CRAWFORD Perspectives

November 5, 2007 Vol. 07/11

MARKET UNRESPONSIVE?!

The week after the 1987 market crash, President Ronald Reagan called in his economic and financial wizards and said: "Don't let THAT happen again."

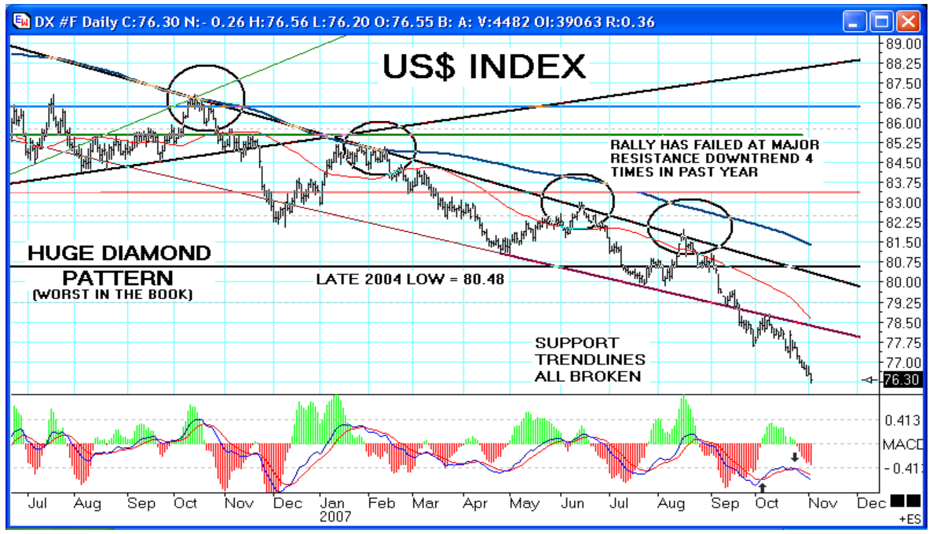
Since that time, more or less, financial markets have acted as if they were on Prozac. Not that overall markets don't rise and fall, but they have done so in less dramatic fashion than has been their wont. Only after 9/11 did things seem to get out of hand for a few days, while the DJIA had its worst percentage decline for a week since the fall of France in May, 1940!

From there, we watched the VIX (Option Volatility Index) drop gradually into a long slough of despond, lasting for years, from which it has so recently begun to emerge. During that entire period, any large intraday point loss has been considerably lessened or even reversed before the closing bell.

It has also become commonplace that when Asian markets open down hard, and Europe soon follows, that US overnight Index Futures drop initially, but begin to recover around 5am ET and by 10-10:30 ET, all or very nearly all of the damage, so evident abroad, has been erased.

The worst of damaging declines so far this year have begun with markets in China, which our erstwhile "protectors" have been unable or unwilling to counter. But, don't worry, even those have not carried a full 10% on a closing basis!

That is another, and somewhat longer term orientation. 10% and 20% corrections have



been 'ordinary' occurrences throughout financial history. Not any more! They have been 'outlawed' by Presidents and Congress' that have been bought and paid for by the Wall Street community, by far the largest contributors to election campaigns. This has largely come about as 'public' participation in market volume has declined and trading programs have risen to well above 50%! The "Smart Money" is not only smart, but connivingly clever, as well.

However, the game is changing now, and the power and the money are shifting to the Dollar holders in the East and Middle-East, whom we have kept in check by military as well as economic threats. The Dollar hegemony is on the verge of coming apart, and Russia and China (old enemies, remember?) are warning us against further military incursion in Oil-Country. Iran has stated that they will not take Dollars for Oil anymore.

Meantime the ***Jerusalem Post*** reported Friday that the ***Al-Jazeera*** website "…quoted Israeli and Arab sources as saying that two US jets armed with tactical nuclear weapons carried out an attack [September 6] on a suspected nuclear site under construction…Israeli F-15 and F-16 jets provided cover for the US planes…each US plane carried one tactical nuclear weapon and that the site was hit by one bomb and was totally destroyed." It appears that the battle for dwindling resources is ramping up beyond imagining!

www.jpost.com/servlet/Satellite?cid=1192380718519&pagename=JPost/JPArticle/ShowFull for the full story.

We caution that these reports may or may not be true, but we know for sure that economic statistics from our own government have not been reliable for years, and totally fiction in recent quarters. We don't believe anything Washington has to say anymore…, and that goes for both parties. The dry-rot has become overwhelming!

We continue to call attention to the Mars/Uranus Crash cycle which does not move to extreme negativity until August 2008, and ends March 31 of 2009. Sometime in that frame, the powers-that-be will totally lose control… or… they will proceed with plans to crush the US of A into the "North American Union" by means of terrible economic conditions which will mold public opinion.

These events are closer than most suspect, and the map of the 'American Union' has already appeared as a hologram on the backs of Drivers Licenses of 10 or 11 states!

The next Bradley lows are November 28 and December 2. We may wait for the possible re-test low, as our next CP letter is due on Monday, December 3! We are likely to cover or go Long for a potential year-end rally, but may wait longer to see how the consumers are holding up!

SHORT the S&P500 TODAY or when you get this, with 3% Stop.
The DJIA first SHORT position was never stopped out.

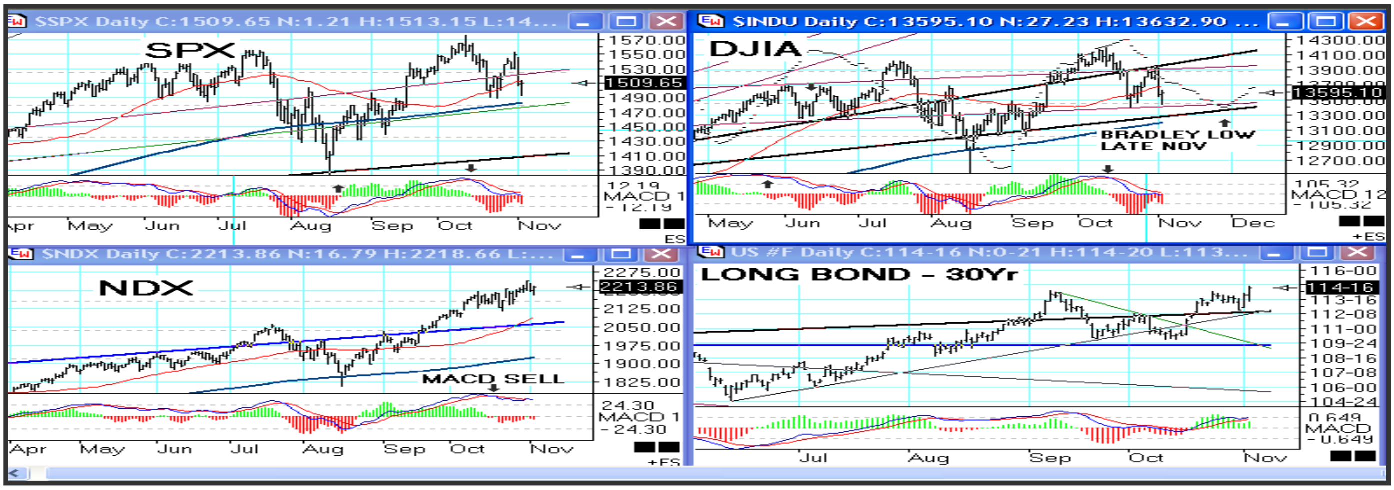
VITAL SIGNS

SHORT NEW 100% Positions on Close Oct 19
On BOTH DJIA and S&P500 with 3% STOPS
DJIA Short 19th Close 13,522.02-Stopped 3,930.01

SHORT 100% in addition on DJIA drop to 13,940
Activated at 13,912.94 with 3% Stop at 14,330.33
THIS POSITION STILL ACTIVE!
And/or 1527 SPX. Place 3% STOPS on all!
ALL S&P500 Shorts Activated on 19th at 1500.63
And Stopped at 1549.38

SHORT the S&P500 again to match DJIA position!

ALL OUR STOPS ARE CLOSE ONLY!!



MAJOR INDICES ARE RIGHT WHERE THEY WERE SIX MONTHS AGO!!
NOT CLEAR YET IF PATTERNS ARE TOPPING OR CONTINUATION TYPES – INTEREST RATE TREND GOOD

All the widely followed major indices, S&P500, Dow Industrials, and NASDAQ100 (NDX) surpassed previous highs, with DJIA and S&P reaching All-Time Highs! The NDX, far from old highs, broke above minor Fibonacci Ratio resistance and is in a favorable seasonality. NDX holding up best could be a strong sign for the general trend. DJIA and S&P are merely correcting a condition of being too far ahead of their 200-Day MA's and 50-Day MA's as mentioned below:

Last month we wrote: "All the major stock indices have extended themselves far above their various Moving Averages and deserve some form of 'resting' consolidation, even if they are able to rise again near year-end. The price extensions are tending towards overbought extremes. They could be peaking now [October 8], as several colleagues have mentioned this week, or may continue into the BRADLEY Model top indicated for October 17-19."

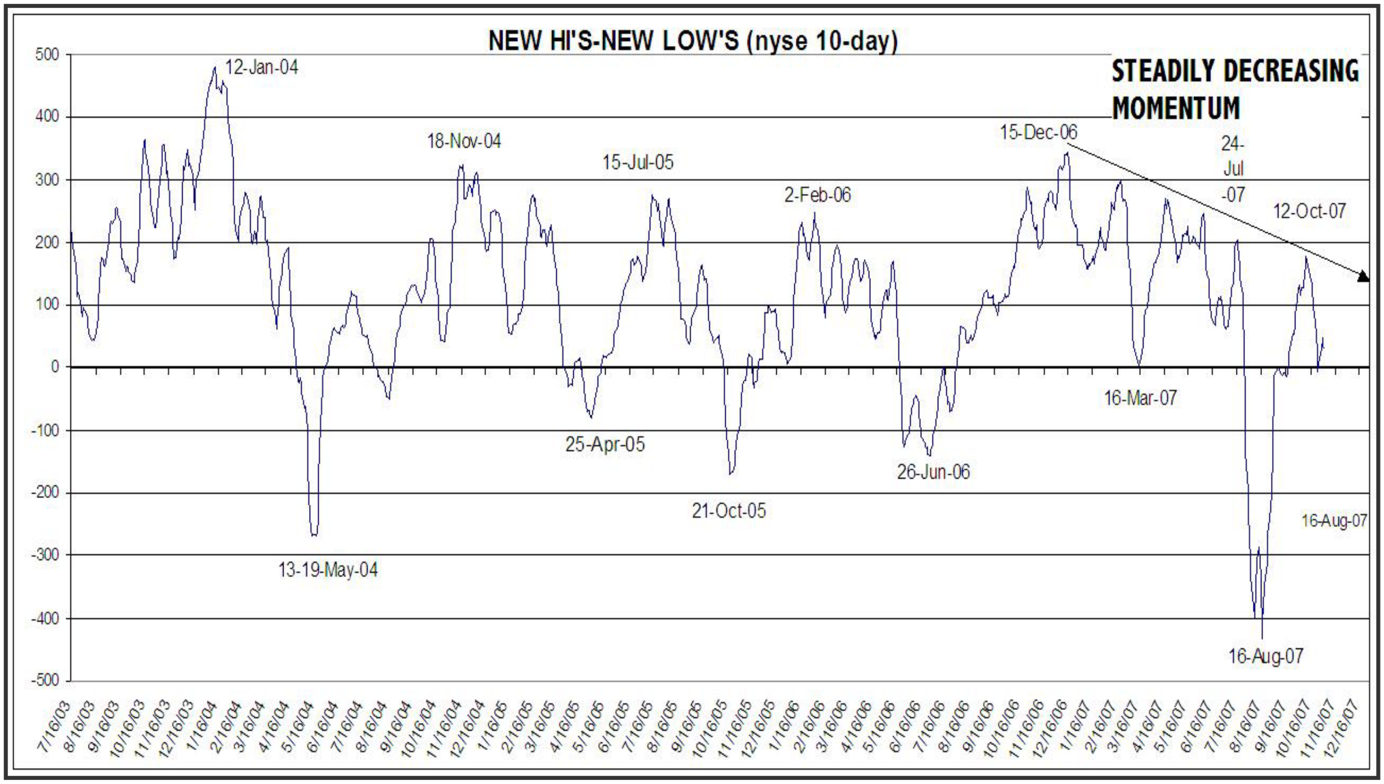
The 19th, we know now, had the -366.94 DJIA drop, surprisingly, on option expiration! Normally, option expiry dates tend to be rather calm events as stocks quietly trade around their option strike prices. If the Dow is off much during the last 3-4 weeks, the tendency is to rise, and to fall if recent action has been strong. Institutions who have written the bulk of the options would prefer not to have such costly surprises! On THAT day, someone Made and someone Lost a real money bundle. It was a very determined decline and closed fairly near to the day lows.

Although it was the 20th anniversary of the 1987 Crash, the decline was attributed to bad news banks earnings. But there is some fear that the slide may have become more adamant from selling by "Sovereign Wealth Funds". That is, stock and bond funds of Sovereign Nations, especially those holding an abundance of reserves, as US Dollars have proliferated greatly over recent years. What if the decline was accentuated by Russia or China just prior to the G-7 (8?) meeting, to warn or threaten the US over our fiscal vulnerabilities?... or to have a stronger negotiating position for the meeting?

We were disappointed to hear on CNBC that Ralph Acampora told Mark Haines that only two people called the 1987 crash, Robert Prechter and Marty Zweig. These are friends of mine (all 4 of them), and I bear them no malice, but Marty turned very bearish the Friday before the crash, and Bob was Bullish at the top, then bearish, bullish again and very bearish in time. Crawford Perspectives gave the Exact TOP Day, over 2 weeks before it happened and that "a horrendous crash" would follow! That opinion was voiced on page one of the OTC Stock Journal ON the Top Day! ***The Wall Street Journal*** mentioned our bearish stance well before the peak & the ***Miami Herald*** covered it after the fact. The 2nd best call was from Elaine Garzarelli! Even Alan Abelson mentioned it obliquely in his outstanding ***Barron's*** column, but without attribution to us directly!

The immediate question for TODAY is: "What's up with Citigroup?" They mentioned just after the close on Friday that their board of directors would convene a special meeting over this weekend. In previous times, such an announcement would have caused a sharp sell-off in the Index Futures for the next 15 minutes! Nothing of the sort happened. And next morning markets worldwide would continue the slide. These days,… complacency?! We can only imagine that Wall Street already knows things are so bad that such a meeting can only be considered 'good' news.

What could be worse news than that a significant portion of all commercial paper cannot be traded at ANY price, for several weeks? And that no one knows who owns what, or how to value it? What that means to me is that our entire Financial System is TOAST, and the beaurocrats and politicians are trying to figure out how to get you and me to pay for it!



BULL MARKET PEAK WAS JANUARY 2004; BUT STEADY DETERIORATION THIS YEAR

Some analysts have commented on recent non-confirmation of the new Index Highs by the NYSE Advance-Decline Line (not shown), but that can go on for months before it may become critical. Here we see the highest point in the New Highs minus New Lows (52-week) as almost four years ago (January 2004), with a series of lower highs in the moving average for over two years. Then a new momentum boost took place into late 2006, above recent down-trending peaks, but without a new Bull Market high, a long term divergence without much meaning.

This year, however, has seen a very persistent pattern of lower highs, which even the recent new price highs have not been able to overcome. And this persistence has lasted for an entire year! That the lower end was also lower than previous is further confirmation that weakness in this measure of market breadth is likely to have greater effect on prices, eventually, and it could be soon. We also have here a defining point above which we can measure growing strength. An increasing balance to the 200+ level would certainly confound the Bearish contingent.

Although price levels have been strong in the NASDAQ, breadth has been less than stellar. Four Hot Internet issues have accounted for a huge amount of the actual price advance. This is once more becoming an 'overheated' market, but with very limited participation. China-India-Russia are also adding far more than their share to the world-wide over-valuation of securities markets. We know how these things end. What we need is the Date they will end. That is not so clear just yet.

"BANKING HAS ALWAYS BEEN A BUSINESS in which the craziest, least-careful players begin to set the rules for everyone toward the end of a credit cycle. Once the late-cycle, easy-money experiments in financial 'sinnovation' get rolling, the main options are to play along or opt out of the game, before it ends with loss and regret.

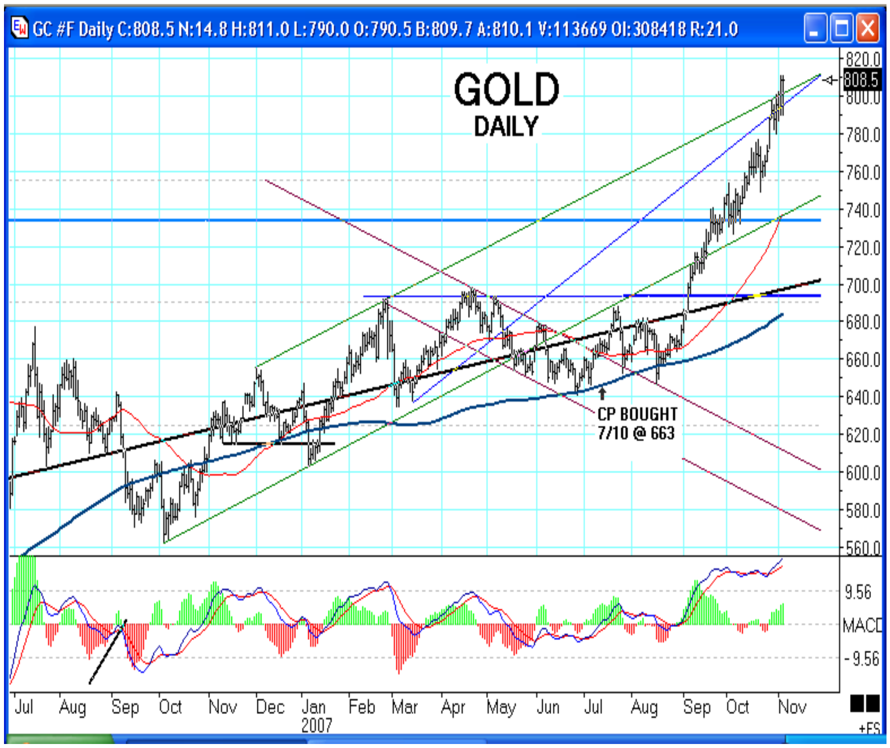
And so, with a fresh round of reports of opaque financial dealings, here we are again, where we've been before…

In that instance [1998], there were also crowded trades in esoteric instruments, mutually destructive relationships among banks and hedge funds and a sudden yet timeless lesson in the hazards of excessive leverage. Then the Federal Reserve cut rates quickly, and, in retrospect, that cheap money provided the fuel for the climactic inflation of the tech bubble the next year." "Remember 1998" by Michael Santoli in this weeks ***BARRON'S***

"As Clyde Harrison told me once, 'currencies don't float, they all sink … only at different rates."

This from Curtis Hesler of ***Professional Timing Service*** newsletter at www.protiming.com

Last month we were looking for a trade to the downside in the **GOLD**. We did **NOT** disturb long term positions, which were acquired at 663, but raised our STOP to 722 until further notice. This caveat accompanied the short term outlook: "A break above 760 on December Gold or 83.65 on Oil could be the beginning of another round of hyperinflation related to Central Bank money creation."



Last Thursday, the FED pumped $41 Billion into the money supply, the greatest amount since the week of 9/11!

There could still be some technical resistance at the psychological round number barriers at $800 **GOLD** and $100 **OIL.** Their simultaneous approach to these levels more strongly assert a likely pause. But a New Moon square (90 deg) to Neptune on Sunday, November 11 will aggravate prices to an emotional frenzy, and probably overcome these levels temporarily.

As long as the Central Banks are pumping big bucks, these trend-setters will move fast. They may pull back to these levels on a corrective move. The Central Banks MUST keep pumping, as long as there is NO MARKET for Subprime Debt! We have been Bullish on Assets in the Ground and particularly **GOLD, METALS, OIL** since April 4, 2001. CP has continued to recommend the Bonds and Currencies with those Assets, such as Australia, New Zealand and Canada, and if you can bear more geopolitical risk, Russia and South Africa.

As for **GOLD** we said in the July 9 CP letter: "We are **Buyers** on an upward break of **663**!... We think it more likely to gap above this first area to the old high at 732 on the 'current contract' chart (above)." **Intermediate & Long-term holders should Raise our current Stoploss order to Sell at 722 on up to 777 until further notice.**

US DOLLAR Index has smashed all remaining support levels and is dropping down from below critical 80.00-80.48 band. We think that another strong short-covering rally is far less likely at present. Closed Friday at 76.30 (see chart page 1) We are closely watching the **Yen** for signs that the "Carry Trade" is beginning to unravel. Although it is below recent highs, the pattern looks like a considerable base, from which its relation to the US$ could explode – soon!

ASTRONOMIC ACTIVITY

NOV 1 = Quarter Moon & other nasties at market close = emotional turmoil over possible news. [DJIA dropped -362.14]
NOV 5-6 = Really BAD Days! The news is worse again. Moon conj Venus, both square Pluto, Sun semi-squares All!
NOV 8-9 = Venus enters favorable Libra on the 8th & New Moon on the 9th could turn things around – Many changes of trend.
NOV 12 = Venus 135 to Neptune, Deception in relationships. Back to short term highs on **Inflation Hedges**! Short again for a trade.
NOV 15 = Mars stations Retrograde (apparent reverse motion) = Energy flags, progress slows. Aggressive action not advised.
NOV 19 = Sun-Mercury-Venus-Mars combo, Mixed social trends, passionate but without finesse. Excitable but not gracious. (Dell)
NOV 20 = Venus semi-square (45 deg) to Sun, as difficult as these planets get with each other = pleasure-seeking without inner values.
NOV 24 = Uranus turns Direct, Full Moon early Saturday morn, Mercury squares Neptune noonish. High but confusing energies.
Look for potential Market Low around November 28-30, Bradley shows a Double Bottom in early December.
DEC 7 = December is quiet until Sun squares Uranus on the 7th! Unexpected excitement. Not another Pearl Harbor – we hope.
DEC 10-12 = Jupiter-Pluto-Moon conjunction, Venus trines Mars, other mild favorables – Pleasant. Reaction LOW in Inflation Hedges.

ATTENTION: The CP newsletters are usually mailed 1st Monday. Next will be Monday, December 3!