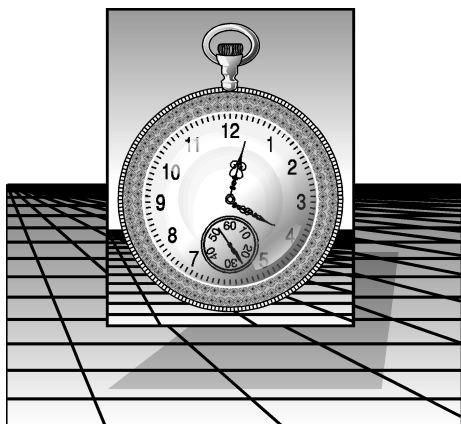


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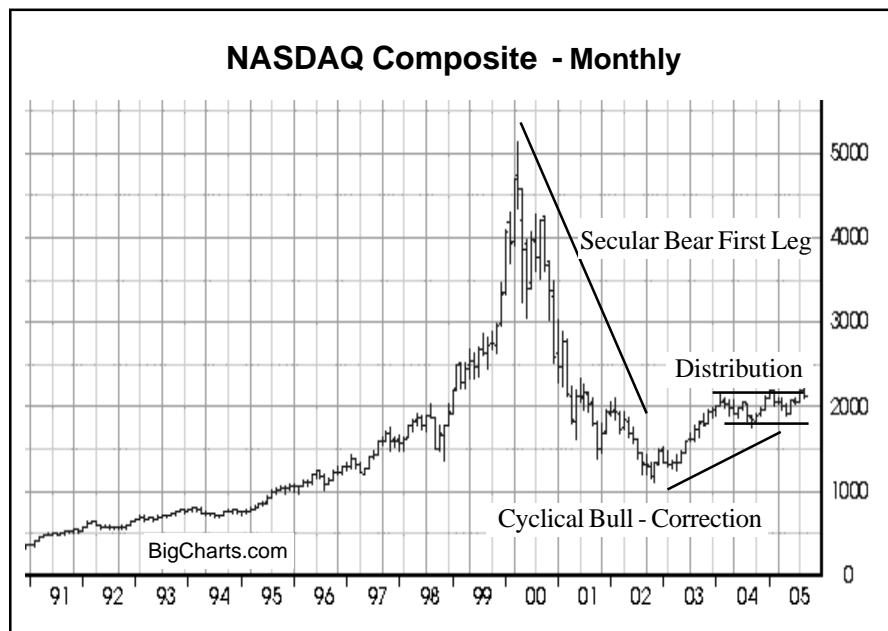
The next issue will be published September 15.

- If I were to focus on any individual issue here, it would be Blackrock Global Energy & Resources (BGR-NYSE-\$25.93). Page 3
- **NEW:** Energy Forecaster. Pages 3-4
- Guyana Goldfields Page 5



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## TWILIGHT



The secular bear market that began in March 2000 when the Nasdaq topped out at 5,000 never ended. It is still in force. It simply corrected off the lows established during 2002. We refer to such rallies as cyclical bull markets within a secular bear. The chart puts this in perspective.

It is of further interest that while the market struggled to regain its footing last month, the mutual funds spent every penny they had driving their “cash to asset ratio” down to 4%. According to Samex Capital, this happened twice before - once in December 1972 and again in March 2000. Both of these instances were followed by declines of over 50%.

Over the long term - the next several years - the market is going to fall much lower, and the first step to the next

lows will unfold during September and October. The stage is set. Here is what to expect from Act I.

On the August 25 hotline, I said that the McClellan Oscillator was oversold and was showing positive divergence at the lows being set in the market averages at that time. Subscribers were advised to expect a brief rally as a result. This bullish divergence is augmented by the fact that there are strong seasonal forces on the market at the end of one month and the beginning of the next, plus there are strong seasonal forces around long holiday weekends.

### The “Hook” Rally

The Labor Day weekend offers an excellent opportunity for the market to relieve those oversold pressures and stage a little “foo-foo” rally. Joe

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 © 2005 by Professional Timing Service.

Granville used to call this the “hook rally.” There always seems to be a hook just after a major high that serves to suck in the neophytes just before disaster strikes.

As we go to press, we stand at the beginning of a final attempt for the market to revive the dying cyclical bull. Rest assured, the pros will be selling this strength, and so should you. Use strength here to liquidate any holdings that do not benefit from higher commodity prices.

If you have weak sisters or old favorites that just can’t seem to get going even with the stock market averages at four-year highs, get rid of them. Non-commodity issues that can’t move to new highs with the averages will be decimated as the bear accelerates.

The next two months (September and October) will be exceedingly dangerous. At this stage of the game – at a top in a cyclical bull within a secular bear market – selling panics can and do occur.

Some event usually sets the decline in motion. Negative, exogenous events are not difficult to imagine these days. Perhaps there is a sudden flight out of the dollar or a surprise embargo from one of our crude oil suppliers. We certainly are not on the A- list of favorite people in Venezuela, Ecuador, and Nigeria these days. They are major U.S. crude suppliers.

If the market gains momentum on the down side and margin calls begin a chain reaction - one triggering the next - a severe liquidity panic can result. Can you imagine those 5,000 to 7,000 super-leveraged hedge funds out there all scrambling to raise cash at the same

time! A similar problem happened in 1987, and it could happen again.

Incidentally, in 1987 the market topped out in August. The decline gained momentum during September and crashed in early October. In fact, the Dow fell 25% in one day in October 1987. It was amazing to witness. Everything was suddenly for sale ... *everything*. Cash becomes king to cover obligations, and all the ships go down with the tide.

*Bonds will typically rally when money is seeking a safe haven, but a liquidity crisis like in 1987 will take them down as well.*

There is no guarantee that another panic will occur; but if it does, it most likely will happen within the next two months. Be prepared. I have already advised that you use strength around the Labor Day holiday to liquidate. If you can’t do that, at least put sell stops under any issue that is not advantaged by higher commodity prices.

Personally, I am going to hold my energy positions, even though I know they may fall in the event of a 1987 style crash. The reason I am holding on is that the energy issues pay great dividends, and they will bounce back quickly. My intent is to buy more if such a debacle were to precipitate truly fire sale bargain prices in these stocks.

There is a problem with putting stops in on these. First, they are not trading positions. Second, there are often sharp breaks like we saw when crude fell off on August 18. Crude prices broke, and there was some panic selling in our energy issues. However, these sudden declines will continue to be buying

opportunities in energy and the precious metals. If you want to be a trader, follow the Hyperion model or one of the other trading models we relay on the hotline.

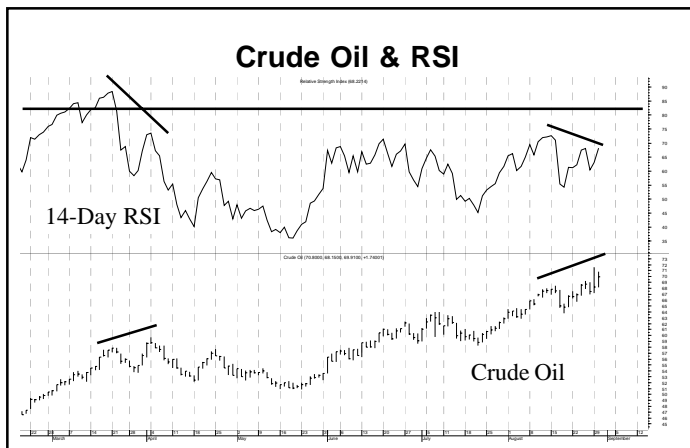
I was disappointed that **Shiningbank** fell within 2 cents of our buy price, but **Provident** was easy to buy at C\$10.60 that day. In a few days, it was right back to C\$11.40. Those with open orders in made a nice purchase due to a little panic selling.

The stock market, gold, and energy have all been rising in concert of late, but it is a mistake to make a permanent correlation. Call it zietgeist - the spirit of the age, if you must - but this has simply been a short term anomaly that will not last much longer. The next leg in the bear market will take all the ships down with it, temporarily continuing the anomaly ... but then it will end.

If the selloff is “orderly” or if it is panic driven, all asset classes will fall to some extent. The effects on commodity-based investments will be temporary. Buyers will come in very quickly if commodities weaken.

Asia has plenty of dollars to invest, even during a Western world liquidity panic. The effects on non-commodity based investments will be more lasting. Therein lies the difference and the dissolution of the anomaly.

Let’s put the next bear market leg aside for a moment and investigate crude oil independently. Crude has been probing higher since I published the mid-month report. It still has not registered oversold readings in the RSI; but as you can see on the chart on Page 3, there have been some negative divergences forming recently.



**It bothers me that the press is all over high crude prices.**

I don't like the company of the crowd. The interesting thing is that, so far, there doesn't seem to be much outrage on the part of the consumer. I don't see a whole lot of car pooling going on.

I can't get bearish on crude, even in the short term. I think it needs to cool off. It will likely test the \$64 level basis December futures, but I can't get long term bearish. The fundamentals are simply too strong. Demand keeps increasing on a global basis, and supply keeps diminishing. China is the big kid in the story, but I don't see their economy cooling off a great deal. A Dow Jones piece recently said that China might "cool off from white hot to red hot." I have to agree with that.

China has plenty of depreciating U.S. dollars; and they are not only buying raw materials, but raw material producers. The Unocal deal fell through, but they are big shoppers in Canada. You will be seeing more Canadian resource companies being purchased by China over the next couple of years.

This is one reason why the Canadian dollar will eventually reach par with the

U.S. dollar. China is investing in the Middle East as well, but their preference is to deal with the Canadians (who are much easier to get along with).

India cannot be left out of this demand equation either.

They are more service and design/engineering oriented than the Chinese, but they are interested in resources as well - especially energy.

You won't believe the growth in the consumer class in China and India by this time next year. Their middle classes could double within the next 10 years - perhaps by the end of this decade.

A good measure of this is the sale of cell phones and cars. India saw an increase in car sales in 2004 of 24%. Chinese car sales were up 13%. India is a net importer of crude to the tune of 2 million barrels a day now. China's crude appetite is increasing by 20% a year.

Cell phone sales growth in these two countries is off the scale. China has 350 million cell phone subscribers, which is expected to reach 600 million by 2009. India has seen cell phone subscribers explode from 5.6 million to 55 million over the last 5 years. The consumer class in these two countries is immense, and so is the appetite for energy that goes along with all of this.

**Remember, it is not only fuel that comes from crude.**

There are other important petrochemical products, including plastics,

paint, pharmaceuticals, fertilizers, etc. It would be a shame if the last barrel of oil was burnt in some machine.

Then there is China's military ambitions to consider, and we already know how India feels about a strong military. It all takes non-renewable resources, and the demand for them is not going to decline on a global scale any time soon.

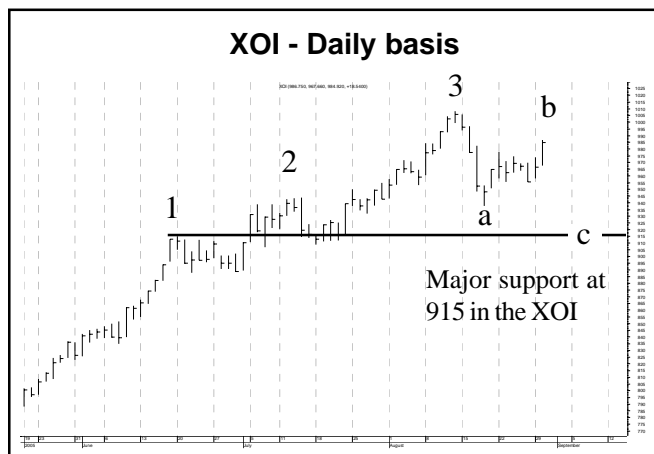
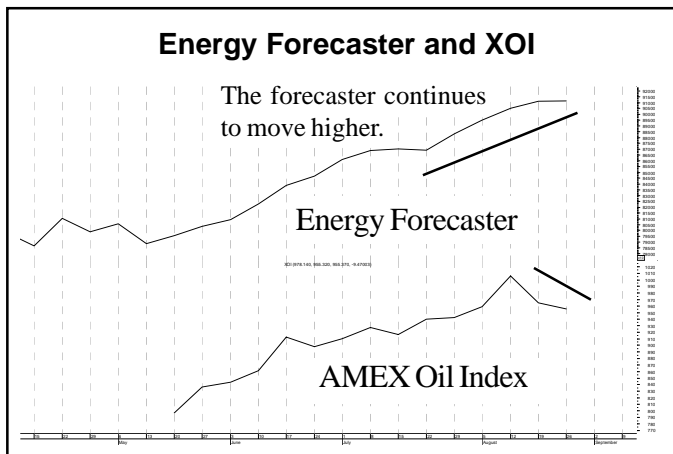
*Bottom line: commodity prices are going a lot higher and the U.S. stock market is going to go a lot lower.*

It is difficult to advise putting new money into energy here. There will be better times; and if not, the best opportunity is past and we will just have to get filthy rich with what we have.

**You should mind the downside buy prices.**

If we get a bit of news that flushes some weak hands out of the market - like when crude took a brief \$2.50 dip the other day - you will be able to pick up some stocks at advantageous prices and manage risk. Buy here and all you do is set yourself up for a bad stomach if prices back off. You augment your risk of loss as well. Be patient.

Some of you may be anxious with success and itching to take profits. On the next page is a new indicator I am working on that might provide a little comfort. I am calling it the energy forecaster. It is constructed with weekly data, and it is intended to rate the health of the energy sector - specifically, the Canadian trusts. The key here will be when this begins to trend down while the energy stocks are still doing well. I have plugged in the XOJ (AMEX Oil Index) as a proxy for the energy trusts.



As long as this indicator is trending higher, we are still in good shape holding our Canadian energy trusts. I expect there will be ups and downs as time goes on, but you can see the indicator is still leading at this time.

Look at the current correction in the XOI on the daily above. It highlights the current correction in more detail. Note the three steps up from the May lows and the first phase of a two-step correction now in progress.

I would expect one more decline before this correction is over (support is at 915 in the XOI), but the forecaster is telling us to expect a recovery to new highs once it is complete. You should have your open orders in at our downside buy prices if you want to add to your energy positions in that final dip.

Energy and other commodities are going to get more expensive as the world's consumers duke it out over limited resources. It is time for you to start thinking about what changes you will make in your life when gasoline breaks over \$3.00.

More important than price is supply. What will you do when supply becomes limited and spotty when the

gasoline lines form again like in the 1970's? That may happen sooner, rather than later.

The politicians are already mounting their soap boxes offering solutions to high energy prices. In reality, what they are offering are not solutions. The world is running out of cheap oil, and that is that. However, you won't stop the politicians from using energy prices to further their aims. At the end of August, Hawaii became the first state in 30 years to impose a cap on wholesale gasoline prices. Price controls will absolutely guarantee a shortage of supply. Higher prices set by the market are a better answer and will promote conservation.

Buy a little **Blackrock Global Energy & Resources (BGR-NYSE-\$25.93)**. This is not as exciting as high-yielding energy trusts valued in Canadian dollars, but it is a nice overall commodity play. It pays a little dividend of 6%. Nibble at this price, and buy more if it drops to \$24.50.

Although a liquidity panic would not exempt the precious metals from a temporary drop, I am going to hold mine. I believe the upside potential for gold is too great here to try and

trade our investment positions. If you want to trade, there are precious metal issues on the Hyperion list.

December gold dropped under its support at \$440. So, what is next? It will likely fall a bit further to its next support level at \$420, but that will be it. The current correction also needs a little more time, but the dollar looks weaker every day. If something triggers a more severe selloff in the dollar, gold will rally. Gann always taught that there were two elements to consider - price and time. Gold needs a little more time.

I have been looking deeper into the gold/oil ratio that I mentioned in last month's letter, and the evidence is rather compelling. Without getting into the statistics involved, gold looks severely underpriced in relation to crude oil on a historical basis, and in relation to the entire commodity complex as well.

In the past, the average ratio between gold and crude has been about 16 (not 10 as I relayed in the August letter). Today, the ratio stands at about 6.5. As far as I can tell, it is at an all-time low. That means you can trade a barrel of oil for more gold than at any time in the past.

The theory behind the ratio is this. Higher oil prices produce higher energy prices, which produces an economic slowdown, which generates a weaker dollar, which is traditionally accompanied by higher gold prices. There are also the inflationary, stimulative policies the Fed reverts to during recessions. Regardless of the logic, the ratio is too low. In a worst case scenario, if crude were to fall to \$50 (very doubtful) and the ratio only recovered to 10 (very likely), gold would sell for \$500.

The mining stocks look like they need to consolidate a bit longer, but you should continue to hold those on our buy-and-hold list. Look to add at their respective downside buy prices. **Western Silver (WTZ-AMEX-\$8.00)** and **Nova Gold (NG-AMEX-\$6.90)** have both hit their respective downside buy prices. They qualify as buys here. My work with the XAU points toward a low in late September with downside support at 88.75.

I have written about Rob McEwen in past letters. I have been interested in him since I first got involved investing in **Goldcorp (GG-NYSE-\$17.36)**. He was the CEO of

Goldcorp until the Wheaton merger. He now retains a seat on the board. Goldcorp is still the best gold mine on the planet, in my estimation.

Watching Mr. McEwen over the years has given me a great deal of respect for his judgment in mining-related issues, and his timing is not all that bad either. He knows his stuff, and he is remarkably up front about his activities in the industry.

Mr. McEwen has invested recently in another interesting little gold company issue called **Guyana Goldfields (GUY-TSX-C\$2.58)**. I have done well on his coattails in the past. The interesting thing about GUY is that it has not moved yet.

If this sleeper drops back commensurate with a bit of profit-taking in the metals stocks this month, you should pick up a few shares. I do want to be less aggressive with GUY because it has been dead in the water when I think it should have been moving better.

You can check this out at [www.tsx.com](http://www.tsx.com) or at [bigcharts.com](http://bigcharts.com) with the symbol CA:GUY. The company operates in Guyana, South

America and is in the exploration phase with no revenue. It is a long shot, but who better to evaluate a long shot than Mr. McEwen?

Guyana looks better than a call option on gold

to me, but price is important. Buy at C\$2.40 or less, which equates to about \$2.00 U.S.

We did liquidate **Kinross Gold (KGC-NYSE-\$6.11)**. It was on our buy-and-hold list, but it reached our upside target of \$6.60. There are better junior gold investments.

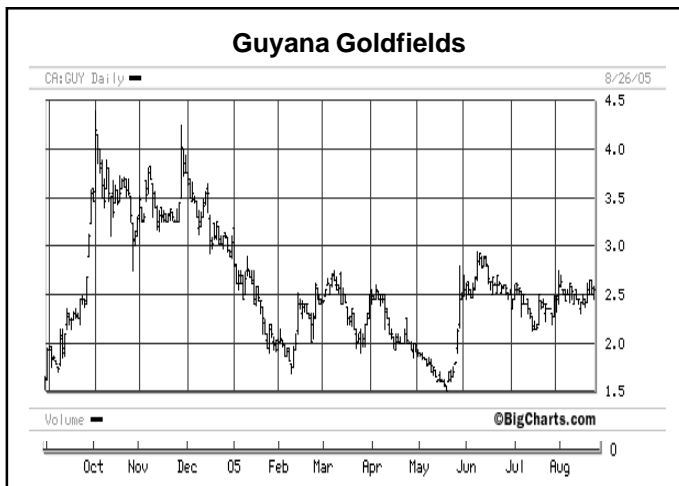
*How long should we stick with gold?* Until the Annual Asset Allocation Model (AAAM) tells us to get out. It will signal that the commodity bull market is finally over, and it will point us to a new direction. Until then, stick with commodities, including gold and silver. We will calculate the model again at the end of October.

After a brief stock market rally around the Labor Day weekend, the next down leg will get under way. If this September is like all the others, that leg could get nasty.

My advice is to hang on to your gold and energy issues. Use weakness from here to accumulate positions at our recommended downside buy prices. Be sure to diversify. Protect your non-commodity advantaged investments from loss. Liquidate in strength or put sell stops in under current prices.

A final note: The politicians want to release oil from the strategic reserve. The wisdom should be questioned since we are at war, and the effect would be very temporary. Remember it would also have to be replaced.

*The next letter will be a special expanded mid-month edition published on September 15.*



## Recommended Stocks For Buy And Hold

**Note: If you go to [www.bigcharts.com](http://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](http://www.bigcharts.com) and type in CA:SHNUN. You can approximate the price in U.S. dollars by multiplying the Canadian dollar quote by .84. 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 & Price	Last Updated 8/30/05		Downside Buy Price	Target	Web Site
			Price 8/30/05	Div.			
Enerplus Resources	ERF-NYSE	4/20/01@\$18.00	\$41.57	8.82%	HOLD		www.enerplus.com
Peyto Energy	PEYUN-TSX	7/18/03@\$C8.75	C\$31.00	4.65%	\$C29.00		www.peyto.com
Primewest Energy	PWI-NYSE	2/07/03@\$17.00	\$28.05	10.56%	\$25.50		www.primewestenergy.com
Provident Energy	PVX-AMEX	6/16/03@\$7.50	\$11.50	10.32%	\$10.60		www.providentenergy.com
Shiningbank	SHNUN-TSX	1/02/03@C\$15.15	C\$23.89	11.55%	<b>C\$22.10</b>		www.shiningbank.com
Suncor Energy	SU-NYSE	2/07/03@\$16.8	\$58.27	0.33%	<b>\$48.50</b>		www.suncor.com
Anglogold	AU-NYSE	2/25/03@\$32.00	\$35.20	n/a	<b>\$32.95</b>		www.anglogold.com
ASA Ltd.	ASA-NYSE	11/19/02@\$31.00	\$38.01	1.05%	<b>\$35.95</b>		www.asaltd.com
Goldcorp	GG-NYSE	8/15/03@\$13.00	\$17.36	1.04%	<b>\$16.15</b>		www.goldcorp.com
Newmont Mining	NEM-NYSE	9/05/03@\$39.10	\$38.87	1.03%	<b>\$36.25</b>		www.newmont.com
Barrick Gold	ABX-NYSE	1/05/03@\$22.85	\$25.68	0.86%	<b>\$24.10</b>		www.barrick.com
Baytex Energy	BTEUN-TSX	05/18/04@C\$11.90	C\$16.31	11.04%	<b>C\$14.50</b>		www.baytex.ab.ca
Alliance Res. Part.	ARLP-OTC	9/29/04@55.96	\$89.32	3.69%	<b>\$75.55</b>		www.arlp.com
Fording Cdn. Coal	FDG-NYSE	11/16/04@68.20	\$122.55	7.49%	<b>\$95.10</b>		www.fording.ca
Paramount En. Tr.	PMTUN-TSX	12/20/04@C\$16.44	C\$20.65	13.79%	<b>C\$17.75</b>		www.paramountenergy.com
Pimco Comod RR Str Fnd	PCRBX	3/02/05@\$15.95	\$16.88	3.97%	<b>\$15.75</b>		www.pimcofunds.com
Valero Energy	VLO-NYSE	4/26/05@\$73.25	\$96.79	0.41%	<b>\$78.25</b>		www.valero.com
Blk Rk Glb En & Res	BGR-NYSE	8/03/05@\$25.99	\$25.93	5.78%	\$24.50		www.blackrock.com
Frontier Oil	FTO-NYSE	8/03/05@28.75	\$34.68	0.46%	<b>\$30.00</b>		www.frontieroil.com

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

Company	Symbol/Exchange	Initl. Recom. Date & Price	Last Updated 8/30/05		Downside Buy Price	Target	Web Site
			Price 8/30/05				
Kinross Gold Corp	KGC-AMEX	10/2/02@\$6.30	<b>Sold</b>	<b>08/11/05@\$6.60</b>			www.kinross.com
Bema Gold Corp.	BGO-AMEX	6/6/02@\$1.06	\$2.33		\$2.10		www.bema.com
Coeur d' Alene	CDE-NYSE	9/2/03@\$3.19	\$3.40		\$3.20		www.coeur.com
Western Silver	WTZ-AMEX	9/2/03@\$3.50	\$8.00		\$8.10		www.westernsilvercorp.com
American Bonanza	BZA-TSX	10/2/02@C\$0.60*	C\$0.45		HOLD		www.americanbonanza.com
Ivanhoe Mines	IVN-NYSE	6/4/04@\$6.00	\$7.17		<b>\$6.50</b>		www.ivanhoe-mines.com
International Wayside	WGM-TSX	4/26/04@C\$1.40	C\$0.35		HOLD		www.wayside-gold.com
Novagold Resources	NG-AMEX	12/8/04@6.50	\$6.90		\$7.00		www.novagold.net
Yamana Gold	AUY-AMEX	4/14/05@2.90	\$3.75		\$3.20		www.yamana.com
Mines Management	MGN-AMEX	5/13/05@\$4.50	\$5.09		\$4.50		www.minesmanagement.com
White Knight Res.	WKR-TSX	7/20/05@C\$1.25	C\$1.35		<b>C\$1.10</b>		www.whiteknightres.com

\*\*\* American Bonanza had a 4 for 1 reverse split on 3/31/05. 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 .84 to see if the OTC quote looks correct. You can access these OTCBB quotes by using [www.barchart.com](http://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.

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