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Energy Markets Outlook

June 14, 2003

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Natural Gas Futures July 2003 Contract

Previous Forecast July 2003 Contract From June 7, 2003

“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.”

Natural Gas July 2003 Front-month Contract Looking Back at June 7, 2003



Natural Gas
July 2003 Front-month Contract
Current Look - June 14, 2003



Forecast Accuracy

The market did fall near the forecasted very high probability reversal range. - "... [\$6.90 to \$7.57] would have to be considered a very high probability market reversal area."

It's a little too early to tell, but it appears Friday week's intra-day high may have been a Pivot High. - "... a pivot high could occur anywhere between this past Friday [June 6] and ..."

We were looking for the next Pivot High ("A pivot high will occur before the next pivot low.") and the market lost over +\$11,000 in value per contract in one week.

I have "penciled-in" a preliminary connection of highs - indicating how the chart will appear if June 6 proves to be a Pivot High. Two (2) more weeks must elapse with the market remaining below \$6.63 before June 6 can be labeled a Pivot High.

Current Outlook July 2003 Contract

Most interesting is the fact that this market, once again, stopped at the Stealth Median Line (see below). Recall this Median Line is not a forecasted market turning point. Rather, it provides a nice dividing mechanism for the current defined Stealth Channel. Since markets tend to remain on one side of their respective Stealth Median Line for extended periods (as opposed to randomly fluctuating about the Median Line), the Stealth Channel can be fine-tuned as a market forecasting tool. Specifically, the Stealth Channel can be examined as two distinct components – 1) the Stealth Channel above the Median Line and 2) the Stealth Channel below the Median Line. Until the market proves to me that it has crossed the Median Line to the downside with conviction (as defined by time and/or price), I assume the top portion of the Stealth Channel continues as the future path for this market.

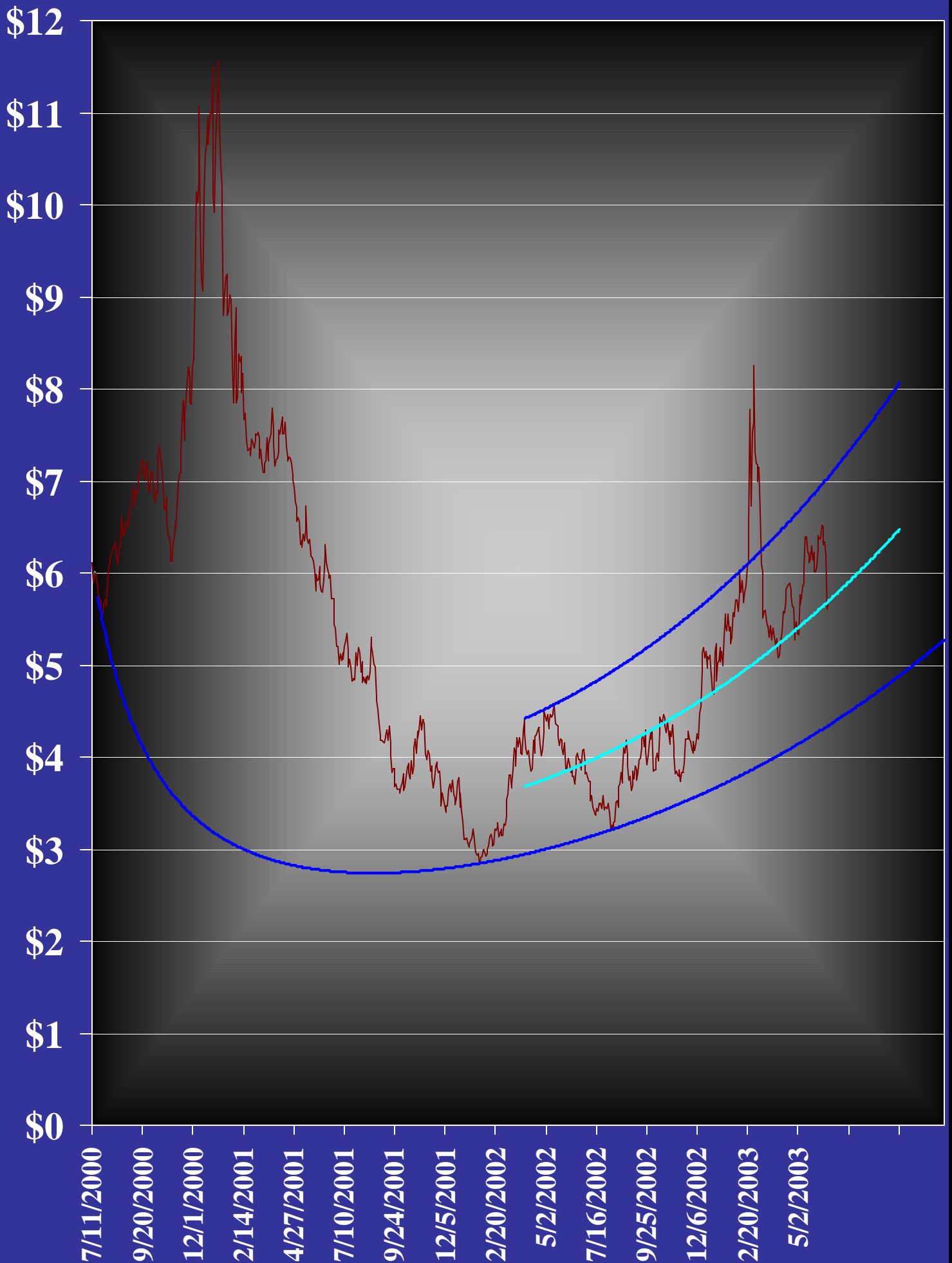
In the event June 6 is a Pivot High, a Pivot Low will occur next – with this past Friday's Low [**\$5.48**] being the earliest possible candidate. The latest time for a Pivot Low to occur would be approximately mid-September. For forecasting purposes, the June 6 Pivot High scenario will be assumed.

How surprised am I that the market did not reverse in the previously identified **very high probability** range [**\$6.90** to **\$7.57**]? I'm not surprised at all for the following reasons.

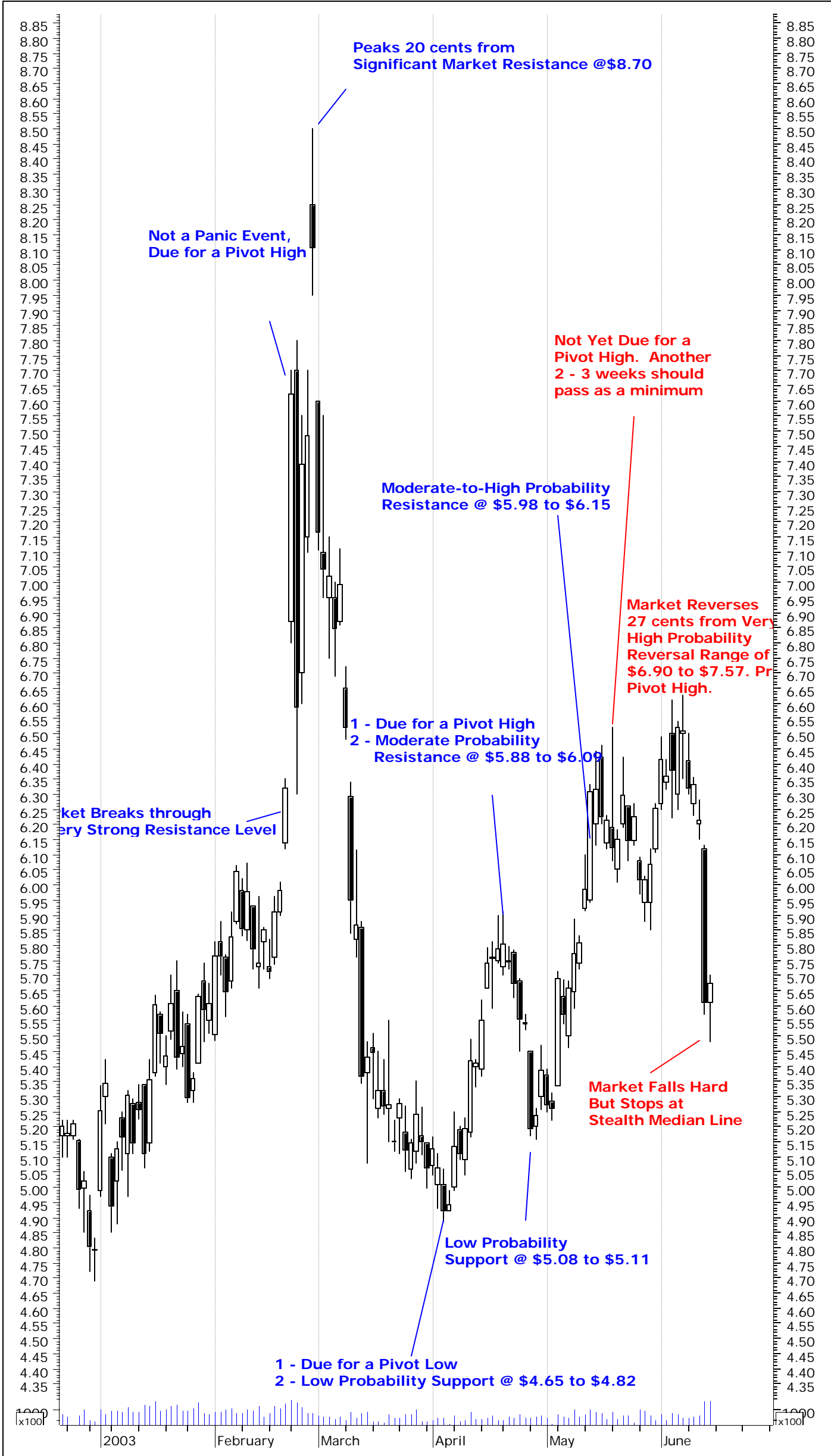
- 1) The market reversed **within 27 cents** of the identified, relatively compact reversal range.
- 2) As opposed to the clustering of "low probability" reversal levels as identified in last week's Crude Oil market outlook, it was also identified that the Natural Gas market had the potential of reversing downward at any of the "significant" resistance levels depicted in the chart (see above).
- 3) Though the current outlook chart shows no potential upside resistance levels, many are still there but are shifted somewhat downward. They are not shown simply because of the way I designed the forecasting program. This simply means that, in the event the market reverses upward from near current levels, last week's identified range will come back into play, with slight downward bias.

In the event this market continues to move lower, the current downside support range is located at [\$3.86** to **\$4.60**].** 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.

Natural Gas Futures w/ "Stealth" Channel (July 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 July 2003 Contract From June 7, 2003

“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 Front-month Contract Looking Back at June 7, 2003



Crude Oil August 2003 Front-month Contract Current Look - *June 14, 2003*

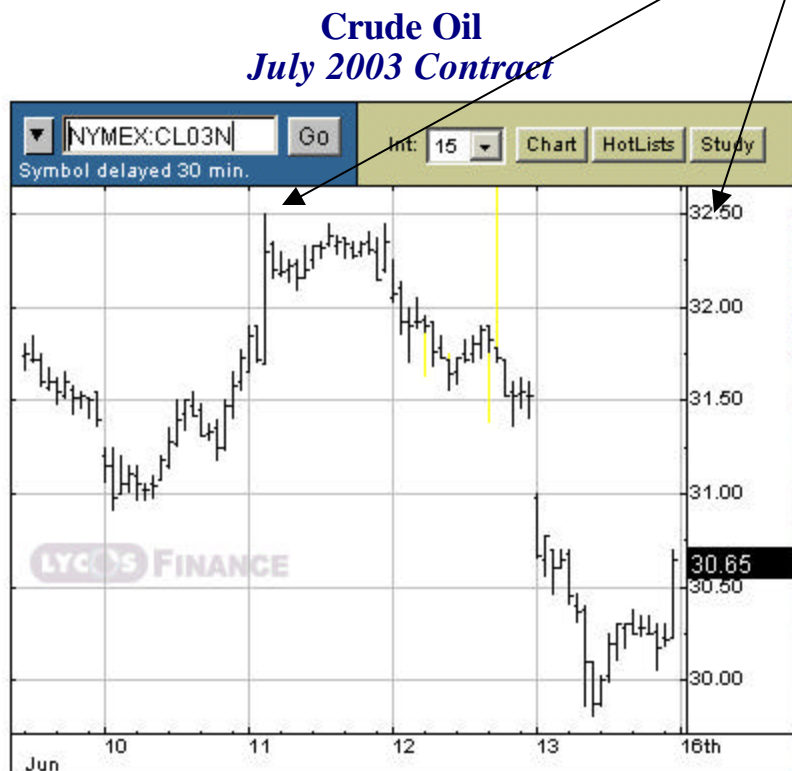


Forecast Accuracy

As with Natural Gas, the Crude Oil market suffered a decent decline in valuation over the past week. This, of course, was anticipated in last week's outlook in that the market reached the exact underside of the high probability reversal area (see below). The pricing in the chart below has changed from last week's only because of the data shifting to August 2003 as the front-month contract. The relative positioning of the high probability resistance levels to the overall market has not changed. Similar to natural gas, I have tentatively assigned last Wednesday's intra-day high as a Pivot High. The market could easily bounce above this high in the near term, yet I do not think it will surpass [**\$32.84**] before setting a Pivot High.

This market reversed down hard after hitting the exact bottom [\$32.50**] of the forecasted high probability reversal range.**

*“high probability reversal ... in the relatively small range of [**\$32.50** to **\$33.92**].”*



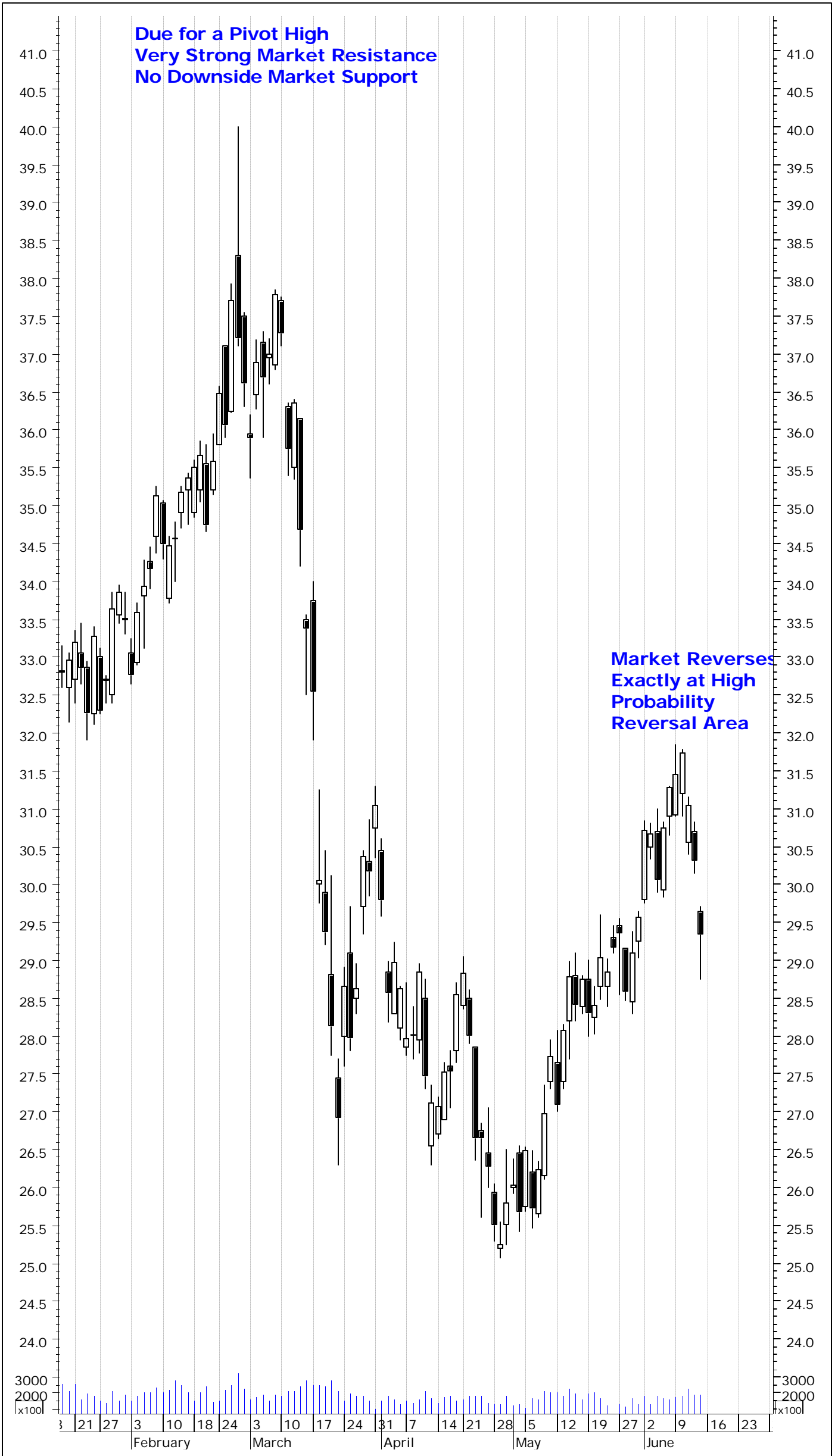
Source: Quote.com

Downside Potential Support Levels - [\$23.11**] is the closest identified potential support level.**

There is no downside forecast at this time. In the event last Wednesday's high was a Pivot High, it is still indeterminate at this time as to the next anticipated pivot, a Pivot High or a Pivot Low.

**Due for a Pivot High
Very Strong Market Resistance
No Downside Market Support**

**Market Reverses
Exactly at High
Probability
Reversal Area**



Looking at related energy markets, the **Heating Oil and Unleaded Gasoline** markets reversed down at forecasted pricing levels identified in last week's energy outlook.

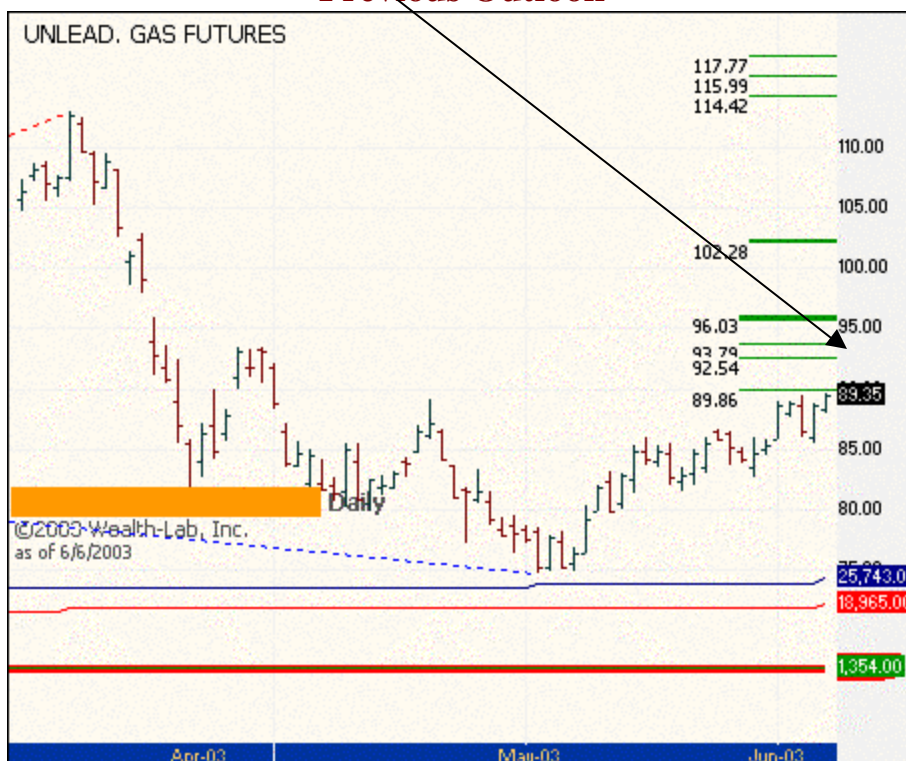
[79.80] - Actual Market Reversal Price

Heating Oil Futures
July 2003 Front-month Contract
Current Outlook



[93.65] - Actual Market Reversal Price

Unleaded Gas Futures
July 2003 Front-month Contract
Previous Outlook



- Brian