

Cycle Projections Energy

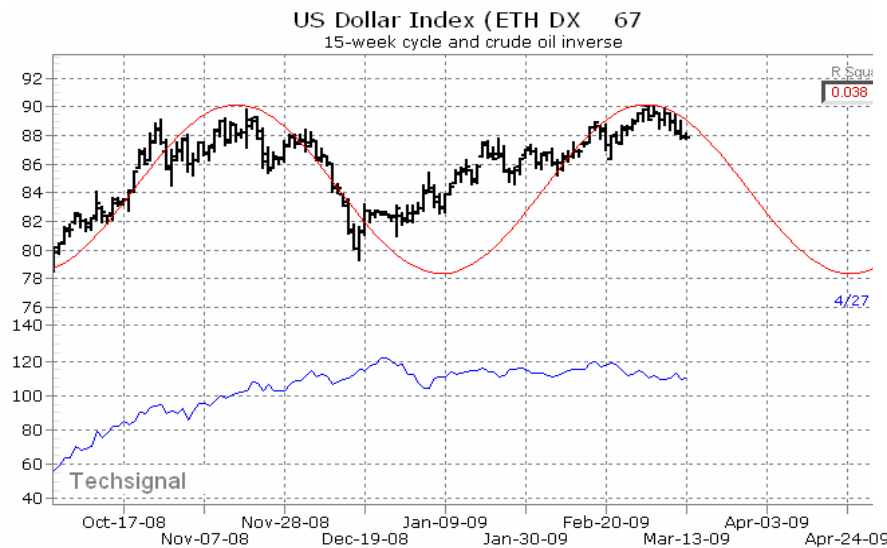


ENERGY AND INFLATION

FEBRUARY-MARCH 2009

Can Oil buck the direction of the US dollar?

Typically crude oil rallies when the US dollar falls but there are notable exceptions from time to time. Most notably in 2000 and now, but historically the exception only lasts for a short time. In the chart on this page we can see the US dollar plotted with the 15-week dominant cycle plotted over crude oil inverse. In the inverse plot tops in crude are lows and lows in crude are tops in the inverse chart. What we would expect is crude moving down, making a peak in the inverse chart; but this did not happen. We now expect the US dollar to fall and crude and the energy complex to rally. How high can it go? Our



data in crude oil begins in 1859 when the first oil well was drilled in Titusville, PA. In that history there has never been a double top. There have been spike highs and then the markets have dropped significantly back into a trading range. The closest to a double top took place in 1895 with the next top coming in 1900 at almost the same level. This would be the best case scenario. The dominant shorter cycle is a 40-month cycle and that would argue for no rally of

significance until January of 2010; but we do not expect lower prices in the energy complex. We expect a trading range with the high of the range around 70 and the low near the current levels. In the next 7 weeks we expect a rally.

Crude Oil: The dominant 15-week cycle is due to top in the third week in April.. The last rally in this cycle fizzled, but we expect a mild rally at this time due to falling demand and no cut in supplies.. **Heating Oil:** Heating oil is due to rally but with the winter about over don't count on much of a rally.. **Natural Gas and Propane:** Natural gas will try to ride the coattails of the complex but don't expect much until the fall. **Coal:** We expect coal to gradually rally as better economic activity in China should see higher prices but not to the old highs. **Alternative Energy** The next few years should see rallies in this sector due to the Obama push. **Inflation:** We are not likely to see much inflation prior to the economy turning, which may happen by the fall

Written 3/17/08

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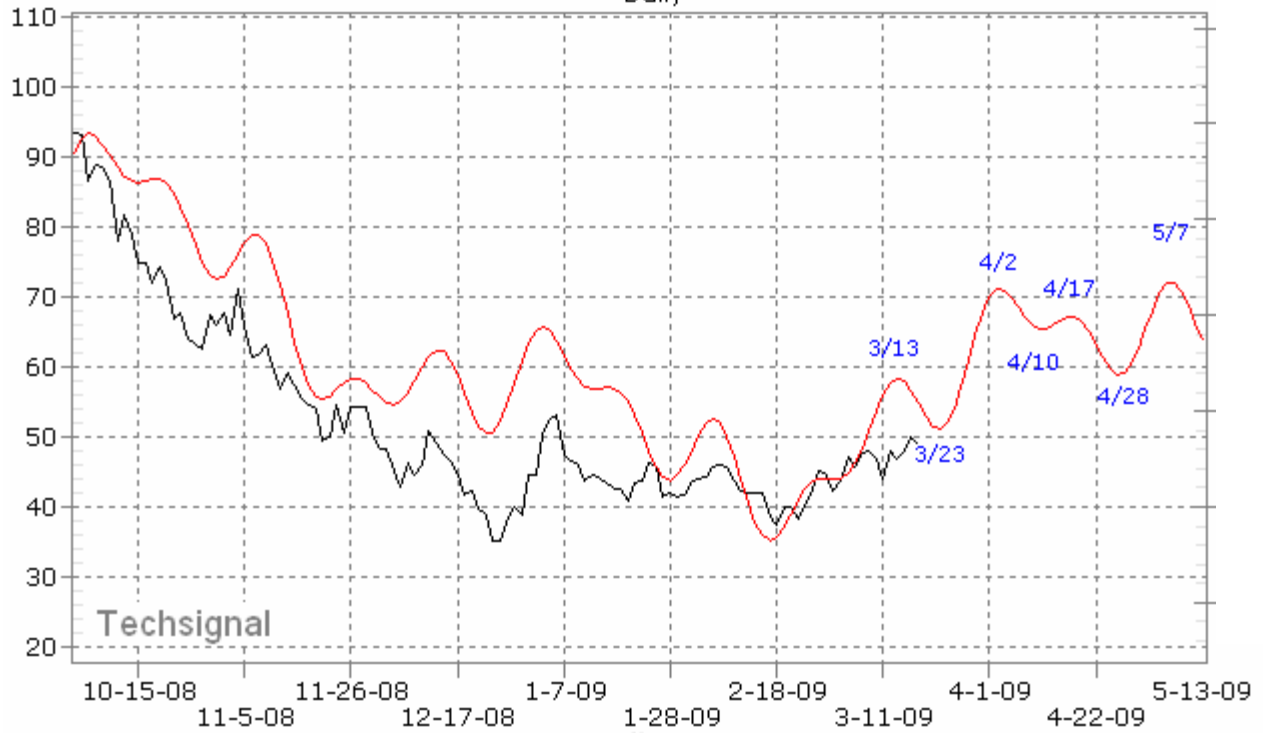
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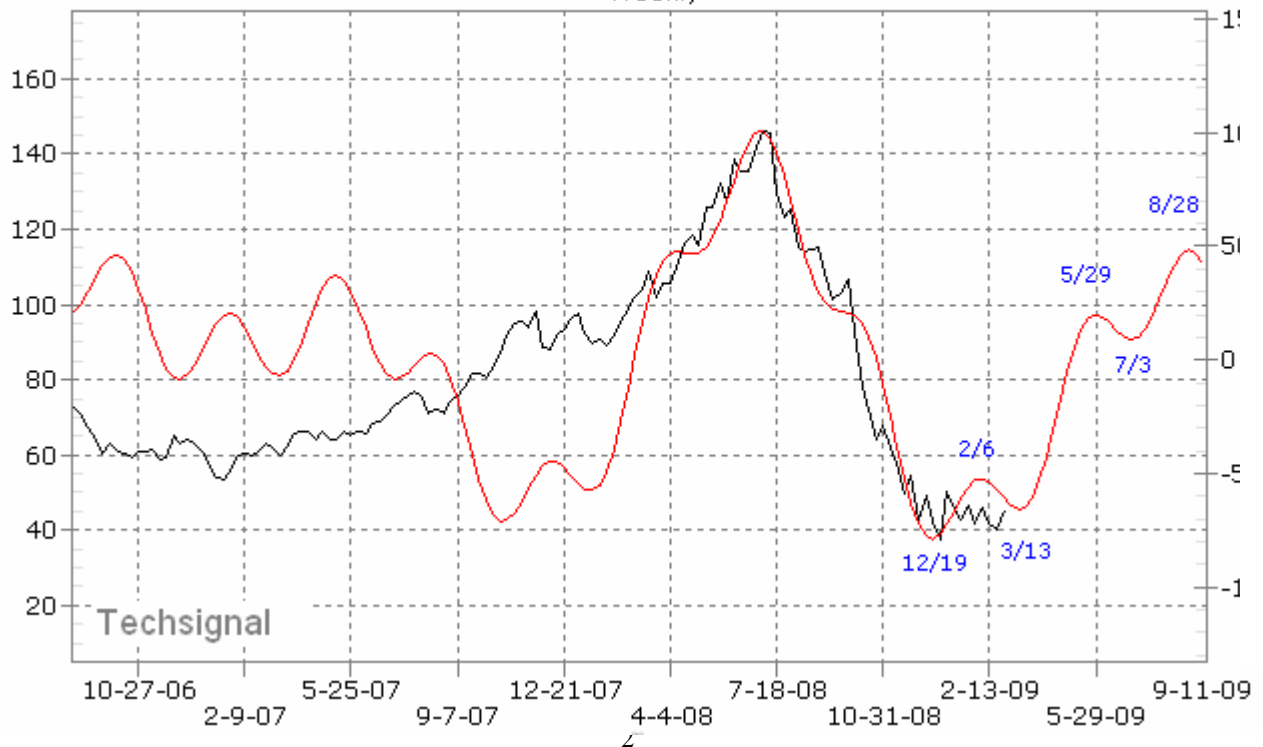
Daily Crude Oil

Crude Oil NY (Pit) C CL
Daily



Weekly Crude Oil

Crude Oil NY (Pit) C CL
Weekly



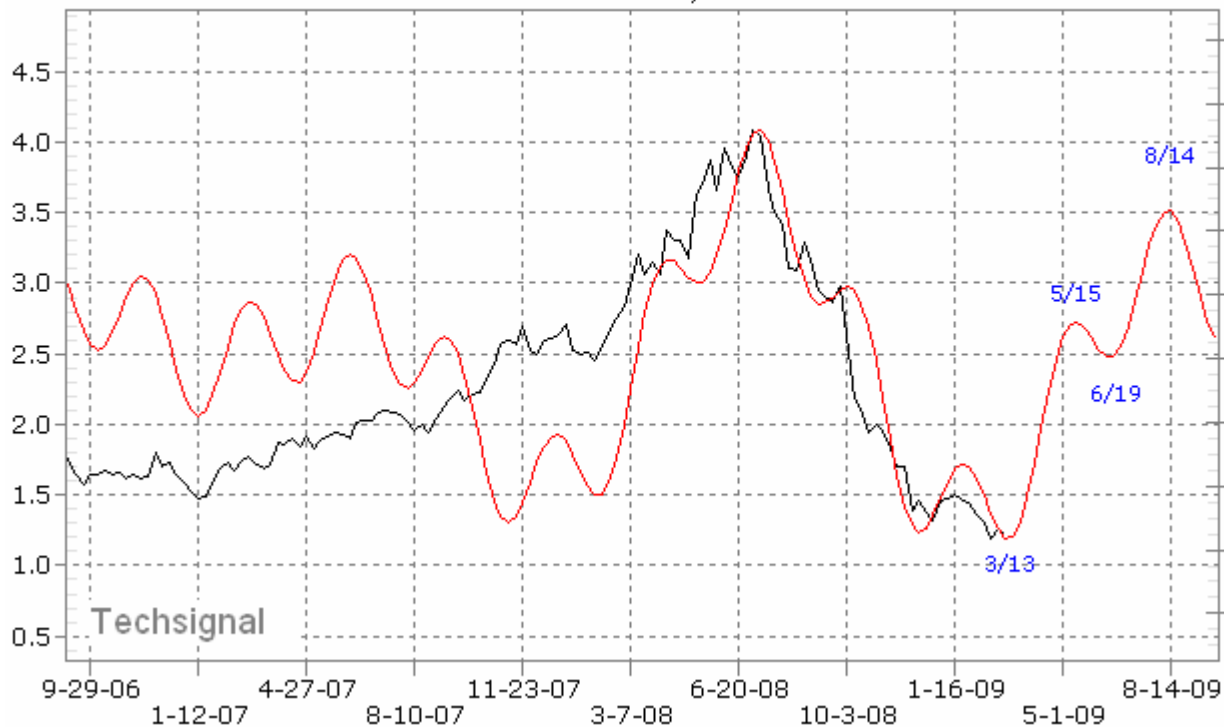
Daily Heating Oil

Heating Oil NY (Pit) HO
Daily



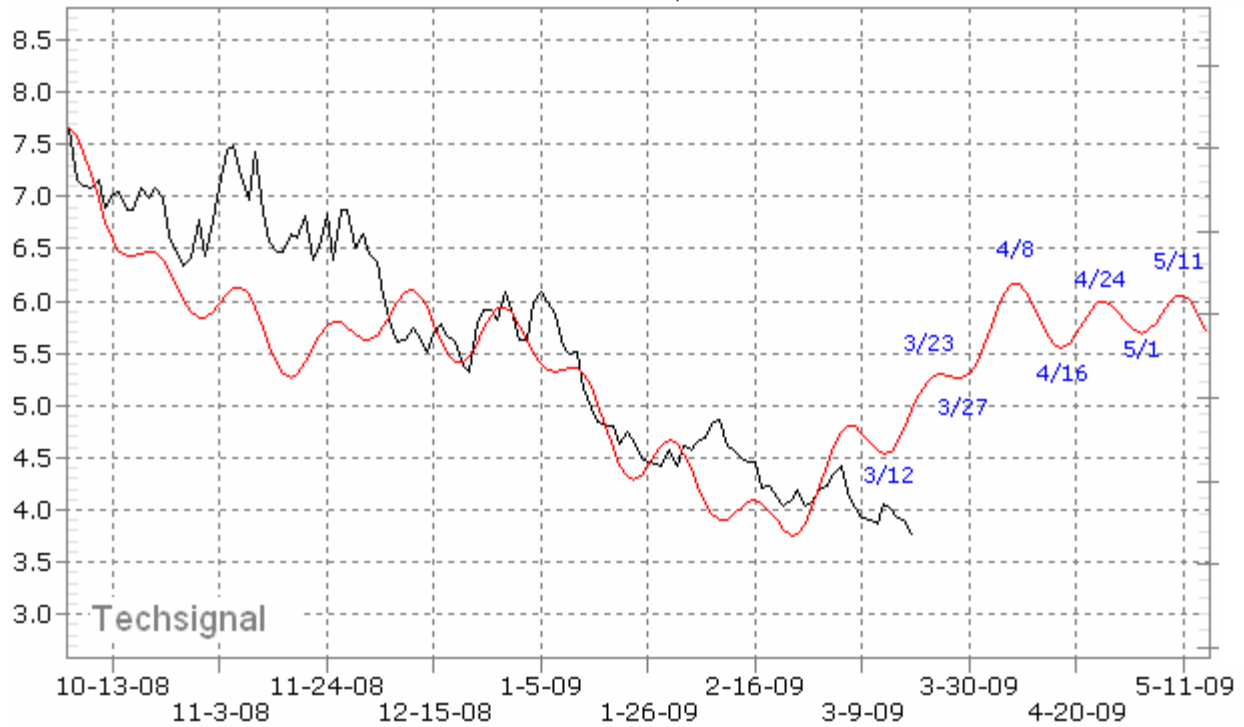
Weekly Heating Oil

Heating Oil NY (Pit) HO
Weekly



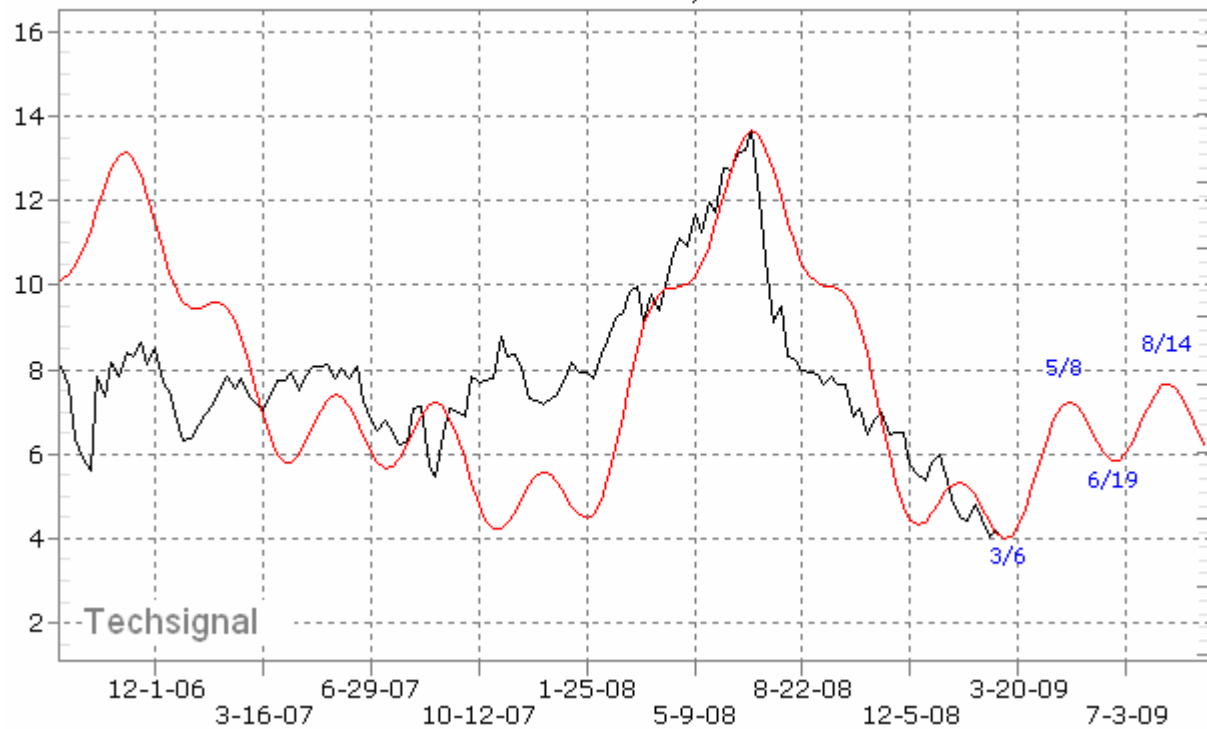
Daily Natural Gas

Natural Gas NY (Pit) NG
Daily

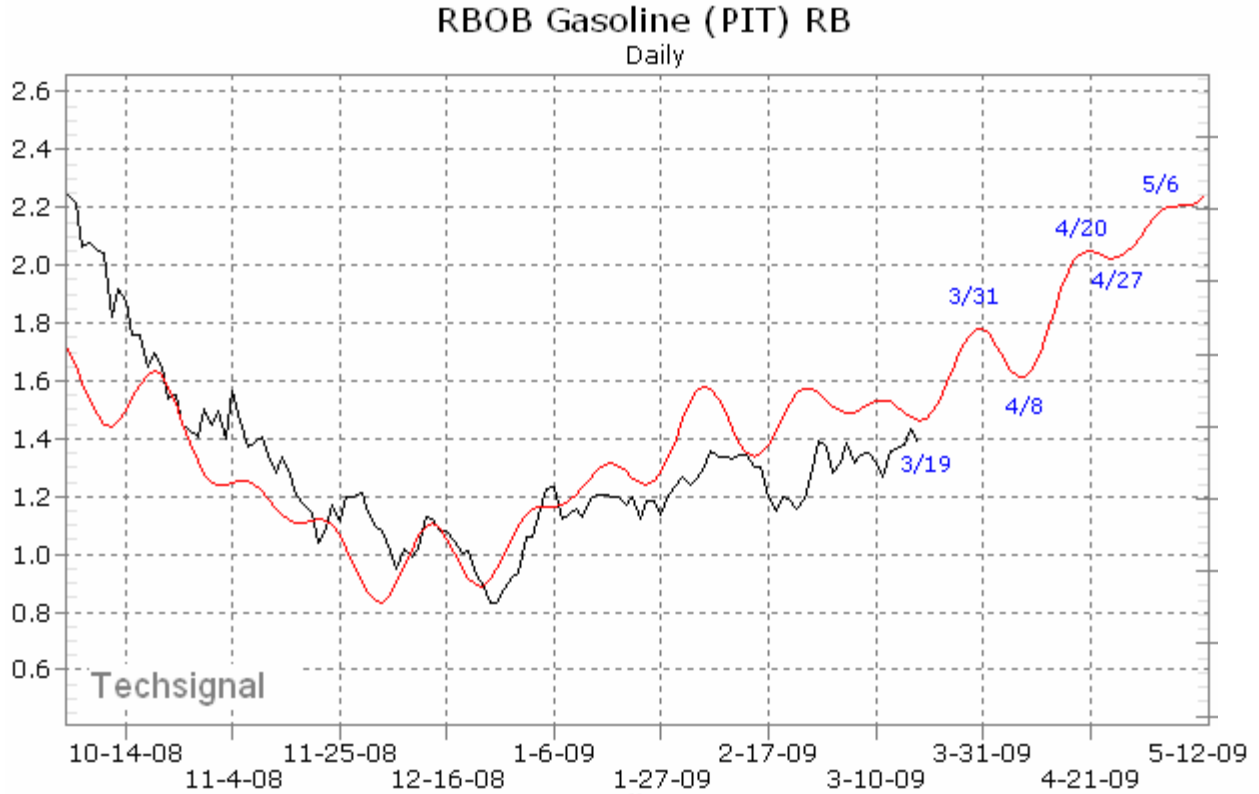


Weekly Natural Gas

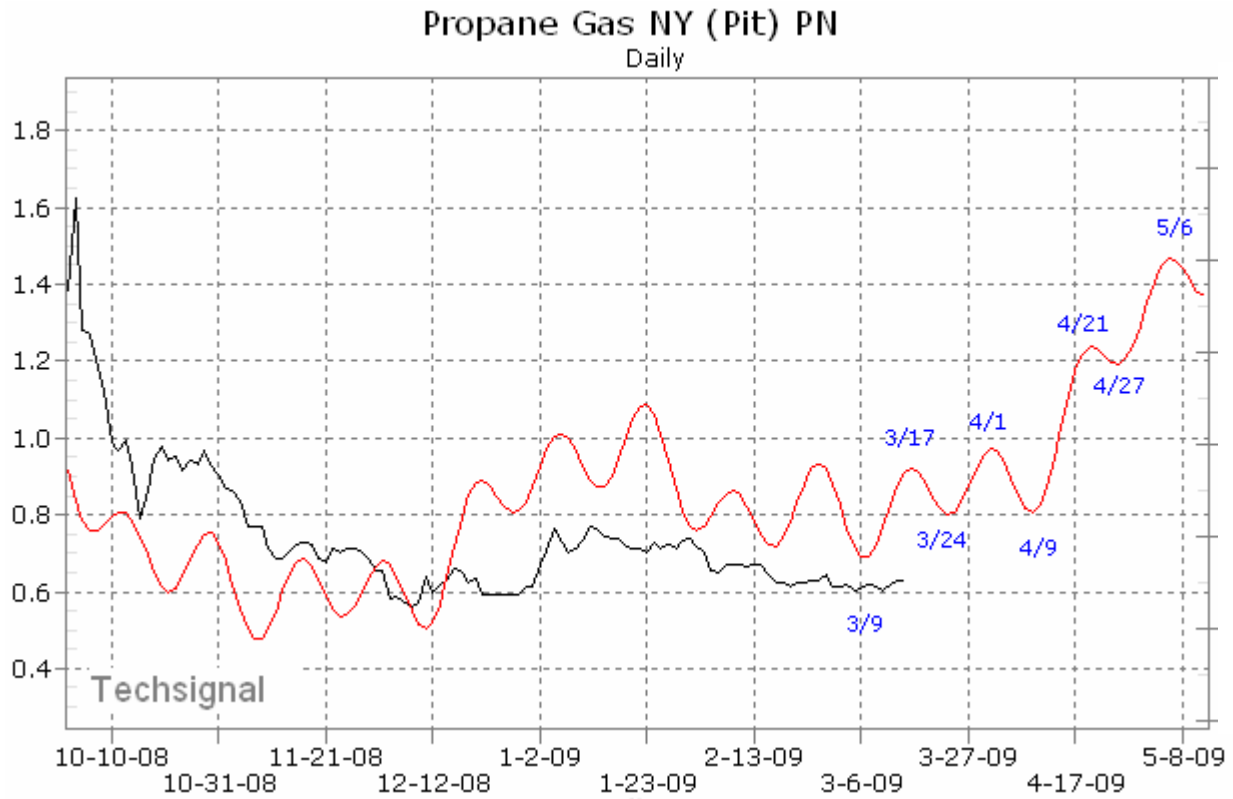
Natural Gas NY (Pit) NG
Weekly



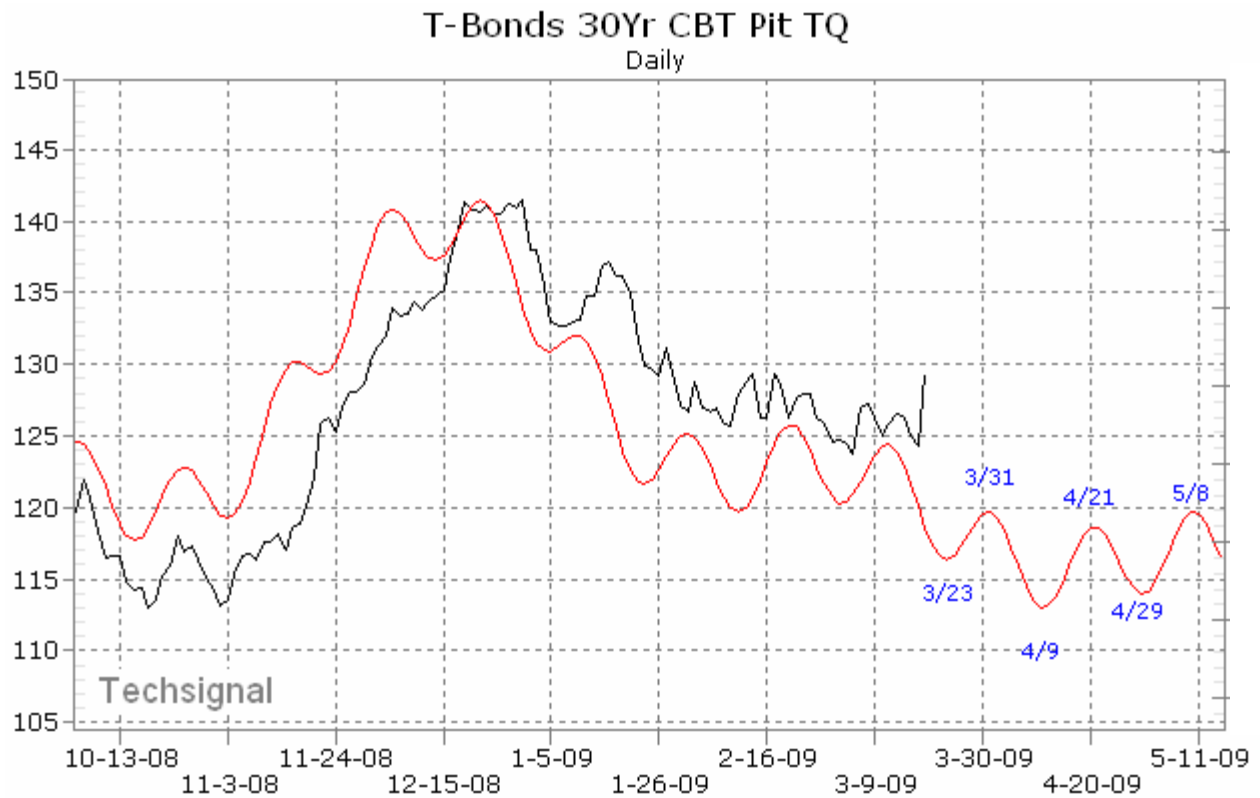
Daily RBOB Gasoline



Daily Propane Gas



Daily T-Bonds 30 yr



Daily CRB Index

