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13, 2009

November

## One Step At A Time

The major US indices resumed their rallies this past week but that didn't stop the metals from moving higher also. It looks as if the US markets will continue higher for now. The rally concerns me and is something we need to keep a close eye on.

If you measure the rally against the US dollar decline it's not nearly as rosy. Some traders are selling into strength and from what I see, it is occurring on a more frequent basis than the media would have you believe. We may be able to see a sustained rally through the end of the year but rest assured the wheels are coming off the cart.

Whether this means the dollar will fall to pieces and the markets continue to rally in nominal terms or we see a correction higher in the US dollar with stocks plummeting again is still up in the air. I could make a case either way.

# Metals review



Gold rose a nice 2.19% for the week as it moved into another all-time high area. There is a defined uptrend channel now in place with gold trading at the top of the channel now. The legendary [Jim Sinclair's site](#) this week talked about the mystic trading pattern called a swiss stair. The thin lines outline this very powerful trading pattern.

If this pattern is to continue, and I think it will, we will see another week or two of gold trading between roughly \$1,090 and \$1,120 before a plunge to about \$1,070 before another fast, furious move up to around \$1,145 before forming the next step in the stairs pattern. If still accumulating physical gold try and hang on for the dip.

Jim Sinclair had a spectacular interview late in the week with Eric King. Please listen to it. It's one of the most important and best interviews I've ever heard with anyone ever.

All three indicators are in overbought ground putting further credence in my view that we need a small short correction in the near future. I am still very bullish, just realistic in that every market cannot move straight up every day or week, until the mania phase. We are not there yet.

The moving averages remain very positive and supportive with the most important being the 50 day moving average trending right along with the lower limits of the uptrend channel.



Silver ended the week flat gaining only 0.20%. The reverse head and shoulders pattern points to a \$20 price in short order.

The RSI is heading higher after bouncing off the 50 level. The moving averages are positive with the 50 day moving average showing support to silver on Friday. I don't think we will see much of a pullback below the 50 day moving average, and certainly not one of any lasting length.

MACD is flat but looks about ready to turn lower. Slow STO is slightly positive and just below the overbought area. What I'd love to see would be silver move above \$20 soon. That would confirm gold's strength and help bring even more interest into the sectors. My thinking is that we will see silver move into that area at the same time gold breaks out to it's next step over a two week maximum period.



Platinum rocked up 3.02% for the week and has broken out above it's previous high on Friday. RSI is moving higher with lots of room to move on the upside before becoming overbought. The moving averages continue their ascents with the 50 day moving average masking the lower end of the uptrend channel.

MACD is bullish and about to break the downtrend line. When that occurs I'd expect to see platinum shoot up to test the upper reaches of it's uptrend channel once again which would put it above \$1,450. Slow STO is moving into overbought ground but as can be seen on this chart, can stay there for at least two weeks easily, which would facilitate the move above \$1,450.

There still isn't much else to say about platinum. It continues to behave perfectly in technical analysis terms. I don't see that changing anytime soon.



Palladium led everything and moved up 7.86% for the week. It's now solidly testing the upper reaches of the uptrend channel. Fantastic action! The RSI moved into overbought ground above 70 late in the week. The moving averages remain very strongly positive and the 50 day has trended above the lower end of the uptrend channel.

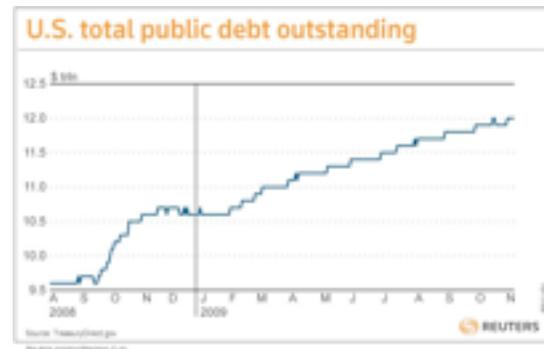
The only thing that concerns me with this chart is the gap left just below \$340 this past week. Gaps tend to be filled at some point. I expect that to happen over the next couple weeks, but I doubt we will see any move below that area of any significance.

MACD just shot a buy signal so perhaps we will see this metal continue above and out of the uptrend channel for a time. But it will not last too long. RSI has climbed into overbought ground but can remain there for an extended period of time. A pullback is inevitable but whether it happen this week or next, only time will tell. It will be nothing but an opportunity to buy into this very strong bull market.

# Fundamentals Review

The US public debt is [just about \\$12 trillion](#) now having risen from \$10.5 trillion early in 2009. Now that's growth! Unfortunately the wrong kind. But that figure pales in comparison to the \$63 trillion of unfunded liabilities for healthcare and social security.

The article goes on to explain the possible remedial scenarios. Either defaulting on the debt altogether, default through inflation or the most unlikely scenario, the US government puts the unfunded liabilities on a sustainable path. Running the government like a business is the right thing to do, but has yet to be done. Running deficits forever ends in bankruptcy. Either way the US is in trouble and preserving wealth through physical precious metal is perhaps the smartest and most viable option. Please protect yourself.



The Commodity Futures Trading Commission (CFTC) is considering adopting [position limits](#) in the futures markets on energy and metals and perhaps more. This is to stem possible manipulation and excessive speculation in the markets with the desire to have a free and fair price for the markets in question. There will be ways around this, but it will help and is needed.

Please [see this link for this weeks list of biggest losers](#). There were three failed banks this week at the usual time, late Friday after the markets have closed. The years total is now up to 123 failed banks.

Mrs. Merkel said that the “full force of the economic crisis will hit us next year” when [giving a speech](#) on the outlook for the German economy. That's a breath of fresh air, rather than the dishonest words we are accustomed to coming from the mouth of most world leaders, especially in the US.

The Chinese have been both [lauded and criticized](#) for their large African investments. The fact is they are spending billions helping poor countries develop infrastructure as well as buying commodity interests in the continent. China was criticized over it's expansion into Africa as only a natural resource grab. That is obvious. They don't give away money just for the fun of it. They have an agenda and plan and are carrying it out with precision. I think the critics are just jealous and should perhaps learn from the Chinese model.

On the other hand their approach of helping by building and developing is much better than say, invading Iraq for their oil and spending billions on a destructive quest enriching arms manufacturing companies and the like, and then of course the rebuilding efforts enrich the infrastructure building companies in America many of which have high political ties and charge exorbitant rates on jobs that are never even sent to tender. That model is unsustainable and part of the problem America faces today.

In fact a pulp and paper mill near my town has just announced it will be closing, putting a major dent in the economy and many people out of work. But lo and behold the Chinese surfaced and are now in talks to buy the plant since most of their business is with the Chinese anyhow. Unfortunate as it is to sell to a foreign interest, it may be our only choice since it has been mismanaged by the current owners who've operated at a loss for some time.

While disappointed about the Chinese buying it I and nearly everyone else would be happy to see those jobs remain and if that's what it takes then we have no other choice. Scenarios mirroring this one repeat all across the globe and the Chinese are taking advantage of it. Wouldn't you?

This [well done, revealing piece](#) gives a great history of the fate of paper money. Pass it on to as many people as you can and expect shock and disbelief from most people. It's sad that most people don't understand monetary history and the inevitable outcomes of using paper money. We need to change that in order to help as many people as we can.

Alaskan gold production [rose to the highest since 1916](#) last year. 800,000 oz of gold were produced as new gold prices rose to record highs attracting investment. Much exploration is taking place in the historic gold mining state and new projects are set to come online over the next few years which will boost production further. There are a few major deposits which are far from being built up there, but if and when they are built it will likely thrust the state into the largest producing states position.

Chile is set to [triple their gold output by 2015](#) as some large low grade deposits begin producing. The major Pascua Lama project and Cerro Casale project would be the major contributing factors to the rise. If gold prices continue their current trajectory, as I expect, it will make this mine feasible. It's hard to believe that many miners are still unprofitable at these gold prices, but that's how it is. Gold needs to go much higher to incentivise companies to invest in the sector. Gold supply is still falling.

An article came out talking about [mutual funds investing in gold](#) this week. It's no big story yet, as there are few out there who do invest in physical bullion. As time passes the number of funds investing in gold and silver will

rise, but they will be unable to get physical metals since it will be all gone or being sold at exorbitant prices. ETF's or other paper gold products will fill the gap but not provide the security that physical metal provides. As people realize this, demand and prices for physical metals will soar. We are a long, long way from the speculative phase in gold and silver, so stay put.

This weeks oddly enough saw Mark Dice trying to [sell a 1 oz gold coin](#) to anyone, even for as low as \$20, or a cup of coffee. He had no luck since most people either didn't know what a gold coin was or looked like or had no idea of it's value. It's their loss, but it shows plainly how far the general public is from having any sort of gold fever at all.

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](mailto:warren@preciousmetalstockreview.com) with "subscribe" as the subject and receive the newsletter directly in your inbox, links and all. If you would like to subscribe and 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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