

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

The version of *Gold Stock Analyst* newsletter for Professional Investors  
Reports on 60+ Gold miners plus the GSA-Top10 newsletter in mid-month

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## Where Are We Now?

Based on 9/28/12's Comex close at \$1,762/oz Gold, and GSA's proprietary Market Cap/oz database compiled since 1994, Gold stocks trade as if Gold was \$1,462/oz. On average, Gold stocks are:

**Undervalued -17%**

## Brokers' Gold Analysts Seemingly Hate the Metal

To estimate price targets for Gold stocks, Wall/Bay St analysts must forecast future Gold prices in order to determine the companies' earnings streams they discount to calculate Net Asset Value per share. (GSA doesn't favor this method as it ignores the stocks' value as an option on Gold price).

And then inexplicably, in this future earnings calculation, the analysts use prices lower than the current. In doing this, they ignore the observable prices in the Gold futures market. What investor feels comfortable buying shares in a company that faces falling market? (GSA uses the current spot price.)

In the top chart below (data from Bloomberg), we compare the median forecast Gold price of Wall/Bay St analysts (blue line) to Gold's price in the futures market (gold line). As seen, the prices diverge. Futures investors willingly pay \$1,827/oz for 2015 delivery, but the average broker analyst uses \$1,540/oz in 2015, 15% below the futures price. Why?

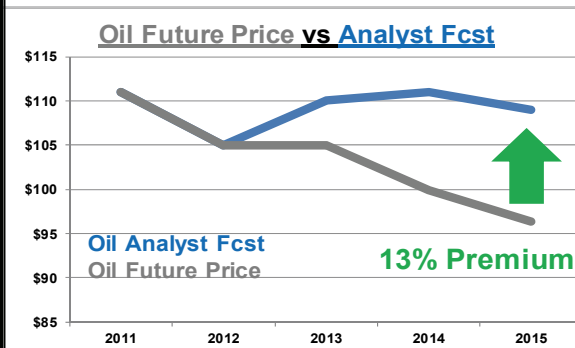
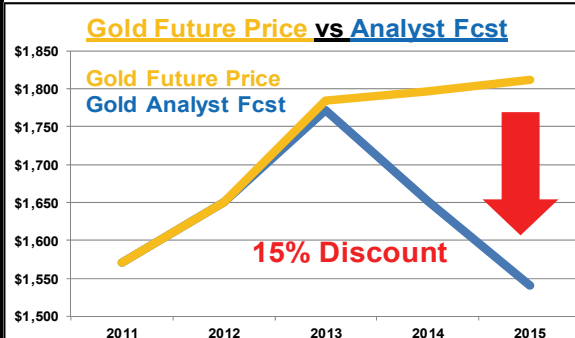
In most other commodities, the broker analysts use higher prices than the futures predict to calculate a stock's valuation. For example, the analysts' 2015 price forecast for Brent crude is now 13% higher, at \$109/bbl, than the 2015 futures oil price of \$97/bbl.

In oil the analysts are more optimistic than Mr Market, in Gold, the analysts are more pessimistic.

GSA and many others think the Gold broker analysts are to blame for Gold stocks' underperformance, as evidenced by the Gold Indexes.

Many Gold investors are believers and fully understand the forces that will drive Gold higher.

But generalist analysts/investors, the non-believers, can see no reason to buy a Gold stock if the analyst's price targets are predicated on a falling Gold price. G.G.



This article was prompted by Gold legend Pierre Lassonde's presentation at Denver Gold Forum 2012.

## Four at New 52 week Highs

GSA-Pro follows 60+ miners and royalty firms searching for the best 10, the GSA Top 10. From that list, many are still mired near their 52 week lows. But eight have made new highs in the past 10 days, and four of the eight are GSA Top 10s!

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