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Cheaters Never Win

The Dow rose 3.09% over the week while the S&P 500 lagged only rising 2.28% but the Nasdaq rose 4.23%. Up in Canada the TSX rose only 1.92% and the Venture was up 1.24%. It still baffles me why the US markets are rising while the news just can't get much worse, but it is going to soon get much worse. The PE ratio of the S&P is now at an all time high. A chart as this is never justified even in the best of times, which we are far from.

The S&P Gold Index fell off 5.27%. The HUI fell 7.60%, the XAU dropped 5.93% and the GDV lost 6.41% as gold and silver were engaged all week in very violent battles only to be moved lower AFTER markets closed for the week. More on this blatant manipulation below.



It's nice to see [Jim Rogers so bullish on silver now](#). I had the pleasure of talking with Jim in March and [I pounded the table about just a few of silvers bullish fundamentals](#). It seems he listened. That was when the gold to silver ratio was in the 70's and it has since fallen to 62 this past Friday.

[He is thinking that yields will rise](#) as inflation picks up now. He has no shorts which is very rare, because he sees inflation causing prices to rise nominally, but not in real terms. I agree with him but do think we will see another crash before that happens. But watching the markets trade as they are I may have to change my tune.

Metals review



Gold fell 2.51% for the week after an epic battle between the bulls and bears between \$990 and \$960. We've seen these types of battles in the past but this one was the most significant to date. The move above \$1,000 would have sent gold to much higher levels than I thought since the short position in gold held by the large financials is so large right now. They need to reduce it before they can "allow" gold to move higher.



It was the most obvious and temporarily discouraging display I've seen. The green line is the Friday trade. Normally, once NY closes and it moves into NY Globex, trading is very thin and I've rarely seen it move at all on a Friday. This market can only be accessed by institutions. Those same ones who happen to be short at the moment.

They could not win in a fair fight all week. Any attempt to push gold below \$960 woke the bulls who pushed back and moved gold up above, far away from the technical breakdown level at \$960. The long and short of it is once their opponents left for the week they moved gold lower into the \$950's. What a cheap and dirty bunch they are and the glaring, obvious move should be investigated, but probably won't.

Their opponents whom are large hedge funds and sovereign wealth funds must not be pleased. They will be forming a plan this weekend and likely will begin operations in Asia, Sunday night in the Americas before NY opens for business Monday. I expect next week to be even more epic.

If the late back stab doesn't convince you that gold is not free trading then I suggest you review some of the public record evidence [GATA](#) has collected over the years.

All that being said there is not much need to talk about the technical analysis of gold this week since it doesn't matter. It's like talking about the weather in the middle of D-day. The fact is there will be a battle regardless of rain, sleet or sun, or in our world, moving average levels, RSI trend-lines etc.

But I did draw in some support and resistance lines and more for your enjoyment above.



Silver followed gold's lead all week and had quite the battle itself. When the dust settled silver was down 2.92%. The strength to stay above \$16 could not be mustered, but the close at \$15.27 is very good, although price was moved lower the same way gold was.

Silver remains in a strong up-trend channel but is having trouble staying above \$16. RSI is moving lower out of overbought territory which is nice to see. The moving averages are all moving higher and in the right order. I expect

support to be shown by the 25 day moving average which is very close to the \$14.50 support level.

MACD looks to be about to show us a sell signal while Slow STO has just flashed one late in the week from very overbought levels. It would be constructive to see silver move down to the support line at \$14.60 and pull the indicators out of overbought territory before moving up to the \$18 area. Either way it's fine by me. I am a [long term bull until fundamentals change](#).



Platinum rose 7.58% on the week and broke out solidly Friday rising nearly \$50 and smashing through resistance at \$1,250. What a difference a

freely traded market makes! On a longer term chart (not shown) \$1,300 may pose a small problem before \$1,400 can be tested.

RSI is just moving into overbought ground. The moving averages are looking good except the 200 day which is almost flat now. MACD is bullish. Slow STO is in the nosebleed section and seems to like it up there. What a sight to behold this chart is over the last week or so. Simply amazing.



Palladium shot up 9.41% this past week but was pushed back below \$960 on Friday. Still great action in this metal. It's great to see it so strong after the painful correction last year. This years up-trend is still intact. Basically

palladium is trading in a channel and is at the top of it right now making a pullback quite likely.

RSI is not even in overbought territory yet. The moving averages are fine and moving higher except the 200 day which soon will turn higher. The 100 day moving average crossed the 200 day this past week and shot a technical signal to traders who then too the price up \$20 very quickly. Profits were taken before the weekend so new positions could still come in or be re-established Monday which would move the price up even higher.

Fundamentals Review

I mentioned a few weeks ago that the push to regulate complex derivatives would cause the big boys to shake in their boots. Last week I told of the lobbying which has now begun against regulating the complex derivatives. I have a feeling we will be seeing too much about this as time passes. This past week a [more detailed story](#) about the fight to come was released.

In the story banks are said to say that too much regulation would stifle financial innovation and economic growth. Financial innovation is what got us here, and financial growth is dependent on production of goods, like cars, not creation of financial assets and services which are not a tangible good. The story is very good and well worth the time.

I wish I could find the video for this one. [Tim Geithner visited China](#) to reassure them their assets are safe, never a good sign if you have to be reassured. Anyhow, the students laughed after he said “Chinese assets are very safe”. He also mentions that they “believe in a strong dollar”, most kids I know believe in Santa, I wonder if he still does.

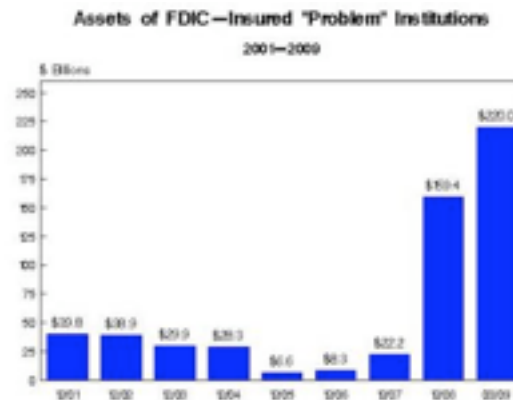
Once investors lose faith in a country they simply don't buy their debt anymore as [happened in Latvia this past week](#). The only choice after that is to dip into reserves. Inevitably the currency will be devalued and the same events will likely spread to neighbouring countries bringing down the region. While the G20 does have an emergency pool of funds for these events it would not take long to drain that pool. Once a currency starts to slip, it happens very quickly as evidenced by the chart of German Marks to gold on the right.

Date:	German Marks needed to buy one ounce of gold
Jan 1919.....	170.00
Sept 1919.....	499.00
Jan 1920.....	1,340.00
Sept 1920.....	1,201.00
Jan 1921.....	1,349.00
Sept 1921.....	2,175.00
Jan 1922.....	3,976.00
Sept 1922.....	30,381.00
Jan 1923.....	372,477.00
Sept 1923.....	269,439,000.00
Oct 2, 1923.....	6,631,749,000.00
Oct 9, 1923.....	24,868,950,000.00
Oct 16, 1923.....	84,969,072,000.00
Oct 23, 1923.....	1,160,552,882,000.00
Oct 30, 1923.....	1,347,070,000,000.00
Nov 5, 1923.....	8,700,000,000,000.00
Nov 30, 1923.....	87,000,000,000,000.00

For this weeks biggest loser [please see here](#). On that front it appears that the FDIC, which insures deposits at these and still solvent banks [is running low as the problem bank list grows](#). There are now 305 troubled institutions with assets of \$220 billion. The FDIC only has \$13 billion of remaining assets.

That's only 0.27% coverage. Total assets declined by 24.7% in Q1 2009 alone. Do you feel safe? You should because congress has already approved a \$500 billion line of credit to the FDIC. So as a US taxpayer you will pick up the

tab. The glaring thought in my mind is why they've approved a \$500 billion line of credit when total bank assets on the troubled list only amount to \$220 billion. Seems like there may be more to come.



Nothing against youth at all, but [having a 31 year old Yale dropout in charge of the largest auto bankruptcy](#) ever is just plain irresponsible.

The world renowned investment manager Bill Gross is advising investors to [diversify out of US dollars](#) before central banks and sovereign wealth funds do the same. It's only a matter of time until that happens and in fact it is already happening to some degree. Although, it is a tantamount feat that is not quickly or easily accomplished. Gross also reiterated that the US will eventually lose it's AAA credit rating.

More evidence of the beginning of the second wave in the secular bull market in the precious metals came this week as an insurance company [bought gold for the first time in it's 152 year history](#). The company CEO said; **"Gold just seems to make sense; it's a store of value"**. They have accumulated roughly \$400 million in gold to date. The CEO also thinks [gold could rise fivefold from today's price](#), after eight years of steady growth bull to date, and think the downside is limited.

Ghana's [gold output rose 9%](#) in Q1 2009 to total 675,151 oz. Ghana is the second largest African gold producers behind South Africa.

Mexico has seen [March silver output drop 54.7%](#) in a year over year comparison. Mexico is the second largest producer of silver in the world and this is huge news. Let's see if this trend continues. If it does, expect prices to rise much quicker and higher than even I expect.

Most people would try and blame this on the strikes at the major refinery Met-Mex which has [just lifted the force majeure](#). This would be wrong since the refiner said that silver was not effected by the force majeure to begin with. It was a strike on the base metals section of the complex.

[The Canadian mint has lost some gold, silver and palladium](#). They say a significant quantity is unaccounted for but refused comment on any specifics. No indication of how it happened yet. Could be a theft or sloppy accounting, either way it reduces their credibility quite a lot.

This past week saw a tragedy occur in a mine where illegal miners were mining old shafts. [A fire started and killed at least 61 illegals](#). That is sad and a true tragedy. The most unfortunate part is that now the company who owns and is mining the mine is being blamed for it. It's almost as bad as being charged for assaulting a robber in your own home, or being charged if he trips and hits his head. I could, but won't go on about this but suffice to say it leaves a sour taste in my mouth.

The National Union of Mineworkers (NUM), who is blaming the company in the above story, has been in negotiations with miners for the past few weeks over wages and other considerations. The miners offered a 6% wage hike but that was [promptly rejected](#) by the NUM who is still demanding a 15% pay raise. It's going to take a while.

If you're interested in how the "manipulation" that seems to be, and is so rampant today in many markets, one of which is gold, came about you can read [this lengthy and informative article](#). Good stuff, and it's all public record, you just have to be paying attention.

[The must read story this week is mainly charts, and highlights a subject I've talked about many times](#). The fact that the sub-prime issues are ending is great but the real bad news is just beginning. Agency debt, Alt-A, option arm Prime and unsecuritized ARM's resets are here now and are much more severe than the last year's debacle. The sub-prime mess was a warmup. There will be so much more "stimulus" needed and money printed that there is no other possible outcome. [Precious metals will protect the wealth](#) you've worked so hard to accumulate over the years.

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 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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