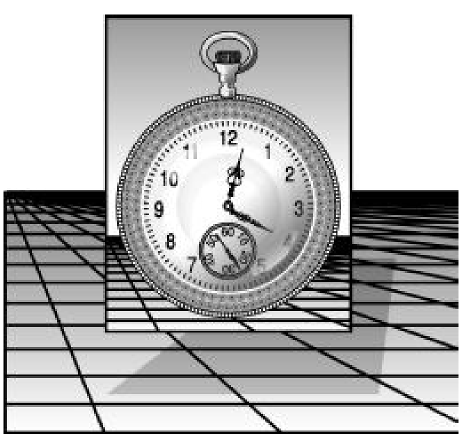
PROFESSIONAL TIMING SERVICE

The next issue will be published February 15.

- **The U.S. dollar has a lot to do with our investment strategy.**

- **Stock recommendations.**

- **In closing, I am beginning to get concerned about the situation in China and .....**



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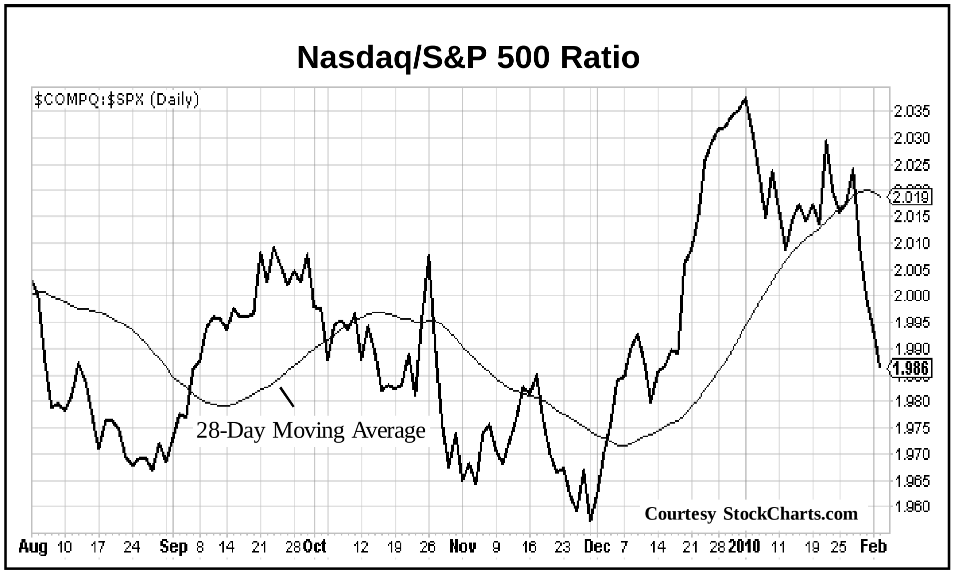
THE END OR THE BEGINNING?



This rally in the popular stock market averages has, indeed, been spectacular. We caught the beginning quite well with our early 2009 forecast for a low in the spring, but the strength in the averages has lasted longer than I expected.

Opinion is subjective for the most part, and thus it needs to be confirmed by technical data. From a totally objective, technical aspect with my opinion aside, the Palio and Nasdaq Slow Tracker models have done a grand job calling and sticking with this rally. Nevertheless, I have continued to point out the cracks forming in its foundations, and I have advised investors to use protective stops on positions not advantaged by higher commodity prices. I continue to offer that warning. Although the rally keeps going and our timing models remain positive, the move is getting longer in the tooth each trading day, and that puts us closer to a correction, at the very least.

Another reason to use protective stops is that our timing models are designed to follow the market rather than lead it. Neither Palio nor the Fast Tracker will sell the top; but when they kick in with sells, it will be time to take some decisive, defensive action. I will announce any changes immediately in the online updates.

I have talked in past letters about the use of a technique called comparative strength and weakness. The idea is to compare stocks within a group or sector. During a strong period when the group is rallying, it is best to hold the strongest issues within the group and look at the weaker ones as sale candidates. During corrections, it is best to look at those that are holding up better than the rest as purchase candidates. I will get back to this a little later when I take up some individual stock recommendations, but it is useful to keep an eye on the relative strength and weakness between the Nasdaq and the S&P 500.

The Nasdaq, for the most part, is composed of secondary issues. The Nasdaq is where you will find tomorrow's big names, and it is where the more speculative money is invested. The S&P 500, on the other hand, is made up of more mature companies. The Nasdaq has to lead in comparative strength for a rally to be sustained. Studies have shown that unless money is going into the smaller and more speculative companies, a given market rally cannot be sustained. A simple way to measure this is the Nasdaq/S&P 500 ratio shown in the chart on Page 1.

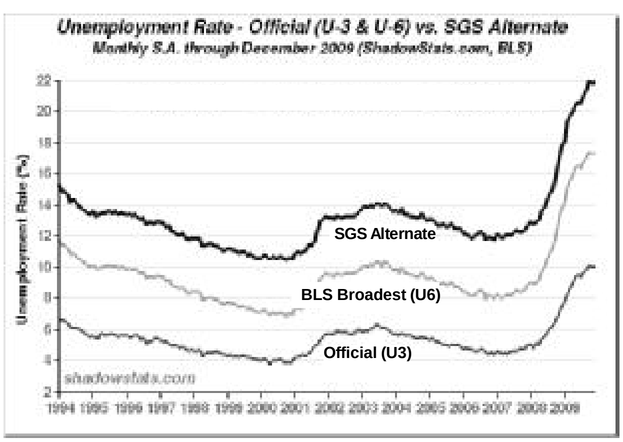
When the ratio is rising, you can take this as a positive for the market overall. When it is falling, it is a warning that the speculative money is not keeping up. Such declines in the ratio will often portend ensuing corrections. I use a 28-day moving average as a signal line. There are often whipsaws about the moving average and false signals, as you can see on the chart. Nevertheless, it is always a caution flag when the ratio is falling and is below the 28-day moving average.

At this point, the ratio does not look all that great, and it's another indication that the underpinnings of this rally are deteriorating. Such "deterioration" or negative divergence can, of course, last awhile. The definitive keys are in the timing models, but the best strategy is to be wary of buying into the "new bull market" ballyhoo. You should keep those stops on your non-commodity advantaged stocks; and when Palio issues its next sell, tighten up those stops and sell issues that you hold that are comparatively weak.

The U.S. dollar has a lot to do with our investment strategy. As we forecast late last year, the dollar is rallying. There were technical warnings as early as November that the dollar was overdone on the down side and that the dollar bears were going to see an adjustment. Our Rydex U.S. dollar trading program then issued a buy signal on December 8, 2009; and with the exception of a reaction in late December/early January, the rally has done quite well.

The big questions now are: Is this a new bull market in the dollar, and how far will this move extend? First of all, with the Federal deficit running and expected to continue at 4.5% or more of GDP for the next several years, the dollar is not going to enter into a long term bull move any time soon. With the U.S. picking a trade war with China, the dollar is not going to enter a bull market any time soon. With the actual U.S. unemployment pushing 18% to 22% according to Shadow Statistics, the dollar is not going to find a new bull market any time soon. This is a technical correction in an ongoing bear market, as outlined in our past letters.

Unemployment ala Shadow Statistics



How far might this bear market correction go? In December, I projected the rally in the dollar would extend to the 80.00 level. This still looks like a reasonable objective. I can make a tentative case for an overshoot to 81.50, but the important point is that cyclical factors are going to come into play soon, and this move is aging. I doubt that most of you are interested in trading the dollar, but it is important to our investment strategy because as the dollar moves higher, commodities in U.S. dollar terms will move lower. That is exactly what has been happening since late November.

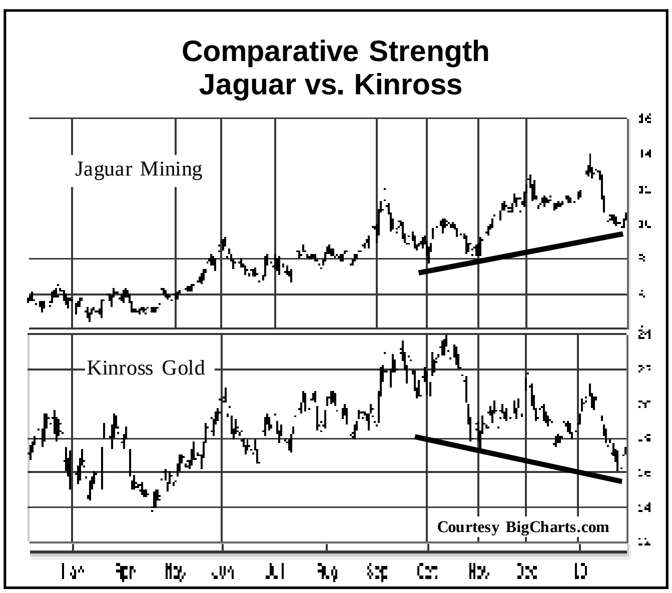
The heart of our strategy is that until the Dow/gold ratio falls under 5.0, we will find the best risk to reward by investing in tangible assets. After working its way down from a high of 43.7 in 1999, the ratio stands at about 9.5. There have been corrections along the way, but the commodity bull still lives, and I believe the best is ahead of us. The break from current levels in the ratio to the sub 5.0 zone will be dynamic. The current up move in the dollar and subsequent correction in the commodity complex – gold and crude in particular – is offering us a long-anticipated buying opportunity.

My downside gold bullion price objective of $1,000 has yet to be reached, but the dollar rally has a little up side in it yet. As the dollar finds its top in the 80.00 to 81.50 area, gold bullion should seek the $1,000 level where its upside breakout occurred last fall. In line with this, I am recommending purchase of the **Spyder Gold Trust ETF** (GLD-NYSE-$109.13) at $100.50 or better. You know I am not fond of ETF's, so you should not go overboard on this. My comfort level will be better if we can pick this up at our price, and I do not intend to hold it long term. If we can buy GLD at $100.50 or better, I think we can make a little money in the next run in gold.

In December, we were stopped out of several of our gold mining positions that were evidencing relative weakness at the time. Since then, prices have dropped to our buy prices in **Goldcorp** (GG-NYSE-$35.67) at $34.50 or better, **Yamana** (AUY-NYSE-$10.57) at $10.50 or better, **Royal Gold** (RGLD-NYSE-$43.76) at $43.50 or better, and **Rubicon Minerals** (RBY-NYSE-$4.32) at $4.00 or better. I trust you were able to reinvest some of the proceeds from the issues we were stopped out of at these prices. As always, be sure to diversify among our recommendations.

I have another new issue to recommend this month - **Jaguar Mining** (JAG-NYSE-$10.29). This is a great little gold miner. They operate in Brazil and are one of the fastest growing gold producers in the world. Since they do produce gold as well as explore and develop new properties, I am not including them in the list of juniors. I am not as comfortable with Brazil as I am with our Canadian miners, so you should look at this as carrying a moderate level of risk. In other words, don't bet the farm.

Nevertheless, this company has some good-looking, fundamental growth aspects, and the technicals look good too. You can see on the chart Jaguar's comparative strength compared to Kinross. Buy Jaguar at $8.50 or better.



Income is tough to come by in the precious metal sector, but **Gabelli Global Gold and Natural Resources** (GGN-NYSE-$15.80) offers a handsome dividend of $10.6% at today's price. The problem is that this closed-end fund holds a lot of natural resource issues as well as precious metals, and those issues are masking the strength in the gold shares.

I would like to pick up some additional shares and average our price down. The stock is relatively weak compared with its brethren, so we need to go deep. If you hold Gabelli and wish to average down, buy additional shares at $12.00 or better. I am not 100% confident in their dividend, however, so if there is a dividend cut, cancel these instructions and let the dust settle if you can. This is not easy to manage, of course, if you have open orders in at $12.00. My suggestion is not to put in open, "good 'til cancelled" orders. Watch the stock and then if you see it at $12.00 or better, make your purchases, barring any interim bad news. That way, any surprises can likely be avoided. If there is a surprise, I will address it in the online updates and future letters.

In the online updates on Page 2, we list our Rydex gold trading program. It is currently 77.5% invested. The position has been accumulated since June 2008. Since the initial purchase, we have added incrementally during selloffs to end up with the account being 77.5% invested currently. You need to keep up with the online updates to follow this program - and preferably be signed up to receive the updates in your e-mail. That way, you will not miss any instructions.

I am looking for the XAU (Philadelphia Gold and Silver Index) to fall to 140.00 or better in this correction. That will set up our next purchase. The instructions will be on the updates when signals are generated. The question is: what should you do if you have not previously participated in this program and would like to do so now?

I am not sure if our work will tell us to go to a 100% position at the next signal or not. I would suggest that if you are new to the Rydex trading program, you should consider a 50% position at the next signal. If the program goes in 100%, you will be a little light; but considering that you do not have the positions acquired at lower levels, you need to moderate your risk. I will have specific instructions for newcomers when the next signal occurs.

As far as the silver companies are concerned, **Silver Wheaton** (SLW-NYSE-$14.88) is my choice if we can buy SLW at $13.50 or less. Due to its comparative weakness, **Silver Standard** (SSRI-OTC-$18.15) is still a hold. New money would be better allocated to Silver Wheaton.

The juniors will remain on hold, with the exception of Rubicon Minerals. I will reassess the juniors and consider averaging some of these positions with new purchases when we see bullion back to $1,000. For now, hang on to what you have. Put new money into Rubicon if you want a speculation.

Crude prices have been trapped in a trading range essentially between $65.00 and $83.00 since last summer. There has been minor support within the trading range at $70.00 and overhead resistance at $82.00. I have been expecting crude to retrace back to the support level at $70.00 - and thus far, prices have pulled back to about $72.50. We did see a negative signal for crude from our Critical Price Point analysis (see Page 2 of the online updates). This bodes for further weakness as the dollar moves to its final highs. Again, the absolutes in the price of crude are not as important as buying energy issues in further weakness.

At this point, I don’t see any reason to change the published downside buy prices, but some adjustment may be in order if we haven’t hit those levels by the time I publish the February mid-month letter. Note that **Blackrock** (BGR-NYSE-$24.40) is close to its buy price of $23.00, and it has a decent dividend of 6.7%.

Prospect Capital (PSEC-OTC-$11.49) is trading under our previous $12.00 buy price. If you are participating in this recommendation and following our instructions, you should have bought 25% to 30% of your position at $12.00 and the balance on February 1 at $11.00. That would give you an average price of $11.30, where I am setting the downside buy price for future purchases.

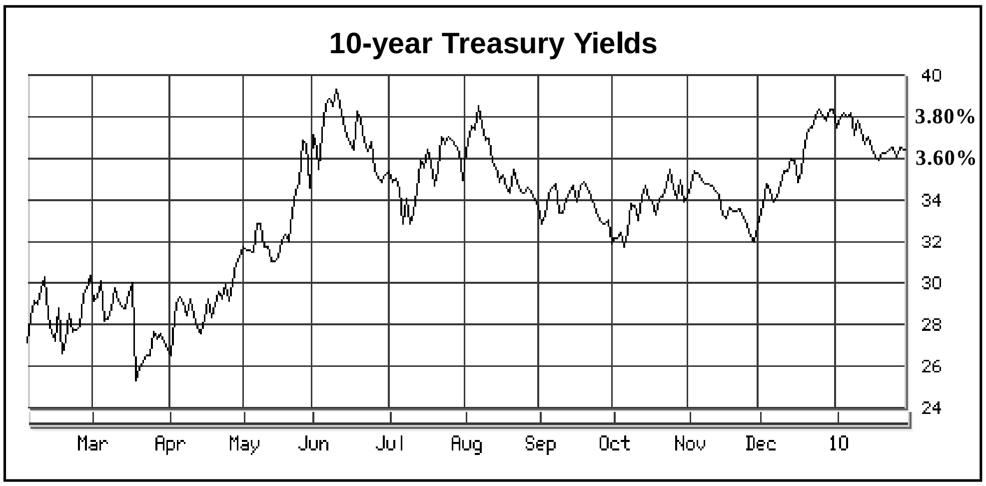
We have an open recommendation to buy **Linn Energy** (LINE-OTC-$27.46). Stick with the plan. I think we have a very good chance of building a position in Linn at a very good price. Our original recommendation was to buy 25% of your intended position at $25.50 or less. We were able to do this on a weak opening at $24.72 (see Page 6). The recommendation was to buy 25% of your intended position at that price. If you followed that recommendation, just stay the course. If you have not purchased Linn yet, buy 25% at $25.50 during weakness.

Once you purchase your initial position, put in an order to buy another 25% at $24.00. Linn managed to get down to $24.51 on the 25th of January, so the chances of hitting $24.00 are still pretty good. If we are able to pick up this second chunk at $24.00, put in an order to buy the balance at $23.00.

Crescent Point Energy (CPG-TSX-C$38.40) and **Brookfield Renewable Power Fund** (BRCUN-TSX-C$19.95) need to come off some to be attractive as additional purchases. I like both of these issues; but until they come down enough to give us some technical footholds to gear off of, I am putting them both on hold. I would like to diversify into something with a better yield.

One possibility for a few dollars is the **IRR Risk Managed Natural Resources Fund** (IRR-NYSE-$16.31). It has come off rather dramatically of late, and it is back near our original buy price of $16.25. The fund is not going to be a big capital gain winner over the next few years, but it should find respectable appreciation from current levels. IRR will do well as the dollar returns to its bear trend, and it sports a dividend of 9.4% at its current price. If you already own the stock and would like a stink bid, try an open order at $14.00.

The bond market is being heavily managed by the Fed, but they have indicated that they do not intend to continue buying mortgage paper after March. Basically, two things are going on in the bond market. One, the Fed has made arrangements with the dealers who buy Treasuries at auction to take any paper off their hands they cannot unload on their own. The second thing the Fed is doing is buying mortgage paper from the banks. The banks then take the money they get from the mortgages and buy Treasuries. The result is a nice, symbiotic relationship between the banks and the Fed. The bond market is sustained, and interest rates stay low. I really can't believe the Fed will give this up after March as they imply. Keep your eye on the 10-year Treasuries for clues. I expected that the Fed would work to turn rates back after they broke over 3.80% in December. So far, the 10-year yield has dropped back to 3.60, but the slide is anything if not labored.



In closing, I am beginning to get concerned about the situation in China and our political and economic relationship with them. Domestically, their economic growth - which has been substantial - depends on extremely loose lending practices. Lately, there has been a move by the Chinese government to tighten credit. Unless this is hollow talk, their economy will suffer drastically. I am not one that believes we will see the return of the American consumer or economic vibrancy in the West any time soon, and this will stress the Chinese export industries. If credit is tightened on top of that, the result will be more drastic than what we saw in the West when credit froze in 2008.

The Chinese government has a ton of money in foreign reserves, but they could be forced to use that money to bolster their domestic economy and placate angry citizens rather than invest it in U.S. Treasuries. I believe this would require purchasing huge quantities of raw materials because much of their job stimulus efforts will go toward building infrastructure. Another problematic tremor is the trade spats lately between them and the U.S. Anything that encumbers free trade is a bearish development for all economies and markets involved. I would not invest in China. When problems occur and the pinch is on, people always revert to fundamentalism. Islam marginalized reverts to militancy based on their most conservative ideals. The tradition in China is not capitalistic. At heart, they are still and will remain communists.

On April 1, we will change the publishing schedule for Professional Timing Service and will discontinue mailed hard copies. The letter will be published online monthly, and online updates will be published periodically in order to keep you current with changes in our models and to tie the monthly letters together. Special alerts will also be e-mailed in the event of surprise events during the month that need to be addressed. When the letters and online updates are published, they will be automatically e-mailed to all subscribers who subscribe through Forbes. If you subscribe directly with us, the monthly letters and online updates are automatically e-mailed only if you have voluntarily opted to have us e-mail them to you. If you are not receiving them in your e-mail and wish to, let me know.

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 1.01. 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 2/02/10	Downside Buy Price	Div 7/01/08	Target-T Stop-S	Web Site
					U.S. $				
Alliance Res	ARLP	OTC	9/29/2004	27.98	42.10	HOLD	7.41%	S=$36.20	arlp.com
Apache Corp	APA	NYSE	3/5/2007	68.00	104.63	90.00	0.58%		apachecorp.com
Baytex Energy	BTE	NYSE	5/18/2004	9.00	29.57	24.00	7.16%		www.baytex.ab.ca
Blackrock	BGR	NYSE	8/3/2005	25.99	24.40	23.00	6.70%		blackrock.com
Enerplus Res.	ERF	NYSE	11/20/2008	19.00	22.50	HOLD	9.06%	S=$20.95	enerplus.com
Gabelli Glb. Gld.	**GGN**	**NYSE**	1/3/2006	22.10	15.80	**12.00**	10.69%		gabelli.com
Goldcorp	GG	NYSE	7/24/2008	40.00	35.67	34.50	0.50%		goldcorp.com
IRR Rsk Mg Nat Res	IRR	NYSE	10/2/2009	16.25	16.31	16.25	9.44%		ingfunds.com
Jaguar Mining	**JAG**	**NYSE**	**Buy at $8.50**		10.29	**8.50**	n/a		jaguarmining.com
Kinder Morgan LP	KMP	NYSE	Buy at $54.00		62.47	54.00	6.77%		kindermorgan.com
Linn Energy LLC	LINE	OTC	11/18/2009	24.72	27.46	24.00	9.25%		linnenergy.com
Pimco Com. Fund	PCRAX		3/2/2005	11.89	7.82	HOLD	4.74%		pimcofunds.com
Prospect Capital	**PSEC**	**OTC**	**1/5/2009**	12.00	11.49	**11.30**	14.23%		prospectstreet.com
Prospect Capital	**PSEC**	**OTC**	**2/1/2010**	11.00	11.49	**11.30**	14.23%		prospectstreet.com
Royal Gold	RGLD	NYSE	7/8/2009	38.00	43.76	43.50	0.82%		royalgold.com
Schlumberger	SLB	NYSE	1/18/2008	75.00	66.12	HOLD	1.27%		slb.com
Silver Standard	SSRI	OTC	1/4/2007	30.00	18.15	HOLD	n/a	S=$11.60	silverstandard.com
Silver Wheaton	SLW	NYSE	3/10/2006	8.40	14.88	13.50	n/a	S=$11.80	silverwheaton.com
Spyder Gold Tr. ETF	**GLD**	**NYSE**	**Buy at $100.50**		109.13	**100.50**	n/a		n/a
Yamana	AUY	NYSE	4/14/2005	2.90	10.57	10.50	0.37%		yamana.com
					Canadian Dollars				
Altius Minerals	CA:ALS	TSX	8/9/2007	17.88	8.54	HOLD	n/a		altiusminerals.com
ARC Energy	CA:AET.UN	TSX	9/8/2008	25.85	20.43	HOLD	6.02%		arcresources.com
Crescent Point En.	**CA:CPG**	**TSX**	9/16/2008	30.20	38.40	**HOLD**	6.99%		crescentpointenergy.com
Brookfld Ren Pw.	**CA:BRC.UN**	**TSX**	12/17/2008	15.99	19.95	**HOLD**	6.51%		greatlakeshydro.com
Peyto Energy	CA:PEY.UN	TSX	7/18/2003	8.75	13.95	HOLD	10.24%		peyto.com
Silvercorp Metals	CA:SVM	TSX	1/21/2008	8.00	6.00	HOLD	1.15%		silvercorp.ca

Buy And Hold Junior Gold & Silver Stocks - The Option Alternative

Company	Symbol	Exchange	Initial Recom. Date and	Price	Price 2/02/10	Downside Buy Price	Div	Target-T/ Stop-S	Web Site
					U.S. $				
Coeur d'Alene (1)	CDE	NYSE	9/2/2003	31.90	15.10	HOLD	n/a		coeur.com
Endeavor Silver	EXK	NYSE	7/26/2007	4.60	3.55	HOLD	n/a		edrsilver.com
Great Basin Gold	GBG	NYSE	12/21/2007	2.45	1.75	HOLD	n/a		greatbasingold.com
Nova Gold	NG	NYSE	2/29/2008	11.50	5.76	HOLD	n/a		novagold.com
Rubicon Min.	**RBY**	**AMEX**	**2/1/2010**	**4.00**	4.32	**4.00**	n/a		rubiconminerals.com
Taseko Mines	TGB	NYSE	7/24/2006	2.40	4.65	HOLD	n/a		tasekomines.com
US Gold Corp	UXG	NYSE	9/9/2005	1.70	2.35	HOLD	n/a		usgold.com
					Canadian Dollars				
Everton Res.	CA:EVR	TSX	1/4/2007	1.30	0.28	HOLD	n/a		evertonresources.com
Golden Valley	CA:GZZ	TSX	2/20/2007	0.50	0.28	HOLD	n/a		goldenvalleymines.com
Laramide Res.	CA:LAM	TSX	3/16/2006	5.20	1.50	HOLD	n/a		laramide.com
Mega Uranium	CA:MGA	TSX	5/1/2007	6.75	0.67	HOLD	n/a		megauranium.com
UTS Energy	CA:UTS	TSX	5/15/2006	6.50	2.52	HOLD	n/a		uts.ca
Minera Andes	CA:MAI	TSX	9/11/2006	1.20	0.75	HOLD	n/a		minandes.com

(1) On 5/27/09 Coeur d'Alene had a 10 for 1 reverse split. All prices have been adjusted accordingly.

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 .99 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.