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# What Goes Around Comes Around

It seems the dead cat bounce may now be behind us as the US markets resumed their decline late in the week after testing important breakdown levels. The Dow Industrials average rose 0.75% while the S&P rose 1.58% and the Nasdaq went up by 1.80% on the week. Next week will be interesting as we see how much conviction the bulls really have. I have a bad feeling for them though.

In Canada the TSX gained 2.44% as oil rose steeply aiding the index and the junior and exploration company rich venture exchange jumped 6.22% as the precious metals seemed to leave recent levels in the dust. Things get more interesting every week. The past weeks decision by the FOMC was a turning point and will be viewed as such in history's eyes. There is little left to the imagination now. Precious metals are definitively the place to be and their equities should be fun to hold over the next several years too. It has now begun. Are you ready?

# Metals review


Gold gained 2.39% on the week but what was most interesting and suspicious was how hard gold was taken down as the FOMC decision was about to be released. Within minutes of the announcement that the Fed is now monetizing debt and embarking on the destructive path of quantitative easing gold was up $60. Curious indeed.

The up-trend channel was briefly tested on Wednesday and held decisively as gold is now seen as one of the few safe places to be. The chart is stunningly bullish with $960 as the last line of defence for the bears. If that can be taken out and held $1,000 will be the next stop, and likely a brief stop.

The only thing that concerns me in this chart is the RSI which has turned down slightly and has not taken out the recent peak decisively...yet. The moving averages are in good order and heading higher as they continue to exhibit a clear area of support. MACD flashed a buy signal as the momentum oscillator moved back into positive territory. Slow STO is heading into overbought territory but that does not concern me right now. I think we are ready to blow here, and now.

Silver gained 4.25% on the week and had a huge trading range of $2. Same story with the FOMC meeting here as prices shot up a whole $1 shortly after the release. Silver feels jittery here, and any likely explosion will be on the upside. I honestly think silver could move up to the $17 very quickly now if $14 is taken out. RSI is healthy moving higher and above the recent peak. The moving averages are looking great and are an area of strong support.

The up-trend line was tested on Wednesday for a few minutes and held beautifully. MACD just flashed a buy on Friday while momentum looks ready to cross into positive territory on Monday. Slow STO is approaching over bought territory but as with gold it does not concern me with the worst possible news coming this past week. There is no choice left, you must be invested in precious metals.

As Jim Sinclair said many months ago “this is it”. The inevitable conclusion is baked into the cake now. The US dollar will not be the worlds reserve currency any longer. What I thought may take ten years or more looks to be happening right before our eyes with increasing speed. Protect yourself.


Platinum leaped 4.81% for the week leaving the recent consolidation in the dust. The precious aspect of Platinum is remerging as investors flee to anything tangible. RSI climbed convincingly above the downtrend and is now solidly above the 50 line and clearly back into bull market mode.

The price was stopped at the recent peak at $1,115. The moving averages pushed the price higher and are all heading up although the 50 day remains below the 100 day. That could change within a week or two.

The up-trend line is looking good. MACD is showing a buy signal from above 0 and momentum is moving above the 0 line as well. Slow STO shot a quick buy signal and is at nice low levels giving us lots of room to run on the upside from here.


Palladium exploded 5.69% and gapped up on Thursday showing great strength. The convergence of a resistance line and the 100 day moving average at $210 may stall any upward momentum here. If not, the next stop is $223. RSI is above 50 and heading higher fast.

The moving averages are mixed as the 20 day bounced off the flat 50 day and is heading higher with the late moves last week. The 100 day is showing some resistance, at least on Friday. MACD looks to be showing us a buy signal and is at 0 along with the momentum oscillator. Slow STO is climbing towards overbought but is still showing a strong buy signal.

# FundaMetals Review

At long last all of us “paranoids” are unfortunately being proved correct although the masses won’t realize this until it’s too late. The Fed announced they will buy long dated treasuries. There has been much talk of “quantitative easing” but now it is real. The money printing machine is just getting warmed up. This is the worst news possible for savers of US dollars. The immediate effect saw gold jump $60 in about five minutes and the USD tanking it’s largest one day loss in over twenty years. Interestingly enough that was about the time gold last set an all time high.

This measure is nothing but monetization of debt. The definition in wikipedia is as follows:

**Debt monetization occurs when a nation's central bank (e.g. the Federal Reserve in the United States) buys government bonds.**

I was doing a bit of refresher reading on hyperinflation this week and ran across this statement. Tell me how many of these are happening across America today.

**Governments will often try to disguise the true rate of inflation through a variety of techniques. These can include the following:**

*** Outright lying in official statistics such as money supply, inflation or reserves.**

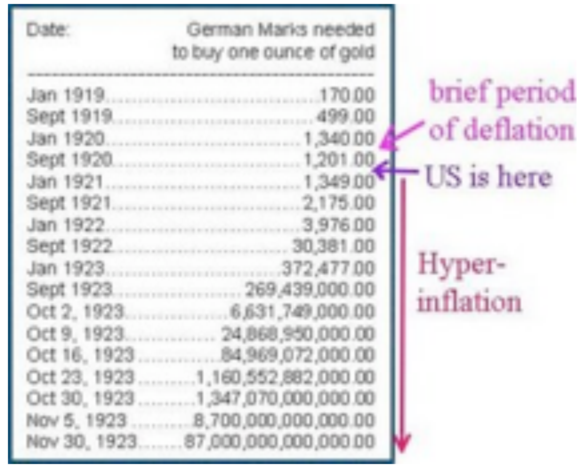
*** Suppression of publication of money supply statistics, or inflation indices.**

*** Price and wage controls.**

*** Forced savings schemes, designed to suck up excess liquidity. These savings schemes may be described as pensions schemes, emergency funds, war funds, or something similar.**

*** Adjusting the components of the Consumer price index, to remove those items whose prices are rising the fastest.**

I also ran across this table of showing how a brief period of deflation was seen before hyperinflation took hold in Germany. The US has just gone through a period of deflation but this weeks core producer price index (PPI) excluding food and energy rose on an annualized basis of 3.9%, and CPI at 1.8% annualized. If PPI an CPI are rising again your can be sure your expenses will be soon as well.



| Date: | German Marks needed to buy one ounce of gold |
|---|---|
| Jan 1919 | 170.00 |
| Sept 1919 | 499.00 |
| Jan 1920 | 1,340.00 |
| Sept 1920 | 1,201.00 |
| Jan 1921 | 1,349.00 |
| Sept 1921 | 2,175.00 |
| Jan 1922 | 3,976.00 |
| Sept 1922 | 30,381.00 |
| Jan 1923 | 372,477.00 |
| Sept 1923 | 269,439,000.00 |
| Oct 2, 1923 | 6,631,749,000.00 |
| Oct 9, 1923 | 24,868,950,000.00 |
| Oct 16, 1923 | 84,969,072,000.00 |
| Oct 23, 1923 | 1,160,552,882,000.00 |
| Oct 30, 1923 | 1,347,070,000,000.00 |
| Nov 5, 1923 | 8,700,000,000,000.00 |
| Nov 30, 1923 | 87,000,000,000,000.00 |



I could go one for far too long on this most important subject. I say with authority that this past week was when it began. We are on a path to destroying all that has ever been saved in paper dollars in the US and many other countries around the world. If you must hold paper currencies make sure they have a strong monetary policy whereby they are not going to resort to printing more money. Also a country with a strong and sought after resource base would be a good place too look.

I beg you to further your research into inflation and hyperinflation. Draw your own conclusions and make your own decision. The time will be time well spent if only for the sake of furthering your knowledge, but most likely it will put you on high ground and save you since the only logical conclusion is to trade them paper dollars for real tangible goods. Physical gold and silver nearby, being at the top of that list, maybe second to food. I am not happy to say this and hope I am wrong, but I am not.

Finally, I don't have to make a case for you to invest in gold and silver and their equities. The case makes itself at long last.

Even Putin is warning against printing money as a means of escaping the crisis. China and other emerging countries have also joined with Russia to now explore options for a new world reserve currency. Suggestions to date revolve around the IMF's attempt to issue special drawing right notes (SDR) as a new type of global currency which could eventually become the new reserve currency.

Please click here to unmask this weeks three biggest losers. There were no failed banks last week but the 2009 total is now at twenty.

The US congress passed a bill to tax 90% on bonuses for executives receiving bailout moneys until the funds are repaid in full. This just keeps getting more and more complicated. If only they would have let the involved parties fail we would be well on the way to recovery by now as responsible entities would have acquired the profitable pieces. The bill looks to tax people who made more than $250,000 and who's company received more than $5 billion in bailout money.  So does that mean the CEO's willingly making nothing or $1 a year can receive unlimited bonuses?  There will be a way around this I guarantee, and it will become even more complex and disturbing.

The accounting confusion is set to get even worse according to this article.  If the proposal is passed US companies would be allowed to cook their books by not reporting losses just by saying they don't plan to sell the stocks, bonds or other assets for a long time.  So the recent decline of many institutions from lofty levels to the $1 level would not be reported as losses, or even reflected on balance sheets.  Truth is a forgotten word and accountability just history.  If anyone thinks they can clearly see what many companies actually hold today they are sorely mistaken as rules change weekly and usually in a fraudulent manner to aid the company looking better than they really are.  It's not right.

The story does note however that the real health of a company can be found on the company's statement of shareholder equity under the line item "comprehensive income" which states the true income or loss figure.

By holding physical gold and silver you don't have to worry about it.  The metals are what they are, period.  The cheapest way to accumulate the metals remains taking delivery of a futures contract.  If you would like a gesture in the right direction please email me at warren@preciousmetalstockreview.com.

An important warning came from the Bank of England who says bank tensions are at the level last seen during the collapse of large US pillar institutions.  The report is focused on British banks but you can be sure this is a worldwide crisis and the problem is real in the US too, although it's being kept on the down low.

Singapore's Investment corporation is recommending investors hold gold and strong currencies like the Yen, Yuan and Canadian dollar.  This came just before the Fed announcement to actually monetize their debt.  The investment official Yeoh, said the Uk and US would monetize their debt eventually and both the Sterling and USD should be avoided "like the Plague".

Some central banks have recently added to their gold reserves.  Ecuador has bought 920,000 oz, Venezuela purchased 240,000 oz and Russia bought 130,000 oz on top of 310,000 oz bought in December.  Notice these countries are viewed as rogue or unstable countries in many eyes except for Ecuador which uses the american dollar as their currency.  Smart move by Ecuador.

Aaron Regent the new CEO of the world's largest miner recently said world gold supply will continue to decline.  Investment demand is increasing so the result is simple economics 101.  Higher gold prices.

This story adds to the pile of stories recently stating the incredible increased demand for physical gold and silver. The Royal Canadian Mint increased production by 400% late in 2008. The US Mint sold 710,000 ounces in 2008 up from only 140,000 in 2007 and they had to ration supply since they said they couldn't source more blanks. I wonder what the sales would have been if supply was not disrupted. The French Mint doubled sales last year and expects that again, at a minimum, this year. South Africa expects the same increases. New Zealand echoes the thoughts and has seen a months worth of volume done now on a daily basis regularly. Dubai has seen sales plummet since they rely on tourism and jewellery sales, but the coin market has exploded there resulting in coin shortages.

I've stated before that hedge funds and mutual funds investing in gold are scarce but will increase. Some of the smarter ones who've actually profited in the recent turmoil are now moving into the metals. One hedge fund bought an 11% stake in a major gold miner. **"People will look to 'old-fashioned' stores of value - those which represented money long before green pieces of paper backed a promise existed,".** Silver was used much more predominately than gold as money for day to day transactions which supports my thesis of silver being a much better investment, especially as gold rises to levels not easily afforded by the masses.

A Swiss ETF has seen their holdings rise by 50% in the last month to now total 924,175 oz. That is extraordinary by any means. I imagine Swiss investors were a bit scared when the government announced they were devaluing their currency. Where else can you go for safety?

I have a hard time investing in anything with the word "scheme" in it's title but that is what is being retried in India. The "scheme" is said to be an attempt to reduce reliance on imported gold. Holders of gold can give it to the bank and earn interest over the term of the contract and in theory reclaim their gold or cash equivalent at the end of the term. The gold will be re-melted and sold into the market in turn decreasing imports. This is the craziest idea ever. This exact "scheme" has been tried before in 1999 only to fail. The chances of getting your gold back are slim in my mind.

If you haven't seen the Obama interview on Leno this week you can find parts one tow and there here. http://www.youtube.com/watch?v=MSp1BALb3V0 http://www.youtube.com/watch?v=UsgSW1hgZpE http://www.youtube.com/watch?v=KoF9MKxfaDU.

In my free, nearly weekly newsletter I include many links 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 mailbox, links and all. If you would like to see how I am invested please click here.

Until next week take care and thank you for reading.

Warren Bevan

If you found this information useful, or informative please pass it on to your friends or family. And please take a look at my portfolio here for help deciding where to invest.

**Free Service**