

# GOLD STOCK ANALYST™

*Professional Grade • Totally Independent*

April 2010 • Since 1994 • Issue #191 • Editor: John C. Doody • Single Issue: \$150.00

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## Where Are We Now?

Based on 3/29's \$1,108 Gold, and GSA's proprietary Market Cap/oz data base since 1994 for a Rising Gold Market, gold stocks trade as if gold was \$999; gold stocks on average are:

**-10% Undervalued**

## The End is Nearer than Previously Thought

Due to the Great Recession, the Social Security Trust fund will have its first net outflow in 2010, seven years earlier than originally forecast.

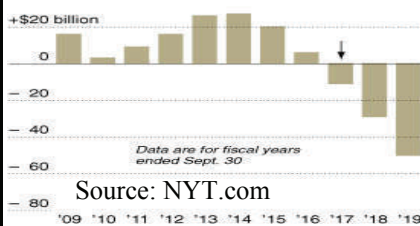
The US couldn't qualify to join the Euro, and perhaps the reality of the U.S.'s economic well running dry will cause politicians to make some tough choices.

### Shrinking Sooner Than Expected

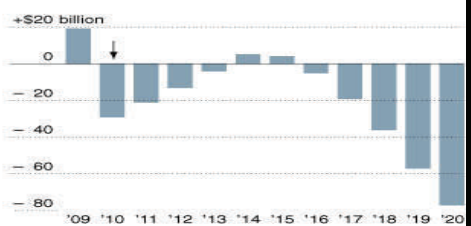
This year, the government expects to pay out more in Social Security benefits than it takes in through payroll taxes, a threshold it was not expected to cross for several years.

PROJECTED SOCIAL SECURITY CASH FLOW

Projections made last year did not show a deficit until 2017 ...



... but projections released this month show a deficit occurring this year.



Source: NYT.com

Source: Congressional Budget Office

## Split the Euro?

The classical solution to Greece's economic problems is to allow its currency to float - to fall in value and adjust its wages and prices vs other nations and help solve the Nation's trade and budget deficits. But as part of the Euro for a decade, Greece can't leave, in part due fears that another of the PIGS would be next (Portugal's debt was just downgraded by Fitch). If the last "Club Med" dominoes fell, Italy and Spain, that would end the Euro. But perhaps that's the solution!

Due to the different national psyches of the members (we've learned you can't turn a free-spending Greek into a frugal German), the Euro may ultimately be doomed despite the many benefits it brings. As it now stands, the PIGS will endure 10 years of economic hardship to bring their finances back into conformity with Euro rules: Govt deficits under 3% of GDP, total Govt debt below 60% of GDP.

A *Financial Times* article by Martin Taylor, former CEO of Barclays Bank, suggests rather than risk a "lost" decade" for the PIGS, split the 16 Euro members into two groups, the industrious northern and indolent southern nations, and then divide all Euro accounts into Neuros and Seuros. Taylor says 50%/50%, but GSA thinks the percents should be based on the total GDPs of each group, 67% and 33%.

In any case, once trading, the two will initially add to 100%. But over time they'll each rise or fall based on the groups' underlying national economies and give the PIGS nation group the ability to collectively devalue their way out of future economic problems. The Neuro will be a strong currency and perform as had been hoped for the Euro. The Seuro will be weak, but better aligned with the inherent psyche of the PIGS citizens.

- **NY Hard Asset Show:** May 10&11. Info at [www.hardassetsny.com](http://www.hardassetsny.com)
- **Editor** discusses Dividends & Gold Stocks on 3/27/10's [www.FinancialSense.com](http://www.FinancialSense.com) broadcast: <http://www.netcastdaily.com/broadcast/fsn2010-0327-3.aspx>
- Watch CFTC's 3/25/10 hearing on **Precious Metal Markets Manipulation** here: <http://www.capitolconnection.net/capcon/cftc/webcastarchive.htm#>