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**Energy & Interest Rates
Outlook**

June 28, 2003

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Natural Gas Futures July 2003 Contract

Previous Forecast July 2003 Contract From June 14, 2003

*In the event this market continues to move lower, the current downside support range is located at [**\$3.94 to \$4.69**]. The potential support at the lower portion of this range is far more meaningful than the top portion. The [**\$3.94**] potential support level is rated as high-to-very high probability of market reversal in the event the market makes it that low.*

*In the event this market continues to move higher, the current upside resistance range is confined to a narrow [**\$6.91 to \$7.26**]. This small price range is a very high probability reversal range. In the small probability event prices rise above this range, the potential exists for an explosive upward market move – much like that of February 21, 2003.*

*Look for bearish natural gas fundamentals to emerge in the event this market approaches [**\$6.91 to \$7.26**] - namely, higher than anticipated storage injections, and/or mild summer temperatures.*

Recall that forecasted **support** and **resistance** levels are not predictions the market will move to these levels. Rather, in the event the market does move to these forecasted levels, a potential market reversal is forecasted at the stated level of probability. Prices only apply to the current contract front-month.

Natural Gas August 2003 Front-month Contract Looking Back at June 21, 2003



Natural Gas
August 2003 Front-month Contract
Current Look - June 28, 2003



Forecast Accuracy

“Look for ... higher than anticipated storage injections ...”

MARKET WATCH

Reported record injection pushes down natural gas price

Sam Fletcher
Senior Writer

HOUSTON, June 27 -- The futures price for natural gas plunged Thursday after the US Energy Information Administration reported a record injection of 127 bcf of gas into underground storage during the week ended June 20.

"Some analysts feel the sell-down broke the back of the bull market," the Enerfax Daily reported Friday. It reemphasized that, "with current high pricing and moderate temperatures, there is plenty of natural gas to buy," thereby "easing concerns about availability for next winter," said Enerfax analysts.

“Look for ... mild summer temperatures.”

Reuters

NYMEX Hub gas ends lower with soft cash, weather

Friday June 27, 3:28 pm ET

NEW YORK, June 27 (Reuters) - NYMEX Henry Hub gas futures ended lower on Friday, pressured by follow through technical selling after yesterday's 8 percent slide and a soft cash ahead of milder weekend weather forecasts, trade sources said.

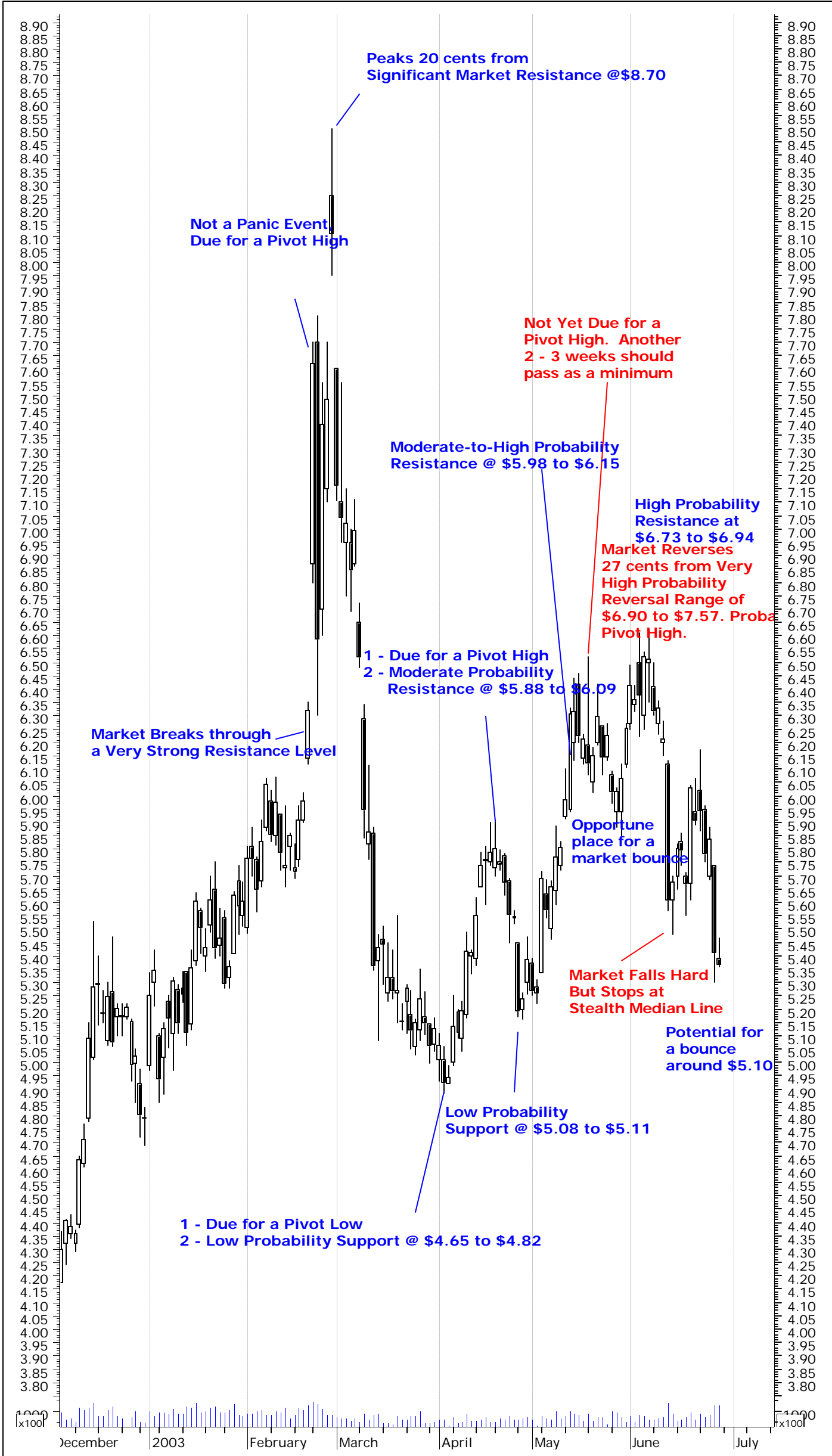
"Cash looked atrocious, most of the day it was 20 cents under the (NYMEX) screen, and we're going into a milder, (Independence Day) holiday week, which is one of the lowest demand weeks of the year," said one Texas-based trader, adding he expected August to break below \$5 soon, particularly if storage injections stay on a record pace.

Current Outlook

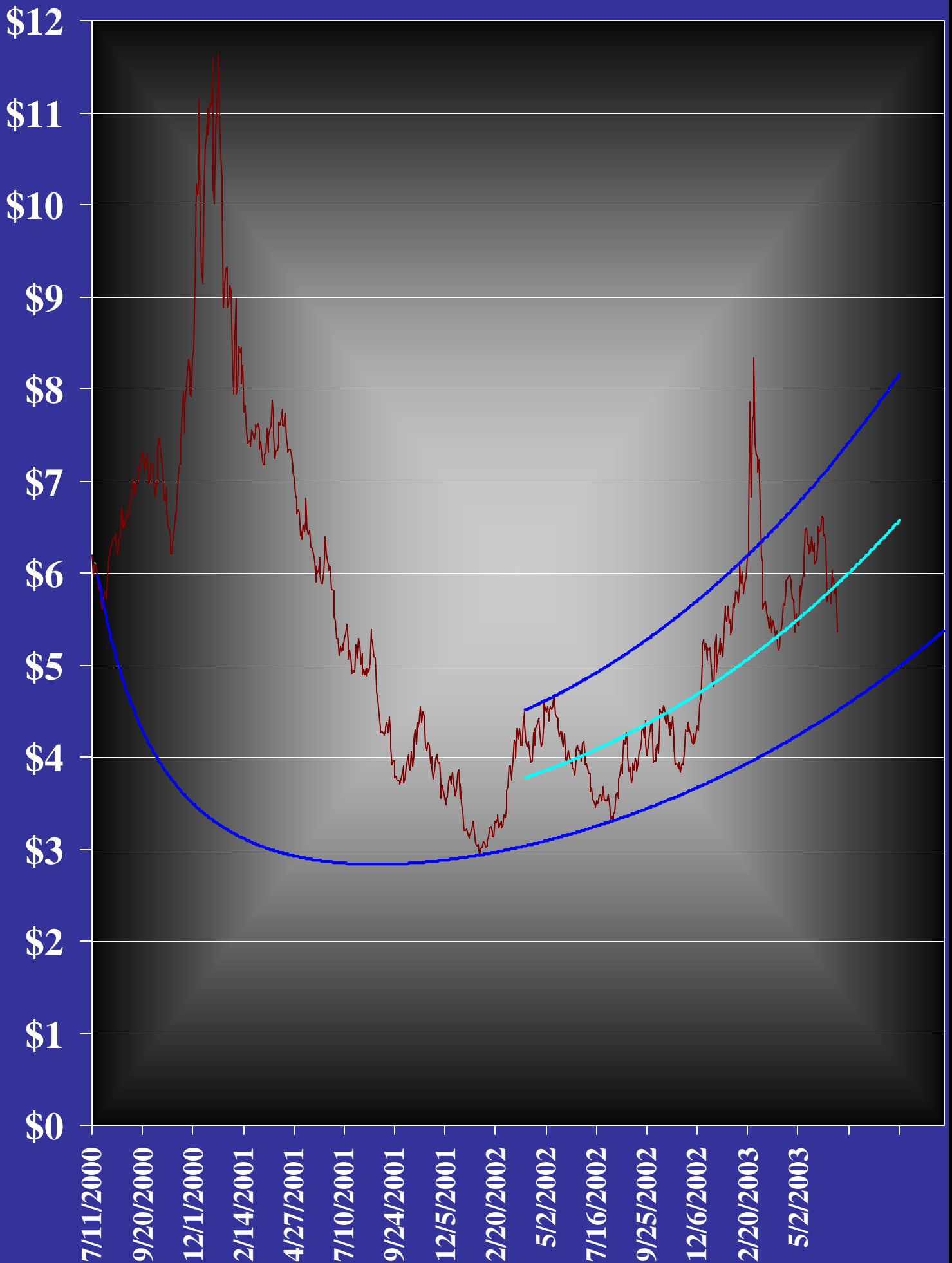
August 2003 Contract

There are several points to note this week. First, June 6, 2003 proved to be a Pivot High as indicated on the chart above. Second, the market experienced nice weakness as market shorts gained approximately **+\$9,000** in value per contract. Third, there remains high probability resistance just above the June 6, 2003 Pivot High in the narrow [**\$6.73** to **\$6.94**] range. Fourth, there is now a low-to-moderate probability support level at [**\$5.10**], just **26 cents** from Friday's close. Last, and most important, the market finally broke through its **Stealth Median Line** to the downside with conviction. If the market remains below this **Stealth Median Line** for the next two weeks, I would consider the lower portion of the identified **Stealth Channel** to represent the future path of this market.

Recall that forecasted **support** and **resistance** levels are not predictions the market will move to these levels. Rather, in the event the market does move to these forecasted levels, a potential market reversal is forecasted at the stated level of probability. Prices only apply to the current contract front-month.



Natural Gas Futures w/ "Stealth" Channel (August 2003 Front-Month)



Disclaimer: The above chart is in no way displayed to portray trading, investing and/or hedging advice. Consult your advisor or broker prior to making any financial decisions. Past performance is not a guide to future performance.

Crude Oil Futures

Previous Forecast
August 2003 Contract
From June 14, 2003
August 2003 Contract

There are currently eight (8) different near-term market resistance levels impeding upward movement and a single low probability support level. This indicates a high probability that the market will reverse anywhere in the narrow [\$31.41 to \$32.84] range. As stated last week, the market has already bounced off the exact lower portion of this range [\$32.50] from a July 2003 contract perspective. Continuing from last week, the market can easily bounce above its recent high in the near term, yet I do not think it will surpass [\$32.84] before setting a Pivot High. The tentative pivot high and pivot low connectors are of little significance. They simply indicate at least one-half the requirement is met to establish such a pivot.

Looking at the downside, [\$23.11] is of minute significance so it will be ignored. The high probability market support range is located at [\$19.97 to \$21.49].

The bottom line - There is very little upside potential with huge downside risk. Look for bearish crude oil fundamentals to surface – especially in the event the market moves to [\$31.41 to \$32.84].

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Crude Oil August 2003 Front-month Contract Looking Back at June 21, 2003



Crude Oil
August 2003 Front-month Contract
Current Look - June 28, 2003



Forecast Accuracy

“Look for bearish crude oil fundamentals to surface.”

Iraq Expects Big Increase in Oil Output

Thu Jun 26, 4:22 PM ET

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By SELINA WILLIAMS, Dow Jones Newswires

BAGHDAD - Iraq ([news](#) - [web sites](#))'s oil exports in July are expected to exceed 1 million barrels a day despite increasing sabotage to the country's oil infrastructure, the senior U.S. government oil adviser in Iraq told Dow Jones Newswires Thursday.

Current Outlook
August 2003 Contract

Not much has transpired over the past week. There is basically no change in the prior forecast except to recognize that [\$27.11**] offers some form of low probability market support. Continue to look for bearish crude oil fundamentals to surface – especially in the event the market moves to [**\$31.41 to \$32.84**].**

30-Year Treasury Rates (TYX)
- Daily Chart -
Looking Back at June 21, 2003



30-Year Treasury Rates
- Daily Chart -
Current Look -June 21, 2003

Previous Forecast
From June 21, 2003

Look for Greenspan's comments and actions this coming week to have little-to-no bearish long-term rate connotations – at least where the market does not move below [3.973%].

Forecast Accuracy

“... bond prices fell on the news that the Fed had opted for a smaller [rate] cut.”

Top Business News

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Wednesday June 25, 10:12 PM

U.S. interest rates cut to 1958 low

By Glenn Somerville

WASHINGTON (Reuters) - The Federal Reserve has trimmed U.S. interest rates a quarter percentage point to 45-year lows, citing recent hopeful economic signs as it offered a weaker economic tonic than markets had hoped.

Repeating its concern about risks of a further fall in inflation, the policy-making Federal Open Market Committee voted 11-1 on Wednesday to lower its bellwether federal funds rate for overnight loans between banks to 1 percent.

One policy-maker -- San Francisco Fed bank President Robert Parry -- dissented in favour of a heftier half percentage point cut. Wall Street analysts were split ahead of the decision on the likely size of the expected reduction, and bond prices fell on the news that the Fed had opted for a smaller cut.

There was no long-term rate bearishness since the Fed rate cut on Wednesday. Additionally, Short Bond futures positions gained approximately **+\$4,000 per contract** since the rate cut. Those futures traders likely closed their profitable positions in anticipation of a near-term market bounce.

TYX Market 15-Minute Chart



Quote.com

Current Forecast June 28, 2003

The Interest Rate market (TYX) is very close [**approx. 4.677%**] to some type of market downturn. However, the 1 to 2 month outlook remains that of generally increasing rates from the recent low or a second low which again tests the [**3.973% to 4.100%**] range.

- Brian