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Eye of the Hurricane

Another week, another move higher. I am nearly convinced that the storm has passed now and that sunny days are ahead for a long time. That is what I will say in 2012. We are far from through the storm and I don't think we have even come to the eye of the hurricane yet.

Last week I pondered the real chance that the US markets would test their 200 day moving averages and it looks like it could happen very quickly. The Dow's 200 day moving average sits now at 8996 on the daily chart and the S&P's 200 day MA is at 954.58. It looks like next week will truly be the test of this rallies strength. My thoughts remain that a bear market is not yet half way to completion and the most I am expecting is a slight move above the 200 day moving averages to sucker in the last few optimists. It will be a bear trap. Be very careful.

The Dow rose 4.41%, the S&P rose 5.89% and the Nasdaq floated up 1.15%. In resource rich Canada the TSX jumped 7.80% and the Venture exchange rose 5.90%. The S&P Gold Index flew up 10.38%.

The cracks in this rally's foundation are growing quicker now. There are many signs the rally is coming to an end in the face of this past, very strong week. One of which is the VIX volatility index futures being higher than today's quote, which in the recent past has been a precursor to major falls.

I have recently been reading one of my favourite books, "Reminiscence of a Stock Operator". The famed trader Jesse Livermore knew the rally was coming to an end around the great depression era and kept selling only to be stopped out again and again. One day he opened the paper to find a capital raising by a major company. This he saw as a sign the rally was coming to an end and the company was trying to get the capital raise over before the fall.

His view was solidified a day or two later as another major company did the same, but set their date before the prior companies date. The race was on and it was not long before markets began to fall in earnest.

Today is eerily similar to 2008 when companies were raising capital hand over fist just before the markets crashed. The truth is out there, you just have to look behind the curtain. This video of William Black, a man who has studied the banks in minute detail is what people should be focusing on. It's just a matter of time before the dam breaks.

Metals review

Gold rose 3.4% on the week. It looked ready to make a much larger gain but was taken lower on every attempt. It's only a matter of time and it is looking more and more like that time is very near.

There is a band of resistance between $900 and $930, the $920 area being most significant. Gold did break out above the trend-line. But at the same time it looks like the an up-trend channel is in play and may contain gold for several weeks until gold musters the momentum to move out of the $930 level.

RSI must beak the line at the previous high to signal a trending move. The moving averages are showing support on the lower end with the 100 day and resistance on the top end from the 50 day moving average. MACD is bullish as it the now in overbought territory Slow STO.

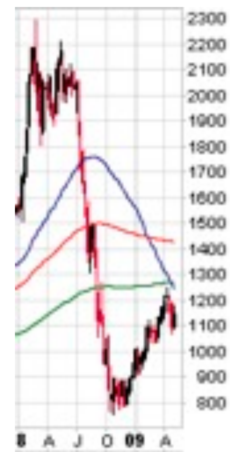
Silver roared 12% even. When silver moves either up or down it does so with a vengeance. Closing the week dead on $14.00 is nice to see but that is the level it must get above convincingly. The amount of momentum silver has right now may push it right through that level, but I've been fooled before.

The downtrend line which was broken early last week looks like gold's recently broken one. It may be that gold is back to following silver which in turn is bringing down the gold to silver ratio from it's recent very high levels. The ratio is now at 65.46, still historically very high. The ratio will move to 15 at some point in this bull market making silver a better bang for the buck, if you can handle the volatility.

RSI broke above the recent peak and is very bullish. The moving averages are far lower than the price right now and could need to catch up to support silvers launch. MACD turned bullish the last third of April and hasn't looked back since. Slow STO is bullish and in overbought territory where it can stay for an extended visit. All cylinders are firing in silver making that truck hard to slow down.

Platinum jumped 4.65% last week but was moved back down to the $1,150 area where the line is now at least temporarily acting as support. Platinum's chart is textbook. Higher highs and higher lows consistently. It's a clear bull market and since its monetary role is minimal, it trades as a free entity.

It is nice to see a market you can trade and generally do so without fear of any shenanigans working against you. RSI moved above 50, back into bull market ground after a brief stint below. The moving averages are mixed, but the 50 day just crossed the 200 day and so far remains a great place to enter a long position.



MACD is close to making a bullish cross and Slow STO is bullish and only at the halfway point. There is room to run on the upside but personally I'd rather see two steps forward, one step back as we have seen lately. Blow off tops don't last and usually lead to pain as we saw with platinum early last year. Remember the move on the right? Yikes!

Palladium was the winner this week and was shot 13.23% higher. The up-trend was tested recently and held dutifully. Palladium then promptly moved up by over $30. The downtrend was broken on Friday but the move was halted at the $240 resistance level. It's amazing how strong all the metals are right now, with gold lagging slightly.

RSI is trying to beat the recent peak and if that occurs will coincide with a breakout above resistance and likely be the start of a nice trending move to the $300 level. I can say the same about Palladium as Platinum in terms of higher highs and higher lows. It looks great and is basically easy pickings.

The 50 day moving average still is a great place to go long. I don't think chasing is the best strategy, rather buying on weakness. MACD is about to go bullish and has stayed above 0 more or less for the whole of 2009. Slow STO is bullish and quickly approaching overbought status.

Fundametals Review

The controversial stress test results came out and several big names are being forced to raise capital. I don't know who would buy capital in them. My guess is it's the Federal Reserve. The curious thing is that so far the capital is being raised below today's stock prices. One company rose over 44% last week alone, after being told they need additional capital. How does that make sense? It doesn't. It's a wonder I still have hair! It seems that common sense is a long forgotten phrase. If you buy the explanations for the continued rally by the talking heads as sufficient, then please look deeper.

I am trying to get the truth out, it is there. It's not on the front page, but buried in the back pages. Nothing worthy comes easy in life and the truth about today's markets is no different.

Last week I said; "*A curious development in the circulating coin world comprised of pocket change caught my eye this week. Only 3 billion coins have been ordered for all of 2009, down a stunning 70% year over year. This has sparked a hiring freeze and will likely call for an extended shutdown of the mints. The thought that ran across my mind was that perhaps the Federal Reserve realizes that coins will soon be worthless and paper dollars will need to be printed in increasingly larger denominations making the coins pointless to keep producing. Just a though but it's the only one that I can conclude from the story.*"

I got several email on that topic most whom think the metal going into coins is too expensive. My response is why didn't they do it two years ago when the metals were truly expensive. I've yet to get any reply's.

Thanks to Patricia who just shot me an email saying that last Saturday the Globe and Mail ran a story talking about a paper company in North Vancouver who is a world leader in providing banknotes and is doubling production. Very curious indeed. I will be in contact with them this week and try and find out some more solid facts.

It is very intriguing, less coins and more paper bills can only mean one thing. Although it's curious that most of today's money is not printed, but entered into a computer. I smell a story here and hope to get one to you early in the week.

Last week I made a foolish mistake when talking about failed banks. There were far fewer than I mentioned who failed. I mixed up the "closing date" and "updated date" columns. I don't remember if it was early or late, but the caffein had worn off. Thanks to the many who corrected me on that. Please see here for this weeks one biggest loser.

Perhaps the least talked about but most important recent event is China reducing their Treasury Bond purchases in January 2009 and actually dishoarding in February 2009. Mainland China had purchased $3.407 billion of Treasury Bonds in December 2008. Then in January, China only had $622 net Treasury Bonds, from the latest data in February the net was a minus $964 million. It's the beginning of a trend and two months have passed since the latest data so the situation may be far worse than we yet know.

A Republican lawmaker recently was the first member of congress to tour the Bureau of Public Debt and was "alarmed" at just how much debt the Federal Reserve was buying. That can only mean one thing and that the monetization of the US debt is in full swing and likely a much larger program than we are aware of. It will lead to massive inflation if not hyperinflation. China is the largest holder of currency reserves and an important cog in the wheel of international finance. If they decide to stop taking part in buying US debt altogether then the party is over. China has also supported the idea of an international basket of currencies to use as reserve currencies rather than having all their eggs in one basket, the US dollar.

The ECB cut rates by 0.25% to 1%. The chart shows the amazing speed that interest rates have been slashed. More importantly, they announced they will buy their own bonds. I wish I could print money and buy my services. I'd be rich! That is essentially what governments are today doing.

Another development which will only be accelerating as governments require more and more income to sustain themselves is the exodus of the rich. Why would they want to stay somewhere where they will be taxed increasingly when they could work remotely in today's digital age paying far less tax and enjoying a higher standard of living to boot. It's happened in the past and governments don't seem to be learning from their mistakes, just repeating them.

The recent announcement by China that they have increased gold reserves leaves questions in my mind whether they have more and are buying more than they have disclosed. The announcement is an obvious shot across they bow to monetarily reckless countries that China is not willing to just sit back and continue to accept paper money. China is wanting hard goods from oil to copper, gold, land and companies.

This brings me to the recent announcement by Venezuela that they now require domestic producers to offer the central bank 60% of gold production and 70% must be sold domestically. While the article notes that to date the central bank has not bought any gold it makes me wonder if that is a fallacy in view of China's announcmement. While it's going to be hard to pin down accurate, or any figures of central bank buying by these and other countries I am certain that it is occurring on a regular basis and with increasing speed.

A recent interview with Jeff Christian had him talking about all the sovereign wealth funds they deal, and talk with. He said they nearly all want to accumulate physical gold and that most have not even begun and those who have, have only accumulated 10% or less of what they'd like to hold. Those holdings will likely not be reported and leave a big chunk out of the demand picture.

Running shoulder to shoulder with China and Venezuela is Russia which has increased first quarter gold output by 42%. This brings this years first quarter production to 31.39 tonnes up from last years Q1 number of 21.11 tonnes. This begs the question of whether the Russians are also secretly increasing their gold reserves. My bet is that they have been, are, and will continue to do so.

The UK's mint used 75% more gold in Q1 2009 compared to Q1 2008. 28,496 ounces of gold coins were produced. In 2008 production rose 30%. This years total should be well in excess of that. Cited are concerns over savings and banks safety, and the realization that gold is a safe haven asset. Very few are said to be selling. I guess it's mainly the ladies attending gold selling parties to rid themselves of old or unwanted jewellery. If only they knew how badly they were getting ripped off and that much higher prices are coming. Silver usage by the mint was down 10% over the same period.

Also, in the article is the fact that the gold ETF in USA has surpassed Switzerland to become the sixth largest bullion holder. It just doesn't make sense knowing how hard it is for CEF and GTU to buy much smaller amounts. If that much gold were truly being bought in the open market, prices would be under much more pressure to rise I would think. But that has not been the case to date.

Speaking of GTU they raised $175 million this past week and will issue 4,825,000 shares. GTU buying that much gold on May 12 should have a very nice effect of moving gold higher. But that is not always the case. Coincidentally I heard through the grapevine of an individual who this past week purchased the same amount, $175 million, in gold.

If you've got some time here is an excellent, but long, history of just how Bernie Madoff pulled off the biggest Ponzi scheme in history behind Social security and...well, let's just say the biggest ILLEGAL Ponzi scheme of our time. Thanks to Robert H for the story.

The real knee slapper this week is this exchange between Alan Grayson and Inspector General of the Federal Reserve Elizabeth Coleman. It begs the question of whether she thinks that because it's called Federal, it's a branch of government. It's not, the Federal Reserve is a private entity mainly owned by the top bankers in the world, although that is another long highly criticized topic for another time. Enjoy the video, and marvel at the competence of one of the most important posts today. http://www.youtube.com/watch?v=PXlxBeAvsB8&feature=player_embedded

Last week I offered a free month of "My Portfolio" to the individual who gave me the best alternative name for the "Swine Flu". I haven't had a response like that since I mentioned switching to a MAC from a PC, a decision I am very happy with after getting familiar with the system.

There were many duplicates but the overwhelming theme from them is that most of you don't buy it, are sick of the lies and manipulations and just want to live free and without burden by the rich. Thank you for all your responses. I am sorry I couldn't respond personally to each email but there were just too many. Here are some of my favourites;

- "Financial Flu"
- "2009 Fear Flu"
- From the owner of a Mexican "naturalist" resort, "Screw Tourism Flu"
- A favourite and often repeated, "Obama Flu"
- " Not Quite Swine Flu"
- Here are some that were repeated often, "Diversionary Flu", "Sheeple Flu", Bankster Flu", " Swindle Flu"
- "Mind Game Flu"
- "Fiat Flu"
- " Flim Flam Flu"
- "New World ORDERED Flu"
- Pinnochio Flu"

- “Pigs WHO Flu”
- Jim Sinclair will like this one; “Wag The Hog Flu”
- “I’m MAD you MADE OFF with so much of my money, you inFLUential Swine Flu”
- “MAN-inpulated Flu”

I am blown away by the number of responses and their thoughtfulness. Thank you again to all. I love to hear from readers and I am consistently impressed with the thought and consideration shown. Truly some of the most informed, real and fed up people in the world. Thanks.

An the winner is by Bill E... “SHAMIFLU. I love it.

Finally I’d love to leave you with a two part interview with recently shamed “John”, Eliot Spitzer. It’s a great interview and while he’s not perfect, I actually don’t know anyone who is, except my mom, Happy Mother’s Day mom! He takes a tough stance and seems to know the problems in full detail. The path we are on is frightening. Please see part I and part II for more.

In my free, nearly weekly newsletter I include many links 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

If you found this information useful, or informative please pass it on to your friends or family. And please take a look at my portfolio here for help deciding where to invest.

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