GSAPro™

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

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IN THIS ISSUE:

Top 10 Stocks	2
GSA Stock Data	4-6
Gold: Price & Indexes	7

Reviewed Inside:

South African Golds

AngloGold	8
DRDGold	3
Harmony	10
Sibanye	11

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Dundee	12
Eldorado	13
Endeavour Mining	12
Goldcorp	14&15
Gold Fields	16
Golden Queen	9

Analyses Inside:

Top 10 Comments	3
Investor Day 2017	17

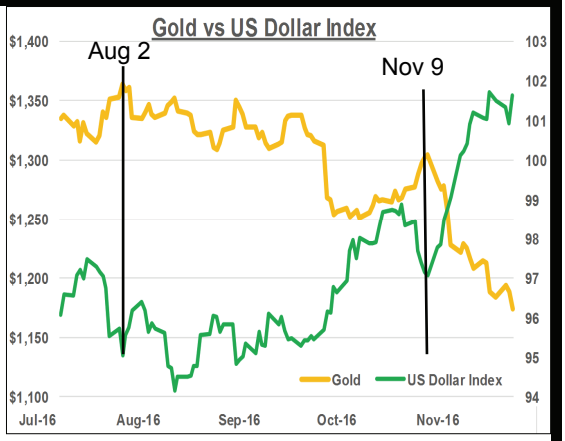
Next Issue Web Posted: 1/1/17

Where Are We Now?

Based on 11/30/16's NY close of **$1,173/oz**, and GSA's proprietary Market Cap/oz data base since 1994 **Gold Stocks trade as if Gold was $841/oz, making the stocks**.

-28% Undervalued

Blame the Trump Rally for Gold's Slump



Gold is the anti-Dollar and the Greenback's rise since Aug-16 nearly mirror images the Metal's slide (see chart).

Both trends have been exacerbated since Trump's election as President, as the Dollar (as evidenced by the Dollar Index, DXY) kicked into to overdrive.

As the chart shows, Gold's slide accelerated after its Nov 8 close at $1,282/oz to end Nov 30 at $1,178 or over $100/oz lower. Again mirroring, the Dollar Index (DXY) jumped higher from 97.0 to 101.50 on Nov 30, a big move for currencies in a short period. These are due to Trump's win as foreign investors bought Dollars to participate in a revitalized US economy and US stock markets have made record highs.

How long will this trend persist? Not much into 2017, we think.

The Trump Presidency is in its honeymoon phase, where investors focus on the promise of what might come… lower taxes, more infrastructure spending, less environmental regulation, less banking and Wall Street regulation, Obamacare repeal, etc. All this promises to unleash the US economy and grow GDP at a 4%+ annual rate to create millions of new jobs.

Unfortunately, reality will soon sink in. The minority Democrats will obstruct Trump just as the Republicans did to Obama. So what is actually accomplished will be far short of Trump's promises. Already some examples of this:

The Carrier Air Conditioning deal keeps only 1,000 of the 1,400 jobs that were to be lost. And it will cost the state of Indiana millions in incentives to offset the annual $65 mil Carrier said it would save by moving to Mexico.

"Drain the Swamp" now looks to be an empty rally cry as Washington insiders and billionaires get key posts in the new Administration. Elaine Chao, wife of Senate leader McConnell and Labor Dept Secretary under Bush II will be head Transportation. Betsy DeVos, billionaire Amway heir, will head Education. Goldman Sachs billionaires Steven Mnuchin will lead Treasury and Steven Bannon as Chief Strategist.

Incoming Health Secretary Tom Price is committed to gut or repeal Obamacare, but many of its actual beneficiaries, lower middle class whites impacted by jobs being exported, were Trump voters and will protest their loss of benefits.

We wish President Trump well, and certainly will love benefiting from lower taxes, and hope he can implement many of the campaign pledges that got him elected. But there's a strong possibility that Mr Market's initial reaction to a Trump presidency will prove correct. Overnight Nov 8 and early morning Nov 9, the fear of Trump sent Gold higher by $67/oz to $1,337 and the Dow Jones Average futures plunging by 800 points.