

WHENCE GOLD?

CHART COUNT AT \$430 HALTED IT

After a 20-year declining phase in precious metals, we bought **GOLD** on April 5, 2001, at 258.20, on the 1/3 circle trine of Jupiter to Neptune, the strongest single cycle in the price pattern. We recommended a temporary sale at the final opposition of Jupiter to Neptune on June 2 and the Uranus station on June 6 (360-365), and returned to the Long positions August 20-21 at about the same prices.

Our August 4 CP letter showed a chart of GOLD near to completion of a huge Triangle pattern, which we counted, by technical measures, to \$430, if able to Break Out above the 366 level, which it did on August 26. Every month since then, we have mentioned the large Triangle and/or the chart count to \$430.

On January 6, GOLD spiked up to 431.50, but made its closing high on Jan. 9 at 426.80. The high on the 9th was 429.70. From there, it fell away quickly to 405, and dipped to 398 this past Thursday. We currently project lows between 385 and 395, with a worst case return to the Breakout in the upper 360's. Nor would it be surprising to us if it were to head back up with only this slight penetration below the 400.

Traders should buy again on any upside above 415, but we are keeping long term positions for another series of "higher highs" on or about the following dates: March 3, 9, 18, 26-30, April 19-



24, May 3-5, 24, June 3-14, 22, July 2, 7, 16-19. From there the precious metal and oil may take on a more onerous corrective phase. Short term traders could short on the last date of each of those periods, for a few days each, but risk is high!

Our analysis points up a real possibility that the US\$ will come under considerable pressure by June-July of this year. Although we look for an immediate rally phase in the Dollar Index from support at 85-86, that should end by late April, or May at the latest. The U.S. requires an inflow of about \$1.5 Billion PER DAY to keep our Economy on an EVEN keel – that's without ANY INCREASE! If and when the world begins to object to our profligacy, by NOT buying our bonds & notes, the whole situation could unravel very quickly.

Indeed, the process is shifting as we write! 54% of Chinese foreign currency reserves were being recycled into US Treasury securities in 2002. Only 40% were so disposed during 2003's first half...and 24% over the last 6 months! Is that why Japan

VITAL SIGNS

LAST MONTH WE SAID TO "SHORT ONCE MORE IMMEDIATELY AND PLACE A STOP AT 10,790 BASIS DJIA OR 1146 BASIS S&P500 CASH INDEX, BOTH ON A CLOSE ONLY BASIS."

THOSE ACTING BY EMAIL WOULD BE SHORT ON CLOSE OF JANUARY 5 OR 6. BY REGULAR MAIL, VARYING BY THE DISTANCE.

RAISE THE STOPS AT THIS TIME TO 10,820 ON THE DJIA AND TO 1163 ON THE S&P500 CASH.

ALL OUR STOPS ARE CLOSE ONLY!!

intervened on our behalf in Jan. to a monthly record of Y7,155 vs. previous record of Y4,458? Merrill Lynch economist expects their interventions to average \$48bn/month this year against only \$15bn last year! We would call that ACCELERATION!! We would join George Soros in his stated position of being short the US dollar. But NOT right away, as we are looking for more of a bounce, first.

Since our GOLD call in April 2001, "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."

The stock market, after 9 weeks up in a row, is beginning to slip more seriously. Sentiment figures have posted extremes not seen before, even at major market peaks. The danger may be greater than previously suspected. It remains a requirement that NYSE New Lows expand past 40 for 3-4 days in a row, and VIX Volatility Index exceed 19, to confirm a more negative signal. A further significance would be registered if the 50-Day Index averages were broken, then turned actually lower, then break below the 200-Day averages on Major Indices.

Arch will speak at the AstroEconomics conference March 20-21 in Marco Island, Florida. Details at www.CrawfordPerspectives.com



2002 RALLY TOPS AT 10,700 & 1158-77 STOPPED THE ADVANCE, FOR LONG?

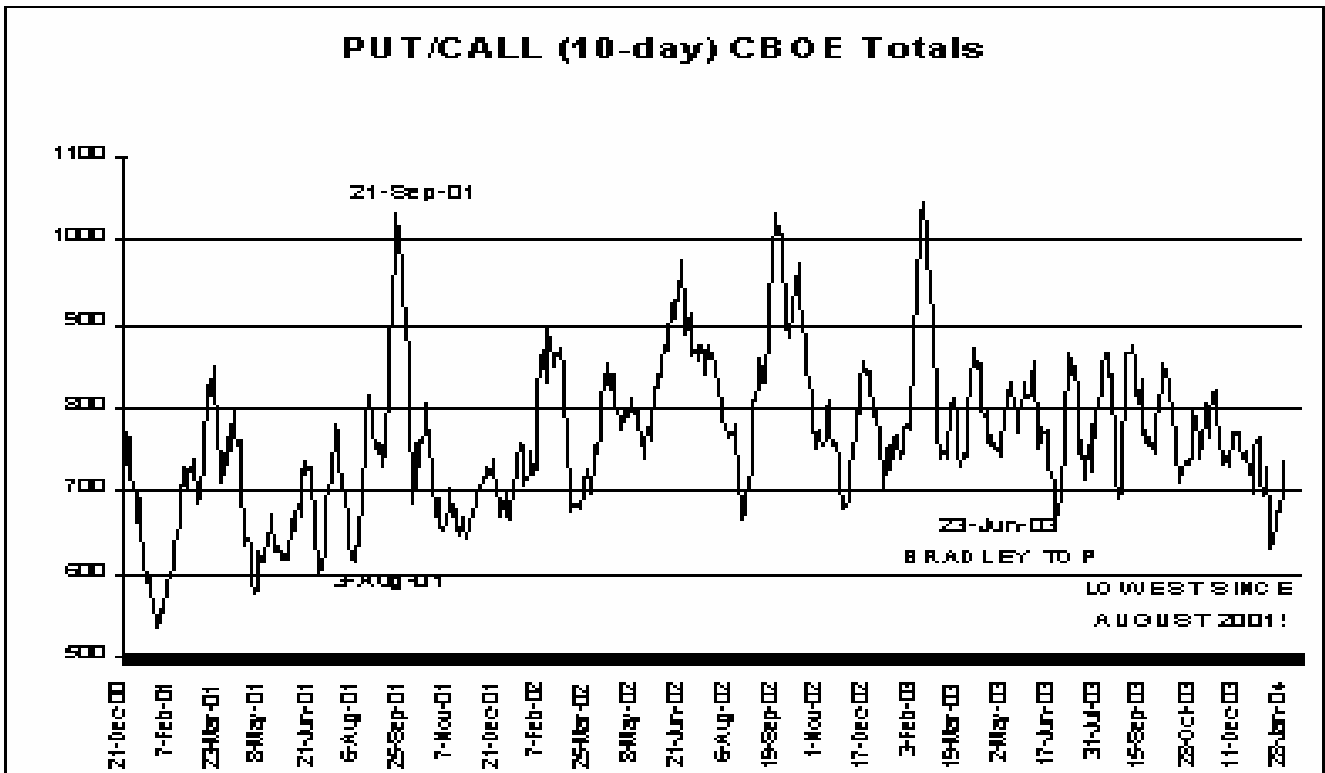
Charts pictured above show (\$SPX) S&P500 Cash Index, (\$INDU) Dow Jones Industrial Average, (\$NDX) NASDAQ 100 (not COMPOSITE), and (US #F) 30-Year T-BOND (price)

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 New Year seasonal rally. Once more we are faced with a significant "Overbought" condition, well above the 50-Day and 200-Day Moving Averages. There is a tendency for markets to peak early in a new year, and a further tendency for Major Indices to Top 18-19 calendar days after the beginning of Each calendar Quarter. Oddly, volume and volatility have remained severely depressed, even though Brokers, Advisors and Public in general are historically Bullish! In January, we have seen absolute broken records in Public and Advisory Bullishness, read Complacency! The *TIMER DIGEST* Top 10 have recently swung sharply to 9 Bulls and 1 Bear, One more nail in the coffin of this Secondary Bubble! More urgent divergences are appearing, and yet we have no Final Top Confirmation. That will take many more weeks or a sudden shock! (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, and are showing the wear & tear of Momentum Loss. 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, as is the first and strongest round of Reinvestment inflows. Although the Major Indices gained about 2-3% in January, that is weak & ineffective for a follow-through in January. We look for higher highs after correction. It may worsen!

Weak economic statistics surprised many of the Bulls in recent weeks, Insiders remain heavily on the Sell side at about \$48/1, but it was the FEDERAL Reserve that finally sunk the 'unsinkable' MO. A slight change in the nuances accompanying the "No Change" announcement panicked traders into the worst down close since October 22. That in itself is a statement of extreme low volatility for a fairly long period. We feel it is being 'engineered!'

**"Modern Fascism should be properly called CORPORATISM, since it is the merger of state, military and corporate power."
- Benito Mussolini**



LOWEST CBOE PUT/CALL RATIO SINCE JUST BEFORE 9-11-01

As you can see from this chart of overall CBOE Put/Call Ratio on a 10-Day MA, it is making lows not seen since August of 2001, just before the 9-11 unpleasantness. Last month we showed a chart with 26-week MA of Advisory Sentiment. Many of this type of technical indication are capable of keeping on at increasingly historic record levels until they actually change direction, and it is that final change of direction that nails the turn in stock prices.

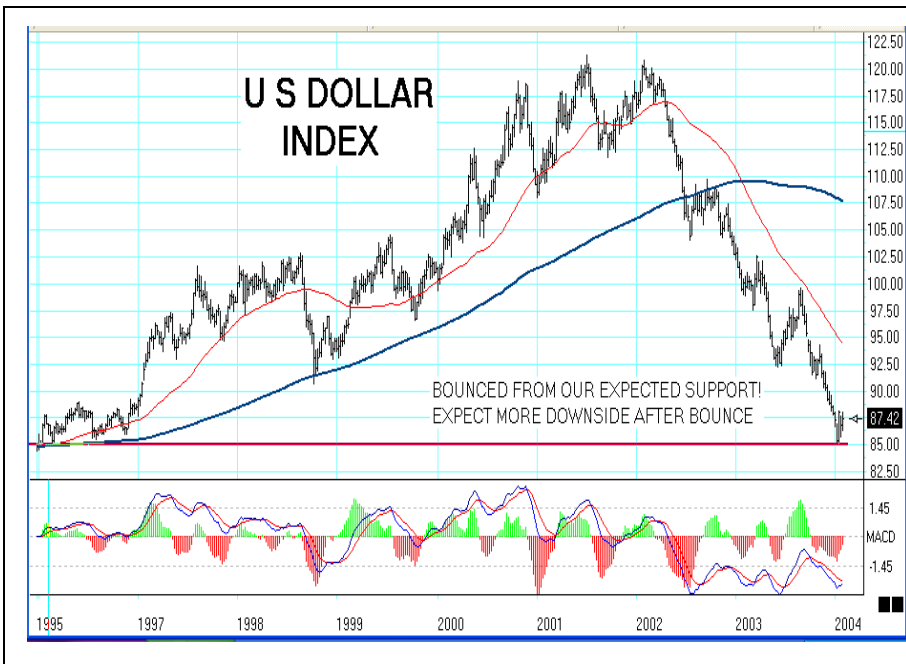
We are aware of several that seem to be at or near practical maxima, or minima in the case of VIX, VOX, VNX = Option Volatility measures. In particular, across the board Sentiment measures are out of sight. Inversely, Insider selling reached an astounding \$60/1 and has backed off somewhat to around \$48/1, still in the 'unheard of' range! The NYSE New Highs/New Highs + New Lows cannot go above 100%, yet is hovering in the very high 90's. Advance-Decline Line of NYSE also through the roof in ratio to price indices.

Part of the Advance-Decline and New High-New Low results can be explained by other factors. One is the number of Interest-Sensitive stocks and funds listed on the NYSE. Another quirk is the recent switch to decimal pricing, whereas an advance or a new high can be achieved with considerably less funds invested, having only to push an issue \$0.010 as opposed to the former \$0.125. A third factor involves the proliferation of Index Funds that trade as Stocks. In this case, someone buys a chunk of such an ETF (Exchange Traded Fund), and the fund manager is obliged to add portions of all the individual stock constituents of the funds! These are all fairly recent aberrations to the calculation of these ancient technical methodologies.

It is aberration enough that the market lows of 2002 took place at fundamental evaluation levels formerly commensurate with Major Market Peaks, and have since recovered to ratios reminiscent of the "Bubble" extremes. This can ONLY be explained by MADNESS, due to excessive sunspot activity, peak of century high tidal forces, large swings in atmospheric ionization and disturbances of Earth's magnetic fields. Oh, and possibly one other thing: manipulation by government and pseudo-governmental bodies in order to affect economic trends approaching electoral campaigns.

We also mention on the above chart and the one on the cover of last month's letter, that these indicators followed the Bradley planetary projection, even though Index Price levels did not. Apparently, there was a psychological component of our markets that was responsive to the planetary patterns regardless of whatever else was going on. Requires further study!

The **US Dollar Index** has now dipped to our indicated support at the 1985 lows at 85, and bounced to close the week at 87.42. Last month we said: "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." It could run into intermediate resistance in the 90-92.50 range. On a trading basis, we would prefer the Long side to the Short side for the current rally potential, keeping in mind that it looks MUCH LOWER in the June-July frame. The Long Term oriented should probably not bother with the counter-trend action. The times demand care & caution, whatever side you're on since, after this much damage has already been accomplished, rallies can be unexpectedly sharp.



SILVER has really been playing 'catch-up' lately rising 26.7% from an October low at 475 up to 680 in short order, stabilizing above 600 for the last month. The **XAU Index** dropped from a high of 112.75 on Dec. 2 down through its 50-Day MA and within 4-5 points of the 200-Day MA. Perhaps a bit more consolidation before attempting new highs once more. Almost all commodities are experiencing lower momentum indications this month, **COPPER** being the notable exception! Old Wall St. adage says markets tend to form a TOP of Copper, as it is one of the late cycle out-performers. Here we are!

CORN, SOYBEANS and COFFEE are all higher in price, though momenta are flagging. **CATTLE** bounced after 5 Limit Down Days, but are slipping once more.

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 again, especially around the Eclipses in April, and hits to the U. S. birth chart in June.

ASTRONOMIC ACTIVITY

FEB 2-3 = Sun/Neptune conjunct = Deception, Fraud. Mars on coming Eclipse 3rd = potentially explosive!
 FEB 6 = Full Moon = A very mixed & difficult picture. WE expect a short/intermediate market Low by now.
 FEB 13-14 = Mars/Pluto/Saturn = Brutality, to fight for one's life, rage, fury, death of many. Not good for markets, either.
 FEB 20 = New Moon conjoins Uranus = Nervous markets at option expirations! May be a down open! New Viruses?
 FEB 24 = Mars conjunct Moon's Node, both square Neptune = Another spike high for Gold, Oil, Metals, CRB Index!
 FEB 26-27 = Mars trine Jupiter = Good for business, Venus trine Pluto = Good for banks, more mergers?
 MAR 3-4 = Neptune quincunx (150 degrees) to Jupiter as Sun/Mercury conjunction opposes it = Spike in inflation hedges!
 MAR 6-7 = Hostility, Danger & Sadness for the New York area as the Full Moon Mars, Pluto & Saturn active for NYC.
 MAR 8-9 = Mercury, Mars & Venus attack Pluto, or vice versa = Coercion, use of force, cruelty = BAD for markets!
 MAR 12-13 = More of the same as Venus and the Sun continue hostile action with Pluto.

ATTENTION: The letters are usually mailed on 1st Monday. Next month that will be March 1, 2004.
 Our twice-daily HOTLINE update is available 10:02AM & 2:02PM for \$4.30 total per 2-3 minute call = **1-900-562-7876**

Crawford Perspectives is published 12 times per year. Sources of information are believed reliable, but are in no way guaranteed. Opinions and recommendations are given with the understanding that our sophisticated investors are aware of the risks involved. Crawford Perspectives is written and published by Arch Crawford. © 2003 Arch Crawford. All Rights Reserved.

CRAWFORD PERSPECTIVES 6890 E. Sunrise Drive, Suite 120-70, Tucson, AZ 85750-0840 Tel. (520) 577-1158 FAX (520) 577-1110