www.preciousmetalstockreview.com August 27, 2011

Shameless Riggings

It was another week of watching and sitting for the swing trading portfolio. We still haven't put on a swing trade lately but we've been watching our dividend stocks and mining portfolio and I'm thinking about adding a few new miners to our stable in the next few weeks.

It was a pretty non-eventful week for markets but a very eventful one for gold and silver as the manipulation was more blatant than I recall seeing before. The CME is obviously run by the large precious metals short and if you seriously don't think so then perhaps you should be careful leaving the house.

Raising margins on futures 2 days before options expiry had the obvious and desired effect of smashing the price lower quickly only to see a quick recovery. I couldn't imagine a dirtier bunch of scumbags to run across in an alley.

Do they seriously have no shame whatsoever?

I love money as much as the next guy but stooping to these levels to get it is criminal, literally.

The amount of money the've fleeced from the unsuspecting retail investor is sick, but as they say, the market is there to take your money, not give it to you.

In order to be successful you have to learn their dirty tricks and be patient and let the game come to you!

Let's get right into the thick of things this week.

Metals review

Gold fell 1.32% this past week in what was the most volatile week in recent memory for the metals of kings. It held right at support marked by the uptrend line and the 21 day moving average.

A great quick washout to be sure, that was sparked by a further margin increase of 27% forcing futures traders to pony up 27% more cash or sell their positions. Another dirty play that we're well used to and really it's getting pretty old.

When compared to so many other futures trades, gold is very under-leveraged and about 3 times less leveraged than treasuries for crying out loud.

But it doesn't really matter. Demand for physical gold is increasing and these blatant attempts to crash golds price aren't lasting very long. Just long enough to rip of option buyers.

It's pretty obvious that the CME and large shorts are in cahoots as options on futures expired this past Thursday, so the CME margin increase was timed perfectly to lower the price and make as much money as humanly possible in such a short time.

Criminal? 100%. But not a damn thing will be done about it. I don't care. I sit on my hoard of physical gold and silver and let them play these stupid games.

It looks like gold is heading back to highs again here pretty soon, although I'd prefer to see it rest around $1,800 first, but that choice is rarely mine.

It's funny, when gold was hit hard and fast, the usual crowd of so called precious metals experts crawled out of the woodwork to proclaim the gold bull all but done and we're likely to see gold average in the low to mid $1,000 range for the next decade.

I don't know who proclaimed these clowns experts but they always seem to be gold bulls, but are always calling for lower prices. I guess they just don't get it.

I had a seriously frustrating conversation with a close family member and a friend the other day. I've been talking about gold being essential and in the physical form for far too long and that's why it's really becoming frustrating.

I said go get some gold and forget about it for a few years and he said, "ya get a certificate". I ran through several quick reasons why you need to take physical delivery with him, the same ones I've done countless time. The main being to simply know you have the gold and to take supply off the market.

It's no secret that an ounce of gold is traded many, many times over if it's not in your custody. It baffles me why smart people have so much faith in the banking system and government.

In the end I kind of lost it and said, “Look. I don’t care. You didn’t believe me when I told you gold would pass $1,000. When it did you said, ‘it must be done now,’ I said, not a chance and now it’s almost $2,000 and you still don’t own any”

That’s how I feel. If you don’t get it, I could care less, it’s your problem, not mine and I’m tired of trying to convince those close to me to protect themselves with physical precious metals.

They just don’t understand and are too damn lazy to research monetary history. When a currency fails, it’s not the end of the world as they think, and you’ll never have to spend you gold, it’s just going to at the very least keep your purchasing power intact when a new medium of exchange is created.

I know most of you dear readers get it though, and many new readers are getting it. A simple search of monetary history or inflationary periods or even hyperinflation will bring a Wikipedia page up that will take no more than half an hour to read and understand.

Every single empire throughout history has fallen. It’s soon to happen again. It’s simple fact.

Anyhow, sorry about that I just got a little frustrated yesterday.

Maybe it’s the stress of my upcoming trip that’s doing it.

There will be no weekend letter for a couple weeks as I’ll be cruising the ice filled waters of the NorthWest Passage for a couple weeks and far away from the computer screens and that has me quite nervous.

It is what it is though, and that’s a once in a lifetime chance to do such a voyage. I’ve never been away and out of touch for so long before and likely will never be again, so while it is causing me some stress, I’m sure I’ll relax and have a ball once I get out a few days.

I may write some articles while away for so long, or perhaps even begin a book I’ve been wanting to write for a long time. I’ll just kind of play it by ear and go with the ice-flow!

As for the GLD ETF volume we saw extremely heavy volume on the down day Wednesday and then heavy but not as extreme volume Thursday and Friday. It tells me there was capitulation and then some stepped in to buy the flash crash. As price recovered, the heavy volume tells me we have more to go on the upside as we are far from seeing capitulation type volume on spike highs here.

That all being said we should see a correction after this steep move, but as economies are cracking around the world we may not, as gold is a small market and if physical gold is being bought, and it is, then this can sustain the price for a long time and take it to a place far, far higher.

Gold is a small, underinvested market.

I've pounded the table over and over that the premium for physical gold is going to approach and likely surpass 100% in the years ahead as physical supply is harder to come by. Your TV and computer will quote you a price of perhaps 5k or more but to buy or sell that 1oz will be double the paper price.

Silver fell 2.81% this past week and is acting very nicely on a technical basis here. A breakout of the large triangle pattern was followed by a quick crash that tested the breakout level and that level held.

I didn't take the trade as I'm heading out of town this coming week but many subscribers did and have made great money. This was one of the easiest trades we've seen in weeks.

If you're trading silver beware of the margin increase. It will rob you of your profits before you can login to make a trade. It's truly only for those who have a realtime chart ticking away on a screen all day long. And it's doubly hard since silver trades all day and margin increases can come at any time leaving you with your hands tied all night. It's a dangerous pool which I rarely venture into but some are braver than I and they do get lucky. Maybe they're just better.

The SLV ETF logged some mildly heavy volume on the test of support and then even lower volume as the price moved up sharply from that level. There is no sign of exhaustion here to me but from what I'm hearing from bullion dealers they are moving product quickly and are getting close to have supply shortages while some already exist.

Maybe the message of only trading the ETF's and buying and holding physical precious metals is getting through!

Platinum dropped 2.35% for the week and fell back into the range I've been talking about here for a while now. It looks like we are heading back to the level under $1,700 for a brief spell once again.

I said last week that taking profits would be wise near the upper reaches of the range near $1,900 but you could also buy the breakout above that level and cut your losses quickly if price retraced and that is exactly what occurred.

This is a perfect example of what we like to do with our swing trading account. We like to wait for patterns and bases to form and then buy the exact breakout level and we know very quickly if it is going to work or not and we either take a small loss or more often than not, make a big gain.

I absolutely love it and we're sitting in cash relaxing and golfing and beaching it while we are waiting for charts to setup. It's been a great month of spending some of our profits and working 8 hours instead of the normal 14 or so when markets are really rolling.

Our miners are holding up well and we may be adding a couple to that portfolio in the near future. Our dividend stocks are still paying us and holding up well and as you know our gold and silver allocation is also doing pretty well.

It seems anything we do this year we're making money at it. Everyone has hot and cold spells and I'm enjoying our hot spell to be sure and subscribers and readers alike continue to barrage me with great comments. Thanks everyone, you're all the best!

Although the odd person still doesn't get it. They want action all the time. Well, I have to admit I went through that as well and having patience and knowing when to just be in cash is almost more important than learning to swing trade properly off of charts.

After-all, if you're always trying to trade and getting chopped up, by the time markets come around again you'll be short on change . You'll always be trying to get back where you where rather than sitting at the top, as we are, and waiting with lots of cash to pounce when the game comes back to us.

That is how you make the big money.

Really there are only maybe three or four good cycles that last a month or more per year where you should be trading heavily. The rest of the time observing and studying is the right thing to be doing.

That my friends was the hardest lesson to apply, it was easy to learn.

I'm in a rambling mood today it seems, but I constantly pound these types of lessons and essentials into the brains of my great subscribers.

The stock market is never the same on any given day and there is always something fun to talk about with people. There is absolutely nothing I'd rather be doing, although for a spell there more than a few moons ago, being an extreme skier was on top of that list.

The PPLT ETF saw heavy volume on the false breakout high which was an easy tell that a reversal was here. Thursday's volume was massive and that could indicate that the price is not going lower but we'll see.

Palladium rose 0.86% on the week and is still building a sweet base here that should easily push it to the $800 level in the next couple weeks. Once we clear the downtrend line and the moving average cluster, we'll be off to the races.

The PALL ETF volume was typical of a strong base forming with little volume at all really. Give this a few more days and you could easily trade the breakout of the $770 area on good volume and make some nice change.

There really wasn't a whole lot going on as summer draws to a close this past week. Most of the week was spent waiting for the non-eventful speech out of Jackson Hole by Big Ben Bernanke.

Markets are still choppy and dangerous with no clear direction although as subscribers know it's looking like the S&P can move up to at least the 1,220 area as it looks to be forming a bear flag here.

Subscribers know exactly what is coming here in the next couple weeks and they'll be ready.

A few more days or a week and we may be ready for some more downside from the way I'm seeing things at this moment for US markets in general.

So let's leave it there as I've written far too much already.

Thanks so much for reading and I hope the end of summer treats you right. I'll be back in a couple weeks so in the meantime enjoy being free from my ramblings...

Warren Bevan

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