

## MARKET EDGES TOWARD A PRECIPICE

### CLOSE TO A MAJOR SELL?

Crawford Perspectives is most often published on the First Monday of calendar months, unless we are traveling or speaking, or otherwise engaged. The Next Publication Date is listed on the Bottom of Page 4! The EXPIRATION of your Subscription (year & month) is listed next to your name on the envelope (for those with snail mail). This is an attempt to clarify for all those who have been calling and emailing: "Where is the CP letter?" at the beginning of each month.

We are delighted with the excitement. Please check these sources before contacting us. Our business has gratefully nearly tripled from the low point of the last 3-4 years, and there have been over 170,000 visitors to our website at [www.astromoney.com](http://www.astromoney.com). We are currently ranked #2 for accuracy during the last 24 months by *TIMER DIGEST* of Greenwich, CT.

### VITAL SIGNS

**WE SOLD ½ OF POSITIONS ON JUNE 23, REMOVING THE MARGINED PORTION.**

**SOLD THE REMAINING ½ MARKET-ON-CLOSE ON JULY 3, AND REVERSED TO SHORT 100% WITHOUT USING MARGIN AND PLACED A 5% STOPLOSS ON ALL NEW POSITIONS.**

**MOVE TO 200% SHORT IF THE S&P500 CASH DROPS TO 969 OR THE DJIA DROPS TO 9100. MOVE ALL STOPS IMMEDIATELY TO 1062 S&P OR 9450 VS. DJIA ON A CLOSE ONLY BASIS!**



Many have expressed concern that the Bradley Model may be inverting, and markets will shoot much higher. Market Internals do NOT share this view. We mentioned last time that the largest number of New Highs on the NYSE occurred on June 6, and had, by June 20 dipped to 94. The low this week was 27 on Wednesday, and Friday experienced the first 'crossing' of New Lows above New Highs, by a small margin. We said that 3 days over 40 New Lows would be a very negative signal. We meant (but did not write) three days IN A ROW over 40. Last week shows 34-56-27-49-79, clearly getting worse, and Monday (today) could put in that 'third' with a down day. Weekly totals remained positive with 399 high's & 148 low's.

Another important negative signal will be given if the VIX (CBOE Option Volatility Index) rises above the 24-25 area. After languishing the latter part of this week between 19.5-21.5, it popped up to close at 22.8, just at, but not above it's intermediate downtrend channel line. (See lower chart on page 3) At 24, and better, 25, it will clear ALL recent resistance levels, indicating the Market has turned!

The most Dramatic and Damaging signal was given by the Long Bond Yield (TYX) on Friday, breaking above a 3 ½ year downtrend channel line (chart above). That CANNOT be said to be

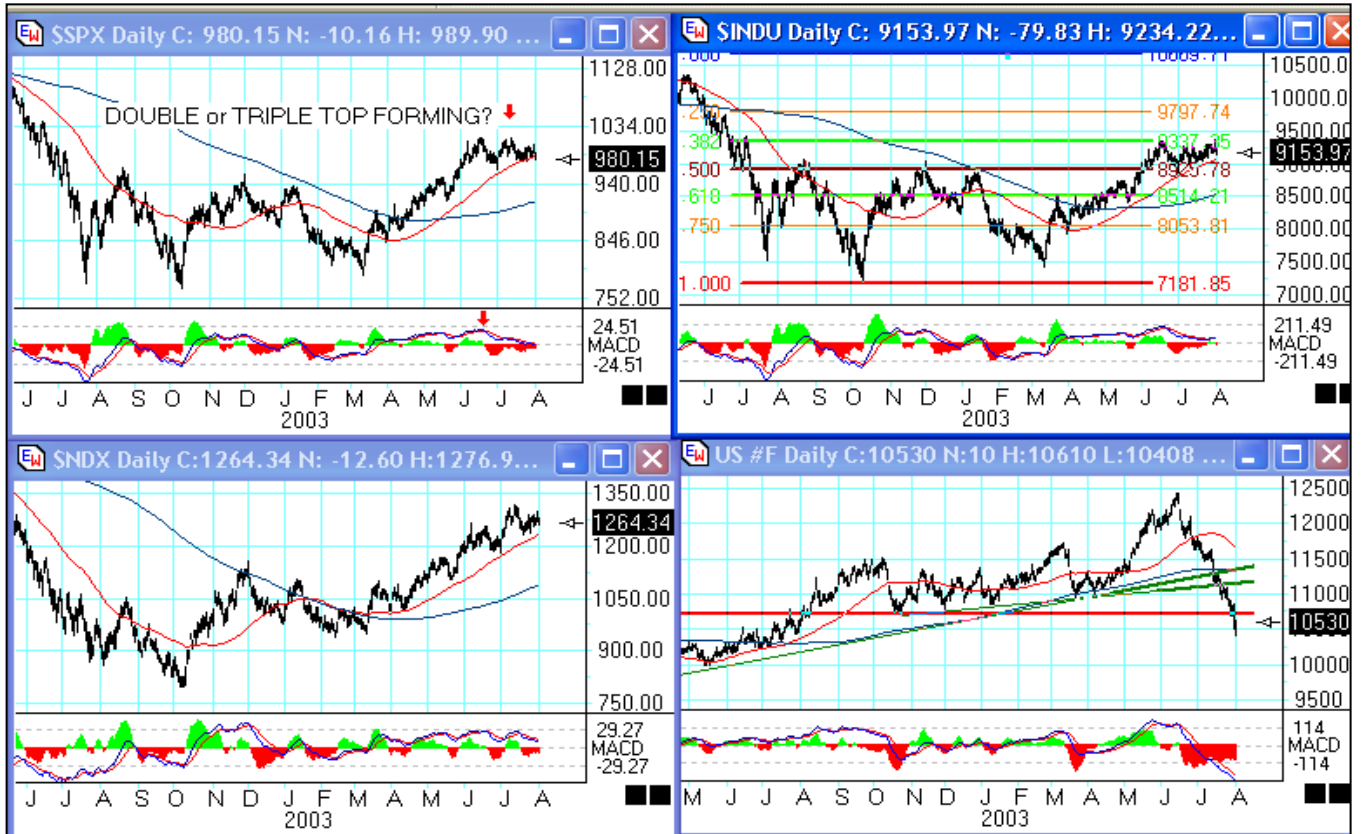
good for the Economy, the Real Estate Market, or the Stock Market! The recent rapid rise is the largest since March-May, 1987.

At that time, we jacked up rates in a hurry to protect the sharply declining U. S. Dollar, but precipitated a Stock Market Crash in the process. Now, our national debt has breached the warning level of 5% of GDP, and the Dollar has dropped significantly. The SETUP is beginning to look very Familiar!

In meantime, *Investor's Intelligence* Bulls-Bears ratio of advisory newsletters is registering the most Bullish readings since **1987!** That is a 'contrary' indicator, and therefore **Bearish** in its implications. Corporate Insiders sales/buy ratio is running over 4:1, and these are the people closest to the inner truth! Last issue, we compared an astronomic alignment with that on the top day in 1987 (not as bad, but of concern).

The **SPEED** of the current rate rise, or should we say, the fall And rise since March (Rise & Fall in Bond Price) is strongly suggestive that our Financial System is becoming **UNSTABLE!**

**Move to 200% SHORT positions if the S&P500 drops to 969 or the DJIA drops to 9100 (whichever you prefer to follow). Move all stoploss orders immediately to 1062 S&P or 9450 vs. DJIA (Close only basis).**



**THE TOP IS NIGH, MAY BE PAST, NO FINAL CONFIRM!!**  
**Overextended Major Indices Rolling Over, S&P500 Breaks its 50-Day MA**

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)

These Major Indices all got way ahead of themselves, and extended well past their 50 and 200-Day moving averages. Now, as internal technical measures are finally losing upside momentum, warning of Exhaustion, the 50-Day MA's are beginning to catch up with Price, which has begun rolling over. As we mentioned last month, "...there may be a formation of several weeks before meaningful Downside prevails. We will SELL & Short soon, more after some sort of confirmation." (lines colored ONLY in the Online version: Red = 50-Day, Blue = 200-Day)

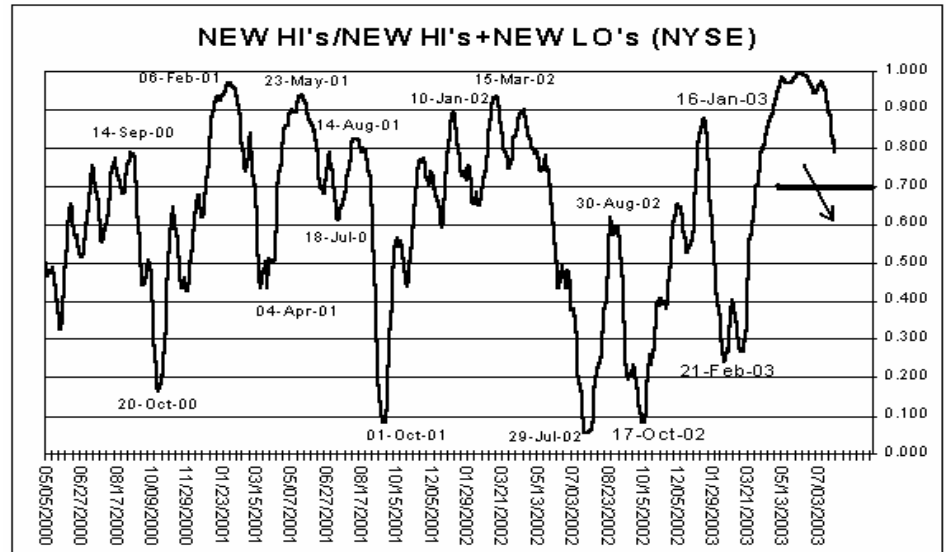
"All four charts show break-outs above the December and January highs, and most have moved on to another higher level of Resistance. Expect more Churning, with less forward motion, with the possible exception of a Spike UP into End-of-Quarter as money managers cover shorts and commit funds prior to issuing Qtrly reports." **This took a bit longer than expected with most indices showing higher highs well into July. The Dow Jones Industrials (\$INDU) made the intraday high on Thursday, just under 9400 and, failing there- fell back. The SPX actually broke below its 50-Day MA Friday (Arithmetic but not Exp. MA)**

MACD studies, at bottom of individual charts, turned back DOWN from June's momentum peak! The NDX was the only one to come back to a Double-top MACD on higher prices. None of the others were able to threaten a stronger continuation. The next step to look for will be a decline which takes prices below their 50-day MA's, **(as the S&P did Friday)** and their MACD indices below their neutral Zero Midpoints. Then the 50-Day MA's will turn Down, and later cross over the 200-Day MA's rendering a far more serious SELL signal.

Recent Overbought Momentum extremes, and internal breadth characteristics, mitigate against an immediate collapse of more than shortest-term duration. It depends on the size of the TOP pattern, and degree of indicator deterioration whether we can judge if the July-October-March bottom configuration will be threatened. However, we do expect those lows will be challenged at the next Seasonal ebb tide in the October-November frame.

## A NUMBER OF TECHNICAL INDICATORS ARE APPROACHING SELL SIGNALS!

Among our technical tools is the **New Hi's/New Hi's+New Lows Indicator** developed and popularized by Gerald Appel. This approach gives a ratio which normalizes the data over long periods when there are more or less issues listed on the NYSE, making them all comparable to a reasonable degree. It signals a BUY when the ratio drops below 30% and then rises back above 30% and a SELL on condition of a rise above 70% and then drops back below 70%.. It has held above 70% for several months, and actually moved to its highest levels for at least 3 years, but is now slipping from near 100% to about 79%. Again, the SELL Signal will be evident as it declines below 70% once more.



It has held above 70% for several months, and actually moved to its highest levels for at least 3 years, but is now slipping from near 100% to about 79%. Again, the SELL Signal will be evident as it declines below 70% once more.



The VIX is the **CBOE Option Volatility Index**. Many analysts give levels at which they watch for signals. This has changed rather drastically over time and we prefer **Change of Direction** from relatively recent highs and/or lows to trigger the actual signal. Some analysts who use the absolute levels stayed out of the recent strong rally from last March because VIX reached down into the very low 20's early in this move. We were NOT fooled, however, as it stayed low, but never made a significant upside penetration through recent highs. **NOR HAS IT YET!** However, Friday's close at 22.78 is about as high as it can go without breaking a downtrend line of several months duration. A level of 24

would put it above 2 recent highs, while 25+ would penetrate 4 most recent declining tops and well above the trend channel.

Considering that Fundamental **VALUATION** levels for a majority of stocks are approaching those of the old Bull Market Peak in 2000, **Insider Sales/Purchase Ratios** are running over 4:1, **Mutual Fund CASH Levels** are at anemic lows, Sentiment of Advisory Newsletters & other investment house recommendations are running at practical maximums, **PUT/CALL** and **ARMS/TRIN** readings are low, and **Momentum** of advancing Indices is slowing markedly, **WE CONTINUE TO HOLD HIGH CASH AND ACTIVE SHORT POSITIONS IN EQUITY MARKETS!**

Another little counting method which we developed has just sprung to **ACTIVE SELL** levels. We have noticed that when the major indices have changed direction 10 times within 15 trading days, it is often indicative of an **Intermediate TOP!** The DJIA has just had 10 changes in 11 days! Casual memory does not recall another such instance!

And, of course, the Bradley Model and other proprietary Astro-related Models are **ALL MAX NEGATIVE!**

## GOLD STOCKS ARE HOLDING UP BETTER THAN THE METAL IN THE CURRENT CORRECTIVE PHASE

The action this week has been the **BONDS & GOLD** Down and the **OIL Complex UP!** All this action has left the **CRB Index** slightly higher, but mostly remaining in its very tight trading range. Among the larger currencies, the **YEN** has been weakest lately. The **U.S.DOLLAR Index** had rallied on our prediction of a low near 92 and a bounce to the 100-103 level. So far, it has not been able to get above 98 and we fear it is running out of time. With Saturn in the sign of the U. S., look for more hard Down over the next few months!

We expect **GOLD, OIL & CRB** to drop from August 11-12 down into Aug. 21 and could be an important **BUY** again there! Things will explode and burn down while **MARS** is nearest the Earth **EVER** in late August. **OIL FIRES?!**



We have continued to recommend the Stocks, BONDS and Currencies of Australia, New Zealand, Canada, and to a lesser extent Russia and South Africa (greater political risk) for the last 2 years! “The Major shift to Resources is ongoing and will probably last for years.

## ASTRONOMIC ACTIVITY

AUG 8 = Jupiter square Moon’s Node with Venus & Mercury negative to Neptune means too much social life and bad for drug companies or the tobacco industry.

AUG 11-12 = Full Moon with Neptune on MC for NYC = Fraud, deception, Wild Times, bad publicity for the pharmaceuticals, alcohol.

AUG 18-22 = There is so much activity among Sun/Venus/Jupiter in both longitude & declination. Happy time, Bullish!

AUG 21 = In Heliocentric sky, Venus opposes Mars/Uranus = awkward/unexpected/explosive esp. in personal interactions.

With great positives in one orientation and great negatives in another, **KEEP CLOSE STOPS & trade close to the vest.**

AUG 26-30 One of the Most Intense and “interesting” times in ALL of History! **MARS** at its closest passage and brightest in All of Written History, conjoined with Uranus, tightly opposing a New Moon and Venus. On the 28<sup>th</sup>, Mercury in Stationary Retrograde while Pluto is at Stationary Direct positions. Jupiter opposes and contra-parallel Uranus

**IF WE DON’T HAVE MAJOR EARTHQUAKES, WE’LL BE MUCH SURPRISED.**

The meanings for Mars are WAR, explosions, desire, anger also Major **REVOLUTION** or **ECONOMIC WARFARE!**

SEP 1 = Labor Day with Markets Closed = We’re all resting up from The Rapture, Christ’s Return, Nirvana, Apocalypse, End Of Days, Mankind’s Evolutionary Leap into New Age Being, or just a Wild Night on the Town! ... **WHATEVER.**

The rest of the week quiet until early Friday when Saturn 150 to Neptune and Venus square Pluto again disturb the peace!

SEP 10 = Full Moon forms a T-Square with Pluto **EXACT!** If you lived through all that other...you have another chance.

I just hope that Short Contracts and Put Options get paid off properly in all this hectic atmosphere.

**ATTENTION: The letters are usually mailed 1<sup>st</sup> Monday. Next month’s publishing date (not labor day) should be September 8!** Our twice-daily **HOTLINE** update is available at 10AM & 2PM EST for \$4.30 total per 2-3 minute call = **1-900-73-SOLAR**

Crawford Perspectives is published 12 times per year. Sources of information are believed reliable, but are in no way guaranteed. Opinions and recommendations are given with the understanding that our sophisticated investors are aware of the risks involved. Crawford Perspectives is written and published by Arch Crawford. © 2003 Arch Crawford. All Rights Reserved.

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