

Precious Metal Stock Review



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2008

15 November

CandyShack '08

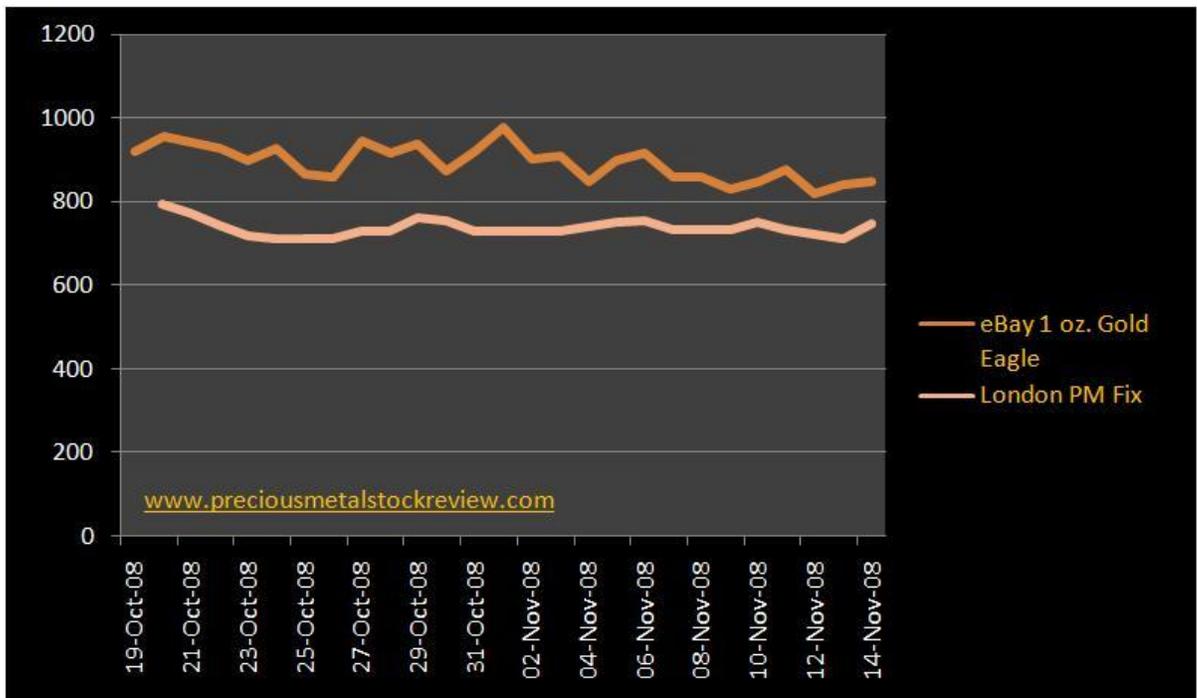
The candy hoard seems to have disappeared finally, except for my private hidden stash, leaving only a wrapper here or a wrapper there as evidence to what once was...FREE CANDY!! . This week the markets behaved like a kid on candy up down bounce hard off this wall then bounce hard off the other wall. But in the end we all know that too much sugar makes you crash. The markets found that out again this week. Will they ever learn?

The DOW finished the week down 4.99% while the NASDAQ lost a full 7.92% leaving the S&P 500 down 6.20% and the NYSE down 7.14%. Up in the great white north things weren't any better with the TSX losing 5.63% and the Vancouver venture exchange, where so many small caps trade, lost an excruciating 13.05%. Let's hope the candy crash doesn't last much longer at least for our precious metals stocks.

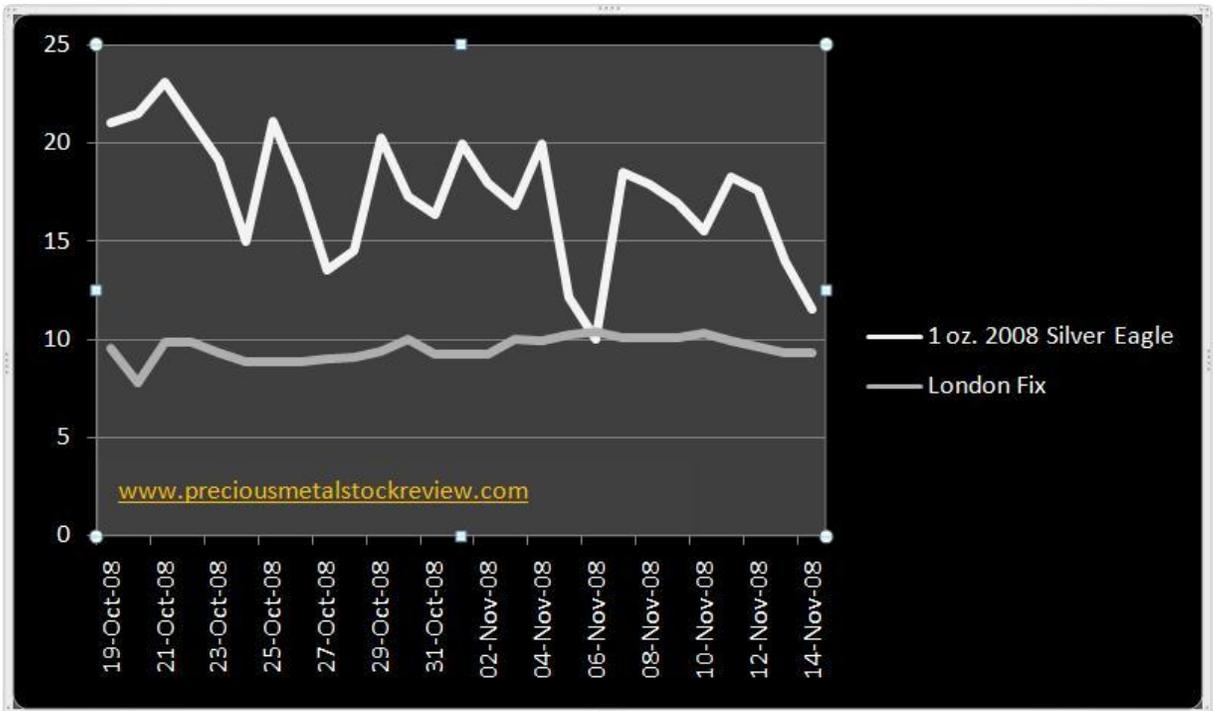
Check out the 1 week 15 minute chart of the DOW below to see exactly how quickly the market turned this week. It's a day traders dream here and quite easy to predict. When an extreme reading is hit, expect it to reverse hard and fast. If your trade is not profitable, just wait half hour and it very well may be. There is money to be made in this market and I will be adding to my investing account with these returns in the near future.



I decided to make up some charts contrasting eBay pricing to the PM Fix out of London and 1 oz gold and silver eagle prices. As you can see below the general trend is the same although eBay prices can swing wildly from day to day. I think it will provide valuable information and trend changes over time.



Lowest price for a 1 oz gold eagle during the day on eBay. Prices can swing wildly on availability, bidders, world events etc... It provides a general trend view. Gold price is the London PM Fix price.



Lowest price for a 2008 1 oz silver eagle after 17:00 PST. Prices can swing wildly on availability, bidders, world events etc... It provides a general trend view. Silver price is the London Fix.

Metals review



Gold rose by 1.13% this week masking the volatile and violent movements up and down. Trading this market is near impossible as price moves in spurts and jerks up and down too quickly to get in or out. It is very dangerous for day traders but longer term investors are having a feast. It's reported that over 99% of the options on gold will expire worthless if gold can close below \$700. Next week is expiry and I expect even more violent moves as the bulls and bears battle. I think it will be an epic week. \$700 and \$750 are major resistance and support levels and are the scenes of major battles.

RSI is breaking out above resistance but that could change in a heartbeat. The exponential moving averages are looking better. The 25 and 50 day are hooking flat. MACD remains bullish and the momentum looks good for upward moves. Slow STO flashed a sell signal but is hooking up after the move on Friday.

Expect fireworks this week. I couldn't guess whether they will be up or down but there are more reasons for it to be up than down.



Silver fell 4.75% on the week to below the important \$10 mark. Silver may have put in a double bottom but the chart pattern is far from textbook action. What a great sale on silver! Take advantage of it if you can.

RSI hasn't been able to breach 50 which is imperative to further strength. All three moving averages are lower with the 25 day pushing prices lower. I don't think silver can go much lower than this. The downtrend is still locked in place and \$10.40 is a brick wall. MACD is still bullish but very close to going bearish. Slow STO followed through and is still showing a sell signal although it may be nearing exhaustion.



Platinum had violent swings all week but after all was said and done it lost a mere 0.81%. It is looking more and more like we are seeing a base form here. RSI is still struggling to break above the line of resistance drawn in just below 50. While this looks great on this chart, any longer term chart shows this potential base as a mere blip so I need to see some more flat trading which in my books is the same as strength right now for platinum.

The moving averages are still bearish but showing signs of turning up. The downtrend is solidly broken and a slight upwards trend line is so far holding. MACD is looking great and bullish establishing higher highs and higher lows. Slow STO looks to have hooked up a bit on Friday. Supply will drop if prices do not stabilize here or move up.



Palladium fell 4.50% on the week and is testing the recent breakout from the triangle as well as the 25 day moving average. Companies cannot produce metal profitably at these prices and supply will fall if price does not readjust upwardly soon.

RSI is falling back towards 50. If RSI can bounce off 50 it will be bullish and a potential entry point. The moving averages are looking better with the 25 heading higher, providing support and the 50 day providing resistance. MACD is back to 0 and flat. Slow STO is still the most accurate indicator for palladium and is showing some more weakness.

FundaMetals Review

The US government and Federal Reserve continue to deceive the people who fund them by ignoring requests for information regarding who is and has received monies from the \$2 trillion in emergency loans. House republican leader John Boehner is requesting the information and is concerned over the lack of transparency since that was a major discussion point during the \$700 billion bailout saga. Evidence suggests the monies are not being used for the intended purpose which is also worrisome. Both he and I urge you to get in touch with appropriate representatives and voice your thoughts.

Just for fun, here is the definition of socialism; *Economic system which is based on cooperation rather than competition and which utilizes centralized planning and distribution.*

Treasury is considering attaching conditions to new bailouts. They are proposing that any company requiring government monies needs to raise private capital as well. Good luck with that. From the same story; *“Treasury is unlikely to conduct any auctions to purchase bad loans and other troubled assets, the original intention of the \$700 billion rescue plan, the paper said. Instead, Treasury is expected to continue focusing its firepower on injecting capital directly into the financial sector, the people told the paper.”* So...they lied? Does the word honesty have meaning anymore? Can these people sleep at night? It becomes more disturbing every week and is slowly bringing the extent of manipulation to light, but to date the public generally seems oblivious to the fact that they are getting ROBBED.

Only one month in to the new US fiscal year and there is a budget deficit of \$237.18 billion. This number is double what was expected by Wall Street economists and quadruple the same month's deficit in 2007. Of the \$402.02 billion spent \$115 billion was spent on equity in major banks and \$21.5 billion on mortgage backed securities from Fannie Mae and Freddie Mac. If the real deficit number last year were to equal this years for normal course of business expenses then that leaves \$43.84 billion. I wonder where that money went, maybe bonuses, retreats or something. If the economy is slowing then the import/export deficit should in reality be less than last year's leaving a greater figure left over than \$43.84 billion.

In this article mergers are said to be on hold by cash rich miners until the markets settle some. The fact is that so many smaller companies are down 50% to 80% or more and a 30% premium in an offer gives little solace to shareholders. Also the fact that so many companies are not holding good projects which can be moved forward quickly requires pause, reflection and copious amounts of due diligence before majors will move forward.

The markets are not good right now and many companies will fail. But with this there is stunning opportunity in good quality juniors. I am convinced that tax loss selling in December will bring the best bargains just before we reverse direction. I don't think we will trade flat for long, it will be a quick move that many will miss.

Demand for gold and silver continue to surge. [Growth](#) of 475% in accounts over the past year is significant and most people base the investment as a store of wealth as the UK slides towards recession and housing crumbles. Sounds like the US, but most people are not yet interested in gold or silver. It may be too late by the time they wake up to their situation.

Demand and prices will soar if China [begins](#) to diversify some of their cash into gold giving them a more secure reserve base. China currently has only 600 tonnes in reserve and should increase it to several thousand according to the article. China also has \$1.9 trillion in reserves largely made up of American dollars. With recent strength in the USD and weakness in gold this may be the perfect time.

If you understand how the Chinese work then the article is very telling. The Chinese will not show their hand and are in no rush but do understand the current situation and have a clear objective in mind. Word on GATA Street is that this may have begun. Keep your fingers crossed, especially if they are forced to rush due to dramatic currency revaluation.

The US Mint has decided to [halt](#) production of most gold and platinum collectible coins. A major problem they have is setting the price and then watching the gold price move up, reducing the premiums. The price setting process takes 30 days to take effect and by that time the volatile gold and platinum price could move up or down by a large amount. The solution seems too simple to me but maybe too hard to implement. Spot plus the premium should be an easy route to follow and implement but I guess they just decided to give up rather than change with the times. It seems like another veiled excuse for low metals availability.

Ecuador is close to adopting more miner friendly [laws](#). This will help some massive deposits come to production and hopefully end the protests in that part of the world.

The effect of falling prices is reduced supply and we are seeing that continue in the mining sector and the gold and silver sectors more specifically. [Here](#), [here](#), [here](#), [here](#) and [here](#) are a few of the links which tell the story which will not be felt for several months. On top of that you have negotiations coming with [expected](#) wage increase demands of 13% to 16%.

For a good view on just how dramatic some miners have dropped [this](#) is a list of the top 100 miners in the world and their recent losses which are horrific in the best and biggest companies. It is truly amazing to see some relatively small gold miners, valued by market cap, now larger than the biggest diversified mining companies.

This week's newsletter just squeaked out. My computer crashed as I was putting the finishing touches on it and thankfully word recovered the file. Enjoy your week; it is shaping up to be a great show.

Sincerely,

Warren Bevan

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