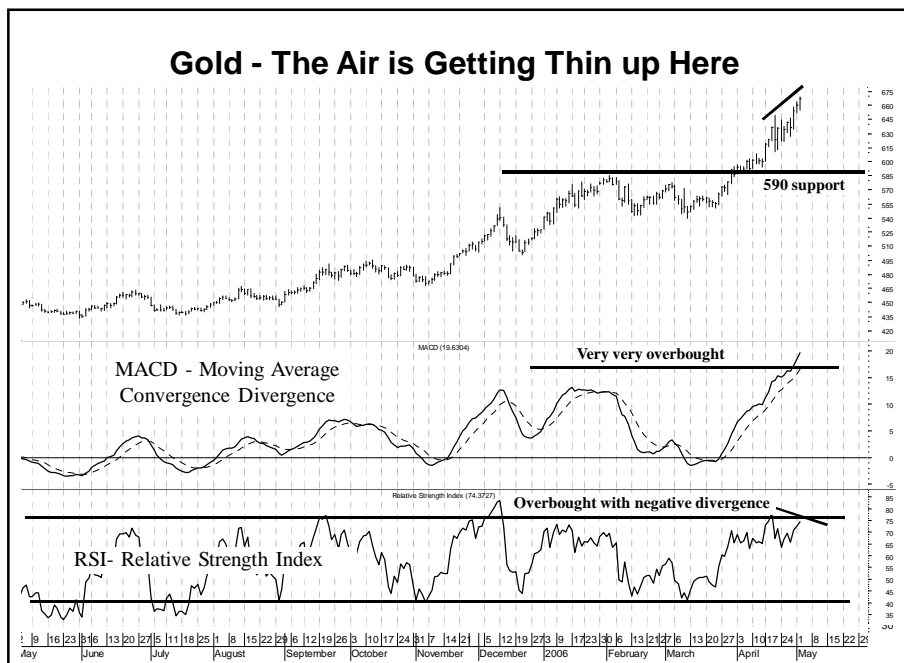


Time For Some Adjustments



- **My favorite metal stocks.** Page 3
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I know it may seem like I'm whipping a dead horse, but my current strategy in the metals remains unchanged – don't sell your mining shares. Wait to buy more.

Here is what buyers who would chase the metals are up against.

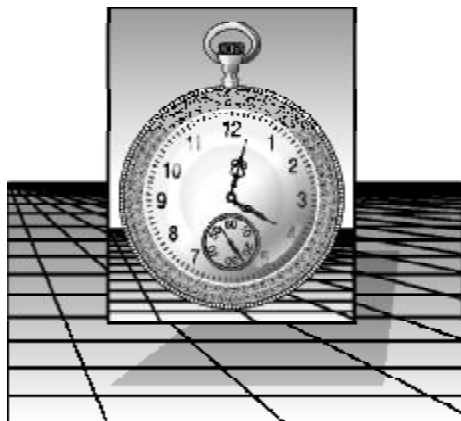
The MACD pattern in gold has reached extremely overbought levels. A sell will not go into effect until the solid line crosses below the dashed line, but the implications are clear. This market is well beyond the low risk buying stage.

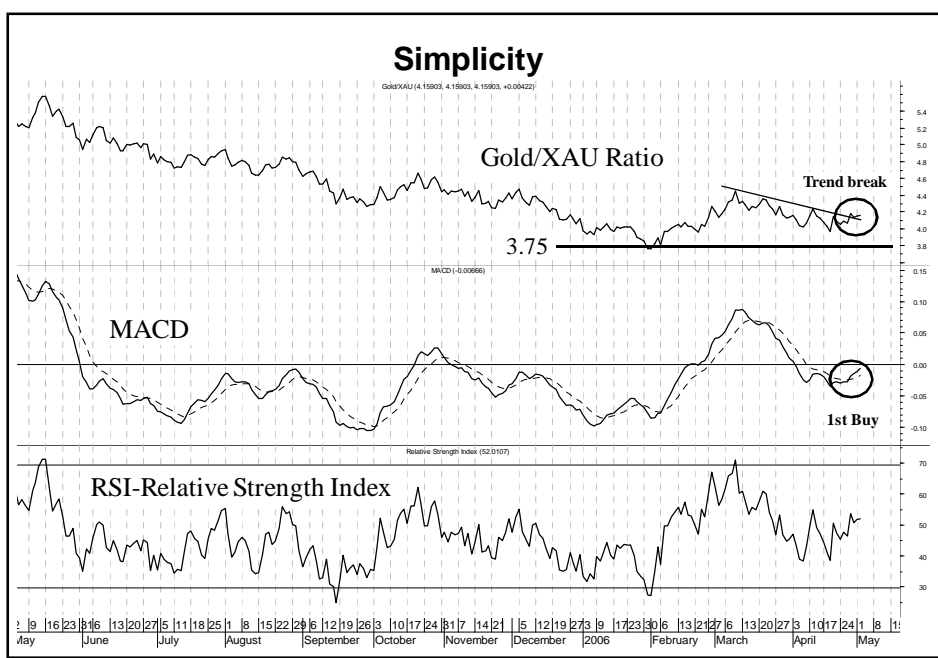
Look at the RSI. It, too, has reached into overbought territory, and it has turned down - all while prices have moved higher. This is a classic

topping pattern, and it agrees with the warnings from MACD.

There are other things to consider. First, seasonality calls for highs in the winter and lows in the summer. Admittedly, the highs are late, but that doesn't negate the seasonal tendency for prices to weaken into the summer. There are also the cyclical lows which are due late May that I have written about in the last two letters.

The question on all of our minds is how far a correction might take gold prices down. The next level of technical support is \$590 basis December futures. Support levels do not have to be reached. They represent expectations under normal conditions.





The gold market may well be stronger than normal. Nonetheless, don't be surprised if we see a quick drop to \$590-\$600. That is not a huge drop - only about 10% from current levels. My expectation is that the correction will be rather brief as well as shallow. I have adjusted some of the buy-and-hold downside buy prices; and if you are interested in adding to your positions, you should have your orders in under the market.

Silver mirrors the technical situation in gold, although the overbought extremes are worse. This is probably due to the excitement over the silver ETF **iShares Silver Trust (SLV-AMEX-\$143.65)** launched on April 28. If SLV has caught your interest, my suggestion is to trade it in accordance with the Hyperion signals for silver futures.

Long term, buy-and-hold investments will be better suited to stocks like **Silver Wheaton (SLW-AMEX-\$10.95)**. The mining companies will give you a better growth position than silver bullion investments will. Keep

your open orders in to buy Silver Wheaton, but move them up to \$9.00. The mining shares are apt to be more volatile in this correction than the bullion, so \$9.00 is certainly within reach.

It is estimated that the silver ETF (SLV) will take a sizable amount of silver off a market which is already out of balance. Supply seems to be falling short of demand lately. However, this is offset by forecasts that 2006 silver production will increase over last year and more than make up for any shortfall.

This is all fundamental musings. The truth will be found in the technicals. Technicals trump fundamentals every time, and the technical situation in the metals is short term overdone. The technical situation is not long term bearish, mind you; but the near term continues to call for caution.

Gold should pull back to the \$590 level. Silver has support at \$11.00 basis July futures. The support level for the XAU

has moved up a bit and currently stands at 130.00.

Another technical aspect that needs review is Simplicity. I presented this model last May when the mining stocks were making cyclical lows. Simplicity is the ratio between the price of gold and the price of the XAU.

Historically, the ratio will run from 5.00 to 3.20. When it reaches 5.00 or higher, the mining stocks are very low risk buys. This is what happened in May 2005. On the other hand, readings at 3.20 or less indicate that the mining shares are solid sells, even during strong bull markets.

The current reading is 4.15, which is somewhat in the middle of the range. The direction of the ratio will shed light on current trends as well. First of all, note that over the last few years, 3.75 has forecast temporary tops in the markets. We reached that level again in February.

Perhaps more enlightening is simple trend analysis. If the ratio rises through the trend line, the indication is that it will rise further. As the ratio rises, the mining shares are going to perform poorly in relation to the price of gold. The best time to buy, of course, is when the ratio tops out and begins to fall. This is when the value of the mining shares begins increasing relative to the price of gold.

You can see the trend break on the chart above. The ratio should rise at least to 4.70 in this process. Once the ratio moves up, we can apply this same trend line analysis to identify the ratio's next turn to the down side. That will signify that the correction is over.

The trend analysis here is confirmed by MACD. MACD has just issued a “buy” on the ratio, indicating that its trend will now be up. As the ratio rises, mining shares are going to be relatively weak. My expectation is that they will actually fall - as will the price of gold - but percentage-wise more. The shares are always more volatile than the bullion.

The third aspect to the Simplicity analysis is that the Relative Strength Indicator (RSI) at 50 is not anywhere near the 70 reading we should see when the ratio is topping out and shares are a good buy. The bottom line is that there are no bargains in the metals - not at this point. Buying at this juncture simply carries too much risk.

Once the profit-taking begins, you are going to hear a lot of bearish news about gold and silver from the media. You will hear about how a cooling of the economy will force commodity prices (including gold) back down. You will hear that China is about to fall into a recession. You will hear a lot of nonsense. China, in fact, is working very hard at converting to a consumer-driven economy from an export-driven economy. Their demand on all of the world’s resources (including food) will only increase as their consumer class increases.

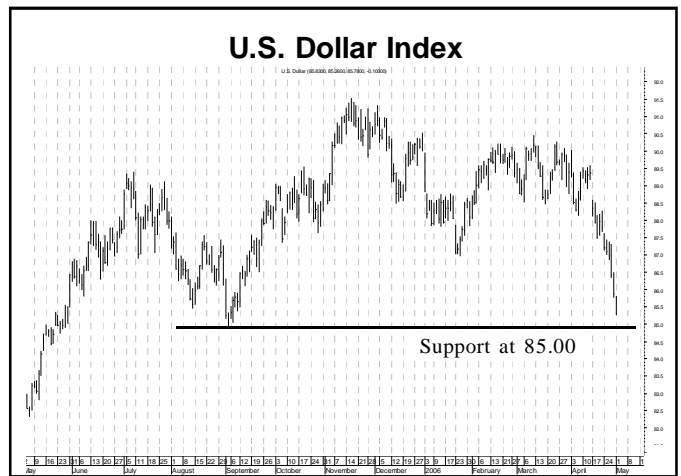
The way to play this is to hold your resource stocks, including silver and gold. Don’t let bearish news force you out. If you sell, you will not get back in. Accumulate cash and plan to take advantage of normal bull market corrections. Be a buyer at more advantageous levels.

My favorite metal stocks are **Silver Wheaton (SLW-NYSE-\$10.95)**, **Goldcorp (GG-NYSE-\$38.13)**, and **U.S. Gold Corporation (USGL-OTC-\$9.40)**. If I were going to pay too much for a precious metal stock in this market with the intention of holding through thick and thin, these are the issues I would buy. If you can’t wait for a selloff, buy these now, but I think you can do better if you wait. I would have open, “good ‘til cancelled” buy orders in for SLW at \$9.00, for Goldcorp at \$30.00, and for USGL at \$8.05.

The U.S. dollar is in trouble.

The U.S. dollar should be of chief importance to you with regard to your investments and investment strategy. We sport huge deficits, both private and public. In fact, America has made outrageous promises in terms of retirement benefits, health care, foreign obligations, etc.; and all of these promises are in dollars – trillions of dollars – tens of trillions of dollars. These promises are in Bill Gross’s term: “excessive future unreserved liabilities.”

Add to this our weak manufacturing industries, dwindling export power, and uncompetitive labor costs in global markets and it adds up to a situation of “all hat and no saddle.” The promises have been made, but the wherewithal to deliver on those promises is evaporating.



There is one way out. Debase the dollar.

Every country throughout time that has been caught in the situation of not being able to pay their bills uses the same solution – they shave their money. If the U.S. dollar is depreciated, our competitiveness gains an advantage and our debt diminishes. Inflation can work magic.

Consider if you had bought an expensive house 40 years ago and had taken a mortgage. Let’s say you had bought a house for \$40,000 in 1970 when a good income was \$10,000, and you somehow had borrowed the entire \$40,000. The dollar has depreciated to the extent that today, a \$40,000 debt is peanuts. America can and will work its way out of its obligations - not by default, but by devaluing the dollar.

This is a delicate undertaking. The Fed needs a decent and orderly lynching, not a rout. There is no advantage in inciting a panic. How will the Fed go about this? By keeping interest rates too low. Interest rates are too low as long as they are below the true rate of inflation and below the rates paid by other industrial countries.

Will interest rates rise?

Yes I believe they will - not enough to be attractive from a global investment basis, but high enough to keep our foreign investors from shifting away in a panic. All the while, you will be seeing central banks quietly decreasing their reserves in dollars and increasing their reserves in other currencies - principally the euro and gold.

Interest rates will stay below the real rate of inflation. The official CPI is 3.4%, but we all realize that, in reality, this is just part of the big lie. The government has a vested interest in keeping the CPI as low as possible and overtly manipulates the math. What is the "true" rate of inflation?

I read the other day that if the CPI was calculated with the same math that was used in the 1960's, it would be 8% plus. Bonds will suffer. Remember, interest rates will still rise - just not enough to either surpass inflation or to be competitive with other central banks.

Don't invest in bonds.

Just as gold and silver will correct before moving once again to new highs, the dollar will wiggle in its path to lower values. Bear in mind that a subtle lynching is desired - not a riot.

Our Hyperion model is currently short the dollar, and I fully expect to see the U.S. Dollar Index fall to 60.00 on a long term basis. Currently, you might expect to see some support at 85.00 basis the June futures. We

are close to a short term bounce in the dollar that will coincide with a correction in gold and silver.

DOLLAR

If the dollar rallies back to 88.00, you might like to take a shot at buying the Rydex Dynamic Weakening Dollar Fund. This is an inverse fund of the U.S. Dollar Index. If you are of a mind to get a closer handle on trading the Weakening Dollar Fund versus the Dynamic Strengthening Dollar Fund, you can key off the Hyperion signals for the dollar index futures.

Longer term, the dollar is going to fall in relation to most foreign currencies - especially the Canadian dollar. The Canadian dollar continues to climb, and it hit .90 recently. There is no doubt in my mind that it will reach par with the U.S. dollar. The U.S. dollar is also going to fall in relation to the value of gold, silver, copper, lead, zinc, crude oil, natural gas, and other raw materials.

Commodity prices are going to rise much further in U.S. dollar terms. Inflation is going to get worse, and your dollars are not going to buy as much next Christmas as they did last December. Energy prices will rise as the dollar falls, and your Canadian energy trusts will give you a position in energy, as well as a position in the Canadian dollar.

As the Canadian dollar appreciates, your dividends will increase in U.S. dollar terms, and the value of the shares will appreciate as well. You should see your Canadian dividends increase nicely in U.S. dollars this month from last.

Paramount Energy (PMTUN-TSX-C\$20.10) is still high on my list. My buy price is C\$20.00, which is about \$18.00 U.S. You will have to be patient with natural gas; but when a commodity is weak, it is the best time to buy.

Natural gas has made a nice bottom. Our intermediate term model issued a buy signal on March 24, and gas has moved up from its lows since then. It has pulled back some recently; but considering the large inventories caused by less winter demand than expected, the price is still a couple of dollars higher than it was last year at this time.

Current inventories will dissipate quickly as the summer progresses, but the temporary oversupply situation has provided you with an investment opportunity. It is up to you to take advantage of it ... or you can wait until natural gas breaks to new highs and end up chasing it - like latecomers to gold and silver are trying to do.

I suggest that you consider buying some Paramount. Also, buy some **Canetic (CNE-NYSE-\$21.56)**. Buy some here (don't pay over \$22.15); and if it falls back to \$20.00, buy some more.

I want to point out that **Headwaters Inc. (HW-NYSE-\$35.66)** is trading under our buy price of \$37.10, and it looks like it has put in a low just under \$34.00. I picked up some shares myself; and if you don't own some already, a few shares of Headwaters will help diversify your energy portfolio.

I do think that crude oil is due for a brief pullback to the \$70 to \$72 level basis December futures. Natural gas may correct some as well.

The problem is that geopolitical events can push gas and oil through the roof overnight. You need to have a position and be ready to accumulate more if market conditions push prices back temporarily. We have other energy issues with associated downside buy prices on our buy-and-hold list. Heed the buy prices.

Near term corrections aside, you are going to see higher crude and natural gas prices as well as higher costs for everything else as energy costs are passed through to the consumer. Exploiting the energy crisis is not that difficult. Natural gas is giving you a great opportunity right now. Canadian energy trusts are presenting you the opportunity to take additional advantage of a falling U.S. dollar.

We have an interesting Canadian tar sands company on our buy-and-hold list - **UTS Energy (UTS-TSX-C\$7.17)** that we recommended readers buy at C\$6.05 or less. Since then, the stock has meandered about the C\$7.00 level. It has not dropped to C\$6.05 (as we had hoped).

I am raising the buy price on UTS to C\$6.50. I think with a little patience and luck, we can buy some there. If you use the current Canadian factor of .90, this one should cost you about C\$6.50 x .90, or about \$5.85 in U.S. dollars. It has a position in the emerging tar sands industry, which I see as this country's only real alternative energy

choice. As crude rises in price, tar sands become more profitable. There is no dividend, but UTS gives you a play on tar sands as well as a play on a stronger Canadian dollar.

I do hear from some folks that tell me their broker won't let them buy Canadian stocks. I say the solution is to get a new broker. Get one that is willing to work for you. I buy mine through Scottrade with no problem. I also have an account with Wachovia and do not get any static about buying Canadian stocks through them.

The stock market is not going to do well in the inflationary (weak dollar / higher commodity) world we have confronting us. You are going to be told that a weak dollar will be good for U.S. business. Don't count on it. The stock market is soon to be in the next bear market phase.

May through October are the months when the market averages perform the worst.

In the last two letters, we discussed how a MACD sell signal on the S&P 500 could help fine tune the timing of the "worst six-month" period by announcing its beginning. To date, we still have not had that signal, but we will report it on the hotline when it occurs.

The worst six months have officially begun as of the first of May. MACD will give traders a finer tuned signal that the time to protect yourself is at hand.

On the MACD signal, you might take a 50% position in Rydex Ursa (now

the Rydex Inverse S&P 500 Fund) and 50% into Rydex Arktos (now the Rydex Inverse OTC Fund). This will be a speculative position that we will liquidate when the "worst six months" period is over. I wouldn't put your entire wealth into this, but the odds are in your favor.

If there is a crash, it will most likely occur sometime during the next six months.

The percentages are very good we will see a crash. You can consider this position a speculation or hedge. It is a hedge against the general market collapsing, and it is a hedge against the Fed making a blunder. All Feds blunder, and Bernanke's Fed will blunder as well.

Yes, if there is a collapse within the next six months, all the ships will fall with the tide. The commodity stocks, however, will recover, but the others will not.

It is time for you to be ready for some adjustments. The best strategy will be to use strength to sell financial assets that are not advantaged by higher commodity prices. Sell those dot coms. Raise cash and set it aside until we get a chance at some decent buys in the precious metals and energy stocks.

Please Note

Contact me at info@protiming.com if you are not receiving the hotlines in your e-mail and would like to. This is free for subscribers, but you have to elect this option. The reports are issued each Tuesday and Thursday evening.

Recommended Stocks For Buy And Hold - Updated 5/02/2006

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 .90. 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	5/02/05	Downside Buy Price	Div	Target	Web Site
U.S. Dollars									
Alliance Res	ARLP	OTC	9/29/2004	27.98	43.38	39.75	5.21%		arlp.com
Anglogold	AU	NYSE	2/25/2003	32.00	54.78	48.10	n/a		anglogold.com
ASA	ASA	NYSE	11/19/2002	31.00	70.85	60.05	2.11%		asaltd.com
Barrick Gold	ABX	NYSE	1/5/2003	22.85	31.19	28.00	0.79%		barrick.com
Baytex Energy**	BTE	NYSE	5/18/2004	9.00	19.46	18.00	12.59%		www.baytex.ab.ca
Black Rock	BGR	NYSE	8/3/2005	25.99	27.73	26.15	5.70%		blackrock.com
Canetic Energy	CNE	NYSE	4/19/2006	22.25	21.56	20.00	11.37%		canetictrust.com
Enerplus	ERF	NYSE	4/20/2001	18.00	54.74	50.05	8.51%		enerplus.com
Fording Coal	FDG	NYSE	11/16/2004	22.74	36.60	36.10	8.00%*		fording.ca
Frontier Oil	FTO	NYSE	8/3/2005	28.75	62.05	46.25	0.26%		frontieroil.com
Gabelli Glb Gld, etal	GGN	AMEX	1/3/2005	22.10	23.64	22.50	7.29%		gabelli.com
Goldcorp	GG	NYSE	8/15/2003	13.00	38.13	30.00	0.61%		goldcorp.com
Headwaters	HW	NYSE	3/10/2006	36.30	35.66	37.10	n/a		headwaters.com
PanAm. Silver	PAAS	OTC	New Reco.		24.17	20.15	n/a		panamericansilver.com
Pimco Comod Fund	PCRAX		3/2/2005	13.97	15.02	15.00	7.43%		pimcofunds.com
Primewest	PWI	NYSE	2/7/2003	17.00	29.73	30.05	12.88%		primewestenergy.com
Provident Energy	PVX	AMEX	6/16/2003	7.50	12.04	10.50	10.98%		providentenergy.com
Silver Wheaton	SLW	AMEX	3/10/2006	8.40	10.95	9.00	n/a		silverwheaton.com
Suncor	SU	NYSE	2/7/2003	16.80	89.27	75.00	0.26%		suncor.com
Valero	VLO	NYSE	4/26/2005	36.63	67.14	56.00	0.40%		valero.com
Canadian Dollars									
Paramount En. Tr	CA:PMTUN	TSX	12/20/2004	16.44	20.10	20.00	14.46%		paramountenergy.com
Peyto Energy	CA:PEYUN	TSX	7/18/2003	8.75	27.64	Hold	6.26%		peyto.com
Shiningbank	CA:SHNUN	TSX	1/2/2003	15.15	24.05	23.50	12.14%		shiningbank.com

**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, and www.arlp.com.

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

Company	Symbol	Exchange	Initial Recom. Date and	Price Price	5/02/05	Downside Buy Price	Div	Target	Web Site
U.S. Dollars									
Bema Gold	BGO	AMEX	6/6/2002	1.06	5.68	4.10	n/a		bema.com
Coeur d'Alene	CDE	NYSE	9/2/2003	3.19	6.31	5.35	n/a		coeur.com
Mines Mgmt	MGN	AMEX	5/13/2005	4.50	9.08	7.65	n/a		minesmanagement.com
Novagold	NG	AMEX	12/8/2004	6.50	16.47	13.10	n/a		novagold.net
US Gold Corp	USGL	OTCBB	9/9/2005	1.70	9.40	8.05	n/a		usgoldmining.com
Yamana	AUY	AMEX	4/14/2005	2.90	11.09	9.05	n/a		yamana.com
Canadian Dollars									
UTS Energy	CA:UTS	TSX	New Reco.		7.17	6.50	n/a		uts.ca
Laramide Res.	CA:LAM	TSX	3/16/2006	5.20	8.16	6.05	n/a		laramide.com

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 .90 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 UTS Energy UEYCF Paramount Energy PMGYF Laramide Res. LMRXF

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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