CRAWFORD *Perspectives*

August 11, 2008 Vol. 08/08

THE BIG PICTURE!!

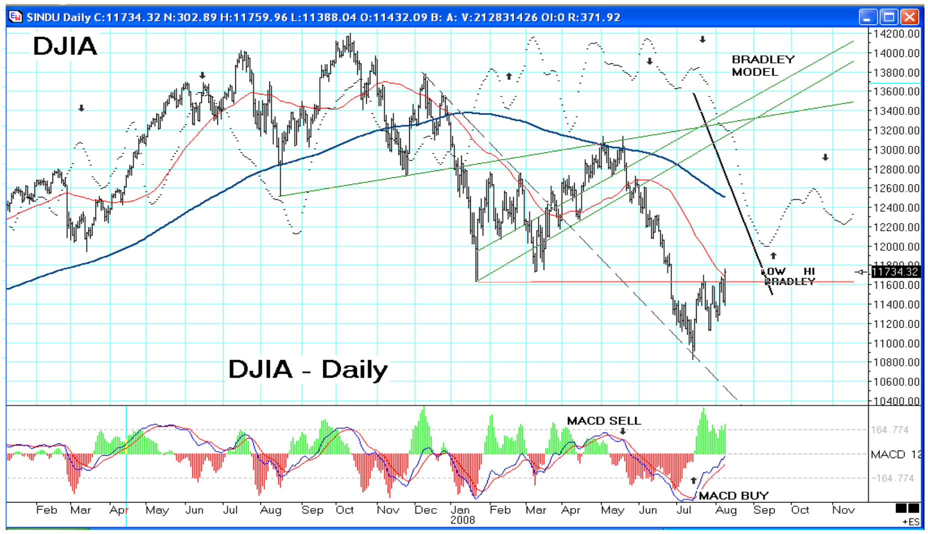
Those who continue to look for a "Market Bottom" do not understand the "Big Picture" of our economy and markets. The longest time period experienced by the Dow Industrial Average for successive years to NOT penetrate the LOW of the previous year was nine years up into 1929. From there, it required 26 years for the DJIA to return to its previous high record of 384+ established September of 1929.

The new record was set with, not Nine, but Eighteen years without breaking the LOW of the previous year with a progression from 1982 to 2000! Even the Crash in 1987 did NOT break the previous yearly low, as markets had made such remarkable progress in forward momentum.

How many years will it take to make a new high? – We think many. The ONLY way it will break upward sooner is under conditions of hyper-inflation. Our opinion is that will come… but later. Saturn's five oppositions to Uranus will more likely bring Deflationary Debt Liquidation over the next two years.

Most Wall Street analysts & economists make their comparisons over the last 20-30-40 years. Looking at very long term interest rates, yields, p/e ratios and the like offer other alternatives.

In former times, it was the custom of the 'Smart Money' to Buy Stocks when the general yield was 6% and to Sell when yields dropped to 3% or less. Yields on the S&P500 and the DJIA have been under 2.25 most of the last 10 years! The S&P Dividends are right at that 2.25 area NOW!



Price/Earnings ratios were typically considered cheap around SIX and excessive at 12-15. The S&P ratio is currently running 20-21. Oh, but now, we relate that to Interest Rates, and at 2%, these ratios remain healthy, though lofty. These rates have been held at extreme low levels by our FED (2%), and even more-so by the Japanese (0.5%) 'carry trade.'

With all this money readily available, money users were pressured to find some way to put it to work profitably. That's where things got out of hand and every sort of phony scam was proposed and brought forward. Politicians, regulators and accountants were bribed and dangers were hidden and passed on. Everyone was making big bucks. Life was good!

We reiterate that most of the false and underhanded will come to light under the passage of Mars in opposition to Uranus, beginning the potential Crash portion of that synodic cycle, from August 6 forward to late March of '09. Our government, in cahoots with Wall Street's Sell Side, has been plastering over the extent of economic dislocation which is yet to be revealed. It is our solemn belief that the powers that be, who have been holding back the inevitable corrective deluge, will NOT be able to stand against the onslaught of the Mars-Uranus energies this hurricane season, nor yet the Saturn oppositions to Uranus, the 1st of which appears as malevolent omen on our election day, November 4th.

VITAL SIGNS

SHORTED 200% DJIA at 13,912.94 & 12,209.81
Stop 12,500

Shorted S&P 200% 1417.49 & 1360.68
Stop 1467

NO CHANGE - KEEP ALL Stops AS ABOVE

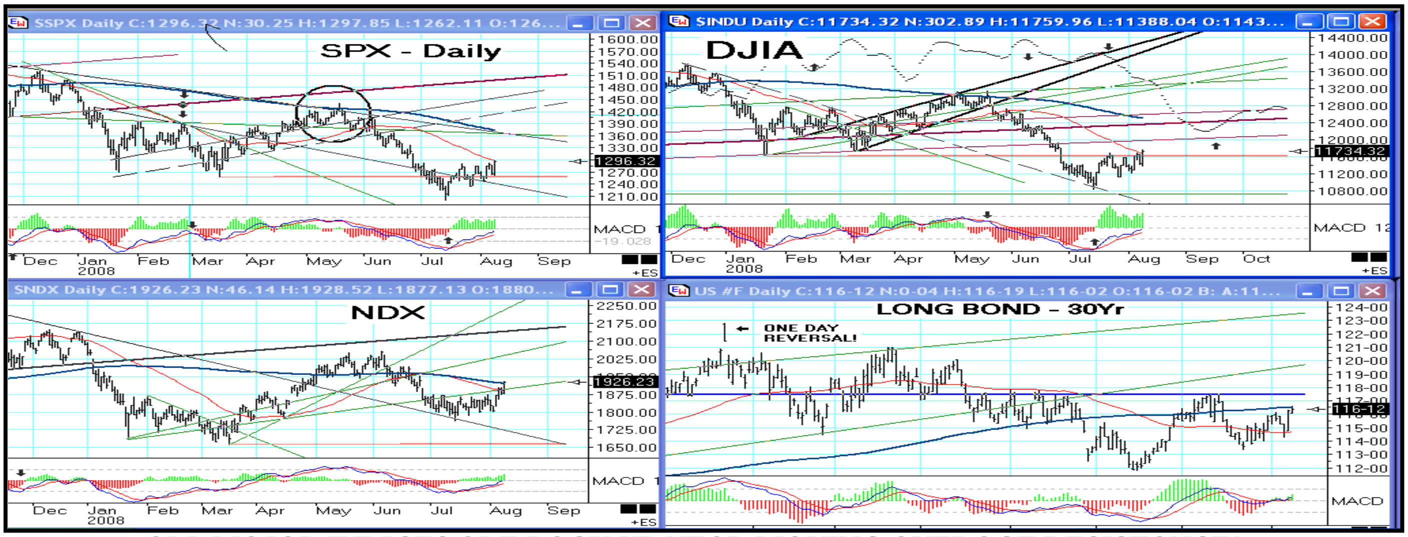
ALL OUR STOPS ARE CLOSE ONLY!!

We left our projection of a potential 'steep' rally from last month intact, on page 2. We expected it would not last long and did NOT cover any of our short positions for it. That may be a mistake, and we may add another leg, but neither have our Stoploss Orders (Vital Signs box at left) been activated. With the major indices at resistance levels, they could turn lower immediately, or break through and add another leg up before rolling over for another test of the recent lows. We remain long term negative on stocks!

Projections for unusual Violence especially this month are beginning to be fulfilled with the stabbing to death of an American at the Olympic Games and the escalating warfare and political tensions between Russia and Georgia. Continuing buildup and movement of military assets nearing Iran are also increasing worldwide emotional angst. Maybe it will keep headlines off the collapsing economic infrastructure?!

DJIA dropped below 11,700 and that caused our Stoploss point to be dropped to 12,500. All Stops on S&P500 were moved to 1467.

One of two *Crawford Perspectives* portfolios rated by *Hulbert Financial Digest* is ranked 5th of over 500 portfolios of over 200 analysts for the first half of 2008.



ALL MAJOR INDICES ARE BACK UP NEAR MOVING AVERAGE RESISTANCE!

BRADLEY ASTRONOMIC MODEL MAY HAVE INVERTED – TEST DEAD AHEAD!

LAST MONTH WE WROTE:

"All these stock groups do share several technical qualities. Primarily, they are back down on some form of support. All are back down on or very near a declining trendline from back at previous tops. They all broke up through their 200-Day Moving Averages and the 50-Day's also, then broke back below, and are now far below these MA's. The 50-Day MA's are below the 200-Day MA's [the NDX is only slightly above, and is dropping fast] and ALL are declining! All their MACD's (at chart bottoms) gave SELL signals and are now deep in Over-sold territory.'

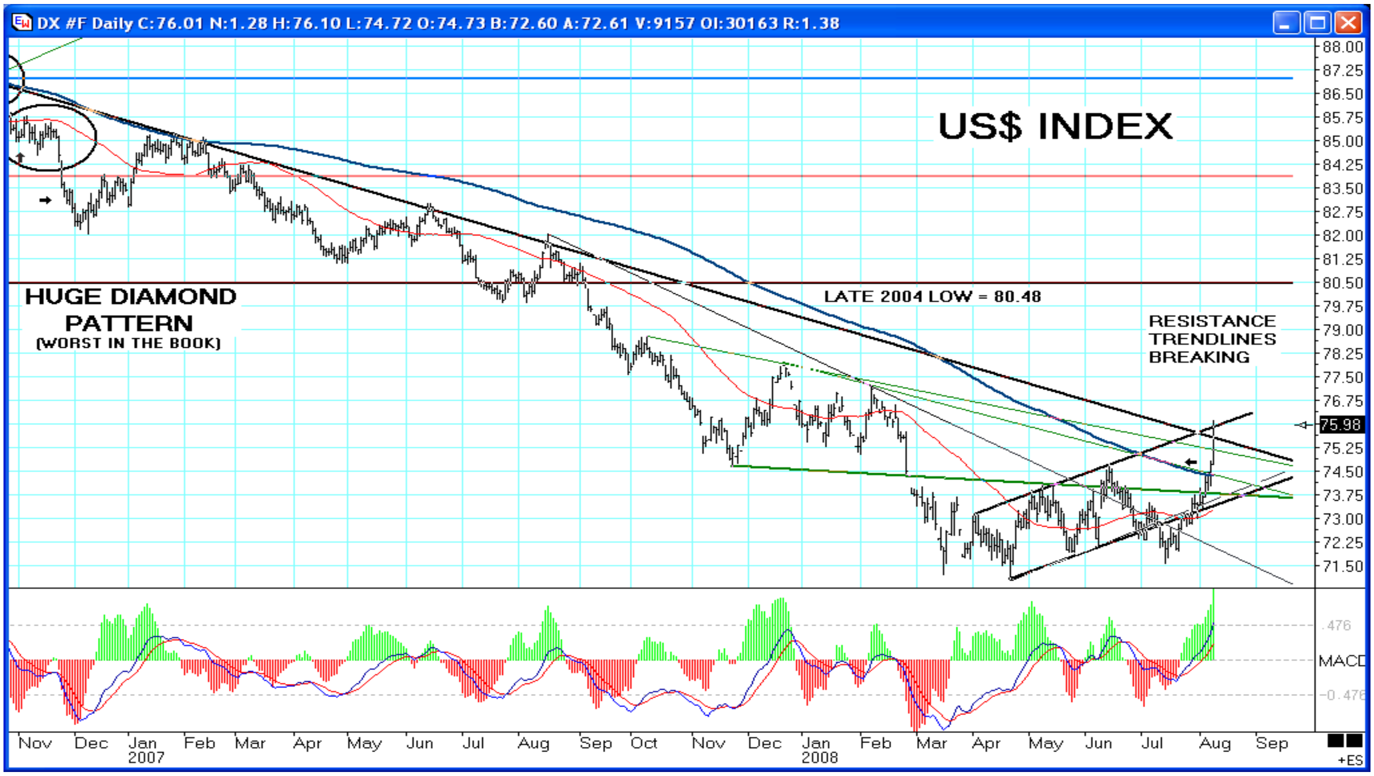
"**Therefore, we assess the possibility of a sharp counter-trend rally beginning in the immediate future as fairly substantial. But since our longer term indications are so terribly arranged, our suspicion lingers that such a rally may not last very long, although it may be steep."**

[Emphasis was present in the original!]

In the present case we have elements of the opposite. That is, All Major Indices are testing important Resistance levels. The NDX(100) has risen to its 200-Day Moving Average [heavy dark blue lines], after breaking above its 50-Day MA [curvy light red lines]. The SPX and DJIA are back up to their 50-Day MA's, and as yet remain far below their more significant 200-Day MA's. Either our markets will turn back down NOW, or they will add one more leg to the 200-Day MA's!

Even the **LONG BOND** has returned to its still rising 200-Day Moving Average and may meet significant resistance there now, or a bit higher at a possible "neckline" of a potential Head-and-Shoulder Bottom at 117½ or 117:16 [flat blue line]. Some downside technical "counts" have already been met by the dramatic decline [projected in the CP newsletter after the violent One-Day Reversal Top in January] from 123 to 112! A break above this 'neckline' on increasing volume and momentum would "count" to the old highs 122-123 area. The trading advice would be to Short against this resistance area at the MA at 116:16 and the neckline at 117:16 and Cover and Buy on a successful breakout above 117:21 (for instance).

Similarly, with the **Stock Indices**, the short term trading technique would call for shorting here against resistance, and reversing to Long if they are able to break meaningfully above their various moving averages. For purposes of our intermediate timing procedures, we feel we have missed a trading bottom and will not try to second guess a further rally attempt, and will stay short intermediate term, with our Stoploss points in place in case more strength endangers capital positions. We will NOT move to a Long Intermediate Position under current negative influences from Seasonalities, Bradley Model, and Mars-Uranus Crash Cycle.



<u>US$ SHARP RALLY BREAKS THROUGH SOME IMPORTANT RESISTANCES!</u>

In our May CP issue, we noted on this Chart that "DOLLAR BROKE THE STEEP DOWNTREND – WHAT NEXT" After which there was a False break to the downside – apparently a Fake-out! The chart looked terrible. And now the sharp recovery has broken up through Major Resistances – the 200-Day Moving Average and the Long Term Downtrend Line! And so the question remains: "WHAT NEXT?"

Friday the Dollar mounted its biggest one-day gain in six years against the Euro and is up for the fourth straight week. If the Dollar Index (chart) can reach the 77.50-78.00 range, and then correct sideways to down for another month or three, we could propose that it is tracing out a Head-and-Shoulder Bottom pattern, which could have much greater long term possibilities on the upside.

Crawford Perspectives has theorized a change in our currency around a combination with those of Canada and Mexico into a new form to be named the Amero. Current Dollar Strength <u>may</u> be attendant upon this new combination. In our June CP letter, we showed charts indicating that the three currencies were converging in price such as to make a combination simple, and giving a BUY for the Peso around .095-.097 for the proposed 10-1 combination at 0.10 US. Last week the Peso ramped up to 0.101 before dropping back near .098. The Peso has gained from the .089 range last September, even on days when the USD was unusually strong; which we consider an anomaly.

Meantime, the Canadian Dollar, which has closely tracked the USD at $1.00 with minor variation over many months, dropped sharply this week to .93-.94. We are watching for the three to form the exact alignment before "THEY" (our own government) spring it on us! That would be One for One with Canada and One for Ten with Mexico. It will be sooner than you think! "The times, they are a-changing." As Dylan says – That's Bob, not Rattigan (of CNBC).

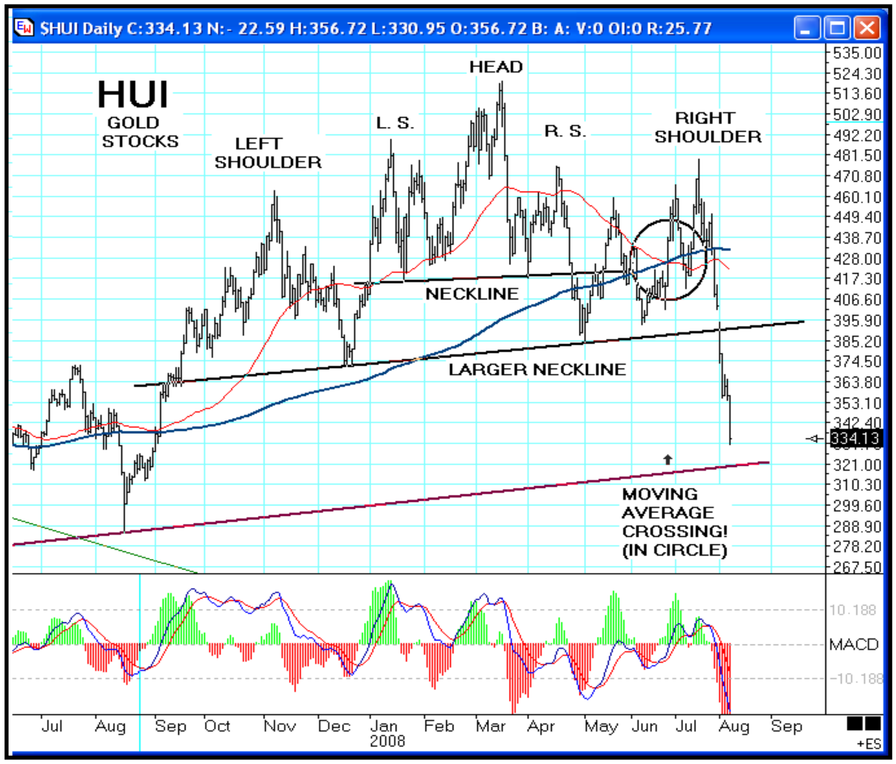
"I have heard, repeatedly that we need a selling climax; a capitulation, and I have been saying the same thing. Actually I am a bit bothered by the fact that others are looking for such a capitulation, in that capitulations are just that, an abandonment, temporarily, of logical thinking, and an emotional rush for the exits. If too many people are sitting back waiting for a capitulation, it won't work. That suggests something is going to have to happen which has such a large emotional impact that even those "logical" anticipators are suddenly scared enough to abandon their senses."

Richard Arms - Arms Advisory - July 14, 2008

On our chart of **OIL** last month, we had a “Wedge Pattern rising into a point at $143-145. It actually topped at $147.27 on the ‘lucky’ day of 7-11-08 and dropped off to a low of 114.62 this past Friday. Next strong support is around the $106 level. If that breaks, it will bode the end of commodity inflation for awhile.

The ‘cleanest’ chart pattern in the **GOLD** complex is in the HUI, an index of ‘unhedged’ gold companies. That pattern is clearly a TOP formation, [see chart at right] notably, a Head-and-Shoulder Top. In this case it is a “multiple’ S-H-S, with a well-defined smaller pattern of the same shape forming the ‘Head’ of the larger!

The ‘greater neckline’ was violated last week, proving the significant danger that the general uptrend has reversed to the downside! We have been warning of this potential for several months, expecting an important Deflation period due in part to the approaching five oppositions of Saturn to Uranus beginning with election day, November 4.



We further caution that the violence of the August Eclipses could time additional ‘spikes’ in Oil and Gold around the weekend of August 16-17, that might occur on Friday the 15th or Monday the 18th, preferably the latter.

We have quoted THIS warning over the last few months:
We have been Bullish on Assets in the Ground and particularly **GOLD, METALS, OIL** since April 4, 2001. We are now becoming a bit more skeptical about much more immediate continuation in the Inflation Hedges, looking instead for a few more weeks, and possibly months in correctional phases. The long term, multi-year Bull Market in REAL things is probably not over, but this correction is liable to be longer and deeper than previously experienced. We judged that the exponential blow-off moves were carried too far recently, and will require a more protracted retracement period in both time and price. Count your blessings & count your money and hang out for awhile!

ASTRONOMIC ACTIVITY

AUG 1 = SOLAR ECLIPSE is tightly square Vesta according to Bill Meridian will bring “Security” issues to high priority!
AUG 4 = Mercury/Sun parallel (declination) oppose (contra-parallel) Pluto on Sunday bringing Monday’s market sharply lower.
AUG 6 = Mars opposes Uranus = Violent = Beginning of our potential CRASH period. 5 difficult aspects = Market DOWN!
August 7 the DJIA was off 224.64 and serious War activity noted between Russia and the Georgian State.
AUG 14 = Likely a trading POP in the inflation hedge commodities Gold & Oil
AUG 16 = LUNAR ECLIPSE and unrelated violent T-square with Pluto opposing Uranian Hades, Mars squares both!
THIS is the most violent and explosive day since Saddam Hussein unexpectedly attacked Kuwait! Major News of WAR!
AUG 19 = Mars enters Libra, Moon enters Aries in opposition. Annoyances, nervous or nonsensical speech patterns.
AUG 27-29 = Mercury and Venus take turns squaring Pluto = Devastating stock market declines!
SEPT 1 = Labor Day Monday = Enjoy an extra day of rest & relaxation. Watch foreign markets may give a clue.
SEP 3-4 = Sun conjoins Saturn, then trines Jupiter = Sharp flip-flop from cautious to over-optimistic = sharp rally?
SEP 7-10 = Huge energetic planetary output. Mars, then Mercury, then Venus tightly aspect the Stationing Jupiter/Saturn trine!
SEP 15-19 = BRADLEY Model makes a low during this period. Could we rally from here? October lurks…, but without Bradley!

ATTENTION: The CP newsletters are usually mailed 1st Monday. Next <u>may</u> be Tuesday, September 2nd or Mon. 8th.