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2010

January 7,

Precious Metals Roar Into 2010

It's nice to be back to work after a hectic and unfortunately stressful holiday season. The general complacency regarding markets in general continues on into the new year and the metals are back on track to their wining ways, but more on that next week. Let's get right into things.

Metals review



So far the new year's been golden, having seen gold rise 3.72% for the week, and back solidly above the \$1,100 level. I expected the \$1,075 level to be the, or near the bottom and that's what happened luckily. While I'd love to say gold will continue higher in the same fashion as the past week, I can't. I have to be a realist, but that doesn't mean I am at all bearish gold. In fact it's times like these that I really enjoy since it gives new and old investors alike the chance to get into gold without much volatility.

RSI is moving up and after having bottomed just below the 40 level has moved up to nearly 56. The moving averages remain positive but more importantly the gold price has moved above the 50 day moving average again.

The Fibonacci Retracement levels I drew in are significant at this juncture. I expect to see gold move up and down between the \$1,131 and \$1,168 levels

roughly for the next month or so. It would be very constructive to see the moving averages catch up to price a bit more and the scenario laid out above would accommodate that.

MACD is now showing a buy signal as well as the Slow STO which is quite overbought. While I mentioned the range trade I expect above, seeing the Slow STO as it is I add the caveat that a move lower to test \$1,100 is likely before moving into the range I mentioned. But don't fret, it's all good.

Time will tell but I think we will see new all time highs by early March at the very latest, and \$1,500 or so by June at the latest, more likely May.



The silver rocket launched into the new year in grand fashion jetting up 9.48% for the first week of the year. I mentioned early in December that I

thought silver would be leading the second leg higher of this up-leg. That is exactly what is occurring now.

The RSI has moved up to 62 after bottoming slightly below 40 in late December. The moving averages are all in great shape and the silver price has moved back above the 50 day moving average.

As with gold, the Fibonacci Retracement levels are greatly important in this correction. Why I say silver is leading gold, other than the near tripling of gold's percentage move in the week, is that it has cleared the Fibonacci levels so quickly. As if they were hardly there.

With gold I expect a retest of \$1,100 before moving into the Fibonacci range, while silver is already there. That is why it's leading status is confirmed from my work.

Expect a range between \$18.45 and \$17.80 for the remainder of January. But as we all know these things are never set in stone and can change quickly. MACD is bullish, as is the Slow STO indicator but it is rolling over which makes the range trade more likely.



Platinum rumbled up 6.25% for the week. Both platinum and Palladium have been highlighted in the media much as of late. Mainly due to the two new ETF's. These will attract even more attention to these two precious metals.

As usual there isn't much to say. The up-trending channel is still holding strong and the price nearing it's upper reaches. RSI is not yet into overbought territory. The moving averages remain very bullish.

MACD is a strong buy while the Slow STO is bullish but likely to roll over since it is at such lofty levels at this time. We could see a run up to \$1,565 in short order and perhaps beyond with this new interest. I wish I could be so certain of Platinum's move this coming week, but fundamentals (new ETF's) have changed. It's going to be interesting one way or another.



Palladium rose a solid 3.73% for the week. It as well has seen an increase of media coverage because of the new ETF. This has changed it's fundamentals. There have been a few highly public articles which have catapulted palladium up and out of it's uptrend channel. Whether it will hold and form a new formation or not is too early to tell.

For now the RSI is overbought and hooking lower. Moving averages remain very positive. MACD is very bullish and the good short term trading indicator Slow STO has just flashed a sell signal from overbought territory.

I wish I could give more of an indication of the week and month to come, but I cannot. I would expect a correction from here, but as I mentioned, the fundamentals have now changed.

Fundamental Review

The big story of the week and likely one of the top stories for all of 2010 is the revelation of Tim Geithner's potential involvement in keeping the details of the bailed out insurer's payouts at 100 cents on the dollar when they were perhaps, and this is stretching it, worth \$0.30 on the dollar. The breaking story shouldn't shock any of us, nor should the latest, which is a [denial of his involvement](#). As they say, something has to be denied three times before it can be held as true. To be polite, I'll just say I don't believe much/anything that comes from the US government.

We ended up not seeing any more banks fail after December 18, and this new year has started with a whimper. There was only one biggest loser this past week and the [link to it is here](#).

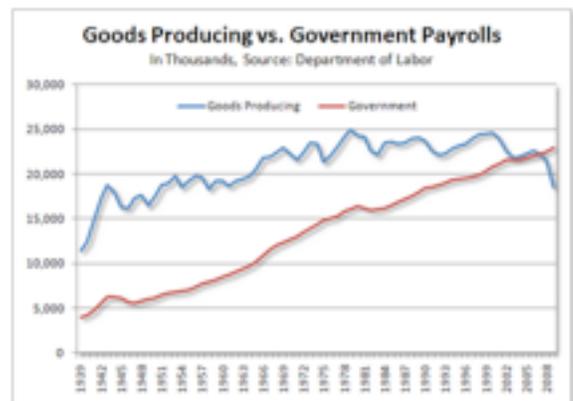
Coming as no surprise to myself or you, dear reader, [this article mentions](#) that banks with political ties had easier access to bailout money. Those who spent more on lobbying ie. wining and dining or financial or sexual favours seem to get you anything you want from the pool of taxpayer money sloshing around Washington. *"Banks whose executives served on Federal Reserve boards were more likely to receive government bailout funds from the Troubled Asset Relief Program, according to the study from Ran Duchin and Denis Sosyura, professors at the University of Michigan's Ross School of Business."*

An what about the "bank with no branches" everyone loves to hate? Well, they have a smorgasbord of former employees smattered around the globe in powerful positions so they just got made whole on their fraudulent contracts rather than get "bailed out", and a former employee tried to hide that fact from the public at the time as mentioned in the first story today!

The insurance company I alluded to above saw several members threaten to quite over low pay, one actually did and now stands to [receive millions](#) in severance. The farce never ends does it! Please protect yourself one way or another. Make that your resolution this year and don't stop until it's done. Physical precious metals are one way to achieve this.

According to the US Department of Labour there are now, for the first time ever, [more government employees](#) than goods-producing employees in America.

Charles Biderman suggests that the market's rally from March 2009 was [aided](#)



by government manipulation. While neither he nor I have any solid proof, I view it as a highly likely scenario. A nice analogy from him is; *"We know that the U.S. government has spent hundreds of billions of dollars to support the auto industry, the housing market, and the banks and brokers. Why not support the stock market as well?"*

While there are many good points on both side of the aisle it's just hard to believe the government had absolutely nothing to do with the sustained rally either directly or indirectly. They continue to lie, and cheat no matter who is at the helm.

The revelation that Chris Dodd graciously received a special low rate mortgage from a sub-prime lender should come as no surprise and is likely not the worst of it. However he's now resigning on the US taxpayers dime and will live a very comfortable life. If only in the real world you could lie, cheat and rob your supporters and come out so squeaky clean and set for life. No wonder everyone is flocking to government jobs!

Just in time for Christmas America was given the gift of an increased debt ceiling once again. This time senators voted to increase the debt limit to \$12.4 trillion, up only \$290 billion. That's enough to last until February...maybe. Merry Christmas American taxpayers, you just spent more on Christmas than you expect, without even being asked.

How about following in Iceland's path and actually asking citizens what they'd like! Voters there are expected to vote two thirds against repaying \$3.8 billion euros to Britain and the Netherlands.

The UK left rates unchanged at 0.5% this past week and reiterated their commitment to the asset purchase program set at \$200 billion pounds which consist mainly of buying gilts which are the equivalent of US treasuries.

China surprised everyone by increasing interest rates on three month bills. This is nothing too serious yet but many see it as a signal that China is readying itself to raise lending rates and tighten the system. Time will tell.

China also this past week took over from Germany the coveted position of the world's top exporter. Through the first ten months of 2009 Germany shipped \$917.7 of goods while China shipped \$957.7 billion. China also looks set to surpass Japan this year as the world's second largest economy. All this in the face of China being the target of more dumping cases than all other countries combined.

Just before Christmas an article out of the UK talked about the marked increase in investor appetite for silver over gold. One dealer reports silver coins outselling any other product 10 to 1. The article touches some of the many

reasons why silver is a better investment than gold including industrial application, diminishing photographic uses, antibacterial uses and it's excellent conductivity properties.

I'll add that many people can't afford or justify well over \$1,000 for a small ounce of gold but can justify buying more than 60 ounces of silver for the same price. Walking out of a coin shop nearly empty handed with an oz of gold or needing a purse or man bag to carry the 60+ oz of silver is a big difference. On the other hand it's much easier to be wealthy anonymously with gold if an investor has large sums.

According to the Bombay Bullion Association [India handily beat the estimated import number](#) for 2009 of 200 tonnes gold by importing between 300 and 350 tonnes. 2008 numbers were also revised higher from 420 to 439 tonnes.

Mali is set to enter into the role of Africa's third largest gold miner by [producing an estimated 54.4 tonnes](#) in 2010. The 2009 total gold production looks to be around the 49.5 tonne mark. The industry is pivotal to Mali making up 15% of GDP and a full 70% of exports. Gold can help poor and developing countries if it trades fairly and unencumbered.

A very nice recap of the some of the woes facing South African mining now and into the future [can be read here](#) and highlights many of the factors I mention on an ongoing basis here. The fact is that the deeper you mine the more expensive and dangerous it becomes. One company actually hopes to become nearly fully mechanized at depth over the next few years.

While South Africa still has what is likely the world's largest gold reserves, getting them to the surface is harder than most people realize. Production is now at lows not seen since 1922 and the obstacles continue to mount, but a much higher gold price will most certainly help that gold come to market one day.

Zimbabwe has now seen most mines which were closed during the decade long recession reopened and the country expects [mining output to rise 30%](#) in 2010. It is indeed an new dawn for the inflation ravaged country.

Both Palladium and Platinum producers have seen marked increases in their [stock prices](#) as the new ETF's to track the two sister metals [opened this past Friday](#). I've had a pretty successful time calling the moves in both metals over the past year and these two new products should be nice for trading purposes, but for investment nothing beats the real thing. I have yet to get the chance to read through their respective prospectuses but I will get to it shortly

and make a decision whether or not I think they legitimately hold the physical metal they claim.

If you've been reading my work for any length of time you know my thoughts that the GLD ETF does not hold all the physical gold they claim. But as with silver, both Platinum and Palladium are for the end user so it would be less likely to have an artificial product as such.

Congratulations to Chris Powell of [GATA](#) who was [interviewed by Max Keiser](#) regarding their recent lawsuit against the Federal Reserve. Good luck guys, and keep up the good fight for freedom.

I have nothing funny to post this week, but I did spend the past week with my sister and her two young boys...Oh what fun it's been. Working While hearing; "uncle Warren, can we do another puzzle now?" It's been great but exhausting. Next week I will be in a more serene atmosphere and really get back into it.

I happened to have some colloidal silver with me and mentioned it's uses to my sister. She finally confided in me that she was feeling quite under the weather, but didn't want to tell me since I would likely bug her into taking some.

She asked for some silver, as she calls it. I of course obliged and she felt almost instantly better, at least her throat. A couple more tablespoons the next day and some research into it by her and today she said she feels great! "No Warren", she said. I don't mean not sick, I mean fantastic!

She is a believer in it now and her short burst of research sold here even more. Apparently it's a bit of a detoxifier and she plans to give herself a few shots every couple months regardless of her health. It's so enjoyable helping people, especially family.

Speaking of helping people the top ten stock, model portfolio I began in the fall is up now over 36% and [subscribers are barraging me with thanks](#). Of the ten stocks all but one are junior or exploration companies. Only one in that category is down. The only other stock that is down is a major! And it's one of the best majors around. It just reinforces my view that the smaller companies are now, and will continue to outpace the majors as well continue down this bull road. This bull market is far from over and I hope your new years resolution includes getting into it now before the masses do in the years to come.

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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