

Cycle Projections - Commodities

JANUARY –FEBRUARY 2010

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

Commodities Prices and Demand

Can the CRB commodity index make a new high or is the 28-year high in the CRB Index and the market headed toward a series of lower highs and lower lows. Last month we argued that the 28-year high in commodity prices is in and that we are now in a stage of lower highs and lower lows. It has been almost a year and



a half since we made the high in the CRB and we have now made the first lower low in this stage assuming we are in this stage. This low came only 7 months after the high the shortest decline from a 28-year cycle high. The next shortest was the 11-month decline in the Civil War. This is troubling because one could argue that this is a correction in a continuing bull market and that higher highs are ahead. In 1980 we had a 50% retracement of the 1980 , and so far we have had about a 52% retracement. Thus we have had a quicker decline and a higher retracement, which is somewhat problematic; but the bottom line is that as long as

the CRB Index remains under 534 then we will consider the high in and a bear market intact. The reality here is the word “demand”. The CRB Index currently unfortunately is 23% softs including orange juice, sugar and cocoa among others. Energy is 17%, Grains are 17% and metals are also 17%. The balance is in meats and industrials. Thus for the CRB Index to make new highs we will need grains, energy and metals to go up significantly. Based upon demand metals will go higher because of the quality of the money. But can the grains and energy go higher? We do not think that the other series will go significantly higher because of demand issues and herein is the anatomy of the current rally. It has depended upon the precious metals. And with this in mind we feel the precious metals will make a new high while the CRB Index will not, although if gold gets high enough it can take the CRB Index to a double top.

Grains and Oil Seeds: The growing commodities in about a month will have their spring rallies but not much more than that. Beans will remain stronger than wheat and corn. **Energy:** Energy will benefit from the deep freeze, but we are now at the top of the range. **Metals:** The metals should continue their pullback, but it remains an opportunity for accumulation. **Food and Fiber:** Orange juice will remain high but will not get much higher from the frozen levels. No change on the other members of this group. **Meats:** We continue to be neutral to bullish.

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Cycle Projections

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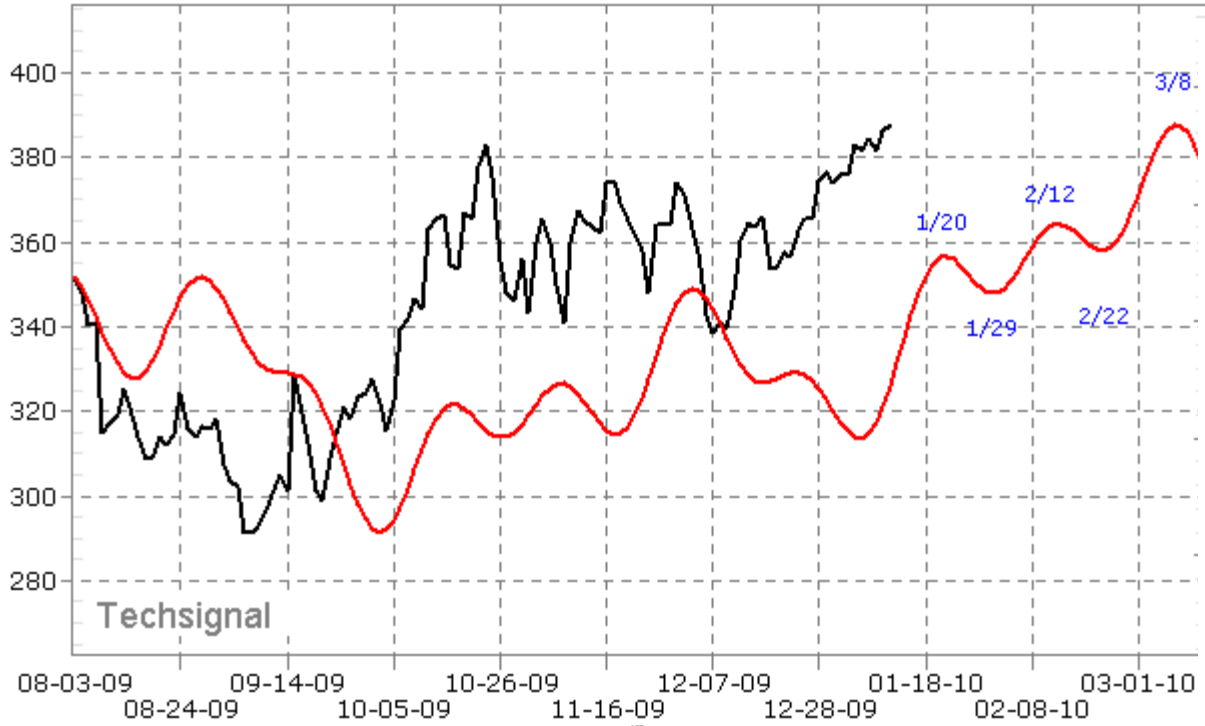
2929 Coors Blvd NW Suite 102-D
Albuquerque New Mexico 87120

(505) 796-5699 FAX (877) 799-0309 editor@techsignal.com

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Daily Corn

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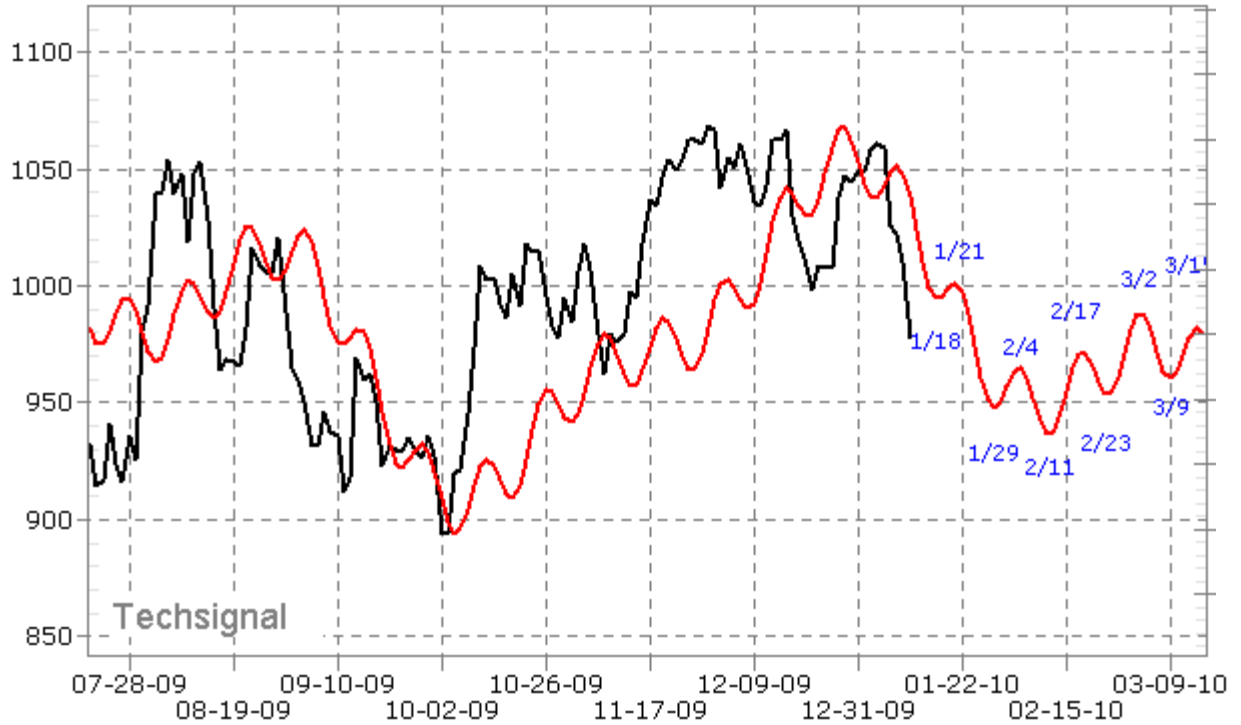
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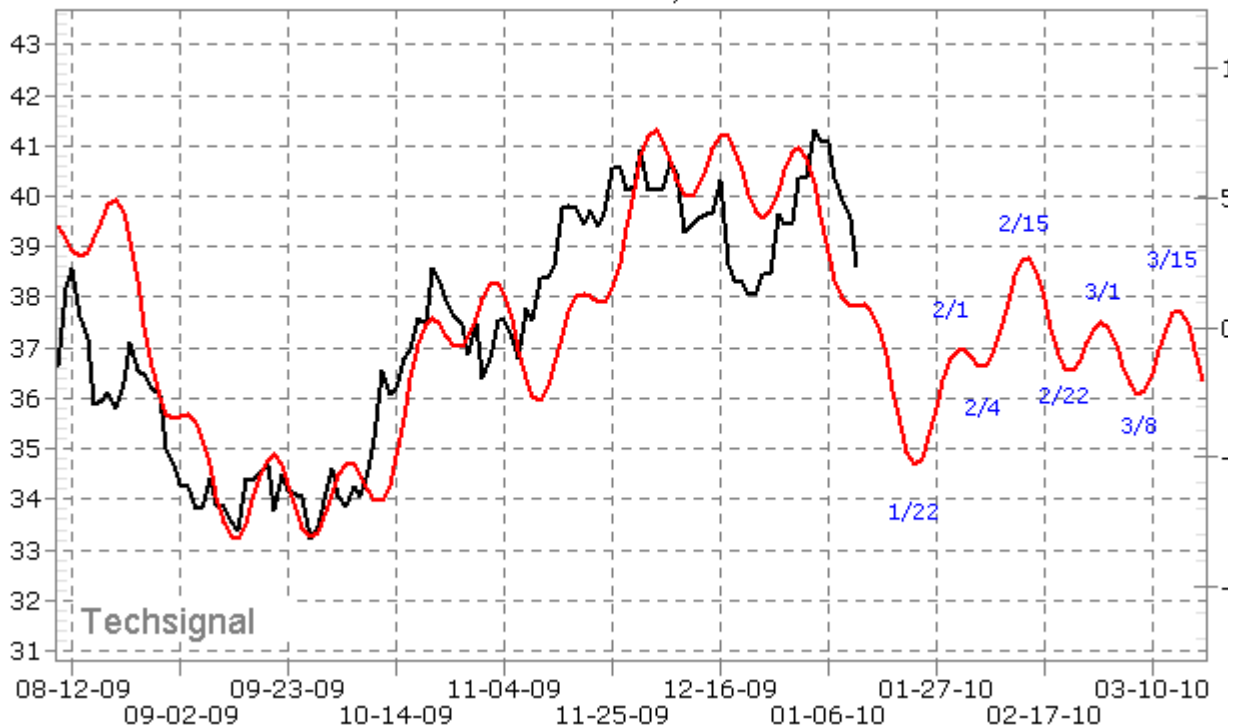
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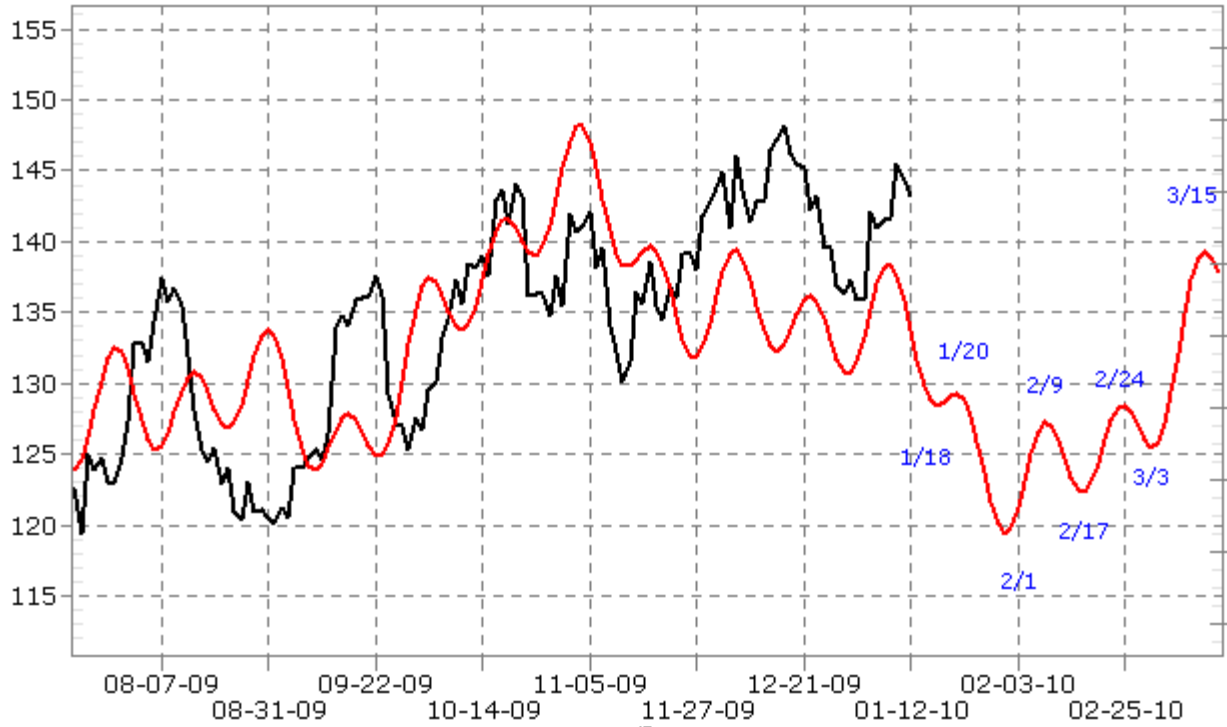
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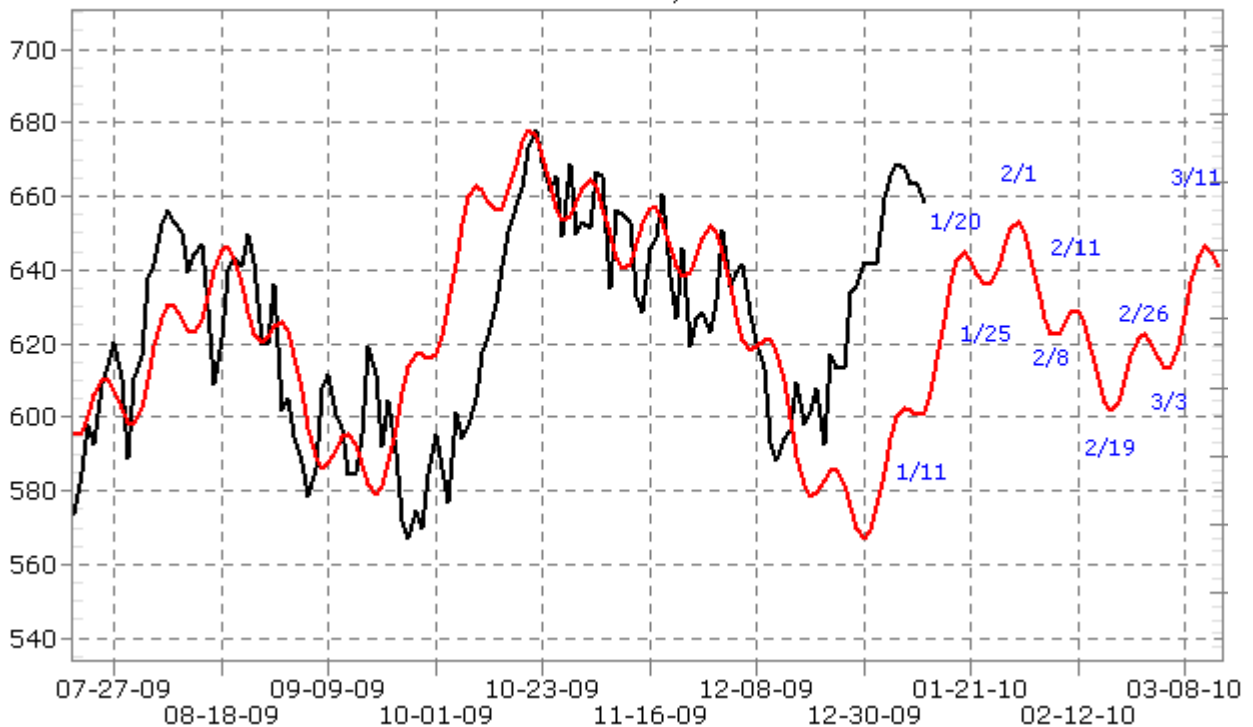
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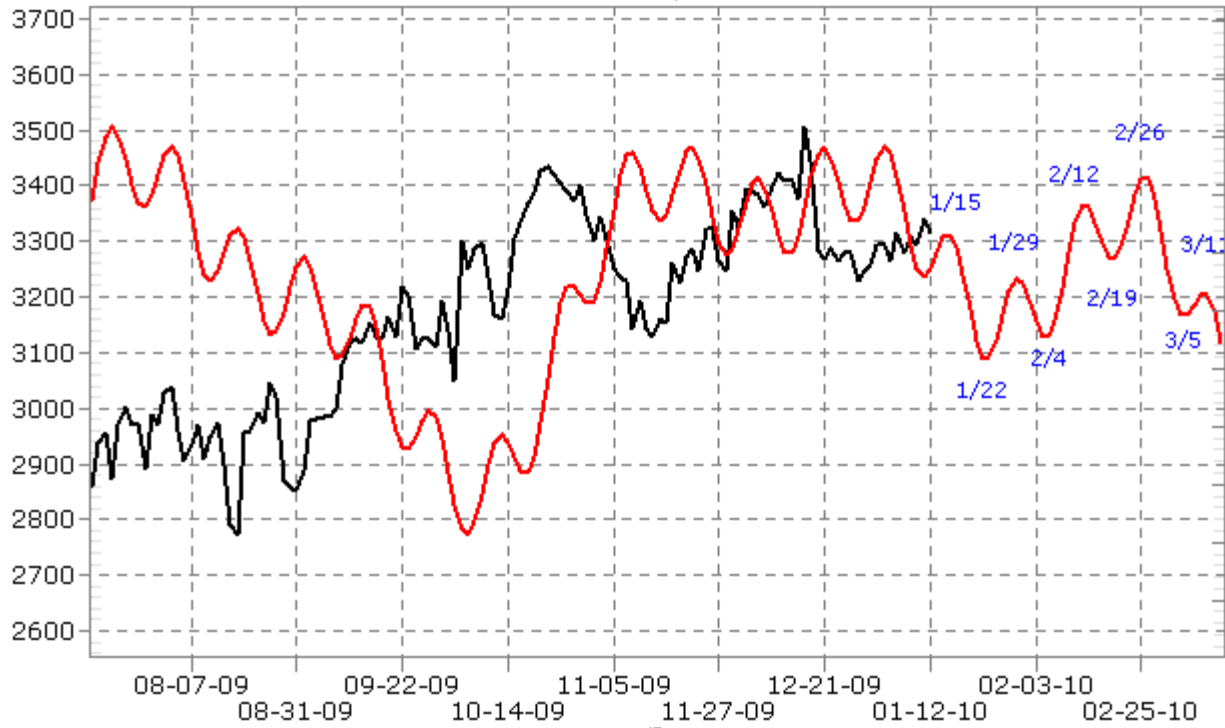
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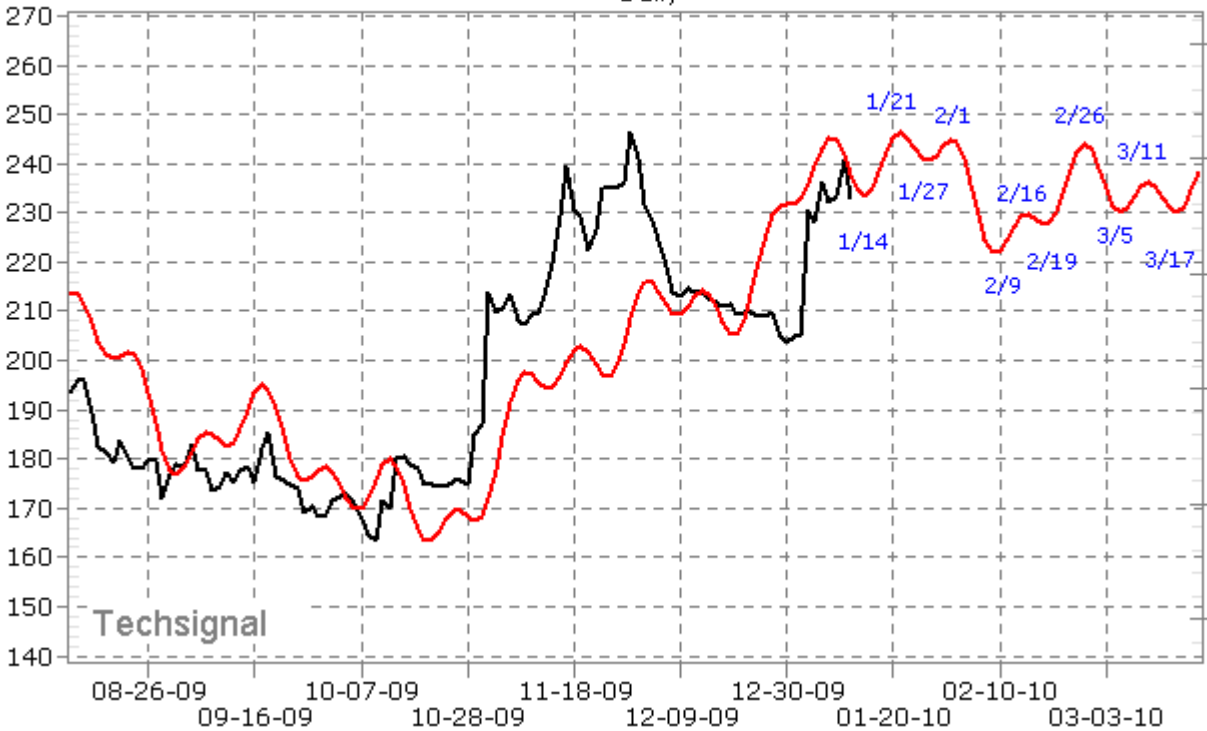
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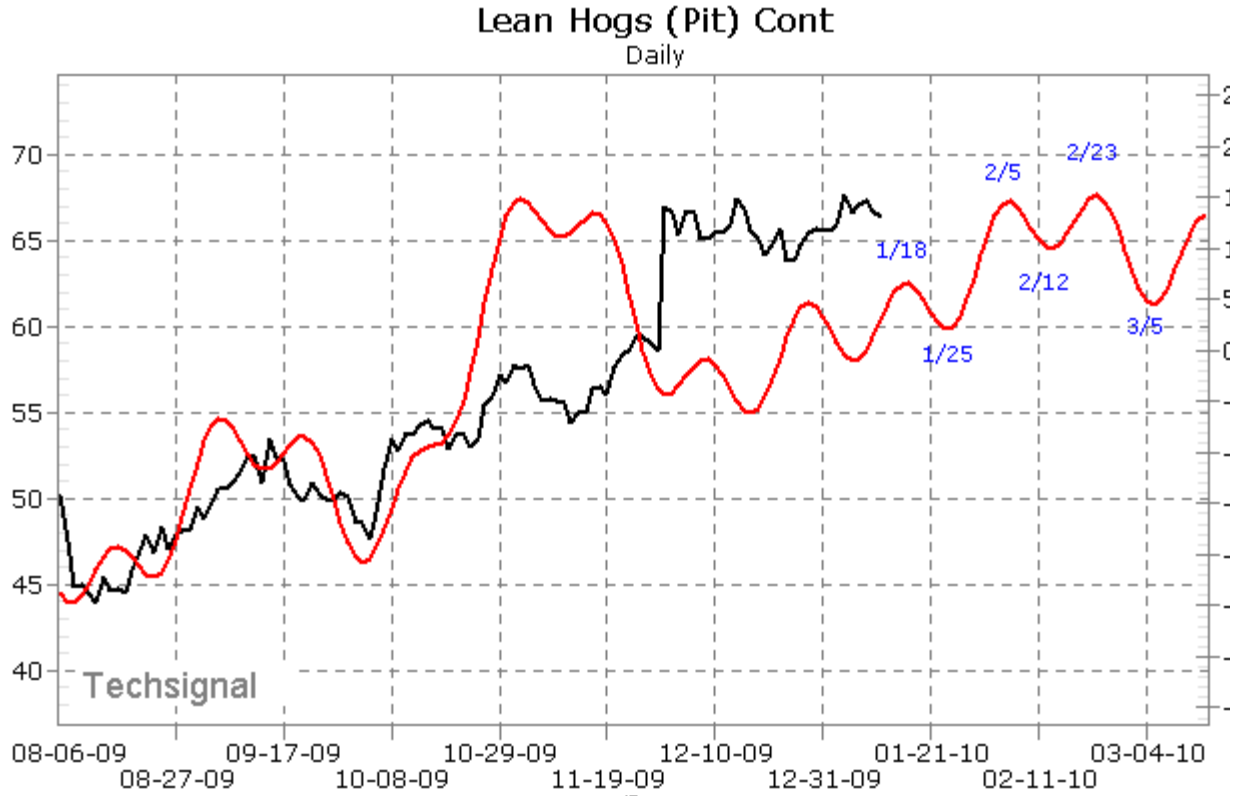


Daily Lumber

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Daily Lean Hogs



Daily Live Cattle

