

Cycle Projections Energy

JANUARY 2008

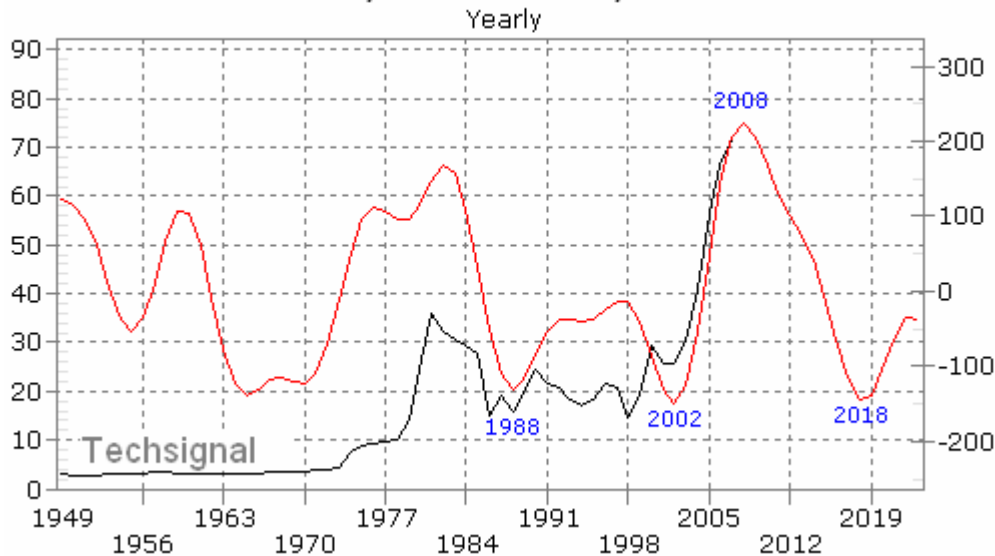
ENERGY AND INFLATION

The Sixteen Year Cycle in Crude Oil

How long do bull markets in energy last? Our analysis this month was done a rate of change basis. From the period after the Civil War to the present there have been six major bull markets including the current one. The average length is between nine and ten years. Assuming this current bull market began in 2002 it would argue for at least a rally through 2011. The ideal cycle top is 2014. Part of the driving force behind the current bull market is a great increase in demand. The growth of Asian Markets is for real and likely will produce continued demand.

The only thing that could derail this bullish outlook on energy is a significant recession. That effects

Yearly Crude Oil 10yr ROC



both Europe, North America and Asia. We expect at least a slow down but we have not seen enough evidence that the world economy is likely to slow significantly so as to reduce demand for energy. All the risks in the energy complex are to the upside.

In the short-term we are headed for a period of seasonal corrections in energy. So we will be careful not to mistake

the normal seasonal corrections as an indication of a change in trend. Heating Oil is likely to stay strong despite the usual February seasonal weakness.

Gasoline should continue to moderate but when we get closer to spring the trend will continue higher as well. Any economic slow down will only pause the bull move in energy.

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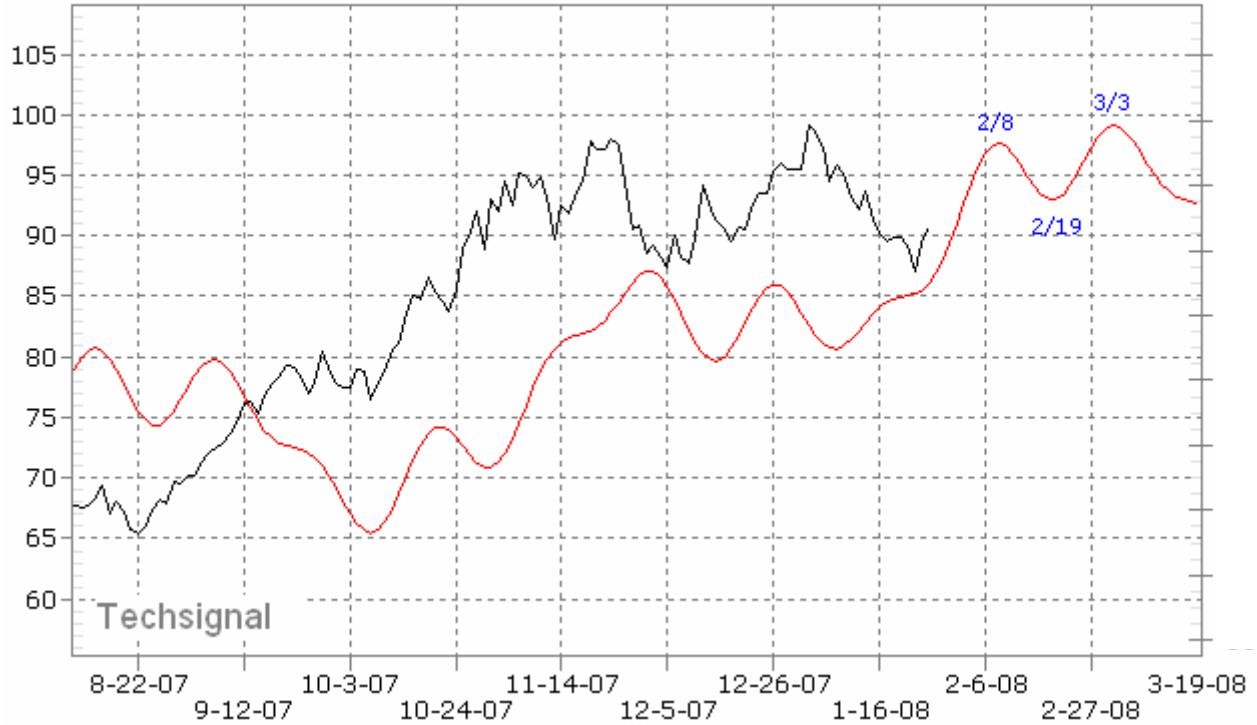
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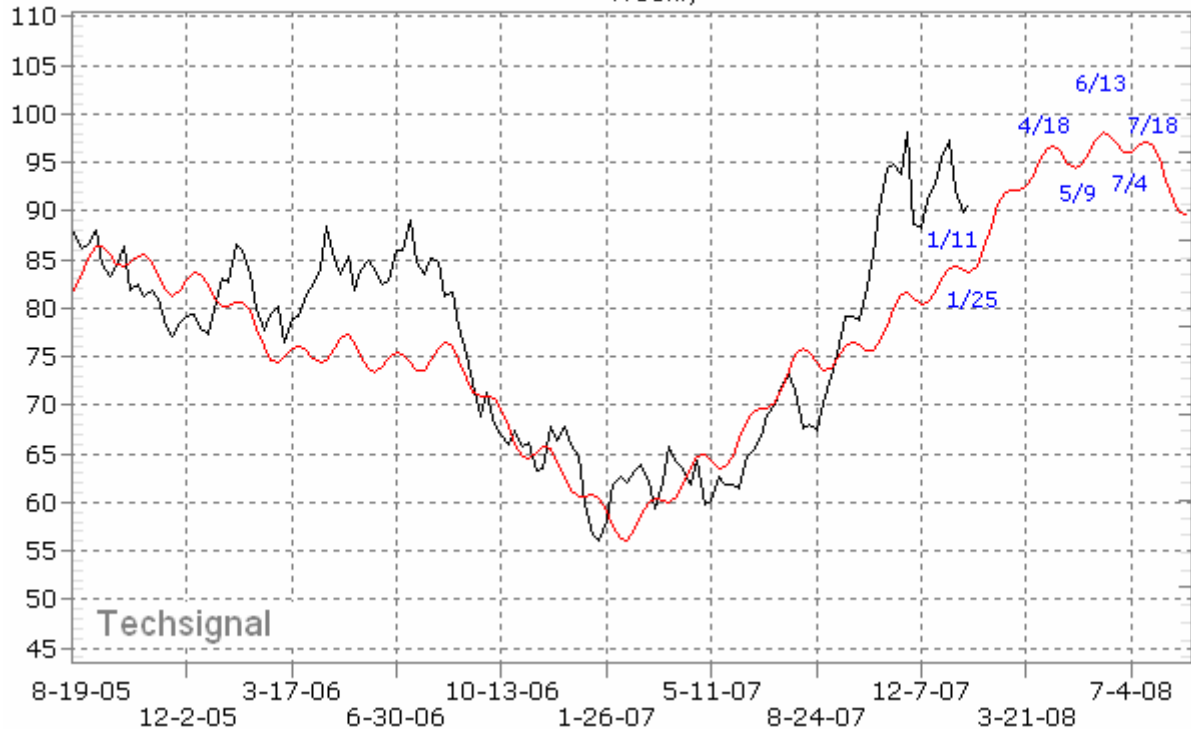
Daily Crude Oil

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

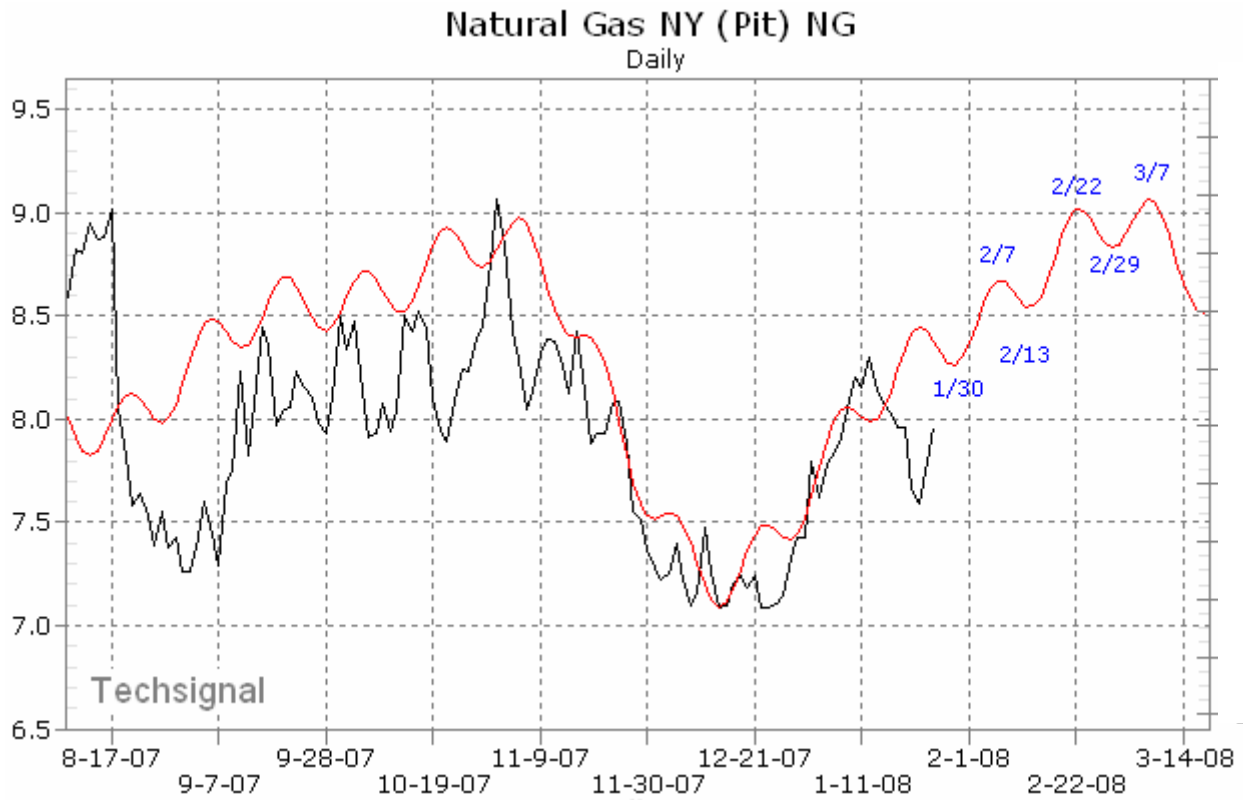


Weekly Heating Oil

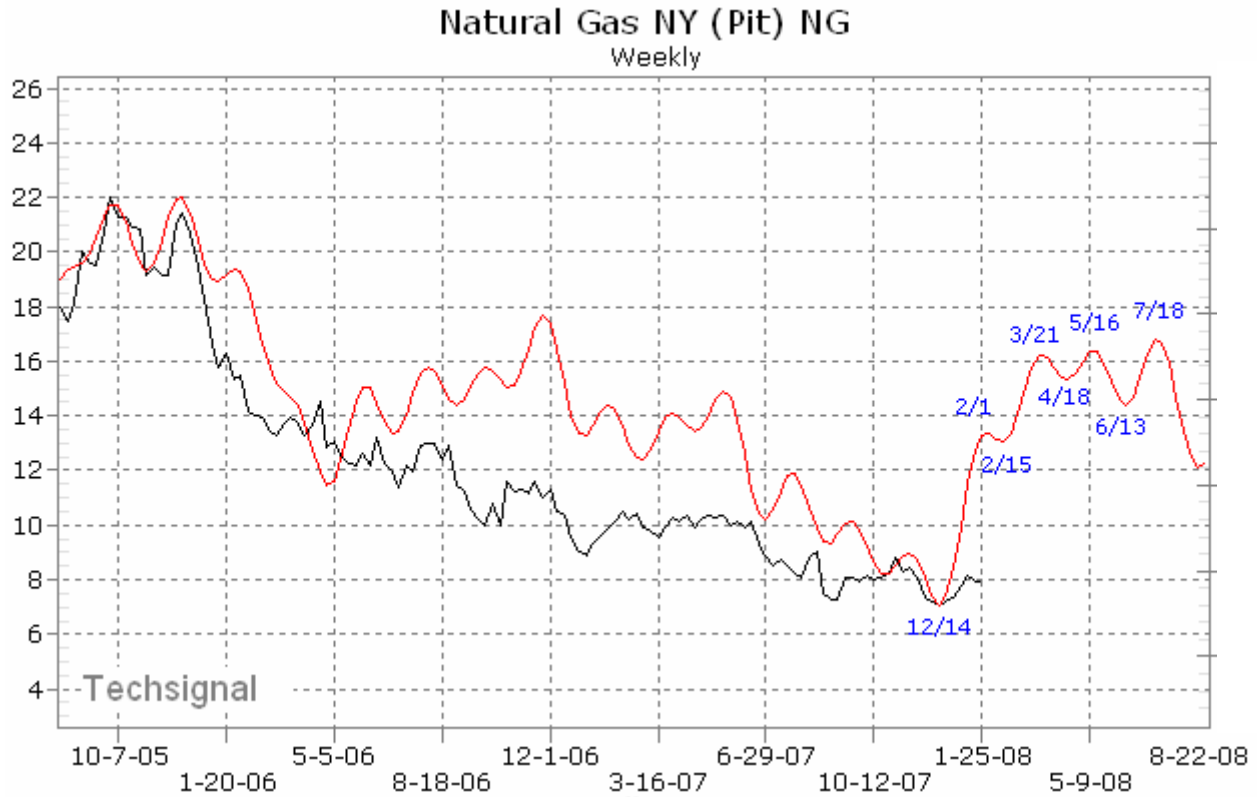
Heating Oil NY (Pit) HO
Weekly



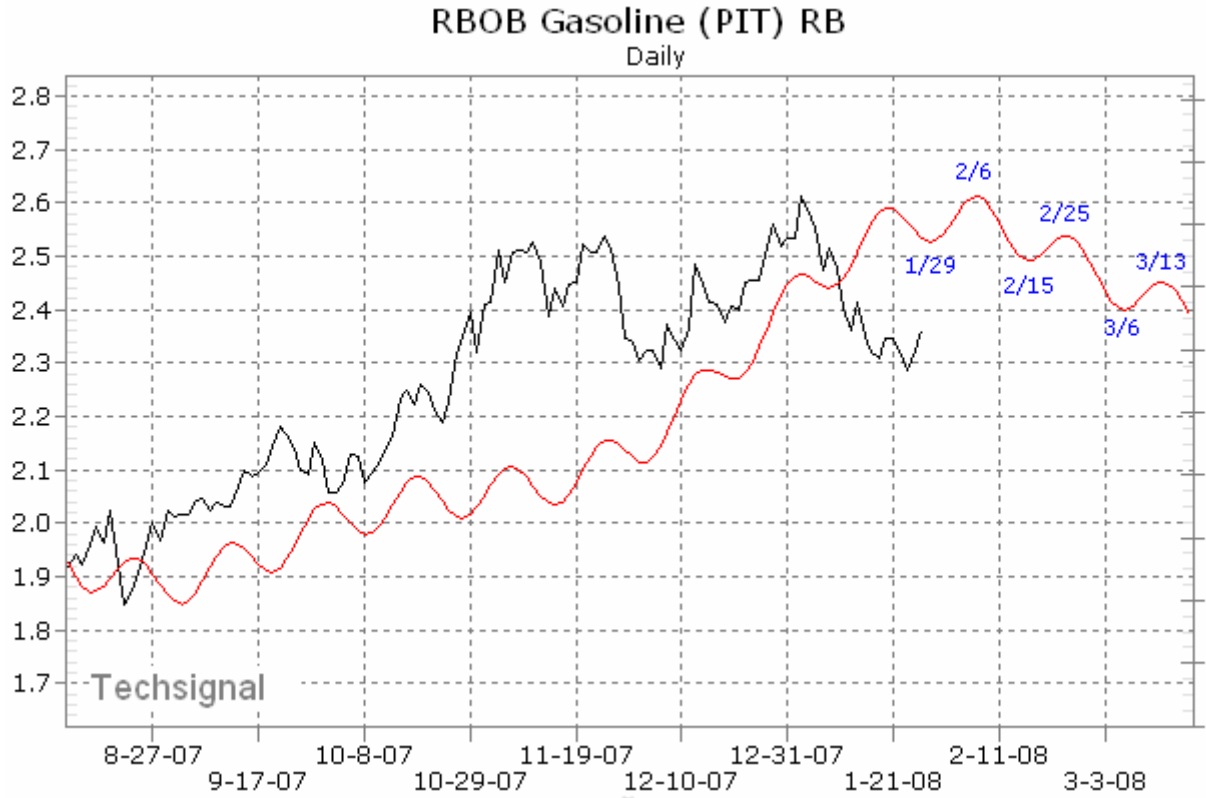
Daily Natural Gas



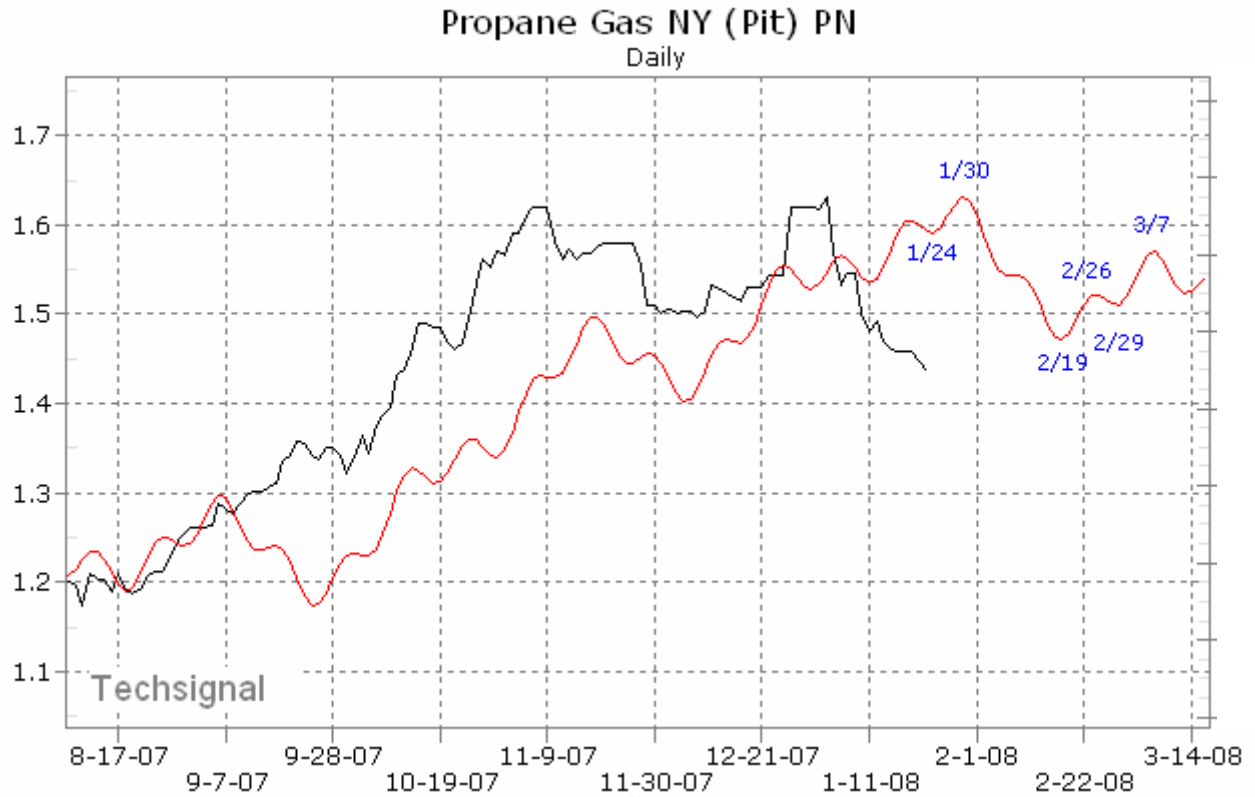
Weekly Natural Gas



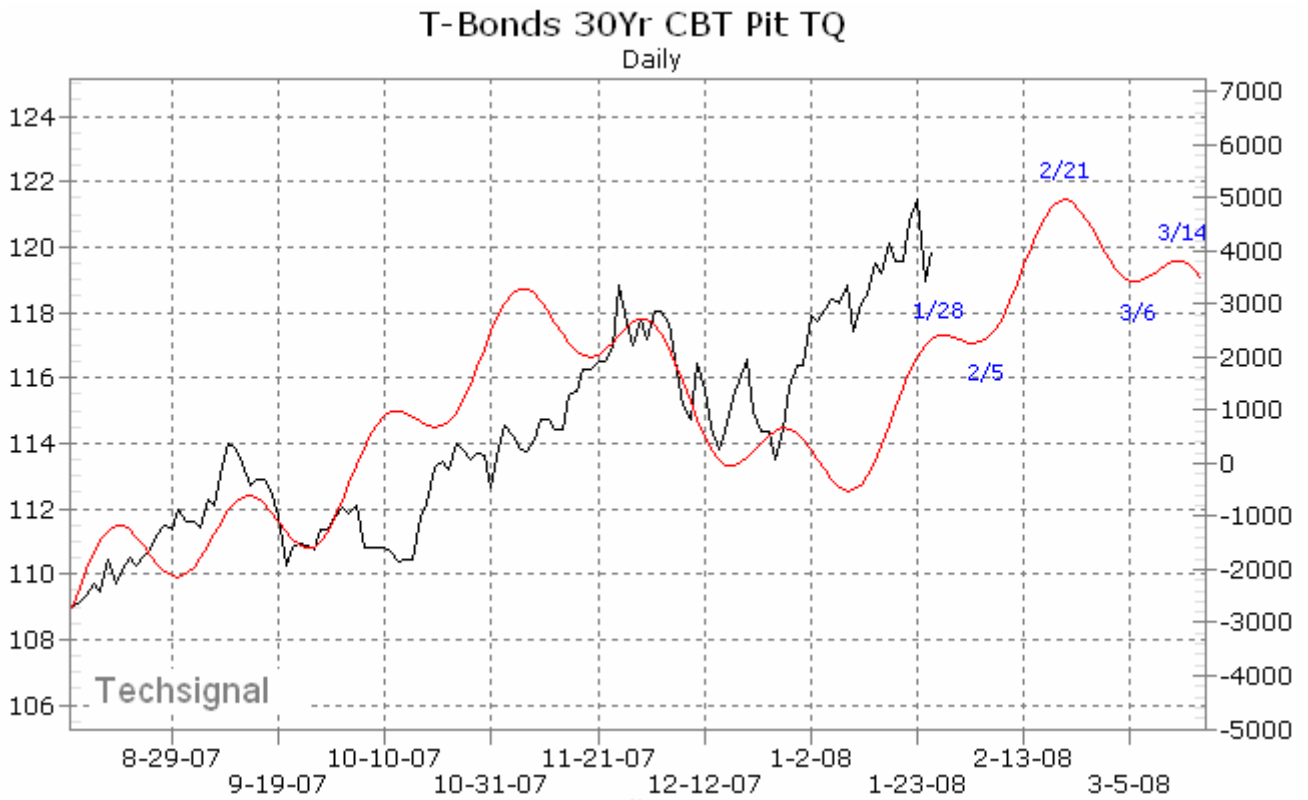
Daily RBOB Gasoline



Daily Propane Gas



Daily T-Bonds 30 yr



Weekly CRB Index

