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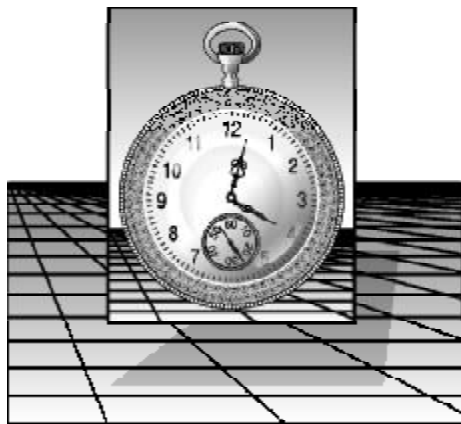
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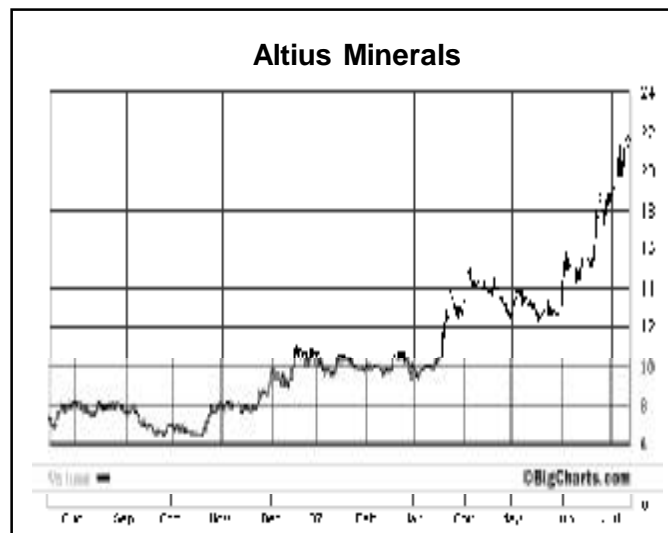


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AN INTERESTING SPECULATION

Crude oil has done rather well of late. From a trader's perspective, however, it is getting close to being overbought, and \$75.00 basis September will offer tough overhead resistance. I expect to see the \$75.00 level challenged, and then prices should retreat briefly. On the down side, crude will find solid footing at \$69.00 to \$70.00. The timing key here is that August is usually a very friendly month for crude, so don't look for too much on the down side pricewise or timewise.

The world is a dicey place; and if there is any substance to the recently heightened concerns at homeland security, a sudden "event" should really come as no surprise. Any political anomaly would most likely push crude and precious metals suddenly higher, with little warning. The path of least resistance is up. Bottom line: use weakness for buying.



I introduced a new stock, **Altius Minerals** (ALS-TSX-C\$21.59), on the July 10 Web site update. It would have been nice to have noticed Altius earlier, of course. Nevertheless, this company looks very interesting. As you can see, the stock has been on a tear, and I

refuse to chase anything in the market. If you can't buy it right, you can always find something else.

There are three classes of folks that participate in the stock market. There are the crowd followers. These are people who follow the media or brokerage touts for their investment ideas. They are Cramer's primary audience. It all reminds me of the Woody Allen line when he introduces himself as a stockbroker: "I invest people's money until it's gone," he pines. Normally, purchases by the crowd are far from ideal; and in paying too much, the crowd follower assumes excessive risk. The second class of market player pays no attention at all to risk. He is the guy whose strategy is to run all the red lights

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so he can sleep in and still get to work on time. Neither the crowd follower nor the traffic maniac make money longer term. Typically, they end up losers year after year - at least until their money is gone.

The third class is the true investor who rationally takes risk as well as price into account. Altius looks good, but not at current prices. I think we can do better. The current surge in the stock has to do with Altius building a new oil refinery in Newfoundland. If and when they get the permits and if and when this plant becomes a reality, it will be the eighth largest refinery on the planet. The "if's and when's" are important, but they are not necessarily a deal breaker for potential investors. We can assume the risks if we offset that by paying a reasonable price.

The new refinery will be specifically designed to process heavy sour crude, which is going to account for more and more of available supplies from now on. Altius also has a hand in a spectrum of ventures holding royalty and equity interests in projects involved with uranium, gold, and base metals. This company is exceptionally well-managed and is truly interesting as a commodity play. Check them out at www.altiusminerals.com.

I have Altius on the list with a downside buy price at C\$18.00. I would buy an initial position at C\$18.00 and then accumulate more if it drops further. Stocks all cycle - even Altius - so be patient. With crude looking in need of a rest, we should see some profit-taking in the energy sector, and that will set up some buying opportunities. Remember also, Altius is a speculative play, and you need to be mindful of keeping balance and diversification in your portfolios. Keep up with the Tuesday and Thursday updates for any changes.

Gold is going to have a little trouble getting over \$670 without a technical rest first. I expect to see bullion probe \$670 and then settle back toward the next seasonal low due in August. We will likely see some profit-taking in the mining shares as well. The XAU has minor support at 143.00 and the HUI at 335.00. I wouldn't suggest selling, but you need to expect some softness as gold pulls back. Don't worry, weakness will be temporary. I look for the \$670 level to be broken after the August lows are in. My upside target for the post-August rally is \$685. There is solid support at \$650 August basis now, and I don't necessarily think we will see prices break that far. Keep your focus on the first quarter of 2008. That is when we will see the rewards of our current efforts - and likely, a new, all-time high in bullion.

Gammon Lake - now officially named **Gammon Gold** (GRS-AMEX-\$12.12) - has not been keeping up with the average mining stock lately, but I don't see any reason to change our advice on them at this point. I still like the stock, and I do not recommend selling it. I do, however, prefer others, like **Yamana** (AUY-NYSE-\$12.33). If I were looking for a place for new money, right now, today, I would recommend Yamana over Gammon.

The stock market is truly amazing this summer, and it just goes to show you why technical analysis is so appealing. I cannot provide a decent bullish, fundamental argument for the stock market or the economy regardless of the fact that several of the popular stock market averages are making new highs. Nevertheless, you should still be concerned about the economy and the future of the stock market. While the crowd follower keeps buying at his broker's request and the maniac buys and sells on every emotional whim, the rational investor needs to be wary of the stock market given the economic outlook we are facing and the dire future ahead for the U.S. dollar.

There is a way to profitably exploit this conundrum without assuming undue risk. That is by taking a trading approach. This is not easy emotionally for most investors. Trading requires diligence and discipline. It also requires an objective set of rules - a model, if you will - to guide one's actions because your emotions will be totally wrong at the turns. A good trade never feels good.

That said, our new trading model, Palio, is locked into a long side trade that it initiated on July 3. It exchanged 50% into the **Rydex OTC Fund** (RYOCX) and 50% into the **Rydex Nova Fund** (RYNVX) at that time. The next step is to wait for a sell. We also have an individual stock trading program that is presented on Page 2 of our Tuesday and Thursday online updates. This is an excellent approach for managing the risk involved with ownership of Canadian income trusts, and I am working up several more which will be added to the trading list over the next several weeks.