



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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**Next Issue  
 Web Posted: 11/1/16**

## Where Are We Now?

Based on 09/30/16's close for Gold at \$1,317/oz, and GSA's proprietary Market Cap/oz database compiled since 1994, **Gold Stocks trade as if Gold was at \$1,115/oz.** On average, **Gold Stocks** are:

**Undervalued -15%**

## China's Yuan Joins SDR Currency Basket

SDRs, Special Drawing Rights, are a super currency created by the IMF (International Monetary Fund) to supplement nations' Reserve Assets (RA), which before 1969 consisted only of Gold and other nations' monies. SDRs are a set basket of key currencies that's updated every 5 years based on trade volumes. The Yuan was added in 2015 and became effective October 1, 2016. To make room, the Euro Yen and Pound saw their percentages reduced. See graphic.

Nations need RAs to occasionally support the value their currency in the Foreign Exchange Markets. Currency exchange rates are generally Market determined and based on aggregate trade and investment money flows, and an exchange rate versus others moves up or down balancing the flows over the long term. In the short term, currencies can become overvalued or undervalued due to investor buying or selling, respectively. If a currency falls, imported goods and resources will cost more locally, which can bring inflation. And it makes any borrowings denominated in foreign currencies more expensive to repay. Argentina defaulted in 2001 because it couldn't pay the US\$93 bil it owed in Dollars because the Peso had fallen so low due to bad economic policies.

It's fruitless to defend a nation's currency unless changes are also made to the underlying economy. But, if the weakness is seen transitory, supporting a currency by selling RAs to buy the weak domestic money may make economic sense.

A nation's foreign currencies and Gold as RAs may be too little to successfully defend its currency, so the SDR was created as a third asset, with SDRs allocated by IMF to members to allow acquiring ForEx to defend its currency.

Adding China's Yuan to the SDR basket is not the game changer claimed by some goldbugs and won't lead to the US Dollar's demise. Of course, that would be good for Gold, the anti-Dollar, but it's not going to happen from this action.

Putting Yuan in the SDR simply recognizes China is the World's #3 economy, but its currency is used in only ~2% of world transactions. This will increase, but importers and exporters will continue to settle their transactions in the far more important currencies, the US Dollar and the Euro.

Old SDR	New SDR
Pound 11.3%	8.1%
Yen 9.4%	8.3%
Euro 37.4%	Yuan 10.9%
	Euro 30.9%
US\$ 41.9%	US\$ 41.7%

**Fifth Annual GSA Investor Day 2017.** Will again be held on the last Sunday of February, Feb 26, in 2017. And again at Pier 66 Hyatt on the Intracoastal Waterway in Ft Lauderdale. It's an all day event featuring presentations by top managers from the Top 10 and Fave 5. Running from 8AM to 8PM, GSA also provides food and drink. Investor Day is only for subscribers, and we will have a special rate for a limited number of rooms at Pier 66. Details to come, but mark your calendar now.

**Changes in Top 10 Target Prices.** We flag those stocks on Page 2 if the Target Price has changed more than 5%, up or down. Two Top 10s are flagged on Page 2.