

CRAWFORD *Perspectives*

March 7, 2005 Vol. 05/03

DIVERGENCES, LOW VOLUME ACCOMPANY MULTI-MONTH NEW HIGHS

The S&P500 and the Dow Industrial averages made new 3 1/2 year highs on Friday. Although the Price action was impressive, the Volume was lower in most indices, and only a touch higher in the others. An important technical breakthrough must be accompanied by increasing Volume and Momentum in most, if not all, major segments. The Volume component fell totally FLAT! Momentum, as measured by MACD (bottom of charts), is modestly extended, and it would require prices to follow-through to more upside, or at least hold these gains over the next few days. The Price charts took a leap, is it real or is it fake?

NASDAQ, which has tended to lead both up and down impulses, has lagged the S&P since early December. According to *Investor's Business Daily*, there have been 4 recent 'Distribution Days' in which volume has increased on declining price, in both the S&P500 and the NASDAQ. The NDX100 (largest 100 NASDAQ companies) double topped at 1635, and remains 7% below those levels currently (chart page 2).

OIL has exploded to within pennies of its previous high, while the U.S. Dollar Index is scraping along recent lows (chart page 4). The Oil chart shows tremendous strength, the US\$ indicates continuing weakness. These represent considerable weakening in Consumer Demand at



some point, as imports rise and Gas Prices co-opt excess consumer liquidity.

We have commented here often about a multitude of Sentiment measures which have been overly optimistic for the longest period in history! The smartest money around, the corporate insiders, are continuing to SELL their own stocks at historic rates. Long term, according to *Investor's Intelligence* (www.Chartcraft.com), this indicator gave a SELL signal last April and will remain Bearish from current data, at least to April of Next Year!

The near term interest rates have climbed another 1/4 point since our last letter, to 2.69% on the IRX. This has finally pushed the 10-Year rate higher by .40% from early Feb. lows. Although the 30-Year rate also rose from early Feb. lows, a sharp drop on Friday afternoon left it where it was in late January. The 10-Year Rate actually broke above its Dec. 2 high, briefly, before falling back to its 200-Day MA at 4.30%. Can the FED Liquidity protect the economy against the Dollar slippage? Ultimately, NO! But how long?

Europe and Japan are on the ropes, economically, and are pouring money in here to keep the engine running. We are taking advantage of every opportunity to increase our debt

levels to continue this charade, selling our children into debtors prison, where generations will return to Serfdom. The bursting of many 'Bubbles' simultaneously will result in a world depression like nothing seen since the Plagues of Egypt! The worst Astro-years will be 2008-2010.

Astronomically, an unusual run of events occur from March 18 through April 12, (see page 4) which we believe will clear up many discrepancies in economic and stock market trends for the immediate future. There are multiple planetary Sign changes and direction changes (stations), the Spring Equinox, a powerful Solar Eclipse, and a strong contact in the U.S. birth chart.

After all, Price Action IS the component against which we measure our performance and profit, making it the final arbiter. There are a number of market indicators which DO suggest continuation. Advance-Decline Line for the NYSE remains strong. Although the NASDAQ & AMEX A-D lines are much weaker, they have a history of greater weakness, overall, even as a smaller portion of their stocks record spectacular advances. NYSE New Highs vs. New Lows remain positive.

As a final stopgap measure, in order to limit damage to our capital, we ALWAYS keep **STOPLOSS** orders on ALL positions, to Get Out if certain price levels are violated. Those levels are currently 1252 for those who follow the S&P500 and 11,125 for followers of Dow Industrials.

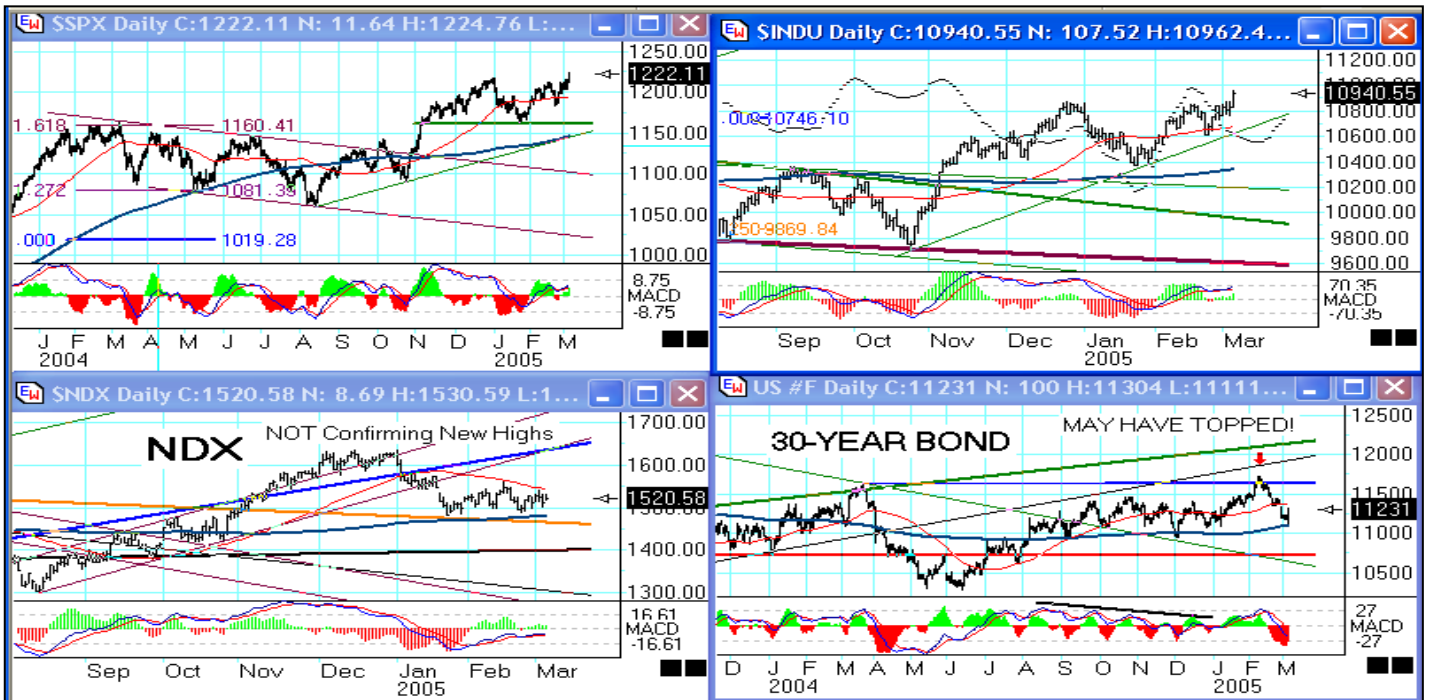
VITAL SIGNS

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!!



MAJOR INDICES DIVERGE WITH UPSIDE BREAKS WITH LOW RELATIVE VOLUME

Charts pictured above show (\$SPX) S&P500 Cash Index, (\$SINDU) 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! NDX could STILL not beat its peak of Dec. 15, but the Dow Transports confirmed the Industrials for a Dow Theory positive. Richard Russell reports that even the Utility average joined in for a new high, "...an extremely rare event." The longer term SELL remains in effect, but these confirmations are certainly net positives for the next few months. A number of other negative analysts are throwing in the Bear towel as of this week's stronger action. We are not, yet we will respect our own STOPLOSS points given on page one.

The Thirty Year Bond remains in Limbo, here. Last month, we said: "... it has to break back above 115 to turn clearly Bullish, or back down below 110 to imply the Bearish case." These Bonds then proceeded to break up to 117:11, well above the May 2004 high, then fell back; losing the technical advantage it had just gained! "Although stronger than many expected, bonds still show no clear breakout from the previously mentioned trading range. We are projecting rates to rise (with Bonds down) by mid-March." That trading range is now 2 1/2 years old, and this week's range is dead center of the busiest (most often traversed) portion. Technically, a breakout that fails is much worse than no breakout!

Excruciating extremes remain in effect like storm warnings. The VIX, option volatility index, remains below its 200-Day MA at 15, and has yet to break high enough to give a Confirm on the Sell signal. NYSE New Highs vs. New Lows have not come down sufficiently to render a Sell signal either. Even the strong Market Indices have reversed their marching order, and the First are now Last, and the Last, First! The Dow Utilities are leading the pack with 8% gains for the year to date, followed by Insurance (+4.09%) and Defensive Issues (+2.8%). Most other groups are little changed, falling in between +2% to -2%.

The order of progression for Moving Averages in the process of rolling over is 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 are now back in Bull phase, with price above rising averages. Only the NDX has Price below the 50-Day and the 50-Day MA is also declining.

[Color ONLY in the electronic Adobe.pdf version.]

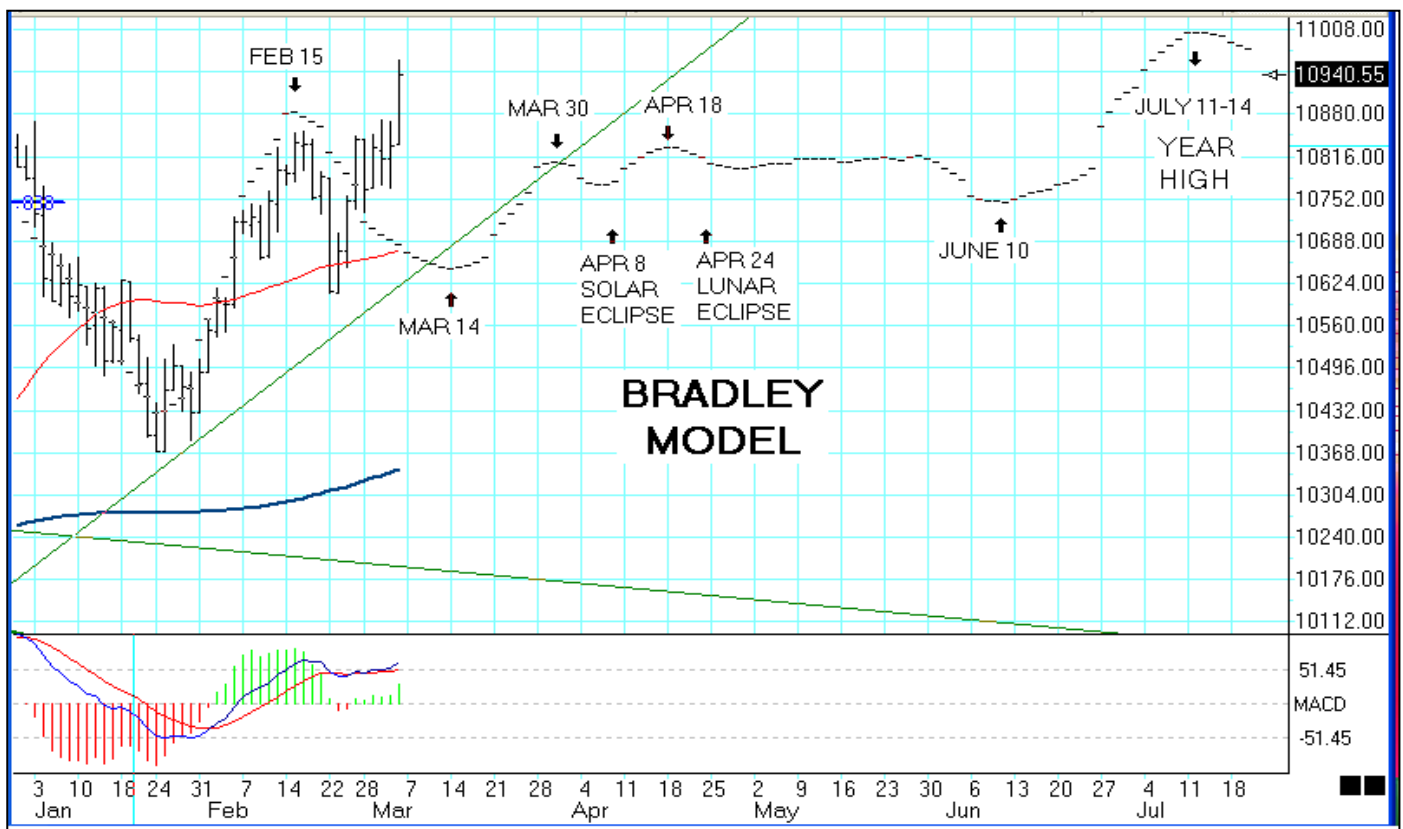
Re: "Obfuscation and Rationalization..."

Correction: In the Conquer the Crash quote from the last issue, "interest payments for debt service" was corrected to "non-recurring expenses" in the 2nd edition.

- Robert Prechter in *Conquer The Crash*

Arch Crawford will be speaking at the "Wealth Protection 2005" conference in Tempe, AZ April 1-2.

Call 480-897-7444 for info.



BRADLEY MODEL EXEMPLARY UNTIL MARS HIT THE ECLIPSE POINT FEB. 21

We will usually show the BRADLEY projection out to the next important turning point. Our practice is to NOT pay too much attention to the little squiggles between moves. Even the small moves this year have been right on to the day, up to the day that Mars aspected the point of the coming Solar Eclipse of next October 3rd. Our position on this is NOT that the Bradley is forming an inversion, but that another powerful exogenous event has over-ridden it temporarily, starting on February 21st.

We said in our 2005 Year Ahead Forecast: "Another day to watch for a sudden dip which quickly reverses is Feb. 21 [Sunday], as Mars squares the coming eclipse point of next Oct. 3rd, possibly a low." Monday, Feb. 22, was the largest down day for 1 3/4 years, and that persists as the yearly low to date! Too bad we did not quote that in the last letter, but we did report for that day: "Black Holes open up in some markets!" However, we have totally missed the rally from there. We are not yet convinced that was a significant bottom, as more evidence will be needed to prove the ultimate case. But the upside case must be considered seriously, despite our aversion.

There will be a series of significant astro-events from March 18 to late April, including Sign-changes, Direct and Retrograde Stations, Spring Equinox, and 2 Eclipses, NONE of which are fully accounted for in the Bradley Projection Line. The Stationary planetary events are included but with a much smaller weight than we have found to exist in nature! So, the Bradley may "ging aft agley" (as certain "best-laid plans") for some time longer. Events are enumerated in Astronomic Activity section on page 4.

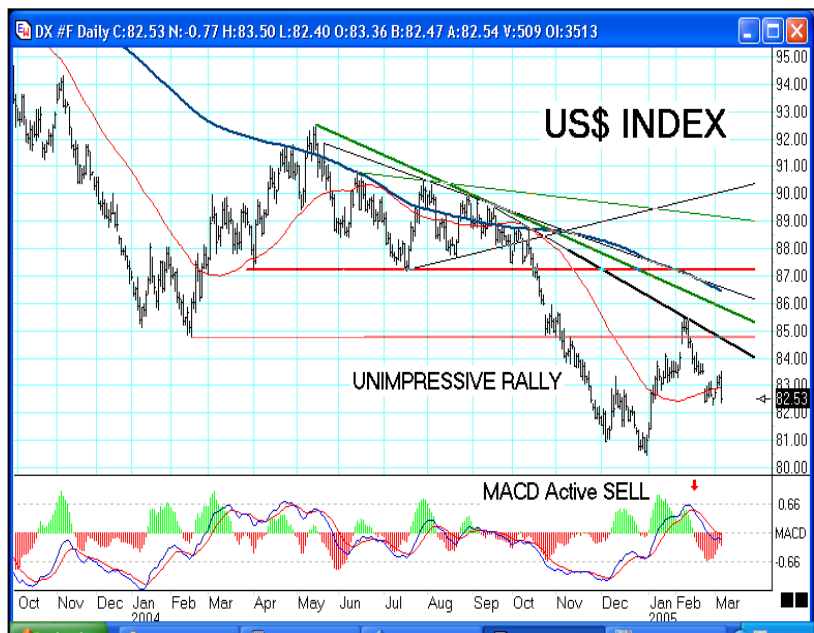
One reason for the confusion is that each is important, in its own right, but these influences are scattered over 3 1/2 weeks. If they were more concentrated, or if there were one large configuration in the sky, it is easier to pinpoint the time of their effects.

Not only that, but the Model goes uncharacteristically quiet from late March to late June. The Eclipse series in April, (marked on the chart above) has a tendency to disrupt whatever technical or seasonal patterns and tools which have been effective for the previous months, anyway. As a result of these multiple factors, we will not depend too strongly on the astro-indications, and lean more heavily on technical developments as they evolve, leaving extra leeway for choppy or uncooperative elements in the total picture. At times like these, Strategy and Tactics are more valuable than Predictive techniques!

We have stated in the last few letters that we have **NOT YET gotten Confirmation that a TOP is in place!** Two of the signs we like for that timing are for NYSE New Lows to expand to greater than 40 for 3-4 days in a row, and for the VIX (Volatility Index) to rise above its 200-Day MA (now 14.30), and then above a downtrend line at 18, and then above yearly high at 22.50. **THESE HAVE SO FAR REFUSED to give a Confirmatory NOD.**

We Shorted the **US Dollar Index** (Chart this page) contract in the May 3 CP letter @ 91.02. Lowered Stop on the **Index** last month to 83.25, which was hit, giving us a +7.77 profit. Change Re-short point to a decline to 82.20 & place a stop at 83.45 if activated.

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. So we raised the STOP on **GOLD** from 390 to 428, and it was hit. We bought the **GOLD** at 258 on April 5, 2001. In 2005, we are experiencing a series of Jupiter trine Neptune aspects. It was on the last of such a series that we bought the **GOLD** in 2001. We are concerned that there will be several months of counter-trend declines into August or early September of this year. We have been expecting another spike up sometime during February or March, 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!**



We have often written of late: "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." The **Dollar** has held support for now, but is certainly **WEAK** in its technical action. The **CRB** has powered ahead and is now up nearly 9% year to date.

Coffee and **Copper** are creating Linear patterns at 40-45 degree angles upward across the charts! They are steadily higher at a good clip. Old Wall St. adage says Bull Markets have a TOP of **Copper**, meaning that when copper has a major move, it is near the END of the Bullish Stock Market and Economic trends! **Sugar** was not able to bull through the Oct. highs, now correcting, but not down to our Short point at 8.9. **Wheat** and **Corn**, the **BEAN Complex**, & **Cotton** attempted to make long slow rounding bottom patterns! They all broke down on lower momentum before taking off nicely last 3-4 weeks! "**Lumber** has already put in an up leg or two, continuing to stair-step higher, rather than taking the needed rest. May be getting more vulnerable here." Could say the same this month at higher levels.

The **Oil Complex** broke up out of a pattern, just after our comment for Feb. 14-17 (saved below). **Heating Oil** and **Crude** have gotten some bounce, while **Natural Gas** has put in a very weak showing. Most **COMMODITIES** look **WEAK**, here!

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

FEB 14-17 = Venus joins Neptune in longitude & declination = **Final Lows for now in Gold, Oil & CRB Index.**

FEB 21 = Mars squares the Eclipse Point of next October 3 = 'Black Holes open up in some markets!

FEB 23 = Full Moon in close aspect to Saturn near midnight ET = Depressive business news, doubts, fears worries.

(FEB 22 was the worst single down day in 1 year and 9 months! -174.02 for the DJIA)

MAR 7 = Helio T-Square = Unusual Sunspot Bursts = Strange Weather, Earthquakes, Cable Failures, Down markets.

MAR 10 = New Moon Grand Cross if you include 2 Uranian points. Very complex, very powerful. May be a low near here.

MAR 14 = Jupiter trine Neptune; Pluto squares Sun, sextiles Node; Venus trine Saturn = Powerful but contradictory aspects. Volatility?

MAR 18 = Option Expiry, Large Down OPEN?! Venus squares Pluto very early A.M.

MAR 19-21 = Mercury Retr Sta., Spring Equinox, Mars enters Aquarius, Saturn Dir Sta. = Many changes. High potential for violence.

MAR 22 = PPI early A.M., FOMC at 2:15 EST with Neptune=Desc. for NYC. Both these are market moving events, after announcement?

MAR 25-26 = Full Moon at NYSE Close! Closest aspect is 105 to Saturn! DOUR! Limitation, sadness, rising rates? Pluto station = Danger?

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 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 Sun & Mars of U.S. chart. = Bill Meridian says trouble over Afghanistan!

APR 12 = Mercury Dir Station is 45 deg. to Mars Neptune conjunction = Gold & Oil through the roof, temp TOP.

ATTENTION: The letters are usually mailed 1st Monday. The April issue will be on Monday March 28, 2005.

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