

GOLD STOCK ANALYST™

Professional Grade • Totally Independent

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Gold IS Inflation Protection!

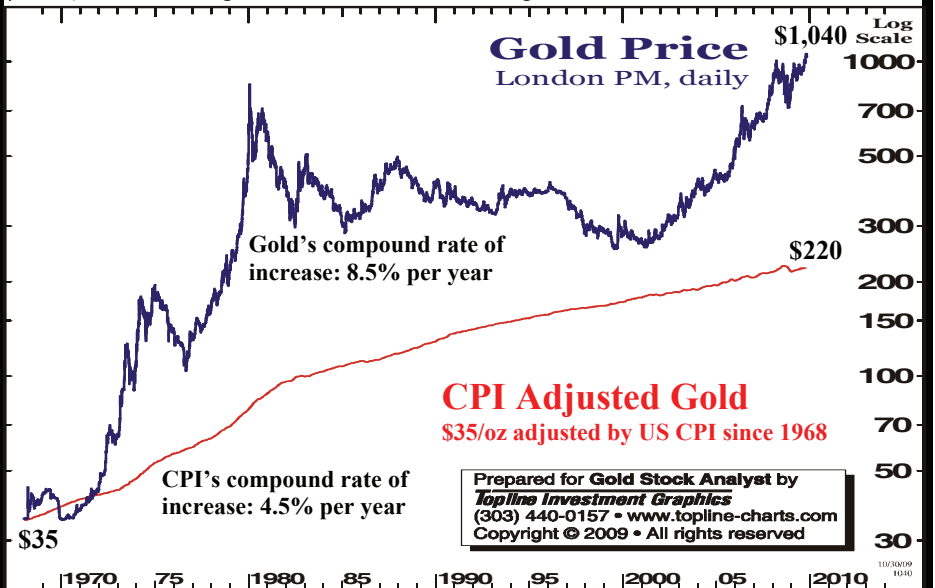
Your Editor is really irked every time a TV talking head notes the Metal's \$850/oz high in 1980 and then says something like "In the almost 30 years since \$850, it's only recently been able to gain \$200 to \$1,050/oz... that's not inflation protection."

We have no idea why one would use Gold's past high as a starting point to measure inflation, especially as that was a blow-off one day high after years of appreciation. Do they ever compare to the Dow's 14,165 high in Oct-07 or the S&P500's high of 1530 in May-09? Seldom. Despite both Indexes being off their highs by ~30%, the talking heads use the March-09 lows as the current benchmarks.

The appropriate starting point to measure Gold's ability to protect against inflation is March 17, 1968. Then, the 8 member nations of the 'London gold pool' stopped manipulating Gold's market price to maintain \$35/oz.

With Gold set free to trade much higher, it didn't right away, bouncing between \$35 and \$44/oz until the early 1970s. But when the OPEC oil embargo drove black Gold (and inflation) higher in 1973, yellow Gold followed.

Since 1968, Gold price has far outpaced the CPI to provide a "real" (inflation adjusted) return 4% higher than inflation. That IS protection!



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Where Are We Now?

Based on 10/30/09's \$1,041/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 \$1,035/oz.**

On average, Gold Stocks are:

-1% Undervalued

- **San Francisco Gold Show**, Nov 21&22. See you there! www.iiconf.com
- Power is ~25% of mine oper costs; S Africa Govt electric company, Eskom, seeks 45% rate increases in each of next 3 years. Cash costs are \$647/oz at GFI's SA mines. If rate incr OK'd, will add \$73/oz in Year 1, more later. **Sell all SA miners.**
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