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CME To Smash Gold and SIlver

The markets were wild this week and in the end ended up at least 2% lower in the US. Two huge down days, two large up days then Friday saw modest weakness into the weekend.

To say the markets are schizophrenic is an understatement and we're sitting on the sidelines in the swing trading portfolio, although these wild gyrations are setting up some pretty sweet charts that may give us a great chance to make some quick profits in the very near term.

The big swings were caused mainly by the Greek wavering on a potential referendum. I don't know what's wrong with these guys over there but they caused huge markets disruptions and look set on continuing the mayhem until something certain is set.

Late Friday night the Greek Prime Minister survived a vote of confidence by a margin of 153 to 145.

Let's look at the charts which look great, but the CME has thrown a wrench into the spokes late Friday night so please keep reading to hear more about that.

Metals review

Gold rose only 0.66% on the week but did perform admirably with a couple solid days in the mix. I apologize for the chart being a bit complex this week. I normally try and keep things as simple as possible here but it's not in the cards this week.

We had a breakout from a W pattern and now we're forming an uptrend channel with higher highs, which is awesome.

Looking back to the breakdown in September from the double top gives me an uptrend line which looks to me to be the next target for gold, and it's likely to be hit in no more than a week and a half.

From there, around $1,840 by the time we get there, we should be expecting a consolidation and perhaps, if we get lucky enough, a handle of a cup and handle pattern will form, which would then propel gold well past the coveted 2k area.

All in all it's shaping up to see a nice run into the end of the year and I'd expect a price over 2k by years end if we get lucky and the above plays out.

The GLD ETF volume was perfect. Low volume on down days and strong but not outrageous volume on up days. Perfect bullish action as it should be.

Gold is acting in textbook fashion these day which is odd.

One thing to note is that Monday November 7th, Indian markets are closed so we could see weakness with their lack of buying, add to that the manipulative antics over at the CME which I talk about later and we're sure to see the gold chart messed up a bit in the short term.

For the CME to make this move with the known lack of buying out of India on Monday just seems a little to perfectly choreographed to me.

Silver didn't fare quite so well and dropped on the week to the tune of 3.64%. While the week was down, the chart is very constructive. Silver recently broke out of the triangle I'd been talking about here and now is coming close to a resolution in the much larger triangle which will lead to a much larger move.

The large triangle is getting tight here so we are going to move one way or the other within a week or maybe a little more, but not much.

I've been known to read charts wrong at times as charts like to do that to a fella but this one looks really good for higher prices and soon.

Get your silver on sale now as it's going to be at least ten times higher as I talk about later, and for me that is a layup, it should go much higher than that but I'd hate for you to think I'm nutz so I'll keep it to myself and [subscribers who actually pay me to be nutz]!

The SLV ETF volume was pretty uninspiring for the most part with the exception of Tuesdays big move lower which saw price bounce strongly off the lows. That says one thing to me. There was a flash sale in silver and investors snatched up every ounce and ETF share they could get while they could get it. Unfortunately the sale was short and limited quantities per investor were offered. Look for a similar event Monday.

Platinum slid 1.27% for the week and has a very similar chart to gold, although there is not really an uptrend channel after breaking out of the W pattern. Also, no higher high has been put in as of this Friday.

I'm looking for a move past the 50 day moving average to test the downtrend as the higher high and that could be any day now.

The PPLT ETF volume shows a good chance of platinum moving higher as Tuesdays break below the breakout level saw heavy volume push it well off the lows and back into breakout territory. Volume was also pretty good coming into the end of the week as it rose and Friday's slight down-day saw hardly any volume.

I have shuffle on as I'm writing this great day and an unreal song just came on deck. It's "When You Mind's Made Up" from one of, if not my all time favorite movie "Once". I highly suggest you snuggle up on the couch with your loved one some night with a nice bottle of red wine and watch it if you haven't yet.

Palladium dropped 1.41% on the week but it has a nice clean and simple chart which clearly shows the trend to be higher.

A solid looking uptrend remains in place off the October lows and slight consolidation is being seen now at the 50 day moving average as it should be. Next will be the big downtrend line from the August highs.

These two hurdles could well be overcome while holding the uptrend channel and I'd love to see it, but we shall see how it plays out over the next two weeks or so.

The PALL ETF volume was very low this past week with the Tuesday spike low getting the highest volume as price was promptly pushed back higher after the flash sale. All in all it looks good for the scenario I laid out above to play out and the futures volume in the chart above is even more conducive to higher prices.

Fundamental Review

Some huge news in regards to futures positions was released by the CME Friday well after the close, which is pretty underhanded. They said as of this coming Monday, November 7th, maintenance margin, to hold a position overnight, will now equal initial margin costs. Usually there is a 26% difference.

This means there is going to be a huge dump in gold, silver and many other commodities Sunday night and Monday as billions of dollars extra are going to have to be ponied up to hold positions.

The fact is many traders won't be able to come up with the cash in such a short time.

If this isn't manipulation I don't have a clue what is. And to make it worse, it's facilitated by the regulators. The CME should be investigated for market rigging.

The good news is you'll be able to buy more gold and silver on sale this coming Monday! The coming drop will not last long so get it while you can.

Other than that revelation, the big news this week was the failure of MF Global who's name I can say since they are no longer a company really after gong bankrupt. The big question is where were the regulators?

I know I feel much better with a heavy weighting in physical gold and silver just in case this occurs with one of my brokers.

You just can't be too safe as nobody is going to look out for you except yourself no matter what they tell you.

Charges will be brought against many individuals involved and in all honesty there should be charges against the regulators for failing to do their job. A lot of talk about the CFTC being to blame has surfaced but the fact of the matter is that they aren't allowed to regulate derivatives as the lawmakers were payed off in 2000 to pass the Commodity Futures Modernization Act.

This leads me to the occupy wall street protests which I still believe should be occupy Washington.

The facts are that politicians are payed off by the bankers but there is no use complaining to the bankers. You have to complain to elected officials who do have the power to change things, but they need incentive. Thus far the incentive has been monetary and I'm not sure how to change it exactly but they must not be allowed to accept donations/bribes from companies and banks.

Perhaps a standard amount allowed to each politician according to their ranking should be given by the taxpayers to them from the governments tax revenues.

At least they'd be on a level playing field then and I'm sure that would make the country far richer in the end without large corporations being able to lobby/buy their favourable laws.

It's going to be interesting to see how this all plays out but in the end it will be the taxpayers who end up holding the stinking bag....

Whether debts are settled or made good directly from the government or in some form of money printing scheme you'll either be paying for it through taxation or the hidden tax, inflation.

Speaking of debts. I hope you set aside and extra $650 per member of your household this past October. The federal governments debt increased by over $203 billion in the month of October alone, which equates to $650 each.

Imagine a bill like that in a month. Most people simply couldn't do it and I don't know anyone who'd want to. Governments have a spending problem and it's soon enough coming to a head and most likely, as I pontificated last week, it will be the same as Greece which is some sort of semi-default and inflationary cocktail thrown into the mix.

We only saw two banks fail this past week to join the years list of biggest losers.

Bill Griffiths thinks silver will be at least a 10 bagger from here in the years to come once the currency crisis is all sorted out and I couldn't agree more. Honestly that's a conservative estimate.

David Einhorn is making some large bets that mining companies are going to outperform the physical bullion even though he expects gold to continue to rise from here.

I've had a much larger weighting in physical bullion than in mining companies for the past few years and I've been thinking long and hard recently about reducing my weightings in bullion and increasing my mining portfolios weightings. I haven't made the switch yet but I'm very tempted at this stage of the game as it's apparent to even casual market observers that the worldwide debts are unsustainable and real growth can be seen in select mining companies. Especially from there already depressed levels.

Many of the mining companies we hold are up over 50% off their lows already with much further to go.

Smart central banks used the recent gold correction to increase their gold holdings which is a very wise move. Bolivia, Kazakhstan, Tajikistan and Thailand were the smart ones. Funny how they are relatively unknown countries who've been through hard times before and obviously know the merits and protection physical gold offers.

A new program put out of the Royal Canadian Mint will soon be available to investors. You can own physical gold and let the mint hold it for you. I've had quite a few questions about this new program and I am not sure about possible redemptions in the event you actually want your gold. Basically my thoughts remain the same, that your gold should be in several locations which must be accessible and in relatively short order.

That being said a small portion could certainly be held there, but if it really hits the fan then chances of you getting your gold would be slim in my opinion as rules would be changed or hurdles created to discourage taking possession.

Here is a fun story and great video about the red Lake area of Ontario, Canada is a must watch as it's a major gold producing area with many more hidden treasures to be found.

Here's a hilarious graphic with many of the insults European leaders have thrown at each other in recent times. I can't imagine why they can't come to agreements!

To finish off, these pictures of the worlds ten largest gold mines is pretty amazing to say the least.

Thank you very much for reading and your valuable and kind input. I really appreciate it.

Have a great weekend and week ahead. The good times are coming!

Warren Bevan.

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