

Precious Metal Stock Review

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Lose Your Illusions

It was a strange week indeed as markets appeared to move higher, only to lose gains near the end of the day giving false confidence to market participants. The question remains whether this is the start of the second leg of the bear market.

The week culminated with a loss for the month in most markets worldwide as Spain followed Greece down the road to downgrade hell. Portugal will likely be next on the list which is growing. And yes, the US is on that list.

I don't know why they announce these decisions near the end of the trading week when they could have waited until the markets were closed. It sent the US markets reeling into the long Memorial Day weekend, not that I really mind, but it could be seen as manipulative.

Metals review



Gold rallied back from support and finished the week off with a 3.18% gain. As usual, the options expiry that I neglected to mention last week came and went on May 25, which just so happened to be the low price for gold.

What a stunning coincidence! Again!! And AGAIN!!!

Anyhow, the cup and handle formation which I mentioned last week is shaping up as if I were writing a fiction novel. We should see another leg lower to test the \$1,185 level or so, but perhaps not. I am adding a few positions around here, with the bulk of the ammo by my side ready to go at a moments notice.

RSI bounced perfectly off about 40. Moving averages are a masterpiece. MACD is turning bullish and the Slow STO has already turned bullish for now.

The GLD ETF saw decreasing volume as the week and price progressed. It tells me we will see a move lower as I expected in terms of the cup and handle forming I mentioned above.

Sit back and enjoy the show!



Silver rose 4.31% for the week and bounced off the lower limit of the up-trending channel. \$18.90 or so should continue to give some resistance for now, but that level will soon enough be history.

RSI bounced exactly where it should have....good boy! The moving averages are in fine form with the 100 day having acted as perfect support recently.

MACD has turned up but has not given the buy signal yet. Slow STO gave a buy signal right on cue for a quick \$1 move.

Silver depends on gold to a large part, but it's moves are exacerbated. With gold shaping up to blow it's top, I say buckle up if you're loaded with silver, if not, what are you waiting for?

The SLV ETF also saw waning volume on the price increase so we could very likely see a retest below the \$18 level.



Platinum clawed back 3.26% of it's recent falling out. There really isn't a heck of a lot I can say about this chart. It's a mess technically, and on this timeframe. There are a few levels of upper resistance I drew in though, the most significant being \$1,650.

Price did stop at the 200 day moving average for now though, but in these uncertain times, I can't say it's a bottom.

The PPLT ETF saw waning volume as the week rolled by so I expect further weakness.



Palladium snapped back 5.3% this past week. It's actually not in that bad a shape. Palladium came back to fill some breakaway gaps left early in 2010 and held the 200 day moving average nicely also.

That pesky \$475 level is once again going to take some work to surpass. Add to that the 100 day moving average vacationing in that area, and we have a recipe for some stagnation.

The PALL ETF saw fairly stable volume as the week closed. My mind says we see a range trade between \$400 and \$475 for now.

Both platinum and palladium are seen as industrial metals, but they lead a double life as a precious metal as well, even though you wouldn't know it in recent years. For a long term position these sister metals will make an excellent investment.

There have been times in recent memory where large automobile manufacturers have paid nearly double the price shown on the chart for physical metal since it's so scarce. IMHO, there is no way you can lose money investing in physical palladium or platinum.

Fundamental Review

Being long the market is a treacherous proposition these days as Korea nears war, Europe is on the verge of a breakup, the US is attacking institutions who basically run the markets, and the growing oil spills implications slowly surface. There are too many issues to get into, but the US's fiscal problems seem to have been put on the back-burner, for now.

A [super interview with some great minds](#) in the petroleum industry took place this past week. They open up the possibility that this leak is much worse than is being admitted publicly.

I don't know what to think of it really since it's not my area of expertise whatsoever, but it wouldn't be the first time the truth has been hidden from the public.

And I do know for certain that even if the leak is fixed right now, we still have about five weeks of oil to come ashore, or be mixed around in a hurricane or whatnot.

China was at it again, reassuring investors worldwide that they were not reviewing their [foreign exchange holdings](#) as the Euro progresses through it's current calamity. They say they remain committed to their European investments. China is well known to talk in one direction and walk in the other, but, while I'm sure they are nervous, they simply can't walk away from the vastly important European nation at this moment.

The Euro's trouble have only begun in my view since there are so many differing cultures who will be none too happy to bail out another so that they can maintain their standard of living which may well be better than the country bailing them out.

Imagine, watching someone living beyond their means and saying to yourself;

“It’s only a matter of time until it catches up with them.”

Then when it does catch up to them, rather than them learning a valuable lesson, you are forced to bail them out!

What a sick world we live in.

While I was enjoying a beer and lobster while watching Fast Money, for the second evening in a row, (‘tis that time of year!) five more banks failed and were added to the growing [list of biggest losers](#). Three were from Florida.

Eric Sprott’s newish physical gold trust is [issuing some more shares](#) which will see a purchase of 6 metric tonnes of physical gold take place very soon. While the physical bulk is small, with one tonne being only 15 cubic inches, the loss of physical gold off of the Comex is huge.

The \$235 million being raised is a large chunk of gold no matter what anyone tells you. It’s not a lot of money in dollar terms, but in gold, it’s very, very large.

Another week, another bad article for South Africa. The long bandied about topic of [mine nationalization came up again](#). It’s unlikely in my view, but you can never be 100% sure if the wrong party gains power. The ANC Youth League is targeting 2012 as the date the policy will be enacted.

More talk of a [platinum spike during the coming World Cup](#) due to potential power disruptions is being bandied about. It would be a risky bet in my opinion, especially since investors will dump anything on a whim in this economic climate.

A huge and very important clue was given though when the party said a state owned national mining company would precede nationalization. If you are invested in South African miners, jot that note down as a time to exit that position.

A [poll of 23 traders and analysts](#) was taken recently and they found that they all think gold will hit \$1,500 by year-end. I’ve said publicly for many a month now that I thought gold would hit \$1,500 by summer. It’s not looking good for my timeframe, but it will come in time. Enjoy the slow train, and take advantage of the many, many corrections and consolidation periods.

The recent addition of a gold ATM in Abu Dhabi has seen the manufacturers demand soar. They are now [making about 50 machines a month](#)

which are to be installed in Italy, Russia and Turkey. Banks, hotels and airports are the likely locals. No word on them coming to North America yet. The only problem is that the machines don't buy the gold back from you yet.

The US mint has [seen demand soar in May](#) as global uncertainty prevails. Over 200,000 oz gold and 3 million oz silver have been sold to their authorized dealers with a week to go in the month when the figures were released.

The World Gold Counsel says [Indian demand for gold soared](#) in Q1 2010 to 193.5 tonnes up from only 24.2 tonnes in Q1 2009.

China has been pretty quiet lately on their moves into the African continent but they are about to make their [second largest investment](#) outside of energy by investing \$877 million into the South African platinum mining sector. I kind of doubt the Chinese will smile kindly on any nationalization attempt in the future.

More royalty issues, this time [Ghana has applied it's new royalty rate](#) of 5% to miners, although some companies have previous agreements which grandfather them out of this new rate.

Well, I'm off to work on my poor golf skills and maybe even enjoy one of those tobacco sticks I brought back from Cuba. Viva Cohiba's!

Enjoy your long weekend in the US, and quiet Monday in the rest of the world due to the US holiday.

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Until next week take care and thank you for reading.

Warren Bevan

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