

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 4/29's **\$871/oz** Gold, and GSA's proprietary Market Cap/oz data base compiled since 1994 for Rising and Falling Gold markets, **Gold Stocks trade as if Gold was \$706/oz**, and are

-19% Undervalued

See Unique New Analysis Page 15

The Case for Gold

Fear abounds among Gold investors that the end of the long bull market, that began at \$256/oz on April 1, 2001, is here. We do not agree. Here's why:

1) Setbacks are normal in any long uptrend. That's how Mr Market shakes out the non-believers and re-establishes a base from which to move on. As the chart and table below show, gold has had 6 major pullbacks since the start of 2005. These shakeouts saw losses up to -21.8% and lasted up to 84 days. The most recent pullback that began mid-March, has lasted 45 days and for a -15.4% loss.

2) The Economics do not indicate a reversal of the fundamentals weighing on the US Dollar. Table shows US Trade Deficit outflow is not fully offset by Investment flows into the US. The \$8.7 billion monthly difference over the past year represents Dollars sold in the Forex markets to push down its value, as shown in the Page 16 chart.

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| US International Financial Flows | Jan-08 | Feb-08 | Last 12 Mon Avg |
|----------------------------------|--------------|--------------|-----------------|
| US Trade Deficit | (\$60.0 bil) | (\$62.3 bil) | (\$59.5 bil) |
| TIC Inflow | +\$35.5 bil | +\$64.1 bil | +\$50.8 bil |
| Net [() = outflow] | (\$24.5 bil) | +\$1.8 bil | (\$8.7 bil) |

Gold

(London PM Fix)



| Gold: PM Fix | 2005 | 2006: #1 | 2006: #2 | 2007: #1 | 2007: #2 | 2008 |
|--------------------|-------------------|------------------|------------------|------------------|-------------------|--------------------|
| Gold: High on Date | \$537 on 12/12/05 | \$725 on 5/12/06 | \$663 on 7/14/06 | \$686 on 2/26/07 | \$841 on 11/8/07 | \$1,011 on 3/17/08 |
| Gold: Low on date | \$489 on 12/21/05 | \$567 on 6/20/06 | \$561 on 10/6/06 | \$637 on 3/5/07 | \$779 on 11/19/07 | \$853 on 5/1/08 |
| Duration | 8 days | 38 days | 84 days | 5 days | 11 days | 45 days |
| Percent Fall | -8.9% | -21.8% | -15.4% | -7.1% | -7.4% | -15.4% |

- **Gold ETFs** cut both ways. As Gold rose, they bot more oz to spur the metal higher. The largest, GLD, held 21.3 mil oz as Gold peaked at \$1,011 on 3/17/08. Now, with Gold over \$100/oz lower, they've been sellers to hold under 19.0 mil oz.
- See you at the free **New York Gold Show**, May12&13. Info at: www.iiconf.com

Two Additions to Top 10: Who and Why begins on Page 2