

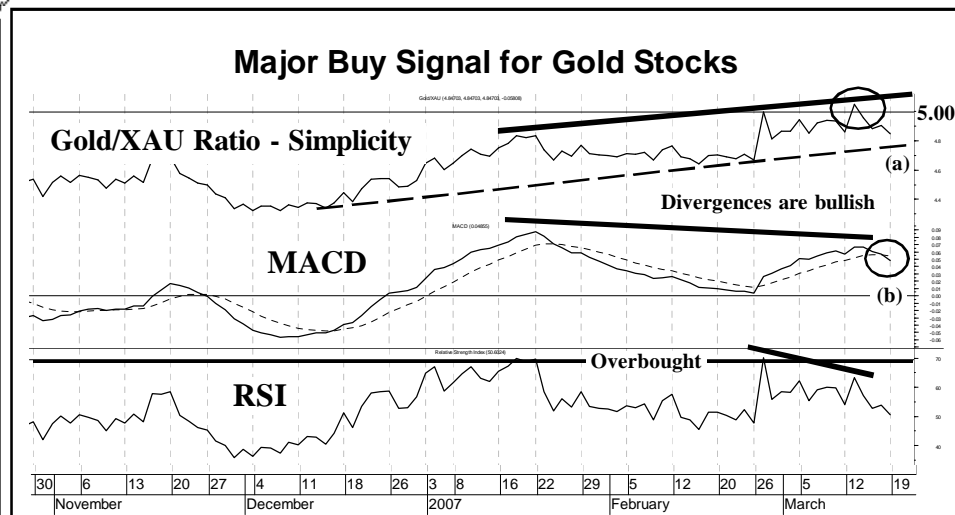
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THE NEXT GOLD RALLY



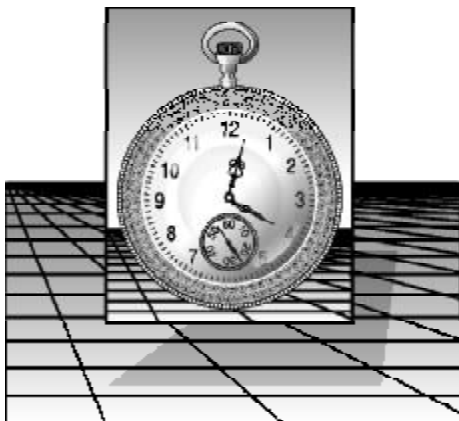
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They say no one rings a bell, but that is not always true. Recently, a bell has been ringing. It was just a quiet tinkle at first; but now, the peal is growing louder. The bell will soon be clanging loud enough for all to hear.

The first chime came from the current cyclical pattern described in the February mid-month letter. Near term cycles were pointing to a high late in February, which was, in turn, to be followed by a cyclical low in late March. Since then, gold has been sticking to the script.

The next clang was the appearance of a reading over 5.00 from the gold/XAU ratio. I like to call the ratio “Simplicity” since it is so easy to calculate. Just as we are nearing the time when late March cyclical lows are due, Simplicity tells us that the time is ripe to buy precious metals issues.

Simplicity can be fine tuned by applying RSI and MACD. You can see on the chart that the RSI oscillator was overbought at Simplicity’s first tap on 5.00 on February 27, and it posted a lower reading at Simplicity’s March high. The resulting negative divergence tells us that Simplicity is about to change trend and begin falling. When the trend changes and Simplicity heads back down again, gold stocks will become more valuable versus gold.

MACD also kicked in with a “buy” signal on March 16 (b) - including negative divergence versus the ratio. Thus, MACD is in line with our other indicators, ringing in the announcement that a new bull in the metals is in the offing. Finally, we can use a simple trend line off the lows (a) to define when Simplicity has turned back down, but that break may not trigger until the mining shares are actually on the rise ... and the bargains will be gone.

It should not be assumed that the recommendations made in the future will be profitable or will equal past performance. A list of all recommendations made by this advisor within the past 17 months will be furnished upon request. Professional Timing Service and/or associated individuals will from time to time have positions in the investments mentioned and recommended in this newsletter. All rights reserved - copyright © 2007 by Professional Timing Service.

Perhaps one needn't go to the trouble of "fine tuning" Simplicity. John Hussman does some good technical work, runs some excellent mutual funds, and publishes a weekly market report at www.hussmanfunds.com/weeklyMarketComment.html. He notes in his March 12 commentary that in the past when the gold/XAU ratio (Simplicity) has been greater than 5.0, the XAU has followed with average annualized gains of 89.6%.

What to buy? I am raising the buy price on **Yamana** (AUY-NYSE-\$14.11) to \$13.00. If you already have some, be mindful of diversification and balance in your positions. If we get another crack in the metals into a late March cyclical low as expected, you may still be able to pick Yamana up for \$12.00. Just don't pay over \$13.00.

Market Vectors ETF (GDX-AMEX-\$38.85) at \$37.00 or better and **Silver Standard** (SSRI-OTC-\$32.64) at \$31.50 or less are also attractive ideas. Don't overlook **Gabelli Global** (GGN-AMEX-\$25.40). It has a decent dividend, but you shouldn't pay over \$23.80 for it.

I like all of the gold and silver issues on our list at their buy prices. Just be sure not to get overly invested in any one issue. The juniors, while offering a better percentage appreciation potential, are also more speculative and carry a higher risk. A little of them will go a long way, but they are better than buying call options.

I made some changes since the last letter (they were reported on the Tuesday and Thursday updates). First, I recommended the sale of **Paramount Energy Trust** (PMTUN-TSX-C\$9.09) on the March 14 update. You should have gotten between C\$9.50 and C\$9.60 for it the next day. I recommended that you take half of the money and put it into precious metals and put the other half into energy - of course, minding our buy prices. I believe this money will serve us better elsewhere.

One should stick with the stronger Canadians like **Enerplus** (ERF-NYSE-\$41.35) at an adjusted buy price of \$38.00 or less (as per the March 13, 2007 online update), **Baytex** (BTE-NYSE-\$16.79) under \$17.00, and **Peyto** (PEYUN-TSX-C\$16.20) at C\$14.00 or less. If you want to diversify away from the Canadian trusts, look at **Apache** (APA-NYSE-\$68.31) below \$68.00 and **Kinder Morgan MLP** (KMP-NYSE-\$52.35) at \$48.00 or better. **Black Rock** (BGR-NYSE-\$27.03) should not be overlooked at \$26.00 or better.

I have also put a sell/stop on **Canetic** (CNE-NYSE-\$12.66) at \$12.00. It hasn't hit the stop yet; but if it sells, I recommend the same 50/50 reinvestment strategy between energy and gold as recommended with the Paramount proceeds. These moves are directed at making our portfolios stronger and recovering our losses.

Cameco (CCJ-NYSE-\$38.51) hit our buy point on March 5 at \$35.50. However, it has begun to weaken technically. Perhaps there is a bigger problem at Cigar Lake that is not apparent on the surface. At any rate, if you bought the stock at the \$35.50 buy point, I recommend that you sell it. I think we can find a better uranium play.

Bema Gold has been acquired by **Kinross** (KGC-NYSE-\$13.24). We are showing Kinross on our list both as a consequence of the merger and separately as an independent purchase that we made on January 4, 2007. I think this presents a more accurate representation than trying to average the two.

The popular averages are going to continue to be adversely affected by the problems with sub-prime loans. There is a rush to raise liquidity in the works; and when that happens, folks will sell whatever they can. This has pushed gold back some, but it is in line with our forecasts. The commodity-related issues will recover. Financial issues will not fare so well.

The Fed is boxed in now, and they will find it difficult to raise interest rates with the sub-prime problem rippling through the economy. I expect they will, however, increase liquidity, and the inflation numbers are already increasing in anticipation. The U.S. dollar must be sacrificed in the process; and as a consequence, gold will rise - as will the entire commodity complex. The commodity bull lives. Listen to the bells. Use weakness to buy precious metals.