

CRAWFORD *Perspectives*

July 9, 2007 Vol. 07/07

NOW WE UNDERSTAND!

Roger Babson has been credited with predicting the Crash of 1929. He was looking for a 20% decline or so at the very top on September 3, 1929. The intra-day drop from then to November 13 was just short of 50%. His detractors say he was negative on the market for months prior to that Himalayan peak.

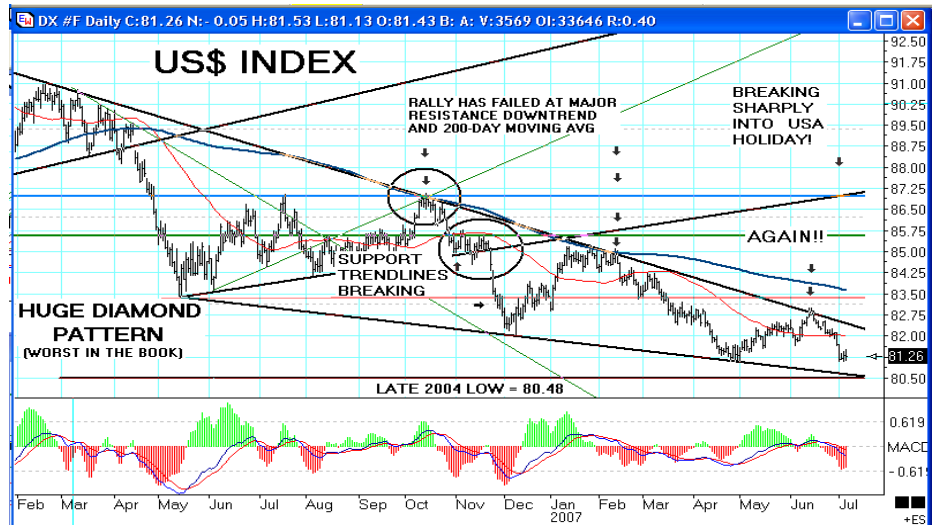
He was a 'common sense' analytical fellow, selling fundamental data on company spreadsheets to investment firms. Keeping his head about him, he recognized the insanity of the 'Bubble' that was forming. (see quote page 2) His error was in calling attention 'too early', while significant gains remained ahead.

Although CP was the #2 Market Timer for the year 2002, we were too early in projecting the 2000 top, and we have been too early in seeking an end to the current insanity. As Lord Keynes expounded: "The market can stay irrational longer than you can stay solvent."

Or put another way (with apologies to Kipling): "If you can keep your head while all about you are losing theirs..." you're going to miss the last great rally of the Bull Market!

We have often mentioned that the stock market tends to lead the economy by about 4-9 months, therefore, one cannot predict the market by following the economy. Generally, the equities markets are a good predictor of the economy, and have one of the best records among the governments Leading Indicators for doing so.

It is rather unusual in the present case that our economy has already begun serious



decline over many important segments, yet overall market indices have paid little heed. We believe this is due to increased meddling of pseudo-governmental bureaucracies in free-market dynamics, as well as outright manipulation of statistical economic data.

For instance, if the CPI were calculated as it was in 1970, it would define the inflation rate at about 7-9%. That is not acceptable to a bankrupt nation who must increase a considerable number of payouts at the official CPI rate! The figures released monthly no more approximate the experience of ordinary citizens... not even close!

In recent times, General Commodity Indices are leap-frogging the CPI by orders of magnitude! Remember, also, that subtle, gradual changes have been wrought in attitudes about inflation, whereby 3% increases were sufficient for the Nixon administration to impose price controls. The worldwide tsunami of printed money, over most borders, have built those "castles in the sky" which will return to earth with increasing rounds of interest rate hikes which are now following behind the waves of cash.

CP has been Right about the rise in Rates to partially protect against the falling Dollar! CP has been Right about the corrective phase in the Metals complex, and Right about the breakout in the Oil complex. We have been too early – read Wrong, about equity markets!

VITAL SIGNS

ALL REMAINING STOPS HIT MAY 30 & JUNE 1

OTHER ½ =13,309.07 on DJIA – STOP @ 13,575.14

OTHER ½ =1500.66 on S&P500 – STOP @ 1530.67

DJIA STOPPED 5/30/07 CLOSE AT 13,633.08

S&P500 STOPPED 6/1/07 CLOSE AT 1536.34

RESHORT 100% ON A CLOSE BELOW 1500 BASIS S&P500 or 13,300 DJIA with 3% STOPS

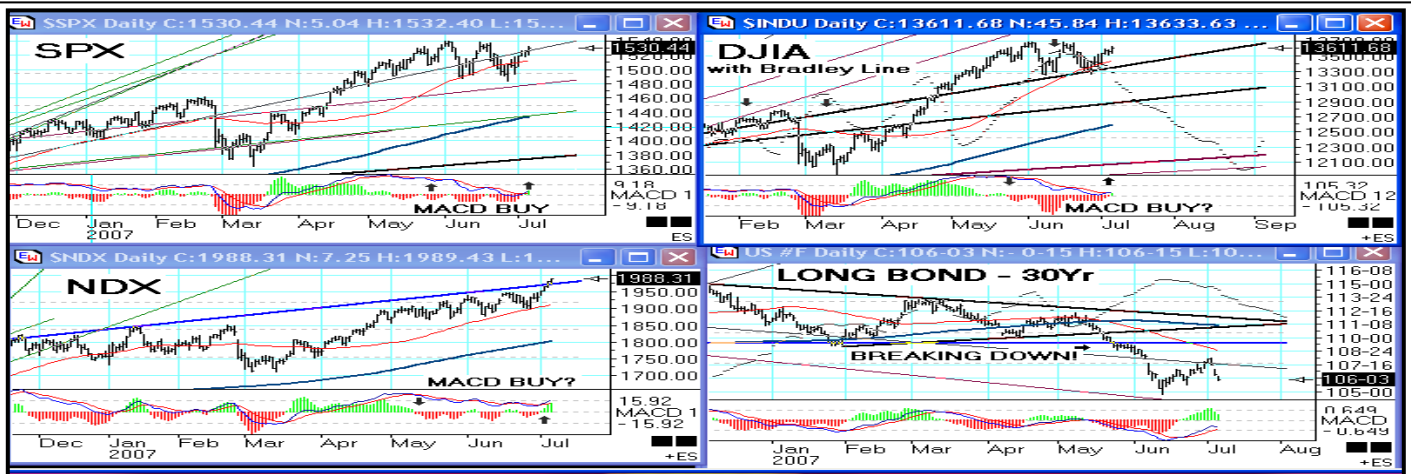
ALL OUR STOPS ARE CLOSE ONLY!!

Technically, though, market indices are NOT in any sort of Full Bull mode. Last month we reported on a second MACD Sell signal on all of them. Then, the 52-week New Lows expanded above the 40+ number that we consider a Sell over 3-4 days in a row, then continued to expand to greater than the New Highs for a few days, rendering what is known as a "Hindenberg Omen". That takes place when these numbers decline rapidly from positive to negative in a very short time off of highs. The confirming signal was never given in the VIX (Volatility Index) rising above 20 & 24.

What follows is more likely to proceed to an intermediate corrective phase, or worse. Looked at another way, the New Highs divided by New Highs + New Lows ratio dropped below 70%, giving another Sell indication.

Now, the MACD patterns are turning positive, or nearly so, while BRADLEY Model astro-projection line is turning sharply lower from mid-June to late August. Simultaneously, the number of stocks over their various Moving Averages are remaining in the negative, below the 50% range, a very rare condition when Major Indices are near their yearly highs!

The three most negative fundamentals are the rise in interest rates and oil, and the sub-prime mortgage melt-down. Now that all are worse, and market indices are near year highs, that proves that the economic fundamentals don't matter... at least yet!



NASDAQ RELATED INDICES SOAR TO NEW RECENT HIGHS, MAJORS LAG!
REMEMBER THAT THEY REMAIN AT FRACTIONS OF THEIR 2000 PEAKS

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 the widely followed major indices, S&P500, Dow Industrials, and NASDAQ100 have returned near to the 'upper bands' of their trading ranges. Then all entered into a corrective phase which has turned out to be minor. Now the NDX has roared back to new highs, and is breaking above a longer term rising trendline. While the DJIA and S&P have not yet joined with the more ebullient NASDAQ, registering a non-confirmation of the new uptrend, all three MACD momentum signals have turned higher.

The big picture is so mixed at this time as to be quite astonishing, despite multi-month gains across-the-spectrum. The Advance-Decline Line seems to be keeping up fairly well, although price momentum is not particularly dynamic. To add further consternation, the BRADLEY Model declines into late August, then makes a final new yearly high in October. Recall that the Bradley can and will invert occasionally, about a third of the time, wherein a low will coincide with a market high or vice-versa. We must keep at least one eye on the Technical conditions of the market as we approach these cycle dates.

There are a number of internal technical indicators that have been increasingly weakening the overall picture. Yet several signals that we warn to look for have never come fully 'round to a clear SELL signal. CP has written repeatedly to watch for New NYSE Lows above 40 for 3-4 days in a row, and VIX to pop back up above 20, then 24. The VIX did do that once, but quickly subsided. For months it remained between 9.50 and 12.50. Last two months it is averaging a new level between 12.50 and 14.50. That is another sign that the long run of up markets may be tiring.

Last month we had the other shoe drop with New Lows above 40, and then even higher, overwhelming the New High numbers for 13 days of the month, (4 times as many on June 7 & 12), 136 on June 12. In this case, the VIX did not confirm the Sell signal by rising above 20, then 24. In both instances, only one shoe dropped, never confirming the danger simultaneously!

The 30-Yr Bond has broken down from a huge Triangle, and looks much lower. Last month, we wrote: "... it looks as if it has found support at current levels and may have to work off the 'oversold' condition with a corrective phase bounce, before fulfilling the negative chart counts." They have now completed their Inverse Flag pattern, and suspect that the continuation will proceed *poste haste*. In this case, we have the additional confirmation that the 50-Day MA (thin red line) has crossed below the 200-Day MA (heavier dark blue line), adding conviction to the downside possibilities. The 50-Day, now declining, will also help to limit the retracement activity. (Chart 4 above)

"I did not realize that most investors had rather pay considerably more for the same bond if purchased from a fine office with expensive mahogany furniture, than to buy it from a little fellow like me who paid only fifteen dollars a month for desk room and slept in a hall bedroom. Such is the frailty of human nature! This, to a large extent, explains why investors have always got stuck and probably always will! Congressional legislation may provide investors with better information, but it will never provide them with self-control or eliminate their pride."

- Roger Ward Babson - from his 1935 autobiography.



FLAG MOTIONS INTEREST RATES HIGHER!

CP has maintained that Rates would have to move higher to protect the US Dollar from going onto free fall. The US\$ has crept lower along a long term downtrend line. Worldwide rate increases have made that scenario fall into place and our rates finally broke above a major Triangle Pattern and swiftly met minimum target counts. The FLAG pattern formed during June now recalculates the minimum move to 5.70-5.75, probably in a hurry.

As so often happens, the 200-Day Moving Average (heavy blue line) was tracking closely with the upper downtrend line of the Triangle. When both were broken together on May 18, we sent a special bulletin to our Consulting Subscribers (\$10,000/year) that the follow-through would be immediate ‘...if technical analysis still means anything!’ Also be aware that Rates are the Inverse of BOND Prices, which should decline in commensurate proportion.

The FLAG construction within approximately parallel lines intimates that the rates will move again about the same amount that they just moved (4.60 to 5.30, about +.70). Counting from the bottom of the flag at 5.0 plus the .70 gives the target of 5.70-5.75. There is a case here to say that the lines should be narrowing, which would be called a Pennant, but the chart count would be the same. The alternating colored segments on the chart represent price bars from New to Full Moon, then from Full to New.

Our Astro-Cycle work has shown a likely turn date as the next Solar Eclipse, or the New Moon prior to the Solar Eclipse. The Solar Eclipse will occur on (would you believe?) September 11! That may well bring back all the horror or at least a re-enactment, of our security concerns as a nation. The New Moon prior occurs on Sunday, August 12, so we would look for a probable high (or low) in rates on the 10th or 13th, or Tuesday, September 11 +/-1 trading day.

If you wish to study the efficacy of astro-cycles on stocks, commodities, currencies, rates, place the Eclipse dates on your price action charts. Those are the clearest and strongest astro-events, and nearly every society in history, to date, has aligned buildings or large stones to predict these events. New Moons, Full Moons and planetary Sign Changes are next for power & influence. Maxima in North & South Declination, East & West Elongation somewhat less so. The more bodies that are aligned by harmonic relationship, the more powerful the potential High, Low, Turn, Breakout, or Acceleration point.

As we write on the ‘lucky’ 7-7-07, we are reminded that our 2nd official newsletter came out on 7-7-77, 30 years ago! Guess there may have been some ‘luck’ associated, as we are still here! We have attempted to write on favorable astro-dates.

OIL looks like it's begun another leg up to the 78-80 level, a retest of the old highs. Oddly, prices are dropping at the gas pump. The highest prices tend to be around the July 4 holiday, but remain high for the remainder of the summer.

Nigerian revolutionaries and our possible withdrawal from Iraq are other contingencies that may affect Oil prices. Democratic Congress will apply more pressure in September. We are convinced that US will NOT Withdraw from the country as long as they still have oil, but we may withdraw troops into the relatively 'safe' havens of our 19 square mile bases.

Our next major BUY point in the Inflation Hedges, generally, is from now to Labor Day. We have experienced the final opposition of Saturn and Neptune, but seasonal lows may come as late as early September. There is a further large combination of five bodies within 9 degrees of arc, including Saturn, which are all basically opposite to Neptune on or about August 13. Watch that date for important turns in many different items.

GOLD (not shown) is triangulating above its 200-Day MA and could start up anytime between now and Labor Day. CP correctly projected more downside for the precious ones, at least into late June. Current Contract Gold chart shows a high of 698 in April and a low of 641 in late June. We are **Buyers** on an upward break of **663!** We continue to look forward to a possibly Hyper-Inflationary spiral beginning by Labor Day at the latest.

US DOLLAR chart on page one shows testing of long term price lows at 80.48 from late December 2004. A multitude of Bearish traders and advisers warn of a possible backlash, last ditch rally, before it 'gives up the ghost' so keep stops close, but short again if prices return to the downside. There may be whipsaws. There will be efforts to 'hold the line'! Old lows have already broken against the Euro and the Aussie Dollar.



ASTRONOMIC ACTIVITY

- JUN 22-25 = Final 2 oppositions of Saturn to Neptune, **Uranus stations opposing approaching Sept 11 Solar Eclipse**, Mars into Taurus = Lows in inflation hedges – may take off from here! This period is loaded with surprise energetic bombs!
- JUN 28-30 = Extreme emotional energies as Sun/Mercury conjunction aspects the Saturn/Neptune opposition near the Full Moon! – WOW! Commodity softs (corn, wheat, soy complex) up & down LIMIT moves during the day on Thursday, the 28th!
- JUN 29-JUL 5 = An important High or Low in Inflation Hedges – Metals, Oil, CRB = Must be on your toes to catch sudden reversals.
- JUL 9 = Mercury returns to direct motion and things return to 'normal' and computers return to what they were supposed to be doing.
- JUL 10-13 = Our sometimes psychic friend in Denver says high probability of earthquake. We think inflationary Fri – deflationary Mon-Tue
- JUL 22-24 = Very Active, mostly hostile aspects. Sunday 22nd may bring world news event, power/control issues with governments.
- JUL 26-27 = Venus goes into Retrograde movement Fri. = End of an era – a more comfortable era evolves into a more dangerous one.
- JUL 29-31 = Full Moon Sun. night thru Tue. Mars square Saturn could bring some market/economic downside!
- AUG 6 = Jupiter Direct Station, Saturn trines Pluto = Favorable developments. May be a market HIGH for some time.
- AUG 9 = Mercury trines Jupiter = Good news in abundance! Stocks reporting earnings will POP UP! Get OUT there!
- AUG 10 = All down hill from there for stocks, economic reports, at least to month end.

ATTENTION: The CP newsletters are usually mailed 1st Monday. Next will be a week late, on Monday, August 6!