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September

Robbed Blind

The week was highlighted by the G20 and federal bank non-decision. There was little said about Ron Paul's bill to audit the fed. Would you have expected anything else. The mainstream tells you what they want you to know, not what you want and need to know. [Here is a fantastic clip from the Ron Paul hearings.](#)

Another ignored fact was the options expiry this past week for gold. The most blatant and disturbing occurrence that would outrage the public if they knew about it was how gold was moved below the \$1,000 level just before the options expired, pocketing that much more cash for their efforts to push gold down lower. I don't think this correction will last since their tricks are well known among traders. Now that the options expiry has closed it free's the road for gold to move into all-time high territory in the very near future even though gold does look slightly weak right now. Dip buying has been taking place and should continue and it will move gold higher likely early Monday morning.

Metals review



Gold only lost 1.66% on the week, but has panicked investors flooding my inbox. Dollar wise it may seem like a big move, but percentage-wise it's not and that is what is to be focused on. If you owned a stock and it moved from \$10, to \$9.90 you wouldn't even call it a correction.

All the indicators are showing bearish signs and sell signals, however this is good since it refreshes them for a fresh charge much higher. I firmly believe the \$990 area will be the floor with no major long lasting moves lower. But if it does break that level significantly then the \$970 area will be the next stop. The moving averages are trending higher with the 50 day just below support at \$970 closing the week out at \$9.66.

The [COT report showed](#) a minor change with the commercials reducing long futures positions by 1,044 and increasing shorts by 1,905. This leaves the

group long 83,338 contracts and short 367,948 contracts, or net short 287,610 contracts. Lopsided would be an understatement.

This will be a crucial week for gold but I think that it will move back above the \$1,000 level as buying occurs on dips. Buyers have been waiting for dips to buy lately and this one should be no exception. My stance remains cautiously very bullish.



Silver showed its volatility once again losing 5.71%. Much the same can be said of silver as gold. The indicators showed perfectly when to go short and they remain in that bearish stance. The Slow STO is close to oversold already though and the RSI is now at 50. The RSI's 40 area should be support. I am happy to see the close on Friday stay slightly above the important \$16 level,

barely. That area is as important now as support, as it has been for so long as resistance.

If \$16 falls then \$15.50 and \$15 are the next areas to watch for support. The moving averages are trending higher and the 50 day is now at \$15 and will make that area that much stronger as support if it's needed.

The [COT report for silver](#) showed the commercials bought 1,052 futures contracts but sold short 4,335 leaving them net short 70,176 contracts. Still no short covering going on in gold or silver, but next week we may see some having occurred late this past week as the price fell. That data is not included in this weeks report.



Platinum also had a hard week losing 4.03% but it's trading well within the well defined uptrend channel. The correction was to be expected since it was near the top of that channel. The indicators are showing sell signals but the moving averages are trending higher.

I don't think a move below \$1,225 will occur since it is the lower end of the congestion zone between there and \$1,260. There really isn't much else to say about platinum since this correction could be seen and occurred on cue. It needs to run more on the downside so it's not quite time to buy this market yet.



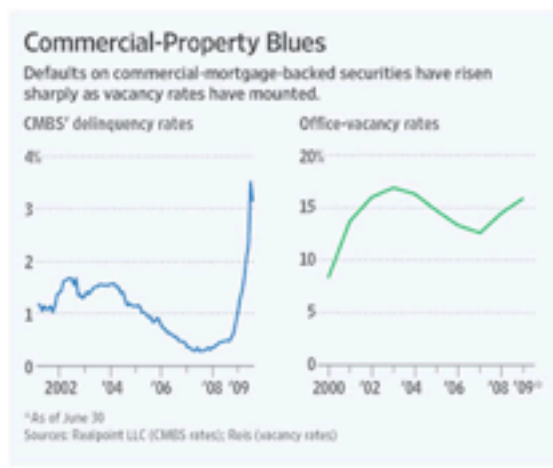
The inevitable correction in palladium has begun as the metal moved lower by 3.15%. This is normal and healthy and will likely see prices move to the \$283 level quite quickly and possibly to \$265 over the next two or three

weeks. I've been calling for this correction for a few weeks now and it's perfect. Nothing else to say about this well behaved metal for now, but I will surely be watching and let you know once I think it's safe to buy again.

Fundamentals Review

I'm no fan of rating agencies who take money from companies, to rate them same companies, causing an inherent conflict of interest. Many of these "rating companies" maintained high ratings on failed institutions right up until the end in effect defeating their purpose. One is now [being accused of issuing inflated ratings](#). These articles drive me crazy in their untimely reporting manner and obvious and old news. Don't they have anything better to talk about this week?

I and many others have been warning about the imminent next wave of the economic crisis. While it's heart is derivatives, the skin is the mortgage market. This chart of the Commercial defaults is stunning. Expect this to continue, and keep in mind, we are not even feeling the effects as of yet. It's going to be a long winter. The right chart shows office vacancies moving back above 15% on it's way to 20% and beyond. With rent diminishing I don't expect regular let alone major maintenance items to be taken care of, magnifying the problem of banks or whoever forecloses on the property.



On the front of who may foreclose, a [ruling occurred this past week](#) that will be seen as perhaps the most significant event this year. It's complicated and I thankfully don't have to deal with it since I live outside the US. Basically if you are being foreclosed upon chances are greater than 50% that your mortgage is held by a company called MERS or Mortgage Electronic Registration Systems. They don't actually hold the title to your home but could try and foreclose, but if taken through the court, this week has proven that, they cannot legally foreclose since they don't actually hold the title to the home. It's definitely something to look into and hopefully the word can get out to many people who need help.

I am in no way condoning the irresponsible buying and flipping of homes and general excessive living that most people in this situation have become accustomed to, but on the other hand the greed on Wall Street enabled this lifestyle to exist for a time. In a way this ruling is akin to Wall Street's bailing out, but really a loophole that the financiers missed and the populous picked up on.

Please [see this link for the one and only failed bank this week](#). I guess we can't have too many banks go under as US officials try and tell the rest of the world how good of shape they are in.

Iowa attorney General [Tom Miller is warning](#) that option adjustable rate mortgages, better known as ARM's, are soon to explode. The mortgages are now beginning to be reset, but the effects are yet to be felt.

I read an article this past week that said much of the rally in stocks is due to [bailout recipients using a portion of that money to buy the market](#). The Funds press release pondered how much longer the rally will persist before the money is withdrawn and gains are crystallized. Surely it will be before the year is out in order to prop up results. Then again you just never know what will take place in this circus we call a free market.

One more article on mortgages but this one [contains a very nice video](#) explaining just how large this problem is, and that it has begun in earnest. Nuff said. Must watch.

China made an interesting investment this past week by [buying a 14.5% chunk](#) in a Singapore based commodities and trading firm.

Interestingly, in Taiwan this past week anonymous traders told that the central bank there [urged lenders to reduce bearish USD bets](#). If you think this type of occurrence is isolated, think again. It may also foreshadow a rally in the USD and a correction in gold.

The [new central bank gold agreement](#) (CBGA) is set to begin on Sunday September 27. This year's totals are yet to be tallied but I expect them to not exceed 150 tonnes total. The new CBGA limits yearly gold sales at 400 tonnes as opposed to the prior agreements which were limited at 500 tonnes. The IMF's 403 tonne sale can be put towards this new total.

Germany's Bundesbank has said they will [limit their gold sales](#) within the next 12 months to 6.5 tonnes at the most. I have a feeling the actual sales will be closer to zero.

China's been acquiring and seeking properties in Africa for years now as well as other countries. Canada has been and remains a major player in international exploration and mining operations. This [article highlights Canada's increasing interest](#) in the African continent even while financing remains difficult to secure. Albeit not quite as difficult with gold hovering around the \$1,000 level. The gist of it all is that Africa remains largely unexplored and is becoming more and more politically safe. It is elephant country in more ways than one.

Mexican exploration and mine expansion expenditures are [said to decline](#) by 25.3% in 2009 year over year to \$2.73 billion. 30,000 jobs have already been lost and the 2010 figures could drop to 37.7% below the 2009 number to \$1.7 billion invested. I don't see this happening especially with the strength of the metals lately, but it is bullish for silver especially since it is widely produced in Mexico as a by-product of lead and zinc. The silver market is tight enough right now and further reduction in output would only have one effect on price. Higher.

The fun article of the week comes from the UK. I've always thought metal detecting could be a fun way to get some exercise and walk the dog, but have yet to take it up. This lucky gentleman [unearthed the largest hoard of Anglo-Saxon gold ever found](#). It's an amazing story at an amazing time in history and it will without a doubt attract more attention to the gold market. Especially when the pieces are sold and people realize gold holds its wealth buried, behind doors, or underwater, it never changes and perhaps gets even more valuable with time.

Ever notice how Obama looks similar in all his photo's? If not [check this out!](#)

A great short video of some of the [excess government spending on basically nothing is a must watch](#) and will make your blood boil especially if you are a US citizen who is paying for this and many other examples just like it, or worse!

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 to see which stocks are in my portfolio please see [here](#).

Until next week take care and thank you for reading.

Warren Bevan

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