

# Precious Metal Stock Review

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## Protestations

The events transpiring in Cairo at the moment are still developing and the outcome is far from known as of this writing. President Mubarak is being asked to resign.

Huge protests are occurring, and at times the government is using violence which spurs some of the populous to also use violence. Unfortunately there are always a few bad apples in the bunch.

I can't think of any time that there have been protests that I've sided with government. When it boils down to it the people can't all be wrong, or crazy. They are fed up and sick and tired of living under the current conditions.

Good for the people of Egypt. I truly love to see people take matters into their own hands as peacefully as possible, rather than sit back like sheep and continue to be herded.

If you elect a person and they don't do their job then they should be ousted.

Unfortunately, many politicians today think that once they are elected one they have a free ride for life and have to do little to better their country, or municipality. It's not right and it needs to change.

It could now just be a matter of time until the military joins the populous, since when it boils down to it, many of them sympathize with the protesters and have lived through the same conditions for all their lives.

I see looters have ravaged parts of the museum in Cairo which houses some of the most impressive pieces in the world. These actions are

unacceptable and completely uncalled for. Pointless destruction I do not condone in any situation.

I don't know, but doubt, if the turmoil will effect oil transports through the Suez Canal, but you just never know and oil is certainly reacting as if it's a possibility and Gold has also jumped.

The situation will likely have changed dramatically by the time you read this so I will leave it at that.

I've been nervous about the general markets the whole of the past week and have done little. Friday seemed to confirm my fears as a very negative day took place on huge volume. It seems the correction I've been thinking could occur, is now here as the S&P hit the round number resistance at 1,300 briefly.

You can make money in a correction though, so all is not lost. You don't even have to short stocks anymore with the advent of reverse ETF's and other structured products.

We could correct and consolidate here for a couple weeks or a month, then likely resume upwards to the 1,400+ target from the cup and handle pattern I told you about late November 2010.

I provide daily, timely and much more specific information on markets metals and anything else relevant which is reserved for subscribers, so let's move onto the regular weekly charts I provide free of charge here for you.

## Metals review



Gold raged back on Friday and ended the week down only 0.53%. So far the correction is quite shallow and the turmoil in Egypt sparked a rally Friday which I'm not so sure is warranted at this time.

The rally took Gold back above the \$1,325 area which is good, but it was stopped at the downtrend line, which is bad. I think that this correction needs to be deeper and at least test the 200 day moving average at \$1,280. At least that is what I hope to see. As always, [subscribers receive real-time updates](#) to anything I do, and my views can change in minutes.

Friday's move does not constitute a trend change for me personally and that means I am not confident enough to initiate a long Gold trading position. But as always I'm not even thinking about my physical hoard.

The GLD ETF saw strong volume all week long with Thursdays move lower seeing massive volume of over 30 million shares. Friday's move higher saw 28 million shares trade. I'm not totally sure what to make of the volume here yet, but on balance volume was much stronger on moves lower for this ETF this past week, leading me to believe we continue lower once this situation in Egypt is dealt with.



Silver rose 1.75% for the week as it bounced off support just under \$27 and also saw strong inflows Friday as did Gold. The move up stopped right at the downtrend line where Gold was halted as well.

So far the correction looks great and this strength is right on cue and should lead to another leg lower to test the \$25 level where we will have to re-analyse our views if that occurs.

The 21 day moving average is fast approaching as well, and could be the catalyst to push Silver lower once again.

The SLV ETF volume was quite strong for the week, but not extraordinary although Thursday and Friday saw around 30 million shares traded which is far from the 150 million traded at the spike high in early November.



Platinum dropped 1.70% for the week but snapped back nicely Friday to close at support. Platinum is trading near the lower end of it's uptrend channel

and also at what appears to be quite solid support at \$1,775. It looks like this metal will be heading higher this coming week.

The 21 day average along with a few other simply drawn lines are doing a great job of giving entry points to those who want them.

The PPLT ETF didn't see much volume at all really, but the strongest volume did come on down days. It looks like investors are adding heavily on correction days as they know that this is one of the best performing and most stable metals to trade.



Palladium rose 0.48% for the week and shot solidly through the \$800 barrier on Friday. This metal continues to astound me and pushes higher

constantly and predictably. \$800 is now a support level and the 21 day moving average is fast approaching there and that level has been bottoms, or excellent entry levels since late August.

The PALL ETF volume is humming along above average, but not extreme by any means. It seems the heavier days this past week were slight down days which tells me investors were worried that the \$800 level would not hold and were taking profits, or they are just adding to this incredibly strong position on any sign of weakness at all.

I think the latter scenario is the more likely, but at round number resistance such as \$800 I have to also think about the former scenario as a possibility.

## Fundamental Review

The UN came out recently and said that the US Dollar should be replaced with a global currency. They are the first multinational organization to say this out loud, although countries have said such words.

In the news release one of the reports authors, Detlef Kotte says; “Replacing the dollar with an artificial currency would solve some of the problems related to the potential of countries running large deficits and would help stability”.

I don't know what an artificial currency is other than what we have today. A currency backed by nothing is artificial in my eyes. Although he does go on to say that exchange rates would have to be managed in order to keep inflation stable.

Unfortunately this is the exact same system that we have now. We need a system that does not deteriorate over time and cause currency failures.

I am no fan of a one world currency unless it has strict creation controls which would mean it would have to be backed by something tangible, that is not used up.

There has yet to be a fiat currency in all of history that has survived, excluding the ones still around today, but I assure you they are nearing their ends now. The same process has repeated over and over throughout history and will once again.

You only have to do a quick internet search for “financial crisis” or “hyperinflation” to get a vast amount of information which all say the same thing in the end. The currency over time was devalued and eventually failed.

I don't know how, when or what is coming exactly down the line but I do know that my physical Gold and Silver will be worth at least what it is today in whatever new currency or whatnot emerges.

Most likely the metals will be worth many, many multiples of what their worth today, measured in terms of purchasing power. And really that's all that matters. I care not how many zeros are at the end of my dollar bills, I only care how much their purchasing power is, and that they are relatively stable over long periods of time.

I listened to a Jim Richards interview recently where he said when he hears the word credit, he replaces it with debt. I've tried it every chance I get these days and it's astonishing. Try it!

There were [four banks added to the 2011 list of biggest losers](#). The banks' failures were announced as usual, after everything was shut down for the week Friday evening.

One of the two large US credit ratings agencies this past week said the [US's credit rating is at risk of falling](#). They say this a few times a year it seems and I swear they only change the dates and a passage or two before releasing it.

The other large US ratings agency [lowered Japanese debt ratings](#) since Japan has no plan to deal with their mounting debt. Not many countries do in all honesty.

A Chinese ratings agency is [blaming the US's loose monetary policy](#) for a coming "world credit war". I wish I could argue with that strong statement but I cannot. I've said many times that the US should have let failures fail and not print money to bail them and the US government out.

The Chinese sovereign wealth fund who manages about \$300 billion reiterated the fact that the QE2 program in the US is hurting the value of money. In Davos, Gao Xiqing said "you know money is gradually becoming not worth the paper it's printed on".

Russia announced publicly that they are [going to buy 100 tonnes of Gold every year](#) and that they see the world moving towards using a more sound currency, which must be Gold in one way shape or form. They cite the fact that the worlds reserve currency is not doing it's job of holding value, thus, it's all but useless.

I've been talking about it for years, but more over the past few weeks. We need currencies to be backed by something tangible, finite and which is not

used up. It's possible and will make holders of Gold very happy as Gold would have to be revalued higher substantially.

Peru reported a drop in Gold production, down from 5.9 million oz in 2009 to 5.25 million oz in 2010. This is a 11.19% drop. Silver production also fell 7.27% from 128 million oz in 2009 to 116 million oz in 2010.

China reported that in 2010 they broke another production record by producing 340.88 tonnes of Gold, up 8.57% from 2009. Great growth and similar to their GDP growth numbers.

John Paulson, one of the first large investors to embrace the Gold trade, has reportedly made \$5 billion on his 96 metric tonnes of Gold and Gold related investments. Just wait until he gets onto the Silver rocket!

The reasons to own physical Gold and Silver have not changed for the worse in this correction, they've only gotten more compelling.

I always say weakness is a time to buy, and we are near that point now.

Until next week take care and thank you for reading.

Warren Bevan

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