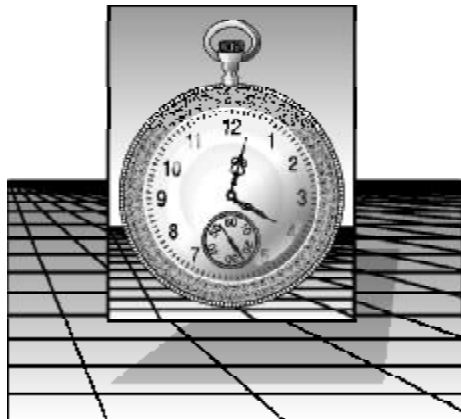


The next issue will be published July 27.

- **What to buy in the energy patch.** Page 3
- **A new and interesting little mining company for our list is Taseko Mines.** Page 5



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DENIAL

A psychologist named Solomon Asch conducted an experiment where three horizontal lines were drawn on a blackboard, one obviously longer than the others. Groups of people were taken into the room and individually asked which line was longest.

The first subjects asked in each group were secretly in on the experiment, and they stated firmly that the middle length line was the longest. Then the final person, the real subject of the test, was asked to identify the longest line. The result was that 70% of the test subjects agreed with their group - that the middle length line was longest.

This is denial.

This is “media group think.” This is how Congress operates. This is how the market works ... and yes, the crowd is usually wrong.

Stocks rallied at month’s end, as they usually do. We also passed the end of the quarter when institutions tend to do a lot of buying to dress up their portfolio results. Furthermore, the period around the 4th of July is a seasonally strong period.

With the market registering oversold readings earlier in June, calling for a month-end rally was a no-brainer. The question is, what should we expect from here on out?

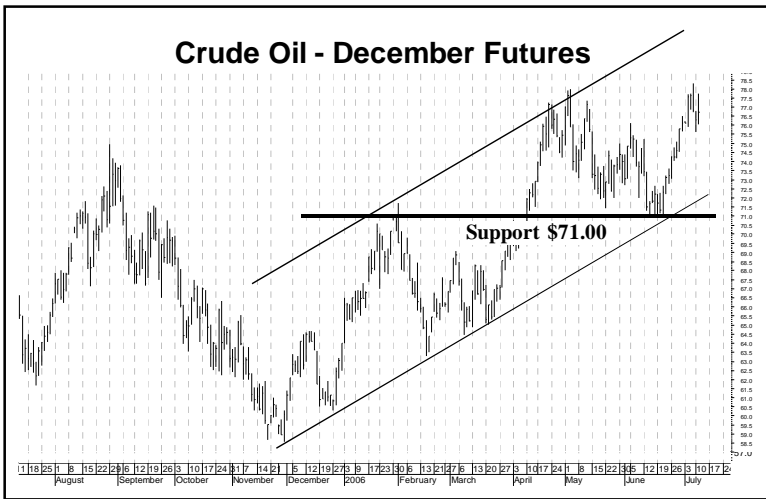
There are several problems facing the market. One is that the economy is softening, and the Fed may or may not be done with their interest rate hikes. There are geopolitical threats from North Korea and Iran. They are developing not only WMD’s, but the means to deliver them effectively over long distances. The Middle East is still in turmoil. Hamas is gearing up, and Al Queda never sleeps.

The American consumer is about to moderate his spending habits, and a slowdown in consumer spending always correlates directly with the performance of the S&P 500. There is a recession coming, but no one wants to talk about that. How bad will it get? That is up to the Fed.

Mr. Bernanke is in a delicate position, and he is new at this job. I expect mistakes. What will the Fed choose to ignore? Will it be inflation, or a softening economy and terminally ill housing market in the face of mid-term elections? To raise rates or lower rates, that is the question. He is on the razor’s edge.

Bernanke can fight inflation, but it won’t go away - at least not where it matters. Energy and raw materials are moving higher because of scarce supplies due to 20 years of industry neglect in developing new resources and a growing global demand. Energy production is peaking, even

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 © 2006 by Professional Timing Service.



recession may be a real shot in the arm for China and India.

China's and India's consumer classes will each easily double over

perhaps \$10 a gallon. How will you adjust to \$100 fill ups?

This problem is coming because the crowd (like those agreeing with the group in the Asch experiment that the middle line is the longest) wishes to believe that crude oil is going to roll back to \$35 or \$40. You will hear \$40 forecasts from the media; but the bottom line is, there are too many energy pundits with unfounded opinions and too few energy students investigating the facts.

in Saudi Arabia. You won't hear that from them, but the crowd usually would rather not deal with the truth anyway.

Accelerating production in old wells and telling the world that Saudi reserves are still at levels touted 15 or more years ago is simply a lie. Nevertheless, the news says the middle line is longest, and the masses happily buy into it.

China chimed in with a 10% economic growth rate last quarter. The media has been telling us that the Chinese are going to cool things off. Deny reality if you wish, but the truth is, the Chinese economy is not going to cool off to any significant extent any time soon. The best you can hope for is that they calm down a little - from white hot to red hot.

As the recession unfolds in the U.S., China and India will actually benefit. Corporate America will be pressed to find further cost savings in services and manufacturing. Those who have not gone offshore as yet will (70% of our manufacturing is still done domestically), and those who have already outsourced will push more of their operations overseas. A U.S.

the next 10 years, and that puts four times as many resource users in play than the entire U.S. population. Don't overlook the magnitude of this growth. If the Haitian economy were to grow 10% over the next three years, it would be nice for the Haitians, but it wouldn't affect the global supply/demand balance of raw materials at all.

However, 8% to 10% growth in two countries totalling some 2.3 billion souls - all anxious and with the means to improve their standard of living - makes a huge impact. Deny that India even exists. China alone will consume more raw materials over the next 10 years than can be produced. The commodity bull market lives, and it has a long ways to go, regardless of a U.S recession.

"Stuff" is going to cost you more to buy and cost you more to own. The American consumer will adjust, but he will keep his SUV, air conditioning, and the lights on until the bitter end. So, what will go? Perhaps that second or third home. Maybe dinners out or maybe high end apparel. You should be thinking about what you are going to do when gasoline gets to \$5, and then \$7, and

By this time next year, you may well reflect on the good old days of \$70 oil. This nostalgia will ring true for the rest of the commodity complex, as well as for grains (which have been quiet so far in this bull market).

My next objective for crude oil is \$81 basis December futures.

Well, it is already at \$77, so \$81 is harder to disagree with now than it was a few weeks ago. Crude did manage to briefly make a new high, but I expect to see it rest here before pushing into new, high ground.

It doesn't matter exactly when we see \$81. This summer is a good bet, and \$81 is not the end of the run. It's only an objective along the way. There is no question that you will see \$100, likely by the end of 2007 ... but, surprises in the energy market are not rare, and they tend to occur on the up side.

The sleepers in the energy market are natural gas and coal. Crude has the headlines. Yes, there is currently an oversupply of natural gas in storage.

Coal, too, is somewhat out of favor. Hey, if crude is going to \$35 a barrel, then gas and coal are accurately priced. The reality is that crude is going higher, and gas and coal will have to play catch-up.

Be patient with your coal and natural gas investments. These are not short term trades, but seeds for harvest in the future.

This is not the time to sell energy stocks - especially those like the coal and gas companies that are lagging the pack. The time to re-evaluate them will be in the next rally. I expect by year end, the energy market will be on fire. That will be the time to look at weeding out any weak sisters.

In the energy patch, I like **Canetic Energy** (CNE-NYSE-\$19.85), **Fording Coal** (FDG-NYSE-\$30.61), and **Headwaters** (HW-NYSE-\$24.80). Respect the downside buy prices on Page 6. The maximum you should pay for Canetic is \$20.00, for Fording - \$32.00, and for Headwaters - \$25.00.

If you would like a broader shot at energy, **Blackrock Global Energy and Resources** (BGR-NYSE-\$26.70) should be purchased under \$26.15. Blackrock is a closed-end fund investing principally in energy-related companies.

Here is a new one to add to the list - **Energy Split II** (EN-TSX-C\$17.05). This is a Canadian closed-end fund holding a leveraged position in 24 Canadian energy trusts. The leverage augments the dividend, and the fund offers you a diversified lump sum Canadian energy investment.

We used to have Energy Split I on our recommended list, but we took profits a couple of years ago. That is because these Canadian "split" companies have redemption or expiration dates where they are liquidated and the proceeds distributed to the shareholders.

Energy Split II is a bit thin, so be careful of what you pay for it, and don't get carried away. My advice is to limit your price to C\$17.00. Energy Split II expires on December 16, 2007, so we will want to let this one go before that. You can get details on their holdings and dividends as well as other aspects of the Energy Split arrangement at www.scotiamanagedcompanies.com.

Go to www.canetictrust.com and you will see "CAPP Oil and Gas Investment Symposium" on the home page. If you select the webcast and navigate to June 14, you will find presentations by most of our favorite trusts. You will have to register, but that is a good reason to have a hotmail account. Any possible abuse of the e-mail address will be sent to your hotmail junk folder.

I believe the Fed will cave in to save the powers that be. The coming elections already have incumbents running scared. The 2008 race promises to be a rock fight. The last thing the "ins" can afford is a bad economy.

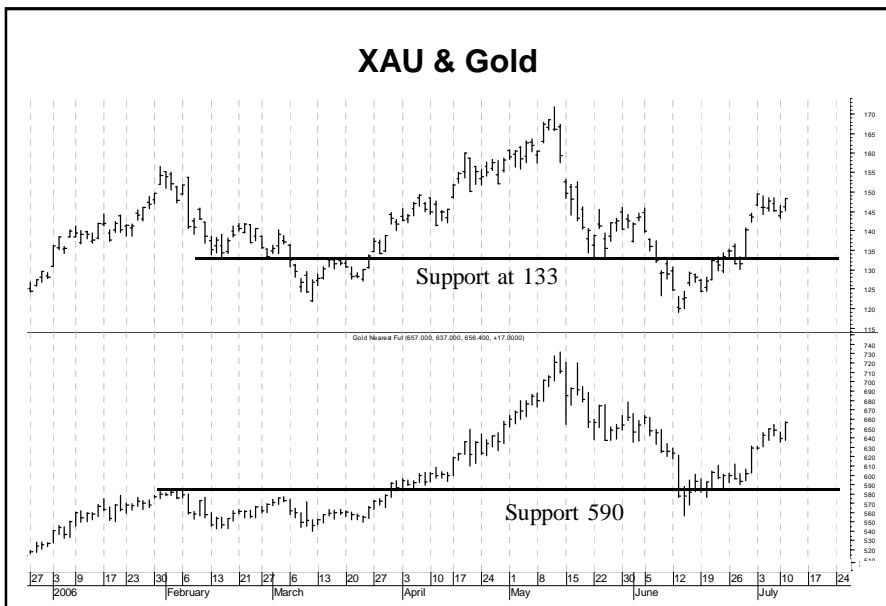
They may not be able to avoid a recession, but the Fed will not sit back and do nothing. How can they help? They will abandon the inflation fight, halt rate increases, and sacrifice the dollar.

We quietly started a new Rydex program where we will exchange between the **Rydex Weakening Dollar Fund** (RYWBX) and the **Rydex Strengthening Dollar Fund** (RYSBX). The trading instructions are on the hotlines. Currently, we are in the Weakening Dollar Fund at \$25.04. This is a trading program rather than a long term approach, and you need to keep current with the advice on the hotlines if you are going to follow this.

The dollar will have its ups and downs along the way, but my long term expectation is to see the Dollar Index (currently at 85.12 basis December futures) hit 60.00. This may well end up being a conservative estimate. Longer term investors who want to capitalize on a weaker dollar can do that by keeping their investments centered on those companies that will be advantaged by higher commodity prices.

As the dollar falls, commodity prices will rise in terms of U.S. dollars. A recession in the U.S. will not alter this fact. The dollar is going lower, and all other paper assets such as non-commodity related stocks and bonds are going down with it.

Don't turn your back on the fact that as the U.S. dollar falls, the Canadian dollar rises. A couple of years ago when we first recommended Enerplus, it was selling for C\$28.00 Canadian - or then about \$17.00 U.S. due to the fact that the Canadian dollar was at .60. Now the Canadian dollar is .88, which means that if Enerplus were still selling for \$28.00 Canadian, it would be worth \$24.65 U.S.



In U.S. dollars, you would have made money, even if the stock had not moved. Canadian energy trusts like Canetic have a double bonus in appreciating with higher energy prices by appreciating as the U.S. dollar falls.

Commodities will not fall in terms of real money - that being gold and silver - or you can simply look at the metals as other commodities if you wish. Precious metals are going higher regardless, along with the rest of the commodity complex.

Simplicity called the May-June downturn very well, I think; and those of you following the hotlines in April and May will remember my caution against chasing strength at the time. We even took that opportunity to take profits on a couple of weak sisters - Newmont and Anglo Gold.

During early May, there were no believers in a correction; but sure enough, the correction showed up, which Simplicity helped identify. Simplicity next gave us the green

light on June 14, announcing that the correction was over and that the skies were clear.

Near term, there are some minor difficulties. This is both a caution and an opportunity. I believe we are going to see some profit-taking from the recent rally. Gold has moved from \$560 to \$650, and the XAU has moved from 119.00 to 149.00. Both of these are hitting overhead resistance and are in need of a rest.

What I see coming is a short term thing only - a brief correction of the first up leg. How to handle it? Be patient. Don't panic!

Downside, I see gold selling off to around \$590 basis December futures and the XAU selling back to 133.00 or so. Don't sell your long term investment positions for this correction. You will not buy back in, and you will be left chasing the next rally. Forget trying to turn your long term investments into short term trades.

Use weakness to buy if you feel under-invested. Make this decision now. Decide how much more you would like to invest and then set your sights on some downside buy prices. Do this now and get your GTC orders in place. Some downside buy prices have been adjusted on the list on Page 6, so check for updates.

My personal favorites are **Silver Wheaton** (SLW-NYSE-\$9.56), **U.S. Gold Corporation** (USGL-OTCBB-\$8.45), and, of course, **Goldcorp** (GG-NYSE-\$30.73). Here is the plan. If you don't own some already, buy Silver Wheaton under \$9.00. If you want to add to your current position and want to shoot for a deeper price, put your buy orders in at \$8.00. Buy U.S. Gold Corporation under \$8.05 and Goldcorp under \$28.50.



A new and interesting little mining company for our list is **Taseko Mines** (TGB-AMEX-\$2.74). See the chart on Page 4. They are a Canadian mining company that trades on the TSX and the AMEX.

Taseko's operations are principally in British Columbia where they are extracting copper, molybdenum, and gold. Their principal property, the Gibraltar mine, has reserves of 70 million pounds of copper and 1.1 million pounds of Molybdenum, and they are operating at a profit. You can get more details at www.tasekominer.com. If we are right about a pending spate of profit-taking in the metals, we should be able to snag a few shares of this one for \$2.40 or less.

Remember, rule number one is that 85% of investment success is being in the right asset class. The "right" asset class currently is real assets or commodities. Rule number two is that 15% of your long term success will be due to which stocks you buy, as long as you are within the correct asset class.

I like all of the stocks on our buy-and-hold list - and I do not add new ones very often. As Hoyt Axton would say, "I don't like to gamble when the devil wants to deal." These are stocks that I am comfortable with. You may have your own favorites; and as long as they adhere to rule number one, you should be fine.

The stock market is going to fall, and the commodity market is going to move higher. How much lower will the stock market go and how

much higher will the commodity market go? The Dow - representing the stock market - will fall and gold - representing the commodity market - will rise until the Dow/gold ratio is less than 5.

Right now with the Dow at 11,000 and gold at 650, the ratio is 17. Some feel the ratio will go to 1 before the commodity bull is over. Either way, I think this will take another 5 years - at least.

The most damage to the Dow (and other popular averages) will occur during the months of May through October, the worst six months of the year. On April 12, we took advantage of this phenomenon by taking a 50% position in the **Rydex Inverse S&P Fund** (RYNVX), which is short the S&P 500, and a 50% position in the **Rydex Inverse OTC Fund** (RYAIX). We will hold this until the worst six months is over, at which point we will exchange back to the corresponding long funds. This program is off to a modest start and is up about 5% so far.

AOL is making great strides in solving the problem of spam. The apparent goal is to simply block everyone's mail and not deliver it. No e-mail means no spam. I am not being all that facetious.

If you have elected to receive the Tuesday and Thursday hotlines in your e-mail and have an AOL e-mail account, you may not be getting the messages delivered. If this is the case, you need to be sure that info@protiming.com is included as a "good address" in

your spam settings. It may help if info@protiming.com is in your address book as well. Check to be sure that the hotlines are not ending up in your junk mail folder.

If this doesn't solve the problem, go to www.postmaster.aol.com. Click on the tab that says "Are you an AOL member missing mail?" This is AOL's list of things to try so you might get your mail. I usually send the hotlines out by 5:00 p.m. MDT, but no later than 6:30 p.m. MDT. If I am going to be later than that, I announce it ahead of time.

I have found that sometimes it will take 15 hours for the hotline to be delivered to an AOL account! If you try the above "fixes" and/or end up frustrated, you should give AOL a call.

I just want you to know that if you are set up to receive the hotlines and are not getting them, the problem is likely not on my end - especially if you have been receiving them in the past. If for some reason you don't get your Tuesday and Thursday updates, you can, of course, log in and get them at the Web site.

A simple solution is to get a hotmail e-mail account. This is free, and I find my hotmail e-mail account handy for many purposes. So far, I have not had a problem with hotmail. Go to www.hotmail.com and sign up. The free 250 MB account is all you need. Then let me know what your hotmail address is so I can change the e-mail address for your account.

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 .885. 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 7/11/06 | Downside Buy Price | Div. | Target | Web Site |
|-------------------------|-----------|----------|-------------------------|--------------|---------------|--------------------|---------------|--------|--|
| U.S. Dollars | | | | | | | | | |
| Alliance Res | ARLP | OTC | 9/29/2004 | 27.98 | 37.07 | 36.00 | 4.89% | | arlp.com |
| ASA | ASA | NYSE | 11/19/2002 | 31.00 | 64.89 | 60.05 | 0.62% | | asaltd.com |
| Barrick Gold | ABX | NYSE | 1/5/2003 | 22.85 | 30.55 | 28.00 | 0.73% | | barrick.com |
| Baytex Energy | BTE | NYSE | 5/18/2004 | 9.00 | 20.90 | 20.00 | 9.37% | | www.baytex.ab.ca |
| Blackrock | BGR | NYSE | 8/3/2005 | 25.99 | 26.70 | 26.15 | 5.64% | | blackrock.com |
| Canetic Energy | CNE | NYSE | 4/19/2006 | 22.25 | 19.85 | 20.00 | 12.41% | | canetictrust.com |
| Enerplus | ERF | NYSE | 4/20/2001 | 18.00 | 55.32 | 50.05 | 8.16% | | enerplus.com |
| Fording Coal | FDG | NYSE | 11/16/2004 | 22.74 | 30.61 | 32.00 | 8.00%* | | fording.ca |
| Frontier Oil | FTO | NYSE | 8/3/2005 | 14.38 | 35.01 | 28.05 | 0.35% | | frontieroil.com |
| Gabelli Glb Gld, etal | GGN | AMEX | 1/3/2005 | 22.10 | 22.30 | 22.50 | 7.53% | | gabelli.com |
| Goldcorp | GG | NYSE | 8/15/2003 | 13.00 | 30.73 | 28.50 | 0.59% | | goldcorp.com |
| Headwaters | HW | NYSE | 3/10/2006 | 36.30 | 24.80 | 25.00 | n/a | | headwaters.com |
| Pimco Commod Fund | PCRAX | | 3/2/2005 | 13.97 | 14.73 | HOLD | 1.50% | | pimcofunds.com |
| Primewest | PWI | NYSE | 2/7/2003 | 17.00 | 29.57 | 28.50 | 10.91% | | primewestenergy.com |
| Provident Energy | PVX | AMEX | 6/16/2003 | 7.50 | 12.62 | 11.50 | 10.36% | | providentenergy.com |
| Silver Wheaton | SLW | AMEX | 3/10/2006 | 8.40 | 9.56 | 9.00 | n/a | | silverwheaton.com |
| Suncor | SU | NYSE | 2/7/2003 | 16.80 | 79.99 | 75.00 | 0.36% | | suncor.com |
| Valero | VLO | NYSE | 4/26/2005 | 36.63 | 66.12 | 59.00 | 0.49% | | valero.com |
| Canadian Dollars | | | | | | | | | |
| Energy Split II | CA:EN | TSX | Buy at | 17.00 | 17.05 | 17.00 | 13.30% | | scotiamanagedcompanies.com |
| Paramount En. Tr. | CA:PMT.UN | TSX | 12/20/2004 | 16.44 | 18.25 | 18.00 | 15.78% | | paramountenergy.com |
| Peyto Energy | CA:PEY.UN | TSX | 7/18/2003 | 8.75 | 22.40 | Hold | 7.47% | | peyto.com |
| Shiningbank | CA:SHN.UN | TSX | 1/2/2003 | 15.15 | 21.50 | 21.25 | 12.78% | | 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 7/11/06 | Downside Buy Price | Div | Target | Web Site |
|-------------------------|--------|----------|-------------------------|-------------|---------------|--------------------|-----|--------|--|
| U.S. Dollars | | | | | | | | | |
| Bema Gold | BGO | AMEX | 6/6/2002 | 1.06 | 5.27 | 4.50 | n/a | | bema.com |
| Coeur d'Alene | CDE | NYSE | 9/2/2003 | 3.19 | 4.88 | 4.00 | n/a | | coeur.com |
| Mines Mgmt. | MGN | AMEX | 5/13/2005 | 4.50 | 6.55 | 6.50 | n/a | | minesmanagement.com |
| Novagold | NG | AMEX | 12/8/2004 | 6.50 | 12.62 | 11.25 | n/a | | novagold.net |
| Taseko Mines | TGB | AMEX | Buy at | 2.74 | 2.40 | n/a | | | tasekominer.com |
| US Gold Corp. | USGL | OTCBB | 9/9/2005 | 1.70 | 8.45 | 8.05 | n/a | | usgoldmining.com |
| Yamana | AUY | AMEX | 4/14/2005 | 2.90 | 10.09 | 9.05 | n/a | | yamana.com |
| Canadian Dollars | | | | | | | | | |
| UTS Energy | CA:UTS | TSX | 5/15/2006 | 6.50 | 5.08 | 5.00 | n/a | | uts.ca |
| Laramide Res. | CA:LAM | TSX | 3/16/2006 | 5.20 | 6.19 | 5.10 | 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 .885 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: info@protiming.com