

Since 1978

PROFESSIONAL TIMING SERVICE

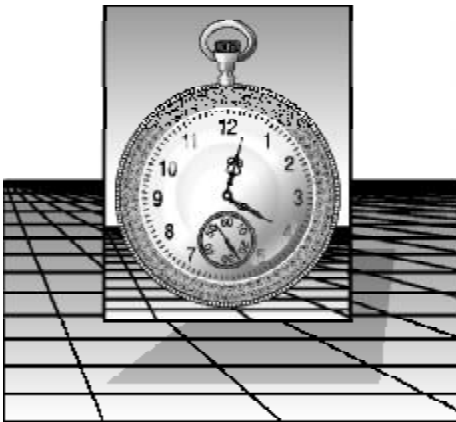
Curis & Hester

\$195 A YEAR • MARKET REPORT MONDAY, WEDNESDAY & FRIDAY • P.O. BOX 7483, MISSOULA, MT 59807 • (406) 543-4351

The next issue will be published December 2.

- **New recommendation: Pengrowth Energy Trust (PGH - NYSE)**

Page 1



www.protiming.com
e-mail: info@protiming.com

TIME TO ACCUMULATE ENERGY STOCKS

Crude oil has pulled back to \$46.00 basis December futures, which is a bit further than I expected. Natural gas has also sold off. I thought it would hold at \$8.30 on the low end, but it seems to be trying to establish a base above the \$7.00 level instead.

The importance in all of this is that energy prices have, indeed, pulled back, and that has been accompanied by some weakness in our energy trusts. I highly recommend that you use further weakness to purchase shares on our buy-and-hold list.

Shiningbank came within a penny of our downside buy price before bouncing a bit higher. I think that purchases can now be made under C\$21.00 Canadian - or if you are trading on the OTC-BB, \$17.65 U.S. I believe Shiningbank will do just fine over the next year, and purchases at C\$21.00 or better will give you a nice 13% dividend while you wait.

Energy Split hit our buy price of C\$14.00 on November 10 (via the quote service that I follow). If that quote was correct, it was so fleeting that I doubt anyone would have been able to fill an order there. I would maintain your orders at C\$14.00 Canadian, or \$11.75 in U.S. dollars.

Don't overlook the coal trusts. I have recommended **Alliance Resources** (ARLP-OTC-\$65.04) and **Fording**

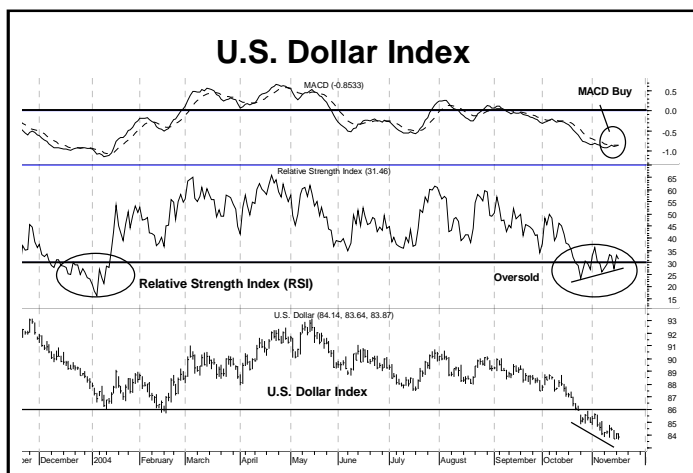
Canadian Coal (FDG-NYSE-\$68.20). These should not form the core of your portfolio, but they are great stocks to provide some diversification. You can buy a few shares here, and then add some Fording at \$56.00 and Alliance at \$53.00 if given the chance.

I am adding **Pengrowth** (PGH-NYSE-\$17.58) to our list. You should wait to buy at \$16.00 or less. That will give you a dividend of about 13%. I will elaborate on Pengrowth in the December letter.

Keep your orders in on **Baytex** at C\$12.00, or \$10.10 in U.S. dollars. Don't get discouraged. Keep those open orders in and be patient. Hold what you have and watch those juicy dividends pile up in your accounts.

My work continues to point toward a rally in the U.S. dollar.

The dollar is oversold by several measures, and recent lows have not been confirmed in my technical work - which is bullish. The U.S. dollar is key to all of the markets for the rest of the year. A dollar rally will tend to cool off the Canadian stocks some, and it will also exert a strong - although temporary - bearish influence on the precious metals.



It looks like the U.S. dollar will rally from the 84.00 level to about 86.00. Remember, a rally here will not be the start of a new bull market in the dollar. It will only be a temporary correction in the down trend, which will offer us a chance to buy some gold and silver.

We are well into November, and my awaited correction in gold has not yet materialized. Considering what is developing in the dollar - which is just the opposite of the overbought readings and negative divergences I am seeing in gold - I have to stick with the expectation of a selloff in the gold and silver sector.

The best thing to do on a risk-to-reward basis is to hold your metals positions and wait for weakness. Then buy into the metals at lower prices. Bottom line, do not chase the precious metals here.

An interesting non-confirmation - which I have seen before at highs in gold - is between the HUI (Amex Gold Bugs Index) and the XAU (Philadelphia Gold and Silver Index). These are both averages representing gold and silver mining stocks, but the XAU includes companies that hedge their production while the HUI represents only unhedged mining operations.

The XAU is moving higher, but the HUI is lagging behind. In the past, this has occurred at tops in gold.

It occurred to me that this pending correction could be more than we are bargaining for. Perhaps we are going to

see a major high here in the metals. I can say with confidence, this is what you will hear once gold starts its descent, but it will not be the case.

The dollar is not going to begin a new bull market, and gold is not going to relapse into a bear market. Seasonally, the metals will typically make a low in November. I doubt this year will be any different.

In fact, *The Stock Trader's Almanac* used to follow a seasonal pattern that called for buying ASA in November during weakness and selling in the first quarter of the next year. I realize that no one is prescient enough to know exactly where the November lows and the first quarter highs were before the fact, but the average annual move was 80%. The almanac stopped following this due to the lack of interest in gold back in the late 80's, but the tendency to see a major move in the metals from November lows to highs in the first quarter is still quite strong.

BONDS

Bonds have gotten a bit overdone on the down side, and they are due for a pause. However, the key to the next significant bond move is 110-20/32 basis the December T-bond. Once this level is broken on the down side, we will have a strong sell signal in place.

Those of you wishing to either add to present positions in the Rydex Juno Fund (which is short the 30-year T-bond) or establish new Juno positions should do it on this sell signal. You can follow the bonds with the symbol USZ04 at www.futuresource.com. I will follow up on the Web site hotline when this signal executes.

In the December letter, I will present my 2005 forecast.

It will include where I see bonds, interest rates, stocks, and the general economy going next year. I can tell you right now that I look for much higher interest rates and energy prices.

My 2005 outlook will also include what I see in store for the stock market in general over the next year. Following a strong, three-week rally, everyone is currently bullish. I will show you just why they are wrong in my 2005 outlook next month.

Near term, we are at a point where this rally is simply not sustainable without at least a period of modest profit-taking. With a cyclical high due in the popular averages on November 12 and a Fibonacci high due on November 17, the market is severely overbought. With plenty of warning flags waving in our technical studies, extreme caution is called for now.

The next several weeks will be a good time for investors to embrace weakness if they target investments in the proper sectors. With our Annual Asset Allocation Model still pointing to tangibles as the best investment area on a risk-to-reward basis, I am confident that our recommendations in energy, gold, and silver will outpace the pack over the next year, even if the overall market does not live up to today's expectations.