

Precious Metal Stock Review

Bridging Wealth Protection and Wealth Creation

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To Infinity...And Beyond!

Anyone who has kids or has been around them whatsoever knows this weeks title is Buzz Lightyears oft repeated phrase.

This coming week will be very important as the US Fed meets to discuss interest rates. Chances are near 100% that they will remain in the current range but what is important is that they are likely to announce some sort of second quantitative easing program, adopting Buzz's phrase, only applying it to money printing.

Chances are, they will not make it quite so clear, but it's very likely that some sort of "program" or "initiative" will be announced. Then again, it seems everyone including the great US business channel is expecting this, so maybe it won't happen, or maybe it will, but they just won't tell us about it!

What has my antennae piqued though is that the great Giant Squid "bank" has lowered their US economic growth forecasts for 2011 and they are also predicting "another round of unconventional monetary easing".

It's uncanny how you can usually bet against this "bank" and win. They are known for saying one thing and doing the other, in turn screwing their clients or followers.

Regardless, this coming week looks to be a good one as most observers are sipping on beers on the beach or at the cabin or just on holidays. The quiet times are always the times when the big things happen, so I am going nowhere yet!

Metals review



Gold saw a rise of 2.06% for the week annulling the panic stricken actions and words from last week by so many investors. I hope nobody heeded my advice last week to get out of the kitchen if you can't handle the heat since it never lasts long. But I'm sure there are some out there kicking themselves already. My advice them, stay out.

Emotions in the Gold market will kill you. Sitting tight and buying weakness remains the best approach. So turn that frown upside down and buy when you're scared!

Gold was halted dead on the 50 day moving average and we will very likely see a drop to the rising 100 day moving average before pushing above towards resistance at \$1,220.

After that level further resistance comes in \$20 increments as drawn on the chart. It's that simple, so keep it that way!

I mentioned last week that summer almost always, bull to date, marks a low point and we see very strong rises going into the fall. That appears likely to repeat again this year.

The GLD ETF saw mediocre volume all week as the price rose as investors are only starting, but starting nonetheless, to finally heed the advice of myself and others to take delivery of the real metals and only use the ETF's for speculation.



I don't have much to say about silver this week. It rose strongly, by 2.67%, and is putting in a valiant effort to rise above the resilient resistance

level at \$18.50. That remains the line in the sand. With the moving averages converging there we should soon see that level bested.

There was no real volume to indicate anything to me in the SLV ETF this past week. Silver is very close to exploding higher, but we may have to wait until September or October to see that materialize, but it's coming.

Investors are realizing the real shortage of physical silver that is our reality today. It's just a matter of time, so don't give up the fight yet. Our time is very near.



It comes as no surprise to myself or my readers to see Platinum fall from the \$1,600 level. Platinum actually rose slightly by 0.06%.

Resistance remains at \$1,600 while support sits at \$1,500 with the 50 and 200 day moving averages in between those levels and in turn acting as support or resistance accordingly.

I expect that \$100 range to remain relevant throughout most of the fall months and may trade it accordingly.

Volume in the PPLT ETF was almost non-existent all week as the dog days of summer kick into full gear. If the uptrend line is broken then we will see \$1,550, which if broken will see a fall to \$1,500.



Palladium slipped 1.18% on the week but put in a valiant effort to break above resistance at \$505. It was not to be though and ended up being a bull-trap.

The most likely outcome in my view would be a trading range between the 100 day moving average at \$485 and the \$500 level. If the \$485 level fails to hold, \$460 will be next. That should be the furthest we see Palladium fall, at least that's how I see it today.

The PALL ETF saw very weak volume on the week and tells me nothing really other than volume was low and that's likely because it's vacation time, but perhaps it's an indication also that there is no conviction moving the price lower.

Fundamental Review

Another article was released where a former Chinese central banker said that US treasuries fail to provide safety or liquidity for China's \$2.45 trillion in foreign exchange reserves. Anything other than the short term concerns him, and as you know if you've been reading my work for anytime whatsoever myself very much as well.

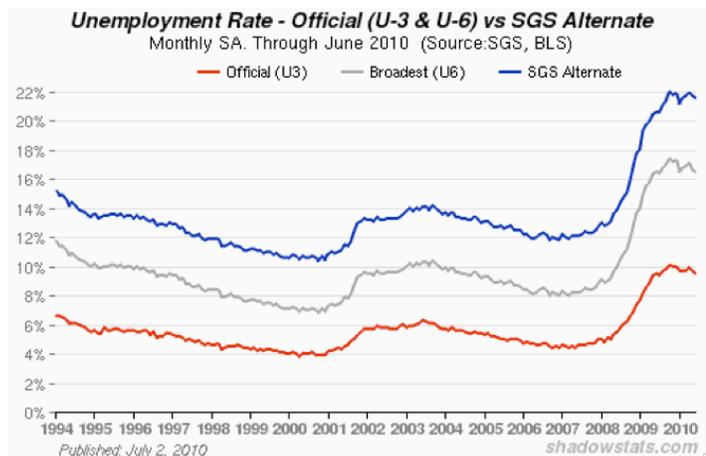
Everyone needs a summer break right? The FDIC got one this week as only one bank failed and was added to the list of this years biggest losers.

The Bank of England kept rates at an expected 0.5% this past week. This coming weeks quarterly update is what really is anticipated as it will have much more detail on their views on potential inflationary troubles nearing.

The European Central Bank (ECB) is backing a temporary ban on naked short selling. Naked short selling is illegal. This is akin to saying, "we support a temporary ban on fraud" Nice to see the lawmakers and enforcers doing their jobs!

On a totally unrelated, but relevant matter, it's come to light that in several US states collecting rainwater is illegal. The story and video are must views if for nothing else than a laugh. Thankfully, authorities do not plan on enforcing these laws on the average citizen. Now that is a law that should be allowed to slip, not naked short selling. What a world we live in!

The jobless rate came in at 9.5% which is bad enough. But as the graph on the right shows it's a far cry from real levels. The way that it used to be calculated before new ways to make it appear much better than it is in reality were employed, shows an unemployment rate of almost 22%.



Even the more realistic and relied upon by the street, but not touted by government, U6 rate is over 16%. The facade continues.

A great deal has been written and “discovered” about gold being on a fractional reserve basis. This is not news. This has been done since the days of the ancient goldsmiths who became the first bankers. I’ve long said over and over, that when supply is lower than demand, prices must rise.

Taking physical delivery of 1 oz or 1,000 oz of gold silver or any other precious metal increases demand and reduces supply, while buying a paper derivative or unallocated oz does nothing to help your ultimate goal of higher prices.

And since Gold is on a fractional basis taking 1 oz of physical gold away means much more than you’d think since that one real ounce represents up to 100 paper ounces, effectively giving you a much bigger bang for the buck so to speak.

It’s as simple as that. If you want the metals to increase in price, make sure you own it. By that I mean make sure you can touch it within a day, or are 100% sure it is being stored in physical form for you.

If you choose to buy unallocated gold then [this excerpt](#) tells simply how it may, or may not actually be there; *"The gold used in the swaps came mainly from investors' deposit accounts at the European commercial banks. Some investors prefer to deposit their gold in so-called 'allocated accounts,' which restrict the custodian banks' ability to use the gold in their market operations by assigning them specific bullion bars. But other investors prefer cheaper 'unallocated accounts,' which give banks access to their bullion for their day-to-day operations."*

Simple. Own it, or stay away from it since you are only hurting those who do own the real thing.

A great video, which does turn english, exemplifies the real benefits of owning physical Gold and Silver rather than the paper issued to you by your government. [It's a must watch](#), please.

China this past week announced they are boosting the number of commercial banks [permitted to import and export Gold](#). There won't be much on the export side I assure you. This is potentially a huge deal but details are still sketchy so I won't say much about it at this time.

Thailand also increased Gold demand by [launching a 10-baht weight Gold futures contract](#) which will be much friendlier to the small investor. This is much smaller than the contract sized launched 2009 of 50-baht weight.

Readers already know how China has been expanding their empire into any nation that will have them, mainly focussing on natural resources. The People's Bank of China [announced they will financially back](#) any large scale bullion companies looking to expand overseas. This is nothing new.

Basically by saying this the Chinese government has announced out loud to the world that they could care less about prices to a degree, or losses, they just want to buy as many physical assets worldwide as they can as soon as they can since they know how valuable they will become in the future. The world's resources are finite. China understands this and has planned for it.

This is the most bullish announcement I have seen in a long time, although it wasn't talked about anywhere my eyes roamed this past week, and they roam all over.

We've seen some big acquisitions this past week, dividends being raised and some great earnings results come out of the big miners so far this quarter. I do expect these to grow as the gold and silver prices continue slowly on their moves to the stratosphere. But still, buying gold and silver stocks remains a tough go. That will change one day.

The time to buy was years ago, but it's far from too late. The institutions are only beginning to buy and the realization that there isn't as much gold and silver out there for physical purchase is slowly dawning on people.

I still hope it takes another ten years or more before the blow off top near the end of this secular bull market in precious metals since it just gives me

more time to buy more and ultimately will make me and you richer!

Just look what is happening to wheat prices this week, but really if you look back to the beginning of July you can see the price moved from \$16 to the high \$20's now. Good stuff for the farmers, and they deserve it, but not so good for you and I the consumer.

The shortage/price increases are likely to continue as [Russia has banned exports of wheat](#).

A large mine being built in the [Malartic region of Quebec](#), Canada, where a whole town literally was built upon this gold reserve, saw it's last resident ordered by judge to move. He put up a good fight and didn't want to move, but it finally seems as if the final house can now be moved or likely destroyed and the mine go ahead.

I hope the sun is shining on you this week and your taking some time to enjoy your summer. It's hard to believe it's almost over already!

In my free, nearly weekly newsletter I include many links and charts which cannot always be viewed through sites which publish my work. If you are having difficulties viewing them please sign up in the left margin for free at <http://www.preciousmetalstockreview.com/> or send an email to warren@preciousmetalstockreview.com with "subscribe" as the subject and receive the newsletter directly in your inbox, links and all. If you would like to subscribe and see what my portfolio consists of please see [here](#).

Until next week take care and thank you for reading.

Warren Bevan

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