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To Be Or Not To Be...In The Markets

Markets rallied in the US late into the week with most gains coming on Thursday. With options expiry coming in the week ahead we have be aware and not read too much into the moves. Option writers are notorious for keeping prices in a range that will maximize their returns. That sounds like manipulation. Yes it is! But it occurs every single month in equities, commodities and everything really.

For now the S&P and Dow remain below their 200 day moving averages which is not good. Any way you look at it, the markets are not safe these days. They move up big one day, down big the next. There is no discernible pattern really, and cash may just be the best place to be for a while.

Get out and golf, or do something fun, anything other than be tortured by the markets on a daily basis!

Metals review

Gold slid up 0.53% for the week after giving a near breakout signal. Actually, that morning that gold crested above the breakout level, the US markets had yet to open. I saw the breakout of the spot price and alerted subscribers to impending trades.

During my trade preparations I thought at the last minute to check one more indicator. Thankfully I did, and it had not yet broken out. It turned out that it came within pennies of a breakout, but it did not confirm. I didn't end up putting on trades and subscribers know why. As we now know the price did fall back.

This shorter term chart does not show the complete cup and handle formation, but the handle is still forming perfectly and should be resolved in the next couple of weeks.

The GLD ETF saw good volume on the near breakout and low volume as price consolidated. That is very good as it tells me there is not much conviction on the downside.

I am ready to make moves once the breakout occurs, but until then I have to try and continue to sit on my hands.

Silver flew 4.59% for the week in it's typical wild fashion. The move up happened early in the week on one day. The rest of the week saw a consolidation at tough resistance at $18.50.

We may have broken the downtrend, but I'd like to see a move above the resistance mentioned at $18.50 to confirm that.

The indicators all look well enough, with the Slow STO thinking about hooking lower.

The moving averages are acceptable although the 100 day is precariously close to moving below the 200 day. Right now the 50 day average is holding price in a very tight range.

I can easily see a range between here and the uptrend line, now around $17.60, until gold breaks out decisively.

The SLV ETF showed strong, but not incredible volume, on the big move higher, then waned into the consolidation. As with gold, it tells me there's not much conviction on the downside.

Platinum rose 1.78% for the week and moved nicely off the 200 day moving average. There's still not a heck of a lot to say about the recent crash in platinum.

I still expect a range trade between about $1,575 or the 100 day average and the 200 day moving average.

Volume in the PPLT ETF saw a bit of a spike early in the week as prices fell and volume waned as price bounced off the 200 day average and moved higher. This does not look like there is much conviction one way or another at this time, but the little there is, is leaning towards the downside.

Palladium rose 4.07% for the week and looks to be still in the process of forming a large wedge pattern which could take nearly two months to complete.

I don't have much to say about this chart either, other than I am looking for a range between the 100 day and 200 day moving averages for now. It would be constructive though if the uptrend line held. $480 will be the tough line of resistance as we move forward, if price resumes trending higher.

In stark contrast to the Platinum ETF, the PALL ETF saw a spike in volume as price moved lower early in the weak, then lower but increasing volume as PALL moved higher later in the week and very weak volume on Friday as price moved slightly lower. This tells me there's not much conviction either way, but the balance of interest in for higher prices.

Fundamental Review

The biggest story that was ignored this past week is that Iran is sending aid ships to Gaza. This comes only a week after Israel's attack on Turkish aid ship bound for Gaza. This resulted in the death of nine activists, and 40 injuries.

This is a blatant provocation by Iran. The two countries have seen tensions high for years now over the nuclear issue and Israel has been very close to attacking with bunker buster nuclear bombs on occasion. Those bombs are supplied by the US.

If this space ignites, it may take eyes away from the debt crisis for now, but gold will continue to climb in either situation.

In contrast to last weeks leak that Iran was selling Euro holdings and buying US dollars and gold, they denied those reports this week. We should expect nothing less from Iran or any country with half a brain. You should never announce your intentions before you complete them in markets.

The massive, growing oil leak in the Gulf is on the forefront of my mind every day, but I won't get into it at all this week other than to direct you to a superb interview with the very knowledgeable and realistic Matthew Simmons.

George Soros issued a dire warning to investors by saying "*we have just entered act two*" of the crisis. I couldn't agree more and have been taking evasive action for almost a month now. You can make money during crisis times, but it takes chutzpah!

He says; *"the collapse of the financial system as we know it is real, and the crisis is far from over"*. I agree. We just went through a normal bounce and period of lull. It always happens, in order to lure in the public. Now that they're in, the second wave can begin.

Funny enough, he issued these warnings from Vienna. Read on to see the possible connection.

It truly amazes me how markets work in cycles. Bubbles really. From gold, to bonds, to tulips, to tech to housing. It's always the same, it just has to be identified and analysed.

Michael Lewis is projecting a 36% further rise in the price of gold over the next year, as Asian central banks are buying for the first time in two decades. That would be about $1,700/oz. While that's great news and all, the fact remains that China has been buying for nearly a decade already so this is not news, but still good to see.

There was only one biggest loser this past week and the name of the newly failed bank can be found here.

A great big Swiss investment bank came out reiterating their target of $1,500 gold in 12 months. They say; *"with confidence in paper currency systems badly shaken in the financial crisis, gold it seems, is reasserting it's old role as the ultimate debt-free money"*.

Yes investors, mainly Europeans at the moment, are flocking to gold. How long until mainstream US investors catch on to the FACT that their currency is heading towards zero?

By that time gold will not be available for sale, and what little there is will be prohibitively expensive.

On the other side of the fence from myself and the group above remains Mr. Prechter who continues to be bearish gold as it rises year over year right in front of his face. He says the price of gold could fall 40% because of bearish technical momentum and deflation amid a European debt crisis.

As far as I can see, and yes my prescription is updated, gold's chart has on balance gone from lower left to upper right for the last decade. That equals bullish technical momentum.

Deflation? Where? Currency is being printed every day which equals inflation. Most items are more expensive this year than last year, but that doesn't even matter. The definition of inflation is an increase in the money supply, plain and simple, although that's not what is taught anymore in most schools.

And finally to say a debt crisis is BAD for gold is just silly. Why anyone would continue to listen to this very smart, but wrong man is beyond me. Everyone deserves a chance in my view, but if they continue to lose you money then perhaps it's time to give someone else a shot.

A recent quote from Mr. Prechter; *"I still feel that gold is not going to the moon here. It's not a market that you want to be long, just as you didn't want to be long stock in the first quarter."*

The charts I look at showed a raging bull market from February to May in the US indices. Perhaps he was looking at the Shanghai Composite index which was more or less flat.

Nothing against Mr. Prechter, but he has been wrong and continues to be wrong...in my view!

The Perth Mint has doubled capacity as investors flock into physical gold. Mints will simply not be able to keep up with demand as we move deeper and deeper into the abyss.

The Perth Mints sales and marketing director said; *"As soon as it was announced that the European Commission was bailing out Greece, the German population decided they'd better hedge their euros by buying precious metals. We had stock before this blip in the market, then it all went."*

As the fantastic World Cup begins this weekend South African gold production was seen falling 6.2% year over year in April. It never ends. Let's hope the World Cup goes better than their declining mining industry.

More news of a Chinese consortium moving into the beaten down South African mining district. The group is said to be preparing a $50 million bid for two gold mines which are on care and maintenance after the previous operator ran out of money. Deep pockets are needed, and China has them. They want gold bad, you just have to pay attention to the handwriting on the wall.

China came out with a well known but often forgotten fact recently when they said the gold market is too small to be used for any substantial means of asset allocation.

It's true.

Mine supply in 2009 was only 2,570 tonnes which at today's price of about $1,220 represents a paltry, to China, figure of only $115 billion at just over $43 million a tonne. They could afford that easily, but there would be no way that one group could accumulate the whole worlds annual production.

The fact remains that the gold market is extremely small and any decent amount of dollar demand can move it sharply, very quickly. China remains a buyer on dips whether they admit it or not. In fact it would not at all surprise me to learn one day that the recent small IMF gold sales to a yet unnamed buyer are going to China a few tonnes at a time so as not to arouse suspicion or speculation.

An interesting development came about this past week. A bit of history first. A small company has been exploring and trying to develop the Las Cristinas major gold deposit for years. The problem. It's in Venezuela.

Hugo Chavez has all but nationalized the mine, but he never formally informed the company who has been trying to get somewhere in international courts.

They are now executing a fantastic idea by seeding control to a Chinese/ friendly rail company. I never, ever saw this coming and have avoided the company like the plague, which still may be a good idea. But at least it now looks like they will be able to move on with the project, albeit with a much smaller chink of the pie. Hugo simply cannot say no to his pals in China who happen to be loaning him a substantial sum.

On the lighter side, China released their CPI numbers which rose 3.1% year over year and the PPI rose 7.1%. Now that's the truth I'd like to hear from the US instead of their massaged numbers. Retail sales also grew a staggering 18.7% as wealth continues to be distributed among citizens.

In stark contrast the US released their retail sales number Friday and they were -1.2%, That's a huge disparity, even if the numbers are massaged. That number should have sent markets reeling, but counterintuitively they finished Friday in the green.

If you ever wanted to buy me a gift, this would be the time. The world's largest gold coin, weighing in at 100kg is being auctioned off in Vienna. Not only could you have a great vacation, and possibly run into George Soros, but you'd make me pretty happy too! ;)

Ironically the coin was owned by a firm who underwent bankruptcy proceeding in May. Gold is not the solution to all problems. It's insurance.

John Embry's latest and possibly best article is a must read and can be found here.

A pet peeve of mine has always been seeing food go to waste. Perhaps I'd not have these twenty, alright twenty-five, pounds to lose if it weren't, or if I did a bit more exercising other than with my typing fingers and mouse clicking index.

Anyhow, an Australian restauranteur has the same peeve and now tells diners who don't finish-up, to not bother coming back. To boot, it's Japanese joint. I can eat that stuff all night long!

Finally, a weird one where people are being imprisoned for being in debt. It hasn't been a crime to be in debt since the 19th century. In fact the whole US system is based on debt.

Perhaps we can imprison the bad politicians who every day increase the US's debt load. After all, every dollar created is lent to the government from the Federal Reserve plus interest. I've talk about this before. The US can never get out of debt. The system MUST change.

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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