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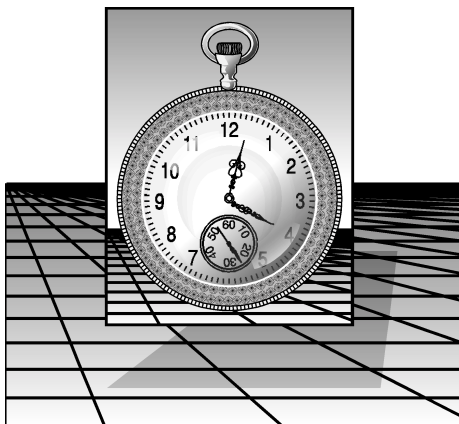
The next issue will be published November 3.

- **My advice is to buy Suncor Energy (SU-NYSE) at \$52.90 or better for an excellent long term energy investment.**

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- **The potential for USGL is fantastic.**

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ENERGY BULL LONG FROM OVER

I warned you to expect some weakness in September and October, but it is now time to look for a rally. Trading lows are often born during October weakness.

A rally will get the press all lathered up and spouting the bullish case. Fence sitters will be seduced as the pros finish liquidating their positions. However, the flurry will be short term and for quick traders only. The key is that resource stocks will recover to new highs, but the others will not.

Long term investors should stick with resource, commodity-driven issues only, and they should hold their positions. Admittedly, our Canadian trusts are not growth investments, but they have allowed us to participate in the rising prices of crude oil and natural gas. Energy prices have a good ways to go yet; and although in time the energy trusts will exhaust their reserves, their dividends and share prices will rise over the next year and a half.

The Canadian dollar is also going to rise over the next two years. That will augment our dividends as well.

The trusts will rise and fall with the general market's tide. They are currently selling off along with everything else. This was expected, and they don't seem to be any weaker than the rest of the energy sector, nor

do I see any unusual volume. I fully expect to advise you to sell these cash cows some day, and it will be difficult at that point to give up the income. Nevertheless, everything has its day and its sunset. I do not believe that the sun has set on the Canadian energy trusts - at least the ones we own.

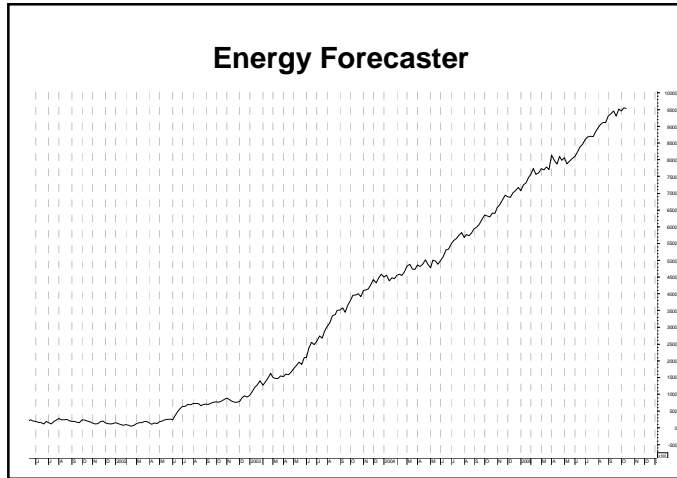
There will eventually be viable energy alternatives, but the problem (which I will go into more in the next monthly letter) is that alternatives are too far in the future and, at this point, are not energy positive. That is, it takes more energy to produce them than you get back. This is the problem with ethanol, oil shale, and hydrogen ... but more on this another time.

One energy alternative that is practical now is tar sands.

The downside is that although tar sands are now being commercially and profitably converted into crude oil, production volume is still scant and well behind what we need. **Suncor Energy (SU-NYSE-\$51.34)** is producing some 260,000 barrels a day and is ramping up to increase this to 500,000 barrels a day by 2010.

World demand requires an additional 6 million barrels a day in new production to offset depletion;

Energy Forecaster



Some of the other issues on our buy-and-hold-list hit downside buy prices this month. Now this is important as I sense some of you are confused about downside buy prices. It isn't that I necessarily expect those prices to be reached. However, if they are reached, that is the

and once world production peaks in the next year or two, this number will accelerate. Even 500,000 barrels a day is a drop in the bucket - but a profitable drop in the bucket for Suncor.

I expect crude prices will rise steeply over the next several years, and that will translate into higher profits for Suncor. They make very good money as long as crude sells for over \$20 a barrel. So, even if crude prices were to dip (don't bet on it), they will still see solid cash flow with which to expand their tar sands operations.

The potential for Suncor is to double from here ... but this is not an overnight, short term investment. It is a year 2010 to 2015 investment. The most worrisome problem within that time frame is a possible buyout.

We would make good money in that event, but likely not realize the total potential in this company. Can you imagine where Microsoft investors might be today if it had been bought out by Intel or Hewlett Packard?

The recent dip in crude prices pulled Suncor back to our buy price of \$52.90. In fact, it fell to a low of \$48.09 on October 14. My advice is to buy Suncor at \$52.90 or better for an excellent long term energy investment.

place to do your buying. Buying at or below the recommended prices will go a long ways toward managing risk and maximizing profits. Patience!

On the subject of dividend increases, **Paramount** (which is primarily a natural gas producer) just raised its dividend by 9%. **Enerplus** just announced a dividend hike also. We will be seeing more of this.

The energy bull is not over yet, regardless of what the talking heads tell you on CNBS. The media is in the business of selling air time and newspapers. Their incentive is to make themselves money, not make you money. As it is, my Energy Forecaster is still looking bullish.

Gold is developing an interesting independent streak of late. It normally has a closer tie to the dollar, but the dollar has been grudgingly groping higher while gold has been pushing toward \$500. Gold has solid downside support at \$455, and I have been expecting to see it sell off to that level. However, it has been surprisingly resilient. Future surprises will be on the up side for both gold and energy.

Consider picking up some gold issues. My first choice among the juniors is **U.S. Gold Corporation (USGL-OTCBB-\$2.10)**. Keep in mind that

the juniors are speculative and that diversification is always a good idea. Ideally, U.S. Goldcorp should be accumulated at \$1.70 or better. If you don't own any, a few shares here and more on weakness is a good idea.

The potential for USGC is fantastic. Their principal property is in Nevada, which is one of the most promising gold zones in the U.S. I look for this one to at least triple. If all works out well and the commodity bull market takes gold to new, all-time highs (as I fully expect), USGC could hit \$20.00.

My advice is to stick with the recommended gold stocks on the buy-and-hold list, along with their associated buy prices. We will review our selections when gold reaches \$500 and decide at that point which, if any, should be sold. That will be the time to weed out weak sisters. In the meantime, buy only at or below the recommended prices, and hold your positions.

We did have a signal to move to a 100% money market position in the Rydex gold program. This move was supported by negative divergences and other negative signals from our oscillator studies and MACD. Remember, this is a *trading* program, not a long term strategy. If you are participating in this program, stay in the money market fund until our next signal is announced.

Our Annual Asset Allocation Model (AAAM) is extremely important in pointing us to the market's most important macro sector. Since October 2001, it has directed us to tangibles as the asset class with the best risk-to-reward characteristics. We officially calculate it at the end of each October, and we will report this year's results in the November letter.