

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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No Company Reports this issue due to GSA's heavy November travel (4 days at San Fran Gold Show, 8 in Brazil, 3 "red eye" flights, etc) and, with Gold at \$500, we need to run the Mkt Caps/oz Analysis earlier than planned to see where the stocks are now vs the Metal - Over or still Undervalued?

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Next Issue 12/28/05
Web Posted:

Where Are We Now?

Based on 11/28/05's \$496/oz Gold, and GSA's proprietary Market Cap/oz database compiled since 1994, for a Rising Gold market, **Gold stocks trade as if Gold was \$490/oz.** On average the stocks are (see Page 8):

Undervalued -1% based on MC/oz P+P

Undervalued -1% based on MC/oz Prod

3Q05 Current Account Deficit Due Dec 15

With the monthly US Trade Deficit at a record -\$66.1 bil, reported 11/10/05, we now have 3Q05's trade data that annualizes to a record Deficit of -\$734 bil. Based on recent results, 3Q05 Trade data will likely make up 87% to 94% of the 3rd Qtr 2005 US Current Account Deficit (CAD) due to be reported on 12/15/05.

What's not known is the Income inflow/outflows and Unilateral Transfers (always an outflow due US Foreign aid and immigrants sending money home). But we can speculate on the possibilities for the unknown data to derive potential ranges for the CAD. Based on a Income+Transfers being equal to 3Q04's level at 6% of CAD, the -\$780 bil Deficit would be level with 2Q05's total, and down slightly to 6.19% of US GDP. At 1Q05's 13% (perhaps so high due to one-time Tsunami aid sent overseas), the CAD would soar to -\$843 bil and 6.67% of GDP. GSA's best guess splits the range: a -\$812 bil record Deficit number, but a non-record -6.44% of US GDP.

United States: (Annualized Rates)	3Q04 (Actual)	4Q04 (Actual)	1Q05 (Actual)	2Q05 (Actual)	3Q05 (Low Est)	3Q05 (Hi Est)
Trade Deficit	-\$638 bil	-\$685 bil	-\$692 bil	-\$693 bil	-\$734 bil (actual)	
% Trade of CAD	94%	91%	87%	89%	If 94%,	If 87%,
% Income+Trans	6%	9%	13%	11%	then = 6%	then = 13%
Curr Acct Deficit	-\$668 bil	-\$753 bil	-\$795 bil	-\$783 bil	= -\$780 bil	= -\$843 bil
US GDP	\$11,819 bil	\$11,995 bil	\$12,199 bil	\$12,378 bil	\$12,601 bil	\$12,601 bil
% CAD of GDP	-5.65%	-6.28%	-6.52%	-6.33%	-6.19%	-6.67%

On to \$550!

Gold hasn't "officially" crossed \$500/oz, as scorekeeping is based on the London Fix, but it topped the mark in overnight trading Nov 29/30 and then couldn't hold. In the short term this is not surprising as we can see in the GSA Indicators on Page 7 that Marketvane reports gold bulls at 89%, a level that begs "Where will additional buying impetus come from to drive gold higher?" Gold has slipped \$5/oz as we write, so the answer is "From no where." in the short term.

Longer term, the answer to the question is: "Gold will be pushed higher, to our \$550 target for 2006, by the macroeconomic scenario." While we're no less bullish than **Newmont's** Pierre Lassonde, who predicted \$1,000/oz in 5 to 7 years while speaking in Australia end-Nov, we prefer to take ... *continued Page 16*

- US Treasury punted and declined to name China as a **Currency Manipulator** in its 6 weeks overdue report released 11/28/05. This is sure to revive the Schumer/Graham attempt to impose 27.5% tariff on Chinese imports and see the Yuan become a 2006 election issue.

- **Killing another messenger?** Fed announced that as of 3/26/06 will cease "publication of M3 monetary aggregate". The broadest definition of the money supply, M3 includes cash, checking, money market, plus small/large time deposits. Apparently the data will still exist; but like X-rated movies, it's too "hot" for general audience, so the info will be suppressed? Sure leads one to believe that the Fed's "printing presses" will be working overtime covering US's twin deficits.

- *NY Times* reported 11/12/05 that under the Homeland Investment Act, "nearly 100 companies have announced **repatriations** totaling more than **\$200 billion**".

- Two **Additions to GSA Top 10.** Who and Why on Page 2.