



The next issue will be
 published November 17.

- **The question keeps coming up: How can one utilize the trading signals from Palio or find help timing the rest of the commodity bull when I retire? I am considering**

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YOU CAN'T SAY YOU DIDN'T SEE IT COMING

I may be getting ahead of myself and laying my head on the chopping block, but let me say this: I think the rally is over. I realize this is in deference to the Palio model which, as this letter goes to press, is still hanging on to its last buy signal by a thread. The Nasdaq Slow Tracker, however, sold on November 2. I warned you that Palio would come in late due to its being a momentum-based approach. Nevertheless, the worm has turned, and the next leg of the secular bear market that began back in March 2000 is getting under way.

So, where do we go from here? That is an interesting question. Some of the research I have been privy to of late suggests that we will see four major down moves over the next three plus years. The first is beginning now, and it should last until late winter/early spring. The final low (end of the bear market) should occur early in 2013 – and, of course, at much lower levels than the March low that the averages rallied off of this year.

The interesting part is that each of these declines will be interrupted by rallies. Although the rallies will not be as enduring in time and distance as the current rally has been, they will be strong enough to offer splendid trading opportunities for those following disciplined timing approaches like the Nasdaq Slow Tracker and/or Palio.

I don't want to appear overly simplistic. The declines will be jagged, zigzag affairs, as will the rallies. Any timing model will have some false signals because nothing in the market is perfect. However, with the trading environment I see coming, you need not be perfect to be profitable. You will need to be disciplined, though, and that is where many investors will fall to the wayside. Traders have to follow all of the signals, good and bad.

Not everyone is equipped to be a market trader, which is why I have taken a longer term, buy-and-hold approach in this letter. Buy-and-holder investors can stay the course and continue buying tangible-advantaged assets into weakness. The bull market in commodities will continue until the Dow/gold ratio (currently about 9.6) falls under 5. It likely will fall to 2 or less before the ultimate commodity low is in, and the bull should go another three years at least.

The question keeps coming up: How can one utilize the trading signals from Palio or find help timing the rest of the commodity bull when I retire? I am extremely flattered by the overwhelming number of folks who have contacted

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.

me and asked this very question. I am not the only letter writer around, but we all do have separate styles and strategies. As a result of your kind comments, feedback, and suggestions, I am considering finding a “halfway mark” where I would be able to provide ongoing signals and direction in a different newsletter format from the present one as well as find the free time I desire. My thoughts are along the line of continuing Professional Timing Service as a monthly, online only letter with “alert” messages. Alerts will be sent out via e-mail whenever there is a signal from Palio - or when sudden market conditions warrant one.

Although later than I expected, the popular averages are finally topping out. There is a slight possibility that the averages will make one more attempt to rally and produce a double top, but I caution you against buying into any bullish arguments you hear on the Street. Any last ditch rally attempt here would be a great place to lighten up on paper-based positions you might still hold, or at least tighten up your stops. Due to the “stretch” in this rally from prices persistently moving higher while ignoring cyclical and technical extremes, the next decline may be savage.

The Dow/gold ratio is a wonderful guide, and it’s something which you can easily keep on your own. You needn’t do this every day. Maintaining a weekly or even monthly calculation is enough. As I mentioned, the ratio is currently about 9.5. That is well off its terminal reading of 43.7 back in 2000. Although the bull in commodities is not over yet, it is somewhat long in the tooth. This necessitates some caution in what you pay for your positions. Be patient and heed the downside buy prices.

We were able to snag some **Kinross** (KGC-NYSE-\$18.29) at our price of \$18.10 recently. Kinross hit its buy price a bit ahead of the others, which means it may well come off some more. If you want a deeper buy price (stink bid), shoot for \$16.00.

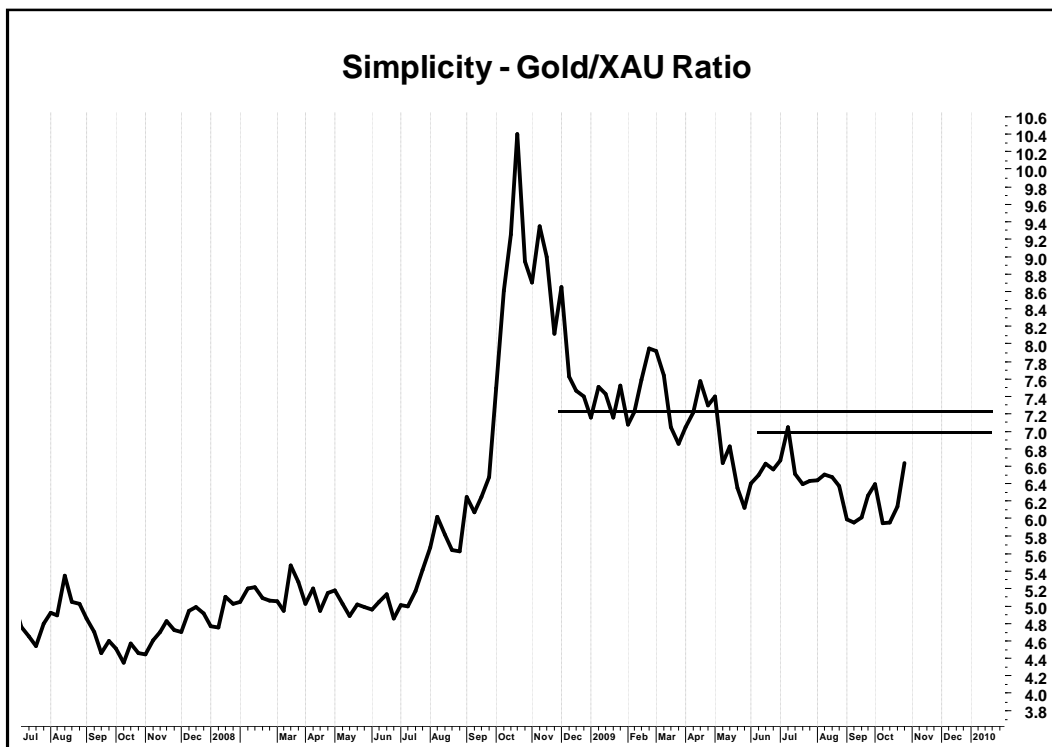
Agnico-Eagle (AEM-NYSE-\$54.57) also has fallen rather dramatically to and below our buy price of \$55.00, but \$50.00 should offer good support. Those looking for deep stink bids might shoot for some at \$46.00, but I like the stock for accumulation under \$55.00. I have some comments on scaling down with your buy orders later in the letter. They reported some big disappointments in terms of costs of production and earnings which spooked the sellers into a panic. Don’t go overboard on this one, but a few shares in your portfolio will give you some diversification.

Frankly, when it is all said and done, **Goldcorp** (GG-NYSE-\$37.16) is the best miner on the planet, and I am staying with the buy price of \$34.50. If you would like a deeper bid, try \$32.00.

I have raised the buy price slightly for another favorite of mine - **Yamana** (AUY-NYSE-\$10.81) - to \$9.00. You should take a look at Page 6 for other changes.

The downside buy prices are intended to give you a handle on your purchases. I expect these prices will be hit and at times exceeded, although it is impossible to anticipate by how much. It doesn’t matter. If you buy at those buy prices or better, the probability of profit is enhanced over willy-nilly purchases that tend to be emotionally motivated and executed at highs. A decent strategy is to scale into your positions. Buy an initial amount at the downside buy price and then put orders in at successively lower levels. This is an excellent approach, but the problem is that you may not end up buying as much as you first intended. Often, the buy price is hit and the issue rebounds quickly, leaving you with only a partial position. Again, nothing in this business is perfect, but a scale-in approach can enhance profitability.

At the end of October each year, I calculate the Annual Asset Allocation Model (AAAM). This model is becoming redundant for readers as the Dow/gold ratio does as good a job in pointing you to which asset class (financials or tangibles) your money should be in. Again, the Dow/gold ratio is something you can do on your own. Nevertheless, for what it is worth, the AAAM is still in the commodity camp.



Gold is coming off with the market averages, as we expected. There is a strong, cyclical magnet around Thanksgiving where I look for gold to carve out its next significant low. In past letters and updates, I have talked about the potential for gold to fall as far as \$960-\$950. That is still a latent target. Remember, this stuff is volatile. A \$100 correction from current levels is nothing in this market. Looking at a more optimistic scenario, there is support at \$1,020 and again at \$986 basis December.

The key may be the U.S. dollar. Our technical work is negative on the dollar; but if the U.S. Dollar Index can muster a rally to 77.74 or better basis December - which is the current Rydex dollar trading program bullish trigger point - gold may well see that \$960-\$950 target. I am a bullion coin buyer if it does.

More important perhaps is what we might expect from the mining stocks. I mentioned that we hit our buy price for Kinross and Agnico-Eagle already, and I fully expect to see us hit our prices for the others on our list before this correction is over. The XAU (Philadelphia Gold and Silver Index) is currently at 158.00 and could easily fall to 140.00 before this correction is over this month. You need to realize that the mining shares will normally move in greater percentages than the bullion. That is precisely why we buy them. They provide a leverage factor versus bullion. This leverage factor is at the heart of the gold/XAU ratio, which I like to call Simplicity.

It was a little simpler before the all-asset, regardless-of-value fire sale last year. The ratio used to top out over 5.00 when mining shares were cheap in relation to bullion, and they would bottom at about 3.75 when mining shares were expensive relative to bullion. The great 2008 panic pushed the ratio over 10.00 as mining shares were blindly tossed in the trash heap along with failed banks, insurers, car manufacturers, and everything else but cash. You can see on the chart that since the panic, the ratio has fallen back to about 6.00. This indicates that the mining shares have regained a good deal of their value, but not all.

On a historic basis, the mining shares are still cheap relative to gold bullion. I believe you will see precious metal mining companies (as represented by the XAU) rally to the point that the Simplicity ratio will eventually hit 3.75 or lower again. It may take until the end of the commodity bull - three or four years down the road - but you will ultimately see that adjustment.

The short term is another thing. I am looking for a correction into later this month. I expect gold and the mining shares will participate in the weakness, although I believe paper assets and the popular averages will correct more. You will see the mining shares come off at a faster rate than bullion during the next few weeks. The Simplicity ratio will rise as a consequence. I look for it to move up to 7.00-7.25 during this correction.

Fear not. Heed the downside buy prices and accumulate for the next rally. My work indicates that we should see bullion rally into mid-first quarter, and the XAU has the *potential* to move as high as 250.00 in this move. Incidentally, we will be adding to our Rydex gold position this month. The instructions will be relayed in the Tuesday and Thursday updates when and as our models dictate.

Crude oil has done much better than I anticipated; but since I am a long term bull, that is not all bad. The trick is adding to energy portfolios. The secret is to not get impatient, and let your emotions dictate your timing. Again, the commodity bull is not as young as it once was. Although it's not near the grave yet, it definitely warrants some caution in the timing of your purchases.

Crude is way overdue for a correction, regardless of the rest of the market. I am afraid, however, that prices got overextended, partially because of outsized bullishness concerning the economy. As I will get to presently, the economy is not in recovery, regardless of the stuff you are being spoon-fed by the media. I am not concerned about the American economy in regards to energy. Crude oil is a global issue, factors of which vastly overshadow our domestic problems. Consider that although per capita energy use may moderate due to the recession, there are more folks immigrating and being born in this country every day. In fact, America grows by one Chicago every year, and all those additional folks need energy. They need to be warm, they need to be fed, and they need to move about. Virtually everything – absolutely everything we use and need – requires crude oil in some form.

On the other hand, supplies are being curtailed by depletion and lack of investment. New supplies replacing depleting sweet crude production are typically sour crude, and that is more expensive to process. Incidentally, Venezuela produces sour crude almost exclusively, and the only place to effectively refine it is in the U.S. Chavez will not get too far out of hand. He blusters, but he has little real advantage. The Cantrell Field in Mexico (a major U.S. supplier) is where the lion's share of Mexico's output is produced. It continues to decline drastically, and it will not be a surprise if Mexico discontinues exporting oil within the next 18 months.

As worldwide population increases, as economies in Asia continue to grow, and as crude production stymies, the price of crude will rise. The dollar is no small factor in this. Crude will not always be priced in dollars in the international market. That is changing; but as far as you and I are concerned, it is and will be priced in U.S. dollars. As the dollar continues its journey lower, crude oil and other raw materials will increase in price in U.S. dollar terms. Near term, though, I see the likelihood of a dollar bounce here, regardless of whether it is able to hit our Rydex number of 77.74 or not. As the dollar strengthens temporarily, crude will briefly come off as a consequence.

The current rally and recent positives in some of my models, like the Critical Price Point analysis we offer on Page 2 of the online updates, requires a new look at support levels. On the down side, there is now minor support at \$72.00-\$74.00, but I am expecting more weakness than that due to this down turn in the stock market. A more realistic downside target would be \$68.00, basis December futures. The important point is that crude is going to correct; and if so, the energy stocks on our list will follow suit. The downside buy prices are listed on Page 6. Longer term, I think crude will most certainly reach \$100.00 next year, and it will likely top \$130.00 by year end 2010. Of course, this is going to add force to the next leg of the recession.

I am most interested in buying some new income-producing energy positions during this decline. In that light, I am putting **Baytex** (BTE-NYSE-\$24.20) on hold - not because I don't like the stock, but because I see some better income producers elsewhere. This decline will give us a chance to diversify a bit.

For income, I still recommend **Brookfield Renewal Power** (BRCUN-TXS-C\$18.23). We were able to initially buy this for C\$15.99 when it was named Great Lakes Hydro. Since then, it has moved up to C\$18.00. I think we can

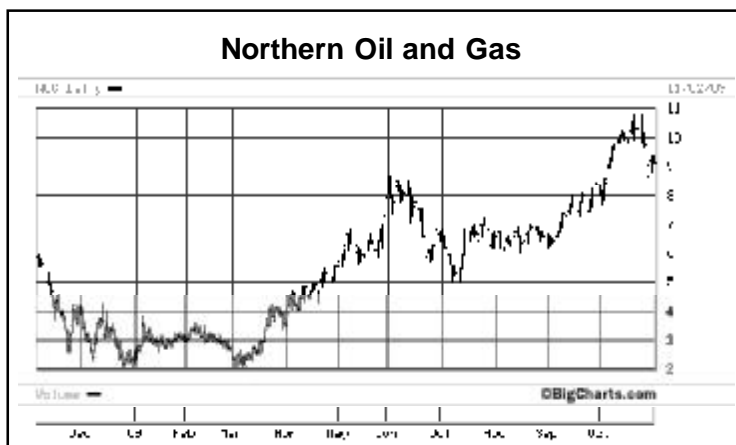
move the buy price up to C\$17.00, which is an excellent place to buy a pilot position (if you don't own any already) or add to current holdings. This stock is not going to be a big mover, but I expect to see some decent appreciation over time along with a respectable dividend indicated at 7.35% at C\$17.00 in the stock.

I am considering some new income ideas in the energy sector that I will share with you in the mid-month letter. I want to see how they hold up using comparative strength analysis versus the overall sector in this decline before making selections.

Some time ago, I introduced **American Superconductor** (AMSC-OTC-\$32.50). You can review past letters on the basis for this recommendation; but suffice to say, it is a "green" energy play in that it is centered on wind power and other electricity transmission and generation technologies. Our buy price of \$23.00 is apparently too low as we have not been able to buy the stock yet. I don't want to get too aggressive here, but raising the price to \$24.50 seems warranted. I am also putting in a sell stop at \$21.00. AMSC pays no dividend.

Although this is not an income suggestion either, here is a junior oil to consider - **Northern Oil and Gas** (NOG-NYSE-\$9.19). It is a speculative play; but as you can see on the chart, it moves well with the price of crude. I am shooting for a deep buy price on this one. Buy at \$7.00 or better and put in a stop at \$4.70.

The economy has been touted about as much as it can be. The credibility of the media and number crunchers will be strained from here, and that is what the stock market is seeing. It was recently reported that first time unemployment claims came in for the week at 522,000. The media tried to make this look good by saying it was down 1,000 from the week before. Try and convince one of the 522,000 newly unemployed (now joining so many others) that this is good news and a sign of economic recovery!



All incumbents should be voted out of office - every last one of them ... no exceptions. The current crowd in Congress is a travesty. If the official unemployment rate is over 10% come next November, more voters than Congress expects will put the incumbents on the run. If the unemployment rate is over 10% in November 2011, you may not see a Democrat in office again for 20 years or more.

I don't mean to endorse either party. This is simply what will happen. You may agree with Doug Casey's comment. When asked which party he favored, he replied that he was not in favor of either the Republican "war party" or the Democratic "welfare party." It is difficult to argue with that. Where have all the statesmen gone? ... long time passing.

I own some income real estate that I bought some years back at a good price, and I would like to buy more, but at the "right" price. It doesn't look like there is any hurry. Indications are that there is another shoe to drop in the real estate market and, consequently, in the economy as well. We are far from out of the woods.

Adjustable mortgage resets peaked in 2008, and that pressure brought down the real estate market and the stock market. The crest is building again, and it will have the same effect. However, this second crash should provide some decent prices for those with patience. The key is that prices have to fall low enough for rentals to cash flow with a decent return to offset the risk. Don't get overly excited about real estate yet, and I would shun the REIT's.

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 .936. This 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 11/02/09	Downside Buy Price	Div 10/30/09	Target-T Stop-S	Web Site
U.S. \$								
Agnico-Eagle	AEM	NYSE	1/10/2007 36.00	54.57	55.00	0.34%		agnico-eagle.com
Alliance Res	ARLP	OTC	9/29/2004 27.98	37.74	HOLD	8.12%	S=\$30.75	arlp.com
Amer. Supercond.	AMSC	OTC	Buy at \$23.00	32.50	24.50	n/a	S=\$21.00	amsc.com
Apache Corp	APA	NYSE	3/5/2007 68.00	95.48	70.00	0.64%		apachecorp.com
Baytex Energy	BTE	NYSE	5/18/2004 9.00	24.20	HOLD	5.69%		www.baytex.ab.ca
Blackrock	BGR	NYSE	8/3/2005 25.99	22.59	18.00	7.32%		blackrock.com
CurrShrs. Eruo ETF	FXE	NYSE	8/22/2008 148.57	147.52	HOLD	0.02%	S=\$138.31	currencyshares.com
Enerplus Res.	ERF	NYSE	11/20/2008 19.00	22.02	HOLD	9.47%	S=\$19.50	enerplus.com
Gabelli Glb. Gld.	GGN	NYSE	1/3/2006 22.10	15.06	13.10	11.05%		gabelli.com
Goldcorp	GG	NYSE	7/24/2008 40.00	37.16	34.50	0.49%		goldcorp.com
IRR Rsk Mg Nat Res	IRR	NYSE	10/2/2009 16.25	16.84	16.25	10.08%		ingfunds.com
Kinross Gold (1)	KGC	NYSE	6/6/2002 2.39	18.29	18.10	0.54%		kinross.com
Kinross Gold	KGC	NYSE	1/4/2007 11.00	18.29	18.10	0.54%		kinross.com
Mkt. Vectors, ETF	GDV	NYSE	9/11/2006 37.00	42.88	35.00	n/a		n/a
Pimco Com. Fund (2)	PCRAX		3/2/2005 11.89	7.97	6.50	6.83%		pimcofunds.com
Royal Gold	RGLD	NYSE	7/8/2009 38.00	44.55	HOLD	0.72%	S=\$38.03	royalgold.com
Schlumberger	SLB	NYSE	1/18/2008 75.00	62.71	50.00	1.35%		slb.com
Silver Standard	SSRI	OTC	1/4/2007 30.00	18.72	18.20	n/a	S=\$11.60	silverstandard.com
Silver Wheaton	SLW	NYSE	3/10/2006 8.40	12.65	9.90	n/a		silverwheaton.com
Spdr Gold Trust	GLD	NYSE	9/11/2006 58.85	103.95	92.50	n/a		n/a
Transocean (3)	RIG	NYSE	1/4/2007 75.00	84.24	60.00	n/a		deepwater.com
Yamana	AUY	NYSE	4/14/2005 2.90	10.81	9.00	0.38%		yamana.com
Canadian Dollars								
Altius Minerals	CA:ALS	TSX	8/9/2007 17.88	6.94	HOLD	n/a		altiusminerals.com
ARC Energy	CA:AET.UN	TSX	9/8/2008 25.85	19.44	HOLD	5.94%		arcresources.com
Crescent Point En.	CA:CPG	TSX	9/16/2008 30.20	36.92	HOLD	7.62%		crescentpointenergy.com
Brookfld Ren Pw (4)	CA:BRC.UN	TSX	12/17/2008 15.99	18.23	17.00	7.08%		greatlakeshydro.com
Peyto Energy	CA:PEY.UN	TSX	7/18/2003 8.75	11.75	HOLD	13.47%		peyto.com
Silvercorp Metals	CA:SVM	TSX	1/21/2008 8.00	5.55	HOLD	1.57%		silvercorp.ca

(1) On 2/27/07 Kinross was 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) Transocean merged with Global Santa Fe on 11/27/07 receiving .6996 shares in the new Transocean plus \$33.03 in cash.

(4) Great Lakes Hyro Income Fund is now named Brookfield Renewable Resources Fund

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

Company	Symbol	Exchange	Initial Recom. Date and Price	Price 11/02/09	Downside Buy Price	Div	Target-T Stop-S	Web Site
U.S. \$								
Coeur d'Alene (5)	CDE	NYSE	9/2/2003 31.90	20.43	HOLD	n/a		coeur.com
Eldorado Gold	EGO	NYSE	Buy at \$9.00	11.19	9.00	n/a		eldoradogold.com
Endeavor Silver	EXK	NYSE	7/26/2007 4.60	2.75	HOLD	n/a		edrsilver.com
Great Basin Gold	GBG	NYSE	12/21/2007 2.45	1.52	HOLD	n/a		greatbasingold.com
Northern Oil & Gas	NOG	NYSE	Buy at \$7.00	9.19	7.00	n/a		northernoil.com
Nova Gold	NG	NYSE	2/29/2008 11.50	4.39	3.00	n/a		novagold.com
Rubicon Minerals	RBY	NYSE	Buy at \$3.00	4.10	3.00	n/a		rubiconminerals.com
Taseko Mines	TGB	NYSE	7/24/2006 2.40	3.03	HOLD	n/a		tasekominer.com
US Gold Corp	UXG	NYSE	9/9/2005 1.70	2.67	2.15	n/a		usgold.com
Canadian Dollars								
Everton Res.	CA:EVR	TSX	1/4/2007 1.30	0.14	HOLD	n/a		evertonresources.com
Golden Valley	CA:GZZ	TSX	2/20/2007 0.50	0.29	HOLD	n/a		goldenvalleymines.com
Laramide Res.	CA:LAM	TSX	3/16/2006 5.20	1.24	HOLD	n/a		laramide.com
Mega Uranium	CA:MGA	TSX	5/1/2007 6.75	0.72	HOLD	n/a		mega uranium.com
UTS Energy	CA:UTS	TSX	5/15/2006 6.50	2.10	HOLD	n/a		uts.ca
Minera Andes	CA:MAI	TSX	9/11/2006 1.20	0.66	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 .91 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.