

# GOLD STOCK ANALYST™

A Monthly Newsletter Finding **Undervalued** Investment Opportunities through Fundamental Analysis & Rankings of the largest North American-Traded Precious Metals Mining Stocks

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## Where Are We Now?

Based on 8/29's \$830/oz Gold, and GSA's proprietary Market Cap/oz database compiled since 1994 for Rising and Falling Gold price trends, Gold Stocks trade as if Gold was \$690/oz. On average, Gold Stocks are:

**Undervalued -17%**

## One Year Later

The Fed began reacting to the banking crisis on August 17, 2007. The table to right looks at how the broad Market Indexes, the XAU, and Gold have fared in the one year and two weeks since.

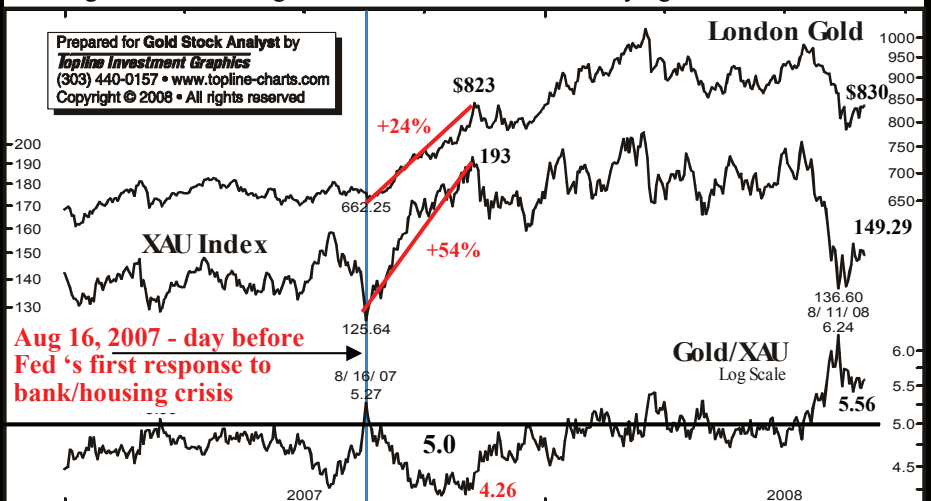
All have five have been higher, but on balance, invested in Gold and the XAU has been the place to be since Aug 17.

As Gold investors we lament that the metal has fallen from its \$1,011/oz high on March 17, but the more important question is where next?

Last issue we made the case for higher Gold, which we still see as intact. We see the 2H08 bringing weak economic data in the US, which will keep the Fed on hold, especially as the housing/banking crisis is not going to improve any time soon.

The chart below tracks the Gold/XAU ratio since 1/1/07 (chart for 1/1/01 to date on Page 13). The rule is whenever the ratio is above 5.0 (and the more above the better), the more likely the XAU and Gold stocks are to rally. From when the Fed fist moved on Aug 17, 2007, Gold gained +24% in the next few months, the XAU was up +54%, and the ratio fell to 4.26%.

On August 11, 2008, the ratio hit an all-time high of 6.24 and the XAU closed Aug 29 at 149.29 or 9% higher. The ratio still is at a very high 5.56, and this augers well for a significant move higher for the Index and the underlying stocks.



• **Denver Gold Forum:** Invitation-only 3 day show Sept 8-10 sees 86 producing or near-prod miners, most covered by GSA, present to money managers. Sept's Update will feature the presentations made by 10 of the GSA Top 10 Stocks.

• **US Personal Income (PI)** fell -0.7% in July. With 70% of US GDP driven by Consumer spending and the \$100+ bil tax rebate stimulus over (after it drove GDP higher by 3.3% in 2Q08), GDP is sure to slip in 3Q08. This assures Fed will stand pat thru end-08, although further PI declines in Aug/Sept could bring a rate cut.

• **Top 10 Addition:** read Who and Why starting Page 2