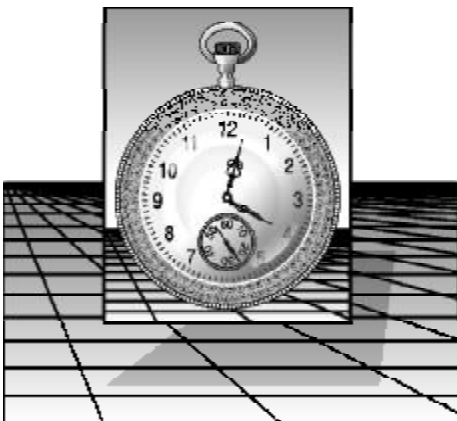


The next issue will be  
published July 22.

- **The tricky part of exploiting the current market rally .....**  
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- **Rubicon Minerals (RBY-NYSE-\$3.05).**  
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- **Don't lose sight of Royal Gold (RGLD-OTC-\$42.97).**  
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e-mail: [info@protiming.com](mailto:info@protiming.com)

## SOME UPCOMING SHAKE-UPS

*“The stock market’s popular averages correct, gold finds a bottom, and crude oil continues to roll over.”*

My stock market scenario has been to see the Obama rally continue higher into July where a correction would unfold. The averages would then make a final move to a high in August. Thus far, the market has stuck fairly close to the script. The disappointment was that the move out of the May consolidation was so anemic.

Bullish outlooks can tend to be disappointing during bear market rallies, and this is a classic bear market rally. Keep that firmly in mind. Getting to the nitty-gritty, the averages may push a little higher during the first half of July and attempt to challenge the mid-June highs. Don't get excited if they do. The result will be a bearish double top. The second half of July through the first half of August looks unfriendly for the averages.

*Beware of media hype.* Regardless of what the media is trying to sell - “that the market rally is telling us the economy is going to improve” - the market is not rational. Remember the highs in March of 2000? Remember the Nasdaq at 5,000 and the supposed new paradigm? Those highs were simply wrong. The current rally is merely a technical reaction to the panic of 2008, not a new bull market or harbinger of better economic times ahead.

Palio is a model I use to time the overall market. It is composed of several elements involving momentum, advance/decline data, as well as new highs and new lows, etc., and it is calculated on a daily basis. Therefore, it is impossible to give you a “number” to key off. The signals are a little “unpredictable.” The best I can do is to simply announce the signals when they occur via online updates or special reports. Those not signed up for the messages to be sent to their e-mail have to either check every day by logging in or pick up the signal in the next regular Tuesday or Thursday posting.

At this point, Palio is negative, but it could perhaps flip positive soon. One should never second-guess the models, but a positive reading here is a bit suspect because of the underpinnings in this market. The RSI (Relative Strength Indicator) is neutral at best – it's certainly not oversold. The MACD (Moving Average Convergence Divergence) has not corrected back to a level from which we see strong rallies emerge. It is, at best, neutral, and it has been issuing repeated sell signals since May. Consequently, I don't think a Palio signal will be significant.

Let me make a brief comment about oscillators. The market moves from overbought to oversold and back again. It cycles between extremes. The RSI and McClellan Oscillator (which we feature in the Tuesday and Thursday updates) can give you a sense of where you are day by day in this process. These two oscillators are based on different factors. RSI is a price-related measure, and it is generated specifically by the stock or average you calculate it from. The McClellan Oscillator is based on advance/decline data, and it gives you a broad overview of where the averages are in the yin yang cycle. The NYSE can be oversold, yet a stock you are tracking can be overbought at the same time.

Currently, the “market” is reacting to a recent oversold reading in the McClellan Oscillator. It will move above neutral and then head back down again. The details are covered in the online updates, but the oscillator is telling me a June-July bounce is just that - a bounce out of oversold conditions. This is not the beginning of a strong or sustained move on the up side in the averages.

The Nasdaq Slow Tracker is a model I use that is specific to giving buy and sell signals in the Nasdaq Composite Average. It has remained positive for some time now; but recently, the sell point was raised to 1,753. This model seems to be telling us to tighten up our stops - and certainly not to get bullish about tech stocks.

My near term outlook is for a last ditch try for the June highs and then a sharp decline in the averages this month. This will set up the conditions for a final rally to important highs in August. The August highs will mark the most important turning point in the market this year. Remember also, we are in the better months of the worst six months of the year. August, September, and October are the very worst months for market performance. In fact, they are often devastating.

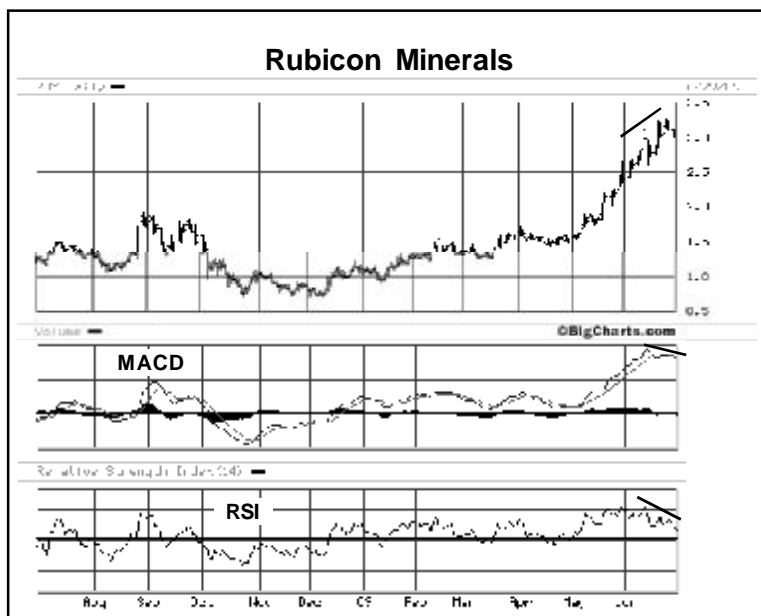
I believe the S&P 500 will revisit its March 2009 low, and it will most likely go lower. It has the potential to fall to 400 - 500 (as I have discussed in past letters). The average stock will follow. This rally is an excellent opportunity to lighten up (sell) any stocks or bonds that do not benefit from higher raw material and commodity prices. There are exceptions to this. I am not high on commodities directly related to real estate, like wood products. All in all, why fool with anything but gold and crude oil, which are at the heart of the commodity/tangible asset class.

The tricky part of exploiting the current market rally in order to clean up portfolios is that all stocks will not top out at the same time. This is where the RSI can come in handy and help you focus on your individual stocks one by one, regardless of the overall market. Some will top out now, some may have already seen their highs, and some will peak out in August. The best strategy is to have protective stops on all of your positions not advantaged by higher commodity prices. Then move those stops up as your stock moves higher. If you see the RSI in your stock hit 70 or higher and then set up negative divergence by falling while the price of your stock is still rising, it is time to either sell or tighten your stop close to where the issue is selling.

Let me try and make this difference between financials and tangibles a little more clear. By financial assets, I mean paper assets. Stocks are simply paper representations of ownership in a business. The company may, indeed, own tangible assets. GM has plants and equipment, but the value of these assets is dependent upon the condition of the business and future prospects for a profitable operation. GM's factories are only valuable if they make cars that people want to buy. An empty factory is all but worthless in a tangible sense.

Companies that own and produce raw materials are another matter. For example, Goldcorp (GG) produces and sells gold. They have offices and production facilities just like GM, but they also own tangible mineral reserves in the ground and produce a tangible product (gold).

Mining companies are further advantaged by a leverage factor. If a company is producing gold for, say, \$300/oz. and gold sells for \$800/oz., the company will make the \$500 difference. There will be administrative costs, of course; but



if gold jumps to, say, \$1,600, the extra \$800/oz. will fall almost entirely to the bottom line ... hence, the "leverage." Even though you are still investing in a common stock, such a company is advantaged by higher commodity prices .

**Gold - a time to tinker.** My work suggests that gold should make one more dip toward the \$900 level basis December and then make a run at \$1,000. I believe this time it will break through. I am seeing some encouraging technical action in some of the juniors on our list. For example, **U. S. Gold Corporation** (UXG-NYSE-\$2.47) has improved recently, and it is making some nice upside jumps on volume. Other juniors are also acting much better.

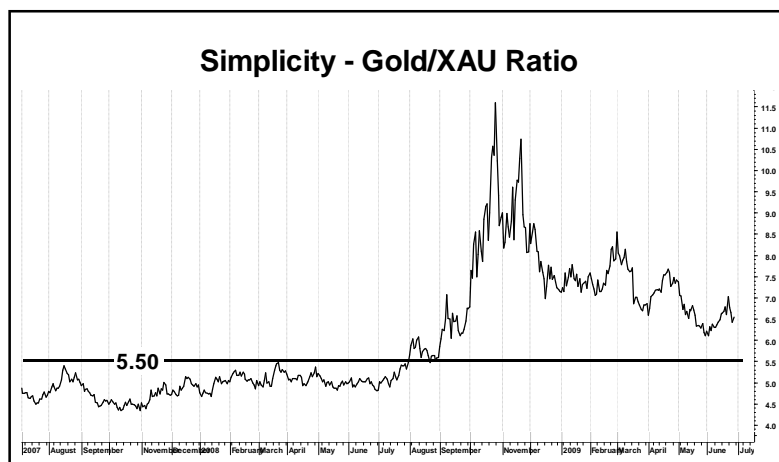
Gold breaking over \$1,000 is the key to the juniors. It is time to begin accumulating these little gems again. It has been a tough go over the last year, but they will have their day once more. *Be prudent.* The juniors are riskier than the major producers. They are more likely to have surprise events, both good and bad. Nevertheless, they look to me to be better gambles on the future price of gold than call options.

I have taken some juniors off hold (see Page 6) and have adjusted the buy prices on others. I am adding a new one to the list - **Rubicon Minerals** (RBY-NYSE-\$3.05). This is where oscillation can come in handy and keep you out of trouble. Note that Rubicon made a strong move recently, but the RSI is falling while price is probing higher. This is negative divergence, and it's a warning that price is going to come back down. Note the MACD as well. The MACD pattern is high, and there have been two sells. They are a bit difficult to see on this chart, but they are there; and the second sell is not to be ignored. This stock is going to sell off. There should be good support, however, at \$2.00. That is where you should begin accumulating shares.

*Simplicity revisited.* Simplicity (the gold/XAU ratio) measures the relative difference between bullion and the average mining share represented by the XAU, or Philadelphia Gold and Silver Index. Historically, this ratio has not moved much over 5.50. Readings over 5.00 in the past have been an indication that the mining stocks were too cheap and should be bought. The liquidity panic of 2008 had folks selling anything and everything, regardless of value, in order to raise cash. The mining shares were not excepted, and they were sold off to the point that the ratio hit 11.00 at one point. As the juniors are beginning to perk up, the ratio is still sitting over 6.00. Bottom line, mining shares continue to be undervalued compared to bullion.

I think we will see one more shot at \$900 gold basis December over the next couple of weeks, and the 12-week cyclical low is due soon. The dollar could have a brief rally here; but longer term, it's teetering on the edge of a cliff.

I believe we will make money going forward in our precious metals shares, and further weakness will provide an extraordinary buying opportunity. I have reviewed and adjusted some of the buy



prices on Page 6 for both the juniors and the majors. One important adjustment is the **Spyder Gold Trust ETF** (GLD- \$92.04). I am adjusting the buy price up to \$89.00.

Don't lose sight of **Royal Gold** (RGLD-OTC- \$42.97). I lowered the buy price in the last letter to \$38.00, and we have not hit that price yet. However, the gold stocks can be rather volatile, and \$38.00 is well within range. Be patient. Royal Gold earns their money investing in gold royalties, so the stock can be more volatile than most. Also, it will often turn before the rest of the gold shares, and it is an interesting leading indicator. Buy Royal Gold at \$38.00 or less.

**Crude oil – praying for \$60.00.** Crude is rolling over ... finally – again in response to overbought conditions. It needs more time and a little more distance in this correction. I expect it may bottom later than gold, but I have adjusted some of the buy prices on Page 6.



I have heard from readers concerned by the “cap and tax” proposal on energy. Frankly, I am not concerned. The market may not be right all the time. It can, as I mentioned earlier, be wrong. This proposal is not a secret, and I believe the market has factored it in. There are other elements to consider. For example, some of the effect from the proposal will be moderated by changes in the corporate tax law. Anyway, I will defer to the market on this one, and the energy market is strong. If demand were going to be destroyed, crude would still be sitting at its February lows, under \$45.00.

*Energy is a global market.* The U.S. is a part of that market, but our significance is being overshadowed by Asia and a growing collective demand elsewhere. Supplying global energy demand is also being challenged by declining production, which I have often written about in the past. China’s energy demand is growing. Although their export business is taking a hit, they are still urbanizing and industrializing. They do not have credit problems, and they are able to take advantage of current economic conditions to forge ahead. They are tying down “deals” for raw materials, employing currency swaps to avoid the U.S. dollar, and focusing on improving their military. Make no mistake. Asia will need more industrial raw materials over the next decade than can be produced, and crude oil will be at the core of this demand.

Any decline in energy demand that we may see in the U.S. will be temporary and less than expected. We do love our energy, and we will continue to feel that cheap and available energy is an entitlement. I believe that the days of “cheap” and “available” energy are severely numbered. Consider further that the population of this country grows at the rate of one Chicago every year. The new folks are not walking, and they are not giving up their air conditioning or the Internet (a huge energy hog).

Essentially, here is the deal in energy. Energy makes life easier and last longer. Global energy demand will continue to grow. As production peaks and supplies become more scarce, the questions are, who will get the supply that is left and at what cost? Perhaps our country’s debt problems are the least of our economic woes. Energy may be the worst.

Keep your eye on the Canadian energy trusts on our list. I have modified the buy prices somewhat in line with current technical conditions. The Canadian dollar has sold back, and weakness in crude will give us a chance to accumulate these great dividend payers.

**Enerplus** (ERF-NYSE-\$21.52) is my favorite of the Canadian trusts. Enerplus ran up to \$25.00 from our buy recommendation of \$15.00 late last year. I expect it will pull back with a correction in crude. It is already reflecting a correction in the Canadian dollar. The loonie has pulled back from 0.92 to a bit less than 0.87 of late. As always, mind diversification and balance in your portfolios, but \$18.00 or better looks like a great place to add to your positions if you would like a play on higher crude prices and a hedge against a weaker U.S. dollar.

As crude prices recover and the U.S. dollar falls against the Canadian dollar, Enerplus will rise. So will the dividends when converted to U.S. currency. The dividends are currently being paid at the rate of 18 cents Canadian per month, which is the lowest level since crude corrected off its \$150.00 highs. I do not expect the dividend will be adjusted any lower. This will give you an indicated yield of about 10% at our buy price of \$18.00 at current exchange rates.

I mentioned a coming “crisis” a couple of letters back. The next crisis will be a crisis in Treasuries. The crux of the matter is that finding someone willing to lend ever-increasing trillions of dollars to us every year when every other Western country is also looking for money is going to be a challenge. I don’t see how this can be done without changes that folks are not ready for. Interest rates must rise and the value of the dollar must fall, especially in terms of gold.

*Although we might see some strength over the next two weeks, longer term, the dollar will fall to new lows.* For 10 years, I have espoused that the U.S. Dollar Index would eventually fall to at least 60.00. It is currently about 81.00. I still hold to that forecast; and with the changes we have seen over the last 12 months in Washington, 60.00 is likely conservative. The way this unfolds will be the crisis part. At some point, the dollar will begin to fall, and the Fed will be powerless to stem the decline. Hence, the “crisis.”

The flip side of this is the Treasury market. The crisis will begin when no one shows up to buy our bonds, much like the “tipping point” for the debt crisis last year when no one showed up to bid on Auction Rate Securities. If no buyers show up, the Fed will step in and “buy” the bonds, thus “monetizing the debt.” However, they cannot do this indefinitely as monetization is highly inflationary. Interest rates must rise on the long end of the yield curve. That means that long term bond prices will fall. Stay out of long term bonds - even long Treasuries. The exception is TIP’s, which are advantaged by inflation. In a nutshell, the “Treasury crisis” is not that they won’t pay. It is that they won’t pay enough.

The Treasury crisis will, thus, produce higher interest rates and a slump in the purchasing price of your dollars. If you are investing fixed income money, it is best to stay short term - less than one year. Be mindful of CD’s in terms of FDIC coverage. Short term is tough because yields are very low; but once interest rates begin to rise on the longer end, short rates must rise. Too many investors are chasing yield, putting their heads on a chopping block for the sake of another half percent. Do not be obsessed with return without regard for the greater risk you take on in these situations. Getting 0.5% on a 6-month CD is preferable to getting 4% on a 10-year bond and losing the value of your principal.

Beware of misleading data twisted by the media to look positive. Some of the things I read remind me of the clown at the circus who takes balloons and shapes them into what resembles animals. Those cute little doggies are but air in bags - thin and fragile.

On Page 2 of the online updates, I have a list of four items that I track with a method I call CPP (Critical Price Points). As a further explanation, these are price points that will indicate a change in trend. Gold, for example, last hit a negative CPP. The next CPP is \$993.40. If this CPP - which is over the current price - is hit, the CPP method will reverse from its current negative position to a positive one. This means we should expect the trend to begin improving at that point..

*On retirement March 31, 2010* – some folks have asked that I share some of the Web sites I use before I ride off into the sunset. I am working on a list of newsletters that I follow and will add my favorite Web sites to the list as well.

## 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](http://www.bigcharts.com). Thus, if you want a quote for Peyto Energy, go to [www.bigcharts.com](http://www.bigcharts.com) and type in CA:PEYUN. You can approximate the price in U.S. dollars by multiplying the Canadian dollar quote by .87. 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 6/29/09	Downside Buy Price	Div 6/29/09	Target-T Stop-S	Web Site
<b>U.S. \$</b>									
Agnico-Eagle	AEM	NYSE	1/10/2007	36.00	54.49	50.50	0.33%		<a href="http://agnico-eagle.com">agnico-eagle.com</a>
Alliance Res	ARLP	OTC	9/29/2004	27.98	32.17	34.50	9.10%	S=\$28.10	<a href="http://arlp.com">arlp.com</a>
Apache Corp	APA	NYSE	3/5/2007	68.00	72.53	70.00	0.82%		<a href="http://apachecorp.com">apachecorp.com</a>
<b>Baker Hughes</b>	<b>BHI</b>	<b>NYSE</b>	2/5/2008	64.63	36.78	<b>31.50</b>	1.61%		<a href="http://bakerhughes.com">bakerhughes.com</a>
<b>Baytex Energy</b>	<b>BTE</b>	<b>NYSE</b>	5/18/2004	9.00	16.75	<b>12.50</b>	7.50%		<a href="http://www.baytex.ab.ca">www.baytex.ab.ca</a>
Blackrock	BGR	NYSE	8/3/2005	25.99	19.16	17.50	8.51%		<a href="http://blackrock.com">blackrock.com</a>
CurrShrs. Eruo ETF	FXE	NYSE	8/22/2008	148.57	140.82	HOLD	0.10%	S=\$124.00	<a href="http://currencyshares.com">currencyshares.com</a>
<b>Enerplus Res.</b>	<b>ERF</b>	<b>NYSE</b>	11/20/2008	19.00	21.52	<b>18.00</b>	8.91%		<a href="http://enerplus.com">enerplus.com</a>
Gabelli Glb. Gld.	GGN	NYSE-Alt	1/3/2006	22.10	13.66	13.10	12.25%		<a href="http://gabelli.com">gabelli.com</a>
Goldcorp	GG	NYSE	7/24/2008	40.00	36.17	30.00	0.50%		<a href="http://goldcorp.com">goldcorp.com</a>
<b>Kinder Morg. LP</b>	<b>KMP</b>	<b>NYSE</b>	<b>Buy at \$45.20</b>		50.68	<b>48.00</b>	8.23%		<a href="http://kne.com">kne.com</a>
Kinross Gold (1)	KGC	NYSE	6/6/2002	2.39	18.76	16.00	0.43%		<a href="http://kinross.com">kinross.com</a>
Kinross Gold	KGC	NYSE	1/4/2007	11.00	18.76	16.00	0.43%		<a href="http://kinross.com">kinross.com</a>
Mkt. Vectors, ETF	GDX	NYSE-Alt	9/11/2006	37.00	39.15	35.00	n/a		<a href="http://n/a">n/a</a>
Pimco Com. Fund (2)	PCRAX		3/2/2005	11.89	7.10	6.50	4.80%		<a href="http://pimcofunds.com">pimcofunds.com</a>
Royal Gold	RGD	NYSE	Buy at \$38.00		42.97	38.00	0.74%	S=\$22.70	<a href="http://royalgold.com">royalgold.com</a>
<b>Schlumberger</b>	<b>SLB</b>	<b>NYSE</b>	1/18/2008	75.00	54.97	<b>50.00</b>	1.52%		<a href="http://slb.com">slb.com</a>
Silver Standard	SSRI	OTC	1/4/2007	30.00	19.16	18.20	n/a	S=\$11.60	<a href="http://silverstandard.com">silverstandard.com</a>
Silver Wheaton	SLW	NYSE	3/10/2006	8.40	8.52	8.00	n/a		<a href="http://silverwheaton.com">silverwheaton.com</a>
<b>Spdr Gold Trust</b>	<b>GLD</b>	<b>NYSE</b>	9/11/2006	58.85	92.04	<b>89.00</b>	n/a		<a href="http://n/a">n/a</a>
Transocean (4)	RIG	NYSE	1/4/2007	75.00	75.72	60.00	n/a		<a href="http://deepwater.com">deepwater.com</a>
Yamana	AUY	NYSE	4/14/2005	2.90	9.20	8.00	0.43%		<a href="http://yamana.com">yamana.com</a>
Valero	VLO	NYSE	4/26/2005	36.63	16.63	HOLD	3.58%		<a href="http://valero.com">valero.com</a>
<b>Canadian Dollars</b>									
Altius Minerals	CA:ALS	TSX	8/9/2007	17.88	6.06	HOLD	n/a		<a href="http://altiusminerals.com">altiusminerals.com</a>
ARC Energy	CA:AET.UN	TSX	9/8/2008	25.85	17.36	HOLD	6.94%		<a href="http://arcresources.com">arcresources.com</a>
<b>Crescent Point En.</b>	<b>CA:CPG.UN</b>	<b>TSX</b>	9/16/2008	30.20	33.93	<b>28.00</b>	8.17%		<a href="http://crescentpointenergy.com">crescentpointenergy.com</a>
Great Lakes Hydro	CA:GLH.UN	TSX	12/17/2008	15.99	16.13	16.00	7.71%		<a href="http://greatlakeshydro.com">greatlakeshydro.com</a>
Peyto Energy	CA:PEY.UN	TSX	7/18/2003	8.75	9.59	HOLD	14.85%		<a href="http://peyto.com">peyto.com</a>
Silvercorp Metals	CA:SVM	TSX	1/21/2008	8.00	4.24	HOLD	1.96%		<a href="http://silvercorp.ca">silvercorp.ca</a>

(1) Frontline dividend based on regular payment of \$0.625 per quarter. Extras have been paid, bringing the dividend on the past 12 months' payments to 13.38%. (2) On 2/27/07, Kinross acquired by exchange for Bema, originally purchased at \$1.06 on 6/6/02. (3) Ship Finance Intl. was acquired as a spinoff from Frontline on 3/6/07. (6) 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 6/29/09	Downside Buy Price	Div	Target-T/ Stop-S	Web Site
<b>U.S. \$</b>									
Coeur d'Alene (5)	CDE	NYSE	9/2/2003	31.90	12.83	HOLD	n/a		<a href="http://coeur.com">coeur.com</a>
Endeavor Silver	EXK	NYSE-Alt	7/26/2007	4.60	1.75	HOLD	n/a		<a href="http://edrsilver.com">edrsilver.com</a>
<b>Great Basin Gold</b>	<b>GBG</b>	<b>NYSE-Alt</b>	12/21/2007	2.45	1.44	<b>1.50</b>	n/a		<a href="http://greatbasingold.com">greatbasingold.com</a>
<b>Nova Gold</b>	<b>NG</b>	<b>NYSE-Alt</b>	2/29/2008	11.50	4.50	<b>3.00</b>	n/a		<a href="http://novagold.com">novagold.com</a>
<b>Rubicon Minerals</b>	<b>RBY</b>	<b>NYSE-Alt</b>	<b>Buy at \$2.00</b>		3.05	<b>2.00</b>	n/a		<a href="http://rubiconminerals.com">rubiconminerals.com</a>
Taseko Mines	TGB	NYSE-Alt	7/24/2006	2.40	1.73	HOLD	n/a		<a href="http://tasekomines.com">tasekomines.com</a>
US Gold Corp.	UXG	NYSE-Alt	9/9/2005	1.70	2.47	1.40	n/a		<a href="http://usgold.com">usgold.com</a>
<b>Canadian Dollars</b>									
Everton Res.	CA:EVR	TSX	1/4/2007	1.30	0.19	HOLD	n/a		<a href="http://evertonresources.com">evertonresources.com</a>
Golden Valley	CA:GZZ	TSX	2/20/2007	0.50	0.19	HOLD	n/a		<a href="http://goldenvalleymines.com">goldenvalleymines.com</a>
Laramide Res.	CA:LAM	TSX	3/16/2006	5.20	1.73	HOLD	n/a		<a href="http://laramide.com">laramide.com</a>
Mega Uranium	CA:MGA	TSX	5/1/2007	6.75	1.79	HOLD	n/a		<a href="http://megauranium.com">megauranium.com</a>
UTS Energy	CA:UTS	TSX	5/15/2006	6.50	1.60	HOLD	n/a		<a href="http://uts.ca">uts.ca</a>
<b>Minera Andes</b>	<b>CA:MAI</b>	<b>TSX</b>	9/11/2006	1.20	0.82	<b>0.75</b>	n/a		<a href="http://minandes.com">minandes.com</a>

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 .87 to see if the OTC quote looks correct. You can access these OTCBB quotes by using [www.barchart.com](http://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.