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info@protiming.com • 703.963.7163 • 4300 W. Lake Dr., Suite 100, Jacksonville, FL 32247 • (904) 963-9333

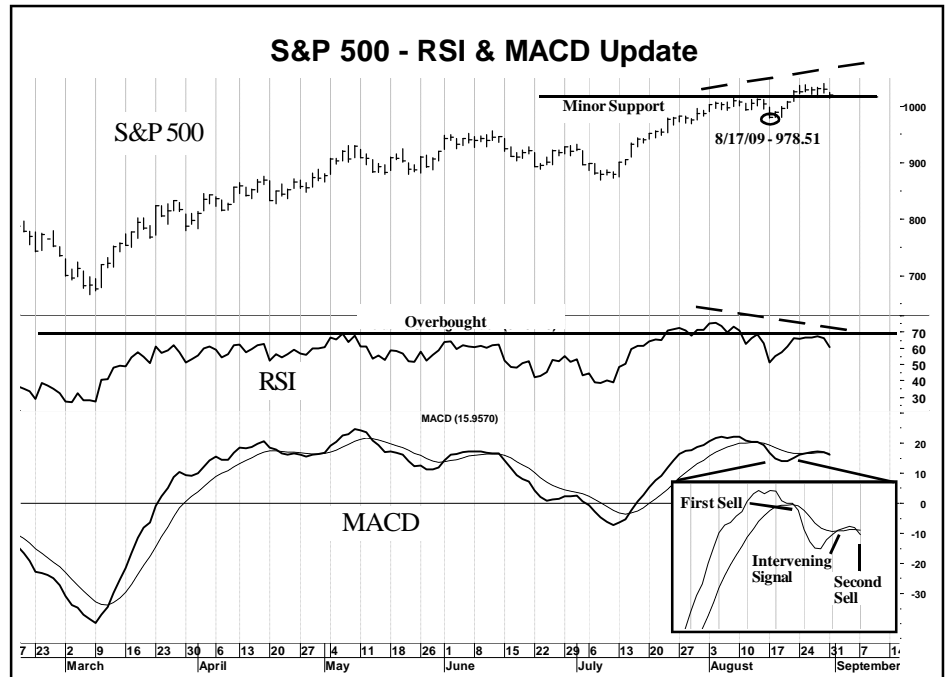
The next issue will be published September 16.

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[www.protiming.com](http://www.protiming.com)  
e-mail: [info@protiming.com](mailto:info@protiming.com)

## PREPARE NOW FOR OCTOBER



The Obama rally keeps trudging along. Our curiosity compels us to ask: where is this rally going, how far will it go, and how long will it last? First, let me update the chart of the S&P 500 that I showed you in the August mid-month letter.

Prices have pushed a bit higher since our last letter, and the S&P 500 was able to recover from a relatively nasty dip that occurred just after that letter was published. In discussing professional distribution behavior in that letter, I added that “they (the pros) would love to see an excuse to orchestrate a “breakout.” Indeed, this has come to pass. What I want you to notice is that as the selling accelerated into the August 17 low, the pros backed off and patiently waited for the Street to take the market back up again. The result was a breakout to new rally highs, but there was no real follow-through. Once prices broke to new highs, the sellers returned. As a result, the rally once again stalled out.

This gives us a level of technical support at the 1,015 level in the S&P - as illustrated on the chart. This is an important level of minor support, but it is not earthshaking in my work as it only indicates a downside target of about 980 (close to where those previous lows were). Keep in mind that it is not rocket science to see that if the August 17 low at 978.51 is violated, the implications are much more bearish.

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.

The Relative Strength Indicator (RSI) is an oscillator based on price that was originally created by Welles Wilder. We did see overbought readings in late July - early August, but more important at this juncture is the negative divergence that has developed since our last letter. When the August mid-month went to press, this had not set up yet.

Negative divergence is established when the oscillator is not making new highs with price, and this is a strong warning against following strength with buy orders. The best strategy when negative divergence occurs in the RSI is to put sell orders in over the market and protect positions with sell stops under the market. Again, you can get some guidance in determining upside targets and protective sell stop levels in my publication *A Handbook for the Perplexed*. Forbes' subscribers can get a copy by logging into Professional Timing Service at the Forbes' newsletters site and going to the folder titled Special Reports. Direct subscribers can go to [protiming.com](http://protiming.com) and log into the Subscriber Services section of the site. You will find the handbook in the list under Special Reports.

MACD stands for Moving Average Convergence Divergence. Some programs and Web sites will allow you to create the MACD patterns, but they usually use a set of daily parameters like 12, 26, & 9. The original model was designed to use the difference between a pair of exponential moving averages that the daily parameters only approximate. This is likely to make the model easier for folks to understand and use. However, as a consequence, my chart may differ from what you pull up online.

That said, after getting a "first sell signal" as displayed in the last letter, the solid line moved back over the dashed line. This produced an "intervening signal" and set MACD up to generate a more powerful "second sell signal." On August 31, that second sell occurred, and it should stand as a serious warning that the market is now vulnerable to further selling. I have provided an inset on the chart on Page 1 to show this pattern with a little more clarity.

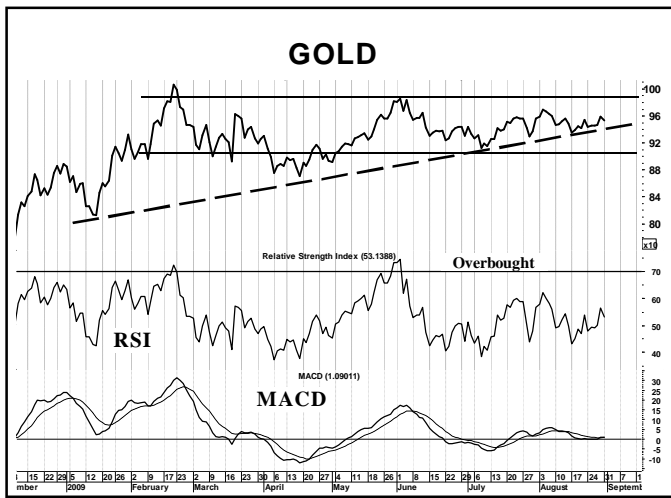
I use MACD and RSI as guidelines, and I use my proprietary Palio and Nasdaq Slow Tracker models as definitive, objective timing models. They are not going to issue sells at the same time. Palio is designed to monitor and give us timing signals on the overall market while the Slow Tracker is designed to track and time the Nasdaq Composite. I believe the Nasdaq Composite is vitally important because without the participation of the Nasdaq, the market will not continue to rally. If the Nasdaq turns bearish, the entire market will succumb.

Palio sell parameters are such that they cannot be pre-announced. Suffice to say that Palio is currently positive, and I will notify you when it changes. I can't say when that will be. The Nasdaq Slow Tracker is another matter. If the Nasdaq Composite trades at 1,929.00 (latest revision), the Nasdaq Slow Tracker will definitely turn negative.

*That may be more technical information than you were looking for, but the signs are there that the end of this rally is approaching. You should be preparing for that event now.*

During most years, September is a tough month to make money. I don't envision this September as being any different. October may come to bear with more import. A recent NYSE report shows that *program trading* is currently running at nearly half - 48% - of total trading. It should not surprise you that Goldman Sachs is the top trader. What gnaws at me is that in October 1987, the market collapsed when program trading went awry, and there were suddenly no buyers. The Exchange has become a futuristic battleground where computers are making trades against each other in milliseconds. When the computers all begin competing to sell before the others - again in milliseconds - the results could potentially be as disastrous as the meltdown in 1987, only faster.

The 1987 market had its best price in August, was weak in September, and then collapsed in October. The Dow fell 25% in one day during October. I am not saying that this October will produce the same pattern, but the potential for serious weakness is there. Be prepared.



October is also known as the “bear killer.” It is the month when the massacres have tended to occur in the past, but it is also the month when we have seen tradable lows form following bloodletting earlier in the month. My work is pointing to November as being a more likely time this year to see a trading low form following severe weakness in the averages this fall. Will we see a November low followed by a test of the Obama rally highs? I seriously doubt that. I think the October experience will be no mere correction. The issue of a tradable low in November is something I will take up once we see the coming weakness unfold. At best, we may see a trading bounce into year end. It is certain that it will not be strong enough to offer investors a second chance to liquidate financial assets, but it may well be a great time to add tangibles to your investment portfolio.

To summarize my overall outlook: I see a serious downturn in the stock market averages coming soon. It is time to determine upside sell targets for financial issues and/or put protective stops in under these positions. Essentially, I define “financials” as anything not advantaged by higher commodity prices. Furthermore, it is my opinion that you should stick with the heart of the matter in commodity exposure. Stick with precious metals and energy. I can refine this a bit in saying I prefer crude oil and gold with a minimum of ancillary commodities like natural gas, uranium, copper, silver, etc. For new money, stick with crude oil and gold at this juncture.

I am not bullish on real estate or anything tied to real estate. This is my second commodity caveat. Typically, we would expect to see real estate do well in inflationary environments, but the coming dollar decline will be the engine behind rising commodity prices and the key to where inflation will or will not show up. Bet against the dollar and in favor of those commodities that will be pushed higher as the dollar falls. They will principally be raw materials priced in dollars, but the no-brainer commodity in regard to a weaker dollar is gold.

The current picture in gold is that it continues to be trapped between \$900 and \$1,000, as it has been all year. Currently, RSI and MACD are neutral. They are offering no real strong signals one way or another, but note there is a trend line under the 2009 lows. If this is broken, I expect prices will fall back to \$900 again. Gold could even break a bit lower - to \$880 in this event - but it doesn't matter in the long run. Obviously, \$1,000 remains as strong overhead resistance.

On a more definitive note, the Critical Price Point (CPP) for gold - which I present on Page 2 of the online updates - has been raised to \$931.20 basis the December contract. This means that if gold falls to \$931.20, the Critical Price Point will be triggered and the CPP model will turn negative on gold. It is worth noting that this model, although still positive on gold at this time, is tightening up its sell point.

If the next sell point is triggered, I look for gold to retreat to that \$880 - \$900 level mentioned above. I have repeated several times that I feel that once the stock market averages tip over, there will be an initial period when all asset classes will weaken in sympathy, but I expect to see the commodity-based assets find footing relatively quickly. I also anticipate tangibles will recover to new highs in 2010 while the averages will languish and fall well below the lows set last March. In a nutshell, I expect gold will go over \$1,000 next year and the S&P 500 will be on its way toward 400. An initial dip in metals along with the averages this fall will offer gold buyers what will perhaps be the last chance to buy gold (and mining companies) before gold recovers to new highs next year. Don't be distressed by weakness in gold this fall. Hold your current positions, accumulate in weakness, and mind the downside buy prices on Page 6.

You might do well to buy some physical gold in the next bout of weakness. Stewart Dougherty aptly said recently, “As money, gold has not one legitimate competitor, though it is surrounded by fiat fakes.” That cuts to the essence of the matter. I can’t say what quantity of physical gold would be appropriate for you to buy. Asset allocation remains an individual question. The biggest problem is that you need to store it yourself. Don’t trust the dealer to hold your gold.

I prefer bullion coins like Krugerrands, Canadian Maple Leafs, American Gold Eagles, or Austrian Philharmonics. There are several reputable coin sellers on line like Monex [www.monex.com](http://www.monex.com) and Blanchard [www.blanchardonline.com](http://www.blanchardonline.com). I have not heard anything bad about them, and there are others as well. I like the Monex Web site which has a list of coins and current prices that updates during the day. Click on “live prices” to the right on their home page.

The key is to use a reputable firm that has been around a while and shop around for the best deal when you are buying. I suggest going online and checking out premiums at several sites before you buy. Personally, I have purchased my gold locally, and that is fine if you know a dealer you can trust.

As a guideline, you should be able to buy bullion coins for about 4% to 5% over spot price of the gold, or perhaps a bit less. You have to remember that the market is dynamic for both the coins and bullion at any point in time. I suggest gearing off the bullion, trying to buy when gold is at \$900. Then shoot for a 4% to 5% premium – so, about \$936.00 to \$945.00 for 1/oz. coins. Some of this will depend on quantity at the time you purchase, but you can accumulate over time, which is not a bad strategy.

Although I expect to see crude oil selling well above \$80.00 next year, crude is going to get hit harder than gold in the coming market decline. Some of the enthusiasm in crude since the stock market bottomed in March has been an expectation that the economy is going to recover.

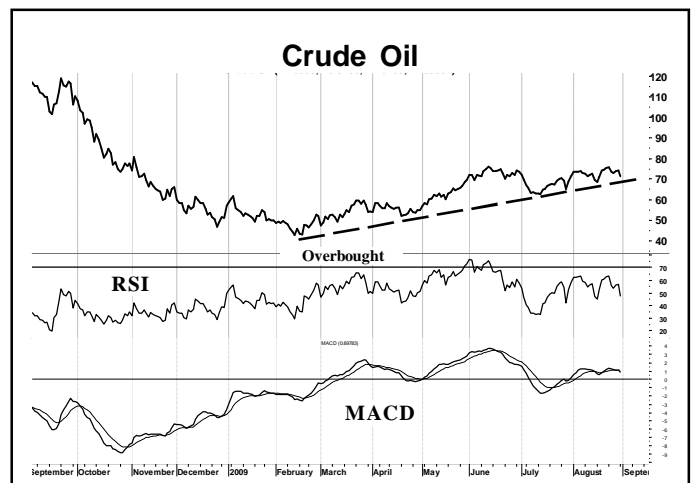
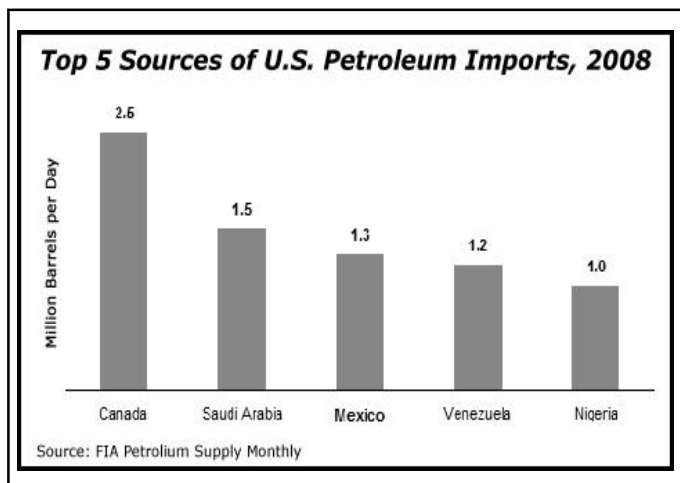
The economy is not going to recover in any real sense. Statistically, the numbers may show some positives, but a doubling from 1 to 2 after falling from 1,000 is not a real recovery. It’s only a statistical improvement. If unemployment “recovers” from a government-determined 12% to a government-calculated 10%, this will come off as a positive in the economic statistics. The truth is, unemployment would still be too high at 10% to generate much help with a sustainable economic recovery.

Housing numbers are improving, but this is mostly because home building is finally slowing to a halt and, thus, the statistics appear to be improving in a year-over-year comparison. There is also the government’s program offering first time buyers \$8,000 to buy a home by the end of November. Consumers are taking advantage of this, as they did the Cash for Clunkers program to buy cars. However, the effect on the economy is artificial and unsustainable. Furthermore, these programs have probably simply shifted future demand to the present, leaving a demand gap ahead of us.

As for numbers themselves - numbers like unemployment - the government is working overtime to spin them. Actual unemployment is closer to 16%, so a modest improvement (as hypothesized above) will still leave a lot of folks without a job and spending less. Our country is, indeed, becoming very Orwellian.

Toyota is closing one of its U.S. assembly plants in California. Their U.S. sales are off 53% since the beginning of 2008, and they don’t need the capacity. Over 5,000 workers will be let go. This is not a green shoot. Stimulus can have a temporary, positive impact on some sectors of the economy; but as long as consumers continue to lose jobs, they will spend less and the economy will continue to flounder.

Crude oil bulls will temporarily lose some of their optimism as these economic issues come back to surface with the weak stock market this fall. Don’t lose sight of the fact that production is falling and wells are depleting. On Page 5 is



a chart showing five of the USA's top crude suppliers. Four of these countries are unstable, with Mexico being the more stable. Mexico has already cut allocations to the U.S. due to depleting production and the desire to keep what they need for their own use. Regardless of the near term, crude oil looks like it will move well over \$80.00 in 2010.

Near term, you should gird for a correction. There is a trend line under the lows in crude, much like we see under the lows in gold. Crude is also encountering stiff overhead resistance at the \$75.00 level basis December. A break of this trend line will open crude up to the next level of support, which is at \$62.00. A stronger support level lies at \$51.00. All in all, I think you can count on a correction to \$55.00-\$60.00 in crude this fall. Our Critical Price Point model has also raised its sell point for crude to \$69.87 basis December futures.

I have raised the sell stop on **Enerplus** (ERF-NYSE-\$21.01) to \$19.50, and I am raising the sell stop on **Alliance Resources** (ARLP-OTC-\$33.10) to \$30.75. I am also putting upside targets on a couple of our weak sisters. Sell **Baker Hughes** (BHI-NYSE-\$34.45) at \$37.00 or better, and sell **Valero** (VLO-NYSE-\$18.74) at \$20.00.

I am maintaining my buy recommendation for **American Superconductor** (AMSC-OTC-\$32.31), but only if we can buy this one on the cheap. Our recommended buy price is \$23.00. This is, of course, an alternative energy play with some Chinese elements tossed in. This is an investment in what should be termed "energy technology" – a new and emerging industry.

American Superconductor makes super-conducting materials and products engineered to transmit electricity more efficiently and to enable electrical devices to be more efficient. This includes wind turbines, maglev trains, motors, generators, electric ships, hybrids, etc. They are into some very interesting things that we are going to see put into place around the globe, regardless of the recession in the U.S.

American Superconductor is no longer a pure R&D concern as sales are beginning to produce profits, and both are growing handsomely. Second quarter profits were up over 80%, and net income is now positive versus the same quarter last year. Much of their increased sales and profits of late are due to Chinese demand for products that enhance wind-produced electricity. They also sell super-conducting transmission lines that are on par on a cost basis with traditional transmission lines, but are less vulnerable to damage since they are buried and are immensely more efficient. Take a trip into the future and check them out at [www.amsc.com](http://www.amsc.com).

Incidentally, if you are interested in exploiting the coming decline, I have listed a trade in the **ProShares Short S&P 500** (SH-NYSE-\$58.46) in the online updates. The trade is to buy SH if it moves up to \$61.16. You can do this with a buy stop. If you take this trade, you must keep in touch with the Tuesday and Thursday updates for further instructions.

## 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 .91. 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 8/31/09	Downside Buy Price	Div 8/31/09	Target-T Stop-S	Web Site
<b>U.S. \$</b>									
Agnico-Eagle	AEM	NYSE	1/10/2007	36.00	57.40	50.50	0.31%		<a href="http://agnico-eagle.com">agnico-eagle.com</a>
<b>Alliance Res</b>	<b>ARLP</b>	OTC	9/29/2004	27.98	33.10	<b>HOLD</b>	9.00%	<b>S=\$30.75</b>	<a href="http://arlp.com">arlp.com</a>
Amer. Supercond.	AMSC	OTC	Buy at \$23.00		32.31	23.00	n/a		<a href="http://amsc.com">amsc.com</a>
Apache Corp	APA	NYSE	3/5/2007	68.00	84.95	70.00	0.71%		<a href="http://apachecorp.com">apachecorp.com</a>
<b>Baker Hughes</b>	<b>BHI</b>	NYSE	2/5/2008	64.63	34.45	<b>HOLD</b>	1.74%	<b>T=\$37.00</b>	<a href="http://bakerhughes.com">bakerhughes.com</a>
Baytex Energy	BTE	NYSE	5/18/2004	9.00	21.60	15.00	6.02%		<a href="http://www.baytex.ab.ca">www.baytex.ab.ca</a>
Blackrock	BGR	NYSE	8/3/2005	25.99	20.85	17.50	7.74%		<a href="http://blackrock.com">blackrock.com</a>
CurrShrs. Eruo ETF	FXE	NYSE	8/22/2008	148.57	143.29	HOLD	0.02%	S=\$138.31	<a href="http://currencyshares.com">currencyshares.com</a>
<b>Enerplus Res.</b>	<b>ERF</b>	NYSE	11/20/2008	19.00	21.01	HOLD	9.45%	<b>S=\$19.50</b>	<a href="http://enerplus.com">enerplus.com</a>
Gabelli Glb. Gld.	GGN	NYSE-Alt	1/3/2006	22.10	14.48	13.10	11.68%		<a href="http://gabelli.com">gabelli.com</a>
Goldcorp	GG	NYSE	7/24/2008	40.00	36.46	33.50	0.49%		<a href="http://goldcorp.com">goldcorp.com</a>
Kinross Gold (1)	KGC	NYSE	6/6/2002	2.39	18.95	16.00	0.53%		<a href="http://kinross.com">kinross.com</a>
Kinross Gold	KGC	NYSE	1/4/2007	11.00	18.95	16.00	0.53%		<a href="http://kinross.com">kinross.com</a>
Mkt. Vectors, ETF	GDX	NYSE-Alt	9/11/2006	37.00	39.51	35.00	n/a		<a href="http://n/a">n/a</a>
Pimco Com. Fund (2)	PCRAX		3/2/2005	11.89	7.45	6.50	4.57%		<a href="http://pimcofunds.com">pimcofunds.com</a>
Royal Gold	RGLD	NYSE	7/8/2009	38.00	39.68	38.00	0.81%	S=\$34.00	<a href="http://royalgold.com">royalgold.com</a>
Schlumberger	SLB	NYSE	1/18/2008	75.00	56.20	50.00	1.49%		<a href="http://slb.com">slb.com</a>
Silver Standard	SSRI	OTC	1/4/2007	30.00	18.19	18.20	n/a	S=\$11.60	<a href="http://silverstandard.com">silverstandard.com</a>
Silver Wheaton	SLW	NYSE	3/10/2006	8.40	10.36	8.00	n/a		<a href="http://silverwheaton.com">silverwheaton.com</a>
Spdr Gold Trust	GLD	NYSE	9/11/2006	58.85	93.40	89.00	n/a		<a href="http://n/a">n/a</a>
Transocean (4)	RIG	NYSE	1/4/2007	75.00	75.84	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>
<b>Valero</b>	<b>VLO</b>	NYSE	4/26/2005	36.63	18.74	HOLD	3.20%	<b>T=\$20.00</b>	<a href="http://valero.com">valero.com</a>
<b>Canadian Dollars</b>									
Altius Minerals	CA:ALS	TSX	8/9/2007	17.88	5.72	HOLD	n/a		<a href="http://altiusminerals.com">altiusminerals.com</a>
ARC Energy	CA:AET.UN	TSX	9/8/2008	25.85	17.38	HOLD	6.90%		<a href="http://arcresources.com">arcresources.com</a>
Crescent Point En.	CA:CPG	TSX	9/16/2008	30.20	36.70	28.00	7.52%		<a href="http://crescentpointenergy.com">crescentpointenergy.com</a>
Great Lakes Hydro	CA:GLH.UN	TSX	12/17/2008	15.99	17.84	16.00	7.01%		<a href="http://greatlakeshydro.com">greatlakeshydro.com</a>
Peyto Energy	CA:PEY.UN	TSX	7/18/2003	8.75	9.89	HOLD	14.56%		<a href="http://peyto.com">peyto.com</a>
Silvercorp Metals	CA:SVM	TSX	1/21/2008	8.00	4.03	HOLD	1.99%		<a href="http://silvercorp.ca">silvercorp.ca</a>

(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

(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 8/31/09	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	15.14	HOLD	n/a		<a href="http://coeur.com">coeur.com</a>
Endeavor Silver	EXX	NYSE-Alt	7/26/2007	4.60	2.09	HOLD	n/a		<a href="http://edrsilver.com">edrsilver.com</a>
Great Basin Gold	GBG	NYSE-Alt	12/21/2007	2.45	1.41	1.50	n/a		<a href="http://greatbasingold.com">greatbasingold.com</a>
Nova Gold	NG	NYSE-Alt	2/29/2008	11.50	3.89	3.00	n/a		<a href="http://novagold.com">novagold.com</a>
Rubicon Minerals	RBV	NYSE-Alt	Buy at \$2.00		3.05	2.00	n/a		<a href="http://rubiconminerals.com">rubiconminerals.com</a>
Taseko Mines	TGB	NYSE-Alt	7/24/2006	2.40	2.42	HOLD	n/a		<a href="http://tasekominer.com">tasekominer.com</a>
US Gold Corp	UXG	NYSE-Alt	9/9/2005	1.70	2.79	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	0.14	HOLD	n/a		<a href="http://evertonresources.com">evertonresources.com</a>
Golden Valley	CA:GZZ	TSX	2/20/2007	0.50	0.21	HOLD	n/a		<a href="http://goldenvalleymines.com">goldenvalleymines.com</a>
Laramide Res.	CA:LAM	TSX	3/16/2006	5.20	1.25	HOLD	n/a		<a href="http://laramide.com">laramide.com</a>
Mega Uranium	CA:MGA	TSX	5/1/2007	6.75	1.17	HOLD	n/a		<a href="http://megauranium.com">megauranium.com</a>
UTS Energy	CA:UTS	TSX	5/15/2006	6.50	1.79	HOLD	n/a		<a href="http://uts.ca">uts.ca</a>
Minera Andes	CA:MAI	TSX	9/11/2006	1.20	0.63	0.75	n/a		<a href="http://minandes.com">minandes.com</a>

(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 .91 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.