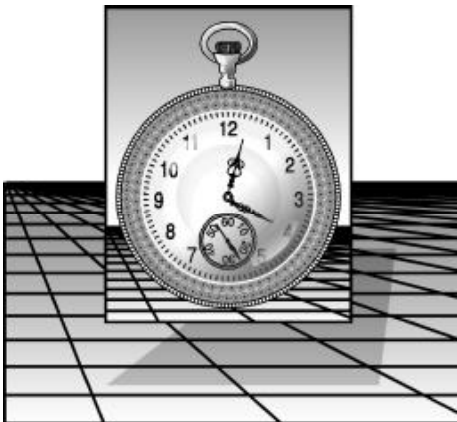


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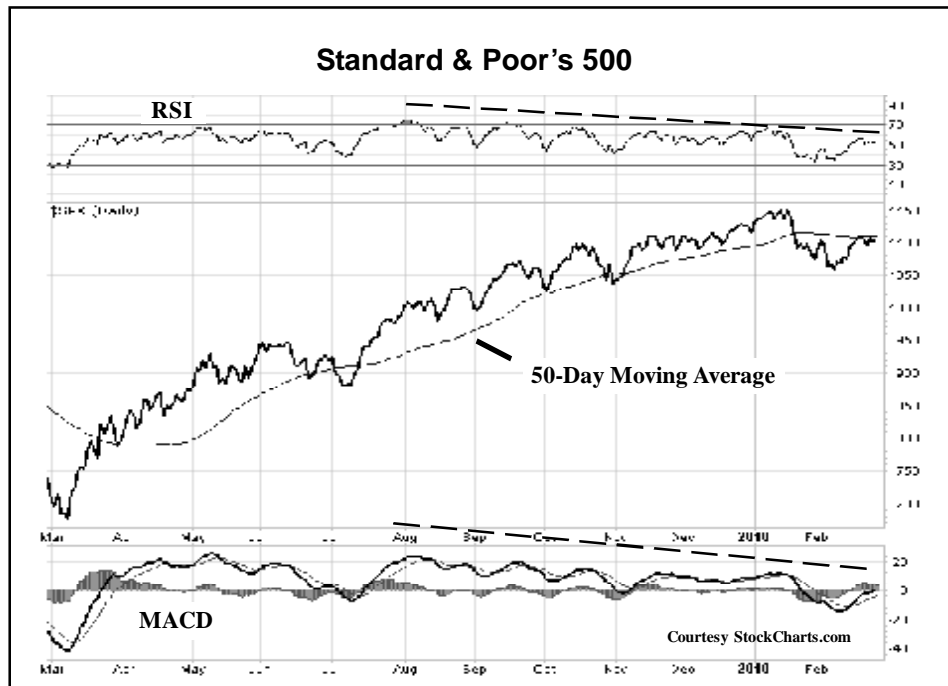
The next issue will be published March 15.

- **The Fed is in a tough spot.**
Page 2
- **Gold Miners Bullish Percent Index.**
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- **Stock recommendations.**
Pages 4-5



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STAY THE COURSE



The fingers of instability continue to extend through the popular averages. I have gone on and on for months about negative omens. They are still everywhere.

The Relative Strength Index (RSI) and MACD put in their best readings last August. Since then, they have failed to confirm repeated highs. The 50-day moving average - which has, in general, offered support in this rally - has recently become a ceiling of overhead resistance. One may make a case for a forming right shoulder here as well.

Another technical phenomenon that is bothering me is the preponderance of “inside weeks” I am seeing on the weekly charts. An inside week is one where the trading during the week is “inside” the week before. If a stock or average trades, say, with a high of 10 and a low of 7 one week and trades between 9 and 8 the second week, that is an inside week. An inside week is often an indication that the trend is about to change.

All in all, an inside week is a technical heads up that although trading has been quiet, something is about to change. The last week of February was an inside week in the S&P 500 and in the Dow Industrials. I will have more on this tool in the Investor’s Tool Box feature in the April letter.

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 © 2010 by Professional Timing Service.

Some technical analysis is in the eye of the beholder and is subject to interpretation. Analyses like the above examples still offer important warnings. In this case, the message is that you should recognize the mounting warning flags as fingers of instability progressively running deeper in the market each day. Interpretive analysis is important, but I prefer models that are not so subjective. Palio has done a great job and continues to hang on to its last buy signal. We have had some sharp breaks on the down side since this rally began, but Palio has refused to pull the trigger on a sell. Nevertheless, I will immediately send out an alert when Palio generates its next sell.

As you know, this is the last month we will publish Professional Timing Service in the current format. Beginning in April, the letter will be published during the first week of the month, and it will be online only. We will not be mailing hard copies after March. As of April 1, there will no longer be a mid-monthly issue or regular Tuesday and Thursday online updates. Beginning in April, we will publish periodic online alerts when there is something in the market to address or when one of our important models like Palio generates a new signal. The purpose of the interim online alerts will be to address any surprising events in the market that come along, to keep you current with our work, and to tie the monthly letters together. Sending out alerts dictated by conditions and signals will be more efficient and a better use of your time.

All you have to do to receive the new service is simply renew your current subscription if your expiration date is near and you will seamlessly continue to receive Professional Timing. The best news is that by eliminating mailed copies and altering the publishing schedule somewhat, we are able to offer subscriptions for less money. The cost of an annual subscription is now only \$170/year rather than the former rate of \$195/year.

The next Palio signal will not catch the exact high, but it will nonetheless be very important. I will have some suggestions as to what action to take when the signal triggers. In the meantime, you should have protective stops on any positions not advantaged by higher commodity prices.

The bond market has come back to life recently. Bonds may even get back to a positive stance in the Rydex bond trading program. I do want to point out, however, that the Rydex bond model is beginning to whipsaw. For traders, whipsaws are something that has to be put up with. Whipsaws are part of the cost of following trading models. For the non-trader, whipsaws are an important omen. They are a little like inside weeks in that whipsaws tend to cluster at significant turning points.

The Fed hiked the Discount Rate last month from 0.50% to 0.75%. This is not as much a painful move as a message. The Fed wants member banks to reduce their borrowing from the Fed. It is not a real tightening, of course, but perhaps it provides an inkling into the future. *The Fed is in a tough spot.* They have been buying mortgages from the banks, usually in the form of mortgage-backed bonds. The banks take the money and buy Treasuries. The result is symbiotic. The banks get rid of what they don't want, and the Fed gets something they do want – Treasury buyers. The Fed's intent is to sell the mortgage-backed bonds back into the market once the recovery begins and things return to normal. Raising rates will kill the plan.

The Fed has many tools in its kit bag. One tool that has been used more often than not over the last few years is “gentle persuasion.” Bank regulators can be lenient, strict, or something in between. Raising the Discount Rate is a message only. The problem, however, remains two-fold. One, the government will continue to need buyers at the Treasury auctions, and buyers have been more difficult to find since 2008. Two, the banks have to “appear” solvent and in good shape because confidence is what the entire financial game, including the value of our currency, is based on.

I can see the big kids maneuvering to bolster the market for our public debt; but by year's end, I look for some dislocations. The epicenter may be tied to real estate. I can see no way that the government can continue to finance the current levels of public debt. They desperately need lenders. When there is more illusion than solid reality in the

financial environment, one should take pause. The bond market will wiggle and jiggle under these ongoing influences; but fundamentally, it is not a good place for long term investment money.

With the popular averages waving warning flags and the bond market looking like an insider's dream, where can you go with your money in order to find capital gains and harvest some income?

Gold is the first go-to investment sector, but it is difficult to find income in the gold market. Nevertheless, the capital gain potential is very great. Even if you buy into the delusional idea that the economy is recovering, gold and other raw material commodities are a great investment. If the economy were to magically boom, raw materials would quickly become scarce and inflation would explode. Still, it is not wise to expect an economic recovery in the West, at least any time soon. In regard to government statistics, I read the other day that "inflation and unemployment is what you experience, not what the government tells you they are." That pretty well explains the difference between the optimistic numbers generated by the government and why folks are not spending like they were a few years ago.

Gold traditionally does well in either an inflationary or deflationary environment. The key is whether paper assets are the best place to be - as they were up to the top in the dot-com bull market - or whether tangible assets are the best place for your money - as they are and have been since the dot-com bust. Watch the Dow/gold ratio for guidance with this. The ratio topped out at 43.7 and has been falling since. Gold has been the big winner and will continue to be until the ratio, currently at 9.24, falls under 5, and ultimately to 2. The commodity bull has several years of life in it yet.

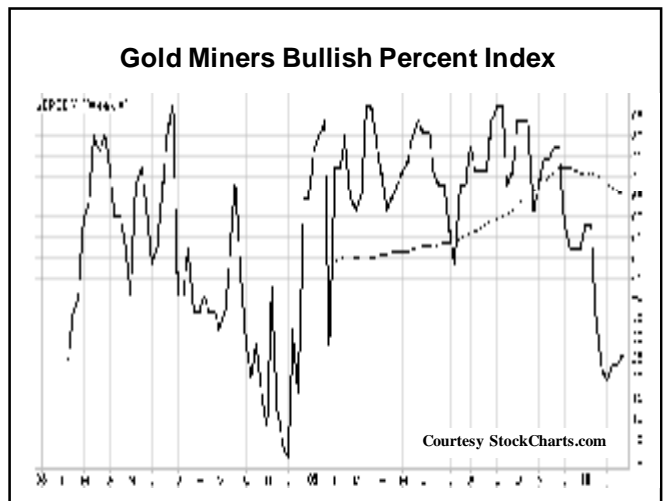
I am still accumulating gold positions, but you can afford to take your time at this juncture. We sold some gold positions in early December, and you should have been buying back last month as many of our gold recommendations fell back to their respective downside buy prices. With that said, let's look forward.

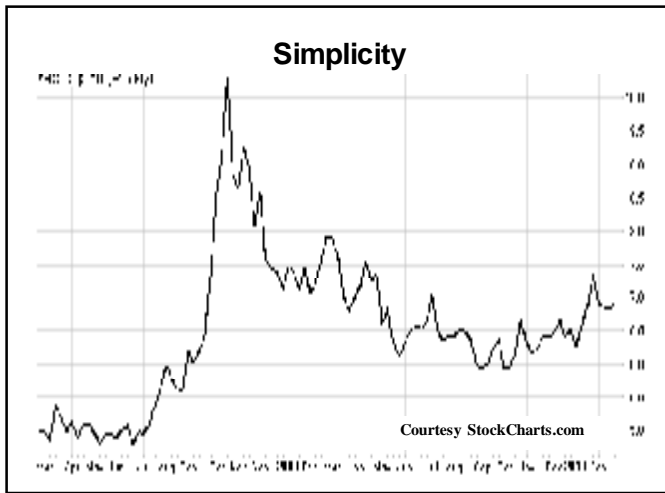
Bullion still has the potential to retreat to at least the \$1,050-\$1,060 level. I would not be surprised to see it fall suddenly back to \$1,000. If bullion were to come off to \$950 (a long shot), I, for one, will buy bullion coins. I am not confident that we will see \$950 gold, and I am not recommending selling for the eventuality. I am only saying that \$950 would be a lifetime opportunity to buy bullion. Be ready. If you are not prepared to see an opportunity before it happens, you will likely miss it if it does happen.

Another thing to be prepared for in the event of gold retracing to lower levels is that the bears will come out of the woodwork. Blow up the television and throw away the newspaper. The media loves to overexcite a trend. Remember all the bullish stuff they were spewing last year just as gold was setting up for a correction?

Here is an interesting gold indicator that was passed on to me by a subscriber. It is the Gold Miners Bullish Percent Index, which is self-explanatory. Although it is not definitive like Padio, it is an excellent oscillator for gold stocks. Notice that although it has not had a long history, the current level of bullishness is low enough to support buying. You can retrieve this at StockCharts.com with the symbol \$BPGDM.

Simplicity (see chart on Page 4) has turned higher, and it stands at about 6.93 on a weekly basis. The odds of it moving over 7.00 toward the January high are quite good. What this means is that we still have a decent buying opportunity ahead for gold mining stocks.





I wrote up **Jaguar Mining** (JAG-NYSE-\$9.42) in the last couple of letters, and it has been rolling back toward our buy price of \$8.50. Keep your open orders in. I think we have an excellent chance of buying there.

Royal Gold (RGLD-OTC-\$44.94) has been regularly trading under our buy price of \$43.50 of late. Unless something surprising occurs, you should have no problem accumulating at or below that price. **Yamana** (AUY-NYSE-\$10.54) has been easy to accumulate at or under \$10.50.

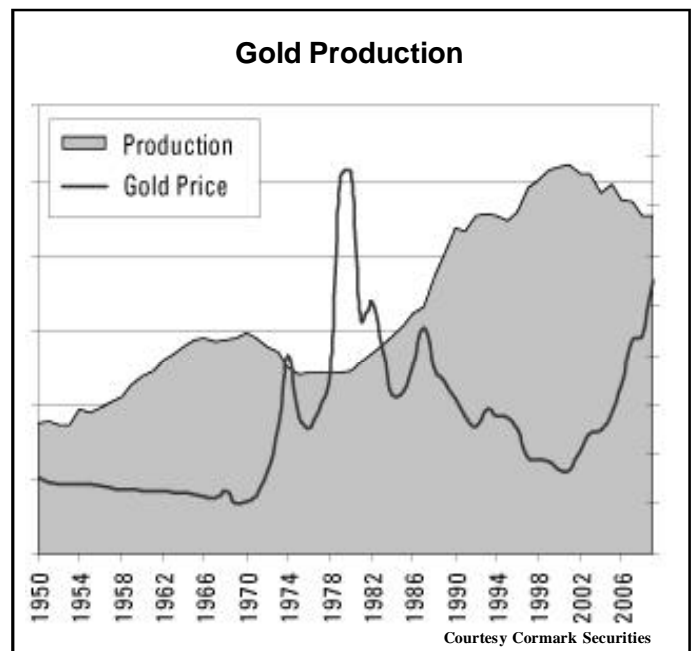
I moved the **SPDR Gold Trust ETF** (GLD-NYSE-\$109.43) from our recommended list to the Special Trading

Positions list we have on Page 2 of the online updates. This change was announced via the online update on February 16. The trade announced was to buy GLD at \$107.50 or better and to use a sell stop at \$102.20. I am writing a special report on ETF's that will be done next month to coincide with the new letter. All subscribers will have access to a copy as well as a couple of other new booklets I am working up. Bottom line, I don't like ETF's as longer term investment vehicles. They are decent trading vehicles, however – hence, our inclusion of this latest position as a trade on the trading list. If you took this trade, be alert as the model that initiated this trade may soon move the sell stop up. When it does, it will be relayed to you in the online updates.

Gold is shaping up very well in my work, but silver seems to be marking time. The last three weeks have been inside weeks in silver with none in gold, and that gets my attention. It's a mistake to tie gold and silver too closely together, but they will move in concert to some degree. If we look at silver independently, the message of the inside days may simply be offering support that expected further consolidation in gold is already being reflected in the soft inside week pattern in silver. **Silver Wheaton** (SLW-NYSE-\$15.17) is my silver investment of choice. Buy at \$13.50 or better.

The juniors. I have them intently on my radar, but it is not yet time to begin averaging down in this group. There has been an interesting theory espoused recently called “peak gold.” The idea is that like the planet's dwindling supply of crude oil, the available supply of gold may also be peaking. We all know that nearly all of the gold ever found is still in existence. Nevertheless, the planet's population continues to grow. Furthermore, the percent of the population with enough affluence to afford gold or be interested in gold as a store of wealth is rapidly growing as well. The result is an emergent imbalance between the supply and demand for gold. This chart from Cormark Securities shows a peak in production several years ago which coincides with the long term low in gold bullion. Once peak gold hits home with investors, the juniors will be back in the limelight.

There will come a time when anyone with a pick and shovel will be calling himself a gold miner, but there will be a more opportune time to buy down the road. Hold what you have, but stash a little cash aside for an opportunity to load up on juniors in the future. The one exception I can make at this time is **Rubicon** (RBY-AMEX-\$4.30). They continue to look good as a buy at \$4.00 or less.



Crude oil continues to trade within the trading range that I have described in earlier letters. I have no indication that crude is ready to break out to new highs just yet. Longer term, I fully expect to see crude move to \$120.00 - perhaps by year end, but not just yet. The price of crude is not as important as its direction. Another trip to the lower level of the trading range is likely, and that will offer you further buying opportunities in energy in preparation for a breakout later this summer.

Some of the energy issues on our list have come off to our buy prices. Keep your eye on **Linn Energy** (LINE-OTC-\$26.35). Pilot positions of 25% of your intended purchase were recommended at \$25.50 or less. This was followed by the recommendation to buy another 25% at \$24.00 and the balance of the position at \$23.00. So far, the first two steps have been fulfilled; and if you are following this, you hold 50% of your intended purchase at an average of \$24.75. If you were able to make either of these two buys better than recommended, you may have a better average price. Hold what you have, and keep those open orders in at \$23.00.

Remember to tell your broker "do not reduce" when you enter open orders so that your order price will not be changed if the stock you are trying to buy pays a dividend before your order fills. I determine the buy prices technically, and my methodology considers only price. The price will reflect any dividends paid in the past, so my method already factors them in. If you don't own Linn Energy yet, buy 50% at \$24.50 or better and the rest at \$23.00.

The key in buying energy issues at this juncture is to buy into weakness. There is no reason to buy just to be buying. If you invest in the market for entertainment, you will find it a very expensive experience. Everyone should hold some **Apache Corp.** (APA-NYSE-\$103.64). Our downside buy price is \$90.00. The stock is not that far away, and the odds are that you will be able to pick up some Apache at \$90.00 or better. Apache does not pay a grand dividend like others on our list, but it is a premier major oil producer. In fact, I believe it is the only major you should own.

I am going to recommend a junior in the oil patch - **Northern Oil and Gas** (NOG-AMEX-\$12.36). I had NOG on the list last year, but it didn't sell off to where I wanted to buy it. Lately, it has been coming down some, and we have a shot at it again. Buy Northern Oil & Gas at \$10.05 or better. I am including this in the list of juniors, and you should recognize that this is a more speculative recommendation than Apache. Nevertheless, it is a good bet at \$10.05.

Longer term, I see crude oil ultimately breaking to new, all-time highs. Depending on how the geopolitical game plays out this year, crude may hit \$120.00 by year's end. I don't have to explain the negative effect this will have on our already suffering economy. There are games afoot with Iran that have bullish implications for future energy prices, but they have dire implications for the security of our future domestic energy supplies. I am working up the case for \$120.00 oil, and I will summarize this in another booklet I am preparing to coincide with the new letter in April.

Some comments on the U.S. dollar. The U.S. Dollar Index has managed to nudge my upside expectation of 81.50. The question remains whether it will be able to move beyond that level. If it does, I expect to see it move to 83.00 rather quickly. This will certainly depress the metals and energy. However, an argument for a longer term bull move in the dollar is difficult to support, either fundamentally or technically. Where the dollar ends up topping out is not important near term. Whatever weakness it causes in energy and metals is a buying opportunity because the long term trend of the dollar is still negative. You have to factor that firmly into your long term strategy.

Although the short term is not bearish yet, my dollar trading model will sell if the March dollar contract falls to 79.60 or lower. That is not all that far away. It is important to note that the indicators we were looking at late last year (see the December issue PTS) are all beginning to look as negative now as they were positive back then. The way to prepare for the next dollar crash is to use weakness to accumulate energy, precious metals, and commodity issues. As the dollar caves in, gold will be on its way to my forecast of \$1,600/oz. and crude oil will be on the way to new highs.

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 2/26/10	Downside Buy Price	Div 2/26/10	Target-T Stop-S	Web Site
U.S. \$									
Alliance Res	ARLP	OTC	9/29/2004	27.98	41.51	HOLD	7.47%	S=\$36.20	arlp.com
Apache Corp.	APA	NYSE	3/5/2007	68.00	103.64	90.00	0.58%		apachecorp.com
Baytex Energy	BTE	NYSE	5/18/2004	9.00	31.83	24.00	6.50%		www.baytex.ab.ca
Blackrock	BGR	NYSE	8/3/2005	25.99	24.68	23.00	6.56%		blackrock.com
Enerplus Res.	ERF	NYSE	11/20/2008	19.00	22.32	HOLD	9.13%	S=\$20.95	enerplus.com
Gabelli Glob. Gld.	GGN	NYSE	1/3/2006	22.10	16.68	12.00	10.07%		gabelli.com
Goldcorp	GG	NYSE	7/24/2008	40.00	37.78	34.50	0.48%		goldcorp.com
IRR Rsk Mg Nat Res	IRR	NYSE	10/2/2009	16.25	16.67	16.25	9.17%		ingfunds.com
Jaguar Mining	JAG	NYSE	Buy at \$8.50		9.42	8.50	n/a		jaguarmining.com
Kinder Morgan LP	KMP	NYSE	Buy at \$56.00		64.30	54.00	6.53%		kindermorgan.com
Linn Energy LLC	LINE	OTC	11/18/2009	24.72	26.35	23.00	9.56%		linnenergy.com
Pimco Com. Fund	PCRAAX		3/2/2005	11.89	7.98	HOLD	4.63%		pimcofunds.com
Prospect Capital	PSEC	OTC	1/5/2009	12.00	11.62	11.30	14.07%		prospectstreet.com
Prospect Capital	PSEC	OTC	2/1/2010	11.00	11.62	11.30	14.07%		prospectstreet.com
Royal Gold	RGLD	NYSE	7/8/2009	38.00	44.94	43.50	0.80%	S=\$41.10	royalgold.com
Schlumberger	SLB	NYSE	1/18/2008	75.00	61.10	HOLD	1.37%		slb.com
Silver Standard	SSRI	OTC	1/4/2007	30.00	17.01	HOLD	n/a	S=\$11.60	silverstandard.com
Silver Wheaton	SLW	NYSE	3/10/2006	8.40	15.17	13.50	n/a	S=\$11.80	silverwheaton.com
SPDR Gold Tr. ETF	GLD	NYSE	Moved to Special Trading Positions on page 2 of online updates.						
Yamana	AUY	NYSE	4/14/2005	2.90	10.54	10.50	0.38%		yamana.com
Canadian Dollars									
Altius Minerals	CA:ALS	TSX	8/9/2007	17.88	8.34	HOLD	n/a		altiusminerals.com
ARC Energy	CA:AET.UN	TSX	9/8/2008	25.85	21.95	HOLD	5.47%		arcresources.com
Crescent Point En.	CA:CPG	TSX	9/16/2008	30.20	39.00	HOLD	7.08%		crescentpointenergy.com
Brookfld Ren Pw	CA:BRC.UN	TSX	12/17/2008	15.99	20.30	HOLD	6.40%		greatlakeshydro.com
Peyto Energy	CA:PEY.UN	TSX	7/18/2003	8.75	13.70	HOLD	10.51%		peyto.com
Silvercorp Metals	CA:SVM	TSX	1/21/2008	8.00	6.87	HOLD	1.16%		silvercorp.ca

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

Company	Symbol	Exchange	Initial Recom. Date and	Price	Price 2/26/10	Downside Buy Price	Div	Target-T Stop-S	Web Site
U.S. \$									
Coeur d'Alene	CDE	NYSE	9/2/2003	31.90	14.65	HOLD	n/a		coeur.com
Endeavor Silver	EKK	NYSE	7/26/2007	4.60	3.28	HOLD	n/a		edrsilver.com
Great Basin Gold	GBG	NYSE	12/21/2007	2.45	1.62	HOLD	n/a		greatbasingold.com
Northern Oil & Gas	NOG	NYSE	Buy at \$10.05		12.36	10.05	n/a		northernoil.com
Nova Gold	NG	NYSE	2/29/2008	11.50	5.82	HOLD	n/a		novagold.com
Rubicon Min.	RBY	AMEX	2/1/2010	4.00	4.30	4.00	n/a		rubiconminerals.com
Taseko Mines	TGB	NYSE	7/24/2006	2.40	4.52	HOLD	n/a		tasekomines.com
US Gold Corp	UXG	NYSE	9/9/2005	1.70	2.69	HOLD	n/a		usgold.com
Canadian Dollars									
Everton Res.	CA:EVR	TSX	1/4/2007	1.30	0.25	HOLD	n/a		evertonresources.com
Golden Valley	CA:GZZ	TSX	2/20/2007	0.50	0.26	HOLD	n/a		goldenvalleymines.com
Laramide Res.	CA:LAM	TSX	3/16/2006	5.20	1.33	HOLD	n/a		laramide.com
Mega Uranium	CA:MGA	TSX	5/1/2007	6.75	0.61	HOLD	n/a		megauranium.com
UTS Energy	CA:UTS	TSX	5/15/2006	6.50	2.46	HOLD	n/a		uts.ca
Minera Andes	CA:MAI	TSX	9/11/2006	1.20	0.78	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 .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.