



**PROFESSIONAL
TIMING SERVICE**
Creating Your Future

info@protiming.com • 781.363.7163 • WILMINGTON, MA 01997 • (900) 363-4333

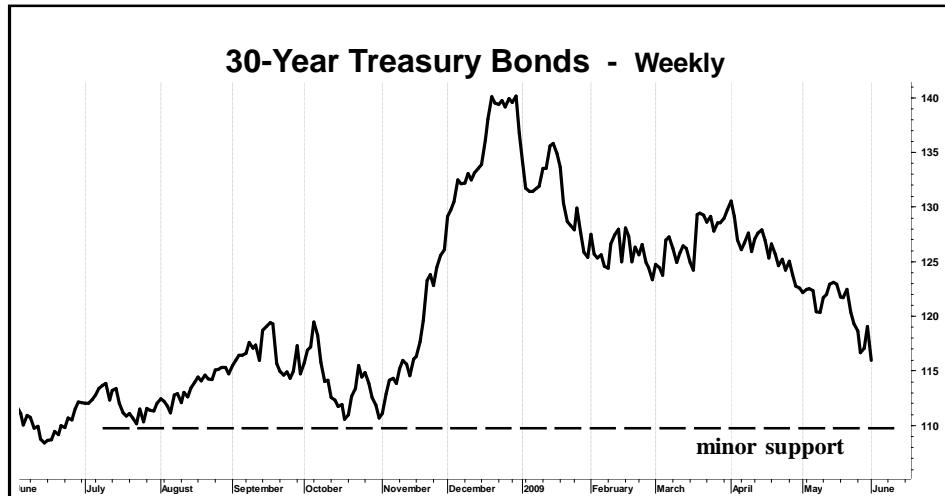
The next issue will be published June 17.

- **There is a bright spot in a cheap dollar you might consider.**
Page 2
- **I have a few thoughts on real estate**
Page 3
- **Bottom line: the mining shares are still good values.**
Page 4



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

Phase Two Of The Obama Rally



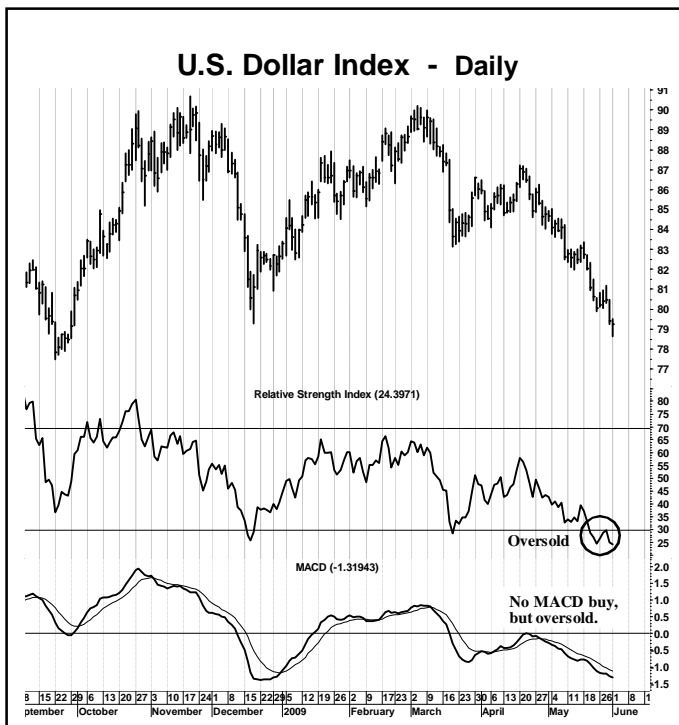
There is a plethora of analyses these days over the government’s economic bailout program, huge trillion dollar deficits, and the most likely impacts on the economy. It is not good. These emblematic articles are written by very astute academics and non-academics alike. Once dire conclusions are drawn, a common thread is that “it is not too late” to avoid the impending disaster.

The latest government spending spree is a little like seeing a speeding locomotive coming down the tracks toward a stalled car at a crossing. It is not too late to notify the engineer - the traffic controller; i.e., someone in charge - and avoid the obvious tragedy. However, this “it’s not too late to fix the problem” approach only works to appease the public.

The reality of the situation is that the train is coming, and the stalled car is going to get smashed. As far as your investment strategy goes, forget about those “it is not too late” appeals. In fact, it is too late, and the disaster is going to happen, noble efforts to discuss its avoidance aside. This is especially true when the government is at the helm.

So, fate is set in motion. The deficits are growing, and the bond market and U.S. Dollar Index are flashing warnings as to the final outcome. The bond market is reflecting a diluted dollar and is telling us that the deficit simply can’t be financed. The 30-year long Treasury bond has been in a bear trend for the entire year, as I first pointed out a month or two ago. The flip side is that long term interest rates are rising because investors in these bonds clearly see the impending train wreck and want higher returns for the risk they are assuming as the crash approaches. Of course, bonds will see a wiggle now and then as the market cycles between

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.



overbought and oversold, but long term rates are going to continue to move higher over the next several years. Don't buy bonds - or worse yet, bond funds.

As long rates move higher and the Fed continues to hold down the short end over the next year or so, the yield curve will get steeper. Consequently, interest rates on the 10-year bond will continue to move higher as well. As the 10-year moves higher, mortgage rates will also move higher since they are, to some extent, geared off the 10-year Treasury bond. During the last week of May alone, mortgage rates moved up from 5% to 5.45% - in only one week! Now, rather than visions of sugar plums dancing in my head, I see a tidal wave of adjustable rate mortgages coming up for review over the next 18 months.

As the the housing market writhes and the economy gasps for air, foreign holders of U.S. dollars are becoming less excited about recycling their dollar hordes back into our

Treasury bonds. Hence, there is this persistent weakness in the bond market. Instead, our dollar rich foreign friends have been using their reserves to buy gold (real money), enhance their militaries, stockpile raw materials and other commodities, improve their infrastructures, and strengthen their domestic currencies. I firmly believe that China has serious long term plans to see the Yuan as a world reserve currency, and they will have to offer gold backing eventually to accomplish that feat. In the meantime, they are arranging currency swaps with trading partners where each agrees to use the other's currency in their trading activities. That shuts out the U.S. dollar.

The dollar's hegemony is on the way out. It is just that simple. The U.S. Dollar Index dropped below 80.00 last month, and the dynamics of the current decline is beginning to accelerate. I doubt the Fed is comfortable with the speed at which this is happening, so we should expect them to intervene to avoid a rout. Nevertheless, intervention is always a short term solution. When artificial attempts are made to alter a trend in place, energy builds up in the trend. The result after some abatement in the decline will be for an orderly lynching to become a disastrous collapse, replete with the fear and panic that goes along with such debacles.

There is a bright spot in a cheap dollar that you might consider. A cheap dollar is good for coal exports, regardless of Obama's carbon tax plans. **Alliance Resources** (ARLP-OTC-\$39.04) has been doing quite well since March, and you might consider initiating a position or adding to what you have. Let's gamble on a brief dollar bounce that will likely be accompanied by some profit taking in Alliance and see if we can't buy some at \$34.50 or better. The indicated yield at \$34.50 is about 8%.

Note on the chart above that the dollar is a bit oversold, and this will assist any Fed efforts to hold the May slide from becoming a panic. Nevertheless, our Rydex dollar trading program, which we present on Page 2 of the biweekly online updates is still on a sell. It will remain so until the U.S. Dollar Index trades at 83.34 or higher June basis. It should be noted that although I have been



expecting some profit taking in precious metals, the recent dollar weakness has provided fuel for the gold rally to extend a bit further than expected.

What to buy? Note that I have raised several of the downside buy prices on Page 6. If you have been following our musings over the last few years, you should be holding only tangible assets and no financial assets. My favorite asset classes are gold and energy. The key is to accumulate over time. Portfolios are not built instantly. There are times to buy, times to sell, and times to sit tight and pile up some buying power if you can for the next opportunity. Your next major opportunity will be to take advantage of the current rally to raise cash by selling any financials you still hold. These would be any assets not advantaged by higher commodity prices.

I have to make one exception regarding “tangibles” or “real assets.” That has to do with the obvious “problem children” – housing and real estate. Real estate is going to encounter a second wave of troubles soon in that commercial real estate has only just started to adjust. As mentioned above, there are more problems coming with residential mortgages. As a corollary to this, I would avoid such commodities as wood products and lumber. I am not excited about agriculture either as the companies involved tend to be too large and overdiversified. My opinion is to stick with raw materials. Preferably, make your life easy and focus on the heart of the matter - precious metals and energy.

I have a few thoughts on real estate I would like to pass on to you. First of all, some places are better than others - location, location. Then the question is whether to buy in the depressed areas or in those that are holding up. Las Vegas and Phoenix are in the dumps while Scottsdale, AZ and even Missoula (where I live) are holding up. My opinion is to go with comparative strength and buy the stronger markets. I don't think the real estate bear is anywhere near over, and the bear in commercial real estate is just getting started. It is too early to buy anything.

I believe that we will see residential rental property in the strong markets fall to the point that rentals will return 1% a month in gross rent receipts. You need to be diligent in financing. Accept no fancy deals - no balloons or adjustables. If you buy a piece of real estate, it needs to be profitable assuming 7% financing as a minimum. Otherwise, forget it.

For a diversified, pure commodity investment, consider the **Pimco Commodity Real Return Strategy Fund** (PCRAX-\$7.29) mentioned in the last letter. I list the symbol here for the A class shares, but you should review the prospectus and decide which class fits your individual situation best. The fund invests in a group of commodity futures contracts constructed to reflect the DJ AIG Commodity Futures Index (BigCharts.com symbol 26099104). The risk is abated by eliminating the leverage inherent in commodity futures by paying for the contracts in full with interest-bearing securities. This provides a diversified commodity position as well as a bit of a yield. I am raising the buy price to \$6.50.

The Dow/gold ratio is down to about 9.00 from a high in 2000 at 43.00. It will go lower; but after it has adjusted this far, you need to be more cautious about what you pay for your precious metal stocks. There is more up side to come, but we are no longer at the first floor of this bull market. Being fussy about the price you pay will help manage risk.

Another ratio that is important in this respect is the gold/XAU ratio, which reflects the relative difference between bullion and the gold mining stocks. This ratio got thrown way out of whack in last year's selling panic when investors sold virtually everything, regardless of value. The mining shares were sold off to a gold/XAU ratio of 11.00. Normally, the ratio will hover above and below a mean of 4.00.

The ratio has come off from its lofty levels of last year to about 6.00. I see two messages in the ratio. First, the average mining stock has the potential to increase 50% from current levels if the price of gold were to stay where it is. That would bring the ratio back to 4.00 - its norm. Second, the potential is actually greater than that because the ratio cycles around the mean, and it will no doubt fall to at least 3.50 before the precious metal bull market is in danger of ending.

Bottom line: the mining shares are still good values. You should continue to hold your positions; but with the gold bull more mature now, it would be prudent for investors to be somewhat wary about their purchase prices in order to maximize future returns and manage risk.

In my opinion, the juniors on our list are still holds for the most part. Note that **Coeurd'Alene** (CDE-NYSE-\$14.20) had a 10 for 1 reverse split. That may prove to be a prudent strategy on their part. However, the juniors are still down the food chain, and they are not going to be big movers until gold finally breaks over \$1,000/oz. I expect that to happen yet this year. Once bullion breaks through \$1,000/oz., it will have an initial surge and then settle back to test the \$1,000 level. What had been overhead resistance will then be support. It is during this "test" of support that you will find the ideal time to consider buying or adding to holdings in the junior minors. This is when the public will once again become convinced of the validity of the gold bull. They will be looking for bargains, and the lagging juniors will be where the "bargains" will be found. In the meantime, the best appreciation with least risk will be seen in the majors.

Silver is coming back strong, and it has the capacity to reach \$25.00 over the next 18 months. If gold sells off on a dollar bounce soon, silver will back off as well. Therein lies an opportunity.

Silver Standard Resources (SSRI-OTC-\$24.30) is on our list, and it performs very well technically. Fundamentally, they are in a development stage right now as they bring on their Pirquitas property. Although they produce other raw metals like tin and zinc, according to their Web site, "Silver Standard has the largest published in-ground silver resource of any publicly-traded silver company, with a pipeline of projects in Argentina, Peru, Mexico, Canada, Chile, the United States and Australia. With production ramping up through the second quarter of 2009, Pirquitas is expected to produce approximately six million ounces of silver in 2009 and achieve full production in 2010 of approximately 10 million ounces of silver."



They look like a coming attraction, and the stock is responding to the recent silver move, as we should expect. Nevertheless, there is no reason to chase them. I recommend buying new positions or adding to old at \$18.20 or better on a pullback. Place a stop at \$11.60. I expect to raise the stop in time, but Silver Standard is just beginning to emerge into the really big time ... but things could go wrong. I think the stop is prudent and appropriate.

I also want to touch base regarding a previous recommendation that has not fallen back to its buy price as yet - **Royal Gold** (RGLD-OTC-\$46.14). I know it keeps running. It should be encountering some overhead resistance soon; so again, be patient. I am raising the buy price to \$40.00. Keep in mind that it is better to not have a position you wish you had than to have one you wish you didn't. The buy price is important.

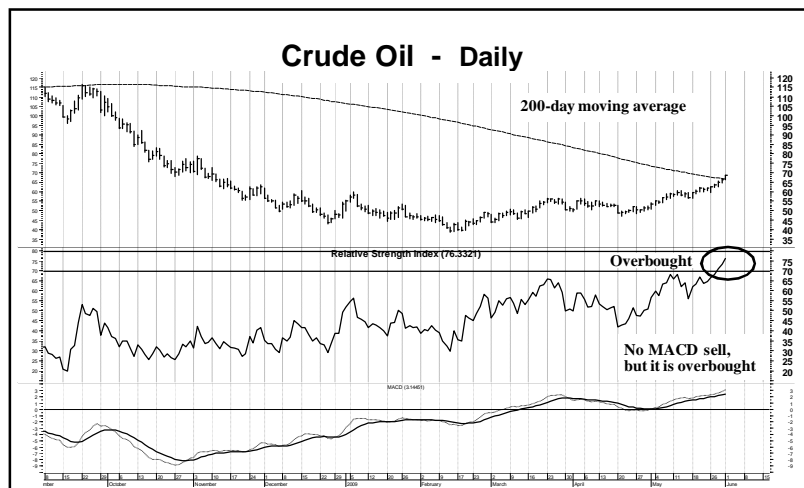
Global crude oil consumption is falling off some, but global production is falling off several times faster. As I have earlier forecast, oil prices are going to hit \$70.00 by year end. That objective looks more plausible now, and it is probably a conservative estimate. I anticipate that during the next three years, crude oil in U.S. dollars will surpass its old 2008 highs at the \$155.00 level. This will be due to a weak dollar and ever-tightening supply vs. demand imbalances.

The impact on the economy is going to be serious. Production is falling on two fronts. One - Iran, Venezuela, and Mexico, etc. are now beyond peak production. Two - a fifth of U.S. production is from stripper wells that are not profitable at less than \$100 a barrel, and they are being shut down. The flip side is that exploration and development has come to a halt - also due to low prices.

Remember, June is often unkind to crude oil prices, and I still expect to see a correction to the recent strength. Once crude prices correct and then recover, they will move higher into the fall months. The incentive will then return for these small wells to be put back online, but there is a significant time lag. It isn't a matter of turning a valve back on or punching a few holes in the ground. It will take months to get this production back on line.

Our play in **Enerplus** (ERF-NYSE-\$24.66) of last fall is doing well ... for the reasons we envisioned - a higher value for the Canadian dollar and higher crude prices. I am looking at a couple of other Conroys which we will take up once we see crude back off. Our more recent recommendation to buy **Kinder Morgan Energy Partners** (KMP-NYSE-\$51.90) has not met our requirements, but I will keep our orders in to buy at \$45.20 or better. I can't overemphasize the importance of buying right in this market.

Crude oil. I have been expecting a correction in the current up leg in crude, but crude has refused to sell off at all. Overhead resistance at \$60.00 has not offered much of a problem. I remind you not to forget Nissim Taleb's turkey - fat and happy with no expectation of the coming of the butcher, only because the butcher hasn't shown up yet. Just because the correction is late does not mean that it will not occur. Crude is now bumping up against its 200-day moving average at about \$67.00. You can also see that it is very overbought, both in its RSI and MACD patterns. MACD has not tripped an official sell yet, but it is obviously too late to buy into this move. We will take up purchase candidates and review our downside buy prices once we see some selling come in. For now, hold tight to your positions. By year end, we will see crude oil much higher.



The Obama rally took a breather in May (as expected), and it should soon be moving higher into July. I am looking for the S&P to reach 1,100. That is where we might encounter some more serious trouble. It is good not to lose sight of what our objective timing models are saying. Currently, the Palio model is still positive, as is the Nasdaq Slow Tracker. The Slow Tracker will remain on a buy until it falls to 1,677.50 or lower ... but this is still a bear market rally. Make no mistake about that.

In early March if you had been offered the opportunity to sell your stocks 40% higher, would you have jumped at the chance? The market is now up 40% since then. Are you selling? I believe there is more left in this rally, but it is time to think about the fact that we are at that "40% higher" price level. It is time to pay close attention to the Palio and Fast Tracker models. You could put in some stops in case there is another surprise liquidity panic. If the June-July move that I am anticipating fails to fulfill my expectations or our timing models suddenly kick in with sell signals, you need to be ready.

Once the current rally ends, I expect to first see a general liquidation phase where everything sells off to some extent. However, I look for commodity issues to hold up relative to the rest of the market. This initial decline will offer an excellent buying opportunity for commodity-related issues because although financial assets will head to new lows next year, commodities will recover and move back to new, all-time highs by the end of 2010. This fall, we will see a full parting of the ways - a decoupling, if you will - between the bear market in financials and the bull in tangibles. Financials will fall at least 50% from *current* levels in terms of the popular stock market averages, but commodities will, at the bare minimum, double from current levels. Focus your investment strategy on a weaker dollar and the approaching crash in the market for paper assets being signaled by current action in the bond market and the dollar. It is too late to fix the mess our government has cooked up, but it's not too late to adjust and position for the consequences.

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 .92. 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 6/01/09	Downside Buy Price	Div 6/01/09	Target-T Stop-S	Web Site
U.S. \$								
Agnico-Eagle	AEM	NYSE	1/10/2007	36.00	60.44	50.50	0.29%	agnico-eagle.com
Alliance Res	ARLP	OTC	9/29/2004	27.98	39.04	34.50	7.55%	S=\$28.10 arlp.com
Apache Corp	APA	NYSE	3/5/2007	68.00	86.00	70.00	0.69%	apachecorp.com
Baker Hughes	BHI	NYSE	2/5/2008	64.63	40.93	30.00	1.46%	bakerhughes.com
Baytex Energy	BTE	NYSE	5/18/2004	9.00	18.37	10.50	6.81%	www.baytex.ab.ca
Blackrock	BGR	NYSE	8/3/2005	25.99	21.77	17.50	7.43%	blackrock.com
CurrShrs. Eruo ETF	FXE	NYSE	8/22/2008	148.57	141.61	HOLD	0.18%	S=\$124.00 currencyshares.com
Enerplus Res.	ERF	NYSE	11/20/2008	19.00	24.66	15.00	7.61%	enerplus.com
Gabelli Glb. Gld.	GGN	NYSE-Alt	1/3/2006	22.10	15.85	13.10	10.67%	gabelli.com
Goldcorp	GG	NYSE	7/24/2008	40.00	36.91	30.00	0.47%	goldcorp.com
Kinder Morg. LP	KMP	NYSE	Buy at \$45.20	51.90	45.20	8.04%	kne.com	
Kinross Gold (1)	KGC	NYSE	6/6/2002	2.39	20.18	16.00	0.39%	kinross.com
Kinross Gold	KGC	NYSE	1/4/2007	11.00	20.18	16.00	0.39%	kinross.com
Mkt. Vectors, ETF	GDX	NYSE-Alt	9/11/2006	37.00	43.41	35.00	n/a	n/a
Pimco Com. Fund (2)	PCRAX		3/2/2005	11.89	7.29	6.50	3.86%	pimcofunds.com
Royal Gold	RGLD	NYSE	Buy at \$35.00	46.14	40.00	0.69%	S=\$22.70 royalgold.com	
Schlumberger	SLB	NYSE	1/18/2008	75.00	59.17	40.50	1.42%	slb.com
Silver Standard	SSRI	OTC	1/4/2007	30.00	24.30	18.20	n/a	S=\$11.60 silverstandard.com
Silver Wheaton	SLW	NYSE	3/10/2006	8.40	10.49	8.00	n/a	silverwheaton.com
Spdr Gold Trust	GLD	NYSE	9/11/2006	58.85	95.73	85.50	n/a	n/a
Transocean (4)	RIG	NYSE	1/4/2007	75.00	83.44	60.00	n/a	deepwater.com
Yamana	AUY	NYSE	4/14/2005	2.90	11.40	8.00	0.35%	yamana.com
Valero	VLO	NYSE	4/26/2005	36.63	22.81	HOLD	2.61%	valero.com
Canadian Dollars								
Altius Minerals	CA:ALS	TSX	8/9/2007	17.88	7.28	HOLD	n/a	altiusminerals.com
ARC Energy	CA:AET.UN	TSX	9/8/2008	25.85	18.25	HOLD	6.49%	arcresources.com
Crescent Point En.	CA:CPG.UN	TSX	9/16/2008	30.20	32.45	24.00	8.45%	crescentpointenergy.com
Great Lakes Hydro	CA:GLH.UN	TSX	12/17/2008	15.99	15.46	16.00	7.98%	greatlakeshydro.com
Peyto Energy	CA:PEY.UN	TSX	7/18/2003	8.75	11.02	HOLD	13.01%	peyto.com
Silvercorp Metals	CA:SVM	TSX	1/21/2008	8.00	3.55	HOLD	2.23%	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 6/01/09	Downside Buy Price	Div	Target-T/ Stop-S	Web Site
U.S. \$								
Coeur d'Alene (5)	CDE	NYSE	9/2/2003	31.90	14.20	HOLD	n/a	coeur.com
Endeavor Silver	EXK	NYSE-Alt	7/26/2007	4.60	2.26	HOLD	n/a	edrsilver.com
Great Basin Gold	GBG	NYSE-Alt	12/21/2007	2.45	1.54	1.00	n/a	greatbasingold.com
Nova Gold	NG	NYSE-Alt	2/29/2008	11.50	5.28	2.10	n/a	novagold.com
Taseko Mines	TGB	NYSE-Alt	7/24/2006	2.40	1.78	HOLD	n/a	tasekomines.com
US Gold Corp	UXG	NYSE-Alt	9/9/2005	1.70	2.42	1.40	n/a	usgold.com
Canadian Dollars								
Everton Res.	CA:EVR	TSX	1/4/2007	1.30	0.17	HOLD	n/a	evertonresources.com
Golden Valley	CA:GZZ	TSX	2/20/2007	0.50	0.20	HOLD	n/a	goldenvalleymines.com
Laramide Res.	CA:LAM	TSX	3/16/2006	5.20	2.01	HOLD	n/a	laramide.com
Mega Uranium	CA:MGA	TSX	5/1/2007	6.75	2.02	HOLD	n/a	megauranium.com
UTS Energy	CA:UTS	TSX	5/15/2006	6.50	1.68	HOLD	n/a	uts.ca
Minera Andes	CA:MAI	TSX	9/11/2006	1.20	0.86	HOLD	n/a	minandes.com

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

C\$ Denotes Canadian dollar. Quotes for Canadian stocks can be obtained on the U.S. OTC Bulletin Board (pink sheets) with the following symbols. I want to caution you, however, that OTCBB quotes are not always current. They can be a day or more old at times. You should take the quote in Canadian dollars (as described above) times .92 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.