

GSA-ProTM

The version of *Gold Stock Analyst* newsletter for Professional Investors
 Reports on 70+ Gold miners plus the *GSA-Top10* newsletter in mid-month

September 2011 • Since 1994 • Issue #208 • Editor: John C. Doody • Single Issue: \$150.00

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Next Issue
 Web Posted: 10/1/11

Where Are We Now?

Based on 8/29's NY close of \$1,789/oz, 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 \$1,485/oz**, and are

-17% Undervalued

Bubble Burst?

We think not!

In our opinion, Gold had run up too far and too fast. In July it was fears of US default, and then in August investors thought QE3 was inevitable. Dreaming of fast gains, traders piled into the ETFs, causing them to buy the Metal and thus driving the price from \$1,500 to over \$1,900/oz in 2 months.

Then when it became clear there would be no QE3 (yet!), they sold out and the Metal plunged \$200/oz to just over \$1,700. As we told CNBC on 8/25, there's no technical damage done until the 50 day moving average is crossed at \$1,655 (see chart below). The macro economic conditions remain in place for higher gold:

1) Real Interest rates, the risk free return minus inflation, continues negative around the world: USA, Euro, China, India. Negative Real Rates drove Gold higher thru 1970s and again in this 10 year bull market. At the current 3% inflation, \$100 in bank earns a few pennies in interest, but has only \$97 purchasing power at year end.

2) Physical Demand remains strong: No Central Banks are selling Gold and many are buying: South Korea, Mexico, Thailand, Russia, etc.

The consumer buying season begins in September: Asian Wedding season, Christian holidays, Chinese New Years. Asia is 50% of Gold demand but completely overlooked by Gold's skeptics.

3) Loose money policies and budget deficits in US and Euro will ultimately bring inflation.

4) Govt debt levels will be ultimately inflated away, just as was done after WWII (see table to right).

Govt Debt as % of GDP

	1945	1955
Britain	216%	138%
U.S.A.	116%	66%

Source: Economist 6/18/11



Editor's Speaking Schedule

- **Denver Gold Forum, Sept 18-21.** An invitation-only event for institutional investors, Editor will be a panelist discussing "Equities vs ETFs vs Bullion". Company presentations are usually webcast. Check Forum's site for webcast schedules. <http://www.denvergold.org/gold-forums/dgf-2011/dgf11-webcast/>
- **Belize:** Mark your calendars: For accredited investors, GSA co-hosts conference on Belize's beautiful Ambergris Caye Nov 8-9, 2011. Topic will be "Gold and Global Wealth Preservation". More details coming in mid-Sept *GSA-Top10*.
- **Editor on CNBC again 9/1:** <http://video.cnbc.com/gallery/?video=3000043238>