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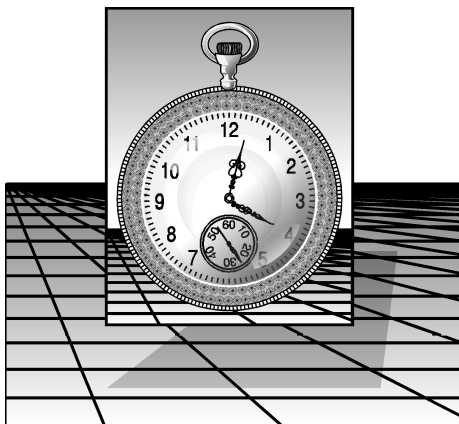
The next market letter will be mailed on August 5

- **The tide has now turned, and the dollar is headed lower once again.**

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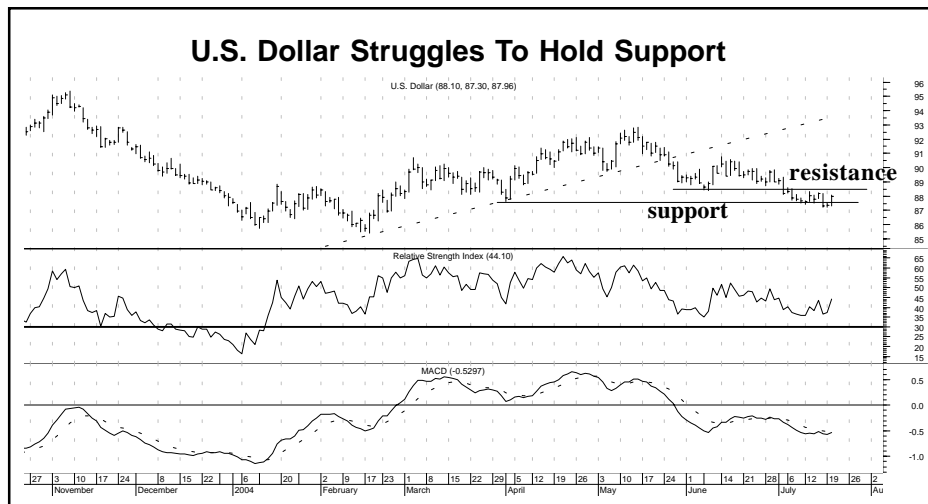
- **Use weakness to accumulate oil stocks.**

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LONG, HOT SUMMER



A difficult summer is developing for the bulls. The future doesn't look good for the stock market bulls, the financial asset bulls, or the dollar bulls. The gold and oil bulls are going to do just fine.

It's all about the dollar.

After falling from 112.00 to 85.00, the dollar index found a bottom in February and was able to stage a decent upside correction. However, that was but a correction in an ongoing bear market. The tide has now turned, and the dollar is headed lower once again. Higher interest rates are not going to help the dollar strengthen.

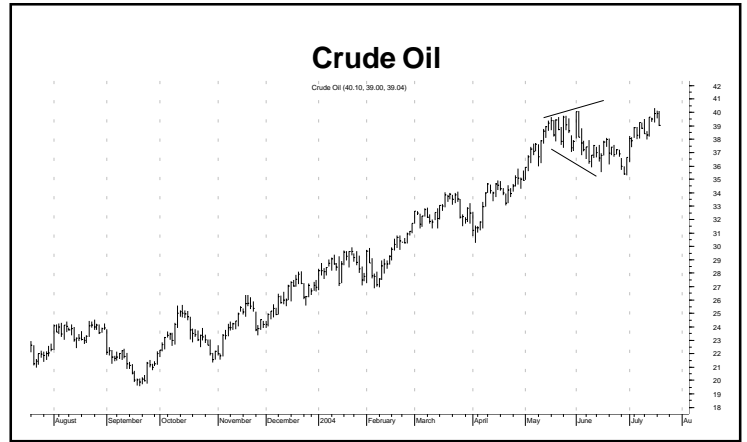
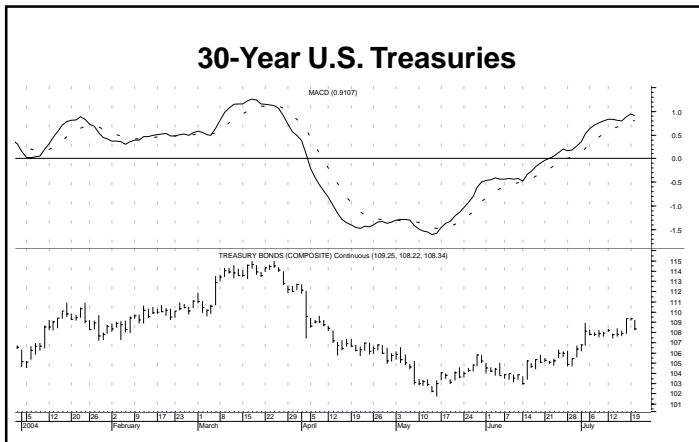
The Fed really doesn't want a stronger dollar. They need a weaker dollar to offset the trade deficit and to inflate their way out of the debt bubble they have created. Mr. Greenspan will remain quite "measured" in his actions. My call is for no more interest rate increases until the November 10 FOMC meeting.

Their measured response will only put them further behind the inflation curve. Until the Fed raises rates at a pace faster than the increase in inflation and to a level commensurate with inflation, the dollar will fall ... and thus, inflation will accelerate.

We told you in the last letter that once support at 87.65 was broken, the dollar would be on its way to 85.00. You can see on the chart that the battle is raging to hold 87.65. There is also a massive upside ceiling just under 89.00 now. I look for support to give way very soon.

Your focus should be on 85.00 - where the next pause should be. The next technical support after 85.00 is 82.00. You need to put this in perspective. A lower dollar means higher gold prices. It also means higher prices for crude oil, natural gas, and our Canadian energy stocks. A lower dollar is bearish for stocks and bonds.

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Some of our oscillators have become modestly oversold, so a bounce in the stock averages for a few days is not out of the question. However, it is difficult to make a case for more than a quick trading rally here, if that.

Cyclical studies are still pointing to the real possibility of a crash in the averages, although I look for that later in the summer. Nevertheless, there is little to no serious upside potential here, and the big surprises will be on the down side. You should take the possibility of a stock market crash seriously.

As the dollar has begun to turn down, gold has strengthened. Gold was able to break above the 400/oz. level - which has been a psychological and technical resistance level. Inverse to the dollar's plight, as resistance is broken, it becomes support. Prices have settled back to 400/oz. and should consolidate here before going higher. With the dollar about to break below support and gold breaking over resistance, the future looks very good in the metals' markets.

Bonds are overbought, RSI is +70, and MACD is setting up for a sell. We could see 110-16/32 basis September futures first, but we are getting close to a downturn, so keep in touch with the hotlines for changes. At this point, the Rydex bond program will move into Juno (short) if the September futures trade at 106-16/32 or lower.

I see that according to *The Wall Street Journal*, foreign purchases of U.S. Treasury notes and bonds fell 40% between April and May. The weaker dollar is no friend of bonds.

Crude oil corrected over the last two months, touching 35.30 at the low end. With the dollar beginning its next bear leg, crude oil has perked up. As the value of the dollar falls, the price of crude will rise.

Note the "megaphone," or expanding triangle, pattern in the oil chart. For years, this was a bearish pattern; but over the last 16 years or so, the pattern has been bullish. Watch for crude to catapult over the highs at \$40.00.

The weak dollar is not the only factor pushing crude oil higher. Demand is continuing to grow - especially in Asia - while supplies are becoming more limited. There are going to be continued disruptions as Islamic militants harass oil production around the globe.

Watch Venezuela, Nigeria, Iran, and other Islamic oil sources for continued sabotage and attacks. The strategy de jure is to drive the Westerners out of these countries. That will, in effect, cripple world oil production. As we speak, this process is at work around the globe.

Over the last 12 months, world demand has increased by 2.5 million barrels a day,

while supply problems mount. Oil prices are going much higher; and with Canada on our doorstep, this is where our salvation will be - although at great expense in terms of depreciating U.S. dollars. The Canadian dollar, on the other hand, has been appreciating; and it's over .76 now. I have no doubt that we will see the Canadian loony at .80 soon and at par with the U.S. dollar by the end of next year. The price of crude will be well over \$50.00 a barrel by then - with \$76.00 a barrel not out of the question by the winter of 2006.

Use weakness to accumulate oil stocks.

Buy some **Shiningbank** and **Baytex**, and buy more if they pull back at all. Buy both of these for income. For growth, you should also accumulate some **Suncor**. Buy Suncor at \$25.50, and add more at \$24.00 if given the chance. We are going to need Suncor's oil sands by the end of the decade.

There is a huge fortune to be made in the next six years. You need to position yourself to take advantage of a U.S. dollar at 65% of its present value. There's not much you can do about \$3 or \$4 gasoline at the pump, but your Canadian dividends and gold investments will go a long ways in taking up the slack between your budget and the cost of living. The key is to act early enough, ahead of the crowd.