



# Buffet's Big Grab

It was a more exciting week than I could have imagined, and I imagined quite the exciting week. Let's get right into it today.

The major markets continued to move up with the Dow just reclaiming the 10,000 level, but did so on light volume. I am being very careful and watching closely for any break in the technical situation. It's only a matter of time until we see the markets break lower even with the inevitable massive cash injections the government will enable in my view.

Will the metals stock follow the general markets lower? Well, I have no idea. Last time I didn't expect to see them crash as every investment was liquidated. This time could be different, but maybe not. We know massive amounts of money are starting to, or waiting eagerly to move into the precious metals sector. Any move lower will be the greatest gift to them possible, and certainly nothing like the last time as shown in the chart to the right.



# Metals review



Gold rebounded strongly this past week moving higher by 4.73%. This was due to both the fact that options expiry ended, taking the option writers who try and make as much money as possible by moving the price lower and

taking the options they wrote out of the money, out of the picture. Also the message sent to the markets by India helped push gold strongly higher.

The fact that the Indian Central Bank bought gold at all-time high levels says much to the market and their populous as well. It's been a rare treat to see gold rebound so strongly and quickly as we saw this past week. But as expected the \$1,100 level is providing the next physiological barrier to higher prices.

At today's price level there are no unprofitable long trades, and every short is underwater. It appears that some work must be done before besting that level, but then again you never know what to expect in this uncharted territory.

I could see a pullback to the last point of resistance \$1,070 but that will be short lived and likely not breached materially. RSI is flat and could go either way from just below overbought. The moving averages are positive and will remain so for a while. MACD bounced off the uptrend line and is on a buy signal. Slow STO is in overbought territory and looks to be about to flash a short term sell signal. A move to \$1,070 would be healthy and productive but whether that will happen is something I only wish I knew, and something I'm not willing to bet on by selling.



Silver rocketed 6.59% on the week but could not move above the resistance level at \$17.50. The correction was healthy and short as I expected. I think we will see a move out to \$18 this coming week, but perhaps not much higher. But as we all know silver and gold trade in close proximity, so with gold looking ripe for a small setback silver may well see one as well.

RSI is very healthy and only at 55. The moving averages are all positively bullish and the 50 day showed that it will continue to provide good support as we saw a slight move below that last week. MACD is only now just about to flash a buy signal and see it's momentum oscillator move into positive ground. Slow STO is positive but looks to be ready to say sell.

Silver's chart is not at all clear this week and it's moves will depend on gold's mood. The range I think we will trade within is \$18 and \$16.50 this coming week.



Platinum edged up 1.67% for the week. When you look at the chart though that number understates the great action that unfolded. The upper resistance level was tested and held at \$1,379. Then the price moved quickly back to test the steep uptrend which also held late in the week.

RSI is negative and just above 50. The moving averages are positive and the 50 day has been showing incredible strength for the past two months. The 50 day moving average has shown the perfect place to enter this market on three occasions recently and it looks as if we will see that occur again very soon.

MACD is flat and could go either way. Slow STO couldn't quite make it into overbought territory and now looks to be about to flash a sell signal. I could see a move to test the 50 day moving average at \$1,320 this coming week and if that level falls a move to \$1,300 would be imminent.



Palladium crept up 2.36% on the week and etched a pattern dead centre of it's uptrend channel. Not much to say about this white metal this week as usual. RSI is creeping higher and bounced nicely from just below 50.

The moving averages remain positive and the 50 day is still tracing the lower end of the channel perfectly. MACD is negative but about to turn flat and possibly move higher and give a buy signal. Slow STO is still on a buy signal.

I remain long-term bullish on palladium but have no idea where it will go this coming week. I do see the range being \$350 on the upside and no lower than \$310 on the downside but likely not below the 50 day moving average. This one just keeps quietly moving higher. When was the last time you heard anything in the media about palladium?

# Fundamentals Review

Two weeks does not make a trend, but seeing five banks fail this week after last week explosion of nine failed banks seems like it's right on cue and I do expect this to become a trend. Please [see this link](#) for this weeks list of five biggest losers.

A [new book by a former top level employee](#) at everyones [favourite bank to hate](#) has her describing that "It wasn't reckless borrowers and their subprime loans that built the house of cards that has come crashing down around us over the past two years, but an out-of-control finance sector running on a perverse set of incentives that made it incredibly profitable to essentially throw caution to the wind and take on incomprehensible amounts of risk."

All but the least connected or least greedy were bailed out. It's sick and still occurring on a daily basis. She compares this great crash to the great depression and correctly describes the causes of both as; "underrestricted financial firms manufacturing products that were fabricated from fancy numbers, inflated with tons of debt on the back of little to substantiate it and sold to investors and each other by crafty salespeople and short-term-oriented greed-induced bankers." The [whole interview](#) is well worth the read and the book is now on my shopping list.

Warren Buffet made a [huge investment in a railroad company](#) this past week. On the surface it seems like nothing too special or more than a play on increasing use of low costs transportation, but consider the huge commodity play it really is. The map shows the lines across America now under his control.

Consider all the land, infrastructure supply depots, ports, warehouses, granaries, steel, copper etc.. Now under his control. Warren bought this at a substantial premium and spent \$34 billion on this acquisition. India only spent \$6.7 billion on 200 tonnes of gold! If Warren were to publicly go bullish gold the market would literally triple overnight. He can't do that for many reasons we can't get into today but rest assured, just because he says this is a play on America in public, it is a commodity play pure and simple. And really one of the only ones he is able to take part in. If he were to invest that





much in gold he would have to buy over 1,000 tonnes which accounts for about half the yearly mine supply. Slim chance.

After the Indian gold buying announcement the Chinese came out and said they would be better off buying domestically produced gold which would be cheaper for them. It would not really be much cheaper but the real thought I'd like to get across is that they are full of it. They have been buying physical gold for years quietly. Now it's not so quiet and you can be assured that they would be willing to pay the small amount of about \$7 billion from their more than \$2 trillion cash reserve hoard for a couple hundred tonnes of gold.

The Indian Central banks statement of [buying physical gold](#) has, from what I am hearing so far, woken up the general public even more—so to the investment opportunity in physical gold. India is still the world's largest consumer of gold, but China is closing in. Don't count out the Indian population. They saw their Central Bank buy a large quantity at today's nominal high gold prices. They took notice, now we wait to see if demand from them picks up even more.

Either way, gold is only just beginning it's second phase of the bull market. We have years to go. There will be lulls and big price corrections and I am sure I will again doubt myself, but we are years from the mania phase.

[If you've been following me](#) you've been invested fully since the early summer since it was riskier to be out than in, and are sitting on some fantastic profits now. Maybe christmas won't be so bad after all! There will be a time to sell [some of the stocks I hold](#), but now is not yet that time. Gold will have to be above \$1,200 before I think about taking some profits off the table.

Sometimes it really gets to me how these gold bears who have been wrong from \$300 until now continue to push their bearish propaganda. When will they wake up and smell the currency crisis, and no it's not only the US dollar. They constantly tout facts that ignore the real issues. I said many times before that I am not a gold bug. In one article I even titled it "[Confessions of a Non Gold Bug](#)" and opened with; "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."

The only reasons anyone could be bearish gold and silver is ignorance, or they are talking their books, or they need gold lower to get out of their derivative products. Sure, I am talking my book, but my book is so small compared to the big money who are now interested in gold and silver. I am not trying to influence a market, just report the facts that point to higher, or lower prices as they occur and try to help you make money and informed decisions.

Simple as that. Ask yourself why someone is telling you something before you take it as gospel.

[GATA's](#) secretary/treasurer, Chris Powell, was in attendance at the Munich precious metals and commodities show. He reported a large attendance level and great enthusiasm for both the physical metals as well as the companies that exhibited. His presentation was followed by many enthusiastic questions regarding the gold suppression scheme. The world is a big place and interest is large already and increasing quickly in the metals and the shares. They will be the next bubble, but that bubble has yet to inflate.

Russian [gold production continued to increase](#) as a 14.6 year over year increase over the first nine months of 2009 was seen. The increase totalled 151.3 tonnes compared to 132 tonnes last year. This is not the norm, but we may see a slight increase in worldwide production this year I am told. Perhaps even 4%. That number pales in comparison to the increase in investment demand even while jewellery demand is lower.

The big story coming out of South Africa about increased power costs has many companies scrambling and sweating. They are saying that mining could stop altogether at many mines as increasing costs would simply make them unprofitable. If these power increases go through, mine supply will fall significantly since South Africa is the second largest producer of gold.

Even many of the large Canadian miners are not reporting profits due to increased costs even with gold at an all-time high. The only solution to this is even higher gold prices. It will continue, that is a fact, one way or another. Either gold supply falls, and gold increases, or prices rise and supply increases but that will be gobbled up easily by the increasing investor demand.

Don't be fooled. Follow the money. Remember the world's richest and most successful investor, Mr. Jones, is heavy on gold now. That should be all that needs to be said. Words don't change markets, money does and this revelation by him will attract lots of it.

Something I and many others have said is that Central Banks would and have become buyers of physical gold, but unlike the Bank of England's famous announcement of their intention to sell gold before they actually sold it, these buyers are not talking it until it's done. The World Gold Council is famous for being a bit late to the party and [this announcement](#) of Central Banks to become net buyers, came just before, minutes, India announced their gold acquisition.

Sri Lanka announced this week that they have been and are continuing to [buy physical gold](#). The [estimate of amount purchased](#) is 5.3 tonnes as of September. They have been doing so for the past six months and there hasn't

been a peep about it. You can be assured that there are other Central Banks in the gold market buying any correction, but we won't hear about it until it's done or long begun.

On a side note, I am not getting the H1N1 vaccine as you know. I don't pay attention to vaccination clinics or the like and was driving by the courthouse which is next to the health clinic the other day and noticed a huge amount of cars and traffic. I wondered if some high priority case was going down. Later I found out people were waiting 8 hours in line and one man even died of a heart attack.

This weeks tragedy comes from a [study that estimates](#) half of US children will at some point be exposed to using food stamps. The percentages are much higher for certain demographics and truly sad. I though the US was a rich nation, this study makes it sound like a very impoverished nation.

A whacky article I came across talking about the so called [nude X-ray systems](#) being used in one US airport to date, but more will be coming. The story talks about children's rights and that child pornography fears are being raised. What about adults right? Warning, there is a somewhat graphic picture, but it should be seen to be believed.

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Until next week take care and thank you for reading.

Warren Bevan

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