

Precious Metal Stock Review

Bridging Wealth Protection and Wealth Creation

www.preciousmetalstockreview.com
2010

August 1,

HeadFaked

I need a vacation like I need my morning coffee. The never ending barrage of lies, fudged numbers and attacks on gold are wearing me down. Along with the long hours. This weeks letter will be shorter than normal, at least now at the outset that's the plan!

Alas, my time off doesn't come until the end of the month. I recall the summer of 2007, being on a houseboat on a beautiful lake in BC, Canada for a week with no outside communication, only to come out to the beginning of the first large leg lower of this current crisis.

It was blamed on the housing issues. It was no doubt a large part of the problem, but derivatives and simply too much debt being incurred by nations and individuals is the root of the problem and that is now very clear.

I fear as I begin my trip late in August this year that the current move lower, will accelerate and become clear to the masses. This time I'll be approaching the North Pole on an icebreaker and will only have intermittent internet access. It's certainly not ideal, but life nonetheless, and I'd be kicking myself if I missed this opportunity.

Speaking of time off, we all should have taken the past week off as Gold ended up being knocked lower to the support level I mentioned last week near \$1,160, only to end the week near even. I would have kept a few hairs had I headed that advice!

On that front, if you can't handle these quick, near constant, but meaningless, moves lower then simply get out of gold. It's not for the faint of heart, but has done extremely well this past decade. In fact, over 17% annually, compounded!

If you do decide to stay, please don't hound myself or anyone else who's been right about precious metals for the past decade when gold goes through these inevitable, violent corrections. God knows myself and other writers and investment advisors have enough on our plates than to hold hands for no reason whatsoever, and over something that only lasts a few days.

Gold has much further to go.

As Brando say's in one of the greatest movies to ever be made, The Godfather.

"You can act like a man! What's the matter with you?"

I made my bed with information I learned over time, now I sleep in it, and have only myself to lean on when times get tough. Times will get much harder over the next few years as economies and currencies crumble, but owning some physical metal will make those times much more tolerable in my opinion.

Enough ranting by me, let's get right into the weeks action.

Metals review



Gold slipped 0.71% for the week after dropping precipitously early in the week in just minutes, through support at \$1,180 to stop at lower support at \$1,160. That level held and sparked a sharp reversal back to the \$1,180 area.

On the week prices were basically unchanged although investors panicked as usual and the same old feelings of despair and uncertainty arose in gold. I don't understand why people get so excited about these small moves. But they do.

It's nothing to worry about since a major rise in gold is just around the corner. Summer always marks a great opportunity to buy gold, just before it's large move higher in the fall. It's almost like clockwork, so don't sweat it!

The GLD ETF saw a large volume spike with the downswing in Gold. That's to be expected as GLD is a trading vehicle, not an investing vehicle. The rest of the week saw moderate volume with no real conviction either way.



Silver dropped a slight 0.72% for the week and underwent a similar smash lower as Gold, followed by a nice move back up to where the week began.

The \$18.50 area is still here and waiting to be overtaken while the \$17.50 remains nice support. The \$18 area is now seeing the 100 and 50 day moving averages converge so it could pose some downwards pressure over the short term.

The SLV ETF saw good volume on the move lower, followed by low volume, followed by a pick up late in the week as silver moved up over 2% Friday. That is good action.



Platinum rose 1.95% for the week after breaking above the downtrend line late the week before. It's great action and this move looks ready to push to the \$1,600 area where the 100 day moving average sits.

If that is the case then we could be seeing the double top formation which would likely be followed by a move down to \$1,500.

The PPLT ETF saw ridiculously high volume early in the week as the price moved higher. Then small volume followed by good volume Friday as price continued to move higher. All in all I'm very impressed with Platinum's

strength as of late. It nearly completed the head and shoulders pattern I mentioned a couple weeks ago, but shrugged that off completely. I am looking for higher prices to continue in the short term.



Palladium rocketed 7.65% for the week and continues to outperform the rest of the precious metals. The stunning move took it slightly above stiff resistance at \$500 on Friday.

There isn't much to say about this explosive move other than it may have exhausted itself now at the \$500 area where a top was seen in June.

The physical market is driving the Palladium price as only mediocre volume was seen in the PALL ETF. This is very bullish, although this level here

at \$500 may prove tough. If it can be bested though, \$550, then \$560 will be right around the corner.

Fundamental Review

US GDP numbers were released Friday and set the tone for the day until a late day rally which saw US markets end the day ever so slightly higher. GDP growth slowed to 2.4% in Q2 2010. That's a far cry from China's 10% or so growth numbers over the same period.

I've said many times recently that the market is leading while these types of numbers along with earnings releases by companies are lagging. That fact is very important to remember always.

China just ousted Japan to now become the world's second largest economy. Projections say China will overcome the US in 2025 to become the world's largest economy. My bet is it will be much quicker than that. Perhaps only ten years away.

The SEC said this past week that the fix all financial bill just passed exempts them from public disclosure of virtually all requests for information. I thought this bill was meant to make things less complex and more transparent. Basically this now hides any further failures by the SEC, think Madoff, and only hurts the American public. I hate to say it, and will get some hate mail, but if I lived in the US I'd be near the end of my rope and looking for another country to take residence, at least partly.

Mervyn King of the Bank of England, once again warned that high inflation will continue to erode earnings power. No matter what anyone tells you, the US has higher inflation than is currently reported/admitted. Very high inflation or, I pray not, hyperinflation is a certainty.

Mr. King also said that the Bank of England will stimulate the economy/print money, before being concerned with inflation. It's clear that the choice to print money is one way out of debt. Basically defaulting on debt by devaluing the currency is the path most governments are taking.

James Bullard of the Fed's St. Louis branch said recently that there is unanimity among Fed officials on the subject of providing support should the economy take another turn for the worse. In plain-speak, he just said we'll embark on another round of quantitative easing/money printing.

Everything I'm hearing is telling me that the second, larger round of quantitative easing is being prepared now. Unlike the first round where it was

seemingly a late decision with little time to fine tune the minute details this round will be much more refined. But that's not necessarily a good thing.

For one cockroach you find, you know there are a hundred more you'll never find. [Three ex-bankers](#) of one of the largest and most influential US companies were indicted for profiting from taxpayers by rigging bids. Do you really think it was their idea, or more a company unofficial policy? The real culprits will remain behind the curtain, hidden and protected, at least for now, and thinking of the SEC article mentioned above, possibly forever.

As I read through the article mentioned above I can't help but thinking the findings from the investigation sound like simple lobbying efforts which are widespread. If lobbying in it's current form is allowed then likely they should be found innocent.

There were [five failed banks](#) this past week to add to the list of biggest losers. On that note, John Kanas expects [1,000 banks to fail](#) over the next two years.

John Embry's latest [is found here](#) and is a must read as usual. He's bang on that currencies are being devalued and that's the only road forward. Gold will rise nominally by leaps and bounds, and it could begin any day.

Well I didn't cut things as short as I'd hoped but it happens. Now, off to the beach!

Enjoy the week ahead.

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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