

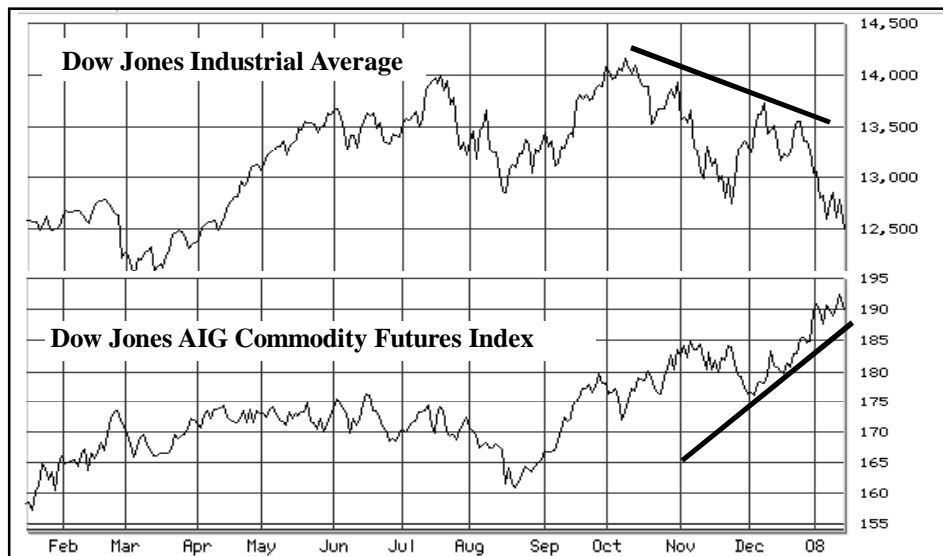
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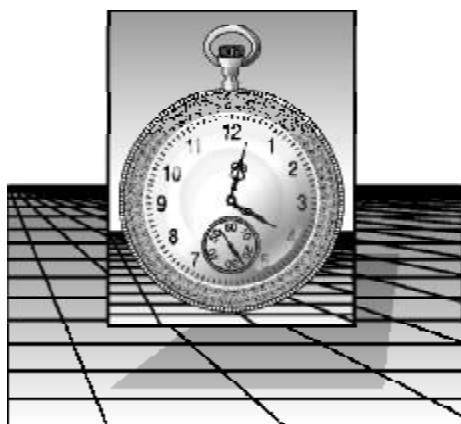
THE NEW PARADIGM



The next issue will be published February 1.

- Now is the time to use weakness in energy to accumulate.

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The market has not been doing so well recently - the stock market, that is. I have been writing for some time that one should be invested in real assets and not in financial or paper assets. My Annual Asset Allocation Model and the Dow/gold ratio are both confirming that the best rewards with the least risk are still to be found in real assets. We are in a commodity bull market. It's simple as that.

We are beginning to see solid evidence of this new paradigm. The stock market is weakening, but commodities are remaining strong. The only stocks you should hold on a long term basis are those advantaged by higher commodity prices. Gold, along with most of the commodity averages, is hitting new highs. As an example, the chart above compares the Dow Jones Industrial Average with the Dow AIG Commodity Futures Index.

We have the **Pimco Commodity Real Return Strategy Fund (PCRA)** on our list, which mirrors the DJ-AIG Index. It is attractive for those looking for broad participation in the commodity market with a yield built in. You can review how this fund works in the January monthly letter. If you don't own this one yet, pick up a few shares, and then put an order in to buy more if it drops to \$15.50. Note, this is a change from our previous buy price.

I was expecting more weakness out of gold as it was falling to its typical seasonal low during November. The seasonal weakness was there, but not to the extent I was expecting. Frankly, at this point, the November seasonal issue is water under the bridge. What you need to address now - what is next for the metals and what should you be buying?

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 © 2008 by Professional Timing Service.

Don't chase strength. Long term readers have seen in real time why chasing strength is such a bad idea. Once the greed bug hits, it is always best to stand back and wait for the inevitable wave of selling that comes after every rally. The key to the gold issue is that although we will see continued rallies followed by cyclical phases of profit-taking, the highs will be successively higher and the lows successively higher as well. Don't be a sucker for buying strength. "Be greedy when others are fearful, and be fearful when others are greedy" – so says the sage of Omaha.

Precious metal investors have been unusually conservative. The majors on our list have done the best job for us since gold put in lows last August at \$655. However, a junior on our list that has done exceptionally well while the rest have been becalmed is **Coeur d'Alene Mines** (CDE-NYSE-\$4.57). They have been quite shrewd in their merger and acquisitions; and as a result, Coeur d'Alene expects to produce 29 million ounces of silver in 2009. They very well could end up being the world's largest silver producer and one of the world's lowest cost silver producers at an estimated \$1.75 an ounce. They expect to produce 200,000 ounces of gold as well. As it is, if they attain their anticipated 29 million ounces of production at \$1.75 an ounce, Coeur d'Alene will not remain a junior too much longer. We have had this on our list with a buy price at \$3.80 or better. I think if we are right on this correction in the precious metals, there will be an excellent chance of buying it there.

There are several reasons that the juniors have not done as well as the mature producers. First, investors are "gun shy" here. Also, the **Streettracks Gold ETF** (GLD-NYSE-\$86.70) has attracted a lot of conservative money in this rally. This conservative attitude has channeled money into the majors also. The juniors are plagued by a fear of rising production costs as well as investor neglect. It is true that production costs are rising – we are operating in an inflationary investment environment after all. However, higher prices for the metals will put this issue to rest.

Once we see gold hit \$1,000.00 and silver nudge \$18.00, the juniors will look better to "come lately" investors. However, we are nearing a time frame when we should expect the next seasonal high in gold. Typically, gold forms a top in January and silver forms a top in February. Gold is trading at its old highs, which is always a caution. Gold is overbought, and Simplicity looks as if it would like to turn back up toward its \$5.00 buy level again.

Near term, it is time to look for another drop, perhaps to \$800-\$820 basis April. I think we can stick with the downside buy prices listed in the last letter until we get a better look at this correction. I will make any necessary revisions in the February letter, and I will share with you some recent long term data that indicates that regardless of a near term seasonal correction, gold has the potential to appreciate another 100% ... within the next 12 months.

Once the juniors begin to move - after we see gold correct for a few weeks - the greedy will jump on board. I don't recommend that you overload your portfolios with juniors, but you should definitely hold what you have. They will begin to come alive - like CDE has this year.

Crude oil is consolidating, as expected. I anticipate crude prices will stay soft through February, and crude may dip to \$80.00 to \$85.00 basis March. I don't expect to see the energy market begin to recover until March. In the meantime, you should review our recommendations in the January letter and put your open orders in. Once crude breaks over \$100.00 and the energy market gets greedy (like the metals have been recently), the easy money will be past.

Here is a long shot for you - a play on \$160.00 crude oil. This is a not a conservative idea, but it has potential if we can get our price. Buy our old friend **Enerplus Resources** (ERF-NYSE-\$38.78) at \$25.00 or less. This is a very well run Canadian energy trust. It is paying 42 cents a month Canadian, which is about \$5.00 a year U.S. with the loonie at par with the U.S. dollar. If we can buy Enerplus for \$25.00, we will have a very decent speculation on the prospects of \$160.00 crude oil. The annual yield at \$25.00 is 20%. Enerplus has maintained their monthly payout since the infamous Halloween 2006 announcement to tax the trusts. Many of the trusts have cut dividends since the tax ambush. As the dollar depreciates further against the loonie, the payout in U.S. dollars will move higher. Purchasing at \$25.00 is a long shot, but if Enerplus breaks \$38.00, it should go to \$25.00. In order to take the risk out of this play, the price you pay is important because they WILL be taxed in 2011. Buy ERF at \$25.00 or better if given the chance.