

Cycle Projections Energy

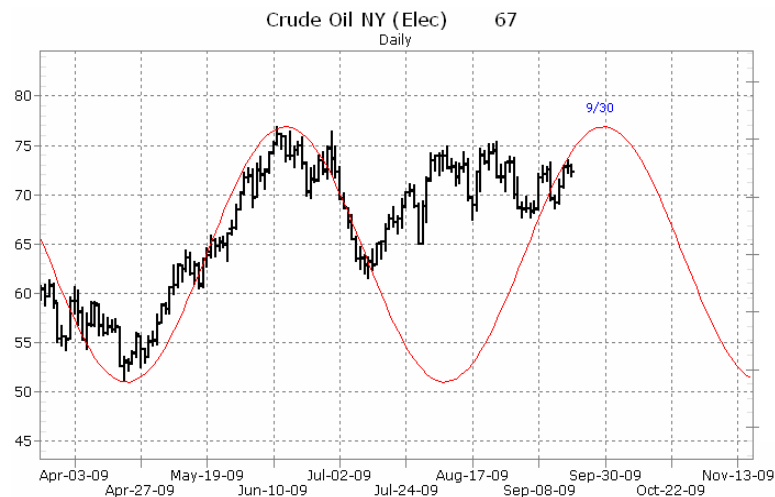


ENERGY AND INFLATION

SEPTEMBER-OCTOBER 2009

Energy and the Economy – What is next?

There is a bullish economic wind blowing and it has captured the imagination of the press and many traders in the world's capital markets, but is it justified? It has clearly turned the mass psychology of the time and there is just enough good news to make it plausible. By using the word "plausible" I kind of tip my hand about what I think. In ordinary times we would indeed expect a return to robust economic growth, but these are not ordinary times. "Ordinary times" for the 20th and 21st centuries meant consumers continuing their pursuit of happiness and debt, but something has gone wrong with the post 1950s solution to problems: borrow more. Not only do we have a large number of unemployed but we have a larger number of people out of money and credit.



So the winds of prosperity are blowing but the fire is not lit. There is not enough spending. Can consumption continue at the past levels? The answer is likely not. Will consumption return when the unemployment rate falls? Yes it will, but not at the same rate. The economy is not as bad as it was last year but let's put that into context. Standing on a dry hill as flood waters rage is better but not quite what it was like before the flood waters rose. We are now on the hill and we will have to deal with the receding waters. We are not sure what is under the mud. What has this to do with energy? Simple; human economic activity drives the need for energy.

Without that economic activity demand will be low for energy. That is why I favor a trading range in the energy sector with a downside bias. Once economic activity gets going in earnest then watch out.

Crude Oil: The cycles continue in a tight range for the reasons stated above; the US dollar will continue to be a bellwether for the energy sector. The all important 15-week cycle will soon turn down in crude.

Gasoline Gas prices continue to stay low and we do not expect that to continue. The cycles are pointing toward a trading range. The bias remains to the downside due to light demand continuing. **Heating Oil:** Cycles in heating oil are now turning bullish as the heating oil season just begins to start. **Natural Gas and Propane:** Natural gas finally blasted off after putting in major lows. We expect Natural Gas to enter a trading range now that it is off the lows. Propane too should put in a low but we don't expect the same momentum. **Alternative Energy** Alternative energy is bullish longer term and it is best played through equities and ETFs. This is a long term play and not a trading opportunity. **Inflation:** Prices will be higher but inflation is not expected to be a problem until we see lower unemployment and some wage inflation and that is still more than at least a year away.

Written 9/21/09

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

Cycle Projections

ISSN 1055-1700

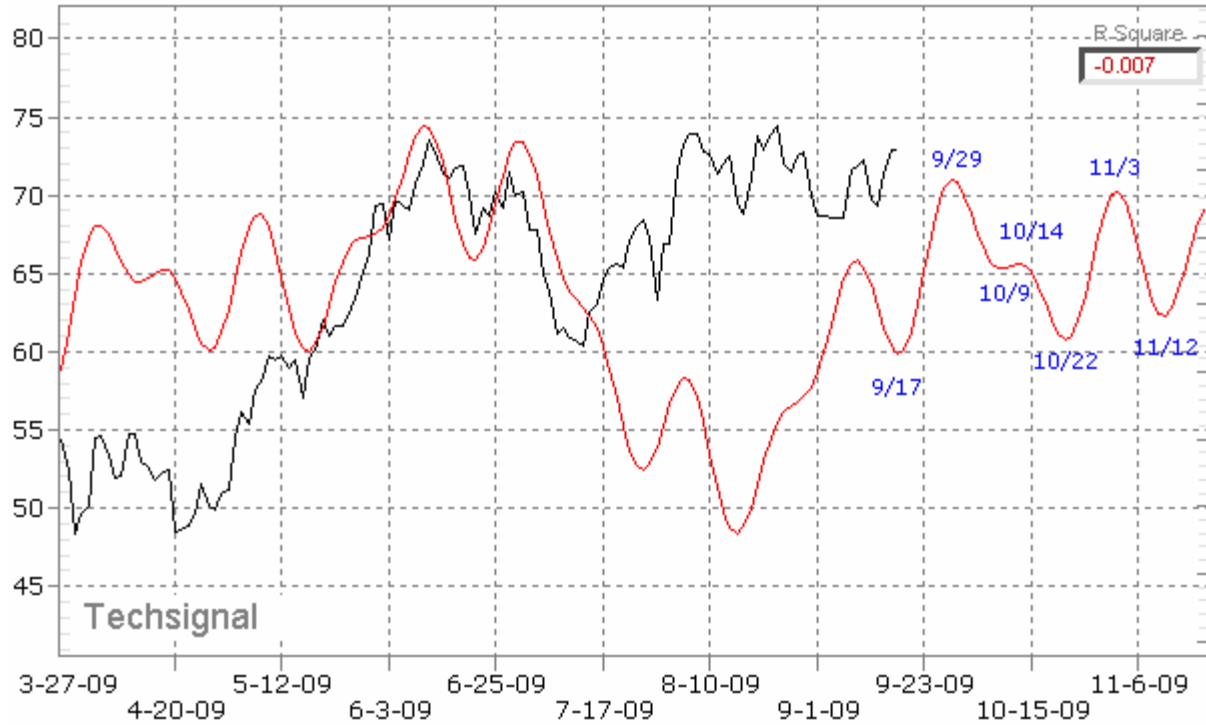
Published Monthly by the Foundation for the Study of Cycles

2929 Coors Blvd NW Suite 102-D
Albuquerque New Mexico 87120

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

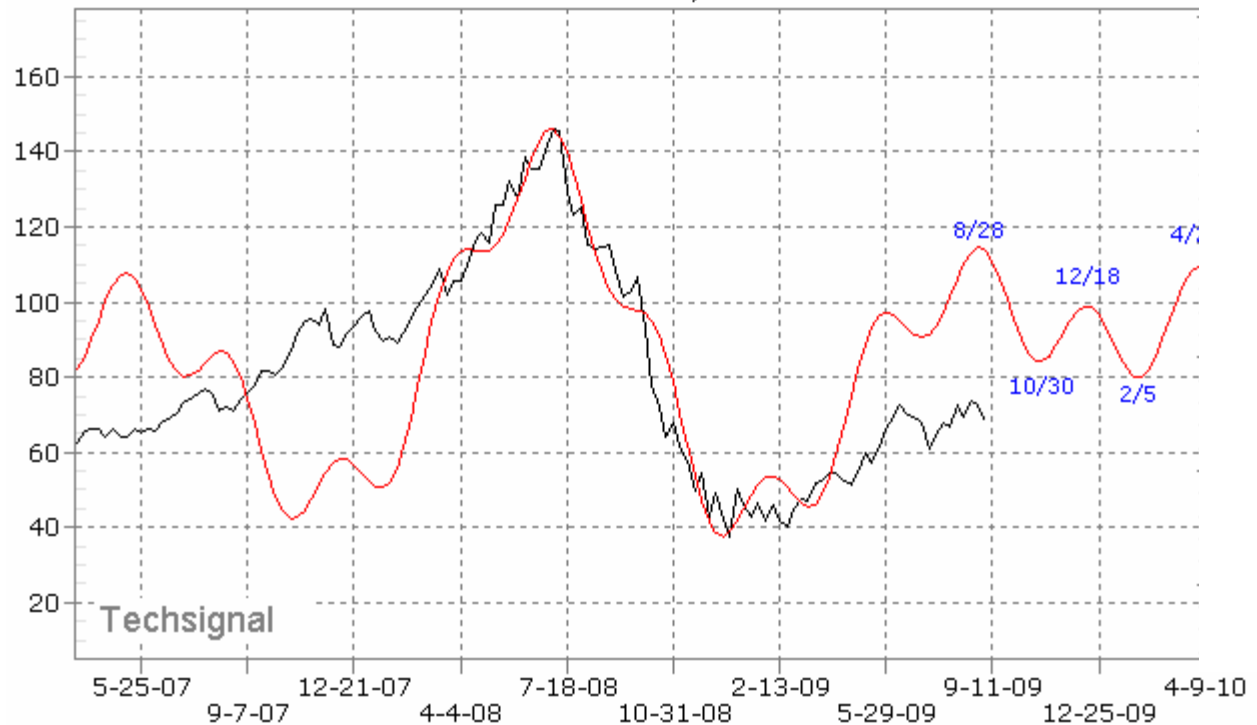
Daily Crude Oil

Crude Oil NY (Pit) C CL
Daily



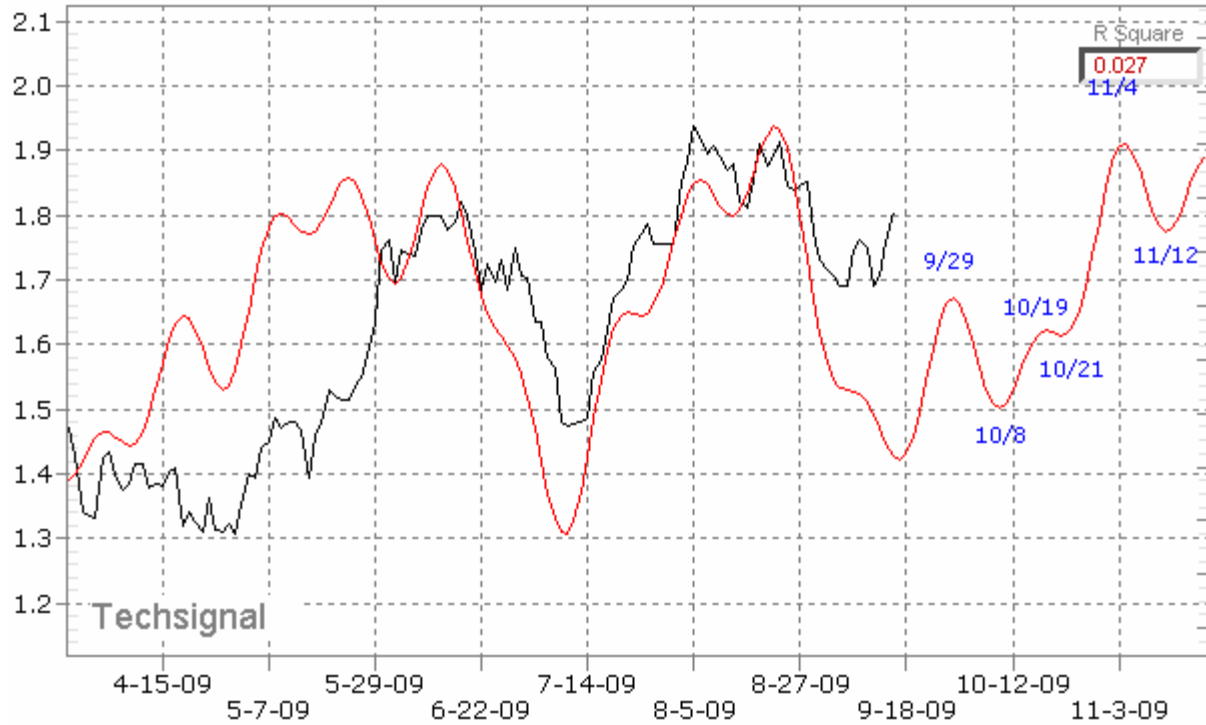
Weekly Crude Oil

Crude Oil NY (Pit) C CL
Weekly



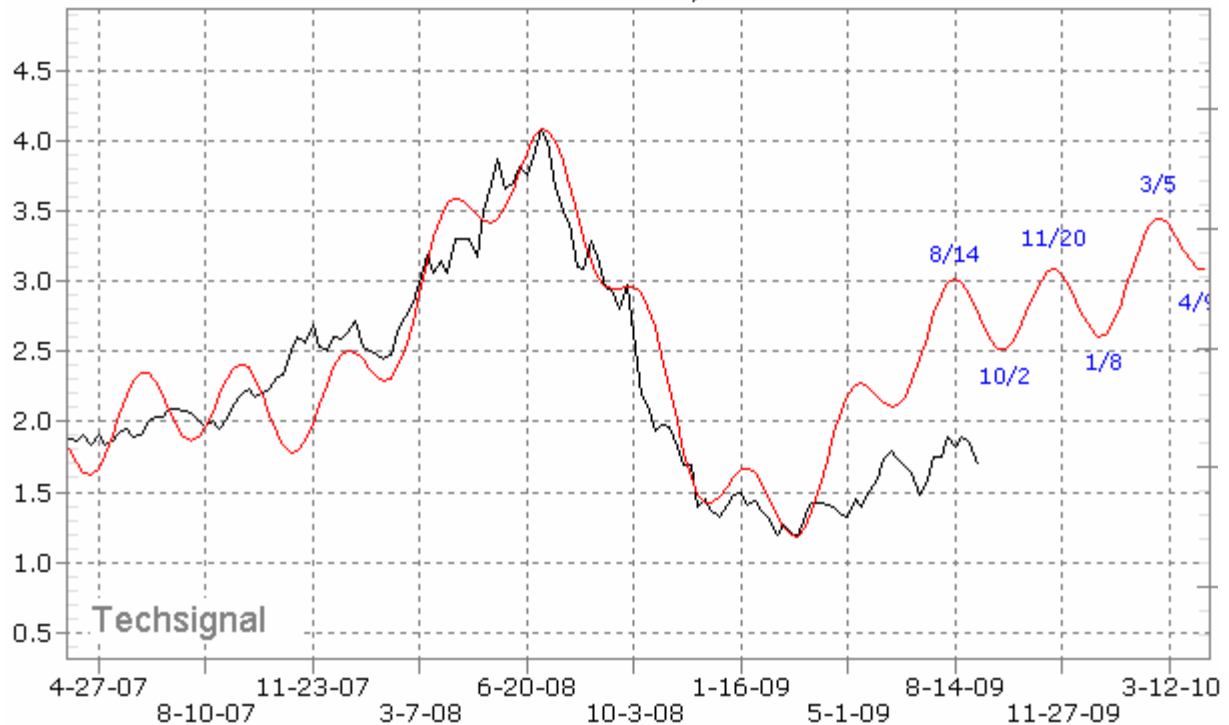
Daily Heating Oil

Heating Oil NY (Pit) HO
Daily



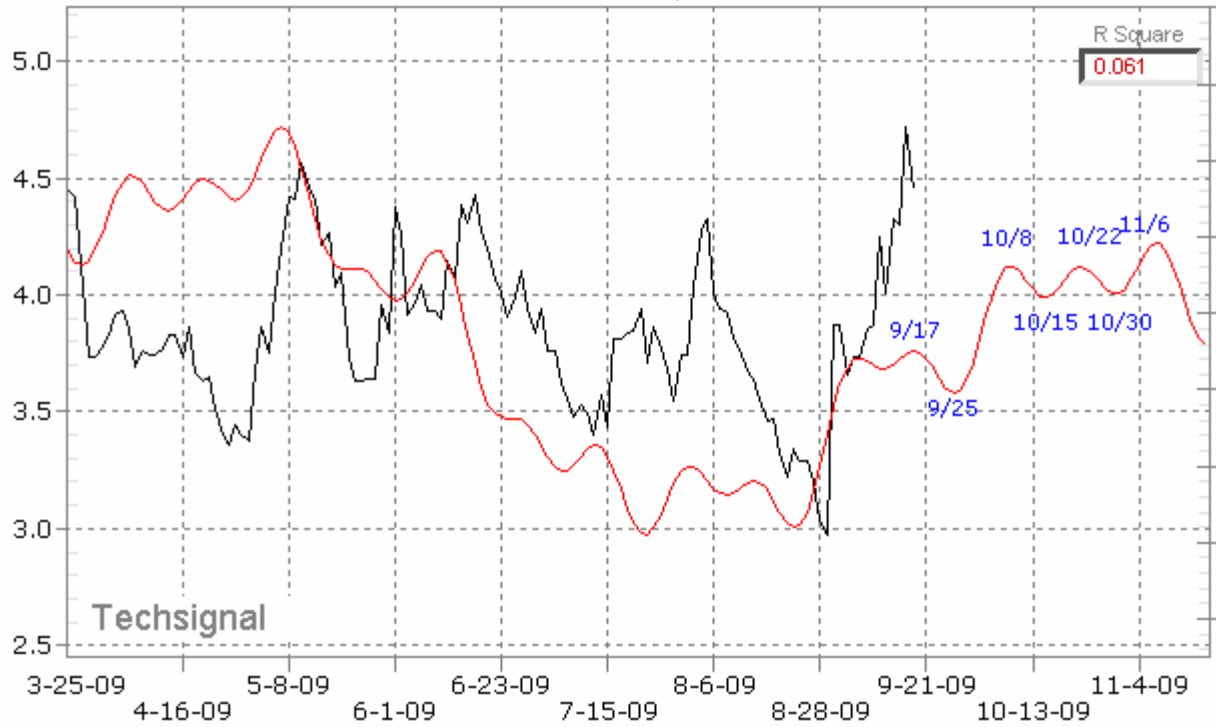
Weekly Heating Oil

Heating Oil NY (Pit) HO
Weekly



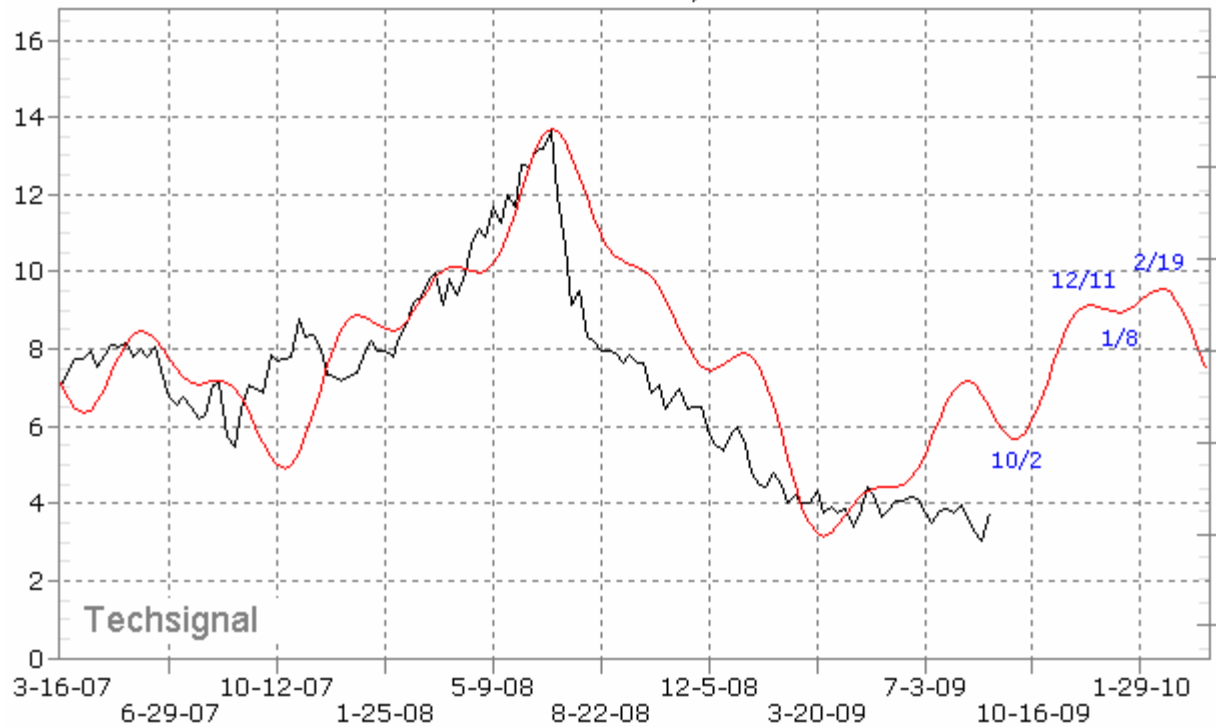
Daily Natural Gas

Natural Gas NY (Pit) NG
Daily



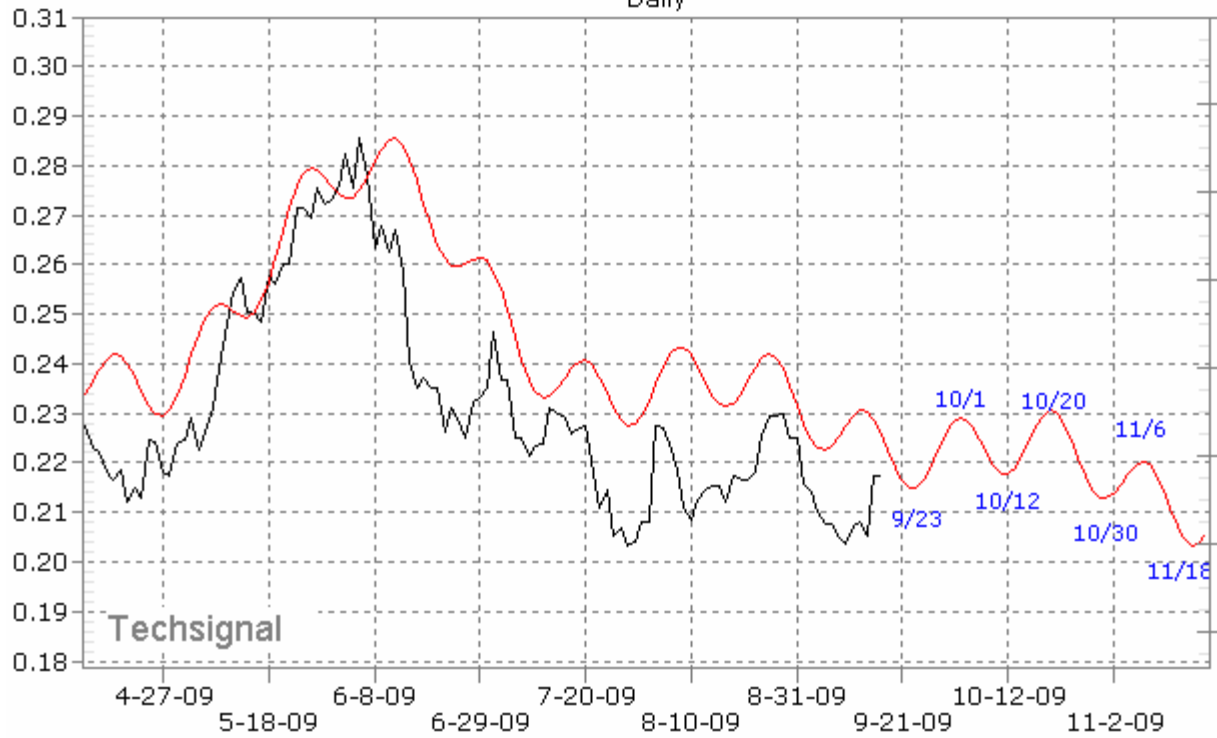
Weekly Natural Gas

Natural Gas NY (Pit) NG
Weekly



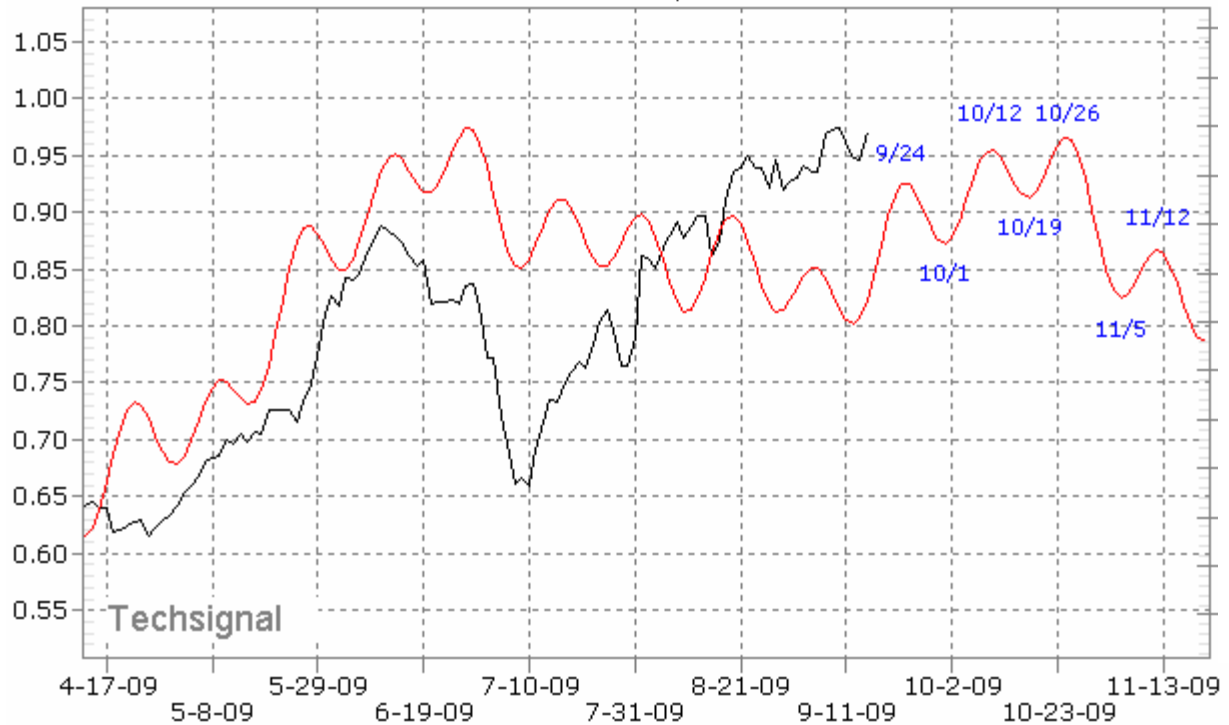
Daily RBOB Gasoline

RBOB Gasoline (PIT) RB
Daily

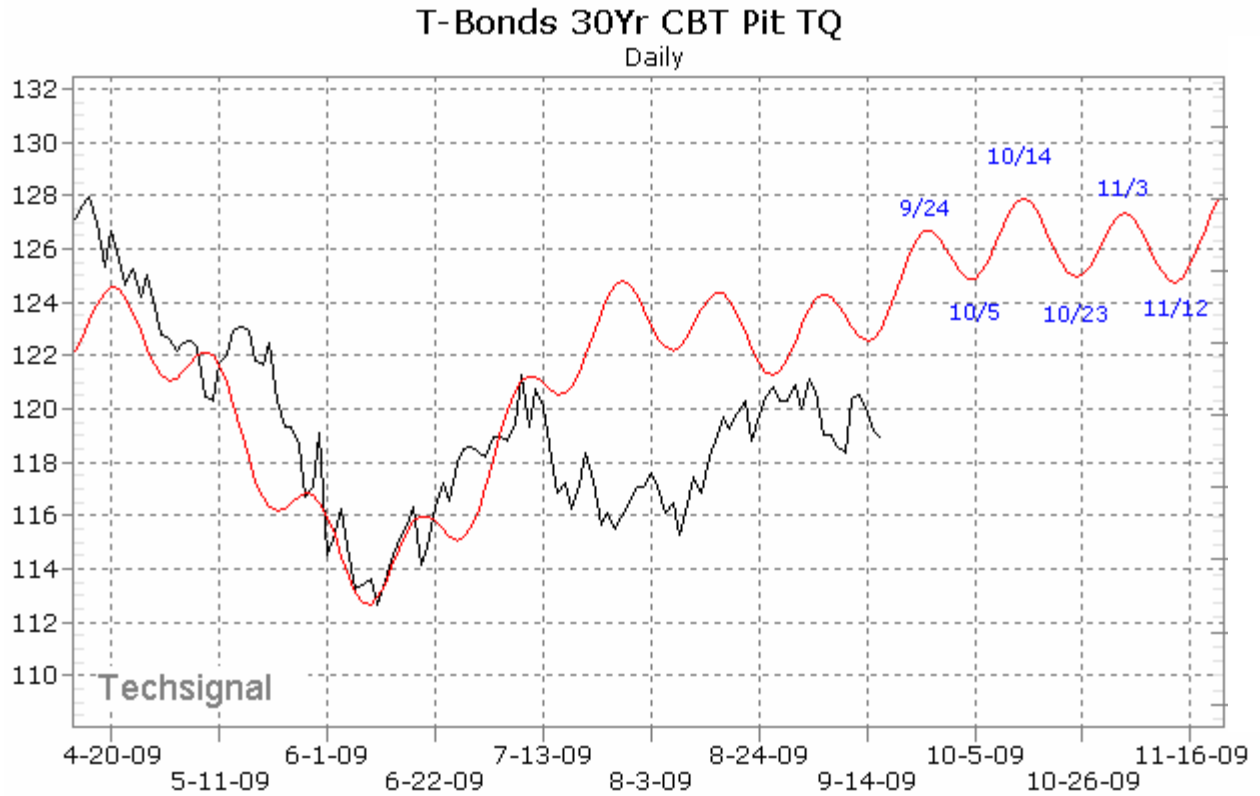


Daily Propane Gas

Propane Gas NY (Pit) PN
Daily



Daily T-Bonds 30 yr



Daily CRB Index

