

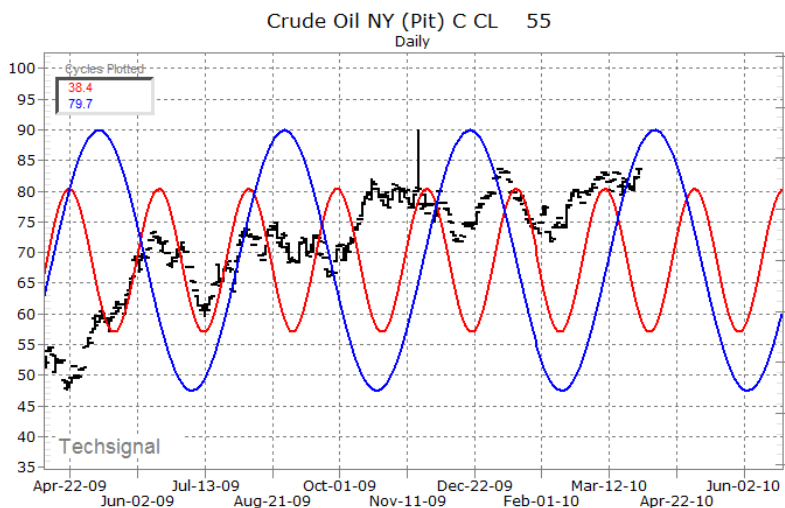
Cycle Projections Energy

APRIL –MAY 2010

ENERGY AND INFLATION

A Trading Range and Cycles

Last month we asked which cycles would dominate long or short. This month we need to again ask which cycles, but we want to ask short or shorter? Our view now is that it is the shorter cycles. In a trading range cycles are reduced to short-term rhythms as the market makes up its mind which direction will dominate. In the case of crude oil the longer cycles say the down side will dominate, but until then we have to look at fairly short cycles. One interesting rule in cycles is the rule of halves. Jim Hurst pointed out that the most important part of a cycle is not its length, but half its length. In other words a 15-week cycle it is not the “15” that matters but rather “7.5”. The reason for this is that you can only trade one direction at a time. In addition to this



there is the strong tendency for every cycle to manifest sub moves in a half cycle lengths. In a trading range, like crude is in, its most dominant cycle is approximately 15.5 weeks long, which would make a sub wave of 7.7-weeks. The picture in the graph to the left shows the 15-week cycle and its sub wave of 38.40-market days or 7.68-weeks. You can see how many more times the 38-day cycle has hit correctly, yet what is more interesting is the lack of upward movement indicated in crude oil for the better part of a year. Crude is

usually a series that is marked by major longer trends of up to 28-years. So while the longer cycles will eventually dominate, we presently see the turns in crude are being strongly influenced by the 38-day cycle; and it is now pointing down. Another point to emphasize is that when the 78-day cycle begins to dominate, the trading range will begin to give way to a trend. And as we indicated this trend is likely down. **Crude Oil:** The cycles continue neutral and should turn down in April. No major move is expected until later in the year. **Gasoline:** Gasoline prices are ending their bullish period and should correct slightly, but stay in a range. The seasonals are not up until June. **Heating Oil:** The Seasonals have topped and prices will moderate. **Natural Gas and Propane:** Natural gas and propane have been bearish, but cycles will continue in a neutral direction. **Alternative Energy:** No change in Alternative energy. **Inflation:** Interest rates should continue flat with inflation in check, but reality will eventually take over once the economy straightens out; but this will not happen in the immediate future

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All data

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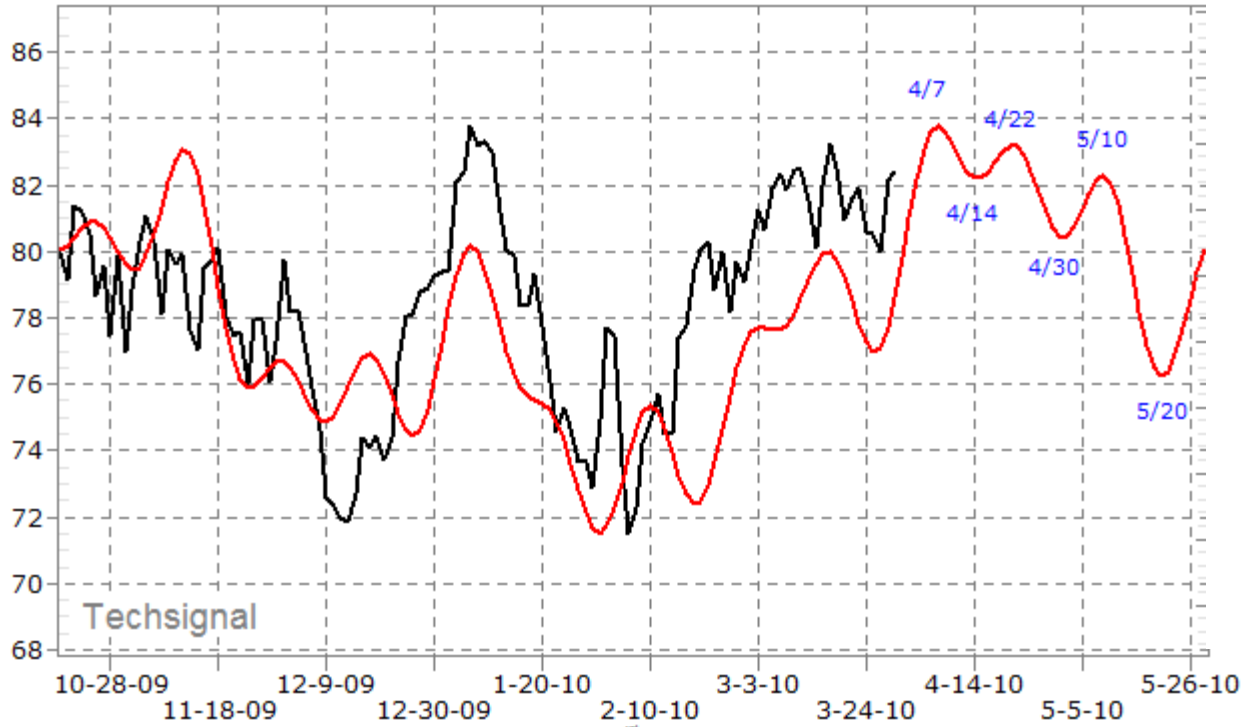
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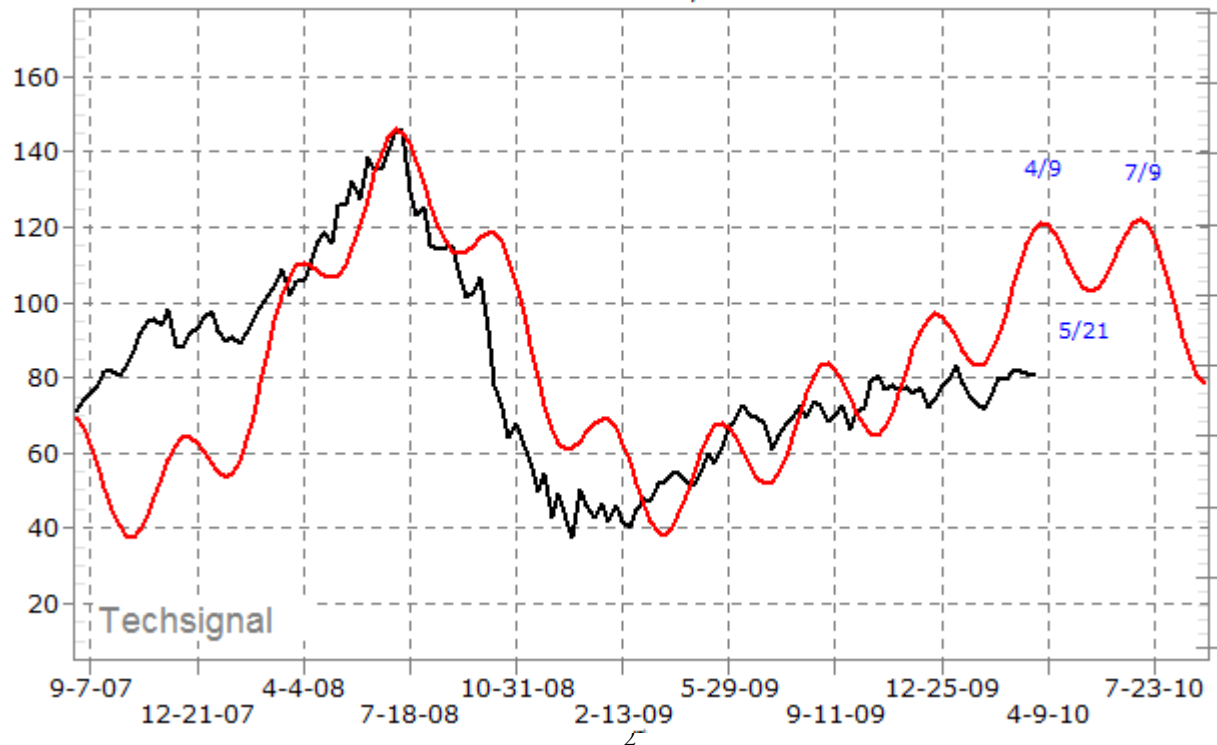
Daily Crude Oil

Crude Oil NY (Pit) C CL
Daily



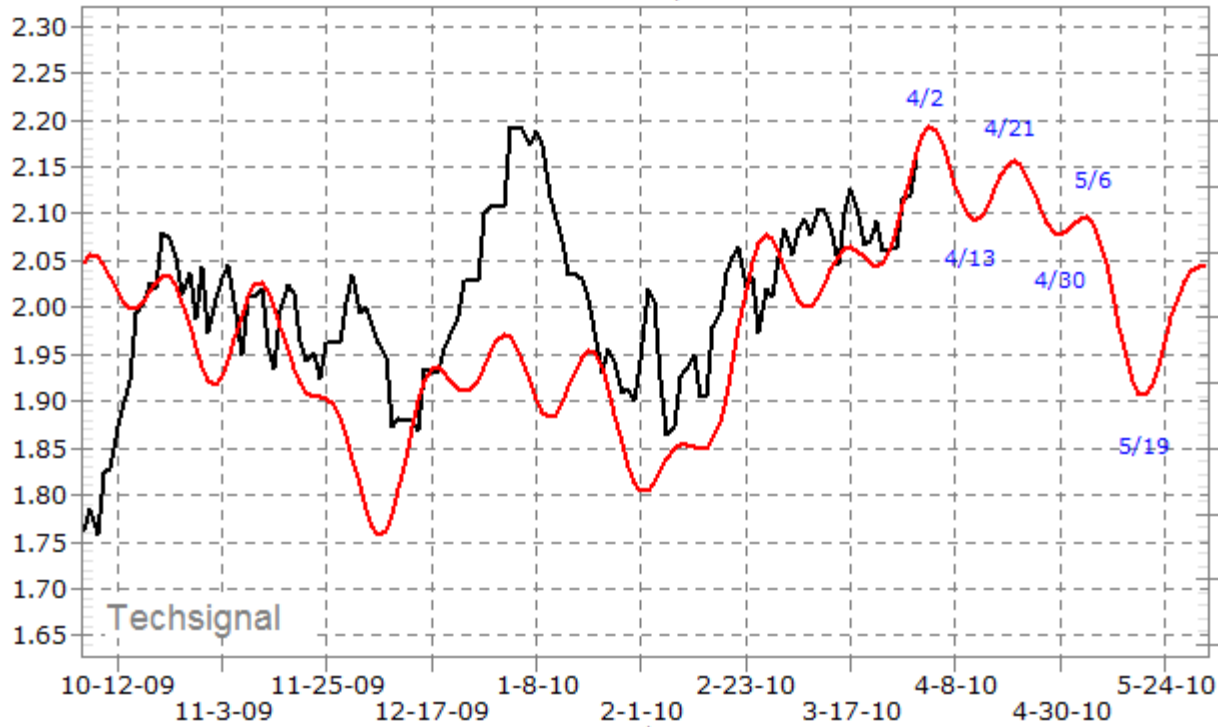
Weekly Crude Oil

Crude Oil NY (Pit) C CL
Weekly



Daily Heating Oil

Heating Oil NY (Pit) HO
Daily

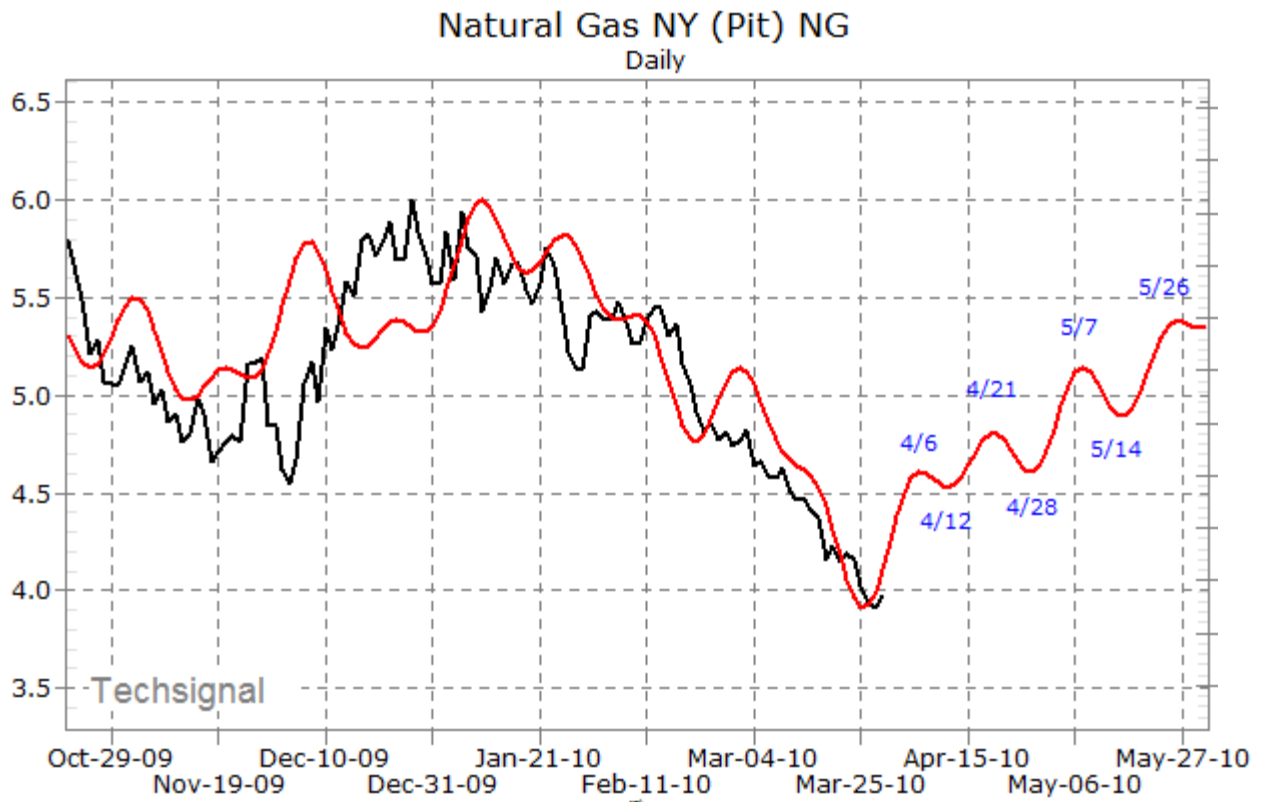


Weekly Heating Oil

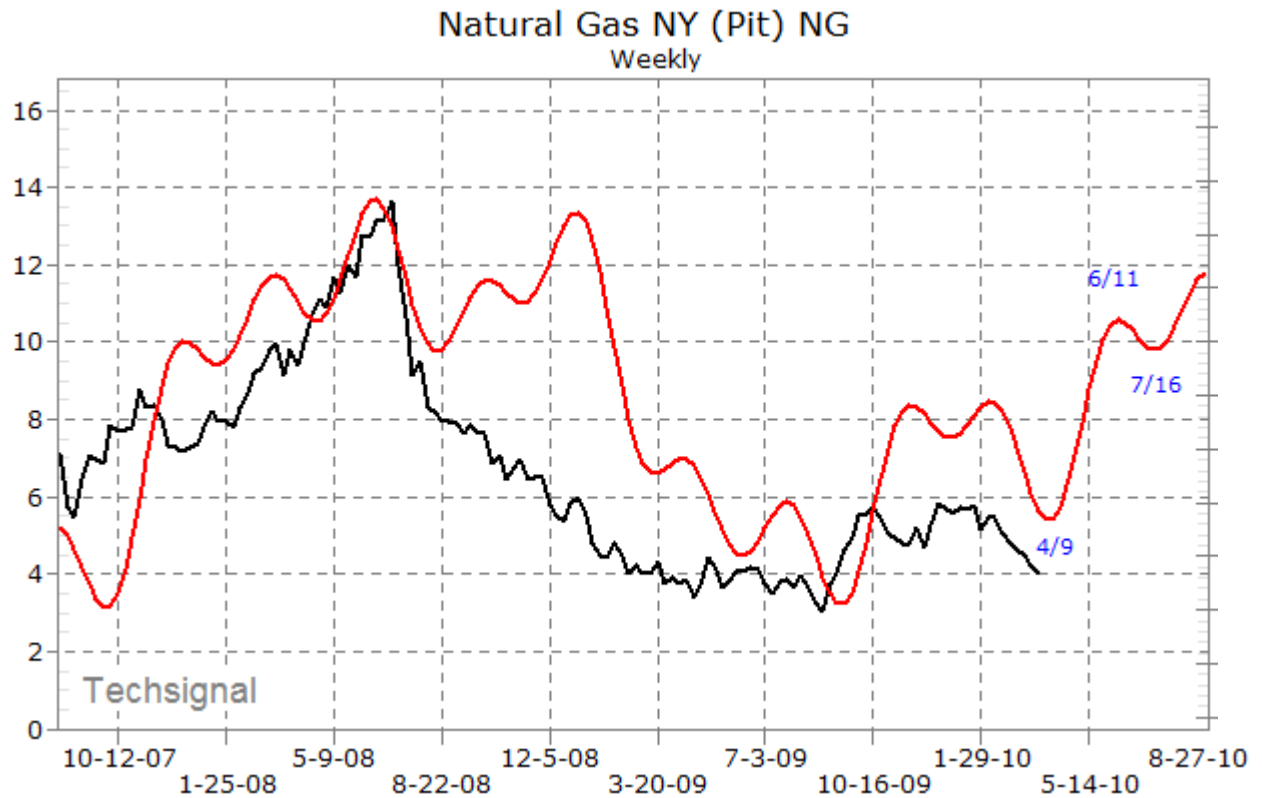
Heating Oil NY (Pit) HO
Weekly



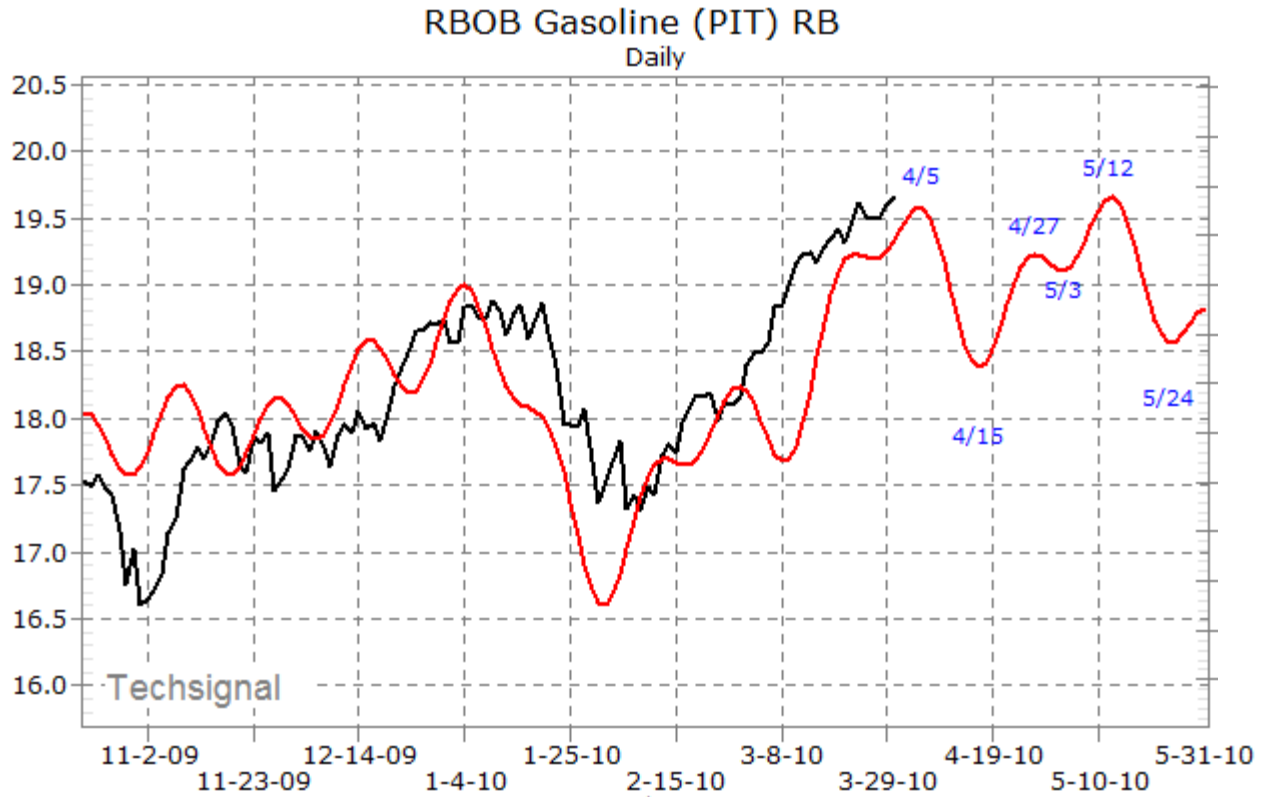
Daily Natural Gas



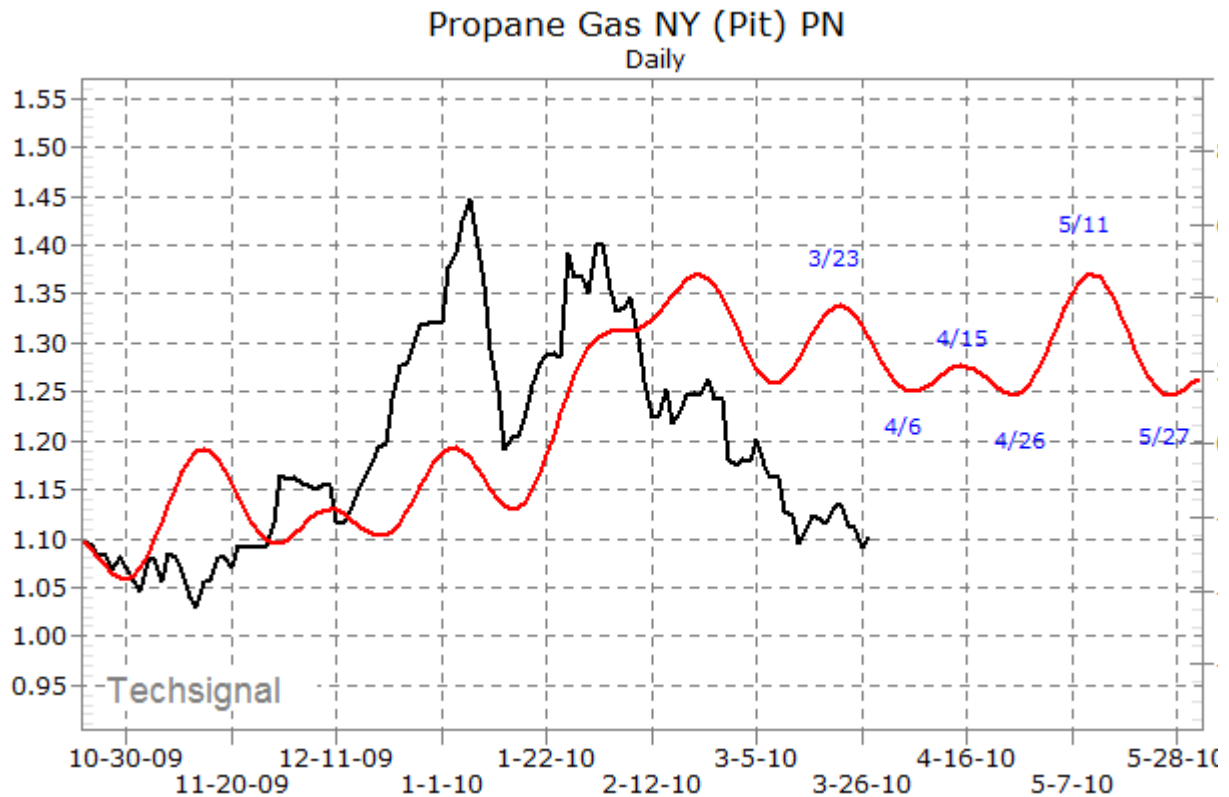
Weekly Natural Gas



Daily RBOB Gasoline

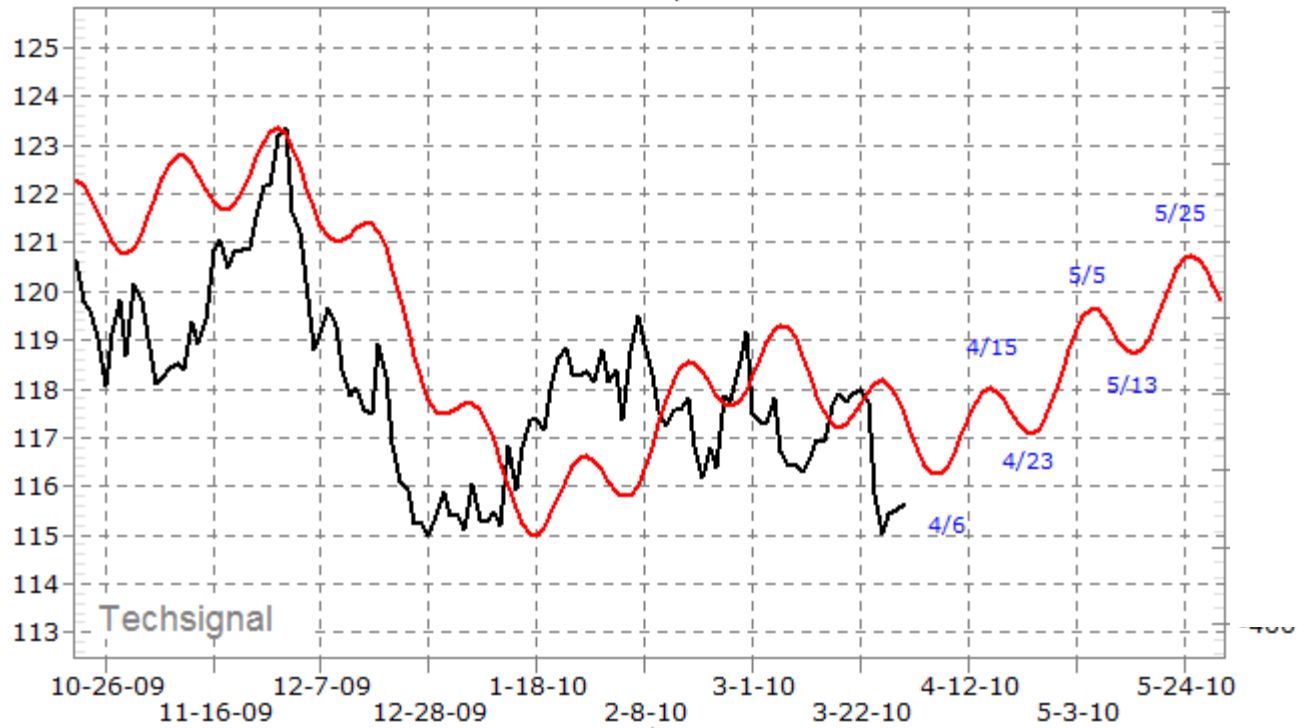


Daily Propane Gas



Daily T-Bonds 30 yr

T-Bonds 30Yr CBT Pit TQ
Daily



Daily CRB Index

Crb Index Cash
Daily

