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We've Got the Green Light

The past week saw some major gains in the major averages helped by some good earnings by banks, which were offset by some major names disappointing in the earnings confessional. However it did not matter as traders remain giddy over any news that can be spun in a good light in any way, shape, or form at all.

The Dow shot up 7.33% while the S&P followed, moving up 6.97% and the Nasdaq won the week moving up 7.44%. Up in Canada the TSX rose 6.38% and the junior and exploration heavy Venture index rose 4.79%.

The gold and silver indices saw nice gains as well as the HUI moved up 10.87% and the XAU leaped 11.05%. The S&P TSX Global Gold Index rose 5.51% and the GDV index rose 9.96%.

'Twas a great week in both never never land (Wall Street) and the real world (Precious Metals). I talked exclusively to my subscribers this week about the reverse head and shoulders pattern evident in the chart of the S&P and Dow.

We are seeing a near breakout from that pattern which implies much higher levels. Perhaps Jim Rogers was right recently when he said he held no shorts, a rare event for him. He sees higher nominal prices in the indices, meaning inflation will take a firm hold and while the numbers will be higher when adjusted for inflation they will be lower. For example gold must move above \$2,000 to match it's all time high in inflation adjusted terms.

Metals review



For the week gold rose 2.67% but more importantly gained ground above the recent downtrend as well as the 100 and 50 day moving averages. Pretty well all the action took place on one day, then traders hit the beach. But the staying power of gold right now above the moving averages is very positive.

The resistance lines are drawn in at \$940 then up in \$20 increments to the all important \$1,000 level. RSI is back above 50 and flat. The moving averages are looking really good except the 100 day which should begin to once again move higher soon enough. The long up-trend held nicely and pushed gold up sharply.

MACD is now bullish from late in the week while the Slow STO is approaching overbought status. I think we are on the cusp of the big move here. It could happen next week, or we could see the price move slowly and steady, over the hurdles above, for the rest of the summer until the big explosion higher once \$1,000 is breached again. I think that there is more danger being out of the market than in right now, and am nearly fully invested.



Silver shot up 5.64% for the week doubling the percentage gains of gold. I mention nearly every week how much more volatile silver is than gold on both the upside and downside. Silver bounced perfectly off the up-trend line and is now butting against the 100 day moving average. There will need to be some real force to continue to push up silver to the \$14 level and the 50 day moving average just above.

RSI is at 46 now and moving slightly higher. The moving averages are basically flat right now and should provide some resistance ahead in the near future. MACD is now flashing a buy signal from very low levels where the big, multi-month moves begin. Slow STO is still showing a buy signal and only in the middle of it's range leaving lots more room for silver to run higher without being overbought according to this indicators.



Platinum rose a full 6.18% for the week and is moving quickly to regain it's comfort zone within the up-trend channel. The 50 day moving average is the last hurdle to overcome before that goal is achieved.

Last week I was surprised that platinum fell from it's well defined long term up-trend channel and was rethinking this metal, but those thoughts were

short lived. The end result was a short bear trap which sucked in some shorts before a huge move back up ensued.

RSI is only at 51 leaving lots of space to move higher. The moving averages are moving up except the 200 day which is about to move higher and will further push up the price. MACD is now bullish from extremely low levels and Slow STO remains bullish and only in the the middle of it's range. Great stuff from our well behaved friend, platinum. Bullish is the only position possible for this metals right now and for the foreseeable future in my books.



Palladium had a weekly gain of 6.23% and faked out some traders who were betting on the downside. The white metal moved from the lower reaches of it's up-trend channel, back to the middle of the range, all in a few days. Not much to say about it. You can trade the channel easily if that is your style.

RSI has now moved back above 50 to 56 and is strongly bullish. The moving averages are very bullish with the exception of the 200 day, which will turn up and bullish any day now. MACD shot a buy signal late in the week from low levels and the Slow STO is just about into overbought territory.

Fundamentals Review

Friday the great American business channel issued a story on the often quoted Noriel Roubini. The story talked about his apparent reversal of stance, since he apparently called the recession over. This came just as the Dow was about to cross into negative territory. Once the news hit the street the numbers stayed green for the rest of the day. Once Mr. Roubini discovered this supposed fact, he issued a formal press release that the story was false and he remains a bear, calling for the recession to last 24 full months and that we won't see a recovery until early 2010 if he is right. Where these things get made up from is a mystery, but the effect they had on the market was apparent and immediate. Fact don't matter anymore, it's all spin.

For this weeks list of five biggest losers [please see this link](#). We are on pace to have nearly 150 banks closed or taken over this year.

Speaking of spin the ultra-bearish financial analyst Meredith Whitney who has been bearish for a long time on banks and financials and has been right, recently left her old firm and opened her own. Needing business and favour she has now gone bullish on the same institutions she was recently so bearish on. It goes on and on, and on.

Patrick Byrne was recently on Glenn Beck's show and they talk about how government is owned by Wall Street. [It's a short but must see video](#), especially if you are still on the fence on the topic of who really runs America and the world. Since I'm Talking about Glenn Beck, if you have an extra ten minutes I suggest you [watch his presentation on his Bubble Web](#). It will make you sick, and the only outcome is to come out with a strong will to protect yourself. [Gold and silver and their equities are one way](#).

I almost saved the best for last but could not wait to get it out there. The major hedge fund, Greenlight, run by David Einhorn had 4.2 million shares in the US gold ETF and was the largest shareholder. He informed clients this past week of his move out of that position and into the physical metal. He cited that it would cost less to store physical bullion than to pay the small management fees associated with the ETF. I don't buy that. It would be more expensive to store physical bullion unless he had it in his basement with no extra security measures other than a few CC TV's.

The real reason must be that he finally got around to reading the ETF's prospectus and discovered that they don't actually hold all the physical bullion they said they do. He is one smart cookie, and will be followed by others including Paulson's firm who recently invested in GLD shares. Expect that

announcement likely next quarter as he reports to clients. Einhorn's move give everyone the green light to move into physical unequivocally.

The South African [wage negotiations continue](#) their long slow saga before the inevitable strike. Miners raised their offers slightly from 9% to 9.5%. The National Union of Mineworkers said that is still not enough and are deciding whether to progress towards a strike certificate. I bet most people in the world would be with happy with a 9% raise, but not them. The issues continue [here](#), [here](#) and [here](#).

The US mint, once again has temporarily [suspended production of coins](#) due to unprecedented demand and a shortage of blanks. Most gold uncirculated and proof coins are not being produced. This time silver uncirculated coin production is also being halted for the same reasons.

They say, perhaps coin production can be resumed in the second half of 2009 if a sufficient supply of blanks can be found. I understand they may have extraordinary demand which exceeds their potential supply, but to halt operations altogether seems unreasonable. This issue only surfaced last year and should have driven prices higher if the story is true. Too much demand tends to do that in most cases, but with gold and silver the price appreciation has been slower than slow.

Sales to date in 2009 are 700,000 oz of gold and a matching number of coins compared to last years total sales of 860,500 oz and 1,172,000 coins. This year the mint has cut the production of fractional coins which is why the number of coins produced last year were more than the amount of bullion used. Silver sales to date in 2009 are 14,899,500 compared to the 2008 total of 19,583,500.

The Swiss continue to have a hard time [finding enough room to store physical bullion](#) for their customers and are both improving existing storage facilities as well as seeking out new ones. This issue has persisted for at least a year now and just underscores the continued investment demand for the physical metals.

Spain is in need of cash as are many other countries. They've come up with [a novel way to keep their navy busy](#) while hopefully making money as well. The country has ordered their navy to search for an estimated \$85 billion euros of lost sunken treasure off the coast. I suspect that many other seaside nations may do the same.

Contrary to what many "experts" have been saying [Chinese imports of copper](#) hit another all time record high for the fifth straight month in June.

475,999 tonnes were imported well above the previous record in May of 422,666 tonnes. Aluminum imports also continued to grow.

Chinese GDP grew to an outrageous 7.9%. This, even after the Olympics have finished and the world is experiencing a deep depression. This number was much better than the 6.1% reported in Q1. Even 6% is hard to imagine. Wow! Someone is doing something right over there.

Speaking of the Chinese as I do every week, they are looking at Canadian miners who are today valued as bargains in the marketplace. Gold, coal, copper and uranium mines are the main targets. Remember last week I mentioned an article which talked about the Chinese strategy of gaining full control of companies by first acquiring an equity stake, then gradually increasing that until full control is gained. The rate the country is growing, acquiring stakes or whole commodity producing companies is the best way to go for them. Potash mines and companies can't be too far of their radar screen either.

I've talked on several occasions about the investment demand in Japan for the platinum group metals. The largest precious metals dealer in Japan said recently that sales of platinum bars to locals rose 263% in the first half of 2009, a lower prices boosted demand. Interestingly enough Japan is the worlds second largest user of platinum. Seems those with some dough there are stocking up in hopes to sell it back to industrial users there in the future at much higher prices. Smart move.

For this weeks funny I take you to John Stewart's show which on Monday July 13, had Barney Frank as a guest. In America you can search for the episode here or for my many readers in Canada you can view it here. Part one and the Obama clip is the funny I am referring to and it is right off the bat to not waste your time. The picture on the right sets the scene. Part two with Barney Frank is equally as good and he puts out some real keepers on the stimulus and his wife!



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Until next week take care and thank you for reading.

Warren Bevan

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