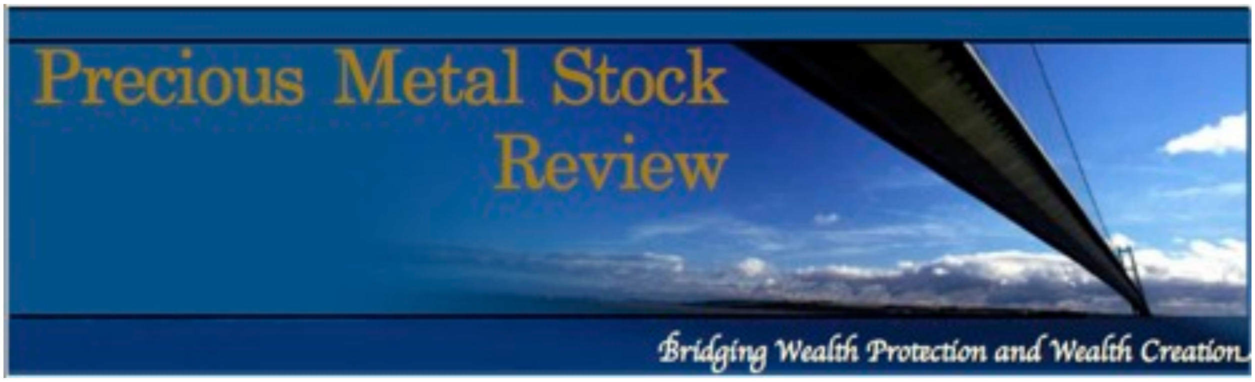

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iPad, uPad, u.s.Pad Da Books

The information revealed this past week suggests that the US's problems are slowing and possibly about to take a turn for the better. At least that's what the establishment would have you believe.

Before, and now during, the recession/depression officials have said there will be no downturn in the economy. Once it happened they constantly told us we were about to turn the corner. Today is no exception. They now admit we had a hard time, but are coming out of it. The fact is that they massage the way they calculate every single number or statistic they release, to make things look better than they are.

Most other countries at least tell it how it is, and yes, that includes China. Many people write me asking about China's inflation problem compared to the US's. At least China acknowledges they have a problem, while the US does not, but they do, and it's far worse than you can imagine. I delve a bit more into this subject below.

The US dollar and US markets are at a very critical juncture and I will be issuing more details to subscribers on that front next week as things unfold. It's getting exciting again!

Metals review

Believe it or not Gold only fell 1.47% for the week. A very small amount in reality, and just what I expected, although I thought it would take a bit longer to develop. Such is life with the metals. Sharp moves lower, followed by two steps forwards one step back is typical action in bull markets.

The wedge formation was violated sharply, below the $1,075 level. The $1,050 area is now being tested as minor support, and to be quite frank I would like to see the major support area at $1,025 tested. It's no coincidence that the 200 day average is right now coinciding with that major horizontal support area. Either way, I expect this break of the wedge to be very short lived.

It's also no coincidence that we are testing this level which so happens to be where India bought 200 tonnes of IMF gold not long ago. I fully expect to see the headline that China has bought the remainder of the IMF's gold which is up for sale. Chinese are very stubborn about saving face and buying above where India did, would simply not fit their way of life. However, buying at the same level would save face, and I can almost guarantee that is what is occurring as I type this letter.

The fact is that now is likely the best opportunity to buy physical Gold that you may ever see again. Anywhere under $1,100 is a bargain.

RSI is hovering around the important 40 area. While the 40 level is significant to stay above in a bull market, it's been violated before and will likely be again, and it means gold is cheap, nothing else. The fundamental reasons for investing in Gold have not changed, only gotten stronger.

The moving averages are mixed now with only the 200 day moving higher. MACD is quite negative, and the Slow STO indicator has just flashed a sell signal and has room to run lower.

Both major Gold and Silver indices, XAU and HUI, moved sharply higher late Friday of last week and look to be telling us that Gold and Silver are about done of their corrections. Both indices led the market higher late on Friday. I was watching the tick by tick action in them and had a feeling that the major US markets would follow and sure enough they did.

The late huge rally in the Dow is quite apparently intervention by the plunge protection team, coupled with the shorts of the week closing out their positions ahead of the weekend and the big G7 meeting way up north, far away from protestors or the like.

Silver fell a further 6.36% this week. Holy smokes! The volatility is nearly giving me heartburn, and I have a very high tolerance for risk. Technically the chart is an absolute gong show. But it's a good chance to accumulate more. I never in my wildest dreams would have though we would again see an intra-day print with a $14 handle. The weeks close was thankfully above the support level of $15.25, but just.

Reports in to me are that coin shops and dealers were being slammed late in the week and could hardly process the order flow. People are starting to catch on to silver's potential, and are taking advantage of the weakness. There aren't many people who are telling investors to buy wholeheartedly at the moment, but I am. There aren't many things with such enduring qualities as Silver that you can buy an ounce of for $15 these days.

I won't bother going into much about silver other than to say it's very, very oversold and likely not to last, so if you are in the market, and you should be, for physical silver now is the time.

Platinum gained 0.61% for the week masking the $100 trading range we saw throughout the week. There really isn't much to say about Platinum this week. The correction back into the uptrend channel is textbook and the 50 day moving average is holding again, as support.

More and more attention is being payed to Platinum as the new ETF extends it's new life. So many investors have not ever thought about using Platinum as an investment. But they are now considering it. The coming week should see a range trade between $1,500 and $1,600 once again.

Palladium fell 3.55% for the week and moved down to test the important support level at it's 50 day moving average once again. That area has more or less held for the better part of a year now and I don't expect that to change anytime soon. The gap down on Friday could be seen as troubling, but the fact is that this is a very thinly traded market and often moves in gyrations like that.

I expect a range trade between $450 and $400 for the coming week. There should not be any major break of the 50 day moving average or else it would be time to take a more detailed look at this chart. Fundamentally, the general direction is still higher.

Fundamental Review

The Bank of England has halted their bond purchase program for now. It's a trial ballon for them as well as other central banks. I have a sneaky suspicion it won't last for long, and they stand ready to resume the program at the first hint of trouble.

A rating agency says they expect bad bank debts to rise for another year in the UK. This is but one reason I expect the bond repurchase program to resume.

The big bank that everyone loves to hate in the US has come out against the volcker rule. They say that; *"Banks should be permitted to own and sponsor hedge funds and private-equity funds because they promote "best industry practice," and any risks can be managed"*

I completely agree with him. But must add that they must not come running for a bailout once they do get into trouble, and they will. Or perhaps that's what he means when he talks about "risks can be managed". Managed by raping the US taxpayer again, that is.

It remains my view that regulations need not be too stringent. The market will figure it out and companies will learn to operate within guidelines that sees them remain solvent. By NOT bailing out failures no matter how large they become, it will in turn keep companies smaller, and more importantly, operating in a sustainable manner instead of on their current path of destruction.

The "bank" I speak of with no branches, will get their way as they have in the past. With former high level employees embedded in high level positions throughout the world. For now they rule the roost, but eventually the people will prevail.

Only one bank to add to this years list of biggest losers. As always it was late on Friday evening when the closure was announced and that will be all that's said of it.

A must read by Greg Hunter this week begins with;

> *"We just finished 2009 with a record federal deficit of **$1.4 trillion**. Let's think about that for a minute. The U.S. government says it is $1,400 billion in the red at the end of 2009. But is that the "real" deficit number? The reason why I ask is the government uses accounting gimmicks to make just about every number it puts out look better than what it really is. For example, the most recent Consumer Price Index for inflation was officially 2.7%; but if you compute inflation*

the way Bureau of Labor Statistics did it in 1980, the inflation rate would be 9.7%. The same goes for unemployment. Officially, it stands at 10%; but if computed the way BLS did it prior to 1994, it would come out to 21.9%."

Another important article talks about how it is now mathematically impossible for the US to pay off their national debt. The US owes more dollars than are actually in existence! This was inevitable since the design of the US system could have no different outcome. Every dollar the US has printed for them by the Federal Reserve is owed back to the Federal Reserve, plus interest. So in fact, it is impossible to ever pay back the debts owed, in turn leaving the private owners of the Federal Reserve in charge of the US.

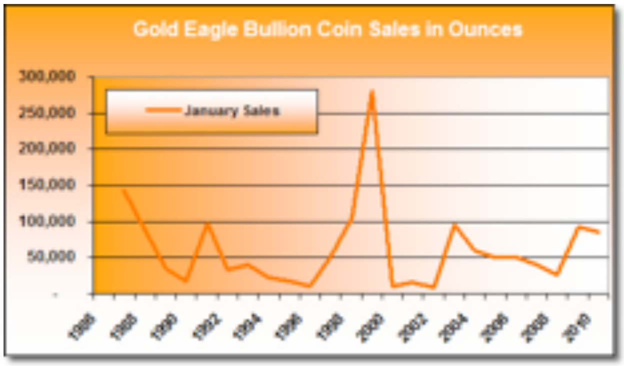
That day back in 1913 on Jekyll Island that the Federal Reserve was born was the day America lost it's freedom, although it has taken many years for that reality to come to fruition. Physical metals are one way to protect yourself and actually profit from the coming, inevitable inflation, and likely hyper-inflation. Don't take my word for it, the writing is on the wall, you just have to look at the wall.

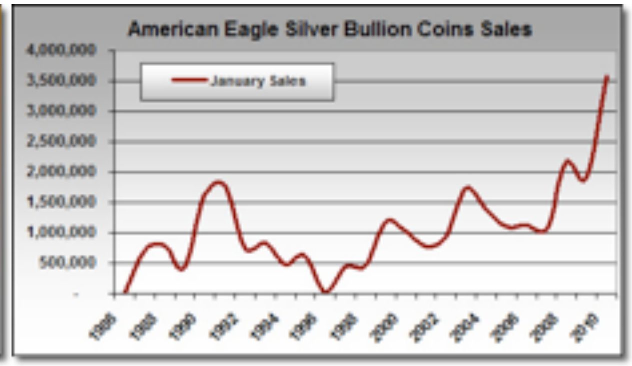
The respected John Embry recently said that this correction is healthy and he expects gold to hit near $1,400 by late spring. I think we should hit closer to $1,500 by then, but either way, the trend remains up except for the very short term. Focusing on the very short-term is all but impossible. The moves lower were so fast this past week that it's obvious they were black box (computer trading) induced and there was no way to catch the move, even if you had a stop loss order, the chances of it being executed anywhere near your desired level would have been quite slim.

Focusing on the long term while holding physical metal has yielded well over 300% in the past decade. What else has done that with a buy and hold strategy?

Russian gold production rose in 2009 by 11.2% to total 205.2 tonnes. Russia is one of the few countries who are actually ramping up gold production these days.

In 2009 the UK's Royal Mint doubled gold output due to increased demand. 2009 saw 125,469 oz gold produced compared to 46,315 oz in 2008. Those numbers still pale in comparison to the US mints production which saw sales increase 66% to 1.43 million oz gold in 2009, and they had to stop production due to a lack of gold blanks, but the UK is trending in the right direction. It would take a major infrastructure upgrade to increase the Royal Mint's production though since they increased it by upping staff and hours.





Taking a look at the January sales of both the Gold and Silver eagles is curious. Notice the all-time high gold sales took place in 2000. Gold was just floating around the $300 level at that time. Someone knew something at the time, and has made a clean fortune with much further to go. Smart money bought the gold near the lows.

Silver on the other hand is only now seeing more accumulation. Funny that it's exactly ten years later. This suggests to me that investors are finally waking up to the facts that silver is USED industrially and USED UP. Gone forever, likely in discarded electronics and the like. Gold has thousands of dollars to go, and silver hundreds at least. In fact we could see silver priced as the new palladium or platinum as industrial applications grow.

There is no doubt that more silver exists in the earth's crusts than Platinum or Palladium, but their industrial applications are limited mainly to automotive while silver is being exploited more and more every year. In 2005 silver's medical usages only accounted for 50,000 oz per annum while in 2009 it was estimated to have accounted for 200,00 oz. That type of percentage growth is not being seen in production increases. Bear in mind that is only medicinal applications. There are many other facets that have yet to be uncovered for this great metal. And don't forget about the soaring investment demand!

The point I am trying to make is that awareness of Silver's investment potential is slowly taking hold. Investors increased demand as the price fell throughout the month and that is a very good sign that they are wizening up finally. This weeks penetration lower into the $14 zone is something I never dreamt of. All I can say is, take advantage of it because silver will be over $20 over the next several months and one day, like gold today, a stretch for most investors to afford. I have no doubt at all of that.

Platinum and Palladium prices are seen to continue to increase this year on the back of increased automotive sales as well as a further tightening of emissions standards. The growth isn't coming from the US but developing countries including China who in 2009 became the world's largest auto market demanding 13.6 million automobiles. Jewellery demand is also increasing as China saw the value of Platinum used for Jewellery in 2009 grow to $2.25 billion .

Once again the myth of mine nationalization is being trumpeted out of South Africa. As if the miners in that region don't have enough to worry about already. It's all talk though and just temporarily hurting the miners prices there. Although South Africa has to be one of my least favourite places to invest regardless of this talk of nationalizing the mies. This talk comes out at least once a year and then fizzles out.

Even the usually bearish or neutral World Gold Council (WGC) says that gold's fundamental remain strong, and talk of a gold bubble is very premature and not taking fundamentals into account. A large part of the continued strength is attributed to the West's unabated thirst for gold as well as the paradigm shift which occurred in 2009. Central banks of developed nations slowed gold sales while developing nations began to add to their gold reserves. No mention in the article of the East's growing demand, but that is most definitely a major factor as well.

Some people are expecting an influx of IPO's this year for mining companies. I would tend to agree, but the real influx of IPO's is yet years away. The number of good projects or prospective areas for these new companies to gain as assets is limited and only getting more limited so we will have to be more and more careful selecting companies as we move forward. Not to mention the major shortage of geologists today. If you are looking for a new career, becoming a geologist will literally make you a millionaire if you are a good one.

A great and must read short article by Charlie Reese breaks the problem down as simply as it can be done. Just think back 100 years ago when there were no taxes and the US was the most prosperous nation in the world. Taxes ended that, plain and simple.

To end with a funny one for once, this past week saw an Australian trader checking out nude photos' rather than working. The tragedy is that his colleague was doing a TV interview unbeknownst to him. BUSTED!!

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.

Until next week take care and thank you for reading.

Warren Bevan

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