

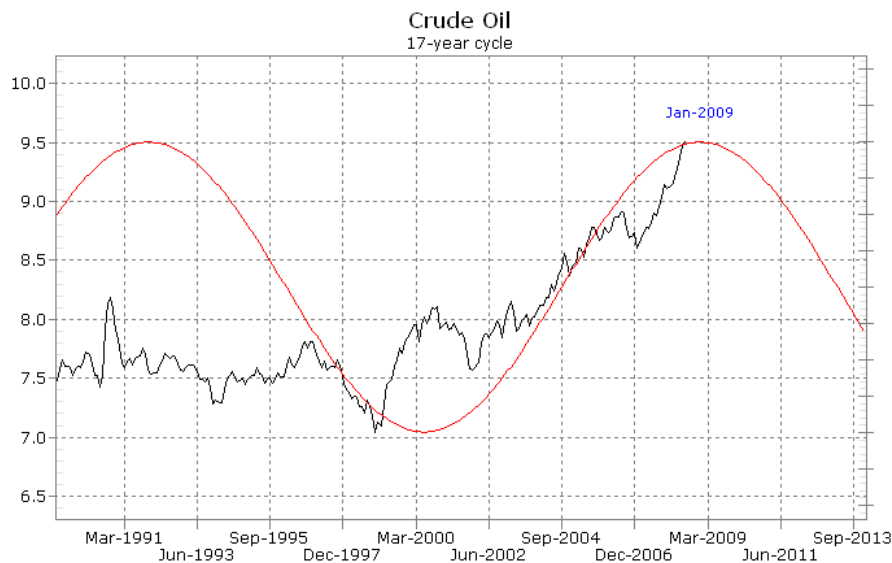
Cycle Projections Energy

AUGUST-SEPTEMBER 2008

ENERGY AND INFLATION

Oil at \$140 at year end or \$100?

The major cycles in crude are due to top between 2008 and 2009. The 29-year cycle is topping and the 10-year cycle is due to top in 2009. Typically major highs in oil have come in the beginnings of a decade in 1900, 1920, 1948, 1981, 1990, 2000 and now. There were also minor run ups in 1913 and 1929. Is the high in? It is not likely. In the 1981 run up oil rose from \$10 to \$39, a four-fold increase while the current run up has risen from about \$20 to \$147, a seven-fold increase. The run up in 1981 lasted three years to the peak. The current run up is now over 9 years old.. When this has happened in the past there



was a fundamental change in price levels and this is precisely what has happened over the last several years.

An examination of the highs in crude show the obvious 10-year cycle and yet time the 10-year cycle is inverting and we will have two highs in a row and the 17-yr cycle shown also peaks in 2009. Thus assume higher oil prices until at least the end of this year and probably into 1909. Consequently we anticipate prices greater than \$140 by 2009. The only argument against this view is that oil has never

made a double top. It reaches a single peak and then falls. The key will be the rally due in crude in September to the end of October. If this is not strong then the high could be in.

Crude Oil: The dominant 15-week cycle finally topped and is due to bottom in the first week of September and then rally as stated above. This will be an important rally. **Gasoline:** The correction in distillates at last happened. We expect that inventories will grow over the next several months that even with the expected price of crude rising that gasoline prices will be blunted.. **Heating Oil:** Heating oil has corrected, but as stated last month the potential for a cold winter will make this a buy. **Natural Gas and Propane:** The cycles remain down for Natural gas and propane, but we will have to wait for the whole complex to settle down. **Coal:** By October we expect higher prices in coal as the rally should continue. We assume the US dollar will fall in September. **Alternative Energy** We feel that support for ethanol will wane but not until spring. **Inflation:** If no major rally takes place in crude this fall then the price pressures will be lessened. Yields will still rise over the next several years provided the economy and housing begin to pick up by the first quarter of 2009, but the dangers to the economy are still with us.

Written 8/26/08

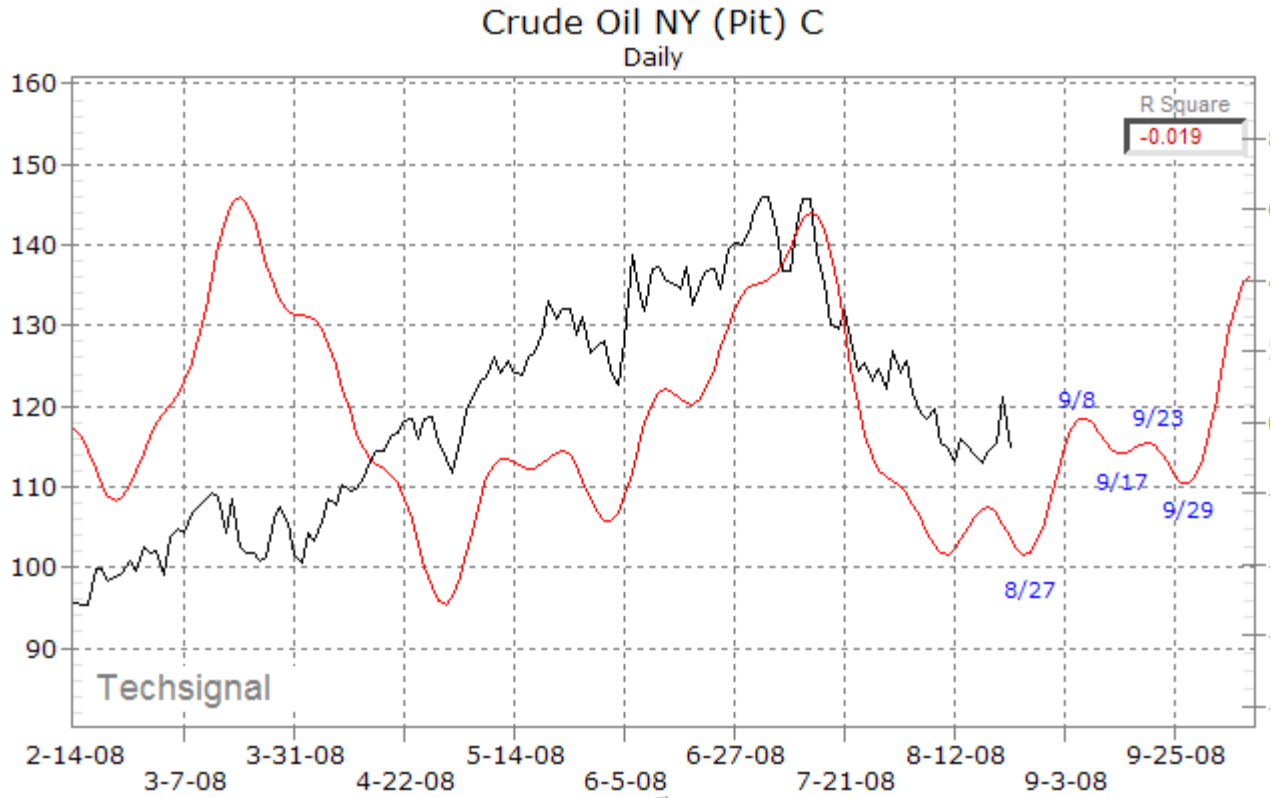
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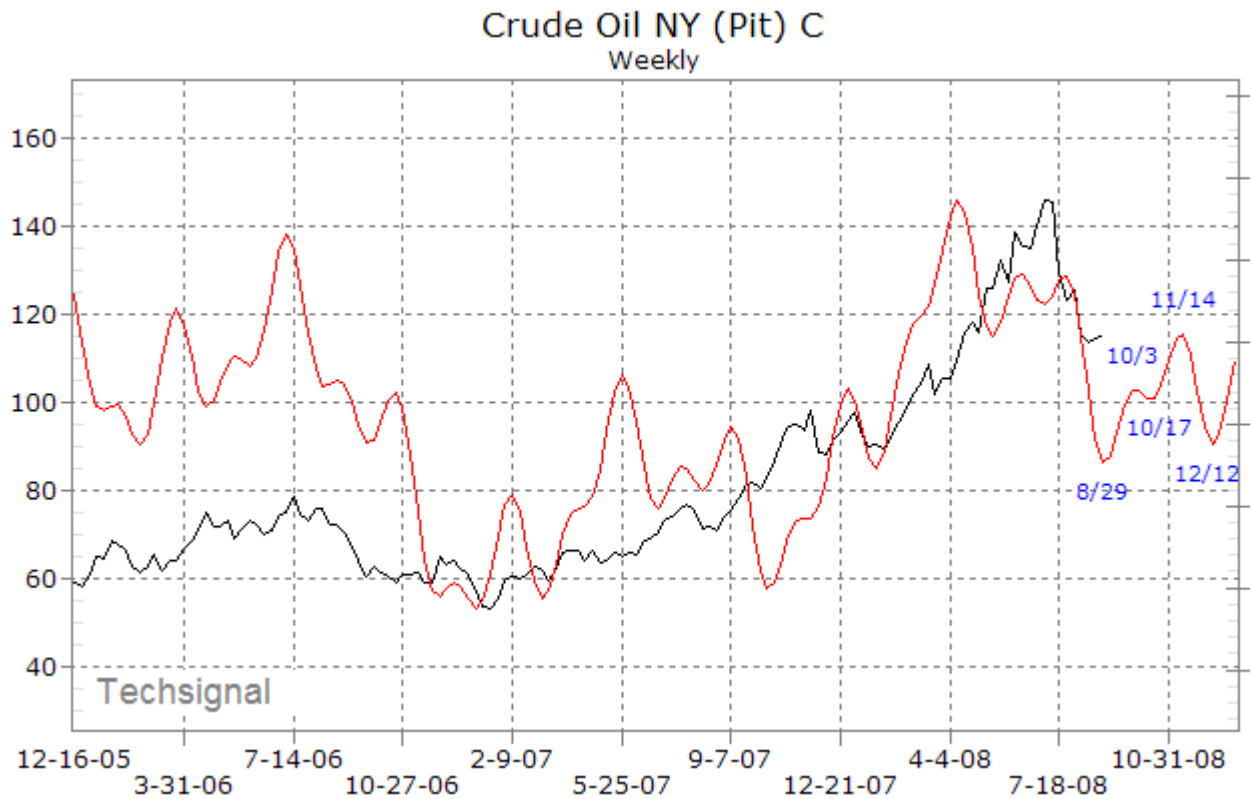
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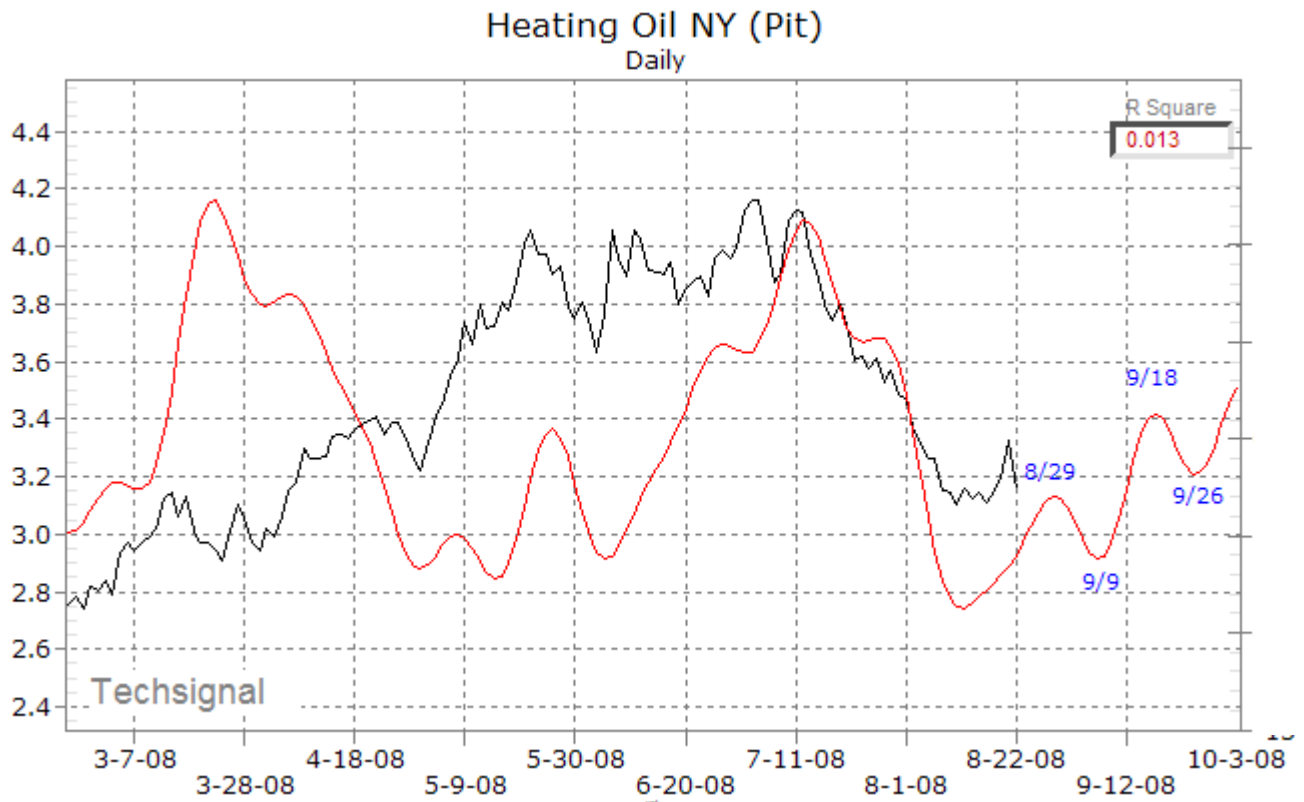
Daily Crude Oil



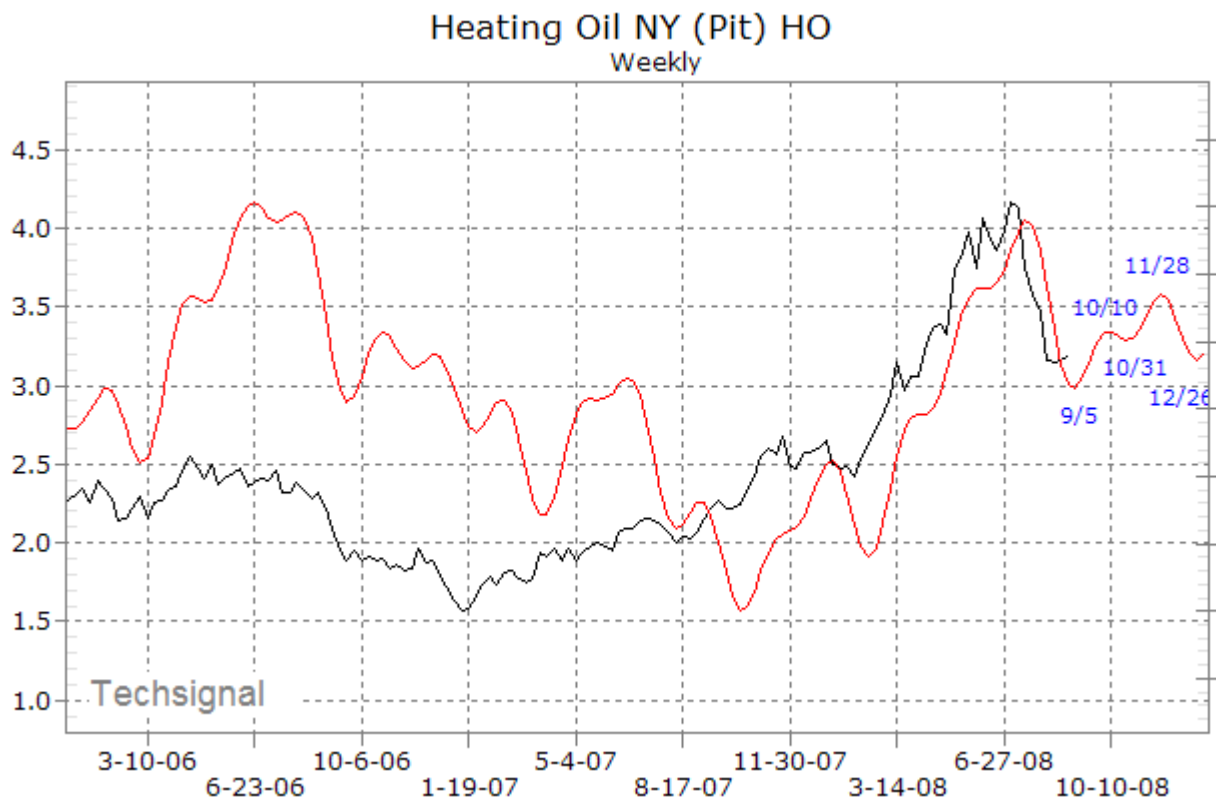
Weekly Crude Oil



Daily Heating Oil

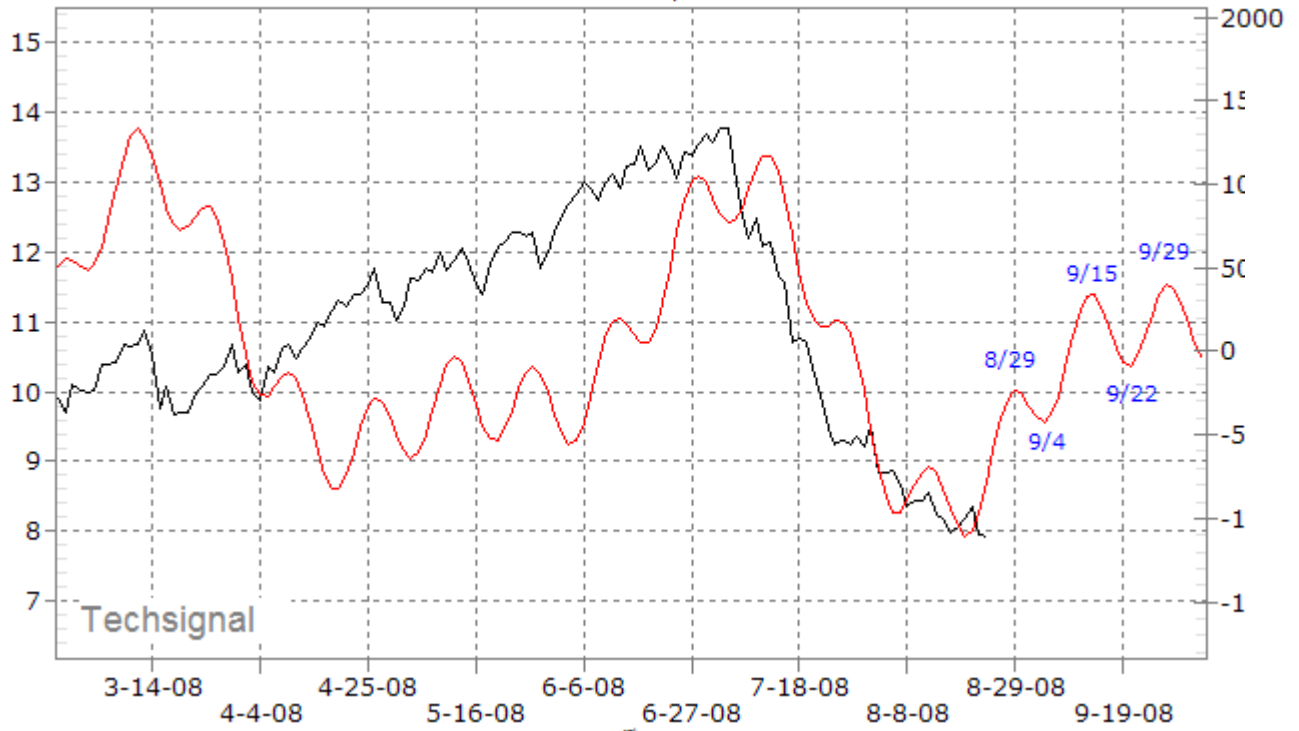


Weekly Heating Oil



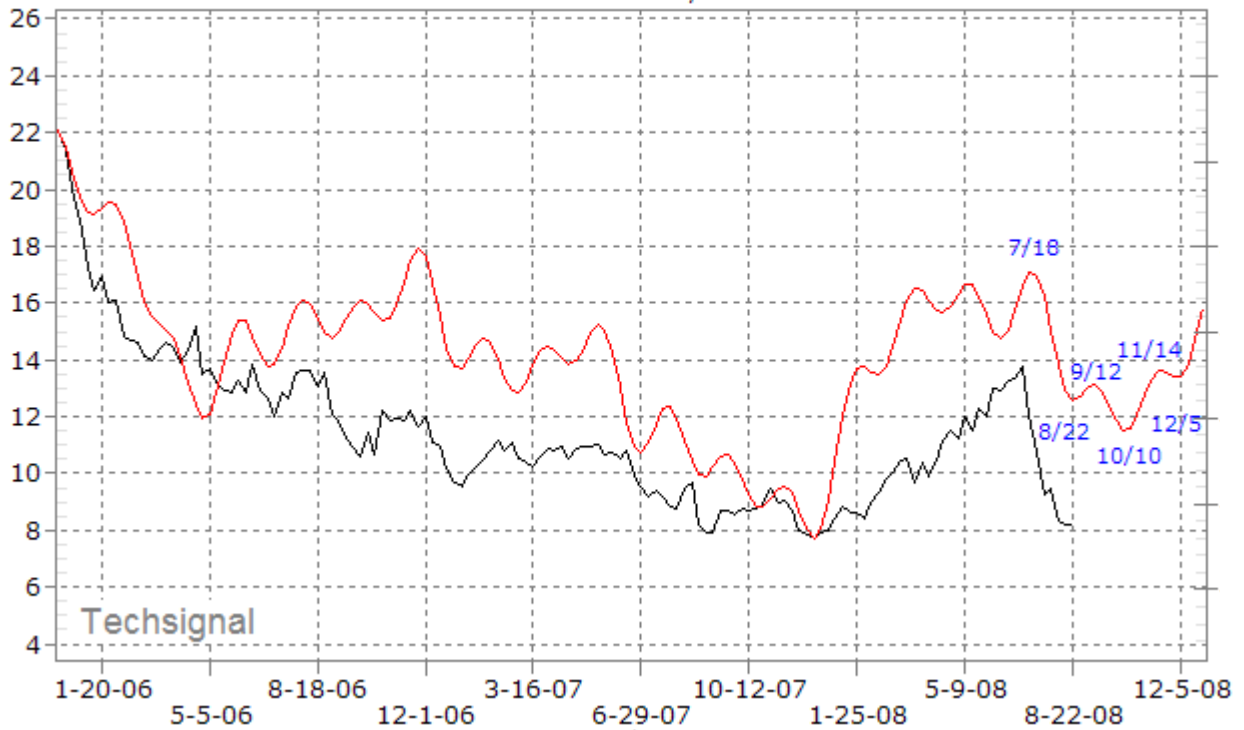
Daily Natural Gas

Natural Gas NY (Pit) NG
Daily

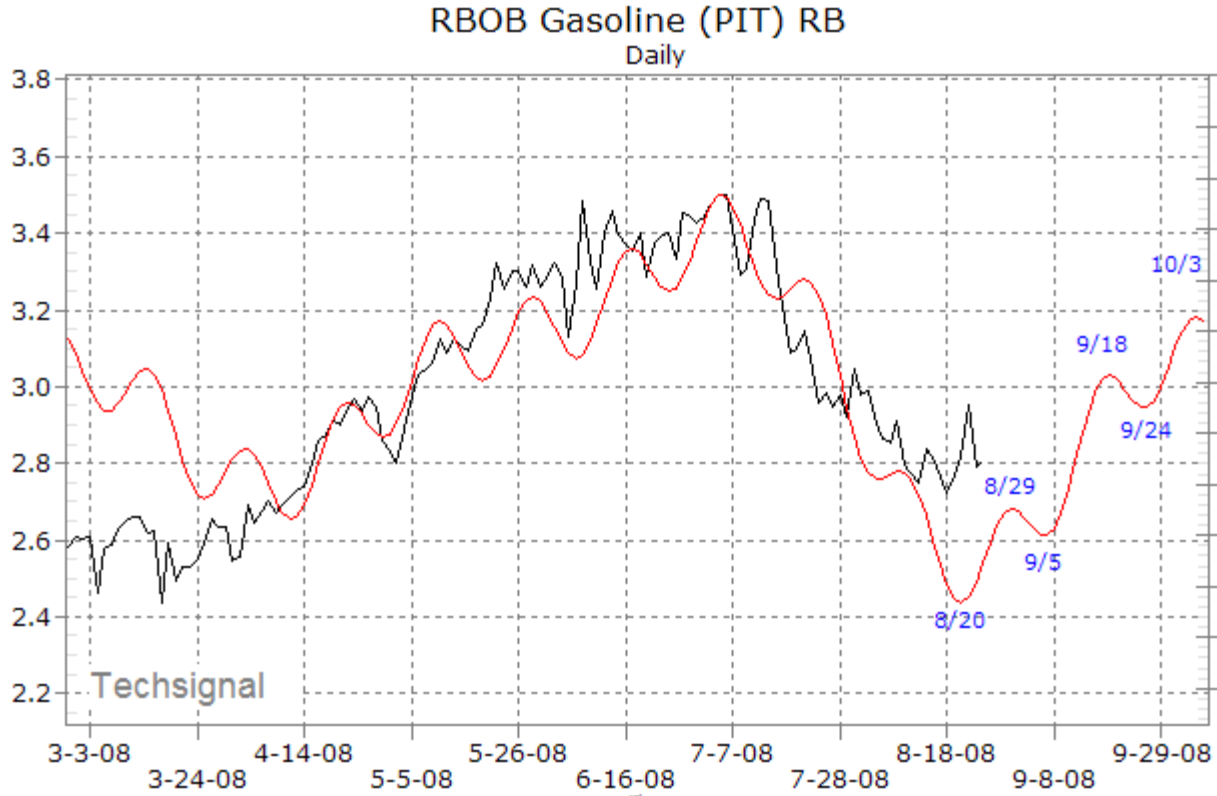


Weekly Natural Gas

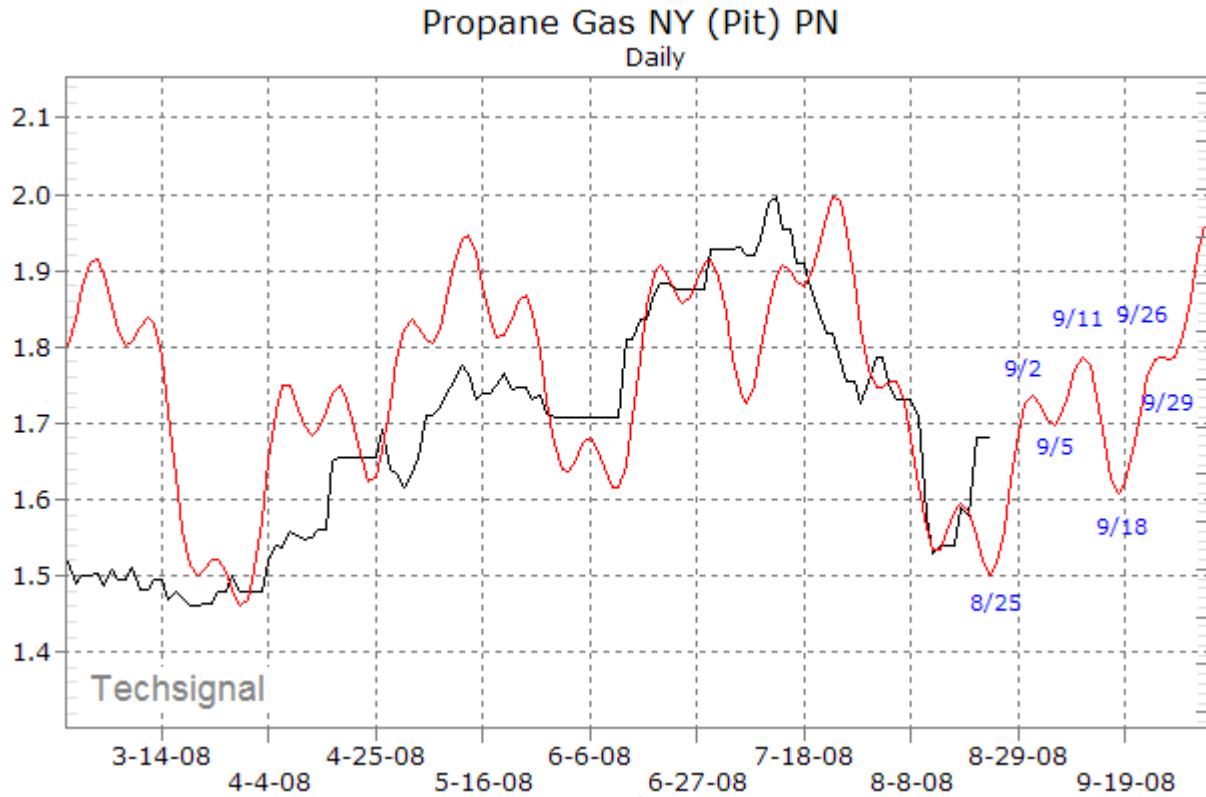
Natural Gas NY (Pit) NG
Weekly



Daily RBOB Gasoline

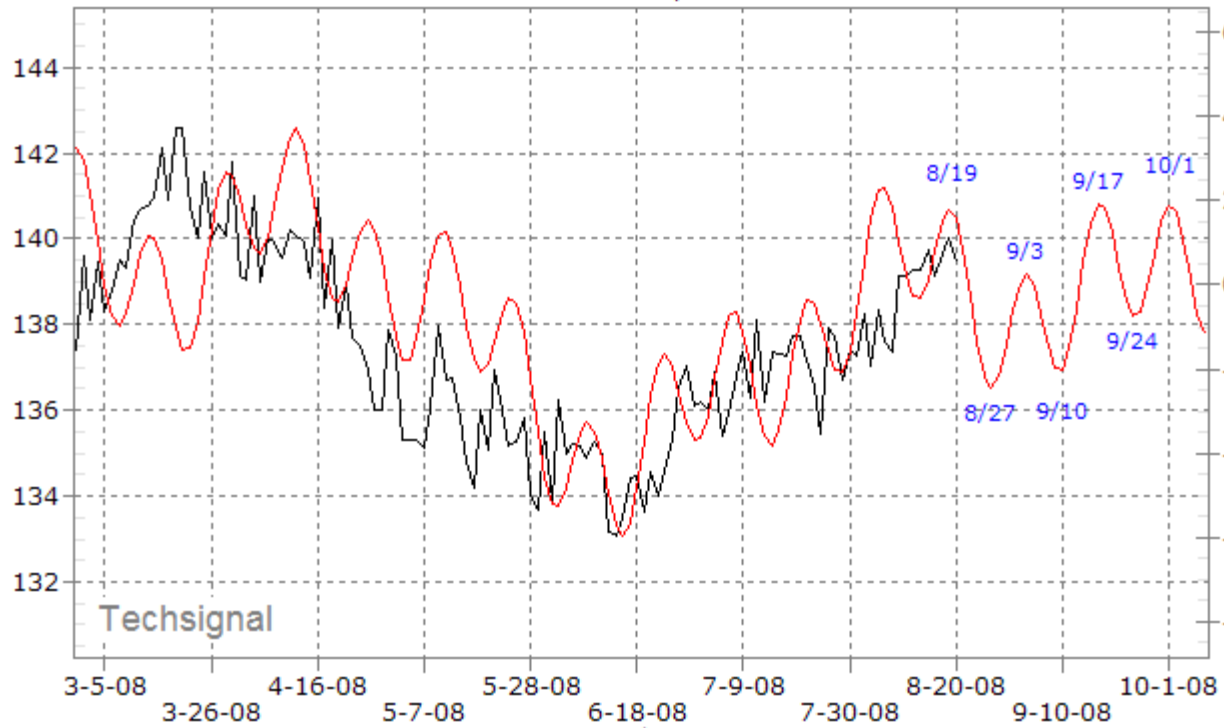


Daily Propane Gas



Daily T-Bonds 10 yr

T-Bonds 10Yr CBT Pit TQ
Daily



Daily CRB Index

INDEXFAM CRB Reuters/Jefferies Index CRBI-
Daily

