

Precious Metal Stock Review

Bridging Wealth Protection and Wealth Creation

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Patience Will Pay

It was yet another very strong week in US equities for the most part and major US markets are now above 2011 highs with the exception of the Russell 2000.

This market continues to amaze me with it's relentless march higher but this past Wednesday we did have the look of a reversal coming as certain leading stocks tanked hard which caused us to take our profits off the table and get short early the next day only to see everything head back up higher once again forcing us to take some losses in the swing trading portfolio.

It happens, and you have to be quick and not think to much, just act. Unfortunately it was a down week as a result for our [swing trading portfolio](#) which is now only up 86.53% in 2012.

I'm not thrilled about this but I'm sure we'll be back up to year highs again in the next few days or so.

In the spirit of this being along weekend I'll be extra short as to respect your time.

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Metals review



Gold rose 0.90% this past week but remains in its bull flag pattern here and is looking poised to soon breakout higher. These down-sloping channels are quite bullish generally and lead to higher prices.

The 21 day moving average is now pushing the gold price higher here and should push it above the channel or flag any day now.

Futures volume is pretty steady here as futures contracts are being bought in anticipation of a large move higher soon.

The GLD ETF volume is also pretty steady and lower as the ETF is the arena for traders and they won't come in until this technical breakout occurs.

I've been waiting patiently and I shouldn't have to wait much longer for the gold breakout.



Silver fell 0.31% for the week and remains in its flat base here. Most of the time if you are looking for a trade you're waiting for the chart to setup properly and then breakout before you can do much. In the meantime you just have to keep an eye on it and have patience.

I thought we would have broken out by now but that hasn't been the case. It can't be too much longer though or this chart has the look that it may roll over if this flat base lasts too much longer.

It's great chance to buy some more physical silver though while the price is much more stable than we are accustomed to with this wild moving precious metal.

The futures volume was steady and on the heavier side which is good while the SLV ETF weekly volume was the lowest in 2012 as nobody is trading this ETF until it moves out of this consolidation area.



Platinum dropped 2.01% for the week as was well expected. Both horizontal resistance and the 200 day average are so far holding back the price and it could last a while longer with no ill effects.

We're seeing a little bull flag pattern form here and if platinum is truly strong then it could power higher out of it anytime now.

Futures volume on the chart above was nice, especially the spike lower Thursday to the low end of the bull flag where platinum was bought heavy and reversed to end near the highs of the day. That action says traders want platinum higher.

I've talked extensively in the past about the great behaviour we see from platinum and palladium as opposed to the sporadic moves gold and silver regularly throw at us. This most recent action in platinum has been perfect.



Palladium fell 2.80% this past week as it moved slightly above the 200 day moving average but could not hold the level as should generally be expected. Now we're building a great looking bull flag here as well and it looks to be near completion as the price was pushed up strongly off the low end of the channel on heavy volume.

Futures volume was constructive and it's telling me palladium is going higher for it's next large move, not lower, while the ETF volume was quite low as again, there is no point in trading something that isn't moving.

We're just watching and waiting here with all the precious metals but we should soon see some moves. Markets love to lull people to sleep and then rip one way or the other leaving traders behind and that seems to be what we've been seeing lately.

Fundamental Review

One of the US rating agencies is warning that they may cut ratings on 17 global and 114 European financial institutions but markets didn't react thankfully. The markets have been so incredibly strong in 2012 and haven't reacted to anything, especially negativity and posturing which is a welcome change from 2011.

This same agency warned they may drop France, Britain and Austria's AAA ratings as well. The markets responded with a resounding and welcome, "who cares?"

Italian police found \$6 trillion, with a capital T, of fake US treasuries in Switzerland this past week. This is an unbelievably huge amount of treasuries. Since the US will need to print much more than that perhaps they can just put an official stamp on them and use them in the next couple years rather than printing new ones...every dollar counts ;)

In 2009 \$742 billion in fake treasuries were found but those have long been sold through official sources so it's good timing to find a new much larger batch!

But then again according to the latest Federal Reserve minutes not all members are in favour of QE3. They can talk tough now but I can guarantee they will not walk the walk when it comes down to it. Chances of a QE3 in the US or even the US issuing QE for another country is 100%.

The QE/debt snowball has already been pushed down the mountainside and has grown in size as to be beyond the stopping point. It will not end until it smashed into the valley floor and disintegrates. Get your physical gold and

silver on any weakness to protect yourself from the yet to be discovered outcome of this tremendous debt burden which straps so many of the world's largest and most dominant countries.

One of the largest US banks is [advising clients to go overweight in their portfolio weightings in terms of gold](#). They are doing this in their Asia-Pacific branches. However, overweight for them is between 3% to 5% which is child's play in my view. They do say it may be upped to 10% but that's still too low in my opinion.

It's a bit odd they aren't recommending the same for clients worldwide since reasons cited are political uncertainty around the world and more volatile areas such as the middle east as well as worldwide economic uncertainty. Those reasons are valid no matter where you live.

A [new gold ETF opened in China recently](#) and they aren't getting much response and are blaming it on the unfamiliarity with the new product. I think it's more likely the Chinese populous understands they must own physical gold, not a paper derivative.

I see [John Paulson has further reduced his gold position while George Soros has increased his](#) once again. Remember George SOros called gold the biggest bubble in history a time back, he did not specify if it had yet occurred though and I concur. The precious metal bubble will make the tech bubble blush in time.

For the silly, or actually beyond stupid article this week I direct your attention to [an elementary school in North Carolina](#), who requires by state law, children to have specific portions of the food groups in their lunch or they will supplement the child's lunch themselves, chicken nuggets in this case, and charge you for the food!

It's really a must read article that has me just shaking my head at the reach government has into our lives and the absolute waste that is so prevalent. If they worried about real issues then we'd be much better off.

Have a stellar long weekend and until next week take care and thank you for reading.

Warren Bevan

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