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The week finally saw a bounce from the past many weeks of declines. It wasn't so much that good news rallied markets, rather a lack of bad news for a change. While some major companies are saying they are making money so far this year I will have to see it to believe it. Their brethren also said they were fine just before going bust.

While so many commentators say the bottom is in, to me it looks just like a healthy correction to test recent breakdown levels. The only sector I feel comfortable with remains the precious metals and their equities.

All major markets rose healthily this past week. The Dow rose 9.01%, the S&P rallied 10.71% and the Nasdaq gained 10.64%. Up north in resource rich Canada the TSX Composite lifted 9.38% and the venture exchange inched up only 2.39%. The explosive action is normal in a bear market. Orderly declines followed by explosive moves to correct followed by more declines. It's the exact opposite of how gold is behaving in it's bull market.

This weeks newsletter is very chart oriented and has no fundamental news. Let's take a broad look all around us and see where we are today, and hopefully get a feel for where we are headed in the future.

Metals review



Gold dropped 1.34% on the week. The \$930 level is posing some resistance but it is only a matter of time before gold moves above it. The up-trend channel has been tested again and held solidly. The 50 day moving average remains as a good entry area for traders.

RSI is looking to move above 50 after a small dip below on the recent correction. The moving averages are in fine shape and the 100 day should be moving above the 200 day within a couple weeks. That will be a positive sign of strength.

MACD is near zero and still heading lower. Slow STO is bouncing up from oversold levels. All in all the indicators are at low levels giving gold lots of room to run on the upside before showing any oversold signs.



Silver slid 0.89% over the week but surged late to close above \$13. The strong support just below \$12.50 held, but the price is finding very good support at the up-sloping 50 day moving average. The RSI indicator is flailing around the 50 line and will surely stay above it more or less, confirming the bull market in silver.

The moving averages are in the right order but the 20 day has moved flat. MACD stayed above zero and is looking to hook up and give a buy signal. Slow STO is at low levels where a \$4.00 move began not too long ago. Anytime

the Slow STO gets below 20 looks to be a great medium term buy point. I suspect this time will be no different.



Platinum fell 1.36% for the week and continues its consolidation around the important line of \$1,055. RSI remains bullishly above 50 and has consolidated towards that line as the price has consolidated as well. The up-trend and downtrend lines are converging in a flag pattern and we will most likely get a move higher with the moving averages and strong support at this level.

The moving averages are in great shape with a flat to slightly bullish posture. MACD is still heading lower but above zero. Slow STO flashed a buy signal late in the week and generally from this level is followed by a strong movement up in price.



Palladium sank 1.97% on the week and is still hovering around the important \$200 level. The up-trend is still intact and is likely to push palladium up and above \$200 very soon. The convergence of the 20 and 50 day moving averages makes the next week of trading that much more significant.

RSI is at 50 and looks ready to move back above that line. The moving averages are pretty flat and are acting as resistance, likely to soon be support at \$200. MACD is flat at zero as well as the momentum oscillator. Slow STO is flashing a buy, barely from mid levels.



This long term monthly chart of the Dow has recently broken the long up-trend and tested the important 300 day moving average. It looks like the week long bounce was a test of the recent breakdown below the former support line now turned resistance. It's great action and looks like it may consolidate around here before heading lower again. While the indicators are in oversold territory the moving averages are just starting to move lower.



This long term chart shows the Fibonacci levels. The 50% retracement line coincides with the resistance level shown above adding even more significance to this area. A move to the 61% retracement level at 5,874 is likely, although timing is difficult.



This shorter term chart shows the down-sloping channel which the index bounced off last week. I expect a move to the 50 day moving average or a consolidation near here waiting for that moving average to come down. The RSI sometimes can poke above 50 but is quite clearly staying below confirming the general trend lower. The sharp move up is typical of a bear market where orderly moves lower are followed by explosive moves up, followed by another orderly move lower.



The monthly S&P chart broke below the 300 day moving average and is testing the breakout lower now. Indicators are very oversold but can remain there for long periods of time.



The Fibonacci indicator shows a near test of the 61% level. The 50% level is very strong resistance now and will likely be tested to confirm the breakdown and empower the bears.



The shorter term S&P chart shows the down channel. The 50 day moving average is getting close to the indexes price and I think it will be resistance as it has in recent times. RSI can't get above 50 and is close to that level now so this rally looks to be nearing the end.



The Nasdaq long term monthly chart looks horrendous and has just broken long term support and the 300 day moving average. The RSI MACD and Slow STO indicators are still showing sell signals.



The downtrend channel is clear. The price is very near the 50 day moving average which is also near the top of the channel. It looks to me the rally is soon coming to a close.



The TSX in Canada so far has held above the support level at 8000 on a monthly basis. The up-trend line is also still intact as well as the 200 day moving average. Since energy is such a huge percentage of this index I expect it to hold up much better than it's American counterparts.



The Fibonacci level of 61% has been tested and we will see if it can hold, but that is generally a level to look to go long at.



The down-sloping channel is still in place. It looks like a run up of a couple hundred points is likely to test the top limits of the channel as well as the 100 day moving average.



The small cap rich venture exchange is trying to get above the resistance line. All indicator remains very oversold. Since this exchange is littered with small gold companies I expect it to perform very well over the years ahead. The Slow STO indicator is flashing a slight buy signal from levels never before seen from this index.



The shorter term chart looks to have bottomed and is close to moving towards the next resistance level just below 1,000. The 50 day moving average recently moved above the 100 day which is also positive. The RSI is about to head into bull market land and the Slow STO is showing a strong buy signal as well.

While many companies in this index will not survive this downturn many good companies are listed here and as you know private money has and continues to flow into the gold and silver sector giving me high hope for the future of this index.



Gold remains a bit expensive compared to oil but is very close to historical norms now.



Silver is still very cheap compared to gold although not like it was in late 2008. I expect this ratio to eventually fall to 10 or 15 ounces of silver to one ounce of gold.

That's all for this week. I will have more fundamental news next week. So until then you can enjoy Cramer vs. John Stewart here <http://video.google.ca/videosearch?q=cramer+on+john+stewart&hl=en&emb=0&aq=-1&oq=#>. The video they keep referring to is a few years old and should be watched here <http://www.youtube.com/watch?v=ZWvmlxhk-tU>.

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Until next week take care and thank you for reading.

Warren Bevan

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