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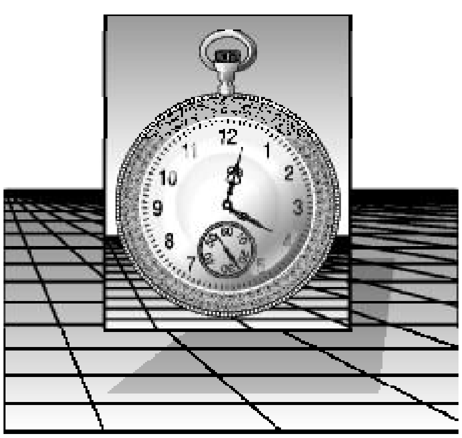

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GOLD

Where is that seasonal high?

We had ample opportunity to buy gold in August as the bullion and stocks dropped to their normal seasonal lows. Our letter that month made no bones about the buying opportunity, with its headline "August – A Month for Buying Gold."

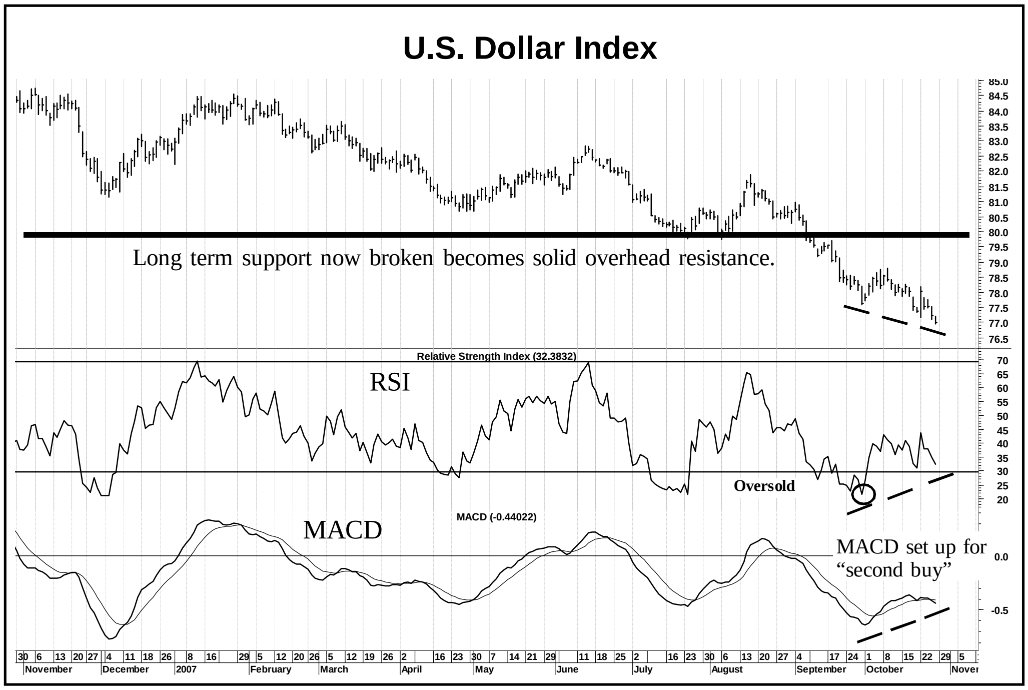
By September, gold and the mining shares had launched into a splendid rally, as expected. The next seasonal point for precious metals is usually a high in October followed by a nice correction down into November. Then an even stronger rally traditionally begins taking prices higher into the first quarter of the next year. So, here we are. Where is that October high, and what's next?

Surprises in the commodity markets will be on the up side. There are simply too many bullish factors underpinning the gold market to bet against higher prices. That is one reason we warned investors to not sell their metals positions. We told investors to hang on, steel their resolve against the bears, and wait for weakness before buying more. Tardy or not, I still believe we will see a correction in the metals soon.

The reason for the current seasonal anomaly is rooted in the dollar. As the dollar falls, gold will rise - and that relationship is cast in stone. Recently, there have been plenty of reasons for the dollar to make new, all-time lows; and in that respect, gold is lagging. It has yet to make an all-time high. The principal reason for the dollar's current fragility is the Federal Reserve's move to lower interest rates. Lower rates have worked to make an already unattractive U.S. dollar even less attractive.

I saw an article recently about Jimmy Rodgers divesting all of his assets out of the dollar. This fellow is one of the most astute investors on the planet, and he has had a long history of success in these matters. He should not be dismissed lightly. Bottom line, Mr. Rodgers is looking for the dollar to fall significantly lower from here and for the commodity bull market to extend "at least until sometime between 2014 and 2022." This agrees with our Annual Asset Allocation Model which is sticking to its preference for real assets. His current investment of choice is the Chinese yuan. He feels that the Chinese currency will triple or quadruple against the dollar over the next 10 years or so.

Frankly, I think the Fed is on board with a weaker dollar. They just don't want to see a rout. As long as the dollar suffers a decent and orderly



lynching, they are all for it. The Fed got the dollar bear rolling again once they began cutting interest rates in August. It is interesting that this new "dollar killer" policy of lower interest rates also coincided with the beginning of the most recent gold rally.

Throw in a few central banks around the world who are tired of holding too many depreciating and low-yielding U.S. dollars, along with some geopolitical uneasiness in Turkey and Iran, and the recipe calls for the dollar to fall at least another 25%.

It is time to patiently hold your precious metals and take stock of the overall situation from a technical perspective. The dollar is quite oversold, as you can see on the chart above. In late September, the Relative Strength Index (RSI) oscillator hit a deeply oversold reading of less than 22. MACD reached oversold levels not seen since last December. A feeble, one-week rally resulted, but the dollar then promptly broke to new lows again.

The important aspect of this is that RSI and MACD have not confirmed the late October lows in the dollar. I don't want to dwell on too many technical matters here, but these two indicators alone are issuing sufficient warning that you should be looking for a trading rally - an upside correction to this most recent decline. I don't look for it to be a big deal. The Dollar Index could perhaps move as high as 80.00, basis the December futures contract. That is where long term support was for many years; and once support is broken, it then becomes overhead resistance. Frankly, I look for something more in line with the dollar's bounce in early August.

It is not so important how high the dollar moves in its next correction. The important thing for us is that as the dollar moves up, digesting the latest decline, gold and silver will fall back while traders lock up profits from the August-October move. Just because the seasonal high has not come in on time this year does not mean it will not show up late.

If you were to look at a chart of gold (not shown), you would see the inverse of the picture of the dollar. Prices are making new highs, but these highs are not being confirmed by RSI or MACD. A seasonal high is due, and we are long in the tooth in terms of cyclical movements as well. The 13-week high (a dominant trading cycle) is well overdue.

Simplicity, our favorite guide to timing the best time to buy and sell gold mining shares, is sitting at 4.30 currently, but it has started an up trend after posting a low at 4.21 earlier in October. In the past, buying the XAU when Simplicity has been between 4.25 and 4.50 has resulted in a little better than a 65% chance of making money within the next 12 months. Simplicity reached 5.00 in August, a reading that offers a 96.8% chance of profit. I expect to see it move back up to at least 4.80 before our next buying opportunity.

The October seasonal high is late for both gold and the mining shares, but don't let that seduce you into buying here. Don't chase strength. Be patient. Continue to hold your positions, and wait.

I have a new stock to add to our buy-and-hold list - **Silvercorp Metals** (SVM-TSX-C$8.33). Officially, Silvercorp, along with its subsidiary companies and joint ventures, is engaged in the acquisition, exploration, development, and mining of precious and base metal mineral properties in the People's Republic of China. That is Jimmy Rodgers' favorite country to invest in, by the way.

Silvercorp mines silver, gold, zinc, and some copper. More interesting is that some 40% of their revenues are from producing lead. Lead trades on the London Metal Exchange, and it is difficult for most investors to follow. However, lead made a record high of $1.80 a pound recently. There can be little doubt that as electricity makes deeper inroads into the energy complex, lead for batteries and other applications will become ever more important. Solar, electric, no/low emission vehicles, etc. all call for greater quantities of lead, and China is at the forefront in world demand. Incidentally, every year, millions of Chinese e-bikes, which are battery powered, are hitting their streets. An e-bike is an interesting transportation device that the U.S. should look into.

World wide, lead production is limited and prices are strong. I expect with the occasional correction factored in along the way, lead prices will continue to move extensively higher over the next decade.

So, how do you invest in lead? It's not easy. Silvercorp is an avenue. One caveat is that although this is a Canadian company, their production is entirely in China. Jimmy Rodgers may be comfortable with that, but you should approach this with some guarded caution. Foreign governments can do surprising and unfriendly things sometimes; i.e., the Canadian Halloween trust massacre.

The price you pay for Silvercorp is important and will offset some risk. They just had a 3 for 1 split, and you can see on the chart that the stock has been strong since posting a low in August. However, if you are patient, I think you will be able to buy Silvercorp for C$6.80 during a pullback. My suggestion is to decide how much you wish to put in this stock and then accumulate a position during weakness.

You can take a closer look and delve into their specific Chinese operations at www.silvercorp.ca, and you can get a quote either at www.tsx.com with the symbol SVM or at www.bigcharts.com with the symbol CA:SVM. In either case, prices will be in Canadian dollars, which currently costs about $1.045 in U.S. dollars.

The sub prime loans and housing problems in the U.S. continue to weigh on the minds of investors, with the threat of causing a recession. The real public problem is that in the longer run, the Fed is more apt to save the banks in deference to the homeowners. The trick is for the Fed to sail the economy through the 2008 elections with as few problems as possible. This will be made more difficult by the escalating volume of adjustable rate mortgages that will be reset between now and next June. Resets projected for January at about $20 billion are estimated to peak out in May at well over $100 billion, and the majority of these are sub prime.

There is a storm coming that will lead to some grand bargains in real estate down the road. The Fed sees the storm, and I think they will keep the money spigot wide open. The banks - perhaps with some help from Congress (it will be an election year, remember) - will likely come up with some refinancing scheme. That will postpone the full effect of the problem beyond November 2008.

Bad loans and defaulting mortgages are bad enough; but with an estimated 80 million boomers lined up to begin pulling Social Security and Medicare over the next 22 years, the housing and sub-prime problems are trivial in comparison. The most serious problem is Medicare, of course. I don't see how this can continue in its present state. There will have to be a reduction in both Social Security and Medicare benefits while the government attempts to inflate its way out of these problems. The result is an ever weaker dollar and higher commodities priced in U.S. dollar terms. Got gold?

Crude oil, like gold, has been on a tear. It broke over $93 a barrel recently, and it doesn't seem to want to let up. I have been talking about $100 oil all year, and we are nearly there now. So, what's next? Crude oil is being pushed higher by many of the same forces that are responsible for the rise in gold this fall – a weak dollar, foreign unrest in the Middle East, etc. Although it is nice to say that the surprises will always be on the up side in the commodity markets, the technical picture for crude oil looks very much like that in gold and inverse to what we presented for the dollar. New highs are not being confirmed by our indicators, and it is time to sit back and wait for a correction before aggressively buying any more energy stocks.

Prices usually weaken into January in the energy sector. You need to hold your positions and wait for a better time to buy. Buy when everyone else is fearful. Be fearful when everyone else is buying. That's very good advice from the sage of Omaha. We were able to pick up our last recommendation, **Altius Minerals** (ALS-TSX-$C28.30) below our original C$18.00 buy price. That good fortune was due to having some "good 'til cancelled" orders in and taking advantage of the August panic. I recommend the same strategy for buying Silvercorp.

As energy and metals begin to correct, I will review the downside buy prices on our buy-and-hold list. For now, they can stay as they are. I will be reviewing our energy holdings once crude hits $100, and I will be looking for comparative strength and weakness. Ideally, when crude hits $100, your individual energy stocks should also be at or near highs. It will be particularly important to look at the Canadian trusts at that time. Many of you have positions we don't specifically follow, so you can do this on your own. It is not difficult.

As an example of this technique, right now **Transocean** (RIG-NYSE-$119.66) is performing admirably, and it is trading close to its all-time highs. In sharp contrast, **Kinder Morgan** (KMP-NYSE-$51.90) is lagging. In the October 25 online update, I put KMP on hold and added a sell stop at $48.40. Incidentally, any changes that look necessary between published letters will be reported on the online updates. Likely, what is holding Kinder Morgan back is uncertainty surrounding talk in Congress of possibly taxing limited partnerships. The intent of Congress is to get at the hedge funds, but they have never been very insightful in terms of understanding or investigating the unintended long range effects of their legislation on innocent parties.

Investors are concerned as to how far reaching such legislation might be if enacted. I don't know that anything has come of this yet, but such talk on the heels of the Canadian's suddenly taxing their trusts is unsettling to investors. The fact remains that KMP is not performing as it should with crude over $93, and this "comparative weakness" is the reason for the sell stop. I will announce additional stops in other issues if deemed necessary as crude moves higher. I do not recommend that you do any broad-based selling just yet, and I will have a full rundown once we see crude breach $100 a barrel.

A comparative strength and weakness analysis should also be applied to individual mining shares. I will provide a full rundown on our list of mining stocks once gold reaches a new, all-time high. The analysis needs to be applied to individual stocks - not to entire groups within a given sector. Most of the lower tier gold miners like you will find on our list of juniors have not participated in the recent gold rally. The bigger caps have done wonderfully, but riskier "option alternative" juniors have basically been sitting still.

The juniors will pick up, however. Gold, although getting some press lately, is still far from a mainstream investment. This will change, and the juniors will accelerate. Once the retail investors begin to join the party, you will be amazed at how overpriced all of the mining shares will become. The investment community has been more risk sensitive since the August panic hit the markets, and they are more inclined at this point to buy more conservative gold issues. Nevertheless, I am not worried about the lower tier gold stocks longer term.

You can flip the analysis over, of course, and look for comparatively strong issues within the lower tier group, of which **Taseko Mines** (TGB-AMEX-$5.93) is a good example. While the other juniors have languished as a group, Taseko has been very strong. I am moving their downside buy price to $4.50. Something good is happening here, and this one just may be the pick of the litter.

A comment on the stock market averages. Generally, volatility like we have been seeing is not bullish. Seeing 1% and 2% daily moves in the averages every other day in opposite directions is a warning. October gives way to November, and this marks the beginning of the best six months of the year. Nevertheless, financial assets should still be approached only on a trading basis. Palio had a nice trade from August 23 to October 22, nailing down a decent 7.5% profit. It may well re-enter the market soon; and although not all trades will be profitable, Palio is a decent guide to the intermediate to short term trend of the market. Sentiment is running high on the bullish side for the popular averages.

My advice is to approach the general market only on a trading basis. You can follow any of our trading programs to do this. The signals are reported on the twice weekly online updates. Just be sure to dedicate a given amount of money to any one program and stick with the signals. Discipline is important to be successful in a trading approach. The end of October is when we do our Annual Asset Allocation Model calculations; and this year, there is no change. The model continues to tell us that tangibles are the best place for our money on a risk-to-reward basis, and it is also telling us that financial/paper assets carry undue risk.

You can follow this approach yourself by using the Dow/gold ratio. The ratio simply compares the ultimate paper asset, the Dow Industrials, with the quintessential real asset, gold. The Dow/gold ratio peaked out in 2000 at over 43, which indicated that equities were way overpriced compared to tangibles.

As you can see on the chart from Fred's Intelligent Bear, once the ratio tops out, it will continue lower until it falls below 5. If you will simply calculate this ratio once a month, you will essentially learn everything our Annual Asset Allocation Model has to reveal. Nothing could be easier. Until we see the ratio - now at 17.5 and heading lower - break under 5, there is no need to worry about the commodity bull being over. I don't see that for another 7 to 15 years.

Courtesy Fred's Intelligent Bear, www.home.earthlink.net/~intelligentbear/

Recommended Stocks For Buy And Hold

Note: You can get quotes on Canadian stocks in Canadian dollars by using the symbols we have listed at www.bigcharts.com. Thus, if you want a quote for Peyto Energy, go to www.bigcharts.com and type in CA:PEYUN. You can approximate the price in U.S. dollars by multiplying the Canadian dollar quote by 1.045. 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 10/29/07	Downside Buy Price	Div 10/29/07	Target-T Stop-S	Web Site
					U.S. $				
Agnico-Eagle	AEM	NYSE	1/10/2007	36.00	56.20	36.00	0.21%		agnico-eagle.com
Alliance Res	ARLP	OTC	9/29/2004	27.98	39.20	39.00	5.71%		arlp.com
Apache Corp	APA	NYSE	3/5/2007	68.00	101.85	82.00	0.59%		apachecorp.com
ASA	ASA	NYSE	11/19/2002	31.00	79.20	60.00	0.76%		asaltd.com
Barrick Gold	ABX	NYSE	1/5/2003	22.85	44.06	29.00	0.68%		barrick.com
Baytex Energy	BTE	NYSE	5/18/2004	9.00	21.05	HOLD	10.47%		www.baytex.ab.ca
Black Rock	BGR	NYSE	8/3/2005	25.99	32.12	28.00	4.67%		blackrock.com
Canetic Energy	CNE	NYSE	4/19/2006	22.25	15.87	HOLD	14.67%	S = 12.00	canetictrust.com
Fording Coal	FDG	NYSE	11/16/2004	22.74	42.25	HOLD	5.81%		fording.ca
Frontline Ltd.	FRO	NYSE	1/4/2007	31.00	43.60	40.00	5.70%	S = 27.70	frontline.bm
Frontier Oil	FTO	NYSE	8/3/2005	14.38	45.09	36.00	0.44%		frontieroil.com
Gabelli Glb. Gld.	GGN	AMEX	1/3/2005	22.10	29.55	26.00	5.69%		gabelli.com
Gammon Gold	GRS	AMEX	1/4/2007	15.00	9.49	HOLD	n/a		gammonlake.com
Headwaters	HW	NYSE	3/10/2006	36.30	14.06	14.00	n/a		headwaters.com
Kinder Morgan LP	**KMP**	**NYSE**	6/8/2007	52.50	51.90	**HOLD**	6.78%	**S = 48.40**	kindermorgan.com
Kinross Gold***	KGC	NYSE	6/6/2002	2.39	19.19	12.00	n/a		kinross.com
Kinross Gold	KGC	NYSE	1/4/2007	11.00	19.19	12.00	n/a		kinross.com
Mkt. Vectors, ETF	GDX	AMEX	9/11/2006	37.00	49.84	41.75	0.92%		n/a
Nordic American	NAT	NYSE	7/26/2007	38.50	37.80	38.50	12.38%		nat.bm
Pimco Comod Fund	PCRAX		3/2/2005	13.97	15.63	14.00	5.08%		pimcofunds.com
Ship Finance Int. ##	SFL	NYSE	3/6/2007	0.00##	27.41	HOLD	8.03%		www.shipfinance.org
Silver Standard	SSRI	OTC	1/4/2007	30.00	41.88	32.00	n/a		silverstandard.com
Silver Wheaton	SLW	NYSE	3/10/2006	8.40	16.33	11.00	n/a		silverwheaton.com
St. Trs. Gold, ETF	GLD	NYSE	9/11/2006	58.85	78.12	68.00	n/a		n/a
Transocean Inc.	RIG	NYSE	1/4/2007	75.00	119.66	100.00	n/a	S = 64.50	deepwater.com
Yamana	AUY	NYSE	4/14/2005	2.90	15.00	13.00	0.27%		yamana.com
Valero	VLO	NYSE	4/26/2005	36.63	71.58	65.00	0.67%		valero.com
					Canadian Dollars				
Altius Minerals	CA:ALS	TSX	8/9/2007	17.88	28.30	18.00	n/a		altiusminerals.com
Energy Split II	CA:EN	TSX	9/11/2006	17.00	11.15	HOLD			scotiamanagedcompanies.com
Pembina Pipeline	CA:PIF.UN	TSX	Buy at	15.50	17.65	15.50	8.16%		pembina.com
Peyto Energy	CA:PEY.UN	TSX	7/18/2003	8.75	18.66	18.50	9.00%		peyto.com
Silvercorp Minerals	**CA:SVM**	**TSX**	**Buy at**	**6.80**	8.33	**6.80**	1.80%		silvercorp.ca

Ship Finance Intl. was acquired as a spinoff from Frontline on 3/6/07

!!! Frontline dividend based on regular payment of $0.625 per quarter. Extras have been paid bringing the dividend on past 12 months payments to 29.9%

**The dividends for the coal trusts depend on cash flow and the price of coal in the preceding quarter. 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 10/29/07	Downside Buy Price	Div 10/29/07	Target-T/ Stop-S	Web Site
					U.S. $				
Coeur d'Alene	CDE	NYSE	9/2/2003	3.19	3.96	4.50	n/a		coeur.com
Endeavor Silver	EXK	AMEX	7/26/2007	4.60	4.35	4.60	n/a		edrsilver.com
Taseko Mines	**TGB**	**AMEX**	7/24/2006	2.40	5.93	**4.50**	n/a		tasekomines.com
US Gold Corp	UXG	AMEX	9/9/2005	1.70	4.79	5.00	n/a		usgold.com
					Canadian Dollars				
Baja Mining	CA:BAJ	TSX	Buy at	1.50	2.22	1.50	n/a		bajamining.com
Everton Res.	CA:EVR	TSX	1/4/2007	1.30	0.80	0.80	n/a		evertonresources.com
Golden Valley	CA:GZZ	TSX	2/20/2007	0.50	0.48	0.50	n/a		goldenvalleymines.com
Laramide Res.	CA:LAM	TSX	3/16/2006	5.20	9.25	8.00	n/a		laramide.com
Mega Uranium	CA:MGA	TSX	5/1/2007	6.75	5.05	5.00	n/a		megauranium.com
UTS Energy	CA:UTS	TSX	5/15/2006	6.50	6.31	Hold	n/a		uts.ca
Minera Andes	CA:MAI	TSX	9/11/2006	1.20	1.90	1.60	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 1.045 to see if the OTC quote looks correct. You can access these OTCBB quotes by using www.barchart.com.
Peyto Energy-PEYUF Laramide-LMRXF UTS Energy-UEYCF Minera Andes - MNEAF

Target-T A price in this column preceded by "T" represents the price at which you should liquidate the position and take profits. Stop-S A price in this column preceded by "S" represents the price at which you should place a sell/stop. Do not short on the target price or the stop price. There will not always be a target or stop price listed. For a further definition of a sell/stop, see the Welcome Letter.