



# GSA Pro <sup>TM</sup>

The version of Gold Stock Analyst newsletter for Professional Investors  
 Reports on 50+ Gold miners plus the GSA-Top10 newsletter in mid-month

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Top 10 News (on Pg 3):

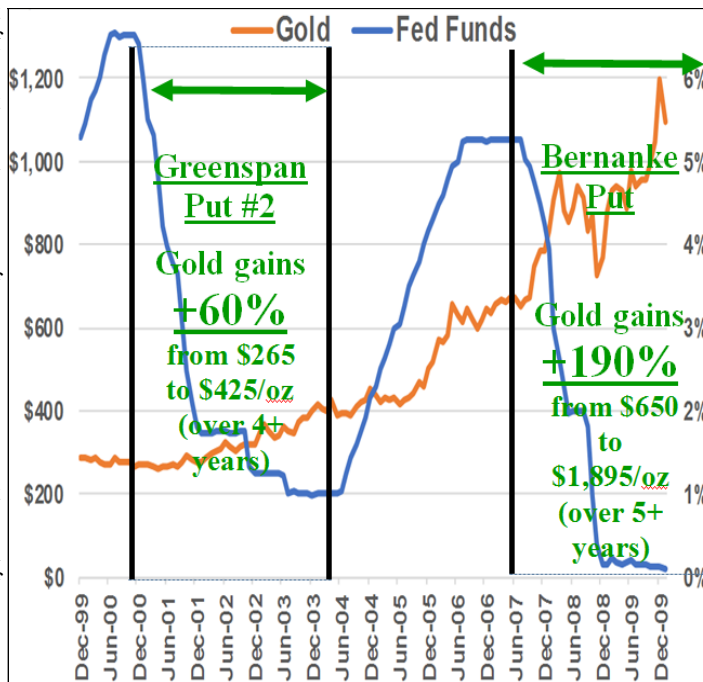
## Trade War Erupts! Will Fed Again Bail Out Markets?

Tariffs and other bad trade policies turned what might have been an ordinary US recession in 1929 into a world-wide Depression by the early 1930s. The Smoot Hawley Act of 1930 raised tariffs on 20,000 items imported to the US and by 1932, dozens of US trading partners had retaliated. Then the weak Federal Reserve was too timid to use its untried monetary policy tools to revive the economy. But after Fed Chair Volker successfully fought the late 1970s inflation with high interest rates in 1980, the Fed's power was recognized and began to be used.

The next Chair to test the Fed's power was after the stock market Crash in October 1987. Called the "Greenspan Put", he lowered the Fed Funds rate for a year. (The rate is set at 8 meetings a year; it's what banks pay to borrow overnight other banks' excess reserves to meet Fed reserve rules on deposits.) This "Put" (#1) set a floor under the Market at 502 on the S&P 500. But the increased liquidity soon brought inflation and to fight it, the Fed boosted the Fed Funds rate in Dec-88.

Other, less major, "puts" saved the stock market when Fed lowered rates in Dec-89 amid the S&L crisis and through the recession that followed. It again lowered rates after the Sept -98 collapse of Long Term Capital management hedge fund.

Bush II took office Jan 20, 2001 with Fed Funds at 6% and the NASDAQ off more than 50% from its Mar-00 high of 5048 as the dot-com bubble had burst. The S&P 500 lagged behind, still at 1963 in Jan-01 and not far from its Aug-00 high of 2210; but it then kept falling to 1133 in Sep-02



While he had raised rates through Clinton's last two years in office, 1999 and 2000, Greenspan greeted President Bush with multiple cuts in Fed Funds rate (Put #2) beginning Jan 3, 2001 from the the final Clinton level of 6.5%.

In successive 2001 Fed meetings and throughout the next 2.5 years he cut more, finally ending the rate's descent in the following year at 1.0%, June-03, just after the S&P had double bottomed in Mar-03 at 1159.

Gold greeted incoming President Bush in 2001 at \$265/oz ...continued Page 3