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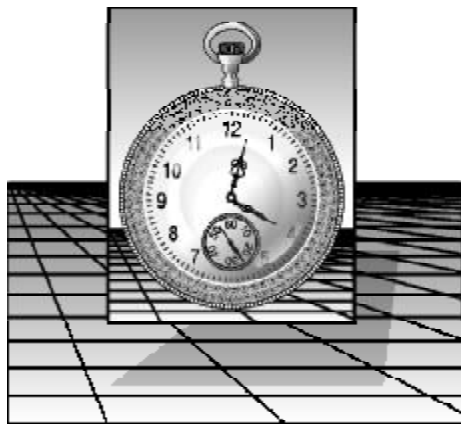
PROFESSIONAL TIMING SERVICE

Wally Hunter

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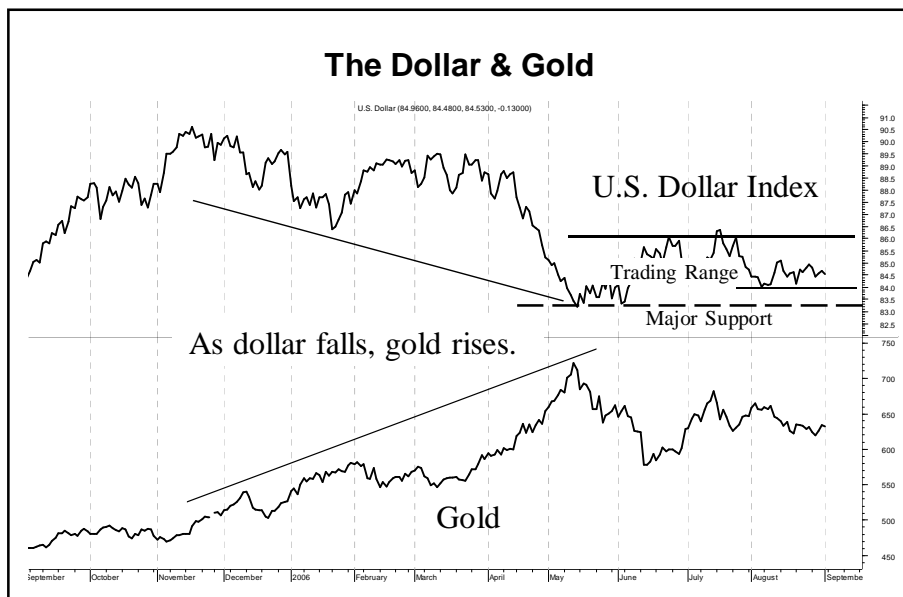
The next issue will be published September 21.

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From The Perspective Of The U.S. Dollar



What is the dollar up to anyway? It seems to be stubbornly stuck in place. You can see the trading range on the chart above. Fundamentally, of course, the dollar has plenty of problems; but from a technical point of view, it doesn't want to fall.

There appear to be two levels of support. There is a minor support level at 84.00, which has been holding of late. There is also a major support level at 83.10. The best that can be said until those levels are broken is that the dollar is caught in a trading range. Furthermore, we just had a signal from our Hyperion model which indicates the dollar will challenge the top of the trading range, but this is a short term signal and fits with our outlook on gold.

The U.S. (we) have a lovely racket going when you think about it. The

government just pays for what it wants by writing a check. There's no need for a balance at the bank. The scheme is made better by the fact that dollars are great in number and are ubiquitous.

If you do any global business at all, you will need to keep a reserve of U.S. dollars. Although the euro is trying to compete, the bottom line is that there is no total substitute. There just aren't enough euros or any other currency available to totally substitute for dollars.

Regardless of the omnipresence of the U.S. dollar in world finance, an important question to ask yourself is whether you think the dollars you have in the bank will buy more or less ten years from now. This is important to us, as investors, because during a commodity bull

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market, goods (real assets) increase in value while dollars decline in value. In other words, commodities become worth more in dollars as time progresses. Note the relationship between dollars and the ultimate commodity, gold, on Page 1.

I expect to see the Dollar Index fall from its present value of about 86.00 to 60.00 by the end of 2009. That is a 30% decline. Commodity prices will rise as a consequence, but much more than 30% because there is another element affecting current commodity fundamentals - that is, a shortfall in supply of raw materials versus an increasing level of demand. The weak dollar is just a kicker.

Energy is at the forefront of the shortfall in supply.

I realize that supposedly domestic energy inventories are sufficient at this point in time, but that is not going to push energy prices down all that much further or for an extended period of time. Those inventories will be consumed; and with the current drop in prices, the incentive to stockpile is no longer there.

Supplies on hand will then fall, and the cycle will go on. Regardless of reported inventory levels, we are only one crisis - Iran, a hurricane, pipeline shutdown, dollar panic, etc. - away from the next new high in crude oil.

I don't know if you noticed, but the Cantarell oil field in Mexico is encountering some unexpected problems. This is Mexico's largest oil field, and it produces 60% of Mexico's output ... at least currently. It is no secret that this field has

peaked. The big surprise is that its output has suddenly begun to decline faster than the engineers anticipated. Mexico's exports amounted to 2 million barrels a day in 2005, and we may be about to lose a significant source of imported crude.

More alarming to me is that this may be what industry experts refer to as a "cliff event." A cliff event is when a well or field sees a sudden, dramatic drop in output. Cliff events are more common in natural gas production, but a cliff event in a major oil field should get your attention.

There will be more "cliff events" over the next few years. They may already be happening in the Middle East, but the Saudis (for one) are certainly not going to make such information public.

There is no substitute for crude oil.

There are alternatives for some of its by-products. Some of those alternatives actually look profitable in their own right, even if they do not offer a total substitute for crude oil. I still do not believe ethanol, while perhaps profitable to produce, can be used as a major fuel source. It can be added to gasoline; but again, if 85% of the U.S. corn crop were converted into ethanol, it would account for 10% of current gasoline consumption - which is rising.

Then, of course, there would be little corn for anything else. Cattle would starve. Consider that out of some 45,000 items available in the typical grocery store, 24% are corn based or use corn in some way.

A major conversion of corn to ethanol will ask for a consumer behavior change beyond what is reasonable. Furthermore, according to a study at Cornell University, it takes nearly 130,000 btu's of energy to produce one gallon of ethanol - which provides, in turn, 76,000 btu's of energy. I find that I get fewer miles per gallon with blended gasoline as well. Ethanol is a politically motivated, semi-solution that is shy of good science or good economics.

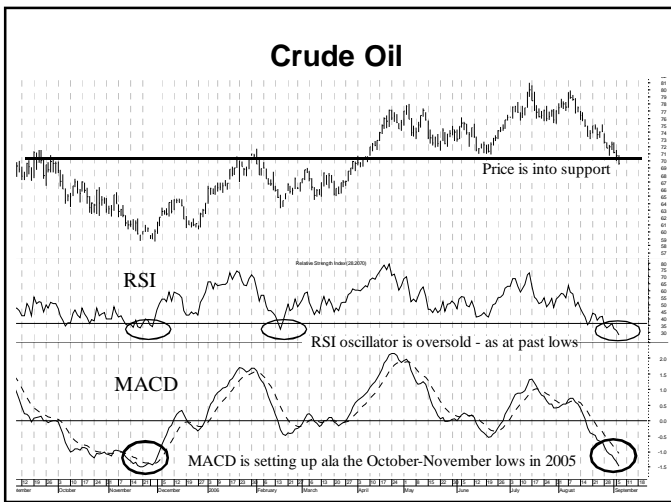
Wind has a place.

It accounts for some 2% of electrical generation. However, electricity demand in the U.S. alone is slated to double over the next 25 years. That may not sound like much, but electrical generation is barely keeping up. In the western U.S., electricity demand has grown 60% since the mid-80's, but transmission has only increased 20%.

Natural gas has been the energy of choice for electrical generation, but coal also accounts for a significant amount of electrical production. New coal-fired plants are being built as fast as possible.

There is another alternative to some of crude oil's demand that makes sense, and that is liquefied coal, or synfuels, made from coal. The basic process is not high tech - the Germans liquefied coal during the Second World War. Currently, it costs about \$30 a barrel to produce liquefied coal. With \$70 crude or even \$60 crude, this is cost effective.

There are now technologies available to increase the efficiency of



\$74.50. If it falls to that point, sell it and take the profit. I have removed the upside target price at \$87.50. If it gets back over the \$80 range again, we will take another look at an upside target. For now, we will keep the protective stop at \$74.50.

similar to last October when prices turned up. Downside momentum may take December futures down to \$68.00 - \$66.00, but don't panic if that happens. Several of our energy stocks are now selling close to or below their respective downside buy prices. This is an excellent time to accumulate.

As the dollar weakens over the next several years, crude, natural gas, coal, gold, and silver will all move higher.

producing liquid coal along with other synfuels, and the leader in this effort is **Headwaters** (HW-NYSE-\$21.12). It has taken a hit due to the possibility that the government will not renew the Section 29 tax breaks given to synfuel producers, many of which license Headwater's synfuel technology. They also produce some products that are construction related.

Nevertheless, Headwaters is currently licensing Chinese firms to use their process, which produces low sulfur diesel fuel and gasoline. Headwaters is going to take some time to develop, but this is as close to the ground floor in the future of coal liquefaction as we may get.

The U.S. is the Saudi Arabia of coal. Liquefied coal is a better alternative energy answer for us than even Canadian tar sands.

I am putting Headwaters back on the buy list with a downside buy price of \$18.00. Hold what you have, but if it dips one more time to the \$18.00 level, you might add a little to your position.

I am sticking with the sell/stop on **Suncor** (SU-NYSE-\$75.61) at

If we sell Suncor, put the money back into a little Headwaters at \$18.00 or better, and buy some **Valero** (VLO-NYSE-\$53.02). Valero is the largest refining company in the U.S.; and although they have exposure in the Gulf Coast hurricane areas, they made it through Katrina quite well.

Valero is one of the few refining companies that can process high sulphur crude, which is considerably cheaper than the sweet crude referred to in future contract prices. Their last quarter came in strong with their net profit doubling year over year. I have adjusted the downside buy price a little, and I have it set now at \$50.00. Accumulate VLO at \$50.00 or less.

Don't turn a blind eye to **Frontier Oil** (FTO-NYSE-\$29.10). It has just now dropped under our buy point at \$30.00. Frontier is smaller than Valero, but they also process sour crude, and they have no exposure to Gulf storms.

Recent weakness has brought crude down into where we should see support. The December contract has become very oversold with an RSI of 28, and there are MACD patterns

Gold sold back again recently, as anticipated. The next important cyclical low is due in November, and this should direct our attention to support levels in gold. Basis the December futures, gold has minor support at \$615, in line with our earlier forecast. There is still that major support at \$580 (we talked about that earlier this summer). Note the chart on Page 4.

Stick with your gold.

If the stock market takes a tumble in September – October, the precious metal stocks and, indeed, gold itself may sell off as well. Gold may run toward that \$580 level of major support, and the XAU may seek support at 130.00. The key is to focus beyond this to January-February when the next significant seasonal highs are due in the metals.

I promised a new gold stock for you, and here it is. It is a total speculation, so treat this as you would a call option purchase. The difference is that I don't expect **Minera Andes** (MAI-TSX-C\$1.40) to expire worthless, as most options do.



You can get a quote on Minera Andes with the symbol MNEAF on the OTCBB in U.S. dollars or with the symbol MAI on the TSX at www.tsx.com. I prefer to follow this in Canadian dollars, but it is up to you. Just be warned that OTCBB quotes are not always accurate. Sometimes they are off by a mile.

I need to tell you I bought a small position some time ago for about 50 cents Canadian. It is thin, and thus you need to use limit orders when buying it. I suggest that you do not pay over C\$1.20 - about \$1.08 U.S. Buy some there, and then add to that position if it happens to fall back to C\$1.00. If we get some selling into the November lows I am looking for, you will have a good chance of buying some at C\$1.00 or less.

Minera Andes is engaged in exploration and development of mineral properties in Argentina. You can get details at their Web site www.minandes.com.

If you check the list of directors and stockholders with a stake of 5% or more, you will find that the major

stockholder holding nearly 30% of the company is none other than Robert McEwen of Goldcorp fame - and he's now running U.S. Gold Corporation. He has warrants to acquire another 14.2 million shares (about another 10%). The next largest stockholder only has 7.5% of the stock.

I am sure that Mr. McEwen paid less than 50 cents for his stake, but his participation is worth the gamble here, I think. It beats buying a \$1.20 call option on just about anything. Don't get carried away, but buying into weakness on this one should be very profitable.

StreetTracks Gold (GLD-NYSE-\$62.86) has approached our buy point at \$60.00 a couple of times, only to bounce back. Be patient, and try to buy at some at \$60.00 or less if you are looking for a direct shot at gold bullion.

Silver is going to appreciate more on a percentage basis than gold. There are a growing number of uses for silver in water purification, plasma televisions, replacing copper arsenate wood preservatives, superconductors, etc.

I still favor **Silver Wheaton** (SLW-NYSE-\$11.84). I have boosted the buy price up a bit to \$10.00. If you already have some and want a deeper target, put orders in at \$9.00 or better. The key is to hold what you have and accumulate more under \$10.00.

Goldcorp (GG-NYSE-\$28.19) hit the news on August 30 with a surprise announcement that they were going to merge with their old rival, **Glamis** (GLG-NYSE-\$46.88). Some on the Street - including Rob McEwen, who is a major stockholder in Goldcorp - are upset over the deal.

It will, of course, make Goldcorp a major world producer, but it takes the company in a different philosophical direction. I think one of the key assets that Glamis is bringing to the deal is the Penasquito project, which Glamis got when they bought our old friend Western Silver.

My take is that if the merger goes through (it might not), the company will have some defined production and some interesting projects. It is said that Goldcorp

brings a present into the marriage and Glamis brings a future. I would now target new purchases of Goldcorp at \$26.50 or less.

We will often see a cyclical high hit the metals in September, followed by the next cyclical low in November. Once the November lows are in, it will be off to the races. Between now and mid-November is seasonally a good time to use weakness to buy precious metals and mining shares.

I do not believe in converting long term investment strategies to short term trading approaches, so I don't recommend selling your long term investments with the idea of buying back in. If you are into trading, follow the Hyperion trading program; but in the long run, you will make more money with our long term investments.

Another important reason for recommending that you sit tight with your metals and energy positions - even though we may sit through corrections from time to time - is that investors simply don't end up buying their positions back. Then they are locked out of the next rally.

The stock market bulls are touting the "Presidential cycle." They put forth the statistics calling for a four-year low this year, as well as the seasonal potential for the market to rally into a pre-election year - 2007. There are some impressive average returns from this strategy. From a statistical standpoint, you need to know that the average rarely happens.

I have no doubt that the Fed is going to be accommodating to the powers that be. Bernanke will be very concerned now with the economy, and he will be keying off economic growth and employment numbers rather than inflation. He will do everything in his power to ensure that the Republicans retain their power in what promises to be a very contentious election in 2008.

Nothing will lose an election quicker than a poor economy; and if the economy needs to be stimulated at the expense of a weaker dollar and higher inflation, so be it. Heck, inflation can be "lied" away by tweeking the CPI.

Before you get too bullish, below is a chart of the NAHB (National Association of Home Builders) housing index along with the S&P 500 with a 12-month lag. I got this chart from a weekly e-letter published by John Mauldin. It is free, and I recommend that you sign up at their Web site www.frontlinethoughts.com/subscribe.asp.

This chart is not encouraging, election cycle or not. Another statistic that correlates with the

NAHB Index directly is consumer spending. Spending is already weakening, as the index predicts. These relationships make a lot of sense in the

current economy because most of the economic growth we have seen has been driven by housing.

The Fed will likely not be raising rates again soon, but that is not necessarily bullish if consumer spending falls and corporate earnings take a hit. Tax revenues will be shrinking also, which will exacerbate the deficit and put pressure on the dollar.

How to play it?

Follow the best/worst six months program. It has been 50% invested in the Rydex Inverse OTC Fund (RYAIX) and 50% in the Inverse S&P Fund (RYURX) since the program issued a signal on May 12. The next signal will most likely occur in October or November.

Near term, the S&P has reached overhead resistance at 1,320, and the OTC Composite has attained its goal at 2,200. September is often a very bad month for the market. I wouldn't bet too heavily on the Presidential cycle just yet.

Beyond that, buy commodity-related investments. You should note that I have adjusted a few of the buy prices on Page 6.



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 .90. 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 U.S. \$	Price 09/06/06	Downside Buy Price	Div 09/06/06	Target	Web Site
Alliance Res	ARLP	OTC	9/29/2004	27.98	36.38	36.00	5.50%		arlp.com
ASA	ASA	NYSE	11/19/2002	31.00	64.99	60.50	0.62%		asaltd.com
Barrick Gold	ABX	NYSE	1/5/2003	22.85	33.55	29.90	0.66%		barrick.com
Baytex Energy	BTE	NYSE	5/18/2004	9.00	22.85	21.50	8.42%		www.baytex.ab.ca
Black Rock	BGR	NYSE	8/3/2005	25.99	26.70	26.50	5.61%		blackrock.com
Canetic Energy	CNE	NYSE	4/19/2006	22.25	20.16	20.00	12.19%		canetictrust.com
Enerplus	ERF	NYSE	4/20/2001	18.00	56.40	52.00	8.06%		enerplus.com
Fording Coal	FDG	NYSE	11/16/2004	22.74	29.93	30.00	8.00%*		fording.ca
Frontier Oil	FTO	NYSE	8/3/2005	14.38	29.10	30.00	0.41%		frontieroil.com
Gabelli Glob. Gld.	GGN	AMEX	1/3/2005	22.10	22.60	22.50	7.43%		gabelli.com
Goldcorp	GG	NYSE	8/15/2003	13.00	28.19	26.50	0.64%		goldcorp.com
Headwaters	HW	NYSE	3/10/2006	36.30	21.12	18.00	n/a		headwaters.com
Mkt. Vectors, ETF	GD	NYSE	Buy at	37.00	41.70	37.00	n/a		n/a
Pimco Comm.Fund	PCRAF		3/2/2005	13.97	14.77	HOLD	1.50%		pimcofunds.com
Primewest	PWI	NYSE	2/7/2003	17.00	29.71	29.50	10.81%		primewestenergy.com
Provident Energy	PVX	AMEX	6/16/2003	7.50	12.45	11.50	10.25%		providentenergy.com
Silver Wheaton	SLW	AMEX	3/10/2006	8.40	11.84	10.00	n/a		silverwheaton.com
St. Trs. Gold, ETF	GLD	NYSE	Buy at	60.00	62.86	60.00	n/a		n/a
Suncor***	SU	NYSE	2/7/2003	16.80	75.61	HOLD	0.37%		suncor.com
Valero	VLO	NYSE	4/26/2005	36.63	53.02	50.00	0.60%		valero.com

*** put sell stop on SU at 74.50

Canadian Dollars

Energy Split II	CA:EN	TSX	Buy at	17.00	18.75	17.00	13.87%		scotiamanagedcompanies.com
Paramount En. Tr.	CA:PMT.UN	TSX	12/20/2004	16.44	19.10	18.00	12.57%		paramountenergy.com
Peyto Energy	CA:PEY.UN	TSX	7/18/2003	8.75	22.34	Hold	7.52%		peyto.com
Shiningbank	CA:SHN.UN	TSX	1/2/2003	15.15	21.02	21.25	13.13%		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 U.S. \$	Price 09/06/06	Downside Buy Price	Div 09/06/06	Target	Web Site
Bema Gold	BGO	AMEX	6/6/2002	1.06	5.44	5.00	n/a		bema.com
Coeur d'Alene	CDE	NYSE	9/2/2003	3.19	5.61	4.50	n/a		coeur.com
Mines Mgmt.	MGN	AMEX	5/13/2005	4.50	7.38	6.50	n/a		minesmanagement.com
Taseko Mines	TGB	AMEX	7/24/2006	2.40	2.45	2.40	n/a		tasekomines.com
US Gold Corp	USGL	OTCBB	9/9/2005	1.70	6.44	6.50	n/a		usgoldmining.com
Yamana	AUY	AMEX	4/14/2005	2.90	11.02	9.25	n/a		yamana.com

Canadian Dollars

Laramide Res.	CA:LAM	TSX	3/16/2006	5.20	6.08	5.10	n/a		laramide.com
UTS Energy	CA:UTS	TSX	5/15/2006	6.50	4.46	Hold	n/a		uts.ca
Minera Andes	CA:MAI	TSX	Buy at	1.20	1.40	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 .90 to see if the OTC quote looks correct. You can access these OTCBB quotes by using www.barchart.com.

Shiningbank SBKEF Peyto Energy PEYUF Paramount Energy PMGYF Minera Andes MNEAF

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.