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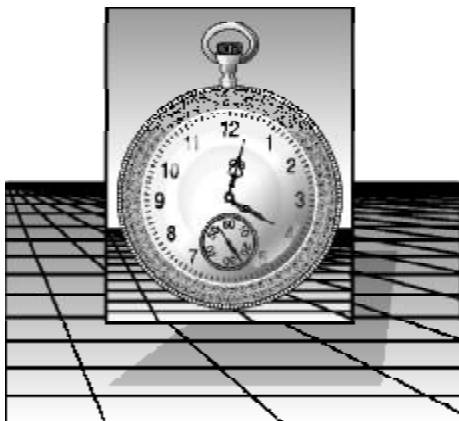
PROFESSIONAL TIMING SERVICE

Wally Foster

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The next issue will be published October 19.

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THE IDEAL CURRENCY



The U.S. dollar did not fare well during the first endless war. While the war in Vietnam trudged on, the dollar fell 50% ... and the war was primarily at fault. We are now engaged in the second endless war.

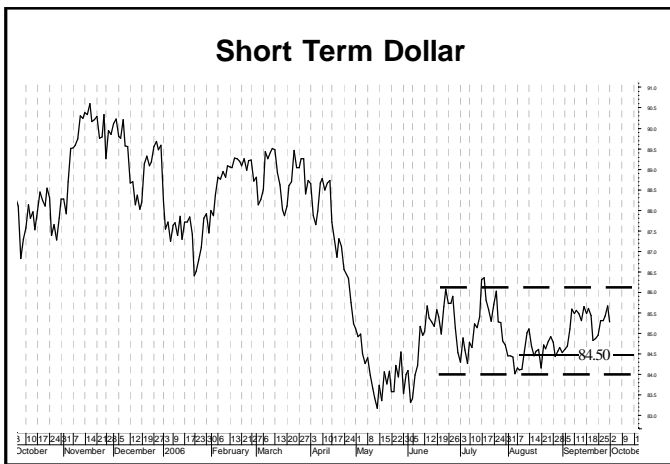
Since 9/11, the dollar index has fallen from over 120.00 to 85.00 - nearly 30% so far. Crude prices increased during the Vietnam era; and although crude has corrected over the last couple of months, it is still up from a low of \$18.00 since the second endless war started. Basically, the fundamentals for the dollar are not encouraging. A weaker dollar will be reflected in higher dollar prices for crude oil, gold, and other commodities.

Once the greenback begins to weaken against Asian currencies, Asian demand for oil will accelerate. Remember, crude is traded in U.S. dollars; and as Asian currencies appreciate, the increased purchasing power will increase the Asian standard of living. Asians will be able to afford more energy-consuming products - and there are a lot of eager consumers in the Orient.

Of course, as the U.S. dollar falls in value and energy becomes more expensive in dollar terms, Americans will tend to conserve. I don't expect conservation to actually result in a net decrease in the demand for energy in the U.S., but it will moderate the growth of our appetite. The net effect of a weaker dollar will be the growth of energy demand in Asia and an increase in commodity prices in dollar terms, regardless of a recession in the U.S.

The ideal currency would be from a country that is not fighting a war - a country that has a balanced budget and, better yet, a surplus. The ideal currency would be from a country that exports crude, natural gas, and other raw materials.

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.



There is such a country - Canada. It is no mystery why the Canadian dollar is up from .60 to .90 while the U.S. dollar has declined by 30%. The *Globe and Mail* reported that the Canadian government will show a surplus of C\$13.2 billion and that they are going to use that to pay down debt! It's heresy, such an action. The loonie is definitely headed for par with the U.S. dollar - and sooner rather than later.

On a shorter term, technical basis, the dollar index has been "range bound" of late. Trading has been limited on the up side at about 86.25 and on the down side by 84.00 basis December futures. However, within the trading range, an important low has developed at 84.55. This is a key level to watch near term. If the dollar breaks through 84.55, a breakout through the bottom of the trading range is likely.

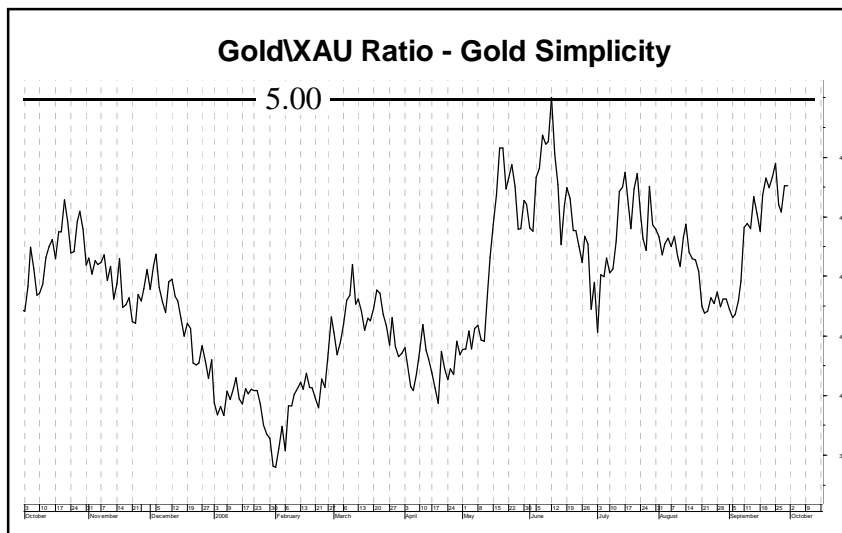
Gold is a currency. That is a Jim Sinclair mantra, and it's worth thinking about. He does offer comfort for the perplexed. There are a growing number of industrial uses for gold in the high tech sector; but basically, a lot of money is spent to dig the stuff out of the ground. It is then buried again in a vault, and people are paid to see that it stays there. There is a demand for gold jewelry, of course; but basically, all the fuss is because gold is a store of value. That is what currencies are supposed to do, but they don't. Nevertheless, gold is the ultimate commodity, the quintessential real asset. It is the only efficient currency. As the dollar continues to fall, gold will continue to rise. This is carved in stone.

Gold is volatile, and you have to be ready for that. Gold is the smallest market in the world. The top 20 gold companies have a market value of only about \$130 billion, and the top 5 silver companies have a market value of only \$7 or \$8 billion total. Multi-billion dollar hedge funds and the overly emotional public can have a dynamic effect on prices in the short term. The consequence of this volatility is important to you as an investor.

You should never put yourself in a situation where you might have to invade your investment capital in volatile markets. Don't box yourself into a corner. Volatility will definitely stir your emotions. The reason that markets cycle is that investors are at one moment engaging in rational calculation and the next moment are reacting to their emotions. As Peter Bernstein explains in his book *Against the Gods*, "the result of this mixture between the rational and not-so-rational is the capital market itself."

The present gold situation looks very good technically. It seems a tad early for seasonal lows, though. Typically, we will see the precious metals establish lows in October at the earliest, and usually in November. Regardless, I look for one more shot at \$555 basis December, but I expect solid, bullish divergences in MACD and the RSI if \$555 is tested.

The Stock Trader's Almanac (stocktradersalmanac.com) used to describe a seasonal trade in gold mining shares, but the last time they wrote it up was 1990. I guess 10 years of bear market in the metals made the seasonal less appealing back then. It is time to revisit this interesting seasonal tendency since it seems to fit so well with the current market.



In 1990, Yale Hirsch wrote, “Fourth quarters in most of the years since 1963 have produced attractive buying opportunities for gold stocks. I noted in 1975 that catching these seasonal lows in ASA and selling at the spring or summer highs would have produced an average annual gain of 87.8% for the prior decade.”

Last year, you would have ideally bought ASA at about \$43 and sold out at about \$74. It is not the exact profits that count here. The important point is that we are approaching a time frame where seasonal lows should form

in gold as well as the mining companies, and they should be followed by an exceptionally strong rally into the first quarter of 2007.

Simplicity, our gold stock timing model, is worth a quick look here. This last correction did not push Simplicity to the 5.00 level, as one might have expected. The highest it has reached is 4.80. I think the reason is that mining shares found a lot of rational, cool, calculating, strong-hand buyers willing to take stock from those in an emotional panic. Consequently, the share prices held up quite well in relation to the bullion. That is bullish.

The gold chart on Page 2 suggests that a test of the September lows is likely near term. However, we are going to see an excellent base form this quarter - as *The Stock Trader's Almanac* study indicates. Bottom line, you should hold your current positions and buy into weakness from this point on, in preparation for a splendid rally into next year. I thoroughly expect to see the dollar break to new lows and gold to be at new highs in 2007.

I have recommended that you *not* buy **Goldcorp** (GG-NYSE-\$21.37) any longer. I am disappointed with management's handling of the merger with Glamis, and I think they are paying too much. Furthermore, according to Rob McEwen, Goldcorp's board only owns 0.01% of the company now, and that makes me uncomfortable. I am watching this with a close eye for further developments; but at this point, I suggest you hold what you have and sell at \$28.50.

I am searching for a new senior gold stock or two to add to our buy-and-hold list. In line with that, I am adding **Gold Fields** (GFI-NYSE-\$17.43) as a buy at \$16.00 or less. I am also going to take it off the Hyperion trading list. Gold Fields is a world class producer, has deep mining experience (which is somewhat rare in the business), and has an excellent communication policy with shareholders.

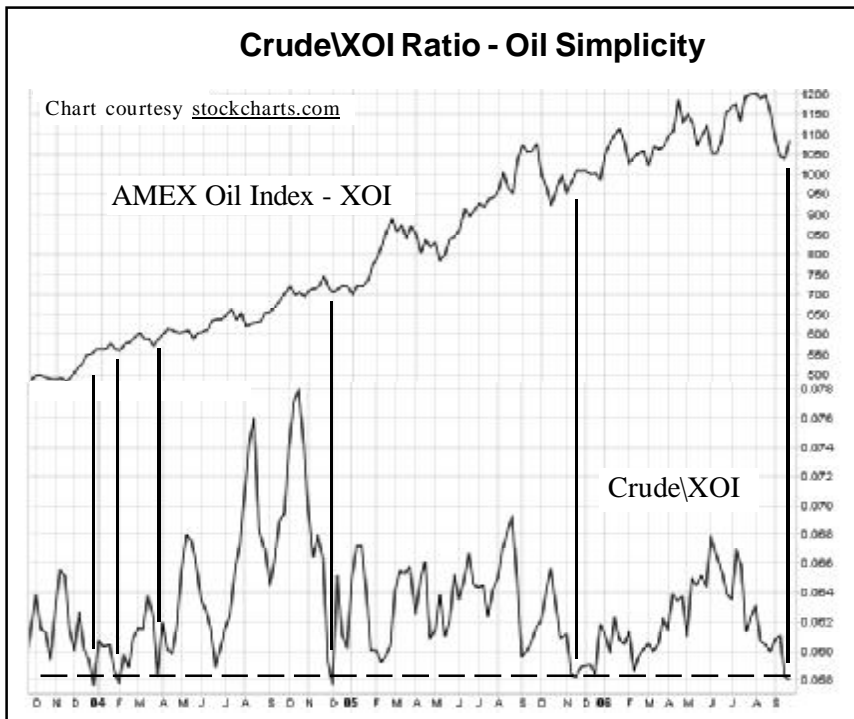
Don't neglect silver. Silver over the long haul will certainly appreciate more than gold. Gold is looking at \$1,600 on the high end, but silver has the potential to increase at least three-fold from here. I like **Silver Wheaton** (SLW-NYSE-\$8.43) under \$10.00. If you already have some and want a downside steal price, put a “good ‘til cancelled” order in at \$8.00. Although that may not look all that likely, these stocks are volatile.

Silver Standard Resources (SSRI-OTC-\$19.66) is interesting as a silver play. Take a little time and investigate their Web site, silverstandard.com. Silver Standard is an exciting company with about 70% of their operations in Canada, U.S., Mexico, and Australia. Geopolitically, that is comfortable. This is a Canadian mining company with plenty of cash and no debt. The stock tracks the price of silver rather closely. In fact, it acts like a non-expiring call option on silver. I suggest you put your orders in to buy at \$18.10 or better.

Our Rydex gold program is still 25% invested in the **Rydex Precious Metals Fund (RYPMX)**. I anticipate increasing our exposure some time in the next several weeks, but it is too early to give you specific entry instructions. For now, if you are participating in this program, hold your position and monitor the hotlines. The Philadelphia Gold and Silver Index (XAU), which the fund mirrors, will likely correct back to 110.00 as the fall seasonal lows begin to shape up. This, in turn, will set up our next entry into the Rydex gold fund.

I am equally as excited about developments in crude oil. The further the dollar falls, the higher the price of crude. The media has had a field day with lower crude prices lately; but as we talked about in the last letter, this correction is not out of the ordinary. Fundamentally, nothing has changed. The threats from our enemies have not vanished, and crude production worldwide struggles to keep up with demand. I now see that the Saudis want OPEC to cut production, but I think besides liking \$70 better than \$60, they would like to use this as an excuse to cover up the fact that their production is peaking.

Venezuela's Hugo Chavez is forming an unholy alliance between himself, Iran, other South American countries who have mixed feelings about the U.S., and anyone else he can find that hates America. When his elected term comes up, I expect he will follow the lead of his good friend, Castro, and hold a referendum to become "leader for life." He has shared the oil wealth with the populace, so I don't think he will have a problem getting this done.



I did see that the Venezuelan state-owned oil company PDVSA is suffering some production problems. Production is down 45% from 1998 levels. This is due to a combination of allowing soldiers, cronies, and bureaucrats to produce the oil rather than engineers and technicians, and the fact that their crude oil production is peaking.

The Chevron Jack 2 well in the Gulf is totally media hype at this point. T. Boone Pickens said it well, "It was a nice discovery. Is it going to make any difference in the price of oil? No." If it does prove to be even half as significant as the hype would have you believe, it is still too little too late. Oil is a problem now, not seven years from now when this field may start producing.

Alternatives can be profitable on their own, but they will not be able to replace crude oil. There is no substitute for crude. Alternate energy sources are all too little and too late. Total tar sands production is now about 1 million barrels a day, and it is expected to be 3 million barrels a day ... in 2020. That's not going to solve current supply/demand imbalances, but tar sands can be profitable on a small scale. Global crude oil demand is about 85 million barrels a day, and it's increasing at the rate of 1.5 to 2.0 million barrels a day each year. The two real reasons that oil prices have been rising is that demand has exceeded supply and the dollar has weakened against other currencies.

Technically, the oil picture looks very good here. Prices have settled back to the \$60 dollar support level that we showed you in the last letter. MACD and RSI patterns are pointing to the end of the correction. Furthermore, the above "Oil - Simplicity" chart is giving off bullish signals.

The chart on Page 4 shows something I have been playing with. It is the ratio between crude and the AMEX Oil Index, or XOI. Similar to the gold simplicity model we use, I am tagging this "Oil - Simplicity." Note that each time in the past when the ratio has hit the current level, it has been a good time to buy oil stocks.

Anything on our buy-and-hold list that is selling under its respective buy price is a candidate for purchase. I have adjusted many of those buy prices, tightening up our parameters a little. I am still partial to the Canadian trusts due to their generous dividends, the advantage of the Canadian dollar, and their envious supply position in the world economy. Furthermore, they are still our friends, and they are at our doorstep.

Natural gas has been beaten down severely, and that accounts for the weakness we have seen in Paramount, Shiningbank, and other gassy trusts. I am bullish on natural gas. Short term supplies can sometimes exceed demand. That has been the case in natural gas. Nevertheless, the demand for gas is increasing. Most alternative energy sources like coal gasification and tar sand production require a lot of natural gas - as does electrical generation, which is growing by leaps and bounds. As we head into winter, supplies of natural gas should quickly draw down. A cold snap requires 40 to 50 billion extra cubic feet of natural gas a day, and *The Farmer's Almanac* (traditionally very accurate) is forecasting unusually cold weather this year. The fundamentals look bullish, and the technical picture is equally as bullish.

The key is to keep your portfolios balanced. If you have yet to pick up some gas trusts, a little **Paramount** (PMTUN-TSX-C\$15.29) at C\$16.00 or less looks very enticing. I also like **Shiningbank** (SHNUN-TSX-C\$16.94). They recently announced the acquisition of **Rider Resources**, and I like the deal. However, the market seems to always knock these companies down on acquisition news.

Talking with the company, they said that they did not expect the Rider deal to affect cash flow and that the dividend looked solid, unless there was a significant drop from here in gas and oil prices. I think you should be able to pick up some Shiningbank at C\$17.00 or less. Remember, you are investing for what we expect to happen in the future by taking advantage of what has happened in the recent past.

The stock market does not look good from here. The whole rally looks a bit contrived. The Sadoff's of saddoffinvestments.com note that when the discount rate has been raised to 6%, 6 of the last 7 bear markets have followed. The average decline was -41%. The current rate is 6.25%. I see a lot of negative divergences in my work. Most of the averages are not confirming the smoke screen high in the Dow, and October is not usually kind to the averages.

October is the last month of the worst six months of the year, however, and we will be monitoring our indicators closely. My expectation is to see a drop in the averages, followed by a MACD buy which will signal the official beginning of the best six months. At that point, we will announce the shift out of the **Rydex Inverse OTC Fund** and the **Rydex Inverse S&P Fund** and back into the **Rydex OTC and S&P 500 Funds**.

I will update the status of our Annual Asset Allocation Model in the November monthly issue. Suffice to say, a quick calculation today results in no change in the status of the model. It continues to tell us that real or tangible assets hold the best promise on a risk-to-reward basis.

I mentioned earlier that I am going to move Gold Fields from the Hyperion list. I also am going to discontinue the Hyperion program because I have found that it tends to be too difficult for the average subscriber to follow. I have been working on a new trading program that will be more suitable for those of you interested in shorter term trading. It will be easier to follow, and it will better fit the feedback I am getting from those of you interested in shorter term trading.

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	Price 10/03/06 U.S. \$	Downside Buy Price	Div 10/03/06	Target	Web Site
Alliance Res	ARLP	OTC	9/29/2004 27.98	34.46	34.00	5.80%		arlp.com
ASA	ASA	NYSE	11/19/2002 31.00	55.42	55.00	0.72%		asaltd.com
Barrick Gold	ABX	NYSE	1/5/2003 22.85	28.55	27.20	0.77%		barrick.com
Baytex Energy	BTE	NYSE	5/18/2004 9.00	18.55	17.50	10.42%		www.baytex.ab.ca
Black Rock	BGR	NYSE	8/3/2005 25.99	24.76	24.10	6.05%		blackrock.com
Canetic Energy	CNE	NYSE	4/19/2006 22.25	15.35	15.00	16.09%		canetictrust.com
Enerplus	ERF	NYSE	4/20/2001 18.00	47.50	45.00	9.56%		enerplus.com
Fording Coal	FDG	NYSE	11/16/2004 22.74	24.52	25.00	8.00%*		fording.ca
Frontier Oil	FTO	NYSE	8/3/2005 14.38	24.89	24.00	0.48%		frontieroil.com
Gabelli Glb. Gld.	GGN	AMEX	1/3/2005 22.10	21.85	20.50	7.69%		gabelli.com
Goldcorp	GG	NYSE	8/15/2003 13.00	21.37	HOLD	0.84%	28.50	goldcorp.com
Gold Fields	GFI	NYSE	Buy at 16.00	17.43	16.00	n/a		goldfields.co.za
Headwaters	HW	NYSE	3/10/2006 36.30	23.20	18.00	n/a		headwaters.com
Mkt. Vectors, ETF	GDX	NYSE	9/11/2006 37.00	33.46	34.00	n/a		n/a
Pimco Comod Fund		PCRAX	3/2/2005 13.97	13.73	HOLD	1.20%		pimcofunds.com
Primewest	PWI	NYSE	2/7/2003 17.00	23.01	22.00	13.97%		primewestenergy.com
Provident Ener	PVX	AMEX	6/16/2003 7.50	11.03	11.00	11.66%		providentenergy.com
Silver Standard	SSRI	OTC	Buy at 18.10	19.66	18.10	n/a		silverstandard.com
Silver Wheaton	SLW	NYSE	3/10/2006 8.40	8.43	10.00	n/a		silverwheaton.com
St. Trs. Gold, ETF	GLD	NYSE	9/11/2006 58.85**	57.10	55.00	n/a		n/a
Valero	VLO	NYSE	4/26/2005 36.63	48.17	45.00	0.66%		valero.com
Canadian Dollars								
Energy Split II	CA:EN	TSX	9/11/2006 17.00	16.75	17.00	15.52%		scotiamanagedcompanies.com
Paramount En. Tr	CA:PMT.UN	TSX	12/20/2004 16.44	15.29	16.00	15.70%		paramountenergy.com
Peyto Energy	CA:PEY.UN	TSX	7/18/2003 8.75	19.55	Hold	8.59%		peyto.com
Shiningbank	CA:SHN.UN	TSX	1/2/2003 15.15	16.94	17.00	16.29%		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 10/03/06 U.S. \$	Downside Buy Price	Div 10/03/06	Target	Web Site
Bema Gold	BGO	AMEX	6/6/2002 1.06	4.17	4.00	n/a		bema.com
Coeur d'Alene	CDE	NYSE	9/2/2003 3.19	4.35	4.05	n/a		coeur.com
Mines Mgmt	MGN	AMEX	5/13/2005 4.50	5.01	5.00	n/a		minesmanagement.com
Taseko Mines	TGB	AMEX	7/24/2006 2.40	2.04	2.00	n/a		tasekomines.com
US Gold Corp	USGL	OTCBB	9/9/2005 1.70	4.58	5.00	n/a		usgold.com
Yamana	AUY	AMEX	4/14/2005 2.90	8.51	8.00	n/a		yamana.com
Canadian Dollars								
Laramide Res.	CA:LAM	TSX	3/16/2006 5.20	5.53	5.10	n/a		laramide.com
UTS Energy	CA:UTS	TSX	5/15/2006 6.50	3.49	Hold	n/a		uts.ca
Minera Andes	CA:MAI	TSX	9/11/2006 1.20	1.14	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.