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## To Buy Or Not to Buy

I've exceeded the length I like the letter to be this week in the fundamentals section, so I will reserve the chart and technical analysis of the precious metals for [my subscribers](#) who will be getting a boatload of charts including monthly charts as well as the charts I normally post here in the free weekly letter on Monday. They also get all the updated information on the companies I like. Next week the normal charts and technical analysis will be posted in the clear though.

### Fundamental Review

The big dilemma this week is the possibility of Chinese buying the remaining 191.3 tonnes of IMF gold, or not. A [Russian website says](#) China has confirmed their intention to buy the IMF gold. In late though is the revelation that the reporter who wrote the story had no sources.

Then we have several reports saying that the IMF buy would not be feasible for China, even by the [Chinese Gold Association themselves](#) (CGA). The CGA says China is better off buying mines abroad to shore up their reserves. They also say that if China did buy the gold it would spark a [round of rampant speculation](#) resulting in volatility.

When it comes down to it, it's all just noise. We know China has been accumulating gold quietly and not reporting it until well after the fact. They have \$2.4 trillion in reserves, of which roughly 70% is in the USD.

The key point is that all this speculation revolves around demand. China and most other central banks are looking to buy, not sell gold. When I say that about investors one day, it will be near the top.

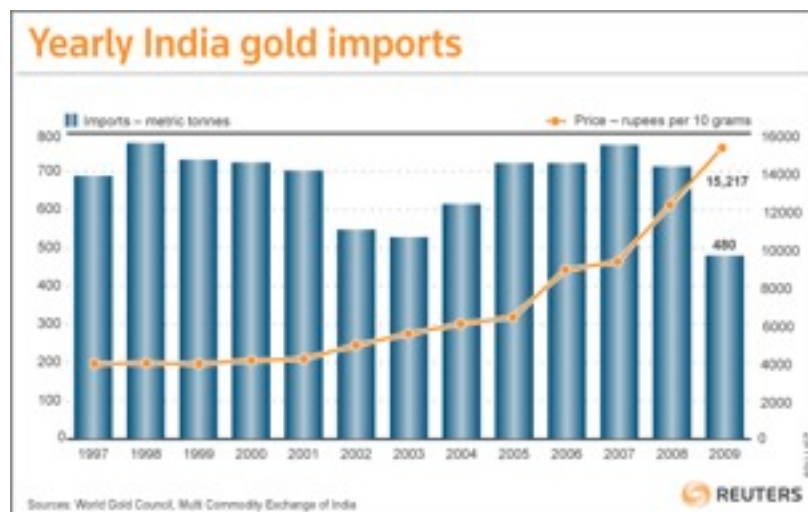
And of course there is speculation that [India will surface once again](#) and scoop up some of this gold before any other potential suitor has a chance to even introduce themselves.

Some of the reasons cited as to why India would want to be a buyer of gold pertains to the average investor as well. They include; uncertainty in the world's two major currencies, the Euro and the US dollar. Also, India's, as well as the average investors, gold holdings lag others.

Of course the Indian banks officials won't comment on their golden plans since that could drive prices higher. But they did say "We are closely looking at the gold market. We buy at market prices".

Perhaps they should falsely announce their intention to sell all their gold, and then buy on the weakness sure to follow. That would be in stark contrast to Prime Minister Gordon Brown, and IMF motifs...and pretty darn smart to boot!

India has very little domestic production and must import their gold. The chart below shows just how dependent they are on imports as well as the trends of both total imports per year and gold prices in Rupee terms.



As you'd expect with looming Greek debt default and many much larger similar problems scattered throughout Europe and within the US I'd think India and China would be buying gold. [According to this report](#) they have begun 2010 buying strongly. Jewellery demand is up and the recent rate increase in China has not, and is not expected to dampen gold demand at all.

In an effort to shore up their finances, Greece has put the word out that they would kindly like the Germans to [return their plundered gold](#). Greece says that they were never fully compensated for gold stolen by the Nazi's during

WWII. As you'd expect Germany is none too happy about this and will be thinking twice about offering them any help at all.

The Greek deputy Prime Minister said; *"They took away the Greek gold that was at the Bank of Greece, they took away the Greek money and they never gave it back. This is an issue that has to be faced sometime in the future," he said. "I don't say they have to give back the money necessarily but they have at least to say 'thanks!'."*

The FDIC reports a [27% jump in the length of their troubled bank list](#) to 702. This is the highest level since 1993. The industry as a whole only reported a slim profit of \$0.914 billion in Q4 2009, mostly made up from large bank profits. Although it's much better than the \$37.8 billion loss reported in Q4 2008.

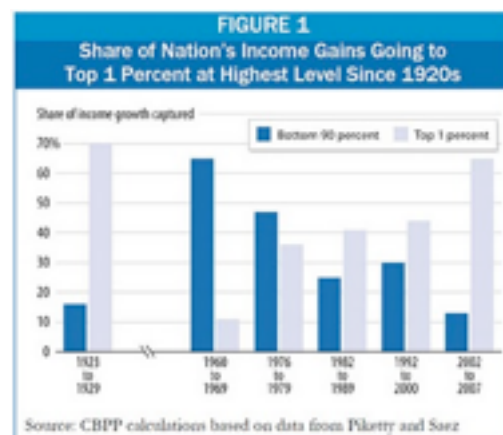
The bad, well worse, news is that the FDIC is still operating in the red to the tune of some \$20.9 billion, but they somehow say they have \$66 billion in cash resources to operate and back customer accounts. I suppose they do, they just have to have it printed or entered into a computer before they can access it!

There were two failed banks to join the still growing list of [biggest losers](#) this past week. As always, they failed late on Friday evening so as to not disrupt any markets.

It was interesting but sad, hearing about the disgruntled American who flew his small plane into an IRS building this past week. While the media portrayed his suicide note as a rambling diatribe, I wanted to decide for myself so I read [Joe Stack's note](#). It was actually quite intelligently written even in the face of tremendous emotional distress I am sure.

He wasn't a burden on society, or dumb, at least according to the little I know of him. He tried and tried but just could not get ahead in the US with all the regulations and tax codes such as they are. Unfortunately, he eventually came to the conclusion that violence was the only solution. I strongly disagree with that notion and never advocate for violence. Peaceful protest on the other-hand, I am all for.

So what's the point of my ramblings you ask, as usual? This graph shows how unfairly the wealth distribution has been over nearly a century. The fact that the wealth has and is continuing to move in a disproportionate fashion towards the already wealthy is the main reason why the West is



horribly worse off today than even twenty years ago, and why it is sliding down a slippery slope which will end somewhere I'd rather not think about. As [the author of the article](#) says; *"Consumption economies die when the consumers have no money to spend!"*

I say often that a way of silently protesting is to move a portion of your paper wealth into hard goods. Gold and the other precious metals being at the top of that list. By rejecting the governments notion of saving in their fiat currency and buying real tangible goods that will not decay over time you are essentially saying no thanks. I will use your "money" in daily transactions and accept payment in it but I will not be subjected to believing that it is wealth, for it's paper and ink.

Inflation is underreported by the US government and even if it was within their target range of around 2% a year it still takes that much from you without your permission, most people don't even know about it let alone understand it. That means you'd have to make 12% to make 10% in reality, without going into commissions capital gains etc... It's hard to make a go of it today as the government tries to take as much of your hard earned money as possible both in the open and in hidden ways as well.

Unfortunately [wall street bonuses rose 17%](#) in 2009 to \$20.3 billion. That's 17% over 2008 levels, but thankfully it's well below the total \$34.3 billion total paid in bonuses in 2006.

Dominique Strauss-Kahn, the IMF head, said this past week that it's ["intellectually healthy"](#) to explore the idea that the IMF will one day issue a reserve currency similar to the current SDR's in place of the US dollar. It's inevitable that the US dollar will become obsolete one day. Signs are pointing to that happening sooner rather than later. It won't be tomorrow likely, but it will be within a decade or so I'd imagine. I say that based on the historical lifespan of a currency which is about 40 years.

Nevada [gold miners have agreed to pay](#) up to \$100 million in taxes and fees to the state. They say this is to help the state with their budget deficit. However, if you've been following the ongoing threat of legislators removing the tax limit from the state's constitution, you may draw a different conclusion. In blunter words it's a bribe or lobbying attempt to let that threat simmer on the back-burner for a while longer. As metals prices continue their rise though, the issue will boil over again.

Down under, the Australian Reserve Bank has just [surveyed 160 years of Australian mining booms](#) and concluded that this one may be the mother of them all. Deputy of the Reserve Bank, Ric Battelino says; “It’s a very big boom”.

I couldn’t agree more and pound that fact week in and week out. You might wonder why I continue to tout precious metals. Of course it’s to further my wealth, but there is a lot of wealth to be spread around here and I don’t believe in being too greedy. The fact is we are a long way from the ultimate top in precious metals. It’s not too late to buy, even though prices have risen tremendously over the past decade.

Even in the tech boom retail investors didn’t begin to buy into tech until 1995! They have yet to begin to buy into the precious metals even at 1995 levels. We have a long, long way to go.

I was told to go stick it when I told those close to me that gold would go to well over \$1,000 years ago. That’s their loss, and many of those people still have no exposure except the odd short to mid-term hold on a mining stock! It’s amazing and humbles me every week when I look ahead to what is coming for those already in the game.

I’ve never been a gold bug, but it’s nice to hold a coin in your hand, and I will never be a gold bug. It’s just gold’s time to shine along with the other precious metals and commodities in the general sense. There will be some commodities that do not rise, but the precious metals will do well enough that they have been my main focus for most of the past decade and will remain my focus for at least five years to come I’d guess.

I try and help/convince people here in my free weekly letter about precious metals. Sometimes I am told by [subscribers](#) that I reveal too much to you, the free reader. But that’s fine, in the end they know they get much more than free readers.

It’s been a great week, I’ve finally begun to feel myself again after going through some trauma over the holidays. I’ve tried, but haven’t felt my work was at all up to snuff, and it has taken me about twice as long as it should have to get things done, but this week has gone much smother.

Thank you for your continued support, kind words and shared enthusiasm for things to come.

Before I wrap it up I’d like to share an email from a good old friend of mine. He’s the type that constantly inundates my inbox with funny, or sometimes not so funny useless stuff. Everyone’s got a friend or two like it! This week one of them was pretty good and gets to part of the root cause of the

West's problems today. You can substitute many countries title in for the place of Canada. Thanks Greg!

# Ain't It The Truth!!?

Joe Smith started the day early having set his  
alarm clock  
(MADE IN JAPAN)  
for 6am.

While his coffeepot  
(MADE IN CHINA)  
was perking, he shaved with his  
electric razor  
(MADE IN HONG KONG).

He put on a  
dress shirt  
(MADE IN SRI LANKA),  
designer jeans  
(MADE IN SINGAPORE)  
and  
tennis shoes  
(MADE IN KOREA).

After cooking his breakfast in his new  
electric skillet  
(MADE IN INDIA)  
he sat down with his  
calculator  
(MADE IN MEXICO)  
to see how much he could spend today.

After setting his  
watch  
(MADE IN TAIWAN)  
to the radio

(MADE IN INDIA)  
he got in his car  
(MADE IN GERMANY)  
filled it with GAS  
(FROM VENESULA)  
and continued his search  
for a good paying CANADIAN JOB.

At the end of yet another discouraging  
and fruitless day checking his  
Computer  
(Made In Malaysia),  
Joe decided to relax for a while.

He put on his sandals  
(MADE IN BRAZIL)  
poured himself a glass of  
wine  
(MADE IN FRANCE)  
and turned on his  
TV  
(MADE IN INDONESIA),  
and then wondered  
why he can't find  
a good paying job  
in CANADA.

To send off on a good note, here is a great new rendition of the Velvet Underground classic "Oh Sweet Nothing". I've never been a Black Crowes fan but they do a great live studio version of this song and it comes highly recommend. Thanks Matthew!

Finally, my thoughts are with Peter Grandich as his mother is not doing well these days. Let's hope she can make it to the gold medal game between Canada and the US on Sunday. Should be a good game. Go Canada!!

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](mailto: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

If you found this information useful, or informative please pass it on to your friends or family.

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