

Precious Metal Stock Review

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Bear Flag Failure

The week was a wild one with lots of choppy action in the indices as was to be expected as bases build here nicely. We had options expiration this past Friday as well so that usually tends to throw a wrench into things.

In the S&P index it looks like we may have had a breakout Friday and we could be ready for a sweet run of swing trading profits into the end of the year. I've been patiently waiting to let great patterns and bases form and they have.

A few have broken out already and many many more are on the verge. Let the good times roll!!

As for the metals, it's pretty mixed right now but the good news is that a move lower out of a bear flag for gold failed so far, which is great.

Let's just take a look at the charts so we can see what I'm talking about.

Metals review



Gold slid 2.24% this past week and is looking a tad nasty at the moment but Friday's reversal did alleviate my fears that the bear flag is indeed playing out.

The break below the lower end of the channel had me telling subscribers that we're heading lower, only to have it reverse Friday. It didn't affect us since we're not trading it, but it did delay some purchasing of mining companies as we could soon see those get even cheaper if indeed gold does fall.

Gold is notorious for false signals and it looks like we got one Thursday but we shall see as a few more trading days should go by before we can make any solid claims.

As for now, it could go either way but it looks ok as the breakdown failed.

The GLD ETF saw light volume for the week but the heaviest volume on the down days Thursday and Tuesday. The interesting thing is that the chart has printed a bottoming bar as the bear flag was broken Thursday so we could indeed have just seen a fake lower to suck in a few last bears before we head higher. Let's hope!



Silver is still basing out here and dropped 2.52% this past week. I really don't have anything else to say about it. We can certainly go either way from here as we trade within the tightening range between \$33 and \$31.

The SLV ETF saw weak volume all week with a slight uptick on Thursdays move lower. The basing action in the chart and low volume is perfect here as we build this base.

Last week I did expect silver to have moved one way or another by now as the triangle was close to completing but that hasn't been the case so far. I do expect a resolution one way or another though over the next two weeks sometime.



Platinum also fell 2.59% in the past week and is tracing out a big bear flag here which doesn't bode well. The fact that the price bounced off the 21 day average does not look good.

To me the chart is telling me we will soon see platinum lower.

The PPLT ETF saw pretty good volume over all and most of it coming on the downside. It just doesn't look good for platinum here, but I've been wrong before!



Palladium slid 1.44% this past week and looks better than platinum but still not great here. The things that has me slightly keener on palladium than platinum is the fact that it is really trying hard here to get above the 21 day average and actually did on an intraday basis once.

Also volume is decent here. It just seems the price action is better as prices rebound nicely after a fall.

We shall see but that's my take. I think we will see palladium move up to at least test the upper end of this channel before it drops below the channel.

The PALL ETF didn't see any extraordinary volume except for Tuesday's slight up day which was testing the 21 day moving average. The price really tried to get above that level and had the volume to do it but when all conditions are right and a move still fails that says the price will go the other way and that is what it did the rest of the week.

Fundamental Review

Spain's bond rating took another hit this past week as it was downgraded to A1 from Aa2. Really, is anyone surprised? Looking at bond rates it was known already as they rose well ahead of this announcement.

24 Italian banks and financial institutions were also downgraded this past week.

There was a lot of talk about the potential of position limits being imposed at some date in the future this past week so I won't go into it to much as I'm sure you've likely had your fill.

Honestly, I don't think it would really matter IF, those who got into trouble were not bailed out, rather they were left to fail and face the consequences AND the CME did not aid the massive short positions by raising margins.

Now, raising margins isn't such a bad thing necessarily but as we've seen recently raising them repeatedly as prices are already in free fall is totally unacceptable and manipulation pure and simple. The first margin raising in silver totally knocked the price down as it was meant to do and that's ok, but I believe they raised margins five times in seven days which has never happened in any market before.

That type of action I do have a problem with.

Even if these position limits are passed there will always be ways around them by opening a new account or business. There are always loopholes. The new regulations would still only limit traders to 25% of deliverable supply in nearest delivery month which is a huge amount anyhow.

Enough on that topic from me. As most of you know I just want things simpler and failures allowed to fail while winners are allowed to win.

Last week I was so quick in completing this report that I only caught three failed banks while one more squeezed in after I'd sent it out to make it four bank failures last week. This week we also add four more failed banks to this years list of biggest losers.

There are several companies now paying dividends according to the price of gold. One we own is doing it now and has released it's revised table.

| Gold price (per oz., in US dollars) | Dividend (per oz., in CDN dollars) |
|-------------------------------------|------------------------------------|
| Less than \$1,549 | \$100 |
| \$1,550 - \$1,649 | \$125 |
| \$1,650 - \$1,749 | \$150 |
| \$1,750 - \$1,849 | \$175 |
| \$1,850 - \$1,999 | \$225 |

I love companies who are progressive and innovative and this new dividend structure is just that. It pays dividends according to the ounces produced as well as taking the price of gold into consideration.

The only problem is that they will soon have to expand this table as gold prices are going to rise substantially. When gold hits 5k the company should potentially be paying over 1k per ounce produced as dividends.

This will incentivise large and retail investor alike to buy great quality company like this with incredible growth potential.

Ghana is contemplating raising taxes on gold miners as prices rise. They are adamant that this will benefit the miners as well and I suppose it could reduce red tape if they are co-operative but if they are breaking any contracts then I'm not keen on it.

It's so important when choosing mining companies, to consider the country they operate in as rules can be changed overnight. Even in so-called mining friendly jurisdictions rules can and have been changed as profits rise.

Mining is a tough business all around and investing in it is even harder.

One company operating in Ghana saw corporate tax rates rise 30% quarter over quarter in part due to the increase in gold prices. In total they paid \$71 million to the government in the third quarter alone. They are also paying royalties which at this point are still voluntary and they are the only company doing this.

They're definitely building goodwill.

The trend of central banks buying domestically produced gold continues to accelerate. This time Bolivia is now set to buy gold directly from the thousands of small local miners in a bid to increase their gold reserves.

Are you increasing your gold reserves?

Chinese [gold output rose 3.87% this year](#) through August as they continue to increase their lead as the top gold producing country in the world. Not much of this will see the light of day as the central bank snaps it up before it can get to market.

Here is a poll taken which indicates that [silver is as much a safe haven as is gold](#), at least in the minds of precious metals investors. I couldn't agree more and could even make the case that silver is an even better investment.

You can now watch [the great silver debate between Bill Murphy and Jeff Christian here](#). Good times!

[This article reporting the finding of a new report from the Government Accountability Office is pretty hilarious](#). They've discovered that big banks have a very cozy relationship with government. I just have to wonder how much they spent on discovering this pretty basic fact. No wonder government is broke!

I do have something pretty neat to share with you that could revolutionize many facets of our lives someday in the future. Quantum levitation. You have to [check this short video out!](#)

And for fun [here is the world's best drummer!](#) He's amazing and hilarious.

Until next week take care and thank you for reading. I hope you enjoy this beautiful fall weekend.

Warren Bevan

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 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](#).

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