

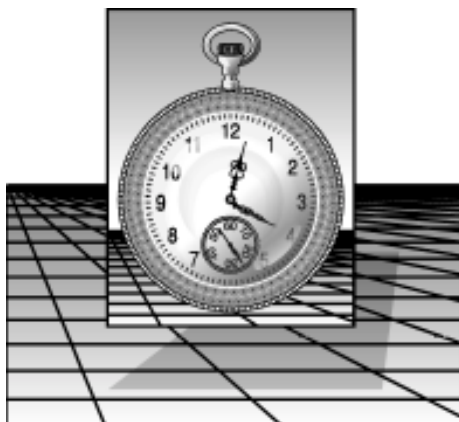
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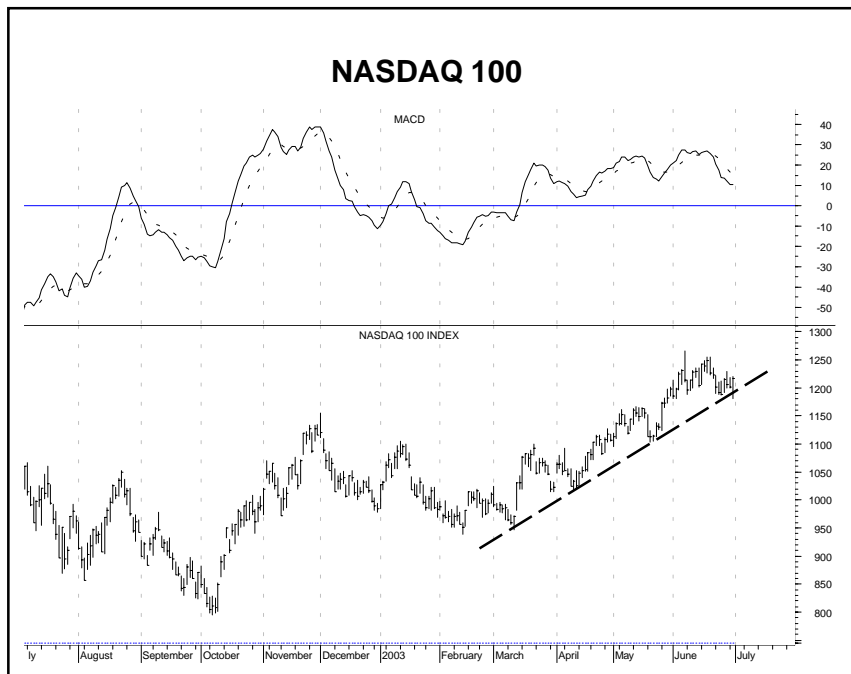
- **A recap on strategy.**

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A DIFFICULT SUMMER



The market has passed the cyclical point at which we were looking for a high to set in, and we don't expect to see more than a half-hearted attempt now to challenge the June high. There is a tendency for the market to rally during the last four days of the month and the first two days of the next month. The market also tends to move higher before holidays and three-day weekends. Nevertheless, sellers will be waiting to liquidate into any strength as the June to July transition takes place.

According to the 2003 *Stock Trader's Almanac*, a new study reveals that the Nasdaq has its own best-performing period. If you will remember, we have described the fact that the S&P 500 and Dow

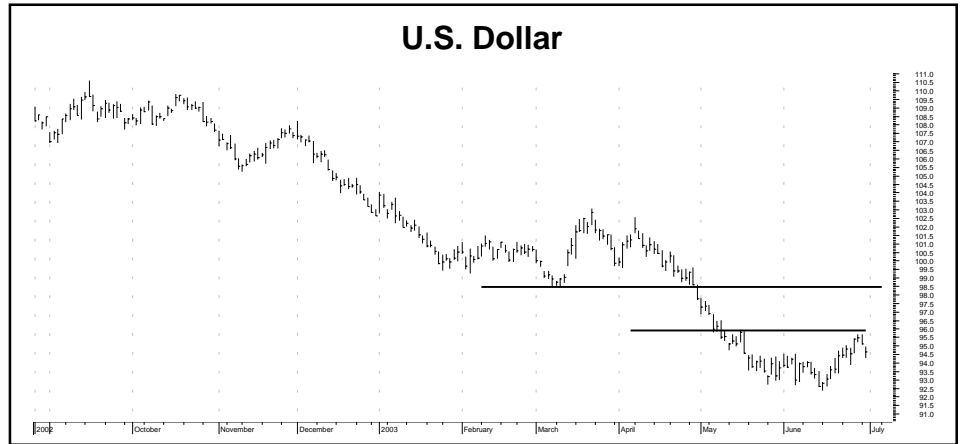
perform best during the months of November through April. We also wrote about Sy Harding's discovery that the timing of the best and worst six months can be refined using MACD signals.

The Nasdaq, it seems, tends to do best during the months of November through June. A \$10,000 investment during the Nasdaq's best eight months from 1971 grew to \$237,477 versus a loss of \$4,516 during the remaining four months.

Using MACD to refine the timing of the Nasdaq's best and worst eight months doubles the gains with this strategy. As it is, MACD already turned negative on the Nasdaq on June 19.

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 © 2003 by Professional Timing Service.

Here is something to think about as you consider all the ballyhoo about the Nasdaq going to 15,000. As related by Bill Mauldin, “Carl Swenlin www.decisionpoint.com privately tracks his own version of the Nasdaq 100 P/E. He thinks it might be 139, but he hastens to point out the number is worthless because so many companies in the Nasdaq 100 don’t make a profit.”



Mr. Mauldin reports, “I went to his site to count, and 28 out of 100 companies failed to make a profit over the last 12 months. That is before we deduct stock options.” Don’t get too excited about a new bull market in the Nasdaq. You could end up sorely disappointed.

In a nutshell, I can envision some month-end and quarter-end strength, but the bear market rally is over. The questions are: how far will the market fall and how long will the next decline phase last? Frankly, my cyclical work is saying that the market looks vulnerable until the end of September.

is one issue, of course. However, the biggest problem may well be continued disenchantment with the U.S. dollar. Our Hyperion model did buy the dollar on June 20, and it has worked its way higher since then.

We expect the Nasdaq and the rest of the market to have a difficult summer. Plenty of red flags are popping up in my work, and most of the averages are about to break below the up trend line drawn under the rally.

It is an old adage that you never know how deep a puddle is until you step in it. That is apt advice for answering the question of how far down this next decline will take the averages. We will be able to forecast downside targets more accurately when the decline gets further along. Suffice to say, the puddle may well be much deeper than anyone expects.

I still look for this rally to take it to 96.00 to 98.00. However, the dollar experts see this as just what it is - a technical correction in an ongoing bear market in the dollar.

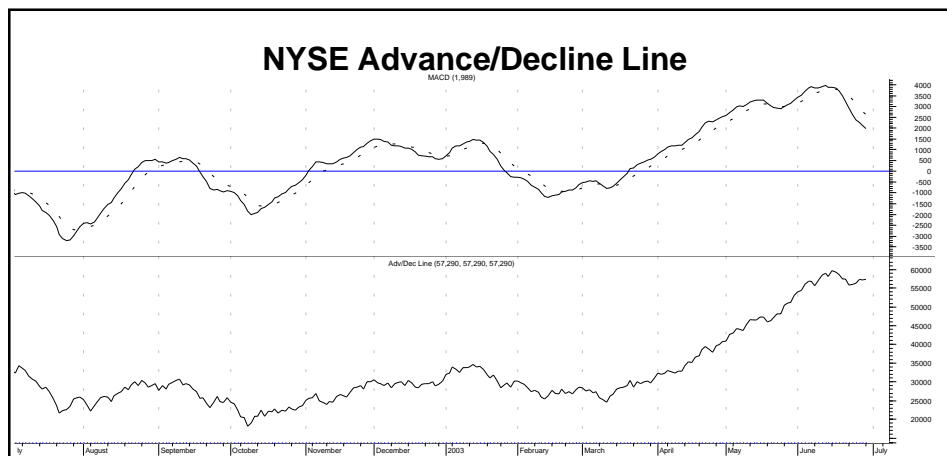
My new high/new low work has just turned negative for both the NYSE and the Nasdaq. Also, the advance/decline lines for the NYSE and Nasdaq are both rolling over following negative crossings in their MACD lines.

If you want to diversify your fixed income investments, it's time to look at buying some foreign currency CD's.

DOLLAR

One ponders what will take the market down. Stock market overvaluation

You might consider Canadian dollar or Australian dollar CDs. I like countries with plenty of natural resources. The euro is also a viable choice, although I don’t think the EU is all that solid yet. Nevertheless, the euro is going to be a challenge to the dollar over the next couple of years. You can contact Everbank at www.everbank.com for more information on foreign currency CDs.



Short term foreign currency bonds are another alternative, but I would not go out much over two years. You must avoid the long end of the U.S.

Junior Gold Stocks - The Option Alternative

Company	Symbol-Exchange- Price 10/02/02	Price 7/1/03
Kinross Gold Corporation	(KGC-AMEX-\$6.30**)	\$6.85
Golden Star Resources	(GSS-AMEX-\$1.30)	\$2.77
Bema Gold Corp	(BGO-AMEX-\$1.06)	\$1.37
Cumberland Resources	(CBD-TSX-C\$2.10)	C\$2.90 US\$2.15
American Bonanza	(BZA-V-C\$0.15)	C\$0.29 US\$0.22
American Bonanza Warrants	(BZAWT-V-C\$0.06)	C\$0.16 US\$0.12

Note: C\$ denotes Canadian dollars ** Adjusted for 1:3 reverse split 2/3/03

Treasury market. I think long Treasuries are very dangerous.

Our Rydex bond model gave us a nice sell on June 17 just before the long bond began to cave in. It is worth noting that the bond did not strengthen after the Fed's 13th consecutive rate cut on June 25.

It is interesting that debt levels are at record highs on all fronts - private, corporate, and public. Debt service as a percentage of GDP is also at record levels despite the fact that interest rates are at record lows. An upturn in interest rates will be ruinous. We hear about the boomers retiring, but they will be lucky to be able to pay off their mortgages, let alone retire. Consumption patterns will be changing massively as this decade wears on.

Keep in mind also that the Saudis are reported to hold \$1 trillion in U.S. Treasuries and another \$1 trillion in U.S. stocks. I am not optimistic about the future of the royal house of Saud. Relations between the higher ranking members of the family could be adequately described as "toxic." In the Arab world, the most popular Saudi is Osama bin Laden, and 15 of

the 19 terrorists that launched attacks on September 11 were Saudis.

In the 1980s, Saudi Arabia had \$120 billion in cash reserves - now down to a mere \$21 billion. Per capita income has fallen from \$28,600 in 1981 to \$7,000. Corruption is pervasive, and the population is restless and unhappy. Things are ripe for an uprising, and the militants are ready to fan the flames.

I have no doubt that the Royal family's time in power is limited, and the new powers will use every tool at their disposal to harm the West. That includes cutting off oil supplies and dumping those trillions in financial assets to set off a panic. How long are we going to complacently rely on energy supplies from our enemies?

The U.S. dollar has a tough row to hoe. The ultimate alternative currency is gold. There has been a great effort over the last 90 years - since the Federal Reserve was formed - to dispel the value of gold and relegate it to being just another commodity. However, the markets do not really ever change. Gold is still money.

You should own some gold.

There are several ways to do this. First, I recommend that you buy some **Anglogold** (AU-NYSE-\$33.27). I have been recommending that readers buy under \$30.00. I think there will be one more dip ahead as gold bullion completes the correction it started in late May. Gold has worked its way down from \$375 to \$343. I look for the correction to last a bit longer, but we should see gold bullion bottom during July.

The mining stocks, represented by the XAU (Philadelphia Gold and Silver Index), have only begun to pull back during the last couple weeks. Nevertheless, I have a downside target for the XAU at \$73.00. We also expect to see a buy signal for Rydex gold traders this month.

The point is that we are in a correction in gold, which will lead to a very good buying opportunity later on this month. Use weakness to buy some Anglogold with the intention of holding it for awhile. Also consider our list of junior gold companies listed above.

Weakness in gold this month as the current correction comes to an end will offer you the opportunity to buy some of the junior gold stocks, or add to previous positions. Consider these as long term options on gold.

Another way to participate is to trade the gold and silver stocks on our Hyperion list. Our Trading Handbook explains how to apply the Hyperion signals if this model is new to you (the discussion begins on Page 5).

The potential in gold is tremendous.

First of all, gold is a dollar thing. Don't get caught up in the inflation versus deflation debate. The dollar is falling, and it will likely end up being displaced as the world's primary reserve currency. My bet is for the Chinese renminbi to eventually dominate, and it may end up with some gold backing.

There have been two previous gold bull markets. The first began in September, 1929, and it lasted into the 30s. Homestake Mining appreciated 650% in that run. The second great gold bull market was from 1969 to 1980. Homestake appreciated 1,000% that time.

We are now in the relatively early stages of the third great gold bull market. Homestake merged long ago, but the XAU should perform just as well. There is a long way to go yet since the XAU has barely doubled so far. Judging from past bull markets, the XAU could eventually reach as high as 260.

As for a forecast for the next 18 months, I fully expect to see gold bullion double by the end of 2004. The mining stocks will do better.

Gold is a dollar thing, and so is crude oil and natural gas. No one is going to accept a weakening dollar for crude oil payments very long. Looking at it from the other side, the price in dollars is going to go up as the dollar falls. I see \$50 crude and \$10 natural gas as very likely in the next 12 months.

If I am right about Saudi Arabia and there is a sudden revolt and overthrow there, crude will jump to over \$100 a barrel. This is why I am so bullish on the Canadian oil and gas producers. My favorite is still **Enerplus** (ERF-NYSE-\$23.40), and you can add to positions at \$22.00 or less.

I still like **Primewest** (PWI-NYSE-18.85) although they recently announced that they are reducing their monthly dividend to C\$0.33 from C\$0.40. The reason is not a decline in revenues, but a desire to build up cash reserves by dropping the payout to 80%.

I suspect they have some acquisitions in mind, and they also want to insure that the dividend will remain steady and predictable. The value is still there; and at the current rate, they pay 15% at \$18.00. I would add to positions or buy initial positions at \$18.00 or less.

Keep in mind that we are buying these Canadian energy trusts because they pay nice dividends.

More importantly, we are buying them because the prospects are for higher crude oil and natural gas prices in the future. As trust revenues rise, so will their dividends and their share prices.

Provident (PVX-NYSE-\$8.15) hit the Street with an interesting problem. It seems that their trust indenture calls for a minimum of 50% Canadian ownership, and they were reaching that level. It isn't clear just how or what effect this would have on purchasing the stock in the U.S. If you own it, you own it. However, perhaps if you tried to buy it, the transfer agent would refuse to make the transfer.

This does put a bit of uncertainty in the picture, but I am not worried about it at this point. My advice is, if you own it, hold on to your position for now. However, let's not get tangled up in something here since we don't fully understand the implications of the problem. Don't buy more just yet.

Incidentally, Enerplus reports that they have no such provision in their trust indenture and are not affected. Primewest reports that their foreign ownership is at about 36%.

In the past, I recommended **Shiningbank** (SHNUN-TXE-C\$16.58). I don't know what their trust indenture may say; but since they do not trade on the NYSE, I doubt that they have a large following of non-Canadian investors. If you are looking for a little diversification, you might pick up a few shares of Shiningbank.

My target would be to buy at C\$16.10 or less, where the indicated dividend is over 16%. You can check them out at www.shiningbank.com.

All of the energy trusts that we are recommending have significant natural gas production. It is important that currently one-third of America's energy consumption is natural gas.

I still favor **Kinder Morgan** (KMP-NYSE-\$39.49), and they are expanding operations constantly. If you are interested in an initial purchase or want to add to a previous position, my buy point is \$36.50 or less, where the indicated dividend is 7%.

Our tankers got tanked. It all started with news on **Knightsbridge** (VLCCF-OTC-\$9.61) that Shell was not going to renew the contract to lease Knightsbridge's five doubled-hulled super tankers.

Consider that these five vessels carry 1.5 million metric tons of crude. Also consider that some ports are beginning to turn away single-hulled tankers for fear of environmental accidents, etc. Consider that carrying capacity - be that ships or pipelines - are operating at capacity.

I don't think that we are going to see five super tankers tied up and sitting idle. Knightsbridge said they were going to hold a special meeting in September to discuss the matter, but they offered that one option would be to sell the tankers. I wonder if there aren't



some games being played between Shell (edging for a better deal) and Knightsbridge (hinting that they may give the ships up to another user).

At any rate, I am not worried. Knightsbridge has an "official" book value of about \$12.00 per share. Roughly, I figure the ships should be worth about \$8.00 to \$9.00 a share at fire sale prices.

We originally presented this as a speculative purchase, and it still is. However, I think buying some under \$9.00 - with money to buy more if it hits \$8.00 - would beat buying a contract of pork bellies any time. Their lease agreement with Shell does not expire until February, 2004, so there should be two more regular dividends coming in before then.

The panic selling in Knightsbridge after the news was announced spilled over to **Nordic American** (NAT-NYSE-\$14.38). They have a dispute with Norway over some tax calculations that could be decided against them, and this might hurt payouts. Nordic American is a decent speculation at \$13.00 or less.

On the trading side of things, the Hyperion model has been doing a good job, especially with the hot stocks like Amazon and ebay. I have gotten good feedback from subscribers using the model. It seems to be quite appropriate for use with online trading accounts. However, the goal is to make some money and keep you away from disaster. I am looking now for sell signals to begin executing.

**** IMPORTANT NOTE ****

Enclosed with this issue is a new telephone hotline number that will go into effect on July 15. It is on a separate yellow slip. If someone else opens your mail, be sure they don't throw the number away.

The telephone hotline relays the same information as the online hotline does except that it does not include the comments and charts. The Web site message is more detailed.

If you have not been using the Subscriber's Services section of our Web site, send me an e-mail and I will send you your personal password and login.

A RECAP ON STRATEGY

As we begin the downside of 2003, I thought a recap of my outlook would be helpful. I encourage you to keep these points in mind as you contemplate and initiate investment strategies during the balance of the year.

In October, 2001, our Annual Asset Allocation Model told us to move from bonds to tangibles. Since then, bonds have done well, but tangibles have done better. Bonds will not continue to do well, but the big bull market in tangibles - including gold - is just getting off the ground.

This year is already half over. As you plan your investment strategies for the future, you have to factor in these very important variables. Tangibles will continue to appreciate. The U.S. dollar will continue to fall. Stocks are in a bear market at the end of a bear market rally.

Gold is the best alternative currency to hold against the falling dollar, but it offers no current yield. Gold mining stocks will add an element of leverage to your gold investments, and Anglogold pays a decent dividend.

Crude oil production will peak in this decade, while world energy demand will continue to increase. China will develop an especially ravenous appetite for energy over the next 10 years. I look for crude prices to rise to \$50, and I expect natural gas prices will rise to \$10 in the not too distant future – the next 12 to 18 months.

If there is an overthrow of the House of Saud by Islamic militants, crude and natural gas prices will explode as the new regime shuts off supplies in order to throw the Western economies into disarray. Twenty-six percent of the world's crude oil reserves in the hands of Islamic fundamentalists may end up being the ultimate weapon of mass destruction. If the House of Saud falls, Canadian supplies will become particularly valuable to the U.S., and we will be advantaged by owning resources that are valued in Canadian dollars.

Finally, bond yields cannot sustain current low levels with a falling dollar. Once interest rates begin to rise - and they may well have already started that turn - the economy will come under the double pressure of higher energy costs and higher financing costs. This will impact the consumer directly, and consequently, the economy as a whole. Municipal budgets will see more red ink, and the battle for tax dollars will be on. At this point, be very cautious about the quality of any munis you invest in. They are not sacred. Incidentally, if you buy munis, be aware that some of them are taxable. If the yield looks generous, double check to insure that they are, indeed, tax free.

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