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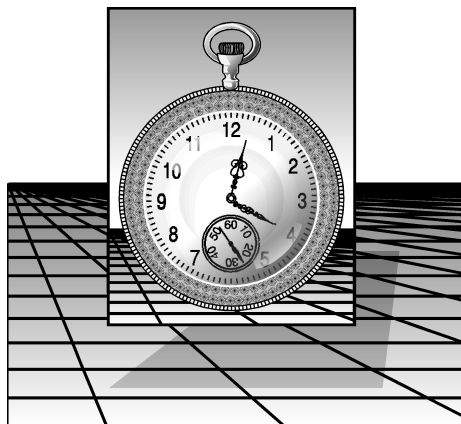
*Curry & Hester*

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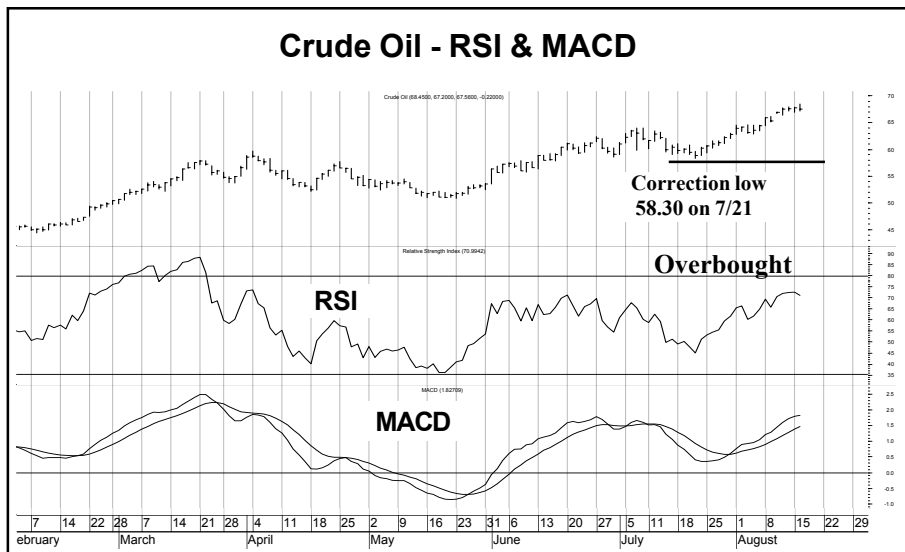
- If there is any low-hanging fruit right now, it is in the precious metals.

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## Where Is The Low-Hanging Fruit?



Energy prices are going higher - a lot higher. There will be the normal wiggles and twists along the way; but longer term, energy prices are going higher.

I will show you a new forecasting index we can use for our energy trusts next month when I have more space; but suffice to say right now, all is well. The world is not out of energy, but it is out of *cheap* energy.

### The problem is that now is not a great time to buy.

I am not one to chase strength - especially when the headlines are all about energy and higher prices. It is not a good place to sell either. There are times in a longer term bull market when holding is the best strategy. We are positioned well, and I recommend a cautious “hold” strategy until we see these stocks cool off a bit.

We have our downside buy prices (where you can add to your positions) listed on Page 6 of the monthly letter. Be sure to think about diversification. Diversifying is important to good money management and longer term investment success.

### How many stocks should you hold?

That is a function of your temperament and how much money you have - to what extent you can afford to diversify. However, you should hold at least three issues if possible. The major point to be taken is to not concentrate your investment in a single issue.

In hindsight, crude oil appears to have corrected (as we expected) - but not quite as far as we expected. I was looking for \$57 December basis on the down side, and it hit \$58 plus

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change. The fact is, crude is stronger than what would be considered technically normal, and that is bullish.

### What's next for crude?

The next longer term objective is \$76 - likely by next summer. Near term, crude is not overbought yet; and normally, you will see some negative divergence where the RSI fails to confirm a high in price before a top sets in. We have not seen a signal in MACD either.

We're not there yet, but we are likely nearer the next minor top than a low. Hang on to your positions and be patient. Enjoy those dividends.

The Canadian dollar has made a remarkable recovery of late, and it is now about .830. That is, one loonie gets you 83 cents American. As the Canadian dollar rises against the U.S. dollar, the value of our trusts rise in U.S. dollar terms - and so do our dividends.

Those of you with an interest should have been able to buy some **Frontier (FTO)** at our price (under \$30.00). However, we need to wait for a selloff in the energy patch before we do any further buying.

*If there is any low-hanging fruit right now, it is in the precious metals.*

### GOLD

Gold (like crude) came close to our downside objectives. I was looking for December gold to hit \$420.00, and the best it was able to do was dip to \$424.50 in mid-July. Like crude, it held above its support level. It has since strengthened.

I have a forecasting indicator I like to use for gold (similar to what I will show you next month for our Canadian trusts), and it is breaking out to the up side. That is bullish. Gold has held steady as the dollar

has continued to rally over the last few months. Longer term, the next upside objective is \$470, and then it will be off to \$550.

Near term, gold is getting overbought. It should settle back to \$440 December basis (where the next support level is). Conversely, the dollar index is getting a bit oversold, and it should bounce back to 88.50 (December). In this process, I expect the low-hanging fruit to be even easier to pick. Mind the buy-and -hold list; and if you can, put a few dollars into one or more of the juniors.

As the dollar falls, commodities will rise. The idea that the dollar is in a new bull market is pure drivel. If it rallies a bit (as I expect it will do), you'll be hearing the correction is over and the dollar is off to new highs. The truth is, it's not.

The super cycle is in commodities, and that is where you need to concentrate your investments. Watch **Blackrock (BGR-NYSE-\$25.75)**, which we wrote about in the monthly letter. This is an excellent overall commodity play, and it pays just shy of 6% dividends at this price. A nibble here and more at \$24.50 if given the chance makes a lot of sense.

The next stage of excitement will be in the overall stock market. Next month, I will be discussing what a resumption of the bear market during the remaining months of the year will mean to the stock market - as well as to our investments in energy, metals, and commodities. There will possibly be a liquidity rush - a panic to raise cash - and that will offer some potential problems for investors if they are not prepared.

Natural gas is headed to \$12 this winter and crude to \$76. Gold should be over its late 2004 highs at \$470 soon, and silver has even more promise over the next 12 months.

The stock market is another story. The secular bear market that began in 2001 is rearing its head again, and the upside potential in the popular averages at this point is extremely limited. Currently, there are simply too many believers.

The last number I saw showed 2.88 times as many bulls as bears. This is extreme. The mutual fund cash to assets ratio is 4%, which is a low number not seen since the Nasdaq hit 5,000.

Program trading - which assisted the meltdown in the fall of 1987 causing the Dow to lose 25% in a single day - has grown to nearly two-thirds of the trading activity on the NYSE. The averages are rolling off their highs now, and the advance/decline line and new high/new low data is looking weaker each day.

I don't have a sell from Palio yet, but it is not too early to begin using strength to take profits in non-commodity related issues. You should definitely sell or put stops under weak sisters in your portfolio. If you have something that is not performing here, it is going to get devastated in the coming down turn.

*Where do I see the averages going?* Ultimately, to new lows - but that is getting ahead of the game at this point. During the next down leg, the Nasdaq is looking at 1,900 and the S&P should find support at 1,140. The ride will not necessarily be a straight down affair, unless there is some outside surprise - say, an Islamic flight out of the dollar, etc.

The thing to be concerned about is that the cyclical bull that began in October 2002 is over. The rally phase is complete, and the distribution phase is also at an end. From here, the risk is extreme, and up days will be an opportunity to get your portfolios in order. Again, I will discuss this further in the next letter, which we will publish on September 1.