

CRAWFORD *Perspectives*

January 03, 2005 Vol. 05/01

EARTH ROTATION SHIFTS!

The Full Moon 1 hour from Max North Declination, 28 hours from Moon's Apogee on Sunday, Dec. 26th likely triggered the most massive earthly event in over 40 years! "There are two additional effects that may occur in an earthquake of this size. First, the length of the day was noticeably reduced by several microseconds because of the redistribution of mass during the earthquake. Second, the earthquake can be expected to cause the earth to wobble slightly on its axis, an effect that will be noticeable for years," said Geophysicist Richard C. Aster.

We were looking for earthquakes in December in our 2004 Year Ahead Forecast, but focused on the middle of the month. Dr. Iben Browning wrote of increase size of earthquakes during high tidal force periods. The term 'Supermoon' has been widely used for Syzygies (New and Full Moons) which occur near Moon's Perigee (closest passage to Earth). These have even greater effects if they are aligned by Declination (North-South orientation) as well. The closest of these result in eclipses. If an eclipse occurs at perigee, it can be very powerful! All of these are further strengthened if they fall near the Earth's perihelion (closest passage to the sun). This annual passage is always 1-5 January, depending on the leap-year cycle. This year it was on January 1 as last year contained a Feb. 29.



One of the highest tidal forces in a century culminates on January 10th, 2005! We fervently pray that the 9.0 was not a 'precursor'. Watch particularly for major volcanic activity, as the earth was set 'ringing like a bell' by that last one. Could this one be bigger? Yes, for several reasons. First; it is the greater direct physical energy. Second; Heliocentric alignments coincidentally will trigger heavy Sunspot/Flare activity, that will aggravate the increased instability of Earth's field dynamics. Third; The Mars Descendant line for the New Moon runs through Yemen, Saudi Arabia, Israel and its near neighbors, & not that far from Iraq. All the explosions may not be of natural origin. The other side of that, the Mars Ascendant line activates the US-Mexican border and the Southern California fault lines!

The Pluto lines course through Iran, Caspian Sea, NE of Moscow and the Arctic Circle and back down through Canada (SW shore of Hudson Bay), Yellowstone geological active area, and again, the US-Mex border. Mars and Pluto lines cross at Hudson Bay only, but they are not very far apart for the entire circuit. The Sun/Moon conjunction lines activate the area of the recent 9.0 quake in the same sector of the Indian Ocean, and Mexico City on

the other side. Mexico has a large active volcano only 300 miles west of there.

What will all of this do to the stock & commodity markets? We are projecting down in stocks, up in commodities, especially those sensitive to political news such as Gold, Oil, Silver and the CRB Index generally. Those should have put in a low on December 30 at a mutual contact with Mercury, Venus, Jupiter & Neptune in right ascension, offering a new opportunity to buy!

You can see from the chart on this page that OIL peaked exactly on the day we projected in our October 4 CP newsletter! Ron Insana was kind enough to call attention to that in an interview with me on October 29. Now, with the Jupiter/Neptune trine in RA, oil has made a slightly higher low, and is resting on its 200-Day Moving Average (dark blue curved line). For confirmation, it needs to move back above the 50-Day MA (thin red line) just above a previous minor high at \$46.35.

The US\$ (Dollar Index) chart on page 4 of the constant contract futures price shows a new low last week of 80.48 (overnight) and rose to 81.00 on the close Friday. We wrote last month: "The 30-year lows just below 80 are now being threatened. We believe if that breaks meaningfully, further acceleration will ensue, shortly forcing a rise in US interest rates... We think the Index will hold the 78-80 support through the holidays, and come apart in January!" So far, So good.

VITAL SIGNS

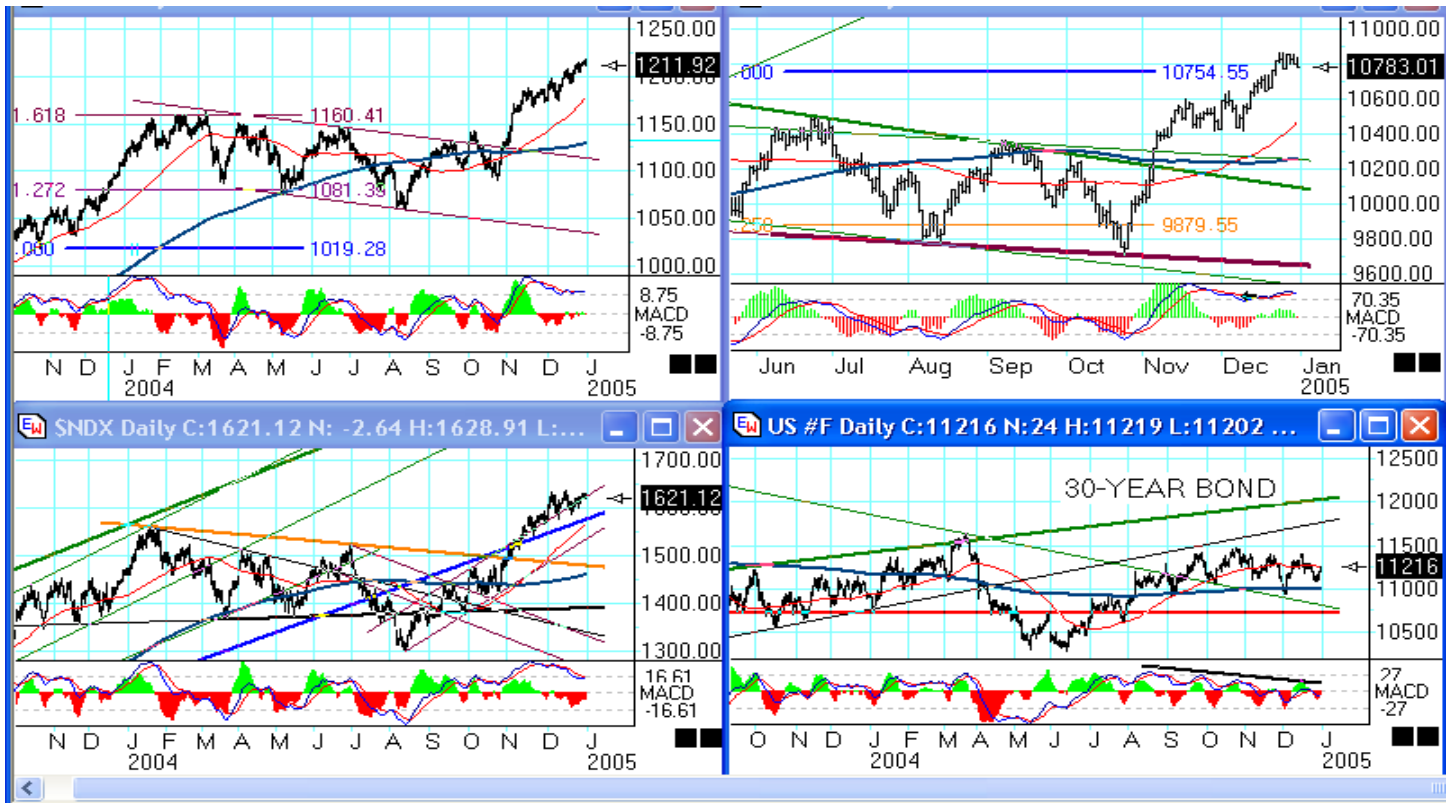
ON DJIA STOPPED ALL AT 10,816 CLOSE

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!!



MACD PATTERNS SLUGGISH, INDICES OVERBOUGHT AGAIN?

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 NDX have broken up through all previous resistance levels of the last 3 years! NDX was last here (1621) in January 2002, while the SPX (1212) last saw these levels in April of 2001. Even the laggard Dow Jones Industrials (INDU-10,783), weakest of top indices, has finally breached prior levels back to June of 2001. All, however, have extended MACD momentum indices which are now rolling over. The seasonal favorabilities managed to take even this rake over the coals! Or, at least, some areas previously hot.

Although the SPX was able to make a new high an hour or so before Friday's close, NDX could not beat its peak of Dec. 15, nor the INDU its high of Dec.23. These non-confirmations are not the sign of a still strong trend. Neither the NDX nor SPX have broken their 50-Day MA's, though they all three closed below minor support.

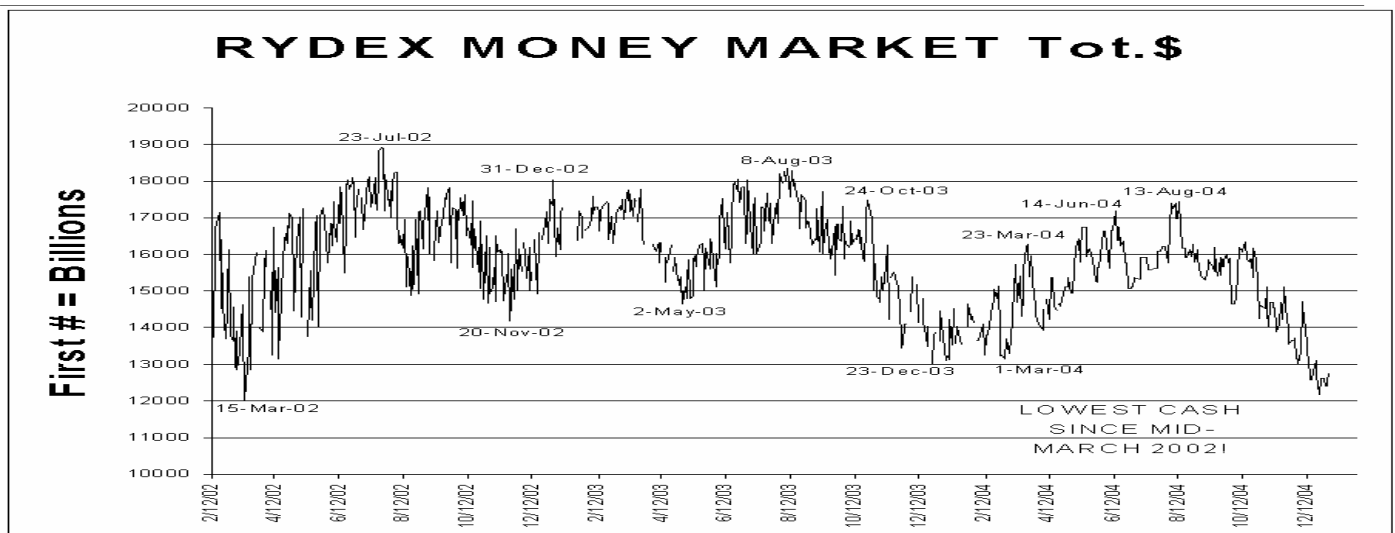
The Thirty Year Bond is in limbo, here. The chart looks like a Rounding Top or Inverted Bowl formation, but the rally this week was just strong enough to place that interpretation in doubt. Closing the year in the middle of its trading range of the last 5-6 months, it has to break back above 115 to turn clearly bullish, or back down below 110 to imply the bearish case.

Bullish sentiment readings remain at excruciating extremes, not seen since January of 1987. It was a sharply rising market which continued until it stopped on a major planetary combination. From there it proceeded to crash! The VIX remains extremely low, and must break higher to give a confirm on the sell signal. However, many varying market indices are strong: Dow Transports and Utilities, and broader indices such as the S&P600, the Russell 2000. Defense Ind., Insurance stocks, Junior Growth, Consumer, Leisure and Computer stocks have all exceeded earlier highs, but, like the Majors, have severely lagging momentum indications. Weakest are Dow Industrials and other senior growth indices.

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 most bullish case presently holds for both the SPX and NDX indices. The only laggard is that the INDU price level is back under the 50-Day MA (thin red line).

"The merchant must be no more pessimist than optimist, since pessimism induces him to hold back his capital, but optimism induces him to take such risks that he has more to fear than to hope." -

Abu al-Fadl Ja'far ibn 'Ali al-Dimishgi (Late ninth century)



**THE ASTRO INDICATORS ARE WORST, SENTIMENT SECOND, AND SENIOR CAP INDICES MOMENTUM THIRD
BEST ARE ADVANCE-DECLINES, NEW HIGHS-NEW LOWS, TREND PERSISTENCE, & INTEREST RATES**

Last month, we showed the **BRADLEY MODEL** for the First Quarter of 2005. It showed a sharp decline into late January, a sharp rise to mid-February, and after some consolidation, pretty much flat before the year high in July. An analysis of non-Bradley Astro input may give us some sort of devastation in January, which may not last very long. We are most concerned with the Mars-Uranus Cycle which, with the current P/E and Yield setup, calls for a severe contraction which should complete by March 23 latest!

We use various measures of **SENTIMENT**, as contrary indicators for the market, when a considerable majority of investors have already placed their bets with their strong opinions, markets usually reverse and go the Other Way! One of the best, with a long-running record is the *Investor's Intelligence* Advisory Sentiment Index. The Balance of this index has not favored the Bears even One Week out of 2004, an amazing anomaly. The Bulls minus Bears among advisors is the most disproportionate since January of 1987! Of course, the huge Crash took place in 1987, but not until much later in the year. We say IF, it must be by the Spring Equinox.

Several other measures of small investor (AAII) sentiment recently over 60% Bullish, commodity traders (Market VANE-69%), Consensus, Inc., and UBS Index of Investor Optimism (79%) are reported weekly in *BARRON'S Financial Weekly*. In addition, *Timer Digest* of Greenwich, CT. reports on the TOP TEN market letter writers for different time frames. We take the TOP TEN for One Year and Two Years and calculate Bulls, Bears and Neutral as reported by them. There have recently been all 20 BULLS! The current numbers are 17 BULLS (There is overlap in these periods) and 3 Neutral. Again, these have persisted for Incredible Periods of time.

The chart (above) is a measure of fairly sophisticated traders commitment of Cash Funds to the market among Rydex traders. If this number is relatively low, traders are more fully committed (most often Bullish), and if it is relatively high, they are more or less confused or fearful of market trends. Right now, they have the Lowest CASH levels since March 15, 2002, which means they are more committed than normal. As a contrary indicator, it is now Bearish, along with all of the others.

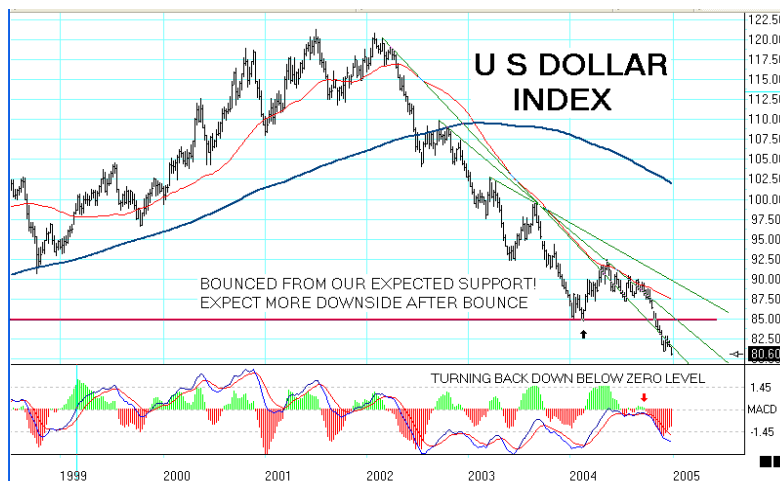
Smart traders remember that when the small Capitalization 'Junk' stocks are 'running' but the Large Cap 'Blue Chips' are not, markets are approaching the end of a speculative 'Bubble!' That is the case today. The odd thing about current circumstances is that these trends in Sentiment and Quality are playing out over a much longer time frame than usual. Perhaps we *are* on the Kondratieff Long Wave 'Shelf' before the deluge!

Often mentioned in these pages is the paltry yield on equities, now at 1.71% on the S&P500, .94% on the Dow Transports. Price/Earnings Ratios, while high, are not nearly as high as they were near the top of the Bubble! However, there is a bit of 'fraud' going down under cover of lying with numbers. When the inflation measures, such as CPI & PPI begin to show too much inflation, the government takes out the items rising fastest and puts in something else, sometimes with ridiculous rationalization. Similarly, with the unemployment statistics, they have quit counting as unemployed, people who are too discouraged to look for work. S&P now uses 'operating earnings' instead of total earnings in P/E's!

Arch Crawford will be speaking January 18th for SIRE at the Princeton Club in New York City. Don't miss this year-ahead outlook panel discussion. Contact Richard Suttmeier at 212-361-3536 or by email to gmcreports@aol.com

We Shorted the **US Dollar Index** contract in the May 3 CP letter @ 91.02. The last support for about 30 years was a range around 78-80 last touched in 1992. If there is no strong visible support in that area, a worldwide panic flight from the Dollar could ensue. We think **IT WILL**, by the Spring Equinox latest! Lowered Stop on the **Index** last month to 83.25, which will give us a +7.77 profit if it is able to bounce above the steep downtrend. What little bounce in December was so weak, it barely kept from slipping below the 1992 lows. It was not necessary to re-short as prescribed.

We have a chart count to its upper trend channel now around \$475+ for the **GOLD** price. The chart continues to speak for considerably higher levels, unless 420 is violated. It has continued to perform well, even though the **OIL** pulled back from a double closing top at 56+ on Oct. 25 to a low of 40.80 on December 7. Raised the **STOP** on **GOLD** from 390 to 428 last month, and it has not been hit.



We have written: "The **CRB Index** and **MANY Commodities** have depreciated against the **US Dollar** in a flat consolidation pattern, over the last quarter, and, with any further breakdown in the **Dollar**, are very likely to take off running again." Although the **Dollar** has descended to new lows vs. the **Euro** and the **Swiss Franc**, it has NOT against the **Yen** or the **Pound!** The **CRB** closed out the year in the middle of its range of the fourth quarter, 283.93, and was up 11.2% for 2004.

Cattle contracts are in a continuing saw-toothed pattern that rises and drops on Mad Cow news. Broke up out of intermediate consolidation pattern 2 weeks ago, and came right back down into the middle of it to finish the year - going nowhere, fast. **Hogs** dipped early in the month, but returned near the highs seen at the end of November. Of the breakfast foods, **Coffee** is the only one that has sharply exceeded the Sept.-Oct. highs. **OJ & Sugar** dropped off from those highs, and are just getting back near them. They are looking a little more like a top with price momentum flat to slightly lower, and extended in price. Hey, that's a Bull Market!

Wheat and Corn, the **BEAN Complex**, & **Cotton** appear to be making long slow rounding bottom patterns! **Bean Meal and Cotton** seem most nearly ready to move. **Lumber** has already put in an up leg or two, starting earlier than the others, may need a rest, now.

Natural Gas topped with the **Oil Complex** Monday Oct. 25, as oil's astro-ruler, Neptune, made a station square Mercury over that weekend. Both made lows Dec. 6-7, but **Heating Oil & Crude** have gotten some bounce, while **Natural Gas** broke to new lows on Friday.

SILVER broke sharply into Dec. 10, and has done little since, as has **Gold**. It is the Jupiter trine to Neptune on Dec. 30 in Right Ascension which convinces us these are a current **BUY!** **Copper** is the only metal continuing to make new highs, although **Platinum** made a valiant effort, it failed by a hair and retreated somewhat.

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

DEC 31 = Moon opposes Uranus with Mars square both = T-square = Another strong indication **for a rally into a TOP!** Go Short Anew!
 JAN 1 = Earth Perihelion = Closest point to the Sun. Another possible turn date stocks, commodities +/-3 days.
 JAN 3 = Mars to Saturn, Venus to Pluto = Markets Down from the get-go. JAN 4 = Mercury conjunct Pluto = High Volatility.
 JAN 5 = First of the dangerous series of Pluto opposing Uranian Hades, this one in R.A. First regular way (EL) will be the 12th,
 JAN 10 = New Moon square Jupiter & opposes Saturn = Bad news re: economic activity is reported! Extreme high tides. More Quakes +/-3 days
 JAN 12 = First of the Pluto oppositions to Hades in Ecliptic Longitude. Forms a T-square with MC of NYSE Close. More BAD news.
 JAN 13 = Six inter-planetary aspects, an unusually active load. Very volatile, good early, worse later. Possible Turn Date?!
 JAN 14 = Moon on MC of NYSE on close. Highly Volatile into the 4 pm closing moments. Mars goes into South Declination.
 JAN 19 = After close Saturn quincunx (150 deg) to Pluto. The opposition was from Aug. 5, 2001 to May 2002. Not a good time for stocks.
 JAN 21 = Mars sextiles (60 deg) Jupiter the morning of Option Expiry. Expect a large UP Open to about 10amEST! Down later.
 JAN 24-25 = Full Moon 5:32 AM New York time 25th. BRADLEY low 24th +/-3 trading days.
 JAN 27 = Three negative planetary contacts, the last 3 minutes before the close. Good couple days to stay Short!
 JAN 28 = Mars conjoins Pluto & opposes Hades 12:47 ET. Traders may want to cover some shorts and buy some today (Fri.)
 JAN 31 = Moon conjunct Jupiter early AM on Monday. Could be a rush to buy after the bad-news Friday.
 FEB 1 = Jupiter Retrograde Station = First of many good aspects up until Option Expiry on the 18th. We think markets higher!
 Mars enters Capricorn on the 6th, Sun trine Jupiter on the 7th, New Moon on the 8th. Bullish 14th-18th.

ATTENTION: The letters are usually mailed 1st Monday. The February issue will likely be sent early on Tuesday, Feb. 1+/-1 Day!

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