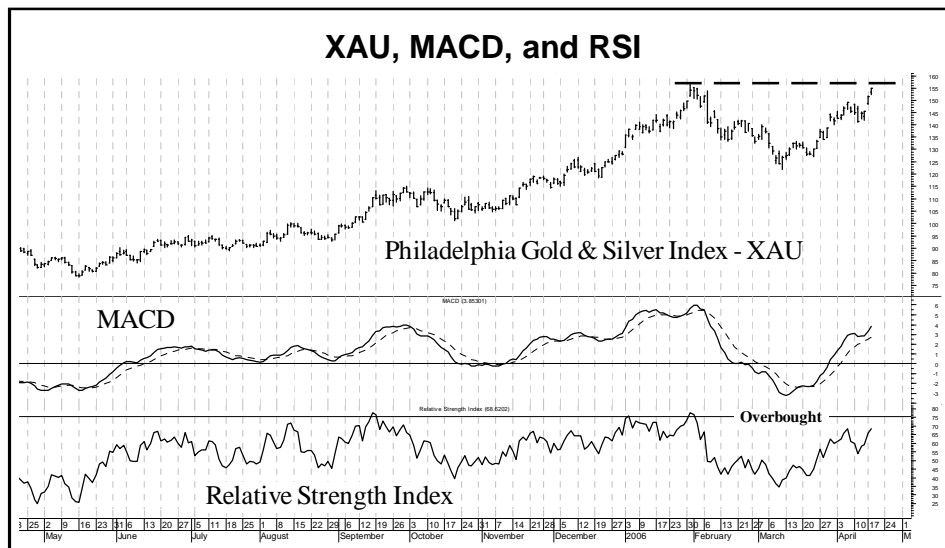


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RIDING THE CYCLICAL WAVES



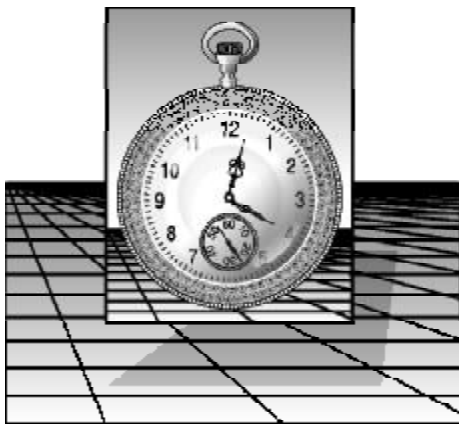
The next issue will be published May 4.

- **Canetic (CNE-NYSE) is a dandy.**

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- **Buy the Pimco Commodity Real Return Fund (PCRAX) at \$14.75 or better.**

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Cycles tend to misbehave ... but paying attention to cycles is beneficial. You can keep yourself out of a lot of trouble if you simply recognize that the market behaves cyclically and then put the cycles to your advantage.

The precious metals have been on a tear. It may appear that we missed a good chance to jump on board when prices corrected from February highs to lows in March. On a short term trading basis, that is true, retrospectively. However, I am looking for low risk places to make *long term* purchases.

We did well in that regard last May and again last fall when several of our favorites (including Goldcorp) dropped to their respective downside buy prices. The March 2006 low was not the low risk situation I like.

The current scenario in the precious metals still looks tenuous to me. I believe you can buy high and sell higher

successfully, but you gain no advantage in taking that approach. In fact, this strategy sets the odds squarely against you. I want to guide you to investments that will give you an advantage without excessive risk.

For now, hold your precious metals positions and accumulate cash. We will be presented with a lower risk opportunity within the next few months. I expected to see the metals correct to lows in the May time frame; but since the cyclical highs have been tardy, the next lows will likely be later than anticipated.

I am looking for something in the neighborhood of 115.00 in the XAU (Philadelphia Gold and Silver Index) at the next lows. Currently, the mining stocks are not matching the strength we are seeing in either gold or silver bullion, and that is always a red flag. Typically, the stocks will lead. Right now, they seem to be relatively weak.

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 © 2006 by Professional Timing Service.

Another warning that it is not the optimum time right now to buy shares comes from our Simplicity model. Currently, it is reading 4.20. That is not screaming “sell,” but it is not indicating the gold and silver stocks are buys either.

While you wait for better cyclical opportunities to develop, put a “good ‘til cancelled” order in on **Silver Wheaton** (SLW-AMEX-\$11.42) at \$8.50. It could easily dip to \$8.50, and the trick is to be there if that happens.

Our energy stocks look like they are doing just fine.

Crude oil has worked its way up to \$74.00 basis December this month. That is a bit over the \$70.00 resistance I wrote about in the last letter. Breaking above resistance is bullish, and I look for new highs this summer. My advice is to ignore any day-to-day weakness in crude oil this month. It will be nothing more than short term, cyclical profit-taking which comes into the market from time to time as traders bank their profits.

Bottom line, there is really nothing bearish in the crude pit. You will see writers waving the energy bear flag in cleverly written ads, but it is all hype and is based on dubious assumptions. Don’t let them talk you out of your positions.

Crude is going to solidly surpass the \$76.00 level - likely this summer. We may see prices well over \$100.00 before we see demand even slightly affected. Hang on to your energy stocks.

Natural gas generated a long term buy when the CCI on the weekly chart dropped under -100 and then recovered back over -100 (see April letter). Natural gas is also on an intermediate buy from our Hyperion model. I expect a greater price appreciation in natural gas than in crude over the next 12 months.

I am adjusting a few of our downside buy prices. **Paramount** (PMTUN-TSX-C\$21.15) is a 100% natural gas producer, and I am raising the buy price to C\$20.00. **Shiningbank** (SHNUN-TSX-C\$25.96) produces 70% natural gas. You can add to your positions at C\$23.50 or less.

I introduced you to **Canetic** (CNE-NYSE-\$22.06) in the April letter. Canetic was formed on January 5, 2006 as the result of a merger of Acclaim Energy Trust and Star Point Energy Trust, making them one of the largest producers of conventional oil and gas among the Canadian trusts.

Canetic has reserves of about 218 million barrels, which is decent for a company of this size. Their reserve life index is approximately nine years, which is excellent. In fact, their reserves have been increasing annually, and they seem to have some talent as drillers. They hit production on nearly all of the wells (98%) that they drilled last year.

I like Canada, I like owning Canadian oil and gas reserves, and I like dividends. Canetic is a dandy. When the Shiites and the Sunnis really get at each other, it will be comforting to own production in our own back yard. I am adjusting my buy parameters on Canetic. Accumulate under \$22.25 if at all possible, and jump on Canetic hard if it drops to \$20.00.

Our Energy Forecaster is still positive, and it’s climbing to new highs. This means that on a broad scale, we have not seen the end of the bull market in energy trusts. Mind the downside buy prices, and be sure to diversify and include some Canetic in your energy portfolios.

The commodity indexes have come to life. I like to watch the Dow-AIG Commodity Index as it is the index that is targeted by the **Pimco Commodity**

Real Return Strategy Fund (PCRAX-\$15.07). Last December, the fund was impacted by a ruling that disallowed some of the strategies they were using. However, the fund has plans to resolve this. There is a recent update at www.allianzinvestors.com which discusses the current situation and the fund’s plans to deal with the IRS changes.

I am taking PCRAX off hold and am putting it back on as a buy at \$15.00 or better. This fund is an excellent way to position for a general rise in commodity prices. I am referencing the A shares, but you should review the prospectus and determine which share class is best suited to your individual situation.

Two other broad commodity plays on our list are **Blackrock Global Energy and Resources** (BGR-NYSE-\$27.06) and **Gabelli Global Resources** (GGN-NYSE-\$23.09). Blackrock is tilted more toward energy, and the Gabelli Fund is more inclined to precious metals. Buy Gabelli at \$22.50 and Blackrock at \$26.15 or better. These are both excellent, broad commodity plays.

The bull market in commodities may well last until 2010, and I expect the AIG Index will triple from current levels. The stock market is on weak legs, but the juncture we are at right now is advantageous. I am anticipating one more run on the up side in the averages. This will be nothing grand, but rather an attempt to test the early April high. This rally should set up a MACD signal (as discussed in the April letter).

If you are waiting for the whites of the bear’s eyes or are looking for a simple signal to buy some short funds like Rydex Arktos or Ursa, watch the Nasdaq Slow Tracker. It will sell if the Nasdaq Composite trades at 2,302.00 or lower. You should check the Web site hotline in the event this trigger price is updated.