

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 10/28/11's Comex close at \$1,743/oz Gold, and GSA's proprietary Market Cap/oz database compiled since 1994 for a Rising Gold market, **Gold stocks trade as if Gold was \$1,436/oz.** On average, Gold stocks are:

Undervalued -17%

Are You Being Cooked?

If you put a frog in a pot and slowly turn up the heat, it will happily allow itself to be cooked to death. Mr Frog doesn't realize the danger... that the increasingly warm and comfortable water will kill him... until it does. Myopia is the medical term for being able to see near objects clearly while the distance is blurred.

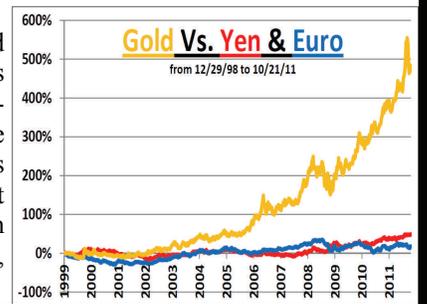
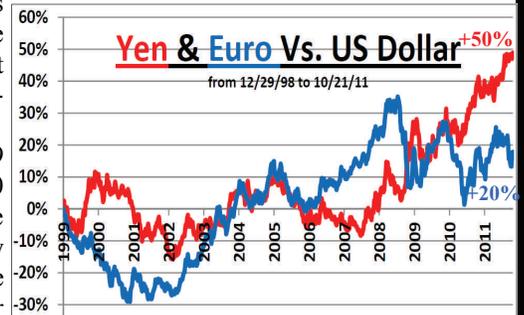
GSA sees too many US investors as focused on the short term, and as a result it is a nation of myopic frogs unable to see the future. Investors believe the US Dollar is a sanctuary for savings, when it is not. Versus the alternative reserve currencies, Euro, Yen and Gold, the Dollar has been the worst performer. But those who don't travel abroad are not aware how warm the water is becoming... just like Mr Frog.

The Euro began January 1, 1999 with an initial exchange rate of 1.00 Euro = US\$1.17. Despite all the concerns over a potential default by Greece and the other PIIGS, the Euro's current value is over US\$1.41. So regardless of the fears, it now trades 20% higher than where it began over 12 years ago vs the Dollar (blue line in above chart).

At end 1989 Japan's Nikkei Index peaked near 39,000; now 22 years later, it remains deflated and below 9,000. The Nation's economy is moribund with near zero interest rates. Economic theory teaches that low interest rates and low growth offer little to attract foreign investors, so that should add up to a low exchange rate. But the opposite has been true. On January 1, 1999, 100 Yen bought \$0.88 (88 cents). Now, after Japan's two "lost decades", its currency trades higher and 100¥ now buys US\$1.32. Versus the 1999 Dollar, the Yen now trades 50% higher (red line).

Gold is money that cannot be manufactured by a printing press and as a result offers safe haven to investors. Over the period since Euro's start on January 1, 1999, Gold has soared from \$288 to \$1,743/oz, over a 500% gain vs the Dollar (see chart to right).

All but the most myopic of frogs should realize the future will see more of the same as US politicians seek their number one goal, reelection. And, despite current rhetoric, the history of Democrats and Republicans proves they'll continue loose money and deficit spending policies to try and deliver maximum benefits and services to voters. Accordingly, be prepared for more money to be printed.



- We're in Belize Nov 6-9 for our Gold & Global Wealth Preservation Forum. There's space for several more. <http://www.goldstockanalyst.com/belize.html>
- Editor interviewed 10/28/11 on Jim Puplava's excellent internet radio program. Listen here: <http://www.financialsense.com/financial-sense-newshour/>