

Precious Metal Stock Review

March 15, 2008



METALS REVIEW



Gold touched then breached \$1000 level this past week. As exciting as this is, the party is just warming up. Once people realize Gold is staying

at high levels and very high margins are released in the coming months the public will take notice and begin to look into this confusing sector. Gold looks strong and remains firmly in its up trend. An article I wrote on Gold and its potential to breach the \$1,000 mark for good can be found [here](#).



Silver is near its highs of this bull and remains in an uptrend. The COT report looks to signal that the commercial signal failure will have to wait a bit longer. If we see a sharp price uptick and furious short covering then look out above. MACD is flat while RSI and slow STO are up so I expect Silver to move up from here next week.



Platinum recovered nicely from support at \$2,000. The NYMEX increased margins on Platinum this past week. When this happens they hope to decrease speculative interest sometimes leading to a price decline. The margin increase happened on Wednesday and didn't bring down prices. I guess the specs are well funded! Right now Platinum is bumping up against strong resistance around \$2,150. The slow STO is signalling a continued uptrend here. The RSI bounced perfectly at 50.



Palladium recovered nicely this week. The 25 day moving average looks like strong support so look for Palladium to continue this new uptrend in the week to come. Both Platinum and Palladium worked off their overbought condition in a hurry and look ready to head higher.



FUNDAMETALS REVIEW

It was a rough week for banks namely Bear Sterns as they are basically bankrupt and had to be rescued by the Federal Reserve through JP Morgan who will earn a slice of the pie being an intermediary.

Carlyle Capital a subsidiary of the large Carlyle Group defaulted on \$16.6 billion of debt. No institution would lend Carlyle Capital the money to cover their margin calls. The banks and financial institutions don't want to lend to each other since they know the true value of the debt and paper held. They also need the money for their own issues. If these funds weren't using so much margin the problem would not exist.

From www.jsmineset.com I read an article on Warren Buffet. Here are some numbers to put the coming derivative mess into perspective. As Mr. Buffet stated "derivatives are financial weapons of mass destruction". He went through great pains and losses to unwind his relatively small portfolio of derivatives so imagine the problems now.

- *U.S. annual gross domestic product is about \$15 trillion*
- *U.S. money supply is also about \$15 trillion*
- *Current proposed U.S. federal budget is \$3 trillion*
- *U.S. government's maximum legal debt is \$9 trillion*
- *U.S. mutual fund companies manage about \$12 trillion*
- *World's GDPs for all nations is approximately \$50 trillion*
- *Unfunded Social Security and Medicare benefits \$50 trillion to \$65 trillion*
- *Total value of the world's real estate is estimated at about \$75 trillion*
- *Total value of world's stock and bond markets is more than \$100 trillion*
- *BIS valuation of world's derivatives back in 2002 was about \$100 trillion*
- *BIS 2007 valuation of the world's derivatives is now a whopping \$516 trillion*

Daily there are more and more reasons and examples to own Precious Metals. Something real, something that hurts when dropped on your toe is the place to be as paper fiat currency depreciates daily. Unbelievably the

Precious Metals Junior and Exploration stocks had a rough week. When will they join the party? The majors are doing great but still have a ways to go. I am in awe at the fire sale prices on some of my holdings. I get more bullish by the day. I will see gains of 100% or more in a single day in the not too distant future. I hope you do too!



The Vancouver Venture Exchange vs. Gold ratio is at its lows again. I thought we would never be here again but we are. The fundamental case for owning Precious Metals Junior and Exploration stocks builds by the day yet technically the stocks are still going down. It's difficult to express the anguish I feel being fully invested with prices so low. But it is hard to contain my excitement at the same time. This is so bullish going forwards. If you discover that this is a great investment area today, unlike myself

discovering it over four years ago, you have a better entry point in many cases than I had!

One of many [articles](#) on some large investment funds moving out of financials and into commodity stocks. So many funds are just starting to move money into this area so we have a long way to go still.

We had some important news come out of South Africa this past week. South Africa is the single largest producer of Gold. Although China is very close and should produce the most Gold this year if trends continue as they are.

In January Gold output plunged 16.5% compared to the same period last year. Platinum group metals or PGM's output decreased 15.9% in the same period.

Last year South African Gold production fell 7.4% more than the average yearly decline of 6.3% over the past decade. Supply is falling as demand is increasing. While the South African mines do face a unique situation in that their mines are extremely deep, safety is a constant concern and cost pressures from cooling and de-watering are exorbitant.

Although miners in South Africa such as Goldfields do have huge reserves the cost and risk associated with processing them may be too much even for the current price environment. I personally do not invest in South Africa as I see it as too risky on both the mining of deeper reserve and power supply shortage fronts.



STOCKS REVIEW

Some great stocks came out with some great results this past week. Some I do hold while others I do not.

Aurelian came out with 168.93 meters grading 13.16 g/t Gold and 144.05 meters grading 7.41 g/t Gold. That's incredible. Such long length at such a high bonanza grade is stunning and possible the best graded resource being delineated today. Let's analyse just a bit here.

Compare these new results to their April 5 2006 results at 237 meters averaging 4.14 g/t. While these are great grades they are nothing compared to this week's news.



When this good news hit the stock went from \$0.25 to over \$10 in six months. These are the gains I am talking about. This week nothing outstanding happened after the news release. It won't be long before people take note of stocks like these and they will appreciate to their true values, which is much, much higher.

Aurelian has \$66 million of working capital. They have a market cap of about \$1.25 billion. When they announced their discovery hole in April 2006 they had a tiny market cap of just \$33.25 million. This deposit is real and this Precious Metal bull market is real. Pinch yourself because if you get in soon you won't believe your luck.

ECU Silver filled their NI 43-101 report this week. They reported a measure and indicated increase of 116% and Inferred Resources increase of 121% and Potential resource increase of 1,300%. The stock...well it went down. There is absolutely no interest in this sector right now. But there will be. The tech mania will pale in comparison.



ECU went to below \$0.05 at one point. They released some good exploration news of an average of 6.71 g/t Gold and 309 g/t Silver over the vein width of 0.80 meters. The stock started to move a bit. They came out with a flurry of results like 84 Meters of 5.02 g/t Gold & 526 g/t Silver and a Discovery on Level 18 of New Massive Sulphide Vein of 7.74 Meters '25.4 feet' Yielding 18.57 g/t Gold, 41 g/t Silver, 0.89% Pb and 1.99% Zn. The stock went to about \$3.50.

Their new report more than doubled their reserves which are a sure thing. And their potential is listed at between 464,660,000 to 806,503,000 ounces of silver equivalent. At today's fully diluted market cap of just under \$127 million that's under \$0.27 an oz of Silver equivalent in the ground at the low end and about \$0.15 at the high end. Although the cost of building and permitting a mine can be enormous today, ECU has a small mine in place and is mining to fund their great exploration success, and all permits in place. Hopefully they won't have to go to the market to fund any further growth.

With Silver over \$20 the rate of return will be fantastic, but I expect Silver to go much higher than \$100 before this bull market is over. So these stocks will fly.

Hope this week treats you well and you really think about investing in this sector now rather than later. You won't regret it!

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