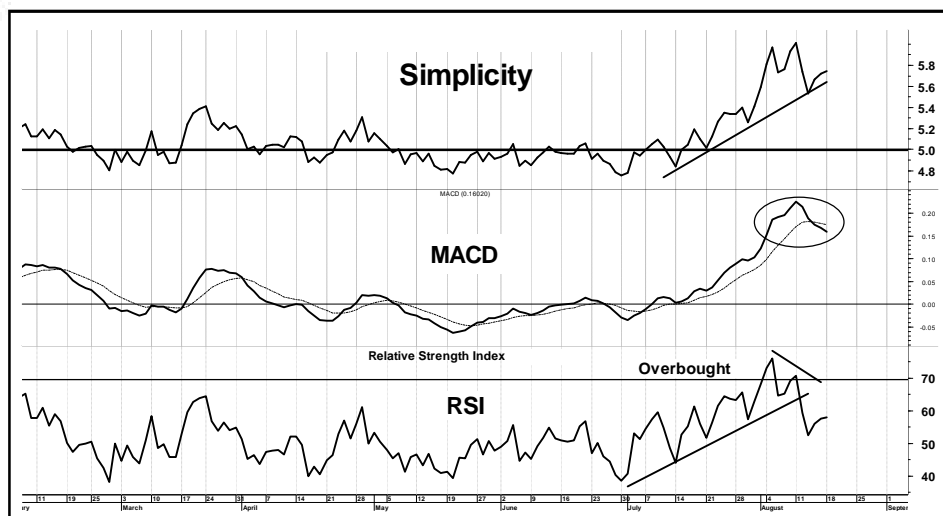
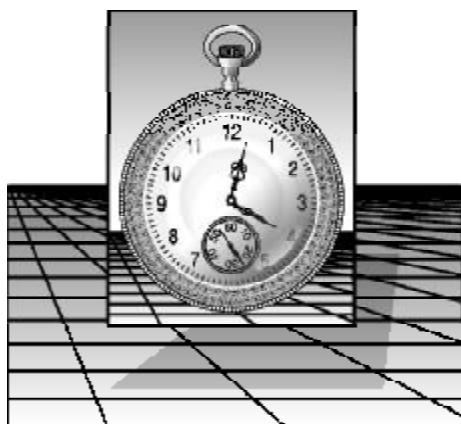


## EXPLOIT THE FEAR



The next issue will be published September 5.

- **Simplicity is telling us that from a purely technical aspect, the mining shares are a screaming buy.**



The current relationship between the mining shares and the price of gold is rare. The last time was in 1999 when the price of gold was \$250-\$275/ounce. There were no believers back then, but mining shares were unbelievable buys.

On August 11, Simplicity closed at 6.01. It has not reached 6.00 or higher since late 1999, just as the commodity bull market was beginning. In retrospect, that was the mother of all buys in the gold market. Bottom line, we are nearing the best buying opportunity in the metals we have seen in years.

History has proven that buying when the index is over 5.00 has resulted in generous profits, but you can refine this. The current situation is a case in point. The index has moved beyond 5.00, but the key is to know when Simplicity has finished climbing and has turned back down. At that point, you will know that even if the price of gold is still falling, the mining shares are strengthening relative to gold.

The first refinement is to simply trend the index. So far, you can see on the chart that the up trend is still intact. The second technique is to run MACD on Simplicity. There will be a "first" signal, as explained in the Simplicity booklet. That has transpired. Sometimes that is all you get; but more often than not, you will get an intervening signal where the solid line recovers over the dashed line followed by a "second" signal. This is a powerful signal, especially if the solid line fails to best the level it made in the first signal; i.e., negative divergence is present.

RSI is the next tool we can apply to Simplicity. We first need to see the RSI move to the overbought zone, which it has done. I was suspicious of readings we were getting when Simplicity moved over 5.00 in the spring because we had not seen the RSI yet move over 70.00. This condition has now been met, replete with a minor negative divergence at the 6.01 high in Simplicity.

[www.protiming.com](http://www.protiming.com)  
e-mail: [info@protiming.com](mailto:info@protiming.com)

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.

Bottom line, this is a purely technical perspective on gold and the mining shares. There is no innuendo or hypothetical musings about the state of the economy, the future of the dollar, China's outlook, the conflict in the Middle East, or any of the fundamental aspects which I believe will propel gold to \$1,600 and beyond, dragging the mining shares to new highs as well. Simplicity is telling us that from a purely technical aspect, the mining shares are a screaming buy.

My outlook is for gold to recover to at least \$1,600, and I think we may see \$1,600 during 2009. Some experts are calling for \$1,200 ... yet this year. Short term, gold has corrected back down to its long term up trend line, and the Simplicity tumblers are falling into place. It's a good time to be invested in precious metals.

Hang on to your mining shares and precious metal ETF's. If you have available cash - perhaps because you are liquidating financial/paper based assets in the stock market rally - this is an excellent time to invest in gold and silver issues. I would not sell the juniors you may be holding, but I continue to advise that new money should be directed toward the majors.

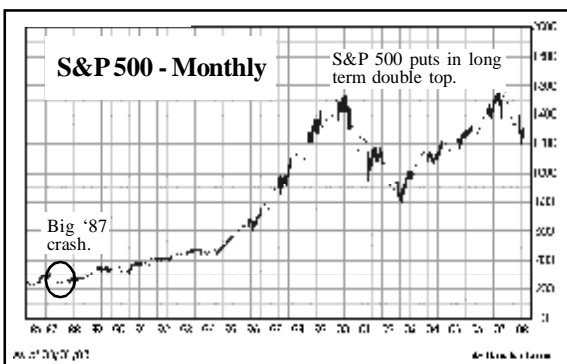
**Goldcorp** (GG-NYSE-\$30.38) is a recent addition to our list, and I am accumulating under \$30.00 - but any of the mining issues on the list qualify for purchase. Just structure balance in your portfolios. I am also trying to snag some **Yamana** (AUY-NYSE-\$10.06) at \$8.50. Ridiculous? Perhaps, but I will be very happy with a fill there. By exploiting the fear, I believe you will make a ton of money buying precious metals at current prices.

Crude oil hasn't been raided by the bears like gold has, but I still think we could see the \$108.00 level basis December futures. However, nothing has changed fundamentally that I can see. All the whimpering and hand wringing about the U.S. economy aside, China looks strong - even factoring in the intentional slowdown orchestrated for the Olympics. The last I saw reported, Chinese retail sales were growing at 15% a year net of inflation. That's the fastest rate in nine years. Gasoline sales are growing at a 55% annual rate. Incomes are rising by 8% a year. I think you would find similar numbers throughout Asia. Essentially, it is more important that crude oil tends to put in a seasonal low in August. Longer term, you will see \$160.00 crude oil ... perhaps even this year.

The key is to put orders in under the market. I am taking **Frontline** (FRO-NYSE-\$58.91) off its hold rating and am recommending a downside buy price at \$49.50. I will be updating some of the other stocks we have on hold over the coming weeks and will announce changes in the Tuesday and Thursday online updates and the September monthly letter.

**How about the stock market rally?** We called for this rally when everyone was in a fit of panic, but we did not advise the beginning of a new bull market in stocks. That just isn't going to happen. The S&P 500 should be limited to 1,350.

I pulled up charts of the Dow, S&P 500, and Nasdaq from 1980 to 2000. That was one heck of a bull market - and not unlike the commodity bull market we are currently experiencing. Along the way during those 20 years, there were serious corrections - much more severe than the recent correction in gold, for example. I traded through 1987 up close and personal. The market topped out in August that year, gained downside momentum, and totally melted down in October. The Dow collapsed 25% in one day alone. That created some bears, believe me!



Reviewing the long term chart today, you hardly notice the '87 "crash" as being a big deal in the long term scheme of things. It was a big deal, though, if you had bought into it. The famous crash was the low of what turned out to be a scary correction early in the bull market. The S&P, 500 after taking a hit of 34%, moved from 216 to over 1,550 by 2000.

Corrections come along during bull markets. They always look like the end of the world, but they are actually the beginning of an opportunity. Simplicity is weakening, which tells us that the smart money is exploiting

the fear in the gold market and is accumulating. The commodity bull has a long ways to go. You must hold tight when you are right. The commodity bull will last until the Dow/gold ratio - currently 13 - falls under 5.