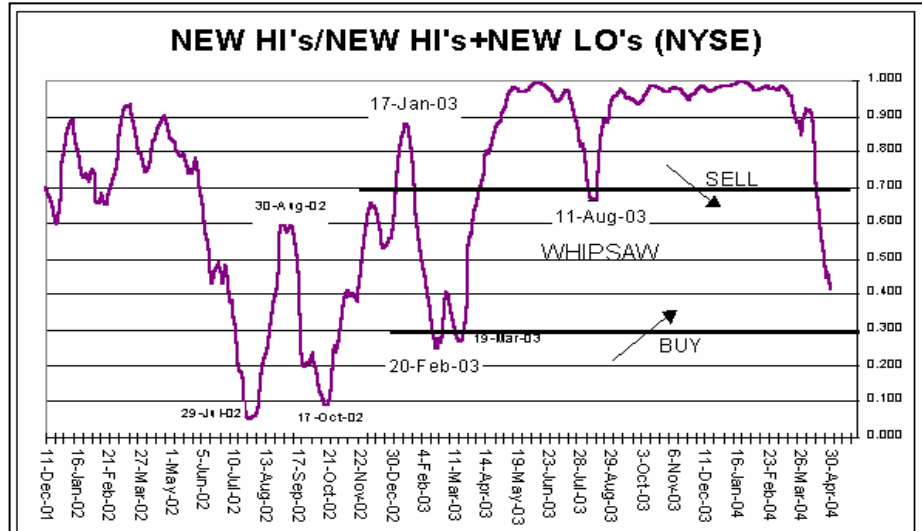


A MONTH OF SURPRISES STARTS WITH THE FOMC ECLIPSE

Last month we predicted violence... we got violence, including the greatest number of deaths in the Iraq War and the massive explosion from a train wreck in North Korea. Neither of these events ostensibly affected our financial markets. Although it is far better for you and for us if we can discern profitable action from our studies, it is important that this ongoing journal was begun as a report on research in this area of cycle analysis.

We thought there was a fair possibility that Washington would be involved in a physical event, which would have certainly affected world markets. We mentioned that the ALERT level might be raised (to Orange or Red) and told you where you could bet it. It wasn't, and it didn't, but this research continues.

No change has been recommended since January in stock market indices. This has kept us from being chopped up in some of the most vicious of whipsaws in what has been a predominantly sideways market. Beginning the year at 10,454, the DJIA reached its year-to-date closing high on Feb 11 at 10,737.70 and swung down to a low on March 24 at 10,048.23 before rallying to a minor high on April 6 at 10,570.81 and dropping into this Friday's close of 10,225.57 – essentially flat! (We are not as sanguine about hotline updates, although there are good profits on the current decline.)



Long term volatility Indices have, as recently as last week, languished at multi-year lows. That could change as quickly as the Lunar Eclipse tomorrow (May 4)! Although the Eclipse centers around 5:33pm EDT, a chart erected for the NYSE Close at 4pm will place the Ascendant and Midheaven/Mars in a complex arrangement of three interlocking triangles, each with angles of 135-135-90 degrees. This is spectacular, but just the beginning! The eclipse itself forms a close T-Square with Neptune, with only 41 minutes of arc leeway (less than 3/4 of one degree). According to Ebertin, this means: "The undermining of associations, illusions or deceptions."

Venus and Uranian Hades are conjunct, opposing Pluto: "Changes in service relations." – Witte. Could that affect our military? Could it affect the practice of 'outsourcing'? Saturn is only 9 minutes of arc from the Bi-Quintile aspect (2/5 of the circle, or 144 degrees) with Neptune = "Suffering, asceticism, distrust, insecurity, organic decomposition." Nor are we finished, yet! Jupiter goes stationary direct EXACTLY square

the United States birth Uranus = "Inner tensions or strains which are suddenly released."

There is just one more thing. In the books of W. D. Gann, renowned Wall St. trader and systems developer, he says only a couple of things related directly (he was very cagey) related to astronomy/astrology. He remarked that eclipses were important, and so were the dates of equinoxes & solstices, and the midpoint date between them. This eclipse takes place on the midpoint date between the vernal equinox and the summer solstice! Previous dates with angular eclipses were June 21, 1982 (within a few points of long term low), September 23, 1987 (low day of the first leg down toward 1987 Crash), and June 21, 2001 (just prior to 9/11 attack which dropped the market into a low exactly on the Fall Equinox that year).

That all this occurs coincident with a FED Open Market Committee report at 2:15pm EDT Tuesday is just too exquisite for words! The accelerating decline late last week, with drastic actions by China's central bank, could culminate on this eclipse with a similar 'Panic Low' to that of the Russian Ruble in August 1998, with lows in our markets on September 1 and October 8. Since the Mars/Uranus CRASH Cycle (see article by Arch Crawford at: www.CrawfordPerspectives.com/documents/Mars-Uranus.pdf) does not become operative until August 18, we do not expect great severity over the next few days, but enough to excite traders, from the short term perspective.

VITAL SIGNS

IN JANUARY, WE SAID TO "SHORT ONCE MORE IMMEDIATELY AND PLACE A STOP AT 10,790 BASIS DJIA ON A CLOSE ONLY BASIS."

IN FEBRUARY, WE RAISED THE STOP TO 10,820 ON THE DJIA. THE STOP ON THE S&P500 CASH HAD ALREADY BEEN TOUCHED ON JAN 21.

WE REMAIN SHORT FOR THE DJIA. SHORT THE S&P500 IF IT DIPS TO 1038 & PLACE A STOP AT 1110.

ALL OUR STOPS ARE CLOSE ONLY!!



MAJOR INDICES ROLL OVER AS TECHNICAL INDICATORS DETERIORATE FURTHER!

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 (3) have all broken their steepest uptrend channel lines more than once, and successfully retested their 50-Day Moving Averages (thin Red line), bouncing quickly after prior penetrations. This time, however, they are all making new secondary lows after this last break. They now show a pattern of Lower Highs AND Lower Lows. It remains necessary to break their March lows and their 200-Day MA's to confirm the Bearish Case! The NASDAQ 100 is the only Index that has already penetrated the 200-Day MA a second time this past week, but NOT the March lows, as yet. All these charts demonstrate a severe loss of momentum since early January, and the MACD Indicators are turning down from the neutral zero line, an additional negative implication! It seems likely that the Dow INDU and SPX will follow. (Color ONLY in the electronic Adobe.pdf version.)

The order of progression for Moving Averages in the process of rolling over are these: 1. Price breaks below the rising 50-Day MA; 2. The 50-Day MA turns down; 3. Price breaks below the rising 200-Day MA; 4. The 50-Day MA breaks below the rising 200-Day MA; 5. The 200-Day MA turns down. Although this order may vary slightly, it is clear that an important decline is in effect when Price is below both, the 50-Day MA below the 200-Day MA and both MA's are declining. We have just barely passed point 2 with NDX at 3! This is in accordance with our Cycle work, which concludes that the 'Nasty' phase gets going from mid-August!

Although a number of technical market indicators have reached extremes not seen since early last year, there remain several key factors which have not given a complete Oversold picture. The most oversold are derived mainly from the Dow Industrial averages. For instance, the 10-Day DJI change reached its Max-negative of -575.16 on March 15, and a retest low of -464.73 on March 22. That constitutes a positive divergence. It was further confirmed by a Higher High at +507.17 on April 6. To turn this indication back negative will require another declining phase greater than -253.54 over a 10-day period. The changes in the NYSE New-Highs vs. New Lows have finally given a SELL Signal by dropping below 70% (see chart on page one) and need to go down through 30%, then recover above 30% to render a positive outlook. Similarly, NYSE 10-Day Advances-Declines differential has dipped to its lowest levels since October 2002!



BOND YIELD (RATES) BREAKING UP THROUGH LONG TERM DOWNTREND!

On April 5, economic statistics popped the Bond Yields (10-Year = TNX) exactly up to an important Long Term downtrend line. After a very minor pullback over several days, rates broke solidly above **major resistance** on April 13. We believe this was a defining moment in Rates, Bonds and the US Dollar.

As in 1987, the Dollar has been declining for several years and the decline is accelerating. Our government brushed off any hint that it was concerned with the loss of value. Yet, it ultimately became necessary to support the Dollar with a rise in interest rates. That move timed a further acceleration in the collapse of equities into an unheard of 7-Sigma event known as the CRASH of 1987! Fortunately for us, it was perfectly timed by Planetary Configurations.

The selling to date, while not yet extreme in price, is quite overwhelming in NYSE Advances-Declines. The 10-Day Sum has dropped to its lowest level since the October 2002 bottom! The greatest danger is that the selling is steady and persistent. It appears to be tightly 'controlled' in that it is just now beginning to pick up momentum which could lead to a Capitulation, or Panic condition, indicating the approach of a bottom. The Lunar Eclipse this Tuesday could help focus emotional states into just such a frenzy, although the Lunar Eclipse on October 6, 1987 was only the beginning of the slide into the Crash two weeks later.

We reiterate that we do NOT expect a serious Crash phase until after the middle of August, with the best bet for the 'usual' September-October Equinoctial 'Black Hole'!

It appears that the good earnings and economic data releases are covering a rapid exit by smart-money interests. *BARRON's* weekly financial magazine has their cover this week adorned with the picture of a Bull throwing a bound and trussed Bear overboard! It highlights the article: "Just Resting...Getting Ready for the bull's next run." Veterans of the Street know that such focus on an "Overconfident Majority", strongly implies that another Bubble is getting ready to burst.

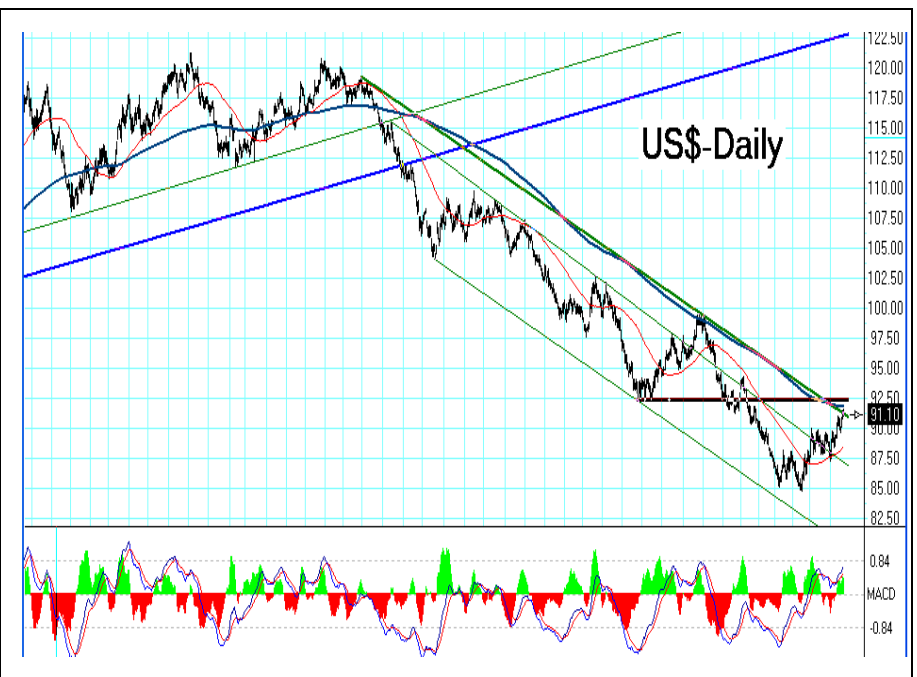


Scott Pollack

We have remained positive on the **US Dollar Index** since its lows around 85. The heavy resistance near 92.50 would seem to limit the upside for the immediate future. Meantime, the 200-Day Moving Average is closely following the downtrend channel line down to the current price level around 90.68. As traders, we would **SELL** and **SHORT NOW**, against this combination of resistances, and cover on strength above 92.50, say, 92.77 STOP for argument's sake.

The **CRB Index** and generally **MOST Commodities** have depreciated against the **US Dollar**, over recent weeks, with **Metals, Cotton, OJ and Coffee** taking the brunt. The **OIL Complex, Lumber & Cattle** have been the big winners, while the **BEAN Complex and Sugar** are holding nicely in positive patterns.

SILVER, GOLD, and Platinum have been heavily damaged by sharp declines, yet attempting positive reversal patterns last Thursday. We believe they will recover & move higher as concerted attacks on the **US Dollar** are orchestrated by a conspiratorial consortium in the month of June! (That is when Saturn contacts the birth Sun positions of the United States and of G 'W' Bush.) The **XAU Index** telegraphed the bullion declines by topping on January 6, and failing to regain those extremes on the rally into April 1.



We **NO LONGER** recommend the stocks, but continue to like the **BONDS** and currencies of Australia, New Zealand, Canada, and to a lesser extent Russia and South Africa (greater political risk). We have been **LONG** for the last 3 years (from April 5, 2001)! The major shift to resources is ongoing and will probably last for years.

ASTRONOMIC ACTIVITY

- MAY 1-2 = Jupiter sextile Saturn, but Venus opposes Pluto = Monday, May 3 = Up Open, Down Day!
- MAY 4 = Mercury trines Pluto, Lunar Eclipse just after close, Jupiter direct Station = Too complex to call but a BIG DEAL!
- May 5-7 = Neptune attacks Sun and Mars = Large rise in Inflation hedges, Gold, Metals, OIL & CRB Index. Temp High!
- MAY 7 = Also on May 7, Mars crosses over into US birth sign Cancer, then activates the pre 9/11 Eclipse point at 0 Can.11!
- MAY 17 = Venus and Neptune turn stationary Retrograde. Peace process deteriorates after now. Turns in Oil, Gold etc.
- MAY 21 = Option Expiry = Very mixed. Venus occulted by Moon, Mercury 135 Pluto. Good news aspects after mkt. Close.
- MAY 24 = Pluto opposes U.S. birth Mars = Show of force against our troops or against our homeland. Economic as well?
- MAY 25 = Mars conjoins Saturn, offset by favorable sextiles from Mercury.
- MAY 27-28 = All major & most minor aspects BAD! Same for Monday the 31st. DOWN Stocks, UP Oil, Gold CRB!
- JUN 3 = Full Moon with Venus opposing Pluto, Neptune on the Ascendant for NY = More on oil, gold inflation, etc.
- JUN 8 = Venus can be seen crossing the face of the SUN, 1st in 122 years. Hopi Indians consider it BAD News!
Mars and Neptune both square Eclipse Points (different ones). = More potential for War & Inflation.
- JUN 10-11 = Uranus Retrograde station with Mars at 135 deg aspect, Mercury square Jupiter, Sun opposite Pluto! Mo'Bad.
- JUN 12 = Saturn passes over the United States birth SUN = Lowest point in world opinion, Repressive legislation.
Mercury-Venus-Neptune alignment could time a pull-back LOW in Oil-Gold-CRB.
- JUN 14 = Saturn passes over George W Bush's birth SUN = Lowest point in his poll numbers.
- JUN 22 = Saturn forms the square aspect to its own USA birth degree (One more hit of type on June 12-14).

ATTENTION: The letters are usually mailed 1st Monday. In June it will be June 1, 2004!

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