



GSA Pro TM

*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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Top 10 News (on Pg 3):

Rangebound

Gold and the US Dollar are each other's Yin and Yang. Without getting into Chinese philosophy, they have meaning that's best expressed in terms of the other, such as day and night... Light or the absence of light.

While Gold's utility and beauty can be described myriad ways, its value is only be expressed in terms of a standard something else... units of fiat currency, typically US Dollars.

US Dollars were originally measured in units of Gold, 23.22 grains to start. Until 1971, the US Govt mandated and enforced that 1.0 Troy ounce of pure Gold equaled 35 US Dollars. Or, US\$35.00 would buy one ounce of pure Gold. Now it takes approximately 1,310 US Dollars to buy an ounce of Gold. Has the US Dollar gone down in value, or has an ounce of Gold increased? The unit of measure, one ounce, has remained constant, so it must be that the US Dollar's value has fallen.

From the start of 2018, Gold and the US Dollar Index (DXY, a proxy for the Dollar's value in multiple currencies) have traded in tight ranges and as mirror images. When the Dollar is strong, Gold is weak, and visa versa. See chart below.

This pattern will continue until a new influence intrudes into the relationship. Driving Gold to breakout higher could be inflation fears (US CPI is now above Fed's 2% target); or War fears. Will North Korea really denuke? Does Iran have hidden nukes, as claimed by Israel? Will a trade War develop between US and China, or Europe? History shows trade wars weaken the economy of every participant.

Conversely, sending the Dollar higher (and Gold lower) would be higher real interest rates, or a lessening potential for war. Gold's slide since mid-April appears due to North Korea's unusual peace overtures lowering the potential for War.

We don't know the future, but there's plenty of reasons to expect higher Gold.

