

Precious Metal Stock Review

Bridging Wealth Protection and Wealth Creation

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Bubble Butt

What's taking place now throughout the Middle East, specifically in Libya, is horrifying. It's even been called a massacre. In my opinion the best place to keep updated is through the Al Jazeera news organization. You can view their station on the internet or there is even an app which I use to watch while doing my nightly exercise routine, from my smartphone.

This will have far reaching, yet unknown affects. But demonstrations are good in my view, at least the peaceful kind. It's those in power who seem to be initiating violence

In comparison to the events in the Middle East, talking about markets seems frivolous, but it is what we are here for ultimately.

Markets in the US gained once again in an unprecedented continuation of the cup and handle pattern break in early December 2010. We are certainly climbing a wall of worry here, as the saying goes. I wake up worried everyday, but the beat goes on.

I've talked before about my view that markets will rise as precious metals do, but the purchasing power of the US Dollar will fall in effect making the stock market gains all but a mute point. Hopefully metals will rise substantially more, and so far they have which in turn increases their purchasing power.

In any inflationary episode, or heaven forbid hyper-inflationary episode, markets soared but then again the populous were burning paper dollars since they were worth less than logs of wood. Protect yourself with physical precious metals.

Although inflation is said to be non-existent all you have to do is take a look at a few [food manufacturing companies](#) recent numbers or listen to their conference calls. The theme is that their costs are rising quickly and they are having to pass that down to the consumer.

Sure you can buy that 52' flat screen for less than last year, but you don't need it. The food on your plate that you do need is more than last year, and I assure you will be much more next year.

This is part of what sparked the current crisis in the Middle East.

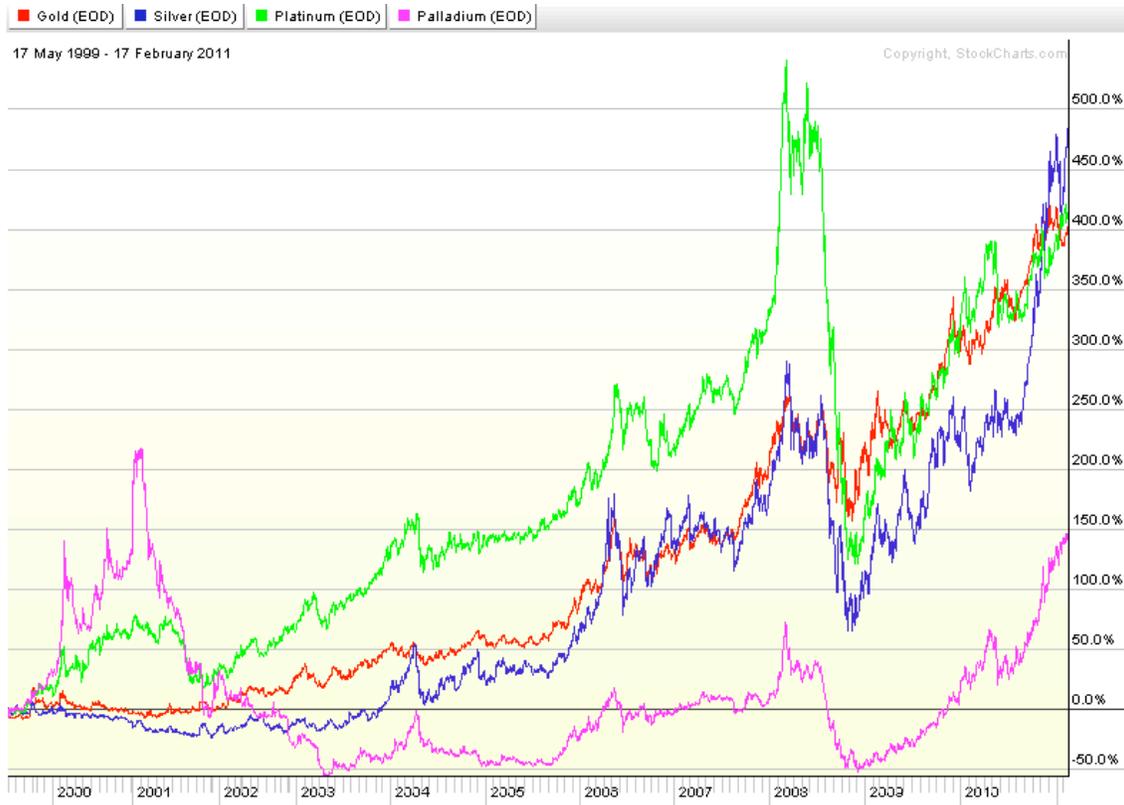
I like to take a step back sometimes when it seems things perhaps are askew in one way or another, and the older I get the better I am at recognizing these times. Ahh, life is a learning adventure!

I read a quote the other day I'd like to share first, from the immortal Bruce Lee. I believe it applies to us all, unfortunately many don't believe that to be true.

Bruce said; "If you always put limits on everything you do, physical or anything else. It will spread into your work and into your life. There are no limits. There are only plateaus, and you must not stay there, you must go beyond them."

Never be satisfied, keep pushing no matter what you are doing in life. No regrets!

Enough inspirational jargon for this week, let's do a little fun comparisons.



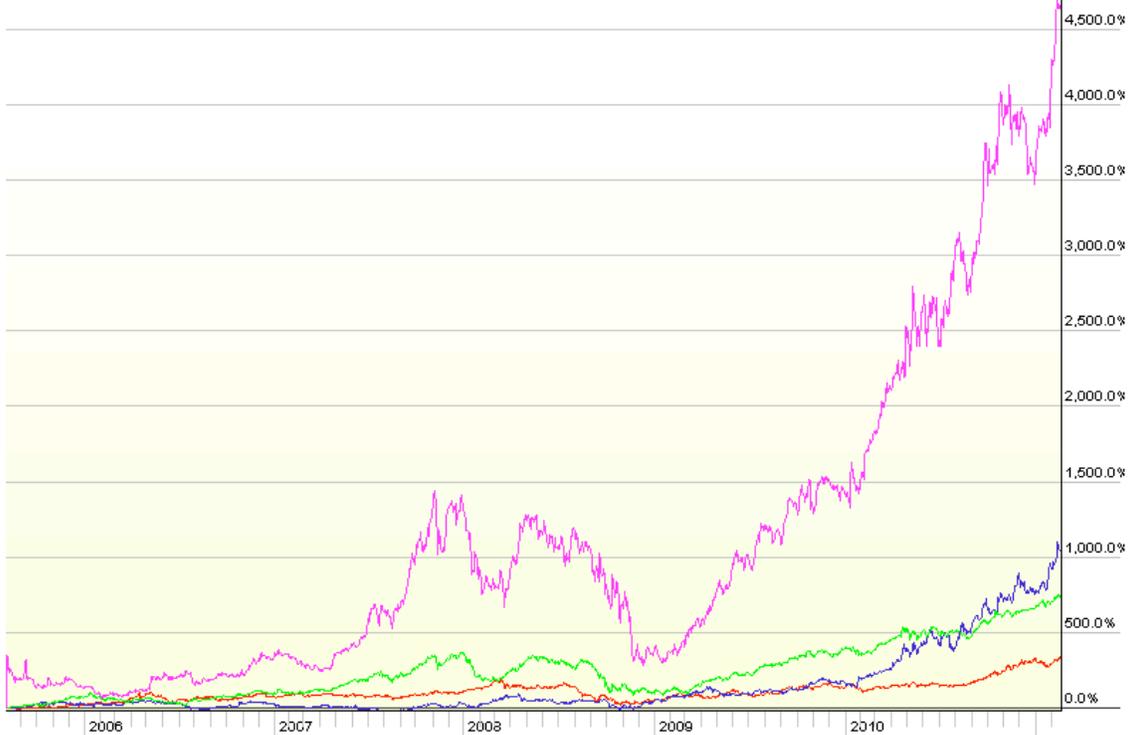
Above you can see Gold, Silver, Platinum and Palladium. The chart shows their gains in comparison to each other since 2000. Certainly not bad at all, even the huge laggard Palladium having shown us a very nice return of 150%.

The other three are somewhere between 400% and 450%, very nice indeed. But bubble? I think not.

I'll use Silver below in the next chart since it performed slightly better than the rest.

4 August 2005 - 18 February 2011

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For some reason this chart will only go back to 2006. The chart would be far more skewed if it went to 2000. Anyhow, you can probably guess which line is Silver. Yes it's the red line.

The others are [a few of my favourite stocks to swings trade](#). I guarantee you know the green and blue lines name, but the pink line you may not know. And it's not at all a penny stock in fact it trades well over \$100 per share!

The point of this exercise is to reassure myself, and any other nervous longs out there, that even while Silver is "[bustin' a move](#)" like Young MC back in the day, it's far from overbought, or close to popping in a bubble blow-off type of manner.

So next time you hear a talking head or passerby mention the precious metals bubble you can use the G, or R rated version of;

Bubble my a**/butt!

Then show them the chart above.

Metals review



Silver rose 8.73% for the week but more importantly hit highs not seen in 30 years. Even more importantly than that is how strong it remained AFTER the CME raised margin requirements.

I was watching it tick by tick Friday and literally the second I got the margin news, that was the top for the day. I expected a bit more of a drubbing to ensue quickly, but no such thing occurred. That's strength we have yet to see exhibited in Gold or Silver, until now.

Sure, it marked the peak of the day, and week, but Silver only slid marginally.

Seeing Silver sit where it is right now on the upper trend-line of an up-trending channel makes me think we are near a real move higher, not just this

8% per week type of child's play. Perhaps 8% a day for a few days in a row or more.

I'd really prefer to see Silver hold this channel and head higher at the current astonishing rate, but if we break above it there is no telling what can happen. I hope you've got your physical positions and trading positions locked up already as we have.

I always suggest to buy dips and sell the rallies if you are trading. If you want to accumulate physical, just buy the dips. We are rallying hard now.

The SLV ETF saw very heavy volume perhaps signifying a short term top here. I'd love to see Silver come back to test the breakout at \$31. And if it did it quickly, it wouldn't even violate the uptrend channel. Especially if it did one of its famous intra-day spikes lower where it violates everything that tells you it's going higher, only to roar back and close the day back in everything is fine and dandy territory.



Platinum gained 1.78% on the week. Platinum is looking great here as it spiked below the uptrend line before moving higher to here. It's having a bit of trouble getting above the two resistance levels here and just above \$1,850 but we should move above that this coming week with relative ease.

In the bigger picture I don't like the uprising wedge pattern that has been forming. It is bearish, but could not work out, or we could remain in it for well over another month and continue to trend higher.

I remain bullish here until the rising wedge is broken.

The PPLT ETF volume was highest on Friday and Wednesday which were slight down days. But volume was not heavy enough to tell me anything significant.



Another solid week for Palladium as it floated 3.53% higher. There isn't much I can say here. It's in a bearish rising wedge pattern which may or may not play out.

Support lies with the 21 day moving average or the lower line of this rising wedge which are very correlated. Resistance is the upper line.

I'd say it may be a little long in the tooth this move as we should correct, but as I've said before an entry near the lower level or 21 day average is a safe enough play as long as a tight stop is employed.

The PALL ETF saw similar volume to that of PPLT with Friday and Wednesdays down days seeing the most volume, but nowhere near any type of extreme volume.

Fundamental Review

Chinese Gold demand is growing at an “explosive” rate. Really, this is something we already knew, but to prove it is another thing altogether. The Chinese are looking to store their wealth in physical Gold as they get wealthier.

This has been done for centuries and centuries, it's just that the Western sheeple have been programmed from kindergarten all through University that paper dollars backed by nothing are a good store of value. This flies in the face of all of history.

While China is buying Gold, they are dumping US treasuries, along with Russia. Smart as that may be for China and Russia, it's troubling for the US. Even more troubling is the fact that now the Federal reserve owns more US treasuries than anyone else. ANYONE ELSE!

There is only one outcome to this, and it's not good. Please, PLEASE, buy physical metals and hide/store them quietly somewhere.

And remember, if you're storing them and paying no storage fee, you don't have real metal.

India's 2010 Gold demand soared 66% over 2009 to 963.1 tonnes. Global demand rose 9% to 3812.2 tonnes according to the World Gold Council.

That's interesting because the world production is only about 2,500 tonnes. That's quite a lot to make up through scrap and other recycling. But many people are still taking advantage of these currently high Gold prices to cash in their jewellery or old trinkets. A mistake in my view.

Please see this link for the week's list of biggest losers. We had four banks fail at the same time as usual, late Friday evening.

Obama is calling for a 5% royalty on gross mining proceeds in the US. I've warned before that governments around the world, even western ones, are going to want a bigger slice of the pie. It doesn't mean miners can't make money, or that you can't make money trading and investing in them, it just means it's harder to pick good ones.

Producers are a tough bunch since so much can go wrong, but smaller ones with easily increased production numbers are good, as well as exploration companies who are showing good reserves with great potential.

The funny thing is that it will only save the government \$3 billion over 10 years. That's a lot for the miners but for the governments unending spending,

it's a drop in the bucket. It wouldn't surprise me if it cost nearly that much to get the damn bill passed, let alone enforced, the way they leak dollars.

Mining and mineral exploration near the Grand Canyon has seen a ban on it recently, which is set to expire this summer, but there is now a [proposal in place to reinstate the ban for 20 years](#). Apparently the area is said to contain quite a lot of uranium. It will need to be mined one day I assure you, but we may as well see it postponed and saved for the US's strategic reserve in a sense.

I hope you're enjoying your long weekend, personally I'd rather the markets were open Monday, but that's not up to me. So i'm heading out of town skiing for a couple days I guess. It will be nice to get away and take my mind off the markets.

Before I leave you I want to share a truly incredible story with you from days past. It was sent to me on Valentines day, and touched me. No matter how soft or hard your heart is, this story will touch you.

It's about Christian the lion, and [the short version can be found here](#). Once you see that short clip, I'm positive you'll make the time to watch the full documentary to which [part one can be found here](#). You can find the rest I'm sure.

Until next week take care and thank you for reading.

Warren Bevan

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](#).

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