

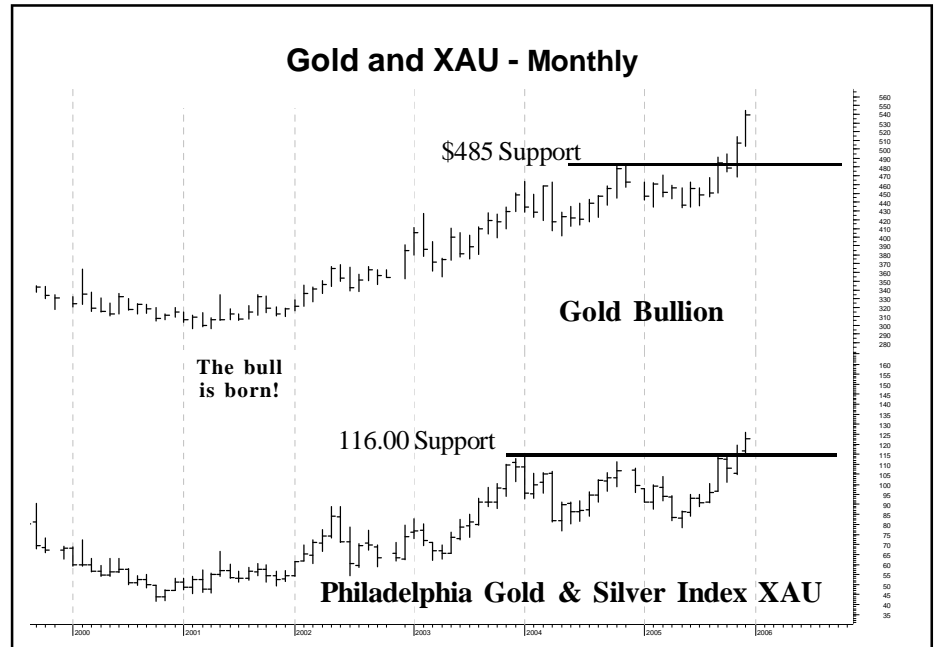
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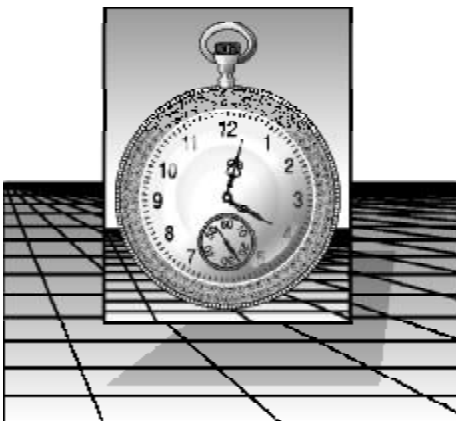
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## When Should You Take Profits In Gold?



The next issue will be published January 5, 2006.

We at Professional Timing Service want to wish all of you a great holiday season. We will work very hard to make 2006 a prosperous new year.



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*Gold bullion is performing remarkably well. On a technical basis, it has broken through long term overhead resistance ... but it is also getting a bit overbought short term.*

Bull markets tend to get overbought and stay there. However, we are nearing the time when we should be looking for an eight-week high. There is also the tendency for gold to top out in the winter and correct to lows in the spring.

Bottom line, it is time for us to see gold bullion cool off some. The downside should be limited to around \$485 June 2006 basis. It's no big deal - just some profit-taking and consolidation. If we see prices correct that far, it will present a grand buying opportunity.

Like bullion, the mining stocks are going to correct. I am looking for a downside objective for the XAU at 116.00, and that may give us a shot at adjusting our position in the Rydex gold program.

### Should you sell your gold?

I told you several months ago that when bullion reached \$500, we would review our buy-and-hold list to see if there were any weak ones we needed to let go of. In the last letter, we recommended selling both **American Bonanza (BZA-TSX)** and **International Wayside (WGM-TSX)**. That is officially a done deal, and those are now off our list.

I am content with the rest of the junior list stocks. **Mines Management (MGN-AMEX-\$6.28)** just hit our downside buy price. They are wading through the permit process needed to begin production at their Montanore project here in Montana. This is an

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expensive and lengthy process; but so far, I haven't seen any big negatives in the local press. Normally, mining in Montana gets a very cold shoulder, but Montanore seems to be winding its way through the red tape surprisingly well.

One negative is a failure to file a listing application for some additional shares MGN issued in concert with a financing deal they did in October. This appears to be a problem that will be solved.

Price is important, so be sure you buy at or below \$6.50. You should be willing to exercise more than the average required patience.

I like Mines Management as a speculation on silver. In my estimation, silver has the potential to become the real star in the precious metals bull market - much like natural gas is the real winner in energy.

There are two approaches to precious metals mining stocks. You can be a long term investor - we recommend in this case that you take your guidance from the buy-and-hold list. If you are one to trade these stocks, focus on the mining stocks and guidance from our Hyperion trading list. There are several mining stocks there you can follow. The instructions are in *The Trading Handbook*. If you need a copy, send me an e-mail.

It is time to go through your gold portfolio and cull out the disappointments. However, remember, this bull market is not dead by a long shot. Once the next correction is over, we will see new highs in both gold and the mining stock averages like the XAU and HUI. I don't expect this correction will be a big deal, but you have to be prepared for it. Don't chase the gold stocks or metals on the up side. Weed out only the weak from your portfolios, and hang on tight to the better ones. Once this adjustment is over, we will see new highs in the metals.

### The energy picture is improving.

Nearby natural gas futures hit \$15.50 recently. Crude oil has been a little slower to come on, but the January contract is back over \$60.00. I believe the fall correction in gas and oil is over.

The energy stocks - especially our Canadian trusts - are back on the run as well. They began to recover ahead of oil and gas prices, and this is bullish. The correction allowed you to pick up some nice buys at our downside buy points, and you should just buckle up and relax. It promises to be a profitable winter.

I have a couple of things to pass along. **Primewest (PWL-NYSE-\$32.38)** just joined the club of companies raising dividends. They bumped their monthly payout from C\$0.30 to C\$0.36, for a 20% increase.

Along with our Canadian stocks raising dividends, the Canadian dollar is back over .87 now. This hasn't hurt our bottom line either. I fully expect to see the loonie move to par with the U.S. dollar over the next two years.

**Frontier Oil (FTO-NYSE-\$41.28)** normally only pays four cents a share per quarter, and I have heard complaints about them being stingy. They have announced a special dividend this year along with the regular dividend. The special dividend will be \$1.00. They are also plowing some \$240 million into capital improvements, and they are going to buy back \$100 million in shares during 2006. This will all come out of their coffers with no borrowing.

There is news on **Fording Coal (FDG-NYSE-\$40.15)** - this time, not so good, short term at least. They announced that they were having trouble buying tires for

coal-hauling trucks, and that will encumber sales from Elk Valley Coal. Elk Valley is 60 percent owned by Fording. Fording took a hit, and was down some 8% on the news. I stand on my recommended downside buy price - buy Fording at \$35.20.

### Don't lose sight of the big picture.

The energy forecaster just went to a new high this week. Periodic corrections aside, the energy business looks good, and the commodity bull market will be accelerating as it moves into its second investment phase.

If you haven't already, pick up some **Pimco Commodity Real Return Fund (PCRBX-\$17.19)**. My downside price is \$16.50 for the B shares. If you are buying D shares at Scottrade, buy at \$16.65 or less. This will give you a broad-based commodity investment with a decent yield. If I were going to buy something in the market today, this is what I would buy.

The stock market looks top heavy here. My technical indicators look extreme. The RSI oscillator is overbought, and MACD is overbought and is turning down. The year-end seasonal push should be coming to an end.

I look for the averages to ease off into Christmas and then stage a final shot at the recent highs into early January. Most interesting here is that the advance/decline line is failing to keep up with recent highs. That is a most ominous warning.

Several months ago, I suggested that you use the year-end strength to clean up your portfolio - to make sure your investments are only those advantaged by higher commodity prices. The time is running short.