

# Precious Metal Stock Review

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## The First Domino

It was another absolutely madly volatile week, especially as we moved to the end of it. It's a day-traders bliss, but I'm not a day-trader. It's not an easy way to trade, and every tick counts. It's just not for me, or most people.

I much prefer to have longer term holding such as precious metals and their underlying equities while swing trading some of the account as well by holding positions for days or weeks.

I enjoy making the money when good trading setups are there, but when they're not, such as now, it's nice to take things a bit easier and enjoy some of the profits we do make during the good times, and we did have some extraordinarily good times this summer.

For now the 1K Challenge I started last week is done. I all but blew up the small 1K account and it reinforced once again to me that I am not a day trader.

I may try a similar challenge with swing trading, but 1K really doesn't give you much leeway to being with.

Our favourite precious metals, gold and silver, had some great moves this past week and are headed higher still it looks like. I used to get so excited when gold passed \$500, \$800 and certainly \$1,000 but now I don't feel any real kind of excitement about the moves. Sure it's great increasing wealth but we've just got so much more upside ahead of us that these tiny moves aren't really exciting me yet.

There are no signs of a bubble that I can see and I think I've got a pretty good pulse on the market, or at least I have for the past 8 years when I began

getting involved in buying physical precious metals. We're not even to the inflation adjusted high which at an absolute minimum using government rigged numbers is in the area of \$2,200 or so.

There are a tonne of article out very recently showing just how undervalued gold and silver shares are compared to the metals themselves. And they are wildly undervalued, I agree. But none of that really matters if we have another major market crash such as we did in 2008.

I'm not sure if we should be liquidating them yet or if we should hold them. If we get a further market crash then some that are already on sale could be on sale for another 50% or more!

Luckily we've got a very solid mining portfolio and most have held up extremely well with several making new highs. I think [we've got a great](#) mix of quality mid-sized companies all the way down to a few pure exploration plays, and the fact that they're doing well even today reinforces my views.

The earthshaking news for gold this past week was that [Venezuela announced they would like to repatriate their gold](#) from Europe and the US. Venezuela holds \$11 billion is physical gold and is wanting to have it held in countries with more solid economics such as Brazil, Russia or China.

A few things strike me here. They must know or have a feeling the gold is not there. Whether it's there or not I don't know but I have a feeling it's encumbered in some way shape or form and has likely been leased out at the minimum or has physically been removed at the far end.

I think that Venezuela will be pressured hard politically to give this repatriation idea up or they may simply be settled in cash, not gold. This is a dangerous game Hugo Chavez is playing and one which could literally blow the doors off of the gold price.

If it were to surface that central bank gold is not actually there, there would be a run on gold the likes of which I can't even imagine.

Hugo is the first domino to fall and demand his gold back and this could spark a major shift from central banks in wanting to actually hold their own gold rather than have it stored in apparent good faith by others.

We'll see how this plays out but I have a feeling that one way or another the world is going to wake up to the realization that [GATA's](#) premise has been true all along. The gold simply isn't there!

## [Metals review](#)



Gold rose 6.07% for the week in solid trading while world markets crumbled on fear. I was [talking with subscribers the other day](#) about how small a market gold is really and how underinvested people are in it. While it may look like it's going a bit parabolic here, this can last a very long time.

Gold will be the mother of all bull markets and we've got much further to go on the upside, This bubble will put the tech bubble to shame as this one is based on fear, not greed and we will truly see panics into gold by the end of this.

I've talked about the coming growing premiums in precious metals on several occasions. My thoughts remain that trading the ETF's such as GLD or SLV is great, but for the longer term you must hold physical gold, as a coin will sell for at least 100% premium to the paper price of a share of GLD or SLV.

Just this past week we saw gold coins and bars sell in Dubai for a 500% to 750% extra premium as supply was being limited. This is far from a huge premium still, but there will come a day when a gold coin sells for twice it's paper quote, at the very least.

Even while gold is rising quickly it's still a relatively safe asset as it only moved 6% in a whole week. US stock markets have moved that much in single sessions in recent days.

I don't know where gold goes from here in this spike up but we should be expecting some kind of correction on a technical basis in the near future. The obvious number would be psychological resistance at \$2,000.

The GLD ETF saw strong volume for the week with volume ramping up Thursday and Friday as investors dumped shares in a hurry. The volume is high, having hit over 34 million Friday alone, but not as high as recent volume spikes. I'd say we definitely have more room to run on the upside here and now.



Silver blasted out of the triangle pattern I've been talking about here for the last couple weeks at least and ended higher by 9.88% for the week. It's looking like we're heading back to \$50 now that we've broken out. This may take a few days or a few weeks.

Always if trading silver be very aware. You literally cannot take your eyes off the market, or you must have a hard stop in place. I've been watching and trading silver in the past only to get the news that the margins are being raised and that was my sell signal. It marked the exact highs every time, and it comes every time.

It's not fair that the CME can smack silver down this way so easily, but it is part of the game and we just have to accept and try to take advantage of this.

I did not pick up a trading position in silver as it broke higher but I may on weakness.

The SLV ETF saw a little tick up in volume which confirms the breakout but we're far from the massive volume spikes we'll be seeing once silver begins it's top in this move here now.



Platinum rose 4.45% for the week. Last week I mentioned that platinum was trading in a wide range between about \$1,680 and \$1,880 and that it was

quite possible to trade this range until it's broken one way or another. That means that now would be a wise time to perhaps take some of that position off the table or at least be ready to sell it if we can't continue this move higher.

What amazing wild swings we've seen in platinum lately.

Moves of \$200 or more in about a week are what I'd call high volatility, not off the charts but high. Gold does no such thing yet, but it will.

I'd be poised to take profits here if we don't move above the resistance level. You never go broke taking a nice profit and you can always buy the position back if it clears resistance on good volume.

The PPLT ETF volume was quite solid, especially the last two days of the week. I haven't a clue where we go from here, but my thoughts are outlined above.



Palladium only rose 0.82% this past week but I see no reason why we won't see it move higher to \$800 and then \$820 in fairly short order here.

There is no doubt palladium is struggling with getting past the moving average cluster here but that is normal and healthy and will make these moving averages great solid support once they become so.

Looking at the PALL ETF we saw the heaviest volume come in Thursday and Friday as price retreated. This is interesting and perhaps signifies palladium is not quite so ready to move as I said above after-all. We'll soon find out.

# Fundamental Review

I read this week that [45.8 million Americans are relying on food stamps](#). This number blows my mind. That's 15% of the population and there is no way a country can say they are recovering, let alone growing, with a fact like this.

The really sad thing is that a household only receives \$283.65 per month. This certainly would not cover food, but it would help for sure. No wonder cheap processed foods are in such demand by so many today. If we could get back to eating whole healthy foods perhaps health costs and problems wouldn't be such a major issue, but the again what would the drug companies do then?

We saw three banks fail this past Friday but what struck me Thursday evening was the announcement of another bank failure. I've never seen a bank fail on a Thursday before, and this makes a total of four banks this past week to join [this years list of biggest losers](#).

A huge position in [GLD call options was taken by Steven Cohen](#) who runs one of the world's largest hedge funds. I don't know when these hedge fund managers will finally wizen up and buy physical gold, or perhaps they already understand that it's too difficult to acquire large amounts of gold and silver as Eric Sprott can attest too.

If and when hedge funds begin to move into the physical precious metals space then we'll see some meteoric rises. Even a mention of this will increase the price dramatically. It will only take one or two large players to buy physical gold to spark a major move.

As gold returns to being recognized for what it is, money, a [huge first step is being taken by one smaller mining company](#). They are going to produce their own coins, as is being done by a few other companies also, but they are going to hold a portion of their treasury in physical gold and silver as well.

I know of one other company that does this and I own it. I may take a closer look at this company in the near future. Imagine if mining companies actually believed in their product years ago and had held a percentage of their production aside. Then perhaps we'd be seeing some decent share prices rather than the garbage prices most miners are selling at these days.

To say most mining companies are cheap is an absolute understatement.

What this company is doing that is very unique though is that they are considering issuing dividends in precious metal form one day. While a shareholder would likely need a hefty number of shares for this to be possible, this will be a trend one day.

While Hugo Chavez has decided to begin the process of trying to repatriate his gold, he's also decided to [nationalize the gold industry within Venezuela](#).

He's doing this to increase the countries gold reserves. I don't know why he doesn't just buy output from national mines as China and Russia are already doing. Why he has to make such a stink about things I don't know, but he is.

It was announced that Mitt Romney, Republican presidential candidate, holds between \$250k and \$500k in gold. While this is small compared to his fortune of between \$190 and \$250 million, it's still a nod of approval for gold.

How he acquired such a fortune would be another story all-together and would appal people. Politicians really don't make that much money outright, but they sure do score some sweet bonuses and they certainly do serve themselves for the most part, not the populous who've elected them.

Here's the latest from Matt Taibbi on the [SEC potentially covering up Wall Street crimes](#). That much has been pretty obvious for a long time now but the pervasiveness and consistency to which they do it should shock you.

We really don't have anyone looking out for us and we have to help, and protect ourselves.

Buy physical gold and silver now!

It's far from too late, still today.

Well that's it for this weekend. I hope you are having a great summer as it's quickly drawing to a close now.

I think [we'll begin dipping our toes into a few swing trades in the next few days](#) as there is money to be made here. The last round of swing trades netted up gains of about 300% in at least one positions in only a few days and a 56% gain in the swing trading portfolio trading only about 50% of it.

Until next week take care and thank you for reading.

Warren Bevan

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