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The Week That Wasn't

The past week didn't see much movement in the end as indices were mostly flat. What was interesting to me was the big fall in markets world wide in the middle of the week while the US market hardly moved. It had the familiar odour of intervention as the market was obviously propped up in the middle of this earnings season.

The Dow moved up 0.86%, the S&P was up slightly 0.84% and the Nasdaq up only 0.64%. Up in Canada the TSX faired a little better rising 0.93% and the Venture exchange had a strong more volatile showing, moving up 3.11%.

The S&P Global Gold Index actually fell 0.63% while the HUI followed losing 0.21% and the XAU lost a bit more at 0.59% and the GDX index fell 0.34%. All in all, the week could have been missed without much worry. The days of summer are here, but won't last long. Every year in this new century a major low for gold is put in right around this time of year, before gold rallies. This year is shaping up to be a repeat.

Metals review



Gold ended the week up 0.27% as if nothing happened at all. In reality a \$30 price swing happened in the blink of an eye. The trading interest has been very strong as of late. Open interest is also very large making me believe that traders are expecting a big move, probably up, in the near future. It's obvious that the battle is raging on in the heat of the summer as nobody is watching.

RSI is bullish, the moving averages are bullish, especially comforting is the support the 100 day has recently given to the price, as it bounced hard up, and much higher, exactly off that level. MACD is bullish along with the Slow STO indicator after the huge thrust upwards late in the week.

Looks like the years lows are in and the price is readying itself for the big push. Kind of reminds me of a sister in-law, only six weeks now until her first big push. That day will change her life forever, as a sustained move above \$1,000 will change our lives forever, albeit not quite in the same way.



Silver rose 0.18% for the week ending up going really nowhere after some wild gyrations. That pesky \$14 level is still holding silver back, but a charge is being mounted and soon should be able to get above it. A nice up-trend line is developing and so far is at a sustainable slope which would see a nice, but volatile, relatively steady rise well into the fall.

RSI is positive along with two of the three moving averages in the chart. The short term 50 day moving average is hooking slightly lower, but is nothing to worry about. MACD is bullish, as is the Slow STO.



Platinum rose 1.92% for the week and is poking into the up-trend channel which is where it should be. There isn't much to say about this metal. It's a technicians dream right now. I expect a move back solidly into the channel, then a move to the middle, then upper reaches of the channel before being bounced around within it again.

RSI is bullish along with all three moving averages. MACD and the Slow STO indicators are also bullish. As I've mentioned before, the only position to

have in this metal in bullish, unless you like to lose money. That could change, but right now it looks doubtful.



Palladium was the slight winner this week rising 1.26% and heading for the upper reaches of its well defined up-trend channel. I think we will be seeing it push up towards the \$280 area before a meaningful correction occurs.

All the moving averages and indicators are positive for palladium, although a bit overbought. A correction or consolidation may be in order, but right now the upwards momentum looks too strong, leading me to think a move higher is imminent.

Fundamentals Review

I ran across a great quote from Andrew Jackson this week; "The duty of government is to leave commerce to its own capital and credit as well as all other branches of business, protecting all in their legal pursuits, granting exclusive privileges to none."

It's amazing how so long ago such wisdom was seen more as common sense. Today, quotes or beliefs such as that are long gone, and dearly missed.

The SEC has made the rule on naked short selling permanent. It's the most ridiculous thing I've heard in a while. Let's get this straight. Illegal trading was taking place. A rule banning it was enforced. That rule was then made permanent as it was about to expire a year later. So apparently illegal doesn't mean you can't do it...until they make a rule against that violation. Wow, that opens a whole host of potential ways to make a living for those recently let go.

According to recent survey 75% of American's support an audit of the Fed which is a private corporation. Most private corporations get audited at one time or another, so why not this one? Because they create the US dollar and feel they are exempt from laws. The founder of the Rothschild banking dynasty, Mather Amschel Rothschild once said; "Give me control of a nation's money supply, and I care not who makes its laws." That quote rings truer every day.

The Chinese were in Washington this past week. It's not really clear what the discussions were about in detail, but the huge deficit the US has was on the agenda as well as the US dollar's role in the future. There were so many Chinese here on this trip it seemed that all politics back home would have had to come to a halt.

It's time to bring out the Chinese veiled threat translator. Some quotes from Chinese officials were;

"We sincerely hope the U.S. fiscal deficit will be reduced, year after year,". That means, we are worried about the value of all your dollars we are holding. We are trying to cash them into real assets before they get too low, so please appear as if you are trying to strengthen your dollar.

"The Chinese government is a responsible government and first and foremost our responsibility is the Chinese people, so of course we are concerned about the security of the Chinese assets,". This one's easy, it

translates to; sell me your gold for these worthless dollars you keep giving us you irresponsible little @\$#%.

And my favourite is; "At present, the world economy is at a critical moment of moving out of crisis and toward recovery,". That means; Your choice, sell us your gold, miners and anything else we want, or we crash your dollar.

Obama said; "I believe that we are poised to make steady progress on some of the most important issues of our times,". Bye, bye gold reserves.

Obama also said; "The relationship between the United States and China will shape the 21st century, which makes it as important as any bilateral relationship in the world,". The US better start sucking up, big time.

[Timothy Geitner said](#) referring to the US populous; "going to have to go back to living within our means." These guys crack me up. For real, it must have taken some very, very deep thought to realize that one. Come on guys, I learned that one in Kindergarten for crying out loud.

Recently emerging from bankruptcy the former major US automaker has [cancelled contracts with an American miner](#) for platinum and palladium. The automaker who was bailed out with taxpayer money has instead decided to keep contracts with Russian and South African miners. Deservedly so there is a major stink going on about this, and it is just another in a long list of examples of American companies, especially when essentially backed by the government, doing things wrong. While I endorse trade tremendously, I cannot justify these actions when unemployment is so high, and productivity so low in the US. I can only shake my head and wonder how these geniuses got in charge.

This weeks [list of biggest losers](#) is five banks long and brings the 2009 total failed banks to 69. I don't hear much about this topic in the mainstream, but we will eventually.

The biggest story this past week in my books is the [article talking about hedge fund managers buying gold](#) personally to protect their wealth. The old saying, "you gotta look out for number one" comes to mind. It won't be too long after they are invested personally that their funds will also be invested. 20 of 22 interviewed had purchased physical gold.

The Central Bank Gold Agreement, which allows central banks to sell up to 500 tonnes of gold per annum is set to expire this September. Sales have gradually decreased over the past few years with increasing speed. This year, with about two months to go only [140 tonnes have been sold](#), 100 tonnes under last years total at this time. It's obvious that nobody in their right mind

would be selling gold today. The gap between rising demand and falling supply keeps growing, yet price has remained relatively subdued.

The IMF 400 tonne gold sale recently approved by congress is now said to be going to take place within the confines of a new European Central Bank Gold agreement. Analysts are thinking the IMF sales will take two years with 200 tonnes sold per year beginning in 2010 possibly, replacing the current Central Bank Gold Agreement. Who knows for sure but I think China will have a say in how the gold is disposed of.

Wage negotiations in South Africa are coming along slowly but surely. The unions last week rejected offers between 8% and 10% and are still holding fast, demanding a 15% raise. A couple companies have reached agreements that have so far ended the threat of strikes by agreeing to pay more than 9%. Inflation in South Africa is reportedly 8%, so unions are happy to reach tentative agreements above that number.

As the global slowdown has taken hold, one South African company alone has had to let go almost 12,000 workers and plans to cut more positions. This does not made the unions happy. Perhaps if they would negotiate wages rather than demand and hold steady, their employers would not have to let go so many workers.

Russia's top miner has reported reduced output, down 14% to under 500,000 oz. The facts remain that production nearly everywhere is falling. Mined reserves are not being replaced. And exploration is slow. A shortage of gold is inevitable at this point in history where it will be such an important factor coming into the new economic environment.

China says they will be using their large foreign exchange reserves to support and accelerate overseas expansion. We've been talking about this inevitable occurrence for a while now as it's the only logical step for the country to take. Although neither confirmed, nor denied it appears that the Chinese are on the brink of buying a South African miner currently in the hands of liquidators.

South Africa's largest gold miner has further reduced their hedge book by 1.4 million oz to 4.47 million oz. The money being lost on foolish hedging strategies is still large. It is quite likely that by the time every company has rid themselves of hedges that the bull market will be nearing the end. It seems that's how things happen.

A report which seems very credible and relatively short was released this past week which details some worrying issues about some ETF's physical holdings. It's worth a read and is one of the best articles on these products

which have me skeptical. I have and do maintain the preference for real physical metal you can see and hold, which is kept quietly nearby. Trading the ETF's is great, but investing in them is another story altogether.

I don't personally have any experience with this group, their book, or their claims. But from what I do understand it is legit. If you live in the USA you may want to investigate the potential of [100% tax refunds further](#). Let me know if it works! Also the movie by the late Aaron Russo, "[Freedom to Fascism](#)" is based upon the same topics and lays out a very compelling case.

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Until next week take care and thank you for reading, and happy BC day to all in the Beautiful, very hot these days, Province of British Columbia.

Warren Bevan

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