



*“...Let us run with patience the race that is set before us.” Hebrews 12:1*

by Eric S. Hadik

# The 17-Year Cycle & Energy III

## An INSIIDE Track Report

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**July 2008** - The following is a compilation of reprints from May 17 - July 12th, updating the short- and intermediate-term analysis in the Energy Complex since the publication of The **17-Year Cycle & Energy II**. The most important conclusion to take from this analysis is the growing focus on a specific time frame (mid-July 2008 cycles in Crude Oil) and price range (breakout objective in Unleaded Gas - at 3.5745 - 3.6520/RB), at which a new peak is likely... and one that could hold for a longer period of time.

*5/17/08 Weekly Re-Lay: “There are also intermediate & anniversary cycles in the other energy markets, even though these simply portend a 2-4 week top. Heating Oil has the geometric cycle described in the 17-Year Cycle & Energy II Report...”*

*Looking at the 60-degree variation of this cycle, Heating Oil set an intermediate high on September 21--25<sup>th</sup> (several retests of same level) and then again on November 23<sup>rd</sup> before consolidating and setting a low on January 22/23<sup>rd</sup>. It then surged and pulled back into another low - on March 25<sup>th</sup> - before advancing again.*

*60 days/degrees from the March 25<sup>th</sup> low and 120 degrees from the January 22/23<sup>rd</sup> low and 180 degrees from the November 21/23<sup>rd</sup> high and 240 degrees from the September 21--25<sup>th</sup> high... all point to the coming week as a much higher potential for an intermediate top.*

*There is also a 90-degree sequence, although its latest phase (Feb. 22<sup>nd</sup>) failed to create an important turning point...August 22, 2007 began the second stage of this 15-month surge (from Jan. 2007). 270 degrees from the August 22<sup>nd</sup> low and 180 degrees from the November 23<sup>rd</sup> high projects an important turning point around May 22/23<sup>rd</sup>.*

*Although these do not distinguish between a 2-4 week top or a 2-4 month top (since a larger-degree peak will usually begin at a smaller-degree cycle), they at least set the stage for an initial reversal lower.”*

Editor’s Note: May 22nd did pinpoint a top in all the Energy markets, a top that held for over 4 weeks in Heating Oil. July 22, 2008 is the next date in this 60-degree sequence and is in the midst of a 2-week period when a peak is very likely (based on multiple, geometric cycles). August 22, 2008 is the next date in this 90-degree sequence and could represent an initial low, 360 degrees from a similar low in 2007.

5/24/08 - **Weekly Re-Lay**: "Heating Oil has a 2-month/9-week/60-degree low-low-high Cycle Progression - connecting its January 23<sup>rd</sup> & March 25<sup>th</sup> lows - that projects an intermediate peak at this time. A 30-degree move - from its April 23--28<sup>th</sup> peaks (several days peaking at almost identical levels) - projects a 2-4 week top in this time frame.

On a little bit larger scale, other geometric cycles (in Heating Oil) focus on this time frame. 180 degrees from its late-November 2007 peak and 540 degrees (1.5 years) from its late-Nov. 2006 peak focus on late-May for a peak.

Similarly, a 9-month/270-degree move from its August 23, 2007 low comes into play at this time. This 9-month advance has broken down into a 4.5 month low-high-high Cycle Progression, focused on the current time frame.

There are also all the 60 and 90-degree cycles - in Heating Oil - that were described previously and which portend a top at this time.

Then, there are price/timing indicators to consider... like the weekly LHR/HLS indicator. Crude tested its weekly LHR on May 5--9<sup>th</sup>, which indicates an intermediate high should take hold in the ensuing 3 weeks (no later than May 30<sup>th</sup>).

Combined with the long-term cycles in Unleaded Gas & Natural Gas (cycle tops in **May 2008**), focus remains on the current period (the month of May and the weeks leading into May 30<sup>th</sup>) as the time for at least an intermediate peak. The first sign of a reversal lower would be a daily close below 125.08/CLQ.

From a breakout/price-projection perspective, Unleaded Gas is approaching an important price level. In July 2007, the **Weekly Re-Lay** repeatedly warned traders that Heating Oil & Unleaded Gas were completing a flat correction and poised to break out higher. As explained then, this was apt to lead to dramatically higher prices.

The first breakout objective of a pattern like this is very similar to the objective for a head-and-shoulders (or inverted head-and-shoulders) pattern. Simply put, the range of the flat correction (distance between the high and the low of that period of consolidation) is projected from the top of the range, once a breakout has occurred.

Unleaded Gas traded between 1.3351/RB (the January 2007 low) and 2.4550/RB (multiple tests of this level with April 2007 setting the breakout point) during this flat correction. This 1.1199 point trading range is then projected from the 2.4550 peak, rendering an initial upside breakout objective around **3.5745/RB**.

Unleaded Gas is nearing this major (1-2 year) target while also approaching the point at which its '3' wave advance - typically the largest and most dynamic advance within an overall wave structure - will equal 1.618 times the magnitude of its '1' wave advance. (The '2' wave was the flat correction, increasing the likelihood that the '3' wave will be at least 1.618 times the magnitude of the '1' wave).

This target comes into play around **3.6520/RB**. The fact that these are both 1-2 year price targets increases the significance of their being reached in less than a year from the breakout."

Editor's Note: This upside breakout objective (3.5745/RB) and Elliott Wave target (3.6520/RB) comprise a convergence of multiple targets and resistance points that should produce a 3-6 month top in Unleaded Gas. The July contract tested this range - and immediately reversed lower - and the front August contract has just done the same, peaking at 3.6310/RBQ on Friday.

5/31/08 **Weekly Re-Lay: Crude Oil, Unleaded Gas & Heating Oil** remain in the blow-off stage of their overall advance and set initial peaks on the ideal date for an important peak (based on Unleaded Gas cycles; see **17-Year Cycle & Energy I & II Reports** for details).

The May 22<sup>nd</sup> peaks also fulfilled a 2-month/9-week/60-degree low-low-high Cycle Progression - connecting its January 23<sup>rd</sup> & March 25<sup>th</sup> lows - in Heating Oil... and a 30-degree move from its April 23--28<sup>th</sup> peaks.

The latest peak also fulfilled some larger-degree, geometric cycles, including 180 degrees from its late-November 2007 peak, 540 degrees (1.5 years) from its late-Nov. 2006 peak & 270 degrees from its August 23, 2007 low (a 9-month

advance that was evenly divided into a 4.5 month low-high-high Cycle Progression).

This was corroborated by the weekly LHR pattern in Crude (that projected a high by May 30<sup>th</sup>) and long-term cycles in Unleaded Gas & Natural Gas (cycle tops in late-May/early-June 2008).

**But, all of the above deals with cycles and timing. Now, we need to see price action validate these cycles...**

It would take daily closes below 124.87/CLQ, 3.2190/RBQ & 3.6620/HOQ to turn the 2-4 week trend down and signal an intermediate top.

**Until this occurs, the Energy Complex remains in uptrends and could spur a surge up to the initial upside breakout objective - in Unleaded Gas - around 3.5745/RB.**

[Emphasis added]

6/11/08 Weekly Re-Lay Alert: Crude Oil, Unleaded Gas & Heating Oil are rallying but remain below their recent highs. Crude Oil is still poised to test its monthly resistance (139.85--140.77/CLQ) while Heating Oil is retesting its May peak and fulfilling an intermediate LLH and intra-month PLLR (around 4.0200/HOQ) at the same time... but has not yet turned its daily trend back to up.

Unleaded Gas is still capable of surging up to 3.5745--3.6520/RB in the August contract but has already tested this range in the July contract. All of the overall trends remain up until daily closes below 122.05/CLQ, 3.1475/RBQ & 3.7645/HOQ."

6/14/08 Weekly Re-Lay - Energy markets traded sideways after giving subtle signs of a 1-4 week high. A reversal lower has not yet, however, been triggered. ..Crude Oil, Unleaded Gas & Heating Oil consolidated in the past week, following the July contract's test of major upside objectives in Unleaded Gas (3.5745--3.6520/RB). Crude remained just below its monthly resistance while Heating Oil failed to turn its daily trend back to up.

So, there are some subtle hints of a develop-

ing 1-4 week peak BUT it will take daily closes below 122.05/CLQ, 3.1475/RBQ & 3.7645/HOQ to signal a reversal lower."

6/18/08 Weekly Re-Lay Alert: Crude Oil, Unleaded Gas & Heating Oil spiked to new highs - with Crude Oil testing its monthly resistance (139.85--140.77/CLQ) - to begin the week. Each market turned back down but will not show any signs of a 1-2 week reversal until daily closes below 131.33/CLQ, 3.2997/RBQ & 3.5649/HOQ.

Until this occurs, Unleaded Gas is still capable of surging to 3.5745--3.6520/RB in the August contract, reaching a major target it already tested in the July contract.

Natural Gas remains bullish and will not show any signs of reversing lower until a daily close below 12.680/NGQ.

6/21/08 Weekly Re-Lay: Crude Oil, Unleaded Gas & Heating Oil spiked to new highs - with Crude Oil testing its monthly resistance (139.85--140.77/CLQ) - to begin the past week. Each market turned back down but will not show any signs of a 1-2 week reversal until daily closes below 131.33/CLQ, 3.2997/RBQ & 3.5649/HOQ.

Until this occurs, Unleaded Gas is still capable of surging to 3.5745--3.6520/RB in the August contract, reaching a major target it already tested in the July contract.

Natural Gas remains bullish and will not show any signs of reversing lower until a daily close below 12.680/NGQ.

6/28/08 Weekly Re-Lay: Crude Oil & Unleaded Gas surged to new highs with Unleaded Gas testing its major, upside wave & breakout objective (3.5745--3.6520/RB) in the August contract. Neither market closed above its previous high so Monday's action needs to validate these new highs.

Heating Oil, meanwhile, rallied but remains below its May 22<sup>nd</sup> high. It has a 20-21 day low-high-high-high Cycle Progression coming into play on July 1/2<sup>nd</sup>, when a top is possible.

The Energy markets are nearing the 2-year

anniversary of their July 2006 highs and could set a similar, multi-month peak.

**Natural Gas** is consolidating but needs a daily close below 12.680/NGQ to turn the daily trend to down.

7/02/08 **Weekly Re-Lay Alert: Crude Oil, Unleaded Gas & Heating Oil** are rallying into the 2-year anniversary of their July 2006 peaks with Unleaded Gas again testing its major, upside wave & breakout objective at 3.5745--3.6520/RB. Crude Oil has its weekly raw SPR, HHR & PLLR at 145.56--146.39/CLQ and should find some resistance in this range.

It would take daily closes below 131.95/CLQ, 3.3464/RBQ & 3.7104/HOQ to signal that an intermediate top is taking hold. Until that occurs, all trends remain up.

**Natural Gas** is similar and will not signal a reversal lower until a daily close below 12.680/NGQ.

7/05/08 **Weekly Re-Lay:** Energy markets are entering a 1-2 week period with geometric cycle connections to turning points in July 2006 & 2007 and January 2007 & 2008...

**Crude Oil** continues to surge as it enters the 2-year anniversary of its July 2006 highs (a peak that ushered in a 14-month top that was not even retested until July 2007).

The period from mid- to late-July 2008 is actually 360 & 720 degrees from the July 2007 & 2006 highs AND is 180 & 540 degrees from the intervening January 2008 & 2007 lows.

Crude was expected to encounter some near-term resistance at 145.56--146.38/CLQ. This was just tested, but remains the case in the coming days.

**Unleaded Gas** is again testing - but not yet exceeding - its major, upside wave & breakout objective (3.5745--3.6520/RB). This continues to be a key level that could usher in a 3-6 month peak.

**Heating Oil** finally exceeded its May 22<sup>nd</sup> high as it enters the convergence of two separate

low-low-high Cycle Progressions (22-23 trading days and 11-12 trading days).

7/12/08 **Weekly Re-Lay:** Energy markets remain in a 1-2 week period with geometric cycle connections to turning points in July 2006 & 2007 and January 2007 & 2008. Intermediate tops are possible...

**Crude Oil** (as well as **Unleaded Gas & Heating Oil**), pulled back - giving two neutral signals to their respective daily uptrends - and then rallied back to their highs.

This leads into the 2-year anniversary of the July 2006 highs (a peak that ushered in a 14-month top in Crude Oil). The next two weeks represent 360 & 720 degrees from the July 2007 & July 2006 highs AND 180 & 540 degrees from the intervening January 2008 & 2007 lows.

**Unleaded Gas** is again testing its major, upside wave & breakout objective (3.5745--3.6520/RB). This continues to be a key level that could usher in a 3-6 month peak.

**Natural Gas** reversed its daily & intra-month trends to down and neutralized its weekly uptrend. This powerfully reinforces analysis for a 1-2 month correction into August 2008."

## Synopsis

1 year ago (360 degrees), the stage was being set for an unprecedented surge in the Energy markets. Heating Oil and Unleaded Gas topped on July 12, 2007 and entered a 40-day 'period of testing' (a correction into August 22, 2007) that would be the final pullback before a decisive breakout to the upside.

During the ensuing 40-day period (from July 12 - August 22, 2007), the **Weekly Re-Lay** prepared readers for what was likely to be a massive breakout to the upside. This also applied to Natural Gas (a market that is currently primed for a similar 40 day - or so - correction into August), as described in the following excerpt:

7/28/07 **Weekly Re-Lay** - "Unleaded Gas & Heating Oil unfolded in what appears to be a major 'flat' correction from late-2005 into January 2007. If this is the correct perception, it means

*that much higher levels are in store during the next 12--24 months...a much bigger storm could be brewing...*

***Natural Gas** did drop to new lows - fulfilling the daily trend pattern - and is giving signs that a low is taking hold...Natural Gas has the potential for this to be an important low..."*

[Note: According to *Elliott Wave Theory*, a 'flat' correction is one of the most bullish corrective patterns since the second decline - within this 'a-b-c' correction - is unable to break below the low of the first decline.

This alerts traders to the likelihood for a dynamic advance - often a '3rd' wave - which will outdo the advances of the two other impulse waves within the overall bull market. This is typically when the ensuing advance is at least 1.618 times the magnitude of the preceding advance... and sometimes 2 xs or even 2.618 times the magnitude of that preceding advance.]

The Energy Complex is now 360 degrees from the July 12, 2007 peak and is at the geometric anniversary of several other key turning points that have been described in recent (and past) publications.

The **Weekly Re-Lay** & **INSIIDE Track** will

keep subscribers abreast of the potential for a sharp correction... and an eventual surge into 2009 and beyond. This Report is not intended to add any new analysis, but instead to bring other readers up to speed on what has been published the past two months.

The remaining months of 5768 (leading into late-September) could still hold many surprises and could act as precursors to what is still to come... from 2009 into 2011.

It is best to leave readers with one other excerpt from almost 3 months ago. It applied then, applies now and will continue to apply to all similar analysis and markets:

*April 19, 2008 **Weekly Re-Lay**: "Keep in mind, however... The attaining of these upside objectives does NOT guarantee an immediate top. As described many times in late-2006 through mid-2007, the energy markets were projected to enter a new bull market in late-2007, at about the same time the momentous Jewish Year of 5768 began.*

*Crude broke out of consolidation - and validated this longer-term analysis - at the precise time this new period began (in September 2007). This initiated the expected advance." IT*

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