

# Precious Metal Stock Review

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## Waves of Destruction

It was quite a week to be sure. Markets were turbulent and have broken down slightly with the Nasdaq leading. This is normal, as the Nasdaq has led for quite some time and foretold the breakdown in other markets as well this past week.

Now we see how deep the destruction goes. We needed a break or breather and now we have it. I doubt it will last long, but a couple weeks or so of trend-less base building action would be best before we resume higher towards my late 2010 target of 1,440 on the S&P.

The metals broke out, then broke-down, then Silver rebounded sharply. Copper was weak early on and foreshadowed the weakness in markets and precious metals. It's one to keep an eye on.

The week was topped off with a devastating tsunami after a major earthquake, the likes of which we've never seen in our lifetimes.

I won't get much into my close call while travelling Northern Sumatra during the 2004 boxing day tsunami but my thoughts and prayers go out to my Japanese subscribers and readers whether you are in your homeland or abroad. The cleanup will take years and the mental toll will last a lifetime.

Thankfully my experience was slightly removed. It was my last serious bout of backpacking and I'd decided to travel Sumatra for a month. I arrived in Jakarta and swiftly removed myself from Java taking the interesting ferry to Sumatra. I made my way north quickly as I figured I'd get up there quickly and then meander my way back down for the plane back home.

I had no real plans, as any good adventure just seems to materialize. I had only two destinations in mind, the [island of Nias](#), with the famous left handed surfing wave, and Bukit Lawang, home to the famous sanctuary for orangutangs. I always wanted to see our red haired friend.

After a tortuous trip north and having seen not one single tourist for nearly the whole first week, I finally ended up in the small town of [Bukit Lawang](#). After forming a small excursion party we ventured off for five nights in the amazing jungle of the Gunung Leuser National Park.

It was great, but slightly misguided as my guide took advantage by doubling back over some of the same terrain thinking I wouldn't notice. That was put to an abrupt halt though.

Our final night was along a river, which a year before had seen massive landslides hit it, then roar downstream, in turn wiping out nearly the whole village of [Bukit Lawang](#) and many of it's residents.

To say that part of the world has seen it's fair share of tragedy is an understatement.

We were on the the border to the [Northern province of Aceh](#) and we saw plenty of evidence of recent rebel patrols. I should have been a bit nervous, but I wasn't even though the guides did seem a little on edge.

When the earthquake struck, we noticed a slight trembling, but having been in many earthquakes before I didn't perceive it to be anything extraordinary.

It was strange though that we didn't see many animals on my time. Some tiger tracks, a few deer and many birds but only one orangutang. Several other species of monkey were monkeying around early in the trip, but for the most part animals seemed to be in hiding.

We didn't get back to the small town until late in the afternoon after spending the day riding a few tire tubes tied together and "rafting" down the insane river. Now that was scary. I've never before or since been scared for my life so many times in such a short time. Eventually the river calmed but by that time near hypothermia had set in so enjoying the river cruise was difficult.

News in Bukit Lawang was sparse and it wasn't until I got to the metropolis of Medan the next day that I'd seen the true devastation of what had occurred, and it was only due to photos and video since nothing was in english. It took another couple days to get in touch with family back in Canada who were worried sick, due to internet and phones being down.

News and information was impossible to get so I made hasty plans to head to the amazing super-volcano of [Lake Toba](#) where I spent New Years and another week reading, relaxing and hiking around the spectacular area before heading off to [Berastagi](#) to climb another volcano and bath in the abundant natural hot springs before catching a flight back to Jakarta.

I didn't see the devastation firsthand except the area of Medan which was hit, but the chaos and aid efforts I did see, and it was something to behold.

Well that's far more than I'd planned to share, but never forget how precious life is. Things can change in the blink of an eye.

Again, my best wishes, prayers and thoughts are going out to those directly or indirectly affected by this latest event.

Let's move into the charts so we can make some money and perhaps even consider donating to relief efforts some proceeds of our profits.

## [Metals review](#)



Gold fell by a small 0.75% this past week. We saw a nice move into new highs only to be pushed back below that level as well as the uptrend line. It's not a great sign, but as long as we hold here above the 21 day moving average we should be alright.

The 21 day moving average is a key level that held strongly both Thursday and Friday. Technically speaking I'd say a drop to test the 50 and 100 day moving averages at \$1,380 would be nice to see but with all that's going on in the world these days I wouldn't bank on it.

Gold did have a nice run so a high level correction or consolidation between here and \$1,380 would be a great thing in order to build the strength it needs to power above here towards and beyond \$1,500.

The GLD ETF volume was mediocre for the week as down days saw higher volume but nothing at all extraordinary. The highest volume day was Thursday, as Gold put in a potential bottom at the 21 day average.



Silver rose 0.99% for the week. Silver was quite volatile this past week as we even saw a \$2 intraday move. The uptrend line was violated on an intra-day basis, but support at \$34 held.

Unfortunately we were shaken out of our swing trading positions in Silver as we are a bit gun-shy after taking some losses lately. The profits we had in Silver were substantial and we simply weren't ready to watch them slip away.

We'll be ready to try again and make another trade though as soon as it's ready.

We are still sitting tight on our physical Silver position as always.

The SLV ETF saw above average volume everyday of the week but none really stuck out. Friday's volume was ever-so slightly higher than Thursdays. This market does not have the appearance of a top at all, we just jumped the gun on exiting our positions, but as I said we made large profits and taking profits is the key to not going broke!

It looks like Silver is ready to continue moving towards \$40 here very soon.



Platinum dropped 3.27% for the week and is going through a nice correction phase. Support is emerging here at \$1,757. We should see some stronger support at both \$1,750 and \$1,725 if it's needed.

I wouldn't be initiating any new positions here, at least until the downtrend line is broken. You have to embrace moves lower as I do. You simply can't expect things to rise each and every day or week.

I always liken markets to breathing, one breath in, one breath out. We need moves lower to power the next move higher. Embrace these times of pause and rest or study as I try to do, although taking time off is not something I do often.

The PPLT was stopped dead on the 100 day moving average on Thursday and saw huge volume. That could be the signal that the low is in, but as I mentioned above I'd like to see the downtrend line broken to the upside before putting on a trading position. If you are considering buying any physical platinum, nibbling part of your position now may be a nice prudent move.



Palladium was slapped hard to the tune of 5.47% for the week. Finally we see a meaningful correction. We stopped right at horizontal resistance which coincided with the 100 day moving average. This will be the bottom unless it's not, but chances are high that this level will hold.

If we continue lower expect support at \$700 then \$660.

The PALL ETF saw huge volume on the Thursday move lower and very heavy volume also on Friday as the support area was hit and held. Huge volume is a great indicator and it's telling we have likely put in a bottom. Time will tell.

## Fundamental Review

We only saw [two banks fail this past week](#) to join this years list of biggest losers. I'm a bit surprised only two failed after last week seeing none fail. Maybe things really are getting better!

Just joking.

The big American Bank actually has just [segregated nearly half of their mortgages in a bad bank](#). The shenanigans going on within government and private industry is stunning.

The bank created a "bad bank" to store their worthless or bad assets and kept the "good bank" as is, and looking "good".

The assets that are "bad" are said to be valued around \$1 trillion. It's all just smoke and mirrors. I try to not get too worked up or deep into keeping tabs on this type of stuff since it stresses me out. Following the markets is a much more enjoyable occupation for myself. The markets and charts tell all really anyhow.

In fact the worlds largest bond fund run by Bill Gross has actually [dumped/sold ALL of their US government related debt instruments](#). While he may not see another Monday if he said the truth that the dollar is going down or the US government is going to default on their debts, he did have some impressively strong words.

Gross wondered aloud who is going to be buying US treasuries once the Federal Reserve stops. Recall that just recently the Federal Reserve has surpassed everyone else, China and Japan included, in US Treasury holdings.

The Fed is monetizing the debt by doing this. They are printing money and buying the US's debt and expanding their balance sheet which devalues the US Dollar as more and more of them are created. Mr. Gross is one smart cookie and took advantage of the situation by selling his holdings while there is still a buyer.

It's akin to selling your gas guzzling SUV last year before oil and gasoline prices rise. It's inevitable that oil rises so taking advantage of periods of low oil prices to prepared for a more expensive future is smart.

Spain's [sovereign debt rating was downgraded again](#) as estimates for the countries bank funding needs more than doubled. It boggles my mind that banks can get into trouble. They are supposed to store money and lend it, not partake in excessively risky behaviour and then get bailed out.

Spain's debt rating was slashed from Aa1 to Aa2 and €40 to €50 billion is estimated to be the cost coming for bank restructuring. Where that money

will come from I can't say for sure, but I bet it is yet to be printed. Chances are also high that this estimate is low.

I'm rocking out to some Tom Petty here as I do the final edit and "[I Won't Back Down](#)" was playing just now at such an apropos time. As Tom says; "He baby, there ain't no easy way out".

Last week I mentioned the moves in Utah to make Gold and Silver legal tender, and also that they are considering creating their own currency in case of US dollar failure.

The Utah [senate approved the bill](#) which requires the state to view Gold and Silver coins as legal tender and marked to market prices. It's not a done deal yet but having the metals recognized as legal tender throughout the whole country is where this is leading.

It seems the idea is catching on as Tennessee is also now [talking about a currency alternative](#) to the US Dollar in case of a "major breakdown" of the Federal Reserve. This "breakdown" is becoming more and more unavoidable everyday.

Big changes are a coming. I'm not telling you to own physical metals, I'm begging you. It will protect you moving forward no matter what.

A lawmaker in Georgia has proposed legislation which would force the state to conduct transactions in Gold and Silver coin. That is ridiculous and unfeasible in my opinion, but accountability in spending is needed and if a currency backed by precious metals is what is needed then so be it. But nobody should be required to use Gold and Silver in transactions.

Another Chinese advisor is [calling for China to increase their Gold holdings](#). They are trying, and trying hard I assure you, but the logistics just don't allow this to happen overnight in any meaningful way.

One day there will be another announcement out of China that they have increased their Gold holding by 500 or 1,000 tonnes. But this will come after the fact.

Why would they tell everybody what they are doing? It would only drive the price up on them.

Another story of [fake Silver coins showing](#) up which were manufactured in China is just another in the growing list of issues investors are going to have to deal with as the bull markets in Gold and Silver progress. The end of the video shows an easy simple method of telling if Silver coins are fake or not. I love that sound!

Canada's [Yukon region is bracing for another great exploration season](#) ahead. The area is chalked full of minerals and as more and more explore and develop mines up there the easier it will be for others to join in. This is one of the few relatively new promising lands to go exploring today.

The [US mint sold over 10 million silver coins](#) last week alone. That's unprecedented!

And to finish off here is an [amazing animation of the tsunami](#). Wow!

Unlike the big one late in 2004, this one will have many many shocking videos and will be very well documented.

Until next week, please do take care and live every day as if it's as special as it really is, and thank you for reading.

Warren Bevan

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