

# Precious Metal Stock Review



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## Midst of the Flood

As I crank up Dylan's great album "Before the Flood" disc two, the bank bailouts have once again been pushed to the forefront this past week like the second round of the flood which in many cases is more devastating than the first. After huge losses were reported by a few banks and talk of government funding, markets rallied taking the bad news as good but still could not muster a positive week from the news.

It was another losing week across the board as more troubles surfaced and the realization that this systemic crisis is real and goes much deeper than most investors realize even today. By the time most do realize it, their chance will have passed to insure themselves against it.

The Dow lost 3.7% on heavy volume with the S&P down 4.52% and the NASDAQ losing 2.69%. Up in the resource heavy Canadian markets the TSX lost a small 1.81% and the Venture exchange gave back some of last week's gains losing 4.76%.

# Metals review



Thanks to Friday's strong showing gold was only down 1.44% for the week. Continued liquidation or simply not repurchasing futures contract as a result of the index rebalancing hit gold hard early in the week. It's obvious that a strong buyer was waiting for that event to subside and take advantage of the gift of lower prices that everyone could see coming since the rebalancing was announced last week. Wealthy and wise investors alike continue to clamour for physical gold and are learning quickly that the futures market is one of the few places to get it, and certainly the cheapest. Please contact me at [postmaster@preciousmetalstockreview.com](mailto:postmaster@preciousmetalstockreview.com) for any help taking delivery.

Gold held the critical uptrend line at \$800 and almost instantly shot to \$840. RSI and Slow STO have turned decisively positive while the MACD is heading in the same direction. All three moving averages are fairly flat and very close together. The 20 day moving average is the most important right now since the price seems to be tracking it fairly well gyrating on both sides of the line. \$880 is the target to surpass which should send us too much higher levels if surpassed. But I think we may see another test of \$800 as the buyers look for a bargain again.



Silver managed a paltry 0.93% loss on the week and looks more bullish than gold at the moment. \$10.50 was strong resistance and is now strong support. \$11.60 is the next stepping stone and hopefully the third time will be a charm.

RSI is positive and only took a small dip below the 50 line. MACD is neutral but turning up and in positive territory. Slow STO gave a buy signal after the move up on Friday. The moving averages are all flat but the 100 day is corresponding with the next resistance area and so far has helped stem rallies. I remain very bullish on silver and still see much value at this level. An easy double in silver this year is very likely to play out.



Platinum lost 5.19% on the week falling into the supporting lap of the moving averages. The modest uptrend is holding fast. Last week's support line around \$960 is now resistance. Platinum represents a very good buying opportunity on any weakness in my opinion.

RSI fell and is deciding whether to go below the 50 line or stay above, I hope it's the latter. MACD has turned bearish but is still in positive territory with momentum flirting with the positive and negative regions. Slow STO fell hard and remains negative. If the 20 and 50 day moving averages can hold here and the 20 day stay above the 50 that will be a very positive indication of stronger prices to come.



Palladium fell 3.10% last week and remains range bound. Any price under \$200 is a buy in my books but under \$175 is a steal. RSI fell below 50 while the moving averages turned flat. The price just can't stay above the moving averages yet, nor can the 20 day get above the 50. The price is making lower highs and that trend must be ended before we can see a trending move to the upside. A good solid close above \$200 must be put in to end that trend.

MACD is heading slightly lower and if the price doesn't rise Monday will fall back into negative territory. Slow STO is negative and showing no indication of slowing yet.

# Fundamentals Review

A 76% decline in earnings for the largest derivative dealer weakened the stock further and it seems a lot of attention is now being paid to the institution. Rumours abound about insolvency and massive monetary requirements which is bringing out the shorts in mass of which I should be one, but computer issues prevented that from happening, more on that later. This article sums up nicely the horrible events which unfolded over the week. Banks and brokers are bleeding again. Another bandage will be applied but will not solve the problem. These banks must bust, but the consequences of that would be worldwide and systemic.

More and more talk of a bank holiday or system failure is making the rounds. I expected a rally going into the New Year but the market just can't stay up. The issues are major, deep and systemic; I pray you have prepared yourself for such a scenario.

I love the lyrics from "It's Alright Ma"; especially "And if my thought-dreams could be seen, They'd probably put my head in a guillotine". If the thoughts of Mr. Bernanke, Mr. Paulson and a whole host of bank and financial institutions CEO's could be seen I am sure we would put their head in a guillotine as well. I will probably take some flak for that one but I will add hedge fund managers to that list.

Bernie Madoff remains out, well in his \$7 million apartment, on bail and it seems now that no actual trading took place within the Ponzi scheme. This story just gets more fascinating every week. Stay tuned.

A great intriguing article putting those in the know in the spotlight tells of how close we were, and that we may come even closer to the edge or maybe over it in the future. While some of the steps may be drastic, I continue to urge you to make a choice in protecting yourself and your family that makes you comfortable.

Since another Friday has passed I have to check the failed bank list and sure enough we have two more added to the list Friday.

The Treasury International Capital (TIC) report was released for November this week and doesn't look promising. *Net foreign purchases of long-term securities were negative \$21.7 billion.*

- *Net foreign purchases of long-term U.S. securities were negative \$56.0 billion. Of this, net purchases by private foreign investors were negative \$18.9 billion, and net purchases by foreign official institutions were negative \$37.1 billion.*
- *U.S. residents sold a net \$34.3 billion of long-term foreign securities.*

Without getting too technical, this means foreign investor SOLD, on balance, treasuries rather than the usual purchasing of treasuries. Also the \$34.3 billion figure of foreign securities being sold helps explain the rally in the US dollar. Once the funds are sold they are most likely repatriated into US dollars artificially and temporarily propping up the dollar and fooling many into believing its troubles are over. They are far from over and this past week looked like a failed attempt to rally. Further weakness should be seen and it may be a good time to begin betting against it.

Inflation in Venezuela is now above 30% and growing. The US along with many other central banks are, and will continue to print money at an alarming rate. Headlines of the like are coming to a newspaper or website near you in the future. Are you prepared? Inflation is the hidden tax and at 30% would rob you of most of your purchasing power after all other taxes are considered. Please consider this and take the appropriate steps. Hugo Chavez remains focused on economic growth and less concerned about the inflation rate. The economic growth story sounds eerily familiar to the incoming president's public line of thinking.

Also in Venezuela the recent news of repatriating assets apparently has not been passed on to the company actually working and holding the asset. The company continues to work and is doing nothing but helping the government. I don't understand the rationale of the company. Moves such as this by Chavez certainly can't help their economic situation, but it seems they are going through with it nonetheless.

Here is an excellent recap of major inflationary instances since WWII.

If all the banks and financial institutions in or nearing bankruptcy wasn't bad enough news it appears States may be next to follow. California is within weeks of bankruptcy. Everything is on hold in the state until the \$40 billion budget deficit can be solved. Pleas to the federal government have been put out many times over the past few months and it looks like this crisis is coming to a head. It will be interesting to see if the state is put through the ringer as the auto companies were while the banks and financials continue to receive money with no end in sight, or oversight.

Russia is considering organizing a super miner to rival the world's largest. This comes at a time when competition is fierce and with deep pockets this company could literally steal great companies or projects at pennies on the dollar.

Russian gold output rose 11.5% January to November 2008 to 151.16 tonnes. This marks the first year of rising supply in five years. An 8% rise in supply is forecast for 2009.

Ecuador has passed and is standing strong on their revised mining law. While the restrictions and controls are tighter than in the past the new consistency is hoping to attract new and major companies to the region rich in minerals. Shares of companies operating within the country jumped on the news and finalization.

This week brought a slew of [job losses](#) , [bankruptcy](#), collapsing [mergers](#), development [halts](#). On the other hand some well capitalized companies are rightly on the [lookout](#) for cheap excellent assets.

The New York silver ETF broke a [record](#) by adding 1% to their total holdings which now are 7,143.27 tonnes of silver. The holdings have increased 48% year over year or more than 2,300 tonnes.

Turkey joins many other countries in [stating](#) that gold was the best performing asset in their respective currency in 2008. Gold rose 22.48% in the country while equity investors lost on average 57.75%. That is quite a disparity and has been felt by most every country in the world on the same scale.

Global futures and options trading [grew](#) by 80% for gold and 60% for silver in 2008. \$5.1 trillion and \$1.2 trillion respectively were the totals and broke all previous records. Obviously this is due in large part to exchanges opening to this type of trade in India and China, but a portion must be investors looking to take delivery at the best price. Mentioned is the surge in gold and silver trading since the financial crisis began.

While [this](#) report by a favourite of mine Eric Sprott is from December, it rings truer every day and is compulsory reading.

It seems the US mint came to the same obvious [conclusion](#) I wrote about some months ago and is now going to set coin prices weekly based on the London fix. I can't believe the incompetency so prevalent at such huge and important organisations, but such is life. They complained and even went so far as to stop producing coins since pricing was a huge cumbersome and time consuming process and the disparity between their and the spot price too great or too narrow. Now we should get a better feel for the availability of blank coins since they can be priced according to weekly fluctuation. I still believe they will have to go to setting prices daily since the volatility in precious metals is only going to increase in the future.

I am close to getting a buy signal in the majors which I am using as a trading vehicle and subscribers will be receiving an alert very shortly I believe. To sign up please take a [look](#). I am also considering opening a service one time only that has never been done before by anyone. I have never been so confident of potential returns and am gearing the service towards that. Keep your eyes peeled for a release this week.

I've mentioned my PC woes in the past and the point of no return has been reached. I have never had so much response to any topic. My new Mac will be here this week freeing me from the persistent fear of a computer freeze. It tends to always happen when I get on a role and don't save for five or ten minutes losing my work, enraging me, and making progress painfully slow. It's top of the line, huge and apparently stable. I don't know or care too much about the technical aspects of it as long as it works, allowing me to work. I won't even get into trading woes, but I will say missing a trade at the right moment hurts in more ways than one. It's been a long painful journey and is just about over. If only there were such a simple solution

for teens. A few friends have had babies recently; my advice to them is to enjoy them while they're young!

On that note please excuse me if I am late or things aren't entirely smooth next week as I familiarise myself with the new system. And thank you for your comments and encouragement.

An old pro inflation video is posted <http://www.youtube.com/watch?v=99Dzdc1H0wM> for your viewing pleasure.

And if you still find yourself drowning in cash and desperately seeking to blow \$1.61 million you can. Yellow, white and rose gold adorns [this](#) diamond encrusted iPhone. It's no joke, but anyone who buys that must be the joke in their circle of friends.

In Peru a stunning [decision](#) by courts this week was reached whereby a worker cannot be fired for being drunk at work! This could have major ramifications for mines in the country. Imagine heading underground or operating a huge truck while drunk. The decision is not good or smart in any way shape or form, but hey if you're a worker party on!

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It's time here to crack a beer for the workers in Peru and throw some steaks on the BBQ, enjoy your weekend. Until next week take care and thank you for reading.

Warren Bevan

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