

Precious Metal Stock Review

Bridging Wealth Protection and Wealth Creation

www.preciousmetalstockreview.com
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Magic Money

It was another week best spent not looking at the markets unless you're looking to pick up some great miners on the cheap as we are, or go short some stocks as we are also. All in all it's going great!

I love to buy things on sale and the gold and silver miners are definitely on sale now. I also love market corrections. Some of the quickest money to be made is when stocks are falling and once they stop they tend to set up very nice patterns to trade on the long side.

There is always a way to make money as long as there is movement. A flat market is no fun, but that's not what we have today.

It's sunny here finally so let's get right into things so I can get some natural vitamin D today.

Please note I am using the ETF charts once again this week as this chart provider apparently now is not offering most commodity charts in bar form due to bad data inputs.

I'm not sure if I'll use different charts or just use the ETF charts which do represent the underlying commodities rather well.

Metals review



Gold fell 0.67% on the week in what was a tough week to be anything but short a few stocks. The king of currencies/gold, held it's ground very well but unfortunately many of the gold stocks didn't fare quite as well. The gold stocks as a group may see some more downside no matter what gold itself does as markets are very dangerous at this time.

QE2 is expiring and officials remain steadfast that they won't be doing any sort of further QE other than reinvesting proceeds from expiring treasuries or the like.

I have a pretty hard time swallowing that pill and so does the stock market at this time. I don't see any way around it. Who's going to buy all this debt so the US can continue to go into more debt?

Imagine if the US actually had to live within their means!

I mean, come one. Chances are better of being arrested for dancing in a public place....actually scrap that thought!

It's scary what you apparently cannot do these days and frankly it's just not right.

I see owning physical gold and silver as a form of insurance, wealth generation and protest.

Protest you say?

Yes, protest. It's a true form of money, not the kind we are forced to spend everyday. By owning real money it's a peaceful manner of telling the government you're onto their ponzi scheme and are not going to sit idle as they devalue what you work so hard for.

How currency can be created out of thin air in good conscience is beyond me.

Shouldn't anything of value take work to achieve?

It takes many steps and lots of blood sweat and tears to get an ounce of gold, silver, copper, oil or any other commodity out of the ground. Once it's out of the ground it has to be separated from the rock or dirt and the methods are many and can be quite complex depending on what type of metallurgy they're dealing with.

Then it has to be purified or refined at least another time or two. Then it's made into some form or product whether it be a coin, bar, jewellery, wire in a computer, or a pipe in coppers case.

In oils case it comes in more forms than I know and is mixed with water in many cases. It takes a very specialized plant to refine it into a useable product before it can be further refined into the final product or made into plastic or other goods.

Then it all must be transported to the final destination.

I know I've simplified these processes tremendously but even so it still sounds like many complex steps, and a ton of work.

And for what?

In the end it's all done so each person along the way can get a piece of the US dollars paid for all this work.

But the US dollar is created out of thin air. Quite literally in most cases today it's only numbers on a computer screen and then on your smartphone.

It's magical how you can supposedly just create wealth. That's not how I know it and I know I work hard, very hard for mine.

It's not right that so much is in the end exchanged for literally nothing.

Just because someone tells you something is something doesn't mean it is.

If you don't think physical gold or silver, or most commodities are good investments then I challenge you to buy a few silver coins as a form of protest, and tell people that. Tell your elected representative that you're onto him.

The sad part is most elected officials won't have a clue what you're talking about.

Back to the gold chart, it looks pretty nice here actually and is holding up well right on the uptrend line and the 21 day moving average. The GLD volume on Friday's test of support is encouraging as we bounced off support.

Now we have to see if this potential cup and handle pattern forms. If we break higher out of this handle here in the next few days or so we should be looking at about a \$100 move higher in the price of gold.

All that being said we've seen nothing but breakout failures the past few weeks so it's important when trading a breakout to be stopped out with reasonable losses if the breakout fails right away rather than hope it moves up again.

Hope will drain your trading portfolio quicker than a Canucks fan drained his first beer Friday night in Vancouver!

We got out of all our trading positions on June 1st as the breakout of the S&P 500 failed miserably throughout the day.

As it broke out early in the day we went heavy and put on several new positions but then we quickly reversed course and were 100% cash in our trading portfolio by the end of the day.

Now we have a small short position which is doing quite well with the stock in question having lost \$9.99 Friday alone.



Silver gained a paltry 0.02% on the week and it continues to trading within the range I mentioned several weeks ago.

A case could be made for a large head and shoulders pattern being formed here with the head at \$48 and the shoulders here around \$34 and that would take us back to the \$20 area, going by the book anyhow.

For now I'm more focused on the up-slanting head and shoulders pattern which is circled. If this works then a move to \$30 would be the target area and I would have to consider another large leg lower as being a true possibility.

Let's hope it doesn't come to that but right now the silver chart is not looking good at all to my eyes.

Volume in the SLV ETF was typical of a chart which isn't going anywhere quickly. However, if we break any lower on volume then I think subscribers and myself may get a quick handful of cash by using a special ETF we tend to use when trading silver.

If you trade the break lower in silver using options and SLV you could easily double your money in a day or two as silver falls fast when it falls. [We're hoping for a triple or more using our methods.](#)

PPLT (ETFS Physical Platinum Shares) NYSE © StockCharts.com

10-Jun-2011 Close 181.12 Volume 66.3K Chg -1.54 (-0.84%) ▼



Platinum rose 0.71% on the week and is showing nice strength in this weak market environment. I'm still not too bullish in the short term as these rising channels usually lead to lower prices, but it's moving higher for now nonetheless.

Volume on the ETF was weak then strong as it bounced off the lower end of the channel Friday which implies it's likely to see a bounce to the upper channel.



Palladium looks good here actually as it's now broken out. I'd consider a position on a test and hold of support just under \$80 or a break above resistance at \$82 would also be a new buy area.

Volume was good on the breakout which suggests it's for real.

Fundamental Review

We've been talking about derivatives again as of late and the BIS recently announced that top derivative dealers are likely to need extra cash due to a

surge in clearing transactions which is being exacerbated with today's choppy markets.

Call me crazy but isn't that a roundabout way of saying derivative players are going to need to be bailed out.

We all know that these top derivative dealers are the largest banks and financial firms in the world who've already received massive cash injections.

The numbers are staggering as they say there are about \$400 trillion in interest rate derivatives, \$2.5 trillion in commodity derivatives and \$30 trillion in credit default derivatives.

\$400 trillion is a lot of change!

Even the \$30 trillion in credit fault swaps is staggering and those are basically insurance against defaults or it can be likened to you buying fire insurance on my house. You'd be awfully tempted to set my house ablaze wouldn't you.

Hey BIS, how about throwing me a billion bucks! It would only be a rounding error and I promise to use it wisely and for the good of greater humanity...and a new sports car, house in the tropics, bigger house here, maybe a private jet or two, a yacht...

Meredith Whitney says municipal bond defaults are potentially going to cost billions of dollars. That's definitely not good and all but we still hardly hear anything about the real elephant in the room, derivatives. Maybe because they can be so complex.

Either way they have to be allowed to fail.

Brilliant Ben Bernanke came out this week and told us all he really is that dumb! Well not in so many words. He is now blaming strong demand for commodities for the weak US dollar. I'm not even going to go there, but I couldn't make this up if I wanted to.

We've just seen a huge breach and breakdown of the playstation network and now a major US bank has also had they're network hacked with the credit card information of about 200,000 card holders in North America being taken.

Ironically enough this article just in talks about the IMF being hit by a sort of cyber-attack also. You can't be too careful but a review of you purchases rather than blindly paying bills is always a good idea and any discrepancies can usually be sorted out.

Unfortunately most institutions and service providers now charge you for a paper bill! I know I don't pony up the extra cash.

The fact is it's just a part of life now and my business relies totally on the internet but we take extra precautions and ensure everything is as safe as possible and we've yet to have an incident. Even so, we still get requests for the old fashion payment method of cheques and I'm pleased to announce [we now accept them](#).

France has just [cut ATM withdrawal limits in half](#) unexpectedly. This type of move would certainly make me nervous and I'd be more inclined to have cash on hand stashed away in case of emergency. One thing I can guarantee you though is that in case of a banking type of shutdown where cash is limited or nonexistent for a time, merchants would gladly accept some silver or gold for purchases.

In my town they've just announced that extremely large amounts of internet usage will be charged extra once they surpass 250 GB of usage a month. Yes, that is insane and I couldn't imagine how anyone could use that much data in a single month, but it's how things begin. Next year they'll likely lower the cap and so on and so forth.

The facts are nearly everything in our lives will soon enough be dictated by the internet and cable TV will be a strange tale told to today's young who'll in disbelief do a quick internet search to verify the veracity of their parents strange tales.

I see stories of bandwidth limits popping up in many jurisdictions today and I don't like it. I feel like I'm getting nickelled and dimmed to death sometimes.

Most of you know I'm not much for TV but I do enjoy Survivor and also sometimes I get a laugh out of the bad auditions for those contest shows for signing, dancing or any other number of talents. I also enjoy inspirational stories that seem to come out of these auditions. [Here is the latest one out of Korea](#). It's a great watch and a very inspirational and sad story.

Best of luck to him.

It's sun time for me and a good book. I hope the sun is shining down on you and your portfolio wherever you are and that the weekend brings you peace, joy and happiness.

Until next week take care and thank you for reading.

Warren Bevan

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](#).

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