

Cycle Projections - Commodities

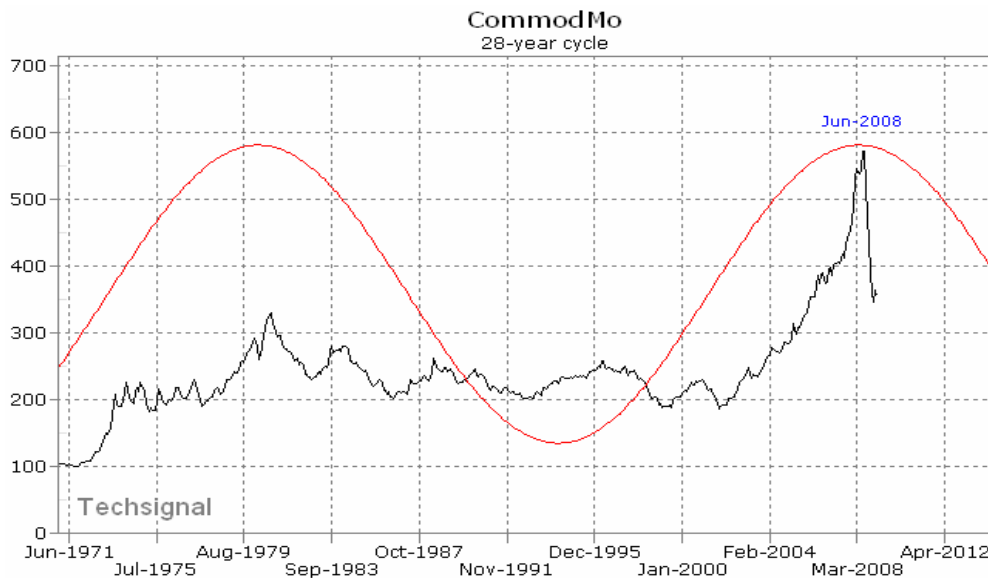


COMMODITIES : CRB, SOYBEANS, CORN, WHEAT, COTTON, MEATS, ETC.

FEBRUARY-MARCH 2009

How high can commodities go?

Commodities have had a major rally and a considerable and rapid decline. As noted in the last issue we concluded that despite the action of the Fed and Treasury intervention we expected a new trading range, but is it likely? In the chart below we have pictured the 28-year cycle in the CRB index.. It is worth noting that the last high in the 28-year cycle in 1980 was followed by a significant decline and then was followed by a significant trading range and then the next high came four years later. What is also of note is the difference between the environment in 1980 with the current one. In 1980 we had major inflation which drove up prices. Now it was not inflation that drove up prices but unprecedented demand; then with the Fed and Treasury intervening so heavily we may yet see inflation as well. If the 2008 rally had been due to inflation we would be certain that a trading range would develop, but now the only hope for a trading range that we still expect would be weak economic activity. In 1920 commodity prices made a major high and prices stayed low for 20-years due to poor economic activity in the 1930s. Thus we expect the trading range as long as economic activity is poor. If economic activity improves then we expect another major bull market due to demand and inflation.



Grains and Oil

Seeds: We expect rallies in all in wheat, corn and the soybean complex reflecting the usual seasonal patterns..

Energy: Energy should continue to rally but stay in a trading range. In crude the top of the range is about 70..Heating oil and Natural gas will follow the typical seasonal patterns. **Met-**

als: The metals continue to want to rally and if the US dollar continues to fall then it will have its way..

Food and Fiber: We are now neutral to bullish on this group. Demand will hinder the food and fiber..

Meats: We are bullish on cattle, bellies and hogs despite the recession.

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Cycle Projections

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Daily Corn

Corn CBT (Pit) Cash C
Daily



Daily Wheat

Wheat CBT (Pit) Cash W
Daily



Daily Coffee

Coffee (Elec) Cont 1 KC
Daily



Daily #2 Cotton

Cotton #2 Cadj Liq
Daily



Daily Cocoa

Cocoa NYBT Cadj Liq
Daily



Daily Lumber

Lumber Cont 1st LB
Daily



Daily Soybeans

Soybeans CBT (Pit) C S
Daily



Daily Soybean Meal

Soybean Meal (Pit) C SM
Daily



Daily Lean Hogs

Lean Hogs (Pit) Cash LH
Daily



Daily Live Cattle

Live Cattle Cash LC
Daily

