CRAWFORD Perspectives

May 7, 2008 Vol. 08/05

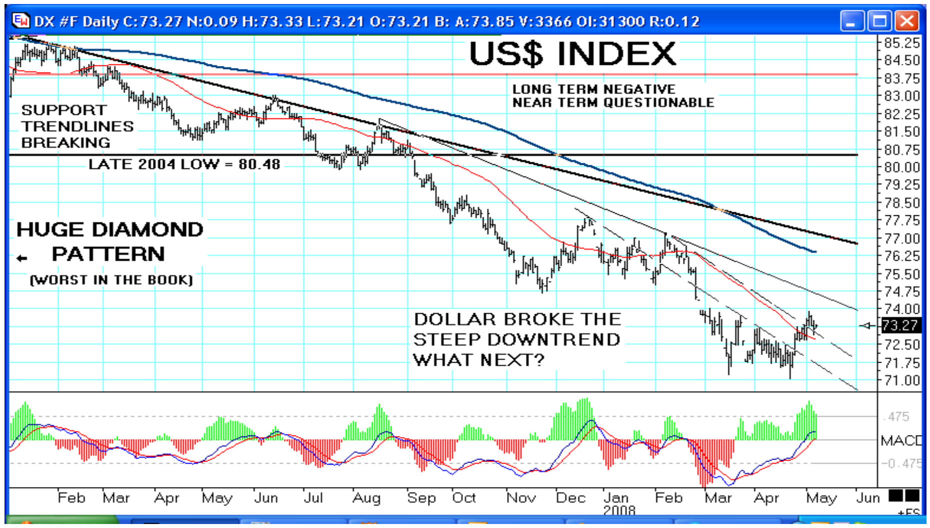
CRITICAL LEVELS AGAIN!
MAJOR INDICES AT 200-DAY MA'S

Two-hundred day (39-week) moving averages, popularized by Joe Granville, then Commodity Research Bureau's Trendline charts in the 1960's, have become important to traders and investors. The time period is long enough to enable a simple trend-following technique to give a fair determination of Market Trend. In more recent years, many Mutual Funds and Hedge Funds use these to get into and out of Major Indices, Stock Groups and Stocks.

These last few months, this method has created some whipsaws in the S&P500 and DJIA but was very effective in the NDX, only rendering its crossing Sell in early January. If you remember that fateful day in August where the DJIA was down nearly -400 points but closed down only a handful, it seemed that market manipulations were aimed at keeping the DJIA from giving out that SELL!

Now, many major stock indices have tripped lightly back up just to, or slightly through these important trend points. Oddly, the MA's in our charts calculated by Signal, or Ensign, seem slightly lower that those shown in Investor's Business Daily, which have not been violated by even a hair just yet. Perhaps one or the other are using the 39-week formula as Trendline does, using Thursday closes.

In any case, there will be a battle between the Bulls and Bears at these critical levels. Technically oriented Traders would be selling against these points as they represent strong resistance to further gains. The Bulls, on the other hand will be amassing buying power to push through, causing Bears to retreat & cover!



It is a hard call to make because there are 12-16 weeks before our Bradley Model declares a strong downtrend to begin taking effect. Therefore Indexes may give whipsaw moves above and below these prominent MA's before the major seasonal downtrend overcomes support. Or, these MA's may be penetrated sharply, but the gains not able to hold. We have warned about technical signals which are rapidly reversed being an even stronger indication in the 'failing' direction. Basically that means that a technical 'breakout' was manipulated to 'trap' the technical traders. These have become much more common in this modern age of computer trading techniques.

In addition to 'technical resistance' at the 200-Day MA's, major indices are also in patterns that are 'narrowing' as they rise, creating "Rising Wedge" patterns, which typically break to the downside. And the tip of these rising wedges, where trendlines converge, is the 200-Day Moving Averages. With the BRADLEY Model down for the entire month, we could have a "triple whammy" with technicals and astro-cycles in agreement on the downside.

We repeat that we are not expecting a huge drop in the current frame - Our point being that there is time for the cats & mice to play their various games before the definitive direction (we believe Down in the Fall) is in final evidence.

VITAL SIGNS

SHORTED 100% DJIA at 13,912.94, Stop 13,170
IF DJIA DROPS TO 11,700 DIP STOP TO 12,500!

SHORTED S&P500 100% Nov 5 @ 1502.17
STOPPED at 1370.18 on April 1 for %8.787 gain

SHORT AGAIN THE S&P500 with 3% STOP

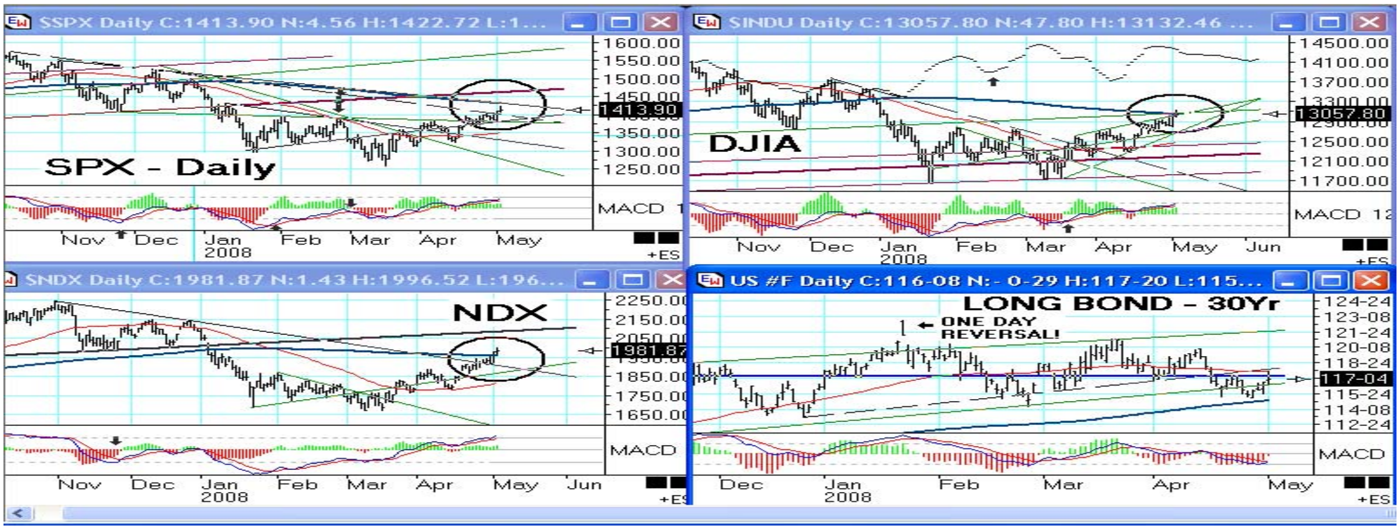
ALL OUR STOPS ARE CLOSE ONLY!!

The CP newsletter covers two distinct esoteric sciences, technical analysis and astronomic cycles. We will tend to write about the more powerful of the two as they interweave from month to month. This month we feel the technical is in a more specific spotlight. The astro indications are quite mixed to slightly negative for this month, without a clear unfolding, while the technical is critical and immediate for Now!

We are very concerned that the first of three oppositions of Saturn with Uranus occurs ON ELECTION DAY! These planetary connections are likely to identify with battle between Conservative and Radical elements everywhere, but concentrated in the US by our preplanned event. Extreme DEFLATION is another probable outcome of these forces, not yet factored into most analysts' models. Our view is that China, whose stocks are already down 50%, will cool off when Olympic building completes. They'll have to have enough GAS for all those tourists. That may top Oil later than some other commods.

SHORT AGAIN the S&P500 ASAP with 3% STOPLOSS!
If the DJIA returns to 11,700, drop our Stoploss point to 12,500.

Arch will speak at the United Astrological Congress in Denver May 15-20, and in Rio de Janeiro stock conf June 18!



POSSIBLE TOPPING PATTERNS ON MAJOR INDICES ARE NOW EVIDENT!

ALL ARE RISING INTO RESISTANCE AREAS BOUNDED BY 200-DAY MA'S AND RISING WEDGES

All the widely followed major indices, S&P500, Dow Industrials, and NASDAQ100 (NDX) are now at or slightly above their 200-Day Moving Averages and their 50-Day MA's have turned upward once again. All have broken above their recent highs back to early January. Certainly, their attempts to change trend have gained some possibilities previously lacking, but immediately critical areas lie here and now! Major Internals are barely holding on – yet seem to be able to do whatever necessary to maintain steady, if not strong, price appreciation.

Another factor in favor of a 'tack' to the downside is that our intra-day or hourly stats are at Overbought readings. This does not mean that much for the intermediate trend, but with the combination of other technical circumstances, speaks more strongly for at least a pause in the days ahead. Still more 'weight of the evidence' in that ARMS Index or TRIN is back down towards short term or longer Sell Signals (chart not shown).

Volume trends have been mixed with some increases on rising prices, yet 'distribution days' have been evident with the S&P500 experiencing 4 in recent weeks where prices broke on increased volume. Advance-Decline figures have completely lost forward momentum by our proprietary measures, and NYSE New Highs peaked on April 18 at 156. Even the 10-Day figures have been declining for several days. (chart page 3)

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 2000 [typo last month wrote 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' and the Yen 'carry trade' unraveling. Though the summer may be relatively quiet, Hurricane Season in wind and stocks centers on the Fall Equinox (September 22-23).

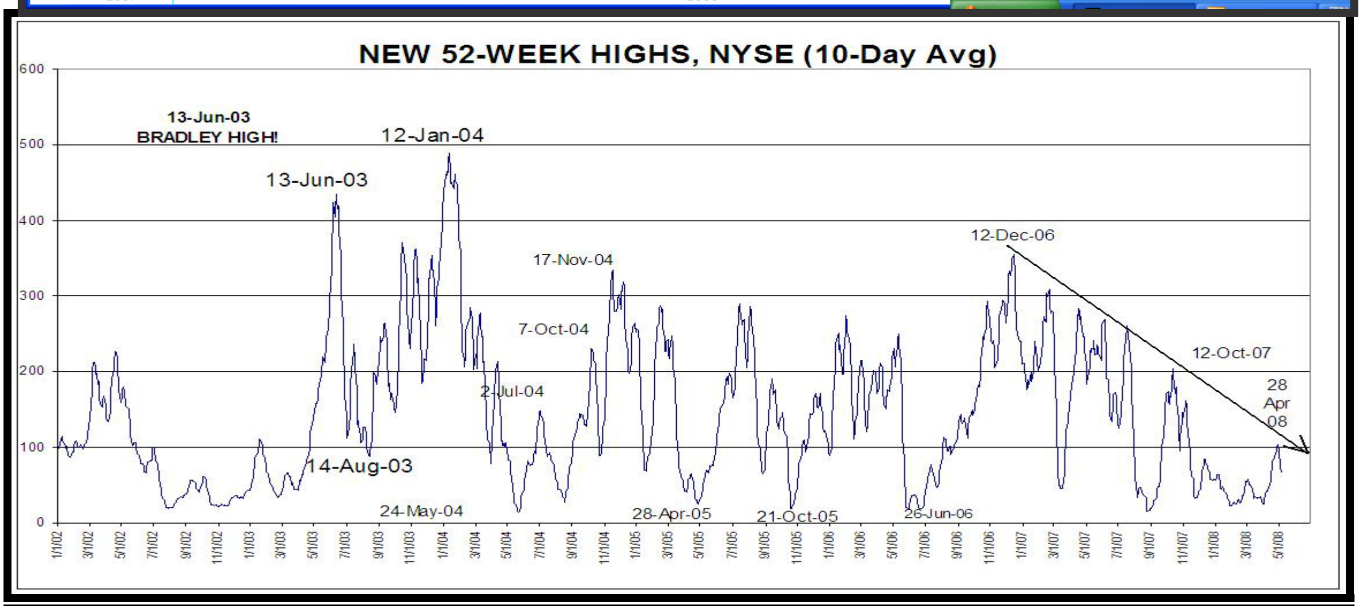
Popular press holds that the "housing crisis" may be over. The real problem is NOT a housing crisis, it is a DEBT Crisis. Commercial Paper markets remain frozen, Interbank lending remains frozen. If our major banks are afraid to lend to each other, and are having to pay 8%-11% for operating funds, what the heck should WE do? As depression-era comic/ commentator Will Rogers used to say: "It's not the return ON the money, - It's the return OF the money!" Because that is the concern here, there is plenty of MONEY around, but there is little or no LIQUIDITY and the FED is "pushing on the string"!

These Money Instruments and Money Markets have not been this inflexible since the Bank Holiday in 1933! Although bankruptcy rates are increasing rapidly, everyone is holding their collective breath and praying that nobody asks for their money back today or tomorrow, and FED and Treasury are not asking anyone really big if they are SOLVENT since all the insiders know that many of the largest ARE NOT!

Recommended Reading: ***The Road to Serfdom*** by F. A. Hayek; ***AMERICA the BROKE*** by Gerald Swanson (Univ. of AZ); and ***WEB of DEBT*** by Ellen Hodgson Brown.

And if you really want to know what's going on, go back & rent the original ***MATRIX*** movie – It's closer to the truth than you can possibly imagine!

The BRADLEY Model shows astronomic cycle energy flattening out for the summer, with little further advance and very little downside momentum developing before September. However, the Bradley does NOT consider Eclipses coming up on August 1st & 16th, New & Full Moons, Declinations or Heliocentric alignments. For all that, when it works, it really nails things often to the day! An additional strengthening tie consists in its agreement with the normal Seasonal Pattern for this year, with a strong decline indicated for September and October. The numbers to the right are for the DJIA only, and the Bradley is merely sized to the chart, so the expected move can be much less or far greater than that indicated. It is also congruent with the Mars-Uranus Crash Cycle which becomes active in early August and continues through March 2009 as a potential danger.



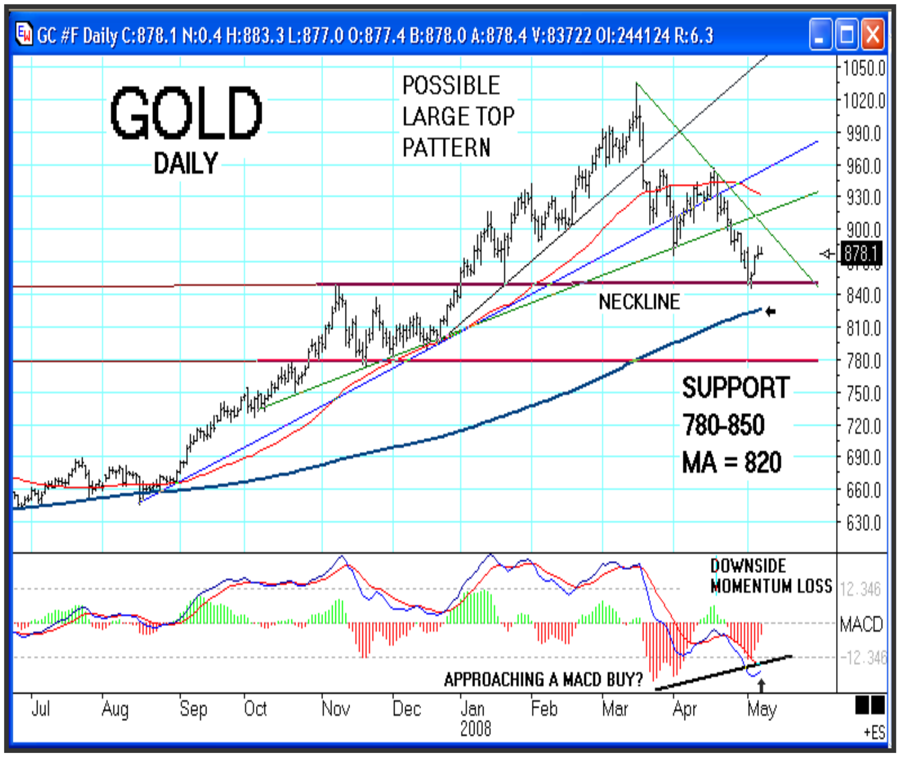
NEW YORK STOCK EXCHANGE 52-WEEK NEW HIGHS CAN'T GO MUCH LOWER BUT CONTINUE THEIR DOWNSIDE PATTERN OF RALLY HIGHS – VERY WEAK

It continues to amaze that the Price Action of Major Indices breaking some important resistance levels, while a few market internals remain moribund. The bottom chart (New Highs) shows a market flat on its back. Even though steepest (and shortest) trendlines have succumbed to the frontal assault, the main, multi-pointed trend in effect for 16 months has given no quarter. There is even another (not marked) at a slightly flatter angle, to resist further advance, should this one give way. 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 can lead to terminal frustration if you are not in those few stock groups that are getting the active play. We prefer to see more cohesion and broader participation without continuing blow-ups!

GOLD is the worst looking chart in our book. It has broken the intermediate uptrend channel line and appears to be forming a Head-and-Shoulder topping pattern. It has dropped down to the 'neckline' where three times trends have been reversed, at least temporarily around 850. It has now bounced $30+ off the support. There will be stronger support at the 200-Day MA (now about 820) and at 780 (red line).

Technically, **GOLD** is becoming fairly Oversold, but the longer term Overbought could keep pressure on for the correctives phase. We believe the lower supports will be tested, perhaps near the seasonal lows late Aug. to early Sept.

MACD (bottom of chart) shows downside momentum losing power and a strong possibility of a Bullish crossing (of the blue line above the red). Perhaps it can manage a better short term rally before succumbing to further weakness. No bets!



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. **OIL** may hold near highs longer, until China has enough of the stuff to Gas up all those tourists attending the Olympic Games. Figure in the 'cracking' time if you think so too.

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

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. Mars enters Leo Inflation hedges in a recovery trend.
MAY 16 = Option Expiry. Unexpectedly sharp decline in the afternoon into Venus contraparallel Pluto early evening.
MAY 19 = Full Moon Monday evening could drive inflation hedge commodities into a high middle of the Mon-Tue night!
MAY 21 = Jupiter sextile (60deg) Uranus could bull stocks into Wednesday afternoon, but watch for sharp pullback 22nd & maybe 23rd.
MAY 26 = Mercury & Neptune both Station Retro in approximate trine, Venus square Saturn = Expect lows in Gold, Oil, CRB Index.
One complication here is that Mercury is at same time in closer square to Uranus bringing surprises and computer problems!
JUN 1-2 = Mercury parallel Venus, both contra-parallel Jupiter = Could push prices higher on Monday – Don't buy the top tick!
JUN 3 = New Moon in Gemini sextile Mars = Highly energetic – may move prices sharply higher.
JUN 6-8 = Weekend very good social, intellectual, with Sun-Venus-Mercury conjunction. Monday a damper on the good times.
Sun/Venus moving in conjunction square Uranus 12th but trine Neptune Friday the 13th & 14th, bad for computer purchase or operation.

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