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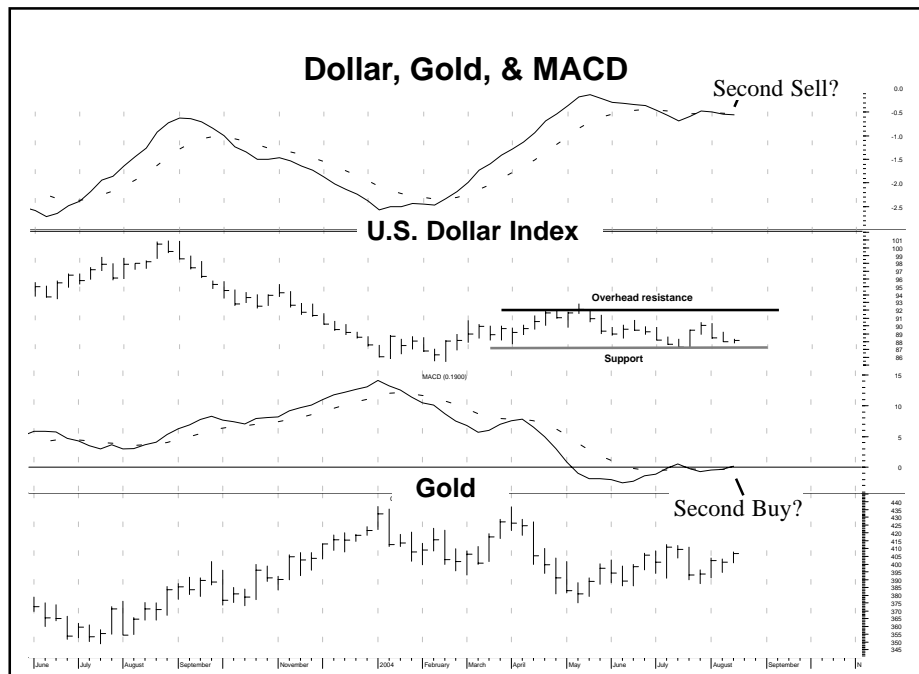
The next letter will be published on September 2.

- **We are on the right track investing with a weaker dollar in mind.** Page 2
- **Newmont looks good, if you don't have a position in it yet.** Page 2



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Where's The Rally?



I have been looking for a decent rally to develop. So far, the market has been weak ... and more important, as we go to press, there have been no buy signals from our timing models. I am a bit surprised at this. Perhaps those signals will still appear as the month wears on.

If they kick in before this letter gets to you, we will announce them on the hotline and jump in for a trade. I don't expect much out of a trade if one develops, but Phoenix and the Nasdaq Fast Tracker both manage risk well if you follow their signals.

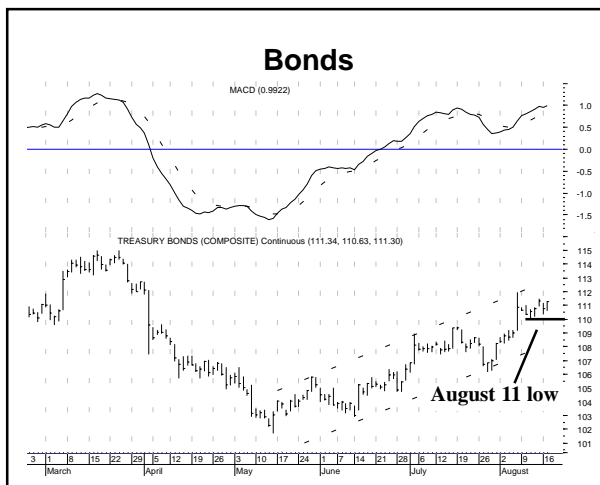
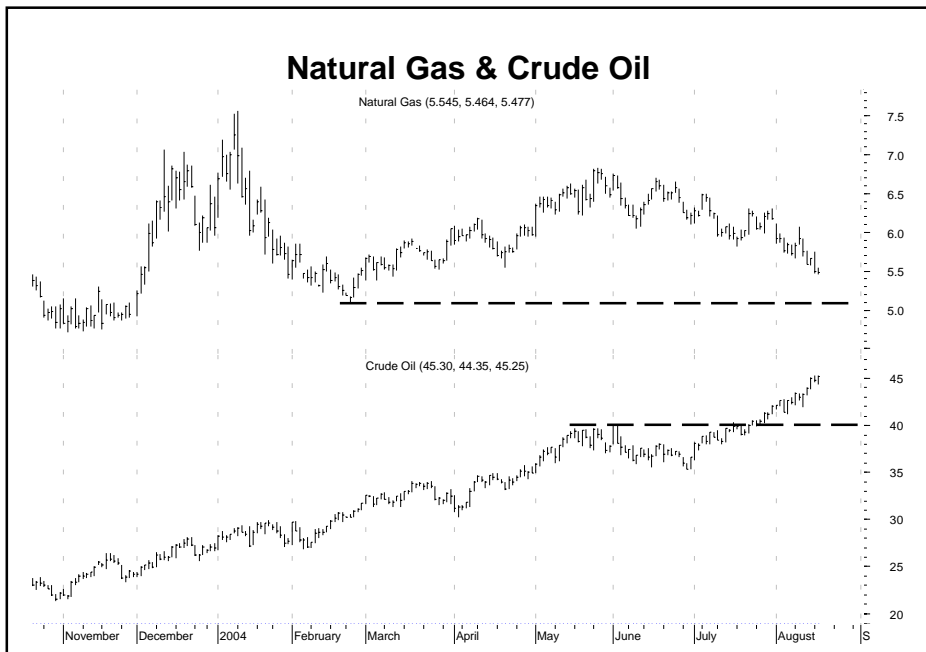
Both models have stayed on sell signals and have kept us out of the market for most of the year. With the market acting as it has, that has been the best place to be.

Occasional, brief rally attempts aside, I still see the overall trend as down - perhaps through the end of the year.

I am still warning everyone who will listen that the stock market has the propensity to accelerate this decline (crash) at any time. My best guess would be during October, but I am confident that our timing models will keep us out of trouble.

I know that traditionally election years are bullish for the stock market. This year will prove to be the exception - as will 2005 unless something fundamental changes. So far, there has not been a year ending in 5 that has been a loser ... ever. Next year may prove to be another exception to tradition.

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As a followup to the last letter, the weekly charts of the U.S. dollar index and gold are on Page 1. Both have had first MACD signals and intermediate counter signals. The second signals are close now. Perhaps they will trip this Friday when the weekly figures are posted. I will update on the Friday hotline.

correction. This is not a good time to chase energy stocks. Crude could easily sell off to \$40.00, where it broke out on the charts; and that would set up a nice buying opportunity for us.

Natural gas, on the other hand, has been softer, trading under \$6.00 lately. This makes natural gas a bargain with respect to crude. Gas looks like it will test the lows at \$5.10 basis October futures before finding its footing. Our Hyperion model - which is currently short natural gas - will trigger a buy signal if the October contract rallies to \$6.315.

Some of the oil and gas producers like **Apache** and **ConocoPhillips** have backed off recently. Interestingly enough, the Hyperion model is short these issues, but our Canadian energy trusts are holding up quite well. If we see them sell off, you should consider adding to your positions.

I like **Shiningbank** at C\$18.50 and **Baytex** at C\$11.15, as listed on our buy-and-hold list. If you don't own these yet, wait for weakness and then buy at our recommended prices.

The bottom line is that the chances of seeing 200-point down days in the Dow are much higher than seeing 200-point up days. You should respect the trend. It is down.

So, what should you do with your money?

I would rate Warren Buffett as a very big kid in this game, and he just increased his company's stake in foreign currency investments by \$8 billion - to a total of \$19 billion. You can make a lot of bets in this business, but betting against Mr. Buffett is simply foolhardy. We are on the right track investing with a weaker dollar in mind.

These signals will be very important. They will tell us that the dollar is ready to resume the bear market it entered in 2002 and that gold is revving up for its next bull market leg and a launch to highs over the all-important 430 level.

Newmont (NEM:NYSE) looks good, if you don't have a position in it yet. Buy some here and add to your position if it falls back under \$38.00.

On the energy front, crude oil is relentless on its path to new highs. The September futures contract hit \$47.00 on August 18. I think the most prudent thing to do in the oil patch now is to wait for a technical

BONDS

We are short with a position in the Rydex Juno Fund. The spike in the price of the September bond futures on August 6 looks like a bull trap. You can see the up sloping channel here, but most interesting is MACD. Again, we are closing in on a second sell signal on the daily chart, which should be very important. Also, be mindful of the low on August 11 at 110-2/32. When that low fails, I expect to see bonds break through the bottom of the channel.

If you are not receiving the hotlines by e-mail and would like to, contact me at info@protiming.com.