

Since 1978

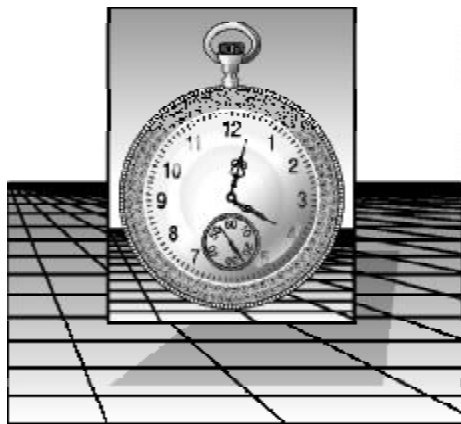
PROFESSIONAL TIMING SERVICE

Curry & Hester

\$195 A YEAR • MARKET REPORT TUESDAY & THURSDAY • P.O. BOX 7483, MISSOULA, MT 59807 • (406) 543-4451

The next issue will be published May 19.

- **I am still counting on buying some Mines Management at \$4.50 or less.** Page 4
- **Shopping List** Page 6



www.protiming.com
 e-mail: info@protiming.com

NO MORE CHEAP COMMODITIES

We should be turning our attention to gasoline. This is the real economy killer.

Eventually, precious crude makes for precious gasoline. Expensive gasoline will change consumer buying habits; and before you know it, inflation will return to the forefront.

Consider this - there are many grades of crude oil, running from light sweet crude (which is what is referred to when the talk is about crude futures prices on CNBC) to sour crude, which is cheaper.

The rub is that there are only a couple of refineries - like **Valero Energy** - that are able to process sour crude. Since most refineries are only equipped to process sweet crude, most gasoline is processed from the most expensive raw material choice.

The American consumer thought the high gasoline prices would be temporary because in the past, spikes in gasoline prices were fleeting. The real kicker this time is that not only are the current high gasoline prices *not* temporary, they are going to go higher. Gasoline will likely be selling for over \$3.00 at the end of the year, and we will see crude prices at new highs by this time next year - even if there is a recession.

How can this be? Because the world is running out of oil, and light sweet crude is becoming very valuable. Add to this the fact that the world is consuming twice as much oil as is being discovered. Plus, we'll have to compete with the rest of the world - and especially Asian economic up and comers like China - for what's left. Actually, the bidding war for global resources has already begun.

China is not going to ease up on their demand for raw materials any time soon, even if they suffer an economic slowdown (which isn't likely). Their economy is not a market economy. Their decisions are centrally planned, and the central planners have a lot of work to do on infrastructure and military buildup. Plus, they have lots of U.S. dollars to get rid of.

China's foreign exchange reserves are about \$610 billion, and they are already on a shopping spree. They are buying real assets in the form of mining companies, energy producers, etc. They want the raw materials, and they have plenty of money to spend.

They are acquiring industrial materials, even if they don't have

It should not be assumed that the recommendations made in the future will be profitable or will equal past performance. A list of all recommendations made by this advisor within the past 17 months will be furnished upon request. Professional Timing Service and/or associated individuals will from time to time have positions in the investments mentioned and recommended in this newsletter. All rights reserved - copyright © 2005 by Professional Timing Service.

an immediate need for them. China will be stockpiling for the future. In this respect, they have not even begun to acquire the crude oil they need for their strategic petroleum reserve (which they have announced they intend to build).

The West's problem will be to successfully bid for the remaining materials that China has either not taken control of or has purchased outright. Supply will be a problem in the future - more so than it is now - because supply will become a problem of availability, not only price.

Think two numbers and watch the news for updates.

First is 84 million barrels of crude a day (or MBD). That is what the world is currently using - perhaps a bit more by the time you read this. Think 90 MBD. According to Kevin Kern, that is the likely peak global production possible.

That is the best the oil producers worldwide can ever do. We are very close to where these two numbers will cross, and that spells crisis. It is more than high energy prices. It is availability that will be the next problem as much as price.

Let's talk about us - you and I. We had better get set for some expensive fuel bills. Something will have to give. You will have to decide for yourself - eat out less, entertain at home, turn down the thermostat, or whatever works best for you.

We have successfully taken advantage of the energy problem in

our investment approach for the last two years or more. Although there was a little shakeout last month, we are doing very well with our Canadian oil trusts. I think we will do even better in the year ahead.

What is one to do from here? Perhaps you are new to the energy investing angle, or you would like to add to your portfolios. Well, I have a shopping list replete with downside buy prices on Page 6. I am betting that we will see another dip in the energy sector before the next move to new highs gets under way. There is not all that much time left, so be ready to take advantage of the next fit of weakness.

Technically, crude and gasoline look very healthy, but they both need to base a bit longer. I still have a downside target for crude at \$51.00 basis December futures. The best we have seen so far has been \$52.15.

I mentioned **Valero Energy** (VLO-NYSE-\$73.25). It has had quite a run recently, as you can see on the chart. I think you can speculate with a few dollars at \$74.00 or less. There is no dividend here, but their future is very bright indeed.

Don't get carried away - a nibble will do. Buy more at \$66.50 if it drops back. Valero will benefit very well when higher gas prices materialize.

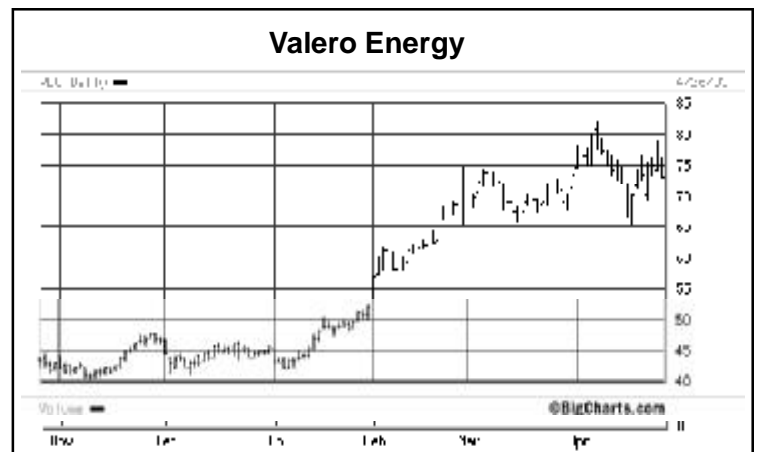
We have downside buy prices listed for our favorite energy stocks on Page 6.

These prices are calculated such that they offer you a managed risk entry point for your purchases. The key is to buy your investment stocks during weakness and sell into strength.

I like **Baytex** (BTEUN-TSX-C\$14.23). I prefer to buy under C\$14.50, and C\$13.50 would be ideal (that is in Canadian dollars). They have a great reserve life record; and although they only pay 12.4%, that still is not too bad. If you don't have any Canadian Royalty trusts as yet, buy a little Baytex here and then target more if it corrects.

Investors don't seem to realize that prices move up and down. Bull markets don't go straight up, and bear markets don't go straight down. This seems intuitively obvious. It would be nice to give you investment recommendations that never went anywhere but up. However, that will never be.

Gold and energy have recently sold off, but they are in long term bull markets. It is time to plant the seeds for the next up move.



The big energy picture includes the Arab street – the Islamic collective consciousness. They struggle with a love/hate relationship with the West, and they certainly feel marginalized as world citizens. This is dangerous. All they feel they have is oil and Allah.

I believe they stand ready to decrease production to support the price of oil before they stand ready to actually increase production to hold oil prices down. In reality, the Saudis likely can do little more than talk about significant increases in production.

On April 18, *Newsweek* reported that according to the International Energy Agency, global demand for oil will be 86.1 MBD in the fourth quarter of this year. They also say that the “call” on OPEC to plug the gap would be 29.5 MBD. Note there is a shortfall in this forecast.

OPEC’s highest monthly production ever was 30.3 MBD. This means that OPEC will have to produce at a greater level than they ever have for an extended period of time. This is not a rosy prospect for sustained lower oil prices.

According to Matthew Simmons, Chairman of Simmons and Company, International, an investment bank specializing in the oil industry, the Saudis are extracting (stripping) water from most every well now. This is a sign that the great Saudi fields are aging faster than they would like you to believe.

The trend is set in concrete. The world is running out of cheap oil. Heating oil, gasoline, and coal are

all going to get more expensive. My advice is to put this to work for you and buy some energy stocks now while they are still reasonably priced.

The world is slowly running out of other relatively inexpensive commodities as well. As Asia joins the modern world, they will continue to put pressure on commodity prices. As the dollar weakens, the price of all commodities will become more expensive in dollars.

I firmly believe the U.S. dollar, measured by the U.S. dollar index, will continue to fall. I have always held to a downside objective for the dollar of 60.00. That is more than 25% lower than it is now.

Today, every Canadian dollar our Canadian trusts pay us convert to about 81 cents American. I fully expect to see the Canadian dollar at par with the U.S. dollar, perhaps in the next 18 months. That means we will see our dividends appreciate 25% from current levels, simply due to the weakness in the U.S. dollar.

Some of the trusts will no doubt raise their payout as the price of natural gas and crude oil increase. However, Canadian trusts are allowed to purchase or explore for additional reserves. They are allowed to buy out other producers as well.

This is a big difference between the Canadian trusts and U.S. royalty trusts. The U.S. trusts are basically limited to a given piece of real estate. When it is played out, they are done. Canadian trusts, on the other hand, have the freedom to invest in future production.

Consequently, although the trusts have limited reserve lives, they can and do invest some of their income to extend their reserves. This is prudent only to a limited extent depending on the price of crude.

Bottom line, you will likely only see modest increases in the dividends this year. In return, you will see reserve lives extended or maintained.

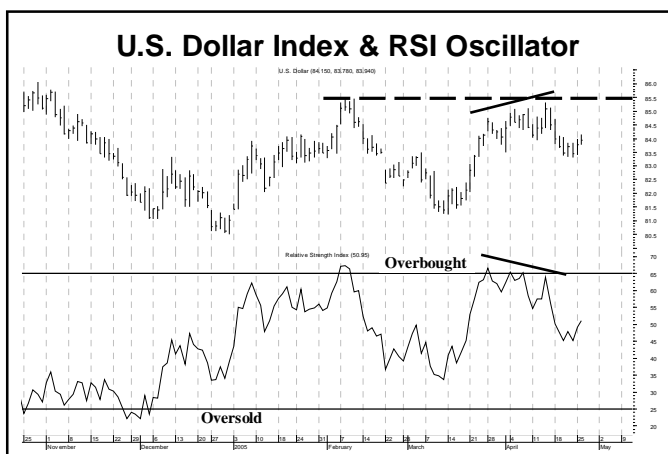
I had a upside forecast for the U.S. dollar index of 85.50 basis June futures. The contract hit 85.31 on April 14, and I think that was the top of this rally. Those highs were accompanied by all the nice technical signs you would hope for. There was classic negative divergence between the price of the dollar and the RSI oscillator (see chart on Page 4.).

MACD also issued a sell. More important perhaps, our Hyperion trading model took profits on a long position, and it sold the dollar short at 83.90 on April 18.

The dollar is not going to fall to 60.00 overnight. In the meantime, there will be wiggles; and I think we are going to see the dollar attempt to get off the mat once more before falling to new lows.

Don’t get excited if it rallies a bit. The dollar bulls are simply wrong on their long term outlook, no matter how right they may appear from time to time in the short run. A brief recovery in the dollar in early May will offer you an excellent chance to pick up some precious metal stocks.

Incidentally, this is a good place to buy some foreign currency CD’s.



Everbank, www.everbank.com, offers the product, although I have never bought any. I have kept to short term foreign bonds, but the CD route is easier perhaps. You can contact them at their Web site, and they can do a better job of recommending specific countries and currencies than I can.

I am still counting on buying some **Mines Management** (MGN-AMEX-\$5.44) at \$4.50 or less. I think you need to be tight-fisted with this one. They may well end up with one of the richest silver mines on the globe, but they have about two years worth of hoops to negotiate in obtaining the permits they will need to begin production.

I think the odds are solidly in their favor, but it is not a done deal. This one will take patience, but the potential rewards are huge.

For those of you new to us, first of all, welcome aboard. Secondly, Mines Management acquired a property called the Montanore project, which was given up by Noranda. In abandoning the project, the leases and all intellectual property infrastructure, etc. - some \$100 million worth -

when Noranda gave up, and Mines Management has a windfall of sorts. The sticky wicket is that the state of Montana is not necessarily open armed when it comes to extractive industries. The permit process will not be a rubber stamp affair.

Nevertheless, this is a very benign project environmentally. Also, Montana's governor is solidly behind the project since it will create 250 to 300 new jobs in an area of the state that is extremely depressed economically. The gamble here is good if you can buy the stock right and have the patience to see this through. Put orders in to buy at \$4.50.

The XAU and HUI have both produced oversold readings, much like they did at the lows in April 2004 (see chart Page 4). This is a reverse of the negative image in the dollar. As the dollar falls, the mining stocks should rise.

The chart of the XAU/gold ratio on page 4 is also interesting. I have penciled in the trend line that you see. Trend line breaks have offered decent signals in the past. Once the ratio breaks over the line, I

reverted back to the lessor, a company that had been acquired by Mines Management before Noranda bailed out.

Here we sit with silver at twice the price it was

think the next rally will be on in the mining stocks.

With the Chinese penchant to buy up everything they can with those ever weaker U.S. dollars, I think silver is better than gold.

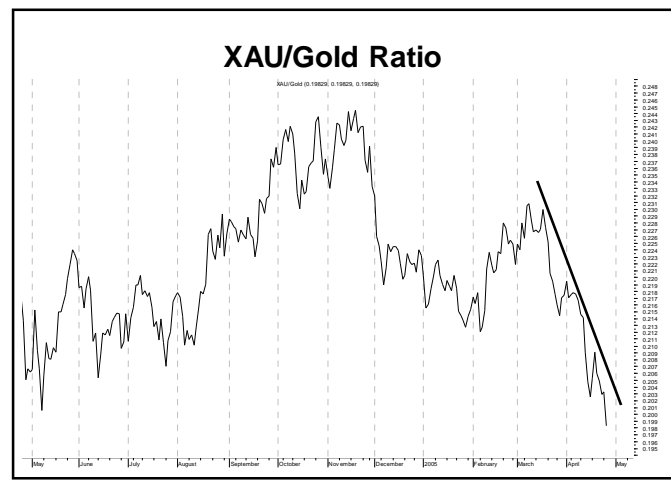
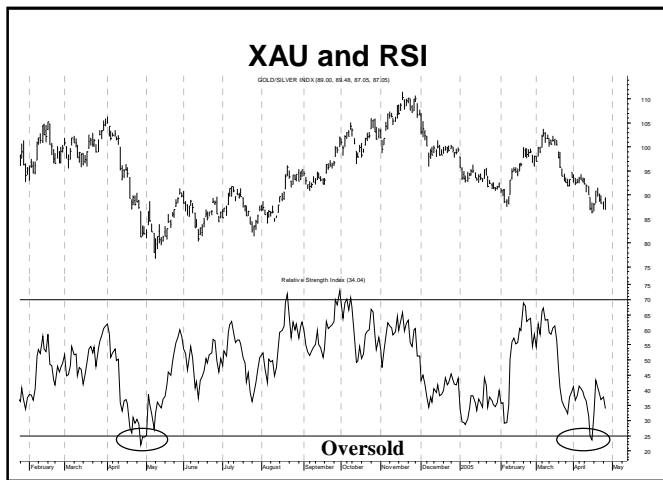
My personal favorite is **Western Silver** (WTZ-AMEX-\$8.90). Hopefully, you were able to buy some at our previous downside buy price of \$9.00. My advice from here is to buy some more at \$7.90 or less if possible.

Keep your eye on the **Pimco Commodities Real Return Strategy Fund** (PCRBX-\$15.93). My buy price is \$14.50 for the B shares. You may want to review the prospectus as there are other share classes which may be better suited to your individual circumstance.

We will be holding this one for the longer term. You will note on the buy-and-hold list that we initially recommended this on March 2 at \$15.95. Our recommendation was to buy some there, but hold some money back to buy at our target price of \$14.50.

Since the price is close to our initial \$15.95 price, if you haven't bought any yet, you can dip your toe in here. Buy some and then hit it again at \$14.50 if you get the chance.

We are about to see another FOMC meeting. By all appearances, Chairman Greenspan will increase rates again. There has been a good deal of debate about how much. I



think he will stick with his measured rate policy and bump short term rates by another 25 basis points.

That will put Fed funds and T-bills at 3%. I think there is at least another 100 basis points coming, but not necessarily at 25 point increments at consecutive FOMC meetings. From here, the Fed will be measuring more than usual. The balance will be getting trickier. Push rates too high and consumers will collapse. Remember, they are already suffering the onslaught of higher energy prices.

Here is an interesting comment I came across the other day from Antal Fekete, professor emeritus at Memorial University of Newfoundland:

“The seriousness of the problem cannot be overstated. A steep rise in interest rates at this juncture would be the horror of horrors. Normally, higher interest rates would strengthen the value of the currency as they attracted foreign investors. Not this time. Apart from the problem of pricking all the bubbles in the economy starting with the

housing bubble, and ballooning the budget deficit into outer space, there is an even larger and more immediate problem. And that is the effect that steeply rising interest rates have on the value of bonds, widely held at home and abroad. The effect is inevitable and instantaneous. Higher interest rates make bond values collapse.”

Tricky, indeed, this path the Fed travels. Don't expect any surprises from the Fed. Things are too delicate for that. So, there should be no surprises and another quarter point yield on your T-bills.

Normally, April is not that bad of a month for the stock market. I expected a decent rally from the recent deep, oversold readings in the McClellan Oscillator. The averages have also established positive divergences with the oscillator, a condition which has led to nice rallies in the past.

The problem we are seeing is that any strength immediately runs head first into sellers. The best spates of strength are but one-day affairs. This means we may just

have one hell of a bear market on our hands.

I wrote about the best and worst six months of the year in the mid-month report, and it is time to take this to heart. Trading is one thing; investing is another. You must limit your investments to only those stocks that are advantaged by higher commodity prices.

I want to point out an interesting fact. A study was done a few years ago that showed once a stock had been trading in double digits and fell under \$10.00, it rarely recovered over \$10.00 again. None of the stocks in the study were able to regain their former glory after falling under the \$10.00 price of ultimate doom.

Taser is a modern case in point. It is now trading at less than \$8.00. The odds of it ever recovering to its former high - even adjusted for the last 2 for 1 split - are nil.

The stock market is telling us that a recession is in the wings. With inflation on the rise, I look for a replay of the 1970's - a struggling economy with rising prices.

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, preceded by CA: For example, 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 .805. You should buy at or below the posted downside buy price. Changes since our last posting are in bold letters.

Last Updated 4/26/05

Company	Symbol/ Exchange	Initial Recom. Date & Price	Price 4/26/05	Div.	Downside Buy Price	Target	Web Site
Enerplus Resources	ERF-NYSE	4/20/01@\$18.00	\$36.78	9.21%	HOLD		www.enerplus.com
Peyto Energy	PEYUN-TSX	7/18/03@\$17.50	C\$50.99	5.18%	C\$45.00		www.peyto.com
Primewest Energy	PWI-NYSE	2/07/03@\$17.00	\$24.30	12.07%	\$23.00		www.primewestenergy.com
Provident Energy	PVX-AMEX	6/16/03@\$7.50	\$10.02	11.75%	HOLD		www.providentenergy.com
Shiningbank	SHNUN-TSX	1/02/03@C\$15.15	C\$21.74	12.90%	C\$19.85		www.shiningbank.com
Suncor Energy	SU-NYSE	2/07/03@\$16.8	\$37.40	0.53%	\$35.00		www.suncor.com
Anglogold	AU-NYSE	2/25/03@\$32.00	\$33.46	n/a	\$32.50		www.anglogold.com
ASA, Ltd.	ASA-NYSE	11/19/02@\$31.00	\$36.15	1.11%	\$38.00		www.asaltd.com
Goldcorp	GG-NYSE	8/15/03@\$13.00	\$13.59	1.32%	\$13.05		www.goldcorp.com
Newmont Mining	NEM-NYSE	9/05/03@\$39.10	\$40.25	0.99%	\$42.00		www.newmont.com
Barrick Gold	ABX-NYSE	1/05/03@\$22.85	\$22.57	0.97%	\$21.50		www.barrick.com
Baytex Energy	BTEUN-TSX	05/18/04@C\$11.90	C\$14.23	12.65%	C\$13.50		www.baytex.ab.ca
Alliance Res. Part.	ARLP-OTC	9/29/04@55.96	\$65.63	4.57%	\$56.50		www.arlp.com
Fording Cdn. Coal	FDG-NYSE	11/16/04@68.20	\$92.42	4.51%	\$85.00		www.fording.ca
Paramount En. Tr.	PMTUN-TSX	12/20/04@C\$16.44	C\$17.35	15.22%	C\$16.50		www.paramountenergy.com
Pimco Commod RR Str Fnd	PCRBX	3/2/05@15.95	\$15.93	n/a	\$14.50.		www.pimcofunds.com
Valero Energy	VLO-NYSE	4/26/05	\$73.25	0.55%	\$66.50		www.valero.com

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

Last Updated 4/26/05

Company	Symbol/Exchange	Initl. Recom. Date & Price	Price 4/26/05	Downside Buy Price	Target	Web Site
Kinross Gold Corp.	KGC-AMEX	10/2/02@\$6.30	\$5.34	HOLD	\$6.60	www.kinross.com
Bema Gold Corp.	BGO-AMEX	6/6/02@\$1.06	\$2.24	\$2.05		www.bema.com
Coeur d'Alene	CDE-NYSE	9/2/03@\$3.19	\$3.37	\$3.15		www.coeur.com
Western Silver	WTZ-AMEX	9/2/03@\$3.50	\$8.98	\$7.90		www.westernsilvercorp.com
American Bonanza	BZA-V	10/2/02@C\$0.60**	C\$0.45	HOLD	\$0.60	www.americanbonanza.com
Ivanhoe Mines	IVN-NYSE	6/4/04@\$6.00	\$6.96	\$6.50		www.ivanhoe-mines.com
International Wayside	IWA-TSX	4/26/04@C\$0.14	C\$0.08	HOLD		www.wayside-gold.com
Novagold Resources	NG-AMEX	12/8/04@6.50	\$8.31	\$7.50		www.novagold.net
Yamana Gold	AUY-AMEX	4/14/05@2.90	\$3.21	\$2.90		www.yamana.com
Mines Management	MGN-AMEX	New Reco.	\$5.39	Buy at \$4.50		www.minesmanagement.com

*** American Bonanza had a 4 for 1 reverse split on 3/31/05

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 .805 to see if the OTC quote looks correct. You can access these OTCBB quotes by using www.barchart.com. I don't have OTCBB symbols for American Bonanza or International Wayside.

Shiningbank SBKEF Peyto Energy PEYUF Baytex Energy BAYXF Paramount Energy PMGYF

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.

Our Web site: www.protiming.com

e-mail: protiming@hotmail.com