www.preciousmetalstockreview.com June 6, 2010

Welcome To the Jumble

It's now begun. Countries are falling, in economic speak, at an increasing rate. We will see currencies fail sooner rather than later. Gold remains the ultimate currency and must be a part of everyones portfolio.

We've had a good run in the markets for a year, but that is done. There are many ways to make money as markets fall though, but there is risk. From risk comes a great opportunity though.

Quick, wise, lucky and brave traders will come out of this crisis wiser, richer and with a proud sense of self confidence that only comes from surviving times of great stress turmoil.

Metals review

Gold rose a paltry 0.44% for the week and remains in the handle forming mode of the potential cup and handle chart pattern.

There really isn't much to add to this chart at the moment. We could see further downside to test the $1,190 level, but chances are good that the late week move testing $1,200 is the low, until we move out of the formation and to much higher prices roughly $200 higher.

Volume in the GLD ETF was good all week with a slight increase coming Friday as prices moved higher. The volume doesn't really tell me much this week but if and when we move out of the cup and handle we will want to see very strong volume to confirm the breakout.

That wild horse silver just cannot be tamed by any technical analyst I know of. Silver fell 5.27% for the week and dropped right below both uptrend lines and tested and held support at the 200 day moving average at $17.29.

Once again I have egg on my face from silver, but I'm used to it now. It's a great chance to accumulate more physical silver, nothing else.

This should be the end of the move lower, if not, we could easily see a move to test $16.50. For silver's sake I hope gold begins it's breakout soon, but for your sake, I hope silver goes even lower!

The SLV ETF saw increasingly strong volume as silver fell with a large spike on Friday as the 200 day moving average was tested. This is very likely the spike low and according to general technical analysis theory we should see silver move higher from here. I am acutely aware that an omelette is never far from my face with silver, but this should be the low.

Platinum dropped 2.2% on the week with all those losses coming on Friday as everything and then some was sold off. I still think we will be seeing a range trade between the 100 day and 200 day moving averages for some time to come.

The PPLT ETF saw weak volume all week, including Friday when it fell 2.01%. That tells me we have more to go on the downside as lower volume says complacency abounds.

There are very few safe places to be invested at the moment, even being on the short side of things we once loved may be warranted.

As much as I love a good story stock and like to stick with things, you simply cannot fall in love with positions. The goal is to make money as dispassionately as you can, and as much of it as you can.

Now is a time of great danger, but with danger comes great opportunities for those who are willing to take some risks.

Palladium fell 6.86% for the week with over 4% of that coming in on Friday alone. A bearish wedge is now in place and could lead to much lower prices, likely another test of the 200 day moving average at $407.

As I've said before, I would not worry about a physical position in any of the metals listed here, but I would worry about a trading position in the futures market, options or ETF's.

The PALL ETF saw weak volume until Friday when heavy selling came in as investors liquidated nearly everything.

Tread lightly and very carefully.

Fundamental Review

This weeks biggie was the Employment figures which were released on Friday and stand at 9.7%. There were 431,000 jobs added of which 411,000 were for the census which will soon be over. This gives us a false reading.

The above is nothing new or extraordinary since numbers are constantly skewed and managed to look better than they are and then touted throughout the mainstream media.

What really ticks me off about this one in particular was that Obama and many other high level officials touted the upcoming "great" jobs number mid-week before the numbers were announced.

Most traders knew the talk was full of fluff and were ready. The markets tanked hard Friday after the numbers were released and before markets opened. The selloff continued into the close with markets closing very near their lows on the day. I hope Obama learned his lesson. Keep your mouth shut!

Sorry for those Obama lovers. It's not him personally I dislike, no matter who is in power, they really aren't. Even if Ron Paul were elected president I fear he would have little lasting effect, until the people rise again. That time seems to be nearing and I do think we will see an uprising in the US sooner rather than later. Let the sheeple rise!

The US is about to see their debt overcome GDP. There is no good way to spin this news. Investors privy to understanding what this means are beginning to sell US bonds which adds further pressure to the US.

Hungary admitted Friday that they are very close to defaulting on their debt obligations. The only good news is that they don't use the Euro currency, although the Euro was under pressure after the news since Turkey is a member of the European Union. This is only beginning so expect much more on this in the weeks to come, and more importantly expect more countries to come clean on their debt issues.

Even France admitted that they are struggling to maintain their AAA credit rating.

The CFTC is launching a review of their own surveillance operations which, as we all know, have frankly poor for a long, long time, the fruition of those years is only now surfacing. It's about time, but chances are they'll do just as bad a job of surveilling themselves.

A puzzling article came out whereby it was stated that the US Fed is pondering raising interest rates. It would be tantamount to setting off a nuclear bomb in NY, LA and Chicago simultaneously, possibly worse. It simply cannot, and will not happen at this point in time.

In fact as we continue into this second leg of this bear market of bear markets the Fed will be wishing they had some more room to go lower in interest rates. Could they go negative? Technically they already have for short bursts not so long ago, but their sole remaining weapon is now copious amounts of money printing.

Canada on the other hand is a much more fundamentally sound economy and will remain so and has in fact raised their interest rate by 0.25% to 0.5%. They are a model country in many ways.

Pop Quiz:

Which state is the wealthiest state in the US, when measured by per capita income?

Connecticut is the correct answer.

So, the richest US state just had their bond rating cut to AA after they borrowed money to cover budget deficits.

Nobody, or state is immune in this day and age. Protect yourself.

Personally I speculate like mad, and have fun doing it. But I keep a good portion, which is also growing, in physical metals as a form of insurance policy. It also helps me sleep at night very, very well.

David Paterson, the governor of NY says the administration is planning to lay off thousands of government workers early in 2011 to help balance the budget.

NY also just delayed paying $2.5 billion of bills owed as an emergency short term way to stay solvent. Their issues are expected to grow as we move through August and September. Perhaps they should consider cutting more jobs sooner rather than later. Already, since December 2009, this is the third such occasion.

There were only three biggest losers this week as the bank failures were announced at the same old time, Friday evening.

The UK fined a major investment banker $49 million for failing to protect their clients money for almost seven years. This tiny fine comes after they failed to protect between $1.9 billion and $23 billion of clients money. It's a bit confusing and not clear whether clients lost money due to this, but it seems as if the fine is more for an administrative oversight. Investments banks are beginning to be attacked from all directions.

This same investment bank has said they have adopted a strategy which is very similar to mine as of late, by increasing their gold and precious metals exposure to 39%. They've also reduced exposure to Australia due to taxation issues.

Did you know that John Paulson has a 29% weighting to gold and related equities and George Soros has a 10% weighting? These number are as of mid-May and are heavy weightings.

Last week we had rumbles out of China that they were not reducing their Euro holdings. This week Brazil, India, Russia, Japan and South Korea echoed those words.

In stark contrast, Iran is selling 45 billion Euros from their reserves and buying US dollars (that must irk them) and gold. I've also adopted a very similar strategy lately to find safety.

China continues to increase their gold output as it rose 6% in April year over year and 5.58% higher over the first four months of 2010 compared to 2009.

Zimbabwe expects to be producing around 100,000 oz of gold by 2012 as the country emerges from the recent hyper-inflationary collapse. No, it's not a large amount but only three mines are operating at the moment and the country is undoubtedly gold rich, it just has to be discovered.

The real promising news came as Robert Mugabe, Zimbabwe's president said the country would not expropriate mines following legislation was introduced earlier in the year to force miners to sell 51% stake to local interests. While they are only words, it's better than nothing, and should attract more and larger companies in the future.

There are so many stories about the negative implications the 40% Australian super tax will have that I won't list any this week. The fact is that they are changing the rules. If commodity prices continue to fall, then what? Miners will go out of business or close mines adding to shortages. I am still trying to wrap my head fully around this horrible move by Australian authorities.

As gold is being flocked to these days it was inevitable that shortages crop up. The US mint sold more gold eagles in May than anytime since January 1999, just before the bull market in gold kicked off.

The world's largest gold refinery upped production of their popular Krugerrand gold coins to a 25 year high. They are now producing about 30,000 1 oz gold blanks a week which will then be stamped into a coin. They even said demand has been so high as to say it was "panic buying", mainly throughout Europe.

Silver sales are also going through the roof with May sales of American eagles the highest since 1986! 3.6 million coins were sold in May, and that number was only about 60,000 short of the all-time high. 2010 is on track to solidly beat the previous all-time yearly demand highs.

South Africa continued to see gold production drop off. Q1 dropped 15% quarter over quarter. The curious and shocking figures, to me at least, from another article was that 2009 saw a decrease of 5.8% over 2008.

What is curious about this is that the main power provider, Eskom, had issues in 2008 which saw mines shut down for a period of time and then operating at less than peak capacity for months. The conclusion is that power issues are the least of their issues and production will continue to decline even under the best of circumstances.

I suppose the good news from South Africa is that the National Union of Mineworkers (NUM) does not support the idea of national control, basically nationalization, in mining companies. Usually the NUM get much of what they wish so that's great, but still I can't see myself investing in South African companies anytime soon.

The IMF sold another 15.1 tonnes of gold in April. It has not been disclosed to whom the gold was sold. Curiously enough though, Russia's gold reserves rose by 5 tonnes around the same time.

I've talked endlessly about China's appetite for African minerals, now they are helping their neighbour, Mongolia, to develop their mineral resources with grants and loans. China is making friends in all the right places these days and the benefits will be incalculable.

An old tidbit made it into the mainstream media this past week when it was revealed that China's % of gold reserves is only 1.6% compared to Germany at 66% and the US at 70%. That figure keeps shrinking too as China accumulates more and more dollars and simply cannot keep up buying physical gold at the same rate without driving the price to the moon much quicker than it will go without their buying.

If China were to balance their gold reserves to only 10%, it would be equivalent to 3.5 times annual gold production. It simply can't happen.

There's not much to laugh about these days unless you're positioned correctly. But here is a list of 50 stats about the US you probably don't know, and in all honestly you may not want to know them.

Until next week, take action and take care.

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Until next week take care and thank you for reading.

Warren Bevan

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