www.preciousmetalstockreview.com June 19, 2010

Shout Bubble From the Mountains

It's now official, Gold has broken it's perfect cup and handle formation. It's heading much higher here and now, with a very high degree of confidence. To buy or not to buy is the question. I've always liked to buy on weakness. Gold is not weak right now.

That being said, trading the move may be a great way to increase that pile of cash and buy all the more oz's once gold does exhibit some weakness.

Surprisingly the all-time high gold prices are attracting little more than a headline, or if a story is done it's usually bearish. That's bullish!

Sentiment is abysmal. If this were tech stocks, it would be touted everywhere and talk of a bubble would not even be tolerated, let alone given credence.

Let the bears reign in the headlines and say we are in the biggest bubble of our time. Let them sing it from the mountains, and let the populous believe them! I'd love to see this bull market run another ten years and if we continue to see those famous bears shout from high, we just may!

Metals review

Gold only moved up 2.47% this past week, but it did complete the handle process of the powerful cup and handle formation. Everyone and their dog is talking about this powerful move, which makes me very nervous.

I have initiated some very safe long term positions at this time, but I need to see a bit more confirmation before the short-term, explosive type trades can be initiated. The time should be early in the week.

I won't bother saying much right now about gold other than it's broken out and has a target much, much higher than the high print today. Technically gold's action has been textbook, and continues to be.

Nervous or not, I'm in now, and getting heavier into this move shortly.

The GLD ETF saw very good volume as price tested and surpassed the previous highs. Looks like all systems go for gold although I'd like to see a bit more volume.

As silver typically does, it flew 5.18% higher this past week. Yes, I have also put on some mid to long-term positions in silver also as it should move higher along with gold but much more in percentage terms. Already the silver portion is doing much better after just one day.

The two support lines were beat and that leaves only the level at $19.75 which should be tested very shortly. When that is surpassed I'll have to break out a long-term chart.

The SLV ETF jumped higher later in the week with strong, but not extraordinary volume as of yet. Once more significant resistance levels are passed I'd expect to see the big volume that is needed to confirm breakouts.

For now silver is still in a range and far, far below it's all-time high giving it so much more room to run than gold in percentage terms.

Platinum gained a solid and needed 3.18% for the week. A nice uptrend is forming and the price moved above the resistance level at $1,575 strongly on Friday. I'd expect that level to be tested again and perhaps that would be a good entry point.

I still think it's quite plausible to expect a range trade between the 100 day and 200 day moving averages for a few months. Then again with gold breaking out, you just never know, but for now I am not trading this market. I much rather focus on gold and silver at this time.

The PPLT ETF saw decent volume, but nothing to write home about and it waned late in the week as quadruple witching occurred. It looks like this move higher is soon to run out of steam for now at least.

Palladium won the week, rising a stunning 9.55%. A very nice uptrend has been formed, along with an unsustainable steep uptrend. This steep uptrend will likely break down very soon as the resistance at $500 and the 50 day moving average at $499 were all but hit Friday.

That's all great. I'd much rather see palladium rise at the lower uptrend which runs very steeply as it is roughly 45°.

It now looks like Palladium will move in a tighter range between the 50 day moving average and the lower uptrend line. I do feel confident to call a bottom in for Palladium, and may consider adding a trading position once $500 is cleared, but for now I'm sticking with gold and silver.

The PALL ETF saw volume dwindle as prices flew higher late in the week. Most people are focused on gold these days and this is just one more reason for me to steer clear of Palladium for now.

Fundamental Review

The Russian are reportedly buying Canadian and Australian dollars for their reserves for the first time ever. I can't say I blame them, and others should follow.

George Soros said publicly that Europe faces an almost inevitable recession next year. He thinks it could be the end of the European Union as we know it and I have to agree. This will prolong the US Dollar's dominance.

The US is far from out of the woods though and Illinois is the latest to be hit with a loss of confidence which resulted in their last round of 25-year bonds yielding a very high 7.1%. This number is close what Greek bonds yielded not too long ago. Yikes!

There's been a goodly amount of material published on the oil disaster, some credible, some a bit out there. I've read the full spectrum from it being a conspiracy theory to wipeout population, to Obama's view that it will all be cleaned up. As usual, my view falls somewhere in the middle.

I give credence to people like Matt Simmons and others at The Oil Drum where credible reports and possible effect are being published, and quite frankly it scares the pants off me.

This report is one of the best out there and although a tad long, it's deservedly so.

This is another report which concludes that the seafloor in the Gulf has been fractured "beyond all repair". The scientists also found that up to 18 other sites are leaking with the largest being 11 km away from the sinking and leaking about 2 million barrels per day. Whether this is true or not we may never know since reportedly the scientists were reportedly prohibited from reporting their finding to the media or US public. It does seem a bit out there though.

What I do know is that this is so much worse than is being let on and it will take much longer to stop and at best we will have a huge ecological disaster to clean up in the Gulf, at a minimum. This is all best case, as bad as it sounds.

As bad as it sounds, and would be, perhaps Matt Simmons' voiced idea of setting of a small nuclear device down there is not quite as bad as it sounded at first. While it would obviously do major damage, at least it would be done with quickly, rather than this continued uncertainty and sure worsening of outcomes.

All the above is worse than bad but what really has me up at night is the following article which talks about the real possibility of the oil dispersant being used turning gaseous and raining down from the clouds as acid rain, in turn, theoretically destroying all microbial life as far down as it reaches.

Now that is scary. While it's hopefully an exaggeration, the likelihood of you seeing me out in rain anytime soon is zero to none. And with an active hurricane season predicted, the effects could be even more catastrophic.

Again, I never try to scare monger, I like to educate myself from every angle and at least be aware. Once the first hurricane or two move up the eastern seaboard, it only makes sense to watch for effects and take appropriate action if necessary.

Sometimes I wish life weren't so complicated. Maybe I'll head to the cabin in the mountains with my dog and beef jerky, never to be heard of again!

The bad news continues as Paul Volcker recently warned that America is running out of time to fix their economic issues. It's been a long time coming, talked about here and many other places. It seems as if several roads are soon to meet and the outcome of this is yet unknown. That's why I am such a proponent of holding physical metals.

On cue, Greenspan also said recently that the US may reach their borrowing limit in the near future. Then what? The US government may actually have to live within their means and spend what they make...only. Or they will just monetize the debt.

Greenspan says that higher borrowing costs are coming in all likely hood and that fiscal policy is facing a "tectonic shift" in both the US and most of the developed world. It's been coming a long time now and very obvious to too many. In all sense of reality it's a dollar short and a day too late.

Please see this link for the only biggest loser this week. This marks two weeks in a row where we've only seen one failed bank. Are things actually getting better, or is this an effort to paint a rosy picture. Time will tell.

In stark contrast, more than 90 banks missed TARP payments on May 17. This number has been rising for three straight quarters and indicates nothing good.

Ian McAvity now admits that, unfortunately, gold could reach as high as $3,000 over the next two years. I agree that a world with gold at that level or higher is not a world I really want to live in, but we have no choice and can see it coming.

His thoughts echo the insurance type of theme I have embodied when he said; *"Buying gold in this climate is like buying life insurance for a short term capital gain, there is a transaction cost you need to think of."*

The whole article is well worth a read.

You don't need me or anyone else to tell you how to invest. It's more than clear that physical gold and silver, at the least, must be a part of your portfolio in times like these, no matter how high you may think the prices are at the moment. The weightings are a very personal decision and they should allow you to sleep comfortably every night , and that is different for everyone and their personal position.

However, trading, to maximize those dollars you still have remaining may require the help of someone who is also trying to do the same.

Wouldn't you know it. Right on cue, power workers in South Africa are on the verge of striking. Not only would this be disastrous for the World Cup but it would curtail mining as well. It just never ends down there in that beautiful country.

Talk of the Australian mining tax continues, and will for a while to come. At least two project have been put on hold so far. There will be more though if this tax goes through.

Companies are vigorously lobbying that the country will be less competitive and to the general inappropriateness of the tax. Imagine. A corporate tax of 28% with a new 40% super profits tax taxed on top of it! The miners just start to get ahead and BOOM, they're hit with this. It makes me wonder why I sometimes invest in mining companies at all.

A very good point was brought up also which relates to operating projects who've already gone through economic assessments and did not account for this new tax. Some may simply not be economic anymore.

The DRC is also causing rumbles, albeit on a much larger scale by proposing the country hold a 35% stake in future mining projects. At least it's on future projects, and would not affect current contracts. In reality it's not that bad an idea as long as the government uses the wealth wisely.

Also in the DRC's proposal is a 1% bonus payed to the government of the total estimated value of the deposit. On top of that a very steep 2.5% royalty on gross mineral production. Any party involved in negotiations knows that you start high, or low, depending on which side you're on. That's all they are doing at this point.

China is also considering a mining tax as a way to slow resource depletion and limit environmental damage. I expect more and more countries to try and grab a larger slice of the pie as nominal prices of commodities continue to increase. It's a sad reality and one which makes finding a good company to invest in that much more difficult.

I've talked for a long time about China's propensity to seek metals. The total of deals they now have pending is $9.3 billion, as of the end of Q1. This is 20% of the global total which is not insignificant by any means.

Apparently the US has identified "vast" mineral riches in, of all places, Afghanistan. Could this be another "reason" to occupy the country?

I wish this weeks letter could have been more joyful, but there isn't much to smile about economically speaking these days. Please consider protecting yourself soon, if you have not already.

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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