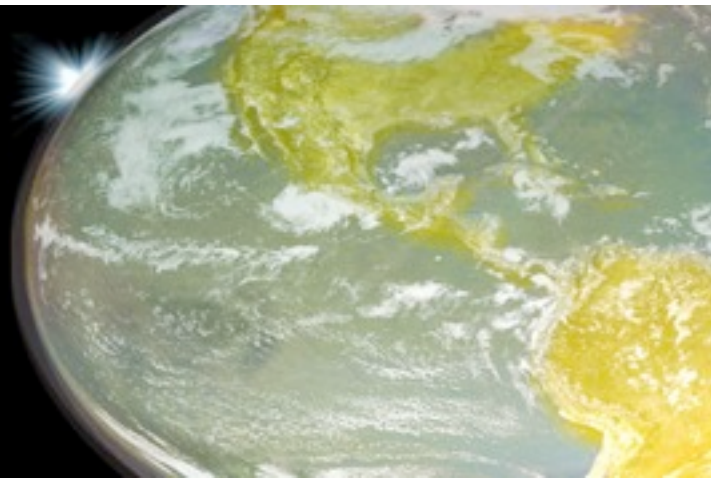


# Precious Metal Stock Review



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2009

January 23,

## The Golden Sun Rises from the West

A weak start and strong finish to the week for gold and silver should have set you up for a great weekend.

The Dow lost 2.46% on the week and is hovering around the all important 8,000 mark which if broken to the downside should spell great opportunities for the shorts as a move to 7,000 is very likely. With the GDP release coming next week and many earnings numbers sure to disappoint I think we may get that panic selling in the next few weeks before I will be willing to close out my shorts and make some plays on the bullish side in anything other than precious metals and their equities.

The S&P lost 2.14% on the week while the NASDAQ fell 3.40%. Up in resource rich Canada the TSX fell 3.28% and the Venture exchange was flat losing 0.69%. The Venture exchange has rallied nicely as of late and is consolidating the move perfectly now. The good companies in this exchange represent extreme value still today after many have moved over 100% year to date.

# Metals review



Gold rose a nice 6.88% on the week with 4.53% coming in on Friday. The \$880 area that was presenting so much resistance for so long was broken convincingly but a retest is a real possibility that I am expecting. \$925 to \$930 is where the upside resistance is now and I think we should see a bit of a ranging trade between support and resistance now while gold builds up some more momentum, but with the news coming as I mentioned above you just never know. There will be a trending move up in the near future taking gold to all time highs once again.

Speaking of all time highs gold is at all time highs in many currencies right now including the British Pound, Canadian Dollar and the Russian Ruble to name a few. Many other major currencies are very near all time highs.

Gold is trading near the top of the channel I drew in that's top is at the next resistance area of \$930 or so. RIS is bullish above 50. The moving averages are very bullish and in order after the 50 day crossed above the 100 day late in the week. MACD just flashed a buy signal and momentum crossed into positive territory in tandem. Slow STO gave a buy signal \$100's ago and remains strongly positive. I have been burned too many times to count after a move like this gets me excited. Be careful entering after this move. The way to trade gold has been to buy weakness and sell strength. Sometimes that strategy is wrong as in the midst of a trending move which we are getting close to.



Silver gained 6.46% this past week after blowing through major resistance at \$11.50 finally. Silver remains cheaper than my words can describe. Silver is nearing the top of the channel and needs to stay above the new support area of \$11.50. I think we will see a near triple in silver from these levels this year.

RSI promptly made its way back into bullish territory above 50. The moving averages are positive but not as bullish as gold's. But watching silver smash through the 100 day moving average was a great sight to behold, and very positive for next week. MACD made a bullish crossover with the momentum oscillator following suit late in the week.

The buy signal given 15% lower by the Slow STO remains solid and intact. Silver will outperform gold this year.



Platinum gained a tiny 0.49% last week and held its up-trend. There is a confluence of technical hurdles to clear in this price range. There is an up-trend a resistance line and two moving averages to deal with which could take some time.

RSI remained positive above 50 which bodes very well. It bounced solidly off 50. The moving averages are mixed and converging. MACD is negative as well as the Slow STO which nailed the move down perfectly. Be careful.



Palladium came up 6.0% putting in a very impressive performance. Palladium seems to be leading the Platinum price by about a week, let's see if that trend continues and we see Platinum rise this week.

RSI is as flat as it can be and right on the 50 line, you don't see that very often in any chart. All three moving averages remain bearish but are flattening out gradually. The 20 day is proving resistance right now. MACD is as flat as a pancake and right on 0. Slow STO is also heading due east. It is so odd to see such flat indicators all at the same time. They aren't telling us anything at all.



The Dow to gold ratio is around 9 and fell nicely this week as gold outperformed the Dow by nearly 10%. this indicator will be near 1:1 by the end of the precious metal bull market. Either gold rises by 8 fold or the d=Dow crashes. All the monetary stimulus, basically printing money, will eventually drive the Dow to much higher levels in nominal terms. My view remains that gold will end around \$10,000 eventually denominated in the USD. But as in Zimbabwe if hyper-inflation takes hold there will be no ceiling.

I read an article this past week where the fella talked with a few couples who fled Zimbabwe. basically the hyper-inflation happened so quickly that there was nothing they could do but get out of the country. I can happen very

fast and without warning. Obviously the number one thing they would have done differently was to get into another currency, or even better open an export business where they got paid in foreign currencies. The way many countries are printing money today there may not be any sound paper currencies to run to. But the long history of humanity shows gold and silver to be money. Then, now and forever they will remain the only true monetary measure.



The rarely used or looked at Dow to silver ratio shows me silver has a long way to run before hitting it's low. This trend will remain intact for years to come. Just in the last week silver beat the Dow by over 13%.



The gold to oil ratio is at another extreme now after the precipitous fall in oil of late. It seems like just yesterday that the ratio was at six, now it's at over 20. Oil is a steal today and many traders and investor know this and are accumulating this most important commodity on the cheap.

# Fundamentals Review

There were, per usual more, bank bailouts this week in Britain and other countries. For a list of the 338 US institution totals please see [this](#) link. It seems like the only place banks can raise capital is from the government. Seems like a Ponzi scheme to pay off shareholders dividends and bondholders interest to me. A Ponzi scheme pays out new money to old investors to keep it going. There is no difference between what Madoff did and what is occurring now between the financial and the government.

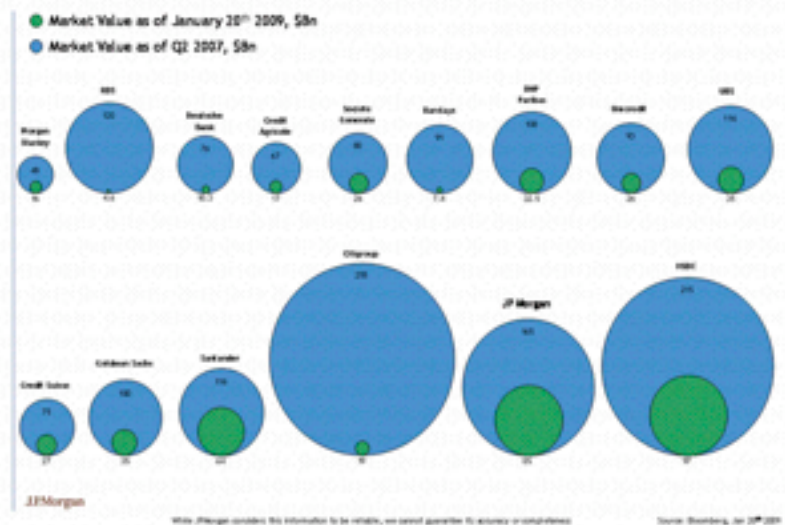


As usual another Friday another [bank](#) failure. That makes it three this year already. We are nearly on track to best last years total of 53. While many of these banks deserve a credit downgrade they haven't yet received them possibly since they are now fully backed by the US government. A few countries on the other hand have received downgrades including Greece, Spain, Portugal and Ireland.

Remember that any business within a country cannot have a credit rating which exceeds that of the country. In the future I believe that the US will be downgraded leaving many companies in the unfortunate situation of following them lower.

Here is a [disgusting](#) but unfortunately not shocking story about execs paying their bonuses nearly two months early before reporting huge losses and receiving more money from the government but ultimately the US taxpayers.

Banks: Market Cap

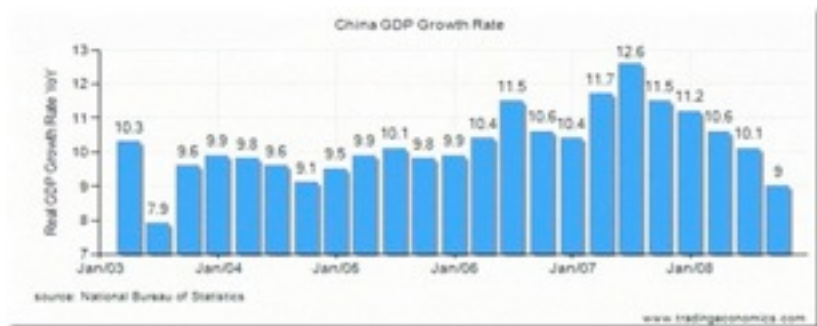


The company only lowered total bonus allocations by only 6% year on year while profits went into the red.

More talk of a strong US dollar emerged this week from the new president and associates. There has been much talk of a strong dollar for a long time and while it has been strong as of late because of the massive ongoing repatriation of funds, I don't see it lasting much longer. A quick glance at the USD chart shows me we are at the top of a channel and everything looks strong. But it is in the midst of major resistance and once the repatriations end the rise will end. That could be tomorrow or next month. Also see the RSI has not been above 50 during a good portion of the rally and hasn't breached 70 making this rally a rally with no true strength. The simple truth is that with the major and increasing amounts of quantitative easing going on in the US today that the currency cannot stay strong forever. Take this gift to position your portfolio and prepare for the inevitable fall of the dollar.



In 2008 it seems that China has overtaken India in terms of demand for physical gold and as China remains in growth mode more and more physical should be purchased. The combination of China's increased demand and the very price sensitive India reducing demand was the reason. The first half of 2008 saw China's demand increase by 15% while India bought 65% less gold. The numbers for the second half are yet to be released. I expect this to narrow as price weakened in the second half of the year potentially putting India back on top for the whole of 2008.



One of the more bullish events this week was a huge capital raising by a major [producer](#) who already has plenty of cash reserves. Speculation is now running rampant that another takeover or buyout offer is imminent. The timing could not be much better. Here is a list of some Tier Two companies showing their returns from recent lows and how much more they have to go before reaching their all time highs again. The common theme is huge recent short term gains from their lows when nobody was looking at them. If you have been lucky, smart, enough to buy in the fall when blood was flooding the streets your bank account has been padded nicely.

<b>GOLD TIER II</b>	Stock price	From high*	From low*	Value USD bn
<a href="#">Zhongjin</a>	CNY 36.35	-70.3%	59.4%	1.868
<a href="#">Iamgold</a>	USD 6.60	-32.1%	197.3%	1.951
<a href="#">Simmer &amp; Jack</a>	ZAR 1.64	-74.1%	11.6%	0.169
<a href="#">Yamana</a>	USD 7.32	-63.3%	121.2%	5.369
<a href="#">High River</a>	CAD 0.10	-97.1%	150.0%	0.047
<a href="#">Eldorado</a>	USD 7.17	-23.2%	201.3%	2.632
<a href="#">Agnico-Eagle</a>	USD 54.54	-34.6%	161.3%	8.440
<a href="#">Centerra</a>	CAD 4.36	-72.9%	384.4%	0.755
<a href="#">Randgold Resources</a>	USD 41.63	-26.0%	86.8%	3.185
<a href="#">Shandong</a>	CNY 45.95	-61.2%	74.1%	2.338
<a href="#">Peter Hambro</a>	GBP 4.05	-73.7%	159.6%	0.449
<a href="#">Hecla Mining</a>	USD 2.40	-81.7%	142.4%	0.431
<a href="#">Golden Star</a>	USD 1.20	-72.2%	199.9%	0.227
<a href="#">Franco-Nevada</a>	CAD 23.10	-7.5%	98.8%	1.855
<a href="#">Fresnillo</a>	GBP 2.76	-52.0%	196.8%	2.701
<a href="#">JSC Polymetal</a>	USD 4.72	-52.1%	372.0%	1.487
<a href="#">Red Back</a>	CAD 7.45	-19.5%	160.5%	1.228
<a href="#">New Gold</a>	CAD 1.90	-80.5%	102.1%	0.324
<a href="#">Northgate</a>	CAD 1.43	-59.0%	113.4%	0.293
<i>Tier II averages/total</i>		-55.4%	157.5%	35.746
<i>Weighted averages</i>		-52.4%	137.0%	

Despite the many mine and smelter closures slowdowns and in South Africa Eskom the major power provider there is still rationing power to the remaining operation to the tune of 90% to 95%. This continued precautionary measure tells tomes about how precarious the power supply remains in that major gold and silver but even more so platinum group metals producing country.

I ran across an article talking talking about very large call volume being made on the GLD ETF on Friday. The trade looks like a butterfly spread and is likely a hedge for someone who is short. The bulk of the trade is looking for gold at \$950 in February with the wings of the trade at both \$900 and \$1,000. Somebody large is very nervous about gold in the very near future.

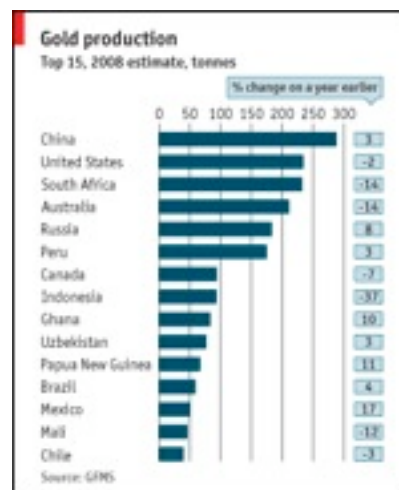
Speaking of the ETF's the gold ETC's are seeing a huge increase in demand. Trading for 2008 was up 220% from 2007. It's hard to find an increase of that magnitude in any trading vehicle anywhere.

Thankfully all 167 mine workers were rescued in South Africa this past week where mine safety remains a huge issue and cause of many protests and deaths throughout the year. It's a dangerous job at the best of times but when you consider the incredible depths many South African mines reach a small tremor can have devastating consequences.

A trend by the wealthy who have been accumulating gold in physical form as of late are finding innovative ways to store small quantities of gold. The nano technological uses for both gold and silver continue to expand and boggle, so I guess this is a form of it. An interesting fact is that many Chinese boil their rice with a gold coin in it for many benefits both psychological and physical. I actually keep a silver coin in my hot-tub just for fun, and maybe for more reasons than I know.

Finally I hope some of you celebrated Robbie Burns day this weekend. On the Canadian business channel they certainly did on Friday. For an informative segment on scotch watch this video clip <http://watch.bnn.ca/#clip132746> only in Canada can you drink a few shots of scotch on air and still have a job on Monday!!

Last but important to many of you who supported and urged my decision (thank you) to switch to a MAC I have to say it was a bit painful. Feelings of despair, greatness, restlessness, excitement back and forth prevailed for most of the week. There were times I wanted to give up since some compatibility



issues did arise, but they have been dealt with in time leaving me with only one TV stream unavailable but they say they are working on it for the future.

Moving files and favourites is never a fun proposition and it was not any easier in this transaction, especially favourites but it is nearly done and I must say I am very pleased with the massive clear and bright 24" screen which seems like two screens even without my old, dim, one set up. The most pleasing feature to date is the soft, solid feel of typing. I went back to the PC keyboard a bit and found it so clunky and just outdated. It works and makes me wonder how I lived without it for all my life. Sorry about the rant, it may not be the last as I discover more simple and functional feature that are making my life so much easier...and it hasn't even been a week, but we feel like old friends already.

In my free, nearly weekly newsletter I include many links 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/> and receive the newsletter directly in your mailbox links and all.

Until next week take care and thank you for reading.

Warren Bevan

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