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The Good Golden Life

The Dow was basically unchanged on the week gaining 0.1%. Same with the S&P which rose 0.47% and the Nasdaq was lifted 0.71%. The more important thing I noticed while looking at these indices weekly charts was that they all showed what's called a Doji candle. While nothing is ever certain they foreshadow a change in direction. The weekly charts look amazing, having risen very strongly as of late but the last few weeks have shown some steam being blown off. Two weeks ago the Nasdaq flashed a weekly Doji candle and perhaps is leading or showing the way since markets have had a distinctly different feel since that time.

Time will tell but I think we are very, very close to the end of this suckers rally. Don't be a sucker.

Up in the green, but up high, white north the TSX rose a healthy 2.36%, the Venture exchange which hosts so many junior and exploration companies jumped up 3.14%. The biggest winner was the TSX gold index which flew 6.82% as gold held up strong and some very bullish statistics came out this week.

With all the bullishness the real winners this week were the equities. The HUI rose 10.89%, the XAU was up close to the same at 10.68% and the GDX which is comprised of smaller producers where I see the most potential as we go forward won out the week rising 11.69%. I am always nervous when we have breakouts like this but it appears genuine but at the same time deserves respect since it can be slammed back with a vengeance for no apparent reason. Be careful.

At the end of last month I posted some monthly charts and said the 200 day moving average seemed to be supporting the Canadian markets and rebuffing the US markets. That certainly seems to be playing out with great accuracy. Next week I'll be posting this months monthly charts and we can get into it more then, but for now it's looking good.

Metals review

Gold notched up 2.80% on the week which is nice but not spectacular unless you take into account the fact that it moved solidly above $950 resistance. We're not quite out of the woods yet though. Gold was rebuffed Friday from the last line of defence for the bears at $960.

We may need to come back below the $950 area to build up more momentum before moving back to all time high ground, but then again with the US dollar breaking down as well as the long bond, maybe not.

The RSI is about to break into the overbought area. The moving averages are all moving higher now and will give good support around the $900 level if gold is pushed back that far. MACD has been flashing a buy signal for the last month and still is. Slow STO just shot another buy signal but is quite overbought. It can stay there for a while no doubt, but it bears watching.

The big boys are into gold now and starting to talk their own books which tells me they are almost ready to make some money. There are always three phases to bull markets the stealth phase, the institutional buying phase, then the manic phase when the general public gets in and rides it all the way to the top, then bottom. We are really juts entering the institutional buying phase now.

Normally things start to get interesting then before the fun of the mania comes, but the gold market is just so small that it simply will not accommodate much interest. The shares will be the only place left and they will be the investment of a lifetime if you can find some good ones.

Silver soared up 5.01% on the week and looks ripe to move to the $16 area with little effort. There are no hurdles between here and there although it's not shown on this chart. Closing above $14.50 has almost surely secured that move. But you know as well as I do nothing in life is sure except death and taxes.

RSI is about to move into overbought ground. The moving averages are moving higher with the exception of the 200 day which is flat down at $12. MACD is still showing a buy signal which was first showed to us $2.50 ago. Slow STO is in a bullish posture but very overbought and that bears watching. I think $16 is a given now before we see any meaningful correction.

Platinum rose 4.14% on the week but can still not regain a footing above $1,150. It's only a matter of time though and that time is drawing very near as the 50 day moving average is about to collide with that resistance level. Sure, the price can move below the 50 day MA, but probably only for a brief time to set the bear trap.

RSI is just poking into bull territory and has a long way to move before being overbought. Last week I pondered the possibility of the price running up hard and fast once the 100 day moving average crossed the 200 day MA as happened in silver recently. So far so good but it's too early to tell if this will be the case here. The only moving average heading lower is the 200 day. The 50 day MA is still trending along with the price helping to push it higher more or less.

There have been a plethora of stories lately about how platinum and a few other metals have been outperforming gold this year and that it may be a better investment. Sure, it's come up from it's lows nicely but it had a major correction and is so far away from it's high that it would still need to double to get there again. Gold on the other hand is very close to it's all time high and has held up much, much better than the rest. So while many are choked at how volatile gold is, it's nothing compared to the other metals and represents the true store of wealth.

Palladium slid up 3.55% on a great week for all the metals I cover here. One metal I watch but don't talk about much has doubled in the last 6 months but it corrected from about $10,000 with platinum and palladium when they fell. The metal is rhodium and like platinum and palladium represents very good value with a ton of upside left.

RSI is in the bull field, but barely giving it plenty of room to move higher. The moving averages are up except the slower moving 200 day. Notice how strongly price moves up when major moving averages cross each other as the 50 day recently crossed the 100 day shoving price up $20 quickly. The broad trading range is still in play here. The short up-trend and resistance line have formed a wedge which could push prices back to the upper reaches of the trading range.

Fundametals Review

The UK's debt rating finally has been lowered to negative. This same ratings agency kept it's 'AAA' ratings on certain companies in America right until they went bust or were basically nationalized, so for them to give a negative outlook, months after it was obvious, is a sign they may be rating on a slightly more realistic scale. However the country still maintains it's 'AAA' long-term rating.

This raises the obvious question of if the US will follow. The US is continuing to buy their own bonds and are considering buying more which says in bold, "We need money and no one will give it to us, so we will print it and then lend it to ourselves". They have seemed to follow the UK by roughly two months to date so keep an eye out in the July/August period for more on that.

I've talked before about the fact that a business operating within a country cannot have a credit rating higher than that of the country of operations. If that ever happens it will be a major deal and increase the costs of capital substantially reducing their competitiveness.

For this weeks list of biggest losers of which there were three, marking the 36th failure this year please see here.

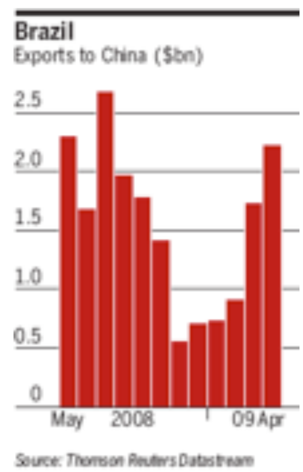
In a bid to increase transparency and bring back some reality to US accounting standards FASB is trying to tighten the usage of "qualifying special purpose entities". Basically anything, usually losing items, can be put in these and basically ignored when reporting results. If, and that's a very big if, these rules can be changed it will force companies to report assets within, thus requiring higher capital reserves. In English means the institutions are far worse than the recent stress tests which did not account for this and still required several institutions to raise capital. If this rules passes all but the most conservative bank you've never heard of will be forced to raise capital or more likely a new funding program would be created by the government who would in essence bail them out by either backing or funding the capital needs.

Only accounting for the 19 largest banks $900 billion in assets would be brought to the balance sheet. How can they hide that kind of money or losses legally? So many things have been called a "sham" lately. I would replace the "h" with a "c" since that is truly what it is.

The TALF program rolled out by Geithner recently continues to receive poor reviews. This story is a must read and will raise your blood pressure if you are an American taxpayer. While hedge funds love the TALF, it is nothing but a transfer of wealth from your pocket to the pockets of the already rich. Robbing Peter, you, to pay Paul, the rich, has never worked and will not now.

One trader said; **"I've had accounts that dropped everything they were doing to take a look at this TALF financing,"** and; **"It was like nothing they had ever seen. It beats any financing that the private sector could ever come up with. I almost want to say it is irresponsible."**

The talk of using alternative currencies for trade is accelerating with China at the centre of it all. Brazil is in talks with Chinese officials to use their respective currencies in trade between the two countries which is significant. This is much different than the currency swaps China has recently engaged in which can be used for any purpose.



This step is much more significant and a huge step towards the inevitable obsolescence of the US dollar. China is coming to dominate world trade. If they prefer using a basket of currencies rather than just one then that is what will happen. China has been quietly warning the world that this is the direction they would like to go. You just had to pay attention and take it seriously. It's the same with their recent announcement of increasing gold reserves.

In another sign of times to come Russia's reserves are now more heavily weighted in Euro based currencies than the US dollar. This is no real surprise since Russia exports so much oil and gas to this region. It is telling since they could buy US dollars but have chosen not too. Loss of confidence in the USD is becoming more and more apparent every single week now and it is accelerating and will soon be in the mainstream media.

However talking about and using a new currency for trade is much easier said than done. The UAE has rebelled against Saudi Arabia and the six gulf states attempt to reign in a monetary union. UAE has accused Saudi Arabia of strong-arming other nations into voting for Saudi Arabia to host the physical location of the central bank. UAE was hoping to grab that coveted title. Ah, you gotta love politics.

According to the World Gold Counsel gold purchases rose 38% over the first quarter led by investment demand. Investment more than tripled to 595.9 tonnes while jewellery demand fell 24% to 339.4 tonnes. The most significant tidbit in the article is the fact that Indian demand fell 83% from the same period a year ago. India is usually the largest consumer of gold and the fact that they were not and gold still held up and investment demand actually increased by a large margin is very telling. Both Chinese and American purchases rose over the same period while German demand for bars and coins rose 500%.

India actually sold 17 tonnes in Q1 2009 which is the first time ever we have seen disinvestment by the country. It just shows how strong the rest of the world wants gold today. Only good things can come from this, as long as your long.

A German firm is planning to set up, up to 500 gold dispensing ATM's. While the premium would be ridiculous at 30% it is a sign of the coming times The company of course says investors should hold up to 15% of their wealth in gold something which I think should be higher when including silver or the platinum group metals. Better set up some good security cameras or whatnot since each machine can hold up to 1,500 pieces ranging from a full 1 oz Krugerrand to a tiny 1 g piece.

The much anticipated South African mining union negotiations began this week. The Union began by asking for a 15% wage hike with other benefits, followed by the mining companies who countered with a 5% offer which was promptly rejected. Inflation is running at 8.5% so I expect a figure slightly above that when this new saga finally ends. It may be a while. And we may see some strikes.

Coin demand in South Africa has hit all-time high levels. The chairman of the South African Coin Exchange said; **"The rapidly growing demand for gold coins strongly suggests that the gold bull market is well set to extend itself strongly into the future,"** I couldn't agree more. 2008 demand for the Krugerrand was up 80% over 2007 levels. There are lots of great quotes in the article and I recommend a quick read. Also they note that Chinese demand was up 215% and Thailand's up over 100% while the Middle Eastern demand scenario went up 139% as well as surging ETF demand.

The proposed tax increase on mining in Nevada has been scrapped after miners sent in a team of 24 lobbyists to wine and dine legislators. No shock there as an increase would have scared away new miners. Consistency in legislation is imperative to attract investment.

You can vote for the worst corporation of 2009 here. For me it wasn't a tough choice.

Saving the best for last, I want to mention the hedge fund run by John Paulson. He's been one of the top performers over the years by seeing and playing the downturn correctly. He now has invested $5.5 billion in gold and select gold companies. There's not much else to say. It' huge and very telling. Follow the money.

In my free, nearly weekly newsletter I include many links and charts 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 inbox, links and all. If you would like to see what my portfolio consists of please see here.

Until next week take care and thank you for reading.

Warren Bevan

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