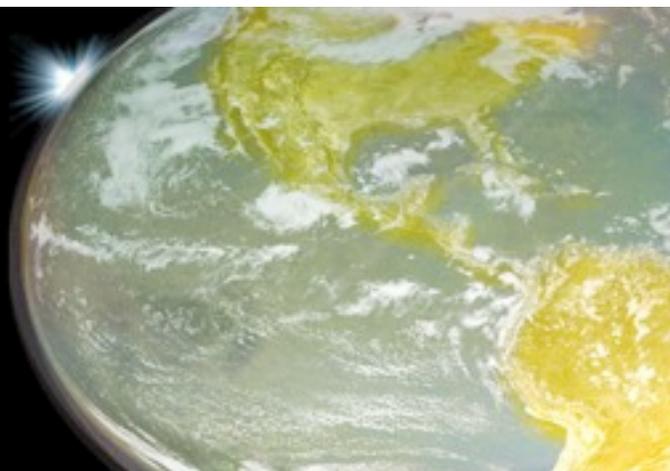


Precious Metal Stock Review



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Drug Cartels Take It To The Bank

The week was marred by corruption and greed once again. The very important level of 8,000 on the Dow held, but barely. Let's see what February brings, but if that level is broken a waterfall of selling will likely come into the market. Gold, silver and their equities are holding up very well. They are the go to investments of 2009, so take advantage of any weakness and expect great return this year..

The tale of the tape last week saw the Dow lose only 0.95%, the S&P was down 0.73% and the Nasdaq down 0.06%. Up in the resource rich Canada the TSX gained 0.78% and the TSX Venture exchange rose a healthy 2.67% giving more evidence a bottom has been put in.

Metals review



Gold rose 3.42% this past week which on the surface isn't anything special but the trading action was spectacular and textbook bullish. Gold retested the recent breakout of the downtrend and jumped \$50 from that level. The price topped out at the high end of the channel which coincides with the new resistance level of \$925. If that can be beat we are most likely at the beginning of a trending move up, past all time highs.

RSI remains bullish above 50 but hasn't been able to beat the line drawn in just below 70 yet. Once 70 on the RSI is broken it should signal the trending

move. All three moving averages are bullish and as they move higher should provide support to the actual price.

MACD is bullish as well as Slow STO. Price action just doesn't get any better than this, that being said we have been in this situation before. On the cusp of a trending up-move only to be taken to the woodshed, so trade carefully with very tight stops. If I were a betting man I would go with the odds and look for a retest of the \$875 area in the short term, but I am hoping for a move much higher.



Silver leapt 5.23% on the week but more importantly above resistance at \$12.20. There is a major convergence of a strong down-sloping resistance line

and the top of the recent trading channel to deal with right now. Let's see what the new week brings.

RSI is bullish but hasn't been able to beat the green line just under 70. Another up day should push the RSI above 70 signalling great things ahead. All moving averages are header higher and bullish although the 50 day must get above the 100 day to signal even more good things. MACD is bullish but not far into positive territory so it could run up for a long time from here. Slow STO is flat and above 80 signalling overbought territory but that indicator can stay up there for a very long time. Like I have said many times in the past I am more bullish on silver than gold. Gold is closing in fast on it's all-time high while silver is far from it's high made last year, and much further from it's all-time high.



Platinum gained 3.49% on the week and managed to stay above support around \$940. RSI remains above 50 signalling strength and the moving averages are heading higher except the 100 day which has flattened out. MACD is flat and momentum at 0. Slow STO is bullish and telling me could see more strength the first week of February.

The next battle is setting up at \$1,060 but before that \$1,000 will be tough psychological resistance. Palladium is seemingly leading platinum by a week or so. If this is to continue platinum will fall this week.



Palladium lost 1.93% on the week. \$200 remains tough resistance but the up trend is closing in on that level and we will see which is the stronger. RSI bounced off 50 nicely and remains in bullish territory while the moving averages are flat except the 100 day which continues it's downward March.

MACD is flat and at 0, neither positive, nor negative. Slow STO however remains very bullish but must get above 80 to show more strength. I have no idea where palladium will go in February but I think platinum will follow it and lag by a week.

Fundamentals Review

Another Friday and not one, not two, but three banks failed. Please see [here](#) for the new list of failed banks. It seems the failed banks haven't had the fortune? to get more than the money offered or forced upon them from government. According to a UN crime chief many of the banks still around today have [received](#) money from major drug cartels. If true they are all in cahoots and one is no better than the other as sad as it is to say. The inmates are running the institution. Hey, don't blame me I just report the facts.

[This](#) type of talk seems eerily familiar. In the past year it was not long after this type of talk was bandied about that many firms went bust. Lets see if it happens once again. Knowing this firm so well, my bet is yes!

This years world economic forum in Davos is much different than in previous years. In past times visionaries who told of the depression ahead were oft scorned and overlooked, this year they are the stars, and are attracting many interviews and questions. Pessimism reigns rather than the usual optimism. Unfortunately it's too late. The problems are unfolding in front of our eyes daily and it will get worse, much worse, before it get better. Are you prepared?

In the US questions as to how all this bailout money will actually be paid for never seem to arise except for in Ron Paul's corner, and they wouldn't and still won't listen to him unfortunately. [Here](#) is Dr. Paul's latest interview, and a great one at that. The most critical topic is just before the eight minute mark a question is posed and Dr. Paul says he would allow the liquidation of debt to occur. All these bad assets must be bought up, not by debt but with private money. The commentator then says that nobody will pay for the assets. Ron Paul says that's a great indication that they are worthless, obviously. Then the sad fact that they are being dumped on the American taxpayer is mentioned. It's sad, true, and if the general public understood, they MUST make their opinions known.

On the flip side of that coin Robert Rubin [says](#) mark to market modelling has done damage. That's obvious. Banks and financial institutions have been forced to write down assets causing losses. If the mark to model method had been used these losses would not have occurred. That is so absurd I can hardly believe he said it. It's simple, I can say my pile of leaves is worth \$1 million, (mark to model) but until I sell it I never really know. The day I try and sell it a kid gives me a nickel for it so he can play in it (mark to market) now I know the true value and there is a wide disparity. I think the heads of many of these

corporations live with their heads in a cloud and do not deserve to run these former great pillars of America.

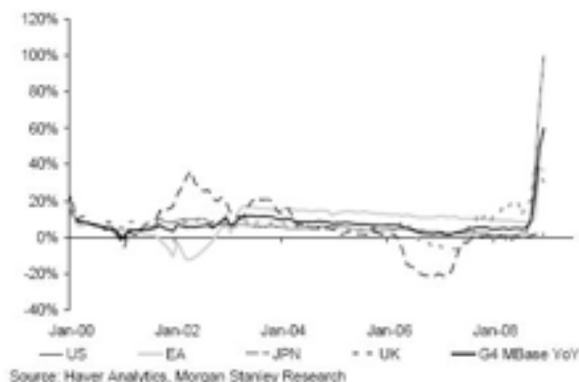
The new Obama administration is dedicated to getting out of this depression and printing and pumping money into the system remains their weapon of choice. "The president has made it clear that he'll do whatever it takes to stabilize our financial system so that we can get credit flowing again to families and businesses". Their solution will cause major inflation if not hyper-inflation. The rest of the world is worried, are you?

Even a major brokerage is admitting that hyperinflation is a possibility. The story is well worth a read, and must be considered seriously.

A self professed non gold bug, who happens to be chairman of the largest gold mining company in the world says he expects gold to reach another all-time high in the near future. Worries about the US currency and the state of the world economy are real and current factors pushing many into gold and silver. "Gold is at record levels in every currency except dollars. Even within dollar terms it is within a few percentage points of an all-time high at a time when all the other major commodities are falling," says Peter Munk. Mr. Munk also says; "My personal feeling is that with the rescue packages calling for trillions, not billions... the value of the (U.S.) currency has to go down,"

I talked to several subscribers this past week who have been interested in the precious metals for only the past year or so. These individuals told me stories about getting out of real estate and so on at the right time and are obviously ahead of the curve, but far behind those visionaries who saw this coming years ago and got into the metals. What I am trying to say is that we are only at the very beginning of this cyclical bull markets major move. We have so much further to go and the small market caps of many companies provide no room for small moves. Riches are going to be made. For an idea of what companies will do the best in the next few years please see here, or to

Exhibit 7
G4: Base Money Growth



increase quickly the amount you have to invest in these great companies see [here](#).

High prices were cited for the huge drop in Indian gold [import](#) throughout 2008. Imports slid 47% to only 402 tonnes. Let's see if other figures emerge before taking this number as the holy grail.

Russian gold output [rose](#) 13.3% to 184.49 tonnes in 2008 from 162.84 tonnes in 2007.

The major gold ETF's holdings rose once again to 843.59 tonnes. To put it in perspective that is 4.57 years worth of Russian gold production. Nothing to sneeze at.

Everyone is familiar with the expression; if I knew then what I know now things would have been different. A hedge fund manager is taking his grandfather's [advice](#) and investing in gold. He was warned as a boy of the dangers of fiat currency and the hidden tax of inflation and told gold and their equities were the only sensible way to protect yourself against such a threat. "The size of the Fed's balance sheet is exploding, and the currency is being debased." Gold and silver have survived centuries as money. This recent fiat currency experiment has lasted longer than any other in history and is nearing the end. The experiment of fiat money has been done many times before. The expression; those who fail to learn from history are doomed to repeat it, comes to mind.

A fund is offering [shares](#) in gold now, but it is nothing but a veiled way to attract new funds in my opinion since they don't really invest in gold. Here is how they will structure the new shares; "When an investor puts money into the new share class, it will buy gold with the cash. The fund will then hedge its exposure to gold by selling the metal for cash and buying gold forward on a monthly basis."

Another fund is being [launched](#) in Germany which invests in gold and securities which are dependent on the gold price. I warn that the fine print must be read before investing in any such fund since it is very likely that no or very little actual gold will be held since it is more cumbersome to trade. More likely ETF's and ETC's will be used because of their liquidity ensuring the fund is largely denominated in paper assets. Although they state up to 30% can be traded in gold futures, which are a form of paper gold unless they take delivery. They also state that redemption's can be in currency or physical gold, again read the fine print and really just buy the gold yourself. Consider it may be too late for them to take delivery when the need arises. If you are looking to take delivery of gold or silver contracts please inquire at postmaster@preciousmetalstockreview.com.

Most companies are very profitable at today's gold and silver prices after the costs of mining have risen so much in the past few years. Miners are finally beginning to see costs come down, making them even more profitable. Many people will be blown away over the next few quarters by the miners profits as costs come down and their product's price rises.

This cartoon reminds me of my month travelling around Sumatra, Indonesia. I had no plan or schedule and decided to head into the mountains and camp in the jungle for a week. We didn't see many animals, they seemed to sense something terrible in the air. My second last day camping the Tsunami hit not far from where I was. Thankfully I was on high ground. This time I can see the tsunami coming and have invested to put me on high ground. Have you?



I have been reporting on the increase in gold trading volume in India China and the rest of the East lately and the big western players are trying to move into that arena to get a slice of the pie as expected.

I won't list all the gold companies who have recently undergone capital raisings but the trend is clear. Gold and silver companies are solid and one of the few good investments for private money today, making them the go to investments for 2009. The companies know this and are taking advantage of the interest in them. There will continue to be many takeover or mergers in this sector while valuations remain cheap.

If you're a wall street elite's partner you have taken a real beating of late and just can't shop or be pampered as you once could. So sad, but you can

vent and find support at a new site blog [here](#). Just don't expect any sympathy from me or most American's.

This week I began watching a documentary by Niall Ferguson by the same name as the book, which is on my list "The Ascent of Money". Watching it in bed on the laptop I dosed off, but not because it wasn't good. I haven't yet finished it but so far it has my interest peaked enough to mention it to you. I recommend you watch it here <http://video.google.ca/videoplay?docid=-545930454338776455&ei=6d-ESa2GJqO6qAOmpLj2Cg&q=ascent+of+money&hl=en>.

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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