

## DEATH CROSS—DOW THEORY WARNS?

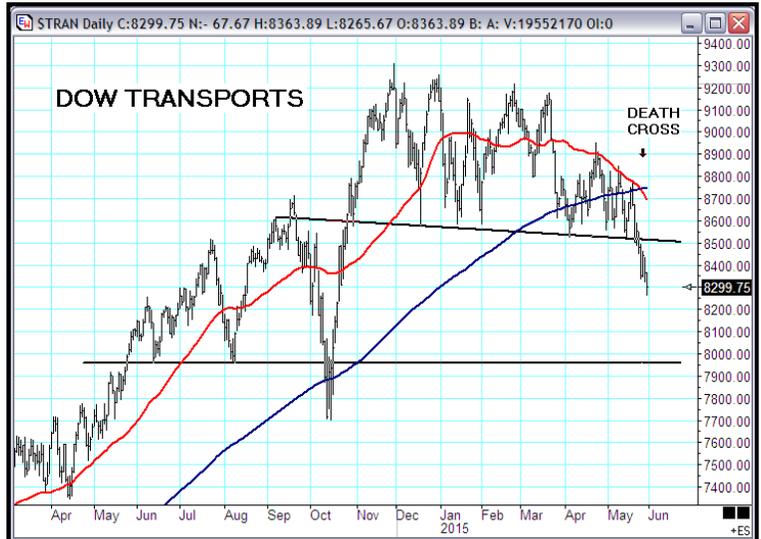
June 1, 2015 Vol. 15/6

The DOW THEORY originated mostly by the founders of the Wall Street Journal by a large number of articles written over many years and was never presented as anything like a complete system of trading. It is, however, a practical, down to earth way to define market trends which assists in risk management. In its simplest form, it compares manufacturing on one hand and delivery of goods on the other and if both types of companies are in synch, it helps one to define the general trend of equity markets & economy.

The peculiarity of current market action is so mixed and contradictory as to frustrate both Bulls and Bears since trends begin and reverse without profitable follow-through. It is quite unusual for the Dow Transportation average (chart at right) to be breaking significant support areas and moving averages while the Dow Industrials (page two chart) make new all time highs [even though tentatively].

The Transports have given an additional warning by dropping far enough to cause its 50-Day Moving Average to break down below its 200-Day [slower] MA, producing a more recently named “Death Cross.” Although the dramatic moniker does not always result in dramatic downtrends, it is most common that large draw-downs do not eventuate without such a technical warning.

The only case it would not is if much of the decline takes place in a single day or so and the MA’s do not have the time to respond. There could also be a lag time if the decline develops quickly from near recent highs, in which condition the 50-Day MA could be a great distance above the 200-Day MA and the “crossing” would be delayed. We are concerned that the next drop could be a catastrophic over-nite or single day event initiated by terrorism or



natural disaster.

Many other technically oriented indicators are also showing mixed outcomes. Some are pointing up; some are pointing down and a plethora are pointing ‘nowhere’ or ‘neutral.’ We have often mentioned a short term indicator which gave a ‘quickie’ sell signal on Wednesday, May 27, which was the third day in a row with NYSE New 52-week lows over 40. Since the previous Friday, New Lows were running: 49, this Tuesday 77, Wednesday 45, Thursday 60 and this Friday 62. This was the first 3-days over 40 since March 18 and the first Sell signal since March 10.

Last month we wrote: “Mercury will be in apparent Retrograde motion from May 18 to June 11. This is typically a time for reversals of all sorts. We also expect a 16-20 week intermediate low during this frame.” It is possible that markets have just now registered a High instead of a low. We wrote in the March CP on February 23 that the Sun and Mars will oppose the March 20 Eclipse Point on June 21<sup>st</sup> and 24<sup>th</sup>, leading to further weakness? They could also time a more hostile, dangerous period.

Looking out farther, our most difficult looking alignments fall on July 14-15 and the Eclipse on September 12. We have several interesting articles on or connected to our website homepage which describe highest level of trigger dates with potential for fear and loathing during September and some of the reasoning for them at [www.CrawfordPerspectives.com](http://www.CrawfordPerspectives.com) and as always links to our most recent interviews.

**We are moving to return to 200% Short in major indices at the levels stated in the VITAL SIGNS box at left, but only if some critical supports are violated. That would be 17,570 in the DJIA or 2060 in the S&P500 on a Close Only basis. If those supports give way the odds are increased that there will be more to come!**

If the Major Indices intermediate channel lines are breached, the next most important challenges appear at the 200-Day Moving Averages [dark blue heavy lines on the charts on page two].

## VITAL SIGNS

**Shorted DJIA 17,533.15 on Close Dec 10**  
**5% STOP at 18,409.81 Close only**  
**Increase to 200% Short any CIs below 17,570**  
**Add 5% STOP on any new position.**

**Shorted S&P500 2026.14 on Close Dec 10**  
**Increase to 6% Stop at 2147.71 Close only**  
**ReShort 200% on Close below 2060.00**  
**Add 5% STOP on new position.**

**ALL OUR STOPS ARE CLOSE ONLY!**



### **SYMPTOM OF EXTREMELY TIGHT CONTROL?**

We mentioned here last month that Major Indices were traipsing back & forth across their 50-Day moving averages. The range has continued to become narrower and narrower, as you can see from the charts (above). *Investor's Business Daily* reported that as of Thursday, the 101<sup>st</sup> trading day of this year, that 50 days were registered during their definition of "Market Pulse in the under-pressure zone. When was the last time the indefiniteness ruled to that degree? Never, if the test is the same period in past seven years." The first five months have averaged 13 in the last seven years, with a high of 22.

In the meantime, the Volatility Index (VIX) has been under 17.2 since mid-February and has had no full day over 15 since April first. Although the VIX was under 13 most of last May-July, these numbers show that these markets are exhibiting Extreme Nothingness! We think this is still more evidence that the 'unseen hand' is ever more visible. The continuing fact of volume inversion, that almost all high volume days are on declining price indices, supports the idea that tremendous distribution is taking place while price levels are being artificially supported.

We keep asking "Why is this being done?" There is only one reason for covering up the distributive process – that is, to keep potential buyers from noticing that the 'smart money' folk are getting out as fast as they can, without rocking the boat. In addition, we have the 'Sell side' analysts calling attention to more and more pitifully minor positives in order to keep the wool over the sheep's eyes, despite the lingering weaknesses in economic data series that normally would fare much better in any decent recovery.

We are concerned that this market interference will continue until everything runs out. The next morning the Major Indices will open on a fully discounted catastrophic decline, or not be able to open at all! Whereas, under anything like normal conditions, a Stoploss order might otherwise suffice, it may not under these extraordinary conditions. Even after the 9/11/01 closure, markets opened down in considerable measure, but continued on into the Autumnal Equinox low point a few days later. Even with heavy losses, a stoploss order would have protected against the further debacle. This time...? – Maybe not. The "Put-option strategy" will work if the economic system does not collapse, but there is very real danger that it might.

The ultimate problem is, of course, the unsustainable levels of DEBT, here and nearly everywhere else in the world. The solution to every economic problem has been to "throw more money at it." But the international "Confidence" which is absolutely necessary for the continuance of economic activity is becoming more 'shaky' than it has been any time since the post-World War Bretton Woods agreements were put in place. The old economic groupings are splitting apart and new ones are forming, and the day of reckoning is near at hand. This year or next will witness a dangerous destruction, perhaps the "Madness of Crowds" that will exceed all other examples from history!

**"So what's an investor to do? The first thing to do is recognize where we are. The economies of the world do not support the current levels of the stock market. Inflation is running just under 2% and yet 10-year Treasuries barely provide a real positive return at 2.5%. Money is too cheap. China is slowing. Japan is slow, even though it's printing yen with abandon. Europe is, well, Europe."**

**Rodney Johnson (+Harry Dent) Survive & Prosper.**



**WITHOUT A CONCERTED BREAK ABOVE 3%, RATES LOOK LOWER!**

The **FED** has been talking for quite some time about raising interest rates. Yet foreign countries have been dropping rates in overwhelming numbers, some even to negative rates on near-term debt. The trend on this 10-Year weekly chart from 2007 also is being maintained along a steadily decreasing heavy green line. **FED** jawboning may have motivated traders more positively at the 2012-2013 high slightly above the tip of the triangle pattern, and then again in the last few months up from the 1.65% low back up to the downtrend line once more, where it stopped dead and dipped back to 2.10%.

A straight technical analysis of this chart would suggest that the rate level rise has failed at the heavy resistance of the trendline plus the two principal moving averages, and that the Flag or Pennant formation in this calendar year is about to propel prices back to the mid-2012 lows at 1.40% or farther, into hazardous unknown territory. Might this be an advantage for the **FED**'s own balance sheet? We wouldn't begrudge them making a few bucks, would we? What it signifies, however, is an uncompromising Deflation! A break above 2.40% and then 3% would change our near term opinion, but we fear the long term is set in stone – and it's not going to be pretty.

Our generation has lived through the highest point in our technological civilization, and now it is moving toward more technology and less civilization. But now, the chickens (read Black Swans) are coming home to roost, and they are going to poop on Everything! We have let the good times roll, and kicked all the cans down the road, and we are coming to a sign that reads "BRIDGE OUT!"

If you read the research piece we had in this spot last month, you may be interested to know that the Wall Street Journal picked up the whole idea and redid our chart slightly and presented it without attribution. Oh well. Blessed be!

**We think it is time to consider these friends of ours who are available to assist in preparation for the unknown:**

For metals we have purchased from Pat & Linda Gorman at Resource Consultants in Tempe, AZ (1-800-494-4149) and [www.buysilvernow.com](http://www.buysilvernow.com) I have been a speaker at their Tempe conferences for over 10 years. For long-lasting FOOD items I bought from Virgil Jackson and Celeste Chiappetta at Living Valley, LLC in Bigfork, MT (406-837-1350). They are very knowledgeable *Preparedness Consultants*, specializing in long term food storage. I bought food from them in March 2010, since doubled in price. [livingvalleyfoods@gmail.com](mailto:livingvalleyfoods@gmail.com)

**“There is almost a sensual longing for communion with others who have a large vision. The immense fulfillment of the friendship between those engaged in furthering the evolution of consciousness has a quality impossible to describe.”**  
**— Pierre Teilhard de Chardin**

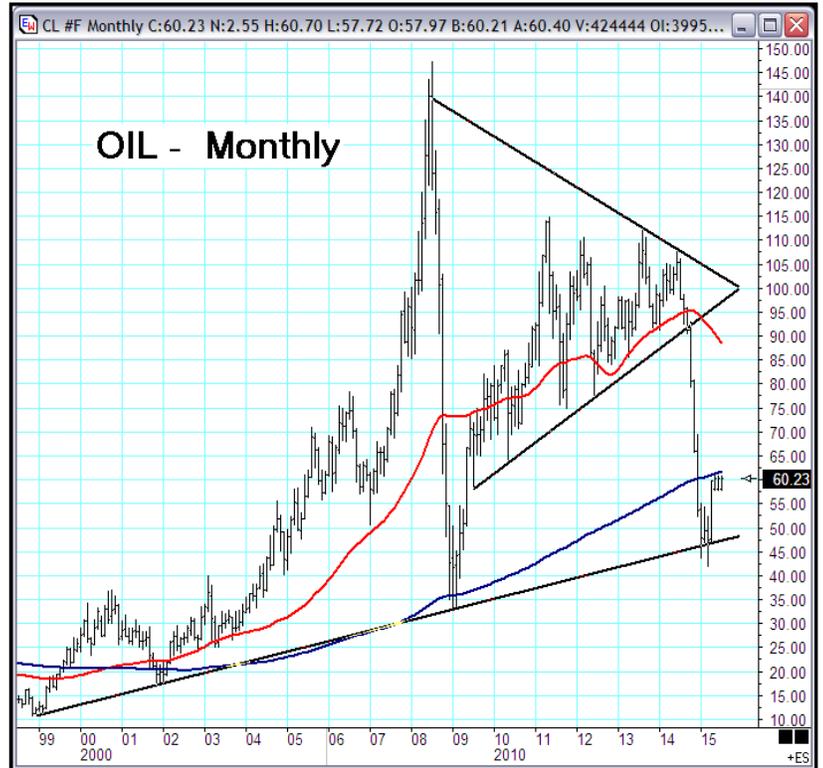
Don't you Love technical analysis? The **OIL** came right down to the Long Term trendline, broke a bit to catch stops & then recovered to the 200-Month MA. It would seem fitting for now if the price stayed in the range of 50-60 or maybe 50-70. The Long Term picture is of a civilization that is turning its back on mechanical power and fossil fuels. Maybe we will move back into walled cities that protect from roving marauders – the barbarians are definitely at the gate!

It appears to us that the democratic majority will will lose the vote to the ones who control the armies, more frequently corporate or private in these coming times. This is another chart that bespeaks the forbidden words, Deflation, Depression.

Martin Armstrong wrote that if certain circumstances eventuate, the “Mad Max” scenario could unfold. You know they're remaking the movie, don't you? It centers around bikers and stripped down vehicles and places where **OIL** can still be refined.

**GOLD** has stabilized for the last seven months between 1130 and 1300. It is a continuing disappointment to Gold Bugs that it has not been able to surmount any but the most recent of previous highs all the way down. It has met ongoing resistance at the declining 200-Day MA. The only positive at this point is a few somewhat higher lows, but no higher highs. Weak action still rules. We have no doubt whatever that we will wake up some morning and it will price out at several thousands of dollars, but to time that move, you may have to ask the Chinese. We think it could be this year?! [not shown]

The **US DOLLAR INDEX** has made a very nice recovery back above its 50-Day MA to the exact 50% retracement of recent range. It is now backing off quietly and holding above that MA. Major international changes could cause it to spike much higher but we think that is not a good long term bet. [not shown]



### **ASTRONOMIC ACTIVITY** – (Give all these a time period of +/- 2-3 Days)

MAY 22-31 = Almost all planetary power release his frame is of a difficult and complex variety. Annoy authority enough & it will react!

Particularly difficult are the 25<sup>th</sup> and 27<sup>th</sup> to June 2.

JUNE 2 = Troublesome Mars/Pluto interaction at the Full Moon could bring unusual acts of violence, riots, warfare and explosive forces.

JUN 6-10 = Should turn out to be much more pleasant with rising markets and sociable cooperation.

JUN 11 = Mercury returns to apparent forward motion = OK to begin moving plans forward once more – not too fast too soon.

JUN 12 = Early Friday Neptune begins Retrograde period. Evening Venus/Pluto contra-parallel. = Bad news after markets close? Hostility, rapes?

JUN 14 = More “Bad blood” as Sun conjuncts Mars and Saturn enters Scorpio = Too much energy directed towards devious & hostile acts.

JUN 16 = New Moon at 25 Gemini = Appearances seem to be more important than the issues at hand! – Sounds like the political circus under way!

JUN 17-19 = There are no planet to planet aspects = Don't expect much to get done during this frame = Quiet – Maybe too quiet! Mercury is slow.

JUN 20-21 = The weekend is full of hits to Saturn and Pluto which are themselves semi-square. Sunday Summer Solstice = St John's Day!

JUN 22 = Although the weekend seems rough, personally, Monday morning brings a Jupiter trine to Uranus – Often a market TOP!

JUN 23-24 = Tuesday looks more than a bit rugged especially around mid-day. Mars at zero Cancer Wednesday shatters whatever peace remains.

JUN 29 = Venus trines Uranus and parallels Jupiter = Looks good for a secondary peak – May put in THE High?!

JUL 4-8 = For U.S.=Stressful feelings. Social conflicts. Difficulties in maintaining control. Feelings of insecurity. Difficult judgements/decisions.

JUL 14-15 = For the U.S. = Disagreement – Anxiety – Nervousness – Change of mind! - Serious or traditional social matters.

JUL 15-18 = For the U.S. = Efforts at control. Uncomfortable restraint. The blocking or denial of aggressive instincts. Activities meet resistance!

**ATTENTION: The CP newsletters are usually Emailed 1<sup>st</sup> Monday. Next CP will be Monday, July 6**

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