

# GOLD STOCK ANALYST™

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**Next Issue Web Posted: 12/29/10**

## Where Are We Now?

Based on 11/30/10's \$1,387/oz Gold, and GSA's proprietary Market Cap/oz database since 1994 for Rising and Falling Gold price trends, **Gold Stocks trade as if Gold was \$1,374/oz.**

On average, **Gold Stocks** are:

**-1% Undervalued**

## San Fran Gold Show

It was the best in years... in terms of attendance numbers and quality of attendees and presenters. GSA's Editor spoke twice.

First in Main Hall on what we see as **THE** single-most important indicator of future Gold price, the Real Interest rate. We've written on the topic, as recently as the Oct 15 issue of GSA-Top10, so you know our thoughts. But in a nutshell, whenever the risk free 90-day T-bill rate is less than the CPI, \$100 in the bank on Jan 1 will have less than of \$100 purchasing power on Dec 31. When the eroding effects of inflation are not offset by the risk-free return on money, i.e. a positive Real Interest rate, Gold always does well. The presentation slides that accompanied the 20 minute talk are posted on our website under "Editor presentations".

Editor's second talk was a workshop on "Diversification Within a Gold Portfolio. Too many Gold investors have the wrong number of stocks, or are over-concentrated in an industry subset, not diversified across it. Occasionally in workshops Editor likes to play a version of Cramer's "Am I Diversified?" Our most recent discussion of the topic is in April 2010 GSA-Pro, page 16. The Top 10 is constructed w/diversification and the article's guidelines in mind; yours should be too.

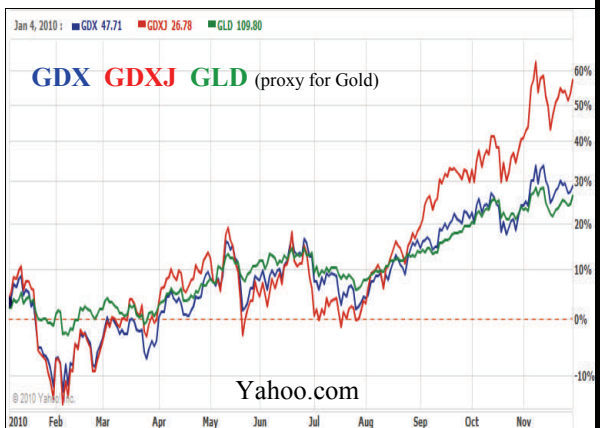
## Gold Investors' Appetite for Risk Increasing

GDX is an ETF consisting of large Gold producers; GDXJ (new Nov-09) is an ETF of 60 juniors, ~50% produce 10K to 400K/yr and the balance are explorers.

For 2010, the ETFs closely tracked each other and Gold until mid-August; then they parted with GDXJ, now +57%, doubling the GLD and GDX's gains (chart).

To GSA, the surge in the "J" represents the market getting "frothy" and investors taking on more risk.

The GSA Top 10 is up 59% YTD (page 2) with a much less risky portfolio that has no pure explorers.



• **Coverage added: Primero Mining**, which acquired the San Dimas 110K oz/yr Au mine (w/~5 mil oz/yr Ag by-prod) from Goldcorp Aug-10 for total \$505 mil.

• **Coverage dropped: Taseko Mines.** It's a copper miner, but we added coverage when B.C. Govt issued permit Jan-10 for its Au/Cu Prosperity project that called for disposing waste tailings into Fish Lake. If Federal permit also issued, would have impacted **Northgate's** Kemess North project for which the Federal permit was denied ~5 years ago. Perhaps the recession would bring a new outcome? Franco NV also agreed as would provide \$350 mil of mine's capex for a Gold stream. Alas, it was all for naught as Federals denied the permit.

• **Review GSA?** Stock Gumshoe reviews many newsletters. If you'd like comment on GSA, click here: <http://www.stockgumshoe.com/reviews/gold-stock-analyst/>