

CRAWFORD *Perspectives*

May 2, 2005 Vol. 05/05

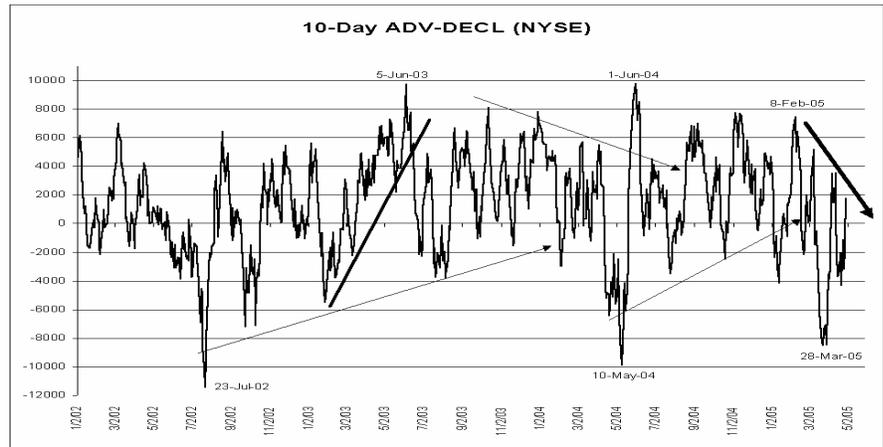
MARKETS GETTING COYOTE UGLY!

We are retaining our negative opinion for stock market trends. Long term patterns show large top formations from 1999 to 2001, followed by the Bear Market of 2000-2002. Then a longer than normal (3 years instead of 2) retracement rally, back to the lower portion (necklines) of those long term tops, and should now be preparing to continue a sustained and devastating BEAR!

Several acquaintances have remarked that they had their retirement dependent upon stocks, and were doing very well, until the 2000-2002 bearish impulse, but now, they've learned their lesson, and are in real estate for the duration, something solid and predictable!

The next few years contain extremely damaging planetary and economic cycle forces. Investors have been completely propagandized, and are once more blinded by the repetitions of the sell side media hype.

The last major market declines shook out most of the day traders and speculators. This next will remove serious investment players among the upper middle classes. By 2008-2009, the World-wide depression will affect most Investment Professionals. The reason prices eventually decline below true valuation levels is that so few have money left with which to Buy! Most Americans will not hear this message, as they have not experienced anything like this, and are depending on continued "Goldilocks" economy to insure even a modest retirement.



The smartest money people have warned us, and gotten out of the business, or drastically reduced exposure. Warren Buffet and Bill Gates have the largest cash positions in many years. Peter Lynch, John Templeton, Julian Robertson have all retired. George Soros cut back substantially, having expressed that the current atmosphere is not conducive to conservative investment analysis. There is now a glut of hedge funds, nearly as many as mutual funds, and the competition for trading profits is fierce. This has led to mediocre profit profiles among the greater number.

Sir John Templeton, in an interview about a year ago remarked that U. S. Real Estate would decline by 90% (not a typo).

In my opinion, Wall Street, in conjunction with the Federal Reserve and branches of our Government, has conspired to make our markets look as if everything is normal. One oddity is that the NYSE Volume lines are relatively stable, against a backdrop of little activity among public participants. I believe that NYSE members have been creating "WASH" Sales among themselves by 'flipping' huge blocks of large cap stocks.

NYSE Seat sales were dropping badly until fairly recently. Now, the merger with electronic exchanges is being accompanied by near record seat prices, as the entire reason for having seats is going down the drain! This makes no economic sense, unless the hype is being produced to get some of the members out with their whole skin. So What's NEW?

The most damaging technical factors have to do with market action. That is, a technical oversold is followed by a sharp but brief rally phase, which soon after, returns to a slowly eroding overall picture. Every time new and lower support levels are penetrated, the market begins to accelerate downside. Suddenly, the S&P500 futures turn and scream upwards, followed by other indices, followed by a multitude of stock groups. But these gains fail to bring new advances, and retracement to new lows returns.

This is the action when large holders are trying to GET OUT without totally crushing the market. Perhaps they also contributed to politicians who would seek to add Social Security money to help support stocks! This effort appears to be failing currently, adding to disappointment among traditional pooled resources. Our retreating forces are being sniped at by occasional remarks from the central banks of other nations, threatening to Sell, or at least, Not Buy and more US Dollars. They have, so far, rescinded or denied these allegations the following day or so, but are certainly more numerous than ever.

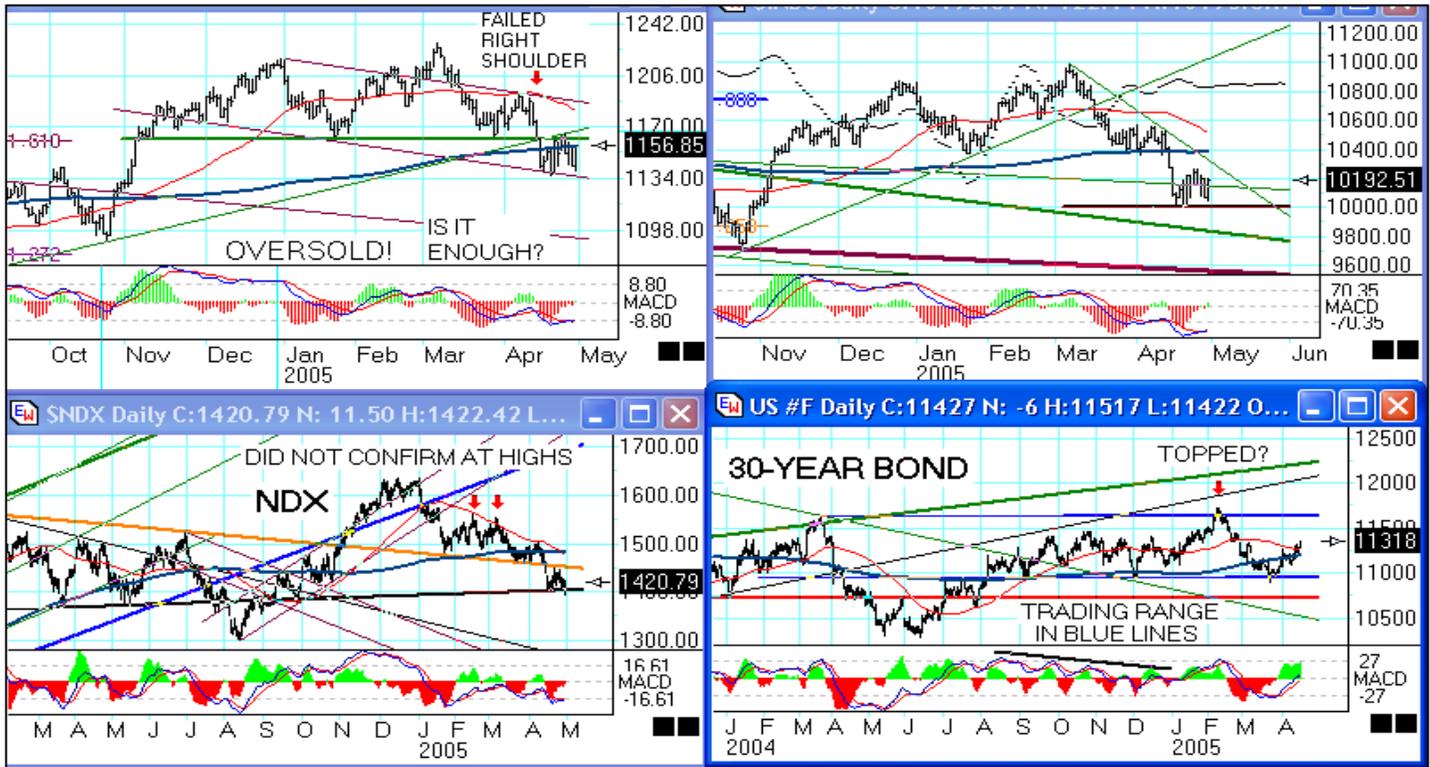
VITAL SIGNS

RETURNED TO 200% SHORT USING FULL MARGIN ON CLOSE DEC. 31!

THAT WAS 10,783.01 FOR THE DJIA PLACED A STOPLOSS AT 11,125. LOWER STOP NOW TO 10,725!

THAT WAS 1211.92 FOR THE SPX PLACED A STOPLOSS AT 1252. LOWER STOP NOW TO 1206!

ALL OUR STOPS ARE CLOSE ONLY!!



ALL MAJOR STOCK INDICES HAVE BROKEN JANUARY LOWS AND 200-DAY MOVING AVERAGES

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).

All major stock indices were in process of building TOP patterns of one sort or another, and broke down, prematurely, even before negative formations were completed. The charts show abortion or "truncation" of a Right Shoulder, an extremely weak indication. Only the S&P500 was able to recover to the Neckline, which in this case coincided with the 200-Day MA forming a formidable resistance zone. It is possible that the others could rally to the same resistance point in their relative chart formations, in which case the S&P could penetrate somewhat above its strong resistance level. Even if it does so, we wager it will not be able to hold there in the face of tremendous cyclical negatives from astro-cycles and Seasonal Factors. The weakness of the Thirty Year Bond has yet to be confirmed by a downward break of its 2 1/2 year old trading range. Last month we said: "There may be another intervening rally prior to such a confirm, as support is nearby, or they could break on down straightaway!" They have powered back up near the Top of that trading range, once more! These Bonds led the stock indices in breaking up out of its long range pattern, then falling back, losing the technical advantage they had just gained! For both Stocks and Bonds, the technical breakout that failed is much worse than no breakout at all! From the astro-cycles, there may be some dramatic shift from recent FED policy announced this Tuesday!

Excruciating extremes, in effect for some time, are now beginning to crack! The VIX, option volatility index, popped above its 200-Day MA (now about 14.20) to 15, but fell back, last month. It finally closed decisively above its 200-Day MA on April 14, spiking as high as 18.6 on the 18th, before consolidating above the 200-Day MA for the last two weeks. Our interpretation is that that is a Confirm on the Sell signal for the market. NYSE New Highs vs. New Lows capitulated completely in late March, to render the long awaited Sell signal! Dropping all the way down to .19, it must return to readings above .30 to suggest a bottom formation.

ARMS or TRIN Index has inched up to middle-range of the long term parameters, surprising since the DJIA has lost about -930 points from the very recent March 4 closing high! That kind of selling intensity would normally drive TRIN to much higher levels. That it hasn't must be considered a great technical negative, and leaves markets vulnerable to a much sharper 'Washout' phase.

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. Conversely, a bull market move is accompanied by Price moving above the rising 50-Day MA's, which are above the rising 200-Day MA's.

The Major stock Indices broke their 50-Day MA's, and the 50-Day MA's turned down last month. The S&P500 and the DJIA (INDU) have joined the NASDAQ and NDX100 in breaking below the 200-Day MA's, but all the 200-Day MA's are rolling over going flat from up. The NDX100 is the only one at this time where the 50-Day MA has just now broken down through the 200-Day. As we stand now, the DJIA and S&P are at point 3, and NDX is at point 4 of 5, where 5 is clearly Bear Market trend. If it bounces, we think it will not last long or go far. [Color ONLY in the electronic Adobe.pdf version.]

Arch Crawford will be speaking at the "ISAR 2005" astrology conference in Chicago August 17-21. Call 1-800-982-1788 for info.



THREE YEAR RETRACEMENT RALLY BREAKS TRENDLINE- BAD SIGN!

This chart was shown often during the BEAR segment of 2001 and 2002, explaining the 10 Technical weaknesses pointing towards further large declines. Our letters from the period may be viewed where they are archived on our site at www.CrawfordPerspectives.com/archives.html

Although all ten negatives have not yet reappeared, some have, and others are on their way in their own good time. We are in no hurry to rush things, as our timing studies indicate much worse times from mid-2006 to Q1 of 2007.

The steepest up trendline (not shown) broke in early 2004. The second one (black line) has just done so recently. Ideally, this drop would carry to the 1050 range where this chart shows previous lows, which are now close to the 200-Week Moving Average. Another bounce should occur from there, and a third "Fan Line" could be drawn across that low. Upon the third "Fan Line" break, the downside acceleration becomes alarming.

The current price is hovering just above the 50-Week MA about 1150. If that thin red line is breached, another nail is added to the coffin. (colors only in electronic edition). Then we would look for that MA to turn to a down slope. That level is further confirmed as it coincides with the 50% Fibonacci retracement line (dark brown) at 1157. And finally, the heavier blue line (200-Week MA) just above 1050 will give way to price weakness. It has never actually turned back up.

The MACD Oscillator (bottom of chart) peaked in the first 6 weeks of 2004, declined, then stabilized and turned back up from the zero line. The recent short term second negative crossing is also the second Intermediate crossing at a lower level! More reasons not to argue with this market.

These patterns and signs indicate the growing negatives in the market picture. They are not yet overwhelming. But we did finally get the SELL Signals we were looking for from the VIX, new highs, new lows indicators, trendline and moving average breaks. These are enough to reduce exposure and tighten stoploss strategies. That's all we ask!

Arch won the coveted Blue Ribbon for the April Joke of the Month in Steve Leuthold's institutional monthly, *PERCEPTION!*

We **Re-Shorted** the US Dollar Index on a rally to **85.10 on April 8** and placed a **Stop at 86.40**. Overhead resistances include another downtrend line in 85.00 area, Feb. high at 85.46, 200-Day MA just below 86.00 and a Gap and Retrace to 86.00 from last October. Remember that markets can do **Anything**, but that is a large band of resistance to overcome. Again, if it can be done quickly, 89-90 may be possible. If it lingers, it will die on the vine. So far, trading level is holding between the 200-Day MA and the 50-Day MA. Now at 84.42, resistance rises to about 85.50-86.00.

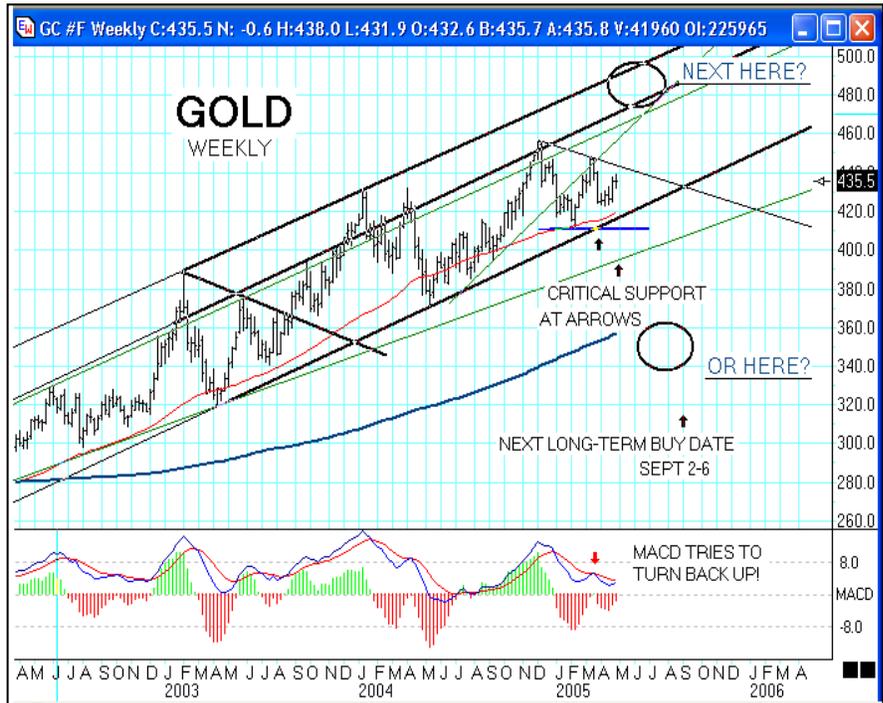
If **GOLD** can get back to its upper trend channel, it could challenge the \$480-\$500 level in the near future! The last new high in early December failed to achieve the upper trend channel line, indicating a loss of momentum. We are concerned that there will be several months of counter-trend declines into August or early September of this year. We are expecting another spike up into the May 8 New Moon in close square to Neptune, on which to go Short for the intermediate term! **This is likely to be effective in The OIL Complex,**

and CRB as well! Although the **GOLD** has held well, in the middle range of a Triangle pattern, the **Metal Stocks** have been absolutely trashed, as measured by the XAU Gold & Silver stock index and the HUI (unhedged gold stocks) Index. We have remained correctly Cautious re this segment! **SHORT GOLD on Close Friday, placing a \$7.00 Stoploss from your short price!**

We have just completed a good long leg in the **CRB Index** and **MANY Commodities**, and we are hesitant to re-enter under present chart indications, as well as the Jupiter/Neptune trines detailed last CP letter. The **CRB** has powered ahead and is still up 7% year to date, but momentum is flagging seriously, and this is also probably a better Short for now.

The aforementioned Jupiter-Neptune Cycle may put a crimp in expansionary plans for asset bases for 4-5 months, after which a **VERY BULLISH** Cycle environment will probably take them **ALL** higher for an additional YEAR!

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, **along with GOLD**, (from April 5, 2001)! The Major shift to Resources is ongoing and will probably last for years, **but we look for a multi-month correction phase** after a spike in the near future, probably at the May 8 New Moon almost exactly square to Neptune, planet of Inflation, Deception, Religion and OIL!



ASTRONOMIC ACTIVITY

- MAY 2 = Saturn squares Moon's Node = Difficulty or breaking of connections, mergers fail, partners split. Not good for stocks, either.
- MAY 2-6 has 7 hard or difficult planetary aspects and only 2 easy or favorable = probably difficult for stocks as well.
- MAY 8 = New Moon squares Neptune = Inflation, Deception. Gold and oil up! Someone in power uses secret agencies to escape justice
- MAY 10-11 = Saturn squares True Node, Mars hostile to both = Energy fizzles, expectations delayed, misunderstandings, accidents.
- MAY 14-15 = The weekend carries a huge amount of negative energy, still more into Monday and early Tuesday.
- MAY 19 = Neptune, ruler of oil & inflation, goes into retrograde motion = Possible turning points in inflation hedge categories.
- MAY 21-23 = Another weekend of unusual tensions, culminating with the Full Moon Monday evening & with Saturn 150 to Pluto!
- MAY 25 = Wednesday is very intense, but not all bad. Some equal-time cycles are supposed to bottom in this frame.
- JUNE 2 = Mercury square Uranus, Mars squares Pluto = Another monster BAD Day! Bad news from abroad?!
- JUNE 6 = Monday's New Moon is trine Neptune = A temporary LOW in oil/metals.
- JUNE 11 = Mars enters Aries, god of War at home! Saturn 135 to Uranus = Not good for the economic business cycle!
- JUNE 13-15 = Four more relatively nasty aspects. Uranus retrograde station can be turning point in oil, computers.

ATTENTION: The letters are usually mailed 1st Monday. The June issue will be on Monday June 6, 2005.

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