

CRAWFORD *Perspectives*

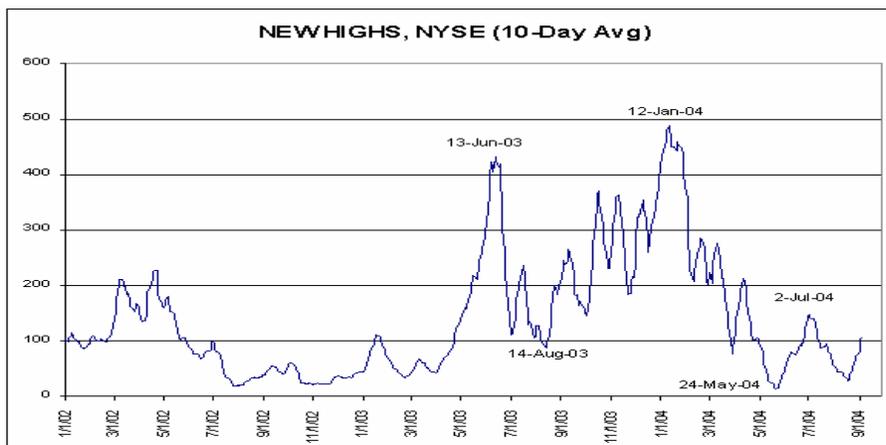
September 7, 2004 Vol. 04/09

NORMALLY THE WORST MARKET MONTH!

Here we are possibly on the edge of the precipice with technical indications mildly overbought and rally carrying into the date of Average Annual High (since 1900) = September 5! We did a study some years ago distributing the worst % down days from 1924 around the 'Seasonal' calendar. Two-thirds of worst down days occurred in one-third of calendar year centered on the Fall Equinox, which also correlates to the hurricane season.

Joe Granville called on August 25 to remind us of the 1987 top anniversary and just now, Bill Meridian phoned up (from London) partly to say that Friday was the 75th anniversary of the 1929 top. He's speaking at the SIRE (Cycles Group) meeting in NYC on Sep. 21 (email rsuttmeier@josephstevens.com for info). That, by the way, is the anniversary of the 2001 low (then, as now Fall Equinox - Sep. 22nd).

Astro-watchers are much concerned about aspects of violence as the New Moon (Sep. 14) conjoins Mars (god of War) and squares Pluto (ruler of the dead). These will closely aspect the Mars square to Neptune in the U.S. birth chart. These have been associated with deceit and surprise attacks, but also violence (Mars) over oil (Neptune). Other possibilities might involve violence over religion, drug wars, chemical fires and accidents at sea. In addition, character (or actual) assassination, arguments over fishing rights. Inclusion of asteroid Ceres with this



configuration emphasizes burning crops (BUY the Grains!) and fevers associated with digestive disorders.

More precisely on timing, problems begin to escalate early on Sept. 10 as Mars squares Pluto, and later Venus attacks both Uranus and Pluto. On the 9/11 anniversary, Sun squares Pluto, while Mars squares Pluto in the helio (Sun-centered) sky. These combinations of excruciating brutality and explosiveness at this historically sensitive juncture recommend the utmost of measures of protection. Remain aware of your surroundings and be prepared for 'fight or flight' decisiveness. Will likely add to strange weather and Earthquake potential!

Nor do the pressures readily abate. Venus semi-square Mars on Sunday (12th), Mercury opposes, then contra-parallel Uranus (13-14), dangerous New Moon (14th), then Sun/Mars conjunction and Jupiter 135 to Neptune (15th). Sporadic irritations continue Sept. 18-20, and finally hit a secondary peak on the Equinox as Mercury squares Pluto and Mars sesqui-quadrates (135 deg) Neptune. Gold, Silver, Oil & other commodities may well peak on the 14-15th or 22nd, so traders could Sell and Short on those dates while others cover shorts

and buy some Equity (stock) positions.

Profitable corrective waves should begin about those days, but we are not convinced that termination is imminent. So keep some powder dry, and remember your new name is caution! **WE WILL COVER THE FIRST HALF OF SHORTS AT NOON (EDT) ON FRIDAY, September 24!**

A good strategy for this type market would be a 'Trailing Stop'. That is, an order to Cover Short Sales or to BUY Long on any rally a certain amount above a recent low. As your short or 'Buy target' declines further, your broker will move the stop to the predetermined distance above the new 'Low' benchmark, until a rally is powerful enough to overcome your stated differential. Hopefully, that will mark a 'spike' bottom, and execute close to the optimal price. What should your 'trailing differential' be? That is a relativistic and esoteric determination. Luck counts!

It is not necessary for the market to decline sharply at this time. The market will do what it darn well pleases. We feel strongly that it will drop steeply before March 23, 2005. Our best estimate is that it will decline NOW! This is NOT as clear a call as the Crash in 1987 or the Crash in 2001, or even the Crash in 1962. This one is not so easy, but the 7.4 Earthquake in Japan today (Sun.) increases the negative odds potential. The purpose of a Stop-loss Point is that you don't lose your whole wad when you're WRONG, as many have experienced over recent years. Also, last 2 days probably a reversal pattern.

VITAL SIGNS

IN JANUARY 5 CP, WE SAID TO "SHORT IMMEDIATELY AND PLACE A STOP AT 10,790 BASIS DJIA IN FEBRUARY, WE RAISED THE STOP TO 10,820

WE SHORTED THE S&P500 CASH INDEX WHEN IT DIPPED TO CLOSE AT 1093.88 ON JULY 21 & PLACED A STOP AT 1140.

MOVED TO 200% SHORT USING FULL MARGIN ON MARKET CLOSE ON AUGUST 17, ON BOTH.

ON DJIA STOP HALF AT 10,820 & HALF AT 10,760 FOR S&P500 STOP HALF AT 1145 & HALF @ 1165 COVER HALF SHORTS AT NOON ON SEPT. 24!

ALL OUR STOPS ARE CLOSE ONLY!!



MAJOR INDICES BACK UP TO MAJOR RESISTANCE

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)

All Major Indices (3) broke their uptrend channel lines several times in the rollover process, and even penetrated their 50-Day Moving Averages (thin Red line) repeatedly. The 50-Day MA's turned lower in March, but flattened out, negating the developing negative context. Did we speak too soon?: "ALL have now destroyed every vestige of technical support, after months of 'Cat & Mouse' games that have totally frustrated traders,..." Now they have all established New, Lower support levels. **S&P500** and **DJIA** have bounced through both their 50-Day and 200-Day MA's, closed back below the 200-Day's on Friday, probably topping this counter-trend exercise!
(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. The Dow Industrials (\$INDU) retraced to point 2, returning to point 3 on Friday. The S&P500 (\$SPX), which last month had not yet experienced the crossing of the 200-Day MA by the 50-Day, finally did so in mid-August. On All Three, the 50-Day ma's are down and below the 200-Day MA's. Only the NASDAQ100 Index failed to better its 50-Day MA in Price, indicating extreme weakness, esp. from Intel.

The SOX (Semiconductor) Index (chart page 3) is a basket case, and often precedes and leads the NASDAQ, which often indicates trends for the other major stock indices. This one is one of the weakest! A further bad sign.

The 10-Day MA of NYSE 52-week New Highs (chart on page one) delineates the severe drop-off in this important measure. The highest individual day was Dec 1, '03 with 627, with 623 on Dec. 29. Rally highs took place March 5 with 467, Apr. 2 at 336, June 24 = 203. Popped to a recent high of 157 on Sept. 3.



SOX (SEMI-CONDUCTOR INDEX) OFTEN LEADS IN MARKET DIRECTION!

The Philadelphia Exchange Semiconductor Index (SOX) made its peak on Jan. 12 and has never looked back. This represents an important chunk of the PC/Internet Revolution that drove the NASDAQ over 5000 into March 2000. It has a history of leading the major averages, giving us valuable info on the next twist or turn coming 'round the corner.

Except for the mid-year 'window dressing' into June 30, which broke the SOX modestly above a downtrend channel line, the pattern of decline has been remarkably consistent. August 11-13, there was a break below the channel line that once more corrected immediately back into the steady drift configuration. The downward shift has further accelerated last week on the Intel disappointment, registering another new low for the year to date, well below the standard declining channel.

You will notice that we have placed an oval marker at that false upside breakout point that promptly failed. The 50-Bar Moving Average (50 weeks on this chart), indicated by a thin red line moved below the 200-Bar MA (thicker blue line) in May. Prices recovered into quarter end, briefly touching the blue line, but quickly returned below the red line, resulting in an acceleration of the deterioration in Price Level.

During the August rally, the 50-Bar approached the 200-Bar on the Hourly Chart (not shown), yet failed to penetrate it, and has now turned back down without so much as a kiss. Such a technical 'failure' is an evil omen (at least for the Longs), and strongly supports the Bearish case. Adding to the horrid mix, we are entering the weakest period for High Tech stocks on a seasonal basis.

If the other major indices follow, as they often do, it could get very nasty very quickly! A confirmation by the VIX and VXO (option Volatility Indices) by rising above 20 or so, would amplify the gravity of the technical picture. The recent rally has taken place on the lowest Volume in several years, another potential 'fly in the ointment'. If Volume and momentum increase on declines after Labor Day, the nail is in the coffin. If on advances, a more positive outcome may eventuate.

"The characteristic of the Liberal system called 'capitalism' by most, is that a private interest, a consort of private, family-controlled merchant banks, exerts an effective monopoly over the issue and regulation of currency and banking, and thus has its hand on the throats of what claim, ironically, to be sovereign nations."

- "The Sovereign States of the Americas"

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. Bouncing around above and below its 50 and 200-Day moving averages, which are very close, it has recently recorded higher lows and lower highs. Such a narrowing 'triangle' pattern is inconclusive until a significant break up or down takes place. A break of that 87.20 low and the chart would immediately take on a more ominous potentiality! Yet, a move over 90.85 would concern us to perhaps cover half with some profit.

The **CRB Index** and **MANY Commodities** have depreciated against the **US Dollar** in a flat consolidation pattern, over the last quarter, and, with any further breakdown in the **Dollar**, are very likely to take off running again. The **CRB** itself has been volatile near the high end of its range, looking like it wants to run again! **Cattle and Hogs** have drifted lower of late, as the high protein craze seems to have peaked. **Wheat, Corn and Coffee** appear to be failing in their rally attempts, but the **BEAN Complex, Cotton, & Lumber** are holding their recent gains. **OJ** has shot from 57 in early June, to a high of 85 – under threat of Hurricane damage.

SILVER, Gold, Platinum & Copper have remained near their highs of the last 3 months, but were hit hard over the last couple trading days. We believe they will move higher this month into a possible intermediate high. The **Metals** and the **Oil Complex** have been consolidating recently, while **Natural Gas** has gone into the tank.

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, **along with GOLD**, (from April 5, 2001)! "The Major shift to Resources is ongoing and will probably last for years.



ASTRONOMIC ACTIVITY

SEP 2 = Mercury Direct Station favors Venus = Things delayed will begin to move ahead again. OK to sign contracts.
 SEP 9-15 = Sun & Mars square Pluto, Mercury opposes & contra-parallel Uranus = Could be Violent Bad Stuff! Gold-Oil = UP
 SEP 10 = Mars square Pluto early, later Venus attacks Uranus & Pluto = Watch for attacks & explosive accidents.
 SEP 11 = Sun squares Pluto, helio Mars squares Pluto = Extreme indicants of Violence on 9/11 anniversary! Careful!
 SEP 14 = New Moon exact conjunct Mars & square Pluto = This looks like the very worst for markets & society at large.
 SEP 15 = Venus c-parallel Neptune, Sun joins Mars, Jupiter 135 Neptune = Deception, Explosion, Rises in Gold/Oil/CRB
 SEP 17 = Option Expiry = Market attempts to rally to recover losses to Put Option writers Sep. 15-17.
 SEP 21-28 = Four planets enter sign of Libra = New efforts to find balance, moderation. Takes off the worst of pressures
 SEP 21 = Moon square Sun/Jupiter conjunction = Good Luck! But don't get overconfident and lose everything.
 SEP 22 = Fall Equinox, Mercury squares Pluto, Mars 135 Neptune = Very dangerous for markets. Maybe Low today or Fri.
 SEP 25 = Saturday has a Sun/Mars/Jupiter combo in Declination at 1 Libra = Should be a very Lucky, Good period!
 SEP 28 = Full Moon at 5 Aries, Mercury enters Libra and joins Jupiter = Good NEWS for a change!
 SEP 30-OCT 1 = Mercury contra-parallel Mars & Quincunx (150) Uranus = Tension returns but not as bad as before.
 OCT 5 = Sun joins Mercury, both trine Neptune = LOW in Gold/Oil/CRB but right back up next day!
 OCT 13 = Partial Solar Eclipse at 21Libra06, Saturn aspects add to depressive moods, Pluto squares MC for NYC.

ATTENTION: The letters are usually mailed 1st Monday. In October, it will be sent on Monday, Oct. 4th!

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