

# CRAWFORD *Perspectives*

May 7, 2001 Vol. 05/01

## GOOD RESOLUTION!

Last month we began: "...Therefore it (the market) must Rally NOW...or Crash Now! The Neutral Option is no longer open." **AND HOW!** We also took new 50% Long positions on the principle that: "The positive side technically, is that once indicators achieve current extremes, markets are ALWAYS higher some months later."

We then wrote: "Last Friday, Feb. 23, (This was actually **March 24**) the New Moon formed an exact Square (90 degree) aspect with the Solar Eclipse of December 25. We have seen numerous Lows with Mars squaring previous Eclipse points. This may have triggered enough Capitulation to mark at least a temporary reprieve." The exact low (to date) was 8 trading hours before this New Moon/Old Eclipse combination.

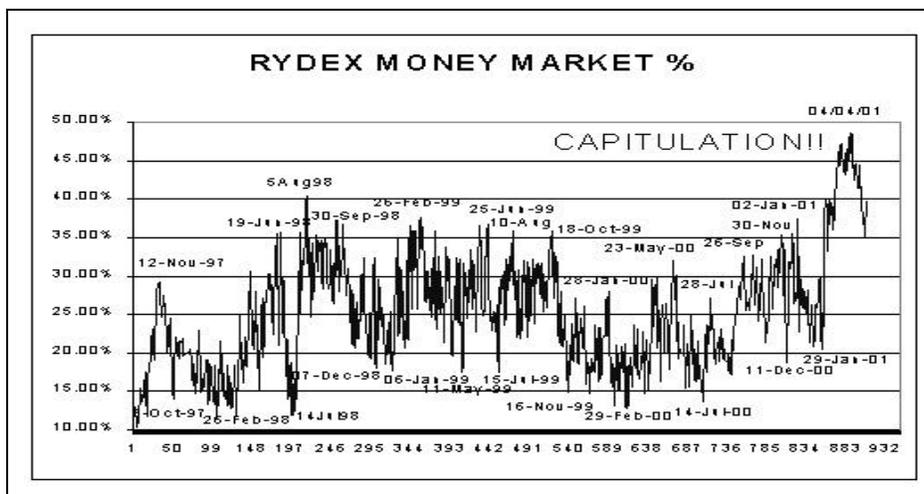
In the middle of page one was this quote in bold and underlined: "SO, if we manage to survive through **April 4-5, Crash or no, we have greater confidence that the Downside will be finished for awhile.**"

## VITAL SIGNS

**WE ADVISED A 50% OF NORMAL LONG POSITION AS YOU RECEIVED THE APRIL NEWSLETTER, WITH A 3½% CLOSE ONLY STOPLOSS.**

**MOVE UP TO 100% OF NORMAL LONGS AS OF THE 10 O'CLOCK (EDT) HOUR ON TUESDAY, MAY 16 AND PLACE CLOSE ONLY STOP AT 10,000 BASIS DJIA, 1240 BASIS S&P500 CASH.**

**OUR CYCLICAL AND TECHNICAL INDICATIONS ARE STRONG AND WOULD IMPROVE FURTHER ON ANY 1-2 WEEK CONSOLIDATION.**



This is not to say we didn't miss a good part of the decline. Although we were doubled up, 200% short, for the September-October portion, we did not participate correctly in the Feb.-Mar. decline. What we are saying is that Astronomic cycles were able to help us predict both THE bottom and the Pull-back bottom. Technical Market Analysis maintained that any bounce would be a very strong one!

One more quote: "Indexes must immediately regain lost ground. The Bears have proven their strength by violating support. It is now incumbent upon the Bulls to negate that advantage by a forceful recapture." We are pleased to report that has been accomplished, at least in the Major DJIA and S&P500 averages. The NASDAQ rallied 34% from April lows!

So, What's next? Is it a New Bull Market? Considering the degree of Oversold, that is how far down and how fast, that is usually a sign of Capitulation, of throwing in the towel, of giving up on the holding of equities, IT MAY VERY WELL BE! Given the extreme dichotomy and diversity among groups and issues over recent years, and Overvaluation remaining even now against historical norms, WHO HAS THE COURAGE (or the FOOLHARDINESS) TO SAY?

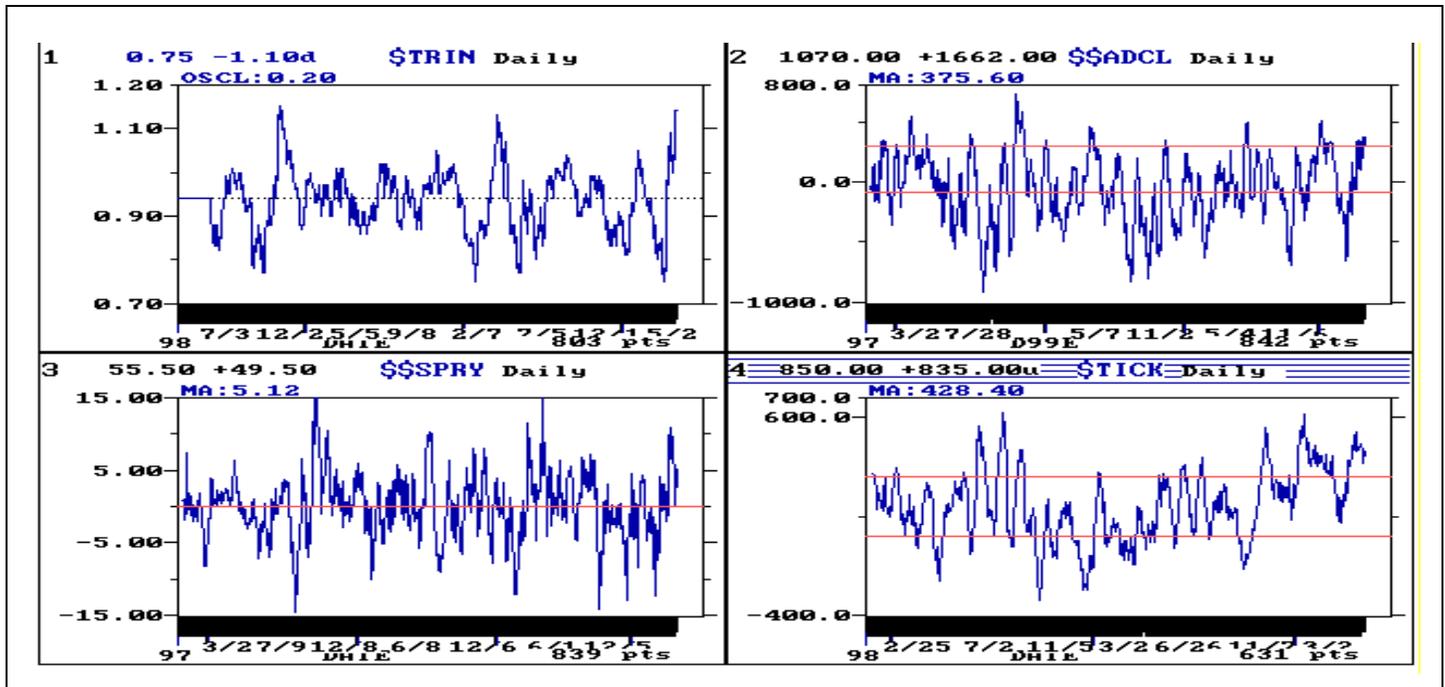
Our analysis, over a multiplex of parameters, is optimistic over the near term and cautious into the devilish fall months. Bradley Model and Seasonal cycles are

both Down after potential highs in the July-August frame, but if tape action, technicals and FED action continue favorable, so may we.

One cannot fail to be impressed with recent tape action. Fairly overbought short term readings began to show up this week, and momentum stalled. Wednesday through Friday morning, a corrective wave was attempted, culminating with a large down gap after the employment numbers were released. From there, the market steadied and began to rally. Not too fast, but with a very measured pace. Hour after hour, a straight-line advance continued into the afternoon.

Was THAT the correction? If so, and it appears so, then the BULLS are back in control. There is so much CASH on the sidelines that it is distorting gauges of Money Supply! Lawrence Kudlow showed a chart on CNBC of Monetary Base minus Money Market Funds and it is declining, against a background of huge increases in MZM. This is so Extremely Bullish from the standpoint of Sentiment among investors that the Major Indices MUST GO UP NOW...even if it collapses later in then year! Money Market funds at Rydex are sustaining unusually high levels, and they normally decline on such a rally as this.

Let's go to 100% Invested status (without using margin) on the 10 o'clock hour of Tuesday, May 16!



### RAPID SHIFT FROM LOW TO HIGH IMPLIES A NEW IMPULSIVE WAVE!

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 has dipped to one of its lowest readings to one of its highest in a single calendar month! That is not as clear a message as we would like, considering the following. The earliest similarity in the chart above was late September, 1998, close to market lows that preceded a 3000 point rise in the DJIA over the next 8-9 months. However, the second instance (just to the right of center) times the final rise into the ultimate S&P500 peak in late March 2000. Which one will the current move imitate? We lean toward the former.

In support of this view, raw TRIN or ARMS were high at the Strong bottom, but did NOT confirm on approach to the March 2000 peaks! In the present case, 21-day raw ARMS figures have fallen back to a neutral 95 vs. 82 at the March 2000 Index highs, which was the 2<sup>nd</sup> Lowest on our 3.5 year chart! The 55-Day raw ARMS remains near the Highest on record! Similarly, the 21-day Put/Call Ratio was at its record high on the early April Index lows.

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 has dropped from its mild overbought position, and under pressure of current market weakness, has slightly penetrated its most recent low reading. It remains above lower lows put in place during sharp selloffs in April and May of 2000, also above the 1998 bottoms. In the meantime, raw TRIN or ARMS figures have shot up to heights unknown to recent history! 5-Day average rocketed to 1.98 and 10-day figures to 1.52 while the 55-day (longer term component) has risen to 1.23, some of the

highest Ever! The Intensity of the selling is maximizing, but we need to see some favorable price action to confirm any low in place.

Chart (2) \$\$ADCL is a 10-day moving average of the net change in Advances-Declines (NYSE). This indicator has now matched or beaten the highest readings of the last two years, then fallen off to normal Buy area. The rally since early April's low is continuing a long term improving trend, although the action in this indicator was somewhat stronger during the January advance, and must show further improvement to confirm the BULL.

Chart (3) \$\$\$SPRY 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 last March-April. The pattern of rising bottoms is encouraging. All systems GO here!

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.

This page of Internal Market Indicators refused to confirm price weakness in the Major Stock Indices. We do not offhand remember such an Index selloff accompanied by so much widespread strength in the underlying broad market factors. It is just the opposite of the last 3-4 years with Price Indices rising while most stock issues languished!



### DOW JONES INDUSTRIALS AND MOST OTHER INDICES AT IMPORTANT RESISTANCE LEVELS!

Last month's Weekly chart of the DJIA is updated (above) highlighting the ultra-rapid recovery. Trendlines drawn on this chart proscribed a massive **DIAMOND TOP** pattern which had finally broken to the Downside. After dropping into the next major Support Line, the markets suddenly reversed and in short order, recovered to the Upper Resistance Line. This was truly amazing to the point of negating the implications of the severe break. Hanging in the balance once more, the Dow Industrials are testing this years high at 11035 intraday. If that boundary is surmounted, the all time high at 11750 is next.

Another amazing fact about markets is the "Synchrony" of Critical Resistance areas approached by a broad spectrum of stocks and indices simultaneously. Many of the major measures are bouncing off lows and coming to their steepest downtrend line. Others are approaching significant Fibonacci retracement percentages. The Value Line Arithmetic Index is but a hair below its All Time High. Just how "sticky" will all these levels be, coinciding to arrest the forward momentum of this Juggernaut.

Our methods indicate the upward momentum will NOT be halted for long. The tape action, ebb and flow of volume & price, appears to have overcome an attempt to drop our markets last Wednesday into the down gap on Friday morning. A steady stream of monetary input reversed prices, moving steadily higher as the day progressed. The pressure was building at the close and one could feel the "wild horses" champing at the bit. Whether there is another temporary reaction or not, these "wild ones" want to run, and will not be denied, perhaps immediately!

### ECONOMIC POLITICS?

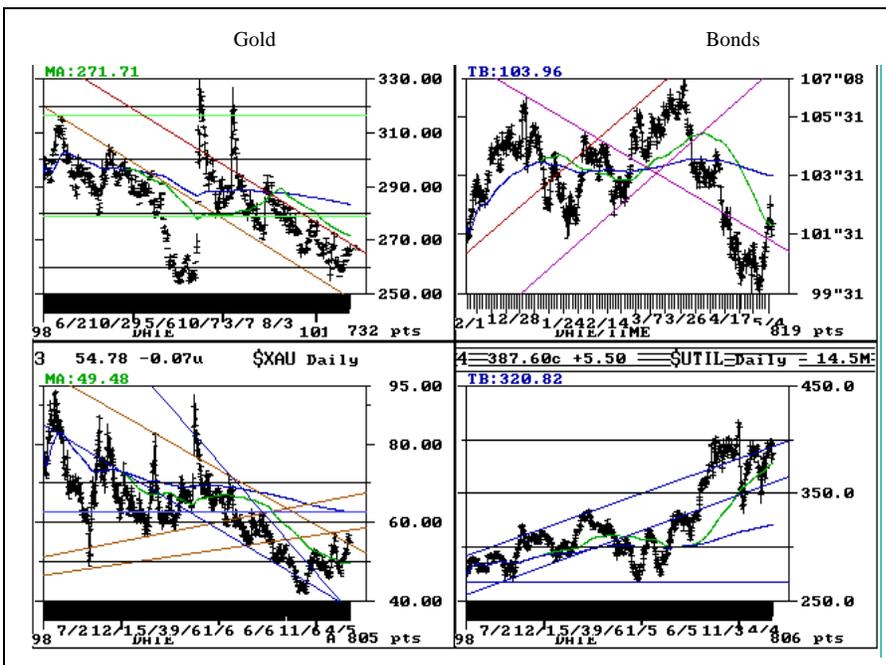
Many economists say they have never seen the economic statistics drop so Fast! Remember that government economic stats were slow to report the Recovery of the 1990-92 recession, and that was a contributing factor in George Bush Sr.'s inability to recapture the White House. In 2000, the stock market was well aware that the economy was in a nosedive, but Washington economists failed to report same to the country until After the Election! So the stats are just playing "catch-up!" What? Do you think the Ivory Tower guys at Harvard & Wharton are morally incorruptible?

GOVERNMENT is about Power, Power and More POWER. You are naïve to think there are Good Guys and Bad Guys in Washington. There are only Factions, and the Backers of those Factions. The Presidents most radical against the "Old Guard" were Kennedy, Reagan and Nixon. Two of them were shot by "lone crazies" while the third was set upon by an unholy alliance who conspired to release his dirty laundry to the public. If the public had the vaguest notion of what was going on, they would bring back the Guillotine

A Russian citizen told an American acquaintance: "The only difference between your propaganda and our propaganda is that you Americans BELIEVE your propaganda!"

## GOLD'S TIME HAS COME!!

**GOLD** cycles that have been down so long...it looks like up to me... are now reversing into long term UPTRENDS! Coincident with this, **GATA**, Gold Anti-Trust Action Committee ([www.gata.org](http://www.gata.org)) and Reg Howe at [www.LeMetropoleCafe.com](http://www.LeMetropoleCafe.com) have brought suit in U. S. district court in Boston against participants in a scheme to manipulate world Gold markets. The defendants are: Bank for International Settlements (BIS); Alan Greenspan, Chmn. of the FED; Wm. J. McDonough, Pres. Of the New York FRB; 5 major bullion banks: JP Morgan, Chase, Citi, Goldman Sachs and DeutscheBank; and Lawrence Summers, former Sec of Treasury. This suit is apparently a good bit more than "frivolous". The April 19 presentation to the court is posted at <http://www.gata.org/lawsuit.html>.



The third and final Jupiter trine Neptune in Ephemeris Longitude (regular way) was April 5. The final hit in Right Ascension was April 25. That will, we believe, tremendously reduce the selling pressure. Mars & Neptune retrograde on May 10-11 is another Short Term low. One other really important possibility: Solar Eclipse on the Summer Solstice! (June 21) We only have a sample of ONE (June 21, 1982) but that one was most important. That was the Exact Low Day in the Metals complex for 12 Years!!! The Seasonal Low tends to occur in the August time frame. After that, the Sky is the limit.

The **CRB Index** and most commodities are in bases, trying determine which way to jump next! **Soybeans, Wheat and Corn** broke still lower two weeks ago and are attempting weak (so far) rallies, showing no vigor at this point. **The OIL complex** looks the Most Dynamic from charts at this time. We would BUY them all here, now. June **Crude** at 28.36, **Heating Oil** at 76.57.

The **LONG BOND** pumped up to a record 107 on the Vernal Equinox, and topped there. Steady downtrend from then to double bottom at par last 2-3 weeks. This past week it rose sharply from 100 to almost 103.50, almost exact middle of the range for the past 6 months. Uncertain intermediate/long term.

"International FEAR and a Flight to Quality (so-called) sent the **U.S. Dollar** back up through highs, and tanked the rest of the world in an accelerating downward spiral on Friday! This may change if a low is confirmed in stock markets. Remember, that was end of Fiscal Year for Japan, Inc! Reversals may come sooner rather than later." Good Call! Most of the currencies have been in a basing phase since their lows, inverse of the Dollar, naturally.

## ASTRONOMIC ACTIVITY

- APR 25 = Jupiter trine Neptune in RA = BUY GOLD NOW if you haven't before. Add to positions if you have!
- MAY 6-7 = Jupiter opposes Pluto, Full Moon = Extremism in politics and markets! Watch Middle East.
- MAY 9 = Moon conjoins Pluto & opp Jupiter = More of same.
- MAY 10-11 = Neptune Retrogrades, Mars Retrogrades = PULL BACK LOW IN GOLD = Short on 6-7, cover & Long today!
- MAY 14-15 = Mercury opposite Pluto, Sun square Uranus = Definitely NOT good for the Techs ruled by Mercury & Uranus.
- MAY 22-23 = New Moon, Mercury trine Uranus = Best day to Buy computers/equipment/software. Tech stocks UP!
- MAY 24 = Venus sextile Jupiter = Continuation of positive trends.
- MAY 25 = Another Down Friday? Saturn conjoins Sun, both semi-square Venus = Difficult day, probably Down markets!
- First few days of June appear to have possibility for another strong rise!

**ATTENTION: Next month's letter will be published Tuesday, May 29, 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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