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Energy Markets Outlook

June 7, 2003

Brian K. Lee

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Natural Gas Futures July 2003 Contract

Previous Forecast(s) July 2003 Contract From May 26, 2003

There are two (2) near-term support and resistance levels (one of each); however, these are of little significance. Fortunately, cycle analysis does offer some indication as to likely market direction. The market set a near-term intra-day high just last week on a continuous reverse-adjusted basis. As a pivot high is not currently due, cycles point to continued higher prices with a pivot high not being established until after approximately 2-3 weeks have elapsed as a minimum. The actual timeframe could be much longer. In the unlikely event last week's high proves to be a pivot high, the market will likely establish a lengthy trend.

From May 27, 2003

*FWIW - The market lost its low probability upside resistance today but added another layer of support extremely close to the low probability support level identified this weekend. **If the market is to turn higher, this would be an opportune place to do it.***



Forecast Accuracy

Correct - "... cycles point to continued higher prices."

Correct - "If the market is to turn higher, this would be an opportune place..."

Prices did exceed the previously established recent high price and established a new intra-day high price of \$6.63 last Friday. Since the prior high price was too early in the market cycles to be assumed a pivot high, a new high was expected within thirteen (13) trading days of the

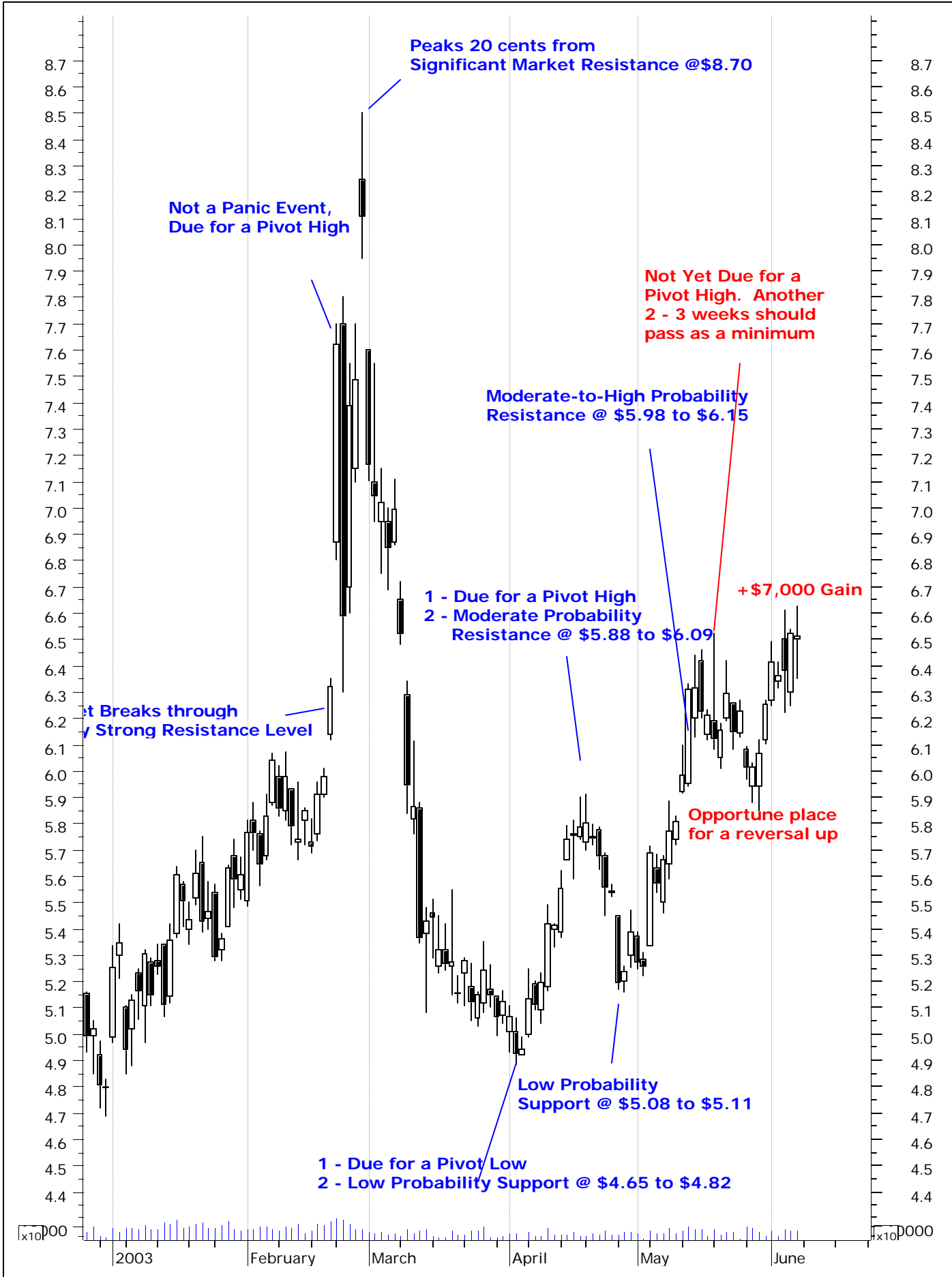
previous high – and that is what transpired. This market has gained over **+\$7,000 per contract** in under two (2) weeks.

Current Outlook July 2003 Contract

Cycle analysis is of little value at this juncture, however price resistance levels are making this market relatively easy to forecast. As far as cycle analysis goes, a pivot high could occur anywhere between this past Friday and the next eighty (80) trading days (September month-end). A pivot high will occur before the next pivot low.

The chart provided below shows the large number of resistance levels that have formed of late. Given the sheer number, grouping and individual significance of these market levels, I would not be surprised to see a market reversal at any of the levels depicted. However, in the event the market rises to the upper portion of the nearby resistance levels [**\$7.28 to \$7.57**], the market will likely reverse downward with a **high level of probability** – for a period of at least two (2) months. Widening the range to encompass the entire grouping of nearby resistance levels [**\$6.90 to \$7.57**] would have to be considered a **very high probability** market reversal area.





Crude Oil Futures

Current Outlook July 2003 Contract

This market has experienced two (2) consecutive pivot lows after the last pivot high - indicating a pivot high will occur next. In addition, pricing analysis indicates a nicely packed set of market resistance levels in the relatively small range of [\$32.50 to \$33.92]. Any of these resistance levels, taken individually, would possess only a small probability of market reversal potential. However, given their number, close proximity and cycle analysis, I would label this range as a high probability market reversal area. The duration of any such potential market downturn is indeterminate at this time. Fuel Oil and Unleaded Gas Futures share somewhat similar near term resistance levels (see below).

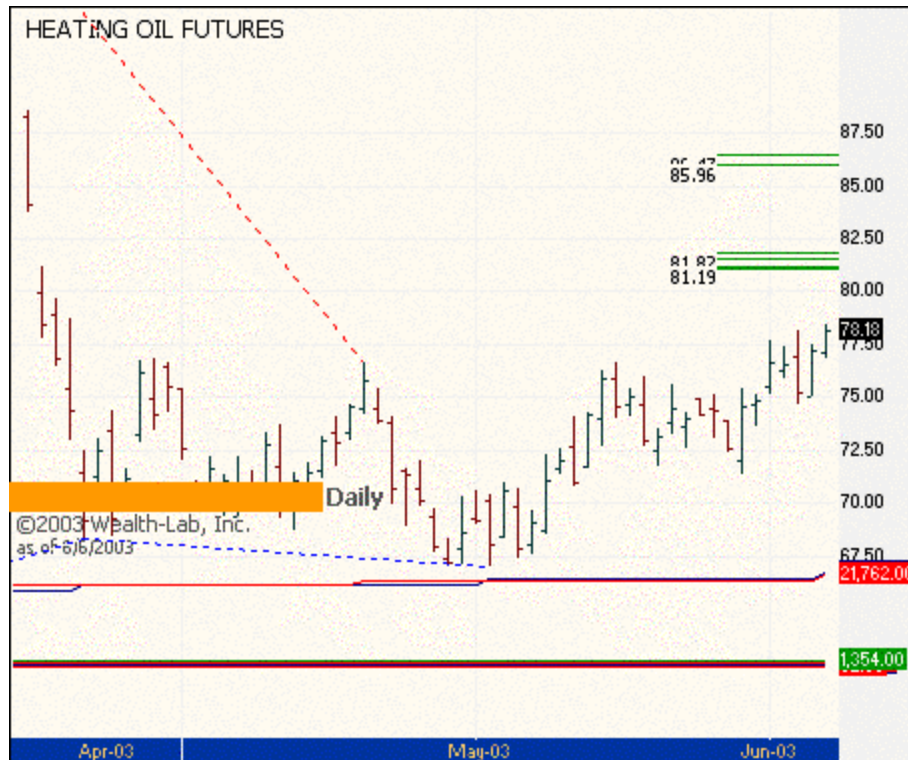
Crude Oil July 2003 Contract





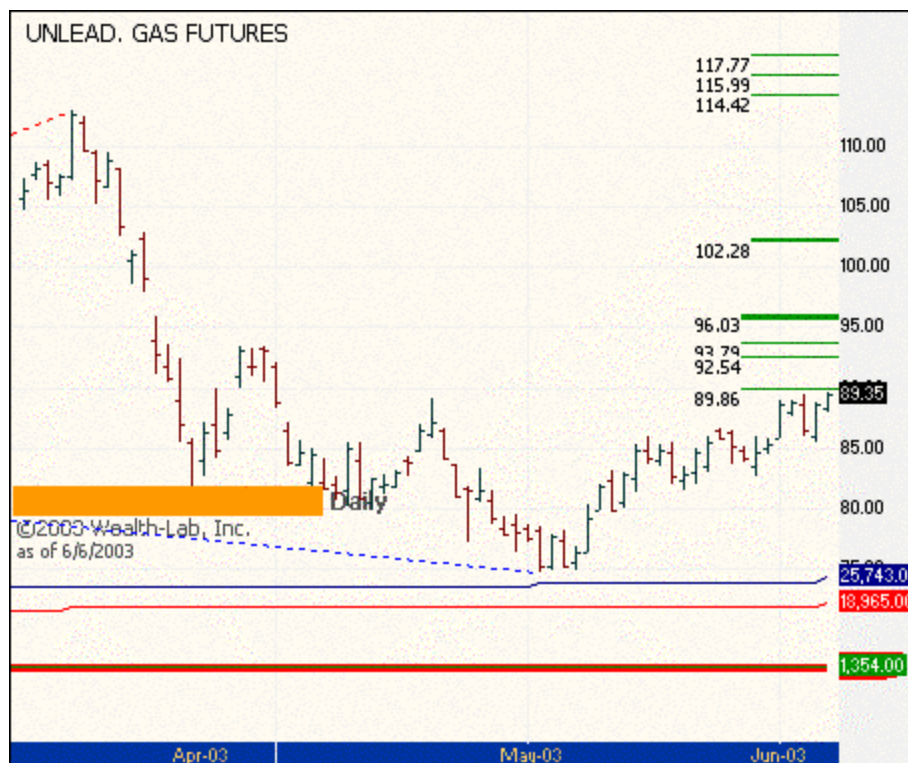
Fuel Oil Futures

Current Outlook



Unleaded Gas Futures

Current Outlook



- Brian