

14 Feb 2015

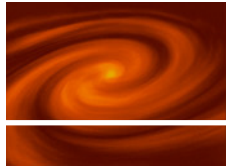
5 Bulls Eyes:

Advantages of a time cycle based Elliott Wave approach to forecasting price trends in the petroleum complex

Walter J. Zimmermann Jr.
United-ICAP

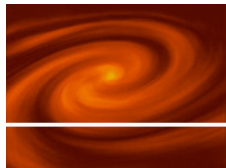


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Preface

- The history of the deflation that followed the bursting of the commodity bubble in July of 2008 cannot yet be written.
- And I do not expect that one will be able to write that history until we are past 2017 and the reversal of the major, longer term time cycles in currencies and commodities.
- However the advantages of a time cycle based Elliott wave approach to forecasting petroleum and currency prices is already apparent.
- This brief recap summarizes my 'bullish case' time cycle based Elliott wave and Fibonacci ratio forecasts for the petroleum complex



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forecast

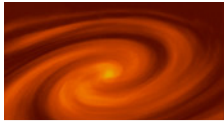
Crude Oil
24 Feb 2011

Brent - weekly log scale chart



Brent - downside risk

- A 62.8% loss in value from a \$120.00 area peak would take Brent back down to **\$45 per bbl.**
- A 62.8% loss in value from a \$131.00 area peak would take Brent back down to **\$49 per bbl.**
- If history does not precisely repeat itself then it at least definitely rhymes. This downside risk is very real.
- The risk - reward ratio demands a scaled up short hedge program for crude oil producers from here.



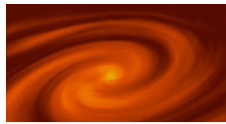
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Outcome

Bulls Eye # 1
14 Feb 2015





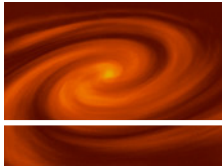
WTI -monthly - log scale

Most Bearish Case Support

Proceeding from the previous page, what might be possible in terms of longer term downside risk if WTI breaks below the 94.65 level from here?

We are not the only ones suggesting that the quantitative easing of the central banks can only delay the onset of a global deflation. And a global deflation would mean another financial crisis, another deep recession, and perhaps even an outright depression.





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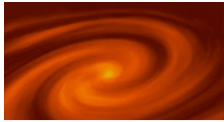
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Outcome

Bulls Eye # 2
14 Feb 2015

WTI -monthly - log scale





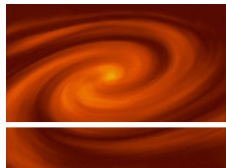
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forecast

RBOB
11 Apr 2013





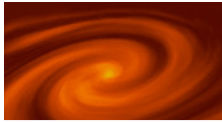
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Outcome

Bulls Eye # 3
14 Feb 2015





United-ICAP *forecast*

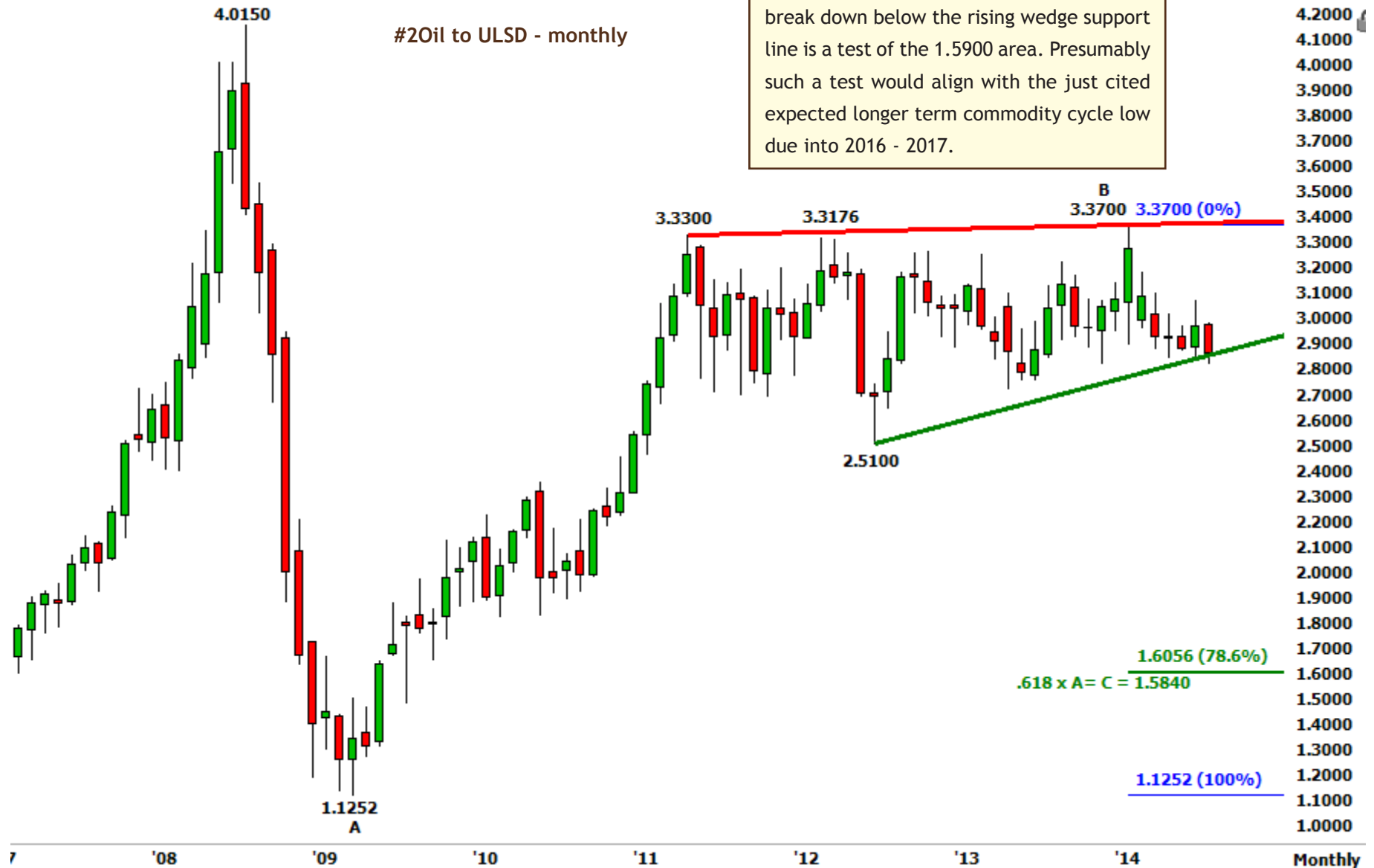
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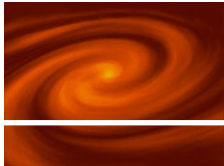
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ULSD Outlook
23 July 2014

Longer Term Downside Risk

The longer term implied target of a decisive break down below the rising wedge support line is a test of the 1.5900 area. Presumably such a test would align with the just cited expected longer term commodity cycle low due into 2016 - 2017.





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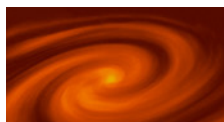
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Outcome

Bulls Eye # 4

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ICE GasOil
28 Jan 2013

GasOil - monthly - log scale



Bearish Case for Brent

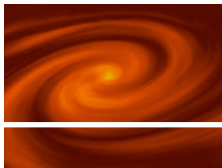
On the previous page I dust off the bearish case for Brent. Obviously if Brent drops to fifty bucks GasOil is also heading must lower. How much lower? See at right.

Bearish Case

If GasOil breaks below 805.75 before exceeding 1064.50 we will have to consider the case where 1064.50 ended the bear market correction of the 1339.25 to 351.50 decline. In that model the bullish target for GasOil becomes the 457.00 to 454.00 range.

Thought Experiment or Actual Target?

Bulls may prefer to view this as a thought experiment. That is fine for now. But if 805.75 breaks the downside risk will be much more than experimental.



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Outcome

Bulls Eye # 5

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