

# 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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## IN THIS ISSUE:

GSA Top 10 Stocks	2
Gold Stock Data	4&5
Silver Stock Data	6
Gold: Price, Mkt Data	7
Silver: Price, Mkt Data	15

## Silver Stocks:

Coeur d'Alene	8
Endeavour Silver	9
Excellon	3
First Majestic	10
Fortuna Silver	3
Hecla Mining	11
Mines Mngt	3
Pan Am Silver	12
Silvercorp	10
Silver Standard	13
Silver Wht: See Royalty Earners	
US Silver	9

## Analysis Inside:

Top 10 Comments and Updated Target Prices	14
Silver S & D	16

**Next Issue Web Posted: 7/1/09**

## Where Are We Now?

Based on 5/29's \$976/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 \$916/oz.** On average, **Gold Stocks** are:

**Undervalued -6%**

## Investors Flee Quantitative Easing

With Fed Funds already near 0.0%, on March 18, 2009 the Fed rolled out another gun, saying would expand its balance sheet further and buy up to \$1.75 bil in mortgage-backed securities, agency debt, including \$300 bil Treasuries.

Inclusion of Treasuries was the Fed's first signal it would "monetize" US debt (currently issued and the forthcoming) and target long term interest rates.

The initial reaction was just as Fed wanted: the 10 Year's yield fell from 3.00% range to 2.46% (top panel in chart).

Additionally, the Dollar index fell from 87.0 to 82.6 to help US Exports and Gold rose from its \$900/oz range to \$967.

A month of confusion followed until Markets finally sorted out the inflationary impact. Since USD's high at 86.87 on April 20, and Gold's concurrent low of \$865, investors have taken to the lifeboats.

Inflation save havens, Gold, Oil, and even S&P 500 stocks have moved higher. Money flows out of Treasuries and the Dollar, sending yields higher and greenback's value lower.

Longer term, we see Gold the main beneficiary as the upsides for Oil and the S&P500 will ultimately be limited by weak US and World economies.

## Silver

Poor man's Gold acted more like a Gold Stock than a Precious Metal in the past year.

The chart... continued Pg 14



**Change in Top 10: Who/Why on Page 2**