

# Precious Metal Stock Review

*Bridging Wealth Protection and Wealth Creation*

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## Super September—Or Was It?

September saw the S&P index roar 8.76%, the Dow was up 7.72% and the Nasdaq shot higher by a full 12.04%! Wow you must say! You must feel so much richer this month.

But wait.

The US Dollar index actually fell by 5.38% effectively reducing your purchasing power.

I hate to be such a downer, but after taking that into consideration the S&P only rose 3.38%, the Dow 2.34% and the Nasdaq up a still impressive, but ominous 6.66%.

Unfortunately Gold only rose 4.9% in September but Silver flew higher by 12.4%. By that metric Gold actually lost purchasing power in the month versus the US Dollar index. Don't listen to anyone who tells you Gold's in a bubble. Politely smile while backing away slowly, and when you get your chance, run as fast as you can.

## Metals review



Gold rose a steady 1.75% for the week and hit new all-time highs every day, albeit slightly. As Gold keeps edging up higher it seems that slight resistance levels appears about every \$20 or so. That would be right here at \$1,320.

You simply cannot be short in all-time high ground and the many traders and pundits out there going short are a good indication that we have more to go on the upside right now. Once they all seem to be bullish then it will be time to take the trade off, while holding the physical portion.

The GLD ETF saw good strong volume all week especially on up days, although Thursday's slight decrease did see very strong volume as well, but that should not hurt anything.

I remain in a very bullish posture trading wise, and am doing very well.



Silver continued to lead Gold as it rose 3.03% on the week as it continues to etch into higher and higher 30-year highs. The channel is unbelievably tight, but it's still working, but still making me nervous.

I've heard several interviews where people just do not get silver. Silver is a precious metal. Silver is an industrial metal too, so really it's the best of both worlds.

The SLV ETF saw very strong volume this past week on the big up days. However as the week moved on, the volume on the big up days began to decrease. This is slightly worrying and perhaps a tell that Silver will begin a

consolidation around here. But I do remain with a very aggressive and very profitable trading position in silver until the trend is broken.

Whatever your view is matters not. You cannot fight the trend and win. Right now the trend for Silver is higher.



Platinum moved higher by 2.19% on the week and is above resistance at \$1,675 now. I always get nervous around resistance levels as this could be a bull trap before a consolidation. But for now I have to think it's going higher still.

It's really just a jumble of confusion up to the next serious level of resistance at \$1,750, and that distance could be closed within a couple weeks at this rate.

The PPLT ETF saw pretty good volume but everything pales in comparison to last weeks spike of over 500k shares traded. However, volume did slow Friday on the big move higher. I have to be cautiously optimistic here as we could be setting up for some consolidation.



Palladium rose again, this time by 2.12% on the week as it continues to march on higher. Palladium has not seen \$600 since early 2008, and before that, 2001. It's approaching that level now, but I expect a bit of a consolidation here at \$580 before that occurs.

I really hope a consolidation happens as it would solidify the bull market move to much higher levels. Recall that both Platinum and Palladium used to trade at the same levels. That means Palladium has a long ways to go if you have my view and think Platinum will remain at current levels or higher.

The PALL ETF is confirming my hope that a consolidation is about to occur. Very high volume was seen on the down days and medium, to fairly strong volume on the up days. It seems there is quite a bit of stock distribution going on right now before a definitive move lower to consolidate this amazing move which began July 1 near the \$420 level where a spike low on very heavy volume was seen.

We may see a spike higher as a fake breakout, but I really would, consider taking off some profits soon. Remember, bulls make money, bears make money, but pigs get slaughtered. Trusts me though, I do understand and have been prone to being a bit too greedy in my day, and even still at times. Emotions are a tough thing to master.

## Fundamental Review

The departure this past week of Rahm Emanuel, Obama's now former Chief of Staff has my feelers piqued. He's just another of the high level figures to leave, or announce their leave in recent weeks. The ship is sinking and everyone knows it and are running.

Several countries announced they had to intervene in the FX markets in order to keep their currencies weak versus the USD. Isn't that manipulation?

Japan, Korea, Argentina, Brazil, Switzerland, Thailand, Columbia devalued and Canada hinted last week that it was a possibility as well. For once the US does not have this problem. It's being devalued all by itself as debts grow, confidence fades and the Federal Reserve continues to print money.

To polish it off with a swift kick to the teeth, Charles Bean, the Bank of England's deputy governor told savers to stop complaining about poor return and start spending! I wonder what he's doing with his money, my money is on, he's saving it.

On the other hand, Dominique Strauss-Kahn, IMF chief, says there is no risk of a currency war.

Oh.

Well then let's pretend that countries aren't announcing publicly that they are devaluing their currencies. Everything's fine, move along, there's nothing to see here.

And if that wasn't enough to convince you, then this surely will. Atlanta Fed President Dennis Lockhart said that the US dollar will remain the world's reserve currency. In fact he says it's "far fetched" that the US dollar will lose it's

position in the near term. But he does admit that some diversification will occur over time.

I hate to break it to him, but it's already happening. Many countries are now using their own currencies in their trades with each other and not using the US dollar.

The 20-year US Dollar chart on the right is one only a mother could love! Or someone woefully uninformed still living in the jungle in Vietnam thinking the war is still on.

Please see here for [this weeks list of biggest losers](#) as we saw two banks fail this first weekend in October. Here is an [automated map of the failed banks so far](#).

Please [see this campaign video](#) from the shockingly informed and frank Alan Grayson. If what he talks about is true we have a very, very interesting time ahead of us.

It was only a matter of time until the Gold dispensing ATM type machines made their way onto US soil. By late 2010 there are expected to be [35 of the machines spread throughout the US](#). Likely in airports, or the odd major centre.

You'll to be able to buy gold with your credit card or debit card now in 1, 5, and 10 gram increments as well as 1 oz. Good stuff and certainly a sign that Gold is becoming more important and known as an investment but still, it's fringe and considered a kind of a novelty with the real reasons for owning the metals not understood.

I outlined above how currencies are being devalued worldwide. That will accelerate. I've said a million times before, it's not that Gold will so much increase in value, more-so that currencies will be devalued. Gold will keep your wealth intact and hopefully add some to it as well.

Speculating is a different thing altogether and something I love to do, but most of my wealth is protected by being in physical metals.

Even the [K man is catching onto the Silver](#) train. Hey, why not, it's only gone from \$4 to now \$22 in a decade! We have so, so much further to run.

Setting targets is a fools game but I've always figured \$100 silver and more like, at least \$200 silver will be an easy target and I do really think that's



being very conservative. In the interview linked above, the woman knows a bit about a few silver stocks, but to be honest I've forgotten more about them than she'll know in the next five years. The speculation/fun times are so far away.

2010 Gold Buffalo coins [are no longer being produced and inventory is depleted](#) at the US Mint. This isn't that big a deal since the year is running out anyhow, but it does show the continued strong demand for physical Gold.

Gold miners reportedly [returned to net hedging](#) in Q2 2010 while the Gold price ranged between \$1,175 and \$1,250. Not a bad price to be hedged at no doubt, but in time that will seem like an unwise move. The increase was only 160,000 ounces so it's nothing major or earthshaking.

Argentina's [Gold production should grow](#) to just over 2 million ounces this year, up 21% from 2009's 1.7 million ounces. Few places are increasing their Gold production, Argentina is obviously one of the few. There are actually quite a few small countries who are increasing production but it will be many years before their totals add up to anything significant.

Argentinean lawmakers also [passed a bill to protect their glaciers](#). This will affect the world's largest Gold miners project which lies under a glacier on the border between Argentina and Chile.

Soon you won't be able to even wear your "bling" out of the house. Already, in St. Paul Minnesota [thieves are ripping necklaces](#) from show-offs necks, even in broad daylight!

Who do they think they are, wearing so much money around their necks? And really what would you expect if you wore \$100 bills around your neck? Thieves are actually one of the first groups to catch on to trends.

The German Bundesbank [plans on selling no more than 6.5 tonnes](#) of Gold this year as part of the Washington Agreement between European Central Banks. Frankly, I am surprised they are selling any. The new year of the agreement has just begun this last week, and in the prior year Germany sold only 5.2 tonnes of Gold.

China has already begun to return fire after last week's calls from the US for China to revalue its currency. China is [imposing a tariffs of up to 105.4%](#) on imported US poultry. Poultry is one of the few categories where the US actually runs a trade surplus with the Chinese.

They can make up any old excuse to do this, and they can do much worse. US efforts to try fighting China will fail miserably and harm the US populous.

The [US is moving forward their vote](#) on the Rare Earths Act after China banned exports of the earths to Japan last week. It will take time to ramp up production once the bill is approved so they'd better get it done quickly.

Hardly anything electronic would function without these Rare Earth and most people still don't get how vital they are to life today, and technological advances going forward. The good news, I suppose, is that China makes most of these devices, meaning not much of the Rare Earths really needs to be exported anyhow.

An [odd exhibit in front of the Milan Stock Exchange was unveiled](#) recently. You just have to see it to believe it. I'm not sure if the fingers meant for the public, the government big business. Any way you look at it, it's an odd choice of "art".

Until next week take care and thank you for reading.

Warren Bevan

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