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Will History Rhyme?

Historically, bear market rallies have lasted 18 to 21 days on average and we have just finished that cycle late in the week. Will history rhyme this time? I think Mark Twain may have it nailed this time. Most of the banking and financial stocks just didn't move like the rest of the market with a few exceptions. They are the stocks that should be leading the way up but they are not showing the strength I think they need to if we are to see a sustained rally. They are trading in spits and spurts as if the tank is almost empty and only fumes remain.

AS the G20 met amongst muted protests the Dow rose 3.10%. The S&P followed up 3.26% and the Nasdaq rallied 4.96%. Another great week for American markets. Up in resource rich Canada the TSX was up 2.77% and the junior and exploration laden Venture exchange clawed up 1.52%.

The horrible employment data on Friday had no ill effect for some reason. Markets are just not making any sense these days. But with the upcoming resumption of mortgage resets en masse markets should begin to trade as they should.

Metals review



Gold was down 3.32% mainly as investors flocked back into stocks on false hopes that things are getting better. The potential IMF's gold sales article was brought back out of the closet on the day the G20 met which sent gold reeling, not to recover. It's a buying opportunity plain and simple.

The RSI fell below the 50 line and is at lows recently seen at bottoms. Support at \$880 was not tested but is close. The bottom of the down trend

channel is being tested. We could see a drop to the \$880 level which would violate the channel but would likely be a bear trap.

The 50 day MA could not hold gold up and it is now testing the 100 day moving average. The 20 day has hooked slightly lower but has not crossed below the 50 day moving average to date. Gold needs to move back up fairly quickly here if that is not to happen.

MACD is just below 0 and showing a sell signal. Slow STO is still showing a short term sell signal but is approaching oversold territory where major rallies begin.



Silver dropped 4.28% following gold down and being more volatile as usual. \$12.50 remains a strong area of support and coincides with the up-trend that began in December 2008. RSI fell just below 50. The moving averages are higher still, except the 20 day which has hooked down slightly. As with gold a big wedge formation has been containing the price for the last two months.

MACD is showing a sell signal and just crossing below 0. Slow STO remains in sell mode and right in the middle of it's range. Silver is still the poor man's gold and a great investment. Taking advantage of any weakness for the long term has been a great strategy bull to date and will remain so.



Platinum gained 2.60% for the week in stark contrast to gold and silver. I think this is due to the fact that platinum is correcting from much higher levels while gold is near all time high territory. This precious metal is performing much better than the others and even trading higher than Rhodium which hit \$10,000 an ounce in 2008.

RSI is strong and hooking up, Price is within a nice trading channel. The 20 day moving average is heading steeply higher and the 50 day just crossed the 100 day giving a buy signal to many traders. MACD is bullish and the Slow STO is also bullish but not yet into overbought territory.



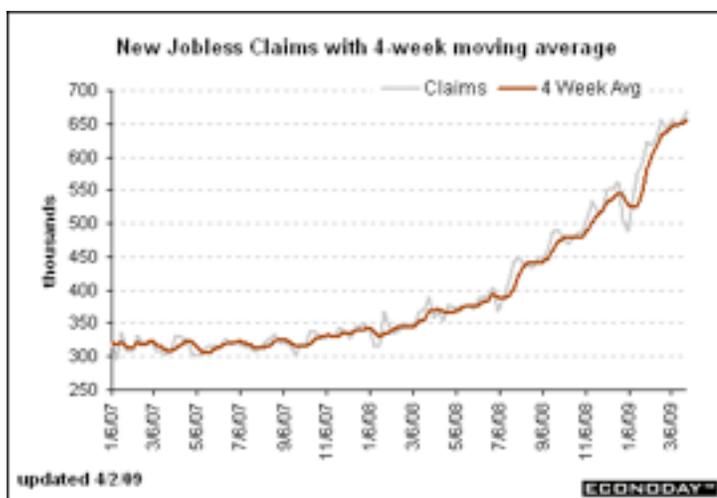
Palladium fell 1.65% and continued its very choppy trading. It closed on \$220 which is a good support level. All the moving averages are moving higher and the 20 day looks ready to move above the 100 day moving average. MACD is bullish and the Slow STO is a bit weak but looks to be heading back up into overbought ground soon.



I sometimes like to compare the Baltic Dry Index (BDI) with major markets. The BDI seems to lead the Dow and S&P by a few weeks or so but is much more volatile. That is quite evident on the markets recent major rise as the BDI was topping out. It has fallen and continues to fall. I think the markets are nearly done their major bear market rally now. BDI is seen as a leading economic indicator since it tracks the amount of dry goods being shipped around the world. Time will tell.

Fundamentals Review

Now 5.1 million people are unemployed in the US. Average hours worked also slipped 1% to 33.2 hours per week. An interesting figure is the hourly wages number which actually went up 0.02% telling me the lower end jobs are being shed at a slightly higher rate than higher paid positions. There are no signs of improvement yet and the unemployment rate is likely to reach at least 10% and more likely quite a bit higher. I have read private estimates which mark today's actual unemployment in the 19% range once you factor out all the government data adjustments which generally keep the rates low.



It's becoming more apparent that cash rich economies are more reluctant to lend to struggling economies. Britain failed to sell all their bonds last week for the first time in more than a decade. Typically these auctions attract more buyers than there are issues. That is why the federal Reserve is buying their own, and has only one conclusion which is to debase the currency. Some are saying Britain is already bankrupt, and others are saying the US is as well although it is less apparent there to the masses. But if you consider the unfunded liabilities of the US at about \$65 trillion it is an easy call.

Calls for a world currency were met by opposition then a slip by Geitner that the US was open to it. It doesn't matter, it's like a person in debt trying to dictate to their bank terms of their repayment. China is expanding their currencies reach by conducting currency swaps with South Korea, Malaysia, Indonesia, Belarus and most recently Argentina. Expect more of this as time passes. It will not be quick but it will happen. This is an attempt to skirt the use of the US dollar and the first step to conducting international trade in anything other than the USD.

The IMF called for for gold sales during the G20 meeting having the desired effect of smashing gold down. It's the same old story. No gold will ever come to market. It will be bought by China or another country at auction

and they will be disappointed they cannot buy more. That is IF congress approves the sale. This exact same press release has been put out countless times and had the same effect nearly every time. Yet the gold still remains.

To my knowledge the first potential investor to come out against the treasuries recent private public partnership has surfaced. The large [hedge fund](#) funds founder says; **“Ray Dalio gave Geithner's plan two thumbs-down, arguing that the hopes of would-be buyers probably won't be met by what the government is offering, especially when it comes to the sale of so-called legacy securities”** You can be sure others are coming to the same conclusion and that the deal will have to be sweetened even more by the government, sorry I mean taxpayers.

Burkina Faso in West Africa is [aiming](#) to become a regional mining centre over the next three years. They have some great deposits and are a relatively safe place to invest in my opinion. They hope to become the continents 4th largest gold producer behind South Africa, Ghana and Mali. Including operating mines and upcoming projects the country has over 250 tonnes of gold. The country is mineral rich but focusing on gold since it is the one asset class performing very well in this economic crisis. Only 40% of the country has been mapped to date.

South Africa is [increasing](#) their gold reserves. Now their gold reserves stand around 11% of the total. This joins the list of countries who have begun to add the historic reserve asset to their holdings as of late and is very bullish.

The quiet and fraudulent defaulting of 1 kg gold bars is highlighted in [this](#) short article. The basics are that you must have three mini contracts now in order to take delivery of a 100 oz gold bar.

Miners are still having no trouble raising cash as long as they have a resource. China is investing heavily in mines and many miners are going directly to the Chinese, skipping even attempting to raise cash in traditional markets. While some would argue that they don't want the Chinese to own everything, to which I agree, I also believe it far better to have them holding the companies rather than the scalper hedge funds and naked shorts which have plagued and suppressed the mining industry for far to long.

In fact I had some meetings this past week with a new grass roots exploration company. One item they shared was the fact that they are in a good position since not many shares are out yet and are tightly held making their stock less prone to shorting. They said shorting of junior and exploration companies is just a part of it and they accepted that fact. The fact that so many just accept illegal naked shorting of their stock as normal business is sickening. We need people who are sick of it and want it to end in turn increasing

shareholder value. If the Chinese want to own a large part of a company and shorting of the stock is reduced as a result then I am all for it.

[Here](#) is another story to the pile about soaring physical gold demand and the mints ability to meet the demand being put to the test. This story originates out of Austria. Austria's Philharmonic coin has seen sales soar 544% in the first two quarters of 2009. The Austrian mints director say's; "**There is no sign of demand abating,**" and; "**At present production is struggling to keep up with demand.**" A gold dealer also said it's normal people not the rich who are buying gold.

India has now gone two full months with no gold [imports](#) because of high scrap sales. It seems worldwide demand is offsetting this demand centres normally voracious appetite for gold. Once they begin to import again it will really light a fire under gold. Gold scrap sales have slowed but demand has not re-ignited as of yet in India.

In Australia and many other part of the world sad stories such as [this](#) are appearing and many more are yet to be told. It's a sad but real tale of boom and bust times that so many resource towns and countries experience. It reminds me of visiting the Kitsault mine and township. It was like riding into any small functioning town, minus the people. An amazing eery site.

[This](#) is a very interesting story about the Las Cristinas mine area in Venezuela and it's cursed history. Miners are still trying to actually commercially mine the area with no success to date.

A hilarious must see video on just how much a trillion dollars is can be found on the second page, titled "Debt" and is 1:26 long [here](#).

In the odd story category [this](#) one is certainly, well, odd. It talks about how the population of the UK must fall from 60 million today, to 30 million in order to be sustainable!

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Until next week take care and thank you for reading.

Warren Bevan

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