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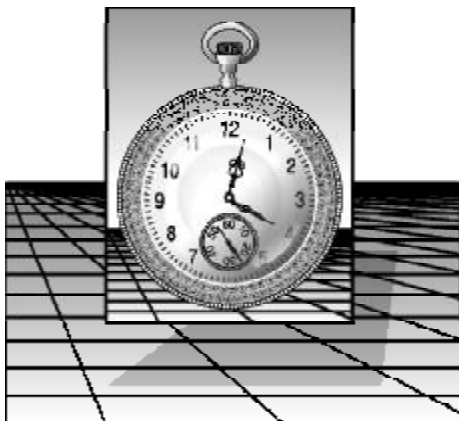
Curtis Hester

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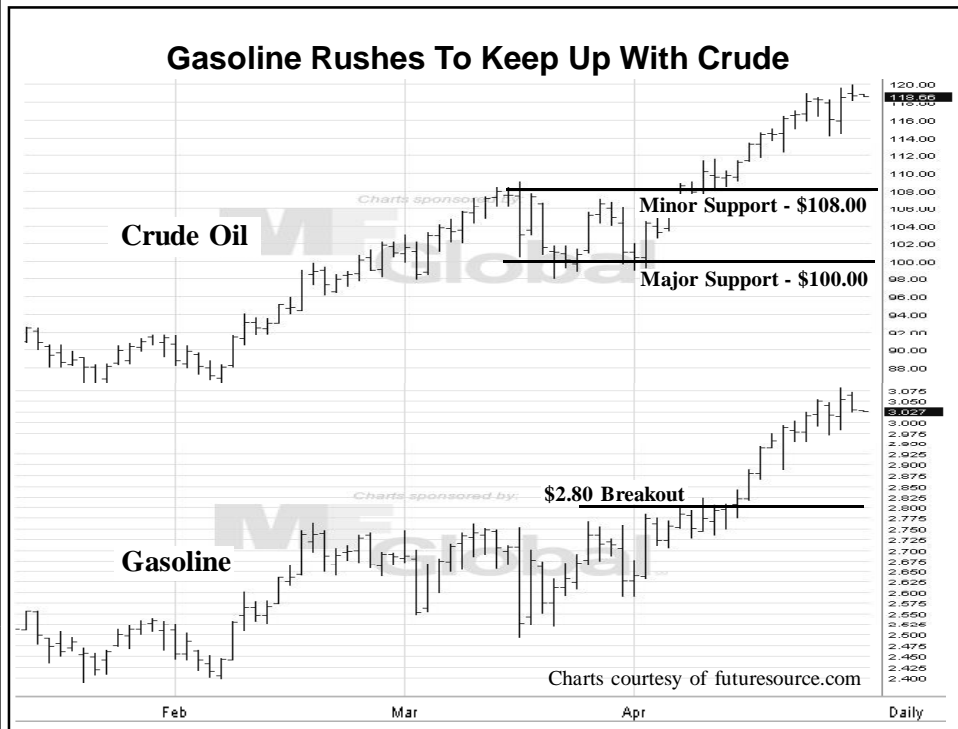
Denial Is Dangerous - The Commodity Bull Is Far From Over

The next issue will be published May 21.

- **Valero and Frontier Oil: Buying a few shares of each looks like a great play on \$4.00 to \$6.00 gasoline.**
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I have been forecasting \$1,600 gold and \$160.00 crude oil for some time ... but consider \$6.25 gasoline. If the government increases gasoline taxes, gas will go even higher. I don't claim to be an expert on the "crack spread," but you can get a Crack Spread Handbook and learn more than you ever wanted to know about this subject at the New York Mercantile Exchange site, www.nymex.com/media/crackspread.pdf.

This ratio between the value of gasoline and crude oil was referred to in the April mid-month letter, but a revisit offers some interesting intellectual activity. In mid-April when gasoline was \$2.80/gallon and crude was \$110.00/barrel, refiners were losing about 5% on gasoline production. They typically will make a 25% profit. That means with crude at \$110.00/barrel, gasoline should be selling for \$3.68 to give the refiners that 25% profit.

Since then, gasoline has moved to \$3.05 basis July futures, but crude oil has also probed \$120.00/barrel - a 9% increase over our original \$110.00/barrel musings. So, simplistically, we might conclude gasoline needs to be 9% higher than our \$3.68 figure - or about \$4.00 a gallon - to return to typical profit margins.

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 © 2008 by Professional Timing Service.

These numbers are being calculated on the basis of futures prices - or, essentially, wholesale without any taxes charged at the pump. Taxes vary by locale, but adding another 50 to 70 cents a gallon tax makes it quite likely that gasoline at the pump is going to go over \$4.00 this summer, even if the price of crude corrects back to major support at \$100.00 a barrel.

The longer term gasoline prices are just one more threat to the average consumer's pocketbook. Even if the refiners were to accept a 5% loss, once crude moves to \$160.00 a barrel, gasoline will still cost \$4.60 to \$4.80 a gallon with taxes. However, refiners are not going to continue to produce at a loss, and they have the ability to control production - especially during the summer driving season - to boost their margins. It is time to take a longer look down the road and think beyond \$4.00 gasoline. Factor in the added cost of regional blends and, in all likelihood, we will see prices move to \$6.25 by the time the next decade is under way.

There is not much you can do about rising energy costs. World crude production is peaking, and there is a need to see another 5 million barrels a day per year come on line in order to make up for depletion. That is a lot, and we need it now - not five years from now. Alternatives are nice, but they will not be enough.

There was another confrontation in the Persian Gulf last week, reminding us how fragile the political situation is in the Middle East. Crude prices leaped to 119.93/barrel basis June. Surprises will continue to be bullish for crude oil. Nevertheless, with that said, the technical picture looks a bit overbought on a short term basis. The last thing I would ever do is short crude, but there is decent minor support at \$108.00 basis July futures. Normally, there is a seasonal pause in crude prices from mid-May through July, after which seasonal strength typically carries prices to new highs in October.

How can you deal with high energy prices? Currently, the refiners are the low-hanging fruit, and you have to love the fact that this critical industry is virtually competition proof because it is so fraught with regulation.

Valero (VLO-NYSE-\$52.93) is just over our buy price of \$51.50, and it has been trading under that for the last month. Valero has the unique aspect of being able to utilize sour crude that they purchase for \$10.00 to \$20.00 less than the light sweet crude that most other refiners have to use. That doesn't necessarily put Valero at a profit with the crack spread where it is, but it helps them minimize the loss until prices come back into line. Valero is also adept at producing smaller runs of regional boutique blends.

The stock is off from highs around \$78.00 last year. That weakness is due to the profitability issue we are talking about as well as concern over the economy and possible declining demand. They also operate a string of gas stations - more appropriately called convenience stores - which some fear may become a drag on the company. I don't really think that the retail operations are going to make that much difference on their bottom line. The big money is in refining product and making a profit at wholesale, not retail, sales.

I like the other refiner on our list as well - **Frontier Oil** (FTO-NYSE-\$25.65). It, too, has been beaten down by the negative crack spread and fears of a recession. It is currently trading close to our downside buy price of \$25.00. Like Valero, they are able to process sour crude, but they are a smaller operation and thus a little more volatile. Buying a few shares of each looks like a great play on \$4.00 to \$6.00 gasoline.

Another prospective refiner on our list is **Altius Minerals** (ALS-TSX-C\$13.02). They have interests in mineral production, and they have an equity interest in a new refinery to be built in Newfoundland. The difficulty is that although the project is coming along without any snags, it will be a couple of years before this facility is operational. The stock has been sold off like the other refiners, but Altius is still attractive at C\$12.00 or less.

Most of the major producers are suffering declining reserves and/or operate in volatile and dangerous regions of the world. What good does \$160.00 crude make if your production is drying up or is seized by the local tyrant? There is only one major producer you should own, and that is **Apache** (APA-NYSE-\$137.90). They are, perhaps, the best on the planet at squeezing production out of old fields, and they have been able to grow reserves while others have suffered continued depletion. They also operate in relatively safe locales away from the volatile Middle East. America is going to need their production at some point. The problem with Apache is the price. It has run from our previous buy point of \$90.00 last January to over \$137.00 currently. I cannot chase stocks; but if it corrects back to \$115.00, you should pick up some shares. Our downside buy price for Apache on the buy-and-hold list has been adjusted accordingly.

At the end of last year, we anticipated that January - February would offer a good buying time for energy issues, and our February mid-month letter entitled "Only A Few Shopping Days Left" urged readers to exploit the opportunity at hand. The majority of those positions are bearing fruit now that crude is hitting new highs. At this point, though, the most sensible overall strategy from a risk management perspective is to hang on to your positions and see what develops from here. A seasonal May-July pause will offer us ample opportunity to accumulate more shares, and I have adjusted some of the downside buy prices for our energy stocks on Page 6.

As the prices of crude and gasoline continue to rise, beware of energy scams. Cattle magnets taped to your fuel line will not improve your mileage. Be wary of junk mail espousing new mega discoveries of domestic reserves. Beware of the "tax shelter" oil deal. The developers make the money. Whenever the consumer gets pinched in the wallet, there is often someone standing by to help him empty it.

Don't be confused about the U.S. economy. There is no doubt that we will see worse numbers over the next 12 months. Housing sales and prices are going to get worse, foreclosures will increase, job numbers will deteriorate, and consumer discretionary spending will be severely limited as paychecks go for necessities like gasoline and food. The next consumer credit problem is going to be increased credit card and auto debt defaults.

Raw material demand will remain strong in Asia, and commodity prices will continue to rise. China announced their first quarter economic growth rate at 10.6%. That is a little more than a percentage point lower than last year, but still several times the pace of economic growth in the U.S. It doesn't take much of an increase in Asian demand to upset the supply/demand balance – witness the current rice shortage, for example.

The overall formula works like this. Higher oil prices lead to higher energy costs, which lead to weaker economic growth, which leads to new Fed policies that are always inflationary and that guarantee higher gold prices. Gold will rise and the dollar will fall as long as the rate of interest is lower than the true rate of inflation. As it is, rates are falling and inflation is rising. This is a difficult environment for those looking for some income from their investments. I have been harping on **Gabelli Global Gold** (GGN-AMEX-\$28.26) and **Blackrock** (BGR-NYSE-\$33.70) over the last couple of months. Hopefully, you were able to take advantage of them while they were selling at their respective buy prices. Blackrock has moved up from our buy at \$29.50, but Gabelli is still hovering around our buy price of \$28.00. Take advantage of weakness.

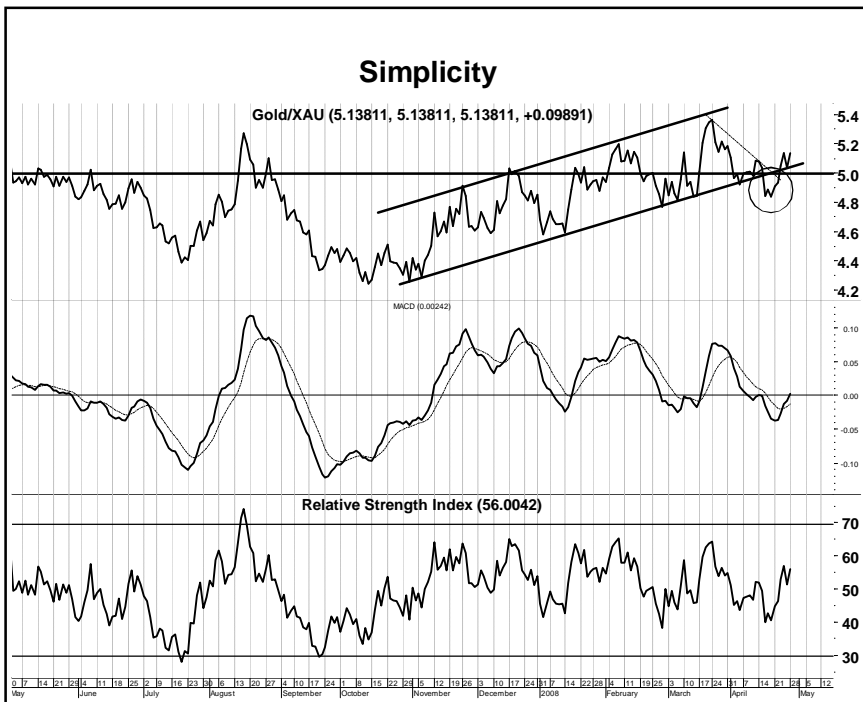
The **TIPS iShares ETF** (TIP-NYSE-\$106.60) that I mentioned in the last couple of issues has settled back, but not quite to our \$106.00 buy price. Be patient and keep your open orders in.

Here is the ultimate fixed income investment. There is absolutely no risk. Pay off your debts. You can't make that sort of safe money anywhere. I don't want to hear about losing the tax deductions. You don't get a tax credit for interest paid, only a deduction. You don't profit by spending \$1,000 to save \$500.



Gold has been correcting from highs set in March. I think there is more to come, but not all that much more. Gold is volatile, and my continued outlook for \$825 to \$840 basis August is not a big deal. The current picture calls for a close eye on the current test of the low set in early April. My inclination is that we will see the early April low broken, and that will give us one quick stab at its \$825-\$840 support zone.

Simplicity dropped below its up trend line - which would indicate a trend change - but it smartly recovered above the 5.00 level. One last downside break in gold will lift Simplicity toward 5.40 and set up the gold sector for the best buying opportunity we have seen in years.



The other nagging element in all of this is the rather surprising strength lately in the dollar. We need to see 73.68 in the June futures to push our dollar model to a buy signal, and that price is getting close. The dollar seems to want to rally; and if it does, we will see that last break on the down side in gold and silver.

Hold your metals positions, but gamble on another drop. Then buy into it. I have reviewed the downside buy prices for our precious metal issues on Page 6. With the exception of StreetTracks Gold, I like the buy prices just where they have been.

If I had to pick one to buy, it would be **Kinross** (KGC-NYSE-\$19.31). Buy Kinross at \$17.00 or better.

I am also putting **Goldcorp** (GG-NYSE-\$36.10) back on our list. It is a decent major and has been doing well technically of late. We need to pick it up on the cheap, though, and I have set the buy price at \$31.10 or better.

There is a place in your investment scheme for physical gold. The problem is that physical gold and silver is tricky to buy and tricky to own. There are reputable companies that sell physical gold. Do a Google search, and then do your homework. Unfortunately, I can't recommend anyone specific. Just be sure they have been in the business for a long time - preferably since the 1970's.

Next, unless you are an expert in rare coins, buy bullion coins. Unlike bullion bars, they are easy to recognize and come in relatively small denominations. Purchase whatever has the least premium, be they American Eagles, Krugerrands, Canadian Maple Leafs, or Austrian Philharmonics. Silver bullion coins are a bit of a problem in that they take up a lot of bulk for their value. Buying and holding bullion coins is a conservative thing to do, so why not go with the quintessential precious metal – gold. You can speculate in silver, platinum, and other precious metals with mining shares and ETF's.

The final and most important step in investing in physical gold is to take delivery and look after your own storage. Don't trust the dealer to store your coins, no matter how reputable they are or how long they have been in business. On a final note, I don't think the government will step in and confiscate gold again, not without a change in their attitude. The Fed would like to debunk gold as money, not legitimize it through confiscation.

We hear a lot about the housing bubble, but this mania was more of a credit bubble than anything else. The credit bubble has burst, and the pendulum is swinging back toward more conservative lending practices. This has to elevate interest rates because risk - which was once thought to be avoidable - must again be factored into the price of money. Bonds are currently on a sell in our Rydex bond trading program, and I feel that is exactly how you should approach the bond market – on a trading basis only.

We have not yet seen all of the fallout from sour mortgages and other spinoff debt problems. For example, the auction rate market is, for all intents and purposes, finished. No one wants to bid. This creates an interesting problem. The auction rate bonds were to have their interest rates set every 35 days or so by auction, but now there are no bidders. There is a formula that resets the interest rate in this event, but now that no one wants the bonds, what are they worth? The bonds are not in default, but how do you put a value on an asset no one wants? This is a more prickly problem if the bond holder is a bank who needs a value for compliance reasons. I believe most of these bonds will be paid off, but this source of financing used by hospitals, museums, student lending organizations, some public works, etc. is finished. There are more problems. Consider that some 70% of the mortgages made since 2005 are thought to have been liar loans. It's a mess, with few solutions in sight.

Tighter credit and a full assessment of risk by lenders is going to affect most business activity, especially exploration and development companies in mining and energy. Money is going to be more difficult to obtain and more expensive, along with other operating costs. The smaller, speculative mining concerns also have lost investor favor in deference to ETF's. I like the juniors on our list, although I have listed several as holds. I think we need to see gold recover solidly over \$1,000/oz. before the lower tier companies attract the speculators.

With the opportunity I see developing here in the metals, I think you should concentrate on the majors on the list. If I had to pick favorite juniors, they would be **Taseko Mines** (TGB-AMEX-\$5.40), **Great Basin** (GBN-AMEX-\$2.97), **Minera Andes** (MIA-TSX-C\$1.34), and **Nova Gold** (NG-AMEX-\$7.00) - in that order. Purchase them only at their respective downside buy prices - or better, of course - and go easy on them.

The stock market has moved up from its March lows, but it is closing in on overhead resistance. I expect the Nasdaq will encounter minor overhead resistance at 2,500 and major problems if it can muster the wherewithal to hit 2,600. That leaves a little room yet, but not much. I continue to suggest that investors use strength to work out of financial-based assets and reinvest in assets advantaged by higher commodity prices.

The near term stock market is not as important as what you are going to see longer term. I see the stock market averages trading in a wide trading range for perhaps as long as another 10 years. The upper end of the trading range will be limited by the levels we saw in the averages last October. The lower end of the range will be marked at the 2002 lows. That puts the S&P 500 with an expectation of trading essentially between 1,550 and 800. That may seem like an exceptionally wide range, but it is typical compared to past bear markets in equities. Note that we are currently closer to the top of that range than the bottom.

Also typical during past equity bear markets, commodities were top performers - especially precious metals. The commodity bull will not be over until you see the Dow/gold ratio under 5. It will probably fall as far as 2. You will see the Dow Industrials return to a 5% yield as well. In the meantime, invest in tangible assets.

Recommended Stocks For Buy And Hold

Note: You can get quotes on Canadian stocks in Canadian dollars by using the symbols we have listed at www.bigcharts.com. Thus, if you want a quote for Peyto Energy, go to www.bigcharts.com and type in CA:PEYUN. You can approximate the price in U.S. dollars by multiplying the Canadian dollar quote by .99. 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 4/28/08	Downside Buy Price	Div 4/28/08	Target-T Stop-S	Web Site
U.S. \$									
Agnico-Eagle	AEM	NYSE	1/10/2007	36.00	61.02	50.00	0.29%		agnico-eagle.com
Alliance Res	ARLP	OTC	9/29/2004	27.98	41.74	34.00	5.61%		arlp.com
Apache Corp	APA	NYSE	3/5/2007	68.00	137.90	115.00	0.44%		apachecorp.com
ASA (1)	ASA	NYSE	11/19/2002	31.00	80.11	70.00	4.99%		asald.com
Baker Hughes	BHI	NYSE	2/5/2008	64.63	81.69	70.00	0.64%	S = 62.50	bakerhughes.com
Baytex Energy	BTE	NYSE	5/18/2004	9.00	25.67	19.50	9.34%		www.baytex.ab.ca
Blackrock	BGR	NYSE	8/3/2005	25.99	33.70	29.50	4.45%		blackrock.com
Fording Coal	FDG	NYSE	11/16/2004	22.74	62.62	HOLD	3.12%		fording.ca
Frontline Ltd. (2)	FRO	NYSE	1/4/2007	31.00	56.55	46.00	4.42%		frontline.bm
Frontier Oil	FTO	NYSE	8/3/2005	14.38	25.65	25.00	0.94%		frontieroil.com
Gabelli Glob. Gld.	GGN	AMEX	1/3/2005	22.10	28.26	28.00	5.94%		gabelli.com
Goldcorp	GG	NYSE	Buy at	31.10	36.10	31.10	0.50%		goldcorp.com
Headwaters	HW	NYSE	3/10/2006	36.30	14.48	10.00	n/a		headwaters.com
Kinder Morgan LP	KMP	NYSE	6/8/2007	52.50	59.09	HOLD	6.50%	S = 48.40	kindermorgan.com
Kinross Gold (3)	KGC	NYSE	6/6/2002	2.39	19.31	17.00	0.41%		kinross.com
Kinross Gold	KGC	NYSE	1/4/2007	11.00	19.31	17.00	0.41%		kinross.com
Mkt. Vectors, ETF (4)	GDX	AMEX	9/11/2006	37.00	44.31	42.10	6.73%		n/a
Pimco Com. Fund	PCRA		3/2/2005	13.97	18.92	17.00	5.22%		pimcofunds.com
Schlumberger	SLB	NYSE	1/18/2008	75.00	102.36	85.00	0.82%	S = 72.10	nat.bm
Ship Finance (5)	SFL	NYSE	3/6/2007	0.00##	29.87	HOLD	7.37%		www.shipfinance.org
Silver Standard	SSRI	OTC	1/4/2007	30.00	26.17	28.00	n/a		silverstandard.com
Silver Wheaton	SLW	NYSE	3/10/2006	8.40	14.23	15.00	n/a		silverwheaton.com
St. Trs. Gold, ETF	GLD	NYSE	9/11/2006	58.85	87.69	80.00	n/a		n/a
TIPS iShares ETF	TIP	NYSE	Buy at	106.00	106.60	106.00	7.11		n/a
Transocean (6)	RIG	NYSE	1/4/2007	75.00	152.22	120.00	n/a	S = 119.05	deepwater.com
Yamana	AUY	NYSE	4/14/2005	2.90	13.25	11.50	0.30%		yamana.com
Valero	VLO	NYSE	4/26/2005	36.63	52.93	51.50	0.91%		valero.com
Canadian Dollars									
Altius Minerals	CA:ALS	TSX	8/9/2007	17.88	13.02	12.00	n/a		altiusminerals.com
Energy Split II	CA:EN	TSX	9/11/2006	17.00	12.25	HOLD			scotiamanagedcompanies.com
Peyto Energy	CA:PEY.UN	TSX	7/18/2003	8.75	20.30	HOLD	8.28%		peyto.com
Silvercorp Minerals	CA:SVM	TSX	1/21/2008	8.00	7.72	8.00	1.94%		silvercorp.ca

(1) ASA dividend includes year-end distribution. (2) Frontline dividend based on regular payment of \$0.625 per quarter. Extras have been paid, bringing the dividend on past 12 months' payments to 13.38%. (3) On 2/27/07, Kinross acquired by exchange for Bema, originally purchased at \$1.06 on 6/6/02. (4) Market Vectors dividend was an annual distribution, not a regular dividend. (5) Ship Finance Intl. was acquired as a spinoff from Frontline on 3/6/07. (6) Transocean merged with Global Santa Fe on 11/27/07 receiving .6996 shares in the new Transocean plus \$33.03 in cash.

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

Company	Symbol	Exchange	Initial Recom. Date and	Price	Price 4/28/08	Downside Buy Price	Div	Target-T/ Stop-S	Web Site
U.S. \$									
Coeur d'Alene	CDE	NYSE	9/2/2003	3.19	3.17	3.80	n/a		coeur.com
Endeavor Silver	EXK	AMEX	7/26/2007	4.60	2.87	4.00	n/a		edrsilver.com
Great Basin Gold	GBN	AMEX	12/21/2007	2.45	2.97	2.45	n/a		greatbasingold.com
Nova Gold	NG	AMEX	2/29/2008	11.50	7.00	7.50	n/a		novagold.com
Taseko Mines	TGB	AMEX	7/24/2006	2.40	5.40	4.50	n/a		tasekomines.com
US Gold Corp	UXG	AMEX	9/9/2005	1.70	2.18	HOLD	n/a		usgold.com
Canadian Dollars									
Everton Res.	CA:EVR	TSX	1/4/2007	1.30	0.43	HOLD	n/a		evertonresources.com
Golden Valley	CA:GZZ	TSX	2/20/2007	0.50	0.27	HOLD	n/a		goldenvalleymines.com
Laramide Res.	CA:LAM	TSX	3/16/2006	5.20	3.35	HOLD	n/a		laramide.com
Mega Uranium	CA:MGA	TSX	5/1/2007	6.75	2.08	3.00	n/a		megauranium.com
UTS Energy	CA:UTS	TSX	5/15/2006	6.50	5.40	HOLD	n/a		uts.ca
Minera Andes	CA:MAI	TSX	9/11/2006	1.20	1.34	1.20	n/a		minandes.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 .99 to see if the OTC quote looks correct. You can access these OTCBB quotes by using www.barchart.com.

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.