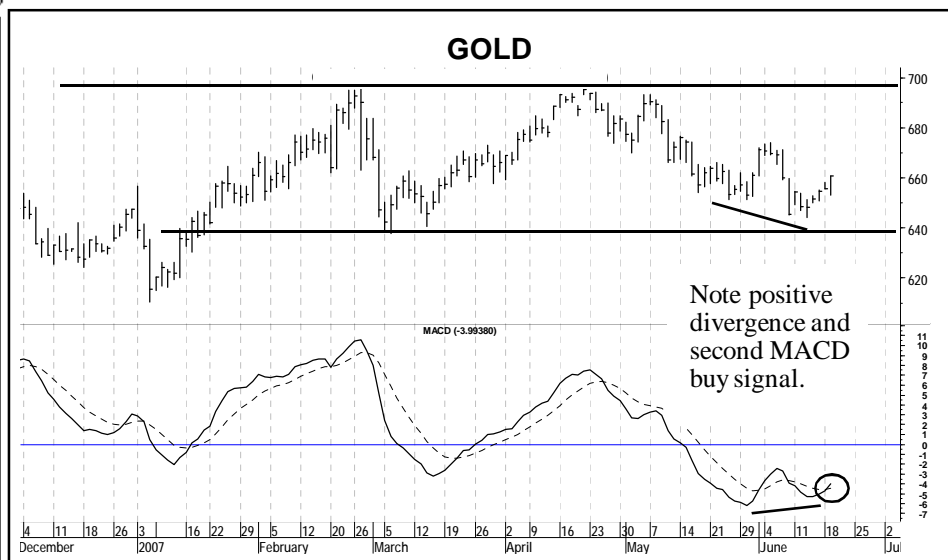


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Investments To Make For Next Year



The next issue will be published July 3.

- Seasonal lows typically will show up late in June....

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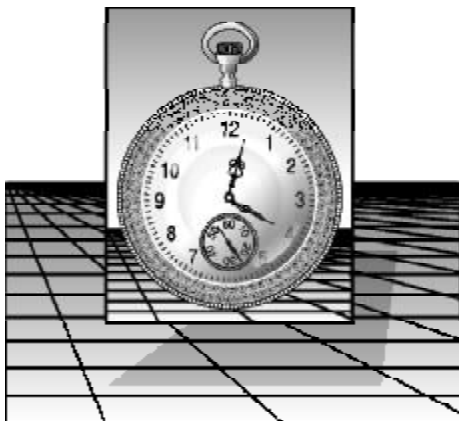
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Gold is settling back to the lower end of the trading range it has maintained all year. Consequently, the bears are all over the place – just as I warned you they would be. The talk is always bullish at the highs and bearish at the lows. Expect that, but steel yourself against buying into the dark side. *Gold and silver are going much higher over the next several years.*

The fundamentals favor higher prices. Asian demand is growing, along with increased demand from exchange traded funds. Demand from India alone rose 50 percent in the first quarter of 2007 while demand in China increased 31 percent (according to the World Gold Council). On the other side of the coin, London-based researcher GFMS reports that output from gold mining companies declined to a 10-year low in 2006. These are the conditions that will easily lead to new highs in the price of gold.

Seasonal lows will typically show up late in June; and with gold approaching the bottom of the trading range, we should be seeing a turn soon. If you step back, you will see that gold has been trading in a wide trading range all year, but positive technical indications are forming in our MACD work and in Simplicity. Simplicity has broken below the 4.80 level, and MACD has triggered a “second” buy signal.

You need to focus on next February-March when the strongest seasonal highs will form. I am looking for new highs - over \$850/oz. - early next year. You should have your positions in place now in anticipation of those profits. Most of our gold and silver recommendations have hit their downside buy prices over the last several weeks.



Crude oil has been doing better than expected. It is pushing through overhead resistance at \$69.00 basis September futures; and once resistance is broken, it becomes support. The next upside price objective is \$74.00. The fundamentals favor higher crude oil prices, as well as higher prices for gold. Venezuelan crude production is down about 1 million barrels a day over the last 8 years, and production from Mexico's Cantrell Field is falling off a cliff. Cantrell was producing 2.1 mbd last year; but according to the Mexican government, it could be as low 5 mbd by next summer. Mexico could end up halting exports in order to furnish their domestic needs. Aside from prevising higher oil prices, this all portends ill for the political stability of both countries - as well as the availability of oil in the U.S.

So, how should you invest today for the eventuality of \$100.00 oil? Right now, this is difficult. We have offered several new energy recommendations since the first of the year, and they have done very well. However, looking across the landscape of energy stocks, it is difficult to see any bargains at today's prices.

The exception is uranium. Last April when the uranium stocks were on a tear, I cautioned that there would be a better time to buy them and warned you to avoid chasing strength. Since then, many uranium issues have throttled back, and some are now looking viable for purchase. The two on our list - **Laramide** (LAM-TSX-C\$9.40) and **Mega Uranium** (MGA-TSX-C\$5.64) - are both under our buy prices of C\$10.25 and C\$6.75, respectively. If you don't hold any uranium, this is a good time to put some in your portfolio. These should find support near current price levels, and I expect they will be a good deal higher next spring.

Nuclear power has to be embraced in the U.S. It is ridiculous that it faces the domestic opposition that it does. China is building plants as fast as they can, and the rest of Asia is not shy about nuclear power. If the U.S. doesn't get a grip and start construction of new facilities soon, we will be left well behind. I think the day of reckoning will come sooner rather than later. In the meantime, the rest of the world will continue to bid up the price of uranium. Prices have more than doubled during the last six months alone, and they show no sign of weakening.

The long bond market is being pressured by ever-increasing supply and dwindling demand. As central banks shift reserves away from U.S. dollars, the demand for U.S. Treasuries is going to steadily decrease. Meanwhile, the U.S. continues to deficit spend with no thought of future consequences. Remember, the Fed only manages the short end of the yield curve, but the market determines long term rates.

The bond market will, of course, gyrate from day to day and week to week; but over the next five years, I see higher interest rates ... much higher interest rates. I believe we could see rates well into double digits by the time the commodity bull market ends during the middle of the next decade. This doesn't bode well for the longer term prospects in the stock market either.

The best approach to the stock market is a trading approach, following one of our trading programs on the Tuesday and Thursday Web site updates. You have to realize, though, that trading is hard work, it takes time, and it can be tough on the psyche. Every trade is not profitable. Buy signals are not going to hit the exact lows, and sells are not going to hit the exact highs. Discipline is required to keep up and follow the signals as they are executed. You can't be nonchalant. Also, as a reminder to those who choose to trade the new Palio signals, I do not recommend selling short with Palio as it is a new model and needs to prove itself in real time.

Confine your long term investments to those that are advantaged by higher commodity prices and are augmented by higher inflation during the next five years. Regardless of how the statistics are twisted and regardless of what the government says that the official rate of growth in the CPI is, inflation is heating up. We will feel inflation more acutely over the next several years, and the cause is well outside the U.S. economy. Inflation will be driven by an increasing scarcity of raw materials demanded by an exploding population of global consumers. Commodity prices will not be affected by a recession in the U.S. We are no longer the biggest dog on the block. Give up on that sort of arrogance, and put a few dollars on the expectation of where we will see commodity prices next spring.