

# CRAWFORD *Perspectives*

July 08, 2002 Vol. 07/02

## DANGERS REMAIN! (7/5 RALLY TO THE CONTRARY NOTWITHSTANDING)

First the good news: *Crawford Perspectives* is currently (7/3/02) ranked #2 out of 516 managed investment programs with YTD Actual Real Time gains of +63.44% over at [www.select-advisors.com](http://www.select-advisors.com) but you must become a "member" to view these results. Look forward to first half rankings by *Hulbert Financial Digest* out in 2-3 weeks.

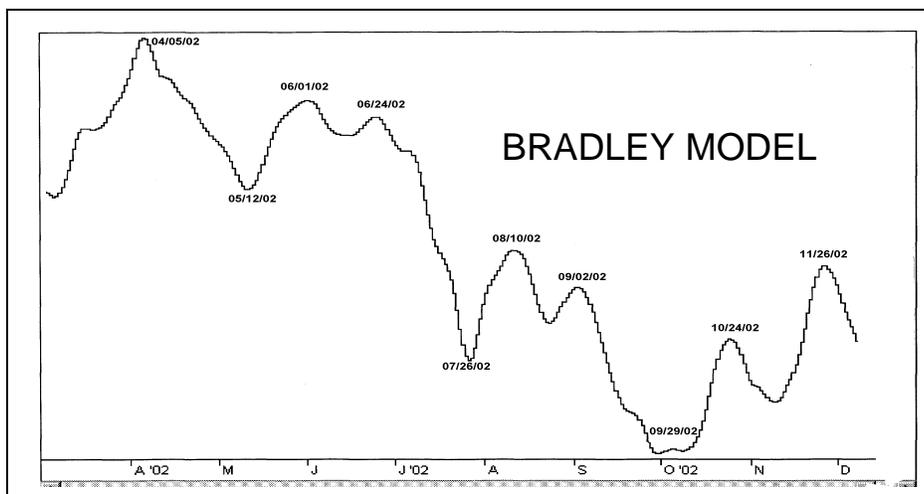
The bad news: Although markets may have exceedingly sharp counter-trend BEAR Rallies, stocks remain over-valued by any traditional measure. Even more-so as Earnings have declined faster than stock prices.

And Earnings, in our opinion are about to take another drastic hit, as CEO's will henceforth sign-off on their firms Accounting Opinion and be legally responsible if it is later proven bogus. Accountants, too, will insist that some shady practices be shelved, and more provable numbers utilized, keeping them

## VITAL SIGNS

**WE SHORTED THE S&P500 CASH INDEX IN OUR JAN. 7 NEWSLETTER AND UPPED SHORTS TO 200% (USING FULL MARGIN) IN THE APRIL 8 ISSUE. WE WILL NOW LOWER OUR STOPLOSS EXIT POINTS PLACING ONE HALF AT 1070 AND HALF AT 1110 BASIS S&P (CLOSE ONLY).**

**FOR THOSE WHO PREFER THE DOW JONES INDUSTRIAL AVERAGE, WE SHORTED 100% AS PER THE APRIL 8 LETTER AND INCREASED TO 200% SHORT ON APRIL 23 CLOSE AT 10,071.32. PLACE STOP ON ONE HALF AT 9820 AND HALF AT 10,070 (CLOSING BASIS ONLY).**



from the specter of Jail Time or the dismantling of their Partnership Firms a la Arthur Andersen.

Meantime Price Waterhouse Coopers has made a substantial payment to the IRS and agreed to inform on those who had taken their tax abusive advice

Latest problems to surface... Pension Fund under-funding will cause a further drag on Earnings in bad market conditions, where profits in pensions had been helping earnings previously.

Another fundamental Economic hit will appear soon as many state governments, devastated by tax revenue shortfalls, are laying off TEACHERS...will show up in the stats after the end of June, their normal contract end-date.

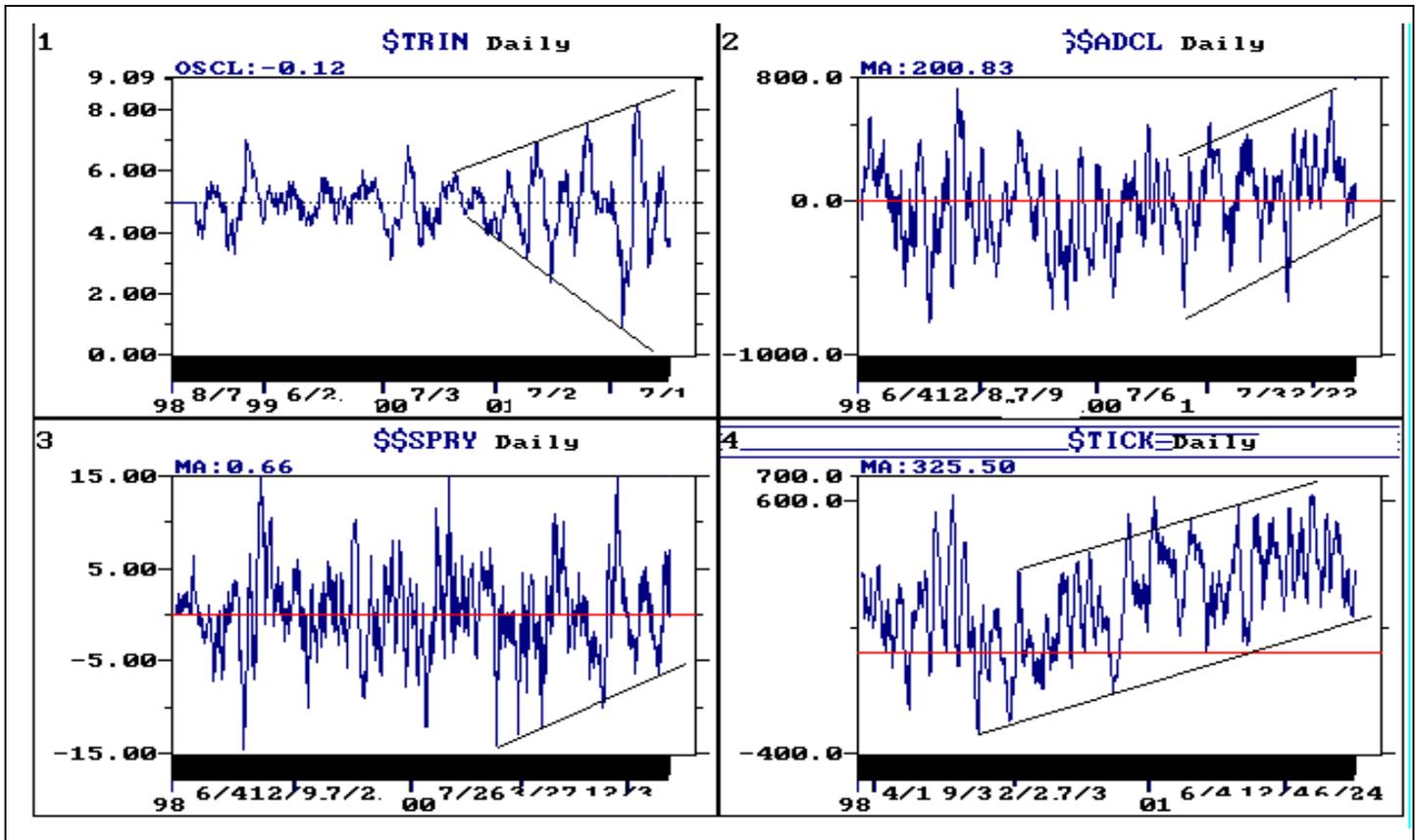
The Old Masters of the market letter writers are Richard Russell, James Dines & Joe Granville. They have been around a long time, and have seen this type of silliness before. They are all talking Long Term BEAR market. No one has EVER seen as much silliness as we have witnessed these last few years, and the hangovers will apply equally in the opposite direction. Two other Old Men of the Market, Sir John Templeton and Warren Buffet have repeatedly warned against the Bubble

Mentality that was cropping up, even as Greenspan first warned of Irrational Exuberance in 1996.

Some of us missed the last chunk of the phenomenal rise. Blame it on a case of conservative conscience. But hey, we're still in business, and business is Good when one is on top of a bad game! The game is Capital Preservation. Be there...or be square!

This letter has had a "fundamental" bent, as opposed to last month's "astro" and previous month's "technical" orientation. We attempt to concentrate on those factors we judge most pertinent at the time. At the beginning of a new quarter/half, earnings reports usually start with the strong & end with the weak, often influencing at least short term market Tops around the 18<sup>th</sup> calendar day of most quarters.

As for trading tactics here, we recommend tightening Stoploss Orders. Otherwise, we are not impressed with large rallies on low volume holidays, when outright manipulation is easier to achieve by the "sell side" establishment. Now, TODAY, we have another Major planetary alignment whereby 6 planetary bodies are conjunct at 21.5-22.7 North Declination, similar to the TOP DAY in 1990, from which the DJIA had the only -20% decline of that decade! It appears to us that another leg Down will commence shortly.



### IT WILL TAKE A HARD DOWN MOMENTUM TO PUT THESE IN BUY MODE!!

As a general rule, these indicators are positive when low and rising, weak when high and falling.

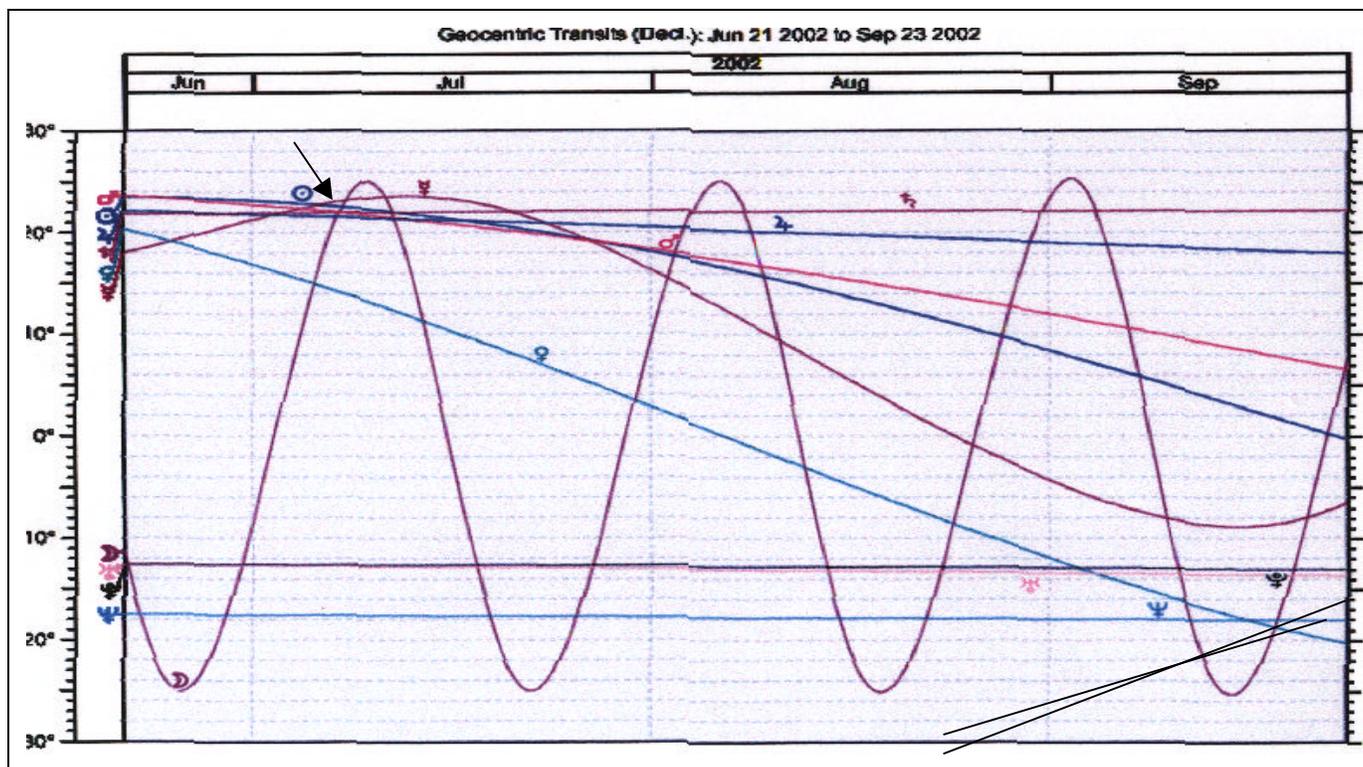
Chart (1) \$TRIN is an oscillator consisting of a 55-day moving average of the ARMS Index (TRIN) minus a 21-day moving average of the same. This oscillator is now breaking the pattern of Higher Highs AND Lower Lows, first with a higher low, and now with a probable lower high. If it slips below the recent higher low, the market will accelerate immediately into a Capitulation Phase! At this point it is forming a "triangle" pattern in neutral range.

Chart (2) \$\$ADCL is a 10-day moving average of the net change in Advances-Declines (NYSE). After demonstrating an ability to remain consistently near the range highs, and looping higher in a probably exhaustive maneuver, it appears that an important top may be in place, now confirmed by a break below several recent lows just under the Zero line. Plenty of room underneath for a major Down Spike!

Chart (3) \$\$\$SPRY is a measure of "smart money" action in the S&P futures. The pattern of rising bottoms in the extreme low range is encouraging, and the September 21 bottom, without breaking lower, has extended that positive pattern. This last rally failed at a lower level, and that leaves this pattern with great vulnerability. We would still prefer (and expect) to see a Washout to the lower range of previous lows and would be more comfortable with a more extensive base pattern. This one recently bounced to a new minor high & returned to neutral range.

Chart (4) \$TICK is Closing TICK (NYSE 10-Day). This index was the first to rebound to sharp "new highs" after a "Moderate Oversold" condition in October, 2000. They have never gone lower, nor even penetrated into the negative range since then, despite extremely bad markets over extended periods. The ability to hold within a long term rising pattern, while markets have been floundering is a very likely sign that Wall Street, or possibly our government is attempting to make the market look better on the last trade of most days!! (There is some concern that this indicator, as well as TRIN, could be more easily manipulated by trading in 1 cent increments.) This recent action is the worst we have seen in some time, as the momentum continues to Roll Over, but no decisive breakdown as of yet.

So, when is the **REAL ESTATE BUBBLE going to BURST?** When Jupiter (expansion) leaves Cancer (home) July 22 in R.A., August 1 in Ecliptic Longitude and August 23 in Heliocentric signs! But the REAL Down comes as Saturn (contraction) enters Cancer June 3, 2003 (both E.L. & R.A.) April 14 in Helio. Do Not look for SAFETY Here!



### YOU DON'T LOOK TOO BAD, HAVE ANOTHER!" – Bernard Goetz

As we said in the May 6 *Crawford Perspectives*: "The New Moon on May 12 finds 6 bodies plus Moon's Node within 30 degrees of arc, all but the 3 outermost within 52 degrees! But the very tightest "bunches" occur on May 14<sup>th</sup> as 4 (including Moon's Node) are contained in 3 deg 47 min, 5 in 7 deg 53 min, and 6 in 13 deg 7 min. EVERY alignment manifesting this extremity has been accompanied by excessive declines in Major Indices of stock and bond markets!

From May 14 (markets were slightly higher on the 17<sup>th</sup>), the S&P500 Cash Index fell -162 points, close to 15% & DJIA dropped from 10,299 to 8,897, for a decline of -13.6%. Certainly no Crash...yet, but not too shabby for only 7 weeks.

Looking back to the market highs in 1990, we notice that no less than SIX planets were lined up at 22 North and 22 South Declination (different from Longitude – measuring East-West). When the Moon connected with that "bunch", the TOP DAY was nailed in place! From that day, our markets suffered the ONLY -20% decline of that Decade.

TODAY, July 7-8, the Moon connects with another "grouping" of 5 planets between 21.5N and 22.75N declination, (SIX in all), which we believe will precipitate the Next round of stock liquidation...Immediately! So this Major Hit, following the "bunching" of May 14 is the reason for our "Bernie" Goetz quote in the headline!

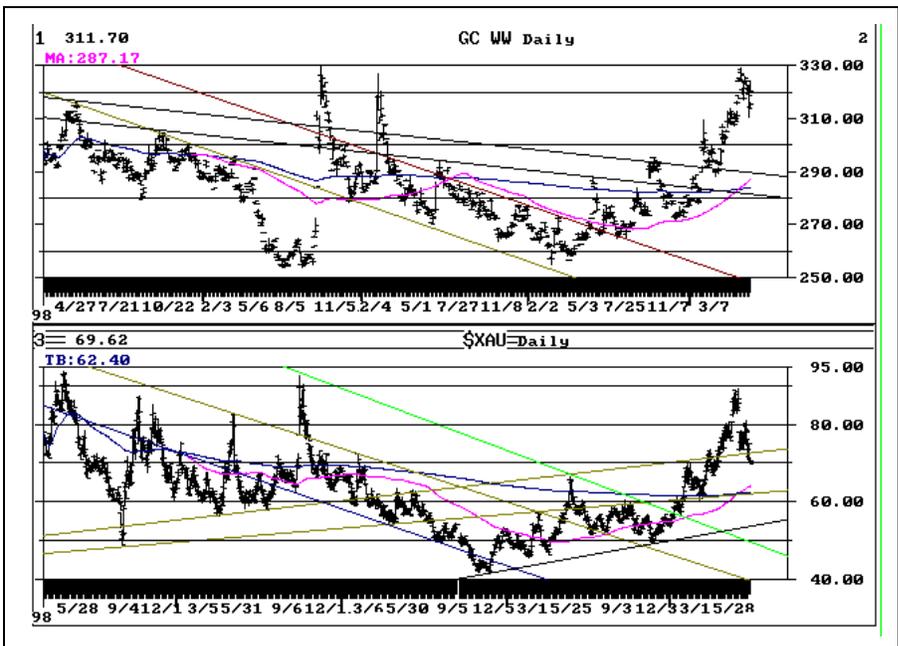
### BRADLEY MODEL (See chart page One)

In 1948, Donald Bradley wrote a 58 page pamphlet titled *Stock Market Prediction* which describes a methodology for creating a Model based on transiting Ptolemaic harmonic angles between all 2-planet pairs. Some years this **Siderial Potential Line** precisely points up highs, lows and turning dates for the Major Stock Market Indices, and other years will seem a random mishmash of useless squiggles. *Turning dates* are the most reliable portion of the Bradley curve, *direction* somewhat less so, and the *amount of the move* least reliable. Sometimes a calculated high will come about as a low in stock prices & vice versa. It's so good as to command the attention of at least one eye, but not something to bet the farm on without full confirmation from other technical and fundamental parameters.

The current Bradley shows a potential for Hard Down into July 26, only weak attempts at a Summer rally, followed by lower lows around September 29. From thence, a decent, tradeable rally is indicated for a year-end recovery move. Don't get too excited though, as Q1'03 (not shown) looks lower still! So let CAUTION be your watchword, and keep your focus on Strategy and Tactics. Long Term commitments may prove Futile in this caustic atmosphere.

We strongly recommend the purchase of Robert Prechter's popular new book, *CONQUER the CRASH* with the subtitle *You Can SURVIVE and PROSPER in a Deflationary Depression*.

**GOLD** and the **XAU Index** are correcting from extreme positive moves over the last 14 months. Rising sharply above their 200-day Moving Averages, a healthy retracement has been overdue. We have been stopped out on our short-term Hotlines, and are not re-entering until some kind of base is near completion. We would hold all positions that are in your Long-term portfolio, as we believe that multi-year advances are before us. Last month, we wrote: "Again, the exception is the very short term trading account. Momentum is slowing, and a nimble one might take some money out on the short side". **SILVER** is also beginning to SHINE more brightly +15.7% since April 16! Also a BUY & HOLD! The word is now that the Smart Money is Buying GOLD, but the Smartest Money is buying SILVER! It is definitely holding better the last few days!



Other than the Metals, **Non-U.S. Currencies** have been the steadiest gainers (against the US\$). Very Long Term charts indicate that the **Dollar** has a long way to go on the Downside. Therefore our admonition to buy BONDS of at least 3 other countries, especially those with strong assets in the ground, such as Australia, NZ, Canada, South Africa and Russia. Their Stock Markets have been strong of late, as well. They are all attempting to make counter-trend moves. Again we say let the Long-termers Hold while traders may want to take the counter-trend positions. Place stops the other side of recent extremes.

Among the agriculturals, **Soybean Complex** are the strongest leaders, followed by **Cocoa** and **Sugar**. Earlier, we said: "**COPPER** looks very topy, and that is bad news for our economy as it is a precursor", yet, it has continued in its middle range of the last 6 months. The **CRB Index** has also been a steady gainer, Lifting off from a base above 200! We feel strongly that **Commodities** Generally will move higher while stocks lose much value. Buy commods for BIG moves!!

### ASTRONOMIC ACTIVITY

JULY 7-14 More planets in Water ruled signs, often an indicant of maximum emotional expenditure, market Lows?!

JULY 8 = SIX planet conjunction in Declination (as in high date in 1990) may trigger another leg down – immediately!

JULY 10 = New Moon@18 Cancer = Interest Rate changes would be a surprise in the US, maybe other places?

JULY 13-15 = Negative surprises over the weekend as Mars enters Leo & Mercury & Mars attack Pluto = More War!

JULY 19 = Option Expiration with very positive triple conjunction of Sun/Mercury/Jupiter. Large rise at Expiry?

JULY 20 = News turns quickly from positive to negative as the Sun/Mercury form quincunx (150 deg) to Uranus!

JULY 21-24 = After Option Expiration = Straight DOWN Hard! Sun conjunct Mercury 135 to Pluto, Jupiter 150 Uranus. Expect extreme hostilities 23<sup>rd</sup> and into the early morning of the Full Moon 5:07amEDT on the 24<sup>th</sup>!

July 28-29 = Mars activates the Saturn sesqui-quadrante (135) Neptune as a harsh reality intrudes upon hopes & wishes!

AUG 1-2 = Jupiter enters Leo 135 to Pluto as Neptune & Saturn are attacked by Venus & Sun = Bankruptcies in Realty REAL ESTATE will no longer Power our Economic Engine. Problems with restaurants and Food also surface.

AUG 8 = New Moon in close conjunction to Mars may create hostile situations, hot weather, fires.

Venus sextile Jupiter moderates the worst of this period.

Another strange dichotomy at the Full Moon on AUG 22 as Sat trines Uranus, but Pluto opposes Moon's Node.

**ATTENTION: The letters are usually mailed 1<sup>st</sup> Monday. Next month, that will be August 5!**

Our twice-daily HOTLINE update is available at 10AM & 2PM EST for \$4.30 total per 2-3 minute call =1-900-73-SOLAR

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CRAWFORD PERSPECTIVES 6890 E. Sunrise Drive, Suite 120-70, Tucson, AZ 85750-0840 Tel. (520) 577-1158 FAX (520) 577-1110