

CRAWFORD *Perspectives*

MAY HAVE COUNTER-TREND RALLY ONE TO THREE WEEKS

The BRADLEY Model is the measure of 2-planet aspect (harmonic relationship) power relative to the Earth. The US stock markets will often follow this projected line, except when it doesn't. There are many significant astronomic occurrences which are not included in it, details of which we have written many times in this newsletter. Bradley's Potential Line now calls for an extremely sharp, but short rally into mid-February. Although the dip in January was not extreme, it was the worst January in a few years, and the 10-day drop of -294.47 (DJI closing basis) into Jan. 13 was the sharpest since the October 25 bottom. The total intra-day decline of -499.46 was nothing to sneeze at, especially during one of the most seasonally positive periods of the year! The question now is whether a meaningful rally will happen, how much of the down move will it retrace, and when will it end. Our hourly numbers became quite oversold earlier, and were not able to reverse the deterioration. They are even more oversold now, and with the planetary improvements, we expect some form of advancement to ensue. The quantity and quality of that advance will help us judge subsequent market movement. Our opinion remains that a far more serious down leg will complete before the Mars-Uranus down cycle expires on March 23.

Traders may wish to cover a portion of



short positions, or even go long on the OPEN Jan 31, but be careful of a sharp up opening, which may retrace at least part of a Gap Open. If you do, we would go back fully short on the close, Feb. 18, Option Expiry. Expect the greater part of any advance to take place by Monday, Feb. 7. **As for the negative investment positions in this newsletter, we will remain double short through any retracement attempt.** The major stock indices have clearly traced out a three month Head-and-Shoulders TOP pattern, (labeled on the SPX chart on page 2). We have textbook clarity in the price action, but volume characteristics are not ideal. That may be accounted for partly by the holidays and year-end aberrations, and partly by an overwhelming program trading component (50-70% of total volume). Although the DJIA (INDU) and the SPX have some support at current levels from the "Neckline" of the pattern, further defense is available at the 200-Day Moving Average, only a short distance below. Unlike the others, the NDX has retraced close to 50% of the rise from August, down -9.16% intra-day from the 52-week high, twice that of the DJIA, down only -4.6%. Both its 200-Day MA and its 50% retracement level are in the mid 1460's, only 30-40 points below

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!!

round-number close at 1500. If these last levels break by 2-3% (NDX=1465, S&P=1138, DJIA=10,300), we would expect an immediate downside acceleration. Otherwise, short more/again near our proposed rally top on Feb. 18. There is a very peculiar interest rate phenomena in the works. Short rates (IRX = 90-Day Treasuries) are continuing to rise at a rapid rate, from 0.75% in mid-2003, to 0.95% in May 2004, to 2.41% today! That represents increases of 250% since last May, 320% since mid'03. That should begin to impact longer rates SOON! Meantime, 30-year rates have actually dropped from 5.60% to 4.60% since last May. This 30-year rate is now lowest since mid-2003, while the popular 10-year rate is being strangely squeezed into a tight 'Triangle' pattern, centering on 4.15-4.17%, with higher lows and lower highs! These trends cannot continue without forcing an 'inversion' of the yield curve, a condition with a strong tendency to lead recessions. The short rate futures indicate a 96% probability that the FOMC will once more raise Fed Funds rate by an additional 1/4 point this Wednesday (Feb. 2). Some analysts are predicting this may be the final rise of this series. Coincidentally, the US dollar index future is having a prolonged 'dead cat' bounce of dubious staying power. With balance of payments problems worsening, unexpectedly (possibly due to a boycott of US products), we are of the opinion that conditions are similar to 1987, when Dollar declines led to an eventual rapid rise in Interest Rates which, in turn, tanked the stock market.