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Worlds Collide

World leaders are meeting in Toronto, Canada, this weekend and the protests have begun. They'll be discussing how they can manage to save the global economy. Gold will be a topic, but not admitted.

Rest assured the outcomes will not benefit the general population, only the global elite even though it may seem at first that it is them being penalized. Any further costs will trickle down to the consumer, that's us.

Talk of the oil spill has been put on the back-burner, but a tropical storm is now approaching the gulf. The situation will continue to worsen until the company goes bankrupt or is taken over. When it comes down to it though, the US taxpayer will pick up a large portion of the tab.

It's the same old story of the corporatocracy being in control. Once day though the people will rise again. That day is getting closer and closer as anger spreads.

We may not get through this second round of the recession unscaved.

A peaceful, and advocated method by myself, of protest is to take delivery of physical bullion. That is the way to win the war of the worlds between real/honest money, and fiat/liars money.

Metals review

Gold fell 0.07% for the week which masks the major battle that occurred. Bears smashed the gold price Monday after the previous Friday's breakout only to see bulls step up and stabilize price and then all but erase their push lower.

Open interest numbers showed not much change, meaning the bulls have dug their trenches and are fighting. Bears are also fighting but being so close to all-time high price gives the bulls the advantage. Remember that once something is at an all-time high, every single bear is underwater while every single bull is profitable.

It continues to shape up to be a golden summer.

I neglected to mention the metals options expiry last week, which occurred early in the week and was the reason for the brief takedown.

Investors are wizening up to this monthly occurrence and are taking advantage of the flash sales.

The word on the street is saying that massive numbers of people are standing for delivery of their futures contracts, which if true, could all but deplete the Comex warehouses of their physical gold. This would be send prices so high, so quick that I would hardly believe it, let alone most of the investing public.

The GLD ETF saw strong volume with Mondays crash, then decent volume which waned going into Friday. I've been paying a lot of attention to the volume in the ETF's lately, and perhaps they are not as significant as I'd thought since it seems people are more interested in the physical metals, rather than a paper derivative.

It seems the stars are finally aligning and people are doing what I've been advocating for so long. Take delivery of physical gold. If you can't see and hold it, you likely wouldn't own it if you really needed to.

Silver fell 0.55% and submitted an almost equally impressive comeback. Next resistance level is $19.50 then $19.75. Closing the week above the key $19 is a feat in itself which is rarely seen.

Physical Silver is getting harder and harder to source in quantity once again. It's almost ready to blow and we could very well see prices $10 higher in the not too distant future.

The 50 day moving average acted as good support last week and if we are lucky enough to see it touched again it would be a respectable level to enter a trading position.

The SLV ETF saw mediocre volume all week, even during the big push lower Monday. The lower volume is certainly not bullish, but then again perhaps people have wised up to the fact that they need physical, not ETF shares. It remains my view that ETF's are for trading purposes only.

Platinum dropped 1.19% for the week and remained mid-range between the 100 and 200 day moving averages. This should persist for perhaps the whole summer.

The PPLT ETF saw fairly week volume all weak with a slight spike on Thursday, which happened to be the low day for the week.

If the uptrend line can hold we should see the range tighten from here to the $1,600 area, but I am not betting on that line holding quite yet.

Palladium fell 2.75% for the week but is in much better shape than Platinum. A large triangle is working through and it should be resolved higher eventually.

Palladium is having a tough time moving above the 100 day moving average and staying there. There is also horizontal resistance going back to January which has been tough to overcome on many occasions and is once again proving tough.

The PALL ETF didn't see much volume all week and really isn't saying much as a result. I wouldn't be trying to trade this metal at this time.

Fundamental Review

US GDP was revised lower to 2.7% from 3% for Q1. That should come as no surprise to anyone who's familiar with the government way of doing things. I'd like to say they lie, but they may incarcerate me.

Speaking of ramifications, General Stanley McChrystal was fired, lets be honest, after and article was published, which was fantastic in my view and portrayed a realistic view of the war in Afghanistan and US policy. It's a great long read and personally I think he should be applauded for his candour and realism. But it didn't fall in line with the fantasy the US government likes to portray. It's a damn shame.

We had three more biggest losers added to the growing list of failed banks this past week. The rate of failures has slowed over the past few weeks. I don't know if this is a good sign, or just putting lipstick on a pig, but the later is my best guess.

I have to laugh at the story which is putting into doubt the convictions of Jeffrey Skilling and Conrad Black. Give me a break! I suppose Madoff will be pardoned next.

On a more uplifting note, rumour has it that Martin Armstrong will be out of jail by March (knock on wood). This after being falsely imprisoned for roughly a decade.

This article by the truth-sayer Ambrose Evans-Pritchard is a must read and talks about many of the issues effecting Europe as we now know it, but the basic tenet is that gold is once again becoming widely viewed as what is always has been, money.

Central banks are accumulating gold. I suggest you follow their lead if you've yet to do so. Gold is once again becoming fashionable as an investment class.

Ghana's gold output rose by 3% in Q1 2010 year over year to 696,172 oz. The country is the second largest gold producer in all of Africa.

Apparently US officials are finally waking up to the fact that the sheer amount of US debt held by China could be used as a weapon, or to influence US foreign policy. This is another ridiculous, and very late idea to discuss.

Of course it can be used in that regard. The US made their own bed, now they have to sleep in it.

I wonder how much money will be wasted debating and creating investigational committee's etc to explore this issue. On the bright side it will create more jobs, unfortunately they will be government created/funded jobs. Ya, US taxpayers are on the hook once again.

Jim Richter has put out a great piece that gets into the role of gold in the eye of central bankers. His bio is far to long to list but he is more knowledgeable and connected than 99% of the people on this earth and still consults at very high levels of governments and talks the talk with the boys in the big club, but does not subscribe to their views generally. He is a small window into their inner workings.

It's been touted as of late that central banks don't care about gold. Well they do. Gold has been, is and always will be money. Nothing else.

While it's not used for anything in any meaningful quantity and many say it's useless, in fact that is why it is so valuable. It is not used which allows it to be a store of value with little regard for industry.

It is limited in quantity and takes real blood, sweat and tears to get out of the ground and process.

Gold is special and unique in that regard. Nothing else compares. Copper is used, diamonds are too different, silver is used, coal is burned etc. Everything that comes out of the earths crust is used up except gold.

Thats's all I have to say about that...this week.

Saudi Arabia admitted they have twice as much gold as previously thought. They now admit to holding 322.9 tonnes of the good stuff, but they have yet to reveal if this was accumulated or simply not accounted for before. It doesn't matter, what matters is that central banks DO care about gold very much, and much about it is top secret.

Zimbabwe has gone through horrific inflation not long ago, but it's now done with, and the economy is on the mend with a very bright future. Gold production is rising nicely and now companies are looking there for Platinum and Palladium production as well.

Several major producers are investing substantial amounts in the country. While production is small, it will grow. The major benefit of mining there in contrast to operations in South Africa is the shallow depths where the minerals lie create far fewer hazards. It's much more profitable .

The most important point to take from this is that a country must take their medicine. It's not fun at the time, but the other side is much brighter and healthier.

The US has tried to put off recession after recession, and succeeded moderately. If they hadn't enacted quantitative easing/printing money, it would have been much worse, but they would be now emerging into a very bright future. As it stands now though, the US is only entering the worst of it and it will get bad, very bad. The government is not omnipotent and they cannot stop it, they can only stall it.

The proposed Australian super tax is fetching more criticism as a new report states that the assumptions used by the government are flawed which in turn makes the whole proposal flawed. We've got so much more to get through before a decision is made either way, but I remain firmly against this new tax as it stands.

Several major deals were signed by Australian and Chinese interest this past week. $8.8 billion in deals were signed with seven of the ten deals within the resource and energy realm. This caused Prime MInister Kevin Rudd to tout that the new mining tax is not scaring away investment.

My view is that the Chinese cannot afford not to take deals such as these. They need to divest their major hoard of US dollars anyway they can. They simply can afford not to.

China also signed a deal with a large US miner to buy their concentrate. This type of deal is a first, but not likely the last. It's a great deal for China since the mine is located in Alaska which will minimize shipping costs.

This deal is in fact more significant than if China were to buy the IMF gold since it takes much more effort to get the gold, and it's a much more low-key way of acquiring gold. And who knows, they may just process it and sell it to other countries. That's very unlikely though.

They want gold and are beginning to source it from more and more places which may not be obvious to most people, thus masking their intentions. This is mega-bullish news.

The most shocking, to me at least, news-bite on the week was that the world's largest coin, 100kg, sold for only it's melt value of $4.02 million. I thought such an item would fetch at least a 10% premium. That's cheaper than taking delivery of a futures contract! It does reinforce my view that buying for the metal is the best way to go, and not buying historic, or numismatic coins.

The week ahead should be pretty slow with Canada day coming and July 4th as well. So enjoy your slow time and I'll do the same. There may, or may not be a weekly letter next weekend depending on what occurs in the world next week but there will be a subscriber update for sure.

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Until next week take care and thank you for reading.

Warren Bevan

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