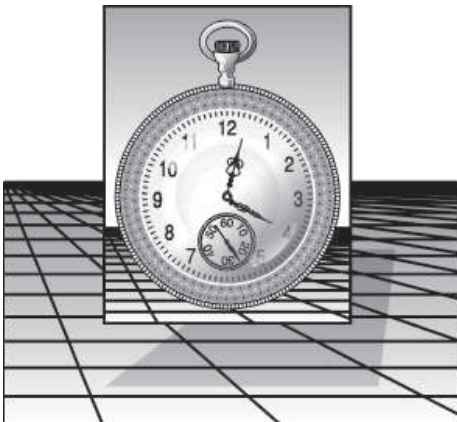




The next issue will be published August 1.

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THE BEST BUYING OPPORTUNITY IN GOLD SINCE 2008

Welcome to the 4th of July and summer at last. It has been a long winter in Montana. Although the market is set to stage an oversold rally here during traditional seasonal strength, progress over the next nine months will be nil for the popular averages. You should look for a confined trading range, which will work to frustrate the bulls and bears alike.

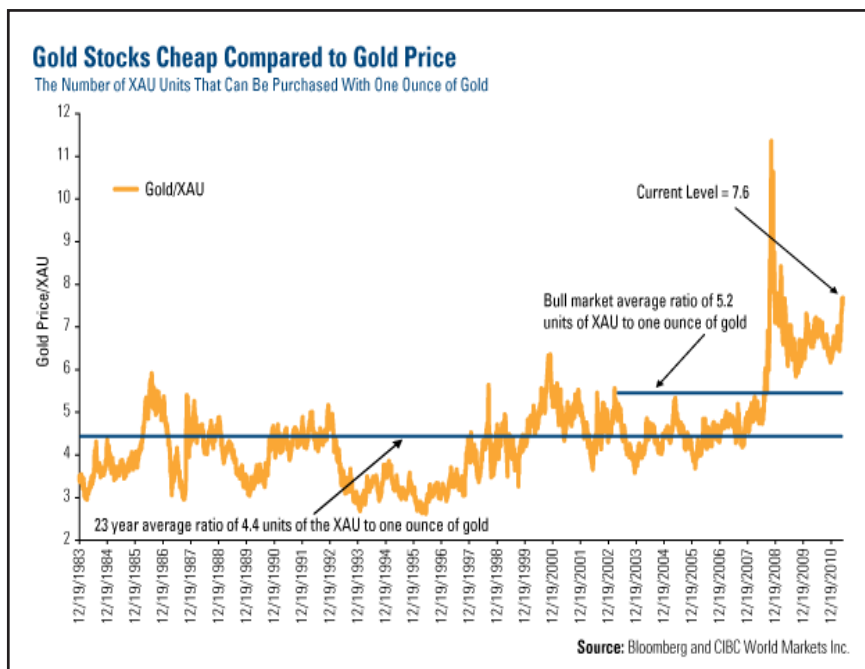
I like to think that the media has two Rolodexes - one bullish and one bearish. When the market is weak, they dial up the bears for excuses; and when the market rallies, they turn to the bullish list of pundits. Good news will follow the rally, but the real reason is much simpler than bullish opinion. The reason for a rally here is that the market became very oversold during June and needs to adjust.

Currently the Nasdaq is working from support at 2,600, and MACD patterns have turned bullish. The technical picture for the S&P 500 is similar. Our principal timing model Palio is still on its sell signal of June 6; but as those of you who monitor this model know, Palio is a “following” technique. It will not sell the exact high or buy the exact low. It is not perfect, but it is profitable. Caution is advised until it actually turns positive, at which point I will send you an online update to that effect.

When should one sell short? My expectations for the popular averages are to see them on a roller coaster path, rallying and declining with a downward bias over the next nine months. This will be a period of professional distribution, and it is going to be a difficult time for investors holding on to paper/financial assets. Nevertheless, the optimum short selling time will come next year. My work is beginning to see 2012 as very bearish.

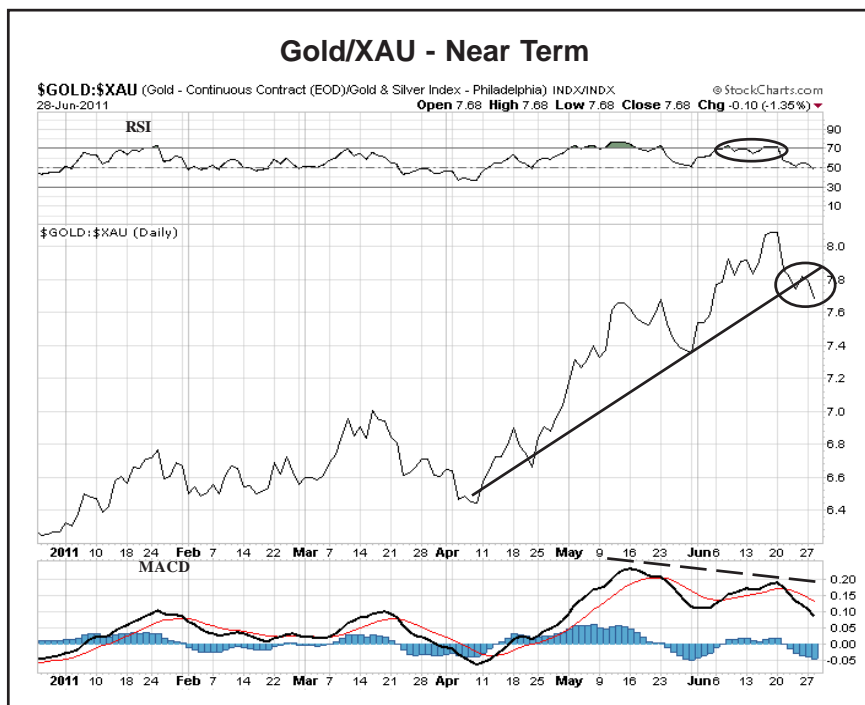
The dollar is key to these circumstances ... but remember, the U.S. Dollar Index is overweighed by the euro. If the euro falls, it looks like the dollar strengthens. The truth of the matter is that all currencies fall - just at different rates. It’s a see-saw. When one falls faster than another, the “other” looks strong. The best way to cut through the confusion is to measure a currency against gold rather than another fiat currency.

Gold has increased 500% over the last 12 or so years, and true inflation has been right along side. Crude oil has increased from \$15/barrel to over \$90/barrel. A waltz through the grocery store is evidence as well. Taxes are higher, insurance is higher, and, of course, we needn’t mention medical costs. I saw a sign at a gas station offering to sell gas for 20 cents a gallon as long as you paid in pre-1965 silver coins.



“Nuff” said. As world currencies decline, gold and silver will rise in price versus those currencies. Purchasing power will cycle (as everything does in the short term); but a year from now, gold will cost more in dollars and in euros than today.

There has been a good deal of clap trap from the media lately about George Soros selling his gold, which referred basically to his position in the SPDR Gold Trust ETF (GLD). However, as I mentioned in a previous letter, he has also made a significant investment along with John Paulson in Nova Gold. Soros is in for \$75 million and Paulson invested \$100 million. It looks like Mr. Soros may be having cold feet - not about gold, but about ETFs.



In April, gold investors were over enthusiastic while we were advising that they hold off on new purchases pending a correction. The correction in gold bullion has come in the form of a trading range consolidation. The correction in the mining shares has not been so benign. The gold/XAU ratio, which I like to call “Simplicity,” represents the relative weakness in mining shares over the last couple of months.

You should note that the RSI has become overbought, indicating the ratio should begin to fall as mining shares gain on gold again. MACD, replete with negative divergence and a second signal, also is topping out with the same implications.

Simplicity is reflecting the current bargain status of gold and silver stocks, and it offers a rare buying opportunity. Precious metal issues have not been this inexpensive since the 2008 crash. Most of the gold and silver issues on our recommended list have or are trading below their downside buy prices and should be accumulated.

Silver Wheaton (SLW-NYSE-\$33.00) is an exception. It fell as far as \$29.79, but it has not yet reached our buy price of \$29.00. Stay the course and leave your orders in at \$29.00. The odds are good we will pick this up if we are patient.

My favorites are **Goldcorp** (GG-NYSE-\$48.27), **Royal Gold** (RGLD-OTC-\$58.57), and **Central Gold Trust** (GTU-NYSE-\$56.63). Goldcorp is currently under its posted downside buy price of \$50.00; and if you would like a deeper target, you might try to pick some up at \$46.00 or better. Just don't pay over \$50.00.

Royal Gold is trading over its buy price of \$54.00, which was announced in the June 24 online update. Central Gold Trust is also currently over its buy price of \$55.00. The best strategy is to stick with these price parameters for now. A brief, quick break in gold before the next sustained up move gets under way is not out of the question.

Minera Andes (MAI-TSX-\$2.49) and **U.S. Gold Corp.** (UXG-NYSE-\$6.03) are merging. The resulting company will likely be called McEwen Mining. The exchange of .4 UXG for one Minera Andes is equitable, and you should simply take the exchange if you hold Minera Andes. Rob McEwen of Goldcorp (GG) fame has been involved in both of these companies, and I think the merger will benefit shareholders in both companies. There are large investors involved such as TNR Gold that will be weighing in on the proposal, so it is not a done deal just yet. Regardless, I like the deal. Don't go overboard on this as buying Minera Andes does not necessarily give you an advantage at this point.

Incidentally, George Soros and John Paulson paid \$5.50 a share for **Nova Gold** (NG-NYSE-\$9.20) in March. The stock has recovered significantly and is selling for \$9.02. Our recommendation is to pay no more than \$10.00. Nova has great potential, but it is a development company and it will tend to move with the price of gold. It should be considered speculative regardless of the esteemed company you will have as a stockholder.

Another issue on our list of juniors is **Great Basin Gold** (GBG-NYSE-\$2.09). It has come off rather hard in the correction, falling from \$3.32 last November to \$1.67 recently. However, during the last week, the stock is up a strong 10%. I am not aware of any life-threatening bad news or any good news to account for the jump in the recent share price. The pendulum swings. Bottom line, this is a decent junior miner, and you should hold. If you are buying, limit purchases to \$2.40 or less.

I would like to see gold come off to major support at \$1,460. As volatile as gold can be, \$1,460 is still a possibility. However, time is running out for the correction in gold and silver. July is normally a good month for metals and a launching pad for further strength into October. Cyclical lows are coming due, and I am looking for new highs in gold this summer with \$1,800 by year end. Silver may not perform as well as it did in the last rally, but your silver stocks will do well nonetheless. Silver's longer term upside objective is something in the range of \$100/oz., as discussed in the last letter.

Crude oil has been behaving much as expected, and \$90.00 basis the August contract is offering some decent support. Our strategy was to use expected weakness to accumulate energy stocks, especially for those of you interested in income. Crude may base at the \$90.00 level for a week or two, but I don't look for any significant weakness from here.

Many of the issues on our list met their downside buy prices, but two of our newest recommendations have not. **AltaGas** (ALA-TSX-C\$25.75) has not reached our buy price of C\$23.50. Let's change our approach a little and employ a scale-in strategy. Decide what you want to invest in this position and then buy 1/3 of your position at C\$25.00. Then put in an order to buy another 1/3 at C\$24.50 and a final order to purchase at C\$23.50.

I realize with some brokers, it is not easy to pull this off using the Canadian Exchange and dealing in Canadian dollars. You may have to watch the quotes yourself and then call and place your order when the price is in line. As an alternative, you can use the pink sheets and do this in U.S. dollars. Use the symbol ATGFF, which will give you a quote in U.S. dollars. I am not wild about using this system as there can be a disparity between the cost in Canadian dollars and that shown on the pink sheet quote in U.S. dollars. If you want to use this approach, put your orders in for 1/3 of the position at \$25.50, 1/3 in at \$25.00, and 1/3 in at \$24.00. These orders will be in U.S. dollar terms and definitely must be entered as limit orders. Do not buy on the pink sheets with market orders.

Natural gas will tend to follow crude oil to some extent, but it does march to its own drummer. Natural gas approached \$5.00 early in June, but it has rolled back with crude to \$4.30 of late. I feel that \$4.00 is a solid base, and there is

developing support at \$4.20. All in all, this market is firming up, and gas should do very well during the next energy rally. AltaGas offers a great play on rising gas prices in the future as well as a decent 5.1% dividend in the meantime.

Another recent recommendation that has not quite met our buy price is **Advantage Oil and Gas** (AAV-NYSE-\$7.93). This Canadian trust recently turned corporation is a good speculation, but there is no longer any dividend. Due to its more risky characteristics, we need to hold off for a downside buy price of \$7.25 or better. If we can't buy it right, we will find something else.

In the speculative camp, we bought **Northern Oil and Gas** (NOG-NYSE-\$22.15) a little early at \$22.00 in May. It managed to fall as far as \$17.00, but it has recovered back to \$22.00. This is a great speculative/growth play. Accumulate during weakness, but do not pay over \$22.00.

The problem with trying to time energy investments is that the potential for a surprise event that suddenly upsets the market and propels crude \$50.00 to \$100.00 higher in a heartbeat is significant. Keep in mind that you are investing for the future, not the past. I see the U.S. is building a new base specifically to deal with growing concerns in Yemen. With the potential for militants to cut off 8 million plus barrels a day to the West, special attention to the region is warranted. That, of course, does not guarantee against a disruption of supplies in the area. Don't wake up and see that crude has jumped due to some "black swan" event before buying crude oil positions. Don't wait for the revenge of Bin Laden. You must do your buying when prices are weak.

Bear in mind that everyone wants to buy a stock and then wake up the next morning, read the paper, and see that they have instantly made a bunch of money. That is why it is so fun to buy high . . . but it doesn't work that way. You need to buy when it is scary and the media is telling you prices are headed lower forever. You won't buy the exact lows and may lose a little short term. Buying weakness is not comfortable, but it is usually very profitable longer term.

I came across an interesting article referring to "the ability of the government to manage markets." Where does this come from? Governments have no business managing markets. I believe there have to be rules, many of which have been abandoned in the financial industry; but the government still has an obligation to keep the game fair. Central planning won't work because, as Bill Bonner says, people have plans of their own. There is a difference between regulation to keep the game fair and managing the game. All the government does in attempting to "manage the markets" is game the numbers so one looks like they are succeeding while sub-rosa, everything is going completely haywire.

Reality is reality. If the economy doesn't feel like it is recovering, it's because it isn't. The next election will be decided on the basis of unemployment. I am talking about actual unemployment, not the numbers that the government statisticians crank out. You can manipulate the stats with birth/death ratios and the like; but when the John Q. Public walks into the polling booth, he knows whether he or she has a job and will vote accordingly. My guess is that voters will not be pleased with the current administration and vote accordingly.

I have mentioned that GDP has become a measure of debt, not prosperity. This is because the economy has shifted from being market oriented to being credit oriented. If debt increases via quantitative easing, for example, that massive amount of borrowed money shows up as purchases and an increase in Gross Domestic Product. But with debt used for consumption and not investment, the positive effect fades while the debt stays on and, in fact, due to interest, it increases.

While I am sharing thoughts, I read another interesting comment - "rich enough to be out of debt." This sounds a little Zen, but it is worth some meditation. Being debt free should be everyone's goal. You should borrow reluctantly and only for productive ends, which does not include borrowing against your Visa to buy a speculative stock or to make a margin call. I have actually seen people do this.

You may need to borrow money to grow your business or to educate yourself in order to get a better paying job. These examples offer a real return. However, as a society, we are often seduced to borrow in order to achieve a perceived social “good.” The “good” part is subjective in most cases because what is good for you is not necessarily good for me. The proper role of debt is to fund productive capital improvements (investment) and economic growth - as fuzzy as that term can be sometimes. Corporations should buy back debt rather than stock. Why don't they do that? Because buying back stock with company earnings leaves the remaining stockholders (usually insiders with very large positions) with a larger stake in the company at no cost to them.

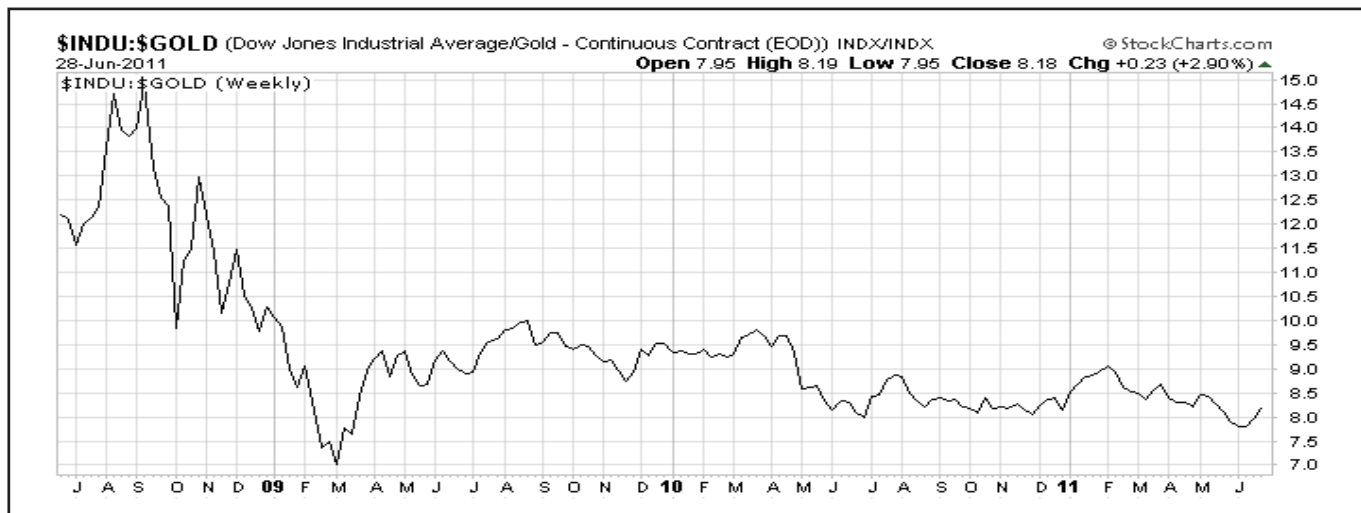
When banks make loans, they also create deposits; and since only a fraction of the loans have to be backed up by deposits, the process can continue as long as the lenders can convince people they should borrow more money. Indeed, leverage looks good on paper until it crashes; and, of course, interest is tax deductible. Remember, interest is tax deductible as an expense. You only recover part of it as a tax saving. If interest were a tax credit, then this argument might have some merit. The bank is in a great position because if the loans go bad, the government will get the taxpayers to bail them out. Banks - now actually operating as a government favored financial oligarchy - enjoy what John Mauldin calls “the financial free lunch.”

We are at the point that the financial industry has all but taken over politics as well. Reflect on the backgrounds of those in positions of power. The next election will be a duel between the unemployed and the financial sector. As long as the public owes his soul to the company store, the debt game will continue. When will the debt slaves rebel?

No amount of hypothesizing will change anything. No amount of “they should do this or that to solve the problem” will help. As investors, we have little power to change the world of finance. It will change on its own eventually, but only in response to crisis. In the meantime, you need to stay out of debt and avoid debt servitude. That may require that you sacrifice a little of today's pleasures for tomorrow's security. A place to begin, assuming your mortgage allows it, is to toss a little money each month against the principal on your mortgage. The return is risk free and the payback is huge.

The second thing you can do is keep your investments aligned with tangible assets. Gold and energy should be your core choices. If the 4th of July rally extends into a summer affair, take a hard look at your portfolio and sell stocks not associated with higher commodity prices; i.e., financial/paper assets.

The Dow/gold ratio is the key, and it is indicating that there is more to come from precious metals. Buy into weakness and hold until the ratio falls under 5.00. At that point, it will still be too early to sell, but not too early to begin laying out our strategy to deal with the next mega shift in asset class performance.



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:PEY. You can approximate the price in U.S. dollars by multiplying the Canadian dollar quote by 1.02. 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 letter are in bold letters.

Company	Symbol	Exchange	Initial Recom. Date and	Price	Price 06/30/11	Downside Buy Price	Div 06/30/11	Target-T Stop-S	Web Site
U.S. \$									
Apache Corp	APA	NYSE	3/5/2007	68.00	123.39	110.00	0.49%		apachecorp.com
Baytex Energy	BTE	NYSE	5/18/2004	9.00	54.44	HOLD	4.57%		www.baytex.ab.ca
Blackrock Energy	BGR	NYSE	8/3/2005	25.99	29.08	28.00	5.66%		blackrock.com
Enerplus Res.	ERF	NYSE	11/20/2008	19.00	31.60	30.00	7.02%		enerplus.com
Gabelli Glb. Gld.*	GGN	NYSE	1/3/2006	22.10	17.77	18.00	9.60%		gabelli.com
Central Gold Trust	GTU	NYSE	7/27/2010	45.50	56.63	55.00	n/a		gold-trust.com
Goldcorp	GG	NYSE	7/24/2008	40.00	48.27	50.00	0.84%		goldcorp.com
Legacy Reserves LP	LGCY	OTC	8/6/2010	24.00	29.69	29.50	7.09%		legacylp.com
Linn Energy LLC	LINE	OTC	11/18/2009	24.72	39.07	37.50	6.75%		linnenergy.com
Natl. Fuel Gas Co.	NFG	NYSE	3/10/2011	70.00	72.80	70.00	1.96%		natfuel.com
NG Service Grp.	NGS	NYSE	1/6/2011	17.50	16.16	18.50	n/a		ngsgi.com
Pimco Com. Fund	PCRAX		3/2/2005	11.89	8.67	8.50	8.91%		pimcofunds.com
Prospect Capital	PSEC	OTC	1/5/2009	12.00	10.11	HOLD	12.13%	T=13.00	prospectstreet.com
Prospect Capital	PSEC	OTC	2/1/2010	11.00	10.11	HOLD	12.13%	T=13.00	prospectstreet.com
Royal Gold	RGLD	OTC	7/8/2009	38.00	58.57	54.00	0.75%		royalgold.com
Silver Standard	SSRI	OTC	1/4/2007	30.00	26.69	HOLD	n/a		silverstandard.com
Silver Wheaton	SLW	NYSE	Buy @ \$29.00		33.00	29.00	n/a		silverwheaton.com
Sprott Phys Gld Tr.	PHYS	NYSE	1/21/2011	11.50	13.05	12.50	n/a		sprottphysicalgoldtrust.com
Yamana	AUY	NYSE	4/14/2005	2.90	11.63	12.00	1.03%		yamana.com
Canadian Dollars									
AltaGas**	CA:ALA	TSX	Buy 1/3 25.00 **		25.75	25.00	5.10%		altagas.ca
Altius Minerals	CA:ALS	TSX	8/9/2007	17.88	11.58	HOLD	n/a		altiusminerals.com
ARC Resources	CA:ARX	TSX	9/8/2008	25.85	25.01	HOLD	4.81%		arcresources.com
Crescent Point En.	CA:CPG	TSX	9/16/2008	30.20	44.57	43.00	6.29%		crescentpointenergy.com
Brookfld Ren Pw	CA:BRC.UN	TSX	12/17/2008	15.99	23.01	22.50	5.70%		brookfieldpower.com
Peyto Exp & Dev	CA:PEY	TSX	7/18/2003	8.75	21.50	HOLD	3.30%		peyto.com

* GGN was bought at \$17.75 on March 15, 2011 to average down original position.

** AltaGas Buy 1/3 position at C\$25.00, 1/3 at C\$24.50, and 1/3 at C\$23.50

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

Company	Symbol	Exchange	Initial Recom. Date and	Price	Price 06/30/11	Downside Buy Price	Div	Target-T/ Stop-S	Web Site
U.S. \$									
Advantage Oil & Gas	AAV	NYSE	Buy @ \$7.25		7.93	7.25	n/a		advantageog.com
Coeur d'Alene	CDE	NYSE	9/2/2003	31.90	24.26	30.00	n/a		coeur.com
Endeavor Silver	EXK	NYSE	7/26/2007	4.60	8.40	9.00	n/a		edrsilver.com
Great Basin Gold	GBG	NYSE	12/21/2007	2.45	2.09	2.40	n/a		greatbasingold.com
Northern oil & Gas	NOG	NYSE	5/3/2011	22.00	22.15	22.00	n/a		northernoil.com
Nova Gold	NG	NYSE	2/29/2008	11.50	9.20	10.00	n/a		novagold.com
Rubicon Min.	RBY	AMEX	2/1/2010	4.00	3.52	HOLD	n/a		rubiconminerals.com
US Gold Corp	UXG	NYSE	9/9/2005	1.70	6.03	HOLD	n/a		usgold.com
Canadian Dollars									
Golden Valley	CA:GZZ	TSX	2/20/2007	0.50	0.40	HOLD	n/a		goldenvalleymines.com
Minera Andes	CA:MAI	TSX	9/11/2006	1.20	2.49	2.50	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 .102 to see if the OTC quote looks correct. You can access these OTCBB quotes by using www.barchart.com.
Peyto Energy-PEYUF Minera Andes - MNEAF Golden Valley - GLVMF Brookfield - BRPF AltaGas - ATGFF

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.