

Precious Metal Stock Review

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Calm Before The Storm

We're in the midst of an amazing run off the recent lows in the stock market. As tempting as it is to buy some of leaders now, I think it would be a grave mistake. Nothing goes straight up so we have to be patient and wait for the proper buy points.

Gold and silver had a nice week and look ready to move one way or the other in the next couple days and the mining stocks are unbelievably cheap right now.

If you're not close to, or already accumulating these mining stock that are on sale then you've got to really take a hard look at things.

We are not going through another 2008, so as far as I can see the low has already been put in for most mining stocks. Now may be the last best chance to get into this market before the mania phase begins, and you do not want to miss that, I promise you.

Fortunes will be made from owning the right miners going forward.

Metals review



Gold rose 2.47% for the week and contrary to most observers opinions on the technical picture I think it looks good here.

Last week I said it was a toss up at the time if the pattern was a bearish bear flag or a bullish U pattern one. It is still up in the air here to a degree but a break above the 100 day moving average should push us higher to at least the \$1,750 area and confirm the U pattern.

I like the low volume as this base builds steam for the move higher.

The one thing that bugs me is late in the week a revised target was issued by one of the largest and most bearish institutions who came out saying

what us in the know have been saying for years, that gold is an insurance policy during times of economic uncertainty.

They put a target of \$2,150 on gold for Q4, 2011.

These upgrades always worry me as the instrument in question usually trades the other way in short order. We shall soon see, but it is nice to see some large players talk about gold and it's uses as we are moving later into this precious metals bull market where we should be approaching the mania phase in the next two or three years.

The company also reiterated that miners are "way undervalued". I know that and I'm sure most of you do as well. They've been undervalued since 2008 for the most part.

The miners just can't seem to get out of their own way. The best plan is to just accumulate your favourite companies on big dips such as we're seeing now and wait for the crazy stuff to begin.

When was the last time you saw a mining IPO? I don't recall seeing one in a long time and the odd one that comes through certainly isn't a high flyer by any means.

We have much further to go and we are still on the ground floor when it comes to many mining stocks. Fortunes will be made in the years to come.

As for the GLD ETF this past week, volume was quite low which is normal for a stock to commodity to do as it builds steam for a breakout higher. As always though we know gold does not trade nice and orderly so if you're trying to trade it be very careful. Even better don't, just buy bullion during this weakness.



Silver rose 3.02% this past week and is still trading within its symmetrical triangle pattern here which can go either way. We're very near a resolution one way or another here very soon as volume is drying up and price action is becoming very tight here.

You could play the break either way, if that's your style, using tight stops if we see a reversal but preferably if we break higher get more physical while it's this cheap or if we break lower try and get an even better price.

The SLV ETF also saw very low volume for the week which is as it should be as we near the end of this pattern.



Platinum gained 3.34% this past week off the lows under \$1,450. A nice \$100 off the lows is sweet but this rising channel is not so good. Platinum is a much more industrial metal and trades as such, more attuned to the economy which isn't good.

To me so far it doesn't look great but then again Friday saw large volume on a break above resistance. If the markets continue to act as strongly as they have been the past couple weeks then we could well see platinum continue higher from here but really I have no clue what to expect going forward at this time.

The PPLT ETF saw low volume with the exception of Wednesday's high which was so so. What has me worried here is the lack of volume Friday when compared to the futures chart posted above. This has me leaning toward the side that we will see the bear channel play out and we will soon see lower prices again.



Palladium rose 5.71% and looks to have broken out to the upside here. A break above the ascending triangle pattern here is very good for palladium although volume certainly wasn't 100% convincing. I much prefer to see heavy volume on breakouts and the fact that platinum is wishy washy has me suspect, but the price action was great.

The PALL ETF chart also looks great and is showing a breakout but the volume just isn't there. Maybe if we can manage a move above the 21 day average I will be more convinced this breakout is for real but I am not trying to trade it here at all.

Fundamental Review

We saw three banks fail this past week which is more than we've seen since August 19th. This years [list of biggest losers](#) continues to grow at a snails pace.

While the banks aren't dropping as quickly as they were last year we did see [Harrisburg, the capital of Pennsylvania, fail this past week](#). Well they didn't so much fail but they did file for bankruptcy which is failing in my books.

Let's hope we don't see more municipal failures as they are much worse than a bank failure. Unfortunately I don't have my hopes up. California could go bankrupt tomorrow, or should have already if they were a business. Actually the whole of the U.S. should be bankrupt. Now that is a scary thought but it's all but inevitable at this point.

Bill Gross [told clients that 2011 was a stinker](#) recently. His fund is up only 1.3% this year which is pathetic. We've actually had [our best year ever, and by a long shot!](#)

Bill has returned a paltry 7.8% over the past five years. While he does have to manage a huge amount of money and that would be very difficult, I'd still be embarrassed having lost heavily when taking inflation into account.

I wonder why he would not manage a more manageable amount and try and actually make money for his clients...ah yes, management fees would be the reason. He makes more money off of that in a year than you or I could hope to make in ten years.

It doesn't seem right does it, but if you're that naive to give him your money then all the power to you.

One of my favourite big fun managers, David Einhorn, has [two of his largest positions in gold and a gold ETF](#). For a value investor that is quite impressive and should tell you that gold and it's related equities are very undervalued at this point in time.

Buy, buy, buy!!!

Dubai gold buyers are increasingly moving towards buying bullion rather than jewellery. It only makes sense as with physical gold and silver it's about how many ounces you own, not what they look like or what historical significance they represent.

Owning bullion in the cheapest way possible has been and remains the best way in my view. These choices change as premiums and availability change also. Sometimes junk silver is cheapest, sometimes pandas or eagles. It's not hard to find out what the best deal is at any given time, just ask your dealer.

I love this article which talks about a gold rush emerging from this poor economy. Larry Lindsey who is federal reserve governor and former Bush economic advisor said that the weight of history is leaning towards gold.

Lindsey also said that we are likely to return to a gold standard in perhaps ten years.

I couldn't agree more and talk about it near weekly here. We have to go back to a type of currency that is backed by something and not able to be printed out of thin air.

Gold is the obvious choice as it's not really used up unlike any other commodity. This idea is not new and has happened countless time throughout history. The periods we are going through now is normal as governments become more and more irresponsible and get out of control.

Owning physical gold and silver is a form of insurance against the stupid authorities who are ruining your currency. Not only will precious metals protect your wealth, they will increase it as whatever new form of currency emerges will surely value gold well above 5k and more likely above 10k.

You can't go wrong owning physical gold and silver.

I hope you're in accumulation mode right now when it comes to mining stocks as well as the precious metals themselves. You won't regret it!

Until next week take care and thank you for reading.

Warren Bevan

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