

CRAWFORD Perspectives

September 10, 2007 Vol. 07/09

MELTDOWN CONTINUES!

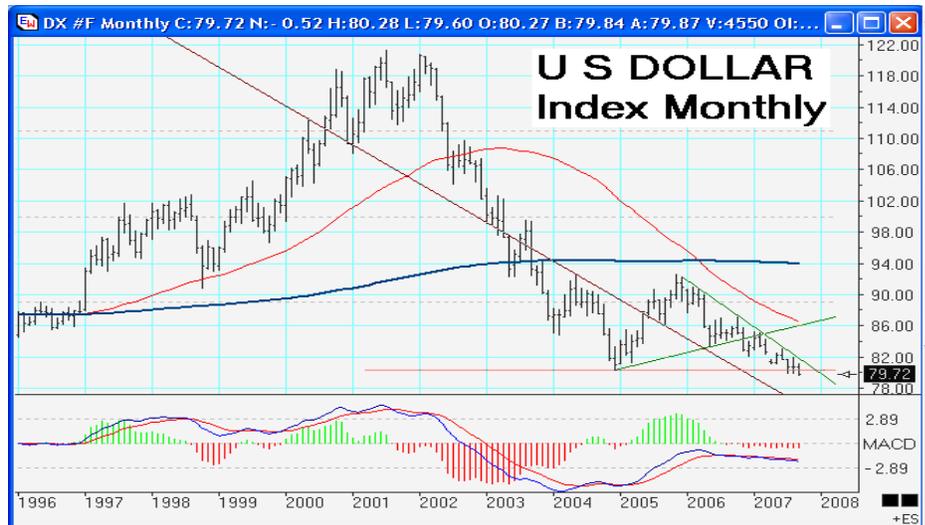
On the bottom of our last page, we list the date of the next CP letter. Last month we wrote: "Next will be left open until we can assess some of the damage!" Our usual date is the first Monday of each month, modified only by our travel or speaking engagements. We wanted to see what our first two of three powerful eclipse-related phenomena would wreak on markets and emotions.

August 9 was the second largest decline in the last 5 years, superseded only by the Chinese 'contagion' of February 27 (DJIA = -387.18). August 16 was off -343 (7x7x7) before a sharp rally erased nearly the entire day's drop.

The **Lunar Eclipse** of August 28 dropped the Dow Industrials by -280.28. Our next date of great importance was September 7, when Mars squared the coming eclipse point while Pluto station initiated its forward movement relative to the Earth. The DJIA declined by -249.97 on a poor employment report. We had written a possibility of War escalation on that day. CNBC reported that Syria fired on Israeli planes and they had fired back that morning, adding to tensions.

The **Solar Eclipse on 9/11** was covered in full in the August CP letter, as were these others. We would not be surprised if scattered terrorist explosions were at least partially successful. September is an extremely violent month.

This projection was given for tomorrow: "Will we attack Iran while Congress is on leave? Will the activation of the 9/11 degree herald another attack here? Will a natural disaster activate government supervision as with Katrina? Will the markets react as negatively as they did in 2001? The following week was the worst % decline since the fall of France in May of 1940, and bottomed on the Fall Equinox!"



A T-square composed of Mars opposite Pluto with both squared by Sun September 17-19. Mars-Pluto opposition on the 21st. This is the next extremely violent period, and news will probably affect markets. Mars opposes its own position on 9/11/2001 on the 28th.

Perhaps some of this month's violence will be staged to keep our attention off the Real problems in the international financial system! The subprime problems have caused a near total freeze in commercial paper markets. Corporations have been able to raise money through selling of short term notes, so have not bothered with bank loans, which are usually higher rates. Now that option is closed to them, and they are forced to utilize bank lines of credit, **IF** they can get them.

We said of the eclipse period: "This period with the two eclipses is so scary—you have no idea!" Although a few analysts have tried to explain the seriousness of these events on CNBC, they are usually vehemently opposed by Sell Side Wall Streeters with an agenda. Our opinion of their agenda is: "Don't tell anybody how bad it is until WE get out!"

If you wanted some or all of your money back from Hedge-Funds, you had to request it from them in writing by August 15. We think so many are pulling out that it frightened Wall Street into dumping stocks on the August 16 Meltdown! To pay out these monies on September

30, enough CASH must be raised by then to cover withdrawals. These entities are typically margined to the hilt, so they will have to sell 5, 6, 10 times the amounts requested to accumulate the requisite CASH levels to write the checks.

Now there are "No Bids" on a large segment of their holdings as Risk Premiums have shot up and faulty bond ratings have muddied objective analysis of true values. No one wants to Buy any more until these uncertainties are sorted out.

"The behavior we are observing in the last seven weeks," former FED chief Alan Greenspan said Thursday, "is identical in many respects to what we saw in 1998, and we saw in the stock-market crash of 1987." - Who says they don't 'Ring a Bell'!

This statement by this person immediately suggests that our power elites are ready to prick the bubbles of debt across the entire spectrum, leading us into the 'D' word, not just the 'R' word!

For a hint of what is to come, read *The Road to Serfdom* by Friedrich August von Hayek, economist of the Austrian School.

September has been the worst month for stocks in recent history, and especially in the years ending with (7)! We believe this one will follow suit, but for safety's sake, we continue to keep Stoploss Orders active on ALL positions.

VITAL SIGNS

RESHORTED 100% ON A CLOSE BELOW 1500 BASIS S&P500 or 13,300 DJIA with 3% STOPS

(S&P500 Short @ 1482.66 on 26 July-STOP @ 1527.14)
(DJIA Short @ 13,265.47 on 27 July-STOP=13,663)

INCREASED TO 200% USING FULL MARGIN DJIA Short @ 13,468.78; S&P500 @ 1467.67

USE Same STOPS As ABOVE On 1st TRADES

ALL OUR STOPS ARE CLOSE ONLY!!



ARE THESE BOTTOMING PATTERNS OR ARE THEY ROLLING OVER TO NEXT LEG DOWN?!

VOLUME INDICATIONS (NOT SHOWN) ARE NOT YET CONCLUSIVE; MACD's RECOVERED TO ZERO LINE

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 (Constant Contract Price).

All the widely followed major indices, S&P500, Dow Industrials, and NASDAQ100 broke to new low levels for the last few months, approaching but not breaking the March reaction lows. There is a possibility that the action over the last five weeks could be developing a Head-and-Shoulders type bottom pattern. To prove that case, Indices must turn up very soon and break above recent rally highs. Although all have once more declined below their 50-Day MA's, only the very large indexes have returned below their 200-Day MA's. Of the charts above, only the S&P500 came back below the 200-Day.

The Right Shoulders of both SPX and DJIA look a little top-heavy for a dynamic recovery, but anything can happen in markets. The Astro-dynamics are clearly negative, with a Solar Eclipse on the anniversary of the 9/11 attacks. Isn't that going to be just too attractive for more mayhem? If that's not enough, both Rosh Hashana (Jewish New Year) and Ramadan (Muslim) will begin celebration Wednesday night, September 12.

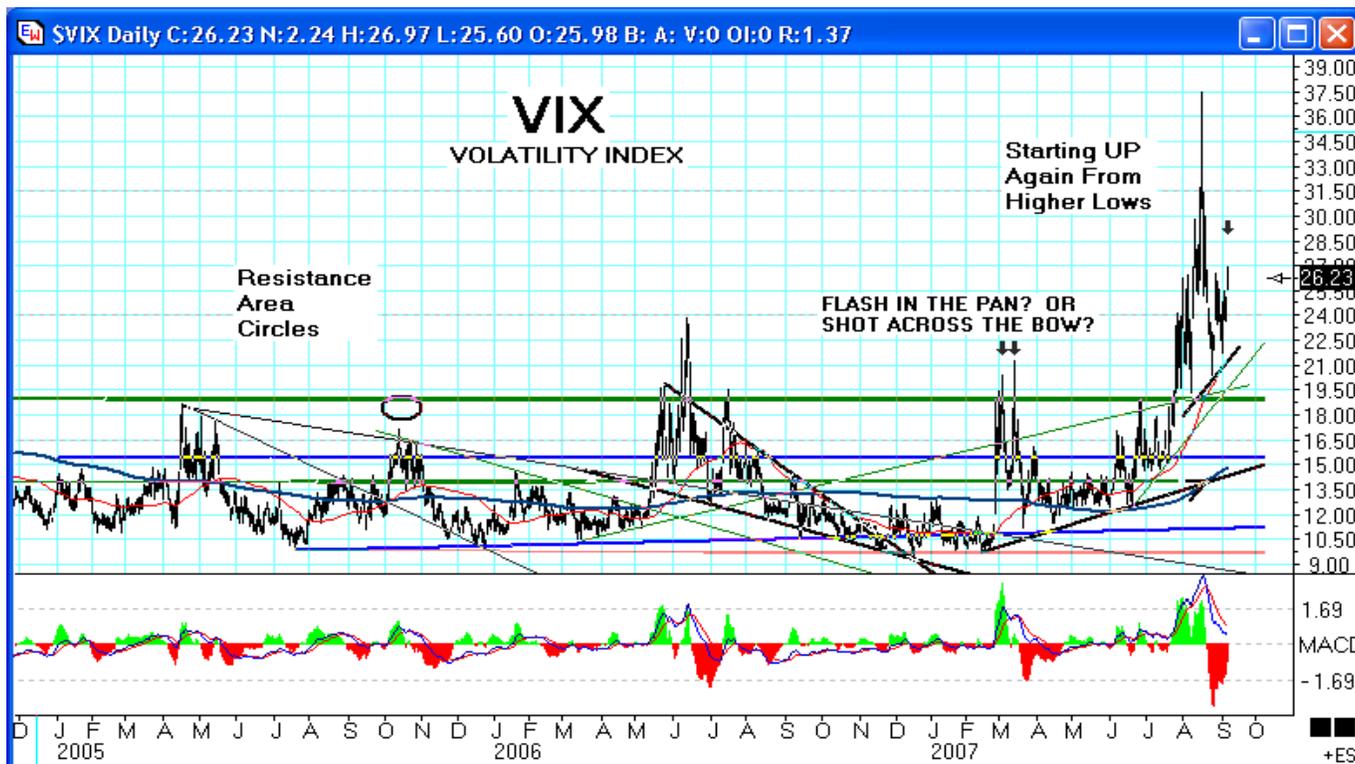
One might think that with everyone celebrating, it would make peoples feel somewhat closer, reminding us of similarities. But THIS particular one is so very close to the Solar Eclipse on September 11, considered an evil omen all around! Yom Kippur is 10 days later, and we've already had one large Arab-Israeli conflict begun on that Jewish Holiday. The 22nd will shortly follow the very hostile Mars/Pluto/Sun T-square (17-21 Sept).

The Fall Equinox will occur as Sun enters Libra early on Sunday morning, September 23 for the U.S. We will be pleasantly surprised if this powerful and tense period passes without major headlines, geopolitically or financially. We once did a study of greatest single declines in the S&P500 from 1924-1990. Two thirds of the Down days occurred in one third of the calendar year centered on the Fall Equinox! Most are now familiar with the 'seasonal' pattern. We conjecture that it is strongly affected by the trends toward Darker and Cooler in the Northern Hemisphere, the steepest declines in light & temperature are at the Fall Equinox. So, could this attempt to form a base at these price levels FAIL, and another leg down ensue? Considering the sky patterns, we think that is our best bet – to stay with the downside projections until proven otherwise, at least until we whistle past the equinoctial 'graveyard'!

We notice that the BRADLEY line in the DJIA chart is in a sharply rising trend into mid-October. We are of the opinion that there will be a directional Inversion in the Bradley over this period. We must remain vigilant, though, as the projection line has its own characteristics, and is correct on market direction nearly 2/3 of the time, at least on the longer term.

“Prices as they fell that morning kept crossing a large volume of stop-loss orders – orders calling for sales whenever a specified price was reached. Brokers had placed many of these orders for their own protection on the securities of customers who had not responded to calls for additional margin. Each of these stop-loss orders tripped more securities into the market and drove prices down farther. Each spasm of liquidation thus insured that another would follow.”

- *THE GREAT CRASH – 1929* by John Kenneth Galbraith



VIX IS ONE OF FEW CLEARLY NEGATIVE INDICATORS!

Having spent the last few years in a long base at relatively low levels, the CBOE Option Volatility Index gave a clear warning of the dangers that have been building over recent months. We were waiting for VIX to rise through 20 and then 24 to give a substantial SELL signal on the stock market. It finally obliged us by closing at 24.17 on July 27 – the day our SHORT orders were triggered by the price level of the DJIA (our S&P500 SHORT was activated on the 26th).

Our other confirming technical indicator was the expansion of the NYSE New 52-Week Lows past 40 for 3 days. They hit an incredible 1132 on August 16, often enough to stop a decline, sometimes permanently. But the excesses in modern markets are so rampant that it will take extremes of oversold technicals far more than for any ‘normal’ markets. You can expect to see radical ‘reversions to means’ that will curl your hair & curdle your milk! At REAL lows in stocks, the VIX readings have exceeded the mid-50’s! Some at CP are long VIX Call Options, although we rarely (if ever) make specific recommendations in options for clients/readers.

Anyway, the VIX chart (above) gave very strong hints of this market decline very early, as it was making a series of higher lows from February through June (see thick black line at bottom right). We wrote last month of the repeal of the “Uptick” rule whereby one may now Short stocks without waiting for a higher priced trade to activate the Sell, and that this would facilitate ‘Bear Raids’ in individual stocks or stock groups. That has increased Volatility considerably, and is partly responsible for the wide swings nearly every day in intra-day trading. Of course, it changes the game for “Computer Trading” and may be part of the reason so many Hedge Funds lost money the last couple of months! They didn’t Adapt quickly enough!

So VIX made three higher lows in August, and just confirmed a higher high on Friday! This positive action (for a higher VIX) is indicative of further stiff declines in stock prices. Not to mention that the Commercial Paper markets remain largely Frozen. If you are a company that can no longer finance themselves by ‘rolling over’ your outstanding short term notes and bills, you are going to pay sharply higher rates to get it from a bank – IF YOU CAN GET IT, AT ALL!

Our concept has for years been that we are following the 1987 scenario where US officials talked our currency down, and then it got out of hand in accelerating lower too quickly, forcing a rapid rise in interest rates, which then crashed the stock market. This time it appears that the bursting of the lower quality debt bubble is enhancing the desirability of treasury issues through the ‘safety’ aspect, but the US\$ is declining anyway and rates other than governments are rising like mad!

Arch Crawford will be speaking at THE WEALTH EXPO at the Javits Center in NY City October 19-21
SIGN UP NOW! MORE INFO = www.thewealthexpo.com

Last month we wrote: “**OIL** looks like it’s begun another leg up to the 78-80 level, a retest of the old highs...” It is back up to 77.12 vs. the older high at 78.77. “Our next major **BUY** point in the Inflation Hedges, generally, is from now to Labor Day...” That has been a very good call! “We would only add that if the Middle East becomes politically or militarily active again, the next heavy resistance would be at the top of the old trend channel, now around the 100 range.”

As for **GOLD** we said in the July 9 CP letter: “We are **Buyers** on an upward break of **663**! We continue to look forward to a possibly Hyper-Inflationary spiral by Labor Day at the latest.” **GOLD** broke immediately above 663, and has not looked back! **The central banks pumping of international money supplies in mid-August may be the trigger for the Hyperinflationary spiral.** The price chart has now broken above its seven month trading zone and looks much higher, but is up to its first minor resistance trendline, and may rest here. We think it more likely to gap above this first area to the old high at 732 on the “current contract” chart (above). Place a **Stoploss order to Sell at 677 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. We are closely watching the **Yen** for signs that the “Carry Trade” is beginning to unravel. It has passed resistance above downtrend channel lines and could be in for some ‘open-field running’!

ASTRONOMIC ACTIVITY

- AUG 13-14 = Inflationary. Big Down in stocks, may be UP in Gold & Oil – Sun/Mercury/Neptune conjunction!
- AUG 17 = Option Expiration Friday! Mercury/Venus/Sun conjunction = Probably a sharp rally day!
- AUG 28 = LUNAR ECLIPSE = This period with the two eclipses is so scary – you have no idea!
- SEP 7 = Another highly explosive day – perhaps the Most explosive as Mars squares the coming eclipse point and Pluto changes direction.
- SEP 11 = SOLAR ECLIPSE on 9/11 will pour salt into the psychic wounds of the American people – maybe to suffer further indignities!
- SEP 17-20 = There are two, somewhat contradictory 3-planet combinations here. Artistic/romantic Mercury/Venus/Neptune and in the same time frame, an extremely violent Sun/Mars/Pluto = Strange & violent whip-saws in both directions, hope & then dashed hope.
- SEP 21 = Both of these combinations end on a negative/tense/violent combo on Option Expiry. Mars opposite Pluto, Venus opposite Neptune. This is NOT an easy call. We would prefer to bet the downside on this day, but not heavily, unless clear intraday trends develop.
- SEP 26 = Another extremely active day with a Full Moon 14 minutes before the Market Close! First = Good news. Then, high emotion.
- SEP 28 = Mercury 135 to Uranus 11am. Dell Horoscope says: “Communications destabilize as emotional overload disrupts logic”
Evening = Mars enters Cancer, opposing its own position on 9/11/2001 = Peace on Earth? – Forgeddaboutit!
- OCT 1-3 = Counter trend rally could spark markets and bring some hope, even into the 8th.
- OCT 9 = Jupiter square Uranus will likely bring more bankruptcy announcements.

ATTENTION: The CP newsletters are usually mailed 1st Monday. Next will be 2nd Monday, October 8!