



The next issue will be published January 6, 2010.

- **Keep your focus on energy for the time being.**

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- **I will begin publishing the new Professional Timing Service letter in April. Go to Web site for renewal.**

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THE DOLLAR EFFECT IS BEGINNING

The U.S. dollar, amid a sea of bearish attitude, is finding some footing. The dollar signaling model we use with the Rydex dollar trading program turned positive since the last letter, and there is room for this upside correction to extend to the 80.00 level from its current value of 77.30 basis March. That is not a big deal, but dollar strength will put downside pressure on precious metals and energy.

Keep your focus on energy for the time being. Crude oil has the potential to back off to \$60.00 from its current price of \$74.20 March basis. There will, however, be some support at \$66.00. The correction is not the most important aspect of the energy sector. Buying into this correction is. I fully expect to see crude return to the \$120.00 to \$125.00 level next year, and this correction will offer an excellent opportunity to do some buying in anticipation of higher prices. More exciting is that some of the recommendations on our list offer very nice dividends as well as future price potential.

We have been monitoring **Linn Energy** (LINE-OTC-\$25.76) for several weeks. Our original recommendation in mid-November was to buy a pilot position of about 25% of your intended purchase, limiting the purchase price to \$25.50 or better. We were fortunate enough to fill those orders at \$24.72. Since then, the stock has moved up to \$25.85.

If you haven't purchased Linn, you can still follow the original recommendation and pick up 25% of your position at \$25.50 or less. The next step is to scale down and buy another 25% at \$24.00. The third step will be to pick up the balance at \$23.00. You can check out Linn Energy at linenergy.com. It is a domestic gas and oil producer with most of their production in Texas and Oklahoma. Currently, the annual dividend is just shy of 10%. Linn is a master limited partnership, so you will have to do a little extra tax filing unless you buy this in a tax-sheltered account.

Kinder Morgan Energy Partners (KMP-NYSE-\$59.67) is on our list as a buy at \$54.00 or better. They are also a limited partnership. It will have to back off a bit to hit our price, but I think you need to buy this one right or not at all.

We first purchased **Brookfield Renewable Power** (BRCUN-TSX-C\$19.45) when it was called Great Lakes Hydro. Since our original purchase on December 17, 2008, the stock has advanced nicely. They produce electricity exclusively from renewable sources – principally, hydroelectric with one wind farm project at present. I believe they will gain a clear advantage going forward versus carbon-based, electrical generation, and they offer us a nice diversification in the energy sector away from crude and natural gas.

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 © 2009 by Professional Timing Service.

Being a Canadian company, I look for their stock price to back off due to strength in the dollar versus the Canadian dollar and general softness in the energy sector over the next month or two. This should afford us an opportunity to add to positions. Buy Brookfield at C\$17.00 or better (Canadian dollars).

I still don't like the lethargy in **Enerplus** (ERF-NYSE-\$22.40). I don't advise selling it, but I am moving the sell stop up to \$20.95. I would like to see Enerplus strengthen versus the rest of the group before looking at putting any more money into them. There are better places for new money, such as the above recommendations.

Baytex (BTE-NYSE-\$26.20) is another matter. They have been performing very well (compare their chart with Enerplus for a textbook example of comparative strength). If you are looking for another energy stock with a decent dividend, consider a few shares of Baytex. The dividend at today's price is about 7.8%. I am taking them off hold, but I don't want to buy more unless we can purchase at \$22.00 or better.

Another Canadian energy company that has converted to a corporation from an energy trust and is doing quite well of late is **Crescent Point Energy** (CPG-TSX-C\$39.38). They are now a conventional oil and gas company operating in western Canada. They also have a play in the much ballyhooed Bakken area. The "proof in the pudding," though, is that the stock has done very well in this rally. Our original purchase price was C\$30.20 in September 2008. I want to see it come back to support at C\$34.00 before buying it again. At C\$34.00, the indicated dividend will be just over 8%.

My longer term outlook for the U.S. Dollar Index is to see it fall at least 40% from current levels - but with a bounce to 80.00 in the interim. That bounce in the dollar and resulting pressure on commodity prices will give us an opportunity to buy energy and precious metals advantageously before the dollar resumes its long term slide. The Canadian dollar will also suffer in this temporary adjustment period, which will be an extra advantage to those buying Canadian stocks. A further benefit is that dividends paid in Canadian dollars will grow over the long term as the U.S. dollar declines.

I will take up the precious metals in more detail in the January 2010 monthly letter; but suffice to say at this point, hold what you have and do mind the stops we published in the last letter. Gold is approaching minor support at \$1,100 April 2010 basis, and it may well bounce some around Christmas before reversing toward a more solid low. The point is not to get overly excited with the first rally attempt we see.

In the December 10 online update, I added a sell stop to **Market Vectors ETF** (GDX) at \$47.40. That stop was hit and took us out on December 15. Note on Page 2 of the online updates that we have also sold other issues on our list on stops since the monthly letter was published. The gold/XAU ratio is working higher, although it has been choppy day to day. It stands at 6.50 as we go to press, but it should work up to 7.00-7.25 by the time we see the next low in gold.

As for the popular market averages, the Palio model is still sticking to its buy signal while I watch the foundations of the rally continue to crumble. Negative divergences persist – in the weekly data as well as in my daily work. The economy is getting polished up in the media in order to keep everyone happy during the Christmas buying season. I don't think we can expect any sort of a true "bottom" until next summer at the earliest, and that may, indeed, be only a point that things stop getting worse. Transparency in the statistics is problematic, at best, these days. For example, I was reading a piece on how GDP numbers are skewed by imports. The example was a \$100 car part produced overseas. If it is assembled into a car in a U.S. plant and then the car is sold, the \$100 part produced elsewhere ends up as part of the sales price and thus part of U.S. GDP, although it is not. The short message is, beware putting any faith in published numbers as they appear on the surface. A little digging usually reveals an opposite conclusion.

I will begin publishing the *new* Professional Timing Service letter in April. The letter will be once a month and will be an online only publication with periodic updates during the month. The updates will be published as market conditions demand and will provide you with continuity between the monthly issues. The object of the new letter will be two-fold. First, it will give you guidance and ideas that will make money. The secondary function of the new letter will be to provide you with tools, techniques, and understanding that will help you become your own advisor. The cost will be \$170/year.