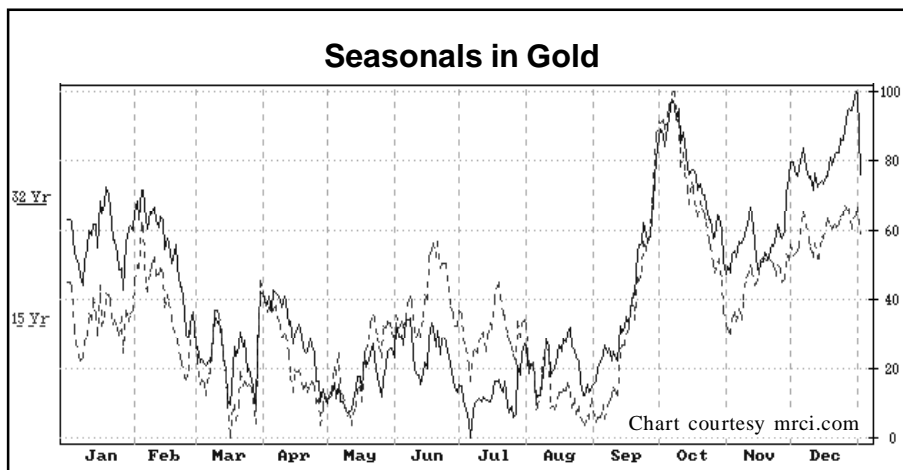


PROFESSIONAL TIMING SERVICE
Wally Foster
 9150 AVEAN • MARKET REPORT PUBLISHED 28 TIMES A YEAR • P.O. BOX 2483, MISSOULA, MT 59807 • (406) 845-4131

The Beginning of the Beginning for Gold



The next issue will be published November 15.

Above is a chart showing the seasonal tendencies in gold prices. There is a little difference between the dashed line, which represents the last 15 years, and the solid line that represents the last 32 years. However, other than the July-August lows, the pattern is pretty similar.

- Agnico-Eagle Mines.

Page 2

- Don't let near term aberrations in prices fog your long term outlook.

Page 3

- Blindsided in Canada.

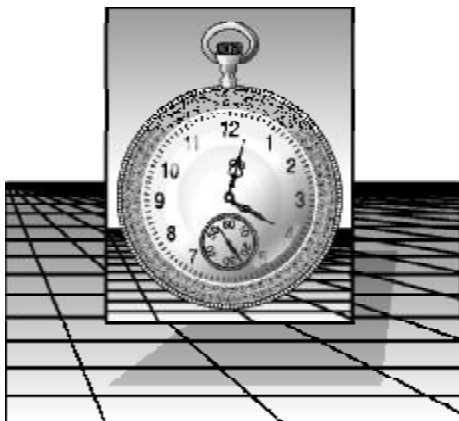
Page 5

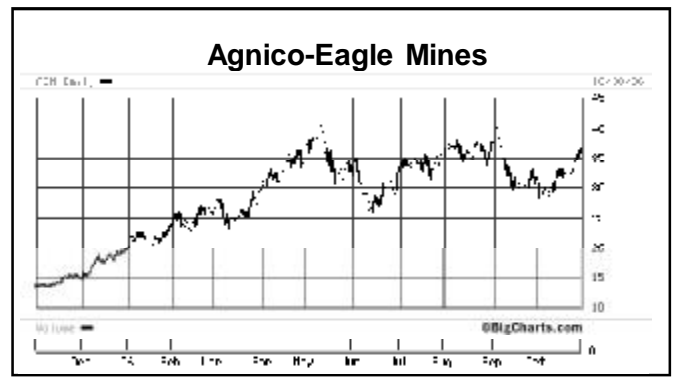
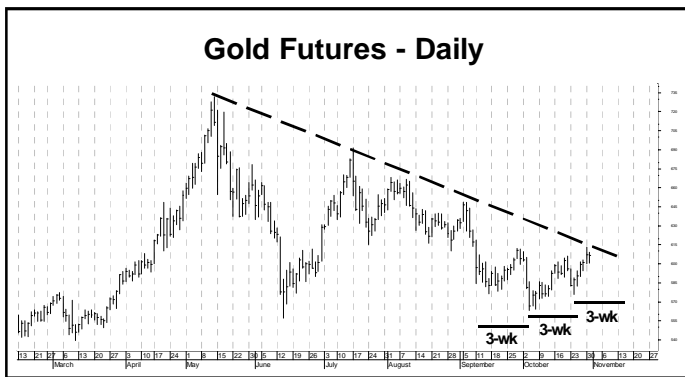
It is important that you use this only as a guide since the lines represented portray the “average” for the two respective time frames. As you know, the “average” seldom happens. This method is a splendid guide, but it is not a reliable timing device in its own right.

Our focus should be on the November time period. Note that the 30-year average and the 15-year average show lows in early November, followed by a strong rally. The 32-year time frame shows a second low later in November as well. I think it is a mistake to try and force the current situation into this mold too tightly. It is enough that there tends to be a significant low in gold during November, and prices have fallen for the last few months.

There is sometimes confusion over the difference between cyclical lows and seasonal lows. What are represented in the chart are seasonal patterns. These are patterns that prices tend to follow during the calendar year. Cyclical lows and highs - which I often refer to - are periodic tendencies for prices to mark highs and lows as they zigzag along in time.

For example, gold will tend to put in a low every three weeks. This is, mind you, a propensity only. The problem with cyclical patterns is that they often misbehave. Suddenly, there is a two-week low and then not a low for four weeks; but on average, you will see a low every three weeks.





Cyclical patterns, like seasonal patterns, will differ from commodity to commodity or stock to stock. It is a bit of an art to make the fit sometimes. Nevertheless, cycles can be helpful, and they can improve your returns and keep you out of trouble if you take the time to study them. The next three-week low is due in mid-November, and then you should expect the rally shown on the seasonal chart (Page 1) into highs next year.

Bottom line, the correction in gold is over, and you should be set now for the next gold rally. We may see one more spate of weakness soon - and thus last chance buying opportunity - but the next major move in gold will be up.

I added **Goldfields** to our list of major gold investment candidates in the October letter. Our buy price of \$16.00 has not been reached as yet. On the October 31 hotline, I announced that we were withdrawing this recommendation. There are two reasons - one fundamental and another technical. Fundamentally, Goldfields has been encountering some problems concerning their production and cost control because of currency translations. More important, though, is that the stock is not responding to the current strength, and that is definitely a bad sign. Consequently, I am removing the recommendation and am replacing it with something better.

I am adding **Agnico-Eagle Mines** (AEM-NYSE-\$36.97). Its performance has been impressive in the rally of late. I would buy a little here under \$36.00 and pile it on if you see it at \$33.00 or less. I consider Agnico-Eagle a major player, but I believe that the big money during the next leg of the gold market is going to be made in the juniors. We have several on our buy-and-hold list. They are all potential buys this month at their respective downside buy prices.

In particular, **U.S. Gold Corporation** (USGL-OTCBB-\$4.92) still rates high on my personal list of favorites. Buy U.S. Gold under \$5.00. **Taseko Mines** (TGB-AMEX-\$2.56) is looking very enticing if bought under \$2.40. Another excellent smaller mining company that is looking great technically is **Yamana** (AUY-AMEX-\$9.91). If you don't own any, buy some under \$9.00.

The juniors are, indeed, more speculative, but they are better speculations than buying options. **Minera Andes** (MAI-TSX-C\$1.12) at this price beats an option play 100 to 1, and it won't likely expire. Don't get carried away. You can get quotes on Canadian stocks at tsx.com.

Don't ignore silver. Next month, I will share the silver seasonal patterns with you; but suffice to say, silver also has a strong seasonal low in November. Silver tends to be produced as a byproduct of other mining (like copper), so silver stocks are not as easy to find as gold issues, but I expect to see silver triple or even quadruple as gold doubles.

Silver Wheaton (SLW-NYSE-\$11.00) is still high on my list; and technically, it is looking very strong. Continue to buy SLW at \$10.00 or less. Another silver play that we recently added to our list is **Silver Standard Resources** (SSRI-OTC-\$24.60). Our earlier buy price at \$18.10 has not been reached, and I am going to move that up a little and see if we can't get a few shares at the November lows. Buy Silver Standard at \$21.00 or better.

We have started our new trading program on Page 2 of the hotline with the recommendation to buy **Royal Gold** (RGLD-OTC-\$29.44) at \$24.95 or less. If the trade fills, we will have a sell/stop (do not reverse or go short on this stop) at \$22.95. This will be a trading position. If you are going to follow the trading program, you need to stay current with the hotlines. If there is a reason to adjust the buy price and/or stop, we will announce that on the hotline. If we see the precious metals back off toward their November lows, I will add more trades to the list. We are still holding our 25% position in the **Rydex Gold Fund**, which is an index fund representing the XAU. We will be adding to it this month, so stay tuned. I am looking for a drop in the XAU to 126.00, which will set up the next entry.

Charles Maxwell likely knows more about oil than literally anyone else on the planet. He sees production from the major independent oil producers declining over the next several years. He estimates Exxon will peak in 2011, Total South Africa in 2012, ConocoPhillips in 2013, Marathon in 2009, Royal Dutch in 2009, and Hess in 2010. These are all within the next two to five years!

Maxwell goes on to say in a recent *Barron's* interview, "In 1930, we found 10 billion new barrels of oil in the world, and we used 1.5 billion. We reached a peak in 1964 when we found 48 billion barrels and used approximately 12 billion. In 1988, we found 23 billion barrels and used 23 billion barrels. That was the crossover when we started finding less than we were using. In 2005, we found about 5 to 6 billion, and we used 30 billion. These numbers are just overwhelming."

Don't let near term aberrations in prices fog your long term outlook. These companies are all independent producers. Most of the world's oil - 75% of it - is produced by national oil companies (NOC's.) They tend to be underfinanced and poorly managed, suffer a shortage of skilled managers and workers, and thus are extremely inefficient. Essentially, the local despot sucks up all the money and uses it for other intents. Little is reinvested. The NOC's are also peaking.

Oil peaking does not mean we will be out of oil any time soon. It does mean that we are going to see oil become more and more expensive in the future.

The entire commodity market has been suffering a correction since this summer. This has been more a matter of speculative mistakes than too much supply. Nothing fundamentally has changed. There is an excellent piece posted on www.321energy.com on October 30 by Ferdinand E. Banks titled "More Facts and Fictions About the World Oil Scene." The article addresses many of the things you are hearing from the media lately. Bottom line, higher oil prices.

The truth is that we will be seeing production of not only crude oil but virtually all raw materials peaking over the next several years. Ian Cockerill, CEO of Goldfields, says global gold production will fall 1% to 1-1/2% annually as new gold mining projects fail to replace declining production at existing mines.

A recent report from Morgan Stanley suggests that the commodity "super cycle" is not over and that prices will rise in the face of production shortages next year. Their report said that global supplies are three to five years behind demand, and supplies may test their record lows during 2007 - pressuring prices. They also believe that "the all-important role of China, given its rapid economic expansion and its ravenous appetite for raw materials, is unlikely to change."

Commodities - at least non-renewable commodities - are going to become more scarce and difficult to extract in the future. That alone will force prices higher. Furthermore, as the U.S. dollar falls in value, this process will be magnified.

China will not go away. Indeed, they will only become more significant. I was told there are 400 million "peasants" sitting at the edge of the cities ready to enter the work force. That amounts to the entire U.S. population plus a third, and all of these new inductees to the world economy will become consumers of everything.

The *Economist* magazine reports, “A sharp slowdown in the American economy could be offset by the growing and largely unrecognized power of Asia’s consumers.” Part of the recent correction in commodities has been fueled by the mistaken idea that the American economy is the core of the global economy, and if it cools off, the demand for commodities will diminish. However, according to the *Economist*, the U.S. consumer makes up only 13% of global real GDP, and the idea that China’s growth is export driven is a myth. They claim that the bulk of Asia’s growth is domestically driven and that the American share of total exports has fallen since 1999 from 34% to 20%.

Bottom line, folks, the commodity bull market is about to find its second wind. The U.S. dollar is key in all of this. A lower dollar equals a lower petro dollar, which results in less demand for Treasuries, which leads to higher interest rates. Perhaps the greatest bubble of all time will be recognized as the dollar bubble we are now experiencing. This is not as much a bubble of price as it is a bubble of blind faith.

“The dollar deserves the faith it gets because otherwise, it loses that faith. Dollars are bought so they don’t have to be sold” says Gabor Steingart of Der Spiegel. He goes on to comment, “Everyone knows how dangerous the game is, but continuing to play it strikes them as less dangerous than quitting.” I think we all understand the dollar illusion. The problem we face as investors is that a decline in the value of the dollar can only be postponed. It cannot be avoided. We sit with the world’s central banks awash in dollar reserves, which are growing by the hour.

This reminds me of the late 1960’s when the celebrity institutional money managers (Gerry Tsai, etc.) owned huge positions in the nifty fifty stocks, the king of which was IBM. I had visions of these guys having lunch at their favorite haunt and, while looking around the table at each other, silently thinking, “who will be the first to sell the IBM?”

So it is with the dollar. The winner is the first to sell since he is the one who avoids the avalanche, but also the one who starts it. It may appear that selling is akin to shooting yourself in the foot, and one hates to be the spoiler for the rest. It will happen at some point. Keep your eye on the dollar.

The Fed will have to continue to raise rates if they want to keep the dollar from falling. If they prop the dollar with higher rates, the looming recession will exacerbate and, perhaps, begin to spin out of control. The goal is a soft landing, but that is unlikely having only been accomplished once before. Bottom line, unless you think your dollars are going to gain in value over the next 10 years, don’t listen to the commodity bears.

The stock market has something to do with the commodity correction as well. There are some 8,000 hedge funds today. The typical hedge fund investment strategy is to chase the latest hot sector in an attempt to chase one another’s performance. Chasing strength, they bought the commodity sector early this summer. Then commodities corrected, and they are now selling out and putting the money in stocks just as stocks are hitting overbought readings. This all generates management fees, but little in the way of prudent investment. Perhaps hedge funds are the ultimate “crowd.”

A good deal of the dynamics in the recent commodity correction was caused by investment mistakes, not by imbalances in supply and demand. The supply/demand imbalances continue on the long term, regardless of short term trading aberrations. Your job, as an investor, is to anticipate rather than follow.

The best six-months period for the stock market is slated to begin on the first of November. However, we have not pulled the trigger on switching out of the Rydex short funds and going long. The mad dash out of commodities this summer has upset the timetable a little here. I have written in the past about Sy Harding’s tweaking of the timing for this seasonal trade by using MACD. As we stand presently, MACD is closer to generating a major sell than a buy. Hence, we will sit on our worst six-month position a little longer, and the timing of the next switch will be announced on the hotline.

It is time to look at our Annual Asset Allocation Model. The model is still telling us that tangibles - that is, commodities and those investments driven by higher commodity prices - will give us the best return versus risk for the next year. That is not to say that stocks cannot be profitable, but that the easy money will be in tangibles. I do have a caveat. Some of the elements involved in the calculations were unusually close this year, and I will recalculate the model at the first of the year to see if it confirms the current readings. Until we see the model make a change, I recommend that you continue to concentrate on tangible assets.

Blindsided By Canada!!

The future for crude and natural gas is bright. The price of energy is going to go a lot higher. As we were about to take this letter to publication, the Canadian market was blindsided by an announcement from Ottawa that the Canadian government intends to tax the income trusts. The dust has yet to settle on this issue, but the impact is not bullish - especially for U.S. investors that are taxed 15% on distributions already.

The changes are billed as "proposed," so this is not necessarily a done deal. However, the announcement will definitely panic the market, and investors will tend to shy away from the trusts in the future. The proposed changes are principally directed at newly formed trusts, and they will include a "phase in" for older trusts. Primewest, for example, will not be affected until 2011. Nevertheless, weakness has hit the entire group this morning.

I believe this could negatively affect Canadian oil and gas production in the future if the proposal is put into effect. The very surprise nature of this announcement is more akin to what one would expect from a third world country, and it is bound to tarnish the credibility of the Canadian capital markets for some time to come.

My advice is not to panic.

Keep up with the hotline as I will be monitoring the situation as it progresses. There is a surprising lack of details at this point, and it is prudent that we put the Canadian trusts on hold for the time being until we see what comes of this. There will be some panic selling, but yields will still be generous. This will likely provoke a fierce political fight as well. There are powerful lobbies both in the trust industry and for stockholders, many of which depend on these dividends for their retirement. I see a battle looming.

The issue could lead to a new government in Ottawa. The only thing I can see that this seems to help is government revenue, and there is already a surplus. Since unit holders pay a tax on the income when it is received, it is debatable how much the Canadian government will gain in any event. If it is the proliferation of trusts that is the problem, a better solution would be to be more stringent on who can form an income trust. It is a little suicidal to put your existing capital market behind the eight ball.

For now, don't add to your positions in weakness, and see what develops in the next day or so. I will update this unpleasant state of affairs in the hotlines.

I am inclined to think that those trusts with a four-year hiatus may be very attractive at depressed prices. However, without knowing more on how this might work out, my advice is not to do any further buying. Hang on and let's see what comes of this.

Incidentally, I have been invited to speak on November 16 at the New Orleans Investment Conference. Perhaps I will see some of you there.

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 .89. 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 10/31/06	Downside Buy Price	Div 10/31/06	Target	Web Site
U.S. \$									
Agnico-Eagle	AEM	NYSE	Buy at	36.00	36.97	36.00	0.08%		agnico-eagle.com
Alliance Res	ARLP	OTC	9/29/2004	27.98	35.61	34.00	5.62%		arlp.com
ASA	ASA	NYSE	11/19/2002	31.00	59.80	55.00	0.67%		asaltd.com
Barrick Gold	ABX	NYSE	1/5/2003	22.85	31.00	28.00	0.71%		barrick.com
Baytex Energy	BTE	NYSE	5/18/2004	9.00	21.69	HOLD	8.74%		www.baytex.ab.ca
Black Rock	BGR	NYSE	8/3/2005	25.99	26.73	24.10	5.61%		blackrock.com
Canetic Energy	CNE	NYSE	4/19/2006	22.25	17.72	HOLD	13.70%		canetictrust.com
Enerplus	ERF	NYSE	4/20/2001	18.00	54.30	HOLD	8.25%		enerplus.com
Fording Coal	FDG	NYSE	11/16/2004	22.74	25.42	HOLD	8.00%*		fording.ca
Frontier Oil	FTO	NYSE	8/3/2005	14.38	29.40	24.00	0.41%		frontieroil.com
Gabelli Glb. Gld.	GGN	AMEX	1/3/2005	22.10	23.40	21.00	7.18%		gabelli.com
Goldcorp	GG	NYSE	8/15/2003	13.00	26.28	HOLD	0.68%	28.50	goldcorp.com
Headwaters	HW	NYSE	3/10/2006	36.30	24.75	18.00	n/a		headwaters.com
Mkt. Vect., ETF	GDX	NYSE	9/11/2006	37.00	37.96	34.00	n/a		n/a
Pimco Comod Fund	PCRA	PCRA	3/2/2005	13.97	14.38	HOLD	1.20%		pimcofunds.com
Primewest	PWI	NYSE	2/7/2003	17.00	25.57	HOLD	10.35%		primewestenergy.com
Provident En.	PVX	AMEX	6/16/2003	7.50	11.95	HOLD	10.63%		providentenergy.com
Silver Standard	SSRI	OTC	Buy at	21.00	24.60	21.00	n/a		silverstandard.com
Silver Wheaton	SLW	NYSE	3/10/2006	8.40	11.00	10.00	n/a		silverwheaton.com
St. Trs. Gold, ETF	GLD	NYSE	9/11/2006	58.85	60.24	55.00	n/a		n/a
Valero	VLO	NYSE	4/26/2005	36.63	52.33	47.00	0.61%		valero.com
Canadian Dollars									
Energy Split II	CA:EN	TSX	9/11/2006	17.00	17.20	HOLD	15.12%		scotiamanagedcompanies.com
Paramount En. Tr	CA:PMT.UN	TSX	12/20/2004	16.44	16.77	HOLD	14.31%		paramountenergy.com
Peyto Energy	CA:PEY.UN	TSX	7/18/2003	8.75	22.09	Hold	7.61%		peyto.com
Shiningbank	CA:SHN.UN	TSX	1/2/2003	15.15	19.69	HOLD	14.02%		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 10/31/06	Downside Buy Price	Div 10/31/06	Target	Web Site
U.S. \$									
Bema Gold	BGO	AMEX	6/6/2002	1.06	4.33	4.00	n/a		bema.com
Coeur d'Alene	CDE	NYSE	9/2/2003	3.19	4.90	4.05	n/a		coeur.com
Mines Mgmt	MGN	AMEX	5/13/2005	4.50	6.40	5.00	n/a		minesmanagement.com
Taseko Mines	TGB	AMEX	7/24/2006	2.40	2.56	2.40	n/a		tasekomines.com
US Gold Corp	USGL	OTCBB	9/9/2005	1.70	4.92	5.00	n/a		usgold.com
Yamana	AUY	AMEX	4/14/2005	2.90	9.91	9.00	n/a		yamana.com
Canadian Dollars									
Laramide Res.	CA:LAM	TSX	3/16/2006	5.20	7.00	5.50	n/a		laramide.com
UTS Energy	CA:UTS	TSX	5/15/2006	6.50	4.47	Hold	n/a		uts.ca
Minera Andes	CA:MAI	TSX	9/11/2006	1.20	1.12	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 .89 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.