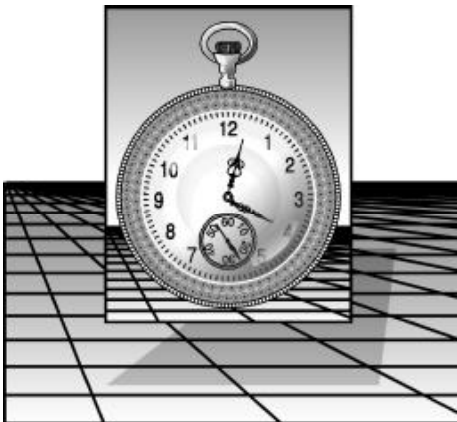


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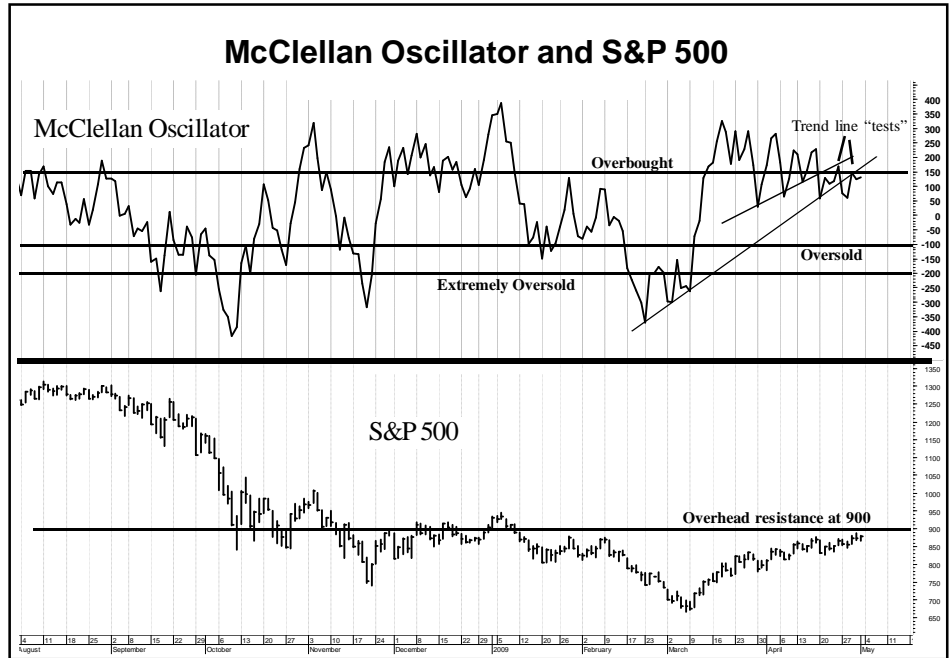
The next issue will be published May 20.

- **A warning is flashing in the bond market, and bond traders see the butcher coming.** Page 2
- **Silver deserves a separate comment.** Page 4
- **What to look for in a May correction.** Page 5



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OBAMA RALLY TO TAKE A REST



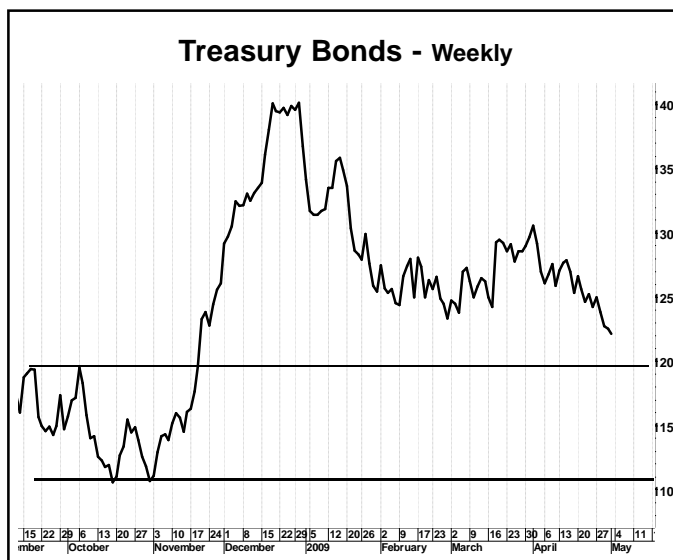
It is time to buckle up and tie down the hatches. The weather is going to get stormy for a few weeks before the Obama rally moves higher in July. I do not look for the S&P 500 to break much below 800, if at all, but a decline of, say, 10% or so is to be expected. It is simply time for traders to take some money out of the game and relieve the market's current overbought condition.

A chart of the McClellan Oscillator is included in each of our online updates, along with occasional comments. As you can see from the chart above, the oscillator is waving a caution flag. The market has spent a good deal of time in the overbought region, and it's beginning to break down. It should fall at least to the first oversold level again before the next leg of this rally unfolds. Incidentally, you can bring up a McClellan Oscillator chart at StockCharts.com with the symbol \$NYMO. This is a "normalized" chart, so it will display different values than my chart, but the pattern will be the same.

Note on the chart above that once a trend line is broken, there is often a return to test the old trend line before the new trend resumes. All such tests appear to be close to completion in the oscillator as this letter goes to press.

I also see cyclical and seasonal issues coming into play here. For example, the market's traditional "best six months" of the year (November-April) have come to an end, and we are now in the "worst six months" time frame. This is not to

It should not be assumed that the recommendations made in the future will be profitable or will equal past performance. A list of all recommendations made by this advisor within the past 17 months will be furnished upon request. Professional Timing Service and/or associated individuals will from time to time have positions in the investments mentioned and recommended in this newsletter. All rights reserved - copyright © 2009 by Professional Timing Service.



imply that the market moves straight up from the end of October through the end of April or that it will fall straight down for six months beginning in May. The market wiggles, and my work suggests that it will wiggle a little higher until August before it turns and begins a savage descent into the end of the year.

Regardless of additional strength this summer, I fully expect the averages to close much lower by the end of October than they are now. In fact, I expect the S&P 500 will break below its lows set last March when the current rally began. In the meantime, though, look for a consolidation - basically within the 800 to 900 zone in the S&P 500 followed by a break above 900 by June.

Although cyclical and seasonal factors are pointing to some selling this month, both of our timing models, Palio and the Nasdaq Slow Tracker, remain positive thus far. The Palio signals cannot be pre-announced as they are determined by ongoing daily internals. The Nasdaq Slow Tracker, however, will issue a sell if the Nasdaq Composite falls to 1,598.90 or lower. These models are updated on each Tuesday and Thursday online update; but until they issue sell signals, we do not need to get aggressive as sellers.

There are some folks that believe the stock market rally has been deflecting interest in gold. Perhaps, but it is not normal for precious metals and the stock market to trade lock step with one another. We saw that happen in spades last year until the low in stocks and high in gold this spring. Since then, paper assets represented by the popular averages and tangible assets represented by the quintessential real asset, gold, have been trading inversely, as they do historically. Don't get confused by last year's deleveraging process that took all asset classes lower together. This is not going to continue. Over the next several years, paper will fall and tangibles will rise.

The dollar's value is being heavily diluted by the government's economic rescue efforts, and this is beginning to affect the long bond market (chart above). The dollar is like Nassim Taleb's turkey that I previously wrote about. Just because the turkey is fat and happy for 999 days does not mean the butcher won't show up on the 1,000th day. The dollar has been able to hold up fairly well, but the butcher is coming. A warning is flashing in the bond market, and bond traders see the butcher coming.

There is some support at 120.00 basis June and better support just above 110.00. We will see bonds fall to and then wiggle at these points, but the overall trend for bonds is lower. As bonds fall, interest rates will rise. We have reached the point where interest rates are rising in order to attract money to the government's long term debt rollovers. That means interest rates on the long end are going to be on the rise - regardless of the Fed's short end manipulations - and that the U.S. dollar is going to come off in the process.

The chart above is all the more frightening if we are to believe the Fed is actually buying bonds (monetizing debt) in an effort to support the Treasury market and artificially hold down long term rates. If that is the case, bonds are even weaker than most think. Bottom line, they look absolutely horrible from a technical perspective. Those who think bonds are a good investment are simply not listening to the market.

Do not invest in long term fixed income vehicles looking for a better yield. You can *trade* if you like. Our Rydex bond trading program is on a sell, and it is updated in the online updates. Bonds have been weak all year, and I believe they

will continue on this path. Interest rates are going to move higher - first on the long end and then eventually on the short end as well.

Buy T-bills at 0.15% yield? When it is all said and done, it might be very smart to get your money back, regardless of the yield. Bond buyers may not get either. My preference currently is to carefully put liquidity into CD's for one year or less. Diversification is very important. If you have to call on the FDIC, your money could be tied up for an indeterminable amount of time before it is settled. You will, in time, get your money back up to the FDIC insured limits, but be aware that the higher insured limits currently in place only extend through the end of the year. Current FDIC insurance levels may or may not be continued next year.



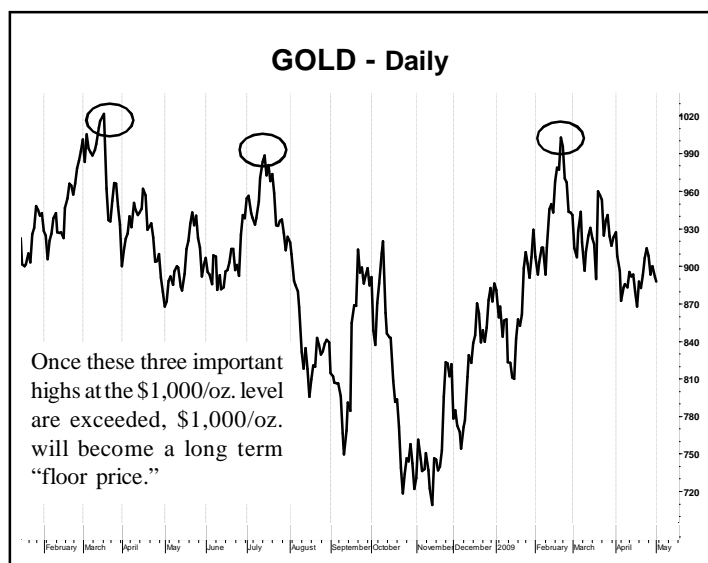
You can buy CD's through your broker; but once your broker takes a cut, there is not much left for you. You might check out your local banks and buy directly from them. There are teaser deals out there now, which is fine. Just be sure you understand the "deal" going in. Understand what your obligations are if the rate they offer seems generous.

Here is a great site: [bankrate.com](http://www.bankrate.com). Mind you, it can be a little tricky to navigate. The simplest thing to do is type in the complete address <http://www.bankrate.com/rates/safe-sound/bank-ratings-search.aspx>. It will take you directly to the page dealing with bank ratings. Go from there and select the type of institution, etc. This can be a little tricky, but I find it is easier to select your state and city in the "Banking Headquarters" advanced search to the left of the "See Results" button. Again, the site can be a little frustrating, but it is an excellent source for determining the soundness of a bank when deciding to invest in their CD's. I prefer the banks with four or five stars. I avoid those with less.

Do not chase yield! Stay short term ... and, yes, you should have some liquidity.

As the government "papers over" private and public insolvencies, the abundance of paper will to come to bear on the dollar at some point. The butcher cometh. There is a strong magnet for the U.S. Dollar Index at 80.00 where lows have formed over the years.

We will see 78.00-80.00 broken - likely this fall. This will be accompanied by lower bond prices, and it will finally force gold over \$1,000/oz. and on to new highs.



On Page 6, you will notice I have revised the downside buy prices for most of our precious metal stocks. Gold is closing in on the end of the correction that began in late February, and it is time to get a little more aggressive if you want additional gold and silver positions. I still think it is too early to be aggressive in the juniors, with the exception of those not on hold on Page 6. The juniors will come into play once gold makes new highs, but most are still suffering from a lack of interest and difficulty with financing.

Gold generally does well in May, consolidates in June, and then runs strong on the up side into October. The current correction is long in the tooth. Consequently, I am increasing buy prices for the **Spider Gold Trust** (GLD) to \$85.50, **Goldcorp** (GG) to \$26.00, **Kinross** (KGC) to \$14.10, **Royal Gold** (RGLD) to \$35.00, **Agnico-Eagle** (AEM) to \$42.65, **Market Vectors ETF** (GDX) to \$30.50, and **Yamana** to \$7.50. There are no changes for the juniors yet. Also, the buy price for **Silver Standard** (SSRI) is being raised to \$14.90 and **Silver Wheaton** (SLW) to \$7.20. Note the sell stop on Royal Gold. If the position fills at \$35.00, maintain an initial sell stop at \$22.70.

Since our last letter, **Central Fund of Canada** was sold on a stop at \$11.09, and the **iShares Silver ETF** was sold on a stop at \$12.20. We will pre-announce these if new buys develop.

Silver deserves a separate comment. I like silver, but gold cuts to the heart of the tangible/paper asset matter. Gold is the best place and the least speculative place to have precious metal money. As gold rises, so will silver to some degree ... but gold is money. Gold is currency, and it will be returning more to that role in the international arena over the next several years. Silver is more speculative than gold, but perhaps this will carry a larger reward as well. Just be mindful of keeping a diversified balance in your portfolios. Silver can also be more volatile than gold, and one should not be overexposed in any one sector.

Energy is doing very well for a world supposedly teetering on the brink of depression. If there were a great depression in our immediate future, copper would not be selling for \$2.10 and crude oil would not be over \$50.00. The truth is, there is a global wealth shift going on. The developed nations are giving up their prosperity to emerging economies. Debt in developed economies is being called in, and depreciating fiat currencies are being exchanged for resources that are facing an increasingly limited supply.

From a technical perspective, crude oil will have some problems getting much past \$56.00 in the near term. Nevertheless, two long term forces are at work fundamentally. One concerns supply. One-half of all the crude ever in existence has been used. That was the easy stuff that was cheap to recover and refine. Going forward, each additional barrel pumped is, on average, of poorer quality, more expensive to recover, and more costly to refine. Couple this with the fact that major producing fields are suffering irreversible declines, and you can understand that regardless of the recent temporary moderation in demand, supply is diminishing permanently. Exxon, for example, reported a drop of 614,000 barrels a day in their production in 2008. This was not intentional, and they are not alone with this problem.

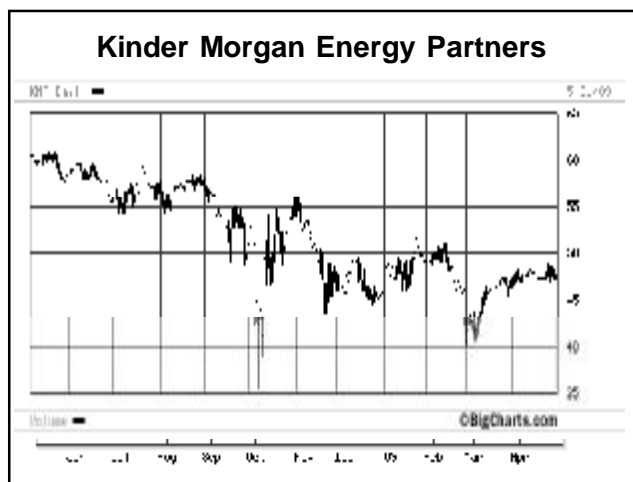
Supply is diminishing, and there really is no substitute for crude oil. There are partial substitutes for some of its uses, but there is no replacement for crude oil. In the next few years, you will see more exporters becoming importers as they direct more of their output to domestic uses. Supply will be more politically directed over the next decade.

Demand is contracting somewhat currently, but this is temporary, and the decline so far is less than the depletion in global production. New sources of crude are too expensive at \$50.00/barrel to pursue - either from an exploration or a development standpoint. Future oil will cost well over \$50.00/barrel to find and extract. We are on the last of the cheap stuff. It is going away fast, and crude prices are beginning to perk up after four months of base building.

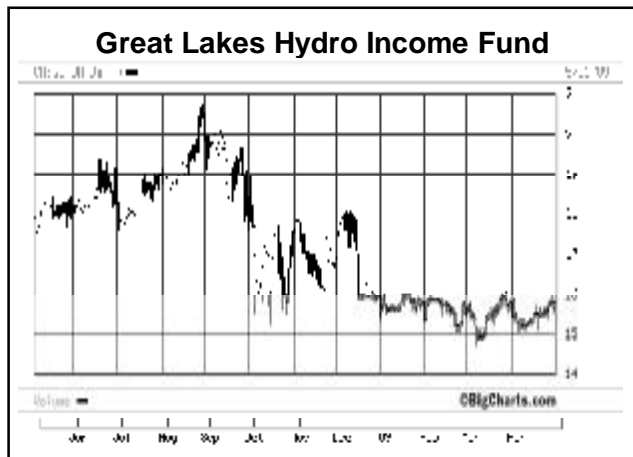
It is time to "buy your straw hats in the winter." Conditions are favorable for buying energy this month, and a May consolidation in the stock market should provide us with some bargains as profit takers sell energy issues off. It is too early to adjust the downside prices for energy issues on our buy-and-hold list. Stick with those listed. Crude has some overhead resistance just over current prices, at \$56.00, and it still has the potential to test the \$45.00-\$46.00 level before finally launching into its next bull leg. As crude corrects this month, I will make adjustments when appropriate and report changes in the online updates and in the May mid-monthly letter. Longer term, I see \$70.00 as easily attainable this year, and \$80.00 is not at all out of the question.

As per the instructions in the April 24 online update, we sold our **Ship Finance** (SFL-NYSE) position at \$9.00 on May 1. We also put a stop on **Alliance Resources** (ARLP-OTC-\$34.41) at \$28.10.

What to look for in a May correction. As a new buy, I still like **Kinder Morgan** (KMP-NYSE-\$47.54), but only if we can buy it at \$45.20 or better. If we can't buy it there, we will find something else. **Great Lakes Hydro** (GLHUN-TSX-C\$15.80) is not as exciting as gold from a capital gains viewpoint, but it is profitable. Their 2008 profits were up some 53% over the prior year - and this is before Obama. Great Lakes operates 26 hydroelectric plants on both sides of the U.S./Canadian border. If Obama is successful in taxing coal-fired electricity, the increase in operating costs at coal-fired plants will be shifted 100% to the consumer via higher electric rates. Great Lakes is a hydroelectric generating company, and it will benefit from the higher electricity rates charged to all customers. It will not have the burden of dealing with higher taxes on coal. It is a buy at C\$16.00 or less, and it pays about 7.90%.



Be sure to review the paragraphs on Page 6 concerning buying and getting quotes on Canadian issues. Do not trust the OTC pink sheets. Go to bigcharts.com and use the symbol CA:GLHUN. I buy Canadians through Scottrade, which must be done on the phone and not online. They will make the trade in Canadian dollars and will give you a U.S. dollar equivalent at the time you place your order. Pick up a few shares here, and then accumulate additional shares if it falls back to C\$15.30. Over the longer run, I think that Kinder Morgan and Great Lakes Hydro will be excellent income producers.



I think all sectors will sink a bit in May, along with the popular averages, and this will give you an opportunity to add metals and energy to your portfolios. Don't get overly pessimistic about the market's prospects this summer if the media runs heavy with "gloom and doom" stories this month.

Unless there are some surprise changes in my technical work, the Obama rally will resume and extend into August. That leg will give you an opportunity to liquidate any non commodity-advantaged investments you hold. Come August, weakness in the U.S. dollar will support gold and other raw material prices going forward into 2010 while the popular averages will break from the crowd and head to new lows. In order to see the bear market low when it comes, look for a 6% yield in the Dow,

PE's under 10, and the Dow/gold ratio well under 5 (likely 2 or less). This will not happen any time soon. Over the next few years, the biggest losers will be financial assets, including bonds and the U.S. dollar. The money will be in tangibles – commodities. Once late summer arrives and the averages top out, I look for the commodity markets and financial assets to once again begin trading inversely - as gold and the averages are now.

As a parting thought - Americans are going to be more regulated and taxed higher during the next four years. In the meantime, Asia and other emerging economies will become more capitalistic and will remain free of the regulation we deem necessary in the West. *Consider this:* 10% of the taxpayers make \$92,400 or more, and they pay 70% of the taxes! The group making \$44,300 or less comprise 60% of taxpayers, and they pay a minimal 3.3% of all income taxes. Consider also that in China, there are no corporate or capital gains taxes. Money always gravitates to where it is treated the best.

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 .79. 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 5/01/09	Downside Buy Price	Div 5/01/09	Target-T Stop-S	Web Site
U.S. \$									
Agnico-Eagle	AEM	NYSE	1/10/2007	36.00	44.38	42.65	0.41%		agnico-eagle.com
Alliance Res	ARLP	OTC	9/29/2004	27.98	34.41	HOLD	8.49%	S=\$28.10	arlp.com
Apache Corp	APA	NYSE	3/5/2007	68.00	76.97	60.00	0.79%		apachecorp.com
Baker Hughes	BHI	NYSE	2/5/2008	64.63	36.91	30.00	1.63%		bakerhughes.com
Baytex Energy	BTE	NYSE	5/18/2004	9.00	14.75	10.50	8.08%		www.baytex.ab.ca
Blackrock	BGR	NYSE	8/3/2005	25.99	17.82	15.00	9.09%		blackrock.com
Central Fund Can.	CEF	NYSE-Alt	12/1/2008	9.50	4/8/2009	Sold on Stop at \$11.09			centralfund.com
CurrShrs. Eruo ETF	FXE	NYSE	8/22/2008	148.57	132.66	HOLD	0.19%	S=\$124.00	currencyshares.com
Enerplus Res.	ERF	NYSE	11/20/2008	19.00	20.00	15.00	9.05%		enerplus.com
Gabelli Glob. Gld.	GGN	NYSE-Alt	1/3/2006	22.10	13.60	13.10	12.35%		gabelli.com
Goldcorp	GG	NYSE	7/24/2008	40.00	27.51	26.00	0.65%		goldcorp.com
iShares Silver ETF	SLV	NYSE	12/15/2008	10.56	4/6/2009	Sold on Stop at \$12.20			ishares.com
Kinder Morg. LP	KMP	NYSE	Buy at \$45.20		47.54	45.20	8.83%		kne.com
Kinross Gold (1)	KGC	NYSE	6/6/2002	2.39	15.52	14.10	0.52%		kinross.com
Kinross Gold	KGC	NYSE	1/4/2007	11.00	15.52	14.10	0.52%		kinross.com
Mkt. Vectors, ETF	GDX	NYSE-Alt	9/11/2006	37.00	33.04	30.50	n/a		n/a
Pimco Com. Fund (2)	PCRAX		3/2/2005	11.89	6.48	HOLD	4.34%		pimcofunds.com
Royal Gold	RGLD	NYSE	Buy at \$35.00		36.19	35.00	0.88%	S=\$22.70	royalgold.com
Schlumberger	SLB	NYSE	1/18/2008	75.00	50.67	35.00	1.66%		slb.com
Ship Finance (3)	SFL	NYSE	3/6/2007	0.00	5/1/2009	Sold at target at \$9.00			shipfinance.org
Silver Standard	SSRI	OTC	1/4/2007	30.00	17.19	14.90	n/a		silverstandard.com
Silver Wheaton	SLW	NYSE	3/10/2006	8.40	7.72	7.20	n/a		silverwheaton.com
Spdr Gold Trust	GLD	NYSE	9/11/2006	58.85	86.95	85.50	n/a		n/a
Transocean (4)	RIG	NYSE	1/4/2007	75.00	70.62	49.20	n/a		deepwater.com
Yamana	AUY	NYSE	4/14/2005	2.90	8.03	7.50	0.50%		yamana.com
Valero	VLO	NYSE	4/26/2005	36.63	20.65	HOLD	2.91%		valero.com
Canadian Dollars									
Altius Minerals	CA:ALS	TSX	8/9/2007	17.88	6.72	HOLD	n/a		altiusminerals.com
ARC Energy	CA:AETUN	TSX	9/8/2008	25.85	15.97	HOLD	9.02%		arcresources.com
Crescent Point En.	CA:CPGUN	TSX	9/16/2008	30.20	29.50	24.00	9.36%		crescentpointenergy.com
Great Lakes Hydro	CA:GLHUN	TSX	12/17/2008	15.99	15.80	16.00	7.91%		greatlakeshydro.com
Peyto Energy	CA:PEYUN	TSX	7/18/2003	8.75	9.34	HOLD	15.42%		peyto.com
Silvercorp Metals	CA:SVM	TSX	1/21/2008	8.00	2.89	HOLD	2.77%		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 Frontline was sold on a stop on 10/08/08 at \$33.90.

(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 5/01/09	Downside Buy Price	Div	Target-T/ Stop-S	Web Site
U.S. \$									
Coeur d'Alene	CDE	NYSE	9/2/2003	3.19	1.46	HOLD	n/a		coeur.com
Endeavor Silver	EXK	NYSE-Alt	7/26/2007	4.60	1.59	HOLD	n/a		edrsilver.com
Great Basin Gold	GBG	NYSE-Alt	12/21/2007	2.45	1.26	1.00	n/a		greatbasingold.com
Nova Gold	NG	NYSE-Alt	2/29/2008	11.50	2.77	2.10	n/a		novagold.com
Taseko Mines	TGB	NYSE-Alt	7/24/2006	2.40	1.56	HOLD	n/a		tasekomines.com
US Gold Corp	UXG	NYSE-Alt	9/9/2005	1.70	2.00	1.40	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	0.10	HOLD	n/a		goldenvalleymines.com
Laramide Res.	CA:LAM	TSX	3/16/2006	5.20	2.25	HOLD	n/a		laramide.com
Mega Uranium	CA:MGA	TSX	5/1/2007	6.75	1.97	HOLD	n/a		megauranium.com
UTS Energy	CA:UTS	TSX	5/15/2006	6.50	1.54	HOLD	n/a		uts.ca
Minera Andes	CA:MAI	TSX	9/11/2006	1.20	0.68	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 .79 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.