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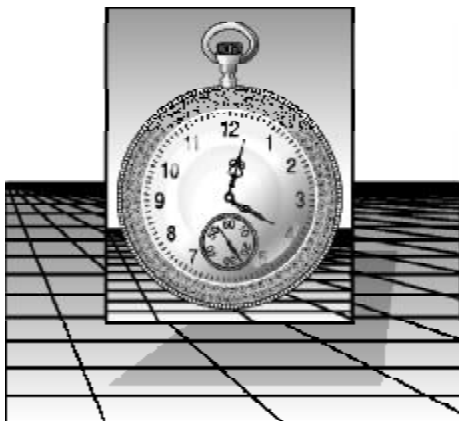
The next issue will be
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BUCKLE UP

Although October has gotten off to a better than average start, I think it will still live up to its well-deserved reputation for mischief. My technical work (which we have been updating on the Web site hotlines) argues for at least an orderly retreat, if not an all-out panic.

Overbought-oversold indicators, which measure excessive buying and selling, are negative in both short term and longer term studies. MACD (moving average convergence divergence) studies concur, and they are issuing strong sell signals in all of the popular averages we follow, including the advance/decline line.

Bottom line:

It is time to buckle up and prepare for some selling. I can't really come up with any fundamental reason, but fundamentals are a slippery rock on which to base your investment decisions. Technical aspects always work ahead of fundamentals. The immediate future looks stormy, and you need to be prepared for that.

My downside expectation for the Dow is to see the August low at 9,784 broken. It could easily fall to its next level of major support at 9,000. The Nasdaq Composite has support at 1,500. The Nasdaq 100 could easily fall to 1,100, and the S&P targets at 950. I doubt that prices will fall to these levels in a straight, one fell swoop move, but I do believe we will

see those levels reached before the next significant up move develops.

Our buy prices for both the Rydex Arktos Fund and the Ursa Fund have been reached, and we officially have positions in both of those funds. As Arktos is short the Nasdaq 100 and Ursa is short the S&P 500, these funds will at least offer a decent hedge against long positions you choose to hold.

We recommend that you hold your positions in the energy issues and precious metal stocks on our buy-and-hold list.

GOLD

I have been expecting an important turn in gold, but it stubbornly continues to trudge higher. Nevertheless, my bet is on a top here. The first reason is that every 12 weeks, we see a top in gold and the mining stocks. As it is, the 12-week high is overdue.

Here are a couple of strong technical reasons for extreme caution in the gold sector. First note the RSI, or Relative Strength Indicator (chart on Page 2). This is an oscillator where readings over 70 are indications to sell. However, sometimes we will see prices move higher while the RSI begins to move lower. We call such occurrences "non-confirmations," and they carry extra weight.



The XAU also sports strong overhead resistance at the 106 level. The probability is very low that it will be able to overcome such resistance without at least taking a breather. Prices are simply too overbought here to surmount a successful attack on solid overhead resistance.

A chart of gold looks very similar. Its corresponding overhead resistance level is \$430/ounce. Both gold and the mining indexes are probing these levels now. The best bet is still on a period of profit-taking.

I can see gold falling back to \$380 basis the December gold futures. The XAU should come off to about 91 by the time the next significant low comes in during November.

I want to hold the gold stocks on our buy-and-hold list; but as is the case in the energy sector, you should not chase these stocks or buy at this point. Take a gamble that makes sense and put buy orders in under the market. Then sit back and wait.

The same advice holds for our energy stocks.

I note that most of the energy stocks on our list put in highs during the first week of October, even though crude oil continued its march over \$50.00

\$60.00, but both of these markets need to cool off some first. There is an election coming up, and this administration (virtually everyone of importance) is married to the oil industry. It would make nice press if crude and natural gas were *not* screaming to new highs as the public goes to the poles.

I expect to see a period of consolidation set in where crude trades in a trading range between \$55.00 and \$45.00 for several months before once again moving to all-time highs.

What should you do now?

First, put in some open orders under the market. Call your broker or get online and put in orders to buy some **Shiningbank** (CA:SHNUN-TSX-\$21.90) at \$20.00 Canadian. If you want a U.S. dollar equivalent, buy Shiningbank at \$15.80 or less. Put in an order to buy some **Baytex Energy** (CA:BETUN-TSX-\$13.25) at \$12.00 Canadian, or \$9.50 or better in U.S. dollars. Those would be my top picks right now. I am working up some new energy ideas for you, and I will spell them out in the November letter.

For now, hold your Arktos and Ursa funds. Put in open buy orders in select energy and gold issues under the market as per our letter and downside

and natural gas jumped over \$8.00. Likely, the energy stocks have simply gotten a bit ahead of the market.

I have absolutely no doubt that natural gas will eventually move to \$10.00 and that crude oil will stretch beyond

buy prices on the buy-and-hold list. Then sit back and wait for the election madness to pass.

BONDS

We hold a position in the Rydex Juno Fund, which is short the 30-year Treasury. I've been waiting for a new entry point to form where we can add to this position so that new subscribers can get on board. We finally have something we can hang our hat on.

If the December U.S. bond futures fall to 110-20/32, you can add to your current position in the Rydex Juno Fund. For those who have yet to take this position and feel they would like to short the bonds, this signal will be your opportunity to do so.

A great source for commodity quotes is www.barchart.com. Go there and plug in the symbol USZ4 and you will have the December bond futures. You can then simply save this page to your favorites; and, presto, you will have an easy access to bond prices.

I don't expect you all to be commodity traders. That is not my reason for the Hyperion commodity signals or directing you to the futures prices. However, since we are involved with investing in crude oil, natural gas, gold, silver, bonds, etc., the Hyperion positions in these commodities compliment our associated investments.

The U.S. dollar also figures deeply into our strategy since a weak dollar is bullish for precious metals, energy prices, and the value of our Canadian energy trusts. As the Canadian dollar rises against the U.S. dollar, the value of our Canadian energy trusts - along with the dividends paid - will increase in U.S. dollar terms. The advantageous thing about this is that the U.S. dollar is far from seeing its lows.