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Gold Holds The Line

Ben Bernanke spoke this past week and was quite frank during the first day of testimony. The markets plunged as a result of his talk of the economy being “unusually uncertain”.

I’m sure his unusually candid remarks sparked an evening of calls by some of the highest members on high finance in the US who pleaded with him to expunge his previous days honesty.

It worked and sent markets higher into Friday where they look to have traced out a mildly bullish pattern for at least the short term. But then again the perpetually wrong Tim Geithner was on the tube saying there is no double dip recession. Technically he’s right since we’re in a large depression that has only run perhaps 40% of it’s course. That 40% number is my attempt at being generous this week.

But only being 35% through the earnings season so far there is still much news to consider.

The metals actually had pretty decent weeks so let’s get right into it.

Metals review

Gold slipped 0.31% for the week and clung to important support at the $1,180 area. It looks like this pattern must be soon resolved. Another bear flag has formed and likely will be resolved lower seeing gold move to the $1,160 area unless the uptrend line can hold now.

Any move lower should be relatively short. This is the time of year where gold tends to begin it's strong move into the fall.

I am very impressed at the resilience Gold has shown around the $1,180 level.

The GLD ETF saw quite weak volume all week and gives me no indication of gold short term direction. The week ahead must see gold hold the $1,180 level or further liquidation will occur.

Silver rose 1.4% over the week but was stopped abruptly at the 50 day moving average. It's great to see the lower support line holding and pushing prices up sharply from there.

The $18.50 level is still a thorn in my side and likely will be for at least a month. There is growing recognition though, of silvers monetary status along with the overwhelmingly strong industrial usages.

There is no way that silver will not be much, much higher over the years to come. A $20 silver round will seem like a ridiculous bargain in the years to come.

The Silver ETF saw mediocre volume all week, even while price moved sharply higher late in the week. More and more investors are opting to get the physical metal rather than a piece of paper. Once a trading signal is confirmed though, we should begin to see strong volume once again in this ETF.

Platinum rose 1.99% on the week and moved slightly above the 200 day moving average on Friday. We should continue to see price trending within the $1,500 to $1,560 range.

For now I am neutral on Platinum.

An important level is close at hand though with the 50 day moving average closing in quickly to the current trading level. That should put downward pressure on Platinum at least for the short term.

The Platinum ETF saw massive volume Friday as price shot higher. This is very bullish, but the 50 day moving average will be a tough level to overcome easily, so expect some horizontal moves over the short term.

Palladium moved higher by 1.85% for the week. Price is constrained between the 50 and 200 day moving averages still and is in a large wedge formation.

This should continue but if price moves below the uptrend line then a move below $400 is likely. For now though there is no need to trade this metals ETF.

The ETF saw decent volume late in the week as price moved higher, which is good. Sit tight if you own the physical metal, and perhaps even buying some physical these days would be a good idea since prices are heading much higher over the intermediate to long term, but short term, who knows.

Fundamental Review

The big news is the new Financial Regulations bill being passed then signed this past week. It's a 2,300 page thriller I'm sure. It's something I won't read, nor will most others and yes, that includes those who just passed the bill.

I just can't imagine how they have to make something so complicated and complex, but manage to 100% of the time. How they can enact something they haven't read and don't understand makes them incompetent and unfit to be in public office. IMHO.

There is a much simpler solution for businesses to be effected by the new regulations. Move!

It's happened in the past and will again. Once conditions for business deteriorate beyond a certain point, businesses just move. I really think the US is shooting itself in the foot over and over again.

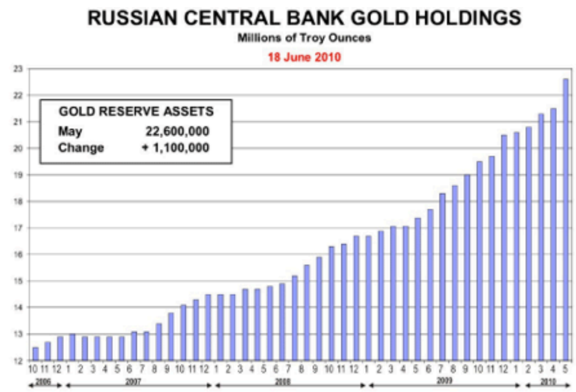
The whole point of the bill is to prevent a repeat of the 2008 "crisis". I hate to break it to you but we're still in the midst of that crisis, like the eye of the hurricane.

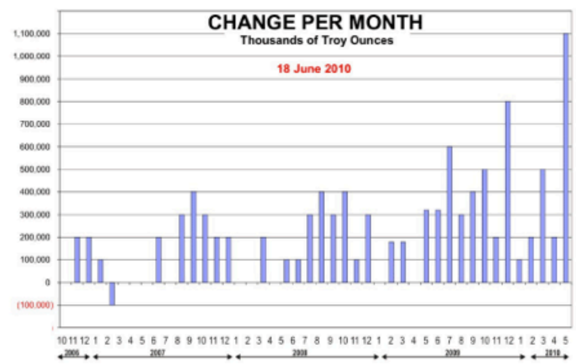
The solution then was to let the companies who got too greedy fail. Bailing them out with taxpayers money was not prudent and simply prolonged the inevitable. There will be large bankruptcies in the future though no matter what bill is passed. Unless taxpayer money is used again to bail them out, and I do expect that to occur, just maybe not quite as blatantly this time.

Here is a much harsher critique of the new bill which is not so underserved, and a video that is simply, stupid. It gives no credit to the American populous and seems to be made for and audience of 5-7 year olds.

The EU stress tests were a sham as were the US's. I'm not even going to get into it since it's just a poor attempt to calm investors by painting a pretty picture. The tests only tested the banks trading books and did not take into account anything they planned to hold until maturity so they can just say they plan to hold their crappy assets until maturity and then they don't have to be "tested". What a sham.

Ireland's debt was downgraded to AA2 from AA1 early in the week by one of the US ratings agencies.





Russian gold reserves grew 11% in the first half of 2010. The value is a paltry $28.2 billion US dollars, the difference being it's real money and will increase against the current fiat money regime. It's not very hard to see the trend that our Russian friends have embarked on.

China's gold output rose to 127.34 tonnes through January to My 2010. This is up 6% year over year. That's a large increase considering the labour intensity of gold mining and the fact that China is already the worlds largest gold producer.

There were seven more banks to fail and join this years list of biggest losers. The failures were announced the same time as always

Financial aid was restored this past week to 2.5 million jobless Americans. I have a tremendous amount of empathy for those without work, who want it, and they do need a break. Extending their unemployment is going to cost taxpayers, but the simple fact is that if it were easier to run a business without having to jump through hoop after hoop there would be plenty of jobs to go around. But that would be competition for the corporatocracy, and can only be tolerated to a degree.

Bart Chilton released a video explaining his hope for implementation of position limits to be enforced as they should now that the latest financial bill has passed. It would be nice to see a limit on the amount of futures contracts an entity could hold, but there will be loopholes and ways around it. I remain skeptical.

The only true method of defeating those who hold prices in check with futures contract/paper, is to take physical delivery of Gold and Silver. It's the only way to add demand and take away supply with 100% certainty, aside from a select few other investments which do take physical delivery of metals.

The oil spill weights heavily on my mind still, even though real details are hard to come by in the main stream. This article may seem a bit of a stretch, but it has happened before, and will again one day. Whether it will be in our lifetime I don't know, but as I always say it's good to read everything you can and form an opinion and plan of action according to your educated beliefs. It's a short and enthralling read, so enjoy it! But don't go overboard ;-)

I don't know if you've heard of the legend that is Trader Vic, but I've read and enjoyed a few of his books over the years, and the fact is that he's been one of the world's top traders for a very long time with deep connection.

Trader Vic warned this past week that the conditions he sees today are ripe for hyperinflation. I couldn't agree more, and have taken appropriate steps to protect myself. It's almost a certainty unfortunately. You must take heed when figures such as this come forward.

To finish off the week on a lighter note, a couple women took to the streets in an attempt to sell/give away a silver round to no avail. It always blows my mind to see how far away the general public is to entering the precious metals market. Most American wouldn't know a gold or silver coin if it literally hit them on the head.

The best is yet to come for us already on the right side. That side being the side of real money and safety

I've said before that America needs to cut spending and endure hard times which should begin at the top level of government and they should lead by example. We have a long way to go if this story is representative at all of other municipalities.

A town of only 38,000 people saw their city manager payed $800,000 a year while even the police chief makes $457,000 annually. That's more than LA's chief of police. The whole article is a must read.

Enjoy your week ahead and enjoy the summer while it's hear.

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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