

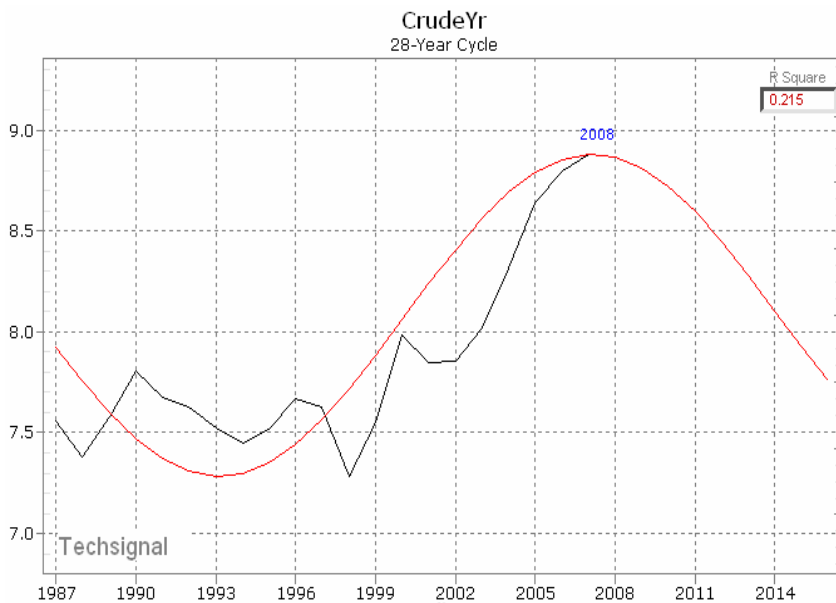
Cycle Projections Energy

DECEMBER 2008

ENERGY AND INFLATION

What is the new range for crude oil?

In our last issue we talked about oil a \$100 but we more than halved that. What will be the new trading range for oil? From 2005 until the major spike we traded between the high 40s to about 80. I think that is likely to take place again. The reason for it is not likely to get about 80 is due to the decline in aggregate demand which will not return until 2010...at the earliest. And I doubt the current levels in



the low 40s will hold due to the fact that producers need and want prices higher. Given OPEC cutting production and marginal producers needing prices higher to produce marginal oil we are likely to see crude rally in the short-term. We do expect a less volatile and more orderly market. In our cover picture we show the 28-year cycle in crude oil. The chart is shown in yearly averages and hence does not show yet the highest prices in 2008. This cycle is twice the length of last month's cycle and is a dominant cycle in commodities as well as crude.

Crude Oil: We expected a rally in the fall but no rally came as the 15-week cycle inverted. The cycles are now up and we expect an orderly rally in the context of the above comments.

Gasoline: Gasoline continues to fall as does crude oil. The cycles are bullish but the recession will continue to limit demand and hence the price. In the short-term we could see somewhat lower prices but this will change in January. **Heating Oil:** Heating oil, like all of the other petroleum based products, is in a downtrend despite the seasonal tendencies. Again the cycles are up but will have to fight the recession for higher prices or a significant cold spell. **Natural Gas and Propane:** The cycles are now bullish but these series will follow the downtrend in the energy complex. **Coal:** Appalachian coal continues to drop and we now expect it to remain in a bear market especially given the president-elect's views on coal. **Alternative Energy** We expect interest and therefore support for alternative energy will increase but it will be hurt by lower energy in general. **Inflation:** We now expect little inflation despite a commodity price rally and the printing presses running 24/7 due to the serious recession,

Written 12/18/08

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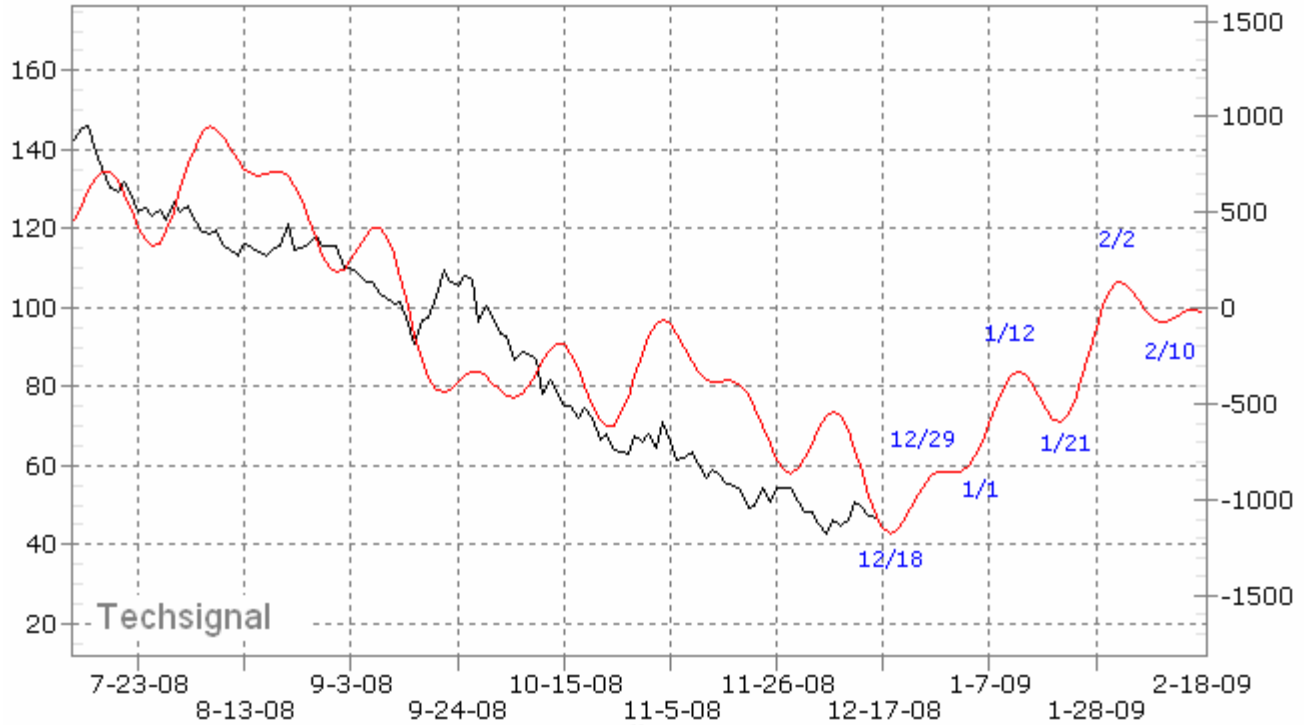
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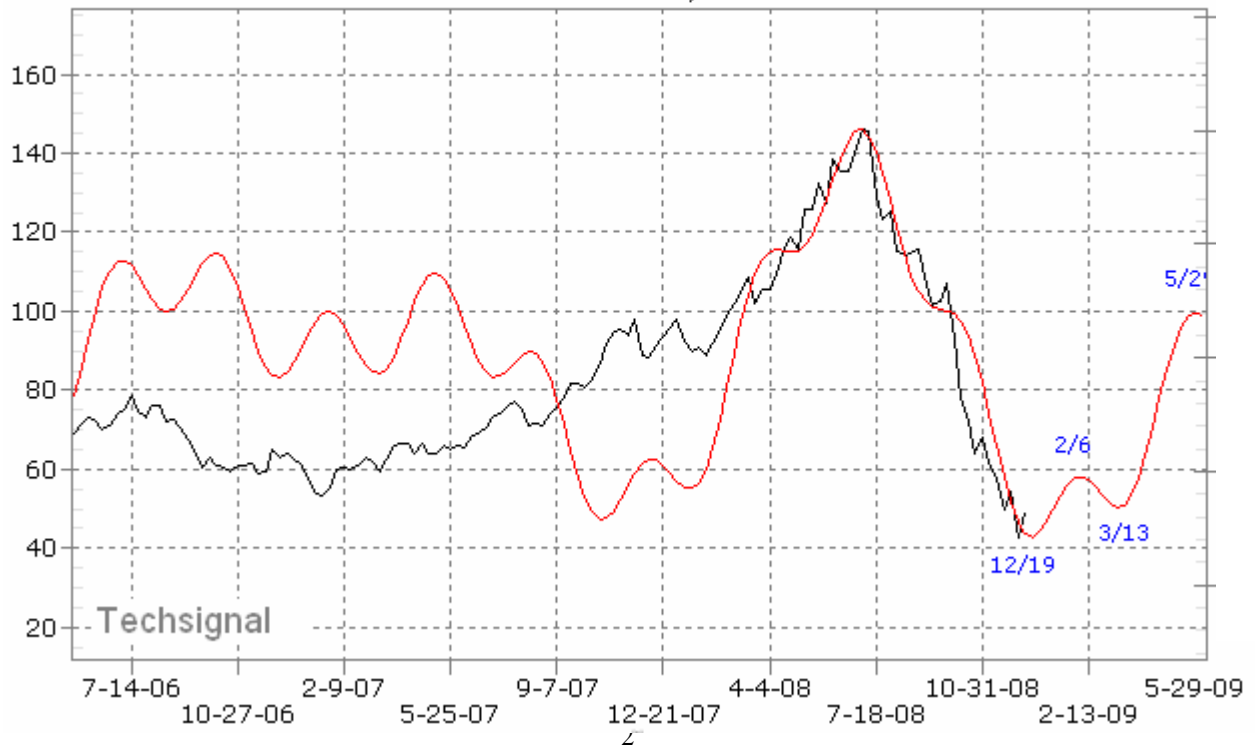
Daily Crude Oil

Crude Oil NY (Pit) C CL
Daily



Weekly Crude Oil

Crude Oil NY (Pit) C CL
Weekly



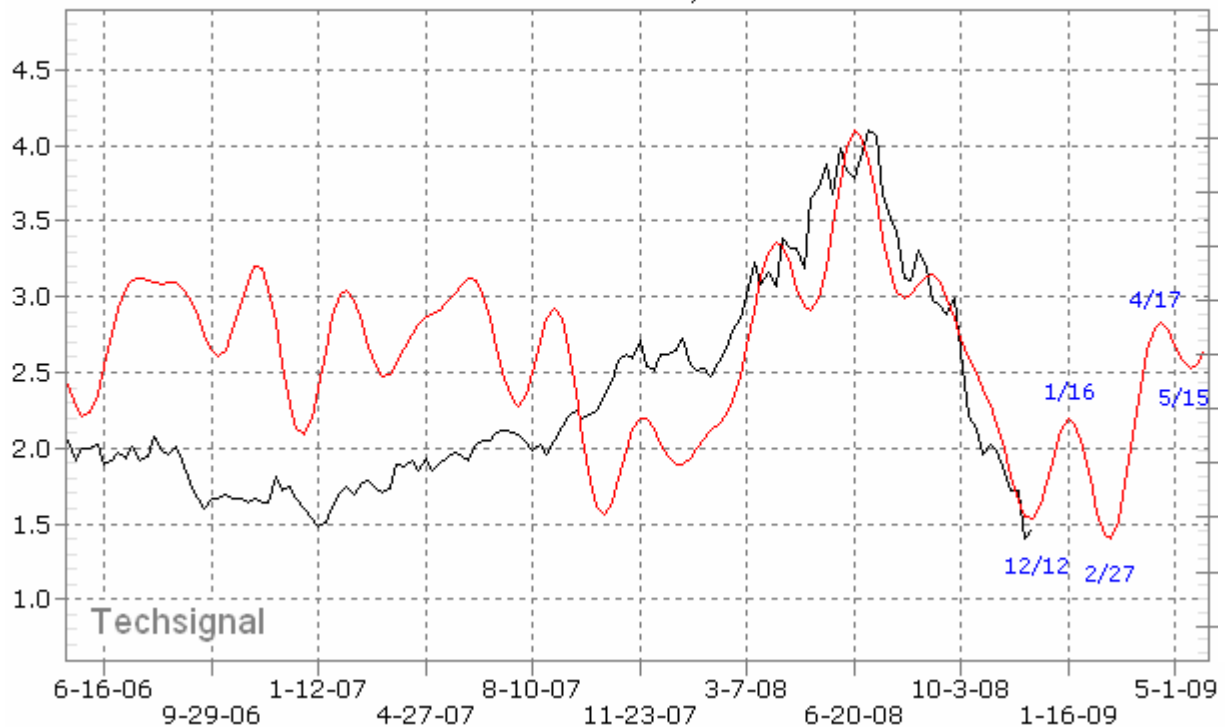
Daily Heating Oil

Heating Oil NY (Pit) HO
Daily



Weekly Heating Oil

Heating Oil NY (Pit) HO
Weekly



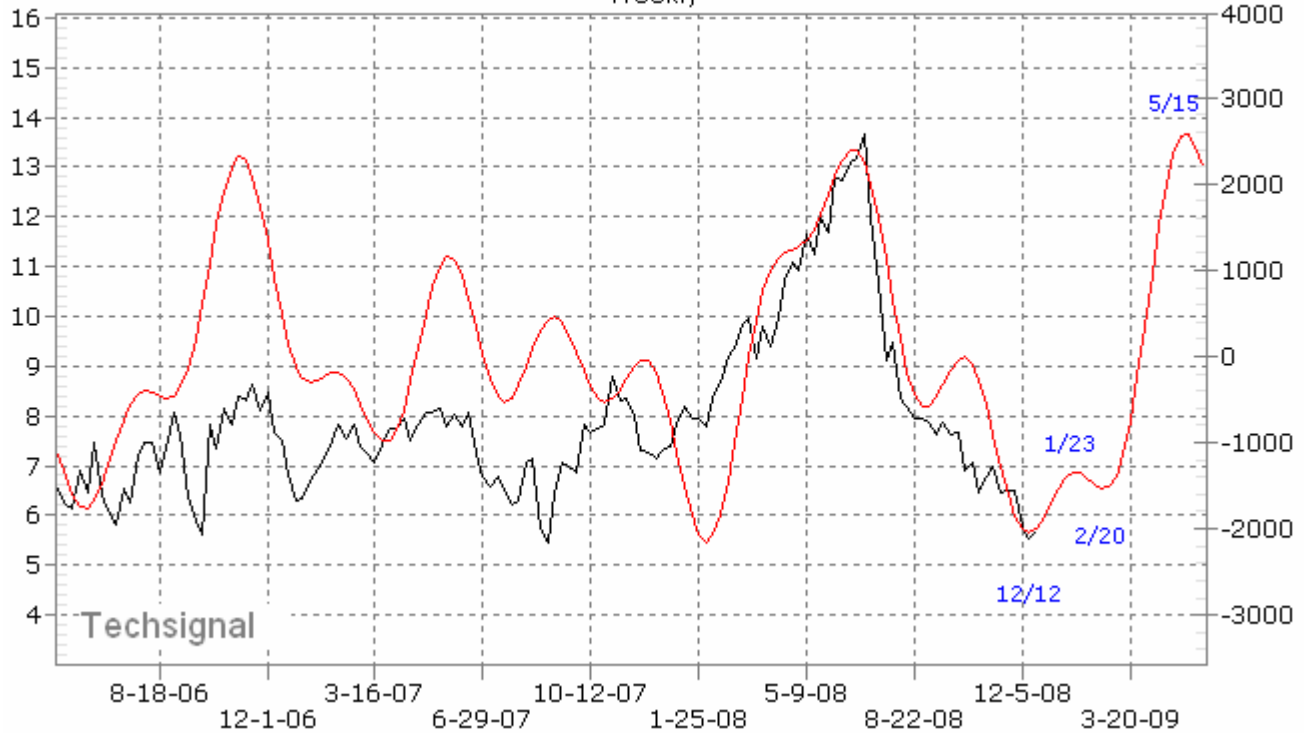
Daily Natural Gas

Natural Gas NY (Pit) NG
Daily



Weekly Natural Gas

Natural Gas NY (Pit) NG
Weekly



Daily RBOB Gasoline

RBOB Gasoline (PIT) RB
Daily



Daily Propane Gas

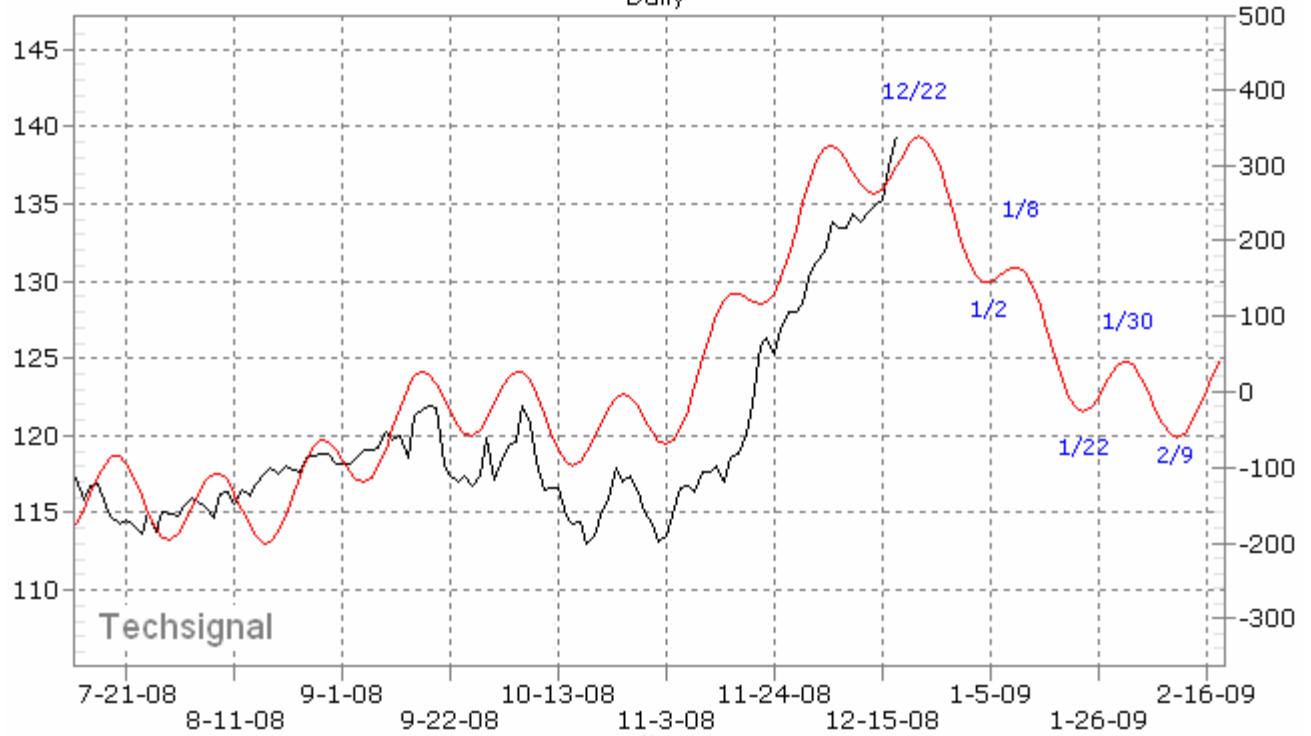
Propane Gas NY (Pit) PN
Daily



Daily T-Bonds 10 yr

T-Bonds 30Yr CBT Pit TQ

Daily



Daily CRB Index

Crb Index Cash

Daily

