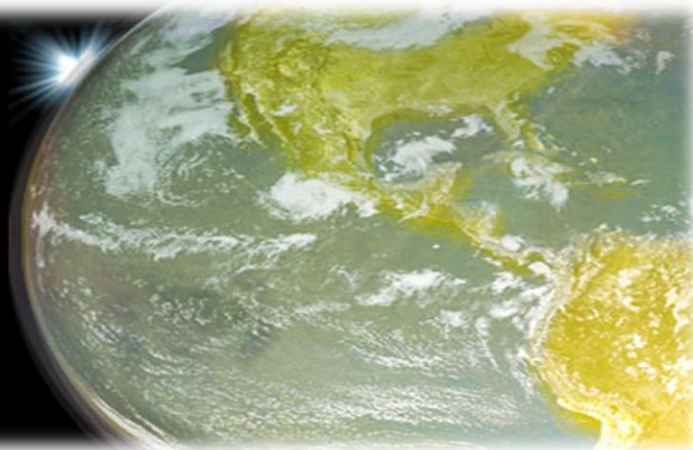


Precious Metal Stock Review



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2008

23 November

Thanksgiving Gifts

It was a very volatile week but in the end the shorts and option writers won the day smashing gold down below \$750 when price blew through that mark as quickly as it went up it went down. It's unfortunate and obvious. Friday was a new day and with option expiry over the price was allowed to move since there was nothing at stake. And move it did up a whole \$57. When gold is allowed to trade the strong demand is obvious as price moves explosively. I expect to see more of that on the upside over the course of the next couple of weeks.

The DOW escaped narrowly from closing below the physiologically important 8,000 level and only lost 5.31% on the week. The Nasdaq was less fortunate and lost 8.74% while the S&P 500 lost 8.39% and closed right on the important 800 mark.

Up north in Canada the TSX lost a terrible 9.94% and the Vancouver exchange was slaughtered to the tune of 12.16. It just keeps getting worse and worse.

When the pain for metals will end is still up in the air, but I remain convinced that December tax loss selling will give us the climax we have been waiting for. If a default happens on the Comex in that month it will be all she wrote and the good times will be rolling. The Vancouver index will very likely double overnight and shock the world.

Metals review



Gold ended up for a change to the tune of 6.64%. Although the price was capped to maximize gains by option writers on Thursday the price traded freely and very strongly on Friday rising \$57. I expect the shorts to lose the battle in December and possibly call a force majeure if the Comex ends up defaulting. I am not getting my hopes up, but it is a real possibility.

RSI finally moved above 50 marking a real possibility of a trending move up. The 20 day moving average was smashed on Friday and even the 50 day was bested. Both averages are flat and about to turn up and the 100 day is close to being flat. The first Fibonacci line was beat but gold needs to stay above that line for another day before this move can be called more than a one day aberration. Resistance above here is not that strong so a follow through move all the way up to \$841 could be fast and furious.

MACD is very low but moving up strongly with momentum above 0. Slow STO is above 50 now breaking the previous high at 50. I think this is it. With December delivery beginning soon we could be in for some spectacular fireworks to the upside.



The blue line shows Thursday's trade and is disgusting how the price was obviously capped and then smashed down with force and little patience for the strong bull move. Option writers made off like bandits after the push lower. Sickening.



Silver closed the week up a mere 0.16% and is still struggling to maintain a level above \$10. Silver has never been so bullish fundamentally with mines closing almost daily the supply is falling dramatically and will continue to fall until base metal prices rise significantly. It is extraordinarily bullish.

RSI still remains below 50 and must beat that level to show more upward strength. The downtrend is holding fast and will either be broken or reassert its dominance very soon. The moving averages remain bearish and headed lower. MACD is bullish and momentum remains in positive territory. Slow STO is hooking up and is about to make a bullish crossover.



Platinum lost 2.3% on the week and continues to attempt to build a base. Supply continues to fall as evidenced later in this newsletter. Strong support at this level runs back to 2004 and I don't think we will go below it by much if at all. RSI is still struggling to break the line just below 50 but it keeps trying and that is positive.

The moving averages are bearish and the 20 day is marking strong resistance. MACD moved up nicely this week and momentum remains above 0, this is great base building action. Slow STO is bearish but hooking up. It looks like platinum will continue to build a base here which would be great to see continue.



The long term platinum chart clearly shows the support area where we are trading today. There are no guarantees that it will hold in today's world where fundamentals do not matter. Fundamentals will reassert themselves but until the mass exodus ends one can only guess.



Palladium was beaten down 17.45% on the week to test the recent low near \$175. It looks like this is an attempt to put in a double bottom. If mines continue to close this market will actually see a supply demand deficit next year and that would be great for positive price moves.

RSI moved lower on the week and is at the uptrend line. We will see shortly whether it can break below that line or bounce off of it. It would take a strong move up on Monday for a bounce to occur. The moving averages are moving lower with the 20 day turning down on the week as the price moved below it.

MACD remains above the uptrend line and momentum is right at 0. The indicator has turned bearish. Slow STO remains bearish and is a great indicator for palladium recently. It remains heading lower so I expect price to continue lower, but not much lower.



The HUI looks to have made a double bottom and had a great huge rally in Friday's session attempting to confirm this. 225 is resistance and much more significant resistance lies at 250. As exciting as Friday was you must not chase this market, it will very likely come back some or at least settle down giving a more secure entry point if you are so inclined.



The XAU also had a massive day on Friday, 97 is resistance and 110 is stronger resistance. The same rules must apply to the XAU, do not chase this market.



The small caps in Vancouver blew through long term strong support; this is surely a washout move. All but the investors with the strongest conviction have now left this market leaving entrails for us in the know to scavenge at. There is so much blood on the streets of Vancouver people are swimming...and drowning, only the strong will stay afloat and cling to something and fight for survival. I suggest you look for the ones with their heads above water or even better some companies who have hitched a ride with a larger company and are floating safely and comfortably on their luxurious yacht sipping good, aged red wine on the majors tab.

Fundamentals Review

As per usual after the close on Fridays we have another three bank failures in the US. Please [here](#) click for a list of the 22 banks to have failed so far this year. Most large banks are now trading under \$5 and could be delisted. The crisis deepens, the lone beacon of light being gold and silver. They are very close to an upwards explosion that will catch most people off guard, even die hard investors. Are you ready?

According to the latest [report](#) by the WGC (World Gold Council) [retail](#) demand over the past few months has increased as investors look for a safe place to put their money but institutional investors dumping gold because of forced liquidation outweighed the increase and drove prices lower. Retail investors bought 232 tonnes in the third quarter more than double the total in 2007 of 105 tonnes and 45% higher than Q2 2008 but retail investors dumped 300 tones. Demand in dollar terms rose to a new record at \$31.8 billion in the third quarter.

On the gold supply front it is seen to likely be [reduced](#) by 15% to 20% over the next two years as credit conditions slow growth. The crisis is seen as an opportunity by majors to [acquire](#) great development assets on the cheap over that timeframe. I don't think that problem will persist quite that long. Seeing how gold moved up today (Friday) \$57 shows how explosive price can move making projects economical literally overnight. Credit is not hard to find if your project is of high quality.

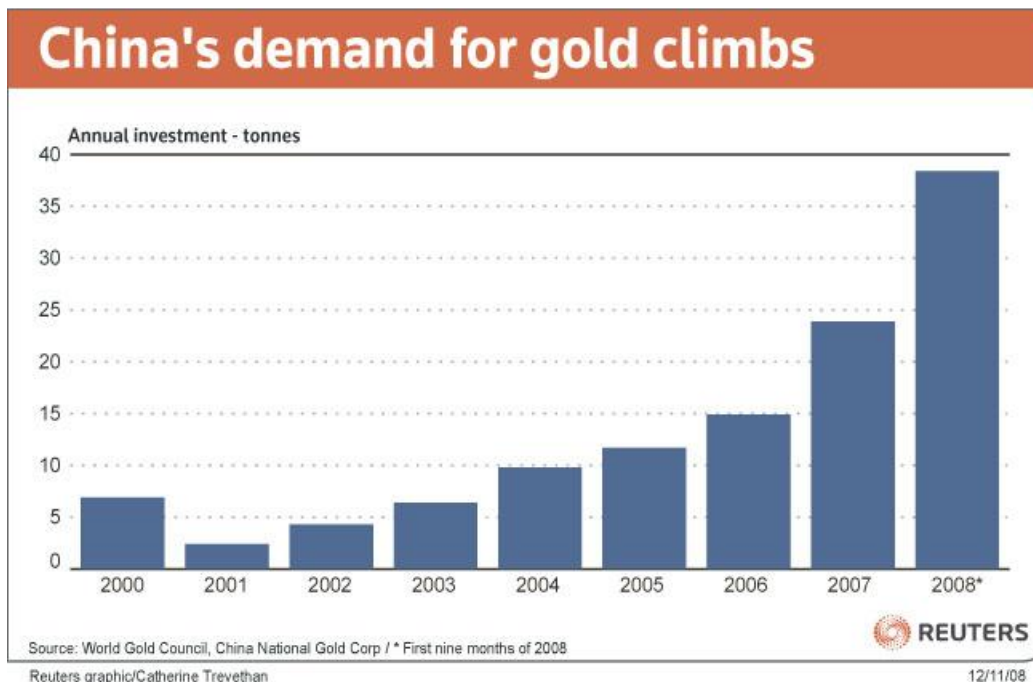
The Perth Mint had to [stop](#) taking orders after demand could simply not be met. The mint is working three shifts 24/7 and cannot output enough metal to meet the demand tsunami. 80% of the demand is coming mainly from Europe then Russia, Ukraine, the Middle East and the US. One \$30 million order was filed for a European customer.

Demand for silver is [surging](#) in Russia although a small amount but considering its only one bank the countries total must be far higher. Six tonnes of silver was purchased in the first ten months of 2008, triple the total for all of 2007. Gold demand from the bank was up 150% over last year's total.

The recent 1998 crisis is fresh in their memory and they have learned their lesson and know better. As the saying goes, fool me once shame on you, fool me twice shame on me. They will not be fooled again. Banks in general are seeing large amounts of withdrawals lately so expect precious metal demand to continue to pick up strongly. On CNBC this week commentators were in Russia and saying how people were buying new cars and other real commodities to store value rather than holding cash. Metals must be hard to come by if they are buying new cars and expecting them to hold their value.

There seems to be quite a stir brewing over the [potential](#) of Chinese raising their gold reserves. The talk on the street is that they would raise the reserves from 600 tonnes presently to 4,000 tonnes to diversify their increasingly unstable dollar reserves. This story may just be a veiled warning to the west and other interests who would rather see gold stay lower to shape up or the threat will be carried out sending reverberations through western central banks.

If the Chinese are to acquire gold they will not want to pay up and will accumulate it as slowly and as stealthily as possible. China is on track to produce 285 to 300 tonnes of gold this year up from 270.49 tonnes in 2007. They will need to shop for gold in the open market rather than take more than ten years to grow reserves internally.



Chinese demand for platinum jewellery is expected to fall 22% in 2008 totalling 610,000 ounces as compared to 780,000 ounces in 2007 as a result of the global financial crisis. Chinese platinum jewellery demand accounts for over half of the demand worldwide. World estimates are at 1.12 million ounces in contrast to 1.46 million ounces in 2007.

On the other hand palladium jewellery demand is expected to increase 55,000 ounces to 780,000 ounces in 2008. That will break a two year slump of declining demand. China accounts for 70% of worldwide palladium jewellery demand

Platinum and palladium projects continue to close down, postpone development, cut jobs and halt share buybacks after the price fell making the projects uneconomic. For a growing list of mining delays and shutdowns please click here. Things do look dire for miners especially base metal producers which silver is a major by-product of. Gold mines should remain mostly open and as the prices of gold and silver begin to rise more exploration will start back up. The problem will be silver as a by-product. The silver supply may continue to fall until base metal prices rise again. This leads me to invest more heavily in silver than gold, especially in the physical realm.

Palladium supply is forecast to see a surplus of 320,000 ounces this year down from a surplus of 1.655 million ounces in 2007. Supply and demand are expected to balance next year as a result of falling supply. I expect this market to see deficit next year as mine closures accelerate. Power supplies are the main reason given in this article and they have had a large

effect but mine closures has had a much larger and growing effect. Auto demand is expected to be up 30,000 ounces in 2008 a stark contrast to what the mainstream media would have you believe. While Chinese auto demand is slowing it is still growing and car owned per capita still very low.

Changing pace, Zimbabwe is projected to [increase](#) platinum production this year by 5.9% to 180,000 ounces despite the economic mess and rampant inflation. Speaking of inflation [here](#) is a great cartoon on a Zimbabwe note.



Ecuador introduced a [new](#) mining law favourable to miners. The law is expected to pass in January 2009. The law is an attempt to create more transparency and consistency than the old law. A major point in the new law which still remains unclear is royalties of no less than 5% leaving companies to individually negotiate the royalty rate which technically could be quite high. Details are sketchy at the moment and I am awaiting clarification.

It's coming to crunch time now. November 28th is first delivery day notice for the December futures contract and there is a strong movement to take delivery and the ramifications may very well be a Comex default. If that is to occur my \$1,200 by Christmas target will be achieved and passed in the blink of an eye. I wouldn't want to be a short going into the end of this month. The December open interest lies at 98,080 open contracts.

Some more vindication for the great organization GATA came out this week in [this](#) story. It's titled; "Banker Manipulation of Gold and Silver Prices Further Exposed" and is a must read

to help fully understand why gold and silver have been lagging in price while demand has exploded.

Here is a good video where the plunge protection team is talked about and shunned by the commentators on TV. The proof is out there if you want it.

<http://www.youtube.com/watch?v=X06kz9dzXho> or
<http://www.cnbc.com/id/15840232?video=931599105&play=1>

I have some good news and some bad news to report. The bad is my computer crashed just before I could save the final draft and some links were lost. During the recovery process I lost my history making the links impossible to retrieve and re-enter so I apologize for some missing information which was important. The good news is the man I was talking to in India for technical support said the Tata motors car should be out next year and that gold and silver are quite plentiful there, but the premiums are very high. He is not thrilled about that but still purchases gold to store wealth and confirms strong demand from that region. I told him he should buy more silver. He is quite excited about the Tata car and is going to buy one as soon as they are released. He was in the south of India but I couldn't quite understand what the city was called.

I am a hare's breath away from buying a long put off and considered Mac and be done with the years of torment and frustration I have survived with my long line of PC ancestry. What are you? Mac or PC. Such a big change has always made me nervous but it may be time.

I wish you wealth and happiness over the next week and of course a full belly of turkey followed by a great nap, if you are in the US. Thank you for reading.

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