

GOLD STOCK ANALYST™

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

June 2008 • Since 1994 • Issue #169 • Editor: John C. Doody • Single Issue: \$150.00

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Where Are We Now?

Based on 5/30's \$886 Gold, and GSA's proprietary Market Cap/oz data base since 1994 for a Rising Gold Market, **gold stocks trade as if gold was \$822**; gold stocks on average are:

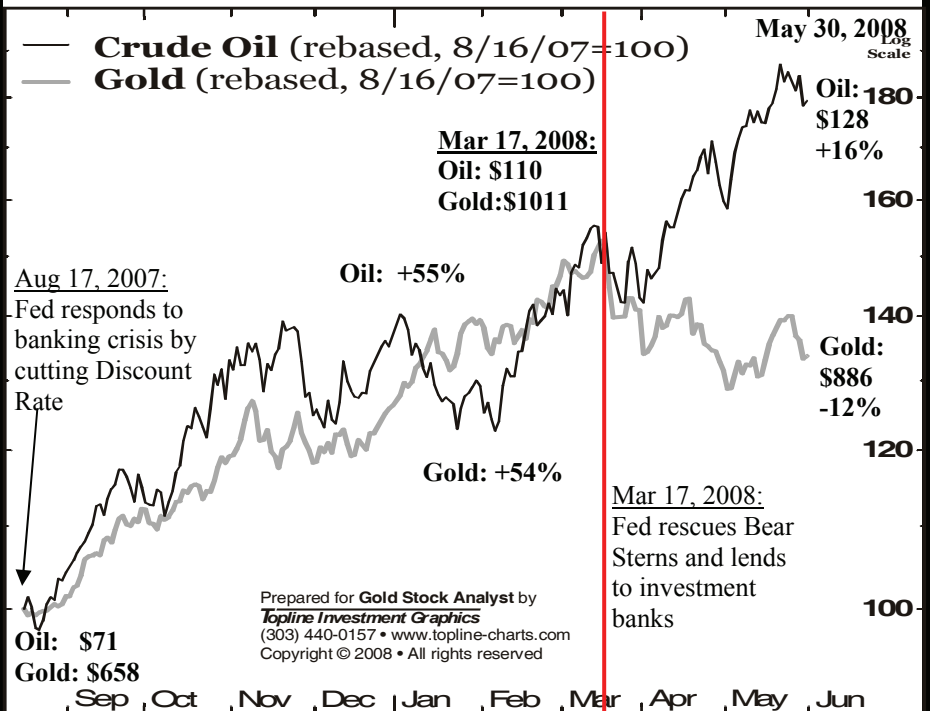
-7% Undervalued

Is Oil the New Gold?

The US Fed finally began responding to the banking crisis on August 17, 2007 by cutting the Discount Rate. In the next seven months Gold and Oil rose together, in lockstep as the chart shows, up 54% and 55%, respectively, until March 17, 2008.

After the Fed rescued Bear Stearns on March 17, Oil and Gold parted company. Oil has gone on to gain another +16% and closed at \$128/bbl on May 30. Gold went the opposite direction, falling -12% to end at \$886/oz.

Why the divergence and is it permanent? ... continued on Page 15



- **Treasury** "punted" again as it declined to call **China** a currency manipulator in its every-six-months report to Congress delivered on May 15. The Yuan, at 6.94/US\$1.00, has risen 16% in a managed float since its fixed rate of 8.3/US\$1.00 ended in July-05. The US Trade Deficit with China was -\$256.3 bil in 2007. Perhaps the 4.0% shrinkage in 1Q08, to -\$54.7 bil from -\$57.0 bil in 1Q07, convinced Treasury to ignore its on-going absolute size?

- **Bad driving out good.** *Financial Times* said 5/16 Central Banks' liquidity schemes are being scammed as junk debt is repackaged to trade-in for Treasuries at ECB and Bank of England; latter accepted £90 bil vs originally expected £50 bil.
- **Asian currency crisis redux?** Vietnam's Dong is pegged to US\$. But inflation is 25%, Trade Deficit soars, and stock market is down 50% YTD. Action in forward Forex Mkts says the peg will soon break. Will this be the first domino to fall?
- March 19, 2003 saw start of Iraq War. Oil was then \$28.44/barrel. Enough said.

Two Added to GSA Top 10; Who and Why on Page 16