CRAWFORD Perspectives

July 6, 2004 Vol. 04/07

HAPPY BIRTHDAY GEORGE II!

Today is the 58th birthday of our President. There is a strong tendency for the 40 days prior to ones solar return (real b'day – varies with leap year) to be somewhat difficult, and for the polarity to switch to a more positive bias from that day for another 40 days. If GWB is able to weather one more emotional hit tomorrow, as Saturn opposes his birth Moon position, and another astro hit on July 27, which could put him in a tight spot temporarily, things should improve for him after that for awhile.

It is amazing that, with all the drama swirling around him, & teetering polling results, the world-wide betting services retain a 58% favorable rating on his chances. So, if you really are inspired by Michael Moore's award winning movie, step right up and invest your assets where your emotions live. (As your advisor, I must caution you that Ladbroke's wins more than they lose, besides, Americans aren't allowed.) My own opinion is that despite heated rhetoric, there's little difference in the parties, or those who pull the strings behind the scenes.

The extreme bitterness of this election could unsettle markets, surprising those depending on 'normal' election year gains. It would be great if we would all take time to send meditative, prayerful energy to ALL our leaders, that they may act with wisdom for the benefit of the country. That would look different, wouldn't it?

The stock markets have continued in their meandering phase, with limited movement.

Volatility has been settling in at 8-year lows and volume has contracted. That is NOT to say that it is uninteresting, but trying to figure the next few points move has proved expensive. We have maintained our same newsletter positions since January, avoiding many of the 'whippy' sudden reversals on the way to nowhere. This has kept us in the #6 spot (of 120 top timing newsletters monitored by ***Timer Digest*** of Greenwich, CT) for the 24-month period.

To be sure, there have been pockets of strength, with the S&P-600 making a new high, and NASDAQ and NYSE Advance-Decline Line breaking above key resistances. But Volume characteristics have so far limited the bounce potential of Major Indices. CBOE Volatility (VIX) has drifted around 8-year lows. Technical market conditions worsened in pre-holiday trading, and some previous supports gave way. No major damage has been accomplished, though, and we believe some sort of rally will begin in the next few days, continuing in the 'toppy' sideways trading range of the last many months.

ALL the Majors are not only holding above their rising 200-Day Moving Averages, but also above their flat 50-Day MA's (see page 2 chart). The trading ranges are defined by these MA's on the low side, and the early March tops in the DJIA (10,695.55 with close of 10,678.14) and the S&P500 (1163.23 with close of 1156.86) and the NDX (Nasdaq 100) with mid-January high & close of 1559.47 and 1553.62, respectively. We would expect this year's highs to be challenged by mid-August to early September, which will be a Selling and Shorting opportunity. If they break critical support earlier, we will not hesitate to act aggressively on the negative case.

As we enter a new Quarter, a new round of earnings reports begins to emerge immediately. There is a tendency for the strongest earnings gains to be reported early, and disappointments to come in late. This was covered in Joe Granville's first book (1959). He mentions therein that there is a strong tendency for a correction to begin about the 18-19th calendar day of each new quarter. We recalculated that scenario from 1915-1992 (DJIA) and found it was still very much in evidence. These can be minor or major, but generally playable, at least for short-termers.

Whatever comes about over the next two months, we will become far more negative on investments, generally as the Mars/Uranus Crash Cycle becomes active from mid-August to the March '05 Equinox. This will be a time when one who loses least will be the winner!

VITAL SIGNS

IN JANUARY, WE SAID TO "SHORT ONCE MORE IMMEDIATELY AND PLACE A STOP AT 10,790 BASIS DJIA ON A CLOSE ONLY BASIS."

IN FEBRUARY, WE RAISED THE STOP TO 10,820 ON THE DJIA. THE STOP ON THE S&P500 CASH HAD ALREADY BEEN TOUCHED ON JAN 21.

WE REMAIN SHORT FOR THE DJIA.
SHORT THE S&P500 IF IT DIPS TO 1098
& PLACE A STOP AT 1140.

ALL OUR STOPS ARE CLOSE ONLY!!

SOMETIMES, THE BEST THING TO DO IS NOTHING!

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 finally broke their 50-Day Moving Averages (thin Red line). The 50-Day MA's turned lower in March, but have now flattened out, negating the developing negative context. The DJIA (INDU) and the NDX even broke their 200-Day MA's in early May, but quickly popped back above. ALL have regained their 50-Day MA's, an intermediate positive, but they seem to be stalled out there. All these charts demonstrate a severe loss of momentum since early January, and their MACD Indicators are turning back lower once more. So the picture remains mixed in extremis!
Color ONLY in the electronic Adobe.pdf version.)

The order of progression for Moving Averages in the process of rolling over are these: 1. Price breaks below the rising 50-Day MA; 2. The 50-Day MA turns down; 3. Price breaks below the rising 200-Day MA; 4. The 50-Day MA breaks below the rising 200-Day MA; 5. The 200-Day MA turns down. Although this order may vary slightly, it is clear that an important decline is in effect when Price is below both, the 50-Day MA below the 200-Day MA and both MA's are declining. We have just barely passed point 3, then rescinded the last 2 points! This is in accordance with our Cycle work, which gives more time before things get going in earnest on the downside!

We continue to mark time on the calendar, up & down, backing and filling, making little progress in either direction. We feel, from the current interplay of forces, that there may be an attempt to break major indices above recent resistance levels; a **False Breakout**, as it were, prior to a more pronounced and damaging decline. The BRADLEY Model, shown last issue, implies only short, poor attempts to rally against a massive weakening trend. We want to await more coherent and cohesive indications before we commit more funds on either side.

"Making lots of trades when the conditions appear to be only marginally in favor of the trade idea has more to do with entertainment than trading success." - Michael Marcus, quoted in Jack Schwager's ***Market Wizards***

INTEREST RATE CHANGES INCREASE BOND VOLATILITY!

March 2002 to June 2003 saw an incredible rise in Bond prices and decline in Interest Rates, as the FED dropped the short-term rates 13 times. The reverse took place, rather violently, from June to August last year as rates rose from about 3.10 to 4.70 in less than two months (basis the 10-year rate). Another leg of less severity took place this year, once more in about 2 months, from 3.70 to 4.90, March to May. These periods included the worst Bond Market Crash since 1994!

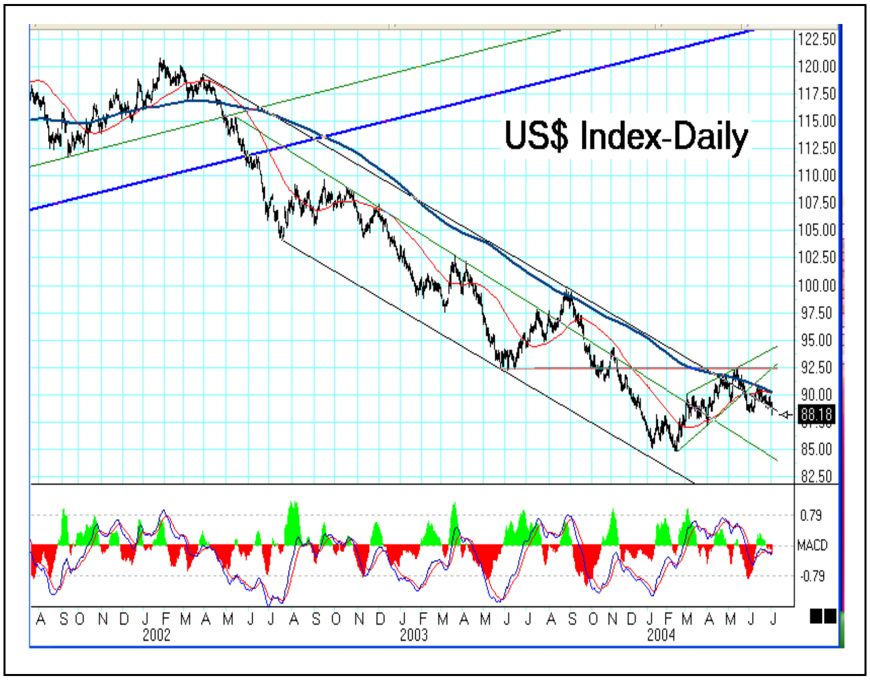
Although Long Rates shot up tremendously, Short Rates were barely seen to move. In May & June of this year, the One-Year Note Yield (IRX) played a fast game of catch-up, rising close to 45 basis points, while Long Rates barely changed (see Red arrows on both charts overlaid in time). This collapse of the Spread was further emphasized last Friday as Long Rates fell hard, while Short Rates rose sharply.

Employment numbers released early Friday were disappointingly weak, suggesting FED moves would remain moderate over the next few months. This was very encouraging to Long Bond holders, that their assets would not waste away to inflation. However, the Short Rate rose unexpectedly!

With the tremendous budget deficits of the U.S. hitting records, it would be reasonable to expect our Dollar to end up in the tank. But it has not! China, Japan & Taiwan have bought more than One Trillion U.S. Treasury Securities, up over 25% in the last 12 months. There is some speculation that they are assisting the Bush administration until the elections pass. Otherwise, they are trying to hold on to their fabulous export market in the U.S. China has already taken unusual steps to cool their rampant economy, as they were starting to BUY TOO MUCH, instead of SELLING to us. Economists believe that about half of their internal bank debt is non-performing!

Can Asia hold our economy together until after the election? We think NOT! This delicate balance depends upon alignments holding together under increasingly difficult pressures, worldwide. Remember also, that our Opposition Party will be attempting to destroy our own economy, as quietly as they can, in order to regain their political stature. The stars, at least as we read them, do not support a favorable outcome. Keep your eyes OPEN!

We Shorted the **US Dollar Index** contract in the May 3 CP letter (close on 5/3 was 91.02) and placed a STOP at 92.77. It was able to hit our 92.50 resistance level exactly on May 14, and closed out May below 89. Friday, it closed below the early June lows, and is now back inside the downtrend channel (bordered by light black lines). It was only able to hold above the 200-Day MA for a few days in early May. The chart is taking on a more ominous potentiality!



The **CRB Index** and **MANY Commodities** have depreciated against the **US Dollar** in a flat consolidation pattern**,** over the last quarter, and, with this breakdown, are very likely to take off running again. **Lumber & Cattle** have stabilized over June and closed little changed. **Wheat, Corn and the BEAN Complex & Cotton** are continuing to register New Lows for the move, while **OJ** has rallied from 57 in early June, to close over 65 this week.

SILVER, GOLD, and **Platinum** added to basing patterns with encouraging up-ticks in the latter portion. We believe they will recover & move higher as the **US Dollar** fulfills the negative promise of its chart

We NO LONGER recommend the Stocks, but continue to like the BONDS and Currencies of Australia, New Zealand, Canada, and to a lesser extent Russia and South Africa (greater political risk). We have been LONG for the last 3 years (from April 5, 2001)! "The Major shift to Resources is ongoing and will probably last for years.

ASTRONOMIC ACTIVITY

JUL 2 = Full Moon at Perigee = Another harbinger of Storms, Earthquakes. Another Interest Rate change?
JUL 8 = Sun/Saturn conjunction near NYSE close could be a temporary depressive effect on markets.
JUL 9 = Jupiter 150 degrees to Neptune = Pitched battle over Inflation vs. Deflation, Rapid shift of emphasis.
JUL 16 = Same again here on Option Expiry. Disparate qualities with groups Up and groups Down. Be careful!
These last two dates, July 9 & 16, plus the 22nd could contain large increases in Gold, Oil &/or CRB index.
JUL 30 = Jupiter squares Pluto in R.A. can bring a large enterprise to bankruptcy.
JUL 31 = Full Moon at Perigee (Super Moon) squares the Moon's Nodes = People enter & people leave one's life.
New or Full Moons near Perigee (nearest passage) increase likelihood of storms, earthquakes = powerful!
AUG 1 = Mercury opposing Uranus & Mars contra-parallel Pluto may bring stocks down on Monday a.m., Gold/Oil UP!
AUG 5-6 = Sun opposes and contra-parallels Neptune after the close (5th), while Jupiter squares Pluto reg. way on Fri. 6th.
AUG 7 = Saturn 135 to Uranus = Routines, possibly Internet disrupted, Tech stocks Down! Electricity dangerous.
AUG 9 = Mercury Retrogrades = Usually about 21 days, Don't Buy electrical equipment or sign legal papers!
AUG 13 = Friday the 13th! Good morning. Sun contra-parallel Pluto later during the trading day (2:02pmEDT)
AUG 17-19 = Mars opposes & contra-parallels Uranus, Mercury conjoins Mars & opposes Uranus = Market TOP!!

ATTENTION: The letters are usually mailed 1st Monday. In August, it may be sent on Monday, Aug. 2nd or 9th!

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