

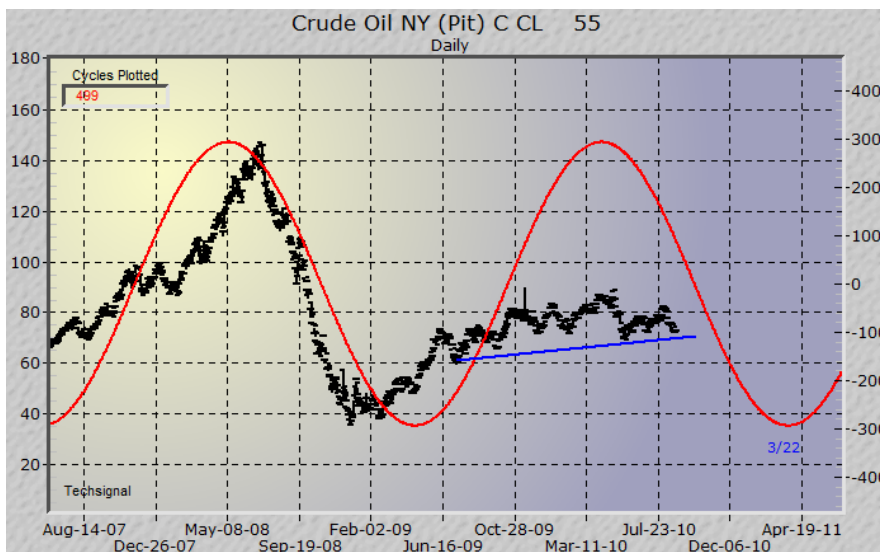
# Cycle Projections Energy

VOLUME III, ISSUE 7

ENERGY AND INFLATION

## Whatever happened to the 23-month cycle is crude oil?

With the crude oil market at about the same level as it was a year ago, it is hard to imagine now that this market was causing such panic and greed in the summer of 2008. At that time as crude sailed above \$140 a barrel and many predicted that it would go to \$200, it promptly fell to under \$40 a barrel as the economy drifted into a deep recession. Since then the overreaction bottom, below \$40 crude, has climbed into a trading range between the low 60s to the mid 80s. It is now trading near \$73 and is near the lows of the range. The range has been steadily putting in slightly higher lows, as can be seen on the trend line on the chart below. These slightly rising lows are the best that the 23-month cycle could do with the economy and demand weighing heavy on the market. The 23-month



cycle is now down and we expect a gradual erosion of the trading range. This cycle has been often ignored by analysts, but it is one of the few extremely significant cycles. An amazing 81% of its calls have been profitable, with some turns in the cycle being very profitable, like the 2007 low to the 2008 high. It is not a long-term cycle that points to major moves over decades but rather it points to the regular intermediate tendency of all economic series to have approximately 24-month cycles. The key to these cycles is that the economy and most economic series rally for about a year and then decline approximately a year. This is part of the important decade long patterns that form the heart of most economic series.

The ten-year pattern argues for a strong oil market for about 5 to 7 years followed by a decline of 5-3 years. This pattern is then further defined by this nearly 2-year cycle with three 2-year cycles up and two 2-year cycles on the down side. We are now topping on this cycle and expect a decline into March of 2011 followed by one more low in 2012 to 2013. What about the short-term? Continue to use the 6-week cycle for short term moves and favor the short side of the cycle as the 23-month cycle is down. As long as the economy continues to languish the energy markets will struggle.

**Crude Oil:** The intermediate cycles are bearish, but the short cycles are now bullish. **Gasoline:** We remain neutral Gasoline prices will continue in the same tight range. **Heating Oil:** We are neutral. **Natural Gas and Propane:** Natural gas and propane remain neutral to bullish short-term, but bearish intermediate term. **Alternative Energy:** No change **Inflation:** No inflation expected until economic activity improves. (See Editorial note on page 7)

Written 8/26/10

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

**Cycle Projections**

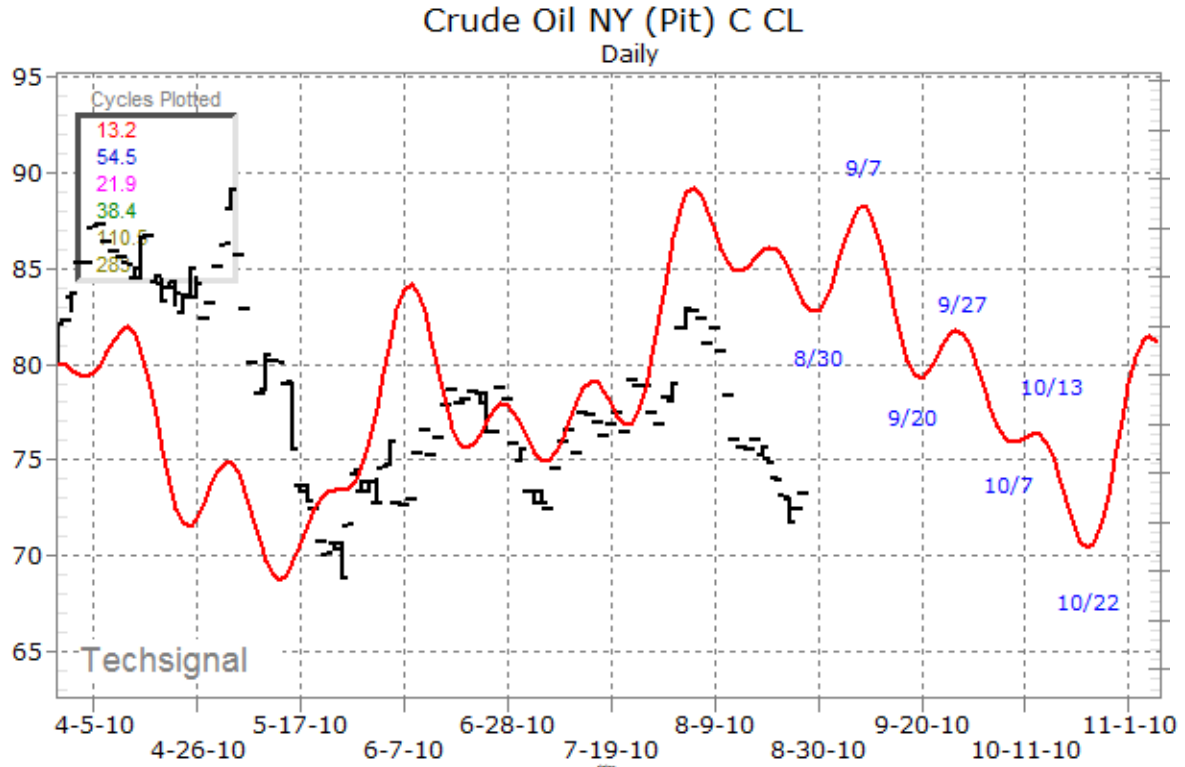
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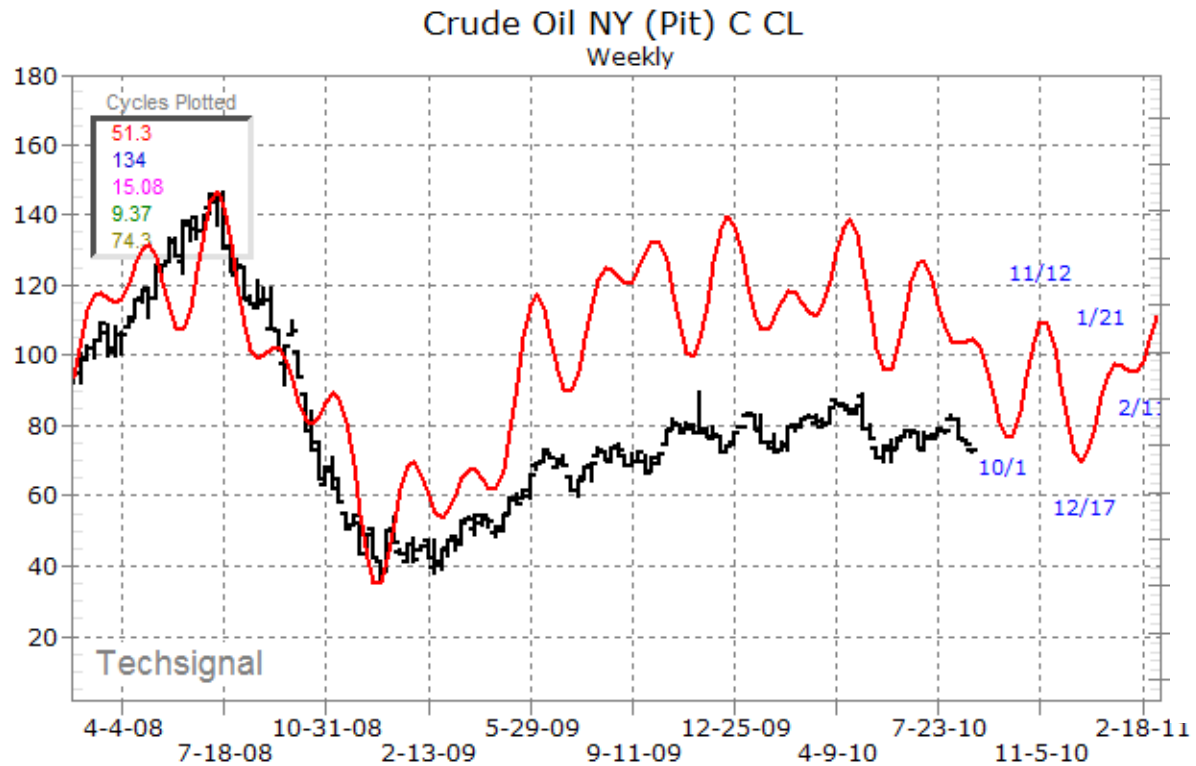
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## Daily Crude Oil

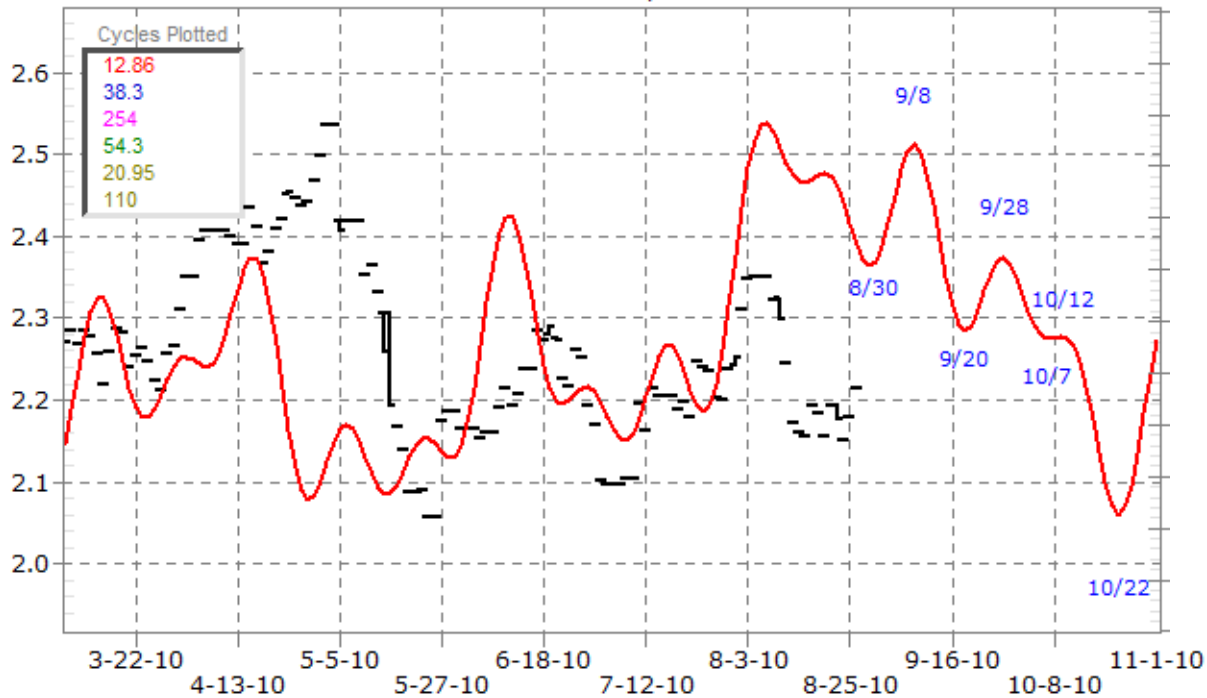


## Weekly Crude Oil



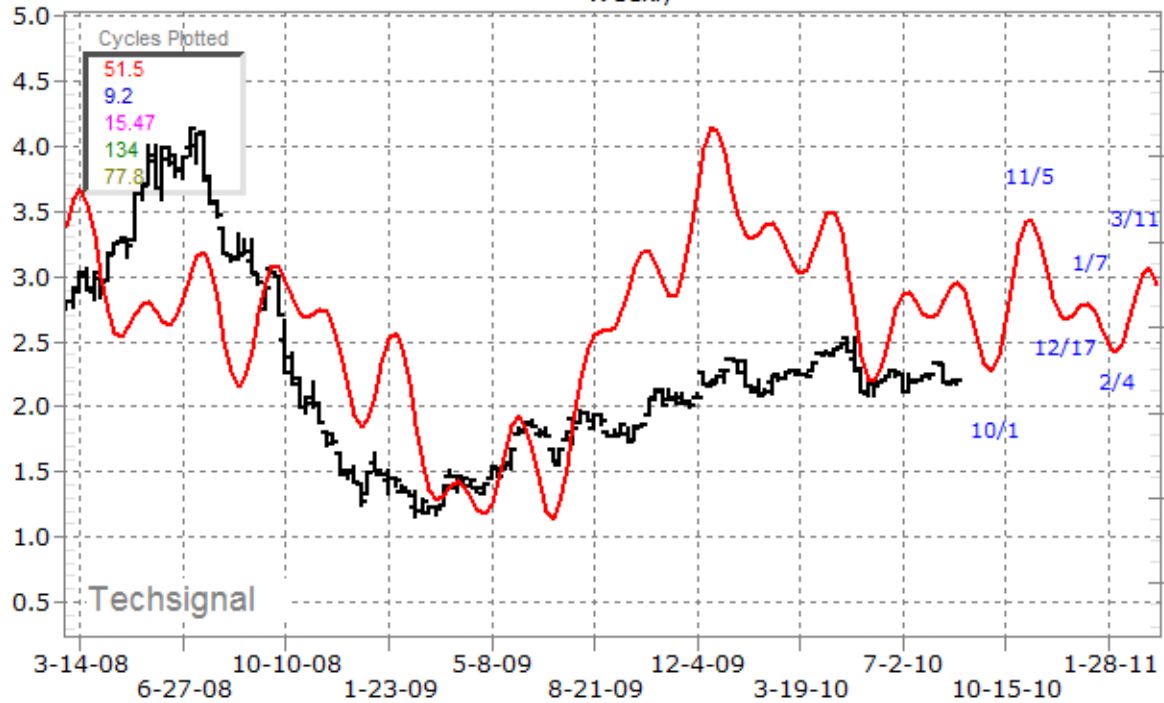
## Daily Heating Oil

Heating Oil NY (Pit) HO  
Daily



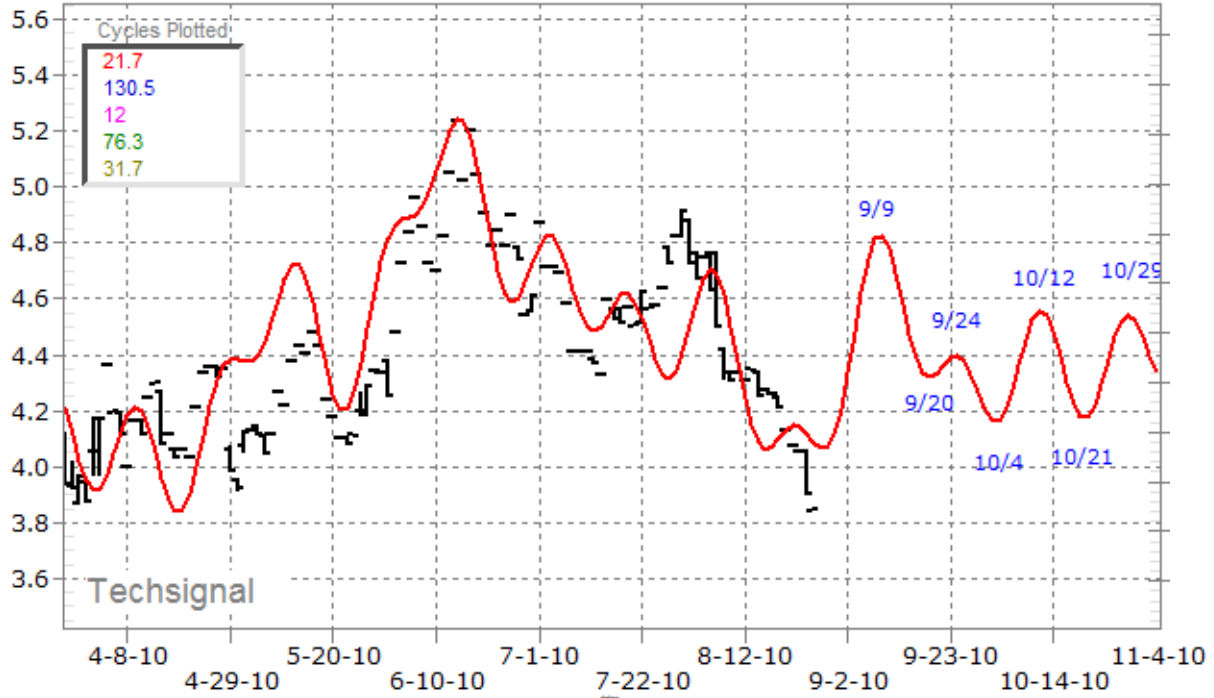
## Weekly Heating Oil

Heating Oil NY (Pit) HO  
Weekly



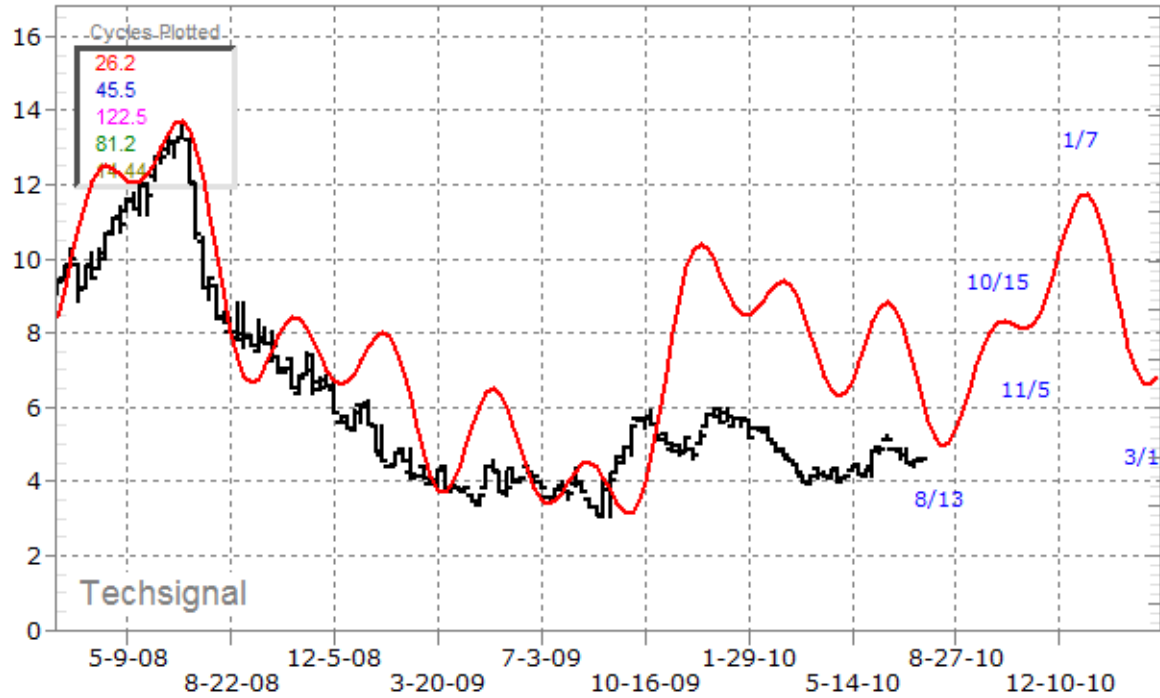
# Daily Natural Gas

Natural Gas NY (Pit) NG  
Daily

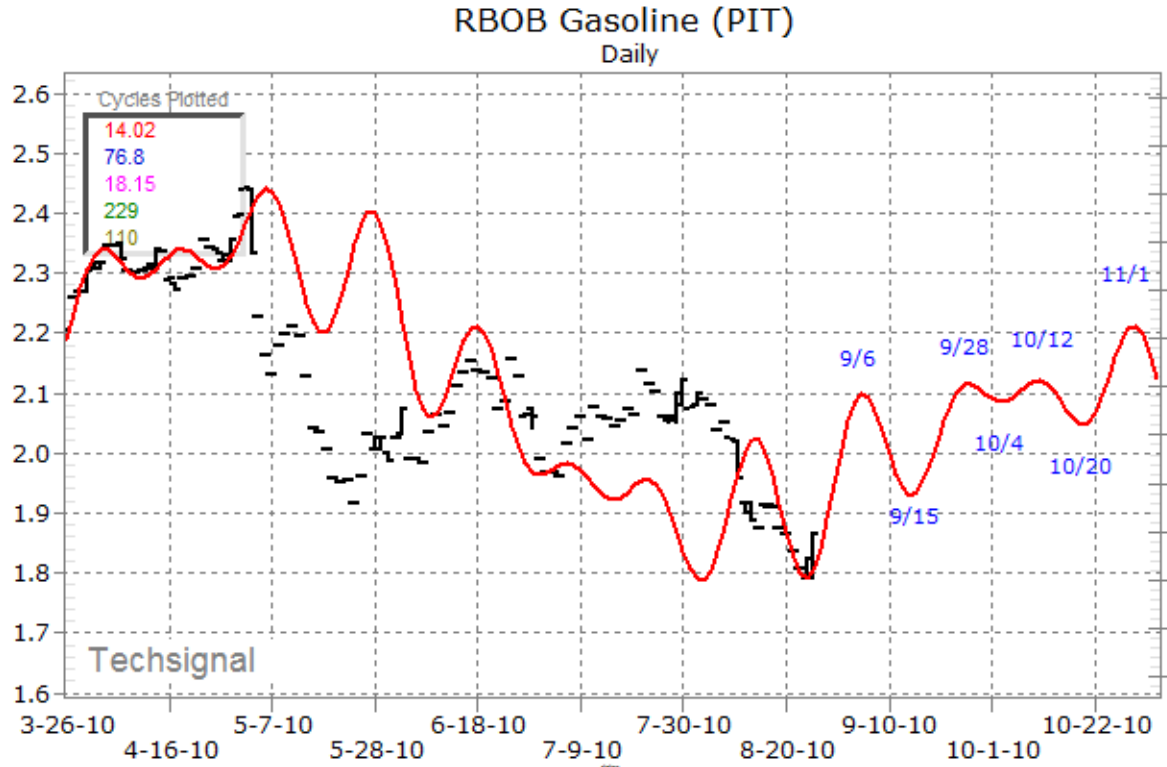


# Weekly Natural Gas

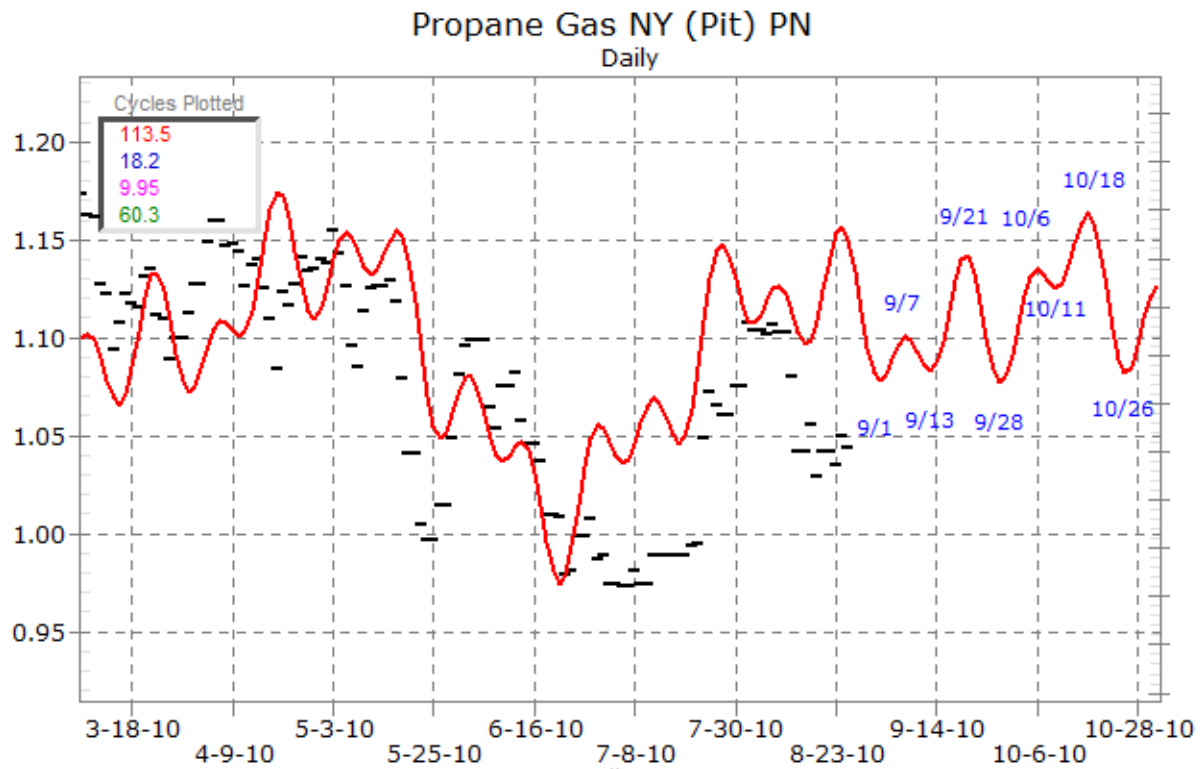
Natural Gas NY (Pit) NG  
Weekly



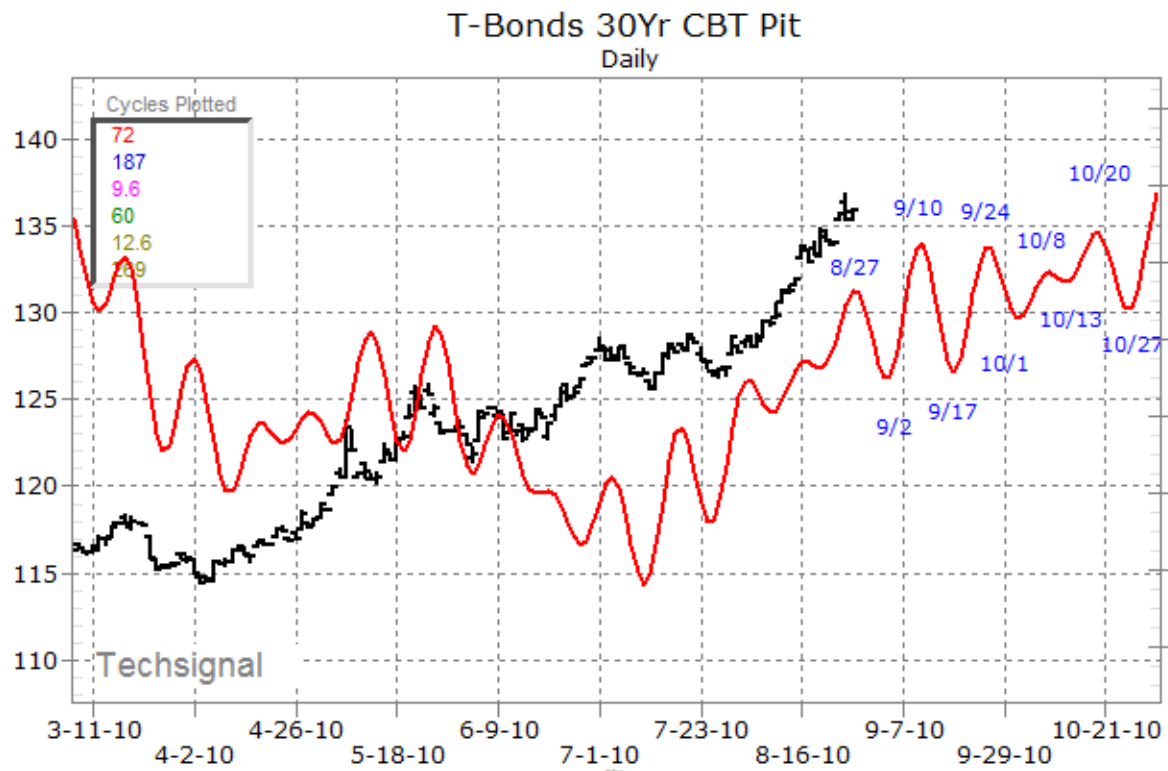
## Daily RBOB Gasoline



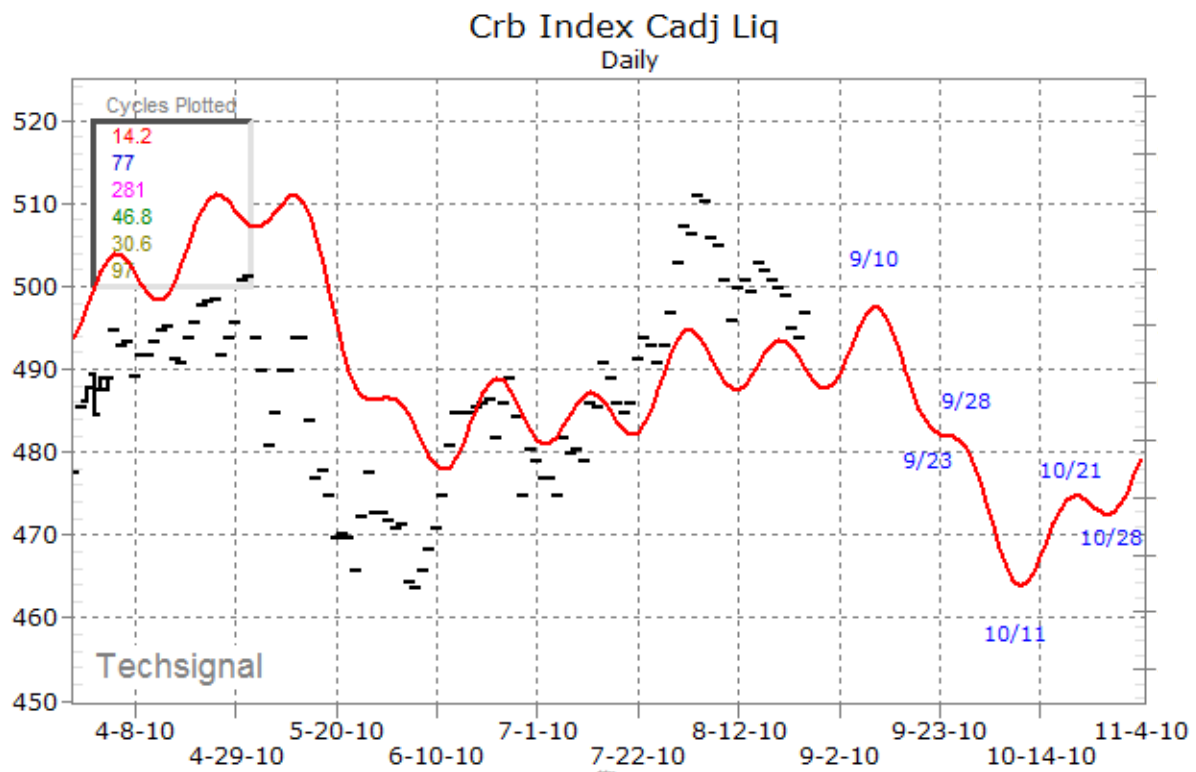
## Daily Propane Gas



## Daily T-Bonds 30 yr



## Daily CRB Index



## **Notice to Subscribers**

**Beginning with this publication we have created a new analyses for all individual markets covered. Next month and for the following months we will be adding a feature called “How It Came Out” showing how each projection turned out compared to the market itself for the most recent month or two. In situations where time or market conditions warrant a new analysis we will not include a “How It Came Out” section until the following month. We will also let you know that we have conducted a new analysis. Our goal is to create a tracking of how well the analysis used performs through time. Also for this and all following issues we include a window listing the cycles used in our synthesis as well as presenting prices in the high, low close format.**

**One further comment: Given we have had to construct new analyses for all series in all publications we are behind our publishing schedule. All subscribers will receive all 12 issues in their subscriptions. We thank you for your patience.**