

The next issue will be
published April 4.

- **There are technical warnings.**
Page 2
- **There are three companies that interest me.**
Page 4
- **You will love the Canadian stocks when this happens.**
Page 5



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

WAITING FOR CORRECTIONS

Occasionally it is not the best time to buy anything. I read the other day that Goldman Sachs was sitting on a horde of cash. Maybe they, too, are biding their time for a new buying opportunity before jumping in the pool. A lot of folks would like me to tell them to just buy the rallies. Perhaps in the long run that would work out alright if you were in the right sector; but over the last 40 plus years of trading, investing, and advising, I have found that if folks buy the tops, they also sell the bottoms for the same emotional reasons.

I want to tell you what it will be like when gold hits its ultimate high. Think about how bullish you feel on those days when gold is breaking over \$1,400. Think about how optimistic you are when gold has a big \$30 or \$40 up day. You feel great, yet there may be a little nagging uneasiness in your euphoria. When the final highs come, you will feel 100% confident with no lingering doubts. You will tell yourself that you “shoulda” put all your money in gold. You will see absolutely no risk. You will be ecstatic. The last thing you will want to do is sell your gold at the highs.

Our strategy (as determined by the Dow/gold ratio some 10 years ago) to focus our investments in tangible assets and those stocks that are advantaged by rising tangible asset prices is coming to fruition. Tangibles will continue to be the big money winners, and we have very nice positions that we have accumulated over the last decade. Hang on to them. The tough part from here will be finding decent places to buy as tangibles enter into the velocity stage of this bull market. I am not a believer of buy high and sell higher. That is a dangerous path.

Finding the right price is the best money management tool you can employ. Consider as well that if you are able to purchase at a price 10% better than today’s price, that is an extra 10% in the bank. That’s not a small thing when a six-month T-bill pays but 0.16%.

Keep in mind, the market cycles - which is why those who buy at the highs also end up selling at the lows. There will be opportunities, as we saw recently in the metals. Gold corrected back to our expected \$1,320 level, and some of our recommendations hit their respective buy prices. We also picked up a new precious metal position in **Sprott Physical Gold Trust** (PHYS-NYSE-\$12.43) during the early 2011 correction in gold. The key is to wait for the next opportunity to avail itself.

Last month I wrote about three highs that had formed in gold at the \$1,420 level, and I elaborated on the importance of breaking those highs. Gold has rallied

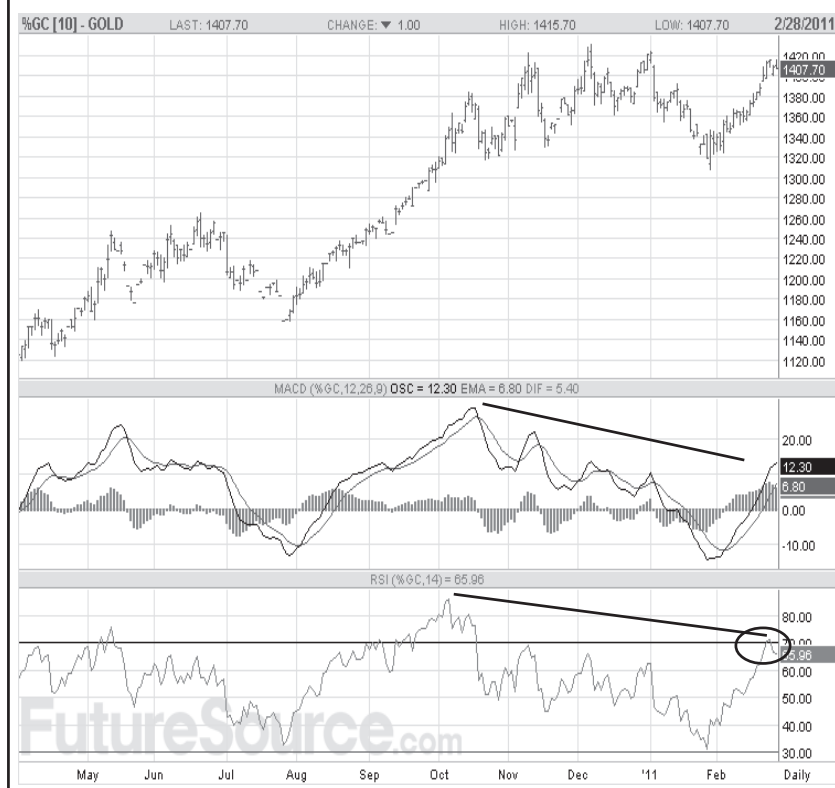
Simplicity



back to \$1,400 again, but I do not expect to see a breakout just yet. The bullion market has been stimulated by North African and Middle East events as well as precious metal purveyors hyping the public's interest. When making money looks this easy, it is time to be looking over your shoulder. A move straight up to new highs in gold at this point is just too pat.

There are technical warnings. Bullion is a bit overbought, and there are negative divergences that I would be more comfortable seeing resolved before there is a new high. It is also of note that the Critical Price Point model on gold is negative (Page 2 online update), and our next entry point for the Rydex gold trading program has not been hit yet. In fact, the XAU is relatively weak compared to bullion here.

Gold with RSI & MACD

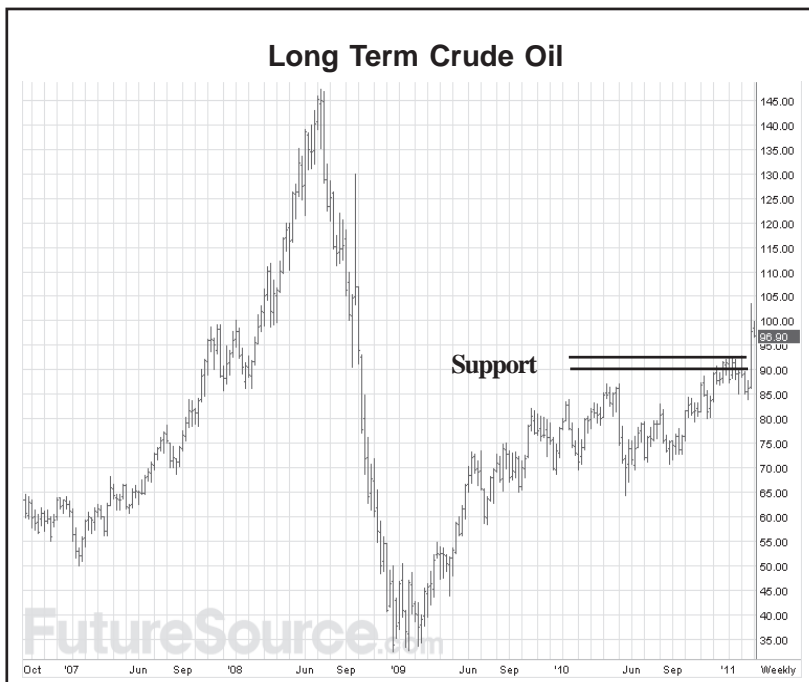


Referring to Simplicity, since the last letter you will find that it has not responded to the recent jump in bullion either. The implication is that there is more consolidation ahead in gold and the mining shares. I still expect Simplicity to move back up to 7.00, which would offer a much better buying environment than we have today.

Another consideration to factor into the exuberance in the gold pit these days is that gold typically will top out in January and February and then consolidate into the summer. Seasonally, the metals are a hold.

Bottom line, this is not an advantageous time to be a buyer. I am not a bear. There are higher prices in store for gold later this year. The Dow/gold ratio tells us that. Sometimes the best strategy is to hold, be patient, and wait for better times to buy.

Let gold continue to consolidate. Use weakness to accumulate if you have extra money available for the metals. In the meantime, hold what you have. I am removing the recommendation for **Central Fund of Canada** (CEF-NYSE-\$21.44) as it has moved sharply away from our buy point. I will recommend it again in the future if it comes back into buying range and its technical aspects become more positive than they are now.



Royal Gold (RGLD-NYSE-\$49.62) has been lagging, and it's still under our buy price of \$49.90. I am leaving that price as is; but if you would like a deeper target, you might put in a bid at \$47.10 or better. Just be sure to not pay over \$49.90. Royal Gold is a royalty company, and it sometimes acts as a good barometer of the short term future for gold. The fact that it has not responded to this recent move in gold back to the \$1,400 level is another indication that the correction in gold is likely not over yet. Often, Royal Gold will lead the up side when a correction is over. Currently, it is telling us to expect more time before a significant breakout.

I harp on diversification and balance in your portfolio, and it need not be repeated ... but, don't load up top heavy in any one issue. That

is just good money management. Buy a little RGLD if you don't have any already, but don't discount the chance to see other opportunities open up over the next few weeks as the metals shake off overbought readings and negative divergences. Be patient. I think we will get another shot at buying some gold and silver issues at a point in time when the risk-to-reward ratio is more in our favor.

In that vein, **Silver Wheaton** (SLW-NYSE-\$42.55) has been one of our better picks. However, at this time, there is no realistic buy point to attach to it. The same advice goes for **Coeur d'Alene Mines** (CDE-NYSE-\$31.51). We need to see what it sets up technically for these during the next selloff. In the meantime, my recommendation is to continue to hold the positions.

Although energy is suddenly on a tear due to North African and Middle Eastern events, it is more appealing at present than gold and silver. Crude was rolling over nicely as expected, but then the Egyptian flareup sent prices running on the up side. Since Egypt first encountered angry mobs in the street, civil unrest has quickly spread to Iran. More importantly, it has also spread to other North African nations to the point that the only country without a rioting population actively calling for the overthrow of their rulers is Saudi Arabia. That could change.

These riots are not a demand for democracy, but a resurgence of a problem between the Sunni and Shia that has been ongoing for more than 13 centuries. Typically, the situation is that one sect is a minority ruler over the majority of the population that belongs to the other sect. The mix is explosive, and the explosions are happening.

How this gets resolved is not apparent, but it looks like the various countries' armies are stepping in and taking control. The situation will perhaps stabilize temporarily, but the underlying resentment in these populations that are comprised mainly of unemployed youth will continue to seethe.

In April 2010, I wrote a study entitled *The Case For \$120 Crude Oil*, and we are on our way to that eventuality. That booklet focused on the problem of dwindling reserves, but delivery is an issue here as well. Whether there is production to be exported, whether production is encumbered by civil war, or whether transportation is disrupted, the result will be higher energy prices overall.

Long Term Natural Gas



Crude oil prices are going to move higher - certainly by year's end. At this point, though, there is no reasonable entry point for crude oil. After the recent price panic, crude prices are overbought (as you can imagine) and should settle back to \$90.00 to \$92.00. Again, breakouts tend to fall back and test the breakout point before moving higher.

A test of support during the next correction will be reason to review our recommended list and see if there are any opportunities among the issues there. As time goes on, the price of crude oil, gasoline, and natural gas will rally and correct, but each correction will find a higher low and each successive new high will be higher than the one before. The key is to take advantage of those corrections.

There are three companies that currently interest me. One is our old friend **Brookfield Renewable Power** (BCRUN-TSX-C\$21.51), which is not that far off of our buy price at C\$21.00. This is not going to be as exciting as Enerplus or Baytex; but at this juncture when other issues directly involved with crude production are flying off the charts, Brookfield is a good strategic choice with a decent 6% dividend. Brookfield is an alternative energy producer, if you will, generating and selling electricity from wind and hydroelectric sources that they own and operate. As crude oil prices increase, electric rates will also increase. Brookfield's generation costs will change very little, leaving increases in electrical rates in their profit column.

The next area of interest is natural gas. We have some exposure to natural gas with our holdings in Baytex, Enerplus, and other energy producers on our recommended list, and that is going to reward us down the road. In January, I recommended **Natural Gas Service Group** (NGS-NYSE-\$19.34) at \$17.50, and NGS hit that price on January 6. I am going to raise the buy price level a little bit to \$18.50. The stock has been performing very well in the face of relatively weak natural gas prices lately, and it's a great play in this sector.

In the February 22 online update, I presented a new natural gas recommendation - **National Fuel Gas Company** (NFG-NYSE-\$72.90). NFG sells, distributes, produces, and explores for natural gas. The most interesting aspect currently is the development of reserves in the Appalachian region, including the Marcellus shale formation. This is being done through a subsidiary, Seneca Resources, which operates as well in the Gulf Coast region of Texas and Louisiana. Seneca efficiently produces gas at less than \$2.50/mcf, which is considerably less than even the current historically low gas price of \$4.00/mcf. Seneca accounts for over half of NFG's net income, and the growth potential through their operations is significant - especially exploitation of the huge Marcellus shale formation.

They also operate pipelines and distribute gas to retail and commercial customers. The dividend is not much to shout about at 1.9%, but it is as good as a CD pays these days. The aspect of the dividend that I like is that it has been paid for over 40 years and has increased annually every year over those 40 years. You can investigate the company further at www.natfuel.com.

The problem is buying without chasing NFG at this point. The stock has rallied strong, along with the energy sector in general. I suggested a scale-in approach in the February 22 update that I would like to modify a little. Figure out what you wish to put into NFG and then buy 25% of your stake at \$70.00 or better. Next, put in an order to buy 50% at \$65.00 and the balance at \$60.00.

Natural gas is basing at \$3.80 basis the April contract, and I think it is only a matter of time before natural gas comes alive again. If the general market pulls back here, I think we have a good chance of scaling into NFG. On Page 4 is an update on the natural gas chart I showed you last month. Note the right shoulder forming now. Natural gas looks like a coiled spring.

In looking over our other energy issues on the recommended list - and considering that most of these stocks need to take a rest and see some profit-taking before they are attractive buys again - I am putting **Blackrock Energy and Resources** (BGR-NYSE-\$31.18), **Enerplus** (ERF-NYSE-\$32.68), **Baytex** (BTE-NYSE-\$57.60), and **ARC Resources** (ARC-TSX-C\$28.40) on hold.

I do think we have a shot at buying some **Crescent Point Energy** (CPG-TSX-C\$46.98) if it rolls back a bit. It has been comparatively strong in relation to the rest of the group. I am raising the buy price to C\$43.00 Canadian. Don't forget that the Canadian issues give us an advantage when the U.S. dollar falls against the Canadian dollar. Currently, one Canadian dollar will cost you \$1.02 U.S. As the Canadian dollar continues to increase in value versus the U.S. dollar, the price of your Canadian stocks will reflect the increase, as will the dividends they pay.

Incidentally, the U.S. Dollar Index appears to be rolling over and heading lower again. Our Rydex dollar trading program on Page 2 of the online updates is still in the Rydex Weakening Dollar Fund (RYWBX), as it has been since January 14, 2011. There is some support at 74.00 and again at 72.00 in the U.S. Dollar Index basis March; but once it breaks below 72.00, I see it sliding to 60.00 over the next 18 to 24 months. You will love the Canadian stocks when this happens. You will be making money two ways. One will be from the currency conversion - Canadian dollars translating into more and more U.S. dollars. Second will be from the price of oil which will be requiring more and more failing U.S. dollars to purchase.

Another advantage to the Canadian companies and to the U.S. energy companies like NFG, etc. is that they produce from North American reserves. As things become more unstable overseas, North American reserves are going to become our only source of reliable supply. The only exception is **Apache Corp.** (APA-NYSE-\$124.62). This is due to their unique expertise in exploiting played-out fields. That talent will come in very handy as energy prices rise, and squeezing the last drop possible will become more important. Regardless, Apache is only a buy at \$110.00 or better.

You need to begin thinking about how your personal and business expenses are going to be affected by higher energy prices as crude oil works its way toward \$120 a barrel. Consumer spending is going to change. Gasoline prices are going to move to \$4.00 a gallon, which will increase the price of transportation in all aspects. It will cost more to take the kids to school. Things you buy will become more expensive to reflect increased fuel costs associated with processing, harvesting, and shipping. I bought gasoline under \$3.00 the other day and felt I found a bargain. We will all adapt, but at the expense of other targets for our money.

Higher energy prices are going to change consumer spending habits, and consumers still account for some 70% of the economy. Higher energy prices act like a tax on the bottom lines of businesses, which will squeeze margins and reduce profitability. We will not run out of oil any time soon; but with crude becoming more expensive and the consumer poorer, we may eventually run out of the wherewithal to buy it. The stock market has yet to adequately reflect this, and prices need to adjust to offset lower future profits.

Many old investment masters like Edison Gould and Benjamin Graham have factored price earning multiples into their basic analysis. The wisdom is usually lost amid the enthusiasm of a bull market or the pessimism of a bear market. Currently, the PE for the S&P 500 is 17 times and for the Dow Industrials is 15 times. While these are not as extreme as can be pointed out in the past, studies show that the opportunity to make money from current PE levels is virtually nil, and the likelihood of losing money from current levels is very high. In a nutshell, the risk/reward aspects of investing in the Dow, the S&P 500, or other financial assets do not favor the investor at this point.

Typically, the Dow will fall to where it sports a PE of about 6 times before a bear market is finished. We will certainly see the S&P 500 and Dow with single digit PEs before the next opportunity to invest in paper assets is at hand. In the 1970's, it was exclaimed that we would never see PE multiples go over 10 again. That was at the bottom of that bear market. On the other hand, we saw some fierce PEs in the late 90's when the Nasdaq topped out at 5,000. Although there is still money to be made in tangibles for the discerning and patient investor, until things change, there is no money to be made in paper assets.

Incidentally, paper/financial assets include bonds. Do not buy long bonds. Don't even buy 10-year bonds. The bond market is going to suddenly implode at some point, and interest rates are going to skyrocket in a very short time. You will not want to hold bonds to maturity - you will end up selling at a loss. *Trade* bonds if you want. We have a short term trading program (which is presented on Page 2 of the online updates). Currently, the program is long the Rydex Government Long Bond Advantage Fund (RYGBX), but it will reverse if the March bond contract falls to 117-02/32 or lower. Again, all trading programs are listed and updated on the online updates.

We are definitely aligned right in the market with gold and energy. We can stick with this strategy until the Dow/gold ratio tells us otherwise. Although our Palio model is still positive as of this writing, it could trigger the next sell at any time. I will, of course, e-mail you when it does. Nevertheless, the stock market is showing some signs of regaining its sobriety after the binge it has been on over the last six months. Over the next 18 months, paper will fail in the face of rising tangible prices.

What about real estate? Home prices may stop falling at some point, but that will not necessarily mean they will rise in price any time soon. There is too much inventory, consumers continue to deleverage, and the ongoing economic squeeze between rising commodity prices and unemployment is far from over. Once burned, folks tend to avoid those bad investments for the rest of their lives. Most of those who have had a bad experience with home buying will rent and never buy again. Fright creates long term bear markets, and real estate is in such a state.

New home sales were off 12% in January. It is the new normal. As a bright adjunct to this, however, remodeling has been active. Some 55% of homeowners do not have a mortgage. They and folks that are not overburdened with a bad purchase have realized that they are not going to sell their house unless they give it away. Their option is to remodel. Put on a new room, redo the kitchen, expand, etc. I am not saying that there is money to be made for investors here, but there are some jobs for those craftsmen that are ambitious and can run a business. There is work out there for them, but they need to be good at their craft and they have to go after the work. It will likely not come to them, at least not constantly. Ask for the work, schedule yourself appropriately, and one can do fine in the new normal.

It is a matter of adjustment, and we will all be making adjustments. The future new normal will be one of low growth and longer periods of stagnant economic activity interspersed with more frequent recessions. This will erode confidence and increase fear. Fright keeps folks out of markets, and they have long memories of what has not worked out financially. Hence, my prediction that many consumers will shun home ownership. This is the essence of a bear market and the reason they last as long as they do. It takes about 20 years for a new generation to evolve to the financial state where they can invest without remembering the pain of the previous bear market.

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 1.02. 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 letter are in bold letters.

Company	Symbol	Exchange	Initial Recom. Date and	Price	Price 02/28/11	Downside Buy Price	Div 02/28/11	Target-T Stop-S	Web Site
U.S. \$									
Apache Corp	APA	NYSE	3/5/2007	68.00	124.62	110.00	0.49%		apachecorp.com
Baytex Energy	BTE	NYSE	5/18/2004	9.00	57.60	HOLD	4.27%		www.baytex.ab.ca
Blackrock	BGR	NYSE	8/3/2005	25.99	31.18	HOLD	5.22%		blackrock.com
Enerplus Res.	ERF	NYSE	11/20/2008	19.00	32.68	HOLD	6.81%		enerplus.com
Gabelli Glob. Gld.	GGN	NYSE	1/3/2006	22.10	18.83	17.75	8.96%		gabelli.com
Central Gold Trust	GTU	NYSE	7/27/2010	45.50	53.50	49.90	n/a		gold-trust.com
Goldcorp	GG	NYSE	7/24/2008	40.00	47.81	42.50	0.85%		goldcorp.com
Legacy Reserves LP	LGCY	OTC	8/6/2010	24.00*	31.05	26.00*	6.82%		legacyp.com
Linn Energy LLC	LINE	OTC	11/18/2009	24.72	38.83	HOLD	6.65%		linnenergy.com
Natl. Fuel Gas Co.	NFG	NYSE	Buy at \$70.00**		72.90	70.00**	1.90%		natfuel.com
NG Service Grp.	NGS	NYSE	1/6/2011	17.50	19.34	18.50	n/a		ngsgi.com
Pimco Com. Fund	PCRAX		3/2/2005	11.89	9.47	8.50	8.48%		pimcofunds.com
Prospect Capital	PSEC	OTC	1/5/2009	12.00	12.14	HOLD	10.04%	T=13.00	prospectstreet.com
Prospect Capital	PSEC	OTC	2/1/2010	11.00	12.14	HOLD	10.04%	T=13.00	prospectstreet.com
Royal Gold	RGLD	OTC	7/8/2009	38.00	49.62	49.00	0.90%		royalgold.com
Schlumberger	SLB	NYSE	1/18/2008	75.00	93.42	HOLD	1.08%		slb.com
Silver Standard	SSRI	OTC	1/4/2007	30.00	27.14	HOLD	n/a		silverstandard.com
Sprott Phys Gld Tr.	PHYS	NYSE	1/21/2011	11.50	12.43	11.50	n/a		sprottphysicalgoldtrust.com
Silver Wheaton	SLW	NYSE	3/10/2006	8.40	42.55	HOLD	n/a		silverwheaton.com
Yamana	AUY	NYSE	4/14/2005	2.90	12.73	HOLD	0.95%		yamana.com
Canadian Dollars									
Altius Minerals	CA:ALS	TSX	8/9/2007	17.88	13.78	HOLD	n/a		altiusminerals.com
ARC Resources	CA:ARX	TSX	9/8/2008	25.85	28.40	HOLD	4.41%		arcresources.com
Crescent Point En.	CA:CPG	TSX	9/16/2008	30.20	46.98	43.00	6.00%		crescentpointenergy.com
Brookfld Ren Pw	CA:BRC.UN	TSX	12/17/2008	15.99	21.51	21.00	6.02%		brookfieldpower.com
Peyto Exp & Dev	CA:PEY	TSX	7/18/2003	8.75	20.05	HOLD	3.74%		peyto.com
Silvercorp Metals	CA:SVM	TSX	1/21/2008	8.00	12.67	HOLD	0.65%		silvercorp.ca

*Legacy - scale in 1/3 at \$26.00 and final 1/3 at \$24.00.

**Natfuel - scale in 25% at \$70.00, 50% at \$65.00, 25% at \$60.00

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

Company	Symbol	Exchange	Initial Recom. Date and	Price	Price 02/28/11	Downside Buy Price	Div	Target-T/ Stop-S	Web Site
U.S. \$									
Coeur d'Alene	CDE	NYSE	9/2/2003	31.90	31.51	HOLD	n/a		coeur.com
Endeavor Silver	EXK	NYSE	7/26/2007	4.60	7.41	5.00	n/a		edrsilver.com
Great Basin Gold	GBG	NYSE	12/21/2007	2.45	2.64	HOLD	n/a		greatbasingold.com
Nova Gold	NG	NYSE	2/29/2008	11.50	13.69	HOLD	n/a		novagold.com
Rubicon Min.	RBV	AMEX	2/1/2010	4.00	5.08	HOLD	n/a		rubiconminerals.com
US Gold Corp	UXG	NYSE	9/9/2005	1.70	7.26	HOLD	n/a		usgold.com
Canadian Dollars									
Everton Res.	CA:EVR	TSX	1/4/2007	1.30	0.40	HOLD	n/a		evertonresources.com
Golden Valley	CA:GZZ	TSX	2/20/2007	0.50	0.53	HOLD	n/a		goldenvalleymines.com
Laramide Res.	CA:LAM	TSX	3/16/2006	5.20	2.70	HOLD	n/a		laramide.com
Mega Uranium	CA:MGA	TSX	5/1/2007	6.75	0.97	HOLD	n/a		megauranium.com
Minera Andes	CA:MAI	TSX	9/11/2006	1.20	2.73	2.00	n/a		minandes.com

CS 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 .1.02 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.