

Cycle Projections Energy

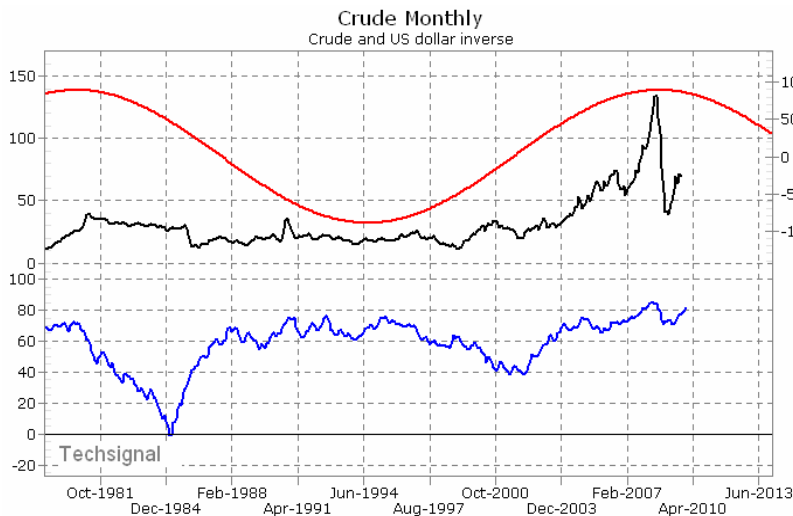
NOVEMBER-DECEMBER 2009

ENERGY AND INFLATION

Is energy locked in a range?

In 2007 the US dollar fell 10 cents and crude rose from \$60 a barrel to over \$140 a barrel. The last time the US dollar hung out for four months below 77 on the finex index, crude oil was over \$100 a barrel. What is different today when the US dollar is below 77 and near its lows? The difference is that the world fell apart in 2008 and the demand for energy is now low and likely to stay at this level until employment and consumption return, which may take a few years.

So where can we go from here? First we need the US dollar to fall, but how low can it go? Right now we are at a crossroads and by week's end we should see a counter trend rally in the US dollar and a decline in crude. Crude however is in a trading range. The upper limit is about \$80 and the lower limit is about \$60. The upper limit of the range will depend upon demand, and there is none, and it doesn't look like there will be much more until February at best. The lower limit occurs with short-term rallies in the US dollar, but we don't expect any rally to get above \$80 in the Finex index. So here we are waiting for the economy to improve, but can it? The answer is not likely since the policies that brought us the crisis seem to be still in vogue and there is no sign that anyone wants to do the right



thing now. The chart on this page show crude oil and the US dollar inverse and demonstrates the general tendency of crude to rally when the dollar falls, but it does not always happen. Notice the major rally (decline on the chart) and the lack of movement of crude. There was a small decline in crude but nothing to mention. We expect again the same scenario. Movements in the US dollar will have only a minimal effect on the crude as demand determines energy's future. The cycle shows that future is bearish.

Crude Oil: The cycles continue neutral with the next step a decline in crude prices to the bottom of the range. **Gasoline** Gas prices remain strong with a neutral bias as demand continues to moderate. **Heating Oil:** The cycles are bullish, but if no rally happens now then it is over for heating oil. **Natural Gas and Propane:** Natural gas and propane should come to life as winter hits but don't expect the sky with supplies still high. **Alternative Energy** No change in Alternative energy. It is still bullish longer term, but not as bullish. **Inflation:** No change in inflation. Please don't worry about inflation. It is coming.

Written 11/30/09

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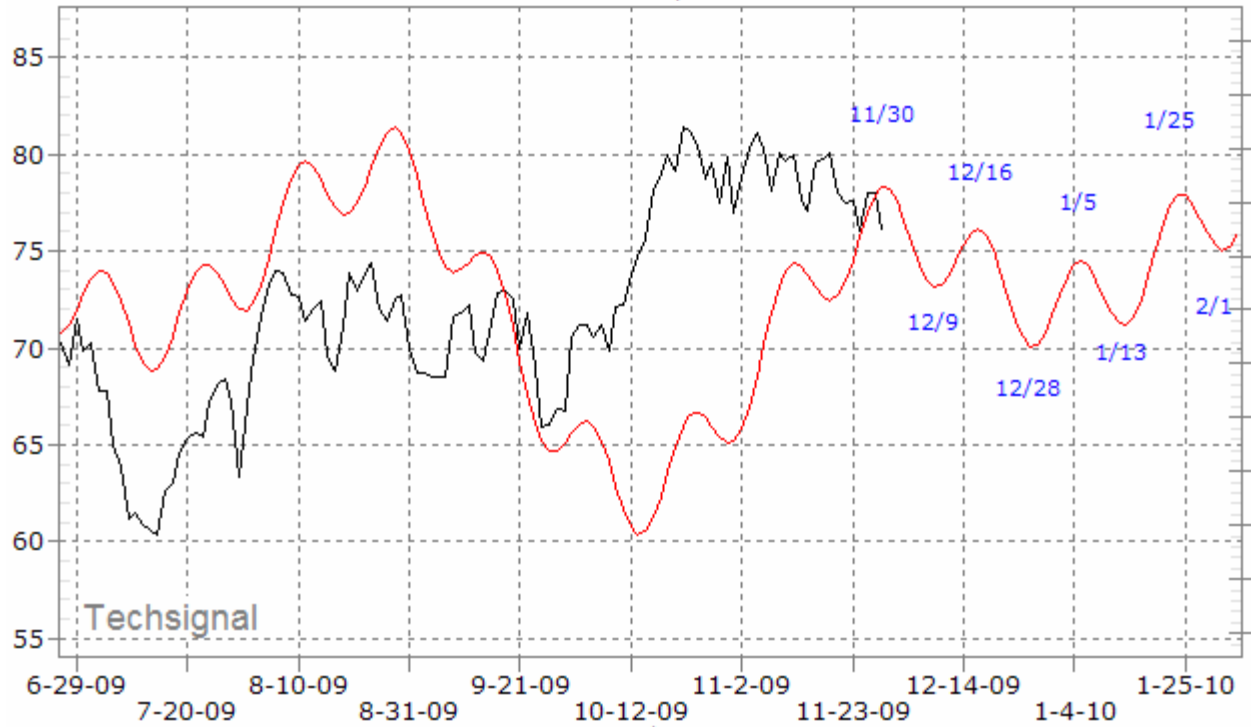
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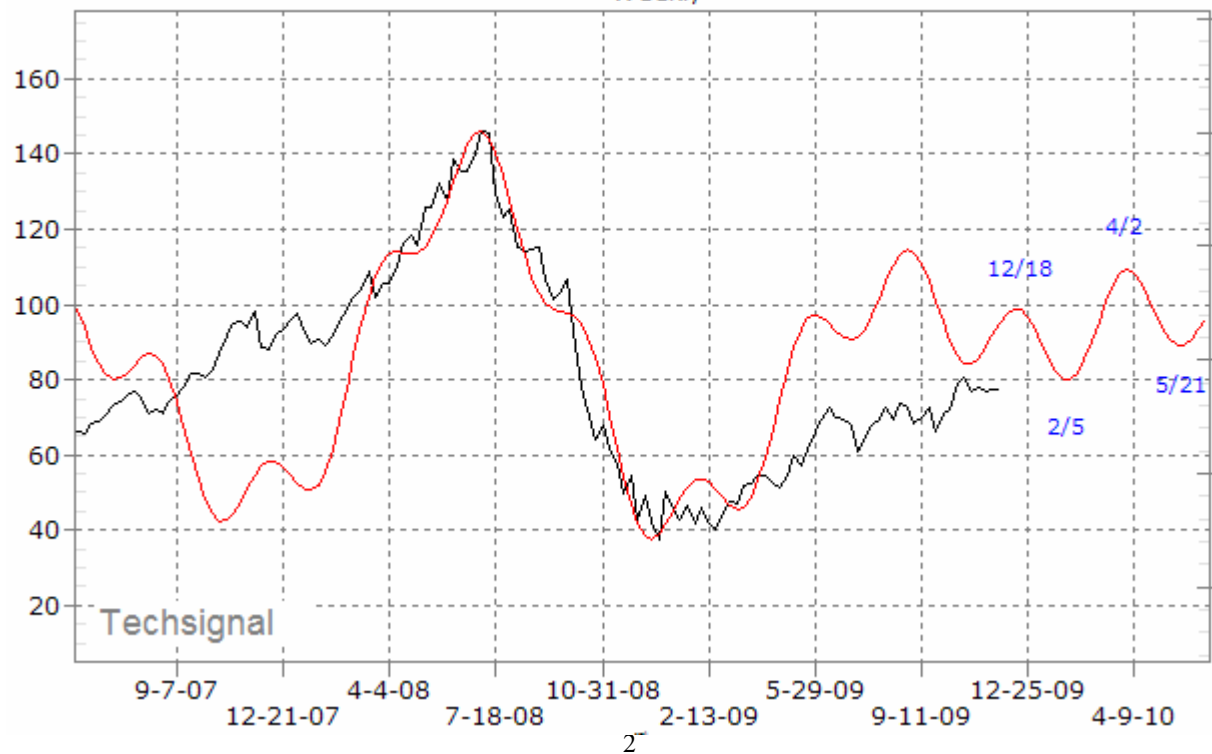
Daily Crude Oil

Crude Oil NY (Pit) C
Daily



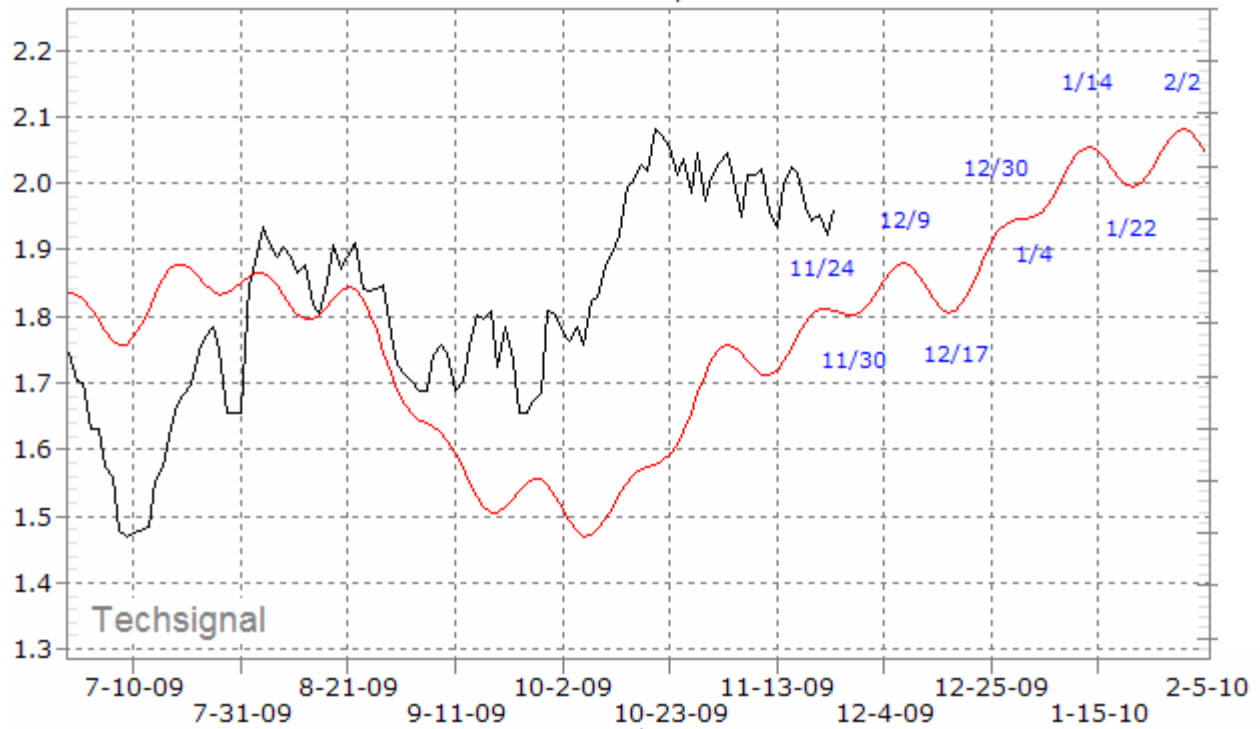
Weekly Crude Oil

Crude Oil NY (Pit) C CL
Weekly



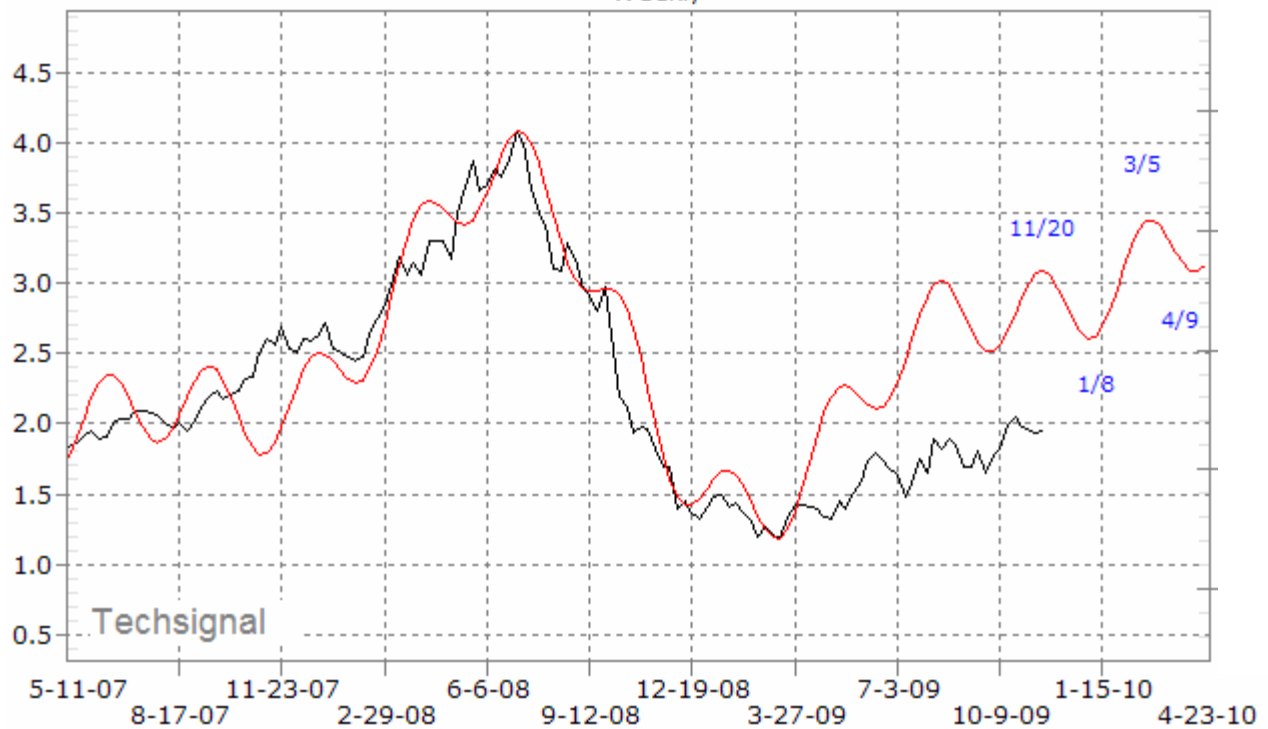
Daily Heating Oil

Heating Oil NY (Pit) HO
Daily



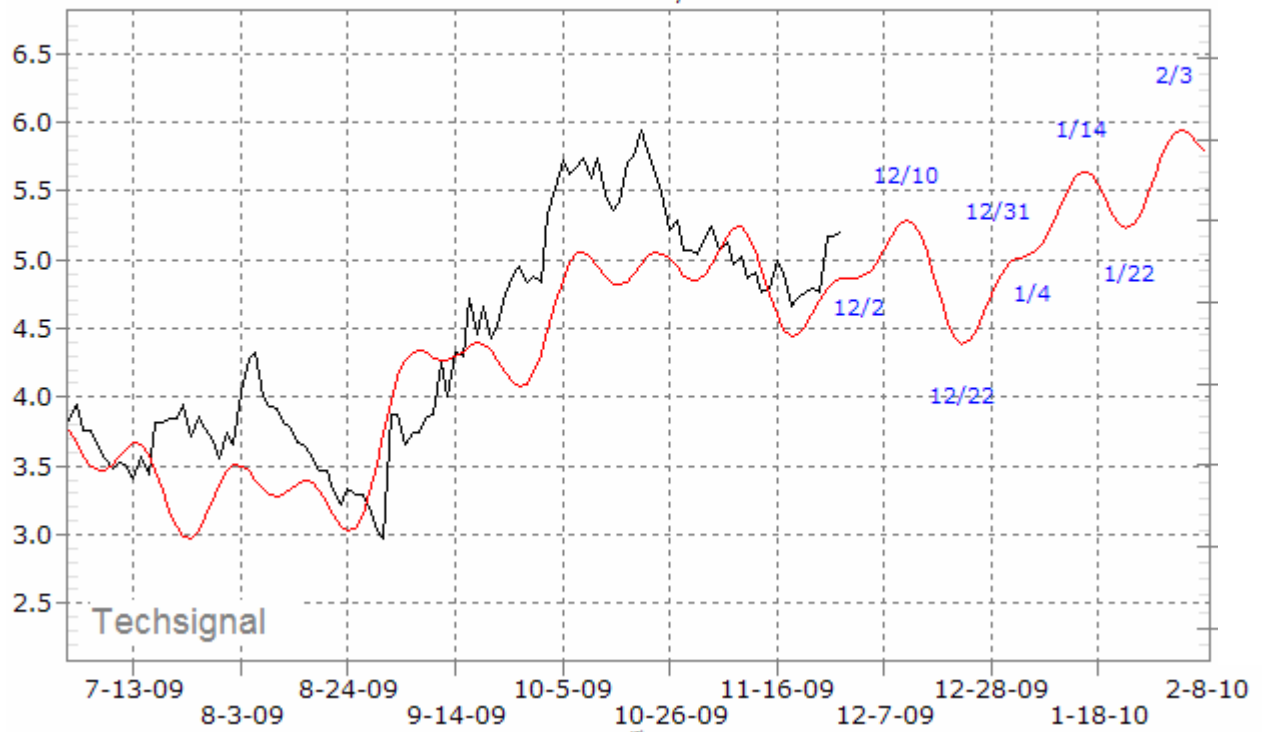
Weekly Heating Oil

Heating Oil NY (Pit) HO
Weekly



Daily Natural Gas

Natural Gas NY (Pit) NG
Daily

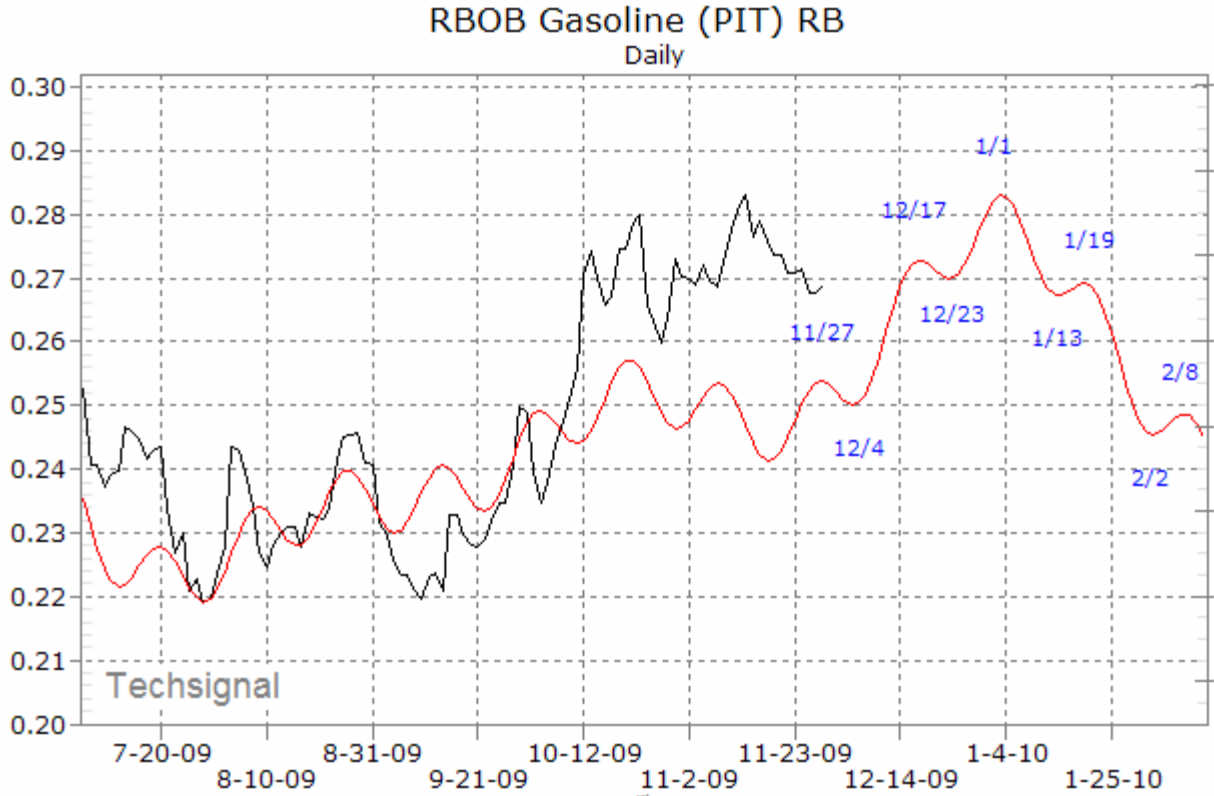


Weekly Natural Gas

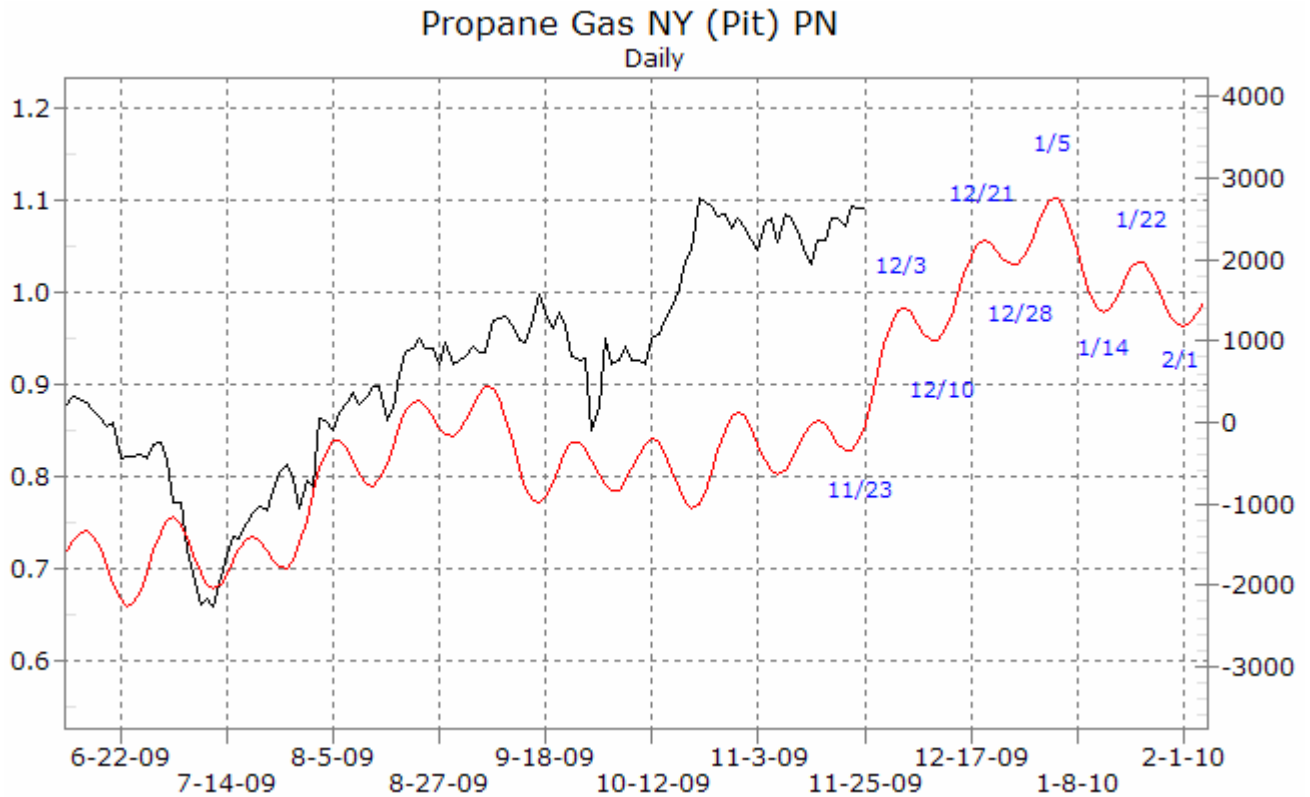
Natural Gas NY (Pit) NG
Weekly



Daily RBOB Gasoline

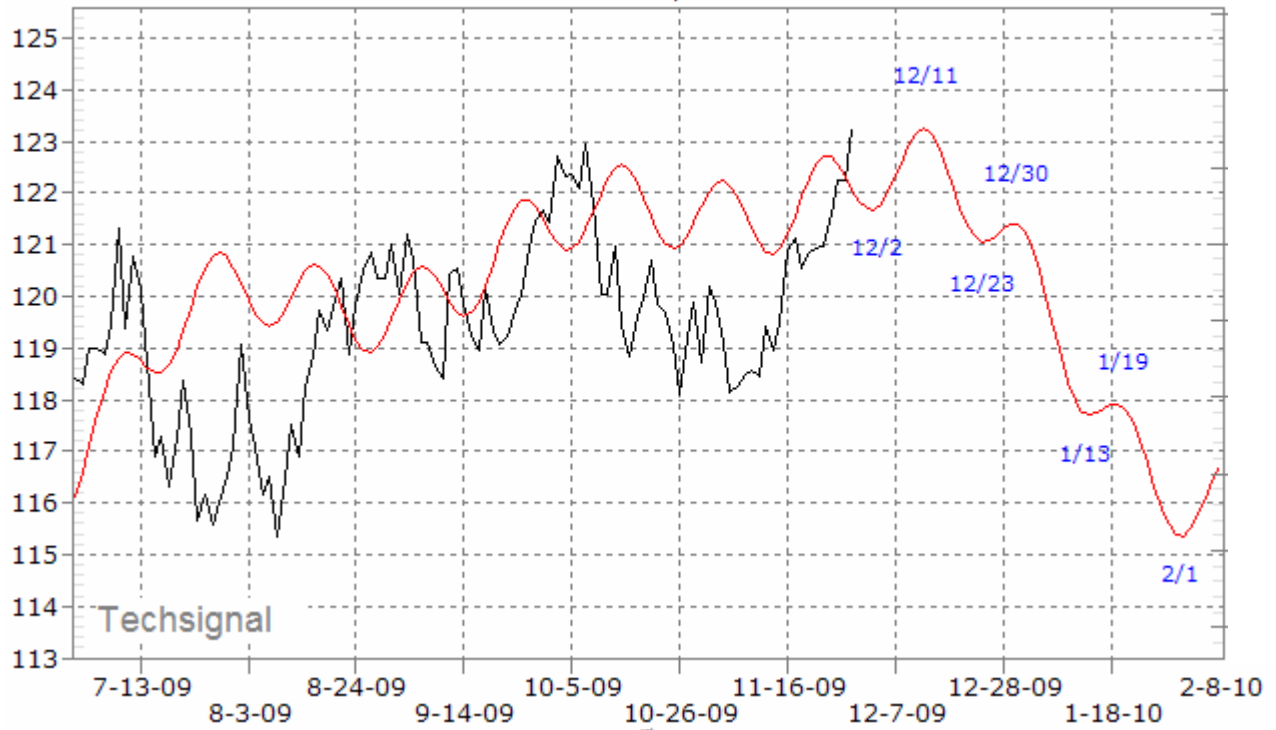


Daily Propane Gas



Daily T-Bonds 30 yr

T-Bonds 30Yr CBT Pit TQ
Daily



Daily CRB Index

Crb Index Cash
Daily

