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November

Gold's Jogging Up The Stairs

All the precious metals are strongly bullish at the moment. Gold is seeing accumulation on sideways moves now instead of corrective moves. The action is more bullish than I would have imagined at this stage in the secular bull market. We have a long road ahead of us in terms of how high the price will ultimately go.

The second phase of the bull market, which we are now in, is said to be the climbing the wall of worry stage. That means that prices continue higher and higher as investors look for pullbacks to buy in, but they never really materialize. Hence they worry, then buy, then worry as they think a major correction is imminent at any second. This phase of the bull run can last for years and should last for at least five years in my view for the precious metals. Then the fun speculative blowoff top. Rest assured, you will not be burned buying at these levels. You will be burned by not buying. Just make sure you can see and touch it if you want. Just to make sure it's there.

Metals review



Gold rose an outstanding 2.8% for the week. Based on the recent swiss stair formation I expected a pullback to the \$1,065 level but that did not occur. Instead gold took another step up, and it occurred much quicker than the pattern would have suggested. This is very bullish. Buyers were waiting for the obvious pullback but demand was so strong it took the next step higher much quicker than I imagined and most significantly, without correcting. Gold is in a very powerful uptrend now with no limit or resistance on the upside.

Gold remains cheap when thought about on a long term time frame but knowing that, Monday November 23 is an option expiry day so we could see a fast pullback as usually happens. I am not betting on this though. The demand

scenario is very strong, seeing buying come into the market on pauses, not even waiting for a pullback.

Seeing gold hit \$1,150 in the thin institutional after hours access market late on Friday was a sight to behold. Generally in the past the price is taken lower in that after hours market. Big connected money is buying heavily, now. If you're not holding physical gold yet it is safe to buy here, but I would not spend the whole boatload at this point. Averaging in would be the proper method at this time.

I always like to buy on weakness and we are in a period of strength. Contrarily now that we are definitely in the second phase of the bull market and gold is such a small market we may never see gold come back to this level again. There is a lot of money chasing gold, much more money than physically available in gold, so while it may seem expensive now, it won't in a few years.

RSI is very overbought and flat. It can stay there for extended periods though so don't get too bearish. The moving averages are in fantastic shape. MACD is very bullish and showing incredible strength. Slow STO is quite overbought and drifting sideways. Let the good times roll!



Silver shot up 6.2% for the week making many, including me, very happy campers. Silver still has a long road to run to catch gold's moves but it can happen very quickly and I think we are on the cusp of some more big moves above the recent highs around \$21.

RSI is flat and not overbought. The moving averages are all bullish. MACD is also positive. The Slow STO indicator has flashed a sell signal from very overbought. I could see a week or so between \$18.50 and \$18, but predicting movements weekly is hardly worth it. Silver will be much higher in the years to come and priced in three digits instead of two. \$18 or \$21 will seem like a negligible difference as we move forward.

The gold market is tiny, the silver market even smaller and it won't take much to move this metal into the stratosphere in the years ahead. There is a

reason Jim Rogers is so rich, and there is a reason he is so bullish silver these days. He is one of the only big money boys into this markets to date and he will be followed, but the price will have to move much higher to accommodate these investors.

Above, (not shown) we have some resistance at the \$19.50 level then there is a band of resistance between \$20 and \$21.



Platinum made a break to the top of it's uptrend channel gaining 3.83% for the week. One thing to always keep in the back of your mind is that platinum and gold traded in lock step for many years in the past and will again in my view. I expect a move lower into the middle of the channel soon to test the \$1,380 level or so.

RSI is high but not in overbought territory and flat. The moving averages remain very bullish. MACD is bullish but hooking flat. Slow STO shot us a sell signal late in the week but heeding this advice would not be wise other than on a very short timeframe.



Palladium stepped up 2.14% for the week and touched the upper reaches of its uptrend channel before moving slightly lower late in the week. There really is still not much to say about either platinum and palladium. They both continue higher in predictable fashions. I won't try and rock the boat this week, so I won't say much about palladium.

RSI is coming out of overbought ground which is nice to see. The moving averages remain steeply bullish and perfect. MACD is quite high and looks to be about to hook lower but to get that sell signal will take at least a few days

with this slower moving indicator. Slow STO is now bearish and soon to move below overbought territory. Enjoy the pullback before the next big move higher.

Fundamentals Review

This article talks about the [real unemployment rate](#) being 17.5% rather than the 10.2% widely touted in the mainstream. The lower number is measured by what is termed U-3, and does not include discouraged workers who've given up or part-time workers looking for a full-time job. To be fair I personally would not count those who've given up looking, just because I hate laziness. Take a few days off if you must but get out there and it will happen. On the other hand if you take out the "seasonal" adjustments and other mouldable metrics the government uses the real rate is well north of 20%.

Please [see this link](#) for this weeks list of only one big loser.

I must chuckle at [this report of the new central bank gold agreement](#) seeing only 1.5 tonnes gold sold since inception on September 27, 2009. Central banks want gold. Not one in their right mind would sell gold today.

Max Keiser is now saying his German sources tell him the central bank there is buying gold and will announce that soon.

Contrary to many central banks, the IMF is selling more all the time. Of the 403.3 tonnes they plan on selling, 207.3 tonnes have been sold. The latest this week going to Mauritius, who [bought 2 tonnes](#).

It's puzzling that the IMF is supposedly using this cash from the gold sale to help developing and poor countries. Isn't China doing that all by themselves? China is investing every week in poor countries who have minerals or other beneficial qualities. The latest eager partner [being Nigeria](#) who wants to develop their mining sector. I am sure they can and will be accommodated.

There must be an ulterior motive to the sales, and as [GATA](#) is surmising it is perhaps a replacement scheme. Much gold held in depositories belonging to central banks has been loaned out unbeknownst to the owners over the years. Could they be wanting their gold back, but finding out it just isn't there? We may never know but the many pieces GATA presents make sense.

Speaking of GATA, their fearless leader "wild" Bill Murphy was interviewed on Asian mainstream TV this week and the interview can be found in three parts [here](#), [here](#) and [here](#). It's about time, and only a matter of time until they get some publicity in the US mainstream.

Another major investment firm is saying central banks are now [net buyers of gold](#) reversing a decades-old trend. They have close ties to the US federal reserve and know much more about gold than they let on. They say that "When you start to see the price rising in a range of different currencies, it is a clearly

sign of a very strong market to come,". I say; Yes! you're right! Where have you been the last ten years?

I say this nearly every week. We've come a long way, but we have a long way to go. If you think gold and silver are expensive now you are sorely mistaken. It is far from too late to get into this market with many of the [smaller companies](#) selling as if gold were trading below \$400, and as you know it's not.

It's only a matter of time until all the money is trying to get into gold but right now it's only the smart money with renowned hedge-fund investor John Paulson getting even more bullish gold. He recently made a big gold bet and is now [starting a gold hedge fund](#), set to open January 1, 2010. He himself is reportedly putting \$250 million of his own money in the fund. [Paulson says](#) that at \$1,150 the "bull run on gold is just beginning". Strap in!

This [article postulates that gold could reach \\$6,300 oz](#) when compared to the 1980 \$850 high. At that time the gold price rose to 140% of the USD monetary base at it's peak. In today's rampant money printing world, that same premium of 140% would see gold at \$6,300. Supposedly, the US has 263 million oz gold and a monetary base of \$1.7 trillion. That number will grow as the monetary base continues to grow, and/or it is realized that the US doesn't actually have that much gold anymore.

The wild talk of \$10,000 oz gold, which I have been a part of in the past, just doesn't bring the same strange stares as it used to. Gold could go to infinity in USD terms, or any currency, in a hyper-inflationary event. It's that simple. Gold protects your wealth.

After Russia' recent cry wolf tirades when they said they were selling, then not, then selling gold they now say the state depository will [sell 30 tonnes to it's central bank](#) rather than offer it into the market. That will do nothing but help drive the price higher since it will be one big block trade at likely one price rather than made into coins or ingots for investors. The proceeds will be used to buy US \$1.08 billion in diamonds from a state miner.

South Africa's string of troubles just continues and keeps getting worse. The [strong rand is causing](#) certain mine closures at lower grade deposits. The 3 g/t mines are simply not profitable in the current environment in the country. Many other place a 3 g/t mine is great and profitable especially with other base or precious metal credits. Gold needs to go much higher to increase the supply.

A [new recruitment method](#) by a South African miner is causing a stir among the largest union who says it is affecting workers ability to access

unemployment benefits or return from maternity leave, annual leave, or new employees. A strike of the unions 45,000 strong members is being called for unless it can be resolved.

South Africa is expected to see a [5% rise in platinum output](#) in 2009. But it's not because mining is going great. Stockpile sales will make up the full increase. While three new mines have opened this year output of platinum concentrate is expected to be off due to mine closures, strikes and accidents.

A major report came out whereby the scientists involved found that South African gold claimed as reserves, [is overstated by 90%](#). That's a major bummer for them right now, but I guarantee you there would be plenty of gold to be mined at the right price. What that price is I can't yet say, but it's coming.

Trying to finish off on a positive note regarding South Africa, the government is expected to reject a [proposed tariff hike](#) by the power provider Eskom. Eskom was looking for a 45% per year over three years increase in power rates which the miners said could threaten up to 1 million jobs over the next five years. I know I wouldn't stand for a 135% power increase over three years in my home, let alone at a mine! This saga will take time to unfold and rest assured a power increase is coming, they just have to find the balance that will keep as many mines open and people employed as possible. The real issue comes down to lack of power production though and that is not being addressed. Power production must be increased in order for the country to grow in any way shape or form. Perhaps they should mend their Chinese relations and get some help building the required infrastructure.

Ghana is hoping to [double their royalty](#) rate to 6%. Of course companies are opposed to this. Contracts should not be broken or changed in my view, but such is life in many areas. This will be a hard fought negotiation, or perhaps it will just be decided and forced upon the companies operating there.

The US mint plans to [resume selling](#) certain types of gold coins December 3 as demand continues to increase for their products.

The UK's Royal Mint has [quadrupled gold coin production](#) in Q3 as investor demand soars. This jives with reports I've heard from across the pond. Europeans are buying gold heavily, better get some before it's all sold. However, the total output from this one supplier is now only just above 100,000 oz, in the first nine months of 2009 which is much smaller than the US mint's reported production of 1.13 million oz gold year to date.

In Canada this year, companies have raised C\$49.7 billion, [a new record](#), with a couple months left to add to it. The previous record was C\$47.6 billion in 2007. The sectors leading the list were financials, miners, and energy

companies. The top financing went to the world's largest gold miners who has suddenly become bullish on gold and is scrambling to cover their large hedge-book.

Peru expects a [slight increase in mineral output](#) in 2009. Copper is expected to rise 1%, gold 3% and silver 6%.

Iran is planning to [launch 20 mining project](#) worth \$3.1 billion by March 2010. I never hear of mines in Iran and doubt very much I would be interested in investing there. It seems steel, copper and aluminium will be the major minerals mined.

India is seeing reduced poor availability of scrap and raw gold imports which is causing [refiners to reduce capacity by 40%](#). This comes on top of their previous operations running at only 35% of full capacity, output is only at 20% now. Cashing in your gold for cash parties are not quite the hit yet in India as they are in the states.

Well it's finally time to get out of the office. I've been cooped up for nearly two weeks straight having worked all last weekend. It's been busy lately, but not because of new interest. Sentiment coming my way is very cautiously bullish. But there is hardly any new interest, it's people who've been interested in the metals for quite some time who are still here. And they are having a hard time accepting these high prices. When will the general public realize the precious metals are their salvation? Perhaps they won't.

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 subscribe and 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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