

Precious Metal Stock Review



April 12, 2008



METALS REVIEW



Gold is in a strong uptrend and although it has broken its downtrend Gold is bumping against resistance from \$940 to \$950 and the 50 day MA. This is truly great action and I would love to see Gold come down to \$900 and ensure stronger support there, even testing its recent low of \$875 would do. The only downfall being that the 20 day MA is now falling below the 50 day MA. Technically it looks as if the uptrend will break next week.

The economic news is terrible these days and really for the past few months to be conservative. Gold is the barometer of tough economic times and for it not to react more strongly is highly suspect. Not that it hasn't done well but measured against the horrible news I would have expected it to be performing better.

We all should know by now that the main markets like the DOW, S&P and NASDAQ, at a minimum, are manipulated or propped up at certain times, to be conservative, in order to institute confidence in the markets. I believe GATA has the answer to this and highly suggest you look to their extensive research for answers and clues to why the price of Gold has not been moving up even faster in recent months and years.



Silver's 20 day MA is falling below its 50 day MA as well and that bodes poorly for next week. The uptrend in Silver is not as strong as Gold's nor is the support in this region as strong since Silver lagged Gold in its recent volatile run up.

The good news is the 100 day MA has and should provide good support for the next leg up which could begin any time now with the worsening economic news.



Although the 20 day MA is falling below the 50 day MA Platinum has built strong support at \$2,000 and this tightening of price movement bodes well for another upside move. Resistance at \$2,150 is my target for next week.

On the contrary if the uptrend line is broken I expect a fall to \$1,900 on the downside. This is not what I am calling for but a possibility nonetheless.



Palladium gapped up out of its coiling triangle and looks ripe for a strong move to \$500 if \$475 can be bested. Once again the MA's are bearish but with Palladium so close to its 100 day MA I don't see any downside risk below \$450.



FUNDAMENTALS REVIEW

First off I must confess I spoke too soon regarding the borrowing trend of investment houses from the Fed when I said;

“This past week saw some unprecedented borrowing by investment firms who supposedly have enough capital to operate. Why would they borrow money if they have enough? “The Federal Reserve reported Thursday that those firms averaged \$38.1 billion in daily borrowing over the past week from the new lending program. That compared with \$32.9 billion in the previous week and \$13.4 billion in the first week the lending facility opened.

The fed stated they would make up to \$200 billion of loans available through this operation. They don’t say but I assume that is weekly since last week alone the lending totalled \$190.5 billion. And the total of the three weeks since the program’s inception is a staggering \$422 billion. To put it in perspective that is a lending rate of \$13.95 million every minute of every day for the past three weeks. That is staggering and is nothing more than a massive liquidity injection which will push the dollar to lower levels taking purchasing power away from hard working American.”

The \$38.1 billion was a weekly figure not daily as well as \$32.9 billion and \$13.4 billion.

It looks as if the limit on Fed borrowing is actually only \$50 billion a week. So the limit thus far is \$200 billion at \$50 billion a week. These are 28 day loans or a month. So they will be rolled over indefinitely never breaching the \$200 billion limit....until the limit is raised in order to inject more liquidity into markets. It won’t be long now until these institutions borrow even more money just to take the stigma away from it, as they say.

I don’t get how people can fall for that line that they don’t need the money, they are borrowing it just to show goodwill. What a load of BS if I ever heard one. These institutions are technically bankrupt and many have level 3 assets (mark to model/make believe) well in excess of their total balance sheets. If you don’ quite understand the differences between Level 1, Level 2 and Level 3 assets you can read the summary of FASB 157 [here](#). Or [here](#) it’s laid out simply as;

“Level 1 inputs are assets and liabilities that are measured using quoted prices in active market; Level 2 inputs, can be measured using other observable inputs, such as instruments that are marked to a model; and Level 3 inputs — considered

unobservable — are thinly-traded assets and liabilities that are measured using estimates based on the value the company believes a hypothetical third party would pay for them.”

SELL SELL SELL!!! This week the IMF said they will sell some [Gold](#)...again. The IMF just a few weeks ago said the same thing. The fact of the matter is that congress must approve a sale and they will not debate the issue for some time to come. And no Gold will come to the market. The Gold will be bought in one or a few lump sums with no public participation. So once again the same old press release with a different date has been called upon in an attempt to scare Gold investors out of their positions. I am getting tired of the same old rhyme again and again. When will they come up with a few new tricks?

Just over a year ago China's currency reserves hit the \$1 trillion mark. Only a year later it's up 40% to \$1.68 [Trillion](#). This rate of appreciation cannot last. If the American public understood this and its meaning they would not put up with it. The San Francisco demonstrations against Chinese humanitarian crimes against Tibet regarding the Olympic Torch would look tiny in comparison....if only the US public cared about themselves! The fact that China is playing along is soon going to bite the US in the backside. China will continue to buy real goods in Africa, Australia and many other countries where they are “allowed” in order to secure strategic stockpiles of metals and materials.

The opposition this week from Australia over [full takeovers](#) of Australian mining companies and the [refusal](#) to accept spot prices for ore by China from Rio Tinto and could be the start of something bigger if the trade mission in China by Australian authorities fails or breaks down.

It's a fact that China needs resources and will play hardball to get what they want by breaking contracts or other nefarious methods. The US is giving China unprecedented amounts of paper dollars which are losing value almost daily and China needs to get something for this paper before it becomes completely worthless.

A wonderful speech by Paul A Volcker this past week highlighted the current risk in the economy today with candid and clear words such as; “mother of all financial crisis” and referring to the dollar crisis stated “we're in it”. The video of the speech to The Economic Club of New York can be found [here](#) and is a highly recommended view by yours truly.

Once again GFMS Ltd. came out with a bearish [view](#) on Gold. That's great and all but they have had a bearish view for the past few years at least and look where we are today. I don't know when they will get it. Their report is full of holes and contradicting facts that I simply do not have the time to get into here. I personally find the CPM yearbook to be a much

more valuable and unbiased tool for looking at the Gold fundamentals although none take the evidence amassed by GATA into full consideration as I do.

Mergers and Acquisitions have been large, fast and furious over the past few years and I have been fortunate enough to be on the winning side of some of them. It's being [acknowledged](#) and [here](#) more all the time that the Junior and Exploration market is ripe for takeovers as this is the most economic and least risky way to increase reserves for many companies.

That is one reason I am so heavily involved in this sector and believe it to be the place to be to make the most money in this secular bull market. It hasn't always been quick, easy or painless money but the time has come for the quality Junior and Exploration companies to outperform and this year will kick off the upswing in these tiny companies.

Finally I must put in my usual rant on the Eskom situation. Eskom has [reached](#) a five year deal with Mozambique to import 250 megawatts of power to help ease the ongoing power crisis. They still need more power and I would like to see them take care of this situation internally with an excess of power before I would consider investing there again. Basically it will be many years before I look to South Africa again.

This [news](#) details the effects of this few moth old power crisis, and as I stated last week the full year numbers will not be good. "South African gold output fell 28.2 percent year-on-year in February in volume terms, while total minerals production fell by 7.3 percent, official data showed on Thursday." There is no doubt China will be the largest Gold producer this year.

On the downside India's Gold imports fell 23.4% so far this [year](#) compared to last year. India is a great consumer of Gold but its obvious the rest of the world's investment community is picking up the slack, and then some. Indians view Gold as a store of value, not necessarily an investment, but they will come around.

Also disturbing in the report is the fact that India did not import a single ounce of Silver in the first three months of 2008. While it would be great to have India importing like mad it's not necessary as investment demand is picking up by acute, but late, investors in the west.

On a side note Barrick Gold has blocked a release of a highly critical book the story is [here](#) and just for fun I am posting it since it is so short but interesting.

The book launch for Noir Canada: Pillage, corruption et criminalité en Afrique, edited by Alain Denault and the Collectif Ressources d'Afrique out of Montréal, was a cancelled yesterday when the authors and publishers (Édition Écosociété) received letters from a law firm representing Barrick Gold.

*The letters allegedly refer to apparent inaccuracies in the book, more particularly around the representation of Barrick's role at Bulyanhulu, in Tanzania, where more than **50 small scale miners were buried alive** in 1996.*

*Barrick has also sued The Guardian and The Observer over **articles that they published** about the Bulyanhulu massacre.*

Noir Canada is about the role of Canadian companies in Africa, which operate with the "unfailing help of the Canadian government."

*The **list of corporate abuses is long**: advantageous mining contracts in the DRC, partnerships with arms dealers and mercenaries in the Great Lakes region, miners buried alive in Tanzania, an "involuntary genocide" by poisoning in Mali, brutal expropriations in Ghana, using people from the Ivory Coast for pharmaceutical testing, devastating hydroelectric projects in Senegal, the savage privatization of the railway system in West Africa...*

I sure hope that Écosociété goes ahead and releases the book...



STOCKS REVIEW

Now on to Exeter Resources which is doing very well at both increasing their reserves and increasing their share price. The main focus is on a project discovered in Argentina, a country I feel safe in. The Cerro Moro deposit has had over 200 drill holes to date and is well-thought to become a multi-million ounce gold system. The company considers it amenable to open pit mining and the system is in a well established region where international miners such as; AngloGold Ashanti, Pan American Silver, Minera Andes, Hothchildes and Coeur d'Alene Mines operate.

What excites me also is their project in Chile near Kinross's Refugio mine and the huge Kinross/Barrick Cerro Casals deposit. They have a 35,000 ft. Drill program scheduled as a follow up to a 1,000 ft. mineralized hole. I urge you to watch an excellent [presentation](#) which outlines the company and their project in much more detail.



Although clearly past the initial discovery stage I am still very bullish on this stock as any new discovery or further delineation will add more icing to this already sweet cake. This stock has held up well in the face of downward pressure on the whole sector.

Although down near 30% from its high I don't see much more downside as it has built a nice base with strong long-term support in the \$4.00 region as well as my firm belief that the whole Junior and Exploration sector is nearing the end of its depression. I fully expect the sector to attract big money in the coming months and a company such as Exeter will be less risky and while possibly not returning the huge gains will definitely provide solid upside potential.

Exeter is also a huge takeover target with large companies operating close by, Exeter may be a good fit for several companies' infrastructure and could possibly attract several who would end up in a bidding war.

Last week I reported that Liberty Star is looking for joint ventures in their "Big Chunk" property. This week they announced receiving [interest](#) from more than one global mining company within two days of their expression of interest. Keep an eye out for the results of this as this area is fast becoming a major exploration area of interest to some of the largest mining companies in the world.



The stock didn't do much this past week but looks to have a nice base put in now. Watch for the 25 day MA to cross the 50day MA for a buy signal although I can't see the stock dropping much from these levels.

Finally, for those of you who've expressed frustration in trying to sign up to view "MY PORTFOLIO" this past week I must apologize as I am having extreme difficulties with the payment gateway, this week I expect the problem to be remedied so please try again. I humbly apologize and reveal to all, my number one percentage holding is NDM on the Canadian exchange.

Have a great weekend,

Warren Bevan

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