

CRAWFORD *Perspectives*

August 1, 2016 Vol. 16/08

UNREALITY PERSISTS!

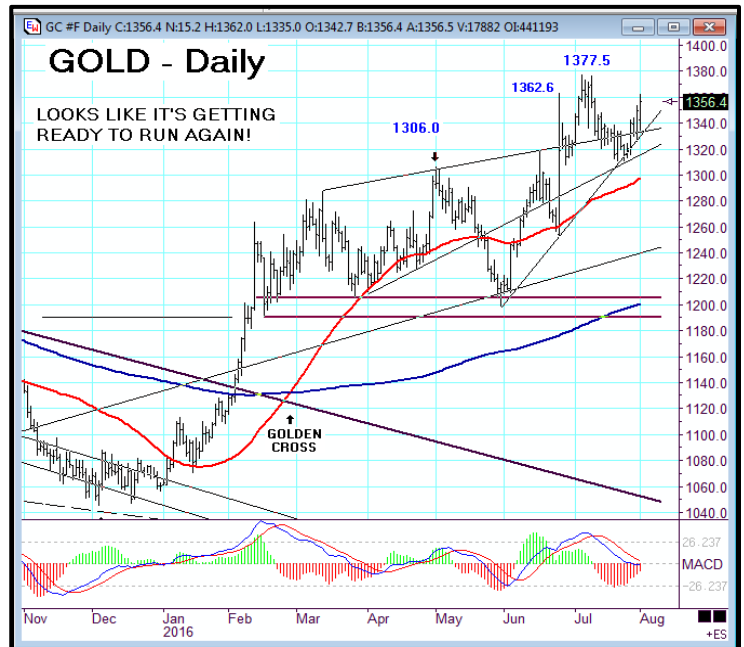
“If I had a world of my own, everything would be nonsense. Nothing would be what it is, because everything would be what it isn't. And contrary wise, what is, it wouldn't be. And what it wouldn't be, it would. You see?” says Alice in Wonderland. Who knew she'd be in charge of Central Banks and World Markets?

Volume characteristics have always been considered crucial for a trend to continue... or not. But over 70% of volume is now generated by computer algorithms. Trading against the crowd was another high probability profit source. But the crowd has gone home!

Then there are the charts! “On the other hand the operating plan is not akin to any of the arbitrary systems of chart play which have been in vogue during recent years. There was a time in Wall Street when chart students could and frequently did make money by playing their various systems, but that was before the Street was surfeited with literature treating of market technique. Now the followers of charts are legion; two out of every three active traders keep either a written or a mental record of tops, bottoms and accumulating and distributing areas, and consequently are fooled persistently by the large operators, who ‘work’ the chart readers and their following at every available opportunity.”

ONE-WAY POCKETS - ‘Don Guyon’ [pen name] – 1917

Nor are the traditional Fundamentalists faring much better: “Despite GDP growth falling well short of our expectations, the details of today’s report don’t materially alter our view. Even as many analysts tell contrary stories, we still point to the underlying strength in consumer spending and the underlying weakness in the corporate



sector, and we continue to see the latter as a risk to the former. As such, the risks to our outlook for continued middling GDP growth remain tilted to the downside.” - Moody in **BARRON'S**.

Just in the last few days, the DJIA has declined for 5 days in succession following a rally of nine days in a row, while NASDAQ has risen the last four and 17 of the last 23.

Check page 2 for more contrariness as some indices have made new highs and others have not, but MACD sell signals at or so near to new highs is a further strange attribute of the times!

ALL of our positions basis the Major Indices have been stopped out by July 11 with losses slightly worse than their 3% stoploss orders as they needed to be stopped on the first Index close through those points.

Otherwise we have remained positive on Gold and Silver and negative on Oil and Interest Rates.

August looks fairly tame from the planetary aspect point of view, so we are not so anxious to short Indices right away. Speaking of which, we will have the next CP letter out on August 29th in order to not write during the Mercury Retrograde period starting on August 30th. In addition, the Solar Eclipse on September 1 is liable to have some serious consequences before the end of October.

We will be writing with an eye to how charts are developing in regard to the powerful planetary happenings in that week following. It will also be past the Mars aspects to three outer planets August 23-25 so greater clarity may prevail!

The usual September-October period is more likely to bring focus, perhaps deadly focus, to the “affairs of men.” August 15th is the 45th anniversary of Nixon closing the US Gold window, essentially devaluing the US Dollar, internationally. There may be further echoes of the qualities of that time or its opposite. Hold your GOLD and SILVER or BUY MORE as price action and geopolitical uncertainty combine to prosper the precious metals and their stocks.

VITAL SIGNS

ALL POSITIONS HAVE BEEN STOPPED!

DJIA HALF was STOPPED in APRIL -3.21%
OTHER HALF STOPPED JULY 11 -3.07%
FOR AN AVG LOSS OF -3.14%

ALL SPX STOPS HIT at 2129.80 on 7/11
FOR an AVG LOSS of -3.45%

ALL OUR STOPS ARE CLOSE ONLY!



DJIA, SPX and WILSHIRE at New Highs – NASDAQ Near, NY COMP, DJTA still NOT!

Several of the major Market Indices have now accomplished new highs above those of last summer. The DJIA and the SPX have done so and the NDX has only 9 more points to go. At the same time, MACD momentum indicators have given Sell signals on the DJIA and SPX and the NDX is getting close. In the U.S., Financial and Energy sectors are fearfully weak with OIL in crash mode once more. But the great tragedies are found among the foreign markets, and even those commodity producers with huge gains this year [Brazil, South Africa, Russia and Canada] are nowhere near their previous long term tops. And China's Shanghai Composite broke back below 3000 late last week – and looks quite vulnerable!

VOLUME continues to act very strangely. The heaviest volume of this year was the day following the Brexit vote. We were watching the night before as around 12:30 am EDT the S&P E-mini contract traded down its 5% limit! The second day after was also sharply lower and was accompanied by the second highest volume in Q2. The next three days experienced a sharp rally back up above the 50-Day MA on above average volume, and then volume returned to the moribund. Speaking of which, the last two weeks, our markets have been stuck in the tightest range in decades! Confirmatory to the lackadaisical trading patterns, the VIX or Volatility Index traded down below 12. We believe this entire package is symptomatic of the absolutely maximum of managed control that we have ever witnessed!

The Dow Jones Industrial Average logged nine advancing days in a row into the third trading day after Option Expiration. We have noticed over many years that such gaining strings of six or more days tend to occur with prices coming off a compressed bottom or into an intermediate top. This is developing while the Put/Call ratio dipped below 0.8 and the VIX settled in at 11.87. In addition, DJIA and SPX have MACD momentum sell signals and the NASDAQ is very close but not yet, as shown on the lower panels in the charts above. The MACD can give early signals during a pause in a strong Bull Market, and may require two such and rarely, a third.

Perhaps our financial industry is holding stock market levels up to help support the party of their choice, but that is getting very dicey now and we still have to endure another 'Hurricane Season' before the election. We may be planning our own Brexit vote as we may leave our traditional but non-representative parties for a more revolutionary experience. We thought that Trump should have chosen Bernie as his VP and knocked both standard bearers out of the ring! We remain concerned that another false flag terrorist act, perhaps a minor nuke near Chicago, could bring about a tight government control under current auspices.

“The Dow Jones Industrial Average is up 1,049 points (6%) on the year, but just three of the 30 names are responsible for half of this return. They are MMM, IBM and UnitedHealth – for a total of 562 points. Layer on four more names to get the rest of the Dow's return on the year. ... Only six names in the Dow are more than 10% from their 52-week highs: Goldman Sachs, Boeing, Disney, Apple, American Express and Nike.” Nicolas Colas at Convergenx.com



OIL (Current Contract) Back Down to Double Support – What Next?

We have been dead accurate in projecting the Oil price – from the breakdown at about 90, all the way down. Then we caught about a third of the rally to 52 plus the entire decline since then. Right now it's a touch tricky. The recent drop from 52 has brought it down to the 200-Day Moving Average and the Fibonacci 38.2% support. [the green line actually reads .618 but that was the measure from the 50+ high last October, measured back up from the 26 level – it's still accurate but the .382 and .618 lines have reversed because the directions are reversed – same meaning].

The two supports are very close, 40.7 for the MA and 41.3 for the Fib level, making for a tight band of great intensity and probably leading to a price bounce to the neighborhood of 45-47. A break of that support would likely precipitate a sudden drop to 38.00-38.50 at the Fib 50% and then to stronger support at 35-35.50 at the real .618 green line. We would not be surprised to eventually retest to the 25-26 1st qtr. lows. But for now, we'd prefer to see a decent bounce first.

Foreign stock market weakness is indicative that foreign economies are slipping into recession & thus buying less oil. The ramped up production from fracking is adding to the downward pressure. In recent months our deals with Iran have freed their production from long held sanctions, adding their huge deposits back into world output stream. More and more economic indicators here in the U.S. are heralding the approach of that growing world recession to our shores. We'll be lucky if that oil price holds at 26 next time. Don't bet on it!

“Gold will reclaim some position as an active monetary asset, not a crank's asset. It is now a relatively high-yielding asset, yielding, as it does, nothing.” - James Grant

Client and friend writing under pen name David von Leib has produced a sophisticated and hilarious autobiographical novel, *NOT MY GRANDFATHER'S WALL STREET, Diaries of a Derivatives Trader*, which has been reviewed in the Wall St Journal and Columbia Review among others as “Highly Recommended” for summer reading lists. Mostly taken from his own life, he briefly mentions Arch Crawford and has more than a chapter on Martin Armstrong. Helpful but not necessary to know something about the workings of “The Street”. To those involved with the financial world, it's a marvelous walk through recent decades of front page headlines, technical changes and interesting character interactions. We also recommend it for summer reading, or anytime, for that matter! - Arch Crawford

The **USDollar Index** (chart at right) topped in March 2015 at about 100.80 (current contract) and double topped on December 2, 2015 about 20 cents or so lower (1st high on this chart). After which it declined fairly steeply (for a major currency) until May 3, 2016 at a day low at 91.88, but closed sharply higher just over 93.

Since then, a two-wave rally carried to 97.62 on July 25. Economic stats late this week dropped expectations that the US FED would raise rates in the near future, and knocked the Dollar down through both the 200-Day Moving Average (heavy blue line) and the 50-Day Avg (in red).

Although this slippage plus the MACD Sell (arrow in the lower panel) place the short term trend in doubt, the longer term charts appear to uphold the positive case unless it registers again below the 92-93 range support.

Some sceptics mention that the **Dollar** could lose its Reserve Status at some point, and some nations are becoming nervous about holding large quantities. We agree that the Bretton Woods agreement may come under greater scrutiny eventually, but the technical picture suggests that flight capital still finds the U.S. a relatively cordial place to park funds.



These same conditions are tempering **Interest Rates** here in The States and the 10-Year Note rate at 1.46% is continuing a wicked steep decline of its own, with a well established long term downtrend channel. We opine that rates even here could go negative in the next severe crisis period, which could show up this year or next through 2018.

ASTRONOMIC ACTIVITY – (Give all these a time period of +/- 2-3 Days)

- JUL 27 = Mercury trine Uranus = Buy or Fix electrical equipment/computers. “Say yes quickly to an impulsive offer.” Dell Horoscope
- JUL 29 = Uranus Retrograde Station = Intense excitement. Turning point in Oil. Divisive encounters. JUL 30=Mercury enters Virgo (it’s home sign)
- AUG 2 = New Moon aspecting Saturn, Uranus and Neptune = Major generational shifts are accelerating!
- AUG 2 = Mars enters Sagittarius = Love of sport and adventure, extravagance. Luxury retailers could get a bounce Aug 3 to Sept 28!
- AUG 5-7 = Friday morning to Sunday morning = ALL (11) Difficult Aspects [includes asteroids but not Moon] =Irritating/discouraging at best.
- AUG 10 = Pluto semi-square Pallas = An unusual confrontation with Hillary, Loretta or other strong, public women.
- AUG 13 = Saturn Stationary Direct – Some form of restrictions tend to reappear over the near term. Markets may begin a pull-back of sorts.
- AUG 18 = Full Moon in Aquarius = Torrential rains – Flooding! More forest fires – Fire & Rain!
- AUG 19 = Option Expiration – Mercury 150 to Uranus an hour before NYSE close could make for unexpected news to create nervousness.
- AUG 22 = Sun leaves the Speculative sign for the mundane Virgo. Late August/early Virgo period has many dramatic market tops!
- AUG 23-25 = Mars attacks Uranus, then Saturn, then Neptune. Mean spirited acts may precipitate explosive outcomes. News is unsettling.
- AUG 30 = Mercury Retrogrades leading to much greater market anxieties next three weeks! Do not finalize anything important!
- SEP 1 = And right behind that is the Solar Eclipse which forms a “T” with the Saturn/Neptune square! This one will wake up Rip van winkle!
- Relatively quiet world until September 9 when Jupiter enters Libra bringing a more easy-going nature in general.
- SEP 10 = Third and final pass of Saturn square Neptune – Long term effects of Suffering, Renunciation, Asceticism, Distrust, Insecurity.
- SEP 11 = Venus squares Pluto on a day associated with attacks against the U.S. both here and abroad. Sexual obsession/frustration. Bankruptcy?
- SEP 12-13 = Mercury, then Sun square Mars. Arguments, heated exchanges. High activity levels. Action against authority.
- SEP 21-22 = Mercury returns to Direct motion 9 hours before the Fall Equinox! Sudden rapid changes catch most by surprise = Stay awake!

ATTENTION: The CP newsletters are usually emailed on 1st Monday of months. Next CP will be available on Monday August 29.

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