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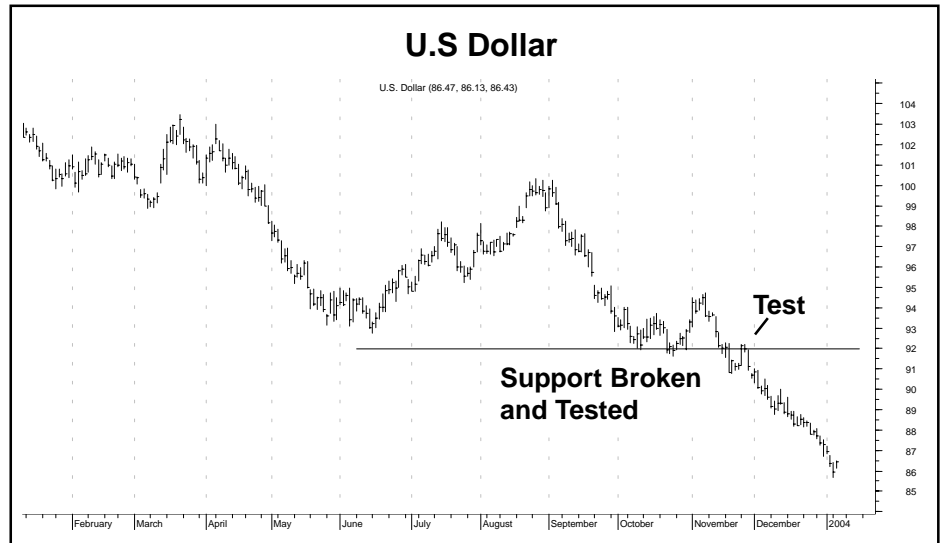
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WELCOME TO 2004



The new year is the time to sit down and reflect on the past and the future. For investors, I see some important changes in 2004, as well as some things that will not change.

The dollar is the common thread.

We have been talking about a lower dollar for quite some time now. We warned you that once through the 92.00 support level, it would skid further. You can see on the chart that since this time last year, the dollar has lost 20% of its value. There is more weakness coming.

For most investors, this is an invisible loss since they don't routinely have to exchange dollars for other currencies. When you look around at the prices of really silly things these days, you can see that the dollar is gradually becoming worthless.

When something like a handwritten song sheet by John Lennon sells for nearly half a million dollars, you know that the U.S. dollar is no longer worth hanging on to.

The buyer of that sheet music may end up regretting his purchase, or he might be able to trade the music for even more worthless dollars in the future. Who knows?

I do know that tangible assets are better than dollars.

This is where we have been directing your investment efforts over the past two years. There is no change in that advice for 2004. Our Annual Asset Allocation Model (calculated in October each year) has solidly confirmed that tangibles still offer the best risk-to-reward investment opportunities this year.

Tangibles are still king, and they will become more regal as the year wears on.

Everyone I have talked to is pleased with his investment in Enerplus, as well as our other energy recommendations. The weak dollar has pushed the price of oil and gas higher, and we have found a further benefit by holding energy producers valued in appreciating Canadian dollars. Those gradually increasing monthly dividends don't hurt either.

If you were to put some money into energy right now, my pick would be **Shiningbank**. If you go to www.bigcharts.com and plug in the symbol CA:SHNUN, you can bring up a quote in Canadian dollars.

The last I saw, Shiningbank was selling for C\$18.50. That is about \$14.10 in U.S. dollars. You can make this conversion by dividing the Canadian quote by .76. Shiningbank pays 23 cents Canadian each month, which equates to about 17.5 cents U.S. At today's price, that is a yield of just over 14.8%.

Shiningbank has backed off a bit here, but purchases under C\$19.00 are recommended. If you already have some and are looking for a downside support level where you might steal more shares, put open orders in at C\$17.00.

Those who have bought our energy recommendations in the past tell me that they soon stop being overly concerned about the price of these stocks. They tend to focus on their excellent monthly dividend checks.

Nevertheless, it is wise to be prudent about your purchases. You will be happier if you buy into weakness.

Our list of buy-and-hold recommendations are listed on Page 6 of this letter, along with their downside buy points. I update the parameters as needed. The current numbers are included in the PDF version of the hotline on our Web site as well.

I would recommend buying any of the listed stocks at their respective downside buy prices. If I were to invest some money today, I would pick up some shares of Shiningbank.

I think one reason Shiningbank has not powered ahead like Enerplus and Primewest is that it trades strictly on the Canadian Exchange. Enerplus, Primewest, and some of our others trade on the New York Exchange as well as in Canada. That gives them better investor exposure.

Here is a change to expect in 2004.

As the U.S. dollar continues to fall, you will see Canada come into its own as a major natural resource supplier - especially to the U.S. market. Their resource business is going to continue to grow, and the Canadian dollar may approach parity with the U.S. dollar within two years.

Some readers seem to want a new idea each month.

They tire of hearing about the same old stocks. The truth is, there are not that many attractive stocks, not if you are interested in investing your money responsibly. Any fool can

gamble his money away by placing bets on exciting stories, but finding companies where you would like to own a piece of the business is difficult.

Investing means paying a fair price (not paying too much), having a profitable future, and sharing in the income. If you don't get a decent share of the company's success and a decent cash return on your invested money, you are getting bilked.

If someone approached you to use your money to finance an enterprise, you would demand all of these things. You would also be very cognizant as to how much money management was taking for their own and how they were spending the company's capital and earnings. You would likely be very careful about the price you paid for whatever collateral they gave you, be that bonds or stock.

Why approach your stock market investments any other way ... unless you are only interested in gambling or entertainment. My advice is to buy stocks as you would an investment in your neighbor's business. Don't buy stocks so you can equip yourself with fodder for cocktail party conversation. Don't follow the crowd.

Your investment success in 2004 hinges on the U.S. dollar. I am a little bothered about the short term prospects for the dollar, simply because everyone seems to be a dollar bear right now. Keeping in mind that "everyone" can hold the correct opinion for a while, when too many folks jump on a trend, it usually reverses - at least long enough to change investor sentiment.

Once the dollar broke the 92.00 support level, it had nowhere to go but down. We have to reach back to 1992 to find the next downside support, which should be at 80.00. Below that, there is no support.

We could see a brief bounce short term, but we are more apt to see a sideways consolidation rather than any real strength. There are a lot of foreign holders of dollars who are very anxious to unload them. They will be avid sellers during any dollar rallies this year.

Another change for 2004 - I think that al-Qaida has a new agenda for 2004. They will certainly keep jerking our chain to keep our resources focused on physical security. They have to just love heating up cyberspace and watching our response. In the meantime, I believe we should be preparing for a holy war on the economic front.

They know very well our economic weaknesses, which are more difficult for us to defend than our borders and citizens. This year will bring more sabotage in Arab oil-producing countries. Targets will shift to pipelines and storage facilities. Pipelines are especially easy targets in the Middle East.

Do you realize that China now uses one-third of the world's energy?

Iraq, which the West counted on to appease increasing global oil demand, just hasn't panned out. The oil isn't flowing. Equipment is stolen as fast as it can be installed. Pipelines are blown up. Transportation is hindered.

The militant Muslim movement has been very successful in Iraq, and Saddam had nothing to do with it. I think his leadership was rendered impotent long before his capture. Did he look like someone leading an organized movement to you? However, there is an organized and concerted movement afoot that is intent on damaging the economic interests of the West. That movement will gain strength in 2004.

I believe the physical attacks on oil production will continue in Iraq, and there will be no real improvement in oil production there. Odds favor even less output. More important, however, is that these attacks will spread to other Mideast oil-producing countries - especially Saudi Arabia. Al-Qaida can kill two birds with one approach in Saudi Arabia. If they can damage Saudi oil output, they can weaken the ruling family, as well as cause economic havoc in the West.

I have talked in the past about the movement in Malaysia promoting the gold dinar. This is no pipe dream. There are roots in the Koran for the gold-backed dinar and its use by Muslims. The intent is to produce a gold-based monetary system. At first, trade between Muslim countries will use the new dinar, but it will eventually be mandated that all trade between Muslim countries be in dinars. This will take some time. In the meantime, gold will find additional demand and the dollar will find less.

Besides a growing dependence on oil, the U.S. has other economic weaknesses, a ballooning foreign account deficit, and burgeoning

federal deficit. I read that President Bush is the only president in forever who has not vetoed one bill in his first three years in office.

The spending gates are wide open.

The result is enormous debt. The total debt in the U.S. - including state, federal, personal, and corporate - is about four times the GDP. That is some \$44 trillion in debt, and it is growing like a cancer.

Look for the militants to begin taking advantage of this in 2004. I anticipate less demand at the Treasury auctions as more oil-producing countries demand at least partial payment in other currencies like the euro.

This does not bode well for low interest rates, but the Fed controls the short end. T-bill rates will likely stay too low, too long. I don't expect to see the Fed raise rates until after the election, unless we see job growth rise over 150,000 a month. Although job growth numbers have improved lately, they are a long ways from the 150,000 level which is necessary to indicate real improvement and turn the unemployment rate lower.

The Fed does not directly control the longer end of the yield curve.

They can buy or sell Treasuries, but they may not be able to pick up the slack that will result if foreign investors begin to shy away. Treasury demand will weaken noticeably this year. Huge debt and growing debt burdens, coupled with low yields, make U.S. Treasuries unattractive.

Perhaps more important, I expect al-Qaida and their ilk in Asia will be shifting their money - and they have a lot of money - out of Treasuries due to the problems it will cause us. The bottom line from all of this will be higher interest rates and the negative impact that will have on real estate.

Do not buy bonds and stay away from REIT's. If you have income property, be sure you are able to sit through higher vacancies, lower rents, and a drop in value of the property. Your expenses will also be rising. Mortgage rates and insurance costs will be increasing along with taxes.

How do we negotiate this?

When the dollar is falling, it is theoretically a good idea to have a lot of debt. You then end up paying it off in cheaper dollars. One reason the Fed is working to reflate is to make sure all those debt payments continue to be met.

Therein lies the problem. Will debtors be able to pay in the future? There are going to be a lot more bankruptcies this year than last. You know your situation better than I. Just don't let yourself be seduced into too much debt. How long can you afford to hold your income property with no income? Two years? One year? Six months?

It's better to be a lender than a borrower.

I like short-term bonds in foreign currencies. I like Australia and Canada. If the dollar does jump a

bit here, that would be a good time to consider foreign bonds if that is to your liking. I suggest you stick with resource rich countries.

Got gold?

I have already outlined the energy avenue, but you should also own some gold. Our previously forecast gold correction is now underway. It is time to focus on the downside targets on Page 6 and use this weakness to stock up on gold.

We are in the third great gold bull market since the beginning of the 20th Century. The first two bull markets saw Homestake Mining appreciate by 650% and 1,000% respectively. Homestake has since been merged, but it stands as a typical investment-grade gold mining company like Goldcorp, Anglogold, and the others on our buy-and-hold list.

I expect this bull market will eclipse the previous ones due to the extreme vulnerability of the dollar.

Gold bullion has solid support at \$400/oz basis February futures. I have said that I think gold will eventually reach \$2,000 to \$2,500. This elicits some surprise. If you think back at the house you bought 20 or 30 years ago, this number is not surprising.

In 1971, I bought the house we still live in, which is modest by modern standards. It cost \$37,000, and I had no idea how I would pay for it. I also owned an XKE Jaguar roadster, which I had purchased a couple years earlier for \$2,000. I

was more naive then, but I joked that when the Jag was worth enough to pay off the mortgage, I would sell it and do just that.

I still have the house, and it would likely sell for some \$350,000, maybe more. I still have the Jag; and once the current restoration is finished, it could sell at auction for perhaps \$80,000. If anyone had suggested 30 years ago that either the Jag or the house would be worth this much, I would not have believed them.

The secret to this is not that the value of the house has gone up that much. I have to live somewhere. The secret is that the value of the house is the same. The value of the house in dollars is greater because the dollars are slowly becoming worthless.

Gold at \$2,000 will be no big deal. You should not be surprised at the value of gold this time a year from now, but you will be surprised at the value of the dollar.

Our downside price in **Goldcorp (GG-NYSE-\$15.17)** was reached last month. You should accumulate positions at \$15.00 or less.

I like the dividends, and GG is the cleanest operation I have seen in the gold mining business. They have no debt, own the richest gold mining property on the planet, and pay a little dividend. In fact, they paid an extra dividend at year end.

If you go to www.bigcharts.com, you can get quotes for Goldcorp with the symbol GG. You may



In any event, it pays as well or better than T-bills, and your money will be in gold rather than U.S. dollars. Buy at \$23.00 or better; and if you want a downside price, it would be \$21.00. Incidentally, the downside

separately in text format at our Web site. You will find an explanation of the model and how to use it in *The Trading Handbook*. Go to our Web site - www.protiming.com - if you need a copy. You will find it in the subscriber's section.

Trading is not for everyone.

I get complaints, for example, about where the model has its stops. All I can say is that this is a model that has done very well, and I am content to let it call the shots rather than trade by the seat of my pants. Take a look at some of the current trades.

The model recently made nearly 100% in a 6-month trade in Amazon. It has great profits currently in Altria, Arch Coal, Apex Silver, Coca Cola, Conoco, Consol Energy, eBay, and Pan American Silver. The others are doing all right, although some have not been in their current positions long enough to prove their promise.

There are also commodities on that list. I don't recommend commodities for everyone; but if you are seasoned at commodity trading, the model has done fairly well. The recent cattle trades are interesting. The model rode cattle on the up side, and it then went short on December 12 in time for the "mad cow collapse."

The importance in this is that if you are going to invest in yesterday's popular stocks or stocks outside the tangible asset arena, you must take a trading approach. For individual stocks, the Hyperion model has been a wonderful guide.

find that the indicated dividend shown at the site is 8.74%, but that is an error. They pay 1-1/2 cents a month, or 18 cents a year. That is 1.1% at \$16.00 in the stock. With the 10 cents extra dividend they paid at the end of 2003, that would bounce up to 1.75%. I don't think you should necessarily count on an extra dividend each year, but I do anticipate they will raise the monthly dividend this year.

I would also like to buy some **Newmont Mining** (NEM-NYSE-\$47.44). I would like to see it settle back to \$41.50 or less first.

I am adding another gold stock to my buy-and-hold list - **Barrick Gold Corp.** (ABX-NYSE-\$22.72). It pays 11 cents every six months, which is just shy of 1% yield on \$23.00. I expect that dividend may increase as the year goes on.

Barrick has no debt and \$1 billion in cash. They do have a hedge book, but they are adamant about eliminating their hedging activities entirely. In the last 18 months, they have reduced hedges from 24 to 16 million ounces.

buy points are calculated from price and volatility parameters.

My goal in this letter is to give you sound, responsible advice. It is not difficult to find those who will tout the latest hot stocks and story concepts. For example, fuel cells have a great story, but I can't find a company I want to put money in other than on a trading basis.

There are too many irresponsible touts on Wall Street. When one of their hot picks fail, they simply regurgitate another. Your future is serious business - not a game.

One big change I see coming in 2004 is a serious correction in the stock markets. I believe that our energy and precious metal investments will weather the storm just fine as they will profit from one of the basic causes of the next market decline. That is a weak dollar and its ramifications.

If you are one who cannot stand to see the darlings of the 90's move without you, you might consider trading the Hyperion model signals. The signals are on the PDF version of the hotline, and they are listed

I am studying our Phoenix and Nasdaq Fast Tracker models, and I expect to announce some refinements soon. We should be able to get a better handle on the stock averages. Look for better times with these two programs in 2004.

Our Annual Asset Allocation Model confirmed its signal of October, 2001 that we should be investing in tangibles. I am not at all disappointed with our Rydex gold program - in the last two years, it has made over 55%. Keep in mind that this program is designed to be conservative. It's not just another gambling event. I think those of you participating in the Rydex gold program will be very pleasantly surprised at how we fare in 2004.

We do manage accounts in the Rydex gold program; and as I mentioned earlier, these accounts are progressing very well. If you have an interest, let me know and I will send you information. Minimum accounts are \$50,000.

Recommended Stocks For Buy And Hold Last Updated 1/07/04

Company	Symbol/ Exchange	Initial Recom. Date & Price	Price 1/07/04	Div.	Downside Buy Price	Web Site
Enerplus Resources	ERF-NYSE	4/20/01 @\$18.00	\$29.12	10.27%	\$26.50	www.enerplus.com
Peyto Energy	PEYUN-TSX	7/18/03 @\$17.50	C\$28.41	6.34%	C\$24.50	www.peyto.com
Primewest Energy	PWI-NYSE	2/7/03 @\$17.00	\$21.95	13.31%	\$20.00	www.primewestenergy.com
Provident Energy	PVX-AMEX	6/16/03 @\$7.50	\$8.88	12.50%	\$8.20	www.providentenergy.com
Shiningbank	SHNUN-TSX	1/2/03 @C\$15.15	C\$18.50	14.92%	C\$17.00	www.shiningbank.com
Kinder Morgan Ptrs.	KMP-NYSE	6/11/02 @\$32.50	\$48.21	4.48%	\$43.10	www.kindermorgan.com
Suncor Energy	SU-NYSE	2/7/03 @\$16.8	\$25.73	0.59%	\$22.05	www.suncor.com
Anglogold	AU-NYSE	2/25/03 @\$32.00	\$45.78	n/a	\$40.50	www.anglogold.com
ASA Ltd.	ASA-NYSE	11/19/02 @\$31.00	\$45.40	1.32%	\$42.50	www.asaltd.com
Goldcorp	GG-NYSE	8/15/03 @\$13.00	\$15.17	1.18%	\$15.00	www.goldcorp.com
Energy Split	ES-TSX	12/8/03 @c\$12.00	C\$13.40	17.76%	SC\$12.00	No Web site
Newmont Mining	NEM-NYSE	9/5/03 @\$39.10	\$47.44	0.42%	\$41.50	www.newmont.com
Knightsbridge	VLCCF-OTC	5/16/03 @\$13.65	\$13.77	13.70%	HOLD	www.knightsbridgetankers.com
Nordic Tankers	NAT-AMEX	6/6/03 @\$15.50	\$15.60	9.49%	HOLD	No Web site
Barrick Gold	ABX-NYSE	1/5/03 @\$22.85	\$22.72	0.97%	\$21.00	www.barrick.com

Buy And Hold Junior Gold & Silver Stocks - The Option Alternative

Company	Symbol/Exchange	Price 10/2/02	Price 1/07/03	Downside Buy Price	Web Site
Kinross Gold Corp	KGC-AMEX	\$6.30	\$7.87	\$7.15	www.kinross.com
Golden Star Resources	GSS-AMEX	\$1.30	\$6.65	\$5.06	www.gsr.com
Bema Gold Corp.	BGO-AMEX	\$1.06	\$3.60	\$2.80	www.bema.com
Coeur d'Alene	CDE-NYSE	\$3.19##	\$6.13	\$3.50	www.coeur.com
Western Silver	WTZ-AMEX	\$3.50##	\$5.65	\$3.90	www.westernsilver.com
Cumberland Resources	CBD-TSX	C\$2.10	C\$4.40	C\$3.70	www.cumberlandresources.com
American Bonanza	BZA-V	C\$0.15	C\$0.375	C\$0.30	No Web site
American Bonanza Wts.	BZAWT-V	C\$0.06	C\$0.195	C\$0.14	

C\$ Denotes Canadian dollar ## Initial recommendation was 9/2/03

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