

IT'S ALL ABOUT THE DOLLAR



- Stay focused on the long term with your gold investments.

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- The “black swan” is a statistical concept.

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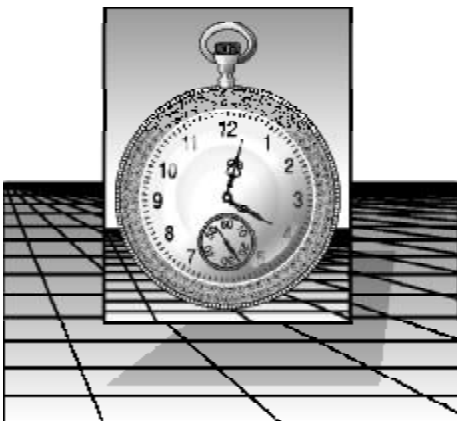
- I am very pleased with the performance of our non-trust energy investments that we have made so far this year.

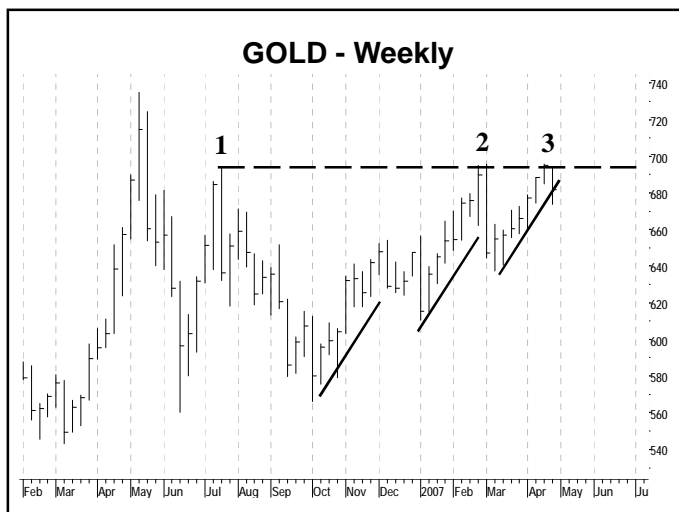
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You may not have noticed, but the value of your cash has been dropping big time. That is not a bad deal if you are mired in debt and have a government job that is accompanied by automatic annual raises plus paid health care benefits. Perhaps the best job in this light would be U.S. Senator or Representative. Those guys are truly in the cat bird’s seat, voting themselves raises and not having to pay into their retirement accounts. Best of all are those leftover campaign war chests full of tax free money, useful for legal defense bills and other miscellaneous personal expenses ... but I digress. For most of us, the ever-deflating dollar is a long term problem.

The dollar is currently oversold. There are mounting signs that the dollar will correct to some extent soon, but my opinion is unchanged. Any rally will be brief and only important to short term currency traders. Our problem is long term. A little more buying power is taken away from us each year.

Inflation is becoming more traditional now. Things are beginning to cost more because commodities cost more. Energy and raw materials are more expensive, especially if you are trying to buy them with dollars. We went through several years when “things” were inexpensive due to relatively cheap imports. That heyday is over. Things are going to be more expensive, including the cost of services and the cost of owning things. Taxes will rise on all levels, the general perpetual rise in health care costs will accelerate, and other non-discretionary costs like insurance and utilities will be on the rise. It’s all about the dollar and its constantly eroding value.





The long term trend will continue until the Dollar Index - now about 81.00 - reaches somewhere between 60.00 and 40.00. Be aware that the government and the Federal Reserve do not want a rout. What the powers that be prefer is a decent and orderly lynching.

The task has always been where to best invest our money given that the dollar will continue to fall. The most obvious answer is gold. Gold moves opposite of the dollar. It always has, and it always will. This is over the long term, of course. In the short term, it is easier for central banks to affect the price of gold than the price of the dollar. Periodic central bank gold sales

- which are having less and less influence on gold prices - are something that gold investors have gotten used to. The result can be a tandem decline in both the dollar and gold for short periods of time. Bottom line - don't worry about the short term. *Stay focused on the long term with your gold investments.*

You can't imagine the e-mails I get when gold is probing its highs. Everyone is suddenly bullish and can't wait to jump on the bandwagon. Every gold stock on the planet is abruptly being rated from hold to buy, underperform to outperform. You can, indeed, buy high and sell higher, but that is a technique best left to experienced short term traders. As a long term investment strategy, it is emotionally painful and usually financially disappointing. My preference is to buy into weakness.

Since topping out at \$735 in May 2006, gold has corrected and rallied to \$690 three times. Each \$690 high was replete with the crowd getting all riled up. The recent April attempt will also be accompanied by a correction, and gold should throttle back to about \$640 in this adjustment. There are a couple of very important things to note on the chart above. First, there have been three successive highs at approximately \$690. I have found in the past that after three highs are established at the same level and once those highs are exceeded, prices accelerate on the up side. The future looks bright for longer term gold investors.

The second thing I see in the chart here is three separate rallies from the low in October. The October - April rally has unfolded in classic Elliott Wave form; and although I don't use Elliott as precisely as some do, after three waves on the up side, we should be expecting a correction of the entire move. I expect to see gold at \$640. That's no big deal; and in the long term scheme of things, \$640 is not what is important.

As this correction unfolds, we will likely see Simplicity move higher. It's currently at 4.90, and I wouldn't be surprised to see it make it back over 5.00. That will present an extremely good buy signal in anticipation of gold breaking over the all-important \$690 level.

Hold what you have and use weakness to accumulate gold and mining shares. Don't concentrate on any one issue, and keep your portfolio balanced. You should have some of the majors on our buy-and-hold list. How much you devote to the juniors is a matter of your personal financial situation and capacity for risk. A few speculative dollars in some juniors is not a bad bet. They certainly beat buying call options.

On the April 24 Tuesday online update, we advised the sale of **Mines Management (MGN-AMEX-\$4.54)** at \$4.50 or better. The high on April 25 was \$4.54, so I am assuming you got out of it if you keep up with the twice weekly updates. If you aren't keeping up with the updates, I still recommend you sell the stock.

The Tuesday and Thursday updates are important as they convey any changes in our recommendations and outlook between scheduled letters, and they can save you money. MGN is not acting at all well, especially in the face of \$690 gold. My recommendation is to buy some **Baja Mining (BAJ-TSX-C\$1.69)** with this money. My buy price is C\$1.50, so be patient. Another little company that is interesting here (and we may well get a shot at again in this correction) is **Golden Valley (GZZ-TSX-C\$0.59)**. Don't get carried away, but a few shares at C\$0.50 or better looks like a good gamble. Both of these are better plays than Mines Management.

Considering the list of majors, they all look good at their respective downside buy prices. Accumulate from issues on our list during weakness, keeping in mind balance and diversification in your portfolio.

I do not have the expertise to make rare coin recommendations, but bullion coins are attractive for accumulation if you have the means to store them yourself. If gold reaches support at \$640, that would be a good place to do so. Just be sure to take delivery. Don't trust dealers to store your coins.

I should not leave out a brief mention of silver. In the years ahead, I believe that silver will do better than gold, mainly because of its increasing industrial uses and the insatiable appetite for raw materials in Asia. Silver may well correct to \$13.00 commensurate with weakness in gold. Again, weakness is a buying opportunity. Incidentally, Baja Mining has big silver potential. We have the **iShares Silver Trust ETF (SLV-AMEX-\$133.35)** on our trading list (see Page 2 of the twice weekly updates). It has recently fallen as low as \$131.19, so we are getting close to our trading program buy point at \$129.50.

Watch the ISM Manufacturing Index <http://research.stlouisfed.org/fred2/series/NAPM/1>. It is published each month. By clicking on the link "Notify Me of Updates," you can have updates sent to your e-mail. The last value was 50.90. When this falls under 50.00, it can be a bullish flag for gold. Depending on other elements relating to inflation and Simplicity that may be in place when this occurs, a reading under 50.00 has the potential to forecast a rally over 120% in gold stocks. This will come as a comforting confirmation to our bullish attitude toward gold and the mining shares, and I will update this ISM Manufacturing "signal" in the online updates and market letter when it triggers.

One possibility that we must not discount in a tumultuous world is an exogenous surprise event. The occurrence of a "black swan" event can trump technical timing and send commodity prices suddenly soaring. You need to be positioned for this possibility, which is one reason I do not recommend that investors try and trade their long term holdings. We have a trading program if you want to trade, but you should keep your trading money and your long term money separate.

The "black swan" is a statistical concept. If we observe, say, 5,000 swans and they are all white, there is still the possibility that there exists a black swan. For example, even though early in the decade we recognized that we were confronting threats from our enemies, 9/11 was an unexpected black swan event. We must not dismiss the possibility of something occurring that would suddenly propel the price of precious metals and energy higher without warning. I can say that the odds of a black swan event happening that suddenly pushes commodities higher and the dollar lower are more likely than something that has the opposite effect. Outside of a bird flu pandemic, a black swan surprise promises to be bullish for commodities.

Crude oil is consolidating between \$69.00 and \$62.00 basis June. Overhead resistance at \$69.00 looks formidable at this point; and unless a black swan shows up, I don't expect to see any fireworks in the crude pit until August. My recommendation is to hold your Canadian trusts and other energy issues. Follow the buy prices and stops on the buy-and-hold list.

The Canadian trusts have recovered some due to stronger crude prices and a move in the Canadian dollar from about .86 to over .89. I do not recommend that you buy more Canadian energy trusts as long term investments - see the reasons outlined in my recent booklet "A New Path To Profits During An Era Of Petro-Fascism." Forbes' subscribers can get a copy by logging into Professional Timing at the Forbes' newsletters site and clicking on the "Special Reports" folder. Direct subscribers can get a copy by logging into the Subscribers' Services section of our Web site.

Long term investing is one thing, but trading is another. I have added a few Canadian trusts to our trading program. Given the problems these companies face and the generous dividends still available (albeit temporary in some cases), they make excellent trading candidates. If you are looking for income and have the time to follow the trading requirements (placing stops, keeping up with the twice weekly updates for changes, etc.), this is an excellent way to own the trusts. There are, of course, other issues on the trading list. I will be taking up the cause of how to best invest for income in the May mid-monthly letter.

The trusts have recovered some, but they are nowhere near as high as they should be with crude at \$69.00. Lagging behind crude is not a good indication. On the other hand, I am very pleased with the performance of our non-trust energy investments that we have made so far this year. **Transocean (RIG-NYSE-\$86.20)** is well ahead of our \$75.00 buy price and **Frontline (FRO-NYSE-\$37.79)** is up about 24% from our buy at \$31.00 - plus we got a \$2.05 dividend and some spinoff shares in Ship Finance worth another 95 cents. They have since announced a more regular dividend policy of \$0.625 per quarter with excess cash being spent for buy backs, extra dividends, etc. **Apache (APA-NYSE-\$72.50)** is performing as expected and looks good as a buy (as do the others) if it pulls back some here. We have also owned **Valero (VLO-NYSE-\$70.23)** and **Frontier Oil (FTO-NYSE-\$35.33)** since 2005, and they have done very well for us.

I have adjusted the buy prices a little on several issues on Page 6, so you should review that column. I particularly like the refiners. They have the ability to refine sour crude, which is becoming more prevalent on the market as the sweet crude fields peak out. Yes, they are already peaking out. I think you will find that once the numbers are gathered, 2006 will become the official year that global crude oil production peaked out. In this process, sour high sulphur crude will make up more and more of available supply to the distinct advantage of those few refiners that can process it.

Another aspect of sour crude is that it sells for a significant discount to sweet crude, and the difference goes straight into the refiner's profit column. You will pay the same price for gasoline no matter what type of crude it is made from. Frontier has the advantage of being located outside the hurricane regions, and it's not susceptible to storm damage like Valero. However, Valero has the ability to efficiently make "boutique" gasoline blends, and it is estimated that every penny that gasoline prices move up, Valero makes an extra \$1 million profit! You should try and work these into your holdings during weakness.

Incidentally, when you look back, that little dive in gasoline prices was interesting last year. Goldman Sachs "decided" to adjust the percentage gasoline amounted to in their highly followed Golden Sachs Commodity Index. This index is, perhaps, the second most popular index that hedge funds, mutual funds, etc., mirror with their portfolios. Thus, they suddenly had to sell gasoline futures to adjust their portfolios to the index. This all conveniently happened just a few months prior to the 2006 elections.

There is nothing like high-priced gasoline to make the voters grumpy. The next thing you found out was that two weeks prior to Goldman's announcement, Goldman Sachs' boss Henry Paulson was appointed Secretary of the Treasury. Gasoline took a dive and consumer voters breathed a sigh of relief after their summer

vacations ended and they were on their way to the poles. The next thing you knew, gasoline bottomed out and climbed back to \$3.00 at the pump. Go figure. Energy prices are a matter of two steps forward and one step back- and then two steps forward again. Once gasoline hits \$4.00 - which it certainly will - \$3.00 will seem like a bargain. Right now, the good old days of \$2.50 wax nostalgic, but Valero is not complaining.

In terms of other energy investments outside the Canadian trust sphere, we introduced **Mega Uranium (MGA-TSX-C\$7.17)** in the last letter. We still hold with our recommendation to buy it at C\$6.75. Mega is an excellent uranium speculation if you can buy it right. Incidentally, Golden Vally has a potential uranium play. The Web sites for all of our recommendations are included on the buy-and-hold list. Check them out.

Dollar weakness will surely have a negative effect on bonds, especially with the Fed boxed into a corner. Do they deep six the already sinking housing market by raising rates to fight inflation and support the dollar? Or do they lower rates to bolster the economy, employ as many voters as possible, and let the dollar cave in?

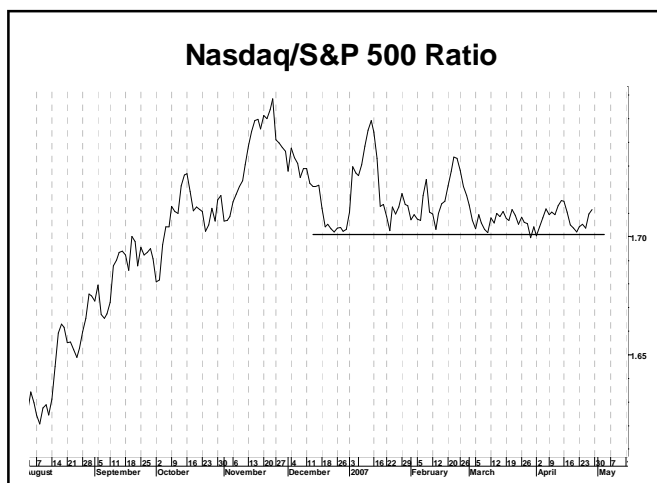
I believe the answer is that they will increase liquidity and keep short term interest rates essentially where they are. Remember, they only control short term rates. Long term rates are primarily influenced by the market. The first step in the Fed's strategy to use liquidity as a tool has been taken by removing M3 from those statistics available to the public. They can liquefy to a fare-thee-well without leaving very much evidence.

The effect will be more dollars chasing fewer raw materials. The result will be a dollar increase in the price of all commodities. The effect on bonds will be to provide less incentive to Treasury holders and potential buyers. Several important world central banks have already announced their intentions of "diversifying away from U.S. dollars." The price of long Treasuries will have to move lower to produce higher yields.

We have a bond trading program which you will find in the online updates. After taking a profit on a long side trade, the program is currently waiting in money market funds for the next signal. The next signal will be a sell if the June bond contract trades at 110-1/32. The 110.00 level looks like an important price point, regardless of this signal. Below 110.00, the next downside target (support) is 109.00, followed by the next target at 105.00 and a yield of 5.30. Trade bonds if you like, but don't invest in them.

A final comment on the general stock market. It may well be that the liquidity the Fed has been creating is inflating a bubble in the stock market again. Contrasting to the 1990's, this time the air is in bigger cap stocks. That is disturbing. Although the Dow has reached a new high, the Nasdaq has only regained 50% of the losses it suffered in the early 2000's. This is a full-sized red flag.

I like to watch the Nasdaq/S&P 500 ratio to get a grip on the relative strength between the Nasdaq and larger cap stocks. When the ratio is falling, it is a very bearish sign. When the ratio is rising, it is bullish. Of late, the ratio has been flat gyrating up and down just over 1.70. I would consider a break under 1.70 as a very important sell signal for the popular averages. Remember, it is all about dollars, and a weak dollar in the long run does nothing to benefit either our country's competitive edge or your pocketbook. You need to invest accordingly, which means that commodity-related investments should have a central place in your investment picture.



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 .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 04/30/07 U.S. \$	Downside Buy Price	Div 04/30/07	Target-T Stop-S	Web Site
Agnico-Eagle	AEM	NYSE	1/10/2007	36.00	35.28	36.00	0.34%		agnico-eagle.com
Alliance Res	ARLP	OTC	9/29/2004	27.98	39.72	34.00	5.44%		arlp.com
Apache Corp	APA	NYSE	3/5/2007	68.00	72.50	68.00	0.83%		apachecorp.com
ASA	ASA	NYSE	11/19/2002	31.00	66.80	60.00	2.10%		asaltd.com
Barrick Gold	ABX	NYSE	1/5/2003	22.85	28.11	29.00	0.78%		barrick.com
Baytex Energy	BTE	NYSE	5/18/2004	9.00	19.00	HOLD	10.05%		www.baytex.ab.ca
Black Rock	BGR	NYSE	8/3/2005	25.99	30.24	26.00	4.96%		blackrock.com
Canetic Energy	CNE	NYSE	4/19/2006	22.25	13.40	HOLD	15.04%	S = 12.00	canetictrust.com
Fording Coal	FDG	NYSE	11/16/2004	22.74	24.04	HOLD	8.00%		fording.ca
Frontline Ltd.	FRO	NYSE	1/4/2007	31.00	37.79	31.00	6.61%	S = 27.70	frontline.bm
Frontier Oil	FTO	NYSE	8/3/2005	14.38	35.33	31.50	0.57%		frontieroil.com
Gabelli Glob. Gld.	GGN	AMEX	1/3/2005	22.10	26.61	24.20	6.31%		gabelli.com
Gammon Lake	GRS	AMEX	1/4/2007	15.00	16.15	15.00	n/a		gammonlake.com
Headwaters	HW	NYSE	3/10/2006	36.30	21.67	18.00	n/a		headwaters.com
Kinder Mor. MLP	KMP	NYSE	Buy at	46.00	55.45	48.00	5.99%		kindermorgan.com
Kinross Gold***	KGC	NYSE	6/6/2002	2.39	13.33	11.00	n/a		kinross.com
Kinross Gold	KGC	NYSE	1/4/2007	11.00	13.33	11.00	n/a		kinross.com
Mkt. Vectors, ETF	GDX	AMEX	9/11/2006	37.00	39.56	37.00	1.16%		n/a
Pimco Comod Fund	PCRAX		3/2/2005	13.97	14.72	14.00	3.42%		pimcofunds.com
Primewest	PWI	NYSE	2/7/2003	17.00	20.31	HOLD	12.87%	S = 18.60	primewestenergy.com
Provident	PVX	NYSE	6/16/2003	7.50	SOLD 4/4 at \$11.00				primewestenergy.com
Ship Finance Int. ##	SFL	NYSE	3/6/2007	0.00##	29.74	HOLD	7.26%		www.shipfinance.org
Silver Standard	SSRI	OTC	1/4/2007	30.00	36.43	32.00	n/a		silverstandard.com
Silver Wheaton	SLW	NYSE	3/10/2006	8.40	11.12	10.00	n/a		silverwheaton.com
St. Trs. Gold, ETF	GLD	NYSE	9/11/2006	58.85	67.09	64.00	n/a		n/a
Transocean Inc.	RIG	NYSE	1/4/2007	75.00	86.20	79.00	n/a	S = 64.50	deepwater.com
Yamana	AUY	NYSE	4/14/2005	2.90	13.97	13.00	0.29%		yamana.com
Valero	VLO	NYSE	4/26/2005	36.63	70.23	63.50	0.68%		valero.com
Canadian Dollars									
Energy Split II	CA:EN	TSX	9/11/2006	17.00	11.97	HOLD	17.71%		scotiamanagedcompanies.com
Peyto Energy	CA:PEY.UN	TSX	7/18/2003	8.75	18.28	HOLD	9.19%		peyto.com
Shiningbank	CA:SHN.UN	TSX	1/2/2003	15.15	13.80	HOLD	13.04%	S=11.90	shiningbank.com

Ship Finance Intl. was acquired as a spinoff from Frontline on 3/6/07

*** On 2/27/07, Kinross was acquired by exchange for Bema, originally purchased at \$1.06 on 6/6/02

**The dividends for the coal trusts depend on cash flow and the price of coal in the preceding quarter. I have Fording 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 04/30/07 U.S. \$	Downside Buy Price	Div 04/30/07	Target-T/ Stop-S	Web Site
Coeur d'Alene	CDE	NYSE	9/2/2003	3.19	4.09	4.50	n/a		coeur.com
Mines Mgmt	MGN	AMEX	5/13/2005	4.50	SOLD 4/25 at \$4.50				minesmanagement.com
Taseko Mines	TGB	AMEX	7/24/2006	2.40	3.16	2.60	n/a		tasekomines.com
US Gold Corp	UXG	AMEX	9/9/2005	1.70	5.90	5.00	n/a		usgold.com
Canadian Dollars									
Baja Mining	CA:BAJ	TSX	Buy at	1.50	1.69	1.50	n/a		bajamining.com
Everton Res.	CA:EVR	TSX	1/4/2007	1.30	1.25	1.30	n/a		evertonresources.com
Golden Valley	CA:GZZ	TSX	2/20/2007	0.50	0.59	0.50	n/a		goldenvalleymines.com
Laramide Res.	CA:LAM	TSX	3/16/2006	5.20	14.00	10.25	n/a		laramide.com
Mega Uranium	CA:MGA	TSX	Buy at	6.75	7.17	6.75	n/a		megauranium.com
UTS Energy	CA:UTS	TSX	5/15/2006	6.50	4.82	Hold	n/a		uts.ca
Minera Andes	CA:MAI	TSX	9/11/2006	1.20	2.23	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 .90 to see if the OTC quote looks correct. You can access these OTCBB quotes by using www.barchart.com. Shiningbank-SBKEF Peyto Energy-PEYUF 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.