

# 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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## On to \$450!!!

The bull market continues on track as Gold, at \$396 as we write, is poised to scale the \$400/oz barrier on its way to \$450. This target based on a simple repeat of the metal's 76% climb in 1985-87, to \$500 from its \$284/oz start (the current rally began at \$256/oz in Apr-01). Last time, the Dollar fell 40% vs the Yen and Mark. To date, the Dollar Index, now at 90, is off Jan-02's high of 120, a fall of 25%.

Barring a possible short-term setback due the Homeland Reinvestment Act (below), the macroeconomic picture could not be better for Gold to move higher.

## Homeland Investment Act (HR 767 and S 596)

Last issue, GSA reported being worried about the impact of the above proposed Law on Gold's price in the short term. As you may recall, this Act (now in the House Ways and Means Committee) will cut the US tax rate on profits repatriated to the US from the current 35% to 5.25% during a one year window. If enacted after Congress returns 1/20/04, GDP is seen increasing 0.2% on 2004 and 0.9% in 2005, with 666,000 jobs created by end-05. See: [http://www.house.gov/apps/list/press/pa03\\_english/study2.html](http://www.house.gov/apps/list/press/pa03_english/study2.html)

The Act is sponsored by 47 companies; techs such as Apple, Dell, HP, Intel and Oracle; pharmas including Lilly, J&J, Schering, and Wyeth; plus others such as Nike and Cummins. Estimates of the profits that might return range from \$135 bil (Joint Committee on Taxation) to \$300 bil (JP Morgan) to \$400 bil (PriceWaterhouse).

GSA's concern provoked responses by other newsletter writers along the lines of 'don't worry, this is a trivial amount relative to the \$1 trillion daily ForEx volume'. Unfortunately, this is not the correct comparison. Yes, the ForEx market is trillions/year in gross Dollars; BUT, these trillions net to an annual US Current Account (CA) outflow of \$555 bil (annualised 2Q03). This is the key number, not the gross transactions total.

Accordingly, if HR 767 becomes law, between \$135 bil and \$400 bil now offshore could return to the US in 2004; this inflow will effectively be netted against the \$550 bil/year US CA outflow. Whatever the final repatriated Dollar amount is in 2004, there will be that many fewer CA Dollars that must be reinvested by foreigners in US assets (stocks and bonds, land, entire companies) to maintain the Dollar's price level vs Gold and other currencies.

If 2003 saw "X" portion of the \$550 bil CA Dollar outflow invested in gold to send the metal higher, a tax holiday for 2004 that encourages Dollar repatriation will mean fewer CA Dollars will need to be reinvested in other US assets in '04 by their foreign holders. This could lead to a stronger Dollar and lower demand for Gold as a Dollar alternative in 2004.

While a stronger Dollar in 2004 would not end its long term slide, it would force Gold to depend on other Demand components to stave off a fall or to move higher: 1) Inflation expectations due loose Monetary Policy and huge State and Federal Budget deficits, 2) Fears due huge Debt levels now carried by Consumers and Govts, 3) Trade War risks, and 4) Gold's traditional Safe Haven role.

## GSA's Top 10 Stocks up 101%,

2003 to date. See Page 3 for more.

**Next Issue Mailed:** 12/26/03

## Where Are We Now?

At 11/26/03's \$396/oz Gold, and based on GSA's proprietary Market Cap/oz database compiled since 1994, **Gold stocks are trading as if Gold was \$385/oz.** On average the stocks

**Undervalued 3%** based on MC/oz P+P

**Undervalued 9%** based on MC/oz Prod