Sand Spring Advisors LLC

The Coincidence of Time: An Update for June 2002

by,

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June 3, 2002

As most long-term readers know, we have pointed to the next 4.3-month PEI cycle date of June 30th as a potential equity trading low. This is partly because the more major 4.3-year cycle date of November 7, 2002 follows a series of significant highs stretching over recent 4.3-year intervals. 4.3 years prior to Nov 7, 2002 was the very significant July 20, 1998 high – just prior to the Russian and Long Term Capital debacle. 4.3 years before that event was the February 1994 equity high just in front of a surprise Fed rate hike and eventual Mexican peso devaluation. 4.3 years prior to that was the December 1989 all-time high in the Tokyo Nikkei. Only on September 20, 1985 – 4.3 years between a May '81 U.S. equity high and Dec. '89 Nikkei high – did we get a significant market low, but yet this date still represented a significant one, falling just in front of the 1985 Plaza Accord agreement by G-7 central bankers to push down the value of the U.S. dollar. Meanwhile, 4.3 years prior to that, May 1981 was a significant U.S. equity market high, as Fed Chairman Volker actively embarked on pushing interest rates to extraordinarily high levels in an effort to kill inflation.

Now September 1985 is indeed a full 17.2-years removed from the November 7, 2002. It is therefore possible that Nov. 7th too will be an equity low a la 1985 – although this is not our favorite interpretation. More likely, we believe that continued low interest rates and a generally declining dollar into November may eventually represent a final and false surge of strength in equities over the latter part of the summer.

First, however, we must make it through the month of June that certainly has the potential to hold a "crash-like" event.

We say this because there are just too many coincidences of analysis that point toward a late June 2002 equity low. We not only have a PEI cycle date falling in this period, but using completely different Fibonacci day count techniques, Bob Prechter's Elliott Wave International group also point toward a potential market turning point June 24-25. Per their analysis, this date window comes a **Fibonacci 610** trading days after the January 14, 2000 all-time high in the Dow Jones Industrials, and a **Fibonacci 987** trading days from the July 28, 1998 market high. The chart below shows as well, how in a rolling fashion, each of the 30 stocks in the DJIA has left a significant high. Of note, there are now **no more** stocks left to peak – Johnson & Johnson and 3M having been the final ones to reverse – a call Sandspring.com previously anticipated in JNJ near $63.90, and in terms of 3M, also commented upon within in our chat room.

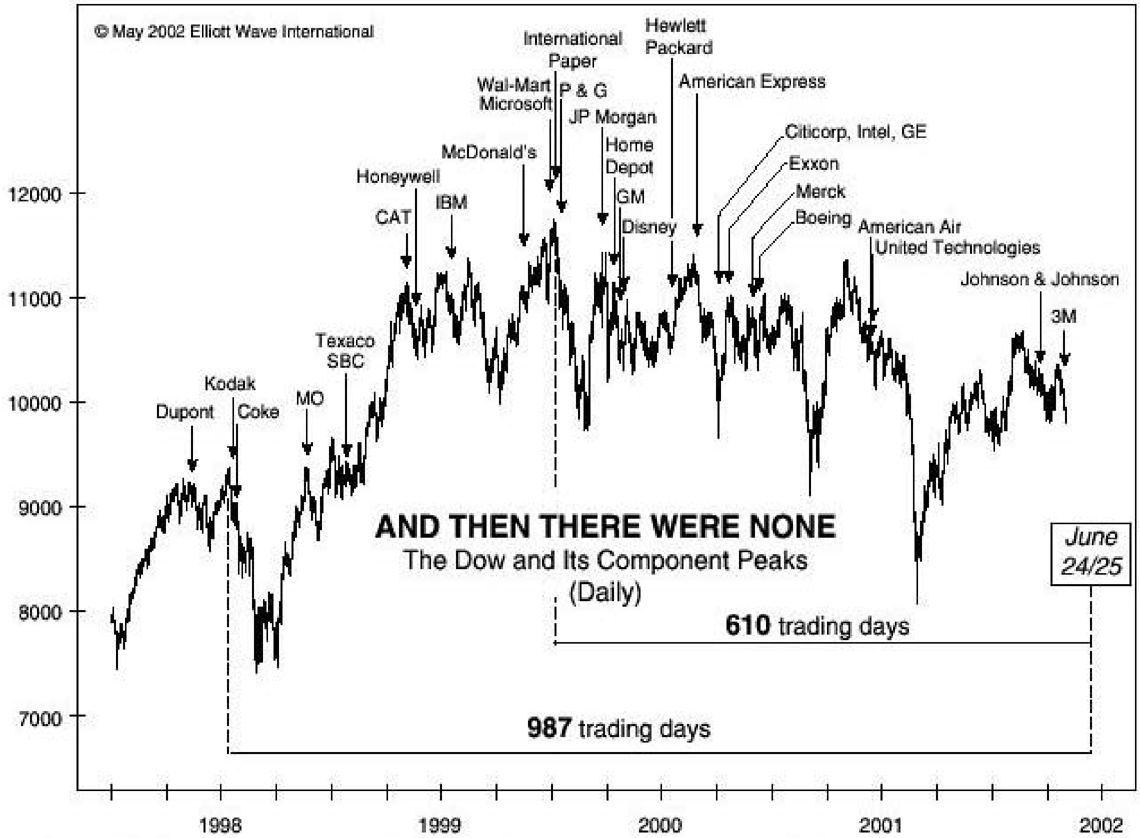

Chart courtesy of Elliott Wave International

Now June 24-25 is not exactly the PEI June 30th date, but given that June 30th falls on a Sunday, it is not really that far off. June 24th is also a Full Moon when human sentiment can have a tendency to run somewhat extreme.

Meanwhile, a second coincidence of dates in late June also comes from the work of astro-market analyst Arch Crawford. Once again, using a completely separate arsenal of technical and heavenly tools, Crawford is looking for a market low to form in late June to early July. Pointing toward the "depressive effects of Saturn conjuncting the Moon's Node on June 6th, followed by the "big day" of the Solar Eclipse on the evening of June 10th, that then conjuncts with and becomes "triggered" by Saturn on June 20th, Crawford expects "this period to be the most significant of the decade." He describes the period with expressions such as: "grieving, great sadness" (June 6th); "hotheaded, dramatic, and tearful" (June 12th); a "flurry of dramatic but unfocused activity" (June 18th); "a secondary peak of tensions" (June 20th); "markets usually decline into this" (June 22nd –23rd). Although Crawford sees chaotic conditions tumbling over into the July 4th weekend, he expects a low to form no later than July 14th, with July 19th as potentially "the best day of the year" – perhaps a dramatic reversal from panic lows.

So overall, even though the dates are again not exact, Crawford's analysis is largely consistent with that espoused by Elliott Wave International and by our own use of the PEI 4.3-month cycle. How all these divergent techniques end up with the same basic conclusion is truly amazing and reinforcing in overall significance. As today's 215- point DJIA slide may already be starting to show, June could be a very dangerous month. The slip and slide type of price action to the downside will likely accelerate into at least a mini-panic.

The obvious trigger for this chaos looks at this time to be the Pakistan-India tensions, but we cannot rule out further terrorist acts within the U.S., further revelations on corporate governance malfeasance, or perhaps some sort of geophysical event such as an earthquake or volcanic explosion. Anyone who follows the earth's activities, will know that volcanic action has of late been stepping higher globally. The Colima volacno in Mexico is bubbling away with increasing strength, as is Kilauea in Hawaii. Pele is the Hawaiian goddess of Mount Kilauea, which reminds us perhaps of the famous prediction from 1930's psychic, Edgar Cayce:

> "If there are greater activities in the Vesuvius, or Pele, then the southern coast of California – and the areas between Salt Lake and the southern portions of Nevada – may expect, within the three months following same, an inundation of earthquakes."

Vesuvius has of course already been quite active in Italy this year. The reference to "Pele" in the quote above is most often assumed to be Mount Pelee in Martinique – but perhaps it is the goddess Pele of Mount Kilauea. Scary stuff if it is.

Certainly, the last thing that the U.S. economy needs right now would be a large natural disaster, and yet, as we remember back to the Crash of 1987, requisites for a substantive crash emanated in that instance from three distinct directions: a financial event (Treasury secretary Baker was having a public food-fight at the time with the Germans over the decline of the U.S. dollar); something geo-political (Reagan authorized retaliatory air strikes against Iranian oil rigs in the Gulf the night before the October 19, 1987 Crash); and something geophysical (a freak hurricane hit London October 19, 1987 and prevented most London traders from even getting to work that day, leaving the markets particularly "thin"). Without this perfect confluence of three events, one must wonder whether the Crash of 1987 would have been as dramatic as it was.

In the current instance, another corporate financial accident combined with a significant terrorist or Pakistani/Indian event, plus maybe a geophysical event in California would certainly be just enough to unnerve even the most strident long-term equity bull. It would be just enough to cause short-term capitulation.

As of this time, we see some support for the DJIA down at 8969, and then much more significant support near 7705-7725. In the S&P 500 we spy targets first of 899.62, then between 858-861, and potentially with time 789-792. The NASDAQ 100 meanwhile has a strong downside Fibonacci target of 1002.70.

Could some of these levels be reach by late June? Most are still very far away right now, but given the coincidence of different techniques calling for a late June low, we will not be surprised to see at least the highest of these levels touched. It is no time to step in early and buy equities at this time. We will be attentive, however, for a significant low as June turns to July.

Lastly, for any of those who think Sandspring.com has "lost it" to put any credence in Arch Crawford's astro-work, be aware that Crawford has independently been rated the best market timer by Hulbert's Financial Digest over the past decade. He *can* be over-dramatic at times, and occasionally dead wrong, but he has also foretold many significant days in the past as far afield as Chernobyl blowing up, Iraq invading Kuwait, and even the day of Princess Diana's death that I remember Arch anticipated with the words "Tragic love in a fatal accident."

Sandspring.com does not understand perfectly how he universe and our markets behave. But we do believe that there is an underlying rhythm to both – and we have an open mind.

Send us your comments at information@Sandspring.com.

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