



# GSA Pro<sup>TM</sup>

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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## Where Are We Now?

Based on 5/31/17's \$1,267/oz close in NY for Gold, and GSA's proprietary Market Cap/oz data base, **gold stocks trade as if gold was \$1,154/oz**; Gold stocks on average are:

**-9% Undervalued**

## Gold Stocks Misbehaving

The main reason investors buy Gold stocks is for their leverage to Gold price. When Gold increases by \$1/oz, a miner's profits increase by the one dollar times the number of ounces produced. But more importantly, all the ounces still in the ground are now each worth \$1 more. Since a miner typically has 10 years of production in P+P reserves, the \$1 price increase boosts the miner's P+P value by ten times.

Gold stock prices and Gold's price are not directly connected like Siamese twins. Other factors can play on stock prices, such as a fall in the broad stock markets that removes buyers for all stocks, so the Golds can fall along with all other stocks. In this case the miners act like stocks, and not a proxy for Gold.

After Gold gained +8.1% in 2016 and another +10.5% in 2017, we are clearly in a Gold bull market. But to date in 2017 the Gold stocks have acted strangely; see table. Despite Gold being up +10.5%, the Gold stock indexes are all up less, and the GSA Top 10 is barely ahead of the metal at +10.7% (for the individual Top 10 stocks see page 2 table).

It's easy for investors, and GSA, to believe that the Gold stocks are acting abnormally vs Gold, but it's simply part of the normal waxing and waning between the two. In the top chart below we subtract the 90 day rolling return of Gold from the HUI Gold Stock Index (same results from the other Gold stock indexes). As seen, more than one-half the time since 2009, the HUI underperformed Gold as the period contains the long bear market from mid-2011 to end of 2015 and the stocks fell more than the Metal.

Outperforming to start 2017, but now the stocks are underperforming, i.e. below the horizontal blue line. It will take a Gold price fall or the stocks to rise for the line to reach positive territory.

GSA believes the latter is more likely, given that all miners are profitable at \$1,250 Gold and there's plenty of geopolitical worries, i.e. North Korea and Russia/Trump/Syria.

Gold Stocks	YTD-17
<b>GSA Top 10</b>	<b>+10.7%</b>
Gold	+10.5%
XAU Index	+5.7%
HUI Index	+5.6%
GDX ETF	+8.5%

