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What Summer Doldrums?

It looks like the needed correction is now over for the precious metals and they are ready to move their way back up. Most commentators and traders remain bearish gold, but I am very bullish gold and their equities right now. Everything seems to be lining up for gold here and now. Even as India's buying wanes during the summer months the strong demand by others and the realization that inflation is coming in a big way is keeping gold steady and about ready to make a break for the \$1,200 to \$1,300 level, at the very least, over the summer.

The Dow fell 1.19% on the week while the S&P clawed back to only lose 0.25% and the Nasdaq was the sole US gainer moving up 0.59%. Up in Canada the TSX came back very strong to end the week up 0.99% and the Venture exchange lost 0.65%.

Moving to the metals indices the TSX Gold Index rose a fantastic 3.56% and the HUI was up 4.01%. The XAU only moved higher by 1.52% and the GDV index moved higher by 2.11%.

It was a mixed bag last week as bad economic news and forecasts hurt the markets early on then the FED staying pat on interest rates helped the major indices claw back nearly all their losses, but in a nervous way. The indices are still in a bullish stance though and seem to be working off the overbought steam without a real correction, just sideways movement. Any break lower would spark a deadly volley of selling activity.

Before I get into the rest of this weeks technical analysis and news I'd like to rehash a bit on an [article I wrote last week](#) on the possible motives behind the IMF gold sales.

I surmised that the Chinese had basically forced the IMF sales. The US has veto power over the IMF and needed their approval. They got it on Thursday June 18.

In an email exchange with a gentleman I hold in high regard, Chris Powell of GATA, he expressed his suspicion that China has an arrangement with the US government to keep purchasing Treasuries only as long as the US provides cheap gold as insurance against devaluation of the bonds.

While this cannot be proven, it does make sense. Why?

On the day Congress' approval of the IMF gold sales was announced the important 30-year treasury moved sharply higher and has been up on all but one day since. Notice the 30 year up-trend (not shown) roughly at 112, which, if broken, would be the most bearish signal for the US ever.

We all know the US does intervene or participate in markets from time to time, as most recently admitted by Larry Summers, and it would have been very likely a last-ditch effort to move the price of Treasuries up before approving the IMF gold sales. Time will tell on this front but I suspect the up-trend line will not remain intact for too much longer, regardless of promises or agreements made by China.



Metals review



Gold moved up 0.58% for the week and is looking stronger by the day. RSI moved in textbook fashion off the 40 level and is threatening to break above 50 early in the week. That pesky \$940 area is again a thorn in the bulls arse. Anyhow, it will be beat then the thorn will be the familiar \$960 and \$980 levels. It feels like we are on the precipice of an upwards explosion to me.

In early June I confided that I was very nervous about a continued move higher but I am much more comfortable now. We just need enough strength from the indicators and thorny bulls to move above \$1,000, then they won't

matter anymore since momentum will prevail and the price will move up a few hundred dollars with the technical picture not mattering until the next correction.

The moving averages are all moving higher with the 50 and 100 day very tight and giving great support at the \$920 level which also coincides with Fibonacci support. MACD is curling up and should soon flash the buy signal I am looking for, while the Slow STO did so early in the week. This summer is shaping up to be a good one market wise for the precious metals for the first time in this bull market.



Silver fell 0.98% for the week but bounced off key Fibonacci resistance at the \$13.90 level. RSI is moving up from the important 40 level now while the price tested the 50 and 100 day moving averages as well as Fibonacci support.

All three support levels held well and it looks like silver is on it's way back to test the strong \$16 level. I don't yet know if we can get above \$16 this try or not but it does look like we will work towards it over the next few weeks or so. \$14.50 is the only significant resistance above until \$16.

All three moving averages are moving higher and look strong. MACD is curling back up and looks ready to flash a buy signal this week while the Slow STO has just done so late in the week from levels where good moves begin. Last time the Slow STO was here silver moved up \$4 in six weeks at a nice steady pace.



Platinum remains in a strong up-trend and this recent correction is perfectly healthy. Blowing off that steam and moving indicators strongly into

oversold territory while holding the up-trend line is somewhat of a gift. It just doesn't get any better than this, or more clear technically.

RSI stopped dead on 40 and was flat for a few days and is now breaking back above 50. The 50 day moving average turned flat but should move higher now. The 100 day moving average is in line with the up-trend but tracking it about \$25 lower which should support any temporary break of the up-trend. The 200 day moving average is just about flat and once it turns higher soon, will likely help to push the price back to the upper reaches of it's up-trend channel (not drawn) near \$1,350.

I mentioned a few weeks ago that platinum was trading at the top of the up-trend channel and would likely move to the lower end before heading back higher again and that is what has happened. It's textbook movement.

MACD is flat at 0 and looks ready to move up while the Slow STO showed a buy signal from oversold territory and is ready to move back higher again. I can't stress enough how much of a traders market platinum is right now. It's acting perfectly, and more important, predictably.



Palladium was up 0.43% for the week and is acting very well technically. It's trading near the middle of the up-trend channel again and about to move above resistance at \$249, but it may take a few days.

RSI moved off 40 and is now above 50. The moving averages are moving higher and supporting the price except the 200 day which is about flat now and ready to begin it's slow move higher. MACD is ready to flash a buy signal and the Slow STO has already done so from low levels where big moves begin. This move should bring us up to the \$280 area over the next month or so.

Fundamentals Review

The world bank took a step closer to reality by slashing their forecast for the world economy early in the week smashing markets initially, but that was short lived. Their negativity nearly doubled from a negative growth expectation of 1.7% to negative 2.9% for 2009. I fear it will be worse.

I am also coming to terms, albeit slowly, with the realization that we may not see another major fall in the markets, rather we will see a continued rise. This will not be due to anything other than the loss of value in fiat currencies around the world which means if they lose value by 50% and stock markets double we have essentially gone nowhere. I am not 100% committed to this yet, and still think the reasons for a market plunge are here and real.

In order to keep some top bankers and traders a large bailed out bank is offering them 50% salary increases. How that can be is beyond me, but in fact many of the same individuals who brought the company down are now seen as so indispensable that they are being offered a huge pay increase in hopes of luring them to stay. Hey, maybe they will only lose half as much as last year, then next year they can get another pay increase and lose only 50% again. Eventually they will be back to break-even.

Venezuela, underhandedly, will not renew mining concessions once they expire after so much money has been spent on development. I cannot stress enough the importance of investing in safe jurisdictions. Not long ago Venezuela shafted, pun intended, a Canadian company in favour of passing the nearly fully developed project to a Russian connected company. Now Venezuela is looking for a loan of an unspecified amount to help develop their gold and diamond mining industry. Good luck getting that loan from all but the most sympathetic and anti-American of funds.

Which brings me to a joint bank deal signed last Tuesday by Russia and Venezuela to set up a new bank with starting capital of \$4 billion. The bank will be 51% owned by Russian entities. It doesn't take a rocket scientist to connect the dots between Venezuela looking for funding, creating a bank with Russia, and the huge gold concessions given to a Russian backed company to figure out what the future will bring.

Mongolia is debating their mining laws again. Certain companies have been working for over five years now to reach an agreement with Mongolia to no avail. Basically it's between the government buying an equity stake in the company, or taking up to 50% of the profits. Whatever the deal, it must be done and followed if they wish to lure future foreign investors.

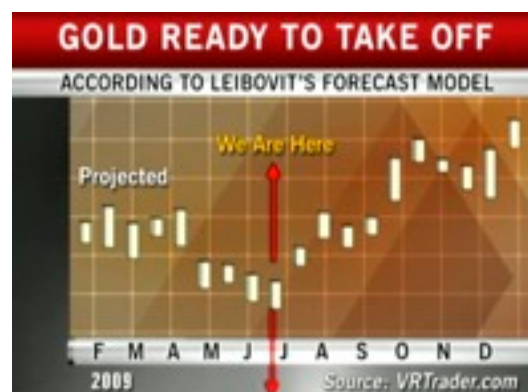
There have been a spate of capital issues recently in many different forms. Some have issued shares in private placements at costs ABOVE where the shares are trading today, others have increased their lines of credit, others have repaid loans with poor terms for a better offer. All of this shows that confidence is rising and competition for stakes in the gold and silver sectors is becoming more fierce. Those with money want a piece of the pie. Enjoy these relatively low levels of both the physical metals and the equities. They may in some cases seem high but I assure you they will seem like bargains in the years ahead. Yet, not many are paying attention to this sector...they will.

Last year Australia was plagued with power issues in a major mining region but with the issues seemingly resolved the Australian Bureau of Agriculture and Resource Economics is [predicting an increase](#) of 9% to 239 tonnes of gold this year. The increase is attributable mostly to the potential start-up of 14 new projects as well as the ramping up of some existing projects.

Canada's Metals Economics Group [released a study recently](#) which says that major miners are not replacing reserves by exploration rather they are doing it by acquisition, expansion and upgrading of their existing operations. We already knew this but it's still nice to hear it from such a respected group. There just aren't that many new deposits with high grades left to find and the cost and risk of exploration can be daunting in the best of times.

Congressman Mark Kirk says he was told privately that the Chinese are [looking to acquire \\$80 billion in physical gold](#). That's a huge amount, and much more than the potential \$13 billion acquisition of the IMF's 400 tonne sale. The admission is at the 3:20 mark in the video. \$80 billion doesn't sound like much in today's terms, but if in fact all the gold said to be in Fort Knox is actually there, the \$80 billion is more than twice that amount. Where will all that gold come from? We are on the cusp of major wave three in Elliot Wave speak, and that is the big one. Everything takes time, but the wait has been worth it so far and the moves higher are about to accelerate. Ready?

You have to take Mark Leibovit's word seriously since he is ranked the #1 intermediate market timer in the US over a ten year period. The [seven minute video](#) from Canada's BNN is a MUST WATCH, and I cannot disagree with him at all. He is in only gold now, and says; "we've seen the lows and are about to explode to the upside". Good stuff!!



This weeks weird and wacky takes us to Israel where a new form of reconnaissance tool is being developed. It's called the combat snake and you just have to see it to believe it. What will they come up with next? The video can be found here <http://video.yahoo.com/watch/5312940/14006481>

Last but not least a great interview with the famed author Michael Lewis can be found here http://www.huffingtonpost.com/2009/06/18/michael-lewis-attacks-gol_n_217542.html

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Warren Bevan

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