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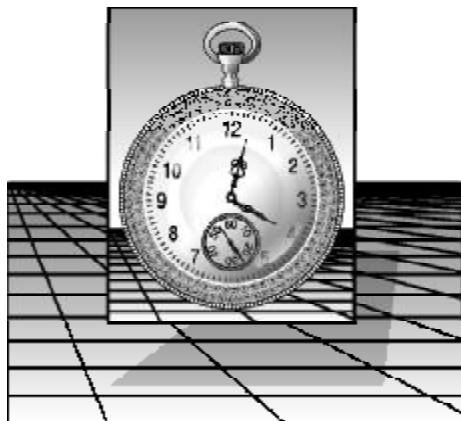
The next issue will be published Friday, March 17.

- **We are sitting at a great second chance to buy Canadian energy trusts.**

Page 2

- **My personal shopping list.**

Pages 2-5



## Buy Energy Trusts ... Low-Hanging Fruit

*Think about this for a moment ... the demand for energy will likely double in the next 20 years.*

Do you remember back to 1986? Unless you are a “30 something,” that was but a heart beat ago. Twenty years is no time at all. The shorter term outlook does not change things that much. World demand is set to reach 90.6 million barrels a day (mbd) by 2008, which is not outlandish.

### **There will be two problems with meeting demand.**

One is declining world production. Kuwait announced over a year ago that their Burgan field had peaked. This is the world’s second largest oil field.

Iran is looking to the nuclear option for two reasons. One, of course, is to become a nuclear power, but they also are looking ahead to a need for the energy. All of Iran’s fields are now past their peak. Twenty years ago, Iran was exporting about 4 mbd. They are now exporting about 2.5 mbd.

Incidentally, I do not see how Israel can tolerate a nuclear Iran. Iran has publicly stated that Israel should be “wiped off the map.” The U.S. cannot tolerate an Iranian oil exchange trading in euros. The whole crude gimmick is that we simply print dollars to pay for oil. Something is going to happen in Iran, and I believe Iran’s reaction will be to effectively take a

good share of the world’s oil off the market, either by closing the Strait of Hormuz or simply by refusing to ship crude. Blocking the strait alone would take 20% of the world’s crude supply off the market overnight.

Indonesia is now a net importer of crude. The Saudis have a vested interest in convincing the world that they can produce oil at any rate, but I am not sure they can. Their major fields - the largest in the world - are of the same vintage as the Burgan field in Kuwait, and they are certainly peaking. The Saudi’s little secret will be exposed soon enough.

Another problem with meeting global demand is availability. Militants have found easy targets in the oil fields, and this is going to become a bigger problem in the future. The amazingly effective, low tech strategy is to damage the oil infrastructure. Pipelines have long been easy targets, but opposition forces are becoming more sophisticated in their targeting.

In February, two suicide bombers were nearly successful in an attack on the largest oil processing facility on the planet - Saudi Arabia’s Abqaiq oil complex. If they had been successful, over 6 mbd would have been taken off the market. That is over half of

Saudi Arabia's total production! Imagine - all from just a couple of guys with some explosives.

Nigeria is the largest oil producer in Africa. Rebels have been successful in taking 455,000 mbd off the market thus far, which is about 20% of Nigeria's output. The militants have stated that they are going to reduce output another 10% this year.

Then there is Venezuela. They are going to continue to produce crude, but they would love a reason not to sell it to us. They would love to divorce themselves from any and all dependence on the U.S. At some point, they will find other buyers, and they are already inking deals with China.

Toss in instability in Ecuador. Well ... regardless of the fact that current inventories may be sufficient, the future supply issue is one of declining quantity and fragile availability.

### **We are sitting at a great second chance to buy Canadian energy trusts.**

Demand continues to increase on a global scale. In fact, world crude demand has never decreased year over year. With supply peaking and demand growing, prices are going to rise.

Crude has been surprisingly resilient, especially in light of ample current inventories, but the market is certainly looking beyond today's calm. December crude has held over the \$65 level. MACD is looking positive again. Near term, I expect some overhead problems getting through \$72.00, but this is a technical problem which only short term traders need be concerned about.

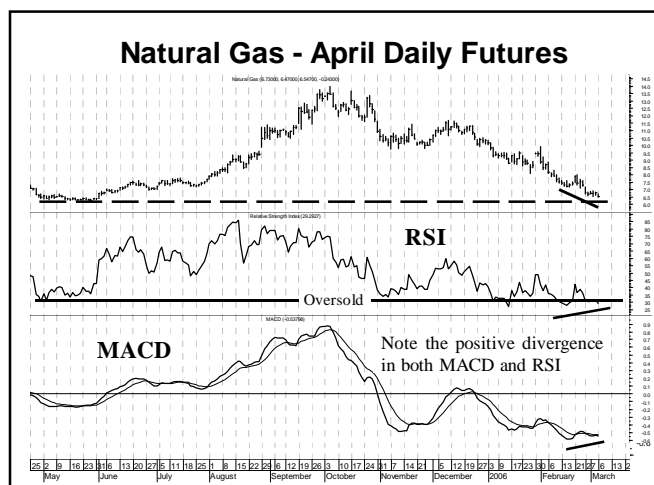
Bottom line, crude has completed its correction and is in the early stages of its next bull leg. I thoroughly expect this move to take crude to my long-held \$76 target. That will not be the end of the bull market in crude oil or energy at large. It is simply our next upside objective for crude.

Natural gas is the weak link in the complex. It has been weaker than I expected, but the correction off the September-October highs is close to an end. The technical aspects here are extremely exciting, so humor me for a moment while I point them out.

There were old lows back in 2004-05 at the \$6.00-\$6.25 level. Current prices appear to be basing just above those lows. The Relative Strength Index (RSI) shows that gas registered oversold readings in mid-February at the \$7.10 level. Now that prices have fallen further than that, the RSI has established a higher low.

This is called positive divergence, and it is a very bullish sign. Note MACD has also produced this bullish second low and has now issued a second buy signal. Longer term readers know how I love the second MACD signals.

There is another technical development here which has yet to give the green light, but it is close. The Commodity Channel Index (CCI) applied to the weekly natural gas chart is revealing (see Page 3). You can Google this index if you want more detail as to its construction;



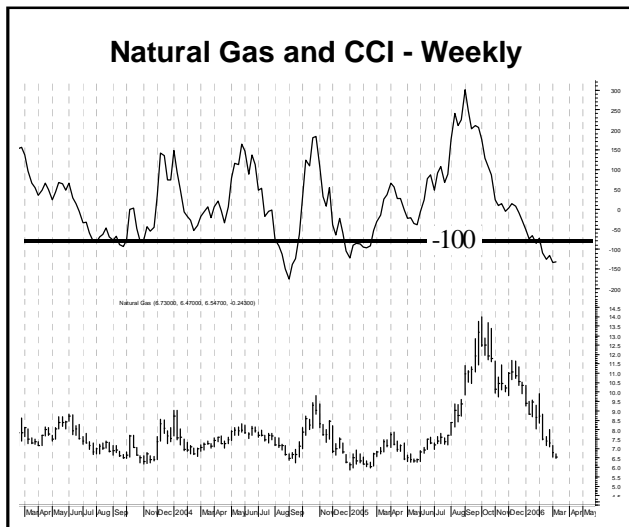
but suffice to say, when the CCI has fallen below -100 and recovered back over -100 on the weekly chart, the lows will be in and the next rally will be on.

*My opinion is that the daily charts are telling us that we are not far off from the next CCI buy signal.*

The energy picture cannot look brighter, and we are looking at low-hanging fruit, especially in the natural gas arena. Plus, with the Canadian dollar soaring, we find the Canadian trusts at multi-month lows. They are truly at bargain prices here.

**Why the weakness?** Because of uncertainty in Ottawa over the Canadian government's tax policy concerning trusts. Weak hands (retail investors) are selling, and strong hand, institutional investors with longer time horizons and higher risk tolerance are buying. It is time to take the lead from them and add to your portfolios.

I have adjusted some of the buy prices on the buy-and-hold list, and one stock on my personal shopping list is **Shiningbank Energy** (SHNUN-TSX-C\$21.82). On the technical front, this one has the same positive divergence in its RSI as we see in the



crude and natural gas markets. Shiningbank looks good at this level. If you want to try for a steal, put in an order at C\$21.00. The indicated dividend is 16.5% at the current price.

You never know about dividends, but they did raise their monthly payment from 23 to 30 cents Canadian late last year, which is a nice 30% bump. Companies normally only declare dividends that they are reasonably certain they can maintain.

**Paramount Energy** (PMTUN-TSX-C\$18.20) has been on my list for some time, and it still looks good. I bought some lately for C\$20.00; and although retrospectively that was not the low, I am comfortable with the purchase and the dividend. It is indicated at 15.8% at the current price. Paramount increased their dividend last fall by about 9%. As you know, it is exclusively a natural gas producer. I look for some excitement in this one when gas turns higher.

I fully expect natural gas will surpass its old highs and hit \$20.00 some time in the next 12 months. Now is the time to invest for that potentiality - not after the energy stocks are on the run again.

\$36.70) and **Fording Coal** (FDG-NYSE-\$41.00). Of the two, Fording has clearly been the better performer. Alliance should have nice support at \$35.00; and if you are going to purchase more of this one, buy some at \$35.10 or better.

My preference of the two is Fording. They have done very well ... but I caution you against chasing strength. It will correct, and I would wait for it to drop back to \$35.20 before making new purchases.

**Headwaters, Inc.** (HW-NYSE-\$37.51) is another idea. Montana is investigating exploiting its pristine low sulfur open pit coal. The plan is to build coal gasification plants - which brought this company to my attention. They have some interesting technology; and better yet, they are making a ton of money. They have backed off from highs set last summer at \$45.00, and it looks like they are basing above \$35.00.

You should check them out at their Web site [www.headwaters.com](http://www.headwaters.com). They are involved in providing technology and chemical reagents to the coal-based synthetic fuel industry. They develop

Keep your eye on the buy-and-hold list and consider **Primewest** (PWI-NYSE-\$27.00) as well.

**We cannot eliminate coal from our energy investments.**

I have two coal issues on the list - **Alliance Resources** (ARLP-OTC-

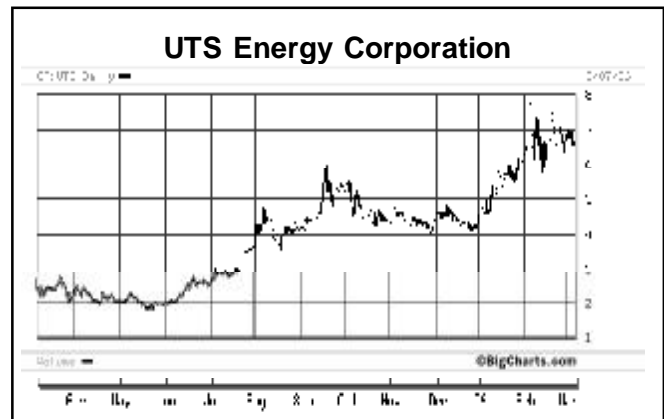
and deploy several breakthrough technologies designed to improve natural resource utilization including heavy oil upgrading, and coal liquefaction. What I like about Headwaters, Inc. most is they are profitable. Over the last four years, revenues have grown at 120% a year, income at 86% a year, and their return on equity has been about 24%. Nice numbers, I think.

Buy a little Headwaters at \$38.00 or less. Then target some more at \$35.00 if given the chance. There is no dividend, but they are doing the right thing in the right industry.

High on my list is **Suncor** (SU-NYSE-\$73.85). They have been increasing the dividend a little, but this one is not an income stock. They have a broad involvement in the energy business, but the star in their crown is their oil sands production. We first recommended this stock at \$17.20 in February 2003, and it has met all of our expectations.

In terms of alternative energy, most of the schemes like solar, frozen hydrates, etc. are either unproven or too far in the future to make a difference. Remember, we are at the threshold of a massive problem, a crisis in the supply/demand balance in energy.

Suncor is not a hope and a dream. They are producing over 250,000 barrels a day, and they are investing in added capacity. Output has been increasing every year, profits have doubled over the last year, and cash flow is strong. Oil or tar sands are an answer that can provide help with our energy needs in time. Also, Suncor is on our northern doorstep - not in a faraway place wracked with political and military instability.



Suncor is not a cheapie any longer. It has been very strong, but you still should own some. If you already hold Suncor, buy some more at \$62.50 or less. If you don't have any yet, buy a little under \$75.00 - and then add to it if it falls back to \$62.50.

### How about a speculation?

I am adding this one to my list of junior stocks – **UTS Energy** (UTS-TSX-C\$6.55). Their only asset is a 30% stake in the planned Fort Hills oil sands mine in Alberta's Athabasca oil sands area. This is a bet on the future, but the shares have done well so far and should appreciate as the project develops and the price of crude rises over the next few years.

You should consider this as you might a call option. It is not for "widders and orphans." I also recommend that you buy at \$6.05 or less to offset risk. You can get more info at [www.uts.ca](http://www.uts.ca).

I have had requests for thoughts about uranium. I think that nuclear energy is a must if we are to work out of the problems we face in continuing to base our culture and economy on relatively inexpensive and available petrofuels. The day is ending. Nuclear is necessary, but it

will take a big crisis in this country before we see new nuke plants being built. Nevertheless, the rest of the world - especially Asia - is not as blind as we are. Uranium is going to be in demand, and it will rise in price along with the rest of the energy sector. I just haven't found many investments in uranium that excite me.

One is **Laramide Resources** (LAM-TSX-C\$5.85) It's an interesting company which I am going to put on my list of junior buy-and-hold stocks. Fundamentally, Laramide mines copper, gold, and uranium – my favorites. Like UTS, this is a speculation and carries some risk.

The excitement is in Australia where they are developing their uranium properties, which are among the top 10 largest uranium deposits in Australia. The political winds are blowing favorably now, and sales to China look to increase dramatically in the next few years. If you want to investigate the details, visit them at [www.laramide.com](http://www.laramide.com). Again, with the juniors, price is important. I would buy some, but at C\$5.20 (\$4.40 U.S.) or less in order to offset risk.

The precious metals have been hopping, but I still caution you not to get carried away here. It is amazing how

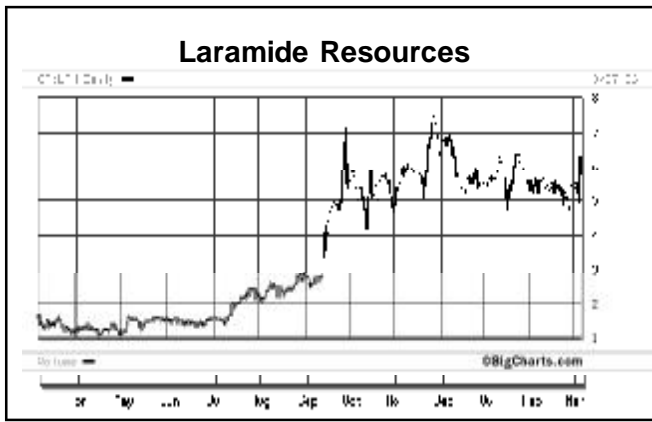
the public wants to buy at highs. The bargains are in energy right now - not in the metals.

June gold corrected from a high of \$585 in early February to a low of \$543. Since then, it has recovered to about \$578. The problem is that the early February high at \$585 is going to offer solid resistance, and prices are nearly there.

We might see a double top at the \$585 level, especially since the public is so anxious to get in at these levels. There is too much enthusiasm in this market right now. This is confirmed by the gold/XAU ratio which, although recovered to 4.20, looks like it will work higher.

I am not advising that you sell your precious metals holdings because I do believe there is a long way to go yet in this bull market. If you sell, you will not buy them back. They are long term holds, not short term trades.

The XAU is also looking weak here. It hit 155.14 in early February, commensurate with bullion hitting its \$585 high. However, of late, it has refused to follow bullion and has languished below 140.00. Normally, the mining stocks will lead gold prices.



We have favored silver for some time, and it has been the star of late. The recent strength is partially due to the expectation of a silver ETF and the demand such an ETF will create.

On the March 1 hotline, we recommended selling your **Western Silver** (WTZ-AMEX-\$19.97) because it is being bought out by **Glamis Gold** (GLG-NYSE-\$27.71). With the market strong and with losing our premier silver investment to a buyout, I think taking the cash is the best way to go. The question then is where to reposition that money.

I have two recommendations. One is to begin accumulating shares in **Silver Wheaton** (SLW-AMEX-\$8.89). This stock has been hot along with silver prices. I recommend buying a little - perhaps 15% of what you might want to hold - and then try for more in weakness. Buy more at \$8.00. This will give you a start at a difficult time to be switching silver companies.

Next, I am going to take **PanAmerican Silver** (PAAS-OTC-\$23.79) off the Hyperion trading list and add it to the buy-and-hold list. I don't think PanAmerican is as good an investment as Silver Wheaton, but it is worth investing in

nonetheless. My recommendation is to buy Pan American at \$20.50 or less.

I have adjusted some of the downside buy prices for the mining stocks on Page 6, but one

major change is to put **Newmont Mining** (NEM-NYSE-\$49.82) on hold. I want to liquidate this position. Newmont is simply not making the grade; and with bullion probing at its recent highs, it is time to look over the list and cull out weak sisters. There should be support at the \$48.00 level, but hang on for now and take your profits at \$56.50.

The stock market overall still looks vulnerable to a correction, if not a full-blown bear market. It is surprising how well it has done considering that we have a new Fed chief who thus far has only produced conjecture concerning his hand at the helm.

The next Fed meeting is on March 28. There have been arguments supporting both another 25-point rate hike, as well as a halt in the rate hikes. Those favoring another increase are sighting inflation numbers and Bernanke's inflation-fighting reputation, at least academically. Those espousing an end to the rate hikes are pointing to the flat yield curve and the supposition that another rate hike will invert the curve and

bring on a recession. All in all, Bernanke is a huge unknown, and usually the market hates unknowns.

My take is that there will be another rate hike – another 25 basis points. If you are rolling over T-bills coming due before the meeting, I would gamble on another hike and wait until after the meeting. Our bond model is presently negative, which seems to support another hike.

As we roar into March, continue to be cautious ... no, bearish on the popular averages. If the averages are able to hold up for another month or two, I see nothing that will put the Dow much over its old high at 11,700. It may, however, put in a double top there, which would be very bearish.

The upside potential is something like 0.6% from here; but if the Dow were to retrace back to its low of last summer, it will give up over 9.0%. The best we might hope for is that it simply goes nowhere.

Your best opportunity right now is to put some money in energy. Put the current weakness to your favor. Hang on to your precious metals positions, but get set for some selling as spring approaches. There will be a better time for buying the metals.



## Recommended Stocks For Buy And Hold - Updated 3/07/06

**Note: If you go to [www.bigcharts.com](http://www.bigcharts.com), you can get quotes on Canadian stocks in Canadian dollars by using the symbols we have listed, preceded by CA: For example, if you want a quote for Shiningbank, go to [www.bigcharts.com](http://www.bigcharts.com) and type in CA:SHNUN. You can approximate the price in U.S. dollars by multiplying the Canadian dollar quote by .875. You should buy at or below the posted downside buy price. The downside buy price does not imply that this level will necessarily be reached, but that this is the maximum price we recommend that you pay for the issue.**

Company	Symbol	Exchange	Initial Recom. Date and	Price	Price 03/07/06	Downside Buy Price	Div 03/07/06	Target	Web Site
U.S. \$									
Alliance Res.	ARLP	OTC	9/29/2004	27.98	36.70	35.10	8.00%*		<a href="http://arlp.com">arlp.com</a>
Anglogold	AU	NYSE	2/25/2003	32.00	49.52	44.00	n/a		<a href="http://anglogold.com">anglogold.com</a>
ASA	ASA	NYSE	11/19/2002	31.00	57.94	49.50	2.42%		<a href="http://asaltd.com">asaltd.com</a>
Barrick Gold	ABX	NYSE	1/5/2003	22.85	27.00	27.00	0.81%		<a href="http://barrick.com">barrick.com</a>
Black Rock	BGR	NYSE	8/3/2005	25.99	26.07	<b>24.75</b>	5.75%		<a href="http://blackrock.com">blackrock.com</a>
Enerplus	ERF	NYSE	4/20/2001	18.00	49.85	<b>44.20</b>	8.90%		<a href="http://enerplus.com">enerplus.com</a>
Fording Coal	FDG	NYSE	11/16/2004	22.74	41.00	35.20	8.00%*		<a href="http://fording.ca">fording.ca</a>
Frontier Oil	FTO	NYSE	8/3/2005	28.75	47.30	34.95	0.33%		<a href="http://frontieroil.com">frontieroil.com</a>
Gabelli Glb Gld, etal	CGN	AMEX	1/3/2005	22.10	22.61	20.50	7.43%		<a href="http://gabelli.com">gabelli.com</a>
Goldcorp	GG	NYSE	8/15/2003	13.00	27.06	<b>22.10</b>	0.67%		<a href="http://goldcorp.com">goldcorp.com</a>
<b>Headwaters</b>	<b>HW</b>	<b>NYSE</b>	<b>New Reco.</b>		<b>37.51</b>	<b>35.00</b>	<b>n/a</b>		<a href="http://headwaters.com">headwaters.com</a>
Newmont	NEM	NYSE	9/5/2003	39.10	49.82	<b>HOLD</b>	0.80%	<b>\$56.50</b>	<a href="http://newmont.com">newmont.com</a>
<b>PanAm. Silver</b>	<b>PAAS</b>	<b>OTC</b>	<b>New Reco.</b>		<b>23.79</b>	<b>20.50</b>	<b>n/a</b>		<a href="http://panamericansilver.com">panamericansilver.com</a>
Pimco Commod Fund	PCRAX		3/2/2005	13.97	13.68	HOLD	11.07%		<a href="http://pimcofunds.com">pimcofunds.com</a>
Primewest	PWI	NYSE	2/7/2003	17.00	27.00	30.05	13.89%		<a href="http://primewestenergy.com">primewestenergy.com</a>
Provident Energy	PVX	AMEX	6/16/2003	7.50	10.61	HOLD	11.85%		<a href="http://providentenergy.com">providentenergy.com</a>
<b>Silver Wheaton</b>	<b>SLW</b>	<b>AMEX</b>	<b>New Reco.</b>		<b>8.89</b>	<b>8.00</b>	<b>n/a</b>		<a href="http://silverwheaton.com">silverwheaton.com</a>
Suncor	SU	NYSE	2/7/2003	16.80	73.85	<b>62.50</b>	0.28%		<a href="http://suncor.com">suncor.com</a>
Valero	VLO	NYSE	4/26/2005	36.63	53.64	54.85	0.45%		<a href="http://valero.com">valero.com</a>
Canadian\$									
Baytex Energy	CA:BTE.UN	TSX	5/18/2004	11.90	19.50	17.00	11.08%		<a href="http://www.baytex.ab.ca">www.baytex.ab.ca</a>
Paramount En. Tr.	CA:PMT.UN	TSX	12/20/2004	16.44	18.20	<b>19.00</b>	15.82%		<a href="http://paramountenergy.com">paramountenergy.com</a>
Peyto Energy	CA:PEY.UN	TSX	7/18/2003	8.75	23.06	Hold	7.29%		<a href="http://peyto.com">peyto.com</a>
Shiningbank	CA:SHN.UN	TSX	1/2/2003	15.15	21.82	<b>22.00</b>	16.50%		<a href="http://shiningbank.com">shiningbank.com</a>

\*Pimco adjusted for \$1.94 distribution 12/29/05 \*\*The dividends for the coal trusts depend on cash flow and the price of coal in the preceding quarter. I have listed these with a dividend of 8% since I feel that that is a likely minimum you might expect. For further details on their past dividend histories, you should visit [www.fording.ca](http://www.fording.ca), and [www.arlp.com](http://www.arlp.com).

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

Company	Symbol	Exchange	Initial Recom. Date and	Price	Price 03/07/06	Downside Buy Price	Div 03/07/06	Target	Web Site
U.S. \$									
Bema Gold	BGO	AMEX	6/6/2002	1.06	4.29	<b>3.50</b>	n/a		<a href="http://bema.com">bema.com</a>
Coeur d'Alene	CDE	NYSE	9/2/2003	3.19	5.69	<b>4.60</b>	n/a		<a href="http://coeur.com">coeur.com</a>
Ivanhoe Mines	IVN	NYSE	6/4/2004	6.00	7.85	<b>6.50</b>	n/a	\$9.00	<a href="http://ivanhoe-mines.com">ivanhoe-mines.com</a>
Mines Mgmt.	MGN	AMEX	5/13/2005	4.50	7.98	<b>6.50</b>	n/a		<a href="http://minesmanagement.com">minesmanagement.com</a>
Novagold	NG	AMEX	12/8/2004	6.50	12.80	<b>10.00</b>	n/a		<a href="http://novagold.net">novagold.net</a>
US Gold Corp.	USGL	OTCBB	9/9/2005	1.70	6.24	<b>4.80</b>	n/a		<a href="http://usgoldmining.com">usgoldmining.com</a>
Yamana	AUY	AMEX	4/14/2005	2.90	8.79	<b>6.90</b>	n/a		<a href="http://yamana.com">yamana.com</a>
Canadian\$									
<b>UTS Energy</b>	<b>CA:UTS</b>	<b>TSX</b>	<b>New Reco.</b>		<b>6.55</b>	<b>6.05</b>	<b>n/a</b>		<a href="http://uts.ca">uts.ca</a>
<b>Laramide Res.</b>	<b>CA:LAM</b>	<b>TSX</b>	<b>New Reco.</b>		<b>5.85</b>	<b>5.20</b>	<b>n/a</b>		<a href="http://laramide.com">laramide.com</a>

C\$ Denotes Canadian dollar. Quotes for Canadian stocks can be obtained on the U.S. OTC Bulletin Board (pink sheets) with the following symbols. I want to caution you, however, that OTCBB quotes are not always current. They can be a day or more old at times. You should take the quote in Canadian dollars (as described above) times .875 to see if the OTC quote looks correct. You can access these OTCBB quotes by using [www.barchart.com](http://www.barchart.com).

Shiningbank SBKEF      Peyto Energy PEYUF      Baytex Energy BAYXF  
 Paramount Energy PMGYF      Laramide LMRXF      UTS Energy UEYCF

**Target** The "Target" column represents the price at which you should liquidate the position and take profits. Do not reverse on the target price. There will not always be a target price. You should only reverse on the reversal stop price, even if there is no current open position.

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