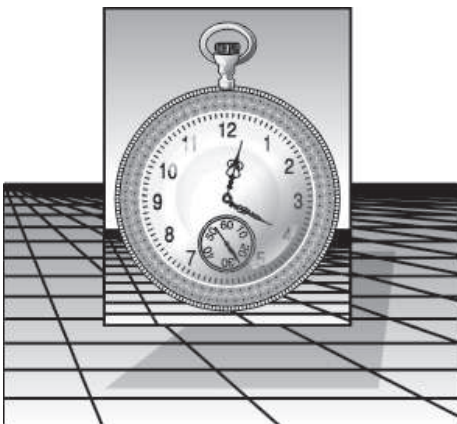


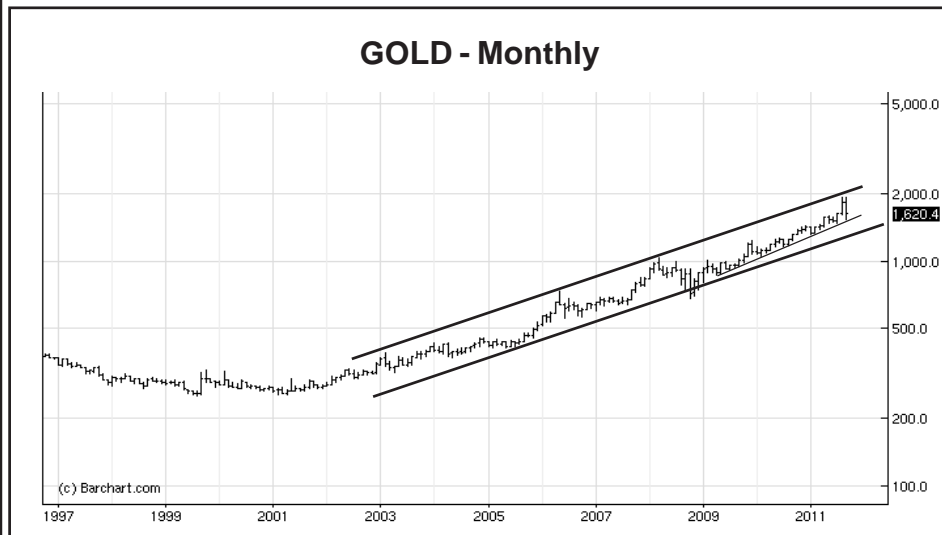
The next issue will be published November 1.

- **Another approach that will allow you to take advantage of selling panics is to scale in your purchases.**
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Page 5



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SEIZE THE DAY



This is a good time to step back and take a look at the forest. Dealing with the short term volatility we have been through in all the markets last month can fuzz your focus and lead to false conclusions and mistakes. Although I know folks are feeling intimidated because of the sharp correction in gold, from a longer term perspective, bullion has hardly crashed and burned. Contrarily, gold is simply correcting. You were warned in the last letter that prices would be coming down. As I told you: “Do not panic. It is a correction only; but as in the past corrections, the press will be all over the media with stories that the top is in. Unless you figure that the global debt problems are solved and that politics has found religion, the top is not in.” I can’t add much to that sentiment.

Prices have come off a bit quicker than I expected. However, there is very good support at the \$1,550 level (as anticipated). There has been a spillover in selling as a general panic to raise cash overwhelmed all of the markets during September. The result has been an opportunity to accumulate precious metals positions and add **Central Fund of Canada** (CEF-NYSE-\$20.85) and **Silver Wheaton** (SLW-NYSE-\$29.16) to our recommended list.

Both of these are bullion-related plays. Central Fund of Canada holds an approximate 50/50 position in both gold and silver bullion. It is a closed-end fund - not an ETF - which offers investors direct ownership in the bullion that is held physically for the stockholders. This will not be the case with an ETF. We recommend accumulating CEF up to \$22.00, which is our downside buy price - or in this case, since the stock is trading under that level, it is the maximum you should pay.

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 © 2011 by Professional Timing Service.

Current high volatility offers the prospect for somewhat lower prices near term. If you have open orders in under the market, you just might snag some of our recommended issues even lower than they are currently. I like to refer to this as entering “stink bids,” but sometimes if you are there ahead of the crowd, their panic can provide you with some extraordinary buys. If you would like a stink bid for CEF, you might try some at \$18.50. Let me remind you, the stink bids are by nature unlikely to be filled. On the other hand, they just might. If they are, you will be very fortunate.

Another approach that will allow you to take advantage of selling panics is to scale in your purchases. First, decide what amount of money you are going to put into the purchase and then buy a portion – I like to buy one-third to one-half initially at or below our recommended price. Then scale in with additional purchases at successively lower prices. If you have the skills to identify support levels, use them, or use a percentage – say, at 10% drops below your initial purchase. Normally, I will target two additional purchases using one-half of the remaining money at each buy level. For example, if you were to put \$10,000 into a position, you should buy \$5,000 at the initial price, then \$2,500 at 10% lower, and the remaining \$2,500 at 10% below that.

Scaling in can help overcome the fear you will have when buying into weakness. If you are truly afraid to make purchases as the market is falling, you might also consider that perhaps you are investing too much and cut back your purchases. It is better to have even a small position rather than none at all when the next up leg gets under way. In that light, it is much better to invest in the metals now when they are weak rather than waiting until gold breaks over \$2,000 and becoming a panic buyer. Investing on the basis of your emotions is a very poor investment model. You need to be buying when others fear and fear when others are confident.

In the line of bullion investments, **Central Gold Trust** (GTU-NYSE-\$65.45) has not come off to our posted downside buy price of \$57.50. I am going to raise the buy price to \$60.00. The gold market is getting oversold, but I expect to see some positive divergences develop before the next rally sets in. If you are of a mind to scale in, a fantastic “stink bid” for GTU is \$55.00. Central Gold trust is a closed-end fund – not an ETF – and it is the sister company to Central Fund of Canada. However, GTU holds only gold – no silver.

Another of our non-mining company precious metal recommendations is **Silver Wheaton** (SLW-NYSE-\$29.16). We sold SLW in May for \$37.25. Our buy back price was \$31.00, and the stock has been trading under that for the last week or so. Those who wished to reclaim their position should have done so by now. If you sold and bought back at our official prices, you enjoy a 16.7% advantage now, which goes a long way to offsetting the risk we saw last spring due to SLW’s comparative weakness. At \$31.00 or less, Silver Wheaton is an excellent pure play on silver. If you would like a deeper target price, you can try an open order at \$25.00. However, I don’t expect to see the metals much weaker than we have seen already.

A final recommendation on our list that is a more direct play on precious metals prices is **Royal Gold** (RGLD-\$63.73). Our downside buy price of \$56.00 is a bit far away, and I am raising it to \$60.00. If you want a low probability but very attractive “stink bid” for RGLD, you might sneak an open order in at \$55.00 ... but again, any purchases at \$60.00 or better will look pretty good once gold gets revved up again.

Bullion buyers, I am surprised that gold actually broke to \$1,550. It was a bit of a stealthy break, though, as it occurred in overnight trading and was all but impossible to take advantage of in the bullion market. There has not been a real opportunity to take advantage of bullion under \$1,600, but we may still see some backing and filling as well as a possible “test” of the low set at \$1,535 basis December on September 26. Although gold has attained its ultimate downside objective at \$1,550, I would expect more time in this correction before it is over. All market moves have to be considered in both time and distance. The distance has been met in this case, but my time expectation has not.



On a seasonal basis, gold usually marks time during October and sometimes into November before making a strong up move into the first quarter of the new year. I expect to see this pattern unfold as usual this year with a low finally completed - replete with positive divergences in MACD and RSI - over the next few weeks. You should be using further weakness to accumulate in anticipation of the next rally, which I expect will extend to \$2,000 during the first quarter of 2012. I will be discussing the importance of \$2,000 gold in the next letters; but suffice to say, once over \$2,000, the true blowoff phase will be solidly under way. At that point, it may well be too late to invest in gold. Although I fully expect to see \$5,000 gold,

buying the wild market post-\$2,000 will have to be relegated to short term trading and should no longer be considered low risk long term investing. The window on low risk longer term precious metal investing is going to close. The time to accumulate is now.

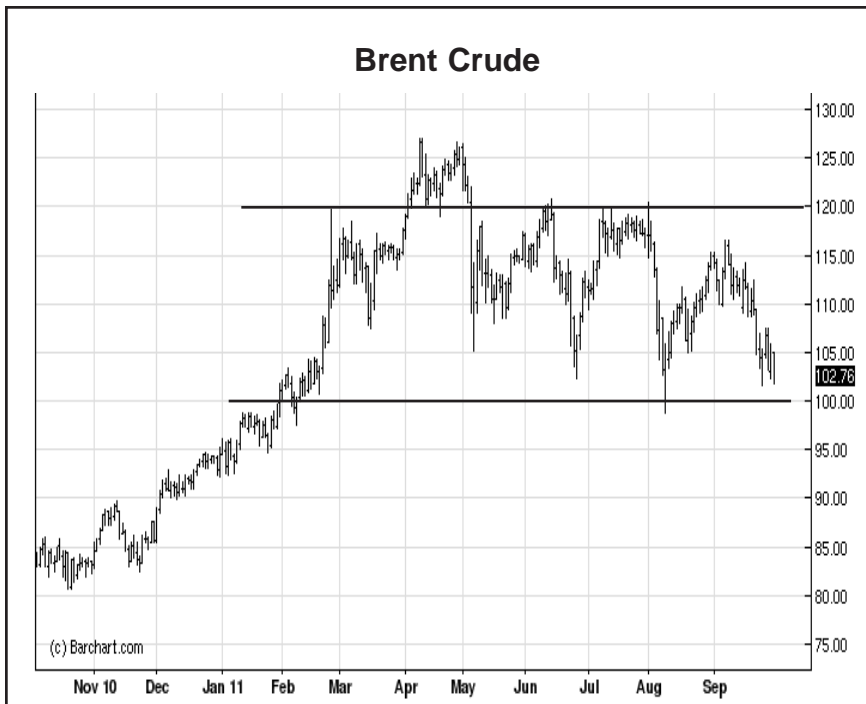
Note: I put **Minera Andes** (MAI-TSX-C\$1.74) on hold along with **U.S. Gold Corp.** (UXG-NYSE-\$3.75) in the September 23 update. The merger has been approved, and we need to let the dust settle before considering any further investment here. The new company will be known as McEwen Mining. Once we see final completion of the merger and some trading post-merger, we will follow up. I think it will be a dandy little company; but going forward, production is going to be an important consideration in selecting new mining investments.

The mining companies are still lagging gold by historical standards, and the gold/XAU ratio has been cycling between 8.20 and 8.90 for the last couple of months. There are indications that the index is close to breaking down, which would be a very positive signal for mining shares. As the index falls, mining shares will perform better than bullion. Bottom line, this is an excellent time to buy gold and silver mining stocks as well as the more bullion-related issues discussed above.

The XAU, or Philadelphia Gold and Silver Index, reflects the general action in mining shares. As you can see, it is coming into support at the 185.00 to 160.00 level. There is a little more room on the down side, but the worst of the correction looks to be behind us.

As a brief aside, I would like to comment on support and resistance levels. You should not consider them as solid and necessarily impenetrable. You should consider them more elastic, and I often will refer to them in a range rather than at a specific number. When I relate a single number, it is normally referred to in even values for the reason that support and resistance cannot be determined exactly and should only be used as a guide.

Goldcorp (GG-NYSE-\$45.36) and **Yamana** (AUY-NYSE-\$13.40) are of particular interest here. Goldcorp is trading under its buy price of \$50.00 and can be accumulated up to that \$50.00 limit. If you are looking for a deep bid, a few shares at \$40.00 are on my personal shopping list. Yamana is acting better than Goldcorp from a technical perspective. Nevertheless, I like our current downside buy price of \$12.00.



Nothing has changed since gold hit \$1,900 other than the short term traders and weak hands have gotten caught up in the panic that has gripped the markets as the third quarter of 2011 came to a close. The EU is still as shaky as it was this summer. Defaults continue to threaten; and, frankly, I don't see how they can be avoided. The Europeans can continue to kick the can down the road, as it is said, but the situation only becomes worse and financially more dangerous with time.

For some reason, confidence in the U.S. is holding up even though the emperor clearly has no clothes. Financial heavyweights like the Fed conjure up new tricks, but twisting the yield curve is not only artificial and is

destined to the fate of all artificial attempts to manipulate the markets, but it is further destined to squeeze bank balance sheets of much needed profit margins.

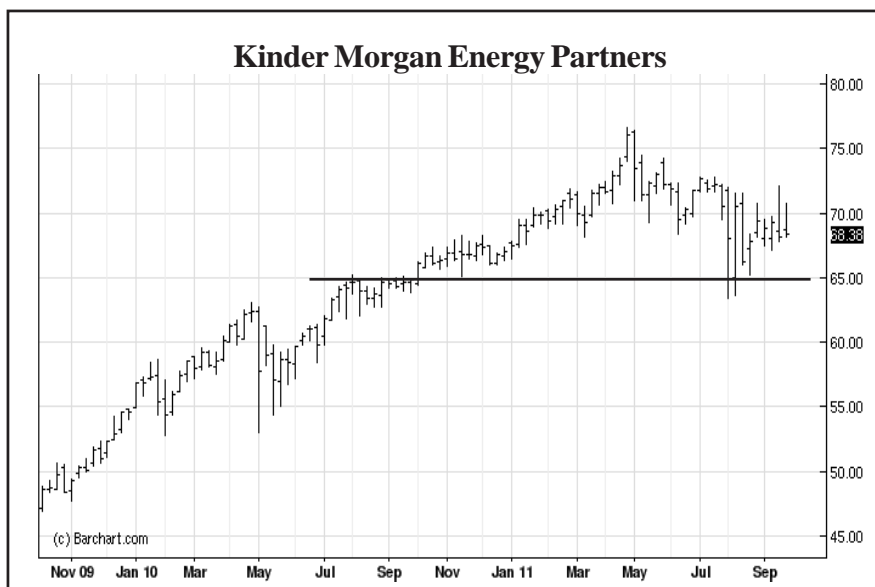
Time goes on; and as one currency sinks, followed by another, the illusion of first weakness and then strength in the U.S. dollar catches the public and currency traders' eyes. Time goes on, and your dollar simply buys less of those things you need regardless of how many euros, or loonies, or pounds it will buy at any point in time. At some point, another shock will occur and confidence will be shaken. Confidence is fragile; and once shaken, liquidity evaporates and real assets appreciate in terms of all forms of money - except gold.

If you are looking for a 2012 forecast for gold, I look for a breakthrough of \$2,000 with \$2,500 by the end of 2012. With the appearance of any exogenous black swan, that forecast will be woefully short of the mark.

The dollar currently is doing rather well in accordance with the U.S. dollar trading model we use with the Rydex dollar trading program. The details can be found on Page 2 of the periodic online updates. Since this trading model last bought into the Rydex Strengthening Dollar Fund on September 6, the dollar has appreciated about 5%. That is a pretty good move in the currency markets within only a few weeks. I expect to see sellers come in and begin to take profits once the U.S. Dollar Index breaches 82.00 basis December, which is not far from its current level of 80.15. There are also other technical indications that this move is soon to roll over. Once the dollar begins to weaken, I look for gold to find its bullish legs again.

Crude oil has held up during the selling panic in the stock market averages to an astonishing extent. I have explained previously why we are now focusing our attention on Brent crude rather than the outdated West Texas intermediate crude market. International pricing in terms of West Texas crude ended earlier this year, and most of the crude pumped is not light sweet crude any longer. The quality of crude produced is heavier and more fitting to that traded with the Brent futures contracts. You can see that Brent crude has been trading between \$100.00 and \$120.00 for the last several months, and it is currently at the lower end of this trading range.

The drop in Brent since April amounts to just under 20% while the drop in West Texas crude has amounted to over 33% in the same time frame. Nevertheless, a 20% correction in crude oil over the span of several months is not



unusual, alarming, or bearish. There are mounting indications from my technical tool kit pointing to a resumption in crude prices, and buying energy below the \$100.00 level looks advantageous. I look for new highs by next summer in Brent crude.

Kinder Morgan Energy Partners LP (KMP-NYSE-\$67.33) has not yet come off to our buy price of \$65.00 or better. Be patient and keep your open orders in. The indicated dividend at \$65.00 is about 7%, and KMP's dividend has a very nice history of growth.

The better dividend payers on our list include **Enerplus** (ERF-NYSE-\$22.95), **Baytex** (BTE-NYSE-\$39.63), **Linn Energy** (LINE-OTC-\$33.39), **Legacy Reserves** (LGCY-OTC-\$24.55), **Blackrock Energy** (BGR-NYSE-\$21.58), and **Crescent Point** (CPG-TSX-C\$37.93). They are trading below their downside buy prices listed on Page 6 and qualify for purchase. This is an excellent time to accumulate some juicy dividend payers. If you would like some "stink bids" for these, I suggest Enerplus at \$19.50, Baytex at 34.00, Linn Energy at \$30.00, Legacy at \$20.00, Blackrock at \$18.50, and Crescent Point at C\$30.00.

Averages are tricky statistics, yet they are tossed about with abandon, usually to prove a point. The stock market averages are no different, although they do represent abstractly the behavior of the world of paper or intangible assets. That said, third quarter 2011 window dressing at the end of the month precipitated some rock-and-roll action with wide swings, even intraday. Normally, the big kids would prefer a good strong performance into the end of September; but this year, jockeying between panic liquidation and the desire to present a good showing only pushed along the roller coaster. The roller coaster market will continue.

All this choppy, up and down action has to make you wonder about stability - stability of the stock market, stability of the bond market, stability of the economy, and stability of the global financial industry at large. The universe cycles, and it is not linear. Cycles occur because stability leads to instability. Confidence becomes overconfidence, which leads to taking on ever higher levels of risk until the pile of sand suddenly comes tumbling down.

Over time, deviations from the norm become accepted because there is no immediate reaction. The turkey is fat, happy, and confident of his future only because the butcher has not showed up yet. The longer the butcher stays away, the more comfortable (confident) the turkey becomes. The fingers of instability in today's market are to be found in debt. Overall debt levels are still too high, and there are years of deleveraging to come. Some of that will be voluntary by those with the foresight and wisdom to deleverage ahead of disaster. Some deleveraging will be involuntary brought about by inane public policy and bad personal decisions.

I expect to see the stock market averages continue the choppy pattern they have been in for the last couple of months. I look for this to continue into March of 2012 when a major top will occur. This coming top need not be a new high or even that much higher than today's market. It will be "major" because of the decline that will follow. Our market timing model Palio produced a lousy buy on September 15 followed by an excellent sell on September 21. These are the days you would have executed the reported signals. Timing will always be a challenge during whippy market action, but Palio does seem to handle risk very well.

Remember this: It is always hard to make money in September, and a big crunch usually comes in October. The good news is that October is also a bear killer when exceptional short term lows often form. We may see a decent year-end trading rally, but I recommend that most folks use strength to liquidate non commodity-related stocks.

If you are of a mind to position short ETFs as a trading strategy or hedge, I believe the optimum time will come next March. Professional Timing Service is not set up to give you aggressive short term trading advice. However, I believe using something like the ProShares Short S&P 500 ETF (SH) is fine if there is an exceptional opportunity. Other than that, I have to leave the issue of hedging up to each individual. You can gear off of Palio, but that is not a simple or casual activity. If you want to hedge the future, be invested in precious metals and energy and stay with that until the Dow/gold ratio advises otherwise.

Watch the Nasdaq. It is important how it performs compared to the broader market. The small caps MUST participate in a rally or the rally is doomed. It is all about confidence; and if there isn't confidence in the small caps, there is not enough confidence to sustain a stock market rally. Personally, I have a bad feeling coming on.

Cash is backed into a corner due to extremely low yields. Your best use of cash is to pay off debt. You simply cannot lose by deleveraging voluntarily. Until the world debt situation has been realigned, there will be no real economic growth. Market forces will eventually force this realignment; and in this process, bond holders will have to sustain losses. There is no other way. The only way to approach the bond market is as a trader. We offer bond trading advice on Page 2 of the periodic updates. Currently, our bond trading model is long and is enjoying a profitable trade. My sense is that as we approach 2012, the bond model's sells will be of increasing importance. The present sell point is 138-30/32 basis December. The symbol is USZ11 at barchart.com.

I realize that short term deposits do not pay anything, but the biggest mistake you can make is to stretch out and chase yield by extending the term of your deposits. Getting another 1% or less by taking on the risk of longer maturities is simply unwise. The only reason people are willing to do that is because up to now, that strategy has seemed prudent. The appearance of prudence will turn to losses when the Fed loses control of the yield curve, which I fully expect they will. Cash does not have a yield, so safety should be your primary concern.

Don't you love how the bears come out during corrections in the commodity market? Most of what you hear is claptrap or an outright flimflam designed to sell you something. The talk is typically only twaddle from some writer wanting to grab the headlines after the fact. In order to invest successfully, you must look for change and take advantage of it by being proactive rather than reactive. As far as the gold correction is concerned, nothing has changed since the \$1,900 highs. The world is in a financial mess that is going to take a long time to sort out; and in the process, fiat currencies are all going to be debased further, and all of them will purchase less in the future. Meanwhile, commodities, and gold in particular, will fluctuate. The market is not linear, and that is how you make money. Take advantage of the fear and buy low. We will eventually take advantage of exuberance at the final high and sell, but that time is not now.

It is buying time. Remember when gold was hitting \$1,900 and everyone was so anxious to buy? We warned subscribers to have patience, and here is the fruit of that patience. Over the next several weeks, we may well see our last chance to buy gold under \$1,700. Stay tuned to the online updates. I am looking for an opportunity to increase our stake in the Rydex trading model, and those instructions will be conveyed in the updates.

If you are income oriented or have fixed income dollars, avoid long maturities. I feel that select income investments in the energy field will serve you and your future estate better. The panic selling we have witnessed has served up some very attractive opportunities in energy as well as gold and silver. Carpe diem.

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:PEY. You can approximate the price in U.S. dollars by multiplying the Canadian dollar quote by 0.95. You should buy at or below the posted downside buy price. The downside buy price does not imply that this level will necessarily be reached, but that this is the maximum price we recommend that you pay for the issue. Changes since our last letter are in bold letters.

Company	Symbol	Exchange	Initial Recom. Date and	Price	Price 10/03/11	Downside Buy Price	Div 10/03/11	Target-T Stop-S	Web Site
U.S. \$									
Apache Corp	APA	NYSE	3/5/2007	68.00	76.50	110.00	0.78%		apachecorp.com
Baytex Energy	BTE	NYSE	5/18/2004	9.00	39.63	46.10	5.89%		www.baytex.ab.ca
Blackrock Energy	BGR	NYSE	8/3/2005	25.99	21.58	28.00	7.51%		blackrock.com
Cent. Fnd of Can.***	CEF	NYSE	9/23/2011	21.38	20.85	22.00	0.05%		centralfund.com
Central Gold Trust	GTU	NYSE	7/27/2010	45.50	65.45	60.00	n/a		gold-trust.com
Enerplus Res.	ERF	NYSE	11/20/2008	19.00	22.95	30.00	9.64%		enerplus.com
Gabelli Glob. Gld.*	GGN	NYSE	1/3/2006	22.10	13.54	18.00	12.41%		gabelli.com
Goldcorp	GG	NYSE	7/24/2008	40.00	45.36	50.00	0.90%		goldcorp.com
Kinder Morgan	KMP	NYSE	Buy @ \$65.00		67.33	65.00	6.83%		kindermorgan.com
Legacy Reserves LP	LGCY	OTC	8/6/2010	24.00	24.55	29.50	8.80%		legacyp.com
Linn Energy LLC	LINE	OTC	11/18/2009	24.72	33.39	37.50	8.27%		linnenergy.com
Natl. Fuel Gas Co.	NFG	NYSE	3/10/2011	70.00	46.18	70.00	3.07%		natfuel.com
NG Service Grp.	NGS	NYSE	1/6/2011	17.50	12.13	18.50	n/a		ngsgi.com
Pimco Com. Fund	PCRAX		3/2/2005	11.89	7.26	8.50	12.34%		pimcofunds.com
Prospect Capital	PSEC	OTC	1/5/2009	12.00	7.99	HOLD	15.22%	T=12.00	prospectstreet.com
Prospect Capital	PSEC	OTC	2/1/2010	11.00	7.99	HOLD	15.22%	T=12.00	prospectstreet.com
Royal Gold	RGLD	OTC	7/8/2009	38.00	63.73	60.00	0.69%		royalgold.com
Silver Standard	SSRI	OTC	1/4/2007	30.00	17.69	HOLD	n/a		silverstandard.com
Silver Wheaton	SLW	NYSE	9/26/2011	31.00	29.16	31.00	0.41%		silverwheaton.com
Sprott Phys Gld Tr.	PHYS	NYSE	1/21/2011	11.50	14.30	12.50	n/a		sprottphysicalgoldtrust.com
Yamana	AUY	NYSE	4/14/2005	2.90	13.40	12.00	1.34%		yamana.com
Canadian Dollars									
AltaGas**	CA:ALA	TSX	8/5/2011	24.34	26.70	25.00	4.94%		altagas.ca
Altius Minerals	CA:ALS	TSX	8/9/2007	17.88	11.01	HOLD	n/a		altiusminerals.com
ARC Resources	CA:ARX	TSX	9/8/2008	25.85	20.63	HOLD	5.82%		arcresources.com
Crescent Point En.	CA:CPG	TSX	9/16/2008	30.20	37.93	43.00	7.28%		crescentpointenergy.com
Brookfld Ren Pw	CA:BRC.UN	TSX	12/17/2008	15.99	25.42	22.50	5.11%		brookfieldpower.com
Peyto Exp & Dev	CA:PEY	TSX	7/18/2003	8.75	19.38	HOLD	3.72%		peyto.com

* GGN was bought at \$17.75 on March 15, 2011 to average down original position.

** AltaGas Buy 1/3 position at C\$25.00, 1/3 at C\$24.50, and 1/3 at C\$23.50

*** CEF Scale in 1/2 at \$22.00 and 1/2 at \$20.75, average price paid \$21.38

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

Company	Symbol	Exchange	Initial Recom. Date and	Price	Price 10/03/11	Downside Buy Price	Div	Target-T/ Stop-S	Web Site
U.S. \$									
Advantage Oil & Gas	AAV	NYSE	7/27/2011	7.25	3.76	7.25	n/a		advantageog.com
Coeur d' Alene	CDE	NYSE	9/2/2003	31.90	20.90	30.00	n/a		coeur.com
Endeavor Silver	EXK	NYSE	7/26/2007	4.60	8.78	9.00	n/a		edrsilver.com
Great Basin Gold	GBG	NYSE	12/21/2007	2.45	1.64	2.40	n/a		greatbasingold.com
Northern oil & Gas	NOG	NYSE	5/3/2011	22.00	17.86	22.00	n/a		northernoil.com
Nova Gold	NG	NYSE	2/29/2008	11.50	6.19	HOLD	n/a		novagold.com
Rubicon Min.	RBV	AMEX	2/1/2010	4.00	3.24	HOLD	n/a		rubiconminerals.com
US Gold Corp	UXG	NYSE	9/9/2005	1.70	3.75	HOLD	n/a		usgold.com
Canadian Dollars									
Golden Valley	CA:GZZ	TSX	2/20/2007	0.50	0.30	HOLD	n/a		goldenvalleymines.com
Minera Andes	CA:MAI	TSX	9/11/2006	1.20	1.74	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 0.95 to see if the OTC quote looks correct. You can access these OTCBB quotes by using www.barchart.com.
Peyto Energy-PEYUF Minera Andes - MNEAF Golden Valley - GLVMF Brokfield - BRPF AltaGas - ATGFF

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.