

GSA-ProTM

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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Where Are We Now?

Based on 6/29/12's \$1,599/oz Gold, and GSA's proprietary Market Cap/oz data base compiled since 1994 for Rising and Falling Gold price trends, **Gold stocks trade as if Gold was \$1,080/oz.**

On average, Gold stocks are:

-32% Undervalued

Time for all In (?)

We've been afraid of another 2008 Lehman-like event and its accompanying market crash. Accordingly, we've been following a 1/3 Gold, 1/3 GSA Top 10, and 1/3 Cash strategy

	Gold	Top 10	XAU
2009	+24.4%	+130.0%	+35.9%
2010	+29.5%	+67.5%	+34.7%
2 year total gain	+61.1%	+285.3%	+83.1%

for our total investment portfolio since the July 15, 2011 issue of *GSA-Top10*. We discussed this then and again in more recent issues.

Some background: We went to 40% cash in the Top 10 when Bear Stearns collapsed in March 2008. Subscribers objected saying it was their job, not GSA's, to make overall portfolio allocations... that GSA's job is to identify the 10 best Gold stocks regardless of market conditions.

We agreed and taking subscribers' direction, the Top 10 was returned to fully invested with some new additions over the next months. Unfortunately the Top 10 suffered, along with everything else, in the Oct-08 Market crash, although your Editor had personally stayed with a big cash position in his total portfolio.

It's still not GSA's job to provide overall portfolio advice... everyone has different needs and risk tolerances and it is the job of a financial advisor to tailor individual strategies. But, based on the 2008 history and your Editor's concern for subscribers... much the same as he was concerned for students' overall welfare when a Professor... the "thirds" total investment portfolio was implemented with the hope minimizing the downside and creating the opportunity to magnify the upside.

As seen in the above table, from the start of 2009 the **Top 10 made a 285% gain** over the next two years. This was triple the gain of the XAU Gold stock index, and almost 5 times Gold bullion's gain over the same period.

Building on this knowledge, we have been waiting for the opportunity to double down on the Top 10. That time nears, due to:

1) On June 29 Merkel/Germany caved and will now allow the ESM, the eurozone's permanent rescue fund, to recapitalize banks directly rather than thru their governments which would increase the burden on the already heavily indebted sovereign nations. This spreads the burden among all the euro members and is a step closer to using Germany's balance sheet to rescue the slothful Club Med members.

2) On June 28, the US Supreme Court decided Obamacare is legal. This is huge win for the floundering Democrats and in your Editor's opinion it will provide the spark for their win in November. How can Romney run against Obamacare when it has been confirmed legal and it is essentially the same as the Romneycare he supported when Massachusetts' Governor? Renewed enthusiasm for Obama and his reelection coattails will stymie further gains by fiscal conservatives in November and the deficit spending will continue unabated.

Friday June 29's \$47/oz gain for Gold was a sign of the ...continued Page 3

• To follow up on our "Gold Rumors" page 1 article in June 15's Top 10 and the apparent lack of "official" confirmation of any of the three... Eagle-eyed and paid up subscriber Eddie Fuller passed on this link from the FDIC under which the federal bank regulatory agencies jointly proposing Gold be treated as a Tier 1 asset under Basel III, the same as cash and US Govt debt. See Page 2 of <http://www.fdic.gov/news/news/financial/2012/fil12027.html>