

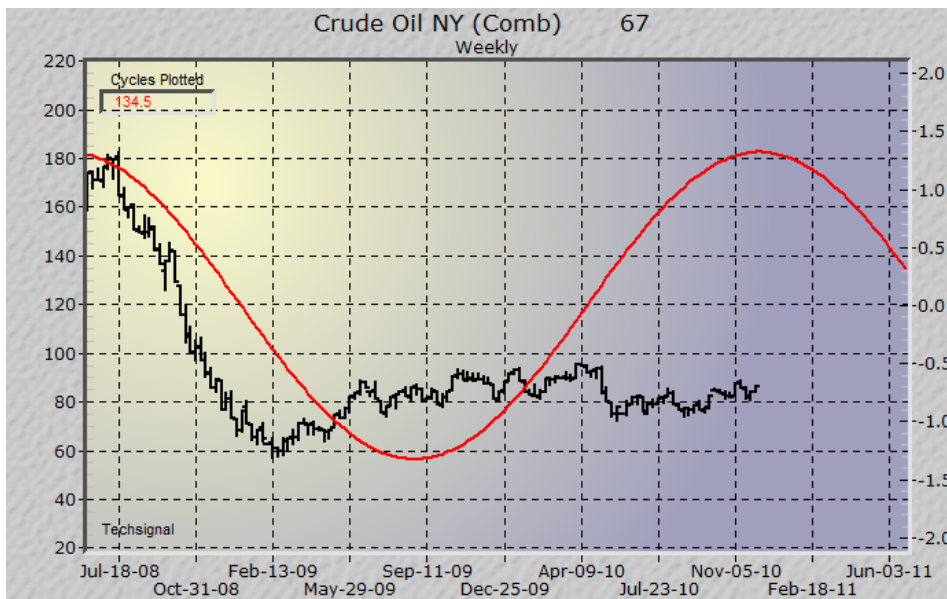
# Cycle Projections Energy

VOLUME III, ISSUE 8

ENERGY AND INFLATION

## Supply and Demand and the long Cycles

Crude oil has been in a tight trading range. In the last year and a half we have gone nowhere; even the usually accurate 78-week cycle has had little impact on the price of crude. The last low in crude in February of 2009 was just below \$60 a barrel, while the high of the last cycle was just above \$90, a range of about \$30 dollars. The range is small but the real difference in this market and the historical price changes is the trend. We have had no trend. Part of this is due to the fact that there is a long 28-year cycle that topped in 2008 and now is on the downside. The other and perhaps more important factor is supply and demand. The supply of crude is what it is and although exploration continues, one cannot expect a bumper crop of crude. Demand, however, is the major wildcard, but is a double edged sword. On the one hand we have the emerging economies in need of energy while on the other we



have the biggest users (the developed economies) slowing use through these fundamentally slow economic times, along with conservation efforts and green technologies as well trying to make a difference. The contribution of these green efforts will be small for many years to come for various reasons which are not germane to our discussion. The bottom line is that the underlying new demand will expand, but it will be fighting the slowing of these developed economies' lessened demand. This argues for a trading range over the next several years. We now are on the down-

side of the 78-week cycle; but do not expect significantly lower prices. I would assume that the lows will be in the high \$60s per barrel and the highs in the mid \$90s. One could then argue the what ifs. What if the economy improved to such an extent that demand in the developing economies began to pick up significantly? Here is where we relook at the cycles. The 78-week cycle is now down and the 40-week cycle soon turns down as are the 3 and 15-week cycles. The bottom line is more of a trading range but very little to go on the downside.

**Crude Oil:** The intermediate cycles remain bearish and now the short cycles have turned down. As long as the US dollar does not drop significantly the trading range is intact. **Gasoline:** Prices at the pump will continue to drift higher until the inevitable lack of demand hits the price. We expect gas to hold steady through the next month.

**Heating Oil:** We are now bullish. **Natural Gas and Propane:** Natural gas and propane continue to be neutral.

**Alternative Energy:** It will take more than a jolt from a Volt to move these markets. No change. **Inflation:** Inflation is coming but no one knows just when. The Fed is playing with fire.

*Written 12/2/10*

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

**Cycle Projections**

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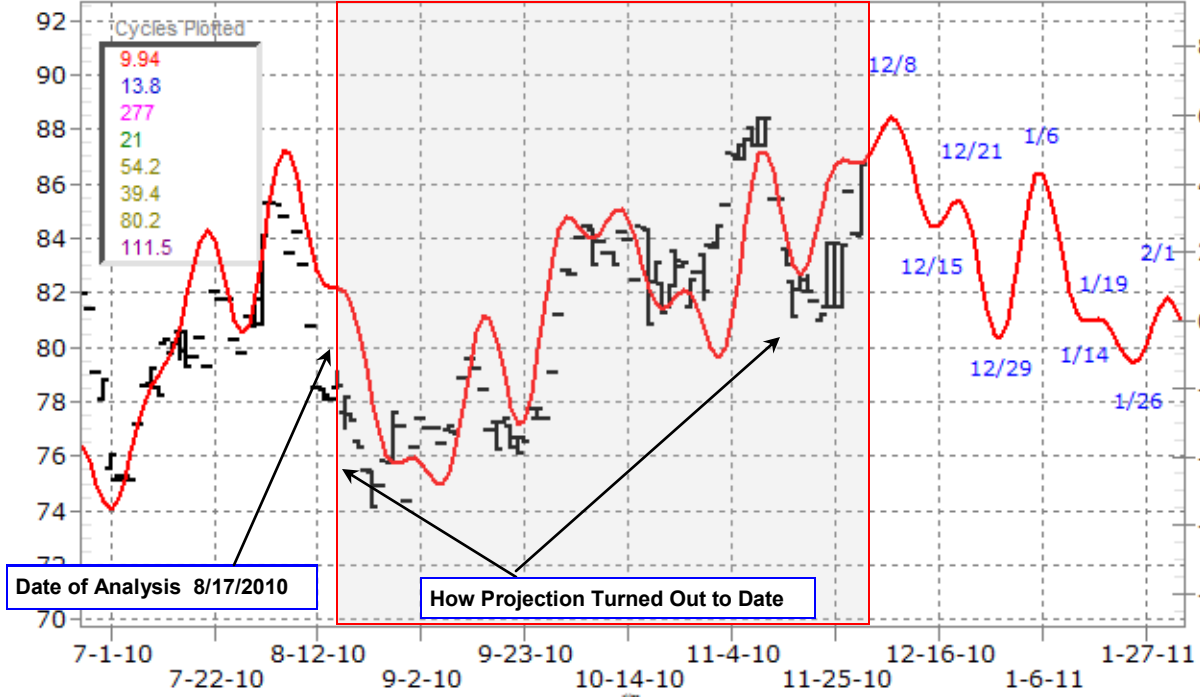
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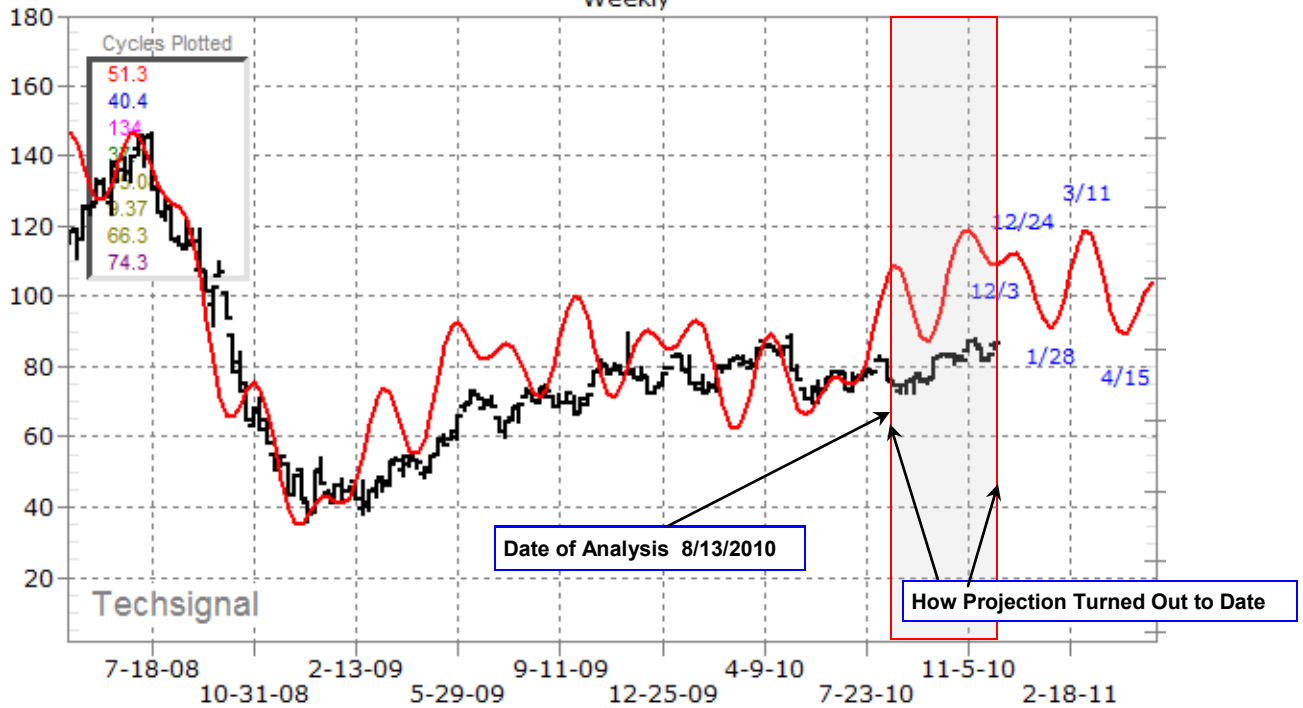
# Daily Crude Oil

Crude Oil NY (Pit) C CL  
Daily



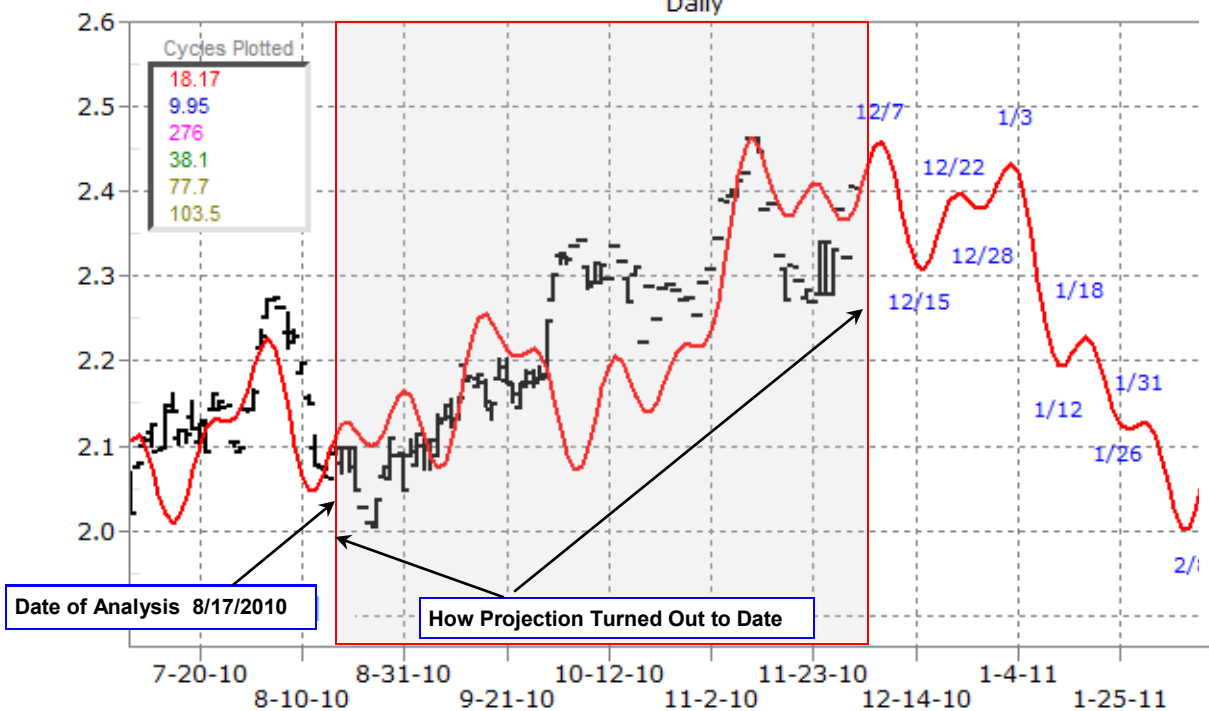
# Weekly Crude Oil

Crude Oil NY (Pit) C CL  
Weekly



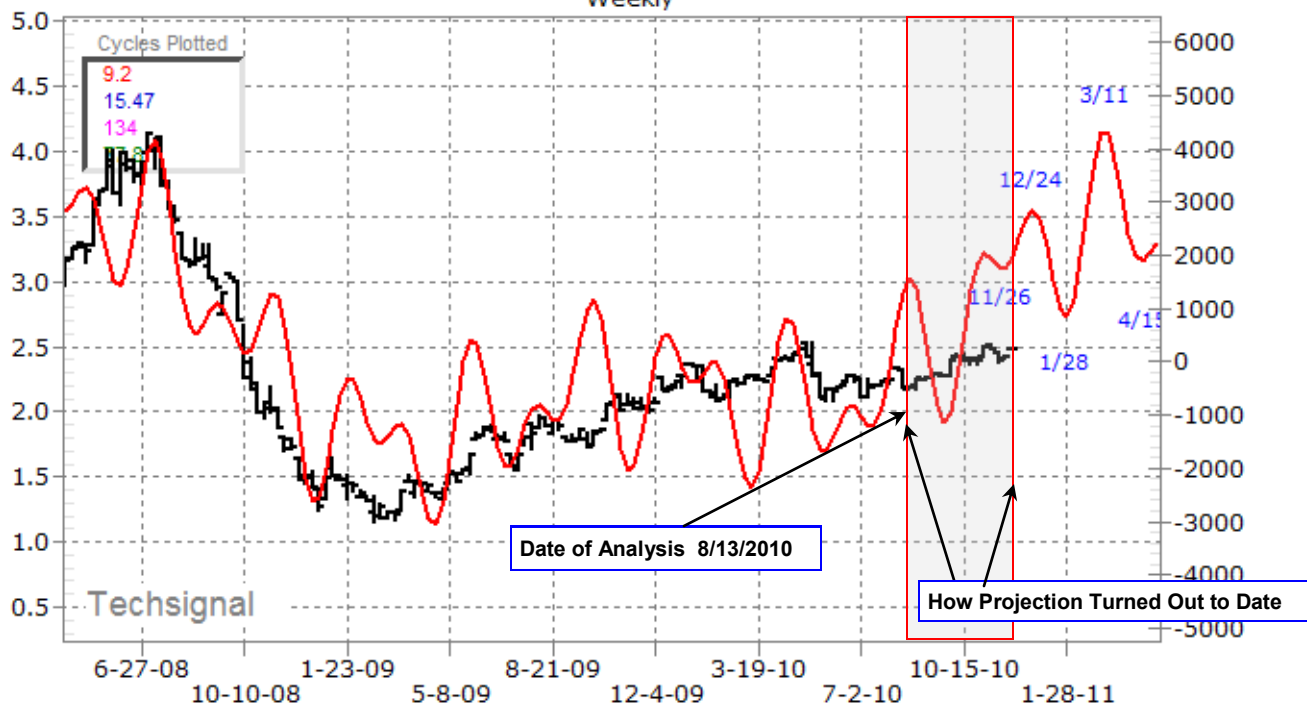
# Daily Heating Oil

Heating Oil NY (Pit) HO  
Daily



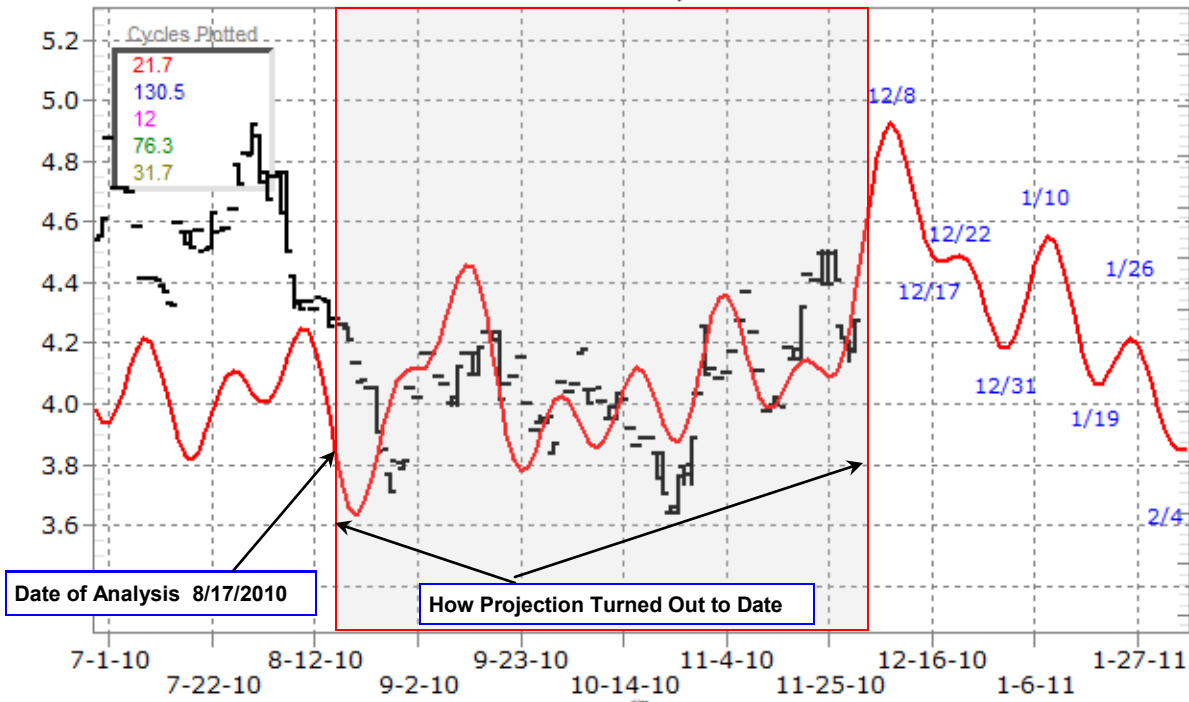
# Weekly Heating Oil

Heating Oil NY (Pit) HO  
Weekly



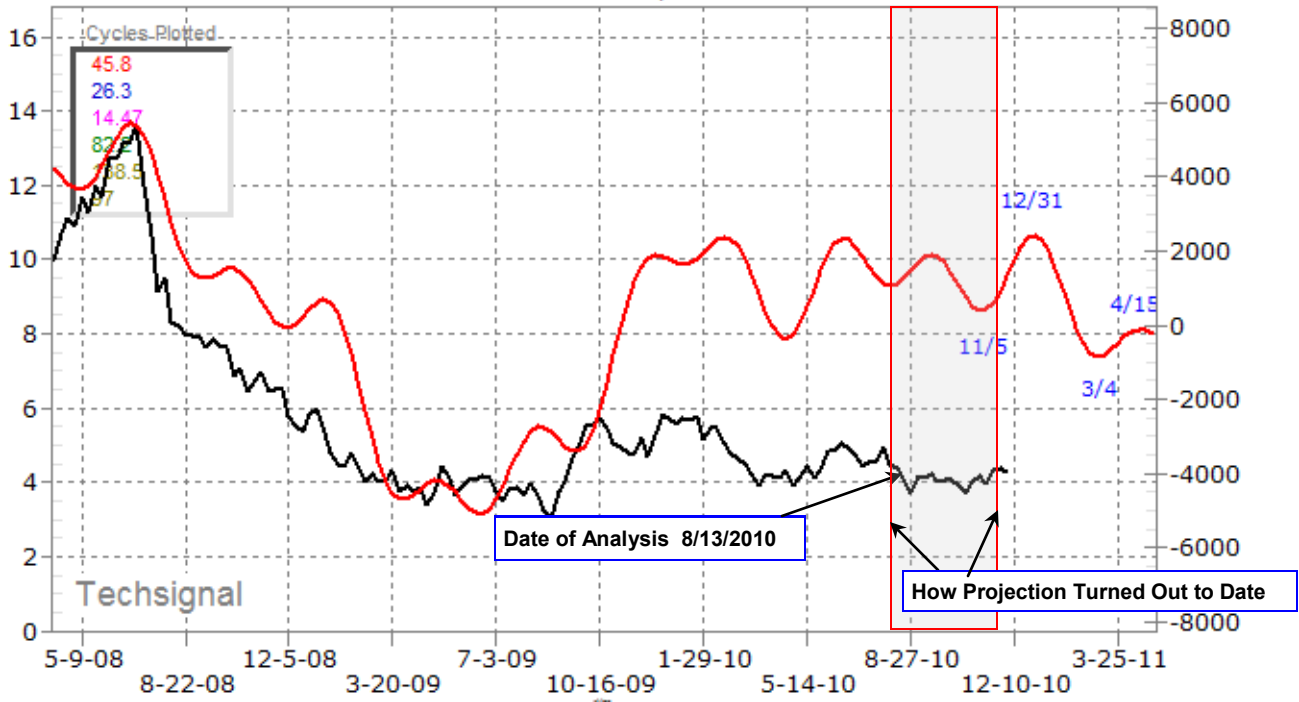
# Daily Natural Gas

Natural Gas NY (Pit) NG  
Daily



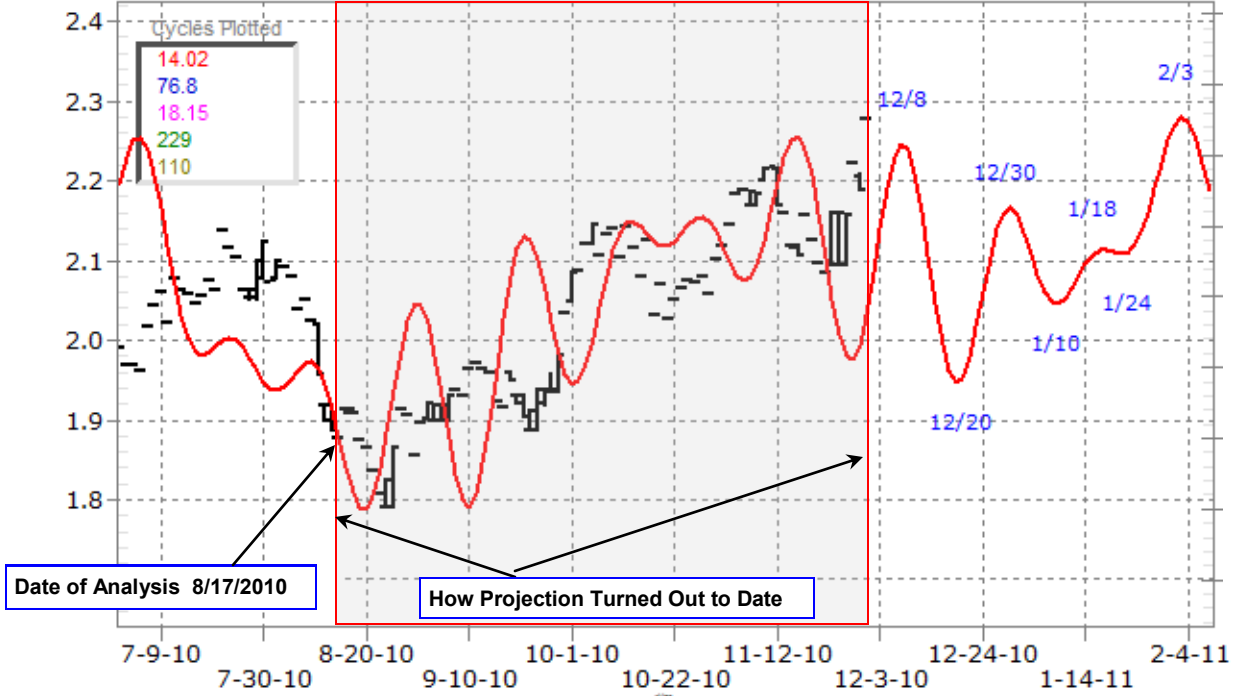
# Weekly Natural Gas

Natural Gas NY (Pit) NG  
Weekly



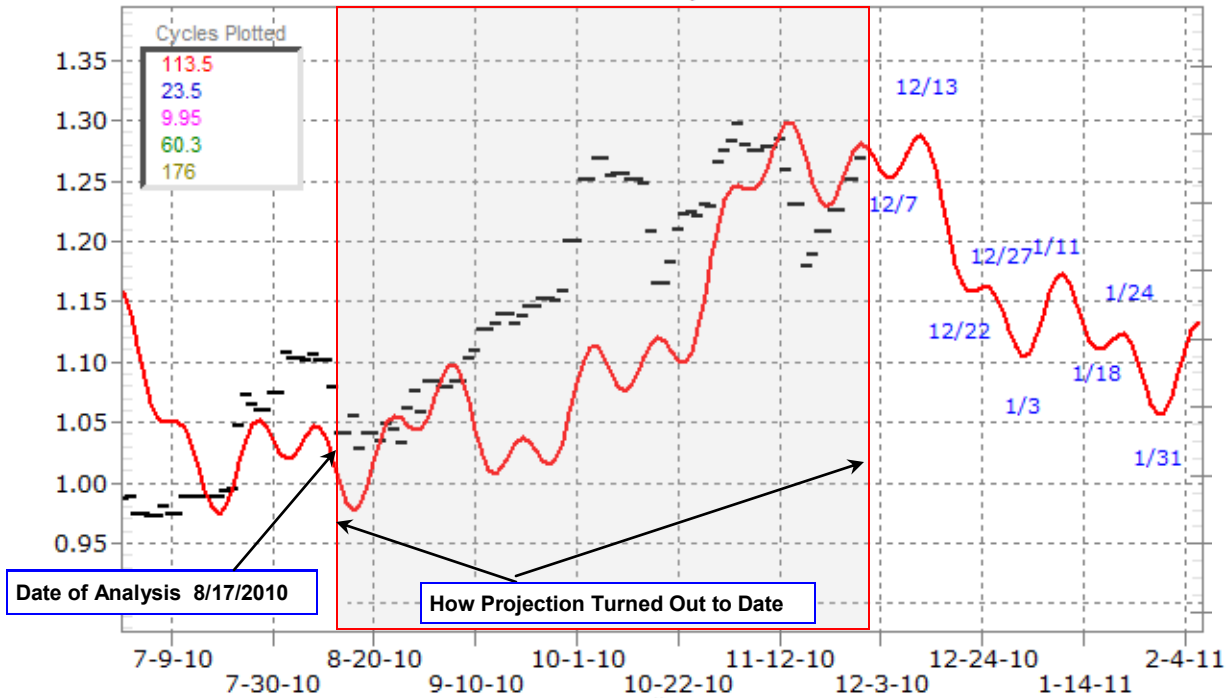
# Daily RBOB Gasoline

RBOB Gasoline (PIT)  
Daily



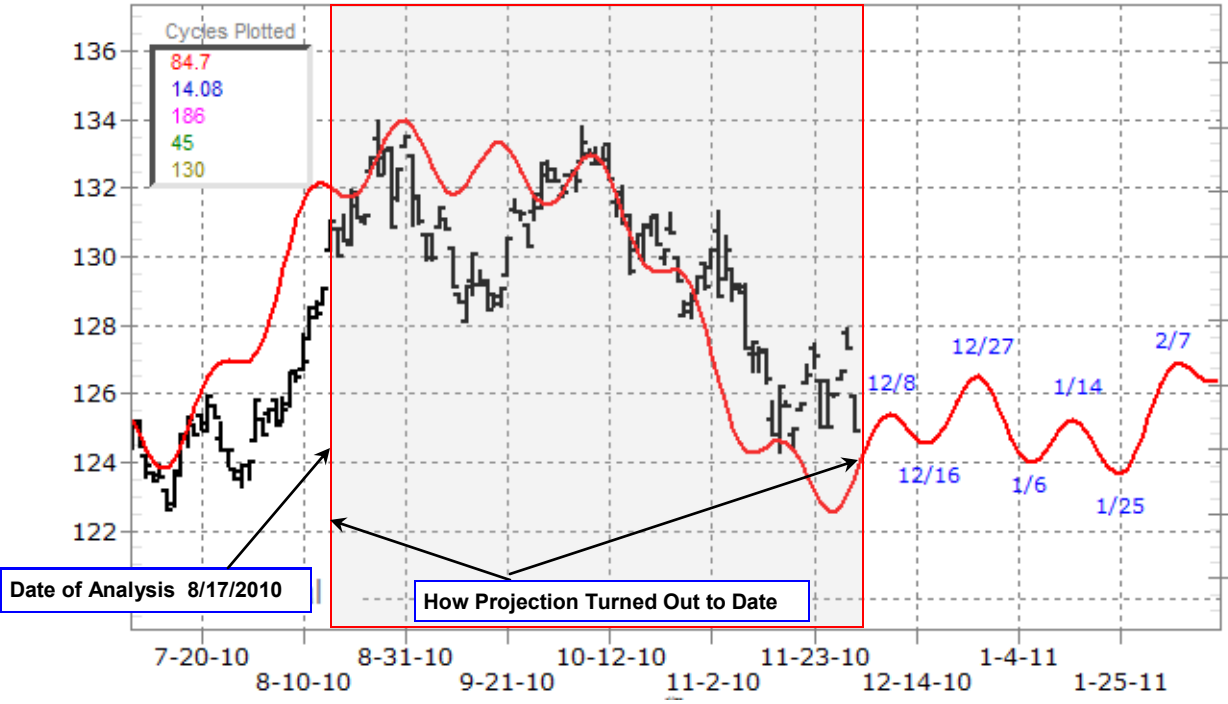
# Daily Propane Gas

Propane Gas NY (Pit) PN  
Daily



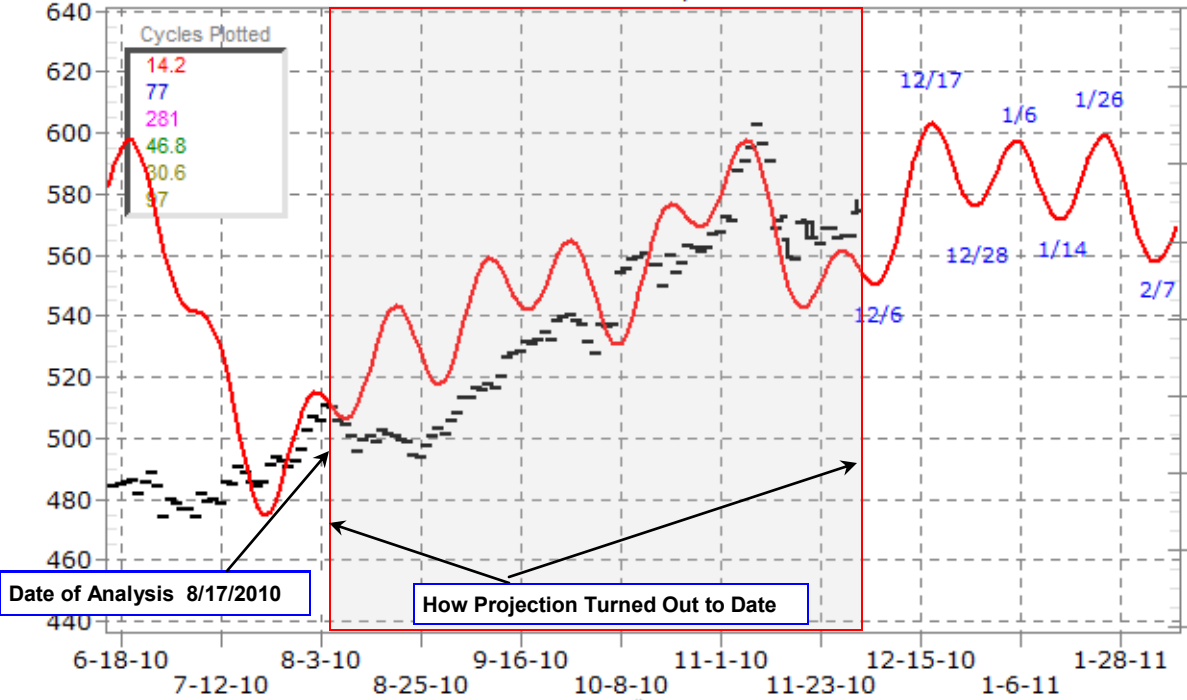
# Daily T-Bonds 30 yr

T-Bonds 30Yr CBT Pit TQ  
Daily



# Daily CRB Index

Crb Index Cadj Liq  
Daily



## **Notice to Subscribers**

**Starting with the previous issue, we have created a new analyses for individual market covered. Then in each following issue we have added a feature called “How It Came Out”, which shows how each projection turned out compared to the market itself for the most recent months. In the future when either 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 it is a new analysis. Our goal is to create a way of tracking how well the analysis used performs through time. We also now include 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.**