

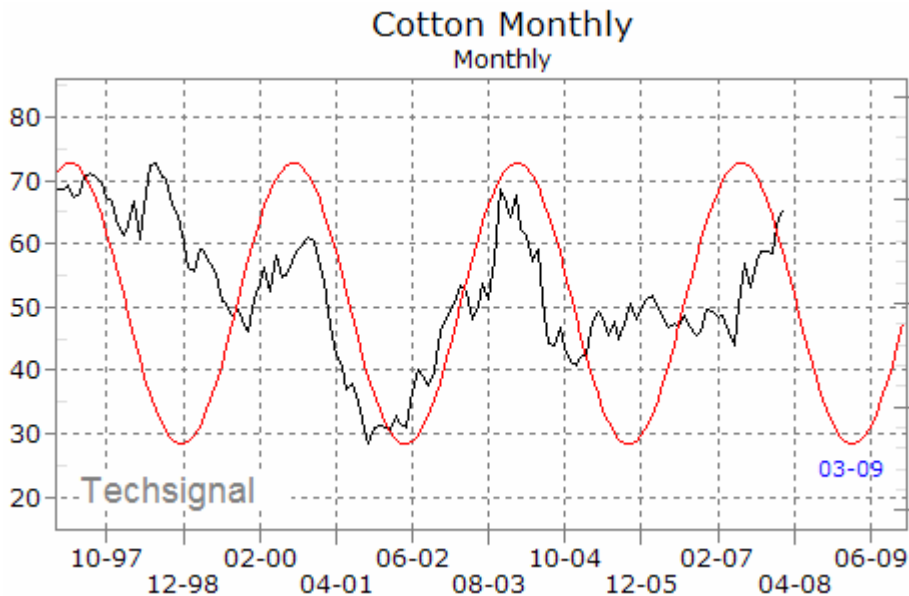
# Cycle Projections Energy

FEBRUARY 2008

ENERGY AND INFLATION

## Energy and the Potential Recession

The energy complex, like most commodities is in a significant bull market. And like other commodities it is due for a seasonal correction. This correction is expected to be minor and we anticipate a resumption of the trend within six weeks. We anticipate this correction to be a buying opportunity. What about the economic slowdown and potential recession? We have pictured monthly cotton prices which have been a leading indicator due to the consumer buying less cotton goods as recessions begin. We have pictured the 41-month Kitchin cycle which should reflect the current slowdown. During the recessions of the last half a century energy prices have fallen as the economy slowed in earnest. This year we expect energy to fall with less demand, but we expect a new twist.



This slowdown or possible recession should see demand in the US and Europe to slow, but no significant correction is expected because of the demand from Asia. This demand will not fall, it will simply grow more slowly. It would be very surprising to see China return to demand of five years ago; and if it did then the price of energy would be the least of our problems.

The 41-month cycle pictured with cotton prices is an important cycle in crude as well. We anticipate that it will bring a small correction and a sideways market .

The issue with energy in 2008 is not supply as it has been in the past when OPEC simply cut off the west and caused prices to rise. This is a problem with demand. OPEC is producing oil, but the world wants and needs more oil than the world is currently producing. Could they produce more? Yes, but it is demand making the problem and not the cartel. The bull market will continue.

## *Cycle Projections*

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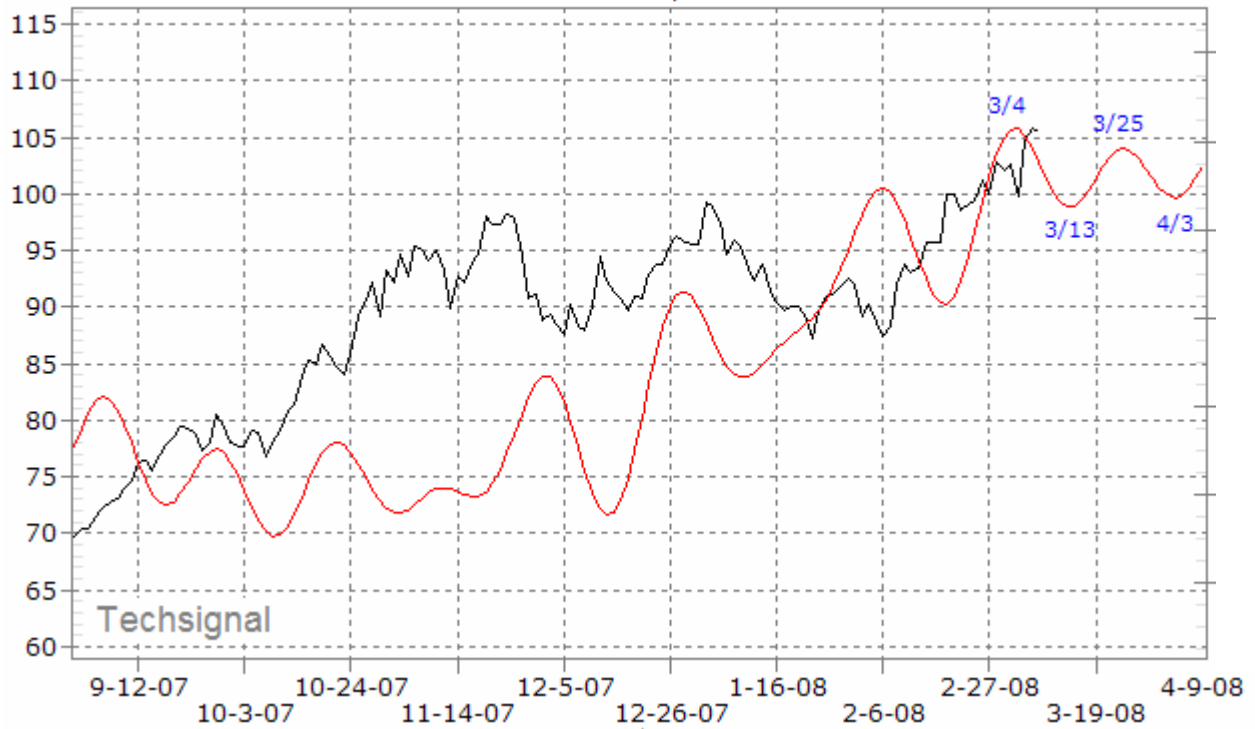
2929 Coors Blvd NW Suite 102-D

Albuquerque New Mexico 87120

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

# Daily Crude Oil

Crude Oil NY (Pit) C CL  
Daily



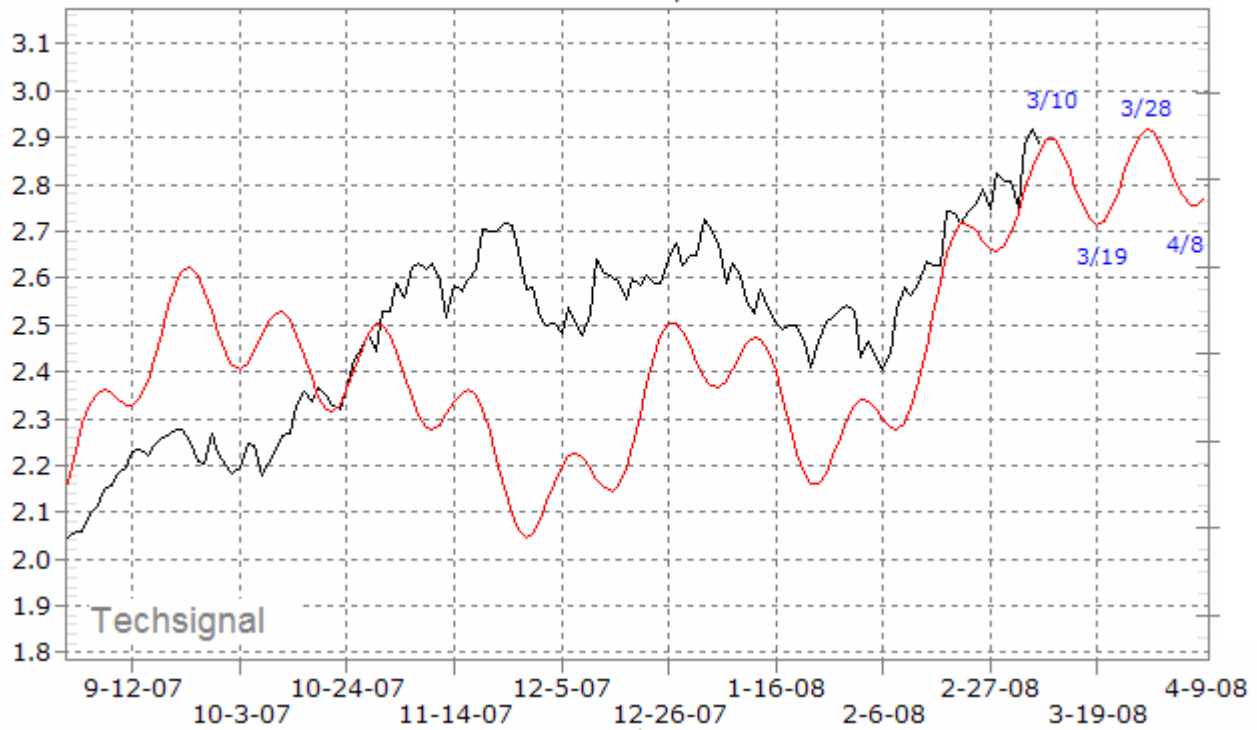
# Weekly Crude Oil

Crude Oil NY (Pit) C CL  
Weekly



## Daily Heating Oil

Heating Oil NY (Pit) HO  
Daily



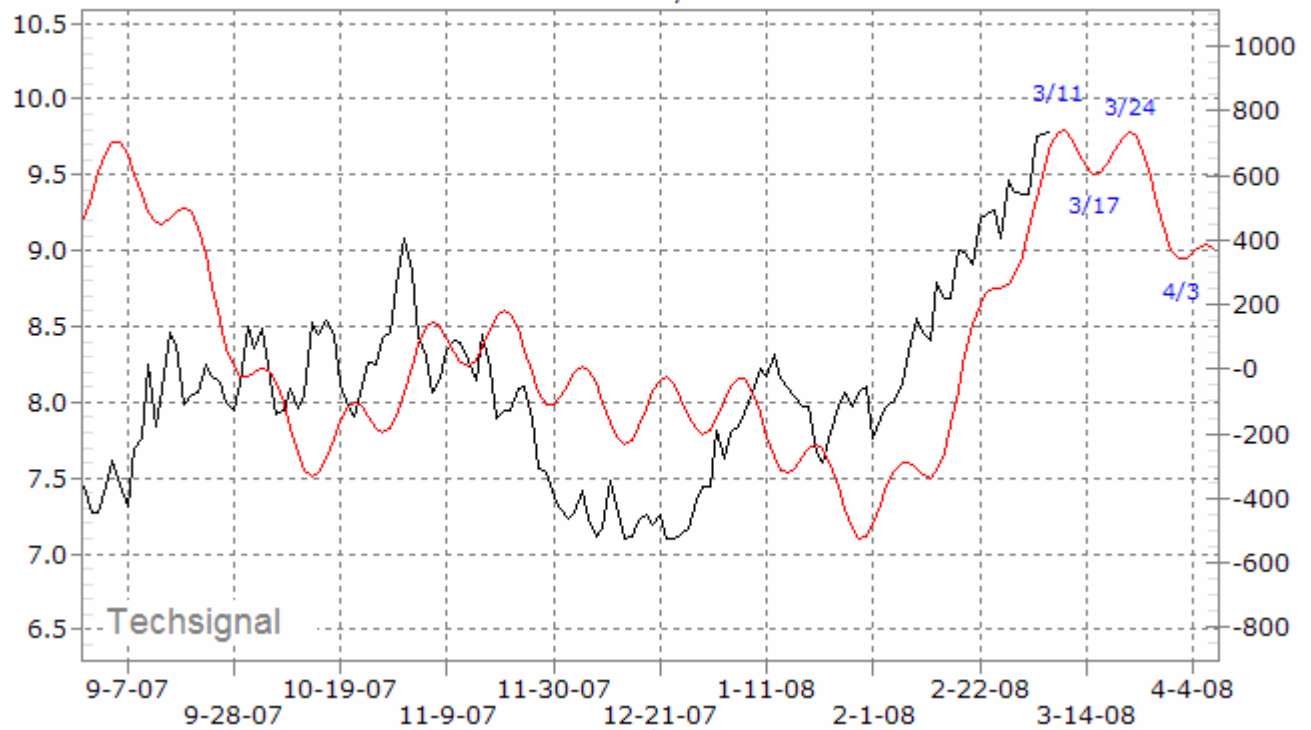
## Weekly Heating Oil

Heating Oil NY (Pit) HO  
Weekly



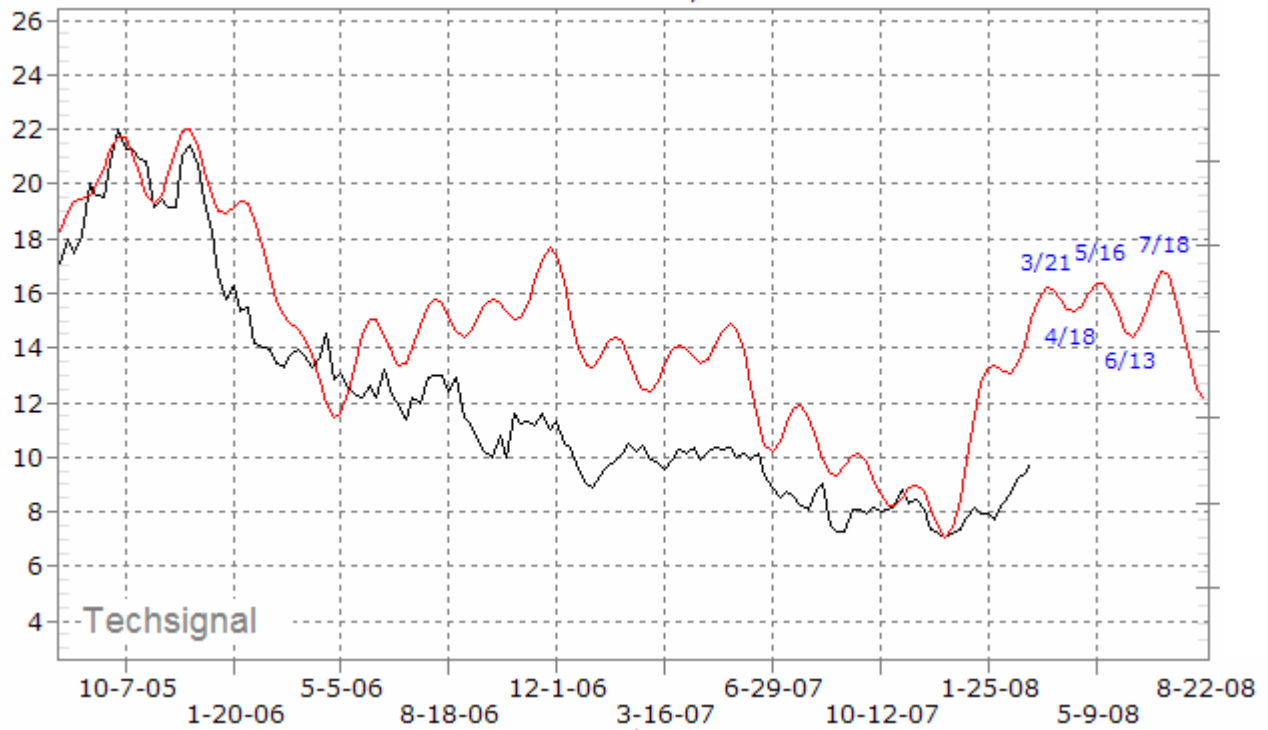
# Daily Natural Gas

Natural Gas NY (Pit) NG  
Daily

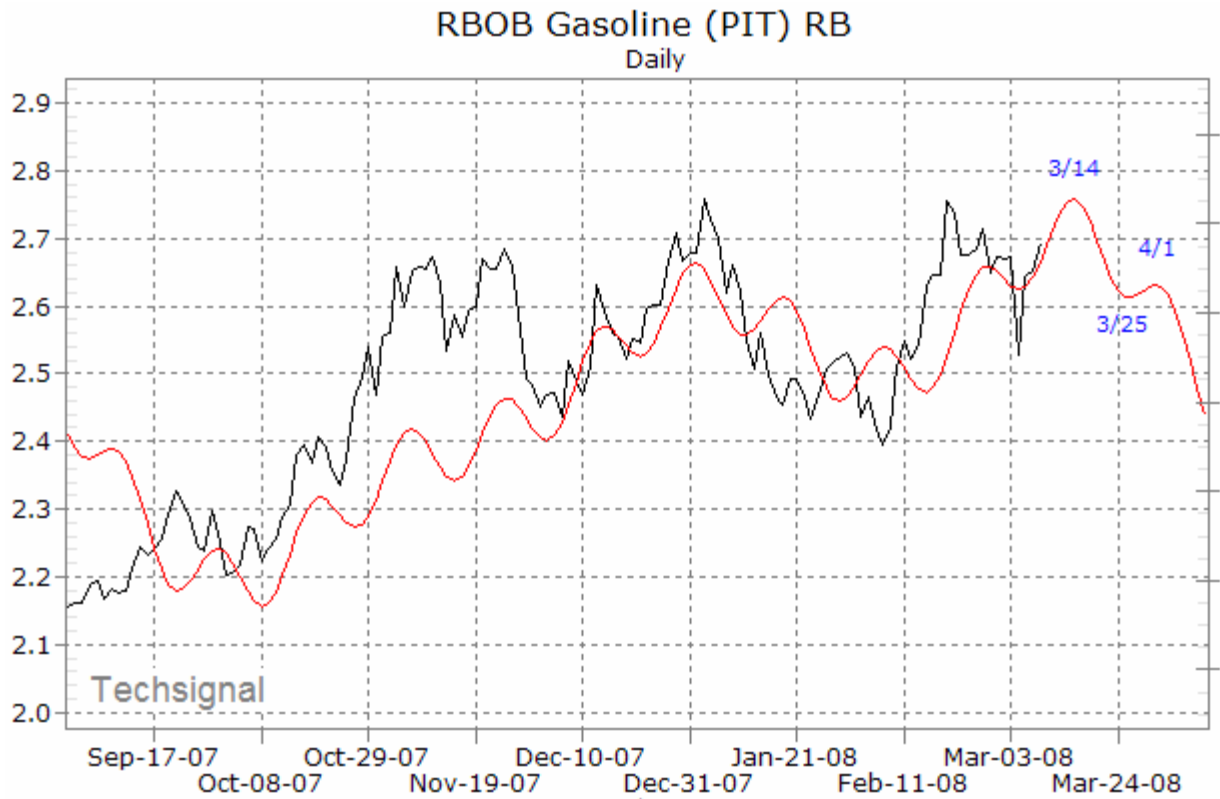


# Weekly Natural Gas

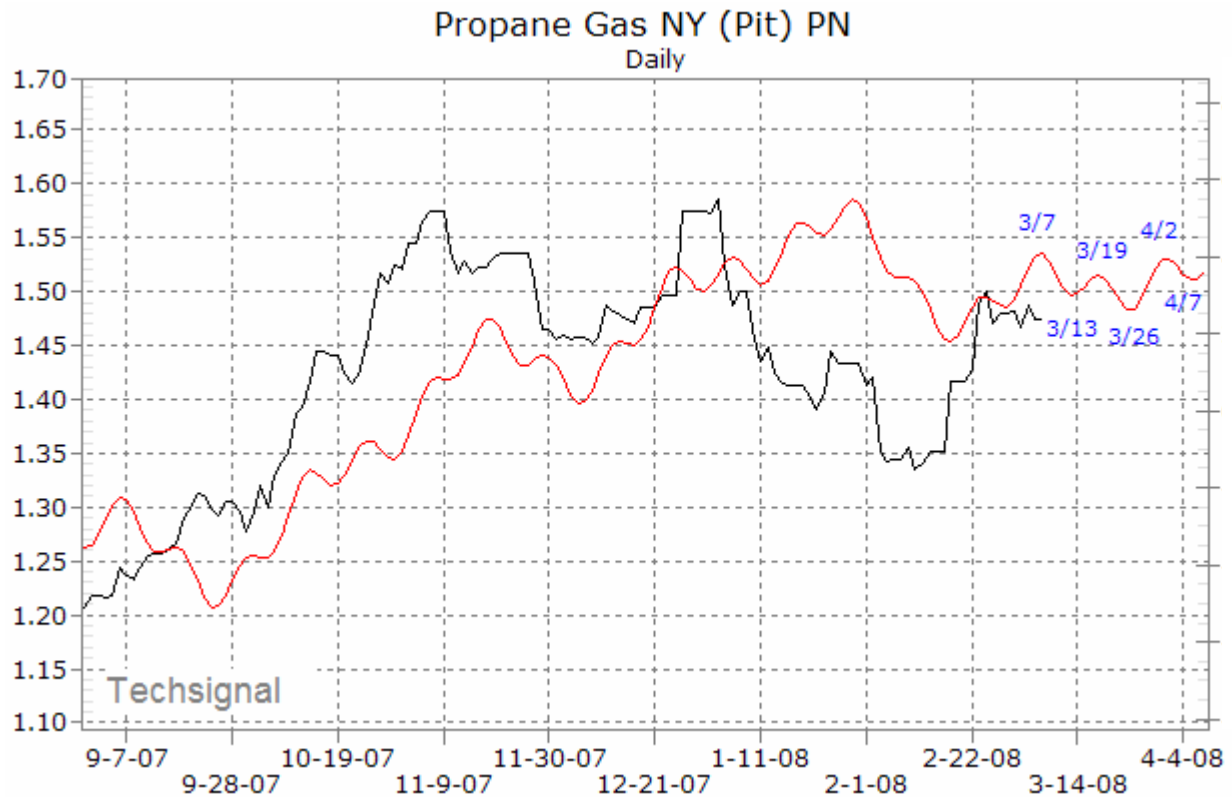
Natural Gas NY (Pit) NG  
Weekly



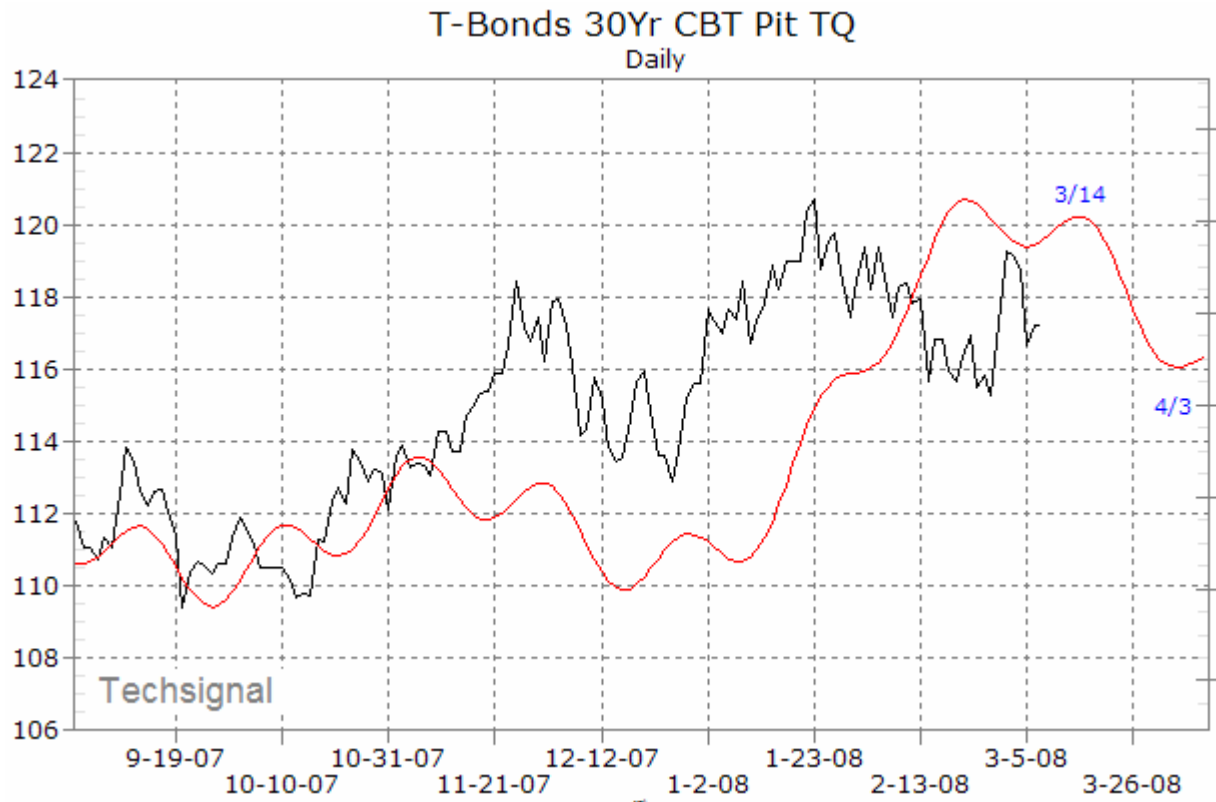
## Daily RBOB Gasoline



## Daily Propane Gas



## Daily T-Bonds 30 yr



## Weekly CRB Index

