

CRAWFORD *Perspectives*

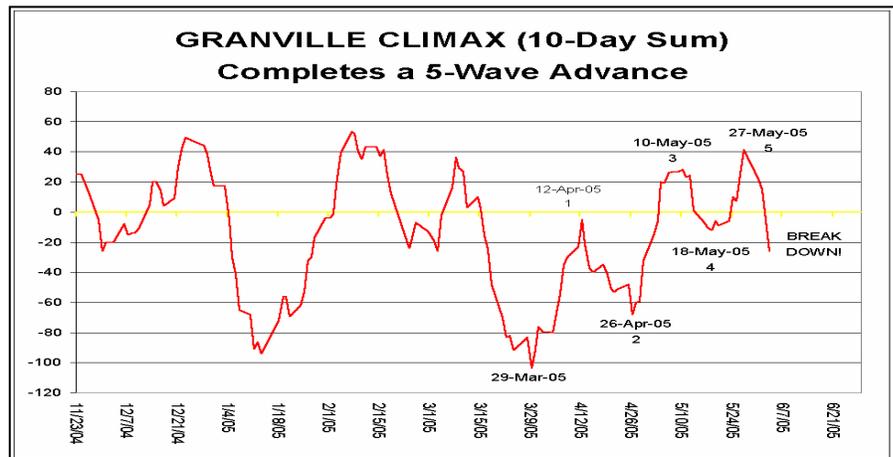
June 6, 2005 Vol. 05/06

GRANVILLE OBV DATA COMPLETES 5 WAVES UP!

Notice that the Granville Climax Indicator pictured on this page has completed an Elliott 5-Wave count and broken down. We would look to the next corrective phase to begin immediately, and for it to offer us a clue to the next move of greater degree. If a 3-Wave ensues on the downside, it will leave the possibility of another higher high before the Bear Market reasserts itself. That would accord with the Bradley (planetary) Model, which indicates the year high for July 8-11 weekend +/-3 trading days (see chart page 3).

On the other hand, a 5-Wave decline would give assurance that the Top is already in place, that a 3-Wave advance following would be corrective in nature and expire with a lower high in an extended 'right shoulder' of some sort. From there, a more robust decline would likely eventuate, commensurate with the Bradley projection after June-July rally period. The market does not have to follow the Bradley closely. There is plenty of wiggle-room in these potentialities.

Astronomically (other than the Bradley high in July), we just experienced a Grand Cross in the sky on Friday. This is a controversial statement as we are using one of the 4 largest asteroids and also a Uranian 'sensitive point' (not a known planet). Our experience indicates these can be powerful additions to watch for. Over recent days, Pluto has opposed Hades, while Mars



opposition to Pallas forms with them the 4 arms of a cross. The breakup of a major pattern tends to be accompanied by our markets drifting lower, then accelerating downward.

In addition, Mercury conjunct the Sun last Friday has a tendency to Top the market, The New Moon on Monday may assist in a new direction, and Mercury opposing Pluto on Tuesday (7th) should tank the market solidly! From some sort of low June 10-14, a rally as per Bradley could get started. We doubt the attainment of new highs after these damaging planetary aspects.

We reiterate that no Major Crash cycle exists in this frame, but that a 'Normal' Bear Market can return anytime! We would need to observe multiple technical signals of a trend change before we can pronounce this Bear Market return. As in the past, look for 3-4 days in a row with NYSE New Lows above 40, and the VIX (option volatility ratio) back above 15, then 19! This should be accompanied closely with Major Indices breaking back below their 200-Day Moving Averages, and then, recent lows.

Sherman McClellan (of oscillator fame) and sons were looking for a 40-Week low

in late May, and have now extended that into 6-8 June. Perhaps if markets decline sharply the next 1-3 days, it can put in a credible short term bottom. The Bradley low indication for this period is June 10-14.

The **BOND** market has shown unusual characteristics, moreso this week, moving from 109 on the 30-Year on March 23 to 119 1/2 early on Friday. It then executed a near-perfect One-Day Reversal pattern, closing down on large daily volume. The more frequent outcome would be Down for Bonds and UP for Rates from Friday morning extremes! We recommend traders to play it that way NOW! The rumors/stories floating around are that the Hedge Funds have been mostly Short and are being squeezed; and that the Euro negative votes in France and Holland have Euro-folk running to US\$-denominated assets. Either way, the charts are clearly reversing, even if it takes another day or two of wild gyrations.

As for **GOLD**, both the XAU and the HUI dropped precipitously through April and into mid-May, while the Gold Metal price clung desperately to a lower support trendline of a large Triangle pattern, without giving way! Since May 15, these stock indices have popped about 17%, but are not yet safely back into their respective Triangles. This coming week is probably crucial to **GOLD, BONDS and STOCKS!**

VITAL SIGNS

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

THAT WAS 10,783.01 FOR THE DJIA PLACED A STOPLOSS AT 11,125. LOWER STOP NOW TO 10,725!

THAT WAS 1211.92 FOR THE SPX PLACED A STOPLOSS AT 1252. NOW RETURN TO ORIGINAL STOP AT 1252.

ALL OUR STOPS ARE CLOSE ONLY!!



**STOCK AVERAGES BROKE DOWN IN JANUARY, UP IN MARCH, DOWN IN APRIL, UP MAY!
WHATEVER WAY THEY WERE GOING LAST MONTH, THEY HAVE TO SWING BACK THE OTHER WAY.**

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).

All major stock indices were in process of building TOP patterns of one sort or another, and broke down, prematurely, even before negative formations were completed. They have now recovered to resistance levels near the tops of their longer term patterns, and once more are seen to be rolling over. We think the next month will be Down, even if they turn back up again in July... as this series keeps extending. This has been driving traders to drink and beat their wives. Well, maybe not that, but certainly frustrating enough. This chopiness has given rise to unusual losses among even the largest of Hedge Funds, and news stories on the Continent have highlighted these dangers. June 30 is not only FOMC meeting report, but also coincides with the date investors can remove funds from the Hedges. Will it be damaging?... Will it be devastating?

The Thirty Year Bond has blown through every resistance level, inclusive of its 2 1/2 year trading range (mostly between the two parallel blue lines, back to June of 2003! Yet, Friday's action is powerfully indicative of a trend reversal to be confirmed immediately by a downward move of some significance. These Bonds led the stock indices in breaking up out of its long range pattern last February, 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! We'll see if this one loses its gain as quickly. We will be shorting on the open Monday (for those with e-mail).

Excruciating extremes, in effect for some time, began to crack, then fell back! The VIX, option volatility index, popped above its 200-Day MA (now about 14.20) to 15, but fell back, last month. It finally closed decisively above its 200-Day MA on April 14, spiking as high as 18.6 on the 18th, before consolidating above the 200-Day MA for the last two weeks. Our interpretation that this was a Confirm on the Sell signal for the market has been completely blown away! NYSE New Highs vs. New Lows capitulated completely in late March, to render the long awaited Sell signal! Dropping all the way down to .19, it quickly returned above .30, correctly rendering a BUY Signal.

ARMS or TRIN Index has inched up to middle-range of the long term parameters, surprising since the DJIA has lost about -930 points from the very recent March 4 closing high! That kind of selling intensity would normally drive TRIN to much higher levels. That it hasn't must be considered a great technical negative, and leaves markets vulnerable to a much sharper 'Washout' phase. "However, the close at the low of the day on Friday puts us very close to the bottom of the formation. A drop through that level, especially with an increase in volume and trading range [intra-day], would be an indication we were headed lower. Consequently Monday's trading could be important." - Dick Arms, *ARMS ADVISORY*, (505) 293-4438 [Institutional Only, please] - June 6, 2005

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 broke back up through their 50-Day MA's, and their 200-Day MA's and 2 of 3 50-Day's turned back up. The DJIA and the NDX100 have the 50's below the 200's, showing the S&P500 and the Long Bond as the strongest for now. All four 200-Day MA's remain in rising trends, so it will take some time, or a nasty spill, for these to fall quickly back into negative mode.

Arch Crawford will be speaking at the Minnesota Security Dealers Assn. summer conference 7/14/05 at the Le Meridien Hotel in Minneapolis. Info at <http://msdasummer.regstudio.com>



BRADLEY MODEL PEAKS JULY 10-14, DOWN REMAINDER OF THIS YEAR!

There is always so much to explain about the Bradley to newcomers. It is NOT the be all to end all. It is often a helpful tool. The general shape of the curve is often accurate, and sometimes top and bottom dates are nailed to the day. One cannot count on any long sequence of such accuracy, although the last 3 years have been as close as any other Fundamental or Technical indicators.

There are many astronomic factors NOT Included in the Bradley. Eclipses, Declinations (except Mars & Venus), aspects in Right Ascension (the way astronomers look at the sky) or Heliocentric Longitude, or configurations involving multiple harmonics. The Bradley shows these as additive, but the true force of such patterns is multiplicative or exponential.

There is no rule that says that the July high must actually be higher than those indicated for last October-November, or that the Market move actually be commensurate with the size of the Bradley differential over the time. The Bradley turn dates are sometimes Inverted, whereby a high comes in on a Bradley low or vice versa. These dates must be watched, and compared with technical data generated by actual market forces.

So we are saying that, whether the market makes a higher high in July, or not, expect considerable weakness after that period. We feel more confident in that this weakness is indicated during a normally 'Seasonal' weak period and in a normally weak part of the Presidential Cycle, as well. One contrary indication: the 5th year of the decade is almost always UP! However, we have not entered any other year ending in 5 with PE Ratios of 22-25, or with Interest Rates extremely low and beginning to rise! These factors mitigate against depending upon the '5' year to bail us out.

Another important factor is the Mars/Uranus Crash Cycle. Every Crash in the last 100 years has taken place during the same 40% of that cycle. But crashes do not come around every 2 years. Other factors must converge to make such a prediction. We can indeed sustain a 'regular' Bear Market this year, but little likelihood of a Crash sequence until August 2006 to March of 2007. So, keep your eyes open, your ear to the ground, and your shoulder to the grindstone, and if you can still dance in that position, it'll make a great act!

We **Re-Shorted** the **US Dollar Index** on a rally to **85.10** on **April 8** and placed a **Stop** at **86.40**, which was activated on May 19, losing 1.30 on this trade. Overhead resistances were tested in mid-April, and were easily overcome in mid-May. The high to date took place at 88.34 last Thursday. We have no new position.

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. There may yet be one more spike up into June. **This is likely to be effective in The OIL Complex, and CRB as well!** Although the **GOLD** has held well, in the middle range of a Triangle pattern, the **Metal Stocks** have been absolutely trashed, as measured by the XAU Gold &



Silver stock index and the HUI (unhedged gold stocks) Index. We have remained correctly Cautious re this segment! NOW, the Gold STOCKS are roaring back up & metal is fairly quiet. **SHORTED Fri. May 6 on Close at \$426.80 with Stop at \$433.80. NOW place a Stop & Reverse (to long) at \$423.80, and if activated, place a stop at \$421.00. That will give us +\$3.00 on our Short and get us Long.**

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 last CP letter. The **CRB** has powered ahead and is still up 7% year to date, but momentum is flagging seriously, and this is also probably a better Short for now.

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, probably at the May 8 New Moon almost exactly square to Neptune, planet of Inflation, Deception, Religion and OIL!

ASTRONOMIC ACTIVITY

JUNE 2 = Mercury square Uranus, Mars squares Pluto & Hades = Another monster BAD Day! Bad news from abroad?!

JUNE 3 = Sun conjoins Mercury = Market TOP!

JUNE 5 = Jupiter turns Direct. Some positive feelings will begin to return, 75 degrees from Pluto may transform large organizations.

JUNE 6 = Monday's New Moon is trine Neptune = A temporary LOW in Oil/Metals.

JUN 11 = Mars enters Aries, god of War at home! Saturn 135 to Uranus = Not good for the Economic/Business Cycle!

JUN 13-15 = Four more relatively nasty aspects. Uranus Retrograde Station can be turning point in OIL, computers.

"Surprises and excitement in religious matters" - Hope that doesn't mean Jihad.

JUN 16 = Mercury trine (120 deg) Uranus = BUY Computers or electrical equipment. Surprises tend to be pleasant.

JUN 17 = Option Expiry = Gold, Oil, CRB up into the Close!

JUN 22 = Full Moon at Perigee early A.M. has Pluto on the MC for NYC = "Great tension caused by measures taken by the state.

"High tidal forces increase likelihood of earthquake or volcanic activities. Pluto = coercive force. Powerful time!

JUN 23-24 = Metals, Oil back up sharply for 1-2 days!

JUN 27 = Mercury & Venus conjuncting in longitude and declination = Market higher Monday & Tuesday?!

JULY 4-5 = Traders may want to be somewhat hedged or short over the long weekend, but stocks rally on 6th or from lower open on 5th.

JULY 15-17 = Grand trine Venus/Mars/Pluto marks the Bradley high for this year. Markets lower by month end Mars squares Saturn!

ATTENTION: The letters are usually mailed 1st Monday. The July issue will be on Monday July 5, 2005.

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