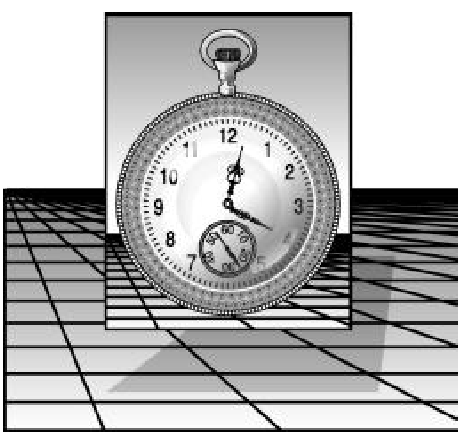
PROFESSIONAL TIMING SERVICE
Since 1978

**The next issue will be published March 18.**

- **This has to be the foundation of your game plan.** Page 2
- **I am adding a new gold stock to the list.** Page 2
- **I do like Enerplus.** Page 4

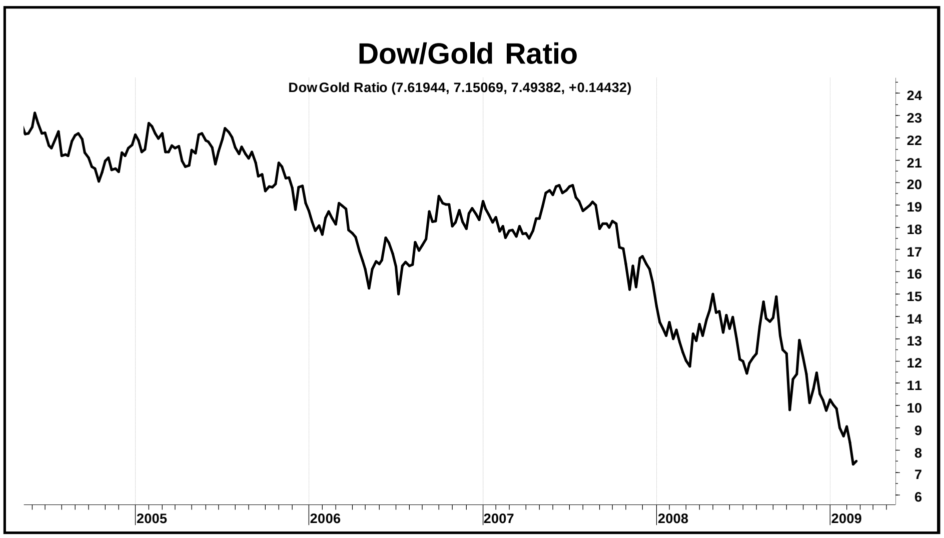


www.protiming.com
e-mail: info@protiming.com

# 2009
## How To Play It

I expect to see the economy find a level and become mired there for a long time. It will stagnate. There will be no real growth. That, of course, will frustrate all attempts to improve or stimulate it. Paper assets will continue to flounder. Meanwhile, we will see the prices of tangibles (commodities) rise to new highs.

The result will be a return to "stagflation" - like we saw in the 1970's. Stagflation is coming again, and you need to prepare for it now. The first step in that preparation is to plan on selling any financial-based assets during this summer's rally (more on that later) and to hang on tight to your commodity positions. Come fall, I expect the stock market will recommense its bear market slide while commodities will continue the bull market they have been in since 2000.




The Dow/gold ratio is the relative difference between the ultimate paper asset, the Dow Jones Industrial average, and the quintessential tangible asset, gold. It is the key to seeing the relationship between tangibles and financial assets. There is a cycle that lasts about 20 years. When paper assets experience a bull market for about 20 years, tangibles will fall. This occurred between 1982 and 2000. Next, tangibles will rally for about 20 years while paper assets will decline. The Dow/gold ratio topped out in 2000 at 43, and it has fallen to a low of 7.5 recently. With an average cycle of about 20 years, there should be several more years remaining before the tangible asset bull and paper asset bear are over.

The Dow/gold ratio will continue down until it reaches 2. In fact, I would not be surprised to see it reach 1 before the great stock market bear of the "ought years" is finished. You can remain comfortable in commodities until you see the ratio fall under 5. That will be an early warning that you should begin to prepare for the next shift in the cycle.

How the ratio can fall to 1 leaves us with several alternatives since both the Dow and the price of gold will be fluctuating. For example, the Dow could stay at 7,000 and gold could move up to $7,000/oz. I don't think this is likely, however. I haven't seen a 2009 earnings' estimate for the Dow, but the last one I saw for the S&P 500 was $32.41. That means if we were to impute a PE on the S&P of 15, the average would fall to 480 - about 30% lower than it is now. Another 30% drop in the Dow would put it at 4,735. A Dow/gold ratio of 1 puts gold at $4,735 and a ratio of 2 at $2,367. In either case, gold is going much higher.

However, consider that the average PE is about 15, and consider that the average never happens. Data always overshoots the average while confined within a trend. Likely, the PE will fall further than 15 before the bear is over. You can play with the numbers on your own, but the point is that gold is going significantly higher - as is the rest of the commodity complex - while paper assets represented by the Dow Industrial average and S&P 500 are going a lot lower over the next few years. *This has to be the foundation of your game plan.*

As I mentioned, the economy will find a level of activity lower than its present level, and it will flatten out there. There will be more stimulus and more fiat dollars created to throw at the problem. Unfortunately, this will cause more pain for the citizenry than just letting the capitalistic system work the problems out on its own. Unemployment will end up being higher than need be, and inflation will become a scourge. Every artificial attempt ever made in the past to manipulate any economy has proven this to be true.

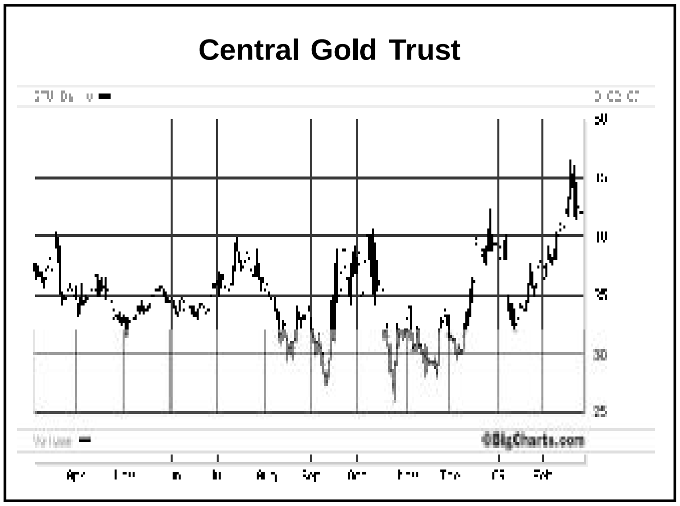
World currencies are in a race to the bottom, with some falling faster than others. The U.S. dollar is falling the least and, thus, compared to the others, it is looking the strongest. Don't be fooled by the illusion. You can see the truth in the value of gold. Gold is real money, and it's the only currency that won't ever be devalued by irresponsible governments.

Prices always encounter profit-taking when they reach an important previous high. Gold has bumped up against the March 2008 high at $1,000/oz., and traders are locking down short term profits. Near term, I see the likelihood of an "a-b-c three phase" decline as this process works through. There is good support at $900/oz. There is also very strong support at $850, but I really don't expect to see gold fall back that far. If it does, I will back up the truck and pile it on. Bottom line, the key is to use weakness to add to your positions. I have reviewed the downside buy prices on Page 6 and have made adjustments in some as called for by my technical work. Heed the downside buy prices.

I am adding a new gold stock to the list - **Royal Gold** (RGLD-OTC-$38.00). This is a royalty company, which means they own "royalties" that give them a portion of the production from a number of mines. Their portfolio principally involves gold and silver producers. Buy Royal Gold at $32.50 or better and use a stop at $22.70.

I have discussed several ways to buy gold in the past, including buying the **Spyder Gold Trust** (GLD-$90.93). I am raising its downside buy price to $84.00. A second avenue that some folks like better due to the physical audits made to their stored bullion is **Central Gold Trust** (GTU-$41.90). This will give you some diversification. Buy Central Gold Trust at $36.00 or better and use a stop at $32.00.

The Central Gold Trust Fund is not an ETF, but it is a closed-end fund holding gold bullion. It is a sister fund to **Central Fund of Canada** (CEF-$11.51), which is on our list already. The difference is that Central Fund of Canada holds both gold and silver whereas the Central Gold Trust holds only gold bullion. Their Web site is www.gold-trust.com. The down side is that the trust shares currently sell at about an 18% premium to gold, but we can deal with that somewhat by focusing our buying on technical factors. I expect we will be able to sell it at an 18% premium as well.




Incidentally, **Gabelli Global Gold** (GGN-$12.32) has been lagging the crowd of late. I was concerned that they may be going to cut the dividend, but they just announced that they will pay 14 cents a month through June. I think GGN is simply a good buy with a decent yield up to $13.10.

As for the major gold producers on our list, I have adjusted downside buy prices where deemed appropriate. However, now that gold is approaching $1,000, it is time to reconsider the juniors. I previously reintroduced a downside buy price for **Nova Gold** (NG-$2.54) at $2.10. You can review the reasons for this in the February monthly letter.

I am going to leave some of the juniors on hold ratings for now and will revise those ratings as conditions improve on an individual issue basis. One that should be added back to the buy side is **U.S. Gold Corp.** (UXG-$2.01). It has definitely come back to life recently, and it is currently the best looking of the juniors on our list from a technical perspective. Buy more UXG at $1.10 or better. Another that I am taking off its hold rating is **Great Basin Gold** (GBG-$1.11). There is a fairly deep buy price on this one, though, at 80 cents.

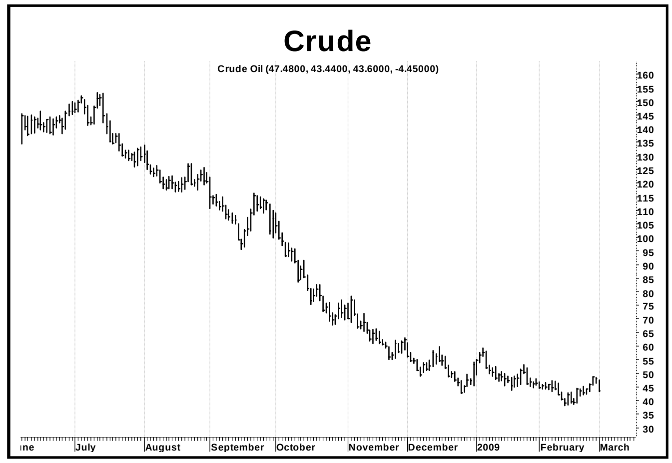
**Note:** I have always billed the juniors as "the option alternative." These small exploration and development companies are more risky than the majors or buying a bullion ETF or closed-end fund. However, they are finding financing now in a world devoid of credit and risk takers. Be reasonable and don't use margin. Diversify and balance your portfolios.

I get some retrospective armchair quarterback messages from time to time asking about selling (shorting) gold and then buying back in again. The strategy is fine for seasoned traders, and we do offer a trading program – the Phase Advantaged Trading Program (this is a separate service). Recently, the trading program did take positions in the Power Shares Gold Double Short ETN (DZZ). However, this type of trading is not appropriate for the longer term approach that we have always used in Professional Timing Service.

If you want to employ a trading strategy and have the discipline to follow instructions on a daily basis, send me an e-mail at info@protiming.com and I will send you information on the Phase Advantaged Trading Program (PATP). Incidentally, we started PATP last July at the absolute worst time imaginable for any involvement in the markets. The year ended with a 5.2% loss, which I was not unhappy with in view of the drubbing the markets took during that time.

I have not concentrated much on the energy sector of late because although the technical aspects of crude, natural gas, and gasoline are improving, they are not outright bullish yet. Crude oil has been consolidating at the $40/barrel level, and I believe it's forming a solid base there. We will see temporary dips below $40 perhaps, but nothing lasting. I would certainly rather be long crude than short here. There is no risk premium built into the crude market at $40, and it is still a dangerous world in the Middle East. Consider that national oil companies (NOC's) control 85% of the world's oil resources. Western majors control 7%, and oil output from mature regions is in decline.

No one seems to appreciate that production is declining, and deleveraging is destroying the availability of financing. It has removed future supply off the table. Exxon was reported to have made a ton of money last year, but what the press did not tell you was that Exxon also announced that their average output fell by 614,000 barrels a day in 2008. New discoveries are expensive, and they are not going to produce oil at $40/barrel. For example, BP finally brought their Thunder Horse project in the Gulf of Mexico on line with 250,000 barrels a day output. That 250,000 bpd cost a large fortune, and it took 20 years to see the first drop of production. Remember Chevron's much ballyhooed Jack 2 project in the Gulf? The one test well cost $240 million, and the project is years away from production. It has yet to be proven if this is truly a major find or not. We won't know that until we actually see the oil flow years from now, but it isn't going to flow at all at $40/barrel.




I have crude listed on Page 2 of the online updates along with its Critical Price Point (CPP). Currently, the CPP model is still negative on crude until it trades at $53.25 basis June futures. Not listed are CPP reversal points for gasoline and natural gas. I don't want to make this too complex. Suffice to say, gasoline needs to trade at 1.424 basis April, and natural gas needs to see 4.881 basis the May contract. Gasoline and natural gas are close to these price points. You can get prices on these at barchart.com with the symbols CLM9, RBJ9, and NGK9, respectively.

I will keep you posted on any changes in the online updates. Crude oil is the most important of the lot. All others will move higher with crude, and I see much higher prices for crude by year end. Once the next up leg begins, I think we could see crude quickly move to $80, just as gold quickly moved to $1,000 once its correction was over. The key is to take advantage of further weakness to accumulate energy positions while prices are still relatively cheap.

I do like **Enerplus** (ERF-$14.62). There is a multiple whammy in this one. First, once crude prices recover, all of the beaten down energy stocks will find new interest from investors - especially those looking for yield. All of the trusts have adjusted to the coming Canadian tax changes in 2011, so I am not worried about that. Second, as crude moves higher, the dividend should double from current levels. Third, as conditions in the commodity sector improve, the Canadian dollar will rise against the U.S. dollar. I look for it to easily move back to par. This will translate into higher dividends in U.S. dollars as well as a higher share price.

The stock has dropped back sharply of late along with the rest of the Canadian trust sector, and I am going to lower the buy price for further purchases. Buy Enerplus up to $15.00. If you would like a "stink bid," you can put an order in at $10.00 or better, but that seems a little deep. Enerplus is going to be on the hunt for properties while energy prices are low, and they have $1 billion in unused credit. At $15.00, the current indicated yield is about 11.5% with very good capital gain prospects. Enerplus is definitely the pick of the Canadian trust litter.

Some of the downside buy prices for the energy issues have been adjusted on Page 6, and there are a couple I put on "HOLD" for the time being. If the issue is currently trading under its buy price, consider it a "buy up to" price. As for the oil majors, the only one I like is **Apache Corp.** (APA-$52.35) which is trading under a revised downside buy price of $60.00. Take a long look at your portfolios and consider where energy stocks might fit. Again, diversify and balance, but this is the time to use weakness for buying - like last November /December was the time to buy gold.

I believe that we will soon see the beginning of the Obama rally in the popular averages. No one knows the exact time or place, but technical indications keep piling up that we will, indeed, see some sort of rally begin this spring. My work with the Nasdaq/S&P ratio continues to evidence relative strength in the Nasdaq, which is often a prelude to a sustained up move.

The McClellan Oscillator, which we feature in the Tuesday and Thursday updates, has fallen to extremely oversold levels - levels that forecast rallies, even in severe bear markets. There is also a slight positive divergence in the oscillator between this low and the one formed last November. That is an added bullish element.

Running the weekly MACD on the Dow reveals a setup for a second buy signal. Longer term readers will recognize the second buy as a favorite of mine. Bottom line, second MACD buys are powerful signals more often than not. This second buy signal pattern is not as advanced in the Nasdaq or the S&P 500 yet, which may indicate we need a little more time to form a solid technical base. Nevertheless, the underpinnings for a strong and sustained rally are being set in place.

Lots of folks are anxious to sell; and so far, strong days have not been able to carry through because of this. At first, expect the rally to swim against a strong current; but as it gropes higher, the shorts will begin to cover and the rally will gain momentum. Finally, the early sellers will feel left out and begin jumping back in again. They will be joined by a ton of sidelined money that has been waiting for some sign of opportunity. Investors are looking for direction as to where they might be able to put some money with a good chance of making a buck ... for a change. Then there are those with what I like to call "performance anxiety." These are the guys that cannot stand to be left out of a rally once the party begins.

If you are looking for something more technically definitive, keep your eye on the Palio and the Nasdaq Slow Tracker models. As this letter goes to press, the Slow Tracker will turn positive if the Nasdaq Composite trades at 1,599 or higher. You should keep up with the online updates for any changes in this buy trigger. It could be lowered soon.

Palio is a shorter term model that is also maintained on the updates. The model is essentially momentum based and involves numerous elements. Consequently, its signals are not as easy to give you ahead of time. The best we can do is issue announcements of the model's signal changes on the online updates or by special online update when necessary. Currently, the Palio model is still negative.

More important is how to play the coming rally. I have a little recession plan that I will share with you. First, stick with commodity-related issues. Second, get rid of any remaining paper asset investments you hold during the coming rally.

I don't expect the economy will actually get better anytime soon. However, we may well see evidence that it looks like it is bottoming out. We should see some positive statistics from Obama's $1.75 trillion deficit by summer. The big kids will cook the books if necessary to justify this insane spending. A few "better than expected" numbers will create a lot of excitement as well as forecasts that the worst is over for the economy. The stock market will take off, and so will commodities.

I have been explaining that with the credit meltdown, production of raw materials, energy, and metals has been severely limited. Exploration and development projects have been cancelled. This is real; and once investors begin to think that demand may be returning, prices will rise quickly. Meanwhile, existing inventories will be depleted, and I expect to see shortages by the end of this year.

By late summer or early fall, the stock market rally will top. If I were to guess, I would say we should see the best levels during August with a possible test of those highs in late September or early October. This rally will give us a chance to clean up portfolios before the next trip down - a trip that I expect will take the averages to new bear market lows, perhaps by year end.

Now, I don't have a crystal ball. I am forecasting these events essentially on the basis of seasonal tendencies in the market averages and what I see forming in my technical models. Even though the bear has gotten its teeth solidly into the stock market, the seasonals have been fairly accurate over the last couple of years. I expect them to continue to be so. I will, of course, be following the technical tools in my kit bag, like MACD, RSI, Palio, the Nasdaq Slow Tracker, etc. for more immediate guidance as things play out.

# 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 .78. 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 3/02/08 | Downside Buy Price | Div 3/02/08 | Target-T Stop-S | Web Site |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | **U.S. $** | | | | |
| Agnico-Eagle | AEM | NYSE | 1/10/2007 | 36.00 | 46.22 | 39.50 | 0.39% | | agnico-eagle.com |
| Alliance Res | ARLP | OTC | 9/29/2004 | 27.98 | 24.70 | 25.00 | 11.64% | | arlp.com |
| **Apache Corp** | **APA** | **NYSE** | 3/5/2007 | 68.00 | 52.35 | **60.00** | 1.14% | | apachecorp.com |
| Baker Hughes | BHI | NYSE | 2/5/2008 | 64.63 | 26.80 | 35.00 | 2.24% | | bakerhughes.com |
| Baytex Energy | BTE | NYSE | 5/18/2004 | 9.00 | 8.42 | 14.00 | 13.62% | | www.baytex.ab.ca |
| Blackrock | BGR | NYSE | 8/3/2005 | 25.99 | 13.15 | 15.00 | 12.55% | | blackrock.com |
| Central Fund Can. | CEF | NYSE-Alt | 12/1/2008 | 9.50 | 11.51 | HOLD | 0.09% | S=$9.86 | centralfund.com |
| **Central Gold Trust** | **GTU** | **NYSE-Alt** | **Buy at $36.00** | | 41.90 | **36.00** | | **S=$32.00** | gold-trust.com |
| CurrShrs. Eruo ETF | FXE | NYSE | 8/22/2008 | 148.57 | 125.71 | HOLD | 1.24% | S=$124.00 | currencyshares.com |
| **Enerplus Res.** | **ERF** | **NYSE** | 11/20/2008 | 19.00 | 14.62 | **15.00** | 11.79% | | enerplus.com |
| Gabelli Glb. Gld. | GGN | NYSE-Alt | 1/3/2006 | 22.10 | 12.32 | 13.10 | 13.50% | | gabelli.com |
| Goldcorp | GG | NYSE | 7/24/2008 | 40.00 | 26.94 | 22.50 | 0.67% | | goldcorp.com |
| iShares Silver ETF | SLV | NYSE | 12/15/2008 | 10.56 | 12.77 | 10.56 | n/a | S=$10.19 | ishares.com |
| Kinross Gold (1) | KGC | NYSE | 6/6/2002 | 2.39 | 15.06 | 12.50 | 0.53% | | kinross.com |
| Kinross Gold | KGC | NYSE | 1/4/2007 | 11.00 | 15.06 | 12.50 | 0.53% | | kinross.com |
| Mkt. Vectors, ETF | GDX | NYSE-Alt | 9/11/2006 | 37.00 | 31.09 | 22.15 | n/a | | n/a |
| **Pimco Com. Fund (2)** | **PCRAX** | | 3/2/2005 | 11.89 | 5.77 | **HOLD** | 13.82% | | pimcofunds.com |
| **Royal Gold** | **RGLD** | **NYSE** | **Buy at $32.50** | | 38.00 | **32.50** | 0.84% | **S=$22.70** | royalgold.com |
| **Schlumberger** | **SLB** | **NYSE** | 1/18/2008 | 75.00 | 35.84 | **35.00** | 2.34% | | slb.com |
| Ship Finance (3) | SFL | NYSE | 3/6/2007 | 0.00 | 6.26 | HOLD | 19.20% | | shipfinance.org |
| Silver Standard | SSRI | OTC | 1/4/2007 | 30.00 | 13.88 | 10.05 | n/a | | silverstandard.com |
| Silver Wheaton | SLW | NYSE | 3/10/2006 | 8.40 | 6.01 | 4.00 | n/a | | silverwheaton.com |
| **Spdr Gold Trust** | **GLD** | **NYSE** | 9/11/2006 | 58.85 | 90.93 | **84.00** | n/a | | n/a |
| Transocean (4) | RIG | NYSE | 1/4/2007 | 75.00 | 54.98 | 49.20 | n/a | | deepwater.com |
| **Yamana** | **AUY** | **NYSE** | 4/14/2005 | 2.90 | 7.85 | **6.00** | 1.52% | | yamana.com |
| Valero | VLO | NYSE | 4/26/2005 | 36.63 | 16.98 | HOLD | 3.54% | | valero.com |
| | | | | | **Canadian Dollars** | | | | |
| Altius Minerals | CA:ALS | TSX | 8/9/2007 | 17.88 | 6.26 | HOLD | n/a | | altiusminerals.com |
| **ARC Energy** | **CA:AET.UN** | **TSX** | 9/8/2008 | 25.85 | 12.12 | **HOLD** | 11.83% | | arcresources.com |
| Crescent Point En. | CA:CPG.UN | TSX | 9/16/2008 | 30.20 | 21.90 | 24.00 | 12.49% | | crescentpointenergy.com |
| Great Lakes Hydro | CA:GLH.UN | TSX | 12/17/2008 | 15.99 | 15.51 | 16.00 | 8.06% | | greatlakeshydro.com |
| Peyto Energy | CA:PEY.UN | TSX | 7/18/2003 | 8.75 | 6.65 | HOLD | 21.52% | | peyto.com |
| Silvercorp Metals | CA:SVM | TSX | 1/21/2008 | 8.00 | 2.68 | HOLD | 3.04% | | silvercorp.ca |

(1) On 2/27/07 Kinross acquired by exchange for Bema originally purchased at $1.06 on 6/6/02
(2) PCRAX paid a distribution of $2.08931 on Dec 08, 2008 thus reducing our purchase price by this amount.
(3) Ship Finance Intl. was acquired as a spinoff from Frontline 3/6/07
(4) Transocean merged with Global Santa Fe on 11/27/07 receiving .6996 shares in the new Transocean plus $33.03 in cash.

---

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

| Company | Symbol | Exchange | Initial Recom. Date and | Price | Price 8/05/08 | Downside Buy Price | Div | Target-T/ Stop-S | Web Site |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | **U.S. $** | | | | |
| Coeur d'Alene | CDE | NYSE | 9/2/2003 | 3.19 | 0.66 | HOLD | n/a | | coeur.com |
| Endeavor Silver | EXK | NYSE-Alt | 7/26/2007 | 4.60 | 1.27 | HOLD | n/a | | edrsilver.com |
| **Great Basin Gold** | **GBG** | **NYSE-Alt** | 12/21/2007 | 2.45 | 1.11 | **0.80** | n/a | | greatbasingold.com |
| Nova Gold | NG | NYSE-Alt | 2/29/2008 | 11.50 | 2.54 | 2.10 | n/a | | novagold.com |
| Taseko Mines | TGB | NYSE-Alt | 7/24/2006 | 2.40 | 0.76 | HOLD | n/a | | tasekomines.com |
| **US Gold Corp** | **UXG** | **NYSE-Alt** | 9/9/2005 | 1.70 | 2.01 | **1.10** | n/a | | usgold.com |
| | | | | | **Canadian Dollars** | | | | |
| Everton Res. | CA:EVR | TSX | 1/4/2007 | 1.30 | 0.09 | HOLD | n/a | | evertonresources.com |
| Golden Valley | CA:GZZ | TSX | 2/20/2007 | 0.50 | 0.14 | HOLD | n/a | | goldenvalleymines.com |
| Laramide Res. | CA:LAM | TSX | 3/16/2006 | 5.20 | 1.39 | HOLD | n/a | | laramide.com |
| Mega Uranium | CA:MGA | TSX | 5/1/2007 | 6.75 | 0.89 | HOLD | n/a | | megauranium.com |
| UTS Energy | CA:UTS | TSX | 5/15/2006 | 6.50 | 1.67 | HOLD | n/a | | uts.ca |
| Minera Andes | CA:MAI | TSX | 9/11/2006 | 1.20 | 0.65 | HOLD | n/a | | minandes.com |

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 .78 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.**