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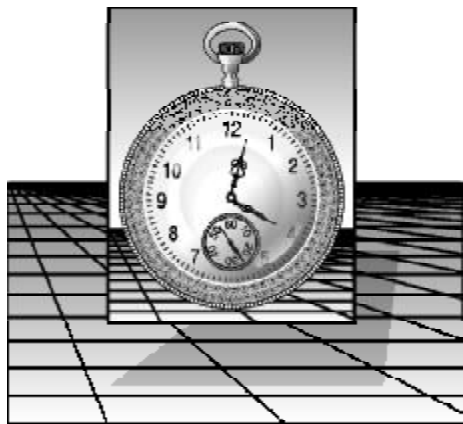
PROFESSIONAL TIMING SERVICE

Wally Foster

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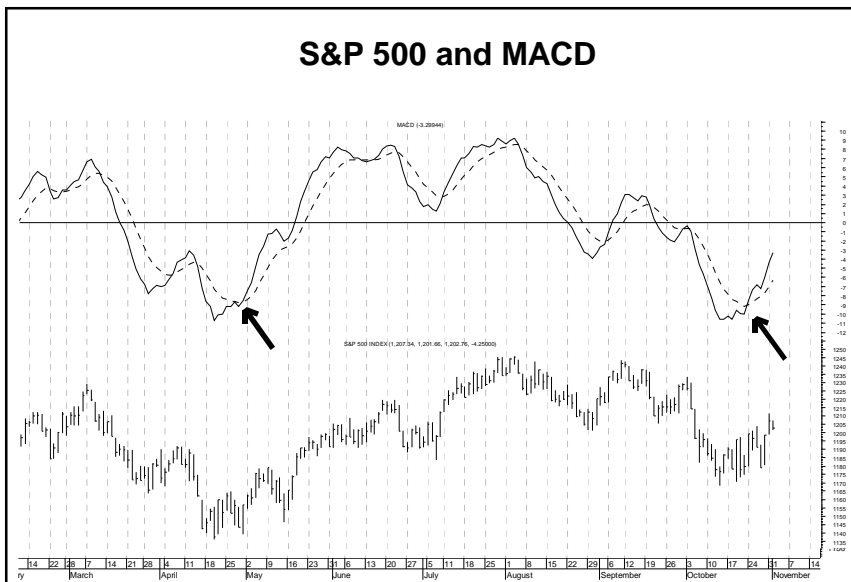
The next issue will be published November 17.

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- **If I had to pick one investment to make this month, the Pimco Commodity Fund would be it.** Page 5



www.protiming.com
 e-mail: info@protiming.com

TRADING RALLY



You should be anticipating a trading rally. The chart shows that we have a MACD buy in the S&P 500. This follows deep oversold readings in the McClellan Oscillator (which we report on the hotlines). Finally, the market has just entered its best six months of the year.

What to do with the rally.

If you have a trading bent, you might want to follow the trading signals for the Nasdaq Fast Tracker and/or Phoenix programs. I know we haven't had a signal for some time, but the models are likely to wake up now that the profit season is upon us. I caution you, however, that I am looking for a *trading rally only* - not the beginning of the next bull market in equities.

The strength we should see unfold from now to the end of the year will

give you an opportunity to clean up your portfolios. In the December letter, I will delve into what to expect during 2006; but at this point, next year looks very bearish for stocks in general and very, very bullish for commodities.

The Canadian government is getting greedy. I have talked about their discussion of taxing the income trusts, and this is probably going to happen to some degree. They already tax distributions 15% to foreign unit holders. Now they want more from everyone - including their citizens - and I think Ottawa is running a surplus.

You can recover foreign taxes paid as a tax credit on your U.S. taxes, which brings up an interesting question. Are you better off with \$100 in dividends or a \$100 tax credit? In theory, the Canadians

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.

could tax the entire dividend, and you could recover it as a tax credit on your U.S. tax return.

If one paid 50% of his income to taxes and received a \$100 dividend, he would end up with \$50 in his pocket. On the other hand, a \$100 tax credit would cover the taxes on \$200 in income. Without the tax credit, you would send 50% of the \$200 to Uncle Sam. With the credit, you keep the entire \$200, making you \$100 richer. The tax credit is worth more than the dividend. This is complicated by other issues like state taxes, the amount of the dividend that is a recovery of principal, etc.

Bottom line, the only thing you might want to consider is perhaps moving your Canadian energy trusts out of tax-sheltered accounts and into taxable accounts if the Canadians do get carried away. Bear in mind that there has not been any action taken as yet, and the opposition forces are well-financed and organized. The "Calgary underground" is on the rise.

I don't believe that the prices of the trusts have suffered over this issue. They have fallen during October, due principally to the backoff in crude oil and natural gas prices.

Weakness has brought most of the energy issues on our buy-and-hold list back to their respective downside buy prices. You should be adding to your positions at or below those prices if you feel you are under-invested in the energy sector. How much you should have invested in the trusts depends on your personal financial circumstances, but this is a good time to buy.

The idea is to make money; and so far, they have done that very well for us. There is more to come. The dollar is weakening and the Canadian dollar is moving higher. I look for eventual parity where the U.S. dollar and Canadian dollar are equal.

When we started buying the trusts a few years ago, each Canadian dollar was worth 62 cents American. Now each dollar in Canadian dividends gives us over 85 cents U.S. Thus our dividends have increased 37%, simply from currency differentials.

Many of our trusts have also increased their dividends, including **Paramount** by 9% a couple of months back. I see **Enerplus** just bumped their dividend to 42 cents Canadian, which is a 20% increase over last July. I look for more dividend increases as crude oil rises next year. Higher oil and a stronger Canadian dollar will go a long ways towards offsetting nonsense cooked up in Ottawa or by the provinces.

As mentioned, most of our energy stocks have settled back to or below their respective downside buy prices, and you should be on board now for the next energy run. Crude oil sold off to \$60.00, as expected. We mentioned on our recent hotlines that we could see \$58.00 basis December futures. Thus far, \$58.86 on October 26 is the worst we have seen. Every break under \$60 has been met with strong buying, and crude seems to be building a nice base here at \$60 in preparation for the next up move.

The chart on Page 3 shows the positive divergence and oversold readings in the RSI oscillator, as well

as deep oversold levels in MACD. MACD has just turned positive. Crude is close to its next rally.

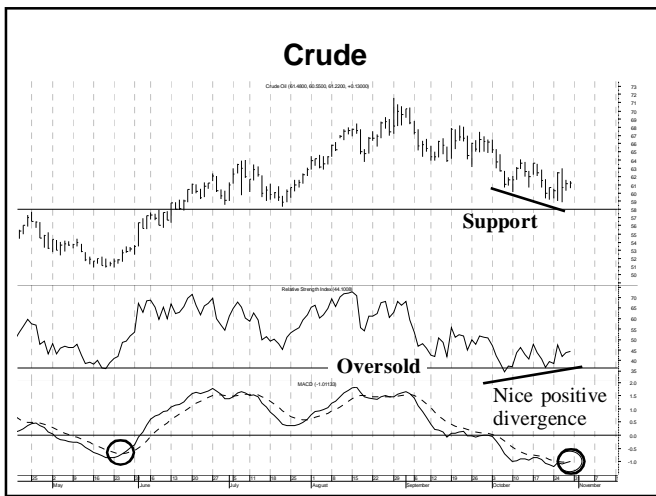
Natural gas has also settled back from highs over \$15.00 in early October. Technically, there is support just under \$11.00 basis December futures. Thus far, the low has been \$11.55 on November 1. I think the worst of the correction in natural gas is now behind us.

Sit tight on your positions and enjoy the dividends. Regardless of the impacts of any possible changes in Canada, you can't find yields like these as well as hedge a weak dollar and benefit from rising energy costs anywhere else that I know of.

The coal companies also sold off last month. Again, this seems to be an energy sector-wide weakness, not specifically a problem with coal.

Of particular interest is **Fording Coal (FDG-NYSE-\$32.02)**. It fell below our buy point of \$35.20 to a low of \$31.56 on October 28. You will see an indicated yield for Fording of nearly 18% at current prices ... but I caution you. If you go to their Web site www.fording.ca, you will see that the dividend - paid quarterly - is volatile.

The last four quarters, Fording has paid C\$0.433, C\$.433, C\$0.933, and C\$1.80. The growth here looks spectacular, but the dividend depends on the price of coal, which fluctuates. The trailing dividend then amounts to C\$3.60, or about \$3.06 U.S. at today's exchange rate. That is a yield of 9.5% at current prices. However, if you take the last dividend of



C\$1.80 times 4, you will get an indicated yield of 19.1%. You might experience something in between those two numbers.

Fording's dividend is difficult to predict and is not as consistent as what we are seeing from our oil and gas trusts. The gamble over the next couple of years is that the price of coal will soar and our dividend will be greater than we expect.

Provident (PVX-NYSE-\$10.79) has made a deal to purchase the natural gas liquids business from EnCana. The stock dipped a bit on that news, but the deal doesn't look all that bad to me. It gives Provident a bit of diversification, and I am certainly not bearish on the price of their product. Some people will feel that Provident is paying too much; but if fuel costs continue to climb (as I think they will), Provident will be just fine.

Our refiners **Valero (VLO-NYSE-\$105.81)** and **Frontier (FTO-NYSE-\$36.73)** have not hit their respective downside buy prices yet. Be patient. It is important that you buy right. Buy Valero at \$89.50 and Frontier at \$31.50.

Once the basing period in crude is complete, I expect the next up leg to take crude to \$76.00. Natural gas could well be the bigger surprise because the market for natural gas is tighter than that for crude. It is expected that Great Britain,

who has been a net exporter of natural gas due to the North Sea, will become a net importer in 2007.

One of the more surprising markets for natural gas is Saudi Arabia. The Saudis have gone to great lengths to expand services to their citizens. This involves electricity, which is principally produced by plants using natural gas. The surprising element is that the Saudis, as oil rich as they may seem, have precious little natural gas. They will be looking for sources outside the kingdom soon. There is also a growing demand in China and, of course, India.

Domestic natural gas production in the U.S. is declining by 27% a year, according to Alan Greenspan. We are, indeed, running out of cheap oil, but we are running out of cheap natural gas even faster.

There are answers, but they will be slow in coming. Coal gasification is an answer, and that is a long term benefit for both Fording and **Alliance Resources (ARLP-NYSE-\$41.69)**. Coal has a big future.

Don't get caught up in most of the alternative energy schemes you are

hearing about. Oil shale is a definite loser. Oil shale isn't really even oil until it is heated to produce the oil. The waste products you end up with take up more space than the stuff you dug up to begin with - big problems.

Other energy negatives are ethanol and hydrogen. When all the factors are added up, it simply requires more energy to produce them than you get back. Ethanol is a particular peeve of mine. In Montana, we have what is called "oxygenated" gasoline from November through May. My gas mileage drops through the floor once I begin using the winter blend - perhaps as much as 20%. Where is the advantage in that!

The real answer to making hydrogen viable is an abundant and relatively inexpensive source of electricity. That means nuclear.

I have looked into the uranium and nuclear issue.

Yes, there are investment opportunities there, but I like what we are doing better - at least at this point. It is not my job to identify every possible energy investment. Rather, I feel it is my job to steer you to what I see as the best ones.

Alternative energy, including nuclear, solar, wind power, etc. are all too darned far off. Solutions that will have a significant impact in keeping prices in check just aren't near enough. Even opening up the Alaskan reserve and allowing offshore exploration is too little, too late. It takes 10 years to get a field into full production. We don't have that much time. Alternatives will

eventually come to the fray; but in the meantime, conventional energy prices are going much higher. You need to be on board for the ride.

The world is demanding and pressuring the supply of all non-renewable resources. Energy is simply at the base of the pyramid. Nothing happens without energy. We can then move on to copper, steel, lead, as well as concrete. It takes an incredible amount of natural gas to produce concrete.

We hear about how Asia is going to go into a recession. I have said they may cool off a little; but to paraphrase Dow Jones news, if they cool off at all, they will cool off from white hot to red hot. China chimed in with another decent quarter of late posting GDP growth of 9.5%, and their retail sales grew by 12%. India is in the game also. Now Japan seems to be coming alive again.

Don't be so arrogant as to think they can't grow if we have a recession. We will likely fall into recession in 2006, but Asia will be growing within itself by then. Any loss in U.S. sales can easily be made up by their internal growth.

This evolving economic independence in Asia is also going to have a negative impact on the U.S. dollar. It is no secret that Asian central banks are subtly diversifying away from U.S. dollar investments. They are not foolish.

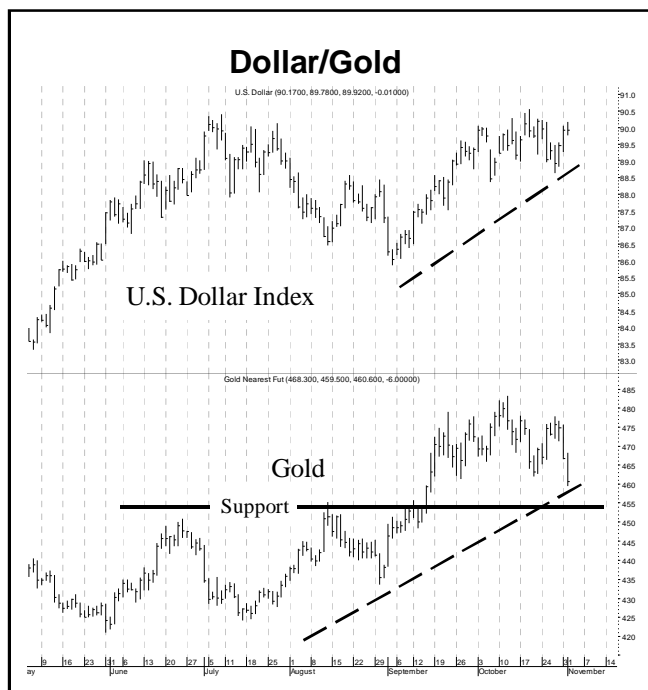
This is one reason we are seeing gold do as well as it has during the late stages of the dollar's rally from

lows set last September. There is still an inverse relationship between gold and the dollar; but this time around, gold is leading.

Gold has held up better than expected. I have been talking about the correction off the October highs pulling gold down to \$455. So far, it seems stubbornly strong. Nevertheless, the correction in gold doesn't look final from a technical standpoint. We often see seasonal lows in November, so there is likely more time before the lows are in.

Recently, **Goldcorp (GG-NYSE-\$19.82)** hit its buy price at \$17.75. Goldcorp is a must in any gold portfolio. In my estimation, they are the best major producer on the planet. I have updated the buy-and-hold list, but most of the buy prices remain unchanged. Even so, several of the juniors on the list are quite close.

Of the juniors, I still have to favor **U.S. Gold Corp. (USGL-OTCBB-\$2.22)** and **White Knight Resources (WKR-TSX-\$1.55)**. With U.S. Gold Corp., if you don't have any, buy some under \$2.00. Then reserve some money to hit it again if given the chance at \$1.70. White Knight should be purchased at C\$1.30 or less. Be patient.



Incidentally, subscribers report that they like to use www.tsx.com, the Canadian exchange Web site, for quotes on their Canadian stocks. Take a look. You can save a list of your favorite stocks, and keep a portfolio as well.

I calculate the Annual Asset Allocation Model - AAAM- at the end of every October, and this year's calculation came as no surprise. The model says the best mega asset class to invest in is tangibles/commodities. This is where you will find the best rewards and the lowest risk.

The key element to your investment strategy should be to avoid financial assets in favor of tangibles. The only stocks or bonds that you should own must be those that are advantaged by rising commodity prices.

Our energy stocks and precious metals positions qualify ... but you must not be myopic about this.

Again, there are other investments that qualify, and I am going to show you those I like best.

If you have other investments - as I expect you do - just be sure they qualify under the AAAM's guidance. Be sure they are driven by higher commodity prices. If not, use the coming trading rally to get rid of them.

A good way to add a diversified commodity position to your portfolio is by investing in **Blackrock Global Energy and Resources (BGR-NYSE-\$25.07)** and the **Pimco Commodity Real Return Strategy Fund (PCRBX-\$16.11)**. These make a nice combo. They both are tilted toward energy, but they will give you a broad exposure to higher commodity prices in general.

The Pimco Fund invests in Treasuries of various types and then puts them up against commodity contracts designed to follow the Dow-AIG Commodity Index. You can follow the index with the symbol AIGY at www.futuresource.com.

The Treasuries provide fund holders with a yield as well, and there are no better bond experts than Bill Gross and the folks at Pimco. The yield will depend a little on which class of shares you buy, but the yield is indicated at about 10%.

Don't get all tied up on that return. I expect the dividend is going to be a bit unpredictable, but I expect it to be decent nonetheless.

You can also buy "D" shares through Scottrade, and they are "no-load" if you hold them for the required periods of time. If you are a Scottrade customer, check out the mutual fund rules thoroughly before you buy in order that you understand how their mutual fund program works.

I don't anticipate any problem qualifying for the holding period. If you haven't already, buy some shares at \$16.50 or less. If I had to pick one investment to make this month, the Pimco Commodity Fund would be it.

There are those who are trying to play down the emerging bull market in commodities. They want to tell you that the Asian economic growth is not sustainable and that a recession in Asia will kill commodity prices. They offer all sorts of excuses; but as the geophysicist Marion King Hubbert (of Hubbert's Peak fame) said, "Our ignorance is not so vast as our failure to use what we know."

It should be evident by now that a commodity bull market has begun, from lows set during 2000-2001. In this vein, I found the following comments from Chuck Butler at Everbank www.everbank.com appropriate and interesting:

"Over the past 200 years, commodities had five secular bull-markets between the following periods:

- 1st boom - 1823-1838 (15 years)*
- 2nd boom - 1848-1865 (17 years)*
- 3rd boom - 1878-1918 (40 years)*

- 4th boom - 1929-1950 (21 years)*
- 5th boom - 1963-1980 (17 years)*

The shortest bull market lasted 15 years whilst the biggest commodity boom went on for a monstrous 40 years! The current bull market is only 4-5 years old. So ... As I've said before... Historically speaking, this bull market in commodities still has a long way to go!

I can't end a conversation about commodities without mentioning the Canadian loonie! Yesterday, the Bank of Canada's (BOC) Gov. Dodge told the Senate Banking Committee in Ottawa that more rate increases will be needed to control inflation driven up by energy prices. I loved this quote.... 'In future, there will be increasing pressure on inflation, and we have to act now to prevent inflation from going up.'

Well ... the loonie really got some wind in its sails after that speech, and it has climbed back above the 85 cent level. It looks like it wants to push the envelope on 86 cents again..." Well said!

If you are receiving our letter through the U.S. Postal Service and don't need a paper copy in the mail, I would appreciate your letting me know. Those of you with current e-mail addresses in your profile are e-mailed an announcement and link when the letter is published on our Web site. This is done on the same day we take the letter to the printers, so online readers have the letter before the ink is even on the presses - days before the "snail" mail gets it in your mailbox.

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 .85. 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 11/01/05			Target	Web Site
			Price 11/01/05	Div.	Downside Buy Price		
Enerplus Resources	ERF-NYSE	4/20/01@\$18.00	\$41.55	10.22%	\$39.75		www.enerplus.com
Peyto Energy	PEYUN-TSX	7/18/03@\$C8.75	C\$24.75	5.82%	C\$29.50		www.peyto.com
Primewest Energy	PWI-NYSE	2/07/03@\$17.00	\$27.74	11.07%	\$27.50		www.primewestenergy.com
Provident Energy	PVX-AMEX	6/16/03@\$7.50	\$10.79	11.34%	\$11.10		www.providentenergy.com
Shiningbank	SHNUN-TSX	1/02/03@C\$15.15	C\$23.42	11.78%	C\$23.05		www.shiningbank.com
Suncor Energy	SU-NYSE	2/07/03@\$16.8	\$53.85	0.38%	\$52.90		www.suncor.com
Anglogold	AU-NYSE	2/25/03@\$32.00	\$39.49	n/a	\$36.05		www.anglogold.com
ASA Ltd.	ASA-NYSE	11/19/02@\$31.00	\$45.55	0.88%	\$39.95		www.asaltd.com
Goldcorp	GG-NYSE	8/15/03@\$13.00	\$19.82	0.91%	\$17.75		www.goldcorp.com
Newmont Mining	NEM-NYSE	9/05/03@\$39.10	\$42.53	0.94%	\$40.00		www.newmont.com
Barrick Gold	ABX-NYSE	1/05/03@\$22.85	\$25.04	0.88%	\$26.05		www.barrick.com
Baytex Energy	BTEUN-TSX	05/18/04@C\$11.90	C\$15.43	11.67%	C\$16.50		www.baytex.ab.ca
Alliance Res. Part.	ARLP-OTC	9/29/04@27.98	\$41.69	8.00%**	\$40.50		www.arlp.com
Fording Coal	FDG-NYSE	11/16/04@22.74	\$32.02	8.00%**	\$35.20		www.fording.ca
Paramount En. Tr.	PMTUN-TSX	12/20/04@C\$16.44	C\$19.76	14.57%	C\$20.10		www.paramountenergy.com
Pimco Comod RR Str Fnd	PCRBX	3/02/05@\$15.95	\$16.11	10.94%	\$16.50		www.pimcofunds.com
Valero Energy	VLO-NYSE	4/26/05@\$73.25	\$105.81	0.38%	\$89.50		www.valero.com
Blk Rk Glb En & Res	BGR-NYSE	8/03/05@\$25.99	\$25.07	5.98%	\$24.95		www.blackrock.com
Frontier Oil	FTO-NYSE	8/03/05@28.75	\$36.73	0.44%	\$31.50		www.frontieroil.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.com, and www.arlp.com.

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

Company	Symbol/Exchange	Initl. Recom. Date & Price	Price 11/01/05	Downside Buy Price	Target	Web Site
Coeur d'Alene	CDE-NYSE	9/2/03@\$3.19	\$3.72	\$3.45		www.coeur.com
Western Silver	WTZ-AMEX	9/2/03@\$3.50	\$8.10	\$8.10		www.westernsilvercorp.com
American Bonanza	BZA-TSX	10/2/02@C\$0.60	C\$0.465	HOLD		www.americanbonanza.com
Ivanhoe Mines	IVN-NYSE	6/4/04@\$6.00	\$7.71	\$6.90		www.ivanhoe-mines.com
International Wayside	WGM-TSX	4/26/04@C\$1.40	C\$0.28	HOLD		www.wayside-gold.com
Novagold Resources	NG-AMEX	12/8/04@6.50	\$8.37	\$7.30		www.novagold.net
Yamana Gold	AUY-AMEX	4/14/05@2.90	\$3.85	\$3.60		www.yamana.com
Mines Management	MGN-AMEX	5/13/05@\$4.50	\$6.40	\$5.00		www.minesmanagement.com
White Knight Res.	WKR-TSX	7/20/05@C\$1.25	C\$1.55	C\$1.30		www.whiteknightres.com
U S Gold Corp.	USGL-OTCBB	9/9/05@\$1.70	\$2.22	\$1.70		www.usgoldmining.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 .85 to 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.

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