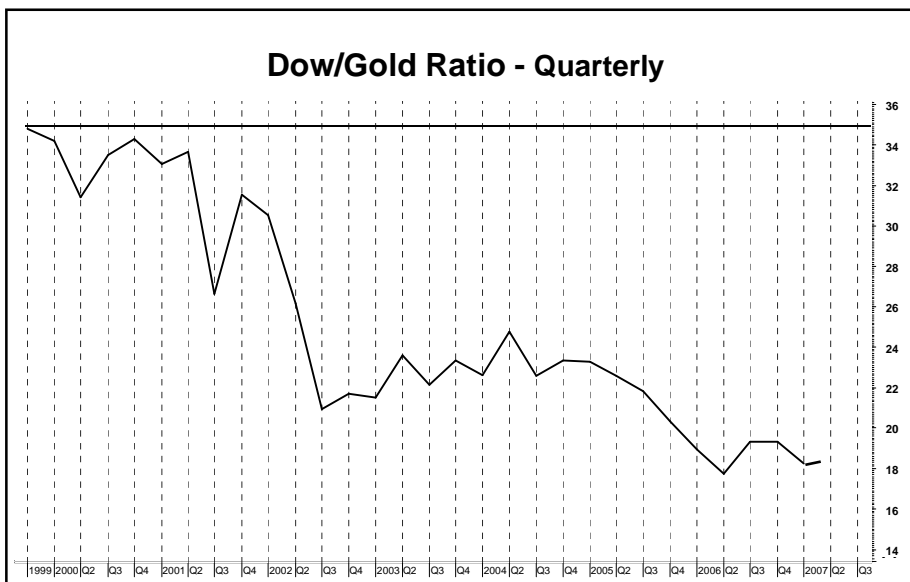


“All The Fools Aren’t Dead Yet”



- **Yamana is my favorite gold stock.**

Page 2

- **Physical gold is certainly a good idea.**

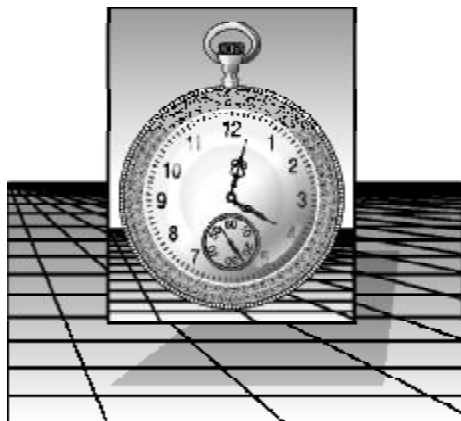
Page 3

- **How far will gold go?**

Page 4

- **I am going to add one more to our list - Cameco Corp.**

Page 5



My grandmother used to issue that warning to me. Although she was not involved in the markets, it is very good advice for investors. It explains a lot of the things you see and the news you read. It explains the comments and opinions you hear when bull markets correct.

Until the Dow/gold ratio falls to 5, the current commodity bull market will continue. However, commodity markets are very volatile. You need to have the resolve to sit tight when you are right and beware of fools.

The Dow/gold ratio exceeded 35 before the stock market hit its highs in 2000. It has since been in a long term decline; and currently, it clocks in at about 18. The ratio reflects the relative strength between financial (paper) assets represented by the Dow Jones Industrials and the quintessential real (tangible) asset - gold. There is a long cycle here. The ratio will top out in the 30's, where a shift from financials to real assets is called for. It will then decline to 5 or less, at which point real assets will finally be overpriced relative to financial assets. When the ratio falls under 5, it will be time for you to shift from an emphasis on tangibles back to paper assets once again.

Until then, the commodity bull lives. I don't see an end to this for several more years – easily until the end of this decade. Hang on to this conviction. Don't let greed or fear blind you. Don't convert long term investments into short term trades.

Remember, 85% of financial success is being invested in the correct asset class. I have a second proprietary model for determining whether one should be in financial assets or real assets - the Annual Asset Allocation Model (AAAM). Its advice is simple as it will only point us in one of two directions – financial (paper) assets or real (tangible) assets. One subtlety is that the purpose of the model is to tell us which of these two assets offers the best potential reward for the lowest risk.

In other words, financial assets can still be profitable when the AAAM is in the real asset mode - as has been the case over the last several months. However, the risk of being invested in financials during such times is extremely high. Although trading profits can be had, holding long term investments in financials can turn very bad, very quickly - as the debacle on February 27 illustrated. Being invested on a long term basis in financial assets while the Dow/gold ratio is falling and the AAAM is pointing to real assets is the providence of fools.

There is one exception to avoiding paper assets, and that is any stocks or bonds that are advantaged by rising commodity prices. Your focus should be on tangible asset investments and, in particular, specific real asset investments that offer the best advantages during a commodity bull market. This brings us to gold - the quintessential real asset.

The essential element laid out in the February mid-month letter is that we expect to see a correction in gold during March. Our Rydex gold trading program triggered a move to money market funds on February 27. Gold should settle back to about \$640, and this correction will give those of you looking to put some new money into the market an opportunity to buy precious metal recommendations on our buy-and-hold list. The downside buy prices for **Minera Andes** (MAI-TSX-C\$1.90) has been raised to C\$1.60, and **Market Vectors ETF** (GDX-AMEX-\$39.35) has been raised to \$37.00. I also expect the Rydex gold program to reposition during March weakness. That move will be announced on the Tuesday/Thursday online updates.

If 85% of investment success is being in the right asset class, then 15% is being in the right stocks. Unlike the Rydex gold program, issues on our buy-and-hold list are not intended for trading. You should hang on tight to your investment positions, and accumulate more if you have a mind to during weakness this month.

Yamana (AUY-NYSE-\$14.05) is my favorite gold stock on our list of major producers, and it is definitely one of the right stocks to own. They are not a “major” in the sense that **Barrick** (ABX-NYSE-\$30.01) is a major, but Yamana is a sturdy, mid-level producer, and it’s on a strong growth path. Barrick will evolve, and it’s a decent buy at \$29.00, but Yamana holds more promise. Buy Yamana at \$12.00 or better.

We also have **ASA** (ASA-NYSE-\$62.64) on the list, and I like the strength recently in the South African rand. ASA has been doing quite well; and if you can buy some at \$60.00 during March profit-taking, it would provide a nice diversification in your precious metal portfolio.

On our buy-and-hold list, you will see a set of issues titled “Junior Gold & Silver Stocks – The Option Alternative.” I expect to see buying opportunities in these issues this month. These are definitely better speculations than buying put and call options. Occasionally, I get e-mails with questions concerning options on some of our recommended stocks, but I can’t really provide any help in that vein. I don’t like options.

I have done well writing options in the past, but buying puts and calls is a fool’s game. It is not all that different from playing the games at Vegas. The house holds all the odds; and even though you might have an occasional win, you will lose over the long term. On the other hand, I think buying the issues on our junior list gives you positive odds of turning a profit.

Mind how your speculations fit your financial situation and portfolio balance. It is an individual decision as to whether you should speculate or how much you should speculate with. If such speculation is suitable for you, the juniors purchased at their downside buy prices will give you a better future than puts and calls.

I recently added **Golden Valley** (GZZ-TSX-C\$0.61) to the list, and it traded under our buy price of 50 cents Canadian on February 20. You should have another shot at it this month. If your broker doesn't deal in Canadian issues or wants to trade on the OTCBB (OTC Bulletin Board), get a quote in Canadian dollars and then convert to U.S. dollars using the current exchange rate. The OTCBB cannot be trusted for accurate quotes. It might be better to get a new broker.

Personally, I have been very pleased trading Canadian issues with Scottrade www.scottrade.com. You cannot trade Canadian issues on line with them and the commission is a bit higher than with U.S. issues, but everyone I have dealt with on the phone has been very competent.

There is the question regarding investing in actual gold. Physical gold is certainly a good idea, but it is a little beyond the scope of this letter to offer specifics on coins and bullion bars. Generally, the next buy point will be \$640 during the March correction. You can key off our gold discussion in the February mid-month letter. I cannot vouch for any specific dealers. I buy physical gold and silver from a local fellow that I have known for over 40 years who dabbles in estates. You should be able to find reputable dealers on line.

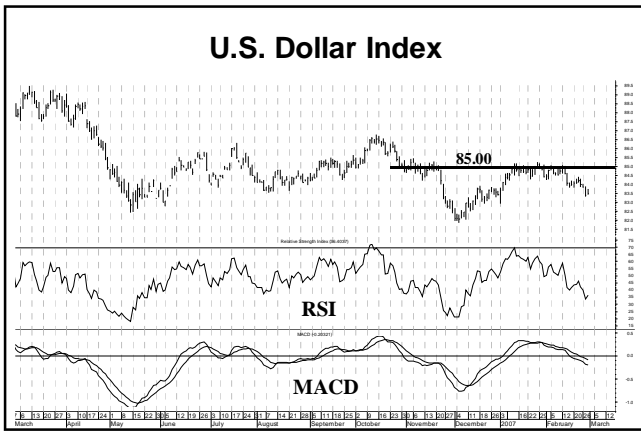
There are two important considerations. One, don't let the dealer hold your gold - take delivery and do your own storage. Admittedly, this is difficult if you have large amounts. In the 80's when gold fell apart, there were a lot of dealers that didn't seem to have their customers' gold any longer. Two, do your research. Check out prices on line, and then you will know what a fair price is.

I recommend that you buy bullion coins. It doesn't really matter which ones you buy - American Eagles, Canadian Maple Leafs, Austrian Philharmonics, Krugerrands, etc. Don't buy "proofs," and buy whichever has the lowest premium over gold. I like the bullion coins better than ingots, simply because they are easy to recognize and to sell. Finally, I am not knowledgeable about numismatics; so although I am very bullish on gold, rare coins are out of my league. If you are knowledgeable, collectable coins are certainly an option.

There is a relationship between the U.S. dollar and gold - as there is between any currency and gold. Currencies are created at the whims of central banks. Gold, though, is real money. Fools will try to convince you otherwise, and fools will ignore gold as a foundation of wealth. I advise you to suffer no fools.

The U.S Dollar Index thumped against 85.00; and failing to get through that level of overhead resistance, it has since turned down. No sooner does this weakness set in than the media is fraught with such foolishness as "the dollar is oversold," "dollar investments offer higher interest rates than other currencies," "the gloom and doom is priced in," etc. Well, the dollar is far from oversold. MACD has only hit the zero line so far, and the RSI oscillator is neutral at best.

As for the "gloom and doom" being priced in, I have no idea what that means. Perhaps they were referring to the December TIC (Treasury International Capital) number that came in at \$15.6 billion. This number reports net foreign inflow into U.S. securities. The current account deficit is \$875 billion, and it's growing. That means we need to see some \$3.5 billion each business day from foreign investors. The \$15.6 billion during December will not do the trick and is indeed "gloomy." The December number may be an anomaly; but if we see a continued shortfall in the kindness from our foreign friends, the gloom is going to get thicker.



The problem with the interest rate argument is that although U.S. T-bills pay better than what you will find in other countries, long term Treasuries pay significantly less. Hence, the negative yield curve. Also, the absolute interest rate level is not as important as what interest rates are compared to the issuing country's inflation rate.

Currency investors are not fooled by manipulated, government-produced statistics. They know the CPI in no way comes close to reflecting the true rate of inflation in the U.S. The true rate is well in excess of 6%; and as long as interest rates on government securities fall short of inflation, the dollar will fall and gold will rise.

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How far will gold go? I have no doubt that it will double from today's level. That is really a very conservative estimate. More important is how this drama will unfold. You should be prepared for a relatively bumpy, but profitable, ride through 2007.

Once the March selling is over and gold recovers, I expect to see selling come in again at the May 2006 high. That will offer stiff resistance, and it will take a little time to overcome \$730. Likely, there will be several attempts to plow through. You will hear a lot of foolishness about the end of the commodity bull and that gold as money is a bygone relic. Resolve now to stay the course.

Once we wash out the weak hands at \$730, gold will resume its rally. The rise will then accelerate; and I think although there will again be sellers at the old 1980 highs at \$850, a correction from that level may well be quicker and shorter than expected. The real move will be during 2008 and 2009 when the truly awesome fireworks will begin. These will be the years when the commodity bubble will begin to surface.

Crude oil is black gold, and it is perhaps the most important commodity on the planet. There is no substitute for crude oil. That is not to say there isn't a profit potential in alternate energy like coal and uranium, but crude oil is just too ubiquitous to be ignored. Consider this. Canadian tar sand production is now about one million barrels a day, and it uses copious quantities of water and natural gas. Mexico supplies 20% of U.S. crude imports. Daily output from their largest field, the Cantarell Field, declined by 500,000 barrels a day during 2006. This field has clearly peaked, and it will decline further this year. Thus, half of the great Canadian tar sand "solution" has already been offset by the decline in the Cantarell Field alone.

I discussed the technical aspects of the crude market in the January mid-month letter, and nothing has changed except that crude and natural gas prices have recovered strongly since then. Bottom line, although we will see more corrections along the way, the energy market has turned higher with the rest of the commodity complex.

Something to consider is that Russia, in particular, wishes to use their oil and gas resources to gain wealth and political power. The natural gas flaps in eastern Europe instigated by Gazprom are by design. The whole Russian strategy is complex; but regardless of whom they are trying to influence and create buffer zones with, Putin has no desire to see lower crude prices. You need to think beyond Saudi pseudo-control of world oil prices. Putin can trump the Saudi's, and Putin does not want the Saudi's to increase their production.

I still like the Canadian trusts on our list. I was a little surprised that **Paramount** (PMTUN-TSX-C\$11.33) cut their dividend, but I believe the dividend will be sustainable at this level. They will also be able to

continue to develop their properties. I have downside buy prices on Page 6, and you should adhere to these. Also mind diversification and balance, and don't chase yield for the sake of yield.

Regarding the relative attractiveness of various trusts on our list, my gravitation would be for the ones with the lower payouts. They are holding up better than others. If you are of a mind to make some changes or new purchases, my preferences without regard to yield are **Enerplus** (ERF-NYSE-\$43.22) and **Baytex** (BTE-NYSE-\$17.71) - at their respective downside buy prices, of course.

As crude and natural gas prices continue to rise over the next few years, the dividends will increase. I think we may be seeing a bottom in the Canadian dollar as well. The worst of the dividend news should be behind us, and I expect them to improve from here. However, just as the Paramount dividend cut lagged the drop in natural gas prices, increases will also be behind the curve. My strategy is to hold the Canadian trusts, and only buy at or below our listed downside buy prices. Mind that you are diversified. The next step will be to evaluate our positions when crude makes a new high. When crude hits \$80, we will cull out the weak sisters. Until then, let's hang on to what we have.

Apache Corp (APA-NYSE-\$68.91) was added to our list last month, and it is closing in on our buy price of \$68.00. They look good at that price. Another recent addition to our buy-and-hold list is **Kinder Morgan MLP** (KMP-NYSE-\$50.24). It has not come back to our previous price, and I feel comfortable raising the buy price to \$48.00. Be patient with these, and stick with the buy prices. If we can't buy them right, we will find something else. There are plenty of busses to choose from on the investment route.

I am going to add one more to our list - **Cameco Corp.** (CCJ-NYSE-\$37.01). This is a Canadian firm that trades on the NYSE, and it is one of the world's largest uranium producers. They own about 20% of the world's known uranium reserves, and they are the industry's lowest cost producer. The kicker here is that they also produce a decent amount of gold - some 570,000 ounces a year at a cost of about \$250 an ounce. Cameco will be a nice addition to our stable if we can buy it at \$35.50 or less.

Laramide (LAM-TSX-\$11.60) is a uranium play already on our list, but it has recently been on a rocket ride and should not be purchased at these levels. I have raised the downside buy price to \$9.00, and we need to stick with that. For now, focus on Cameco for a uranium play.

I have added a couple of possible trades to our trading list, which is on Page 2 of the Tuesday and Thursday online updates. I won't detail the trades here as they require close attention and the parameters can change often. If you are interested in trading positions, you need to monitor the updates closely. In the trading vein, I am still working on a new trading program that will replace the Nasdaq Fast Tracker and Phoenix. There are several elements that need to come into place for the next signal to execute. When the time is right, I will announce it on the Tuesday/Thursday online update.

This new trading program will offer you something in a trading approach that will encompass the overall market as measured by the popular averages. The program will use the Rydex funds - principally, the Rydex S&P Fund (Nova) and the Rydex OTC Fund on the long side. You can substitute appropriate ETF's or other index funds if they suit your account better. I will have more for you on this in the next mid-month letter; but as it stands, the next sell is not in view yet. Nevertheless, stay up with the twice weekly online updates. I have been mentioning negative signals from several analysts I respect (John Hussman, etc.) so the 400-point drubbing in the Dow and nearly 100 points lost in the Nasdaq on February 27 should not come as that much of a surprise. If you are looking for the best risk-to-reward positions in the market, they will be commodity related.

Recommended Stocks For Buy And Hold

Note: If you go to www.bigcharts.com, you can get quotes on Canadian stocks in Canadian dollars by using the symbols we have listed. Thus, if you want a quote for Shiningbank, go to www.bigcharts.com and type in CA:SHNUN. You can approximate the price in U.S. dollars by multiplying the Canadian dollar quote by .85. 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. Changes since our last posting are in bold letters.

Company	Symbol	Exchange	Initial Recom. Date and Price	Price 02/28/07	Downside Buy Price	Div 02/28/07	Target-T Stop-S	Web Site
U.S. \$								
Agnico-Eagle	AEM	NYSE	1/10/2007	36.00	39.04	36.00	0.30%	agnico-eagle.com
Alliance Res	ARLP	OTC	9/29/2004	27.98	34.80	34.00	6.22%	arlp.com
Apache corp	APA	NYSE	Buy at	68.00	68.91	68.00	0.88%	apachecorp.com
ASA	ASA	NYSE	11/19/2002	31.00	62.64	60.00	2.22%	asald.com
Barrick Gold	ABX	NYSE	1/5/2003	22.85	30.01	29.00	0.74%	barrick.com
Baytex Energy	BTE	NYSE	5/18/2004	9.00	17.71	17.00	10.49%	www.baytex.ab.ca
Black Rock	BGR	NYSE	8/3/2005	25.99	26.99	26.00	4.99%	blackrock.com
Cameco Corp	CCJ	NYSE	Buy at	35.50	37.01	35.50	0.46%	cameco.com
Canetic Energy	CNE	NYSE	4/19/2006	22.25	12.49	11.50	15.35%	canetictrust.com
Enerplus	ERF	NYSE	4/20/2001	18.00	43.22	40.00	9.93%	enerplus.com
Fording Coal	FDG	NYSE	11/16/2004	22.74	23.80	17.00	8.00%**	fording.ca
Frontline Ltd.	FRO	NYSE	1/4/2007	31.00	34.20	31.00	7.66%	S = 28.70 frontline.bm
Frontier Oil	FTO	NYSE	8/3/2005	14.38	29.38	28.00	0.41%	frontieroil.com
Gabelli Glob. Gld.	GGN	AMEX	1/3/2005	22.10	24.95	23.80	6.56%	gabelli.com
Gammon Lake	GRS	AMEX	1/4/2007	15.00	17.28	15.00	n/a	gammonlake.com
Headwaters	HW	NYSE	3/10/2006	36.30	23.93	18.00	n/a	headwaters.com
Kinder Mor. MLP	KMP	NYSE	Buy at	46.00	50.24	48.00	6.55%	kindermorgan.com
Mkt. Vectors, ETF	GDX	AMEX	9/11/2006	37.00	39.35	37.00	1.15%	n/a
Pimco Comm. Fund	PCRAX		3/2/2005	13.97	14.62	14.00	8.26%	pimcofunds.com
Primewest	PWI	NYSE	2/7/2003	17.00	19.35	18.65	12.94%	primewestenergy.com
Provident Energy	PVX	AMEX	6/16/2003	7.50	10.54	10.00	11.45%	providentenergy.com
Silver Standard	SSRI	OTC	1/4/2007	30.00	33.02	31.50	n/a	silverstandard.com
Silver Wheaton	SLW	NYSE	3/10/2006	8.40	10.01	10.00	n/a	silverwheaton.com
St. Trs. Gold, ETF	GLD	NYSE	9/11/2006	58.85	65.41	61.00	n/a	n/a
Transocean, Inc.	RIG	NYSE	1/4/2007	75.00	76.78	75.00	n/a	S = 64.50 deepwater.com
Yamana	AUY	NYSE	4/14/2005	2.90	14.05	12.00	n/a	yamana.com
Valero	VLO	NYSE	4/26/2005	36.63	57.38	50.00	0.83%	valero.com
Canadian Dollars								
Energy Split II	CA:EN	TSX	9/11/2006	17.00	12.07	10.00	18.46%	scotiamanagedcompanies.com
Paramount En. Tr	CA:PMT.UN	TSX	12/20/2004	16.44	11.33	10.50	14.74%	paramountenergy.com
Peyto Energy	CA:PEY.UN	TSX	7/18/2003	8.75	16.80	14.00	9.96%	peyto.com
Shiningbank	CA:SHN.UN	TSX	1/2/2003	15.15	13.64	12.90	13.25%	shiningbank.com

**The dividends for the coal trusts depend on cash flow and the price of coal in the preceding quarter. I have Forging 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, and www.arlp.com.

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

Company	Symbol	Exchange	Initial Recom. Date and Price	Price 02/28/07	Downside Buy Price	Div 02/28/07	Target-T/ Stop-S	Web Site
U.S. \$								
Bema Gold	BGO	AMEX	6/6/2002	1.06	5.96	HOLD	n/a	bema.com
Coeur d'Alene	CDE	NYSE	9/2/2003	3.19	4.38	4.50	n/a	coeur.com
Kinross Gold	KGC	NYSE	1/4/2007	11.00	13.48	11.00	n/a	kinross.com
Mines Mgmt	MGN	AMEX	5/13/2005	4.50	5.32	5.00	n/a	minesmanagement.com
Taseko Mines	TGB	AMEX	7/24/2006	2.40	2.60	2.50	n/a	tasekomines.com
US Gold Corp	UXG	AMEX	9/9/2005	1.70	4.81	5.00	n/a	usgold.com
Canadian Dollars								
Baja Mining	CA:BAJ	TSX	Buy at	1.20	1.26	1.20	n/a	bajamining.com
Everton Res.	CA:EVR	TSX	1/4/2007	1.30	1.45	1.30	n/a	evertonresources.com
Golden Valley	CA:GZZ	TSX	2/20/2007	0.50	0.61	0.50	n/a	goldenvalleymines.com
Laramide Res.	CA:LAM	TSX	3/16/2006	5.20	11.60	9.00	n/a	laramide.com
UTS Energy	CA:UTS	TSX	5/15/2006	6.50	3.92	Hold	n/a	uts.ca
Minera Andes	CA:MAI	TSX	9/11/2006	1.20	1.90	1.60	n/a	minandes.com

CS\$ 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 .85 to see if the OTC quote looks correct. You can access these OTCBB quotes by using www.barchart.com.
Shiningbank-SBKEF Peyto Energy-PEYUF Paramount Energy-PMGYF Laramide-LMRXF UTS Energy-UEYCF Minera Andes MNEAF

Target-T A price in this column preceded by "T" represents the price at which you should liquidate the position and take profits. **Stop-S** A price in this column preceded by "S" represents the price at which you should place a sell/stop. Do not short on the target price or the stop price. There will not always be a target or stop price listed. For a further definition of a sell/stop, see the Welcome Letter.