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Precious Metals Will Be This Decades Best Investment Too

The UK's big newspaper, which has generally been gold friendly this past decade, says new research shows gold to have been the decade's best performing asset. Didn't take too much research to figure that one out. That fact has been bandied about for a while now by most gold analysts. It's still nice to see gold's value, and performance being recognized. Hopefully it will attract more investors to the sector.

I can tell you that retail investors are NOT investing in gold yet. It just baffles me how little interest there is in precious metals at the moment. And gold is about to break out to another all-time high again to boot. I've long thought the retail investor influx would begin, this latest time at \$1,000 gold being broken. But it hasn't happened yet.

Others in the industry I talk to are really hurting with revenues down more than more than they'd care to admit. There isn't a day that goes by that there isn't a double subscription length offer, or half price type of deal that comes to my inbox. Being a contrarian at heart, these signs tell me we have so much further to go it almost makes me laugh...until I look at the bottom line! Thank god the investing has been going very well lately!

Metals review



Gold rose 1.49% for the week, but most importantly it has been testing the 50% Fibonacci retracement level at \$1,135. Gold is getting close to breaking out and from what I can see we should continue this trending move from here, into new all-time highs.

RSI is flirting hard with the 60 level which is where the horizontal resistance line sits. The Fibonacci lines show exactly where support and resistance lies. Once we clear \$1,135 decisively \$1,157 will be the next area of resistance but after that there really isn't much in the way to slow gold down until it hit's \$1,226 again. Slight resistance lies at \$1,180 and \$1,1996, but nothing major.

The moving averages are in good shape with the 50 day having just fallen below the 100 slightly and it is now on it's way to making an important buy signal by moving back above the 100 day moving average.

MACD is bullish and trending nicely higher. Slow STO has now shot a sell signal from overbought territory. While I do think the trending move higher is now underway that does not mean it's straight up. I expect a move to test \$1,120 this coming week which will bring Slow STO into better ground and strengthen the uptrend lines foundation.



Silver shot up 5.41% for the week. It's about time silver went higher. It's moving higher as quickly as it moved lower, which is amazing. I can never really tell what silver will do in the coming week and resistance and support levels just haven't been working well with silver as of late.

RSI is closing in on the horizontal line at 64 and is quite strong making higher highs and higher lows. The moving averages took a beating but the 50 day is starting it's slow turn higher and the 100 is now flat.

The uptrend line is nice and holding but is quite a bit lower than the actual price of silver leaving lots of room to run on the downside before any major technical damage.

The moving averages are in decent shape but the 100 day still needs to turn a bit higher and the 50 day needs to also turn higher. If silver can stay above the 100 day moving average and not break down on Monday morning I think we will see a move above \$18 quickly.

MACD is bullish and the Slow STO indicator is flat in overbought territory. I thought that silver would lead gold higher into 2010 but that has not been the case yet. That could be about to change.



Platinum moved higher by 2.55% on the week. RSI turned slightly lower late in the week as prices stabilized. The uptrend channel is holding still and price is in the upper half. The moving averages are all in fantastic shape.

MACD is bullish but the Slow STO indicator is about to show a sell signal. I think we will see a test of the 50 day moving average in the near future. That has been and should still be a great place to enter the market.



Palladium leapt 9.94% for the week. The white metal jumped out of the uptrend channel this past week and is potentially forming a new steeper narrower one.

RSI is about to move into overbought territory. The moving averages are steepening and still very positive. MACD and Slow STO are very bullish although the Slow STO indicator is quite overbought.

I'd be expecting a pullback in the week ahead likely to the \$435 area or more. That being said the new ETF's are affecting the price to a still unknown degree.

Fundamental Review

Dallas Federal Reserve President Fred Fisher says that banks seen as too big to fail must be broken up. I personally think that letting them fail rather than bailing them out as in recent history would accomplish that quickly and effectively rather than getting the government involved in that ball of wax. Just let the markets regulate themselves. Markets will regulate themselves if allowed, and it will be the most effective and cheapest course.

Speaking of banks, please see this link for this weeks list of four biggest losers. The banks failures were announced at the same time as always, late Friday evening.

George Soros was in the news again recently saying that the Euro's future is still questionable whether Greece is bailed out or not. I agree with Soros this time, unlike his recent comments regarding being the ultimate asset bubble...while he was buying!

Speaking of Greece, they issued US\$6.8 billion this past week but paid a steep price for it. The sale was three times oversubscribed and with the interest rate paid of 6.5% there is no wonder. While some view Greek bonds as risky the fact is they will be bailed out one way or another and the bonds are amongst the highest interest bearing notes on earth these days.

Russia is considering creating a Euro type of common currency which would link at least Russia, Belarus and Kazakhstan. It's a long ways off, but signs such as this point to the world's pension to move away from using the US dollar as a means of exchange. It's predicted that during the next ten years or so we will see five or six of these new common currencies surface to be used in trade, especially between participating countries.

There is a tonne of time before this would happen and the details couldn't even be imagined at this early stage. I wonder if these new currencies would be backed by something material, like gold. I suspect they will have to be as the world is fast losing faith in the current fiat/paper currency system.

Recently Ron Paul mentioned to Ben Bernanke in testimony that the Federal Reserve was involved in both Watergate and supplying the late Saddam Hussein with cash and in turn weapons. Ben pooh poohed the thought as bizarre, but now House Financial Services Committee Chairman Barney Frank has called for a probe into the Federal Reserve's potential involvement in Watergate.

This is a whole other can of worm which I won't go into, but if they do a real investigation the findings will shake the world to the core. The information is out there if you want it. But be prepared to rethink your whole world.

I have, and still do recommend the books by John Perkins as a great eye opener to just how covert and corrupt the US government is on an international stage.

China is looking for an [11% industrial output growth rate](#) in 2010 in order to achieve their goal of 8% GDP growth! An they'll likely get there.

Jing Ulrich had a [great interview the other day](#) and reiterated the thoughts I put to paper every week regarding. China will remain strong and be the largest economic force on this earth for a long time. And more importantly today to those of us in the West is China's continued move to rid themselves of US dollars by buying real assets.

The fact that China (20.9%) is now second to Japan (21.3%) in US treasury holdings should come as no surprise, and will continue to trend in the same direction. Follow the money. US treasuries are the only bubble around today as far as I can see.

The Venezuelan Central Bank is now added to the [growing list of large gold purchasers](#). They hope to buy some 20 tonnes of domestically produced gold in 2010.

The South African National Union of Mineworkers (NUM) was about to call for an [all-out strike against one company](#) since their demands were not being met in regards to a work functionality test were workers were being laid off for the wrong reasons according to the NUM. The strike has been called off at the last minute and the tests parameters will be a collaboration effort now, and closely monitored.

Interestingly enough this same firm who was threatened with strike action last week now plans to achieve [60% of their gold production](#) out of South Africa within five years. I can't say I blame them at all. I talk nearly weekly about the huge hurdles operating in South Africa entail.

Peter Schiff made it [onto Fast Money](#) the other day and talked about gold. The fact remains that gold will be a strong investment for likely the next decade, let alone the next five years. Fear is rampant and growing and will only add to the inflow into precious metals. And I agree with Peter that the US has worse and much larger problems than Europe at the moment.

Thanks to Eric over at [Jim Sinclair's website](#) who posted a historical correlation table between gold and the gold stocks. A number of 1 would mean the correlation is perfect. This current bull market shows a 0.68 correlation while in past bull markets the correlation has been between 0.82 to 0.94.

Date0	Date1	Time (Yrs)	Correlation
1929	1942	13	0.82
1968	1980	12	0.94
2000	2010	10	0.68
1/1/68	1/1/80	12.01	0.909
1/1/68	1/1/74	6.01	0.751
1/1/74	1/1/80	6.00	0.845
1/1/00	1/1/12	12.01	0.677
1/1/00	1/1/06	6.01	0.954
1/1/06	1/1/12	6.00	0.636

ECDegroot
<http://adegrootinsights.blogspot.com/>

As you can see from 2006 to date the correlation has been the lowest of any number shown, 0.64. Quite simply this quantifies the words I've been saying for so long. Gold stocks are cheap when compared to physical gold. Majors all the way down to exploration stocks are undervalued with the juniors being the most undervalued although they've been outperforming as of late.

The new [physical gold trust](#) saw only \$400 million of interest in their recent IPO. But still \$400 million is a large amount of physical gold to buy and will only add to upward pressure. They will be effectively looking to buy roughly over ten tonnes of gold, or to put it another way, they are going to have to take physical delivery of over 800 futures contracts! That could be the spark to get the fireworks lit.

This video shows the first publicly documented case of a [tungsten filled gold bar](#) being found. Scams will only increase as demand for physical metals heats up. Now is still a fairly safe time to buy physical metal, but it will be harder and harder as the years pass. It makes you wonder though how many large bars are floating around in Central Bank or ETF vaults masquerading as gold.

[This article disgusts me.](#) Where are their morals and any sense of responsibility. The big Scottish state-backed bank paid out £1.3 billion in bonuses when they only made £1 billion in reality, after last week first declaring they made a record £5.7 billion.

The same bank I mentioned above also see's [silver demand outpacing new mine supply](#) as we move forward. But they are only forecasting a \$15 silver price average for 2010. There are some big silver mines coming on stream over the next few years, but I expect investment and industrial demand to continue to increase and likely make the new mine supply insufficient. Much higher silver prices are assured.

I suppose I should share a bit of my fun with you, something I try and rarely do. I love riding motorcycles, especially the dual-sport variety. One of

my riding buddies finally got around to posting a bit of fun we had at the end of a ride last fall...literally! I don't know why, but I enjoy riding through water. Maybe it's the challenge...or maybe I needed to get cooled off. I think it's that feeling of the unknown of exactly how deep it is. I've never been one to shy away from a challenge/adventure. You only live once! Luckily I've never flooded the engine...yet. That time was close though.

Please, don't laugh as I [manoeuvre the rocks and sand at slow speed with my short legs](#) on the tall bike before I take the plunge! Unfortunately he didn't get me doing, or at least attempting, donuts on the other side before the [not quite successful journey back across](#). Fond memories this cold wintry day.

Thanks for the memories Michael.

Until next week I'll leave you with one of my favourites, Neil Young. Since he performed at the Olympics closing ceremonies last week I thought I'd break out one of the [truly great songs, and concerts of our time](#). I felt helpless as I fell into the water too! Although it was Northern BC, not Ontario.

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Until next week take care and thank you for reading.

Warren Bevan

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