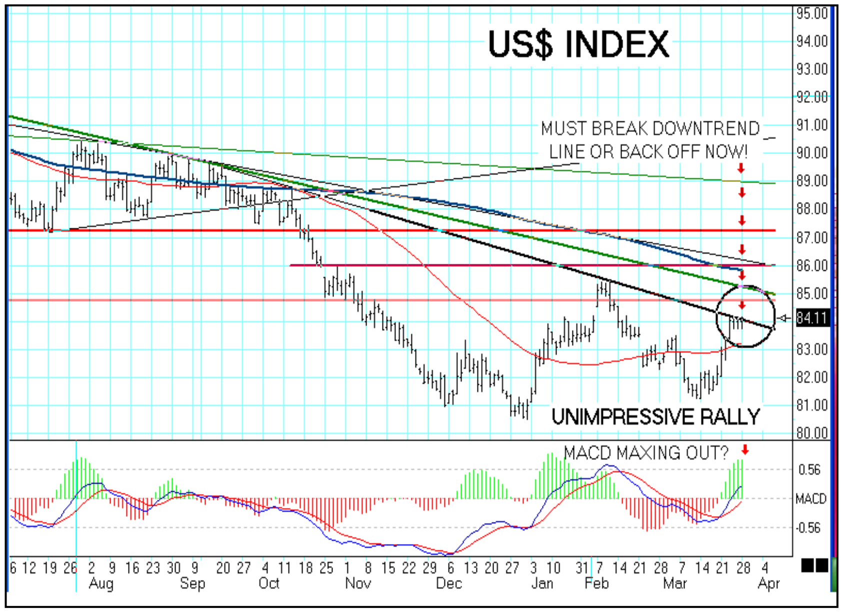
We originally bought our newsletter position in Metals, and Bonds & Currencies of countries with assets below ground on April 5, 2001, at $258 for the Gold. That was a trine (1/3 of a circle = 120 degrees) between Jupiter and Neptune, an aspect we have associated statistically with downs/lows in inflation hedge commodities/currencies/stocks.

Another series of these Jupiter/Neptune trines began November 29, 2004 and continue until Labor Day of this year. That is partly why we tightened up our stoploss orders on Gold. When the price rise stopped cold at the lower, or internal upper channel line Exactly on November 29 (it produced 2 slightly higher closes over the next few days), we became much more cautious on this entire investment segment.

The final two trines occur on August 17 (in Ecliptic Longitude) and September 3 (in Apparent Right Ascension). We will consider this period as the next major buying period for all the inflation hedges!

From there, these investments are expected to rise into the waning square (90 degree separation with Jupiter behind Neptune in the sky). These aspects will predominate from mid-June to mid-October of 2006, and will likely contain the next major selling period.

Coincidentally, the next Mars-Uranus Crash Cycle begins on August 13, 2006 and continues into early March of 2007. Therefore, we recommend that period as danger of major attacks against whatever fiat currencies show weakness, with commodities and assets in the ground overwhelming paper assets as preferred investments around the world!



We Re-Shorted the **US Dollar Index** (Chart this page**)** on a decline to 82.20 which was stopped out at 83.45 for a loss of -1.25. The rally has carried exactly back to the principal downtrend line (heavy black line). Strategy would call for a Short against this line with a Cover & Buy on a break to 84.27. Overhead resistances include another downtrend line in the 85.00 area, Feb. high at 85.46, 200-Day MA just below 86.00 and a Gap and Retrace to 86.00 from last October. Remember that markets can do **Anything,** but that is a large band of resistance to overcome. Again, if it can be done quickly, 89-90 may be possible. If it lingers, it will die on the vine. **We would Short at 85.10 if hit and Stop it at 86.40!**

If **GOLD** can get back to its upper trend channel, it could challenge the $480-$500 level in the near future! The last new high in early December failed to achieve the upper trend channel line, indicating a loss of momentum. We are concerned that there will be several months of counter-trend declines into August or early September of this year. We are expecting another spike up sometime during April, on which to go Short for the intermediate term! **For traders, Short on March 23, cover and BUY on March 31, Sell & Short on April 4, Cover & Buy on April 7-8, Short late on May 2! These same dates are likely to be effective in The OIL Complex, as well!**

We have just completed a good long leg in the **CRB Index** and **MANY Commodities,** and we are hesitant to re-enter under present chart indications, as well as the Jupiter/Neptune trines detailed on page 3. The **CRB** has powered ahead and is still up 8.1% year to date.

The Federal Reserve announcement last Tuesday, concerned with increasing Inflation, knocked the stuffing out of a wide range of commodities. The aforementioned Jupiter-Neptune Cycle may put a crimp in expansionary plans for asset bases for 4-5 months, after which a **VERY BULLISH** Cycle environment will probably take them **ALL** higher for an additional YEAR!

We NO LONGER recommend the Stocks, but continue to like the BONDS and Currencies of Australia, New Zealand, Canada, and to a lesser extent Russia and South Africa (greater political risk). We have been LONG for the last 3 years, **along with GOLD,** (from April 5, 2001)! The Major shift to Resources is ongoing and will probably last for years, but we look for a multi-month correction phase after a spike in the near future.

ASTRONOMIC ACTIVITY

MAR 28-29 = Sun/Mercury/Venus Conjunction could bring prices up to a high around March 28-April 4. Sudden decline after!
APR 2-3 = Very active & social weekend. Market rally most likely in effect Fri-Mon. Wealth Protection Conference in Tempe, AZ.
APR 4 = Mars contacts 2 points of a Grand Cross that forms later in the year. Often a Down Market. (Up open, down day?)
APR 5 = Uranus squares the natal Uranus of the U.S. birth chart. Hits to our chart this week may coincide with U.S. Dollar drop!
APR 8 = Solar ECLIPSE aspects the progressed Moon & Mars of U.S. chart. Bill Meridian says trouble over Afghanistan! Venus Occult.
APR 12-13 = Mercury Dir Station is 45 deg. to Mars Neptune conjunction = Gold & Oil through the roof, temp TOP there.
APR 15 = TAX DAY & Option Expiration! Will citizens take money out to pay off? Be Short stocks on close if not before for trade!
APR 16 = Perhaps the Uranus 75 deg. to Pluto on Saturday will affect options close on Friday?! That could be BAD news Fri. or Mon.
APR 22-25 = Traders Short stocks again this Friday as the Lunar Eclipse on Sun. (24th) & 2 bad aspects on Mon. (25th) take 'em down.
APR 27-29 = Big rise in inflation hedges Gold/Oil/CRB Index. Grand Cross involves 2 Uranian points, also Saturn, Moon & Asc at close.
MAY 2 = Saturn squares Moon's Node = Difficulty or breaking of connections, Mergers fail, partners split. Not good for stocks, either.
MAY 8= New Moon square Neptune = Inflation, Deception, Addictions. Gold/Oil Up! One in power uses secret agencies to escape justice
MAY 10-11 = Saturn squares True Node, Mars hostile to both = Energy fizzles, expectations delayed, misunderstandings, accidents.

ATTENTION: The letters are usually mailed 1st Monday. The April issue will be on Monday May 2, 2005.

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