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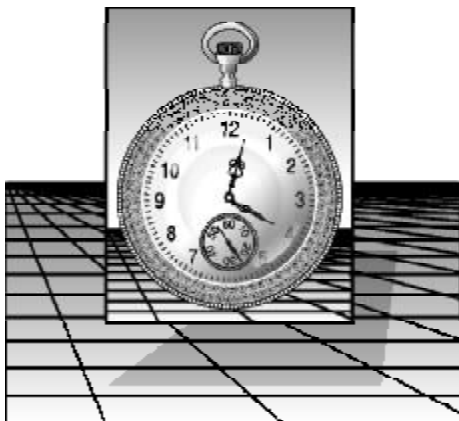
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www.protiming.com
 e-mail: info@protiming.com

A LOOK AT THE SEASONS

Navigating around emotions in the market will always be difficult for novices and professionals alike. There is an old cartoon showing two vultures in a tree. One says to the other, “Forget patience. Let’s kill something.” There are times like that when you feel compelled to buy something because prices are moving higher or sell something simply because prices are moving lower.

In the good old days, there were board rooms in brokerage firms where you could hang out, drink free coffee, and watch the ticker. The old guys would sit silently for hours before someone would suddenly comment, “I’m going to do something, even if it’s wrong.” Well, when emotions are your investment advisor, you can count on being wrong.

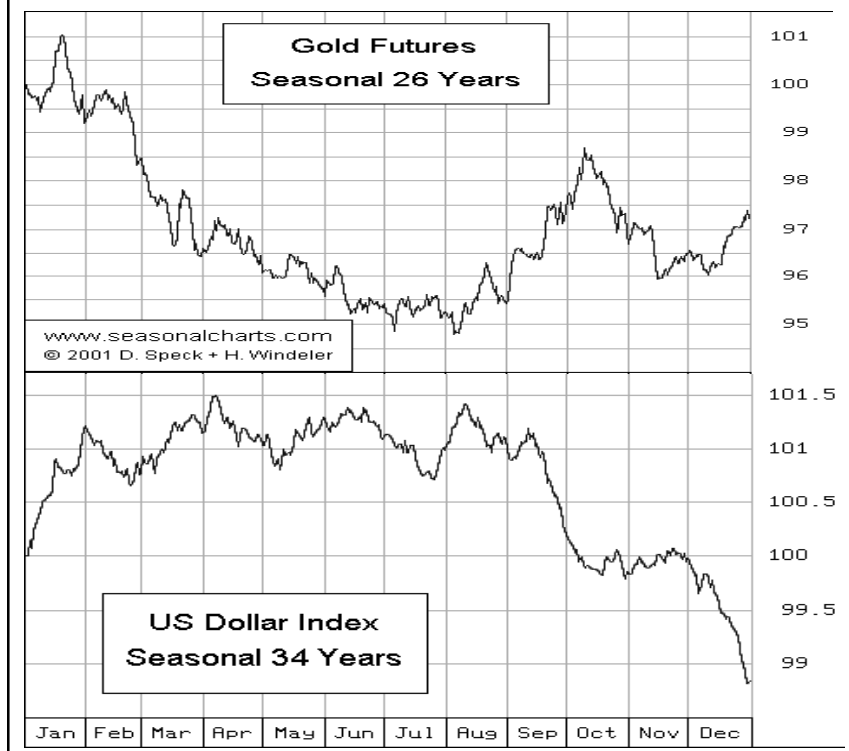
Investing is not entertainment. It is a business, and a difficult one at that. You cannot be successful by looking only at the past. You must look forward. If you row a boat looking at the stern and never look where you are heading, you will end up crashing. One of the wiser gents in the board room would say, “It is better to not have an investment that you wish you did than to have an investment you wish you didn’t.”

You will never learn all there is to know about the markets. A technician friend of mine who was always looking for the “Holy Grail” in trading methods used to say that although he would keep looking for the perfect system, he wondered if when you finally found it, you would suddenly die before you could tell anyone else. He is still alive, and there is no perfect system. Nothing works all the time, but you still need to be aware of the markets’ seasonal tendencies. The tendencies are just that - tendencies, not absolutes. Nevertheless, they will give you an idea about what the house odds are before you jump into something on an emotional whim.

Seasonal tendencies are a first step in placing the odds in your favor. The dominant seasonal in the stock market is the best and worst six month periods. May is the first month of the worst six months for stocks – “Sell in May and walk away.” According to the 2008 edition of *The Stock Trader’s Almanac* stocktradersalmanac.com, if you had invested \$10,000 in the Dow Industrials only during May through October, you would have made a mere \$341 over the last 57 years. If you had invested only during the other six months – November thorough April – your profit would be \$578,413. This is a striking difference. No, the worst six months is not a loser every year, but the odds are that you will lose money in the Dow between now and the end of October.

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.

Gold and Dollar - Seasonal



The economy is weakening, and inflation is increasing. There have been two important revisions in how the CPI is calculated - once during the Reagan years and once during the Clinton administration. According to Shadow Government Statistics shadowstats.com, if we were calculating the CPI with the pre-Reagan method, the March 2008 figure would be 11.6%. Do you remember the Stagflation 70's? Coupled with the seasonal worst six months of the year, the prospects for the average stock is not bright.

Commodities, however, will do very well. In fact, they are partially responsible for that 11.6% inflation figure, but there are also better times than others to make your commodity investments. All prices cycle. Gold prices - that felt like they would never head back down once breaking over \$1,000 in March - hit \$850 the other day. Recent strength is encouraging to those who bought the highs, but buying

highs on emotion is often followed by selling the lows for the same reason. The result is always a loss.

Consider the seasonal tendencies for gold and the U.S. Dollar Index. The gold chart shows general weakness from January through July. If you compare this with the seasonal for the dollar, you will find an interesting complement. The dollar tends to go flat from April into August. It then heads down and gold rallies. There's not enough room here to display all the charts, but you can visit seasonalcharts.com and pull up seasonals on all sorts of things.

Energy seasonals are also enlightening. Crude oil bottoms in February, rallies into May, takes a breather until July, and then resumes its up move into October where the year's most important seasonal high forms. The odds are that the metals still have a little more time and distance to go before the correction that began in March is over. The dollar does look like it is following its sideways seasonal pattern, and crude oil is certainly due for a pause soon.

Nevertheless, I sit here like that vulture in the tree feeling that I should do something, but I have long since paid my monetary dues for impatience. With that said, what if your aunt died and left you a bunch of money, and you wanted to invest it in the market? It is, indeed, frustrating trying to find a decent buy. First, you need to heed the downside buy prices on our buy-and-hold list. These will go a long way to reducing risk and increasing your returns. Price is important, and it takes time to accumulate a portfolio.

I am going to make a slight change in **Kinross** (KGC-NYSE-\$20.76). I am raising the buy price to \$20.00. If I had to buy something right now, it would be Kinross. I would buy a little at \$20.00, but hold a little money back and stick an open order to buy more at \$18.00. You might just be lucky enough to catch a dip. Gold is going to \$1,600 eventually; and Kinross is going to follow right along.

Another gold stock on our list of juniors that has been holding up very well of late is **Great Basin Gold** (GBN-AMEX-\$3.48). I am raising the buy price on GBN to \$3.25 or better.

Do keep up with the online updates this month as we may want to change the downside buy prices for some of the other mining shares if gold breaks under \$850.00. Don't worry about sitting on some cash here for a while.