

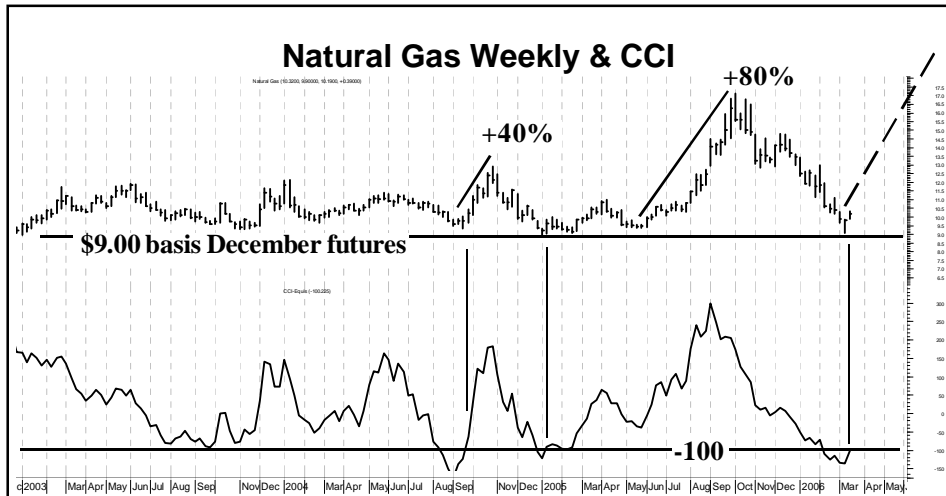
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## NATURAL GAS REVISITED

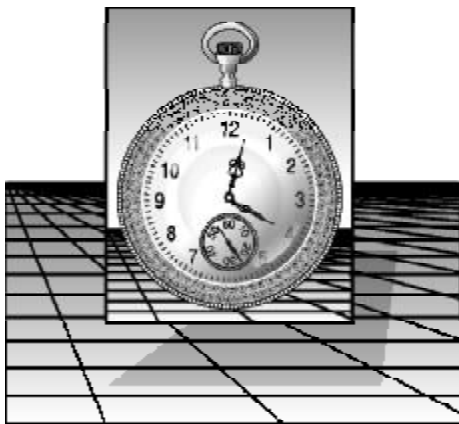


**PLEASE NOTE !!**

The next issue will be published April 6.

- I am most anxious to buy Silver Wheaton (SLW - AMEX).

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Natural gas looks like it is ready to make a serious advance soon. I know everyone is a bear on natural gas, but that is when the really good buying opportunities show up. The chart above is exciting. This is a weekly chart of natural gas with its associated CCI.

The CCI is a technical tool called the Commodity Channel Indicator. If you are interested in the details of its construction, give it a Google and you will come up with plenty of details. It is not the derivation of the indicator that is important here, but its message. When the CCI falls below -100 and then recovers back over -100, it signals a significant rally.

This chart is based on the December contract prices (past prices having been adjusted to fit). Note the last weekly reading as of March 17 was -100.225. It is also important to note that natural gas found support at the \$9.00 level basis December. We are at the cusp of the next move. It is perhaps a couple of

weeks out, but the worst from this correction has passed.

The weakness in natural gas has been responsible for the weakness we have seen in those Canadian energy trusts that have significant natural gas production. **Shiningbank** (SHNUN-TSX-\$23.60) recently announced that they were cutting their monthly dividend from 30 cents to 25 cents Canadian due to lower than expected gas revenues. I am not worried about this. Once natural gas recovers, I expect the dividend will also.

**Paramount Energy** (PMTUN-TSX-C\$20.00) is another of my favorites. It has fallen from highs over C\$23.00 to C\$20.00 of late. Paramount is a 100% natural gas producer, so this drop compared to the 80% correction in natural gas is quite modest.

I recommend purchase of Paramount at C\$19.00 or less and Shiningbank at C\$22.00 or less, in line with our

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most recently published downside buy prices. Don't wait for natural gas to run to new highs before you get interested.

**Primewest** (PWI-NYSE-\$27.78) is currently selling under our downside buy price of \$30.05, and it is attractive here. **Baytex Energy** (BTEUN-TSX-C\$19.98), although a little high here for purchase, is scheduled to be listed on the New York Stock Exchange on March 27 under the symbol BTE. You will now be able to get accurate quotes in U.S. dollars with the symbol BTE rather than questionable numbers from the OTCBB under the symbol BAYXF.

Precious metals have been interesting. Gold is correcting (as expected), and the mining shares have fallen back to some extent. Silver is running strong. Gold, currently at \$555 June basis, has held up very well. It has corrected in a two-step move down from highs at \$585 to about \$540. I had looked for at least a test of the long term breakout point at \$500, but \$540 looks like good support.



Silver has been the current star. Prices have broken above \$10.00, and they seem relentless on the up side. Buying silver now is certainly not buying weakness; and although I am anxious to replace the Western Silver position we sold, I have to advise patience.

The XAU has corrected from 156.00 to about 121.00. This is in line with gold's behavior, but weaker. Gold corrected

7.7% and silver moved higher, but the mining shares as measured by the XAU fell 22% from their February highs.

Admittedly, mining shares were a bit overpriced when our gold/XAU ratio fell under 3.75 at the end of January. The ratio has corrected back to 4.40, but I think it will work higher yet. I have a first signal from MACD on this, but we haven't seen the second signal. Bottom line, it is still too early to get aggressive in the precious metals.

I am most anxious to buy **Silver Wheaton** (SLW-AMEX-\$9.74). It was formed as a defense during the hostile Coeur d'Alene takeover attempt before Goldcorp acquired Wheaton last year. This was Ian Telfer's brilliant brainchild. Ian is now the CEO of Goldcorp.

The short story is that Silver Wheaton owns silver production from other mines. Consider that nearly all silver is produced as a by-product of mining for other minerals, like gold and copper. Silver

Wheaton simply contracts for silver production that is produced from various mines. They don't have to operate any mines, drill any holes, or maintain any equipment. In fact, they only have five employees. They are much like a royalty company in this sense. They are also profitable, and they stand to become a lot more lucrative in the future.

According to [www.silverwheaton.com](http://www.silverwheaton.com), they are the only public mining company with 100% of their revenue from silver production. They expect production to grow to 20 million ounces in 2009, and they are unhedged.

I think you need to have a stake in Silver Wheaton if you are interested in investing in silver, but I don't like chasing the silver market (or any market for that matter). We are faced with a problem here of the short term aspects of the precious metals market being less than ideal, coupled with a very bullish long term outlook. Nevertheless, if I am going to pay a little too much for something, it would be Silver Wheaton.

I recommend that you put a toe in the water here - 15% of your anticipated position as per the March monthly letter - preferably under \$10.00. If Silver Wheaton corrects back, don't panic. Buy some more. My ideal price on the downside is \$8.00; but considering the strength in silver, a small stake in SLW at this time is warranted.

Typically, March is not friendly - it comes in like a lion and leaves like a lamb. April is another matter, as it is typically the best month for the Dow. The question then is whether we will see the averages move to new, all-time highs before the dreaded worst six months of the year begin in May. I wouldn't be surprised at new highs - for the Dow at least - but the massive risk of a dynamic decline does not get me excited about venturing beyond the commodity arena.

Our Annual Asset Allocation Model has pointed us to commodities, and that is where the big money will continue to be made. The profit horizon in commodities has not begun to be realized. However, the potential for profits in the popular averages over the next 10 years is zero at best. My advice is to play the side that offers the lowest risk with the highest reward - commodities.

*In the April letter, I am going to share with you a couple of things for you to watch which will signal the next market decline.*