

# Cycle Projections Energy

## ENERGY AND INFLATION

### Cycles and a crisis - Is a trend developing?

It is not surprising that crude oil is rallying as thousands of barrels of crude oil flow every day into the Gulf of Mexico. It is also not surprising that the decline stopped on a dime and began to reverse itself. By mid-May the dominant 7-week cycle will turn up but the intermediate-term 15-week cycle remains down, but could well invert. The wild card remains the annual cycle, 260 market days, which is bullish. The annual cycle has never determined a trend, but it can push the market with the trend, or help establish a new trend. Since it bottomed in January we

have seen higher highs and higher lows and now we have a crisis. Simultaneously we have a fragile economy, which should moderate demand, especially when gas goes above \$3 a gallon. This actually brings up a more interesting point for cycle analysts. How do fundamentals affect cycles? Do they change them or do they guide them? It has been our experience at the Foundation that fundamentals do not change cycles, but they move in harmony with them; and the few times that they are not in harmony their effects are usually dissipated quickly. This is not to down play exogenous events. It is rather to point out that generally the historical rhythms in a time series mark crises and major

events. They are not necessarily the cause, but when the time is right they do occur together. And I do not mean to say the events are caused by cycles. Events in a time series like crude occur in regular patterns that the cycles mark. And I do not wish to say that all events such as oil spills are cyclic. They can occur when cycles are indicating either higher or lower prices and can occur at other odd times as well. In other words, time series are composed of cycles and randoms. Currently, the longer long cycles are down, but the shorter and shorter intermediate cycles over the next 6 months are more bullish, with the annual cycle bullish as well. Yet economic forces are such that the current crisis will produce a short-term rally only and not lead to major new highs in either oil or gasoline. This pressure should be upward until mid-June. Last month we pointed to the 78-day cycle, and it may be inverting and bring highs in June or July. Crude is bullish super long-term, but economic activity will keep a lid on until we see renewed positive economic activity. **Crude Oil:** The cycles have reversed and we are short-term bullish. We still feel that a major move will come later in the year. **Gasoline:** Gasoline prices will continue at current levels, but will fight the battle between higher crude oil and lower gasoline demand. I believe demand will win. **Heating Oil:** There is no change. We are neutral. **Natural Gas and Propane:** Natural gas and propane remain neutral to bearish short-term. **Alternative Energy:** No change in Alternative energy. **Inflation:** Interest rates remain flat with inflation in check, but reality will eventually take over once the economy straightens out. We do not feel this will happen in the immediate future.

*Written 4/30/10*

All data used in *Cycle Projections* provided by Genesis Financial Technologies, Inc.  
800 808-3282

**Cycle Projections**

ISSN 1055-1700

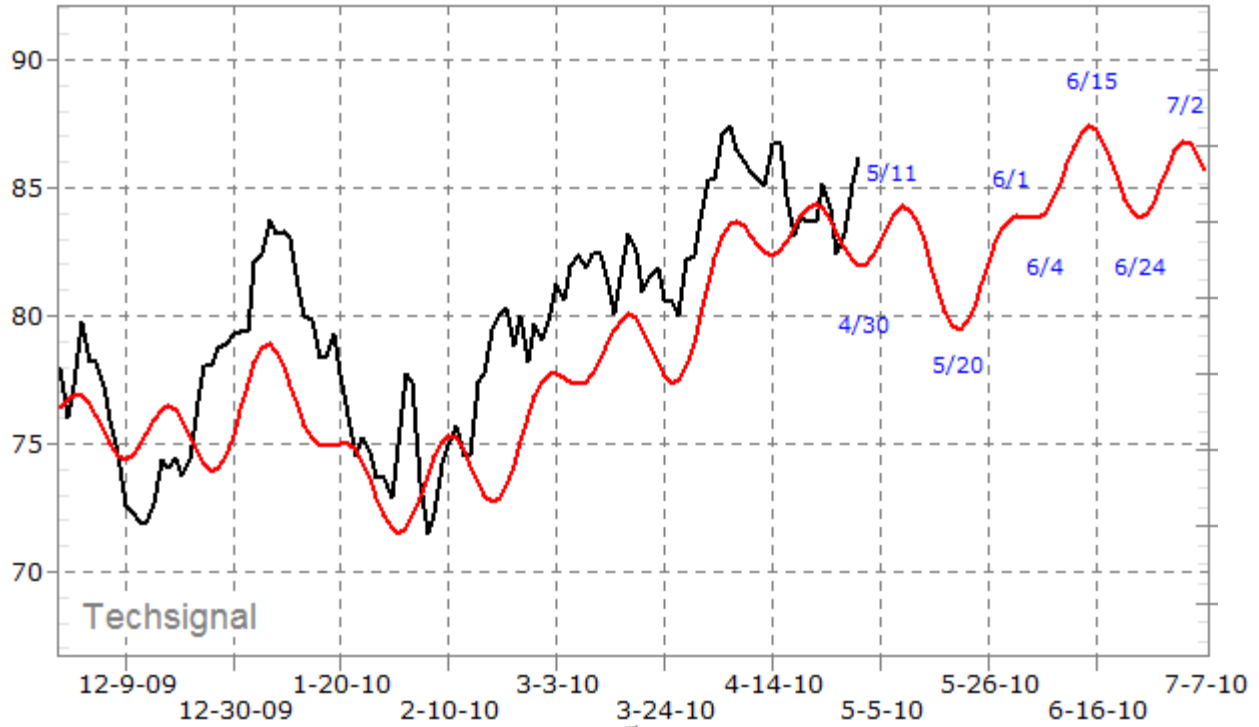
Published Monthly by the Foundation for the Study of Cycles

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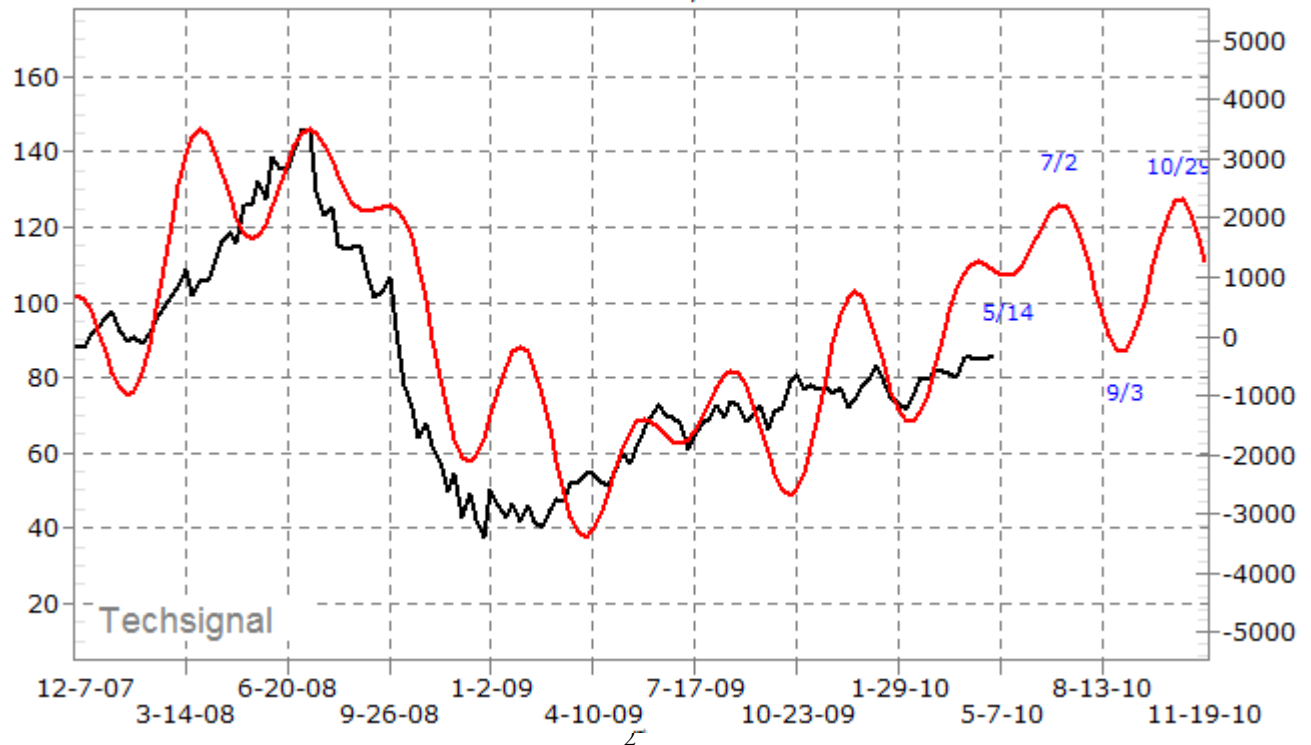
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Crude Oil NY (Pit) C CL  
Daily



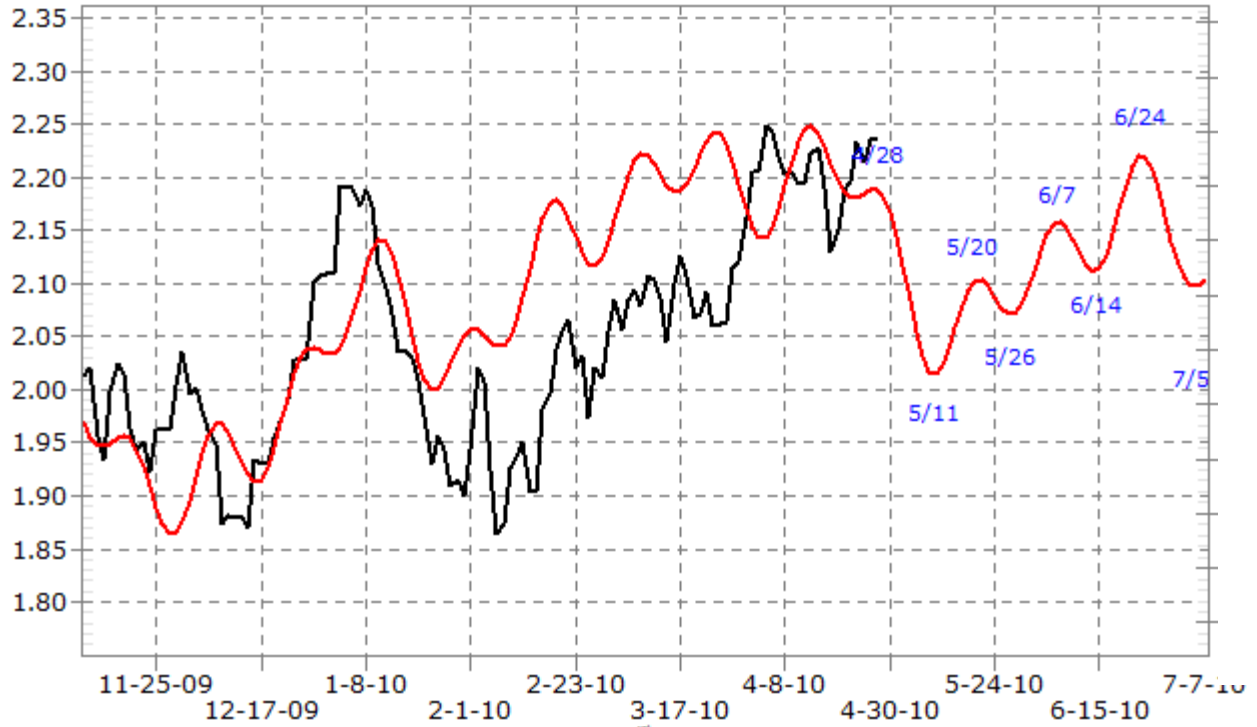
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Crude Oil NY (Pit) C CL  
Weekly



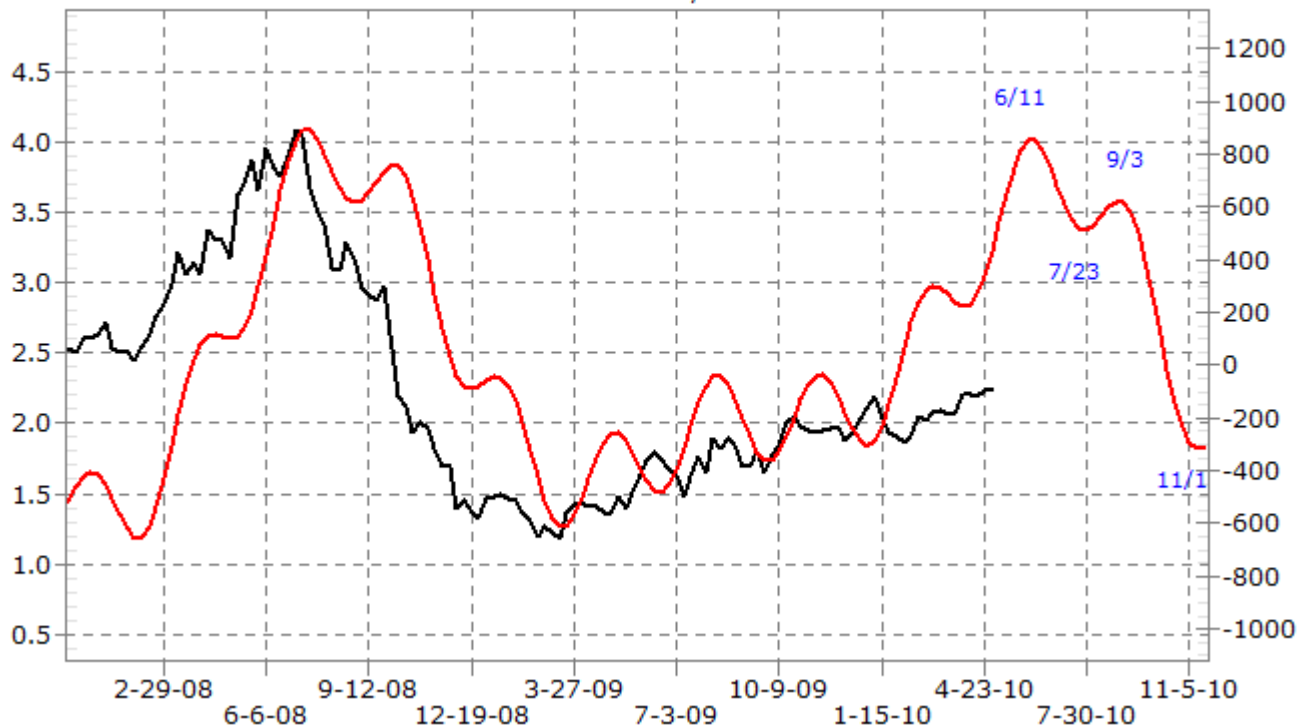
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Heating Oil NY (Pit) HO  
Daily



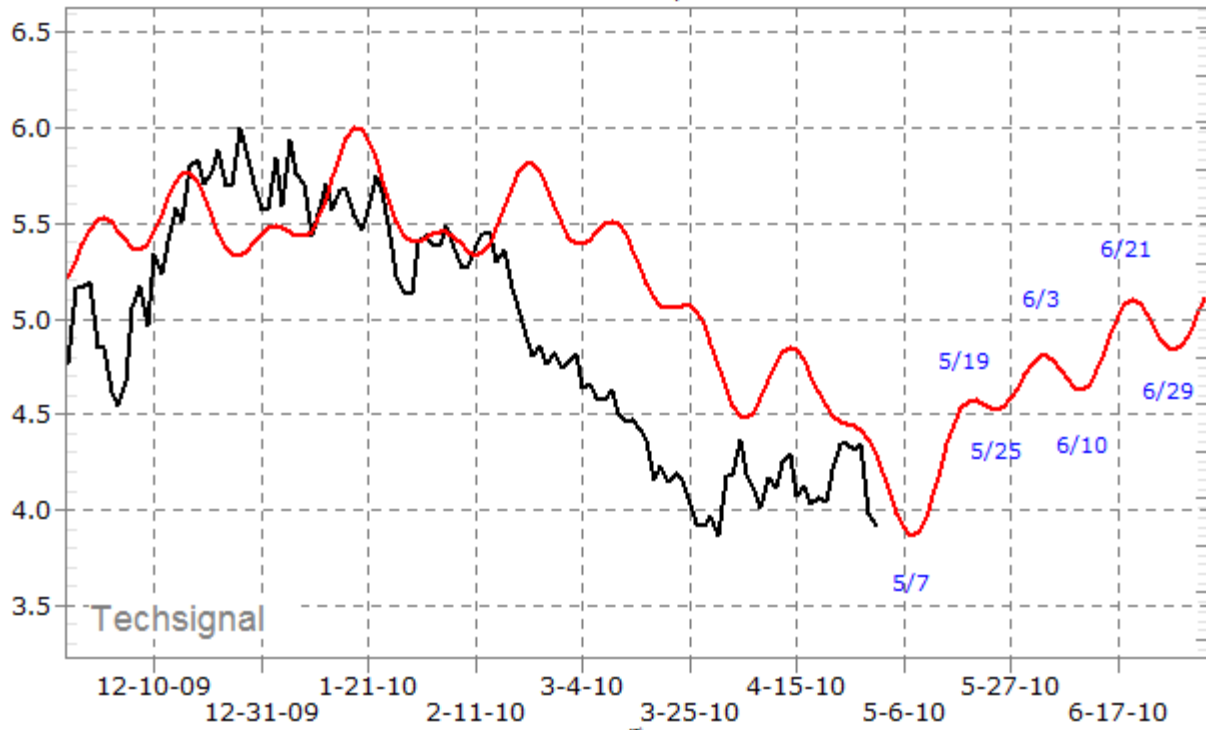
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Heating Oil NY (Pit) HO  
Weekly



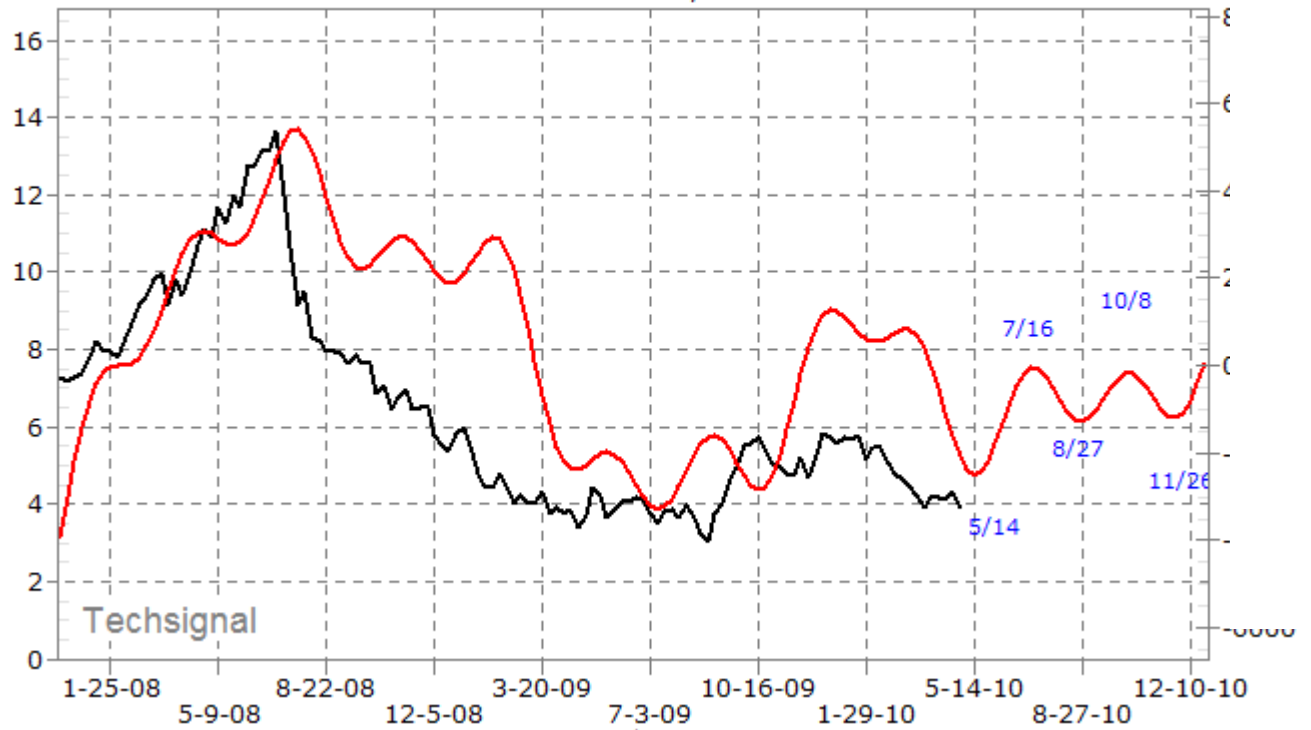
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Natural Gas NY (Pit) NG  
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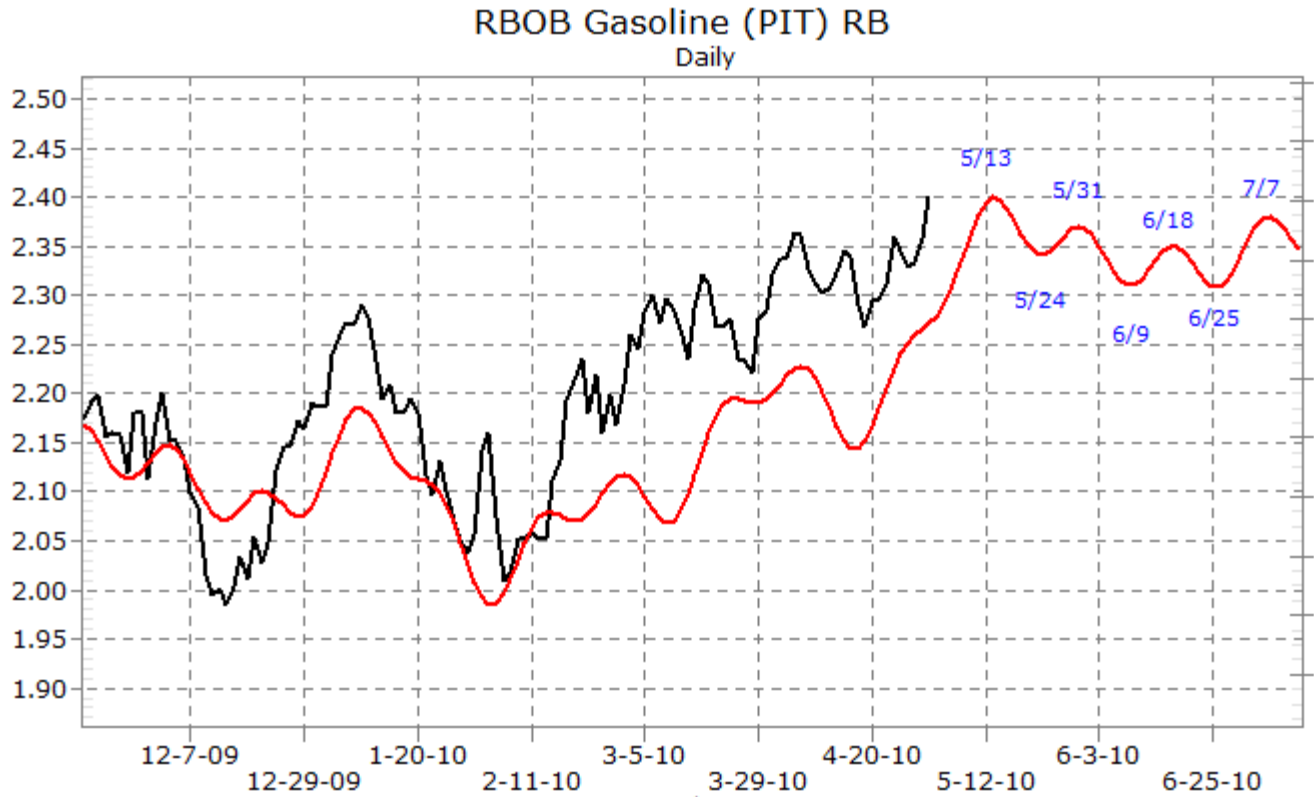


## Weekly Natural Gas

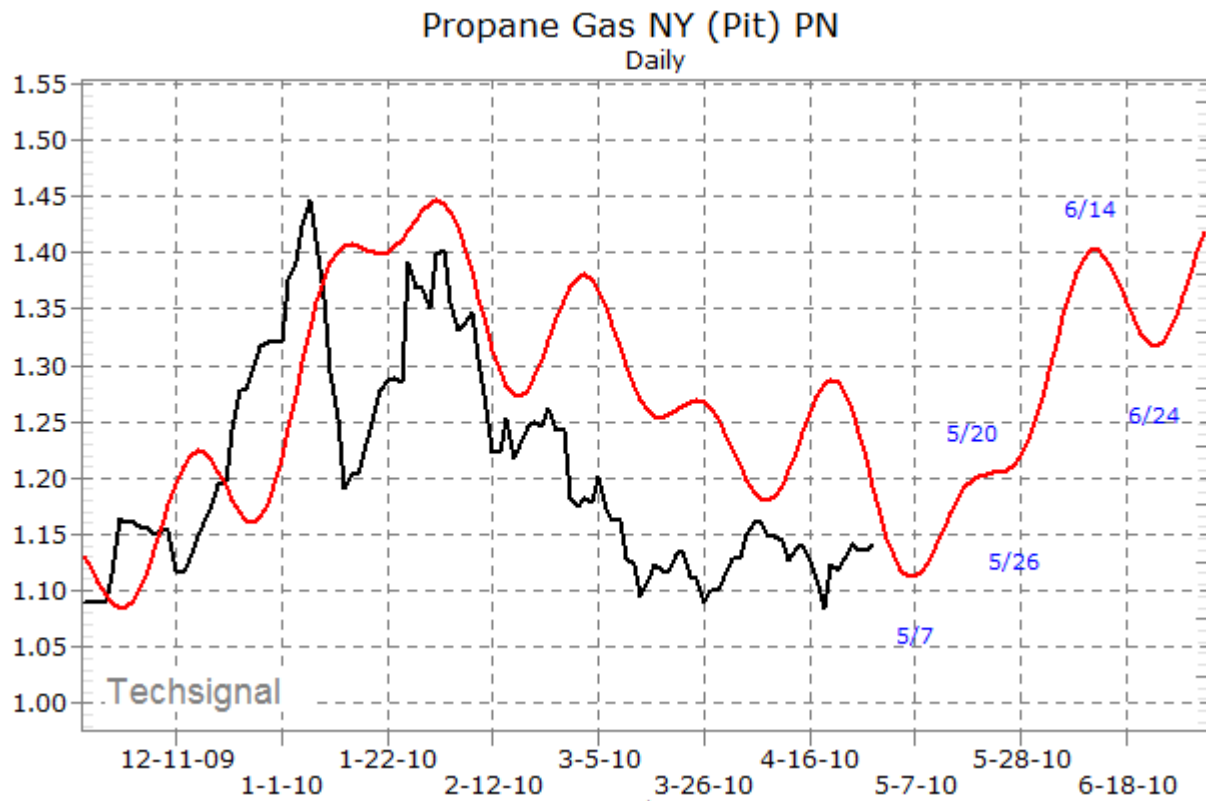
Natural Gas NY (Pit) NG  
Weekly



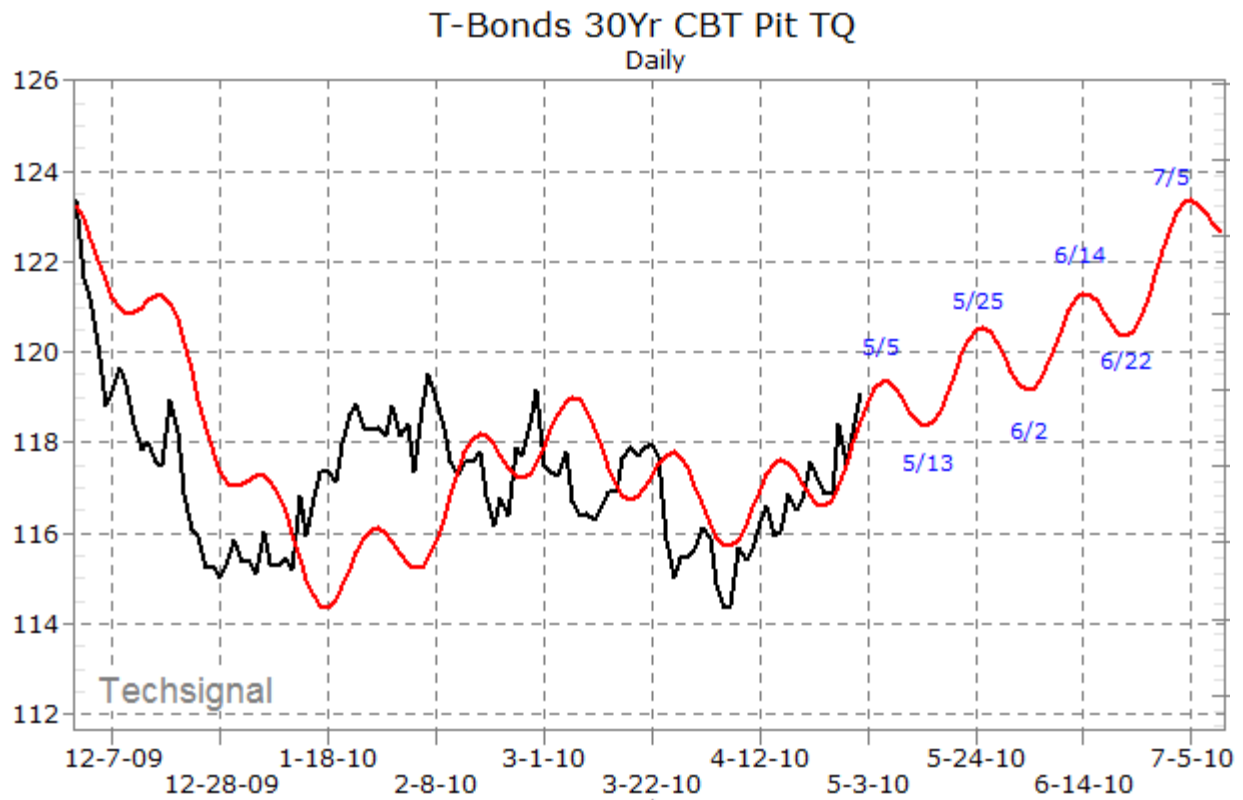
## Daily RBOB Gasoline



## Daily Propane Gas



## Daily T-Bonds 30 yr



## Daily CRB Index

