

GOLD STOCK ANALYST™

A Monthly Newsletter Finding **Undervalued** Investment Opportunities through Fundamental Analysis & Rankings of the largest North American-Traded Precious Metals Mining Stocks

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Web Posted: 5/02/05

Where Are We Now?

At 3/31/05's \$428/oz Gold, and based on GSA's proprietary Market Cap/oz database compiled since 1994, **Gold stocks are trading as if Gold was \$380/oz.** On average the stocks are:

Undervalued 19% based on MC/oz P+P
Undervalued 13% based on MC/oz Prod

Macro Picture Still Intact for Gold

This gold bull market is the longest since gold price was freed with the collapse of the London Gold Pool in March 1968. Forty-eight months have elapsed since this bull began at \$256/oz on April 2, 2001 and it has significantly outlasted the 41 month second longest bull, from 8/25/76 to 1/21/80, when gold climbed from \$104 to \$850/oz (see GSA User Guide for this and the other gold bull markets).

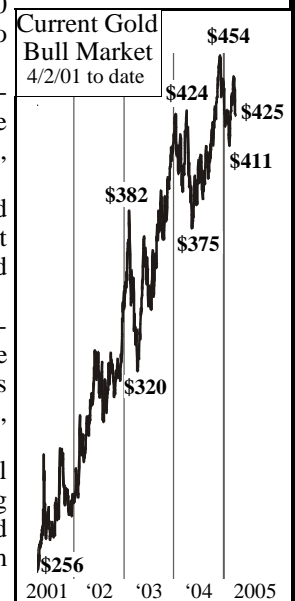
Given the duration and gold's inability to mount a strong run back to or thru the 12/2/04 high of \$454, doubters now say the bull market is dead. But, GSA sees this bull as resting to regain its strength, just as it did twice since April-01 before going on to a new high; first when gold fell from \$382 to \$320 in early 2003, and again when it slipped from \$424 to \$375 in mid-2004. See chart.

What will continue to drive this Market is the ever-expanding US Current Deficit, which reached an all-time record of -6.27% of US GDP for 4Q04 (see Page 16), highest in the developed world.

Key to supporting the Dollar's value is the exported money flowing back into the US via the Capital Account to buy stocks and bonds, land and Miami condos, and whole companies; see Page 15.

The chart on Page 14 shows the stocks and bonds component of the total inflow, with each line representing the last 12 months on a rolling basis. Net foreign purchases have already turned negative for foreign stocks and bonds, representing US investors buying abroad.

GSA believes as US interest rates rise, the resulting fall in stock and bond prices will bring foreign investor selling to avoid capital loss. Coupling this with the growing trend of foreign central banks shifting new money away from the Dollar makes GSA sure gold's rise will soon resume.



• **New York Gold Show:** May 23 & 24 at the NY Marriott. More info: 800-282-7469 or www.iiconf.com.

• Coin dealer Blanchard and Company's suit in New Orleans against **Barrick** and **JP Morgan**, alleging \$2 bil illegal profits from manipulating gold prices, is due to start a 10-day trial in July. Judge ordered parties to meet March 30 for "meaningful settlement discussions", but no agreement was reached. <https://www.savegold.com>

• **Mid-March's email Update** had comments on **AZS, BGO, QEE, and CAU**. Print-only subscribers can convert to Web Access with email Updates at any time by sending us an email from our website: <http://www.goldstockanalyst.com>.

• **Addition to GSA Top 10** made in March email Update. Who and why on Page 2
• While gold stocks languish, the successful launch of closed end fund **Gabelli Gold, Natural Resources and Income Trust** on 3/29, w/\$332 mil raised, proves there is interest in the sector; the fund will earn income by writing calls against the equity securities it holds. And, the two Gold ETFs, GLD and IAU continue sell shares and grow; on 3/29 they held 5,274,388 oz and 699,484 oz, respectively. The 5.97 mil total oz, worth \$2.5 bil, was probably pulled from gold shares over the last months, and exacerbated the value slide of GSA's 33 Tier 1 gold miners from \$99.4 bil on 11/23/04 (see Dec-04 issue) to \$87.3 bil on 3/31/04, data day for this issue.