CRAWFORD Perspectives

February 2, 2009 Vol. 09/02

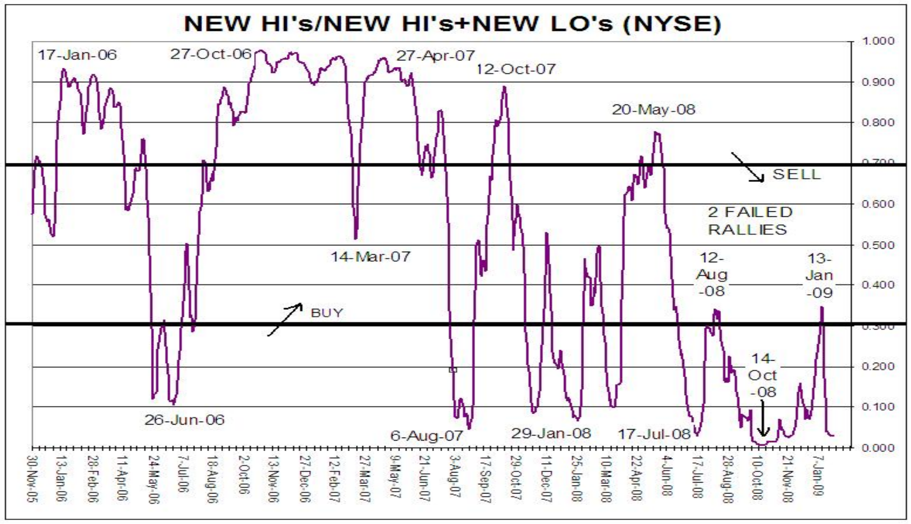
HAPPY GROUNDHOG DAY!

Meteorologists the world over are watching small mammals to determine, by their shadows, the continuation of winter weather. Similarly, economists and market mavens of every stripe are watching the shadows on the walls of Plato's cave to determine the course of a future economic/market "Reality." They may better step outside and look up at the heavens, the lights of which have been most helpful of late! Two analysts who watch those skies were at or near the top in stock and gold market projections in Jim Schmidt's ***Timer Digest*** for the 2008 year! (www.TimerDigest.com)

Although we were fairly cautious in our most recent (Jan) missive, our long positions established on December 15 close were dropped at their 5% stoploss points on January 20 closing low to date. We had hoped to pick up a larger position (using margin) on expected dips of less than 5% during February, and will do so during this month (see Vital Signs box below).

Last month we wrote: "...the Easy Down case has ended now and likely morphing into a complex of base building, prior to the next more exciting advance we think is due from March to late Summer. We are inclined to be short term SHORT for a few days and add to Long positions on dips – but not aggressively yet."

Market conditions are at an important "tipping point" during which the negative indicators have significantly improved, but positives are not yet in place



to give assurance of immediate upside activity. The selling waves that we witnessed in October-November are no longer evident, but have not been replaced by any but the most temporary of buying pressures. As seen above, the chart of NYSE New Hi's /New Hi's + New Lows clearly indicates the aborted rally attempts since the November bottom. Although the New Lows have declined to near zero, the New Highs have also, thus failing to corroborate the positive case. Another example, VIX and TRIN (ARMS) are both trending down away from their crucial fear readings, yet stocks and stock groups are not bringing forth "leaders" and there is little or no "follow-through" for more than 2-3 days – no reliable trends forming. That has not developed enough "trust" for sidelined money to get back in!

We are going to 'go with the flow' of astro-energy and BUY on the Lunar Eclipse (9:50amEST) at OPEN probably on some horrible news over the weekend and a large down Gap, and BUY the 2nd portion on the Bradley Model low on Monday's close, February 23 using Full Margin. Place a 5% Stoploss when purchased and adjust to 5% of the lower of the two BUY points.

VITAL SIGNS

Stoploss for DJIA was 8136.30
Stopped @ 7949.09 Jan 20 close
Stoploss for S&P500 was 825.14
Stopped @ 805.22 on Jan 20 close

Buy LONG 100% on OPEN Feb. 9 no margin
Both DJIA and S&P500 Opening Price
Buy LONG 200% on Close Feb. 23 using margin
Both DJIA and S&P500 Closing Price

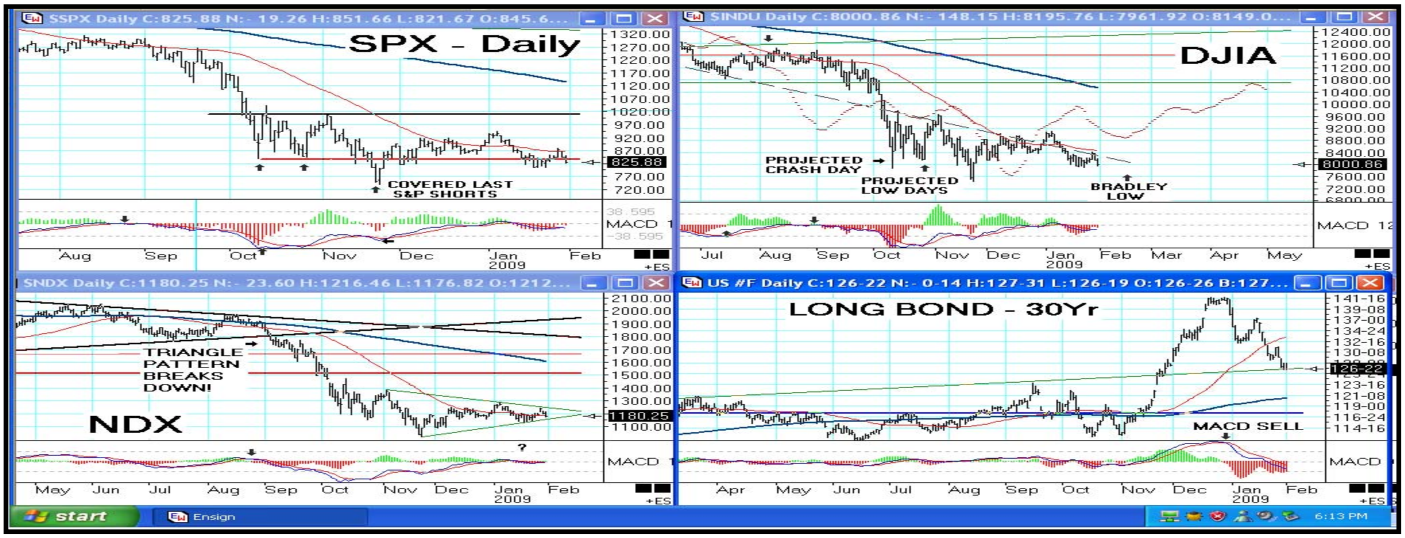
Add Stop on new Long positions at -5% of cost

ALL OUR STOPS ARE CLOSE ONLY!!

Way back in the 1970's, we noticed that many rapid changes in market direction tended to occur around intermediate market highs. We developed a definition that a Sell would be indicated if the DJIA daily figures changes direction 10 times over 15 days. That indicator has maintained the SELL condition for most of the entire market decline, an unprecedented chain.

Of course, there were many unprecedented occurrences during this incredible period. The most impressive to us was that the market never broke the lows of the preceding year for a string of 18 years from 1982 thru 1999. The longest sequence in the Dow Jones figures prior to this was the 9-year rise from 1921 to 1929.

The DJIA took 26 years to regain that high ground at 384+ which it finally did in 1955. With this double cycle length of 18 years, including even the crash of 1987, how long will it take to recover, maybe double, or 36 years? We believe that this mother of all manias will take down the socio-political processes of Western Democratic Capitalism for centuries, and result in replacement by Socialist or perhaps even Fascist ideologies.



ALL MAJOR INDICES HAVE FAILED TO FOLLOW THROUGH ON THE RALLY AND HAVE RETURNED TO BELOW 50-DAY MOVING AVERAGES! (Red curved lines)

But not Much under the 50-Day MA's, tracking pretty close to them for now. Even with a great deal of terrible news, the downside is not gaining that much momentum. As a matter of fact, it has lost nearly all Momentum. Note that the MACD patterns at chart bottoms have all been rising, indicating loss of downside momentum. But they are Not Yet able to rise above the neutral ZERO lines. Another example of the "Tipping Point" we wrote about on page one, the zero line on the MACD's.

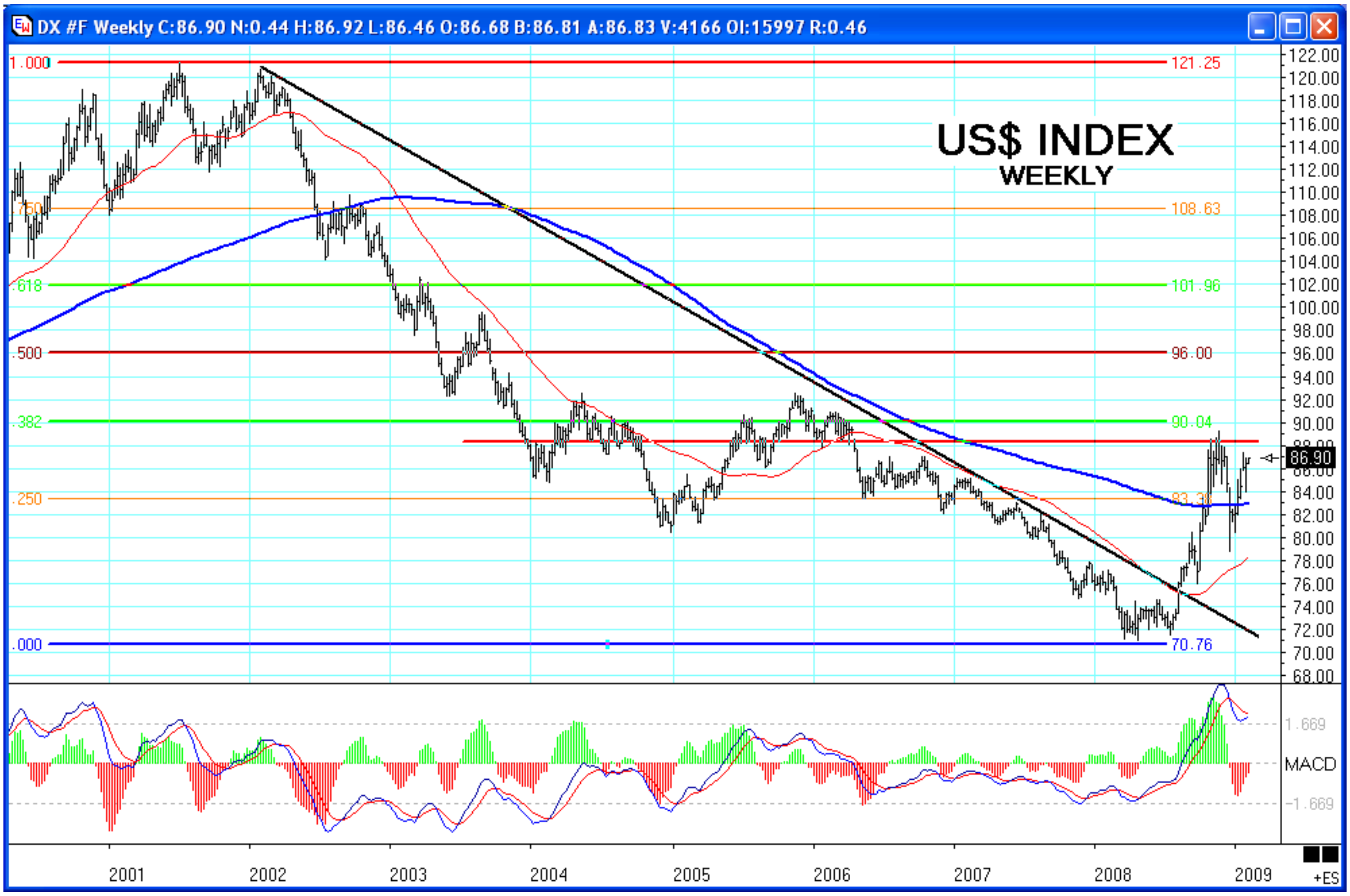
That has also led to chart patterns forming Triangles, or narrowing formations. Traders and investors are showing lack of certainty, neither bearish enough to continue the rabid decline evident to November 20th, nor yet bullish enough to buy the bargains that are on the table at current price levels, however attractive. So the meandering patterns continue to meander, but more narrowly. We think that's a good sign, under current conditions.

There are a few more days where the astro-cycles look fairly mean. We write particularly about the 2nd of five Saturn oppositions to Uranus on February 5, and the Lunar Eclipse on February 9, only 20 minutes after the NYSE Opening. Then there is the Bradley Model low around February 22-24, after which we feel that upside pressures will begin to predominate. There is no doubt that this market is as sold-out as it ever gets, for the short term, anyway. Long term, we suspect much lower levels, perhaps next fall.

Hourly indicators are becoming Oversold on the short term. Sometimes a short bounce will work off the significant over-reaction and then they are able to start back down again. We are strongly urging a BUY on the Lunar Eclipse, which has the tendency to coalesce emotional energy into a white hot hour or two, especially THIS one, which occurs just minutes after the NYSE OPEN after a weekend. Watch for a possible large gap down on substantial negative news. One strategy for positioning oneself as a trader is to be Short with a Trailing Stoploss order that declines with prices until a reversal begins to form. Once a rally covers a certain number of points of retracement, the Trailing Stop will be executed automatically, without having to call a broker, or keep your hand just above a computer button.

The first year of a new President is usually the worst year of the four for stock markets. The Bradley Model, which is entirely astronomic cycle related, does not agree until after Labor Day. Even then it does not register a lower low to the one forming since December, but that is the least reliable of the Bradley vectors. We will give greater weight to the Technical Analysis as the numbers become available to us as the year progresses. The "January Effect" is clearly negative for the remainder of this year, being the worst January in Dow Jones history.

They're all squawking about the 'pork' in the Democrats 'rescue' package. They haven't had much of the rake-off the last 8 years. They WON, and they deserve it! Are you going to tell the Barbarians that they can't sack the town, loot the gold, and rape the women? When the Pope went out to beg them not to destroy the treasures of Rome, they put his head on a pike. The US is just like every other third world country, but we keep the graft quieter. And another thing, four of the last seven Illinois governors have been arrested! – So what's the big deal?



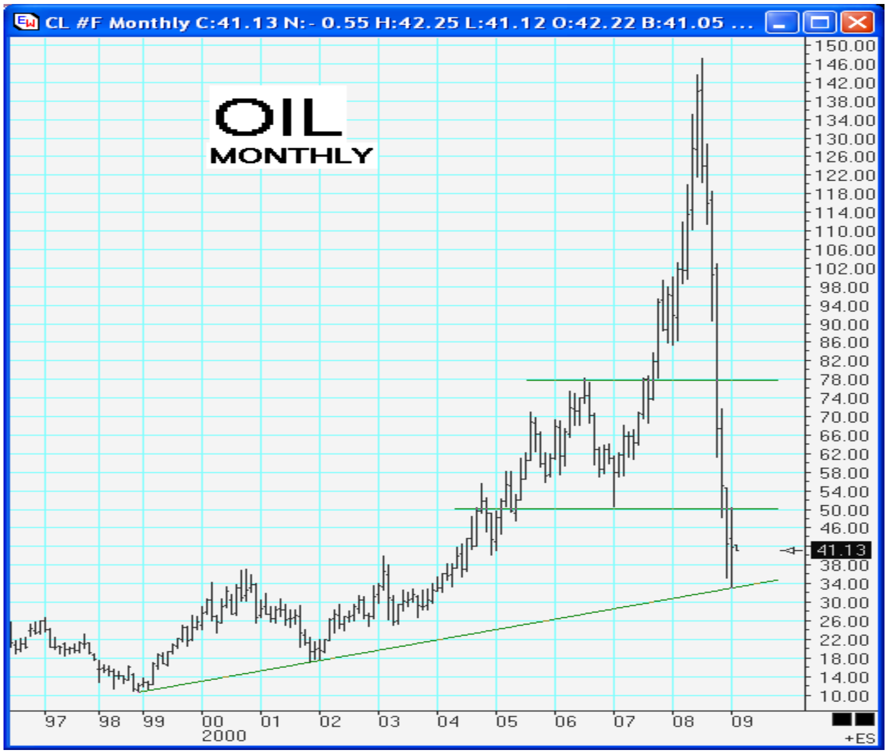
U.S.Dollar Index Still Looks Higher!

Why is the largest debtor nation in the world having a resurgence in the value of its currency? The ONLY reason we can divine is that most other countries are even WORSE off! It is a considerable advantage for a nation to possess the world's Reserve Currency, since, when they print money, it acts as a TAX on all who depend on it for their business transactions. We are convinced that when George W. Bush announced "Mission Accomplished" he was talking about having stopped the sale of Iraqi oil in Euros. Iraq under Saddam Hussein was the ONLY nation (at that time) accepting anything other than US Dollars for Oil. Then there was the matter of Saddam leaking a good bit of oil onto the world market through the corrupt Oil for Food program of the United Nations, which we also stopped. Who needs weapons of mass destruction? They were interfering with our business interests! We are moderately invested in Iraqi Dinar, which we believe will be worth much more if they stay safe!

CONCLUSIONS (From *Arms Advisory*, 800 WAGON TRAIN DRIVE SE; ALBUQUERQUE, NM 87123)
Just about any indicator we look at seems to be saying we are at, or just beyond, an unusual extreme, and that the extremes all characterize market bottoms. It would seem, therefore, if history is to be believed, that we are close to an important market advance. That is, unless we cannot believe the example of history. In the last few weeks we have seen such a rapid shift in the entire global economic outlook that one has to wonder if "its different this time". The sudden move toward government control, here and abroad, but particularly here, is so pervasive and so drastic that one has to be concerned. It would seem, at least based upon my almost fifty years of studying market swings, that we are at unprecedented levels. Unless the foundation of our economic system is being destroyed, all of the old methods should continue to work because they are the underlying measurements of a market we have known for all those years. If the foundation is being demolished, then ………..? – Richard W. Arms

Looking at this monthly chart of **OIL**, we notice that the pullback has been to a precise long-term trendline, and gives us much more confidence that, at least a temporary low has held, and may well lead to our projected 75-80 upward retracement. It is far easier to see on this simplified version how the support and resistance levels define trading ranges.

Although economic data continues to tumble, it appears that prices of many types of investments have stabilized and are attempting to form base patterns. If this phase can be completed successfully, we can get under way with our Bear Market Rally phase, which should surprise your typical follower of economic news.



Our call for a rally to 75-80 is a .618 proportion of the drop from 147, .382 from the recent lows, where also resistance was encountered on the way up (see horizontal dark green line around 78) commensurate with the phi proportion. The MACD lines (not shown) of many commodities are also marking off the first diverging momentum line, further strengthening our positive hypothesis.

The **CRB index** of commodities, which has followed the shape, if not the extent of the Oil Market, has been attempting to form bsase since the stock market lows. This index, as many other venues, has broken the downtrend lines, but as these other venues, not yet formed a sustainable uptrend, or even a reliable sideways action. Anything could still happen here, and nothing is recording a high confidence entry point. We cannot argue with the base formation as it exists, but the lack of follow-through with any sort of increasing volume and/or momentum leaves everything in doubt. That is why we are not taking any new positions immediately, but following the aspect energy of the planets which does begin to improve later this month. **GOLD** has held well against the commodity Bust, only down about 30% from highs whereas a broad band of commodity exchange products have cratered more than half. Metal and coin seem to be coming more precious, rising over $180 from bear market retracement lows, and now breaking above the very highest level downtrend resistance lines (not shown).

ASTRONOMIC ACTIVITY

Do NOT start important projects or sign important documents while Mercury is retrograde (until Feb 1)!
JAN 30 = Jupiter sesquiquadrate (135 deg) to Saturn = Maybe a little pull-back in stocks and commodities.
FEB 1 = Mercury goes back to forward movement = Not yet a favorable time to "deal & sign" until after the Eclipses.
FEB 2 = Transiting Jupiter conjoins the Solar Eclipse Point – possible short term peak in equities.
FEB 5-6 = Saturn opposes Uranus (2nd of 5 hits), Venus squares Pluto with Sun at midpoint. – Chill out, don't overdo in biz or social life.
FEB 9 = Lunar Eclipse 9:40 A.M. just after NYSE Opens Monday = Could be powerful emotional cross-currents, and likely LOW!
FEB 11-12 = Intensity picks up with multiple uneasy aspects both days – Careful of over-bearing or jealous actions/re-actions.
FEB 16-17 Mars/Jupiter conjunction sextiles Venus = Extremely sociable, sharing, optimistic time. Be good to a great idea!
FEB 24-26 =ALL Systems GO! First time in weeks to begin new projects–GO with new ideas. Facts should have been checked by now.
FEB 27-28 = Beware War Warnings – Volcanic action possible! (actually and personally) combination of urges and frustration.
MAR 6 = Venus turns Retrograde = According to the Mayans, Venus emphasis morphs from Love to War as it becomes the A.M. star.
MAR 8 = Mercury connects with Neptune just as it enters Neptune's sign! Images more important than substance here. Sun opp Saturn.
MAR 9-11 = Relationship issues, unrealistic fantasies, Full Moon focuses feelings. Inflation/Deflation fight continues.
MAR 12-13 = Sun conj Uranus = More freedom desired; relations tumultuous, "more feisty than friendly" according to Dell Horoscope

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