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2009

October 30,

Free Gold

The gold option writers got what they wanted this past week and while gold call holders got taken, technically it was good for gold. It's now ready to move higher again now that it's free from the shadow of option expiry.

The major indices are starting to act up and give signals that all is not well. I think it's finally time to see some moves lower and I outline this with many charts in this weekends [update to subscribers](#). I wish I could post all of the charts in the clear, but that would not be fair. What I can say is that there is much evidence that the times ahead will not be rosy.

I was hoping to escape the house this weekend for a last motorcycle ride since my insurance is up early in the week and winter is almost upon us, but as is customary in the fall here the rain hasn't let up all week and doesn't yet seem ready to appease me. It's probably for the best I suppose since I've got a [major update](#) going out to [subscribers](#) Sunday that needs much work.

Metals review



Gold traded as I expected this week and in the end only lost 0.9% for the entire week. Gold was smashed down into the \$1,020's, to test the breakout, as options expired but rebounded sharply once the expiry was completed. More times than not gold comes under pressure as option writers try and maximize their gains by keeping the price below the strike prices. It's not fair and must be investigated, but has yet to be. This is highly criminal activity.

It looks like gold is ready to move higher now and \$1,100 should be in the bag this week or next. An uptrend channel has formed and should see gold contained within it for the foreseeable future. While suspect, the action is perfect technically speaking.

The RSI is about to break its downtrend after bouncing off the 50 level. The moving averages are all positive. MACD has broken its uptrend which will bring in selling by some.

The Slow STO has fallen from overbought to oversold in only a week, but on a price move of only about \$30. That is amazing and very bullish. In early October the Slow STO was near the 20 level and saw a move \$80 higher before the indicator moved into overbought territory. It's incredible that such a small move lower had such a huge effect on the indicator. Let's see how the week plays out, but I suspect gold will be higher by the time I sit down to write next weeks letter.



Silver lost a hefty 7.70% on the week showing us again just how volatile it can be. Silver basically tested the breakout level at \$16. The action is fine, but

huge moves like this are not for everyone, unless you have the conviction needed to step up and take advantage of these opportunities rather than panic and sell.

RSI has come down but bounced off the 40 level which is important. The moving averages are in fine form with the 50 day still deciding if it wants to help support the price or not. MACD is negative and broke hard below it's uptrend line. Slow STO is very oversold and about to flash a buy signal.

I imagine it will take a couple weeks to wade back up to the \$18 level, but maybe not knowing how silver moves. The trend is higher thought and these levels have good support leading me to the conclusion that higher prices are around the corner.



Platinum lost 3.13% on the week but bounced perfectly off the lower limits of it's up-trending channel. RSI bounced perfectly off the important 40 level. The moving averages are all positive and is seeing the 50 day in conjunction with the lower limits of the uptrend channel which further strengthens it's presence. MACD is bearish but appears to be starting to hook up. Slow STO flashed a buy signal from slight oversold levels. Last time we saw the Slow STO down here a \$100 move higher occurred in only three weeks.

Now that all the indicators have been refreshed I think a move to \$1,400 is imminent in the next couple weeks. As usual there isn't much to say about platinum. It has traded the whole year technically perfect.



Palladium fell 4.73% on the week and moved back into the uptrend channel. RSI is bouncing around 50 and bearish at the moment. The moving

averages remain positive and the 50 day is providing strong support along with the lower end of the uptrend channel. MACD is bearish along with the Slow STO.

I think we need to see palladium move lower to test the \$310 area before we see another move higher. I expect this to play out this coming week as this white metal continues it's pattern of higher lows and higher highs.

Fundamental Review

I don't mean to go all illuminati on you but this quote seems more relevant in today's times than at the time of it's writing. You can join the great powers at a reasonable price still, but not for long.

"If you want to know when a society vanishes...watch money. Whenever destroyers appear among men, they start by destroying money, for money is men's protection and the base of moral existence. Destroyers seize gold and leave to it's owner a counterfeit pile of papers." ... Ayn Rand

If you're paying attention, it isn't much of a stretch of the imagination to see that that is exactly what is occurring today.

Unfortunately so many investors have been sitting on the sidelines of this gold bull market for the whole of the decade. Some are now waking up. Even close family members, whom I began telling of the gold rush to come around \$400, have recently begun to come around. The jaundiced eye they used to give me has turned to questions as they see the world is not as it once was. I'd like to briefly address some of the disinformation they and many other, new to physical gold, investors are being fed.

The problem is most investors have never owned physical metal for investment purposes. Their brokers tell them to buy an ETF and they believe it to be as good as gold, pun intended. Unfortunately, it's not the case. You will NEVER touch or see your gold if you buy an ETF. It will be cash settled.

What good would that be in a dire emergency or currency crisis. In developed countries we've mainly become complacent to that possibility. Even superficial knowledge or study of world economic history quickly tells a tale of failed currencies.

One notion that ticks me off to no end is that investors are being told they must insure gold if they buy physical, which further complicates things, and puts them off. Nothing could be further from the truth. In fact the

opposite is much more practical. Think about it. If you insure gold then people know you have it. It would be confiscated if that were ever to occur again, but I doubt that. For me it's good enough to have it hidden at an undisclosed location nearby. The exact whereabouts are top secret of course. It's privacy and protection.

As gold continues it's March higher it will become even more sought after and if you think there are no crooks in insurance, think again. Insurance companies will likely be the target of computer hackers looking for insured gold as it's appeal increases. Crooks are resourceful and smart in many cases. Think back to last weeks article on Indian families homes being targeted.

The main reason to invest in physical bullion is to have it appreciate or at least hold value against a currency of your choice. If you buy an ETF which may or may not hold all the gold they claim (there is much evidence contrary to their claims of 100% ownership) you are not helping yourself achieve your goal. It's easy to issue a paper certificate, or shares saying you "own" gold, kind of like printing dollars. I bet your gold certificate is even electronic!

If you want gold to rise, buying a paper certificate will not help. The physical market is very tight these days and any demand for physical metal puts upwards pressure on the price, in contrast to ETF's or the like.

The purpose of the above rant brings me to a [report this week](#) talking about the world's richest investor, none other than John Paulson. He explains that "the great inflation will come to pass. The banks will resume regular lending - thereby releasing all of the excess money supply into the system - within six to 24 months. Two or three years after that, we will see 12% annual inflation."

Paulson has \$4 billion of his firms assets in gold. He himself is invested 100% in his fund. A question was posed as to why he is investing now if he expects inflation further down the road. The answer could not ring truer. He says that of \$200 trillion investable assets in the world there is only \$800 billion of gold. Simply, there won't be enough to buy by the time the inflation hits.

Let me repeat that, THE WORLD'S RICHEST INVESTOR is heavily invested in physical gold, NOW, because there won't be any in a few years. It's not that there won't be any, all the gold ever mined pretty much is all still here, but it will be a rare breed willing to part with it at any price under many thousands of dollars per ounce, if at all. \$1,000 gold will look cheap, and you will never forgive yourself.

Last week I talked about how we are just entering the second phase of this bull market when guys like this begin to enter. The mania is years off, but up until that time, returns will be nothing to sneeze at. Already this decades annual return on physical gold are well above 15%. Tell me another investment you can say that about!

I could go on but I think I've ranted long enough, and hopefully helped make some sense of why to invest in gold in the first place. Silver's even better though if you can handle the volatility.

Actually, before I get into the meat of this week's goings on I'd like to pass onto you some preventative measures against the H1N1 flu that I hadn't heard of. Thanks Earl.

The only portals of entry of the H1N1 virus are the nostrils and mouth/throat. In a global epidemic of this nature, it's almost impossible not coming into contact with H1N1 in spite of all precautions. Contact with H1N1 is not so much of a problem as proliferation is.

While you are still healthy and not showing any symptoms of H1N1 infection, in order to prevent proliferation, aggravation of symptoms and development of secondary infections, some very simple steps, not fully highlighted in most official communications, can be practiced (instead of focusing on how to stock N95 or Tamiflu):

1. Frequent hand-washing (well highlighted in all official communications). This is not a joke. Make it a ritual habit... make it part of your daily routine... DO NOT BE LAZY...!!!
2. "Hands-off-the-face" approach. Resist all temptations to touch any part of face (unless you want to eat, bathe or slap).
3. *Gargle twice a day with warm salt water (use Listerine if you don't trust salt). *H1N1 takes 2-3 days after initial infection in the throat/ nasal cavity to proliferate and show characteristic symptoms. Simple gargling prevents proliferation. In a way, gargling with salt water has the same effect on a healthy individual that Tamiflu has on an infected one. Don't underestimate this simple, inexpensive and powerful preventative method.
4. Similar to 3 above, *clean your nostrils at least once every day with warm salt water. *Not everybody may be good at Jala Neti or Sutra Neti (very good Yoga asanas to clean nasal cavities), but *blowing the nose

hard once a day and swabbing both nostrils with cotton buds dipped in warm salt water is very effective in bringing down viral population.*

5. *Boost your natural immunity with foods that are rich in Vitamin C (Amla and other citrus fruits). *If you have to supplement with Vitamin C tablets, make sure that it also has Zinc to boost absorption.

6.* Drink as much of warm liquids as you can. *Drinking warm liquids has the same effect as gargling, but in the reverse direction. They wash off proliferating viruses from the throat into the stomach where they cannot survive, proliferate or do any harm.

LET'S ALL BE HEALTHY AND HAPPY...!!!

Please see this link for this weeks [stunning list of biggest losers](#). Nine banks failed this week bringing the years total up to 115. On the bright side the FDIC is not announcing layoffs. However they can't afford to pay their employees since they are operating in the red these days. It is looking more and more like it's once again time for the markets to roll over and retreat, led by the financial sector.

China is still [hungry for Canadian resources](#) according to a few stories out this past week, but really it's nothing new. This trend will continue and not diminish although it may experience the odd lull or two. Energy and mining sectors are the main beneficiaries. China's got about \$2 trillion in cash reserves but are trying to diversify into real assets rather than paper, actually not even paper these days, it's all electronic.

Last week I pondered the fact that no fiat currency has lasted much longer than 40 years. Upon further reflection, we are in a new era, seeing most people use electronic money, not even paper anymore. Perhaps we will make history and see how long the worlds electronic currencies will last. I have strong feeling they will not outlast their paper brethren.

Speaking volumes about China's worldwide resource grab, [this article outlines](#) that all African economies will grow this year with one exception, South Africa. This is because of China's demand for their raw materials. Chinese demand is underpinning growth", according to Martyn Davies of Stellenbosch University. This is great aided by the African Nation's welcoming stance towards China, diametrically opposed to many developed countries, which includes South Africa. The near duty free, on average 0.64%, import tariff from Africa is helping fuel this fire.

Australian leaders are considering a free trade agreement with China, urged by a [local business leader](#). Tensions have been high between the two countries on many occasions as the Chinese try and gobble up Australian resources, and companies. I think this will be a tough agreement to cement. Australia is doing fine and doesn't need the Chinese as the African's do, but they sure do like selling to them, especially since they are essentially neighbours.

I saw a funny comedian on the tube this week. He said when entering Australia they asked if he had a criminal record. He replied, I thought you didn't need one to get in here anymore!

Venezuela continued on their [nationalization march](#) this past week by seizing control of the Brisas gold property. I wonder if the property will be developed by the mainly Russian controlled company who has been awarded the rights to Las Cristinas. The shares in that company sure did take a jump just before the announcement from \$0.45 to \$0.60. Perhaps they would be a good investment!

Iran's [oil bourse was inaugurated](#) early in the week and is now selling oil and petrochemical products priced in various currencies, but mainly the Euro. I imagine they'd probably accept payment in physical gold as well.

Turkey is switching to [trade with national currencies](#) in transactions with Iran to skirt dependence on the US dollar. They already have such an arrangement with Russia. Turkey does about \$65 billion in trade per year with both countries so it's not a major event. Rest assured many other countries are watching closely. The dominance of the USD will diminish in baby steps like this one.

This weeks inspirational song comes from someone who put together a [really neat collage](#) if you would call it that. It features the greats, Carl Sagan, Richard Feynman, Neil deGrasse Tyson and Bill Nye. Very cool, and quite catchy once you get into it, even though I'm no fan of techno or whatever that kind of music is, but this is an inspiring work. We are truly all connected and when it comes down to it this "money" we all chase, while fun, has nothing to do with the world and universe that supports our daily lives on our [pale blue dot](#).

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](#).

Until next week take care and thank you for reading. An Happy Halloween!

Warren Bevan

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