

Precious Metal Stock Review

Bridging Wealth Protection and Wealth Creation

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December

Twas The Lull Before Christmas

The past week was surprisingly uneventful. With Friday's quadruple witching day being near comatose. It was interesting to see early in the week some of the major winners for the year being sold off though, as traders booked profits for the year.

This coming week should be relatively quiet as many traders are now done until the 2011 has been rung in. I'll be watching all week but there may not be any actions taken as I seriously doubt we will see a tradable trend develop in much until the new year.

On the other hand China and many other countries are still running 100% and don't really celebrate Christmas so they may take this opportunity to buy up a hefty amount of physical metals.

The way I see it is that there may be a few good short term shorts to trade but markets won't do much, but Gold and Silver may.

Metals review



Gold only slid 0.85% for the week but did drop below it's 21 day moving average which is rarely good for the short term.

The holidays are officially here and volume should be weak across the board. When volume is lacking wild things can happen and not mean much so we have to be aware, but also take things with a grain of salt.

What has me most concerned is the fact that we could now be putting in lower lows in Gold. Notice the two peaks, in early October, then early November. Both were followed by sharp drops which ended up being the lows and we then saw Gold rise to another higher high.

This time we saw Gold fall but, not by as much. Then a slight rise and now another fall which is below the drop from last week which bottomed at \$1,375.

By no means does this mean we are going lower right now, but it is a change in pattern that I don't like.

Gold is sitting on it's 50 day moving average and so far holding. If it does fall then we will see \$1,350. If that level falls then we head to \$1,325 and if that fails we will see a big correction to around \$1,270.

We've sold our Gold trading positions recently and are sitting on the sidelines watching and ready. Personally I'd love to see Gold test the lower level near \$1,270, but retail investors would be mortified and once again say "that's it, the Gold bubbles has burst!"

I'm telling you, we haven't even begun to see a bubble in Gold yet. It's going to be absolutely nuts and I will have a front row seat when it does happen, but it's likely a few years away from truly beginning.

I just don't see how we can be in a bubble if Gold has yet to reach it's inflation adjusted high above \$2,200.

Maybe I'm crazy, but then again that's what everyone said when I was buying Gold at \$400. Now I have it, and they still don't in 99% of the cases.

Hang tight with the physical, and be ready to trade the ETF.

The GLD ETF saw quite large volume for the whole week as traders exited positions ahead of the coming time off. Most of the big boys are now officially on holidays until the New Year....so I'll be working!

The largest volume day was Thursdays lows spike below the 50 day moving average. That seems to be where the strongest bid is for Gold so far.



Silver rose 1.85% this past week and did not put in a lower low, as Gold did. I remain very, very impressed with the way Silver has been trading. So far even cursory initial support levels have been holding which is very rare.

We will see something happen soon though as the downtrend line and the uptrend line meet in the next few days. By the way Silver has been trading this fall I'd say the move will be higher and I'll be there ready to buy a new trading position in the ETF once certain criteria are met.

For now I'm sitting contently on my physical Silver position only.

The SLV ETF saw relatively strong volume, it was all but even all week with a slight uptick Thursday as the 21 day moving average was tested. That has to be telling us something!



Palladium rose 1.34% for the week after bouncing off its 21 day moving average which is par for the course. Palladium has yet to meaningfully penetrate this level since early September.

Palladium did close the week slightly below the horizontal resistance level. If it can get above that level on a closing basis that would be good and could warrant a trading position.

The PALL ETF saw quite light volume for the week and I can't really say anything about it as a result.



Platinum floated up 0.95% for the week after testing the uptrend line and moved above the 21 and 50 day moving averages briefly before closing the week out right on the 50 day average.

The chart doesn't look spectacular as there is an upwards slanting head and shoulders pattern here with the neckline marked by the uptrend line. We could very well see a move to the support level at \$1,637 or even down to the measured target of the bearish head and shoulders pattern at \$1,560 or so.

The PPLT ETF's volume was quite weak for the week and really doesn't tell me much unfortunately.

I have a more bearish skew for the short-term on Platinum this week

Fundamental Review

The CFTC held hearings this past week that amounted to less than a hill of beans. Personally I don't really care too much about position limits and the like. The major trend cannot be reversed and Gold and Silver remain in incredibly strong uptrends.

As I've said many times before I actually love the huge short positions since they slow the rise in prices, allowing me to purchase more and more physical metal at cheaper prices.

If Gold hits \$10,000 and Silver hits \$500 I don't really care if it's in two years or ten or even fifteen. But I'd prefer the longer dates as my holdings will have increased much more by the later dates than the shorter ones.

Getting upset and frustrated and constantly talking about and following the moves the CFTC makes, or more accurately, doesn't make, will only cause me undue stress.

I used to get a bit excited about these issues but have since learned to let them slide.

With Wall Street strongly opposing and lobbying against the new potential rules you can be sure their hand will have a large influence on what and when new regulations are enacted.

Let the markets do the talking and the less regulations the better in my view. Major US markets are skewed bullishly right now and Gold and Silver remain in strong secular up-trends which have yet to come close to breaking into all-time high inflation adjusted levels.

This bull is bucking, but very mildly so far. Once the gate is actually opened the bull will buck hard and we will see moves well over \$100 in a day in Gold. That will be hard to watch on some days, but much easier on others.

I have to borrow a line from a great old band, Bachman Turner Overdrive, and say, "B-B-B Baby You Ain't Seen Nothing Yet".

One great safeguard did come to fruition this past week as the SEC voted to bar high-frequency traders from having unfiltered access to an exchange through their broker. Otherwise known as having "naked access". This should stop the wild computer driven swings for now at least.

While the markets have rallied hard for most of the fall it seemed that most days would see a gap open either higher or lower, then the market would

be stuck in a narrow range for the rest of the day. It meant holding overnight was a guess as to where the markets would gap to the next morning. A very dangerous game.

Already, since this vote was passed we say opens with no gap and the trading seemed quite orderly, almost too orderly. A few days does not make a trend, but I'm very interested to see how the future unfolds in this regard.

Here is [a great anecdotal tale of the frenzied rush to buy physical Gold](#) in China these days. It's been going on for a while now and I get reports of it the odd time. The frenzy there is fantastic and a major reason why China's imports have risen so much this year.

Also the central bank is increasing their Gold reserves as much as they can without disrupting the price too much. This is occurring no matter what anyone tells you. Last time they announced they'd increased their Gold reserves they had been denying it for years. A similar announcement will be issued in the years ahead, or maybe not since it always increases buying pressure.

It won't be much longer at this rate until China surpasses India as the world's largest consumer of Gold.

In the future Gold companies will be huge dividend players, but today, that is far from the case. That will also be the time we should consider a bubble top is nearing. Once your broker is touting Gold miners as great dividend stocks then perhaps we should begin to reduce positions, but time will tell. For now though, dividends remain very small even though one of the larger Gold miners recently [increased their dividend by 256%](#) it is still only \$0.72 per shares every year. And the shares cost roughly \$75 dollars today!

That is still under a 1% dividend! We are [holding three dividend stocks](#) which have been stable and are even trending higher who pay 19.1%, 15.04% and 9.41% respectively.

Now those are dividends! We have a long way to go until miners can afford to pay that much.

Jim Rogers [isn't buying any Gold at the moment](#) but sees the price reaching at least \$2,000 and likely much higher in the next decade. He's always looking to buy on major corrections and I'm sure he will be again if we are so blessed. He has a large position in physical Gold already and often shows a Gold coin during television interviews.

He's even more bullish on Silver and sees it going much, much higher than the old high of \$50 in the next decade.

Jim Rogers offered an anecdotal story of an investment conference with 300 major international money managers. 76% of them had never owned Gold!

Even if half of these money managers invested in Gold the demand numbers would skyrocket.

Gold is a very, very small market and cannot handle major investments without exploding to heights I won't voice since I don't want you to commit me over the holidays....maybe after the new year!

You've got to love Ron Paul. He recently [applauded the leaks of secret cables](#) as uncovering the US's "delusional foreign policy". Couldn't agree more and those who are complaining are only embarrassed and scared as they are likely guilty of the same underhanded tactics and fear being exposed themselves.

He's so right. If you do something and you never want it to see the light of day, then perhaps you should reconsider doing it. It seems too many people only have morals when they are exposed.

[This must read article](#) is now a week old and talks about how the Elite bakers rule derivatives trading and do so in very secretive ways.

And finally for a bit of a naughty laugh with a dose of reality, here's [a very short succinct explanation](#) of how we got into this financial situation today. Be warned though that the language may not suit younger, or sensitive readers tastes. I couldn't have said it any better myself. Ah, I love the Irish!

I seriously doubt you will hear from me again until close to New Year unless something of great significance warrants me writing something.

Please do enjoy the holidays with your families and friends. I wish you the best, in polishing off this great year and also looking forward to the new year and the great things that will surely come.

Until next time take care and thank you for reading.

Warren Bevan

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