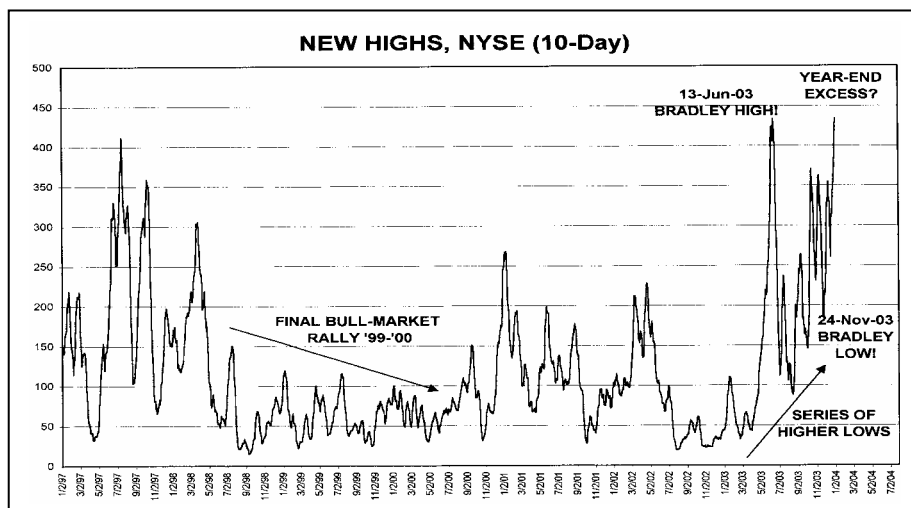


## NO FINAL CONFIRMATION! Even in August Whipsaw

After our BUY signal in March, we doubled up on the LONG side in May. As market technicals weakened as the Bradley Model indicated a TOP in late June, we sold half. In early July we sold the other half with very good profits, and entered tentative Short positions. At that time, we outlined technical indications under which we would increase shorting.

Those parameters were met in early August, on a sharp sell off, which triggered more sales. In the Aug. 4 issue, the page 2 headline was: **“THE TOP IS NIGH, MAY BE PAST, NO FINAL CONFIRM!!”** and down below: “The S&P actually broke below its 50-Day MA Friday (Arithmetic, but not Exponential MA)... MACD studies, at bottom of individual [Index] charts, turned back DOWN from June’s momentum peak! The next step to look for will be a decline which takes prices below their 50-day MA’s, (as the S&P did Friday) and their MACD indices [drop] below their neutral zero midpoints. Then the 50-Day MA’s will turn down, and later cross over the 200-Day MA’s, rendering a far more serious SELL signal.”

“Recent overbought momentum extremes, and the internal breadth characteristics, mitigate against an immediate collapse of more than shortest-term duration. It depends on the size of the TOP pattern, and degree of indicator



deterioration whether we can judge if the July-October-March bottom configuration will be threatened.”

So, WHAT HAPPENED? Immediately after the early August breakdown, market indices recovered, negating any SELL signals that were developed on the basis of price momentum. We have repeatedly mentioned in the page two headline that we have not yet seen a confirmation that a TOP is in place, as described in paragraph two (this page) quoted from the August letter.

There was, however, a more important breakdown in a number of internal market indicators, which have never recovered the initial momentum, which maxxed out in June. MACD is our favored momentum indicator in preference to RSI or ROC or Stochastics. Our Major Stock Indices mostly made their MACD momentum peaks on 6/18/03, except for a few based on NASDAQ, Technology or Low Cap stocks. Even the SOX (Semiconductor Index) MACD, certainly one of the strongest, double topped 9/8 and 11/9 and dipped below the

### VITAL SIGNS

**RESHORTED ON A DROP BELOW 9820 BASIS DJIA AND STOPPED OUT ON A CLOSE ABOVE 10,150 ON DECEMBER 18.**

**RESHORTED ON A DROP BELOW 1047 BASIS S&P500 CASH AND STOPPED ON A CLOSE ABOVE 1110 ON DECEMBER 31.**

**SHORT ONCE MORE IMMEDIATELY AND PLACE A STOP AT 10,790 BASIS DJIA OR 1146 BASIS S&P500 CASH INDEX.**

**ALL OUR STOPS ARE CLOSE ONLY!!**

neutral Zero line in mid-December, before the “Santa Claus” rally. Most others declined to that neutral zone, or slightly below, on descending momentum highs, prior to the year-end blow-off!

Our page one chart (above) shows a 10-Day Moving Average of daily new 52-week Price Highs on the NYSE. Another good example of a momentum indicator, this measure, remarkably, made its high for the year on June 12, within days of the yearly high for the totally astronomic related Bradley Model (June 23). Even more significantly, the lowest day since October 7 was November 21, the EXACT Bradley low since last March! It would have proven efficacious to go back Long on the Bradley BUY date in November, to take advantage of the normal December strength. In last month’s letter, we outlined many of the market factors both positive & negative, that have kept us on pins and needles for the last 6 months.

We believe that the run up into year-end will culminate in the next few days and result in a more significant decline than any so far experienced since March. Expecting a low during the last week of January or the first week of February, we shorted on our Hotline Updates on Friday. They are very short term oriented, and of necessity maintain very close protective Stops. Our current recommendation is to SHORT once more, immediately, with a stop at 10,790 basis DJIA and 1146 basis S&P500 Cash Index. Expect to cover with our next letter and go long for the remainder of the seasonally positive price action.



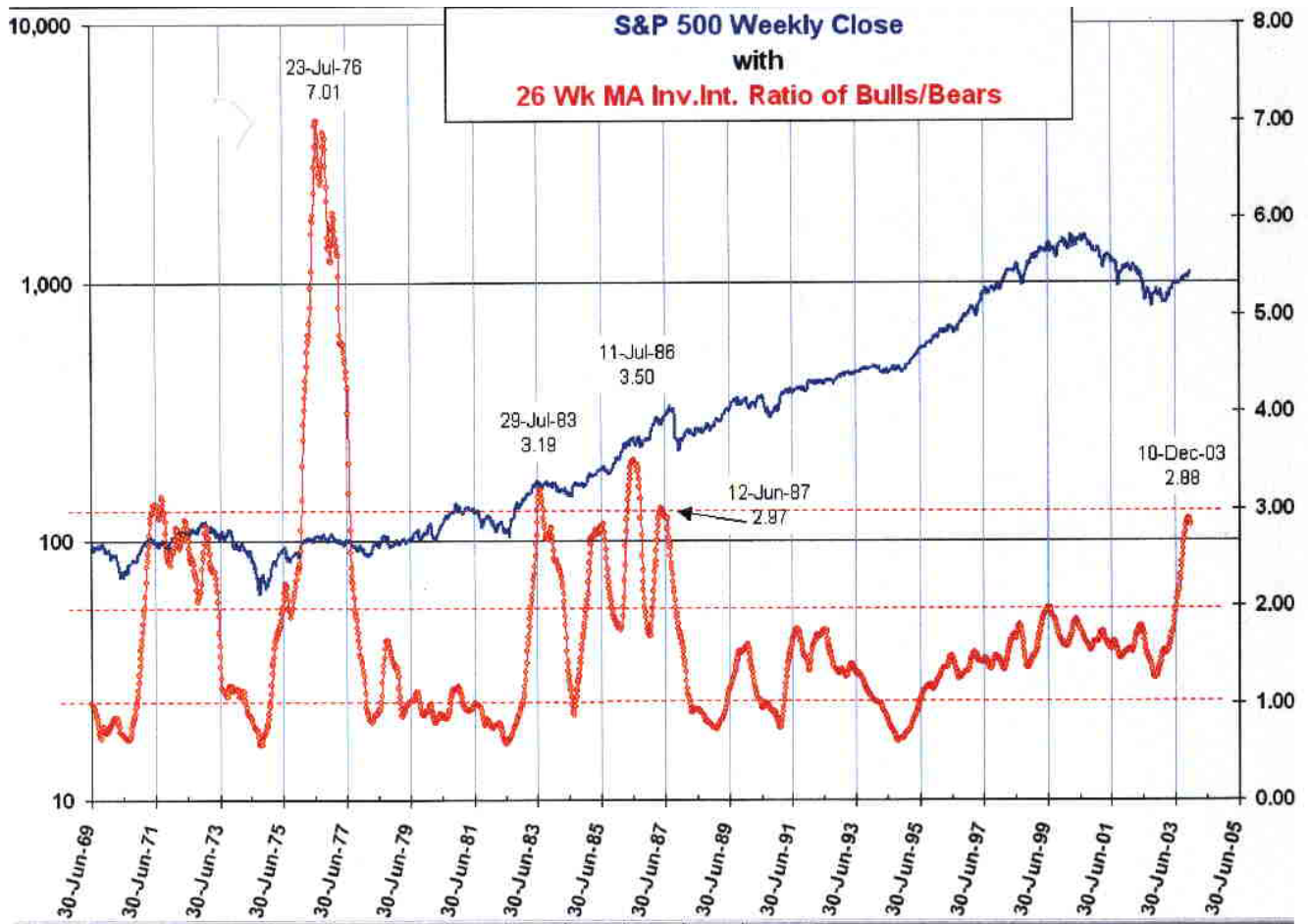
### APPROACHING 2002 RALLY TOPS AT 10,700 & 1177

Charts pictured above show (\$SPX) S&P500 Cash Index, (\$INDU) Dow Jones Industrial Average, (\$NDX) NASDAQ 100 (not COMPOSITE), and (US #F) 30-Year T-BOND (price)

These Major Indices (3) have all broken their steepest uptrend channel lines more than once, and successfully retested their 50-Day Moving Averages (thin Red line), bouncing quickly after each penetration. All three made new yearly highs during the recent acceleration into the "Santa Claus" seasonal rally. Once more we are faced with a significant reinvestment period, actually THE Significant one of the year! Oddly, volume and volatility have remained severely depressed, even though Brokers, Advisors and Public in general are historically Bullish! More urgent divergences are appearing, and THIS is the next pivot point in Time, not yet in price. (Color ONLY in the electronic Adobe. pdf version.)

MACD studies, at bottom of individual charts, show that volatility oscillations continued to narrow to very low levels, prior to the December seasonal singularity. Waiting for the Year-end to break out, when "painting the tape" is "generally accepted procedure" is not as healthy as it would seem, under other circumstances. If Wall Street professionals wanted the market higher into quarter end and year-end for more remunerative bonuses, that source of strength is now exhausted. Although the Major Indices gained about 5.1% in December, that is not as positive an effect for a follow-through in January. The first few days has been a much stronger than neutral time frame for stock market reversals. Prepare for a correction. Be ready for ANYTHING!

"We have, in fact, seen such an extended sideways market develop ever since. This was based upon the very long term observation that we have had three secular bull markets in the last 100 years, and each has lasted about sixteen to seventeen years, and been followed by a consolidation period that also lasted sixteen to seventeen years. In that the last secular bull market began in 1984, we could expect it to draw to a close by about 2000. Logically, then, we could anticipate a sideways market lasting a similar sixteen or so years. We seem to have been in such a sideways area since the end of 1999, so it is now four years old. - Dick Arms (1/4/04)



### BULLS/BEARS 26-WEEK MA HIGHEST SINCE JUNE 1987

The *Investors Intelligence* BULLISH and BEARISH ADVISORS Ratio, developed by Abe Cohen in the late 1960's has been a highly reliable indicator over a long period of time. Some will dispute that, saying its wrong much of the time. The truth is, it says NOTHING much of the time. Some overactive analysts trying to make each week's revelation meaningful may be missing the forest for the trees! It rarely gives a Signal, but when it does, it should be attended to. It is very helpful on the 'Big Picture' but does have varying lead times. It is not something to Trade on, unless there is a very large change in a single week. That can have rather immediate consequences. (chart courtesy Ian McAvity of *Deliberations* [imcavity@yahoo.com](mailto:imcavity@yahoo.com))

A quick study reveals that certain levels are marked as 'meaningful', or areas to watch for potential changes in market trend. A deeper study finds that very often, there has been a secondary high, lower than the first, which more precisely coincides with Price highs in Major Stock Indices. One might be early in calling a major TOP Now, based on a ratio near 3.00, yet that might assist in precipitating an intermediate correction. Nearly all indicator highs have shown this higher Price high later, on another, yet lower, peak.

This adds to my initial analysis that a corrective phase at this time will be followed by higher highs, perhaps near the 'seasonal' highs of April-May. A further complication with that scenario is that the Eclipse Cycle has backed into April with Eclipses this year on April 19 and May 4. They have a tendency to throw off 'normal' cyclic behavior, so we may get a chance to watch 'greater than normal' distortions in the seasonal cycles.

By the way, we mentioned as one of our 'positive' indications in our first paragraph last month that the seasonal, 4-year and 10-year cycles had turned up the 1<sup>st</sup> 2 weeks of October. The sum of these three dips from now into late Feb., and although they will head higher after that into mid March, they follow through on the Downside until late May. From there, the history calls for sharply higher markets through December. However, the future is not made up of 'averages'. Each moment is, in fact, fresh and unique! We do the best we can, "Looking through a glass, darkly."

We believe that political enemies of the current administration, foreign and domestic, will move to make things appear worse, economically, and their machinations may set a downside motion before the historic 'norm.' This will be made more dangerous as Saturn crosses the birth Sun of the U.S. in June, and we enter the Crash portion of the Mars/Uranus cycle in August, both in the heat of the elective process!

**GOLD**, after breaking out of a large Triangle pattern at 368, has continued an accelerating advance which as of last night is challenging the early 1996 highs in the mid-420's. Last month, we wrote: "If the 400 level can be breached, the precious one could possibly fulfill the chart count of the triangle to the \$430 area." Even the MACD Oscillator has finally bettered a 'declining tops' condition it has been suffering since last May. "To date, it has weathered every test!" The GOLD-Hating and GOLD controlling cabal of international central bankers seems to have lost control over \$400, there being 13 +days and only 8 -days in December. Long-term charts continue to show exceptional price expansion, but we are concerned about the extremes of premium above the 200-Day Moving Average.



Our December 1 comment: "The **US Dollar Index** has now dipped below its 1998 low of 90.74 with little or no support down to 85-87." Now at 87.26, it is fast approaching 1985 lows,

several in the neighborhood of 85-86. That may well offer stronger support than we have seen, lately, and a bounce is probable from those levels in the near future. This problem will become critical as Saturn crosses the birth Sun of the United States next June! If 85 fails to hold, that problem could become more immediate.

**SILVER** has really been playing 'catch-up' lately rising 26.7% from an October low at 475 to over 600 in short order. The **XAU Index** dropped from a high of 112.75 on Dec. 2 to a double bottom straddling mid-month in the 101.40's, closing out last week at 109.48 after a successful retest of its sharply rising 50-Day Moving Average. The long term Gold/Silver Ratio suggests deeply undervalued Silver, and it appears intent upon narrowing the spread!

The **METALS, STOCK INDICES and CURRENCIES** are all moving ahead smartly, closely mirroring the accelerating decline in the **DOLLAR!** Chinese Buying spiked **WHEAT & CORN** while **CATTLE** bounced after 5 limit down days. The **OIL Complex** is higher, but not dynamically so! Highs in 2000 and in 2002 were in the 37.20-37.83 range. It seems rather muted against a backdrop of generally rising Dollar substitutes.

We have continued to recommend the Stocks, **BONDS** and Currencies of Australia, New Zealand, Canada, and to a lesser extent Russia and South Africa (greater political risk) for the last 2 ½ years! "The Major shift to Resources is ongoing and will probably last for years. We firmly believe that coordinated attacks against US\$-denominated assets could occur over next few weeks.

## ASTRONOMIC ACTIVITY

- DEC 23 = Highest Tidal Force in years correlates with sunspots, unusual weather patterns & Earthquakes +/- 3 days.
- ~ Three Earthquakes made Front Page News during this interesting period. ~
- JAN 3 = Jupiter Retrograde Station = A "high" feeling may lead to excesses. Don't buy stocks this week!
- The Jupiter Station is Bi-Quintile (144 deg) Neptune and indicates possible reversals in Gold, Oil & CRB Index.
- JAN 5-6 = Hung over from recent excesses. Markets as well. Mercury stations on the Galactic Center. Information Rules!
- Moon & Saturn will be on the Ascendant for NYC at the NYSE Close (4 PM, EST). Markets slip near the close.
- JAN 7 = Full Moon favorable to Jupiter, but unfavorable to Uranus = Looking for Intermediate TOP in stocks.
- JAN 9 = Quite the opposite on Friday, as Jupiter conjoins the IC (bottom) for the NYSE Close! Sentiment soars near Close.
- JAN 13 = Mars forms a T-square with the Full Moon axis. We expect real-time confirmation of a TOP by then.
- JAN 14 = Mercury enters Capricorn while Venus enters Pisces, an odd combination of practicality & dreaminess. CHANGE!
- JAN 15-16 = Venus conjoins Uranus, both sextile Mercury = Very good and surprising News!
- (Note: economic indices including retail Sales & CPI come out these two days.)
- JAN 21 = New Moon sextiles previous Solar Eclipse point of Nov. 23. While Mars squares Helio Uranus. Mixed, extreme!
- JAN 25-26 = Uranus will square that Nov. 23 Eclipse causing some consternation on markets, Monday!
- JAN 27-29 = Mars on GWB Midheaven while Pluto opposes Uranian Hades = Extreme Violence! More WAR?
- FEB 2-3 = Sun/Neptune conjunct = Deception, Fraud. Mars on coming Eclipse 3<sup>rd</sup> = potentially explosive!
- FEB 6 = Full Moon = A very mixed & difficult picture. WE expect a short/intermediate market Low by now.

**ATTENTION: The letters are usually mailed 1<sup>st</sup> Monday In February, that will be the 2nd!**  
**NEW 1-900-56-ASTRO or 1-900-562-7876 NEW WEBSITE [www.CrawfordPerspectives.com](http://www.CrawfordPerspectives.com)**

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