

Precious Metal Stock Review

Bridging Wealth Protection and Wealth Creation

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1K Challenge

To say it was a volatile week would be an understatement. Wild, fast swings of 400 points or more in the Dow is something we rarely see. In this type of market avoidance is the goal for most including us.

While our dividend paying stocks are holding up well and our mining portfolio is also doing well for the most part with a few soaring with the rise in gold. We've been in cash the whole week in our swing trading portfolio and we're bidding our time letting the game come to us.

We like to take on trades that will last at least a few days or weeks, not minutes. That being said, with the volatility and lack of action I've decided to take on a challenge. The 1k Challenge.

The idea is that I'll be using Twitter to send out real time buys and sells that I am doing with an initial 1k.

I'm not advocating anyone else try to follow me, rather observe. But of course if you do, and make some money, good for you.

It's not much to begin with but if I get a few things right it could grow quickly. I'm not advocating that anyone follow my trades, rather I'm just going to see what I can do with a small amount in this type of market for fun, and hopefully some nice profits.

I'll be using options mostly and employing all I know about trading and trying to teach some along the way and just have the process documented in the open for everyone to see if they so choose, for free.

Whether it goes well or not I don't know. It's entirely possible that I lose the 1k, but it's also possible that if I get a bit lucky and choose my trades selectively that it could turn into a large amount in this type of market environment.

I hope you follow along and see how this fun little challenge goes. You can follow me on Twitter at iTraderz.

We saw an awesome surge in gold as it was the safe haven of choice for a part of the week before getting hit with a much needed correction.

Fears over debt, but really overspending from governments worldwide is spreading and it's not hard to envision where we're going. Overspending leads to bankruptcy every single time and I don't see any way out.

While [Alan Greenspan foolishly says the US cannot default on it's debt since they can print money](#), printing money to pay off your debts is defaulting as more money printing does nothing but devalue a currency until it's worthless.

We've all seen pictures of billion dollar bills and wheelbarrows of cash being burned as it's worth less than firewood. That is where the US Dollar is heading sadly, although the inevitable conclusion is being postponed with unquestionable skill.

There really isn't another currency that can replace it as the world's reserve currency yet so until we see one emerge or be created we'll likely be stuck with a perpetually devalued US Dollar.

If you look into the books of history you'll quickly discover that fiat currencies, backed by nothing, hence creation eventually becomes limitless and uninhibited, usually last about 40 years or so.

Funny enough, the current fiat system the US operates on, called the Bretton Woods system where gold no longer backs the US dollar is [celebrating it's 40th birthday Monday, August 15th](#).

Happy birthday fiat currency!

[Metals review](#)



Even with gold being hit hard late in the week it was up 5.08% for the week. I suggested early in the week that gold moving out and above of this steeply rising channel was cause for pause. We saw a nice spike higher above \$1,800 briefly and now we're seeing a nice needed rest.

Nothing goes straight up everyday and if it does then it's time to begin selling it.

I'm happy to see this correction, although it was induced by the [raising of margins on gold futures](#) , up 22%. It's not really fair as gold really wan't rising

by an out of control pace at all but the boys behind the scenes will always be there playing their games and hurting the general investing public.

The public generally won't often be short gold, only the professionals so it's not too hard to see who's on who's team here. It doesn't mater though as long as you hold physical precious metals you can ignore these foolish games.

Chances of a further retracement to the lower end of the channel where the 21 day moving average lies is high.

Looking at the GLD ETF volume it's telling me we're not in for a huge down-move, rather a healthy one down to around \$1,700 for a brief time.



Silver managed to eek up 1.93% this past week. Silver is still trading in a large triangle pattern here and should move one way or another very soon.

We're seeing the confluence of the 21, 50 and 100 day moving averages here and a powerful move can begin from such a strong area of support

The SLV ETF shows volume decreasing this past week which is typical of a market about to move. By Friday volume had all but dried up so we should see a break very soon.



Platinum finished the week higher by 4.56%. The volatility we've seen in

platinum lately is amazing. \$100 swings in a day are going to become more common and then we can see it recover almost as quickly.

Volatility is great as it just means things are moving which means you can make money but the extreme speed we're seeing things move lately is not for the slow or faint of heart.

That's why I came up with the 1k Challenge. I think it will be fun to let everyone see how to hopefully take advantage of this volatility and put it to work for you.

The PPLT ETF saw large volume as price recovered from the slam late in the previous week.

A break above the descending trend-line around \$1,780 would be a good start of a breakout higher if volume is large and a confirmation move above resistance at \$1,820 would also be nice to see.



Palladium rose 0.41% for the week and really has a strange looking chart on this timeframe. Most recently off the low we're seeking a potential bear flag pattern which could lead to lower prices but on a longer term chart it looks like a wide base is been built with the lower end at \$700 and the upper end at \$850.

That being said you could probably try and trade that base and buy the lows and sell the highs but if that base is broken where palladium moves above \$850 on volume that would be a significant breakout higher and would be an absolute buy, unless price retraced and showed us a failed breakout.

We really didn't see much volume come into the PAAL ETF after the huge slam in price. This lack of volume makes me slightly nervous and I'd be even more nervous if I had a position on in palladium.

Fundamental Review

The Federal Reserve [announcement to keep rates low for two years](#) is no real shock and neither is their consideration of taking further steps to help the economy grow.

I hate to break it to you but if the fed hadn't been intervening for at least the last few years since 2008, we would have been recovered and actually growing by now. Nothing is great all the time.

Economies need cool periods, or recession to stay healthy in the long run. Sometimes you just have to let them happen as it washed out the bad and makes the good stronger.

But that's not how it is. These individuals think they are masters of the universe and can control everything. Every time throughout history a scene eerily similar to that of today has arisen and every single time they thought they were different, but they weren't, and they're not now either.

The [SEC is investigating any possible leaks](#) before the [US debt downgrade](#) was released publicly. It was pretty obvious that people knew beforehand and were selling in advance. We just read the charts and we in cash in the swing trading portfolio then we took advantage of the crash and went short.

Much of Europe [enacted a temporary short selling ban](#) much the same as the US did during the crash of 2008. That means stocks will have a hard time falling, but it doesn't mean they'll soar either.

This past week saw investors [withdraw the most money from stocks funds since 2008](#). While a short selling ban will help stabilize markets and we've seen some strength late last week, the volume is absolutely absent and that is what you need for a market to truly rise.

Be careful, as the bottom may not be in until we see a high volume move up although as I mentioned last Monday, seeing the S&P index down 6.66% that day seemed like signal that it was the low and so far it's been correct.

Central banks across the globe are continuing their moves into gold. This time [South Korea added 25 tonnes](#) to their hoard and [Thailand added 17 tonnes](#).

While some countries are buying gold, others are simply ramping up production and China leads the pack. They [produced 160 tonnes during the first half of 2011](#) and likely bought a good chunk of it for their treasury, but it's won't be reported until well after the fact.

We only saw [one bank fail this past week](#) to join this years small list of biggest losers.

In [this video Dylan Ratigan blows a gasket](#). It's a great video that makes some great points. I don't like talking about politics much since it's just hot air and wasteful for the most part but this video is well worth watching and it's true. Congress has been bought for a long time.

Here is another video entitled "[Eat The Rich](#)" which shows how no matter how much the US takes from you they still can't run a fiscally sound operation.

Let's call it a day and the end to a wild week and hit the beach for one of the last times this summer before fall begins to set in.

Until next week take care and thank you for reading.

Warren Bevan

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