

Precious Metal Stock Review

Bridging Wealth Protection and Wealth Creation

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Heavy Hitters Talk About The Virtues of Gold

It was a strong week for the precious metals especially Silver. We had a few large players in the world talk about Gold and the coming further weakness of the US Dollar and it's lessening role throughout the world.

All in all it was a great, constructive week. Metals did well and the US markets continued their consolidation before the next leg higher within a week or two. The S&P target of 1,440 I mentioned later on in 2010 is still very much in play once we get through this period of consolidation.

It was volatile to say the least this past week but that's a good thing as long as you recognize it and don't get suckered into new positions without a good reason to.

The S&P 500 is in a period of chop, or you could say trading in the middle of a range with no clear direction. These are the times that you must avoid trading as your account will be whipsawed back and forth in the blink of an eye and if you're not careful it will quickly disappear.

In Libya it's coming to a head soon now. Either the rebels die, or the Gaddafi side dies or faces criminal trials. If any one side succumbs it will be their end, therefore they must fight to the very end. God help them.

Oil continues to see upwards pressure as a result.

Metals review



Gold rose 1.41% for the week. We saw Gold push into new all-time high territory but that was very short lived. The breakout was not confirmed, but the uptrend line has not been broken yet either.

Gold is kind of trading in limbo here. We either break the uptrend line and confirm the island formation I talked about last week and head lower or we head higher if we can move and stay above all-time highs.

There is no point trying to guess which way Gold will move, but I know what to do if either scenario outlined above occurs.

If I can trade Gold I will, but it doesn't bother me if I can't either. The Gold coin I have is enough to make me smile and sleep well at night. Silver has been the trade as of late and we are taking mighty fine advantage of it.

The GLD ETF is holding well and it looks like the technical filling of the island pattern I mentioned last week is holding. Funny enough another island pattern was formed then annulled as the gap was closed this past week. Volume has been strong but not quite heavy yet, and only halfway to explosive.



Silver rose a solid 6.59% on the week and closed strong on Friday moving well into new high ground above \$35!!! We've all but double from that old pesky \$18 level where it seemed to take so long to pass.

For years, seeing Silver never truly break out was a bit frustrating, but as I've said over and over it only gave us a chance to accumulate more and more of the physical product. What I'd give for a sub \$18 Silver price once again, even if only for a day!

There is no point in reminiscing about the past though, we have so much further to go in Silver. My favourite white metal is being talked about more and more openly though these days, but it's still far from a cocktail party favourite yet. Most people and investors just don't see Silver for it's true potential. They only see it's strong uptrend and breakouts and are investing in the ETF or the like with a short-term horizon.

The fact is that Silver, along with Gold, is money although Silver is being used up in industrial applications as well. That list of industrial uses is growing by the week and adding to the Silver shortage.

One of the latest uses of industrial Silver is dye. The array of colours possible is extensive and the dye will not fade, and as I'm sure you know, Silver will not allow bacteria to grow on it, making the dyed products safe. This would be excellent in high traffic areas.

Basically, Silver is used as a store of wealth/money and is used up in industrial applications increasing demand for it. The growing uses in jewellery is also astonishing as the prices of Gold and other jewellery metals increases out of the range of many consumers. Jewellers even prefer Silver since their margins are greater since Silver is really so cheap. \$35 for a whole ounce is CHEAP!

You'd be quite hard pressed to find a piece of jewellery with a full ounce of Silver in it but the price is likely closer to \$200 for a decent piece.

The SLV ETF volume for the week was heavy and steady. There is absolutely no sign of a blow-off here yet as the steady heavy volume shows accumulation. We may see \$40 in the not too distant future at all. I'll be looking for a couple or few large percentage up-days with heavy volume then a blow-off near \$40 with crazy volume and a large move higher, then lower intra-day. Looking at the spike high in early November 2010 is a prime example of a blow-off top.

It wasn't the end though, and neither will the next one be. Silver will be well into the triple digits before I think of selling any physical Silver. Any pullback is a chance to buy more.



Platinum rose 1.94% and rebounded nicely from the support level around \$1,775 which coincided with the 50 day moving average. All in all this was a very healthy little correction that looks to be all but over with now that the price is back above the uptrend line.

The PPLT ETF saw great volume off the correction low near \$1,775 which tells me the correction is done with. It sure didn't last long and now we are poised to move into new highs for this move.



Palladium rose 3.46% on the week after a strange spike low below support at \$775. Alas, we finished the week up above the 21 day moving average as well as horizontal support just above \$800.

I'd like to see us move back above the uptrend line which began six short months ago or build a nice bullish pattern here. For now it is directionless from what I can see.

The PALL ETF saw massive volume on the spike low then more average volume on the move up. It seems many investors got scared out of their positions rather quickly and now it looks like Palladium is building some steam to resume it's upwards trend.

Fundamental Review

[TED](#) is a great resource for some great talks and [Bill Gates recently gave one](#) where he likened the US's accounting methods to Enron. Actually, he said Enron "would never have done this".

We all know it's bad and that they lie and make up figures to try and make themselves look good. We know better.

It's nice to hear it coming from such well respected men and women these days more and more. The fact is the hole the US has dug is now too deep. The US dollar is going to fall from grace as the worlds reserve currency and likely be replaced by some other means of exchange.

All fiat/unbacked currency is, is a means of exchange, not a store of wealth. Many more people are slowly beginning to realize this fact that has been proven over and over and over again through the annals of history.

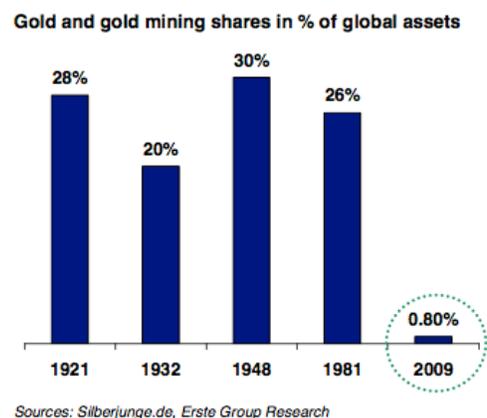
[Boise County filled for bankruptcy this past week.](#) How did things get so bad?

I'm surprised that we haven't seen any [banks fail this past week](#), but such is life and I'm sure it will be made up for very soon.

According to a major investment bank, [hedge funds have moved out of the Gold space](#) as the average Gold exposure fell from 2.9% in Q2 2010 to 2.2% in Q4 2010. John Paulson made \$5 billion in 2010 on his Gold bets and he remains strongly bullish unlike his peers.

I like to whip this chart out once in a while just to give us some sense of where we are going. Sure, prices in our [favourite metals](#) have moved up and even many of our [favourite stocks](#), but we are so far from the end of this move.

I know I am nervous entering new positions here at times and that is how most investors feel. That is perfectly normal investor psychology though. Most people are nervous until something has gone up and up and up until they simply can't fathom it not going up so they enter with dreams of beaches, cars and champagne all payed for from this investment that cannot fall.



Alas, that is the time that marks the tops of bull markets every single time. Embrace your nerves and buy, buy, BUY!

Egypt has now [banned the export of Gold in all forms](#). They did this to “preserve the countries wealth”. Yes, Gold is wealth.

The [UK’s Royal Mint has seen Gold and Silver sales double in January](#) 2011 year over year. The mint expects this strong demand to continue.

Silver jewellery has hit [new sales records according to the Silver Institute](#). This is a trend that will strengthen and add to demand in the Silver market.

In Utah a landmark movement has begun [whereby Gold and Silver will be viewed as legal tender](#). The bill passed and is now on it’s way to the senate. If passed I suppose you could pay for goods and services with physical Gold and Silver although I don’t see why you would want to.

They are exploring whether the state should take steps towards forming an alternative currency backed by Gold and Silver. Now that would be cool!

Ken Ivory gets it. He talks about how purchasing power of Silver has increased while the purchasing power of the paper dollars has fallen significantly and he even states when talking about the pending bill that it’s “a way for us to preserve for the citizens of Utah...the purchasing power of the money they hold”.

That’s a breath of fresh air coming from a politician. But you don’t have to wait for your government to do something. You have the ability to go out right now and convert you paper/devaluing dollars into physical Gold or Silver.

One of my main themes over the years has been about empowerment. I’ve tried to steer dear readers in the right direction but always have advocated that you take the steps to educate yourselves regarding paper currencies and make up your own minds and take appropriate steps which make you able to sleep soundly at night.

It’s easier than ever to do today and a quick search of fiat money, currencies, inflation or hyperinflation should suffice. Even spending half an hour or less should give you the gist of it.

Fiat currencies NEVER LAST!

As the great Mr. JP Morgan, who I’m sure is rolling in his grave seeing what his formerly fine institution has turned into said, “Gold is money and nothing else”.

But don't listen to me. Here is [Sam Zell talking about the coming decline](#) in the US standard of living due to US dollar weakness. Warren Buffet also acknowledged this past week that the US dollar will become less important as America's dominance over the world economic system diminishes. Some heavy hitters to be sure.

If you get nothing else from this weeks missive, [please watch this interview with Alan Greenspan](#) where he talks about Gold's role historically and now. It's a must view and save for reference in the futures.

Once you're done with that seven minute video you may as well watch this next one.

Ray Dalio NEVER grants interviews. He runs the world's largest hedge fund. Needless to say [this 24 minute video interview is a must watch](#).

You're welcome!

Last but certainly not least I leave you with a nice read from a mainstream paper where the [possibility of manipulation in the Silvers market is recapped and explored](#).

Here is a [pretty cool interactive map](#) of some of the worlds major Gold producing countries for you to play around with over the weekend.

Until next week take care and thank you for reading.

Warren Bevan

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