



GSA ProTM

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The version of *Gold Stock Analyst* newsletter for Professional Investors
Reports on 60+ Gold miners plus the GSA-Top10 newsletter in mid-month

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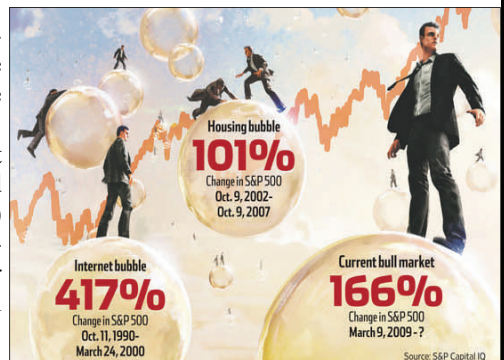
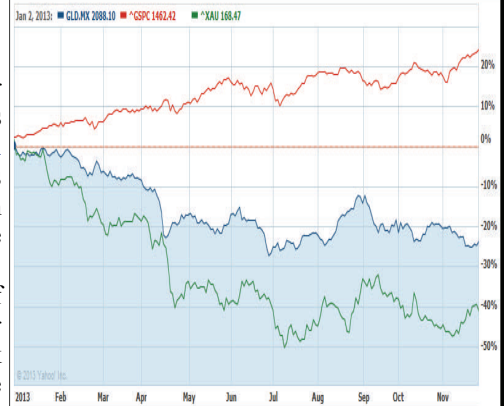
Tax Selling Coming...

And may be here already!

The adjacent chart tells the story for 2013. The **red S&P 500 line** has gained over 20%, while the **blue Gold line** (using GLD ETF as its proxy) has lost over 20% and Gold stocks, shown by the **green line XAU Index**, have lost 40%.

Regardless of an investor's belief that Gold will ultimately power higher, anyone with a broad stock portfolio will have gains that could be taken and offset by Gold stock losses. Media interviews and articles in *Baron's* and *Wall Street Journal* that the Market is now a "Bubble" (see graphic) add to the sell pressure.

Plus, money managers that weren't flushed out in late June when Gold saw its low (see July-13 *GSA-Pro*) might sell now to avoid client criticism for still holding Gold when their year-end statements are received in January.



Fed Tapering Talk

Wall Street has consistently been wrong on when the Fed would start tapering its \$85 bil/month QE debt purchase program after the idea was first broached in the Mar-13 FOMC minutes. To be sure, tapering will ultimately come if only because there are increasingly fewer Treasuries to buy.

But, what the Street ignores is that QE's goals, reducing the unemployment rate to 6.5% with inflation under 2.5%, remain unmet. These goals, announced in Dec-12 (QE4's start), were reaffirmed in the Oct-13 FOMC minutes released Nov 20, 2013. Unemployment is now 7.3% and CPI inflation is at +1.0%

With Bernanke's term ending Jan-14, a decision to continue or change the QE policy will be up to (likely) incoming Chairman Yellen, the current Vice-Chair and a Bernanke disciple. With little incremental economic improvement from the latest months of QE, GSA thinks any tapering announcement will be accompanied by a new stimulus program. From the minutes: "...it might well be appropriate to offset the effects of reduced (bond) purchases by undertaking alternative actions to provide accommodation at the same time".

Potential new actions were discussed in FOMC's October meeting. Foremost was reducing the interest paid, now 0.25%, on banks' excess reserves deposited at the Fed. These deposits totaled \$2.47 trillion on Nov 21, 2013 and represent monies that could be loaned to businesses and consumers to ...continued Page 3

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Where Are We Now?

Based on 11/29/13's \$1,253/oz Gold, and GSA's proprietary Market Cap/oz data base compiled since 1994 for Rising and Falling Gold price trends, **Gold stocks trade as if Gold was \$664/oz.**

On average, Gold stocks are:

-47% Undervalued