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The Nightmare Unfolds

This was one of the most news filled and busiest weeks I have ever had. Bailouts, lies and deception ruled the week. The events unfolding could hardly be imagined by most even a month ago, let alone years ago. We are breaking down below levels said to be untouchable, but I think we have more to go on the downside.

Protecting wealth must be number one on this years list, followed by an attempt to actually grow your wealth. It's not an easy task but I think the precious metals and their stocks will be the right path to take.

The Dow plunged 6.17%, the S&P slid 7.03% while the Nasdaq dropped 6.10%. In resource rich Canada the TSX also had a harsh week falling 6.54% and the Venture exchange held up well only dropping 3.78%. The Venture exchange is where fortunes will be made and investors were seen taking advantage of the low levels and increasing panic in markets to get into some fantastic stocks.

Metals review



Let's begin by taking a step back and look at the twenty year monthly S&P chart. Breaking down below the 300 day moving average is huge, and ominous. A massive double top was formed over last decade and has broken down. A target of 500 is what I am looking at and would bring valuations to where I believe we could find attractive if earnings can hold up. I don't know if we will continue to crash now or rally back up to test the 300 day MA but 500 will be seen eventually.



Gold was basically flat on the week rising 0.02%. It seems so many pundits calling for a drop to the \$880 level was just a pipe dream. It appears we have bottomed at the 50 day MA and once \$950 is taken out again \$1,000 will be touched shortly thereafter.

RSI bounced back above 50. The moving averages are looking good with 50 day about to head back north. The slower moving MACD is looking to be about to move higher while the momentum oscillator has started to move back towards positive territory. Slow STO gave a bullish buy signal late in the week from levels where big moves often begin.

I think the next assault on the grand line will be when we see accelerated upward momentum begin. If you are trading this take advantage of any weakness if you haven't already.



Silver moved up 1.70% on the week and broke the downtrend line convincingly. \$13.50 presents some resistance but I don't think much will stop silver materially until it reaches the \$14.50 area again.

The RSI bounced perfectly off of the 50 line and is heading higher once again. The moving averages are heading higher except the 20 day which will turn up shortly. As with gold the 50 day MA has proved a great entry point. MACD has momentum moving higher while the indicator is slowly heading towards a buy signal. Slow STO shot a buy signal late in the week and did it from great levels meaning silver has a lot of room to move on the upside before any overbought conditions emerge. I love silver!



Platinum fell 0.58% for the week but pushed back above resistance at \$960 on Friday. Investment demand continued to increase for this metal which is seen as a good buy since it is so much lower than the recent high.

RSI moved away from 50 telling us it is still in a bull market and just correcting. The moving averages are all heading higher with the 50 day about to move above the 100 day which many traders will interpret as bullish. MACD remains in positive territory and looks to be ready to show a buy signal. Momentum is moving towards positive territory once again as well. Slow STO shot up hard from the 20 level which has been a good entry point in times past.



Palladium leaped 4.44% over the course of the week, but more importantly back above \$200. RSI is moving back into bull market territory. The moving averages remain mixed as the price moved above both the 50 and 100 day moving averages. Both up-trend lines are intact. MACD is moving slightly higher and momentum is also about to move into the green. Slow STO shot a bullish crossover from low, but not too low of a level. There is not much resistance from here until \$220.

Fundamentals Review

One in five US mortgages now have negative equity. This as the unemployment rate surged to 8.1%. One in eight are also late paying or are in foreclosure. No comment needed.

Now 10% of Americans are relying on food stamps, 31.8 million to be more precise. An increase of 700,000 people in one month. The program is expected to cost \$51 billion this year. The average household will receive only \$255 a month. We spend that in many weeks on food. I could hardly imagine eating nothing but cheap noodles and bread.

Central banks continued to cut interests rates and talk of quantitative easing. As one economist this week said when asked what comes to mind when he hears that phrase; "Cash and cans". My thoughts are physical metal, cans, and a fishing rod.

A treasury official quit with no repercussions after allowing a company to cook their books to hide the true state of the company, which eventually failed. I can't and wouldn't want to make this stuff up and you can be sure this isn't the only instance.

The continued secrecy around the destination of bailout funds continues. The Federal Reserve clammed up and wouldn't reveal any names this week in congress. Taxpayers have no idea where their money is going. But I can tell you when a large bankrupt insurer receives bailout money as one has recently, the money flows out the back door to the counter-party.

I like to try and keep things simple...maybe to simple, but here is my explanation of the process. Let's use my home as an example.

1. Only I can take out insurance on it. If my mortgage were like the structured products used on wall street today as many people that wanted to could purchase insurance on my home.
2. With thousands of people having insurance on my home they decide they want to collect, hence they burn down my home.
3. They collect the insurance money and take a vacation.

That is as simple as I can put it. The many people buying insurance are only buying it to make money and must force an entity or product into bankruptcy basically to collect the insurance. Taxpayer money goes to the many people/counter-parties who have insurance on something that they don't

own. And then we can't even find out who is collecting the money. It's fraud pure and simple and destroying everything in it's path.

This [story](#) outlines more of the pressure to reveal who the counter-parties are to the insurer. From what I have seen and heard the major counter-party is revealed near the end of the story although they deny this. As the saying goes, something has to be denied three times before it can be taken as truth. If you haven't seen the absolutely hilarious John Stewart video yet please see it [here](#). I haven't laughed that hard since the Tina Fey impersonations of Sarah Palin. Absolutely a MUST watch...several times!

Huge bonuses paid by taxpayers just before the bankruptcy of one of the largest brokers are still not being [disclosed](#). Over 696 individuals received more than \$1 million each. Again, I can't make this stuff up.

The US is [inviting](#) the wealthy to invest in the bailout. I wonder if they would be able to find out where their money is flowing! Private capital continues to find it's way into the [mining](#) sector and not much else and I think this poor attempt by the US government will fail miserably. It must be a joke. I mean come on, who would put their money into this stuff? Generally, wealth and brains go hand in hand.

To see this weeks biggest loser please see [here](#). They are the 17th bank to fail this year. Funny, in a weird way that their name begins with "Freedom" as it seems our freedom has gone under as well.

In Berlin locals are reeking havoc and setting fire to luxury cars as a means of protest. You can track their activities on [this](#) handy map. Protest are widespread and it's only a matter of time until they hit our regions. Although I did find an interesting statistic recently. The US is one of the few countries who chlorinate their water in the world and two litres of tap water is equivalent to a dose of Prozac. Maybe there won't be any revolt after all!

Ecuador is set to allow companies to [restart](#) exploration activities later in March as the new mining law was passed after a nine month halt on activities.

Following a worldwide trend Australia's gold production has [fallen](#) to a two decade low. 219 tonnes were produced in 2008 down 29 tonnes from 2007 as miners processed lower grade ore as it became economical with the high gold price.

World gold [production](#) fell almost 4% in 2008 to 2,385 tonnes. Mints are struggling to keep up with "rapidly growing demand" and are raising premiums because of the shortage of product.

According to the World Gold Council demand for gold soared in 2008 up 64% as investors clamoured to buy physical bars and coins shooting demand for those products up 87%. They also reiterate the fact that gold is a hedge against the imminent wave of inflation.

Silver talk dominated the news this week as Cramer ranted at length and Bloomberg talked most of Monday about gold's poor cousin. Silver will perform much better on a percentage basis from here on and only increase as gold steps out of affordability for the average investor.

India continues to recycle old jewellery and scrap as they cash in on the high prices. India has not imported a single ounce in February 2009 compared to a 23 tonnes import during the same month of 2008. 20 to 25 tonnes have been recycled and sold in the month. The very shrewd and price sensitive public will come back to the market once prices stabilize and show that they are staying above \$1,000 once that happens.

Instead of Tupperware parties americans are hosting gold selling parties to cash in on the high gold price. I find it sad at the end of the video that they get so excited to exchange paper money for gold. Even worse is the fact that they received only \$8.20 per gram when it is trading for just over \$30 a gram. I wonder how much the Indians are receiving, I guarantee it's more than that.

Gulf states are seeing a decrease in jewellery demand as investors go for investment products like bars and coins.

In Dubai the Shariah compliant ETF has begun trading and is backed by 100% by physical allocated gold rather than unallocated gold which other ETF's are partly backed by. The difference is simple. Allocated gold is gold owned outright by an investor and is stored, under a safekeeping or custody arrangement, in a professional bullion vault. It is the property of the investor. Unallocated gold remains the property of the bank.

A survey of Chinese economists saw 71.4% against bonds and in favour of investing in gold. 75.7% of survey participants think China should increase their gold reserve, 27.1% thinking they should "pile in".

The Chinese are on a spending spree and are likely to invest further and more heavily in Canadian mining and energy company. As America seems to be shying away from Canadian produced oil, the Chinese will gladly pick it up as they have in Russia recently. The Americans are playing a dangerous game, and playing it very wrongly with only the short term in view. A while back I titled a newsletter "The Chinese Are Coming", that is becoming truer every day.

So once you buy your gold and silver then what? [Here](#) is an entertaining and informative article on the various methods of storage.

[Here](#) is a favourite of mine, Mr. Ron Paul explaining the real deal.

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Until next week take care and thank you for reading.

Warren Bevan

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