

Precious Metal Stock Review



This week will be a slightly different format than usual. I am going to present a plethora of charts and indicators I like to follow. The pain we have been feeling is real and not likely to end right away. The good news is that precious metals and related shares will be the foundation of the gains to be made over the next few years once this panic selling and liquidation abates..

Metals review



Gold fell on general marketwide liquidation this past week. There are rumours that central banks have sold gold into the market to force the price down and smash the view that it is a safe haven. I once again point to the considerable evidence GATA has amassed and has yet to be disproven by anyone.

If you are scared by the paper price in this chart, log onto eBay and check some prices. That is a free market where buyers pay whatever they are willing to pay, unlike the paper futures market. Some dealers are even setting their prices by eBay now rather than the usual futures price or spot price out of London. Times are a changin'.

I am well aware that technical analysis in this market is useless other than to show areas of support and resistance. Trying to technically predict where the price will move next week is a fools game.

RSI fell out of the triangle pattern but looks to be steadying out now. Moving averages are mixed and are useless right now. The 38% Fibonacci level is proving resistance. \$775 is proving support and if broken the price will likely run to \$740 quickly.

MACD is very bearish at this point. Slow STO may have hit a bottom in line with recent lows.



Silver was trashed beyond belief. Not in my wildest dreams did I imagine silver ever trading below \$9. Where it will stop I cannot say. Like with gold I feel eBay right now gives a clearer picture of price. I ordered some silver bars on eBay this week for nearly \$18 and I feel fine about it.

RSI broke below a support line and is bearish. Moving averages remains bearish. There is long standing support in this region from three years ago. I am in shock at the price and do not believe it can last even in the futures market where Ted Butler writes extensively about the manipulation.

Both MACD and Slow STO are bearish.



Platinum was not immune to weakness. No sign of a bottom yet. Another bearish flag was broken to the downside. The only good thing about this is that technical analysis tends to work with the number three often. So hopefully third time's a charm here and we can see a bottom now that the third bearish flag has been broken.

RSI is trading in a tightening triangle which is telling me downside momentum is weakening. All moving averages continue to track lower with the 25 day MA pushing the price lower every time they meet.

Both MACD and Slow STO are also moving within tightening ranges. This again, shows weaker momentum pushing prices lower. Time will tell.



Much the same actions as platinum with palladium. The irregular flag was broken to the downside. RSI and MACD are showing momentum weakening to the downside. Slow STO is bearish and can't regain the 50 mark.



Silver is at historic extremes in terms of its cheapness to gold. According to this chart silver is much cheaper than gold. That's great and all until you try to buy some.



We remain on track to get this ratio near 1 to 1 again. This chart is very bullish for gold. With the ratio at 11.24 now it takes that many ounces of gold to buy one share of the Dow. This is a slow moving indicator of trends.



The long downtrend was broken but I do not expect that to remain. Right now it takes 948 ounces of silver to buy one share of the Dow.



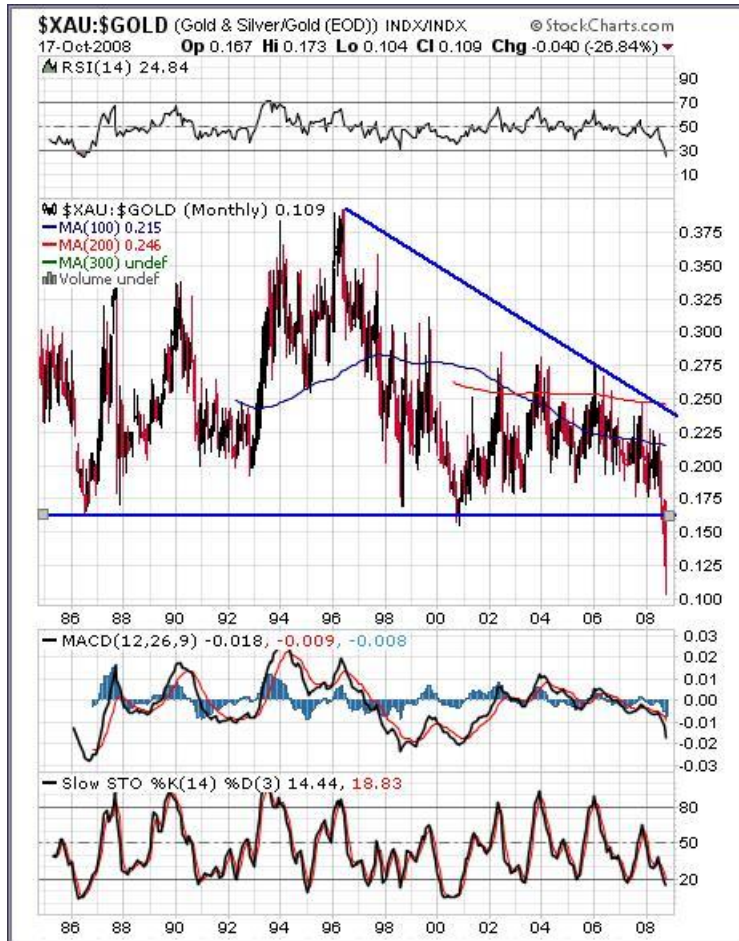
This chart signifies the number of barrels of oil it takes to buy one ounce of gold. The ratio is around historic norms again after being so low for the past year. This shows how well gold has held up in relation to oil lately.



The HUI gold index has not been this cheap relative to gold since 2002. There is support here but the liquidation worldwide may give you even cheaper entry points to the large cap gold miner's index.



Last time the HUI was this low gold was in the \$450 range. I don't believe the valuation is justified even in light of the financial crisis, but that does not matter now. Investors don't care about value, so we must. That is how the big money is made historically.



The XAU gold and silver miner's index has never been this cheap since its inception in 1984 relative to gold. It may come down but if you remain like I do a gold bull then this is an historic opportunity for a longer term trade.



The XAU is also trading as if gold was at \$450. Although the uptrend line is broken the fundamentals for gold and silver are stronger than ever and this aberration is a result of extreme fear and panic the likes of which have not been seen since the 1930's. It's value time.



The TSX Venture exchange where many junior and exploration companies trade has never been this oversold. The bankruptcies of some of these poorly capitalized companies are just around the corner. This ratio represents extreme value in the good companies out there. While this ratio will likely come down some more and the shares within the index fall further the amount of shares being traded is miniscule and produces wild price swings. The point I keep pounding is that once the good companies move there will be a price explosion and no shares available at any reasonable sort of price.

Fundamentals Review

Financial institutions beat last week's total borrowing from the Federal Reserve of \$420.16 billion. They Borrowed \$437.53 billion this week. In the five business day week, that equates to \$87.5 billion a day. Or for the 24 hour period, roughly 3.6 billion an hour, or about 60 million a minute! I wonder if that amount exceeds toilet paper production yet! There is a real worry that this dependency will continue to worsen and accelerate.

Vaults and home safes are flying off shelves in New Zealand as citizens feel more unsecure holding their assets in banks which may fail. After the Lehman Brothers collapse gold coin demand picked up. The New Zealand mint is selling as much daily now as they did in a month in times past.

A banks vaults in Zurich "are full to the top" as investors pile into physical gold. Dollar wise the amount they hold is worth 12 days global production or \$2.25 billion. The bank is actively seeking more storage space.

Investors continue to buy as much gold as they can for protection first, growth second. Some dealers are not using Comex prices. They are using eBay pricing since it is the free market price of what investors are willing to pay for the real thing. Investors may be able to purchase gold and silver from dealers cheaper than on eBay, but they may not have immediate delivery. The wait may be several months now. The wait may be extended indefinitely if supply cannot be sourced.

As the saying goes a bird in hand is better than two in the bush. While expensive, it may be better to try and purchase on eBay where you know the metal is there and will be shipped promptly. The only problem is accumulating large quantity. But the fact remains, physical is getting harder to come by. Investors are more willing to pay up for immediate, sure delivery. Dealers are following eBay pricing. Physical is running out. A default on the Comex is imminent. I expect December to be the month we see default since it is the largest volume near month contract.

Silver is a major by-product of zinc mining which is coming under pressure to cut costs and even close mines. The linked story outlines some of the companies and their issues. This means less silver supply will be reaching the market, hopefully resulting in higher prices.

Here is another article outlining cost cutting measures and slowing plans by majors to juniors. This financial crisis is affecting everyone. Everything has been liquidated. Prices of nearly everything are down sharply. This affects all commodity producers and explorers. Bankruptcy will come for many smaller and mid-sized companies. It is not going to be painless, but companies who can survive this will be the ones who will flourish going forward.

Here is a nice article which talks about central bank gold loans being invisible as opposed to outright sales which are published. This may be a reason for the smashing of gold but will never be known to the public. They also talk about long liquidation by hedge funds in

the futures market not representing the real surging demand for physical. The final analysis is bullish.

This analysis provided by Dan Norcini from www.jsmineset.com is a must read, and consider.

This is a must watch one minute [video](#) where apparently martial law was threatened if the \$700 billion bailout was not passed, scary stuff.

So all the hype over Sarah Palin on Saturday Night Live will come to an end tonight. Will it live up to the hype? I for one will be watching eagerly. I think it will be a classic for the times.

As always have a great week. Are you protected yet? Time is running out to do it at a reasonable price. Gold is at all time high in many currencies and will be in the US dollar soon.

Sincerely,

Warren Bevan

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