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2009

October 3,

## Steady As A Rock

The incredible resilience the metals are showing caused the oft cited commercials to begin to run for cover. For gold they increased long futures contract by 4,585 and reduced short contracts by 7,791 as gold retraced below \$1,000 late in the week of September 22 to 25. Will they have continued to cover shorts this past week is a question we will not know the answer to until next Friday.

In silver the commercials increased long futures contracts by 810 and increased shorts by 561. For both gold and silver the commercials remain very short on balance and seem to be starting to run for cover. This will take them months to do at this rate. They are seeing the strength and are not happy about it. It's going to be a very interesting October and November this year. Stay tuned for what should be the most explosive rally in gold and silver, bull to date, coming to a trading screen near you very soon.

# Metals review



Gold closed the week up 1.22% but more importantly closed the month at an all-time monthly high of \$1,003. That closing high is very significant and noteworthy. The incredible range trade that has been taking place for the last month between \$990 and \$1,020 is still holding. The longer gold can stay above \$990 the higher the chance is that it will break out to the upside.

The battle behind the scenes is truly epic. There is tremendous opposition to moves out of this trading range in either direction but it is encouraging how strongly gold keeps bouncing back.

If \$1,020 is broken then a major run to at least \$1,200 is imminent and likely at least a hundred dollars higher. If gold breaks below the trading range, \$970, but more likely \$960 should be the floor, giving investors one more chance to acquire cheaper gold.

I am pleased to see the Slow STO show a buy signal from nice low levels leaving plenty of room on the upside before overbought status is hit. RSI is healthy and bullish. MACD is bearish but it moves slowly and is turning higher. The moving averages are perfect and moving higher quickly.



Silver closed out the week up 0.66% and held above the important support area of \$16. The Fibonacci levels show the support areas very well if \$16 is broken.

The recent move to consolidate has brought the indicators back to the level where a strong move higher can occur. RSI is bearish but at support and should turn up shortly. The moving averages are in perfect shape and moving higher. MACD is bearish. Slow STO is at low levels and now bullish. From it's level it has been a very good predictor of upward moves in silver and the last time this scenario materialized silver moved from \$12.50 to \$17.50 over two and a half months. To me it looks as if this consolidation is about over and a break above \$16.50 will surely see a move up to test \$17.50 then to \$18 and eventually beyond.



Platinum was flat falling a scant 0.48% for the week. It appears the \$1,256 level will be the floor on this move lower but if not the Fibonacci levels

shown here will act as strong support. I think we may consolidate around here for a week or two before beginning to move back higher.

RSI is at support and slightly bearish. The moving averages are moving higher and the 50 day is giving a good support level to the price here and now. MACD is bearish and the accurate, quick moving Slow STO has just shot a buy signal from low levels where good things happen from. If you want higher prices that is.



Palladium gained 1.49% for the week but was slightly rebuffed from the \$300 level for now. Looking good here after the inevitable and technically perfect correction. This market is the easiest one to call bar none. \$282 should be the downside and likely will not be tested again in the near future.

RSI bounced off the 50 support level on cue. The moving averages are heading north and the 50 day recently gave support to the price at the \$282 horizontal support level. MACD is starting to head up but has yet to show a bullish signal. Slow STO on the other hand is bullish and in the middle of it's range. Whether we head higher right away or take some more time to build up some momentum now is up in the air, but higher is where this metal will be in six months, and a year from now as well.

# Fundamentals Review

According to Kuwait's central bank governor, the Gulf States should implement a monetary union and single currency. This should be done in phases and take several years to implement. Most countries are on board within the region now and really it's only a matter of time. This unfortunately foreshadows a North American currency which I strongly oppose. An Asian currency is also in the works.

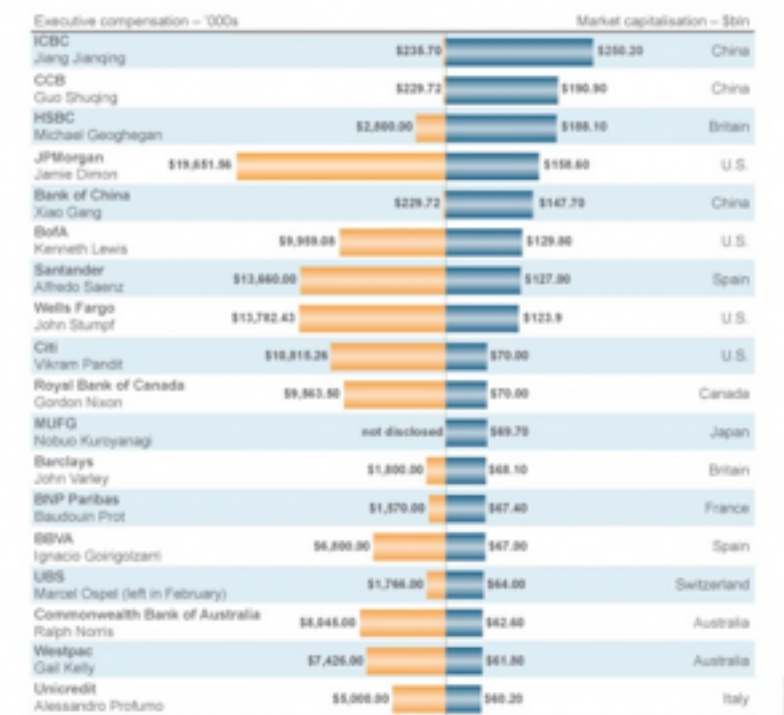
A great study shows the outrageous pay CEO's receive in many institutions. The world's largest bank, in China, whose CEO only receives \$235,000 compared to Jamie Dimon's nearly \$20 million at a much smaller US institution. Compensation in general is far out of whack and the graph tells the story. Imagine making about \$1.5 million a month! Plus perks!

The FDIC has now officially seen their balance go negative. They are just another agency who is operating in the red and it does nothing but add one more to the list of agencies that has to be bailed out by the taxpayer. The FDIC is trying to avoid being bailed out officially though by discussing a plan where banks would pay an up front fee to total \$45 billion. That amount of money will not last them long and even if this passes they will have to come up with another creative solution within a year at the latest I'd imagine.

Speaking of the FDIC and their woes, please see this link for this week's list of three biggest losers, aka. Failed banks.

The head of the world bank warns about giving the US Federal Reserve too much power. I am hopeful that the private company that is the fed will be audited and that they will not be granted authority to supervise systemic banking as well as operating monetary policy. This brings one of my favorites

There are massive differences in pay among the leaders of the world's top banks



Source: Reuters Research

Notes: Wherever publicly available, the figures include all bonuses, stock awards, options, and other perks paid by the company in 2008.

REUTERS

quotes to mind; "Give me control over the issuance of a nation's currency, and I care not who makes its laws." God help us.

I've been a bit out of touch with the swine flu for a while, but now the government is doing a first test run to test reactions if people are forced to take the vaccine. [NY health care workers](#) are apparently being told to take the vaccine or be fired. Workers are understandably upset. I haven't researched this enough to know but I've heard it's a manmade virus with the vaccine being used to aid in depopulation. I've also heard those who had a regular flu shot last year are more susceptible to the swine flu this year.

Also the vaccine makers as well as the government have received amnesty on any potential repercussions from not so desirable effects of the vaccine. Up in Canada rather than sending vaccines to a remote reserve the government [sent a load of body bags](#). What a nice government we have! The NY health care workers are apparently going to take the nasal mist rather than the shot type of vaccine. That's interesting, and one reason why I personally live away from population dense areas. If it, or anything else can be administered in a mist form you could be subjected to it and not even know it while just about anywhere. That's scary. I urge you to research and educate yourself before conforming. Make an educated decision based on your morals and knowledge.

Hugo Chavez has [proposed an African, South American mining firm](#). The goal would be to join those two continents and keep control of their mineral reserves. Chavez says that the rich lands will be exploited by rich nations if something is not done to prevent this. It could largely be true unless the companies, governments and people come to a beneficial mutual agreement. The problem is that politicians are very corrupt and reap the benefits for themselves in many of these areas. It's a really tough issue and finding a balance is a nearly insurmountable task. I doubt this mining union will come to be a reality, however there may be a select few who join Chavez in his radical ideals. Some potential cooperating countries could be Sierra Leone, Mauritania, Mali, Niger and Namibia.

Peru is planning what is seemingly an [annual walkout on October 19 and 20](#). It won't have a material impact on production but the demands are for higher wages which if granted will affect the bottom line.

Congratulations again to [GATA](#) and their work through the years. This past week another, of the many pieces of the puzzle has come to light. Please [listen to this interview with Chris Powell](#) for a detailed explanation.

Neil Barofsky is the US government's special inspector general for the TARP and [in this interview](#) talks about his experiences to date and his view on

how things are working out to date, and potentially into the future. It's a very good interview.

Jim Rickards also [did a fantastic interview](#) this past week and is very bullish gold. He makes a very calm and compelling case.

This week's whacky news comes from a man who is suing a [US bank for 1,784 billion trillion dollars](#). The man is suing because he is upset with the bank's very poor customer service. I get a kick out of this one, and the sad thing is this man will likely receive a hefty sum but obviously not quite as much as he is obviously facetiously asking for. We've all had similar experiences I guarantee so let's keep an eye on this one.

In my free, nearly weekly letter 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](mailto: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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