

Precious Metal Stock Review

Bridging Wealth Protection and Wealth Creation

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General Silver's Last Stand

I'm referring to the 1876 battle near the Little Bighorn River in Montana where General Custer made his last stand against the Lakota and Northern Cheyenne Native Tribes.

In that battle 268 people from the US Seventh Cavalry were killed, including General Custer himself. It was a shocking annihilation that was not expected.

Silver is nearing such a battle with the lines drawn and converging on the \$18.50 level once again. This level has been a thorn in my side since early 2008, and General Silver has been defeated every single time to date, even after breaching that line temporarily.

Will this be the time General Silver prevails, or will he be pushed back once again? That's the question I cannot answer, and the charts are very mixed as to the outcome at the moment.

In terms of the general equity markets I am sending out [updates to subscribers](#) on a weekly basis or more now, and it's a good thing. Markets are whipping around left right and centre, but as wild as it seems it's not entirely unpredictable, but trading it requires relatively quick moves in and out of positions on a near weekly basis.

Metals review



Gold only fell 1.52% for the week with most of that coming mid-day on Friday. The late week push didn't really do any technical damage with support still lying just above \$1,180.

The 50 day moving average is still proving tough resistance. We could stay locked in this current \$40 dollar range for another week, but it should not be long until we see which direction the next move will be.

My bet is higher.

The GLD ETF saw mediocre volume all week with it picking up Friday as prices swooned. This ETF has a confirmed a bear flag pattern, but since this ETF tracks gold and gold trades 24/7 while this ETF only trades during NY trading hours, this pattern might not be as ominous as it could be.



Silver dropped 1.43% on the week. That \$18.50 level once again shed any attempt to move above it. I don't have any tattoos, but always said maybe one day if something important and meaningful comes to mind. I'm thinking about getting a big \$18.50 on my right arm!

All kidding aside, this is the battle line. The uptrend line can be thought of as more and more troops nearing the battle line. Sure, a few were knocked back late Friday, but we've seen this attempt to paint the tape more than once before and I am not ready to fall back yet.

We could see a quick move to the 100 day moving average at \$17.65, but my guess is this break below the uptrend line will be reversed Monday or perhaps even SUNDAY evening as Asian trading commences for the week.

The SLV ETF saw mediocre volume with an increase Friday with the move lower. As with gold, the silver ETF shows a confirmed bear flag, but ETF's track, not make the price, so it's hard to say for sure.



Platinum slipped 1.31% for the week and could not manage to get above the 100 day moving average. I hate to be the bearer of bad news, but it seems a head and shoulders pattern has formed and it looks very bearish.

A break below \$1,500 will almost certainly see a further move to at least \$1,400. Unfortunately Platinum behaves more like an industrial metal than a precious metal and a breakdown could presage a breakdown in general equity markets.

I wouldn't worry about holding physical Platinum, but any trading positions would make me nervous, unless of course they were short, or put positions on the ETF. Something like that could make a whole lot of sense in the near future, and better yet, a whole lot of money!

The ETF saw weak volume with very slight spikes up on two occasions, one a positive day, the other negative. Volume tells me Platinum is neutral at the moment.



Palladium rose by 1.93% for the week in stark contrast to the other metals mentioned here. It is also tracing out a head and shoulders pattern which may or may not come to fruition.

The large move higher was stalled out at the 50 day moving average. This may be a really good area to begin shorting the ETF that tracks Palladium if that's your thing.

Buying a portion of your short position now, with a tight stop would be reasonable and adding to the position if price moves below \$423 or so. That's the type of setup I like to see and, at times, [take advantage of](#).

The Palladium ETF PALL saw strong volume on the gap up day early in the week followed by no real volume to write home about and that includes the big down day, Friday.

I've said that Palladium is acting much more bullish than it's sister Platinum, and this confirms it. Now the question be, to short, or not to short. Tight stops are a must.

What does baffle me slightly is that the ETF traded lower after the physical Palladium market closed on Friday. It looks to be a bearish sign.

Fundamental Review

The [US's budget deficit](#) hit an astonishing \$1 trillion for only the first nine months of 2010. Outlays of \$2.6 trillion were not matched by receipts of only \$1.6 trillion.

There were [six biggest losers](#) this past week as the bank failures were announced....YES! Friday evening when everyone should be relaxing rather than issuing press releases. That makes 96 failed banks so far in 2010.

It was also announced that the Giant Squid "bank" has settled with the SEC for a paltry \$500 million. That's is a paltry amount to them.

There were many a headline this past week going something like; "China's Economy Slows.....". And "technically" it did. Growth of 11.9% in Q1 could not be sustained and a [growth rate of only 10.3%](#) was realized for Q2.

But let's be real. That's the difference between going 200 mph and 190 mph because you're coming up to another car on the Autobahn. If the US ever saw rates that high the headlines would be joyous and every day would feel like christmas.

China's factory growth did shrink to 13.7%, below May's 16.5%. Why I mention this is because of a [great interview I heard recently with Jeff Rubin](#). He posits that expensive oil simply makes importing goods from China or other

countries with cheap labour, uneconomic. It's true. And goods would arrive much quicker if they were produced closer to home too.

A theme I talk about every blue moon, and endorse whole heartedly is to try and support local business, farmers, winemakers, micro-breweries etc... We simply cannot rely on the current method of goods being delivered to our towns. I realize this is hard to do living in a city, and that's why I don't any longer.

Oil is going higher eventually and we cannot rely on it as much as we have in the past with rising prices and inevitable shortages. And that's saying nothing to the quality of home grown goods! Food grown yourself or in a sustainable non-chemical manner nearby simply tastes better. Much better.

This one cracks me up! A Chinese ratings agency [downgraded the debt](#) of the US along with Britain, Germany and France. They were all downgraded from AAA. China, Canada and the Netherlands are rated at AA+ while the AAA countries are Norway, Denmark, Switzerland and Singapore, where Jim Rogers now resides.

I don't know how seriously the international community will take this, but I think it doesn't fall too far from the tree.

The chief of the IMF also said that the East's time has come. Yes it's true. The west has too much debt and that is becoming a dead weight to any future growth under the current financial infrastructure.

The joke of a US credit agency [downgraded the debt of Portugal](#) to A1. This remains two notches above what the other big laugh of a US ratings agency rates Portugal's debt.

A new [Silver trust is in the offering](#) and it will hold physical silver unlike the dubiously worded silver ETF SLV. This will be a tremendous boost for silver since it's market is tiny to begin with and any semblance of increased interest will work wonders for the price. On the other hand futures contracts are not backed by physical silver and can be created out of thin air, in turn they will likely be used to continue to hold silver prices in check.

But once a level, what that level is I don't know, of physical silver is removed from Comex warehouses, it will spark a sudden realization that futures contracts are nothing but paper and they actually do nothing more than satisfy the addictions of those who must use them.

I could see a decoupling, as we have in the past, of physical silver to silver futures. Even today we see that. There is always a premium for physical, unless a futures contract is taken delivery of. One day, maybe sooner rather

than later, futures contracts will not be able to be physically settled, only cash settled, as most are already today. That will be a great day.

In late is a revelation that [gold coins issued by Russia](#), which were buried, underground, actually oxidized! You all know that I know that shenanigans occur in nearly every market in the world, and gold is no exception, and is perhaps even more “managed” than any other market. Fake or impure gold will only increase as we move forward and gold becomes more and more valuable.

I’ve pounded the table over the years to get it while these scams were isolated. I hope you listened, but if not you can get it assayed for a fee. It just adds to the confusion of buying physical gold, which is partially by design to deter the investing public to ever get involved. Find a reputable dealer whom you trust or has good reviews elsewhere and you should be alright, but the time is nearing where these scams will be prevalent.

The new iPhone’s fix was announced Friday. It’s not as attractive as I’d hoped, but it should certainly do the trick!

I have that old feeling that’s I’m forgetting something this week, so I hope it wasn’t too important, or maybe it’s nothing at all.

I hope the sun is shining down on you wherever you are and these erratic markets don’t get you down too much. If you’ve got your insurance/physical metals, you’ll be fine, so go play a round of golf or sit out on the deck with a cold one and enjoy a good book when things move against you. Or better yet, spend some quality family time with your loved ones.

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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