

Sand Spring Advisors LLC

Lost in Space: Varied 2005 Macro Views & More Definitive Astro Path

by,

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Over the past several days, I have read through a plethora of monthly and annual commentary from some of the smartest macro hedge fund managers around. I was looking for cogent thoughts and comments that seemed reasonable common themes consistent (or even justifiably at odds) with my own more technical view of the world. But my basic conclusion from this reading session ended up being that the dispersion of opinion about 2005 is as wide as I have ever seen it. Everyone has a preferred path, and there are many lucid observations and views, but the perspectives on potential outcomes are quite different.

Below is a rough sampling (paraphrased in certain spots, and left in generic format without specific manager attribution for confidentiality reasons). Trust me, each of these managers is very smart, but whether they will be correct or not about 2005 obviously remains to be seen.

Manager 1 – Credit bubble to pop -- buy gold.

“Is gold the right place to be in 2005? We answer unequivocally, ‘yes.’ With total credit market debt of \$36 trillion atop an economy measuring \$11.8 trillion in nominal GDP, and with absolute debt now expanding five times faster than GDP, growth is no longer a viable option for resolving imbalances in the U.S. credit system...The productivity of capital is collapsing in the United States...If paper represents a call on societal output, how long can we create five times as much paper as output?...The decline in real yields during the past 20 years has continuously manipulated the global economy away from a day of reckoning, but monetary policy has become less and less effective. Each successive round of monetary stimulus has required lower real rates. Partly because of this, foreign private direct investment into the U.S. has fallen consistently over the past five years, requiring central bankers to pick up the slack by buying a huge amount of U.S. Treasuries over the past two years. Anyone choosing to interpret this situation as ‘balanced’ has their head in the sand. As Warren Buffet has previously warned us: ‘As foreign ownership of our assets grows, so will the annual net investment income flowing out of this country. That will leave us paying ever-increasing dividends and interest to the world rather than being a net

receiver of them, as in the past. We have entered the world of negative compounding – goodbye pleasure, hello pain.’

“Default or debasement are the inevitable alternatives. The Chinese already realize this, and have started to aggressively trade out of paper and into ‘stuff’ to diversify out of U.S. dollars. As recently as July 2003, China was recycling 41% of its foreign-exchange reserves into Treasuries. In recent months, that percentage has cascaded to only 11%. Meanwhile, Japan may have bought a huge amount of Treasuries in 2002-2003, but they have actually net sold \$6.4 billion of Treasuries over the past three months. In a recent survey of central banks, zero percent reported intentions to increase the percentage of reserves dedicated to U.S. dollar-denominated assets in future years. Zero percent!

“Because gold can neither default nor be debased, we anticipate an increasing percentage of the world’s \$100 trillion in financial assets to gravitate toward gold. At roughly \$575 billion today, the stock of “investable” gold is tiny in comparison to the stock of global financial assets. Consequently, each one-tenth-of-one percent swing in investment demand will dramatically affect gold’s clearing price. We ultimately anticipate a foreign exchange preference for gold versus all fiat currencies.”

This manager goes on to quote former Dallas Fed President Robert McTeer, who before resigning from the Fed last fall, said with some candor:

‘Nothing bad has happened so far. But the current account deficit is going to cause problems, but we just don’t know when. Flows will turn against us and there will be a crisis that will result in rapidly rising interest rates and a rapidly depreciating dollar that will be very disruptive. But I don’t know what to do about it.’

This manager then lists all of the world’s various imbalances via a quotation from John Hathaway, portfolio manager of the Tocqueville Gold Fund:

‘This misdirection of capital flows in the current global economy is illustrated by the U.S. trade deficit, the US budget deficit, the 46% holding of U.S. treasuries by foreign investors, the lack of any credible attempt to deal with future entitlement claims, the pattern of aberrant behavior in housing finance and the resulting bubble in housing prices, the disconnect between shrinking bond yields and rising commodity prices, negative real interest rates, the overweighting of financial stocks in the S&P (20.1%), the bloated 38% share of total after tax profits generated by financial firms, multi-year interest-free new car loans, the reckless pursuit of yield in the junk bond market, the continued overvaluation of equity markets, the inundation of the hedge fund sector by capital flows desperately seeking returns, over utilization of convergence strategies, the paucity of returns for investment strategies across the board, the buildup of corporate cash, the excessive indebtedness of the American consumer, and the glut of golf courses, casinos, and SUVs.’

The manager finishes by quoting Morgan Stanley economist Steve Roach with the words: ‘In the end, denial is usual the only thing left...that’s pretty much the case today in world financial markets.’ “There is no more glaring example of the wishful thinking ruling Wall Street than the cognitive dissonance with which employment numbers are analyzed. In the first 47 months of Bush’s first term, the U.S. lost a net of 122,000 jobs. Only the 133,000 payrolls ‘created’ in December 2004 spared Bush from being the first president since Hoover to preside over a net loss of jobs during a presidential term. Never mind that the U.S. population grew by some 12 million people during the same period! Or that the vast majority of jobs being created

were low-quality, low-paying jobs in leisure, hospitality, retailing, social services and government. Through January 2005, the current cycle has produced 9.7 million fewer jobs than the 38-month average of the prior five recoveries, and 4.2 million fewer than the very worst of the prior recoveries (1991).”

So Manager 1 is pretty “doom and gloomy.” But perhaps it is realistic to always expect one such view of the world from some source. Let us move on to other views.

Manager 2 – Large caps over small caps as consumer spending is likely squeezed lower.

“The death of the U.S. consumer has been repeatedly forecast, and grossly exaggerated, over the last three decades. Nonetheless, in 2005 – the third year of an economic recovery – U.S. consumption is in fact poised to slow as excess global manufacturing capacity and excess leverage in the domestic consumer sector could converge. While we expect to see some new job formation in 2005, it will likely not be enough to provide any broad new stimulus to consumer spending. Mergers and Acquisitions are likely to be strong in 2005 due to corporations putting some cash to work and the fact that U.S. assets look particularly attractive to foreign acquirers due to the 18% decline in the U.S. dollar trade weighted index over the past three years. But we don’t see any huge labor hiring binge. M&A activity may even result in more cost containment/consolidation. That could read layoffs. Absent a significant drop in the oil price, the low-end consumer will almost surely face further pressure. The household monetization of rising real estate values is also long-in-the-tooth, and should property markets flatten or reverse, consumer spending could be hit even harder. Lower consumer spending is typically a precursor of slower GDP growth. At best, this will leave the U.S. stock market as a stock picker’s market, with large-cap high-quality stocks likely outperforming more speculative small caps for a change.”

Manager 3 – Bond bear market is upon us as demand-push inflation increases and past productivity gains diminish.

“Contrary to consensus, capacity utilization is tighter than realized (with the exception of technology). This should eventually result in a return in corporate pricing power. The cost of oil and all other commodities will continue to rise as global growth strains limited inventories. In addition, the productivity gains of the past decade are not repeatable since a central driver of recent productivity gains has been the rising ratio of experienced workers to inexperienced workers from 1987 to 2005. This ratio, driven by the Baby Boomer generation moving through its 40’s and early 50’s, has already delivered the majority of its benefits to productivity growth and will no longer be a major factor. The combination of higher economic growth, declining productivity, and demand-push commodity inflation leave a U.S. bond market set to fall. The low long-term-rate conundrum that Mr. Greenspan recently spoke about has been driven by the relative profitability of the leveraged ‘carry trade’ to other investment opportunities at a time that the global economy has not absorbed excess capital. This is now changing. Economic growth will result in higher inflation, spread margins, and translate into labor increases and higher labor costs. Growth in China will continue to make commodity markets tight. Shorting U.S. fixed income on any strength is the single most compelling trade for 2005.”

Manager 4 – Benign world that is actually still quite accommodative; buy equities.

“We have maintained our net long equity exposure on the view that extremely accommodative financial conditions continue to drive demand, and these supports will keep growth stable in the

coming months. In fact, since the Fed started tightening in June 2004, financial conditions have actually eased. The Goldman Financial Conditions Index is 70 bp easier, which is a first during any tightening cycle since 1970. This contradictory state coupled with our view that a deceleration in inflation will cause market participants to re-examine the aggressiveness of the Fed, and helps lead to our conclusion that U.S. and global equity prices will trade higher.”

Manager 5 – Low labor participation helping keep inflation low; sell TIPS vs. Treasuries. Buy Asia and Asian currencies.

“Last May we concluded that there were many people who can’t find work dropping out of the official labor force, and that this low ‘labor participation rate’ would keep unemployment above the rate which contributes to accelerating inflation, moderating Fed interest rate hikes. Since then, labor participation has fallen to a 16-year low. January’s unemployment rate would have been 6.6% if participation hadn’t fallen .9% since the recession ended. Although the Fed continues to make hawkish noises, in reality, they will raise rates only moderately. They know that the economy is weaker than the headline numbers. As consumer spending and labor growth limp along, we expect inflation will be lower in the next 10 years than it has been in the past. We like selling TIPS vs. Treasuries as a bet on breakeven inflation. Elsewhere, there remain significant asset inflows into non-Japan Asia. We continue to believe that select Asian countries will achieve strong growth due to low real interest rates and competitively positioned formal and informal currency pegs to the dollar. Those Asian currencies which do float should strengthen both vis a vis the U.S. dollar and against the Euro.”

Manager 6 – Refi activity petering out; inflation to stay low; the surprise may be to the upside in U.S. fixed income.

“The risk of an economic slowdown in the U.S. due to policy errors is high given the reliance of the domestic sector on home price appreciation and GDP growth fueled by further domestic credit expansion. Moreover, because consumer spending did not falter during the economic slowdown of the past few years, there is little available pent-up demand. Therefore, the Fed will stop raising interest rates sooner than the markets expect. This follows from our expectations for slower growth in the U.S. in 2005. In our opinion, a weak employment number in January helped seal the argument that the Fed should stay put in the 2.5% to 3% area. While the market may face some stronger than expected inflation numbers in the second quarter, we believe that because of the relatively weak U.S. employment situation, wage growth will be contained and overall inflation will be weaker than expected. The surprise for 2005 may easily be that too much tightening has been priced into the front-end of the U.S. fixed income curve.”

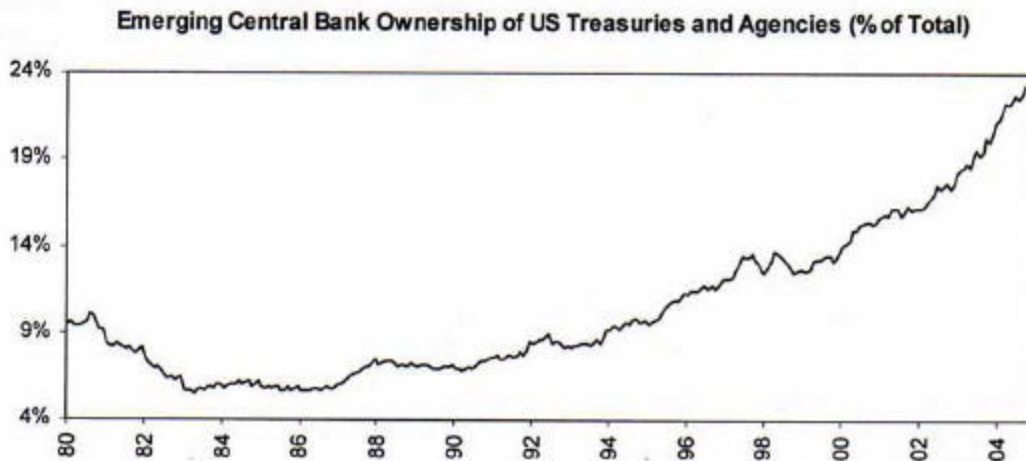
Manager 7 – “Muddle-Through” view likely not synonymous with Fed tightening cycle; Buy equity volatility for when the U.S. economy falls off of tightrope.

“As Mr. Greenspan recently admitted, the rapid growth of home mortgage debt over the past five years has been driven ‘largely by equity extraction’ via cash-out refinancing. Again per Mr. Greenspan, ‘Approximately half of equity extraction shows up in additional household expenditures, reducing savings commensurately and thereby presumably contributing to the current account deficit.’ But while most people expect that the resulting macro tensions can be defused gently in a ‘muddle-through’ scenario of some sort, I am not so sure. If it is a ‘muddle-through’ type of situation, it will have to be orchestrated on a tightrope. After all, Fed tightening cycles and financial crises (of one form or another) have generally gone hand in hand over the past 50 years. For my investment dollar, I think buying equity market volatility currently near 11-year lows is an attractive risk-reward situation. If the muddle-through scenario starts to

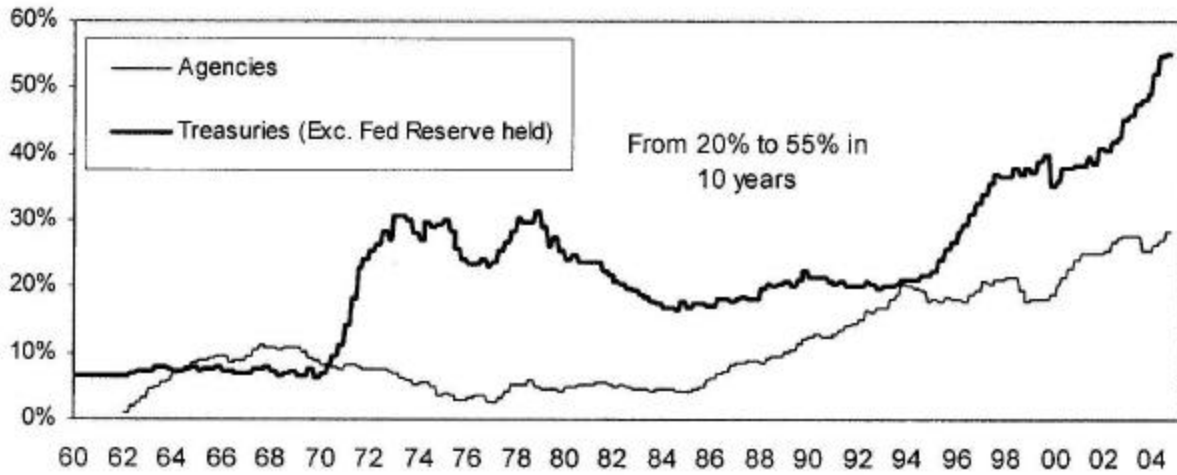
unravel, equity markets – currently priced for perfection and unrealistic profit growth expectations – could yield some swift jump moves to the downside.”

As we warned at the outset, the dispersion of views expressed by these seven managers is wide – particularly the views regarding U.S. fixed income. But there are various commonalities. First – not one manager bothered to even talk about Mr. Bush’s social security reform/tax code change economic agenda, nor the Iraq War. Most seem to simply consider Mr. Bush’s proposals to be a non-event – dead on arrival. Second, all of these managers basically agree that the world macro situation is very unbalanced. While the managers may disagree on how these imbalances will resolve themselves, there is no “pie-in-the-sky” nirvana talk that one might hear from mutual fund managers or other CNBC prognosticators. Indeed, the large majority of the above macro managers would likely concur with the following summary assertions:

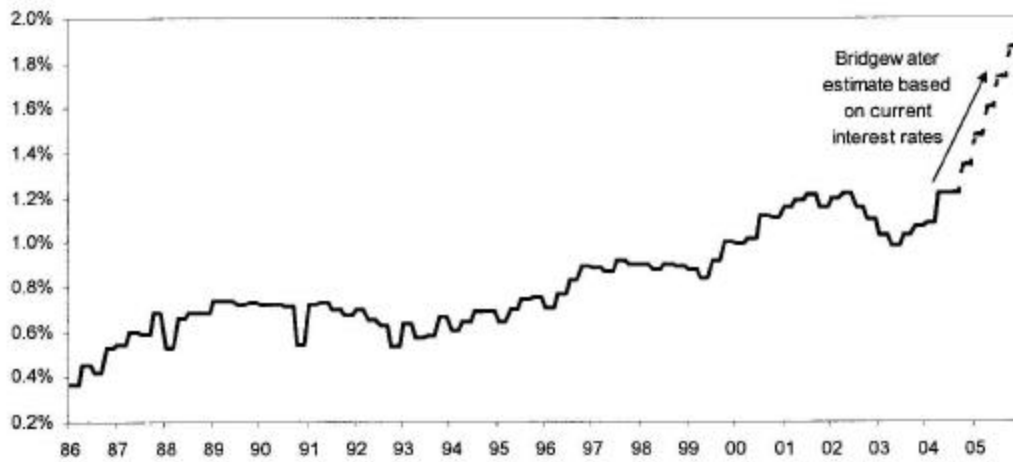
- 1) The U.S. consumer – particularly the low end consumer -- is increasingly in a corner;
- 2) Asian markets will be stronger than U.S. markets since more imbalances exist in the latter;
- 3) Asian currencies will likely be stronger than the U.S dollar and the euro;
- 4) The charts below are real and scary. As such, there is at least the possibility that the U.S. macro situation will become embarrassingly acute over the next two years.



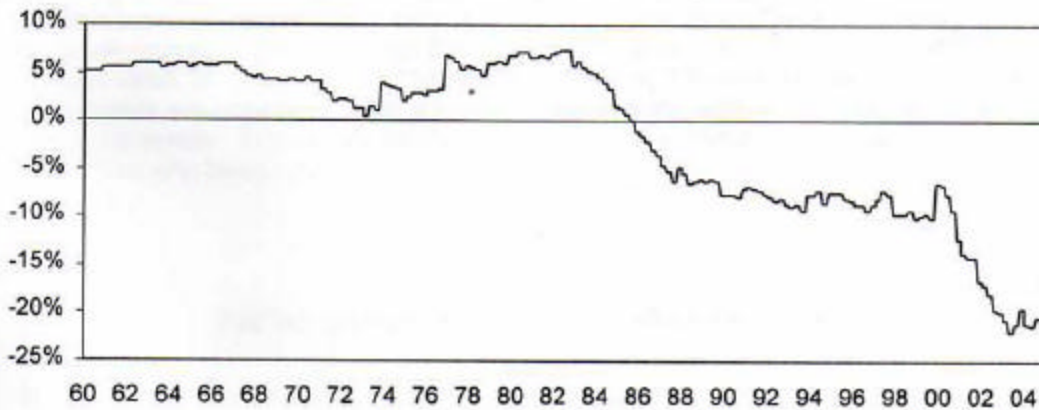
Foreigner Ownership of US Market



Net Interest Paid to Foreigners (% GDP)



US Net Asset Balance With Foreigners



Source: courtesy of Bridgewater Associates

From our perspective, we would extrapolate out from these views into two more assertions:

1) If one started with money and assets in 2002, the asset price inflation of the past few years (bonds, stocks, and real estate) has given one a false sense of happiness and security. Few Americans realize that the large majority of these domestic gains have in reality been wiped out by the huge decline in the currency in which these assets are denominated – U.S. dollars. We call this the American “illusion of false prosperity.” If domestic asset price inflation subsides or reverses, sentiment amidst the wealthier classes of American society will likely become testy and nasty very quickly.

2) The poor in America – who didn’t start with very many assets, and thus have not benefited as much as the rich from recent asset price appreciation -- are currently getting squeezed by increased general living costs (gas, oil, food, healthcare costs, etc). Because of this cost-push situation, we believe that increased social unrest, strikes, and riots unfortunately reside in America’s future. And as social unrest increases, America’s perception of itself – already somewhat shaken by events in Iraq – may face an Icarus-like decline. People could easily wake up one day to see current rah-rah “America is Number #1” nationalism supplanted by the realization that the dream world of the 1980’s and 1990’s was exactly that – a dream world induced by debt-laden overspending finally facing a serious comeuppance.

Is Sandspring.com being too dour? Perhaps we should lighten up and listen to the recommendation of some by following a mantra of “Don’t worry; be happy.” But consider our August 3, 2001 prognostication about corporate leadership in America (note bolded portion in particular):

“Let’s pause for a moment to take this little quiz as we revert back to the boom year of 1923.

- 1) Do you know who was the president of the largest steel company in that year and what subsequently happened to him?
- 2) How about the president of the largest gas company?
- 3) Or how about the president of the New York Stock Exchange?
- 4) What happened to the greatest wheat speculator of that era?
- 5) Or how about the President of the Bank of International Settlements back in 1923?

The answer to our short quiz:

- 1) The president of the largest steel company, Charles Schwab, died a pauper.
- 2) The president of the largest gas company, Edward Hopson, went insane.
- 3) The president of the NYSE, Richard Whitney, went to jail.
- 4) The greatest wheat speculator of the era, Arthur Cooger, died abroad, penniless.
- 5) The president of the Bank of International Settlements shot himself.

Our quiz is of course stacked. Many prominent people doing well in their career in 1923 survived the 1931-1938 period to go on to great success. **But the point is that some current industry titans like our current Carly Fiorina of HP or Lew Gerstner of IBM could easily end up looking far more villainous than they do today.**

What a pity I did not use Bernie Ebbers or Kenneth Lay in my example, but the point is still not lost. Circa 2001, few people saw corporate leadership in America as potentially

problematic at all. We did. Circa 2005, it is of course a different story – Carly Fiorina having recently been shown the door.

Another Perspective

But the 2005 macro themes -- as gleaned from our hedge fund macro managers -- are still somewhat unsatisfying. It is almost as if the world is so stressed and unstable that even the smartest minds can't quite pinpoint the path to redemption by the U.S. economy. Many seem almost fatalistic that no such path to redemption may even exist.

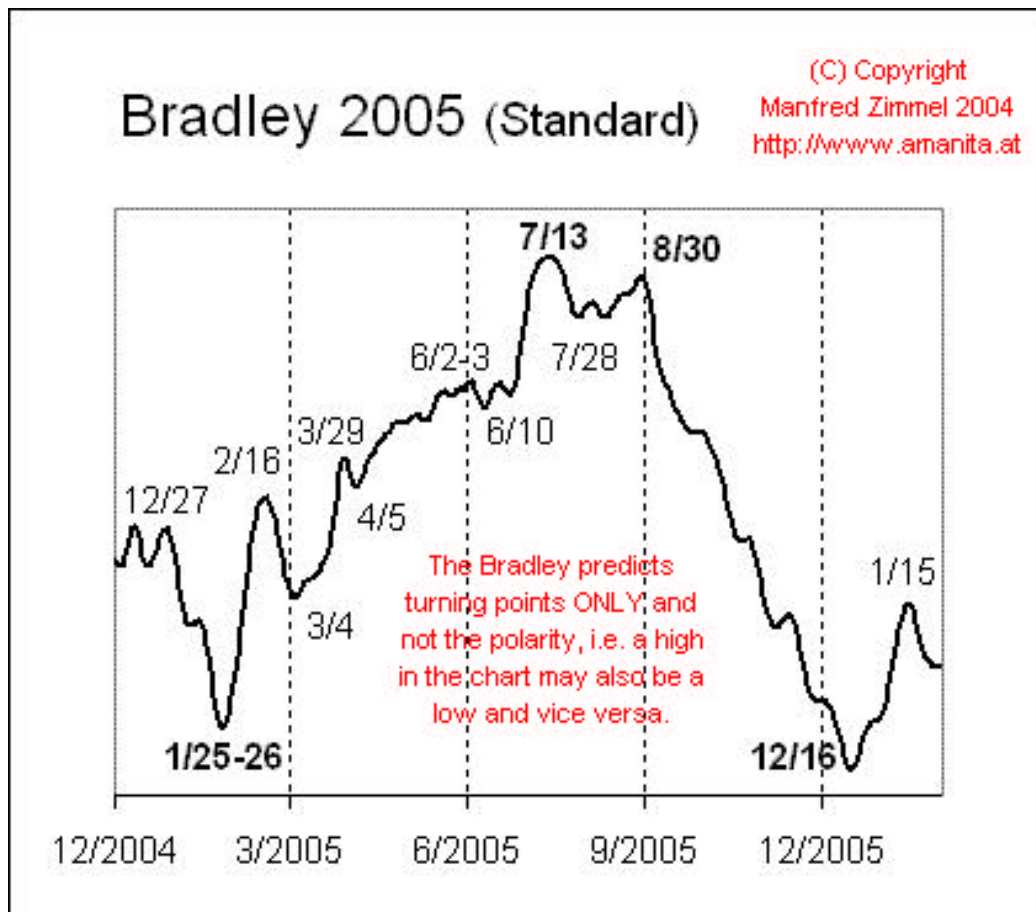
As a second part of this paper therefore, we thought that it might be useful and interesting exercise to take an entirely different perspective, and see if it possible to lay out a more precise forecast for 2005 using Astro-analysis of the financial markets. Sand Spring Advisors LLC itself is not itself an "Astro-expert" by any means. Yet we have noted over the years the persistent and almost uncanny overlap in many of our pi cycle dates with Astro events as laid out to us by men such as Arch Crawford (Crawford Perspectives), Manfred Zimmel (www.Amanita.at), and Henry Weingarten (www.afund.com).



Along these lines, the overall view for 2005 espoused by these men is actually pretty similar, and can perhaps be summarized in the words of Crawford speaking this past January in New York:

“Much risk exists in the stock market through the first quarter of 2005. A Bradley rally high is due Feb 15th, but after that, it could be hard down into March-May at the tail end of the Mars-Uranus Cycle. The end of March would also be my idealized time to look for a high in oil and gold. An equity rally period may then transpire into September; but by the 4th quarter, it will be ugly again. All in all, I cannot tell you for sure whether stocks will be higher or lower by the end of 2005, but I suspect at least that they may easily be lower.”

As Crawford mentions above, he has long followed the combination of astrological influences known the Bradley Siderograph Cycle, shown below for 2005. While he always warns that the cycle can invert and that the magnitude of anticipated moves can easily disappoint, the actual turning point dates remain very significant in his mind. At present, Crawford believes that we are about to get a hard-down move into March 2005. Our own analysis is in synch with this, with perhaps a secondary low into the May 11th PEI cycle date. Crawford points toward a key conjunction on May 15th, 2005 with the words “After the conjunction, the cycle is supposed to be up.” Thus from Mid-May onward, we will have to be attentive to another vault higher, but the Bradley chart then suggests much nastiness again into latter part of 2005 -- specifically starting around August 30, 2005.



Astro analyst Manfred Zimmel of www.Amanita.at (who's chart we borrow above to show the Bradley Cycle) largely concurs with Crawford, stating:

“Every 72 years brings a key president who will make a lasting impact:
 1788: George Washington
 1860: Abraham Lincoln
 1932: Franklin Roosevelt
 2004: George W. Bush

But in the case of George W. Bush, the charts for his second inauguration call for mounting national difficulties and ongoing war.”

In a study Zimmel released last November, he called for a December 2004 high in stocks, a March 2005 low for stocks and high for oil; a late June to August high for stocks, and a mid-December 2005 low for stocks.

He further expects the year to be dominated by Scorpio companies which he interprets to mean “dirty and hard” ones like oil driller Burlington Resources (BR), metal processors like Oregon Steel Mills (OS), utilities like Exelon (EXC), and oilfield service providers like Hydril (HYDL).

Interestingly enough, the year-to-date performance of these four companies currently stands as follows:

BR:	+18.8%
OS	+29.4%
EXC	+ 0.8%
HYDL	+41.7%

Not bad for an equity market that has been a bit rocky since Jan 1, 2005.

Whether Zimmel’s Scorpio companies continue to shine or not, it is interesting that his overall market analysis largely is in synch with Crawford’s, and also largely fits our own pi cycle analysis. Already, we appear to have obtained more precision in our views than all the commentary from the macro managers was able to offer.

But let’s add the analysis of other astro-prognosticators. Late last year Henry Weingarten of the Astrologer’s Fund posted his 2005 forecast publicly at www.Afund.com. In Weingarten’s piece, and in further comments he made recently at a lecture held by the Society for Investigating Recurring Events (SIRE), we spy similar themes to Crawford and Zimmel. Weingarten’s views are summarized below:

“The fifth year of each decade has tended to be been positive since 1881. However, we believe we are still within a larger secular bear market cycle. Jupiter is waning square to Saturn Dec 17, 2005 (with subsequent passes June 22 and October 25, 2006). This remains suggestive of a choppy difficult year in 2005 that will start to get worse into the 4th Quarter. 2006 is when I see real equity market ugliness. The fact that Bush took his inaugural oath 2.5 minutes early this past January locks in a very difficult chart for his second presidency. Overall, 2006 and 2007 will be very tough years. 2008 should be up. Then 2009-2012 are difficult again.

“For 2005 itself, though, things are mixed. Jupiter and Venus influences are generally positive, but Saturn remains in Cancer until July and its impact on housing should be very negative. Saturn influences typically come late in its transit of a sign, and I will be very surprised if we don’t see a real crack in housing before the end of this passage mid-year. When Saturn moves into Leo July 16th, difficulties will then slowly start shifting toward entertainment and media for the next two years.

“In terms of the equity market in general, we believe that the early January high was a significant one. It should currently be hard down into March 15th. The new 21st century pattern seems to be: March 2000 High, March 2002 low, March 2002 high, March 2003 low, March 2004 high, and now an expected March 2005 low. Technically we think 1160 is possible. March 15th itself will be a big down day, and March 16th a big up day. IRA capital flows will likely then support the market into April 8-15th, with a down move into

May thereafter. Then the summertime will be benign before a nasty end of the year. Over the year, The Dow will outperform the S&P.

“Along this path, we would not be surprised to see a Chinese revaluation of the yuan within one month of the April 8th Solar eclipse. The dollar will break its recent lows and gold will be firm. If the Canadian dollar falls in the short-term to around .7850 (approx. 1.2738 spot) it will be a great buy for a .8500 (1.1765) upside target later in the year. Gold should see \$475 sometime this year. Since last September 24th, 2004, Jupiter has been in Libra supporting the art market as well as being supportive of mega-mergers/lawyers. As Jupiter moves into Scorpio as of October 26, 2005, it will be good for healthcare, nano-technology, and mining. The astro-alignment is also supportive of Japan this year, especially in the 4th Quarter on a relative basis to other global markets.”

So once again, via Weingarten, we hear many of the same themes as Crawford and Zimmel. The only real difference is that Weingarten is perhaps just a tad more bullish on gold for a longer portion of the year, whereas Crawford and Zimmel expect gold and oil to peak in the early spring.

How does all this astrology stuff work, you ask? As previously stated, we are not experts at all, but as a “cheat sheet” to try to learn, here is what we understand:

Jupiter is responsible for providing stability, growth and prosperity to markets;
Mars, responsible for war, is also responsible for triggering volatility in markets;
Saturn is responsible for value of money and often introduces fear into markets;
Uranus is responsible for innovation and strategy;
Neptune is responsible for chaos and dissolution;
Pluto, like Mars, can cause abrupt changes and wild fluctuations in markets.
Mercury and Venus can destabilize markets for a week or two, albeit Venus is also the planet of prosperity and love.

Meanwhile the 12 zodiac signs through which the planets pass have been categorized as productive, infertile, and moderate. The relationship of each planet to each other in terms of alignment is also of great importance.

At present Jupiter is approaching its first square to Saturn since May 2000. This is what Weingarten is talking about when he refers to “Jupiter-Saturn squares being important,” and the series of three that transpire between Dec. 2005 and Oct. 2006 represents the first triplet of squares since 1945-1946 – the beginning of the Cold War with Russia. Another website www.Astropro.com states:

“There is another Cold War brewing again, now that the triple waxing Jupiter-Saturn square has returned: an uneasy, probing confrontation...a clash of civilizations. Any Jupiter-Saturn square represents a critical moment of social, cultural and political change. It’s a time when ideology and reality are so out of balance that a readjustment is not only inevitable, but almost easy – even if the medicine tastes awful going down.”

Most immediately, as we move into March and the April 8th solar eclipse, yet another web forecasting company, www.Astroprofile.com sees Saturn being under stress during this period, perhaps indicative of “sharp inflation, trade problems, or a grab for oil.” Astroprofile also says that the mid-March to April alignments would be consistent with important religious leaders retiring or dieing.

The good news about 2005 from some astro-analysts is that Venus – representative of prosperity – is still extra near the Earth this year, albeit not as strong as when the Earth-Sun-Venus alignment saw Venus pass across the face of the Sun in 2004.

But also close to the Earth in 2005 is Mars – planet of war, and its aspects get worse toward year-end. Mars and the Earth approach each other every two years, the last two times being a few months before the 9/11/01 World Trade Center attack and again in 2003 when post-invasion insurgency in Iraq started to get messy. Mars specifically retrogrades through Taurus between October 1 and December 9th 2005 while it opposes the Sun. With regard to this period, Astropro.com states:

“This suggests that 2005 will make 2004 look relatively calm and peaceful, which is to say that warfare, terror attacks, military confrontation and the like will be even more abundant than last year – if that can be believed. The Mars retrograde period in the fall will be about goals, ideals, actions and limits, resistance, and ego, dealing with fixed attitudes and unrealistic spending. The government is likely to initiate some kind of tax reform or corporate regulation during this period, but the motives are questionable. Fears about the economy or financial markets should be rampant at this time. Concerns about oil supplies are also likely to be front and center.”

Another astro-analyst Vivian Carol states:

“When the god of war [Mars] is retrograde, it is generally wiser not to attack or even make an aggressive move. Time has shown that initiatives taken while Mars is retrograde generally prove to be very costly, with little return for the effort. It is best to be still and respond, if need be, to outside forces.”





And what of this year's two periods of eclipse action – first in April (Solar eclipse April 8th and Lunar eclipse April 24th) and then in October (Solar eclipse Oct. 3rd and Lunar Oct. 17th)? Per several website, these eclipse periods are likely to bring severe storms and potential seismic activity in April and an equally active Earth with significant seismic stress in October.

The April 8th eclipse is specifically the 51st eclipse in an 18.03 year Saros Series 129 which began in year 1103. (N.B. -- Discussion of the Saros Series cycle whereby a given eclipse precisely repeats itself every 18.03 years will perhaps be a full topic of some future Sandspring.com missive, but it is too complex to delve into here). As further discussed at Astropro.com, the year 1103 was not remembered fondly in the Anglo-Saxon Chronicle: "This was a very calamitous year in this land, through manifold impositions, and through murrain [pestilent disease] of cattle, and deficiency of produce, not only in corn, but in every kind of fruit."

Perhaps one should thus have an eye on buying new crop soybean futures, particularly given the knowledge that a dangerous Latin American "Rust Fungus" blew into the southern U.S. during last fall's hurricane season.



Meanwhile the October 3rd annual solar eclipse happens just hours after the Moon crosses the celestial equator, and would thereby suggest a seismic stress window for several days on either side of it. This eclipse is of Saros Series 134 which started in June 1248 – time of the Seventh Crusade (which ended in defeat after 6 futile years of fighting), and a time when the Spanish were fighting with Muslim occupiers in Seville. How fitting then that in 2005 we see another seemingly futile and difficult clash of civilizations between the Western and Muslim worlds.

Last among the eclipses is the Lunar one on October 17th, belonging to Saros Series 146 which began in July 1843. 1843 was one of the more seismically active years in modern history when Pointe-a-Pitre in Guadeloupe had a major explosion, and other volcanic and earthquake activity was prevalent around the world. 2005 started of course with headlines of the great Sumatra earthquake and Tsunami. But was that event simply the beginning of a far more active year-to-come of seismic activity?

Please don't get us wrong – we believe at heart that markets exhibit a mathematical rhythm tied to increments of pi, the Fibonacci sequence (inclusive of the Golden Mean), and perhaps as well to some elements of Pythagorean geometry. But in so far as our solar system and universe are also filled with mathematical relationships and alignments, we do not know for sure from where the mathematical rhythm of the markets may originally emanate. We suspect – but cannot come close to proving -- that these rhythms may start from above.

In any case, compared to our hedge fund macro thinkers who were more or less all over the map in terms of 2005 views (albeit all worried about severe macro imbalances), we find it noteworthy that the Astro forecasters are far more clustered around the following concepts:

- a weak 1st quarter and then a very weak 4th quarter, separated by a more benign mid-May to late August period, within a choppy overall year for equities;
- First half of year pressure on real estate and housing before Saturn in Cancer ends;
- a period overall of war and of intense political and international pressure/change, particularly between Oct 1 and Dec 9th 2005;
- potential seismic and weather anomalies – particularly in April and October – that could potentially impact crop production;
- general strength in oil and gold at least through March, but perhaps longer.
- Potential strength to “dirty and hard” industries like oil exploration, oilfield services, steel fabrication, and utilities.

Now after reading all of this, if some people want to still be long-only investors with a “don't worry, be happy” mantra, I wish them the best of luck.

For our own investment dollar, we will be trying to nimbly trade the anticipated swings with a long volatility bias within our positioning -- particularly during the first quarter and the last.

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