

# GOLD STOCK ANALYST™

A Monthly Newsletter Finding **Undervalued** Investment Opportunities through Fundamental Analysis & Rankings of the largest North American-Traded Precious Metals Mining Stocks

October 2003 • Issue #113 • Editor: John C. Doody • Single Issue: \$75.00

## IN THIS ISSUE:

|   |       |
|---|-------|
| Past Analysis Index                           | 2     |
| GSA's Top 10 Stocks                           | 3     |
| GSA Stock Data                                | 4&5   |
| The Markets                                   | 6     |
| Company News & Analysis                       | 9     |
| Gold: Price, Stock Indexes, Market Indicators | 10    |
| <b>Reviewed Inside:</b>                       |       |
| Kinross                                       | 12&13 |
| Meridian                                      | 11    |
| <i>Metallica</i>                              | 9     |
| <i>Metallic Ventures</i>                      | 9     |
| <i>Minefinders</i>                            | 9     |
| <i>Miramar</i>                                | 9     |
| <i>Nevsun</i>                                 | 9     |
| Newmont                                       | 14&15 |
| <b>Analysis Inside:</b>                       |       |
| Where Are We Now?                             | 6     |
| Data Analysis from 10/94:                     |       |
| Mkt Caps/oz                                   | 7     |
| Mkt Caps vs Gold                              | 8     |
| US Curr Acct Deficit vs Dollar vs Gold        | 16    |

## Showtime

September saw GSA at two major gold "events", IIC's New York Gold Show early on and Denver Gold Group's Mining Forum later.  
The NY show was jammed like the "old days" on Monday, ... *continued Page 3*

## The "Dubai Accord"

GSA has long written of the remarkable similarities between today's strong Dollar and the early to mid-80s strong Dollar. Then, the success of Fed Gov Volker's high nominal interest rate policy, to wring inflation from the US economy, brought high "real" US interest rates that attracted the world's capital and bid up the Dollar's price in foreign currencies. Foreign goods were cheap and US exports expensive (and provided your Editor, then a poor college prof, summer-in-France opportunity; the 11 Francs/\$1 exchange rate made travel cheaper than staying home!). This ultimately led to the "Plaza Accord" and a collective decision to weaken the Dollar.

The US Trade Deficit grew until 1987 as Dollars were increasingly spent on foreign bargains. In the earlier 1980s, foreigners recycled the Dollars to buy US assets: stocks & bonds, whole companies, and real estate; but their appetites were finally sated and they began selling their excess Dollars to buy other currencies.

When the US Current Account Deficit (the Trade Deficit, plus short term outflows such as foreign aid, interest/dividends) hit 3% of US GDP in early 1985 and kept growing, US manufacturers asked Government to "do something" to weaken the Dollar. US exports were overpriced in foreign markets due to the currency and others wanted taxes on imports to reduce their pricing advantage in the US.

With fears of protectionism in the air, the G-5 (Canada & Italy added later to make G-7) met at NYC's Hotel Plaza. The 9/22/85 press release after the meeting concluded "exchange rates should play a role in adjusting external imbalances" (US Deficit and the Japan/German Trade Surplus), and that "orderly appreciation of the main non-Dollar currencies against the Dollar is desirable."

The Dollar's slide had already begun from its Feb-85 peaks at 263 Yen/\$1 and 3.45 Marks/\$1; Gold had bottomed at \$284/oz. By the Sept weekend meeting, the Dollar had already fallen 10% against the Yen, similarly against the Mark; Gold closed at \$319 ahead of the conference. As the chart on Page 16 shows, the Dollar's fall and Gold's rise continued until Dec-87, when the US Current Acct Deficit finally began to decline. At its nadir, the Dollar had fallen 40% vs the Yen and Mark, and Gold had risen 76% to \$500/oz.

GSA believes we are now repeating the past. The "Dubai Accord" press release speaks of "flexible exchange rates", specifically aimed at reducing the competitive advantage that China and Japan now have due their undervalued currencies vs US Dollar. Now, just as before, Gold will be a major beneficiary. **See Page 16 Chart.**

• **South African Rand** still strengthens, now below R7/US\$1, as "hot money" plays the "Rand carry" trade to take advantage of high real interest rates. This makes life very difficult for all So Af producers, more so for high cost **Durban** and **Harmony**, as it lowers gold's price in Rand, and they have little non-So Af production.

Many So African industries are complaining as Nation's Central Bank maintains a "Paul Volker-like" policy, similar to the US in the early 1980s, to rein in inflation. Hard to tell when this will end... many hope in 1Q04, as lower tax revenues (due lower profits) and higher unemployment forces Govt to change its policy.

**Next Issue Mailed:** 11/3/03

## Where Are We Now?

At 9/26/03's \$383/oz Gold, and based on GSA's proprietary Market Cap/oz database compiled since 1994, **Gold stocks are trading as if Gold was \$351/oz.** On average the stocks are:

**Undervalued 14%** based on MC/oz P+P  
**Undervalued 22%** based on MC/oz Prod

Internet: [www.goldstockanalyst.com](http://www.goldstockanalyst.com) • Talk w/Editor: See Page 2 • 100% Subscriber Supported