

Cycle Projections Energy

JUNE /JULY 2008

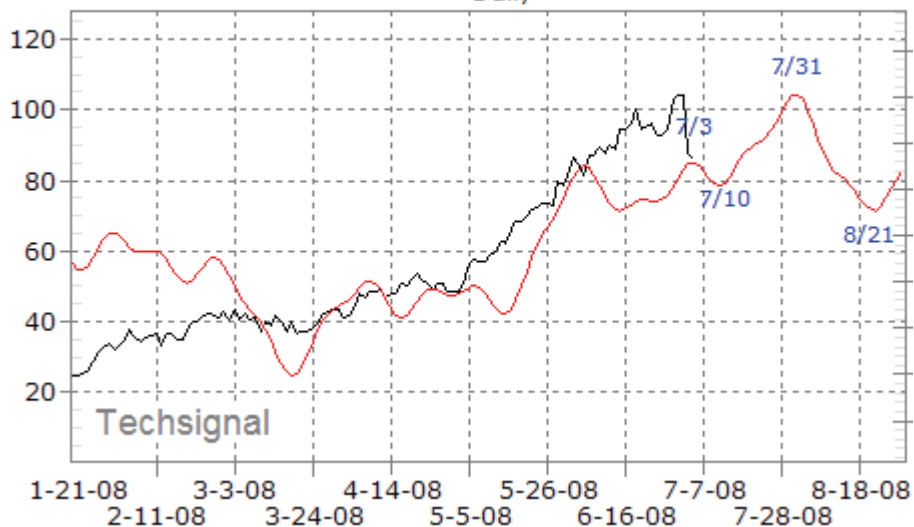
ENERGY AND INFLATION

Supply and Demand or Speculation?

The energy markets are under great pressure from increased demand and a stagnant supply but that is not the whole story. Also so much of the crude oil is in places which are either unfriendly to the United States or just in outright dangerous places. In Nigeria the rebels continue to cause havoc and I need not even mention Iran and Israel and all the threats. But aside from all of the obvious it is time to recognize that we are as well being held hostage by speculators. It is clear that supply and demand and threats will take oil only so far but the vicious swings in the crude oil market show the effects of the not so invisible hand of speculation. Unfortunately it makes it difficult on cycles because the cycles in crude are related more to the underlying fundamentals of the market than the antics of speculators.

Crude Oil: The dominant 15-week cycle has inverted yet again and instead of the expected correction we have rallied again. It makes it very difficult to project prices when the world of crude has been turned on its ear. We continue to look for a correction. **Gasoline:** We continue to look toward a correction in distillate prices but we

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will have to wait until crude is below \$130 a barrel to say when. The cycles point lower. **Heating Oil:** The major concern now is next winter. What will people pay for heating oil or better yet how? The cycles remain down. **Natural Gas and Propane:** The cycles remain down for Natural gas and propane but we will have to wait for the whole complex to settle down. **Coal** Coal has shot up as one can see from the chart of ANR on the cover. We had a significant correction but expect the coal market

to pick up later this year. **Alternative Energy** We are bearish on ethanol and bullish on solar power but we want to see the whole complex settle down. **Inflation:** Interest rates should continue to rise and bond prices should fall but we do not expect runaway yields despite the sky high commodity prices. The CRB index should begin to fall in the next several weeks but no collapse is expected. We will see inflation when we get a little more economic activity which could be by the beginning of next year.

Written 7/11/08

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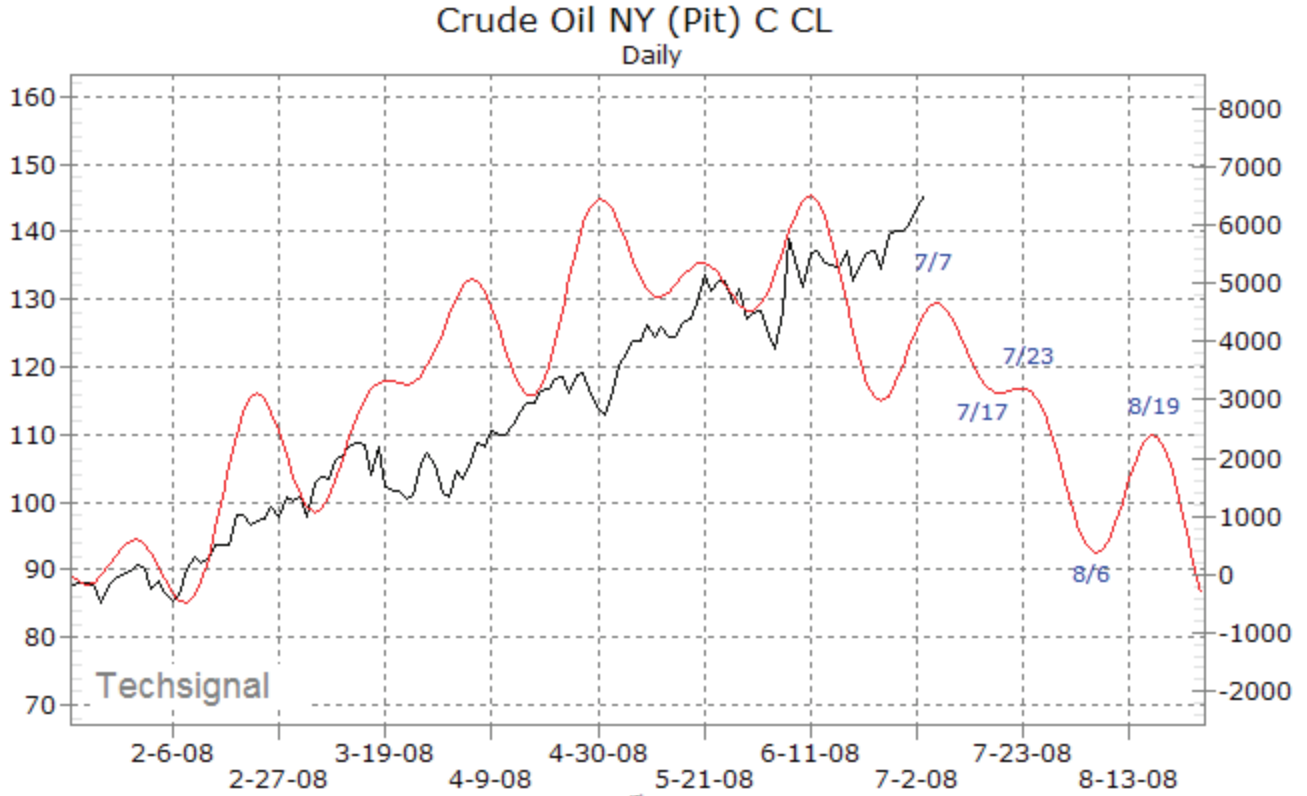
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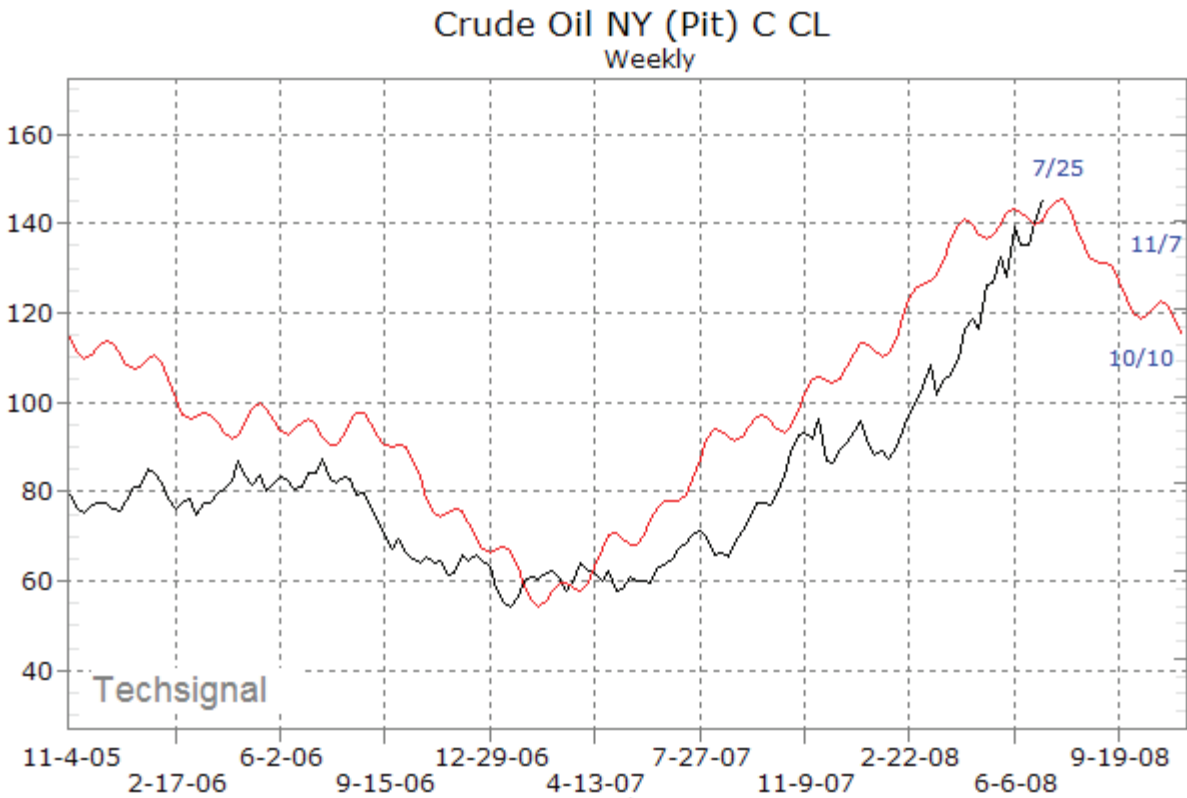
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Daily Crude Oil NEW

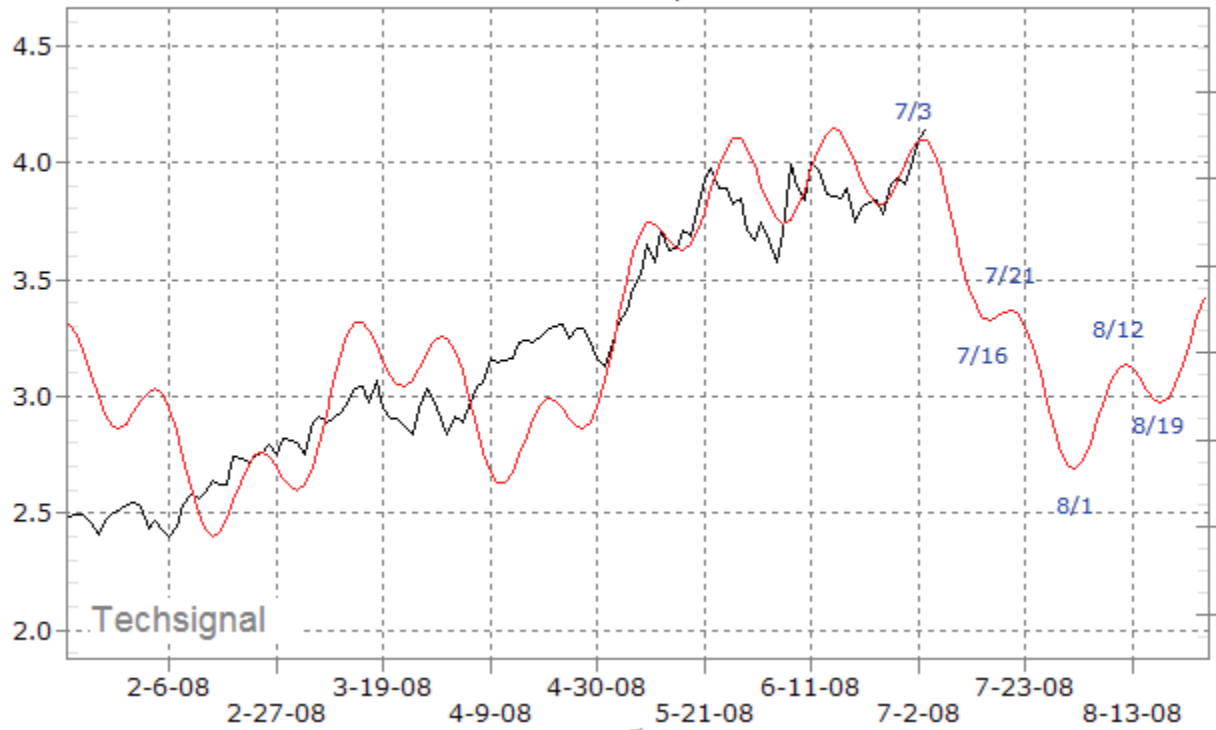


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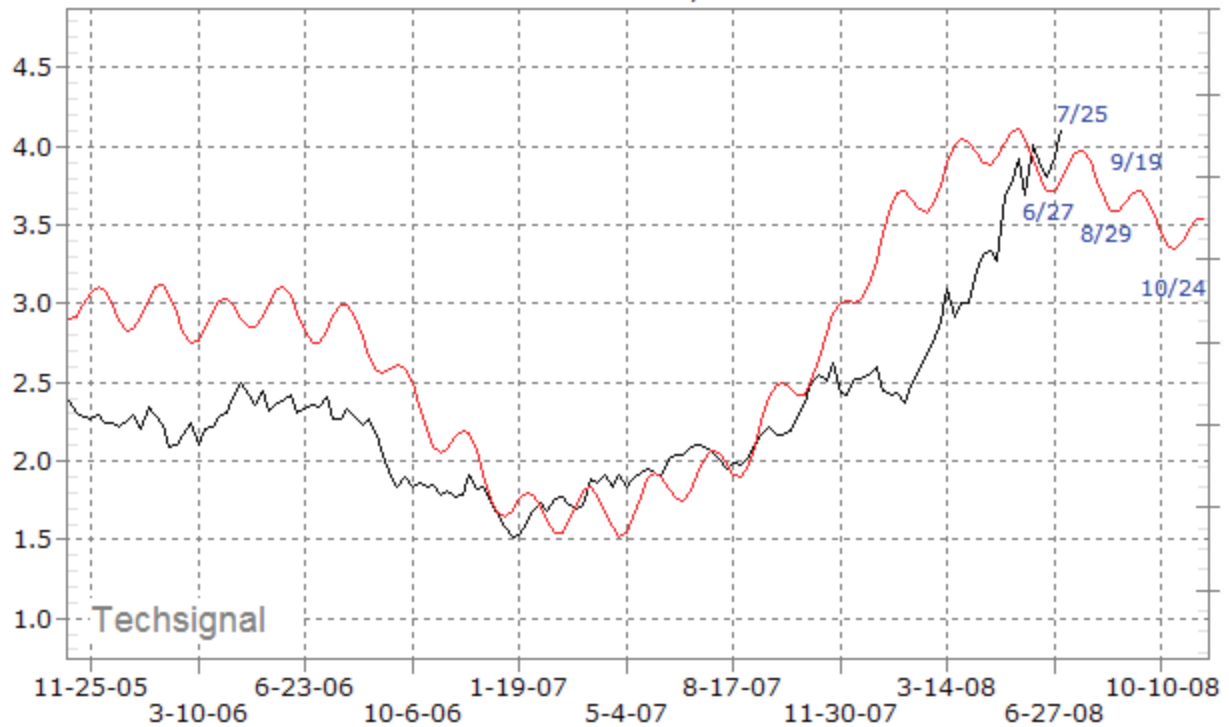
Daily Heating Oil NEW

Heating Oil NY (Pit) HO
Daily

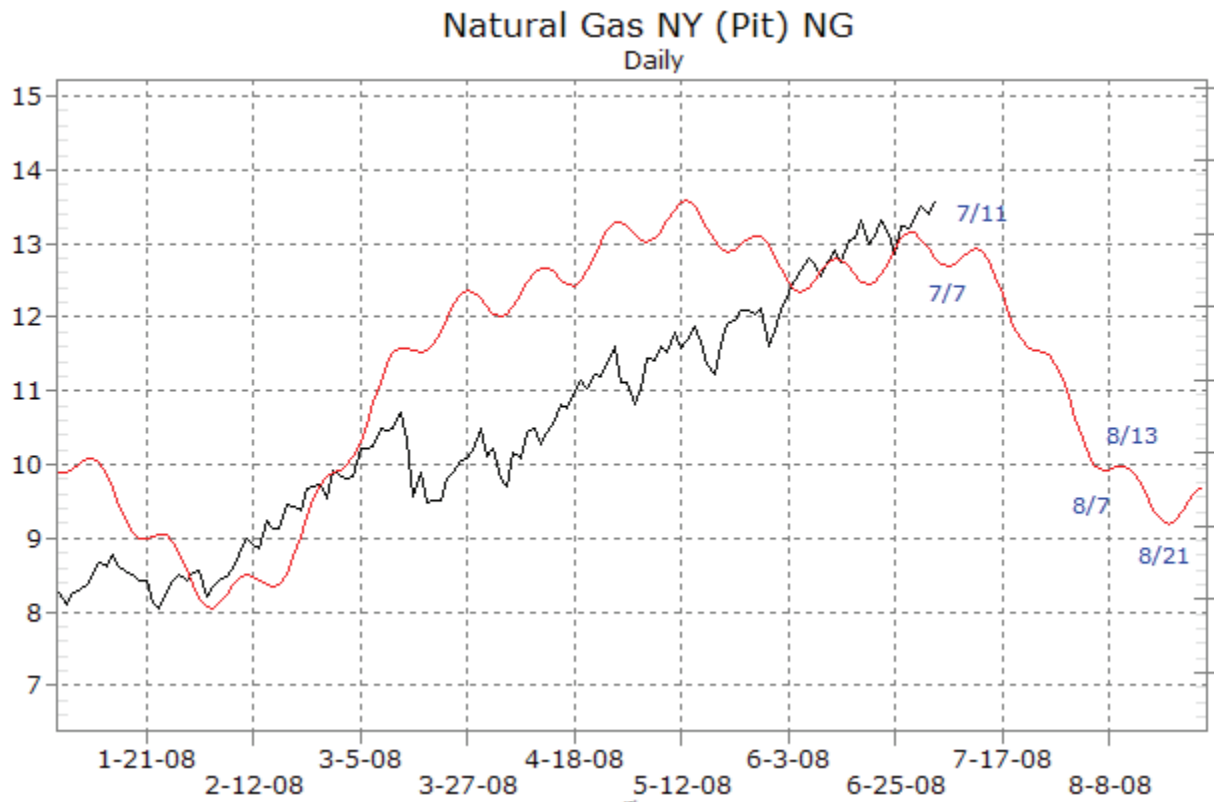


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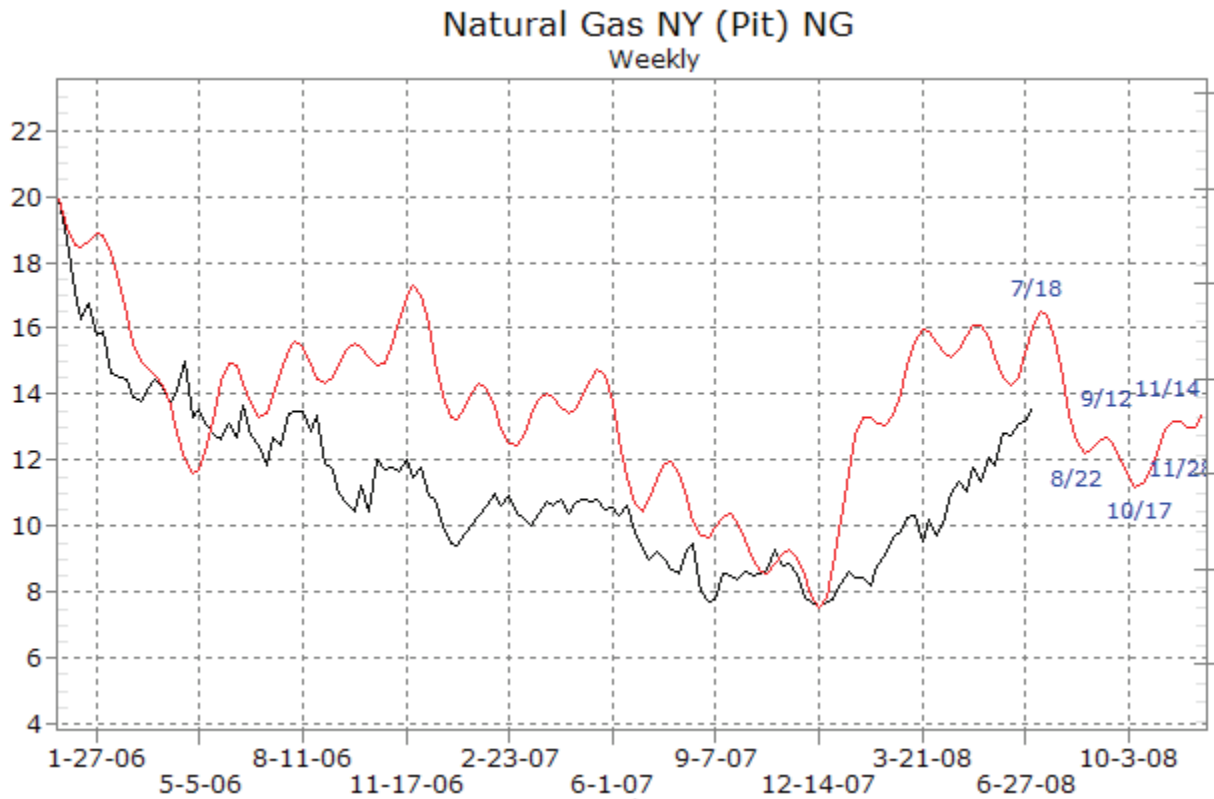
Heating Oil NY (Pit) HO
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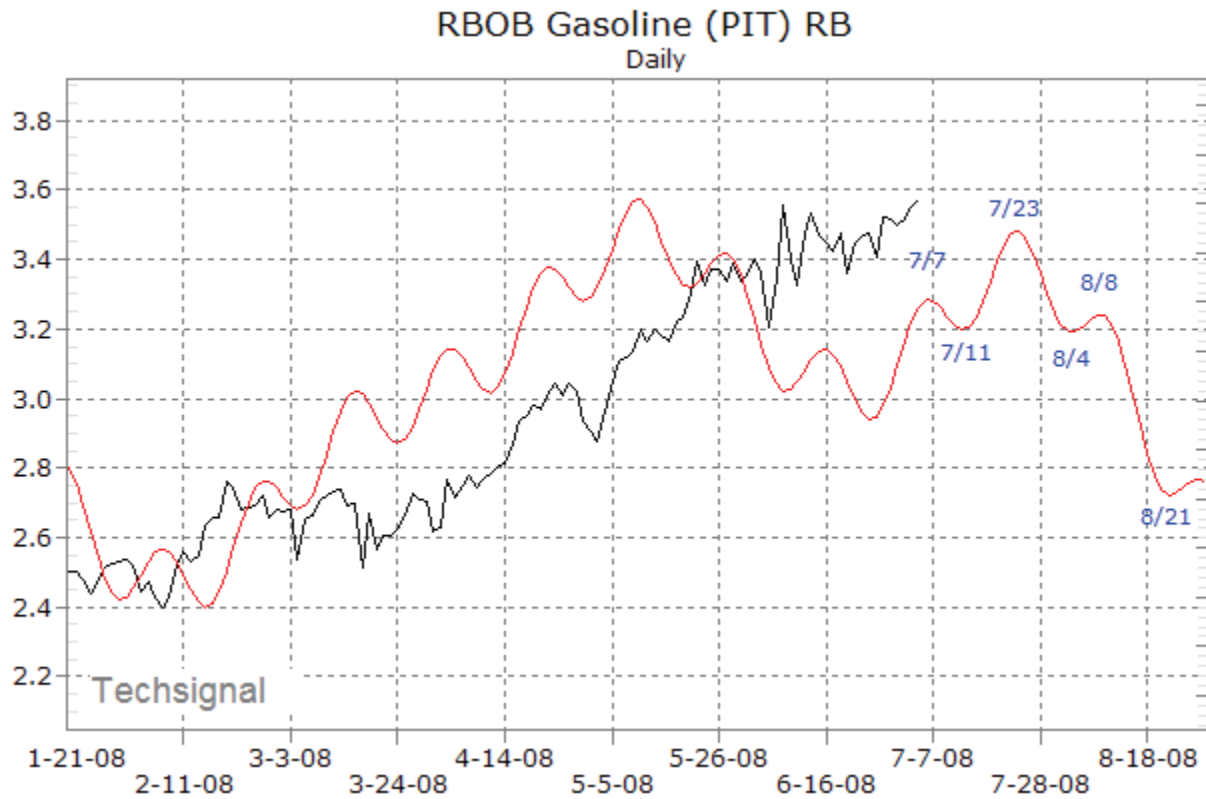
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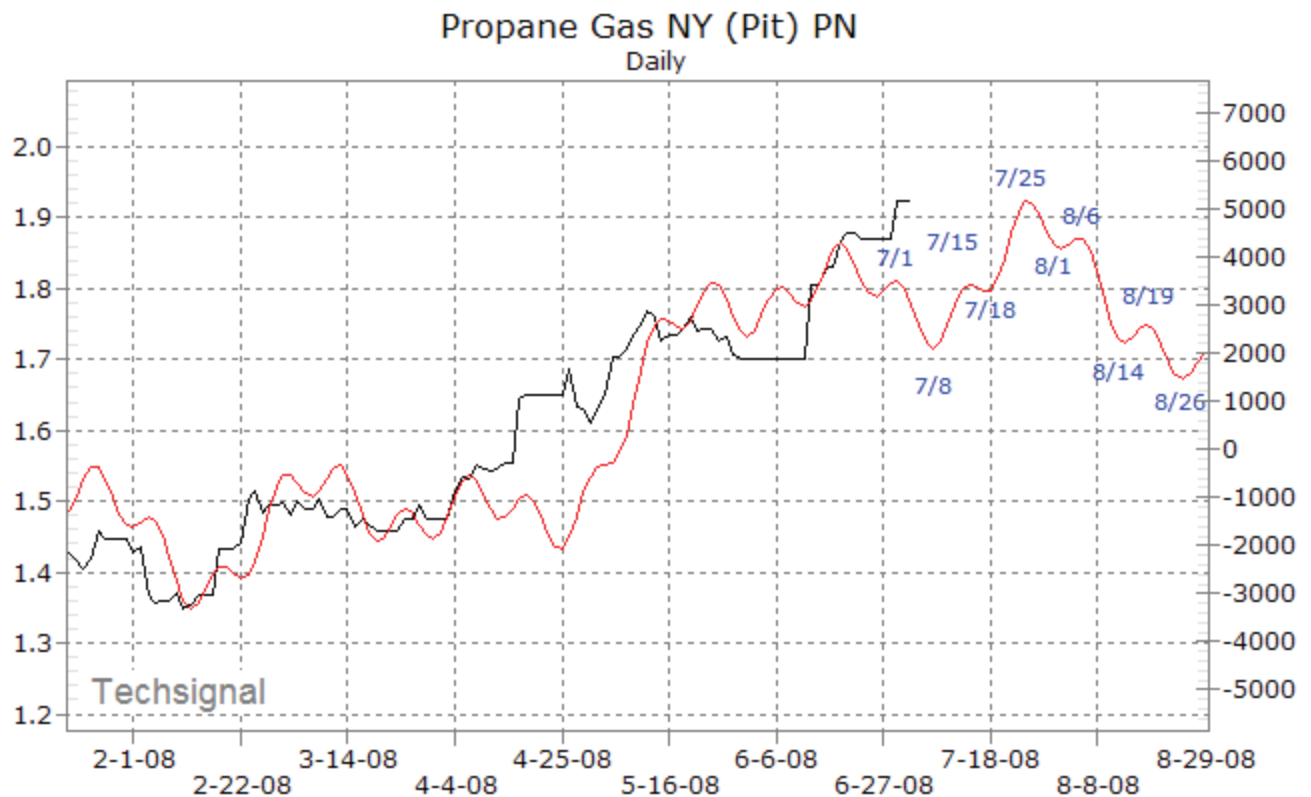
Weekly Natural Gas NEW



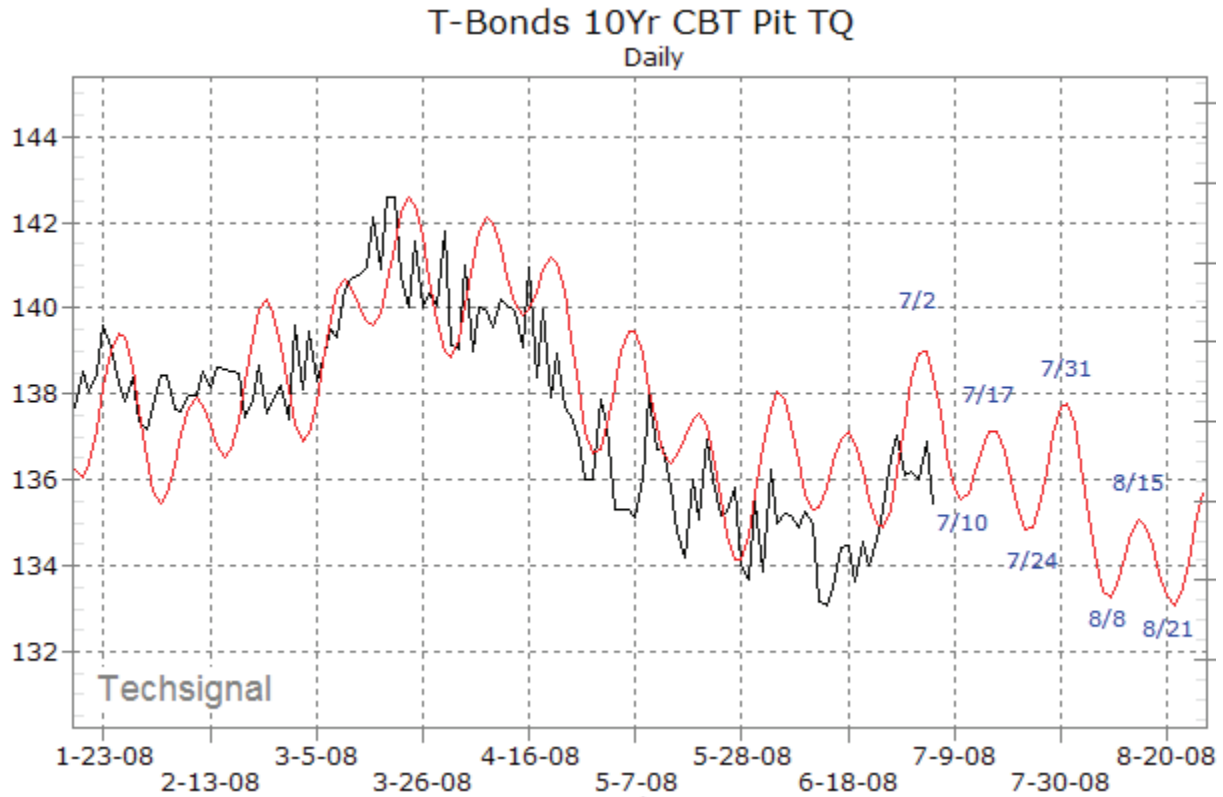
Daily RBOB Gasoline **NEW**



Daily Propane Gas **NEW**



Daily T-Bonds 10 yr NEW



Daily CRB Index NEW

