



GSA Pro TM

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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Where Are We Now?

Based on 12/29/15's \$1,069/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 \$508/oz.**

On average, Gold stocks are:

-53% Undervalued

2015 Trends Impacting Gold

It was not a good year, but out of its ruins come some green shoots of optimism for 2016.

Examining first the top chart, it's interesting that Gold and Silver both ended 2015 at down ~10%. But along the way, every Gold spike up, saw Silver spike higher. As we like to say, Silver is Gold on steroids. When the market finally turns up, Silver will probably see the biggest gains. For our Fave Five Silvers, add a subscription to *GSA-Silver*.

Three major factors affect the cost of mining and processing, with the first, Oil/Energy at ~25% of cash costs/oz. As seen in the second chart, Oil has fallen ~35% in 2015 to approximately offset Gold's price fall and keep operating margins the same as at the year's start.

The second factor is the mine's local currency which impacts labor and other costs when translated into cash costs/oz in US\$. The 3rd from top chart shows us that the local price in many top producing nations has actually risen due to the fall of their currency vs the US Dollar (and add the Aussie Dollar as it traces the C\$).

The third factor is the price of by-product metals, whose revenues are applied to reduce Gold's production cost and cash cost/oz. Gold's primary by-products are Silver and Copper. The latter's price has fallen more than Gold and resulted in rising cash costs, albeit from a very low base, for one Top 10 stock.

Assuming the current Gold, Oil, Copper, and Forex levels are maintained, 2016 should be a better year for Gold stocks. They have cut their own costs with a cleaver, a strong US\$ will keep cash costs low for foreign miners, and the oil glut which will keep power costs in check. Net, net, better times for the miners are ahead in 2016.

