

# CRAWFORD *Perspectives*

August 6, 2001 Vol. 08/01

## MOMENT OF TRUTH!

ANOTHER BRIEF DECLINE NOW,  
THEN MORE UPSIDE?

We are now entering an important decision time! The Seasonal Pattern has reached its zenith, and proceeds lower throughout the late summer, early fall. The four-year Presidential Cycle is, in sympathy, approaching its most onerous (read negative) cyclicity. In our June letter (May 29), we showed a projection of the Bradley Model turning more detrimental from early August all the way out to December. In addition, Saturn opposes Pluto in the sky as we write, and that has a bad reputation among "those in the know."

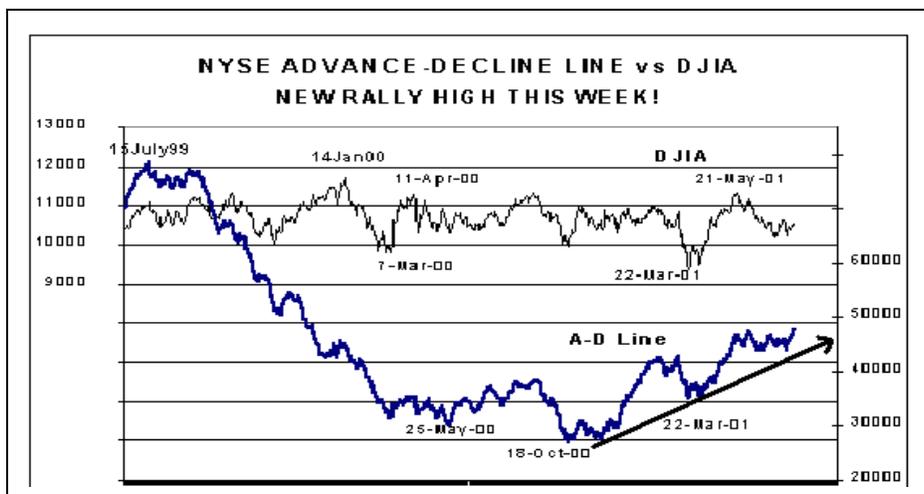
On the other hand, we still have the 55-Day ARMS (TRIN) index at near-record levels, the 21-Day CBOE Put/Call Ratio at substantive levels (above .70), and the RYDEX % of Funds in Money Market accounts commensurate with that of the March-April lows!

## VITAL SIGNS

**SELL ANY REMAINING LONG POSITIONS AND GO NET SHORT 100% (WITHOUT USING MARGIN) WHETHER YOUR STOP WAS HIT OR NOT.**

**COVER SHORTS AND ENTER 100% LONGS AGAIN IF DJIA RISES TO 10,850 OR IF THE S&P500 CASH RISES TO 1260 ON A CLOSE ONLY BASIS.**

**USE OUR NAME TO ACQUIRE A FREE GENERAL ADMISSION TICKET (A \$99 VALUE) to the Royal MoneyExpo Investment Conference In Monterey, CA September 22-23 at [www.MoneyExpo.com](http://www.MoneyExpo.com)**



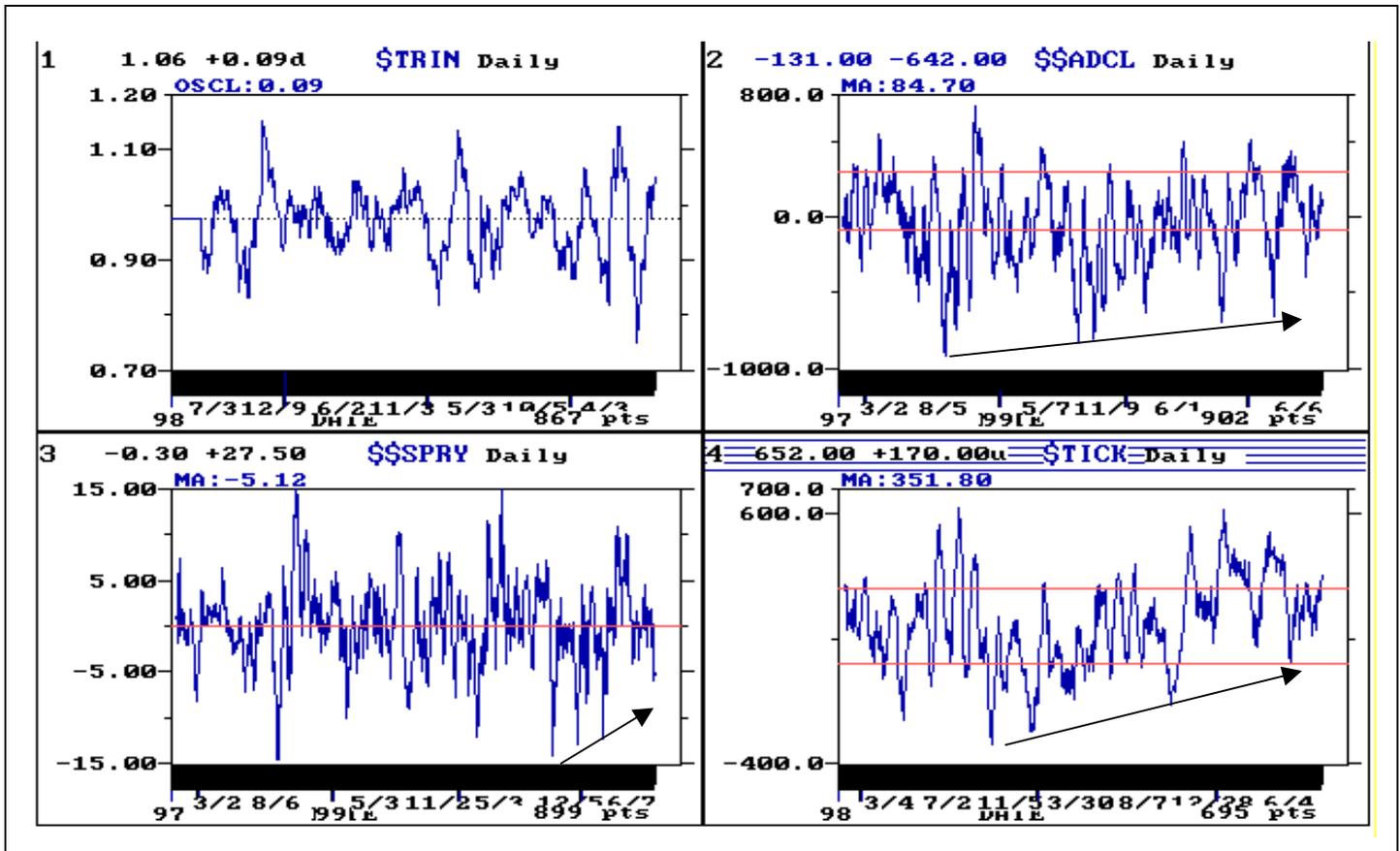
Nor are all the Technical Tools lined up positively. Perhaps the most negatively positioned are the Option Volatility Indices \$VIX for NYSE stocks and \$VXN for NASDAQ, both of which are near their lows of the last year. Both normally spike up to highs on panic sell-offs into market lows. If they begin rising from current low levels, a Sell Signal would be rendered.

Sentiment Indices are very mixed right now, and are the focus of raging debates among market mavens. The original was a sampling of market newsletter writers taken by *Investor's Intelligence*, whose weekly stats appear on CNBC on Wednesdays. Their "Bearish" advisor totals have recently dipped into somewhat dangerous territory, but not near "worst ever" designation. All three of the other surveys reported weekly in *BARRON's* are maintaining very low numbers of "Bulls", which is interpreted contrarily as Good for the market.

Yet another more recent addition says that Wall Street Brokers/Advisory firms are recommending greater amounts of total investment in Stocks than ever before! That is also considered a "contrary" indicator and judged as another negative for the general market. The interpretation on all these is that if their clients have acted on their advice, they are already fully invested and there is therefore little "Cash on the Sidelines" to support further advances.

But this is obviously NOT True as very real measures of "Cash" are at the highest levels ever. A chart on economist Dr. Ed Yardeni's website [www.yardeni.com/public/mnynew.pdf](http://www.yardeni.com/public/mnynew.pdf) shows that Cash in Money Market Mutual Funds held by Individuals is up by a little less than 300% since 1994, while that held by institutions is up over 500% during the same period. They are currently crossing at roughly \$1 Trillion each. Although additions to Individuals accounts is slowing, that of Institutions is spiking radically! Wherever that money wants to move, it is certainly an 800 pound gorilla. There is no assurance that money will soon, or ever, go into the Stock Market. It only takes a small shift in Investor Psychology!

Short term, the market has been weakened internally by a run Up in 6 of the last 7 days in most major indices, **Seven out of seven** in the NYSE Advance-Decline line (the S&P500 Sep future had one unch and 6 Up)! The highest CBOE Put/Call ratio in the 6 days before Friday was .60, and the 10-day avg. dropped from .78 on the 19<sup>th</sup> to .615 including Friday. There have been only 4 days lower than that since May 3. Five-day ARMS or TRIN declined from 1.48 to .80 from July 24-31. In addition, our Hourly analysis advises an immediate negative stance.



### MAJOR INDICATORS MIXED AND VULNERABLE!

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 going NUTS! We have never seen such a pattern of Higher Highs AND Lower Lows?! It is most recently in the Moderately Overbought range, indicating some vulnerability over the near term. The 55-Day raw ARMS remains near the Highest (most Bullish) on record!

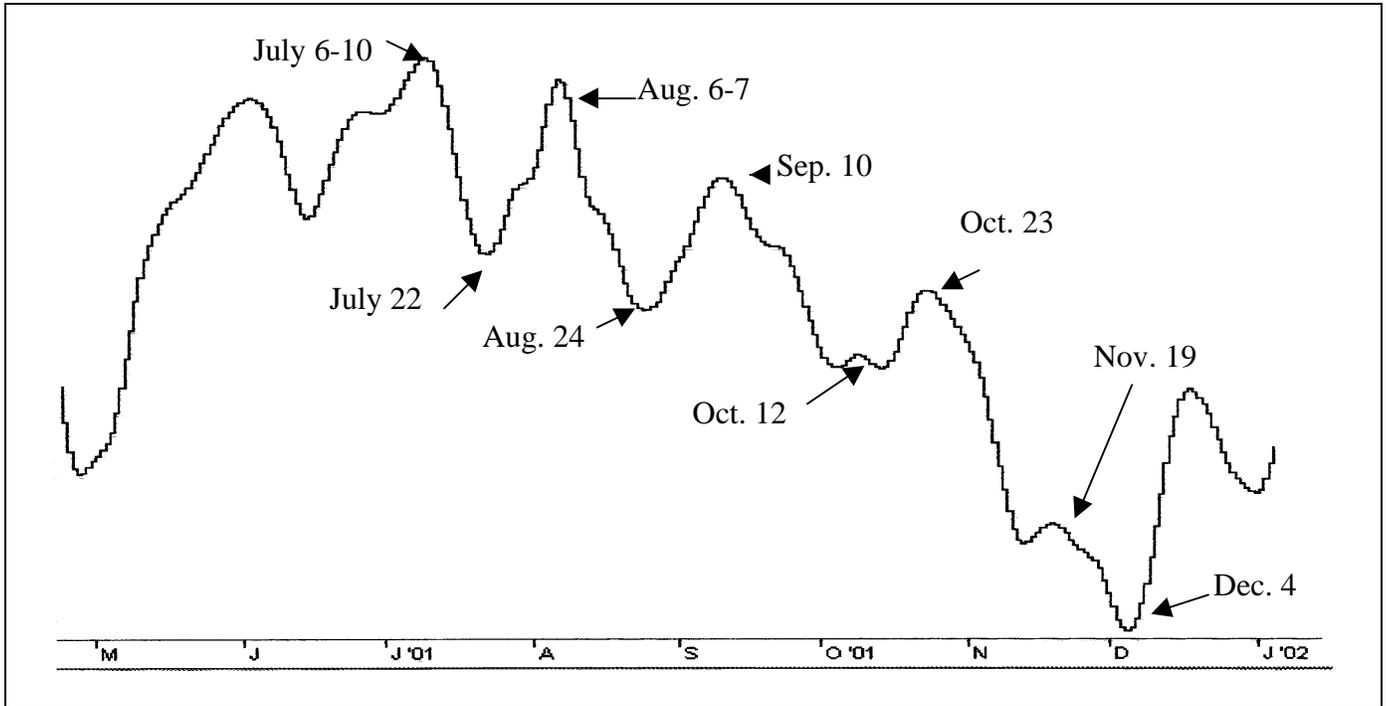
Chart (2) \$\$ADCL is a 10-day moving average of the net change in Advances-Declines (NYSE). This indicator is demonstrating the same swings as ARMS, only narrowing rather than broadening. Right now it is Dead Center Neutral, with Lower highs and Higher Lows! ANYTHING can happen.

Chart (3) \$\$\$PRY is a measure of "smart money" action in the S&P futures. Now we have a third break that held the previous lows constituting another "downside non-confirmation" and followed by a strong move which broke the weak pattern of "declining tops" since the highs of March-April '00. Although the pattern of rising bottoms in the extreme low range is encouraging, a Lower High this month was followed by a Lower Low this past week. Although we had more than expected 'price' momentum loss during this corrective phase, this technical indicator held nicely until now.

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 back in September. They have never gone lower! Continuing uptrend in the face of New Price Index Lows in March & April correctly anticipated the positive resolution. The ability to hold within a long term rising pattern is a very healthy sign. Although recent lows were violated minimally on that last dip, a more conservative upward sloping trendline remains in effect. The worst it could do is top out now, completing a second Lower High. Then we will have to see if the longer term uptrend is violated. This is an Important Crossroad!

**ENJOY YOUR TAX REFUND – REMEMBER, YOU EARNED IT!** What is this oozing behemoth, this fibrous tumor, this monster of power and expense hatched from the simple human desire for civic order? How did an allegedly free people spawn a vast, rampant cuttlefish of dominion with its tentacles in every orifice of the body politic? The federal government of the U S of A takes away between a fifth and a quarter of all our money every year. That is 8 times the Islamic zakat, the almsgiving required of believers by the Koran; it is double the tithe of the medieval church and twice the royal tribute that the prophet Samuel warned the Israelites against when they wanted him to anoint a ruler;...

*Parliament of Whores by P. J. O'Rourke*



#### **BRADLEY MODEL (Long Terms) BEARISH FROM JULY-AUGUST!**

As long term readers know, Donald Bradley wrote an interesting booklet in 1948 called *STOCK MARKET PREDICTION*, subtitled *The Planetary Barometer and How to Use It*. He describes the building of a model inculcating all two-planet angular separation pairs, weighted by cycle length and given largely classical polarity (up or down emphasis). His projections have performed incredible feats of accuracy in some years and failed in others. As with most "cyclical" approaches, inversions occur whereby an expected high comes in as a low or vice versa. We consider it a valuable signpost of the probable, but insist on confirmation by real-time technical studies as data become available.

That said, you will notice in the chart (above) that from July-August peaks, the projection accelerates into a steep decline from August, through the fall and into early December. We cannot dismiss this potential scenario out of hand since the Seasonal Pattern AND the 4-Year (Presidential?) Cycle are simultaneously experiencing their most damaging phase relationships.

Astrologers are much concerned about possible economic negatives of the Saturn/Pluto opposition, the first of a set of 3 over the next year occurs today (Sunday, Aug. 5). The conjunctions, squares and oppositions of this pair has coincided over the last century with Recessions, Depressions, Wars and Riots.

We looked at the Dow Industrial Average during the last 3 sets of 3 oppositions, and initially thought it might not be terribly important, since the average of the 9 showed market peaks averaged 45 days After the event! On closer inspection, however, we noticed that the First of each set tended to coincide much more closely with market peaks, and be followed by greater declines over the next few weeks. So, *Caveat Emptor*, let the Buyer beware!

Yet, there are many reasons for an intermediate to long term positive market outlook. On page one, we mentioned the 55-day ARMS, the 21-day Put/Call ratio and the Sidelined Cash. Likewise Total NYSE Short Sales and the Short Sales to Volume ratios are high and Bullish.

In addition, recent Merrill Lynch Technical Dept. newsletters have shown two other interesting long term charts of the Upward Persuasion. One was the Consensus Sentiment Bulls, which at current levels, has coincided with important market lows. The other was year-over-year percent change in the S&P500 which also appears to be turning UP after touching upon levels that have been associated with Major market lows. (neither chart shown here).

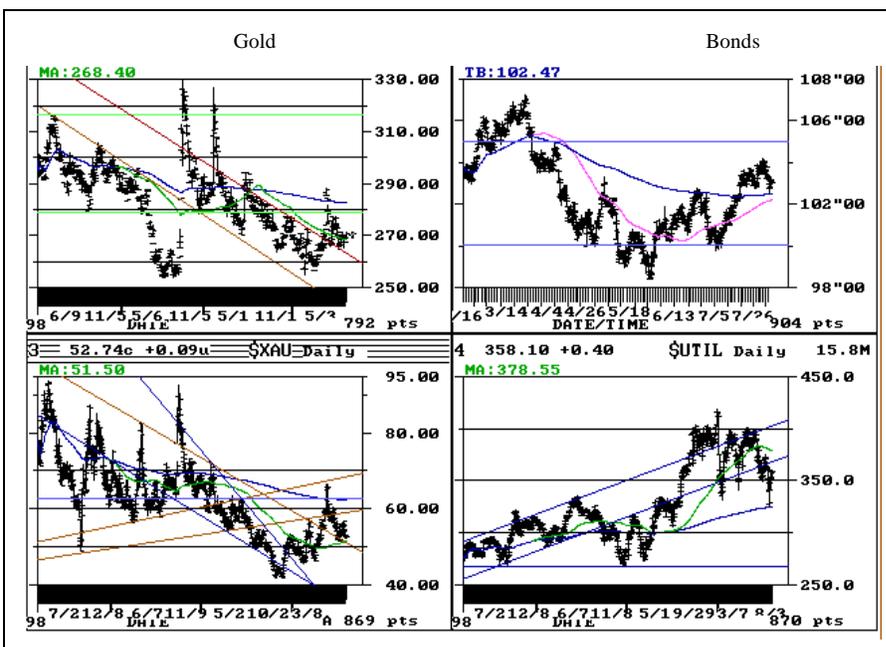
The negative case will be augmented by a Break of the March-April lows in the Major Indices, the positive by rallies breaking above the May-June peaks (DJIA=11,350; S&P500=1316; NASDAQ=2328). Another upbeat technical signpost would occur on penetration of 200-Day Moving Averages (DJIA=10,600; S&P500=1275; NASDAQ=2350). At this critical **Moment of Truth**, strategy and tactics move ahead of predictive techniques in usefulness to investors. One MUST prepare ahead of time for action in any circumstance, in order to avoid confusion and panic as new trends emerge.

What can we say about **GOLD** this month? We have been commenting upon the Long Term Positive case since the Jupiter-Neptune trines in April, to the Solar Eclipse on the Summer Solstice in June. These represent Very Long Cycles which have now passed their lows in our opinion. We believe the May spike to 295 will be matched or surpassed in the second half of August or early September! Conspiracy rumors are flying, and probable Central Bank manipulation is surfacing toward the light of day. Buffet and Gates have bought a Silver mine together and Arab Sheiks threaten to price oil in Euros or metals. International cooperation fades with slowing economies as GE/HON deal is squashed by EU Socialists and US Gov. moves Right. Rising tensions around the globe cause all sorts of agreements to fall apart. Through the centuries, the old adage holds: "Always keep enough Gold to bribe the border guards!"

The **CRB Index** continues to look very topy, and slides through one after another support levels. Last month at 205.50, now at the chart support of 200. Should stem the decline, at least temporarily. Below that could precipitate a downside acceleration. The FED still concerned about this, continues to print money like it's going out of style. **Soybeans, Wheat and Corn** broke UP from long bases. Soybeans strongest on the corrective wave, Wheat weakest. Could this be the start of something BIG? The **OIL COMPLEX** promulgated a fraud on chart readers by breaking UP and then failing to hold. All's fair in love & war. We are stopped into a Short on the **Heating Oil** at 73 with a stop at 76.50.

The **LONG BOND** pumped up to a record 107 on the Vernal Equinox, and topped there! The June high came exactly on the Summer Solstice Eclipse, and the **SOLAR ECLIPSE was the exact pullback Low!** It appears to be trying to build a Head-and-Shoulders top formation, at least a small one. A drop to 102:16 would heighten that probability. A symmetrical pattern would call for a rise to 103:18 first. Above the recent high at 104:05 and it's up and away again.

Last month we said: "Our markets remain "cautiously optimistic" on the **U.S. Dollar**. It did not appear to turn on the Solstice, but it did pop back up to a possible Double Top on the Mercury Station Thursday night. The Lunar Eclipse just off an opposition to the U.S. Birth Sun could bring the question of US\$ denominated assets to a head. Probably down but be prepared to follow either direction from July 5<sup>th</sup>!" **TOP DAY WAS SOLAR ECLIPSE JULY 5!**



## ASTRONOMIC ACTIVITY

AUG 1 = Venus crosses into Cancer, touches Eclipse point, possible market High?!

AUG 5 = Saturn opposes Pluto, Sun conjoins Mercury sextile Saturn & trine Pluto. Negotiations defuse confrontation.

AUG 6 = Saturn/Pluto opposition on the local Ascendant/Descendant for NY at the NYSE Close (4pmEDT) = NEWS!

There are many, many planetary aspects this month, but they are scattered over time with few concentrations and no multi-planet Whamo Alignment/Combination! However, from the 13<sup>th</sup> to month-end, there are 22 aspects classically considered negative/difficult and only 2 positives! The Worst energy vortices are on Wednesday the 15<sup>th</sup> and Tuesday the 21<sup>st</sup>.

A powerful New Moon within 3 hours of Perigee on Saturday the 18<sup>th</sup> will aggravate earthquake/volcanic potentials!

Sunday, September 2 Full Moon forms a GRAND CROSS with the separating Saturn/Pluto opposition, but a trine from Jupiter mitigates the worst of that highly negative formation. This is the most concentrated grouping since Aug. 5-6.

Arch Crawford will speak at the Royal MoneyExpo Investment Conference in Monterey, CA September 22-23

Use our name to get a free General Admission Pass at [www.MoneyExpo.com](http://www.MoneyExpo.com)

**Carolyn Crawford is available for personal business cycle readings. Call our office at 520-577-1158.**

**ATTENTION: Next month's letter will be published Tuesday September 4, 2001.**

**Our twice-daily HOTLINE update is available at 10AM & 2PM EDT for \$4.30 total per 2-3 minute call 1-900-776-3449**

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