

# Precious Metal Stock Review



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2008

7 December

## Living in a World of Free Money

Another fun week is finally over. So many traders have logged off for the year so with the lighter volume comes volatility and the week didn't disappoint. The DOW ended the week down only 2.19% but the swings were wild nearly every single day. The S&P was down 2.25% and the NASDAQ only lost 1.71%. Up in Canada the resource heavy TSX lost 12.44% mainly because of oil losing 19.77% sending it to levels not seen since 2005. Finally the TSX Venture exchange lost 10.71% taking it nearer all-time low levels. I can hardly remember the last time all the markets have been up on the week.

# Metals review



The long-term gold chart puts things in perspective and the price has only retraced 38% to just below the first Fibonacci line. The long-term uptrend is looking strong still. The MACD is so far below any other semblance of normality it just makes me shake my head in disbelief.



Gold lost 7.7% this past week with a \$40 dollar down day. While those days are not fun, it doesn't matter. Long term gold will be much, much higher. Perhaps as much as ten times or more higher. Fairly strong support lies at \$750, \$725, \$700 then \$679. The uptrend is still intact and I am quite sure we have seen the bottom for gold. A channel has formed and a technical trade buy would lay at \$730 the lower end. Technical buy signals have failed notoriously to date in this bull market so take heed.

RSI could not stay above the 65 line but it remains above a trend line. All three moving averages are moving mildly lower. MACD is flashing a sell and is about to cross the red line and the blue momentum is also about to cross 0. Slow STO flashed a sell signal at the right time and has broken the uptrend line.

I am expecting more weakness but not below \$730 but if it does I noted the support lines for you above.



Silver lost 6.97% on the week but so far is continuing to hold the uptrend. The 50 day moving average pushed the price lower right on cue. RSI is holding the uptrend but moved under 50.

The moving averages remain south and the 50 day is proving tough resistance. MACD is flat and could go either way but looks very strong as it continues to make higher highs and higher lows, although the blue momentum indicator is not following the same trend of highs. That could be worrying. Slow STO is flat but looks ready to head higher with a bullish crossover. Expect a good move up in price if that happens.



Platinum lost 10.78% on the week and continues to build a base while remaining very volatile. RSI could not muster the strength to stay above 50 but is holding the uptrend. Moving averages remains lower. MACD is flat and looks ready to make a bearish crossover. Slow STO may, or may not hold the uptrend line.



Palladium lost 11.71% this past week and is testing recent lows. It's hard to imagine so short a time ago the price was over 300% higher. RSI is flat and testing the uptrend. Moving averages still look to go lower. MACD is about to test the uptrend and remains below zero as well as the momentum indicator. Slow STO is testing strong lower support but looks ready to crossover bullishy. I think we will see a bounce off support right here.



I can't say much here other than what a bargain. This ratio is lower than anyone would have imagined could happen, especially with gold holding up so well. The forced equities and everything else liquidation has wrecked havoc here and given investors the buying opportunity of a lifetime.



The HUI has fared much better versus gold but still is very low. The major gold producers have come down to bargain basement levels. I would much rather shop at the thrift store than the mall for the same items and that is exactly what you can do here and now.



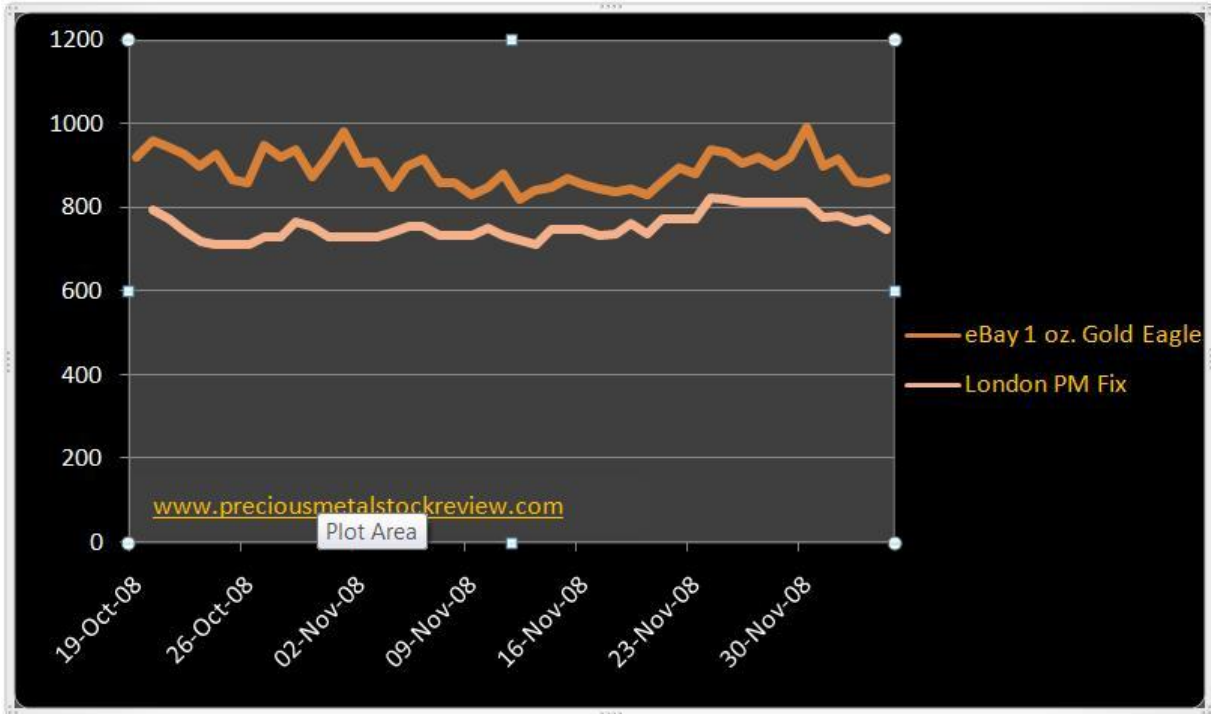
I am almost speechless looking at this chart, but that soon turns to anger. We have been duped, but the pain is almost over. If you are one of the lucky ones just looking at this market for the first time now I envy you. This market is providing the chance now to literally turn a 10K investment into a million dollar portfolio. The right stocks are there, it just takes some research to find them. Investing now is akin to buying the only lottery ticket sold. It's a guaranteed winner if the right stocks are bought.



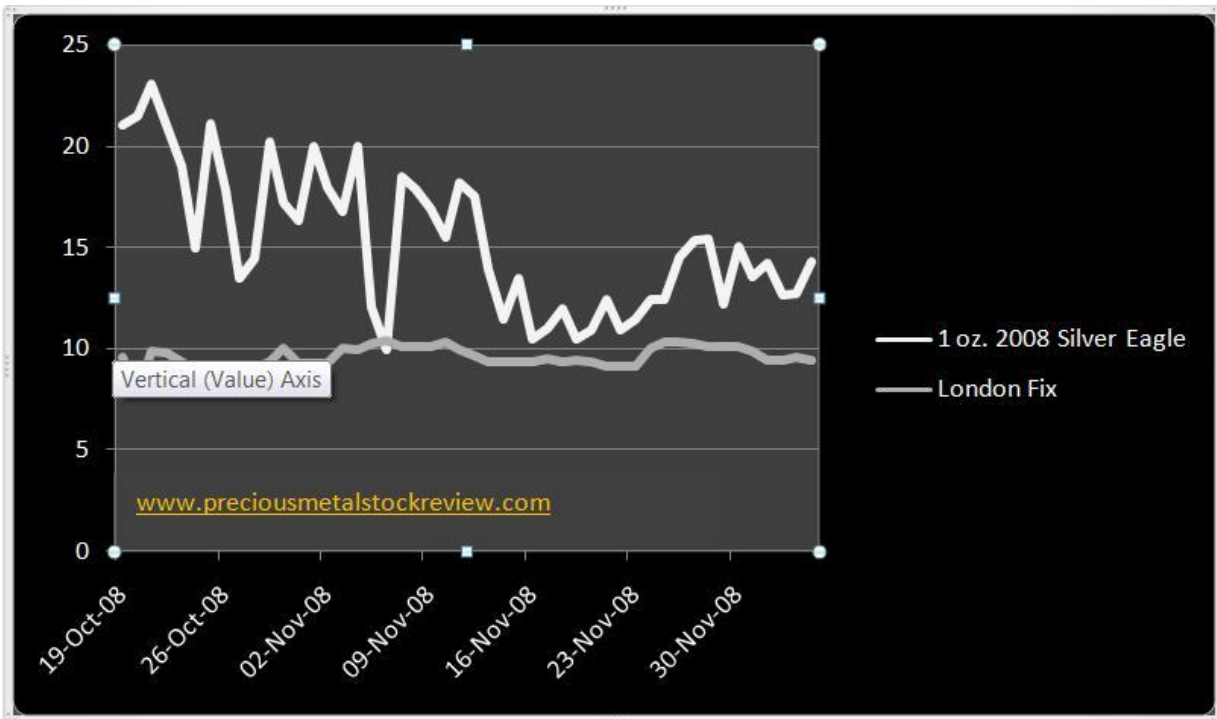
Silver is a screaming deal versus gold here, if you can find any physical for immediate delivery that is.



Oil has been pummelled and will rise to heights not imagined by many since supply is decreasing due to the low price. It is simply uneconomical to produce much of the world's oil supply at these prices, and the lower prices are doing nothing but increasing demand.



Lowest price for a 1 oz gold eagle during the day on eBay. Prices can swing wildly on availability, bidders, world events etc... It provides a general trend view. Gold price is the London PM Fix price.



Lowest price for a 2008 1 oz silver eagle after 17:00 PST. Prices can swing wildly on availability, bidders, world events etc... It provides a general trend view. Silver price is the London Fix.

I updated my eBay charts and the premium is still there. The fact remains it's hard to obtain physical bullion for immediate delivery.

# Fundamentals Review

Only one bank failure this week after global central banks around the world slashed interest rates in an attempt to make loans more attractive. Before you know it the many stories of a zero interest rate world will be true. Just as gold and silver pay no interest, neither will currency. Gold and silver will shine and rise in price, it is coming I guarantee it. Gold and silver are money. The paper we all use every day is currency. The difference being currency is used in daily transaction in commerce; money is how one must store their wealth. The definitions are distorted and have been changed over time just as the definition of inflation. Today many believe wholeheartedly but wrongly that inflation is a rise in price, while in actuality it is a symptom. Inflation is growth in the monetary base beyond GDP growth.

The simplest way to explain the inflation thought is if you have 10 apples and \$10, each apple is worth \$1. Next year you grow 12 apples and increase the money supply 2% to \$12. There is 0% inflation in this scenario but let say you get in a bind and need more dollars so you print up \$24 making each apple now worth \$2. That equals 100% inflation. The price of the apple is simply an effect of more money being circulated. Unfortunately that concept is not even taught in many prominent universities today.

Here is a release by the presidents working group from October 6<sup>th</sup> 2008. This group is said to not exist on certain financial networks and certainly if they did exist would never intervene in markets even though they have admitted to doing just that in the past. Anyhow, I was able to attain a top secret government official translator this past week and I thought I would try it out on the first paragraph of their release. The quote is;

*“Conditions in U.S. and global financial markets remain extremely strained. The President’s Working Group on Financial Markets (PWG) is working with market participants and regulators globally to address the current challenges and restore confidence and stability to financial markets around the world.”*

And the translation;

*“We are screwed and we let it happen. We are giving free money to the big banks and former brokers who we let screw us, but they promise to use most of it to buy equities and make loans, maybe. The remainder is being used for corporate retreats, bonuses, payouts and of course to buy Christmas presents to restore confidence and stability to households up and down Wall Street.”*

It’s uncanny how that thing works. Maybe I will try it out on a few other official statements over the weekend.

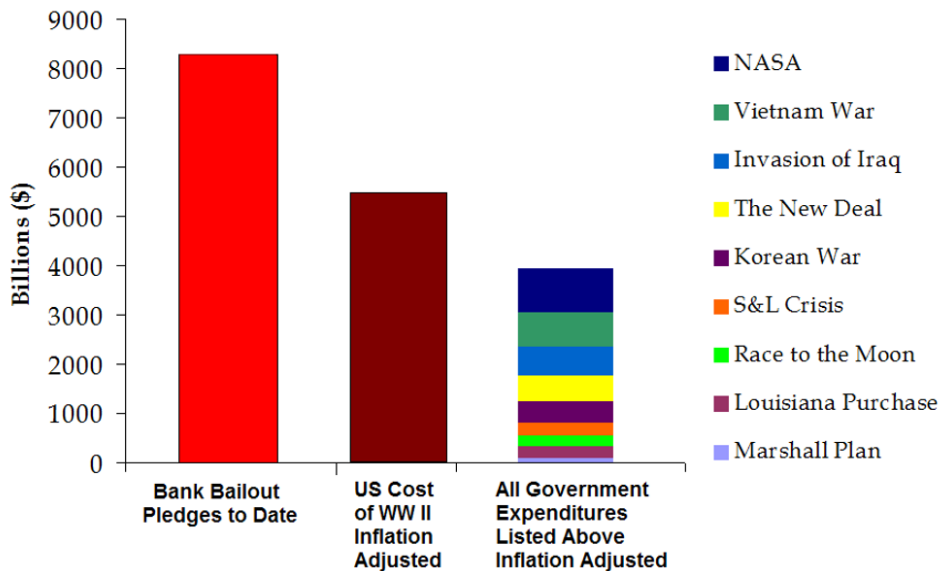
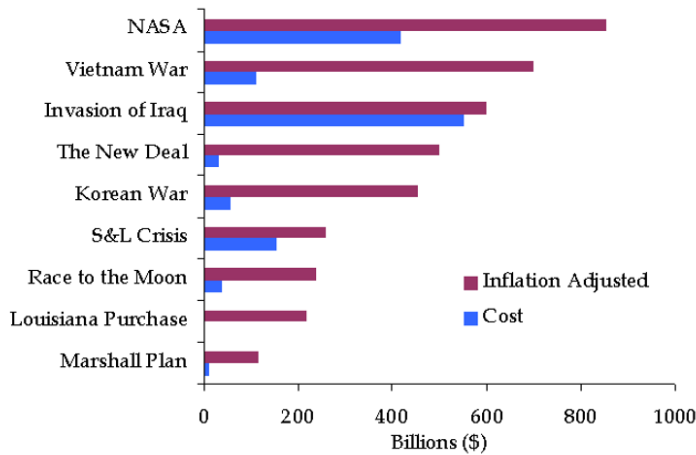
Here’s an anecdote making the rounds this week which helps to put perspective to the amount of money being pledged by the US, now at \$7.7 trillion. A stack of \$1,000 bills 4 inches high is a million dollars, a lot of money by any real measure, but a measly four inches surprised me. A stack of \$1,000 bills would have to be over 63 MILES high to equal a trillion dollars. Now

that is a lot of paper and still makes it hard to wrap my head around it. I would have to drive an hour to go that far!

Many readers are requesting that I make my pdf's so the links open in a new page. As far as I can tell you must set your reader to do this. I believe you must open Adobe Reader and click on "Edit". Then open "preferences" at the bottom of the list and in the left margin choose "documents", now ensure the "show each document in its own window" box is ticked. This should do it so you are not taken away from the newsletter and can review any links of interest at your leisure.

Next is a great visual on just how much today's financial issues are costing us the taxpayer. First a warning, if you have high blood pressure I would skip the charts. It mind boggling. The charts may cause extreme rage and feelings of being robbed, and your children and your grandchildren.

## Significant US Government Expenditures from History



**ECONOMICDATA**  
Data from Bianco Research and Joseph Stiglitz



"The earth provides enough for every man's need, but not every man's greed."  
Mohandas K. Gandhi

A shocking [report](#) out of Russia is predicting the breakup of the USA into six parts. Some of the reasons are apparent in the news daily. They include the dollar not being backed by anything, the soaring debt, and the ability of emerging countries to take over the US's recent role as the financial regulator. The continued crumbling of America's major banks as a result of the greed and creation of financial derivatives to fuel the greed are the major reason why

America is in such a pickle today and will not come out of this unscathed. The predictions within are a real possibility although very extreme.

Corroborating the report noted above is the fact that Central Bank who are signatories to the Central Bank Gold Agreement (CBGA) only sold 357 tonnes of gold over the last year well under the 500 tonne limit. I can't see any reason why that total will fall again this year, the last year of the CBGA. This is a powerful signal to those who take note to hoard, not dishoard their gold stashes.

The call to invest in junior and exploration companies has been renewed finally. The extreme value is prompting some investment firms to dip their toes back into this market where fortunes will literally be made over the coming few years. Some factors noted in the story were the lack of central bank sales and in fact one member actually turning into a buyer, the lack of physical products available and the production contraction.

A major investment firm has announced they have begun to reinvest in gold again since they see inflation as a major problem in the future. They noted that *"Gold is the best supported of all commodities."* The fund holds 3% of their \$2.6 billion of capital in gold and may increase that number to 10% on sign of strength.

Surging demand continues for gold throughout the world. The UAE sales of gold jumped 56% to \$1.2 billion during the third quarter of 2008 compared to the same quarter in 2007. Saudi Arabia gold sales jumped 51%, Egypt's sales rose 33% and the rest of the Gulf countries increased sales by 42%. This reiterates what Jim Sinclair told me months ago that demand is surging for gold in the Middle Eastern countries. They know that gold is the key to preserving and increasing wealth and ultimately enabling theirs as a powerful voice in world political and financial matters.

A silver dealer sold out of its newly acquired inventory of 200,000 ounces of American silver eagles in 24 hours. Their online order system crashed and phones rang nonstop. The company is trying to acquire more but it is not an easy task since the US mint is rationing or halting supplies altogether.

In India they began selling gold coins from 0.5g size up to 8g in October in post offices. The incredible success has led them to extend hours of operation as well as the amount of participating locations. I wish it was that easy to buy gold coins here!

While demand continues to rise output simply is not. South African gold production fell 2.1% in the third quarter to 55,725 kg. The Eskom power crisis, strikes and worker safety related closures were cited as reasons for the decline. On the other side of that coin is the fact that mines and smelters are closing down as a result of falling commodity prices leading to a reduction in power consumption. This is good for Eskom, bad for mining and smelting companies but very good for us investors, as long you've got your physical metal already, as supply continues to fall.

Australia is also facing a supply contraction. Production is set to decline by 9% to levels not seen since 1989.

Russia on the other hand continues to increase supply. A 9.8% increase to 152.54 tonnes over the first ten months of 2008. An 8% increase is expected for the full year's production. A large increase in scrap recovery to the tune of 21.9% or 5.68 tonnes was seen as a major contributor.

Russia is also increasing their gold reserves as evidenced by this chart. It is only prudent to increase their gold reserves as cash reserves also rise although recently it has fallen as they attempt to prop up the Rubble. In the article are two photographs of the President and former President, now Prime Minister, of Russia holding a large gold bar. I think they know something! Maybe that gold will rule and be the key to power in the fast approaching future.



The Russians also discovered a gold deposit of 3 million ounces or 100 tonnes of gold recently.

There are another slew of mines closing or reviewing operations leading to job cuts and supply reductions this week. As a result some companies are also slashing their dividends to protect cash. Please see [here](#), [here](#), [here](#), [here](#), [here](#), [here](#), [here](#), [here](#), [here](#), [here](#), [here](#) and finally the last link I have for you this week [here](#). I lied; even the new gold royalty company is soon to run into funding problems and is curtailing potential acquisitions

It seems the major change to Peru's mining law will be the royalty. In the old law royalties were changed depending on how much material was moved, in the new law the royalty will be based upon the amount of mineral production.

With all the talk bandied about the past few weeks about a possible December default in the gold futures market a page has been created allowing people to visually follow the deliveries vs. the inventory available for delivery. It's getting quite interesting and if there is another meaningful decline in the gold price I would expect many more investors to take advantage of the gift and buy a futures contract for the purpose of delivery. You can track the events [here](#).

Having trouble locating physical? Click [here](#) for your chance to win five free ounces of gold by writing a 25 word maximum slogan for a mining company. Not a bad offer and I will be taking part myself...those five ounces could be quite valuable in a few years.

There have been so many people taking flack for predicting this economic tsunami well in advance but perhaps none other has received quite so much mocking and grief publicly than Peter Schiff. [This](#) is a great video vindication compilation I ran across this week. There are a ton of entertaining similar videos linked within the page and always give me a laugh. These other guests must be driving a taxi nowadays since they would have lost all their clients money. On a side note Peter is highly recommending gold these days, as am I.

I usually listen to the Canadian business channel in the afternoon, one show in particular. One of the regular hosts is Canadian billionaire Kevin O'Leary. The show gives a balanced view and Kevin pulls no punches leaving his co-host to do damage control on occasion. Today's was the funniest I have heard yet. I would listen to the whole ten minute clip of the show, but for the comedy advance to 6:20 to get the context of the automaker bailout talk. <http://watch.bnn.ca/#clip119257> Now that's entertainment.

And finally just one short video for fun, I wonder which mine this was at! [http://streetfire.net/video/GIGA-dump-180-turn\\_198967.htm](http://streetfire.net/video/GIGA-dump-180-turn_198967.htm). I used to be able to do that in my braver days! In a much smaller truck of course.

Have a great week and enjoy the deals that tax loss selling season brings our way, I am buying.

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