

CRAWFORD Perspectives

HAPPY MONKEY NEW YEAR, CHINA!

February 8, 2016 Vol. 16/02

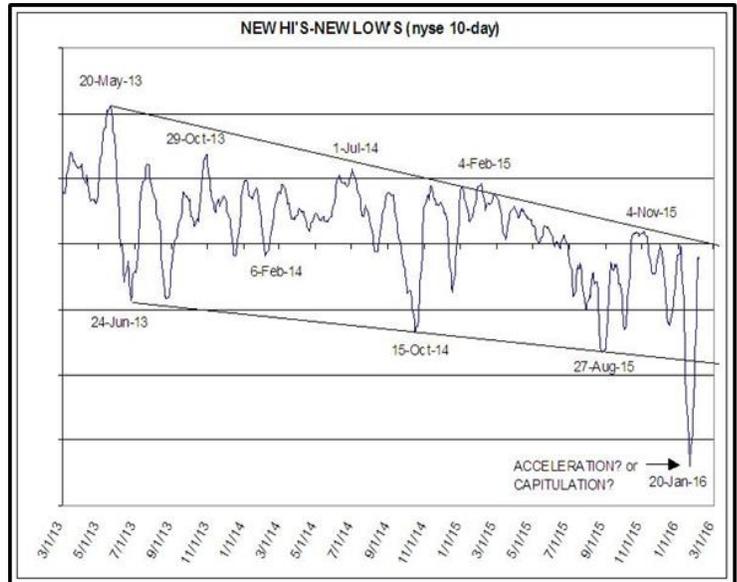
Countries with significant Chinese populations, including Mainland China, Hong Kong, Macau, Taiwan, Singapore, Thailand, Cambodia, Indonesia, Malaysia, Mauritius, and the Philippines celebrate their New Year's Day on the first New Moon in Aquarius and in 2016, that's TODAY! China's stock market and most other things will be closed all week. Monkey people (and maybe the year) are said to have intelligence, confidence, liveliness and sociability. On the other hand they can give in too often to temptation, overconfidence, and deception.

We think their markets are just now recovering from an overabundance of these qualities and must now awaken to the dull boring effects of a self-induced hangover.

We ourselves have been experiencing some record breaking firsts, and are also just now beginning to become aware that reality is not living up to the "generally accepted" Pollyanna New Year forecasts. In the first of the firsts, 2015 was the first down pre-election year after 18 in a row of positives. (Thanks to *Cycles Research*)

Both the DJIA and S&P500 were lower on the year for the first time since 2008. Our flat was the new positive as we mentioned in January CP that most nations stocks were off much more sharply, as they were in 2014 as well.

Our markets made a few more firsts last month including largest declining first day, first few days, etc, etc. January 20th registered 1395 52-week New Lows (NYSE) which were the most since November 20th, 2008. That year CP predicted the US market would Crash on October 10. It opened down over -800 points lower and registered the most New Lows on record to date - 2901!



Internal Market Indicators remain extremely weak, as NYSE New Highs-New Lows has just now dipped to a serious new intermediate low (see chart above). The question here is if this represents downside acceleration or a cathartic capitulation? It clearly exaggerates recent trend parameters, but is nowhere near the panic capitulation experienced in the fall of 2008.

Along with some other internal dynamics, which together deny the likelihood that we have seen any sort of terminal action necessary for a reversal of trend, we retain our fully negative stance relative to equities.

More specifically, market action last Friday was far worse than any we've observed in recent times, well, except for August 24 and the first day or so after the New Year break. Well really, it was more frightening THIS time because there was a concomitant sudden decline in the U.S. Dollar on Wednesday, the largest since early March of 2009 and the largest two-day gain in GOLD since the 2011 peak!

A further cross-index weakness appeared as our formerly strongest, largely composed of proud technical giants, came tumbling down as long time holders were dumping favorites! The NASDAQ came apart at the seams, dropping 3.2% on increasing volume, -5.44% on the week! This index tends to lead on the upside AND the downside.

One could see that near the close, the August low close became a vicious battleground as the Powers that Be tried mightily to hold that line in the sand. Although the S&P500 and the NDX100 were able to hold those supports, the NASDAQ Composite smashed through everything!

We re-shorted the S&P500 half that had been stopped on December 8 close at 2060.00 and placed a 3% STOP at 2121.80.

We send prayers and blessings to those people in Taiwan whose holiday has become interrupted by the 6.4 earthquake there.

VITAL SIGNS

**Shorted DJIA 17,533.15 on Close Dec 10 '14
3% STOP at 18,059.14 Close only
Increased to 200% Short July 6 ASAP.
Mon. close=17,683.58; 3% Stop at 18,214.09**

**Re-Shorted close Dec 8, at 2060,
Add 3% Stop this half = 2121.80
ReShorted 200% on Close at 2057.64 June 29
Changed to 3% STOP at 2129.57 for this set.**

ALL OUR STOPS ARE CLOSE ONLY!



ALL THE DEATH CROSSES ARE BACK WITH A CONFIRMING VENGEANCE!

As frustrating as it has been to get multiple negative signals in the form of “Death Crosses”, and then have many of them retraced and negated, and then re-confirmed, we at CP have stuck to our guns and it appears that we are about to reap another great crop, as the trading action and charts and indicators are finally being vindicated in much of the new economic data. It is typical for the stock market to warn of approaching danger about four to nine months prior to the recognition of an economic recession. There are exceptions but not as many as are bandied about by economists.

Insider trading by the people who are closest to the facts, is most likely the reason why markets have as good a record projecting the economy as they do. Eventually, those who see and know what the problems are as they are developing may become more adamant about getting out of their stocks before they have to make reports that admit such, in other words, before it becomes obvious. In the present case, the problems came to public awareness through the actions of markets and economies in Asia and Europe. International economic news has also gone from bad to worse while U.S. statistics held up well enough to bluff that everything is OK over here.

It seems also that Wall Street has a tendency to pay economists to say positive things about the economies in which they are trying to Sell Stocks! And it is this Sell Side mission that demands the Pollyanna stance, long after things appear to be coming somewhat “ragged.” Then they collude, at least to some small extent to hold up certain stock prices that are popular among their clients, while their own firms are dumping their lesser known losers.

It looks as though the formation of the “Right Shoulder” of a “Head and Shoulder” pattern mentioned here has now ‘matured’ and the selling may be ready to become more virulent. The selling this past Friday presented an inkling of that possibility. All these previous lows from August, September and January now mark a passage from Known Territory to Unknown Territory, where no one knows what dangers lurk. We posted: “Below Here Be Dragons” on that threshold on the S&P chart, but it applies just as well to all the others.

The 30-Year Bond chart weekly broke out of the equilateral triangle at around 157 and rose on up to 163. “If the Bond market is healthy, we should see bounces take place from these levels and price will stabilize above one or the other.... Upside break at around 157. Old high at 166-02.” We didn’t think it would break UP so soon, Japan accepting negative interest rates sparked the move. There are now 24 countries with negative rates. The bankers are moving toward total control!

“The global financial system has become dangerously unstable and faces an avalanche of bankruptcies that will test social and political stability. The situation is worse than it was in 2007. Our macroeconomic ammunition to fight downturns is essentially all used up. Debts have continued to build up over the last eight years and they have reached such levels in every part of the world that they have become a potent cause for mischief. It will become obvious in the next recession that many of these debts will never be serviced or repaid, and this will be uncomfortable for a lot of people who think they own assets that are worth something.”

William R White at World Economic Forum in Davos January 19, 2016; with thanks to Colby Global Markets Report



A SECOND UNUSUAL BREAK IN THE DOLLAR INDEX

We wrote in December that such wide swings in major currencies would certainly cause a rash of lawsuits and bankruptcies. This week we had an even bigger swing, also in the downward direction. It is the greatest daily change since early March of 2009, near the stock market low. Just before each of these drops, there were articles about how the Strong Dollar was causing pricing difficulties with our export products— then WHAM! Next day = Big Drop!

So, what is really going on out there? Is it now our public policy to smack the USD down every so often to help out with our export market? It would seem more palatable to make it more gradual if that were the case. It's not Soros, is it? A wide coalition of nations have stopped keeping the Bretton Woods agreement of supporting the U.S. Petrodollar. As a matter of fact, Saddam Hussein was one of the first who was taking other currencies for his Oil. Now we have Russia and China making a multi-decade multi-Billion deal for Russia to supply oil to China for Rubles and Yuan.

We believe the Dollar will be brought down a peg or more eventually, but the problems in so many other countries are maintaining the Flight to Safety support as so many others are proving to be "Less than Safe." Now we are seeing some cracks in the Dollar hegemony actually affecting prices. This current Bull Market in the Dollar Index peaked on March 13, 2015 about which CP had projected: "MAR 13 = Venus squares the stationing Juno = Possible large change in Gold/Silver (either way) Friday 13th." In effect, the Gold price double low for a 9 month period was 2 trading days before and after the 13th. The more recent high at nearly the same price was December third. But that was the day it dropped from the high and closed down about 3%.

There is some concern going around that banks are running out of actual cash and they are severely limiting your ability to access you own money in any other form than digitally. And digital money is under the total control of the banks. Laws were changed some years ago that now your money on account at the bank is an "unsecured loan" to the bank. WHAT!

"THE BIG PICTURE – Reactions Turn Extreme; Have Bulls Given Up? By Paul Whitfield – *Investor's Business Daily*
 Stocks ran into a bout of vicious selling Friday as the bulls failed to put up much of a fight. The NASDAQ severed 3.2%, while the Dow Jones industrial average and S&P500 chopped off 1.3% and 1.8% respectively. The IBD 50 flopped 4%. Volume rose on the Nasdaq but fell on the NYSE. The day's action constituted distribution on the Nasdaq, but the S&P escaped because of lower volume. Still, the negativity was sufficient to shift IBD's market outlook to uptrend under pressure. With the uptrend under pressure, caution becomes important. Do not let losses run beyond 8%. Sell before winner becomes a losing position. Take profits where appropriate... Of about a dozen and a half breakouts among stocks with a Composite Rating of 90 or better, not one as above its 5% buy zone, as of Frida's close. Until that situation changes, there isn't anything for a disciplined growth investor to buy. The tone of the market is getting nasty. Extreme selling reactions are becoming too common... When a stock loses a quarter to a half of its value on one day's bad news, the market is making a sick joke of pricing discovery." *Investor's Business Daily* dated today

GOLD has **BROKEN OUT** above the **long term downtrend channel line** for the first time since the 2011 peak! This positive action for Gold is part of the reason that Friday's markets were so scary, in that it appeared that the Powers that Be are losing control. That is a good thing long term, but could be very stressful for some awful period of adjustment.

Maybe that period of adjustment is beginning now? We cannot say at this early date. But volatility is increasing across a wide swatch of asset classes. Volatility in different directions in different things. This will bring huge numbers of lawsuits and bankruptcies in coming months.

We have written here many times past, that we may come to a point where U.S. Dollar denominated instruments may rapidly lose value and Silver, Gold, commodities and some other currencies may spike up in a big way. We are Not predicting when that might occur. We may have further warnings wwhich we will mention, or not.

In the meantime, there is resistance here at a rising trendline, and more a bit higher at the October peak of 1191.70. These levels will most probably cause a pause and perhaps an extension of building a much larger Base for several months.

But if conditions are becoming critical in the near term, with a loss of control by our own monetary authorities, then anything can happen at anytime. This could be a beginning, and yet may only lead to consolidation and base building. We do not want to wish & pray for these things too soon, as we do not know how long and how hard that adjustment period will last.

At any rate, a close above \$1200 will be a very positive sign and a dip here should find support in the \$1120-30 area.

The **TNX** or 10-Year Bond Rate has also broken down from a large triangle pattern through 2.05% which has an objective count at around 1.70%. There is also a prior low around February 1 a year ago at 1.65% so that might measure the approximate ending range. **BONDS** are higher, as that moves in inverse of the rate. There are now 24 countries suffering from Negative Interest Rates. Among the major nations are Switzerland (Francs), EU (Euros) and Japan (Yen). Remember that the FED bought one heck of a lot of U.S. Govt. bonds, and when we go negative, they will have one heck of a profit!

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

- FEB 8 = New Moon at 19Aq15 9:38am EST after today's open. It is over half a degree from a square (90*) to Mars. Strong move to action!
- FEB 9 = Mercury/Saturn/Pluto parallel at 20 degrees South declination = Quarrelsome nature, Nervous irritation, heavy and bitter attacks.
- FEB 13 = Venus/Saturn/Pluto parallel = A Tragic Love = Last time we put that Here – Princess Diana died with her lover on that date.
- FEB 19 = Uranus/Pluto=Sun = Urge for independence & freedom, strong emotional tensions, nerves, a breakdown, a catastrophe.
- FEB 22 = Full Moon 1:19pm EST closely semi-square Uranus much enhancing the usual erratic/nervous FM tendencies. Surprising news.
- FEB 24-29 = More or less pleasant, easy-going aspects. Maybe a good month-end rally in stock indices, & a pull-back in Gold!
- MAR 8 = Total Solar Eclipse opposes Jupiter = Whatever transpires, there will seem to be too much of it, also square Saturn = Hindrances!
- MAR 13 = Spring Forward early Sunday to Daylight Savings Time. 14-15 Mon-Tue = Difficult aspects.
- MAR 20 = Spring Equinox 12:30amEDT = Sun enters Aries = 135 to Saturn = Second quarter will likely see Recession numbers.

ATTENTION: The CP newsletters are usually emailed on 1st Monday of months. Next CP will be available on Monday March 7



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