CRAWFORD Perspectives

March 31, 2008 Vol. 08/04

MAJOR INDEX BASES FALTERING!
BOTTOM INDICATIONS FADING

Please observe the chart at right and notice that the top and initial declining pattern are remarkably similar to that of the year 2000, even to the same 'support' and 'resistance' levels so far. This first quarter drop has found some support at the .382 level (38.2% of the five year rise from 2002 lows) or near 1255 on the SPX. In addition, the price level is holding at the 200-Week Moving Average, at least for now.

However, every time markets bounce on some good news, they are soon overwhelmed by several instances of really bad news immediately following. Thursday's decline on increasing volume has damaged the credibility of the power of the two 400+ DJIA up days. Furthermore, the rally highs have continued to reverse at lower and lower peaks

Although the NYSE 52-week new lows have had 4 days under 40 last week, the New Highs cannot seem to find any traction and their 10-day MA remains in declining mode. These factors will improve somewhat this Tuesday when we drop off the 759 new lows (Mar. 17) from our short term moving averages.

Usually month-end, and particularly quarter end have tended to rise with 'window dressing' of favorite stocks by institutional holders to make their monthly/quarterly results look better at reporting times. This week's fade was a disappointment to the Seasonality players unless it recovers sharply early this week, with re-investment money.

Tomorrow is also the fiscal Year-end for Japan, and they are rearranging portfolios accordingly. We have been lonely in calling the subprime bond mess the 'Atomic' Bomb that will trigger the 'Hydrogen' Bomb of the Yen carry-trade becoming unraveled. It was the extreme low rates there that set off the tsunami of cash sloshing about in the World and eviscerated any power the Federal Reserve and other Central Banks had of controlling their own nation's financial affairs.

Adding to the impotency of central controllers, corporations could go to the Commercial Paper markets for funds much cheaper than the banks would loan to them. Now, with commercial paper markets all but frozen, but to the elite of largest players, corporations are forced to return to the banking establishment for operating funds at higher rates, and that, among several other things, is beginning to impact corporate earnings.

In our opinion, first quarter earning reports in April will bring further disasters to light. Whether it will be one every day, or just one every other day or so, stock prices will be fighting considerable 'drag' from recent fundamental developments. It will not be pretty.

Looking at the chart (above) you will notice the presence of extremely rapid rally phases during the 2000-2002 Bear Market. So far there has been not even one yet. That will change. Sentiment readings could support such a thing at any time now – or not! From late 2000 to early 2001 there was a fairly good rise, which we have already duplicated approximately. During that period, the MACD (momentum oscillator) at the bottom portion showed barely a ripple attempt to turn, which failed, followed by a far deeper 'spike' low to the lower chart border. We could reach those same 'oversold' readings by dropping straight down now to the 61.8% retracement level, as we did then (green line around 1070).

We had expected more of a 'clean-up' capitulation move by now, followed by a rally into the summer, before the Mars-Uranus Crash Cycle takes hold in the August 2008-March 2009 period. Our position will become more aggressively 200% Short during that time. Talk about the 'water-torture' at Gitmo, we're experiencing it right here on Wall Street!

We wrote last month: "Beware those spikes above technical resistance levels which are quickly retraced. It is merely the Stop-grabbing efforts of the desperate Bulls!" AMEN!

If the DJIA returns to 11,700, drop our Stoploss point down to 12, 500. If SPX declines further to the 50% retracement level at 1160, lower Stop on down to 1310.

VITAL SIGNS

SHORTED 100% at 13,912.94, recent Stop 13,170

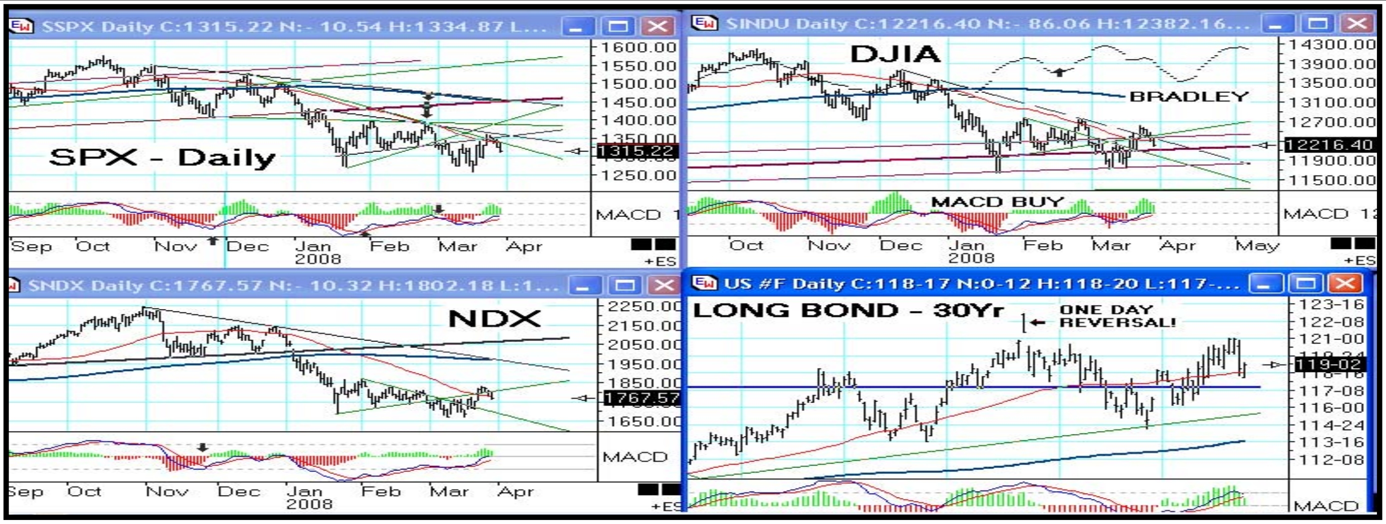
SHORTED 100% Nov 5 @ 1502.17 Stop Now 1370

IF DJIA DROPS TO 11,700 DIP STOP TO 12,500!

SPX went DOWN TO 1280, STOP NOW 1370!

If SPX reaches 1160, lower STOP to 1310.

ALL OUR STOPS ARE CLOSE ONLY!!



THE POSSIBLE BOTTOMING PATTERNS ON MAJOR INDICES ARE NOT SET IN STONE!
SPX and NDX BROKE TO NEW LOWS, all BROKE ABOVE 50-DAY MA's, now ALL BACKING DOWN ONCE MORE

All the widely followed major indices, S&P500, Dow Industrials, and NASDAQ100 (NDX) are now below their 200-Day Moving Averages and back below their 50-Day MA's once again. All have broken their November lows and even their August lows. Certainly, their attempts to change trend seem to be failing this week as downside days occurred on increasing volume. Warning flags still flying! Continuing problem = Major Indices are not able to launch a series of 'higher highs.'

A further suspicion arises at the divergence formed by the DJIA NOT making a new low with the S&P and NDX indices. For a more consistent bottom formation, we would prefer to see the DJIA making a new low without the others. Since the DJIA 30 stocks are more easily manipulated by the Wall Street Gang, they use it as a Hook to catch the less aware public, making it look Good near market highs and Weak at market bottoms. The current pattern suggests the insiders want to keep the public IN at this time, which is not likely to be in their best interest, but in Wall Street's best interest!

We continue in the opinion that we are in a Major A – B – C or 1 - 2 - 3, whether Corrective or Impulsive in nature, since the January-March 2002 market peaks. In either instance, a third wave to the downside would dwarf anything we have seen so far and would destroy more wealth than anything but the 'housing bubble'.

The BRADLEY Model which is entirely astronomic related indicates a market dip into April 9, a rally to early May. From there a drifting until another pop up into late June to complete a multi-month Triple TOP pattern. It shows a more serious decline beginning in August.

From this weekend Wall St Journal: "One of the world's biggest brokers is about to force its clients to take a haircut on a type of security that investors had believed to be safe as cash.

UBS AG began on Friday to lower the values of so-called auction-rate securities held by its clients, a move that will be a jolt to customers who had been told they were investing in a 'cash alternative.' The move is yet another way that the credit crunch that began with subprime mortgages has spread to unexpected places and upended conventional wisdom about the financial system.

The Swiss bank appears to be the first major firm to take this action and is expected to inform clients via their online statements shortly. The markdowns, which will be made using an internal computer model, will range from a few % points to more than 20%, a UBS broker said.

Other brokers are expected to follow and several are waiting for the end of the quarter in the coming week to make the decision. …

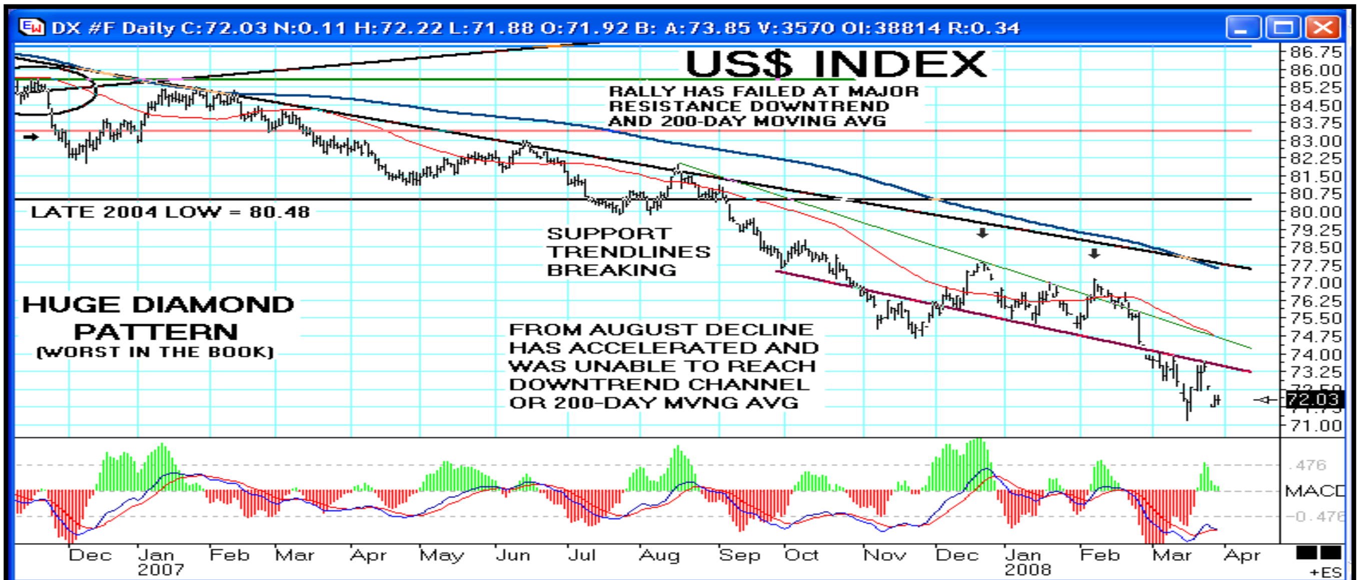
UBS, Deutsche Bank AG, Merrill Lynch, Morgan Stanley and Citigroup have been sued in U.S. District Court in Manhattan for allegedly deceptive marketing of auction-rate securities. More lawsuits are expected over the coming weeks."

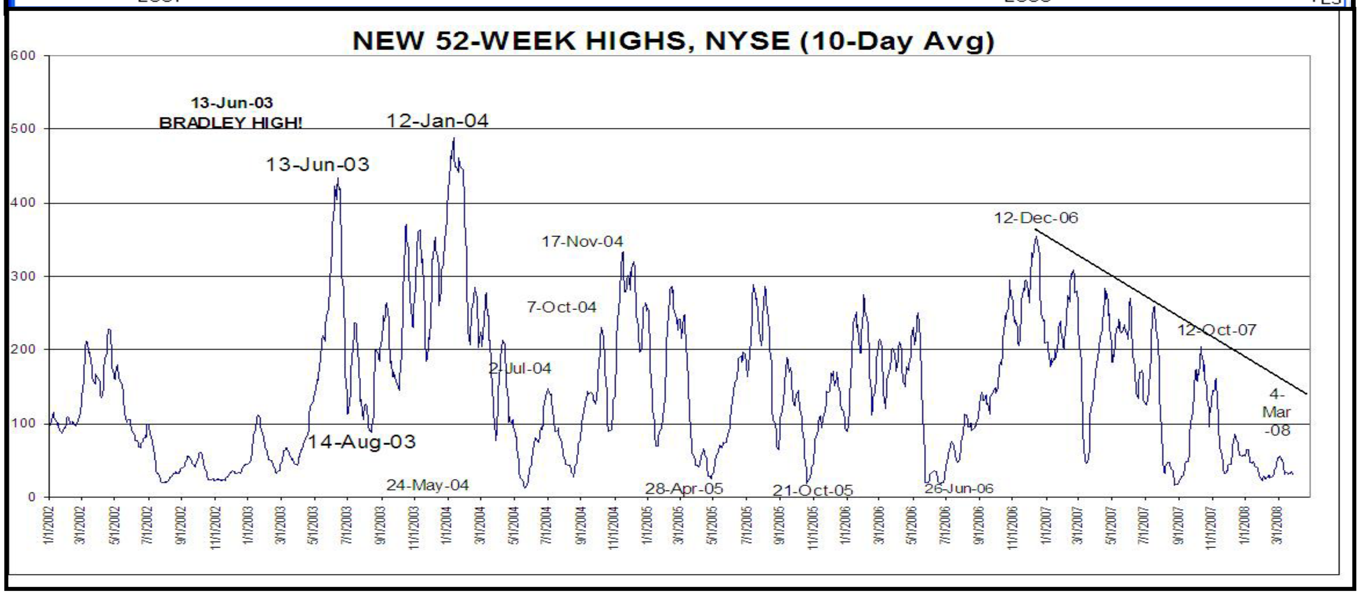
In our opinion, this means that the medical verdict is: The cancer has metastasized and you have … months to live!

Well, it's a Bull Market in Lawyers!

Arch Crawford will be speaking at the WEALTH PROTECTION Conference in Tempe, AZ April 4-5
Very Good speakers for a reasonable price! 1-800-494-4149 for more info.

The US DOLLAR Index has accelerated its downside momentum after breaking its December 2004 low at 80.48. You can see in the chart (below) that subsequent rally attempts failed to reach the major downtrend channel line and the 200-Day moving average, which had even been breeched slightly on several previous occasions. Even though the MACD momentum has stabilized near the bottom of the chart, it remains in steeper declining mode, having dropped about 10% since early last September on the final give-up to that earlier price support. Last month we wrote: "[**It has rolled over to the downside once more, well below the downtrend line that it reached several times on the way, giving an increasingly weakening chart pattern, and still looks like a Short here around 76.00-76.60!]"** Looks to be in Free Fall against all other major currencies!

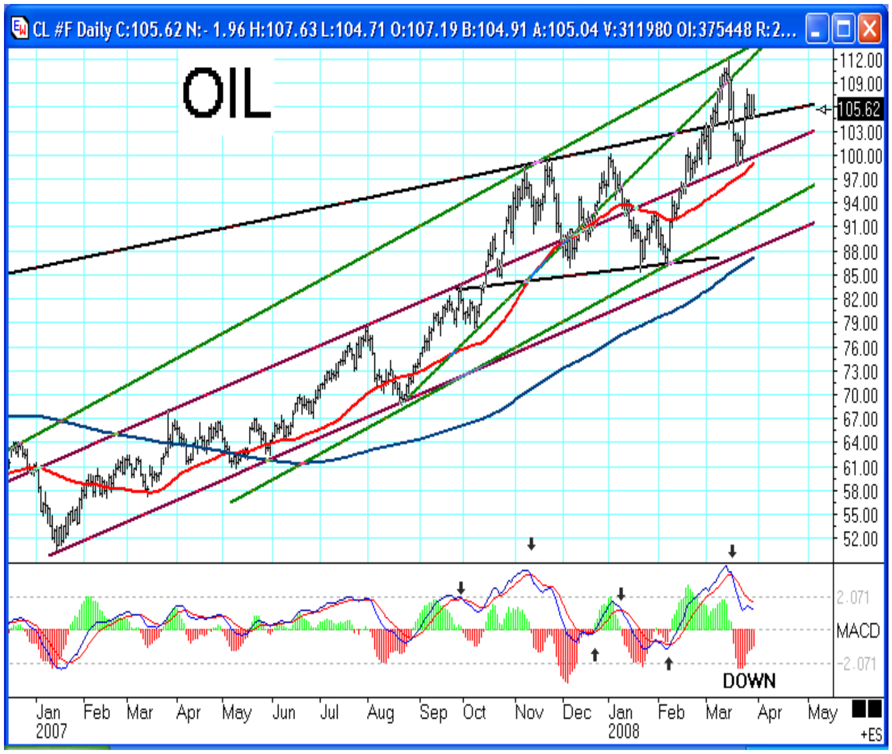




NEW YORK STOCK EXCHANGE 52-WEEK NEW HIGHS HAVE SLOWED THEIR DOWNSIDE MOMENTUM BUT HAVE SHOWN NO TENDENCY TO MOUNT OR SUSTAIN AN EXPANSIONARY PHASE

The bottom chart (New Highs) shows a market flat on its back, without even the slightest hint of strength. There has been no break of any downtrend channel line, nor any rally above a previous high, the very definition of a Bear Market contraction! Not that there won't be a start of one tomorrow, but without some effort, there is no reason to BUY or even to cover short positions until there is some flicker of life in some of the more basic or standard technical measures. Bottom fishing in a market this lethargic is a probabilistic non-starter with self-destructive overtones. We want to see some bases formed, with some higher highs on increasing volume and momentum and higher lows to indicate some interest and participation. The fact that the rallies are still being Sold by informed traders, and thereby stopping short of previous strength, is a very bad sign!

Last month, we mentioned that the inflation hedges would top out and "drop HARD!" into March 19th. The 19th was a red-letter day with the **GOLD** down $60.00, largest single day decline since 1980. **OIL** was down over $6.00 during the day & the **CRB Index** was -16.47!



The **OIL** chart (right) showed a potential Rising Wedge pattern which had morphed into a possible Triple Top, and has now gone back to a higher order Rising Wedge! We consider ALL the inflation hedge commodities at a critical juncture, which will probably require a longer and deeper consolidation phase than we have seen in this Bull Market phase. We caution that it may take several weeks, and possibly several months before a new Bull leg. commences.

We are aware that our willingness to wait, or even short against the major trend can irritate the long term Bulls, but our timing of significant pull backs has been impeccable, and our re-entry points were often just prior to the start of new Bull Market legs! We don't recommend trading against major trends for the faint of heart, or for those seeking contentment over profits, for that matter. It's just what we do because we're good at it and we like to.

Last time we said: "We are closely watching the **Yen** for signs that the "Carry Trade" is beginning to unravel. The FXY (ETF) has rallied from under 83 to above 95 and has been in a mild corrective phase. It could turn Bullish again on short notice, but is currently not in any hurry to prove itself. The mild angle of the decline speaks in favor of further strength down the road!" The FXY extended its gains to 103.46, which should give pause to analysts and economists of every stripe!

We have been Bullish on Assets in the Ground and particularly **GOLD, METALS, OIL** since April 4, 2001. We are now becoming a bit more skeptical about much more immediate continuation in the Inflation Hedges, looking instead for a few more weeks, and possibly months in correctional phases. The long term, multi-year Bull Market in REAL things is probably not over, but this correction is liable to be longer and deeper than previously experienced. We judged that the exponential blow-off moves were carried too far recently, and will require a more protracted retracement period in both time and price. Count your blessings & count your money and hang out for awhile!

ASTRONOMIC ACTIVITY

MAR 7-19 = Inflation Hedges pull back and drop HARD! **[On 19th GOLD -$60, OIL -$6.00, CRB -16.47]**
MAR 30-31 = Another really Good day, Monday, with a Mercury/Venus/Sun parallel! Good for stocks, good for sociability!
APR 2-3 = Pluto turns Retrograde at 1 Capricorn 8 minutes. Mercury enters Aries (2nd) and squares the Pluto station (3rd) – Really BAD!
APR 5 = New Moon in Aries on Saturday = Great time to start new projects, starting phase in the starting sign. Spring is here.
APR 10 = Mercury contra-parallel Uranus and square Saturn, Sun square Jupiter = An anxious and irritating day.
APR 11 = Mercury 135 to Saturn = The bad news comes out before noon.
APR 18 = Mercury completes a grand trine with Saturn and Pluto, UP into the morning of Option Expiry. But the close is in doubt?!
APR 23 = From a grand trine of bad planets to a T-Square of good planets ??? It doesn't make prediction any easier here! – Volatility!
APR 24-25 = Looks bad from the get-go for general market.
MAY 5 = A Landmark day as New Moon 135 to Pluto, Venus parallels Saturn and Semi-squares Uranus = Be SHORT by close on 2nd!
MAY 7 = Another terrifying morning!
MAY 9 = Jupiter turns Retrograde on Friday. Inflation hedges in a recovery trend.

ATTENTION: The CP newsletters are usually mailed 1st Monday. Next will be Monday, May 5!