

Cycle Projections Energy

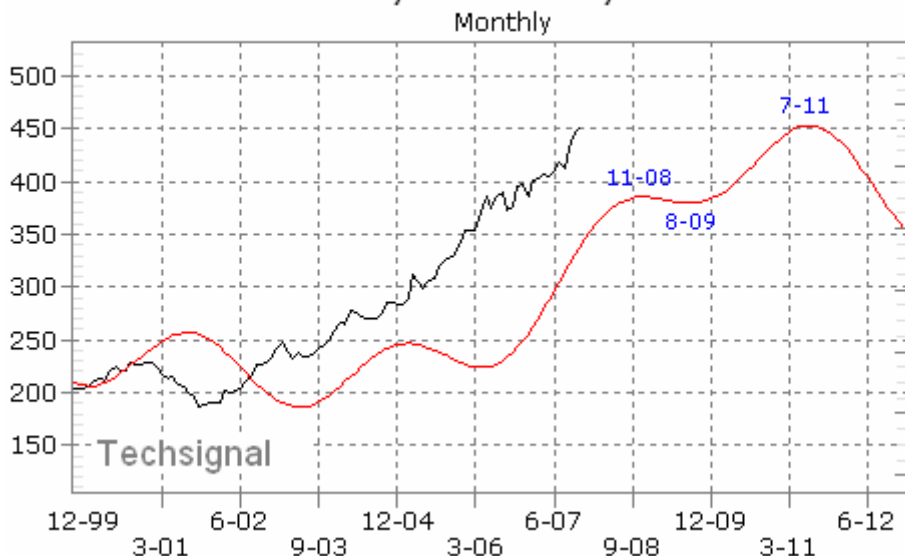
DECEMBER 2007

ENERGY AND INFLATION

How long will the bull market in Energy last?

We have been expecting some sideways action in the energy markets over the last couple of months inline with the 12-week cycle. We barely got a month of sideways to down market when the rally took off again. To establish the basis of our short-term interpretation we must look at the longest series of data we have. Crude oil begins in 1859 and the data is not sufficient to see the longer cycles in the energy series. However, we do have a series that begins in 1259 in commodity prices. This gives us almost 750 years of data and allows us to identify the longer cycles. If you examine the major highs and lows in crude oil and in commodities since 1859 they both come at the same time. There are minor differences but these are not reflected in the dominant trends. Our interpretation of crude is based upon these longer cycles in commodity prices which argue for several more years of upside action in energy.

Monthly Commodity Prices



Considering the demands of the need for energy in China and other emerging economies, this makes total sense

We have also included in this report a chart of both monthly and daily commodity prices along with daily bond prices as confirming tools of this energy trend. To verify these projections we want to see the trend continue in commodities as well as for interest rates to rise over the next several months.

A contrary indicator would be a worldwide recession; but this is not expected short-term. In any case this would only slow the demand for commodities in a world where supplies will not outstrip demand.

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ISSN 1055-1700

Published Monthly by the Foundation for the Study of Cycles

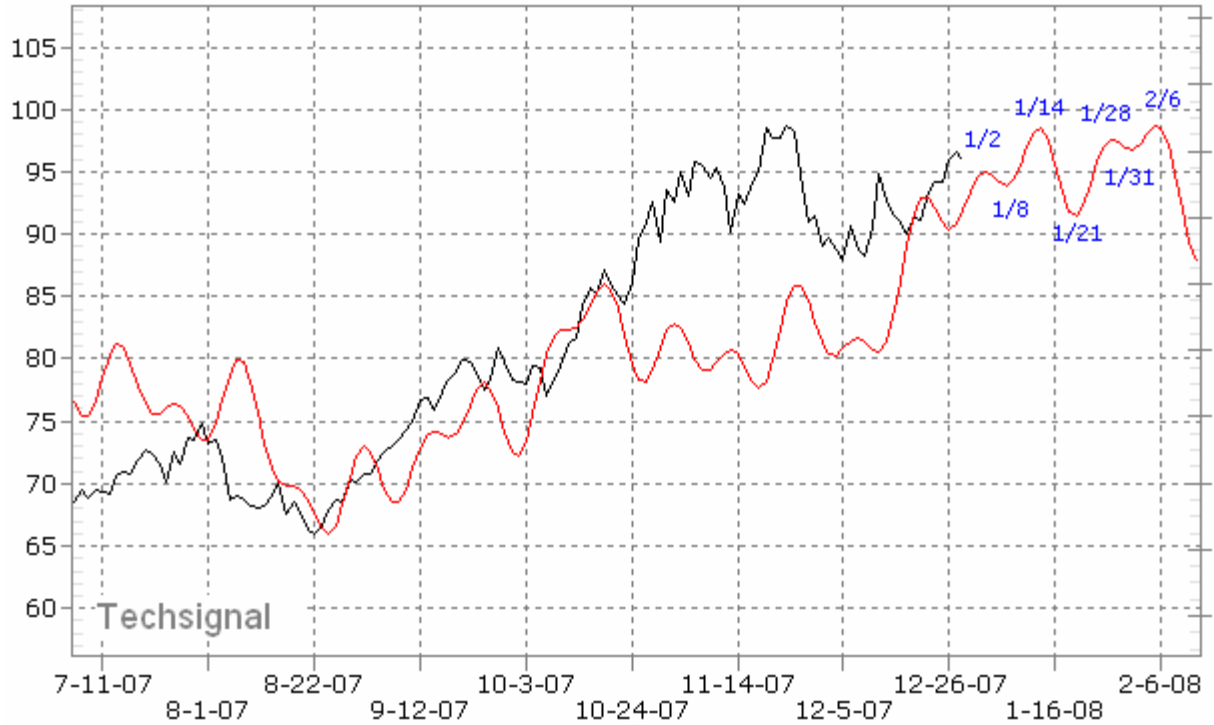
2929 Coors Blvd NW Suite 102-D

Albuquerque New Mexico 87120

(505) 217-3867 FAX (877) 799-0309 editor@techsignal.com

Daily Crude Oil

Crude Oil NY (Pit) C CL
Daily



Weekly Crude Oil

Crude Oil NY (Pit) C CL
Weekly



Daily Heating Oil

Heating Oil NY (Pit) HO

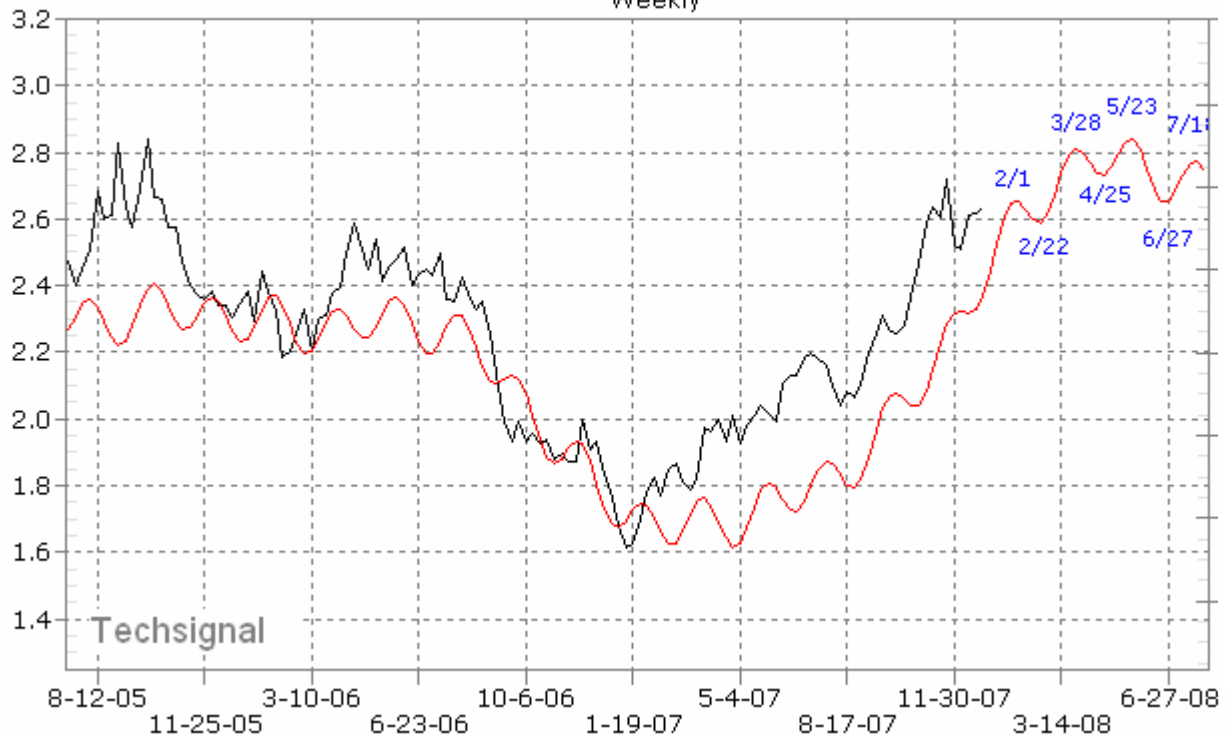
Daily



Weekly Heating Oil

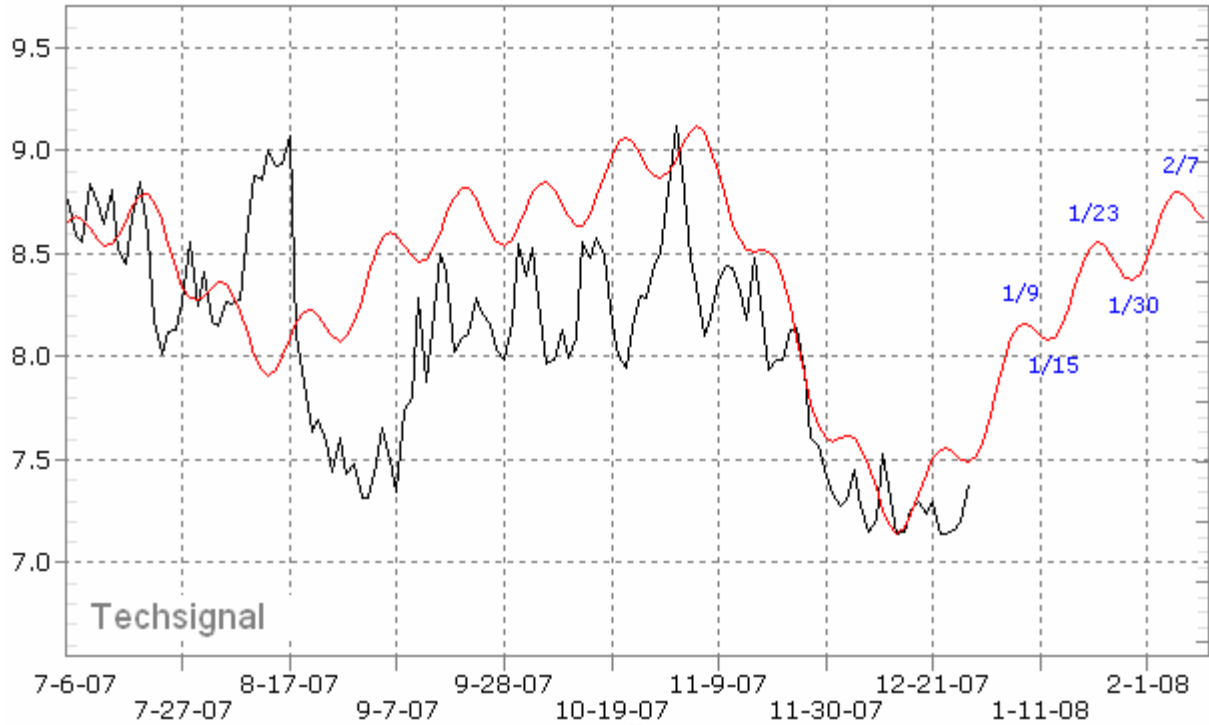
Heating Oil NY (Pit) HO

Weekly



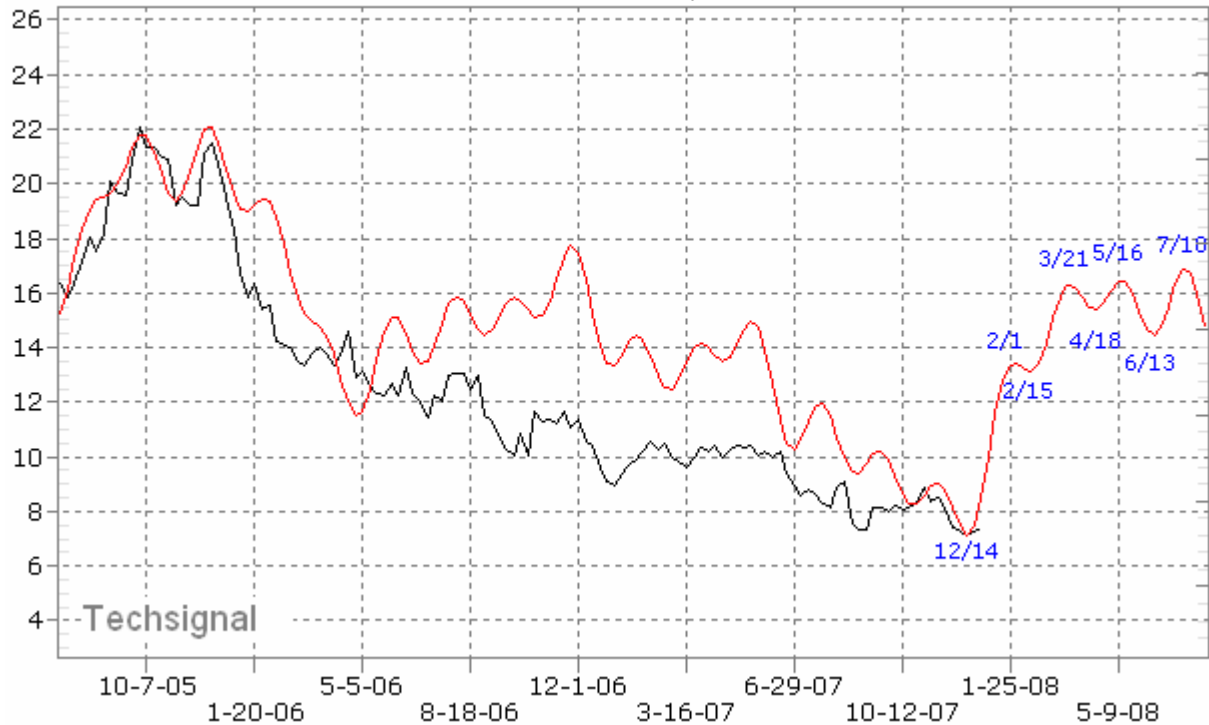
Daily Natural Gas

Natural Gas NY (Pit) NG
Daily

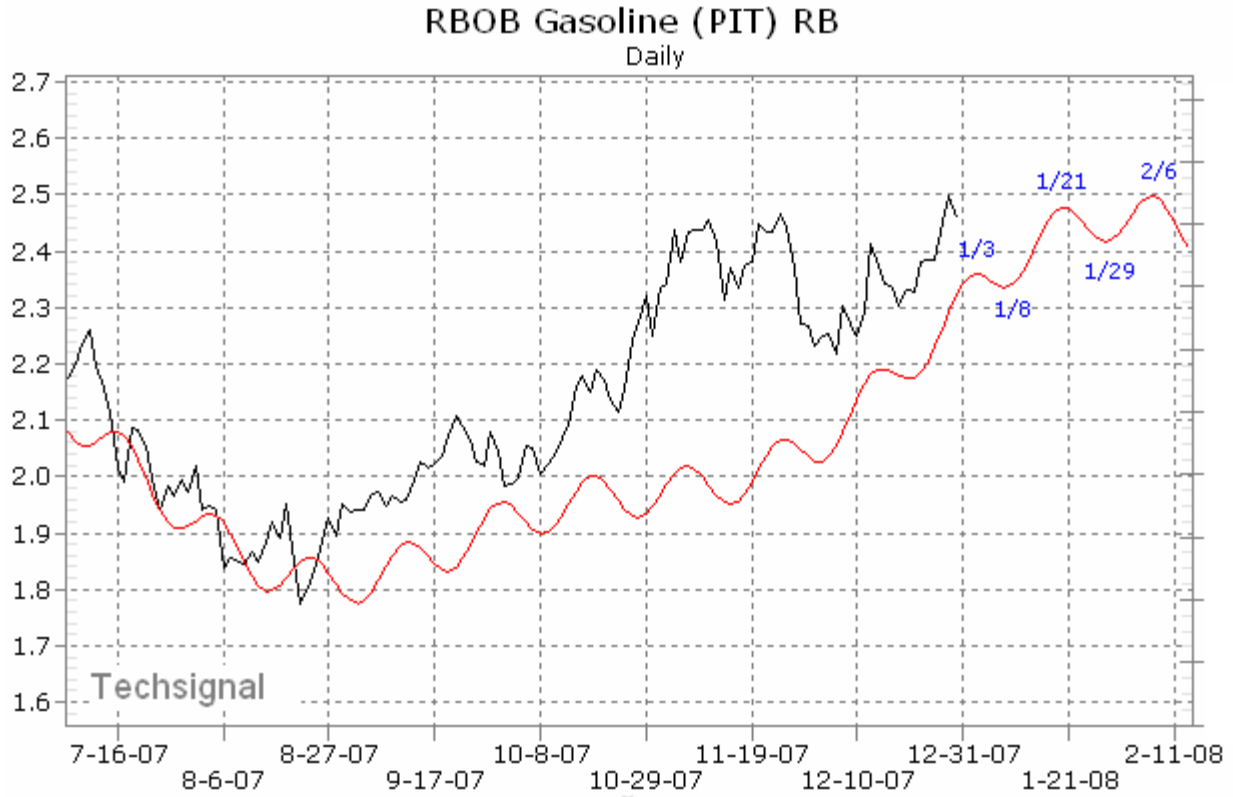


Weekly Natural Gas

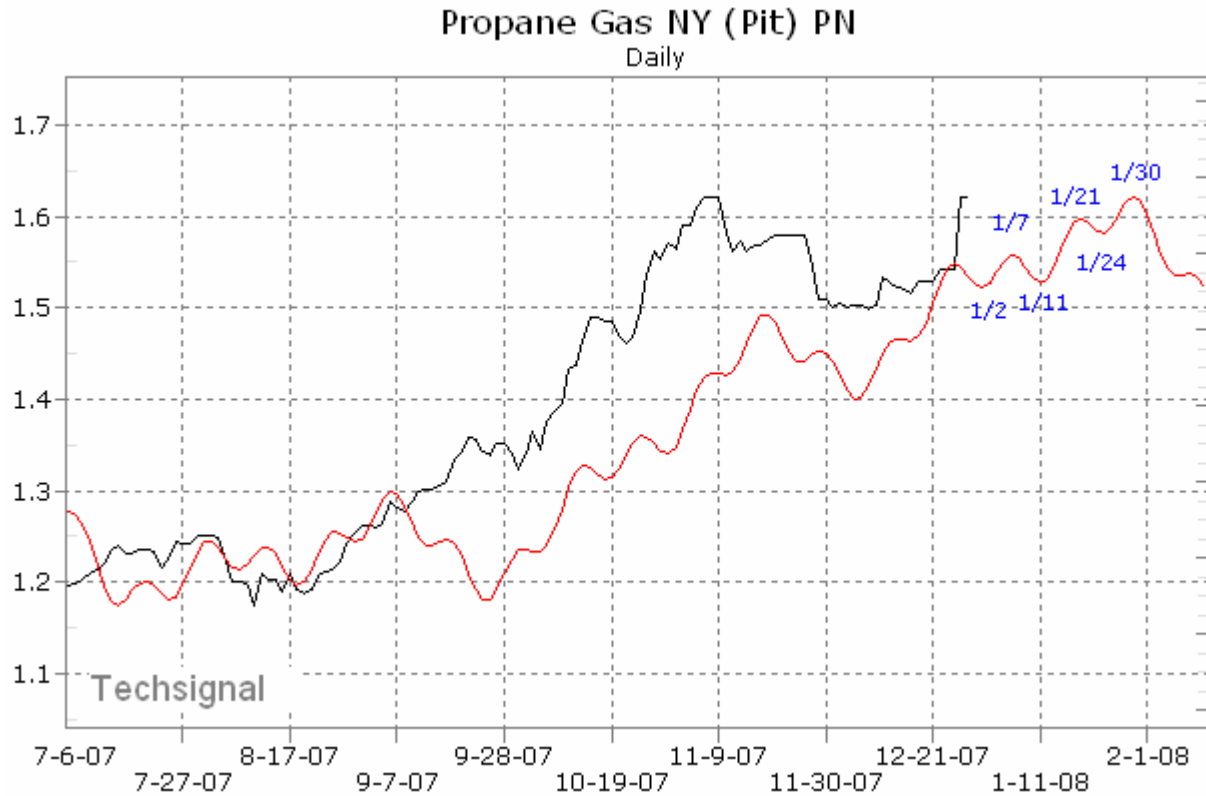
Natural Gas NY (Pit) NG
Weekly



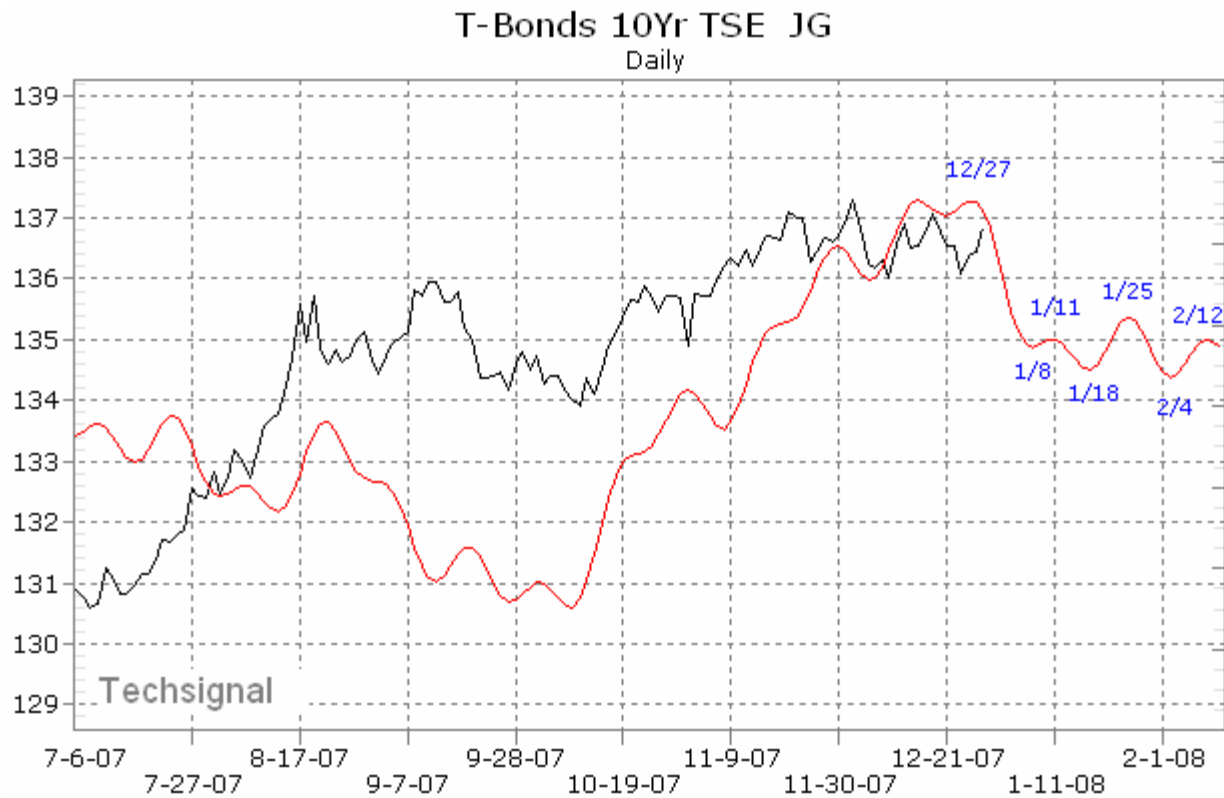
Daily RBOB Gasoline



Daily Propane Gas



Daily T-Bonds 10 yr



Daily CRB Index

