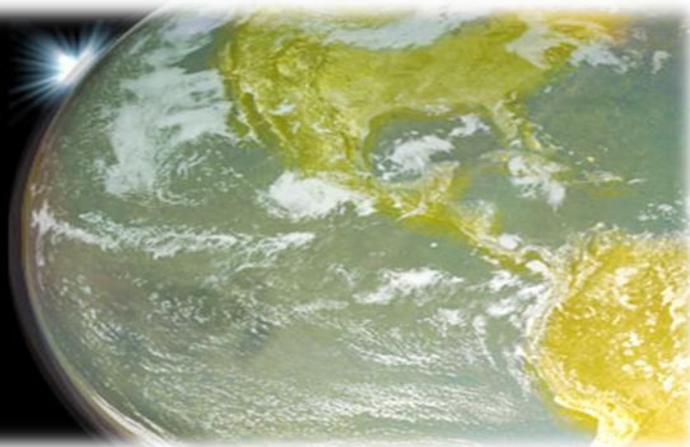


# Precious Metal Stock Review



[www.preciousmetalstockreview.com](http://www.preciousmetalstockreview.com)  
2008

1 November

## Confessions of a Non Gold Bug

I must admit that I could care less where the bull market is. I am not a gold or silver bug. I understand monetary history and the events unfolding today are in history what make gold and silver shine and their true use, as money, reappear.

I am in this for the money just as I was in tech for the money. As a private investor, that is what I focus on. While technical analysis can help when entering free markets the fundamentals are what matter.

Simply, supply and demand is the key. Gold and silver supply is dropping. Gold and silver demand is rising. These factors have been in play for years but have begun to become exaggerated over the past few months. Now is the time for this secular bull market to begin to pick up speed.

The day to day wild gyrations don't matter. They are great for giving seemingly limitless great entry points into this bull market and I suggest you take advantage of these gifts. They are gifts. If gold and silver were not such a barometer of economic health they would be much higher by now and not have given investors so many great entry points.

The fact that they are wildly volatile, unpredictable and at times held in check make me believe this will be the greatest bull market of all time. The heights reached will blow your mind. Don't regret it, take the gift given to you and forget about it for a few years.

# Metals review



Gold moved up from terribly oversold conditions this past week. An uptrend has formed and is butting up against the first line of Fibonacci resistance. The physical gold price is much higher than the price posted on this chart. The low price here cannot last much longer. I expect a sudden reversal and jump up in price in the very near future, possibly just after the elections.

RSI has turned up but has some levels to get through. All three moving averages are negative. MACD has turned up but not crossed over bullishly yet. Slow STO has made a bullish crossover and is on the verge of taking out the downtrend.

Who knows what will happen next week or next month but I do know over time the price will go much higher. To me it looks like a bottom is in place here, but I am still picking the egg off my face from last time. James Turk has long advocated an average in method, whereby a certain dollar amount is allocated to gold and silver monthly regardless of price. So far it has worked very well.



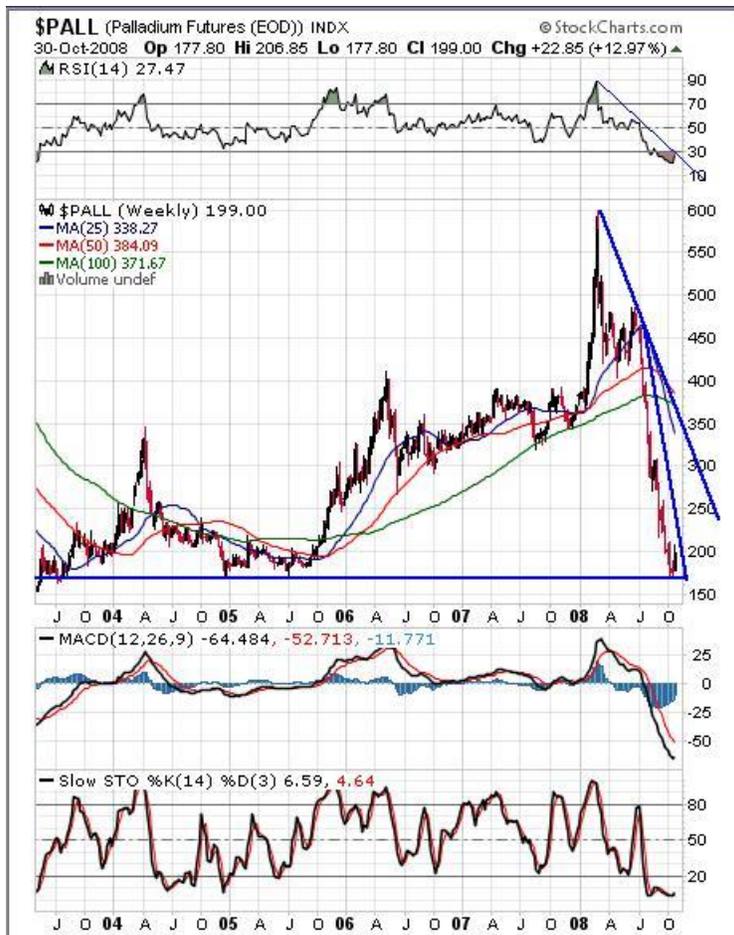
Silver remains under pressure from the downtrend which dates back to July. \$10 is significant and should lead to a rally to at least \$11 easily. I am more bullish on silver than gold since supply is waning recently due to so many base metal companies lowering or halting production. The demand for physical investment products is still soaring. Remember silver is a by-product of base metals and 75% of silver goes into industrial applications leaving only 25% to investors.

RSI took out the downtrend but needs to get above 47 and 52 to signal further strength. Moving averages remain bearish. MACD crossed bullishly and broke the downtrend but needs to get above -0.5 to signal more strength. Slow STO has flashed a buy signal and if it can move above the line at 35 will give another buy signal.



Platinum is at an important area of support dating back to 2004. Almost 5 years of work to moving up has evaporated in just four months. I don't expect it to take 5 more years to get back to those levels but I don't think it will take 5 months either, maybe a couple of years.

RSI has never been this oversold in this 5 ½ year chart. Moving averages remain bearish. MACD is abysmal and showing no sign of reversing. Last time the Slow STO was at these levels turned out to be a very good buy point. This metal is very dangerous right now but as I explain further down in this report the cost of production is well above the current spot price. The price may go lower but it will not stay down here for too much longer without major supply disruptions that would be critical to the auto and other industries dependent on platinum.



Palladium is at strong support from 2005. The bounce in price off the support line shows how strong it is. I can't call a bottom yet. Palladium may test the low again but it would likely be very short term if the price went below that line.

RSI is heading higher from extremely oversold levels. Moving averages are heading lower. MACD is showing signs of turning up finally. Slow STO has never been this low on this chart and has flashed a bullish sign. As with platinum, palladium is selling for prices lower than it costs to produce, this cannot last.



I wish I had more cash when I look at this chart. A 300% gain is guaranteed from these levels. The large cap miners have been obliterated. I am not an advising anyone, but a strategy I am employing is purchasing some leap (long dated) calls on the HUI and XAU indices, a strategy I rarely employ but one which can be very lucrative. With this trade all I can lose is my outlaying principal (which is very unlikely) but I can make well over 1,000% over the next year or two if managed properly. This can be risky and requires knowledge and experience so I do not advocate it for anyone, however there are benefits.



Simply, the buy of a lifetime. I hate options since they expire, but when the stars align I have no choice other than to use them, this is one of those times. Another strategy I am employing is selling puts on leaps. This way I can use the cash raised to buy more calls. I use a small trading account which I rarely use but has grown recently by using puts as the market has tanked. Options are complex and dangerous and should only be use with money you are willing to lose in full.

My investment account remains abysmal but unshaken. I have a stop loss of \$0.00 so I am not going anywhere with any of the stocks I own, just adding to them. That is the mindset you must employ in this market. The setup is truly spectacular.

# Fundamentals Review

It was an October to remember, but one I am anxious to forget. \$10 trillion of stock market value worldwide was given back this month alone but more importantly the 30 year bond yields hit their lowest point since they began to be issued in 1977.

The US government continues to create and dish out money to anyone who needs it for the first, second, third time or more. Inflation is here and will be evidenced soon.

Mining companies continue to review costs and operations in anticipation of finding ways to cut expenditures in this tough financial market. This article outlines many miners who are stopping production, cutting down production or halting development of projects. Also many smelters are reducing output due to falling commodity prices and tough financing conditions.

Gold miners are faltering on earnings as costs remain high leading to profit misses as gold and silver are beaten down unjustifiably. Markets tend to exaggerate move both on the upside and now on the downside. The troubled credit market is also slowing new project developments. Every day there are more of these stories.

Platinum group metals companies are feeling the pinch as well. The costs to produce platinum are on average \$1,100 an ounce, palladium is \$300 an ounce and rhodium is running at \$4,200 an ounce well above current spot prices for the platinum group metals. This divergence simply cannot be sustained for any length of time without causing serious disruptions to the supply stream.

This all leads to a reduction in supply. This is in line with current worldwide growth slowdowns, but the precious metals are in high demand by investors and the physical shortage continues as premiums rise to very healthy levels. As I scribe, the spot price of gold is \$723 while eBay prices for a 1 oz gold eagle are \$900. Silver spot price is \$9.83 while the eBay price on a 2008 1 oz silver eagle coin is \$20.41. Add on shipping expenses and its clear people are willing to pay extreme premiums for a small amount of physical. While so many pundits pooh pooh eBay pricing as fantasy, my argument is that the bullion is there and delivered immediately. Not too many dealers can make the same claim and stick to it.

Here are a few of the many stories evidencing the strong demand for physical as well as the ETF which many wrongly perceive equal to physical bullion.

- Gold coins in short supply, command 50% premium
- Financial crisis: demand for gold soars as price tumbles
- Gold Runs Out In Germany
- Gold sales jump 50% as buyers line up on Dhanteras
- India Post rakes in Rs 2.6 cr from gold coin sales
- Gold sales shine in dark economic times
- Limited capital access, tight physical demand will mean higher gold prices

- Gold production 'in crisis'
- Gold to Advance on 'Decoupling' From Commodities

This article rings true and is a dark and gloomy but realistic view of what is almost certainly to come. Please protect yourself. Being stuck between a rock and a hard place it seems as if debt default is on the horizon for the once great US of A. The bad debt must be dealt with. It will be very painful but the longer the toxic waste is on the books the longer this problem will persist. This dire article depicting the default is a must read.

I highly recommend this pictorial review of the history of where Zimbabwe is today. The pictures alone are amazing and the short written recaps are truly amazing. Unless a lot changes soon, it may be what happens in America next.

Somewhere between the beginning and the end of this newsletter I got sick. The material coming out of my nose is similar to what October 2008 will be remembered as. Let's hope this passes soon, at least for the precious metals sector.

Gold and silver are in secular bull markets. There are not many sectors which will come out of this mess looking pretty but the precious metals will surely be the winner. I cannot pound the table hard enough. This is an historic opportunity. For those who can stomach the volatility the stories told will be epic.

Which side are you on? Shoulda coulda. Or. Saw, believed and acted! The choice is yours, the decision is simple. I leave you with a funny song called "Credit Crunch Song". And a classic spiced up more than a bit. Simply amazing! Have a great week.

Sincerely,

Warren Bevan

[www.preciousmetalstockreview.com](http://www.preciousmetalstockreview.com)

*If you found this information useful, or informative please pass it on to your friends or family. You can subscribe by visiting [www.preciousmetalstockreview.com](http://www.preciousmetalstockreview.com) and adding your email to the newsletter signup found on the left of every page.*

### **Free Service**

*The free weekly newsletter "Precious Metal Stock Review" does not purport to be a financial recommendation service, nor do we profess to be a professional advisement service. Any action taken as a result of reading "Precious Metal Stock Review" is solely the responsibility of the reader. We recommend seeking professional financial advice and performing your own due diligence before acting on any information received through "Precious Metal Stock Review".*

*\*To unsubscribe send an email to [newsletter@preciousmetalstockreview.com](mailto:newsletter@preciousmetalstockreview.com) with "unsubscribe" in the subject line.*