

# GSA-Pro<sup>TM</sup>

The version of *Gold Stock Analyst* newsletter for Professional Investors  
 Reports on 70+ Gold miners plus the GSA-Top10 newsletter in mid-month

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 Web Posted: 12/28/11

## Where Are We Now?

Based on 11/30's \$1,746/oz close on Comex, and GSA's proprietary Market Cap/oz database since 1994 for Rising/Falling Gold price trends, **Gold Stocks** trade as if Gold was \$1,473. On average, **Gold Stocks** are:

**-16% Undervalued**

## Central Banks Blink

Nov 30 saw US Federal Reserve joined by 5 others (Euro Central Bank, Canada, England, Japan and Swiss CBs) in a coordinated action to provide liquidity to European commercial banks. Just as 2008 in the US, banks have stopped trading with each other for fear the other may go broke and leave it "holding the bag".

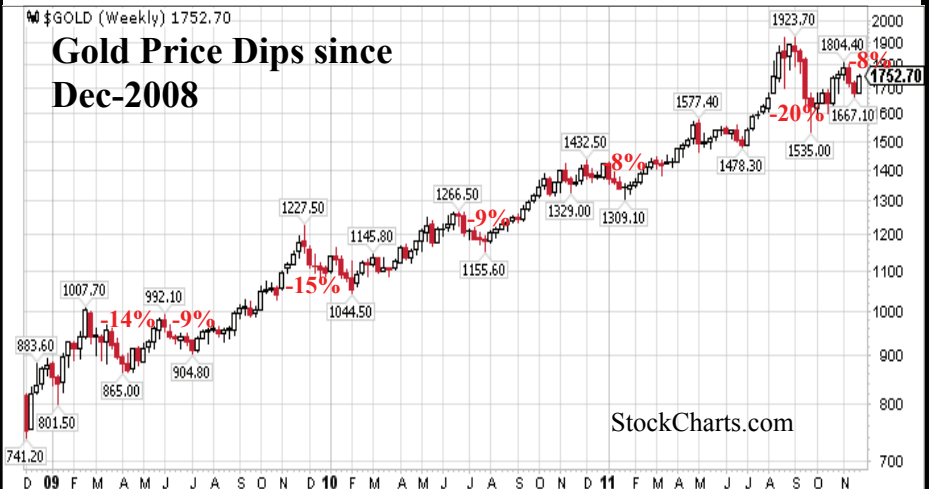
But the Central Banks' move does not provide solvency, just liquidity. Most European commercial banks are technically bankrupt due to their losses on bonds issued by the PIIGS. In retrospect, it's easy to see how they got there:

Banks are required to set aside varying amounts of capital in reserve against loans going bad, but no reserves are needed to back purchases of Euro sovereign debt. This meant Euro commercial banks could buy unlimited amounts government debt without "using up" their capital. And since the PIIGS' debt yielded 2X or 3X that of Germany bonds, to maximize profits, they loaded up on PIIGS' paper.

Now the PIIGS are coming home to roost, but the charade of bank solvency must be maintained to avoid Euro's collapse. The CBs' move treats the trading lockup symptom, but it doesn't return the PIIGS bond prices to par and make the banks whole. Maybe if everything can be juggled for a decade, enough profits can be earned elsewhere by the banks to offset bond losses. That's what the ECB hopes.

Gold will continue having ups and downs on Euro and other news as its now ten year march higher continues. As seen below, seven times since 2008 the metal has dropped 8% or more, and ultimately resumed the trend. The only escape for Euro and US is inflation, in the same manner the US and Europe escaped WWII debts.

Do not lose faith in Gold during its periodic dips as you'll never know when to buy back in. "Steady as she goes" in the best course to financial survival.



- **Vacation:** GSA will be closed from Dec 29 through Jan 10, 2012. We will be reachable by email, so use "Contact Us" button on the website. The Jan-2012 issue of *GSA-Pro* will be posted early on Dec 28, 2011.
- **Warren Buffett's** late dad, US Congressman Howard Buffett, on how a Gold Standard assures a balanced Federal budget: <http://www.fame.org/pdf/buffet3.pdf>