

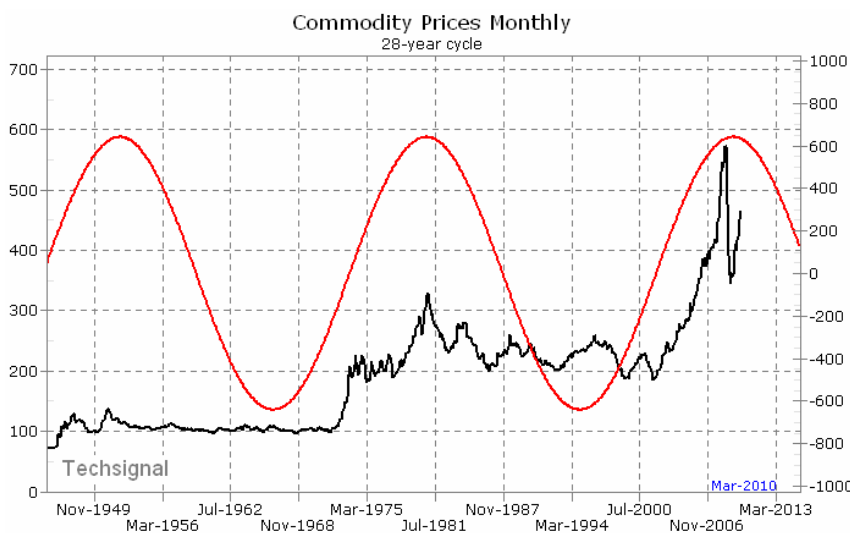
Cycle Projections - Commodities

NOVEMBER-DECEMBER 2009

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

Can commodities make a new high?

Right now we are moving higher once again on the CRB index despite the cold of the late fall. We expected last month a pullback but got very little and the question arises whether the 2008 top will turn out to be the 28-year cycle high. The picture below shows this cycle. It also shows just how high the CRB got in 2008. The only historical example of a double top was 1980, another major CRB 28-year high. I do not believe this is likely and that means that there is limited upside to the CRB from current levels. Ultimately demand will decide this issue and it is doubtful that demand for growing commodities or energy can continue to move higher with continuing demand issues, but all this being said we must face the reality of longer-term bullishness in the CRB Index.



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If the world economies were not going through such a major overhaul we would be nearer term bullish. If commodities prices rise beyond May of 2010 or break out then a new high could happen, but we strongly doubt it. At this point the rally should make a secondary high as it normally does after a blow-off top. We must however understand that we are in a new trading range with the recent lows as the bottom. We will never return to levels of the late 1990s. The issue that confounds the prices in commodities is the soundness of money

as seen in the level of the US dollar and its effect on commodities and yields. During the civil war we had a huge US dollar devaluation and rally in gold with low yields, like we do now, not due to demand and internal issues, but due to a collapse of paper currencies. That spike took time to straighten out and without any additional demand as we have now. The bottom line is commodity prices will continue to make highs every three years and lower lows until we have fixed the economy. **Grains and Oil Seeds:** The growing economies came way off and are bouncing. We still feel the bull is behind us now. We are short term neutral. **Energy:** The trading range should continue as demand remains low. We do expect heating oil and natural gas to rally, but not too high, unless we enter a deep freeze. **Metals:** The metals have a long way to go but a rest is in store. It is best to use this period for accumulation. **Food and Fiber:** No change on this group. We are neutral to bullish. Lumber woke up but should set up a trading range. **Meats:** We continue to be neutral to bullish.

Written 12/2/09

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

Cycle Projections

ISSN 1055-1700

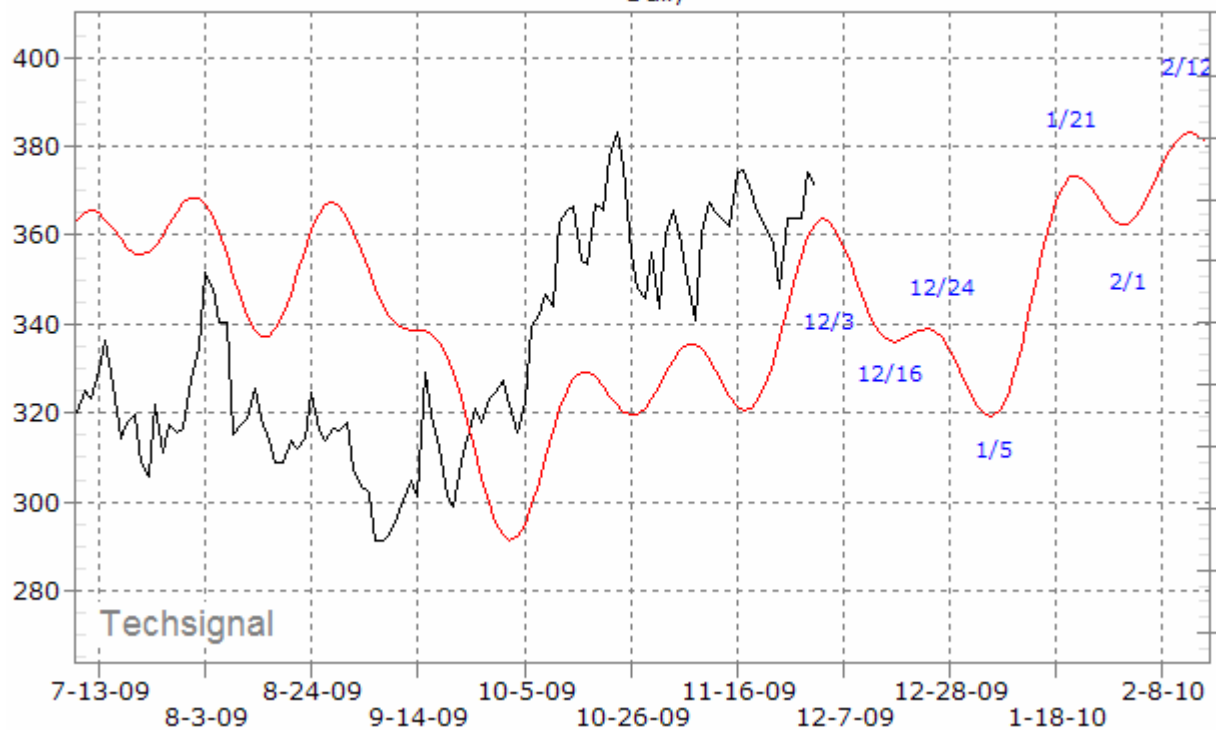
Published Monthly by the Foundation for the Study of Cycles

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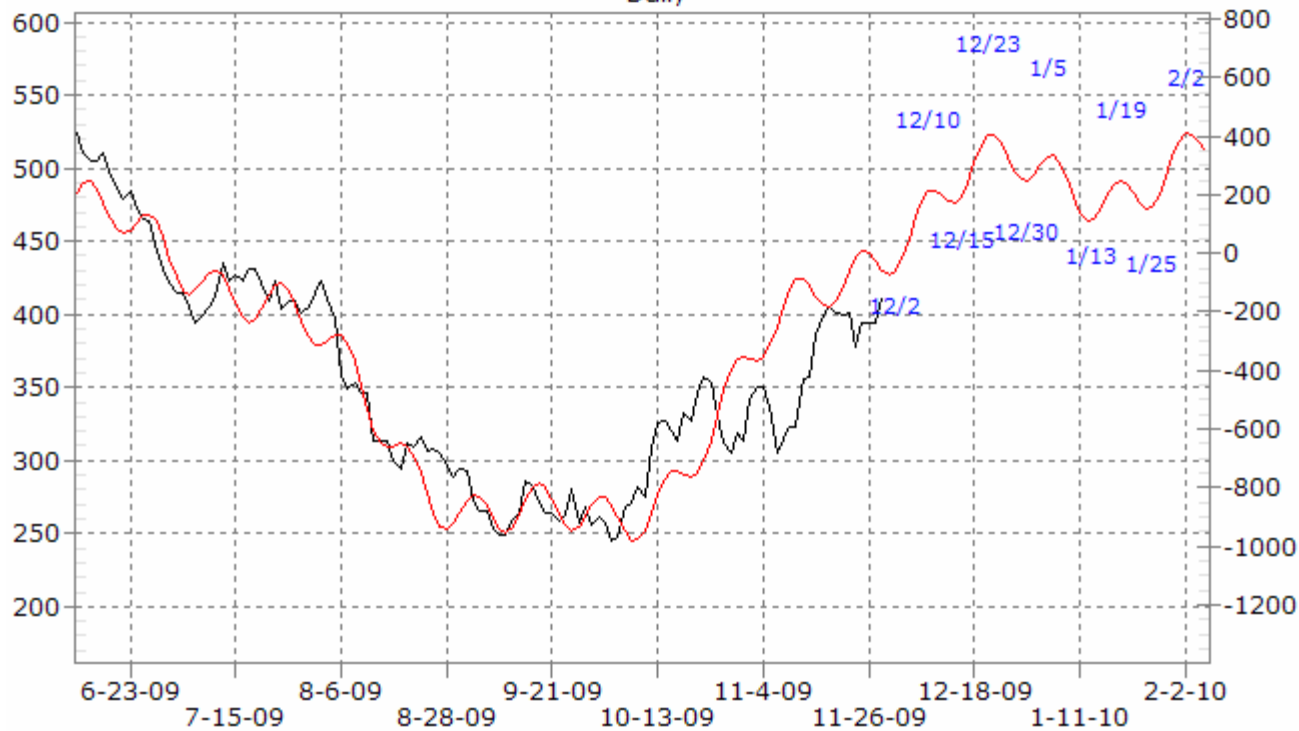
Daily Corn

Corn CBT (Pit) Cash C
Daily



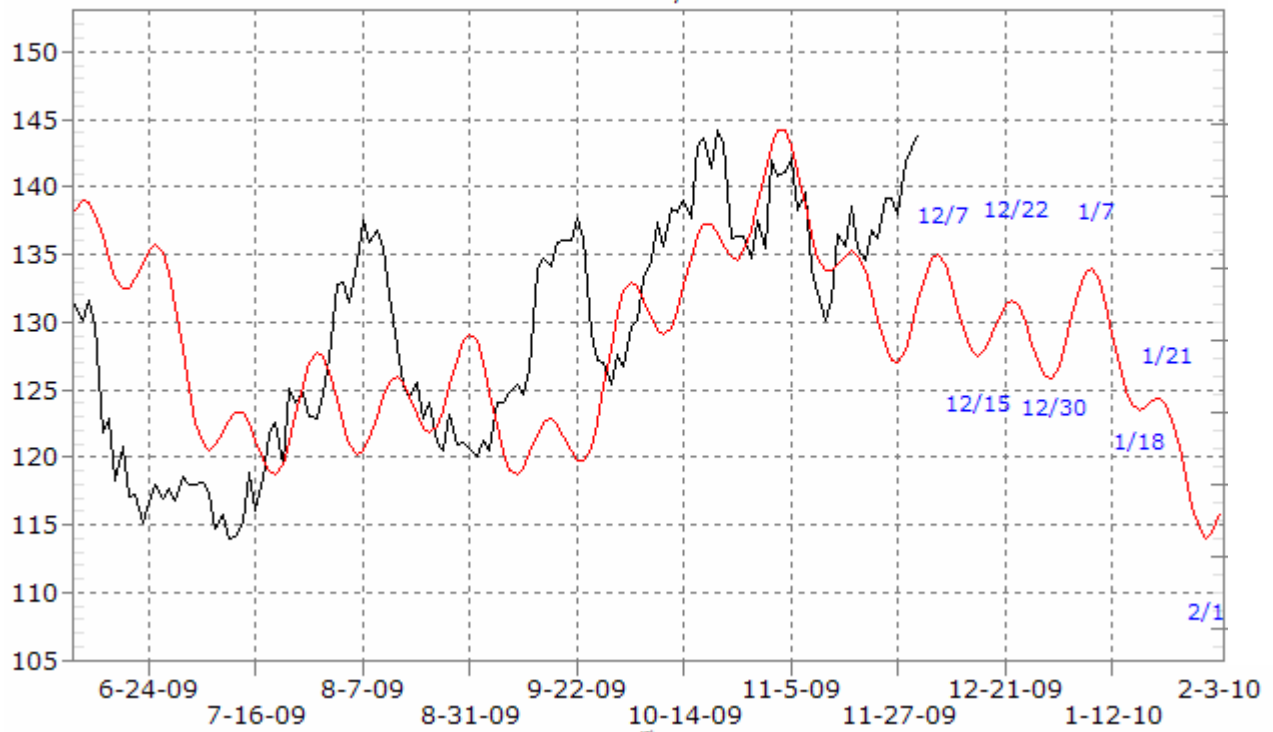
Daily Wheat

Wheat CBT (Pit) Cash W
Daily



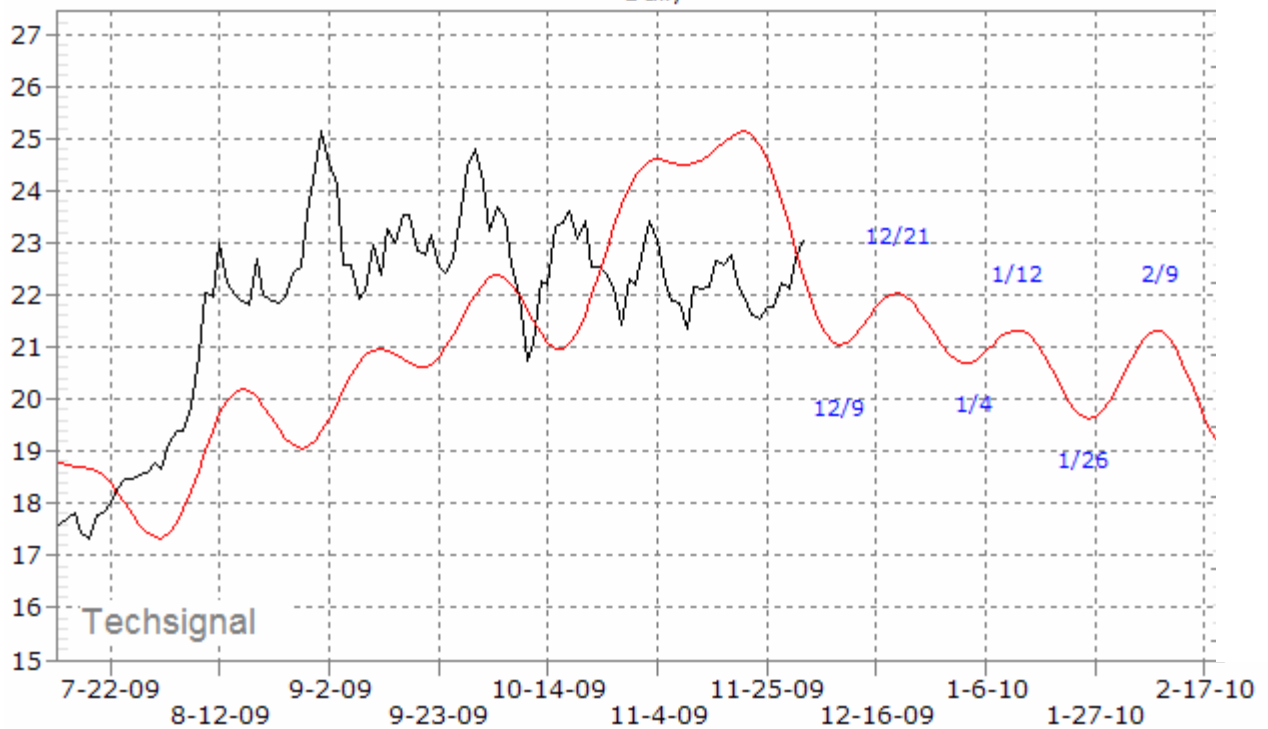
Daily Coffee

Coffee (Elec) Cont 1 KC
Daily



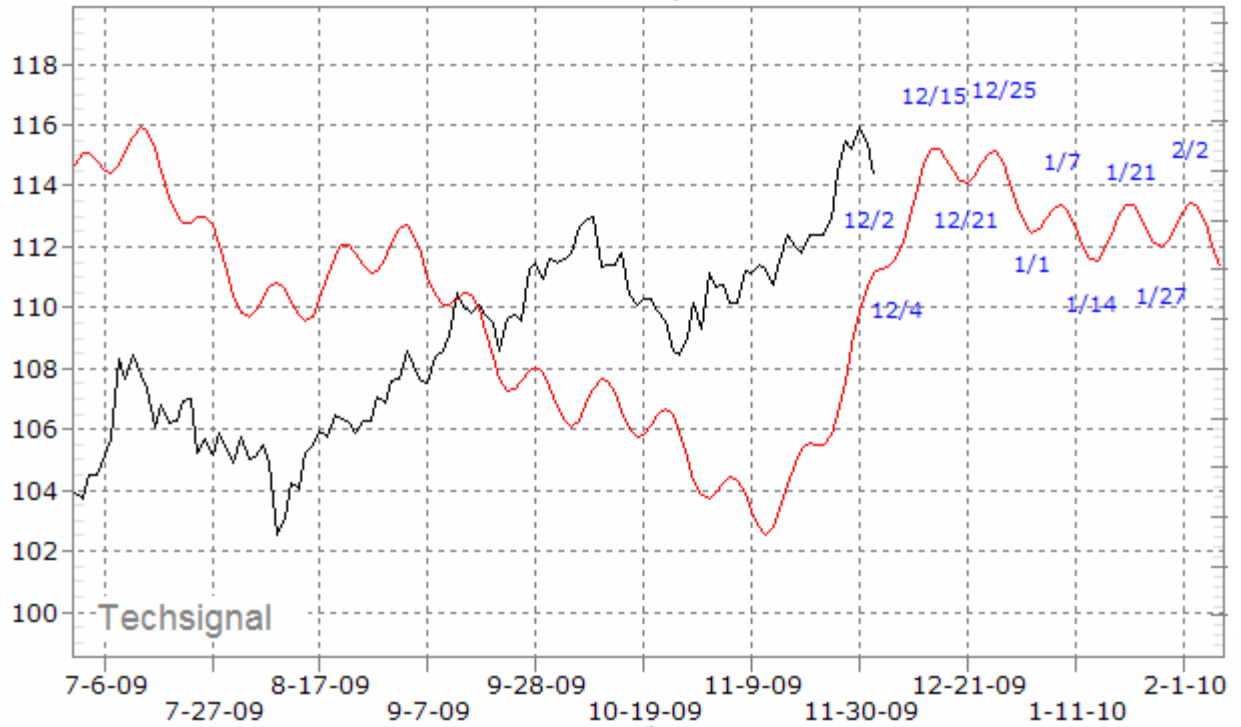
Daily #11 Sugar

Sugar #11 Cont 1st
Daily



Daily Orange Juice

Orange Juice Cadj Li JO
Daily



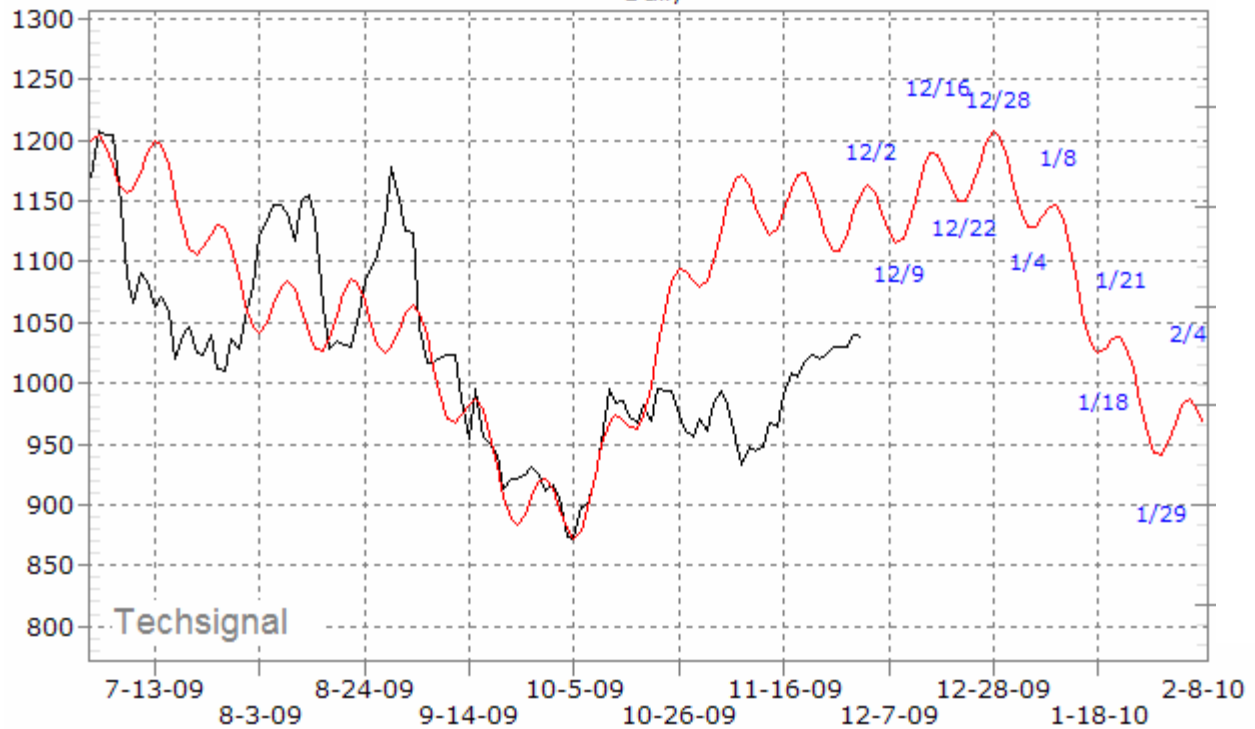
Daily Lumber

Lumber Cont 1st LB
Daily



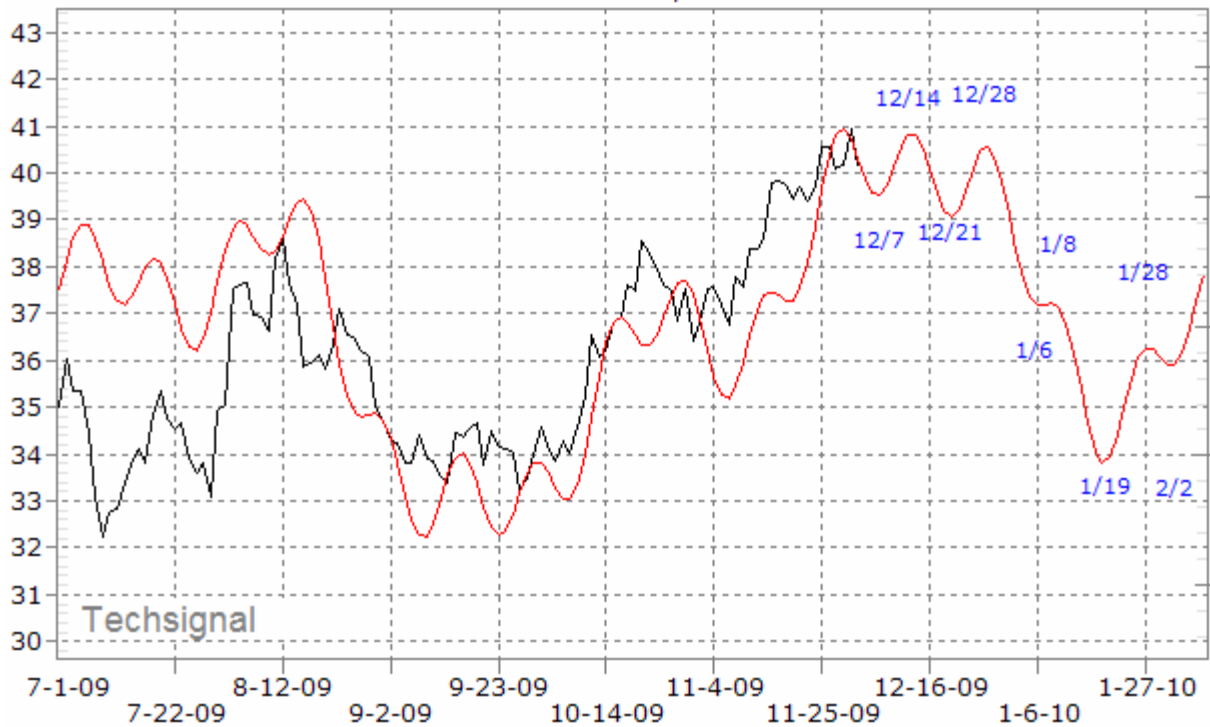
Daily Soybeans

Soybeans CBT (Pit) C S
Daily



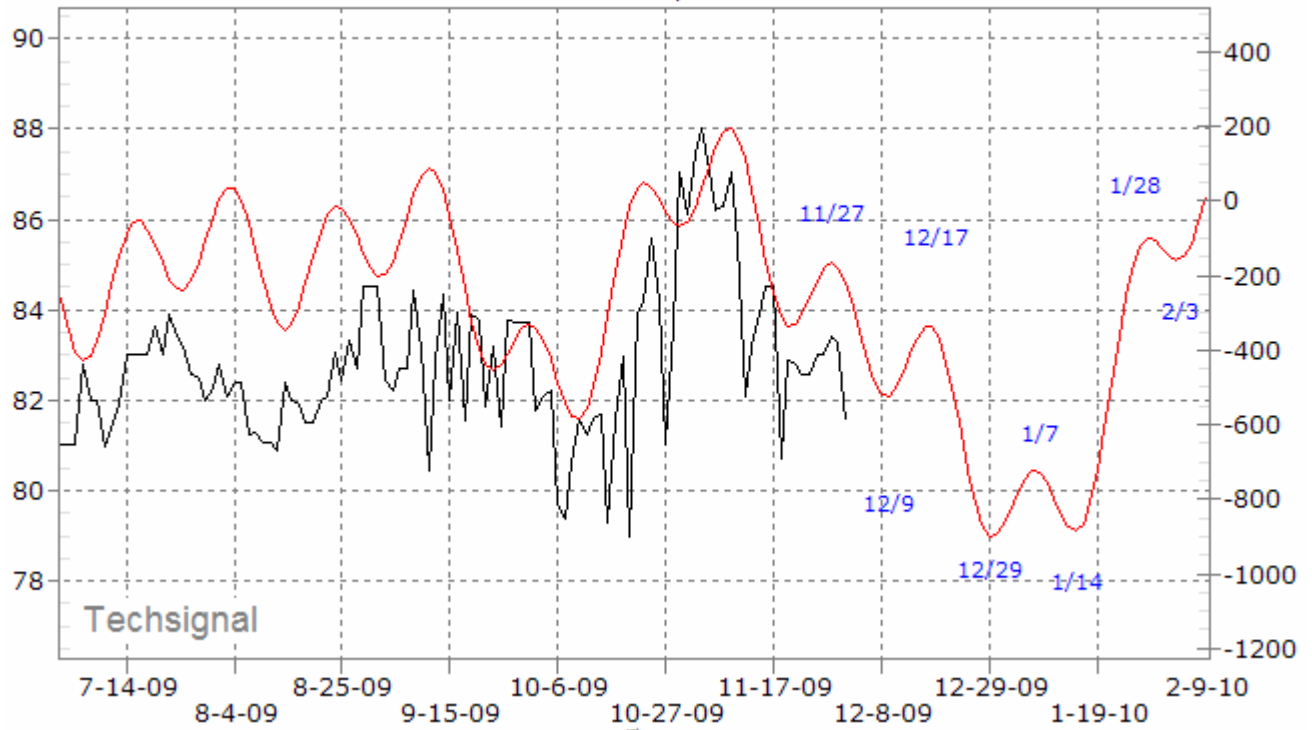
Daily Soybean Oil

Soybean Oil (Pit) Co
Daily



Daily Lean Hogs

Live Cattle Cash LC
Daily



Daily Live Cattle

Live Cattle Cash LC
Daily

