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Decent Money

Let's ponder for a minute. What is money? Looking at an older 1986 copy of The World Book Encyclopedia tells me that money is three things. A medium of exchange. A medium of account. And what I'd like to briefly focus on, a store of wealth.

Let's take a look in our wallets now. Likely there are a few bills, but just as likely there is only a debit, and credit card. We'll dismiss the credit card since it's debt, which is NOT money no matter what your told.

Looking at your bills you don't have to think too far back to recall what that \$20 could buy then, and now. A pack of cheap gum that only has flavour for five minutes is almost two dollars for crying out loud. So it seems quite simple, without getting into the confusion of the M's, which are various forms of accounting for money printing, to surmise that the paper dollars do not hold wealth.

That, unfortunately, is a part of the game though. Fiat, unbacked, money never survives and throughout history has been nothing but a means to impoverish the uninitiated, while enriching the forces who's families continue getting wealthier through each and every monetary cycle.

I ask you to ask yourself, your friends, family, barber, taxi driver and everyone else. Is that bill decent money?

It works on a day to day basis, but in the long run is nothing but paper, constantly losing value. Physical commodities, especially precious metals, don't spoil, burn, blow away in the wind or get devalued. Their values are "discovered" in day to day trading, but they are always a good way to store wealth. An ounce of gold will always buy a good suit or whatever the attire is in

that period. Perhaps one day they will say a gold coin always buys a good men's spacesuit! All I know is that it is gold's time to shine, and silver even more-so. They've always held their values over time, and especially so during times of crises which we are right in the thick of now.

No matter what your bias or general investment theme I believe it to be irresponsible to not have a portion of you wealth or investments in physical precious metals. Especially if you have a family to take care of.

One last moribund thought to end on. If you are getting up there in years, leaving physical metals to those you love is a great way to cut down on the paperwork and taxes, especially if [this new bill introduced by Ron Paul](#) is passed.

Metals review



Gold only lost 1.02% for the week but investors and media outfits exaggerated the move as usual. It's a buying opportunity for the initiated and a selling mistake by the sheeple.

The important \$1,075 level continued to hold and was tested twice late in the week. I think history will rhyme shortly, as Mark Twain would say. A false signal should occur by mid-February bringing in many shorts, only to see the triangle violated to the upside. It happens over and over again in gold that a false technical signal is sent out and then it is quickly reversed. When will they learn?

To be successful trading gold you only have to buy weakness and sell strength. It will go against all your inner feelings, but it really is that simple. This is weakness.

RSI is holding flat just below 40 and scaring some traders. A beautiful triangle has formed and will be resolved within a month. The uptrend has now been violated.

The moving averages are heading higher still, except the 50 day which has hooked slightly lower. The 10 day should continue to act as a rough support zone.

MACD is bearish as is the Slow STO indicator, but like I always say, good things begin from level on the Slow STO.



Silver was mauled 4.68% lower on the week. Severe technical damage has been done, but with silver it doesn't matter. It is so volatile and does turn on a

dime regardless of technicals so often that you can never be sure one week to the next which side of the fence it will be on.

RSI is only at 32 and flat. The Fibonacci levels drawn on a bigger scale than last week, show a strong support level at \$15.80 which should be the low. The moving averages are now mixed with the 50 day heading lower, the 100 day moving average is flat and the 200 day moving higher and coinciding with the lower Fibonacci level.

Slow STO is into oversold ground and still heading lower. Once silver turns we should see a \$2+ dollar move higher in very short order. I think we will see a stabilization period before that though.

Most of the correction can be attributed to the USD strength lately. If you believe the dollar will continue to roam higher, then perhaps it is time to set free some physical metals. However if you take the view I hold, that the USD is on a certain trajectory to extinction then this is but one of the hundreds of opportunities to exchange those paper dollars for something tangible.



Platinum fell 2.49% for the week and back into it's comfort zone, the uptrend channel.

The froth that accompanied the new ETF's launches for both Platinum and Palladium has been worked off as everything metals related has been hammered lately. It's all good though.

RSI is behaving perfectly and bouncing higher from the important support area of 40. The moving averages remain positive and the 50 day is showing support right now as it has so well over the past many months.

MACD is bearish and Slow STO is now into oversold and turning flat. Last time the Slow STO indicator was this low Platinum was only \$1,400. And the

price subsequently rallied higher by \$250 in a month and I expect a similar outcome shortly.

Palladium fell 5.36% for the week. It's chart has an issue so I will not be posting it today. But much the same can be said of it as I said about Platinum. This is nothing but a needed healthy correction and I am confident it will begin moving higher in short order.

Fundamental Review

The most important story this week, but one you've likely not heard about is the [passing of regulations by the SEC](#) whereby money market funds can suspend redemptions.

What is a money market fund? According to Wikipedia it's;

A Money Market Fund (or Money Market Mutual Fund) is an open ended [mutual fund](#) that invests in short term debt [securities](#). Regulated under the Investment Company Act of 1940, Money Market funds are important providers of [liquidity](#) to financial intermediaries.[1]

Most people don't know if they are exposed to this, but they likely are. If you have a retirement package at work, invested in a mutual fund or even have free cash in an investing account you are likely exposed to a degree.

This new regulation is truly scary and another major step toward achieving omnipotence over the populous. Really it's just preparation for what they know is coming and that's a major crash, where investors will be rushing to cash in on every asset and buy physical precious metals or other tangible goods. It's basically a step to stop a run on the banks.

If and when this occurs there will be no physical precious metals for sale at almost any price. It may, or may not happen, but if governments are preparing, and they are, then so should you before it's too late. The worst that can happen is that the metal goes up in value and you sell it, the other scenario is one I don't often delve into and won't today but a topical examination of the recent crisis in Zimbabwe should be enough to consider investing a portion of your wealth in the metals.

This story should be a joke but it's not. The FDIC is considering [packaging assets from failed banks into securities](#) and then selling them. First of all I'd love to know someone who would actually buy assets that come from such a place. Secondly, they are only doing this because they are now operating in the red and have no more cash, so are trying to pass the buck.

Sheila Bair the chief over at the FDIC says that [she expects 2010's bank failures](#) to exceed the number in 2009. No wonder they are looking for a way to pawn off the assets of the coming biggest losers. They're broke and desperate. Next thing you know they'll be following in California's footsteps and advocating legalization of marijuana!

Six banks failed this past week to join the growing [list of biggest losers](#) this year. Same place same time as anyone who would care polished of their third stiff drink. After listening to all the testifying and State of the Union speech during the week, they better have been real stiff ones. Oy Vey!!

Store-branded credit cards are seeing [default rates rise](#) at an astonishing level. On an annualized basis the November write-off level rose to more than 1 in every 8 dollars of receivables being written off as uncollectible. The trend is expected to last through the first half of 2010. This ratings agency has been fantastically wrong, short-sighted and unrealistically optimistic for years now so their H1 2010 forecast is a likely a fantasy.

A US anti-hunger group said that [1 in 5 households ran out of money](#) to buy food at least once in 2009. You can be sure if it happened once, it happened more than twice. The problem is widespread throughout the states, and getting worse.

I can't go a week without talking about Chinese demand for gold so this week's article [talks very strongly](#) about gold rush going on there within the general populous. The stores are seeing robust demand and it is widely speculated, although not yet proven, that China has overtaken India as the largest consumer of gold.

The Chinese Gold Association estimates demand to be 450 tonnes in 2009 up from 395.6 tonnes in 2008. The main driver is retail demand, not jewellery demand. Certain pundits including myself have said that investment demand would outweigh the decline in jewellery demand, and that seems to be the case so far. The article is a must read in it's entirety to get a better grasp than I give here, of the situation on the ground.

Mainland China's [gold output rose again](#) for the [third straight year](#). This time by 11.34% to 319.98 tonnes in 2009 according to the China Gold Association. On balance, the country is still a net importer of gold.

I talk weekly about China's strategic move into Africa but this week I will spare you. Instead I noticed that [Argentina is courting the Chinese](#) for help developing their mining sector. Can't say I blame them since China's boat is loaded with dollars they are looking to divest into real assets and Argentina is full of them.

I've long pounded the table, and will continue to, that physical silver is a much better investment than gold. Investors are picking up on that including Jim Rogers. The US mint saw [silver eagle sales top the 3 million](#) making this first month in the new decade the best January ever. This report came out with one week remaining in the month as well!



In Davos this past week George Soros, the famous hedge fund man who started out with Jim Rogers years ago, said [gold is the ultimate asset bubble](#). He's notorious for saying one thing while doing the other and it seems his comments gave him a chance to acquire more gold on the cheap. There is no doubt that gold will be the ultimate bubble, but we are far from that level. [Here is a link to the video](#) if you please.

Last week I posted the video campaign which is aiming to get people to get their money out of large institutional banks and into local community banks. Not a bad idea if you really think about it. This week Tim Geithner was asked about it and he said it would not be a good idea to move money out of the large ones and into small local ones who live in and know your community.

It's akin to saying; don't shop at your local farmers market where the food is healthier, fresher and it helps support your community and in turn yourself. Go buy it from the desensitized big box stores where the food is delivered from thousands of mile away, truck ripened and genetically modified.

When pressed on a real reason why, he resorted to the usual spin of nothingness saying; *"Well, let me say this. Customers of financial institutions should be very demanding in the kind of service they expect, the kind of products they get, the disclosure banks offer, the basic fairness in dealings. So I'm very supportive of customers of banks, of investors in banks, creditors of banks, holding them to very high standards. That's something that's very appropriate."*

I can only shake my head in disbelief.

Ending with a quick anecdote about just how the financial TV lulls the sheeple to sleep. Turbo Tax Timmy Geithner was testifying/lying this week and some gentleman was snoozing behind him, but in view of the camera. The major US business network was so desperate for content, that later in the day they showed the clip again and said they'd like to have him on the show, so if anyone knows him email in. Glad to see you can really trust them. They never rest...or should I say nap on the job, they just like to interview those who do.

I lied, I'd rather leave you on a good note this week. Here is an especially lovely rendition of one of my favourite songs, "[Little Wing](#)".

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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