

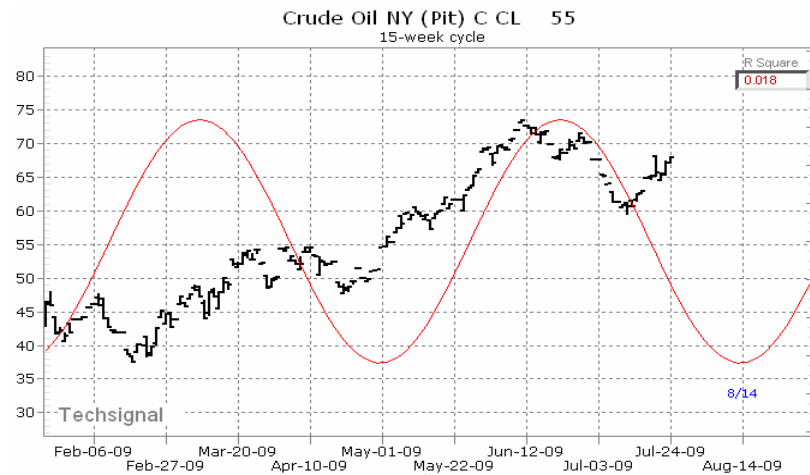
# Cycle Projections Energy

JULY-AUGUST 2009

ENERGY AND INFLATION

## Energy, Supply and Demand?

We have been taught in economics 101 that prices are the result of two major factors, supply and demand. This economic theory, of course was developed prior to OPEC, NYMEX, CAP and Trade, Goldman Sachs and other manipulators. The time honored economic realities of supply and demand have been relegated to a



peripheral role albeit important. The last major swing in crude is a case in point. Speculation took crude up to over \$145 a barrel until finally the realities of supply and demand ended the rally. Then in a spate of short selling oil sank to about \$35 a barrel when again the realities of supply and demand reversed the slide. Was the move up and down the result of speculation or the result of supply and demand adjusting to changing conditions? Clearly the energy market has suffered from speculation and to some degree price manipulation by the market itself. So what do

investor's do to make reasonable judgments? Firstly, understand that the market is not reflecting reality directly. Buy as the economic conditions improve world wide but don't buy at \$70. We assume we are in a speculative range between about \$45 and \$75. So sell at the top and buy at the bottom of the range; now that is a novel idea: buying low and selling high. But please remember the nature of this market. \

**Crude Oil:** The cycles argue for the trading range spoken about above, but short term we think \$55 should hold the current low of the range. Continue to watch the US dollar. If it rallies crude will fall. It is currently about 78 on the Finex Index.. If it begins to fall more then expect higher crude prices. The cycles argue for sideways action in both the US dollar and crude. Short-term the 15-week cycle is pointing to a mid-August low and then a trading range rally with little conviction, as seen in the chart above.

**Gasoline:** Gas prices will remain volatile with a slight downside bias due to light demand continuing.

**Heating Oil:** Cycles in heating oil are neutral to bullish, but don't expect much of a move until the fall.

**Natural Gas and Propane:** Natural gas and propane are neutral. We anticipate higher prices, but not until the fall. **Coal:** Coal is out of favor with the current administration and that is a mistake. If Cap and Trade fails we look for higher prices, but the cycles tell us little.

**Alternative Energy** If crude rallies so shall the solar and other alternate energy stocks. Alternate energies are very expensive to produce and unless crude rallies, be careful. Long-term they will rise, but short-term watch crude. **Inflation:** Inflation is still in the future and will not get any purchase until we see a healthier economy.

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All data used in *Cycle Projections* provided by Genesis Financial Technologies, Inc.  
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**Cycle Projections**

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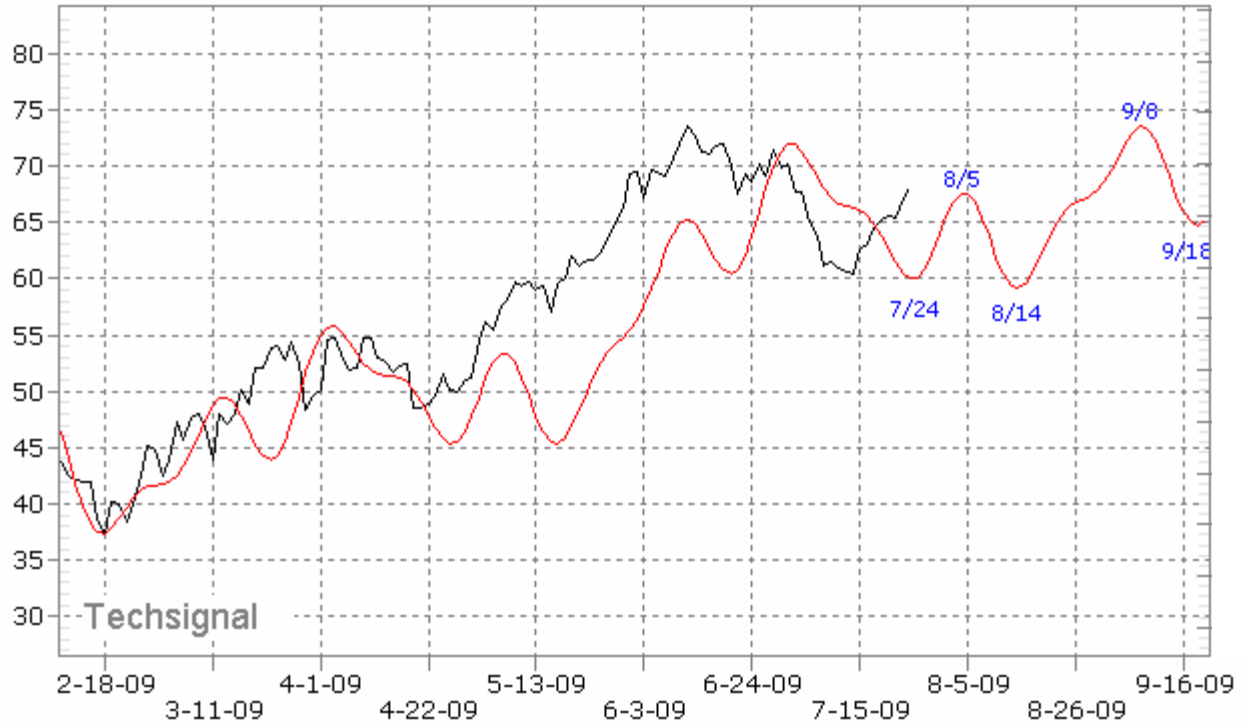
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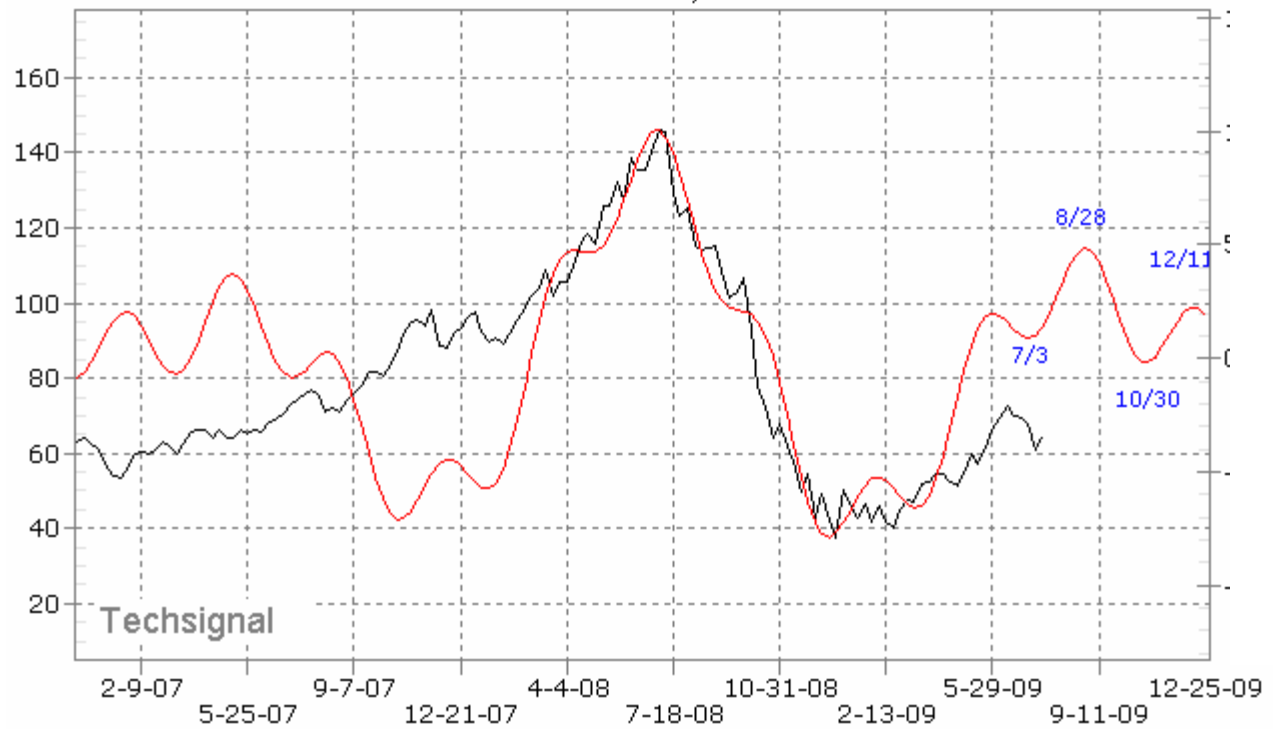
## Daily Crude Oil

Crude Oil NY (Pit) C CL  
Daily



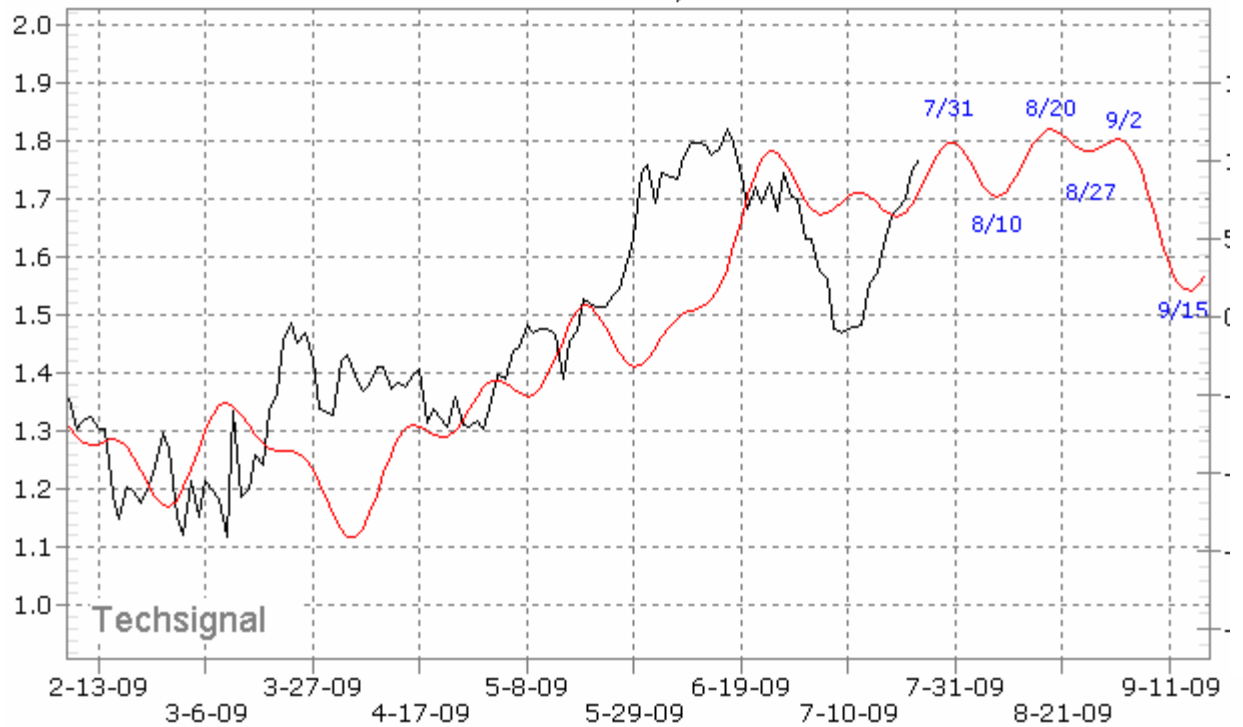
## Weekly Crude Oil

Crude Oil NY (Pit) C CL  
Weekly



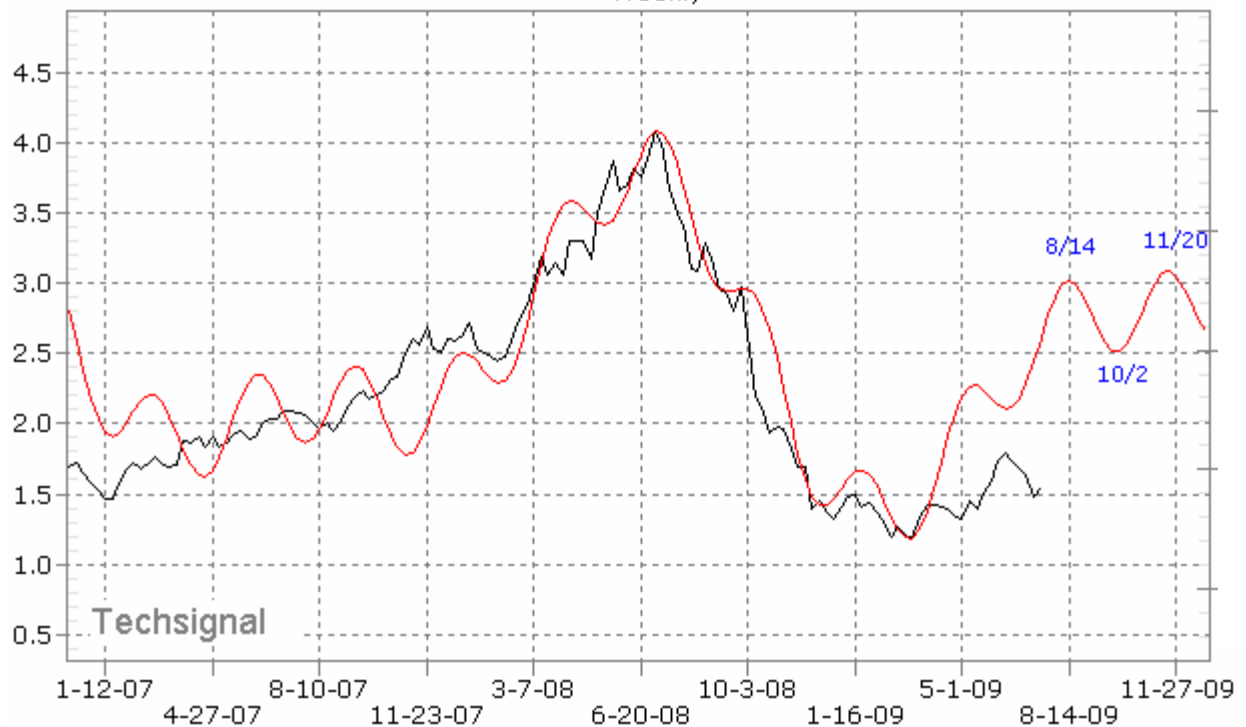
## Daily Heating Oil

Heating Oil NY (Pit) HO  
Daily



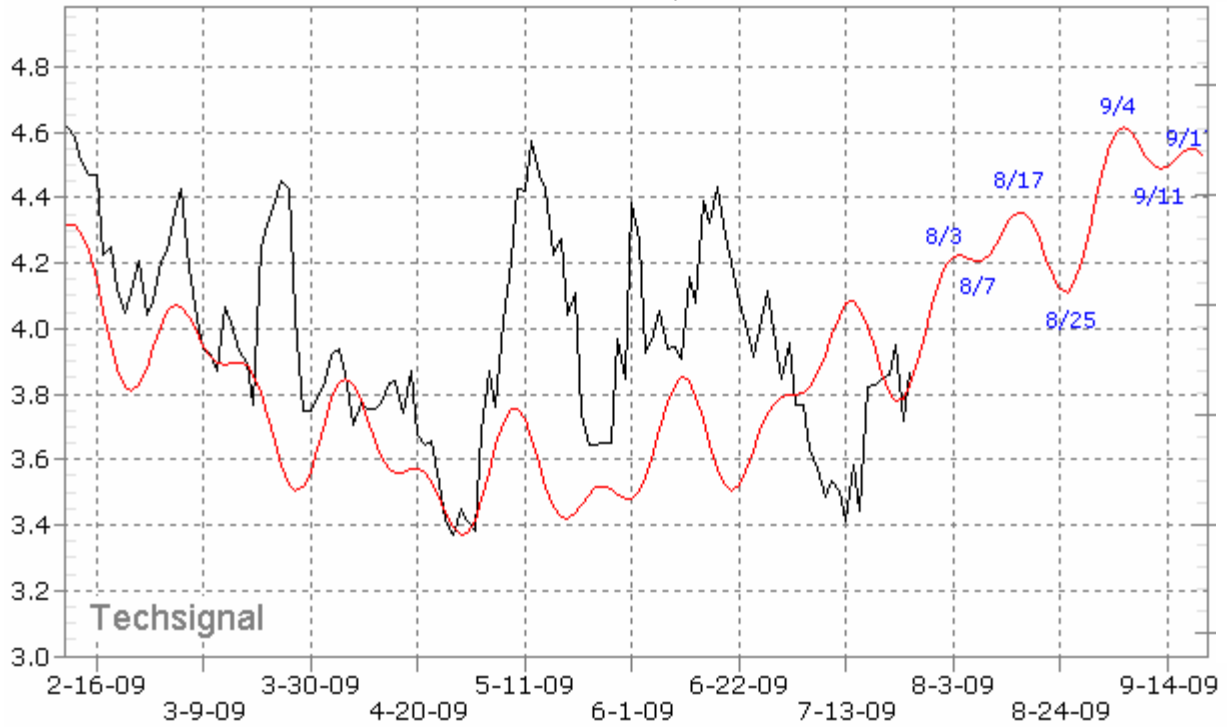
## Weekly Heating Oil

Heating Oil NY (Pit) HO 99  
Weekly



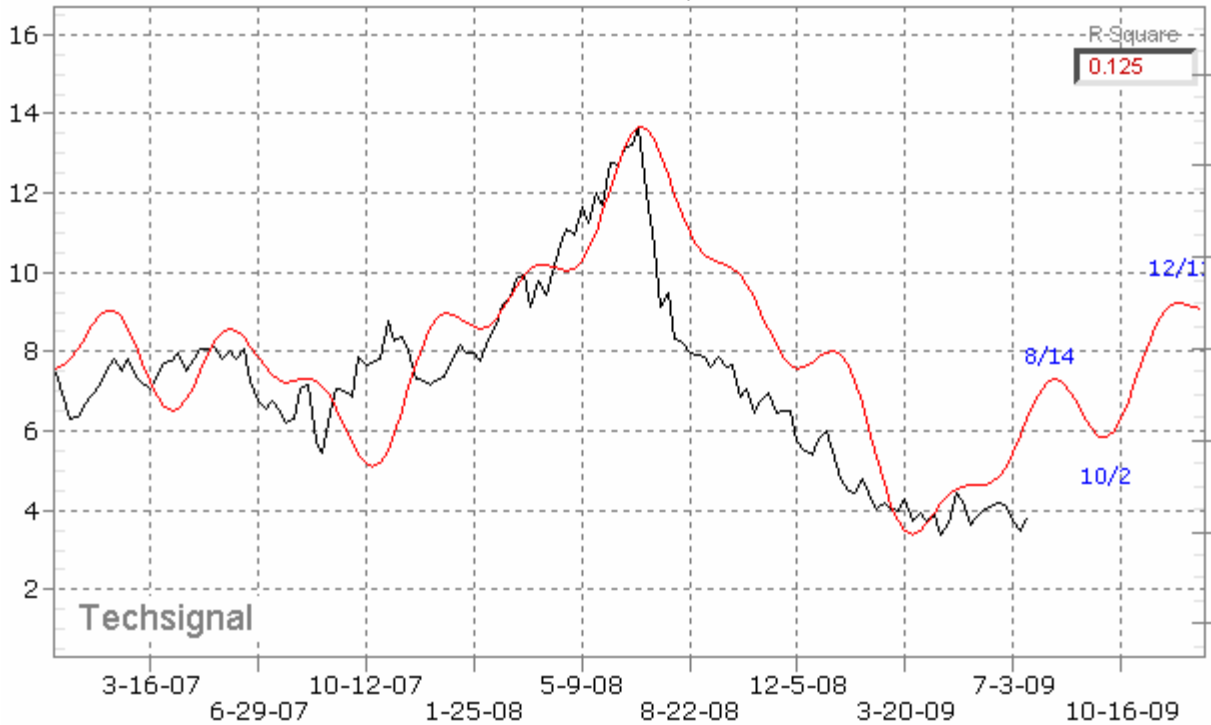
# Daily Natural Gas

Natural Gas NY (Pit) NG  
Daily



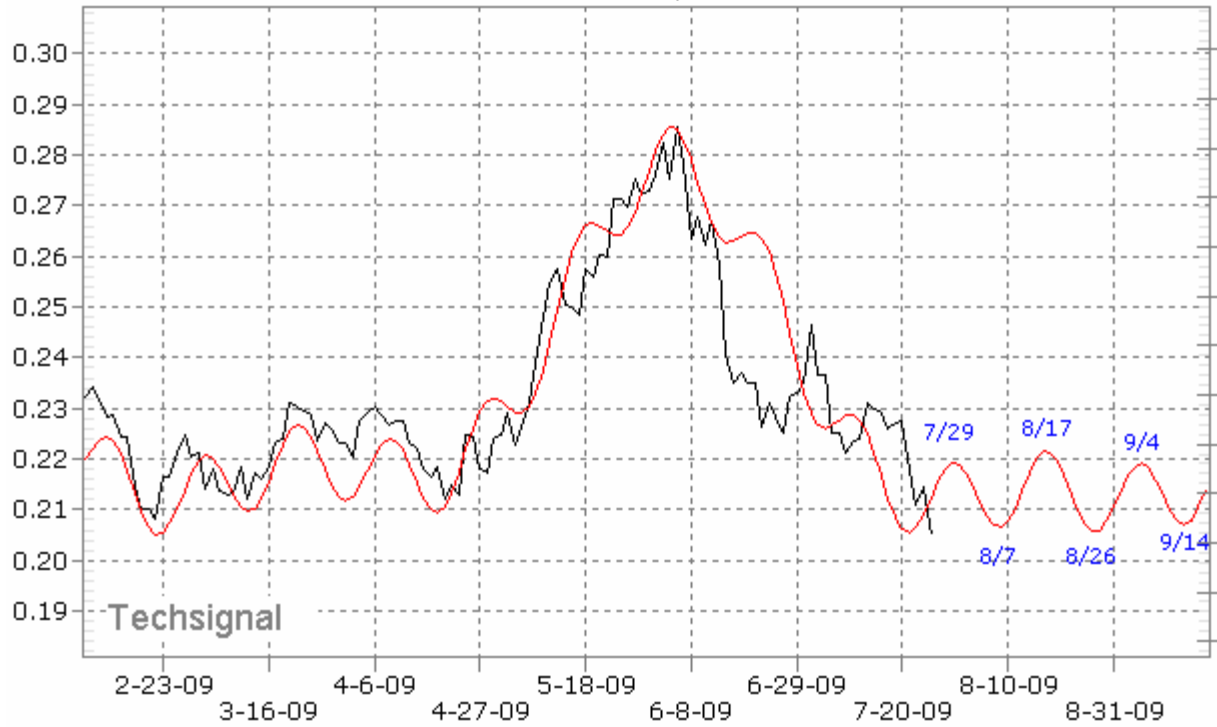
# Weekly Natural Gas

Natural Gas NY (Pit) NG  
Weekly



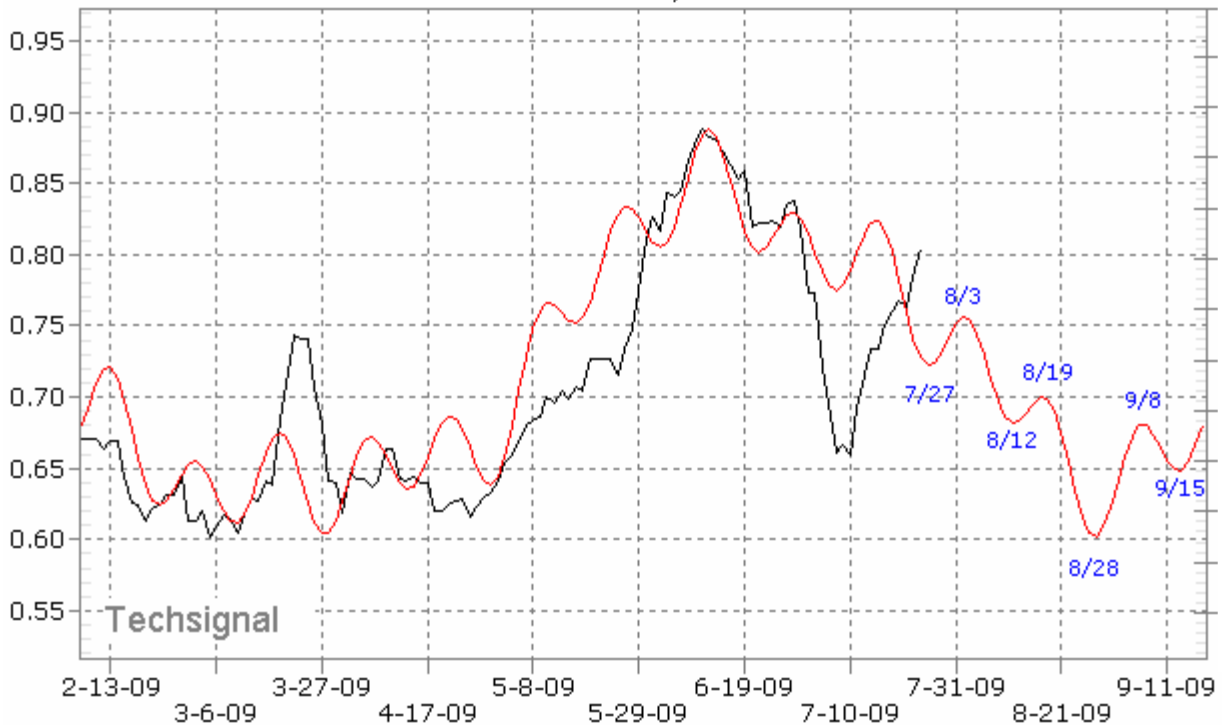
## Daily RBOB Gasoline

RBOB Gasoline (PIT) RB  
Daily



## Daily Propane Gas

Propane Gas NY (Pit) PN  
Daily



## Daily T-Bonds 30 yr

T-Bonds 30Yr CBT Pit TQ  
Daily



## Daily CRB Index

Crb Index Cash  
Daily

