

Investments in Gold Stocks Soar

The tale of the tape saw the Dow actually rise 3.50% almost three hundred points above the perilous 8,000 level. The S&P jumped a very healthy 5.17% and the Nasdaq soared 7.81%. Up in resource rich Canada the TSX ended up 3.60% for the week while the TSX Venture exchange was up 3.03%. All in all a great week for market all around North America.

With an \$800 billion stimulus package apparently agreed upon but not yet voted upon at this hour we could see markets rally further next week, or we could see a continuation of buy the rumour sell the news action. Late in the week saw the majority of the gains after rumours emerged over a possible suspension of mark to market accounting, not that it is actually enforced now. There was definitely something, or someone working behind the scenes to prop the markets up late in the week as bailout and stimulus talk took centre stage. There was no good news, only bad.

We have a silver breakout that looks lasting and strong while gold remains at the top of it's trading channel after all the bad news. Investors continue to pine for physical as well as the ETF's as the prospect of inflation becomes more apparent.

Metals review



Gold had a great week in the end losing only 1.83% and staying within a \$30 or so range. The price stayed above support at \$992 or so and remains near the top of its channel. It seems that the news was so bad economically this week that gold simply could not have been allowed to rise as it well should have. But as we have seen over the past eight years it will rise, just more slowly than some would like. But that gives so many investors the chance to get into gold at reasonable prices. \$900 gold is still cheap.

The RSI remains strongly above 50 and below 70. The moving averages are heading higher and in the proper order for a true trending move. MACD is flat but bullish although the momentum oscillator is heading slightly lower but

above zero giving some signs of weakness. Slow STO made a bullish crossover and is in overbought territory. Where gold will go next week nobody, well almost nobody, knows but with the bailout package and economic stimulus packages on deck the answer should be up obviously. As I have said before we have been here before. On the cusp of a breakout with worsening financial news imminent only to have gold taken down out of the blue. It will be a most interesting week going forward.



Silver was much different than gold and rose 4.23% on the week bringing the gold to silver ratio down below 70. Just as silver came down more than gold during the recent correction it will head higher much quicker now. Silver broke out of it's channel on Friday and has blue sky up to \$13.90. But as with gold you can never be sure.

RSI poked it's head above 70 on Friday's breakout and is very bullish now. The moving averages are all heading higher now and the 100 day could cross the 50 day within two weeks providing more bullish sentiment to some traders. MACD stayed bullish and momentum is also confirming that. RSI is flat to slightly up and well above 80 in overbought territory, but it can stay there indefinitely.

Like I have said for so long, silver is a better investment than gold and remains that way. I do expect at some point in time for the gold to silver ratio to return to 10 to 15 ounces of silver to 1 ounce of gold. Even if gold stays at \$1,000 that is an excellent return, but gold will go to many thousands of dollars making silver multiple hundreds of dollars per ounce. It is cheap today. Buy physical silver.



Platinum gained 1.34% on the week and is near the top of the channel and the important \$1,000 level. The green support line held all week which is a very good sign. RSI remains above 50 and heading higher in a bullish fashion. The moving averages are heading up with the exception of the 100 day which will soon be providing some resistance to the price. MACD is flat with momentum just a hair below zero giving us no direction. Slow STO is showing signs of a bearish cross but it could go the other way as well.



Palladium flew 10.37% on the week and closed out the week above the very significant mark of \$200. Very good action this week by palladium if you are with me in the bullish camp. RSI is in a nice up-trend and must take out the previous high to spark a technical signal that a trending move may have begun.

The moving averages are moving upwards with the exception of the 100 day. MACD is bullish but barely and the momentum oscillator is confirming that. Slow STO looks to be turning bearish at the overbought line of 80.

FundaMetals Review

Do all US government officials owe back taxes? Obama so far is showing his knack for picking people who do. Any other person would be audited at the very least for such a crime. Although it is actually illegal to pay taxes on your labour as documented in this fantastic movie by the late Aaron Russo.

As expected the jobs number was horrible on Friday. The US cut 598,000 jobs in January alone bringing the jobless rate to 7.6%, and there are many more which go unreported. At this pace the US will lost almost 7.2 million jobs in 2009, a scary prospect. This was the worst number since December 1974 when 602,000 jobs were cut. But the market rallied. Will it last? I don't think so.

If you take into account the 626,000 applications for unemployment benefits for the last week of January alone, you can get a better feel for the actual amount of lost jobs, and it ain't pretty. Over 32.5 million applications for unemployment annualized. This is all seasonally adjusted. The chart on the right shows the blue line as seasonally adjusted vs. the red line of non-seasonally adjusted jobs. Yikes!



The 'actual' non-seasonalized jobs loss number was so bad that the bottom scale had to be lowered to place it on the chart.

As job losses and lifestyles deteriorate there will be more and more revolt throughout the world and within the US. Already China, France, Russia, Mexico and Iceland have seen major revolts against government policies and economic conditions.

The Bank of England dropped rates half a point to 1%. The ECB held rates steady at 2%. Money remains very cheap to borrow, but is not easy to borrow as banks keep the reigns tight. Lower rates throughout the world are coming. A real example of the benefits to those who can afford it and get credit would be our mortgage which we got just in time. Our payment on the interest has fallen over 30% since we began paying it under a year ago. But at the same time housing prices will continue to come down and remain historically expensive as shown in the chart below.

As the economy continues to deteriorate more and more people are finding entertainment at home as well as taking stay-cations instead of vacations. More video game users are using their consoles to stream movies from the internet in an attempt to cut costs and still be entertained. More than 1 million people have activated this service over the past three months, through just that one brand of console.

California has gone broke. The state is the eighth largest economy in the world! “Residents won't be getting their state tax rebates, scholarships to Cal Grant college will go unpaid, vendors invoices will remain uncollected and county social services will cease”. Up to 46 states are facing a similar fate. I just find it fascinating that so many companies and now states can go bankrupt. You or I know that if in our businesses if you spend more than you take in for an extended period of time the business will fail and nobody will come to your rescue. Why these entities cannot understand this simple economic fact is beyond me. Did they skip Economics 101 in college? Sorry about harping this thought for so long but it just keeps getting worse and YOU must get angry and contact your representatives to express your disdain, and why not ask for some money at the same time!

Guess What? Another three banks failed as usual on Friday after the close and will get no press at all. Such is life. Please see this link for the list of failed banks.

The spending bill is what I have been watching a lot of on C-SPAN this week and the battle seems to have been resolved, but yet to be voted upon.

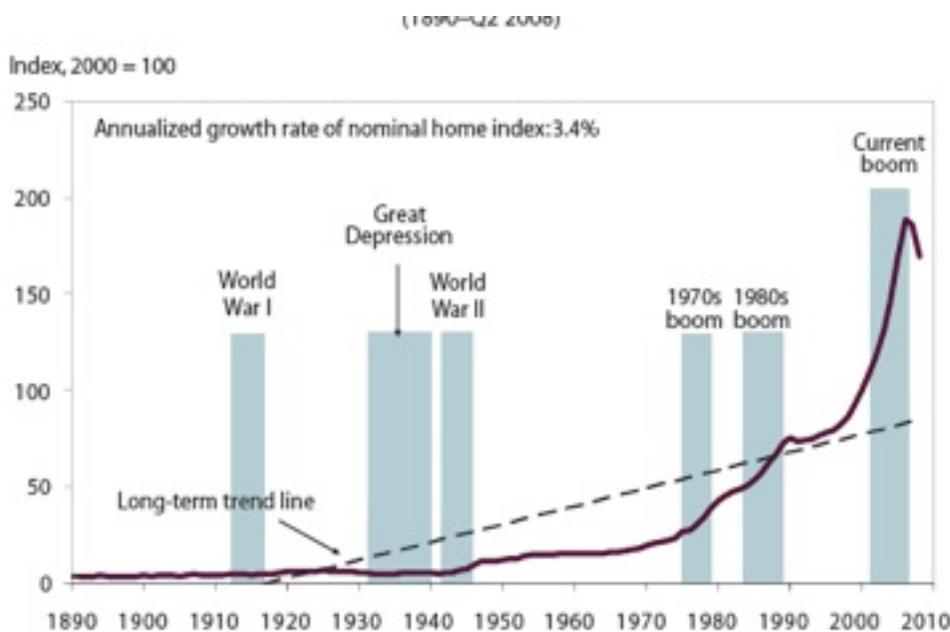
Details have emerged of hard-balling by the government, basically



forcing companies to take over other companies on the verge of bankruptcy. Why government has to have their hand in seemingly everything today is beyond me and certainly has the founding fathers rolling in their graves. It's a must read and is found [here](#).

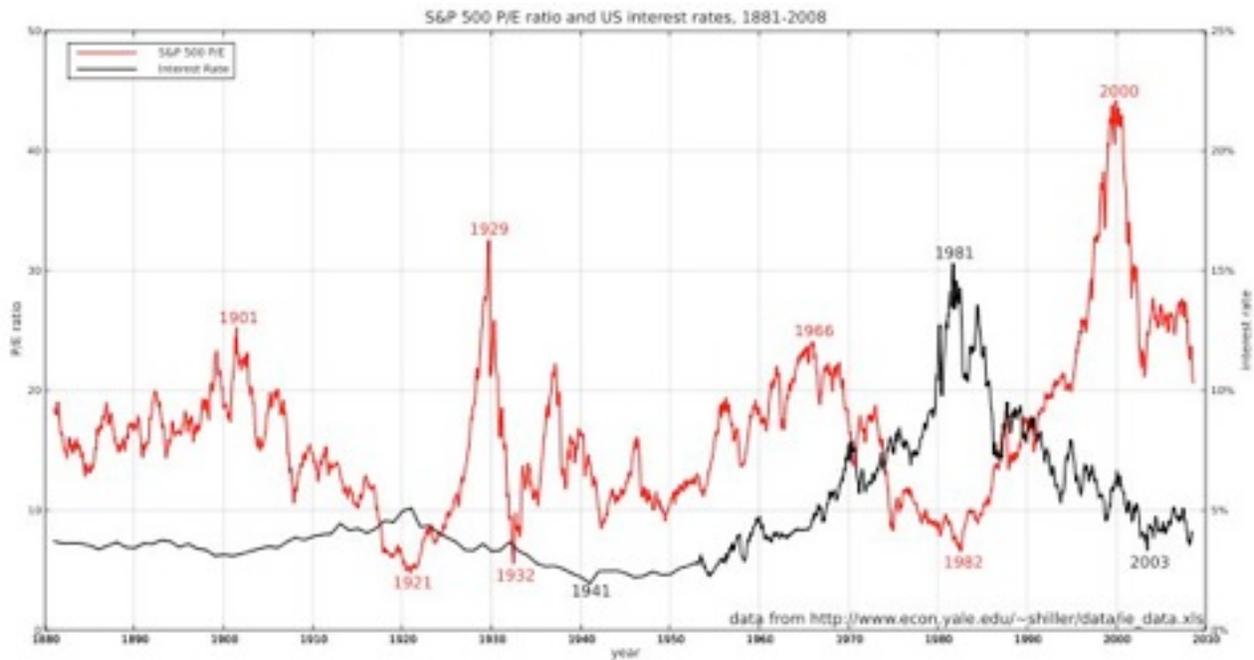
On the same subject Bill Gross is [calling for](#) trillions not billions to be spent to spur growth. I wouldn't feel so bad about this spending IF the first package would have been more transparent and we could see where the money was going and more importantly the CEO's and other top positions in companies receiving money not take bonuses, and welcome in pay cuts. It's sad that Obama had to put a [cap](#) on pay this past week for companies receiving government funds and I don't agree with that. There will be a way around the pay limits and the big wigs will in all likelihood walk away with more than in previous years.

I found a great graph of historic housing prices which shows how comparatively overvalued they still remain.



Sources: Shiller (2002), Milken Institute.
Note: The annualized growth rate is the geometric mean.

Another great visual of just how expensive the S&P P/E ratio is today making stocks still look expensive.



China officially claimed the number one spot for gold produced in 2008. The country grew production by 4.26% on the year totalling 282,007 tonnes. Gold trading volume also rose a staggering 174.84% over 2007 numbers. If you can tell me another industry or investment area who grows trading and investment at such a rate please let me know right away so I can put my money there.

The gold mint has sold 3.5 times more gold coins this January compared to 2008. The total is 92,000 ounces in 2009 and only 26,000 ounces in 2008. Investor appetite remains strong and more importantly growing.

Gold ETF's so far in 2009 have taken in over \$3 billion. Where they are getting all their gold is beyond me and many others. Certainly it is not coming off the Comex. Something just doesn't smell right with regards to actual bullion holdings. The GLD ETF keeps setting records almost daily and now stands at 867.19 tonnes valued at \$25.453 billion dollars. This investment demand more than offsets the fall in jewellery demand worldwide.

On the same scent after a suicide of a gold dealer audits are finding that there is very little actual gold, silver and platinum stored. Again I stress that everything will seem fine until it's too late. There is no risk in holding physical metal, but there may be in structured bullion products. If you would like more information on taking delivery of a futures contract please contact me at postmaster@preciousmetalstockreview.com.

The valuations are just too cheap in many gold and silver stocks today and battles are raging in both friendly and unfriendly takeover bids. Companies who just finished acquisitions say they are on the hunt for more right away. Consolidation is rampant today and will continue for months. This

sector is nearly the only place today you can see private money investing. That says so much and I urge you strongly to take heed and not miss the boat. For some help please see [here](#) or [here](#).

Money was raised by several companies from large cap to small cap development companies to Canada's gold and silver fund this past week, some of which can be discovered [here](#), [here](#), [here](#), [here](#), [here](#), [here](#), [here](#) and [here](#). Even troubled miners facing imminent debt repayments are having no problem [finding](#) large capital infusions although in this case it's very dilutive, which may mean a good entry point for anyone interested in the stock.

In troubled Zimbabwe the gold output fell to 3,072 kg in 2008 compared to 6,798 kg in 2007 after the government [forced](#) them to sell them 40% of their gold for worthless dollars. This supply figure will rise again to near 2007 levels in 2009 as the government wisely is now allowing miners to keep 90% of their gold to sell in any currency they wish, or use it for barter and trade.

A [story](#) out today on the very real prospects of massive inflationary pressures coming to a country near you very soon says; "Yet those investors who are less prone to taking big risks note that gold is the most obvious hiding place from the nightmarish scenario of vanishing trust in fiat money, or paper currency not based on a hard asset" That says it all, and for those who already own the bullion the stocks can provide a very real amount of leverage to the gold price and are a must at today's prices.

A great review of recent monetary history and just how we got to where we are today from the root cause can be found [here](#) and is written by the always informative Hugo Salinas Price.

If you still don't get how all this came about and what is all but inevitable please watch [this](#) great video interview of former Australian Prime Minister Paul Keating.

In late is a video of the recent Vancouver gold show and the GATA workshop if you are so inclined you may enjoy it here <http://truthfn.com/video/truthfn-exclusivegata-update>.

In my free, nearly weekly newsletter I include many links 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/> and receive the newsletter directly in your mailbox links and all.

Until next week take care and thank you for reading.

Warren Bevan

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