

# GSA-Pro<sup>TM</sup>

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

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## Where Are We Now?

Based on 3/31/11's \$1,434 close in NY for Gold, and GSA's proprietary Market Cap/oz data base, gold stocks trade as if gold was \$1,340/oz; gold stocks on average are:

**-7% Undervalued**

## Gold in a Bubble?

It's amazing how the mainstream financial media continues to preach to investors that Gold is in a bubble. As if by virtue of having been a great performer over the past decade, Gold must be doomed to failure, a la the two recent bonafide bubbles, dotcom stocks and residential real estate.

What the "talking heads" can't seem to understand is that bubbles pop when prices lose all sense of reality, or when there's no one left to buy. Neither is the case with Gold which is still far short of \$2,300/oz, the inflation adjusted previous high in January, 1980.

The last two bubbles ended badly, as all know. The internet itself has proven to be a great business and there have been some huge dotcom winners, such as Amazon and Google.

But when stock valuations were based on multiples of sales, a crash was inevitable. There were so many "flash in the pan" losers such as Webvan.com,

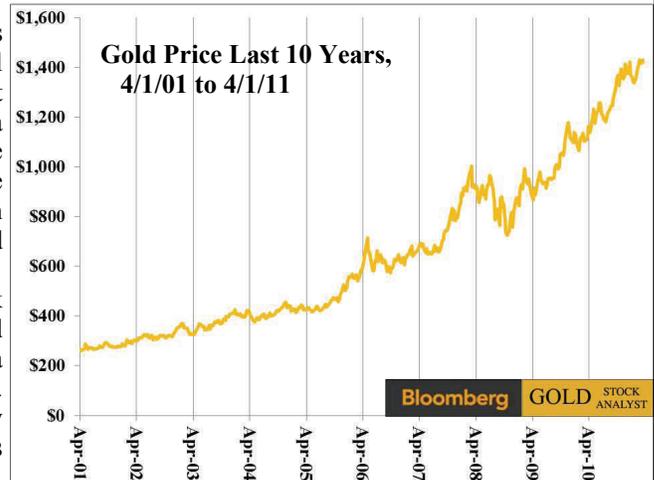
Pets.com, and eToys.com, and so much wealth destroyed, that Fed Chair Greenspan lowered interest rates to 1% to stave off the early 2000s recession. In doing so, the inaptly nicknamed "Maestro" gave rise to the next bubble, real estate.

The property boom was driven by low interest rates and loose lending policies, such that even people with No Income and No Job (ninja loans) could get a mortgage and participate in the great American dream. But when there was no one left able to buy, even with a "liar loan", the bubble burst.

The collapse of housing prices led to the current three years of near zero interest rates, as the Fed and its foreign equivalents try to soften the economic impact of the Great Recession and, in turn, creates the worldwide negative real rate interest environment (for more, see GSA-Pro February 2011).

Over the past 10 years Gold has soared to \$1,434/oz from a low of \$260 in April 2001, a gain of 463% (see chart), hence it must be a bubble say the "talking heads".

But what powers Gold is not a fad investment such as the dotcoms, or a want to own one of life's necessities, a roof over one's head. What does drive Gold is the basic human desire to protect the purchasing power of one's savings... to avoid having wealth eroded away by Treasury budget deficits, Central Banks' loose monetary policies and politicians that see a "benefit" from ... *continued page 16*



• **NY Hard Asset Show:** May 9-10, Monday and Tuesday, at the Marriott Marquis in Time Square. Always one of the best Gold Shows, Editor will speak in the Main Hall and hold a Workshop. More info here: <http://www.hardassetsny.com/>