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December

Christmas Comes Early For Precious Metals Buyers

Interestingly enough the long inverse correlation between the large US markets and the US dollar has seemingly broken down. Since March 2009 the dollar has been in a protracted downtrend while the markets have risen steadily.

The US dollar broke out of the downtrend this past week while the US markets did no such thing technically. Their moves were similar on a percentage basis, but night and day technically. We shall see if this correlation has indeed broken down once the new year is rung in. Right now, and for the rest of the year, trading will be thin. That can exaggerate moves either way, without really having any significance.

Many investors are simply buying back their shorts in the US dollar so they can relax over the holidays, and rightfully so. Why not enjoy some of the fruits of their labor?

Metals review



Gold continued to consolidate, but only fell 0.24% for the week. You've got to love the Chinese coming out on [December 2 saying](#) investors should be wary of a gold bubble forming. In hindsight it just so happens that was THE day gold topped out. Have no fear though, we are only halfway to the top of this current up-move. Gold's just taking a rest for the holidays. If you're worried, don't be. Don't bother to look at any charts or price quotes until the new year is officially rung in. You deserve the peace of mind!

The RSI remains above the important 40 level after bouncing off it exactly mid week. The up-trend that began mid-August is still holding. Expect a

nerve-wracking move below that line for perhaps a day or two, but more likely a matter of hours.

The Fibonacci retracement levels are looking to be roughly containing the gold price now and I don't think there will be any move out of those levels for long. The moving averages are all heading higher still but the price is slightly below the 50 day moving average. Support is shown in \$25 increments. I think we will see a sharp move to test \$1,075 to mark the low.

MACD is still bearish and about to head into negative ground. Slow STO remains in the area where good things begin, and flat. Enjoy this early Christmas present and order yourself up some physical metals with what's left of your Christmas budget. It's the gift that keeps giving you more money.



Silver actually gained 0.52% for the week. I still hold the view that silver will lead, and outperform gold in the second half of this major wave higher in the new year.

RSI moved back above the important 40 level on cue. The moving averages are mixed as we see the 50 day move slightly lower now. That will be short lived though so don't sweat it. MACD is negative and still going lower. Slow STO is very low and bidding it's time before showing us a massive move higher early in the new year.



Platinum matched silver's gains for the week moving up 0.52%. As per usual there's not much to say. It's in a bull market and very steadily moving higher. We could see some downside here but not below the \$1,400 in my view.

Personally I'd like to see the 40 level of the RSI tested, but it's not up to me. The moving averages remain very bullish and are still tracking higher. MACD is still bearish. Slow STO flashed a sell signal mid-week but is in neutral ground leaving little room on the downside. Platinum's been one of the best investments in 2009 along with it's sister metal palladium which is much cheaper and still a better buy in my opinion.



Palladium led the precious metals this past week moving higher by 1.59%. As with platinum there just isn't much to talk about. They've both been very predictable all year long. RSI is just above the 50 level which seems to be the floor. The moving averages are all bullish.

The uptrend channel is intact and should act as a launch pad moving palladium beyond \$400 in the early new year. That being said this coming

week will be very slow and anything can happen in any market with such low volumes. The lower reaches of the uptrend channel have been a great entry point all year and I expect history to rhyme once again in 2010. MACD is bearish while the Slow STO is on the bullish side of flat.

Fundamental Review

Dave Rosenberg wrote this week; "We are not sure if this is a well known "fact", but the U.S. government has a record \$2.5 trillion of its debt, including bills, bonds and notes, rolling over in 2010. That, my friends, is 35% of the outstanding level of Uncle Sam's marketable obligations having to be refinanced in one single year. "

No Dave, it's not a well known fact. I'd love to hear Timmy G. or Benny B. snake their way around answering to this fact. No wonder there are so many rumbling about buying US treasuries lately.

Recently China's State Administrator of Foreign Exchange reaffirmed the dollars anchor status among currency reserves they manage. Do you believe them? They also said that the US dollars continued fall is "inevitable" since Washington continues to issue treasuries to finance deficit spending.

In a speech to academics it was also said that; "The United States cannot force foreign governments to increase their holdings of Treasuries,". He reiterated that doubling their holdings would be impossible. With 35% of the US debt rolling over in 2010 it looks as if it will indeed be the year that truly sparks the precious metals rally. You ain't seen nothing yet!

I won't get too deeply into the problems over in Europe, more specifically the Greek debt downgrade, or Austria's banks nationalization. Those same issues are in the US, but are being kept hidden as much as possible.

I suppose it's a good time to look at this past weeks seven biggest losers. Seven banks locked their doors for the last time, at the usual time, late Friday. That makes this years total 140. We only have one more Friday to hit 150, and that be Christmas day! If we are going to do it the banks will likely be closed on Wednesday night, or perhaps announced on Monday!

As you know bank failures have been accelerating as the year progressed. I am looking for at least 300 failures in 2010. It looks like the FDIC is thinking along the same lines since they recently increased their budget by 56% to \$4 billion and are adding 1,643 new employees

This article is a nice read on the continuing and increasing debt defaults. It's amazing just how widespread this crisis has been. Commercial real-estate

defaults are now, and very worrying especially considering the situation in Dubai lately.

Early in 2009 I titled a weekly letter [Drug Cartels Take It To The Bank](#) and once again [an article that is getting little airtime](#) was recently released. The UN's drug and crime chief claims that £352 billion was laundered through financial institutions effectively saving their skin in the depth of the global crisis. The rabbit hole goes very deep indeed.

The National Inflation Association (NIA) recently marked [silver as the best investment](#) for the next decade. That's a long time. They've got some great documentaries on their site and I believe have another one coming out very soon. Their prediction is one I agree with and have been endorsing for a long time now.

They tout the fact that the gold to silver ratio was between 10 and 16 to 1 for 873 years in history. That would put silver between \$68 and \$110 today. With gold going much higher in the future these prices are easily within reach making a \$20 buy price or a \$15 buy price pretty negligible in reality.

One of the many reasons is silver's industrial application. While it's yet to be publicly proved that tungsten filled gold bars have been circulating, or that ETF's or pooled accounts may not have the actual physical gold they claim, the fact is that these practices can take place in the gold world unnoticed.

However, silver is all but immune to such schemes. I suppose an ETF could still say they hold silver while not actually holding it physically. But if silver were to be filled with a material other than pure silver there would be an uproar from industrial users since much of the silver produced annually is used in a wide variety of applications. That means the tiny silver market will continue to get much tighter, much quicker than the small gold market which can be massaged by paper or fake gold. Buying physical gold you can touch adds pressure to the upside while paper products do not necessarily.

Basically, silver cannot be faked as readily. Under 700 million oz of silver are produced annually and almost 450 of them were used in industrial applications in 2008. That not only means silver is a much more affordable, correlating alternative, investment to gold, but that the chance of getting fake silver is slim. As with gold, buying physical silver on weakness has been and will continue to be the best strategy. It's hard to get the exact bottom, but anytime silver drops more than 10%, and definitely 20% as just happened, it marks a pretty safe spot to buy.

Australia is one of the few gold producing countries expected to increase output this year. Estimates are for an increase of 13%, up to 246 tonnes of gold. The estimate was revised downwards from 15%.

This video of the opening spot of the Copenhagen Climate Conference looks more like the preview to an epic hollywood, end of the world thriller. It doesn't matter which side you are on, or if you're in the middle, but this is a little too one sided for my liking.

I've been sent many funky light show Christmas decoration videos lately, even one which works in conjunction with Guitar Hero. But this simple one takes the cake. It apparently had to be taken down two days after completion due to near accidents, old ladies and others climbing up the ladder to rescue the "dummy". What a hoot that would have been!



Well, that's it for this time. I'm not sure if you'll hear from me until the new year or not. We've got friends coming into town and lots already here, as well as family to see over the holidays. There is no such thing as schedules for the rest of the year around here. I hope you all had a great year and enjoy the holidays for what they are. My wish is for next year to be even better than this year for you. It's far from too late to make a handsome profit from the precious metals.

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.

Warren Bevan

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