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2009

July 11,

## It Was One of Those Weeks Again

It was one of those weeks around home, two flat tires in two days, and a month out of warranty saw the A/C compressor (\$2,000 part!!) go. I never buy extended warranty plans or take low deductibles on insurance, but this time I got burned. Although it is the first time and I am sure I've saved more than I would have paid out over the years, so for now I will stay with the same strategy. Such is life but those weeks are never that much fun. On the bright side, my mother always says things happen in three's. Hopefully that's it with the truck for a while now.

Now if only gold and silver can get a fire lit under them we can have some real fun. Let's get into the dirty details of the week that was before we can get out and enjoy some fun in the sun.

The Dow lost 1.62% on the week while the S&P 500 fell 1.93% and the Nasdaq fell the hardest losing 2.25%. Up in Canada the TSX lost 5.21% as the oil lost over 10% on the week. The junior and exploration heavy Venture exchange lost 4.34% for the week while the S&P Gold Index plummeted 7.23% as gold fluctuated between \$905 and \$940. The HUI index lost 8.41% and the XAU lost 7.15% while the GDX fell 8.27%. That was the week that was in my world.

# Metals review



Gold only fell 1.78% for the week, however the shares were absolutely hammered in comparison to the miniscule gold correction. I am nearly fully invested now, waiting for the imminent gold move up. Something big is coming soon and the danger of being out is greater than being in.

The 50% retracement area is being tested which coincides with the up-trend. RSI stopped just under 40 and is moving sideways. That is the normal lower reaches during a bull market, however on the daily charts the 40 level can be broken with no lasting technical damage.

The moving averages are all trending higher. The 200 day moving average is at the 61% retracement level and technically gold could fall to that level at \$880 and still be seen as bullish technically, especially on the weekly and monthly charts.

MACD is bearish now as well as the Slow STO. The Slow STO always indicates a good buying opportunity from just below it's current level so traders be ready.



Silver fell 5.27% helping to push the shares lower. The up-trend line was broken as if it wasn't there at all. The 61% retracement level is being tested now and held late in the week. The downtrend is solid and helped push prices lower over the past two week.

RSI has touched the 30 level. The 48 area must be broken in order for a new move higher to be confirmed. The moving averages are still trending higher, but barely. As always silver has shown us it's volatile side. Silver is a much better buy than gold and will do better over the course of the bull run, however the corrections come hard and fast keeping most investors out of the metal. You have to keep the big picture in mind if invested in silver and hold on tight until those fundamentals change. The 200 day moving average could well be hit at the \$12.25 area briefly to scare out a few more traders without the conviction needed to make money.

MACD has been bearish and right for the past month about \$3 ago. Slow STO keeps bouncing off the lower levels but remains below 20. Slow STO just doesn't get much lower than this and bears close watching. Once a buy signal is confirmed by this indicator I'd expect a big move back up near the \$16 level.



The white metal lost 7.18% for the week. Platinum broke below its up-trend channel which is surprising to me. It's been acting so well, but you can't argue with the market. There is good support here at \$1,100 level, but if that fails a move to \$1,040 is imminent.

Perhaps the recently announced [auto bankruptcy's breach of contract](#) for the platinum group metals helped to drive the price lower. Anyhow, this is where we are today.

RSI broke down to the 30 level. The moving averages are close to moving lower here. The 200 day had been flat and on the cusp of a move higher until this push lower which is pushing the moving average back lower again.

MACD is very bearish but the Slow STO indicator flashed a buy signal late in the week from levels not seen on this six month chart. That in itself is not a strong enough signal to jump in for me at least, but it's a step in the right direction.



Palladium was not immune and fell 6.75% but the metal does still remain in the up-trend channel which is very constructive. RSI is strong and bounced off the 40 level which is a very good sign. The moving averages are heading higher, even the 200 day is on the cusp of an upward move which is also very constructive.

MACD is neutral but heading into negative territory while the Slow STO is about to move into the lower reaches of it's range. On this six month chart the

Slow STO levels are approaching the lows seen which have been a great entry point.

# Fundamentals Review

China has taken another step away from [using the USD as a trade currency](#) by agreeing to use the Yuan in trade between both Hong Kong and Indonesia. While this transaction will only involve a few companies and select countries the writing is on the wall. The toe is being dipped in the water now and if the temperature is agreeable the body will follow, leaving the USD alone on shore, naked.

Sweden has taken the unusual and unsustainable measure of [cutting deposit rates to negative 0.25%](#). This effectively places a burden on depositors to actually pay to deposit money in an institution. In reality that won't happen, but I know I personally pay bank fees and transaction costs which equal more than the amount of interest I receive on deposits so I am effectively paying to deposit money, albeit I only keep small amounts in cash at most times. It wasn't that long ago that banks offered nearly everything for free and actually paid a decent amount of interest but as pressure to increase earnings year after year increase they need to come up with new more creative ways to gouge customers who they need to operate. I wish banks would realize this, or better yet people realize it is them who allows the banks to charge exorbitant rates for nothing and demand a revival of old ways and relationships.

For this week's one biggest loser [please see here](#). The one bank failure this week is a positive sign, however the eight so far this month tell a different story. I think the bank failure rate is about to skyrocket.

The company who is said to basically be "the ruler of all", had their little [trading program stolen from them recently](#). In a shocking admission "The bank has raised the possibility that there is a danger that somebody who knew how to use this program could use it to manipulate markets in unfair ways." This story has been the buzz all week on the internet. The company all but admitted they manipulate markets with this trading program. There are many theories about this ranging from it being a purposeful leak of the program to it being a Russian coup.

A couple of my thoughts are that it's amazing that the company can say out loud to the world that they "could" use this program to manipulate markets. That's like leaving a child in charge of the candy dish. The temptation will overwhelm rational eventually. I find it amazing that admissions such as this, along with so many others in plain view are tolerated, and missed. The symbolism found on the USD that people touch and look at every day is the most glaring one that comes to mind. Ever notice the pyramid and eye on the dollar? How about the owl from the Bohemian Grove? I know these things are

seen as conspiratorial issues but I like to hear all sides, from left to right. The more knowledge you can acquire the better and more realistically grounded your decisions and stance will be.

Sorry about the rant there but I can't help feeling that the most blatant frauds of our time are in plain view. The Madoff scheme comes to mind as well as manipulation of markets by central banks and governments which was recently talked about by [Larry Levin in a CNBC interview](#), also [Robert Zoellick, President of the World Bank said recently](#), "interventions by central banks and governments appeared to have 'broken the fall in the global economy' by stabilizing financial markets and boosting demand", and [Ron Paul's recent interview](#) where he mentions the gold manipulation by central banks.

Alas, most people don't care. For if they realized they are not in charge of their lives to the degree thought, a revolt would occur early the next AM.

The Bank of Korea is closely looking at the gold market and other central banks relationship with the metal and is likely to [buy gold with their foreign exchange reserves](#) for the first time in 11 years. The bank only holds 14.3 tons of gold as of May 2009. Gold has been a great investment throughout this new century. Still very few investors are in the gold market, but that is changing. Gold anywhere under \$1,000 will look very, very cheap in the years to come. [The equities provide even more leverage.](#)

The recent military coup in Honduras has [not affected mining operations to date](#). Canadian companies said they are staying clear of initiating any dialogue about the political situation and remain supported by local communities because of sound community relations programs.

The Chinese are [moving onto the mining scene in Botswana](#) in a big way. 111 Chinese firms currently hold exploration licences in the country. This is nothing but a continuation of the Chinese strategy of building strong relationships with African nations whose mineral wealth remains all but unexplored to a large degree. The article talks about China's new-found desire for full control of companies rather than an equity stake. The Chinese are moving now to first acquire an equity stake and over time buy the company outright. Keep this in mind as we hear of more and more investments by the Chinese in some of the world's largest miners. Slowly but surely China will control a majority stake in the world's mineral wealth.

A rare announcement of a country actually increasing gold and silver output. Peru's [gold and silver output grew in May](#) year over year with gold up 5.77% and silver up 4.6%.

The massive Oyo Tolgoi project in Mongolia has been [approved by both major parties](#) now but still must pass parliamentary approval. The agreement looks to be in the form of an upfront tax payment of \$125 million rather than a windfall tax plan. I think the one time tax will suffice for now, but later on the country will be looking for more, just as the American consumer in general gets his fix of gadgets that satisfies for a short amount of time until the next round of, “I need this” items comes along putting them in more debt.

The Swiss gold and silver ETF holdings [continue to grow](#) as investors clamour for the real metal. The gold ETF’s holdings grew 1.3% to 4.713 million oz over the last week while the silver ETF’s holdings grew to 49.371 million oz, up 1.01% over the same weekly period. Notice these numbers are more realistic and possible than the US ETF which moves in great leaps and bounds which simply reflect an impossible amount of real gold being acquired.

Ghana is trying to attract more foreign investment by establishing a \$15 million [gold refinery](#) late in 2009. The political and economic stability of the country is cited as a major attractant to companies.

The ongoing wage negotiations in South Africa are [slowly coming together](#) as miners increased wage offers this past week. One union said that the increased offer was enough to stem strike threats for now. These negotiations will likely go on for at least the whole summer and I would be mighty surprised if we don’t see some strikes. It seems a strike is just part of the deal at one point in time when these negotiations take place. If they don’t strike then they are giving in too easily.

The end of this week’s letter brings me to a retro look at some of the foolish things Ben Bernanke has said from 2005 to 2007 before the inevitable crisis began. Please see this link for a good laugh [http://www.youtube.com/watch?v=INmqvibv4UU&feature=player\\_embedded](http://www.youtube.com/watch?v=INmqvibv4UU&feature=player_embedded). It’s hard to believe someone in his position could say these things as the decline was so obvious back then and still keep his job, and more shockingly keep his credibility.

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](mailto: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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