

# GOLD STOCK ANALYST™

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

September 2006 • Since 1994 • Issue #148 • Editor: John C. Doody • Single Issue: \$150.00

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## Where Are We Now?

Based on 8/28's \$615/oz Gold (NY), and GSA's proprietary Market Cap/oz data base compiled since 1994 for Rising and Falling Gold price trends, **Gold stocks trade as if Gold was \$619/oz.** On average, Gold stocks are:

**Fairly Valued**

## Gold's Season Begins!

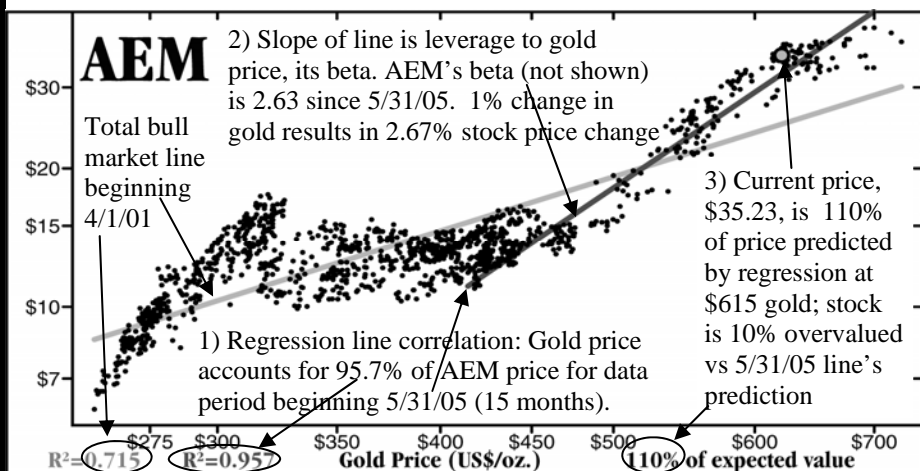
We recently noted that in each year of this bull market, beginning April 2001, has come in the Sept-Dec interval. This year should repeat, despite the \$725 peak on May 12. Working to gold's advantage through end-06 are:

- 1) US interest rates. The foreign capital magnet that supports the US Dollar has peaked. Pick your telltale: Fed minutes for Aug 8 meeting showing only one Governor "for" an 18th rate increase and 9 voting to "pause". Housing market. Consumer confidence. Fed staff's lower fcst growth rate. All equal US\$ headed lower.
- 2) Seasonal demand peaks in the coming months, and this time prices are aided by falling mine production. In Jan-06 issue, GSA's companies were forecasting 45.1 mil oz prod in 2006. Now at end-August, their total forecast has fallen 6.2% to 42.3 mil oz (adjusting for mid-year addition of Polyus).

## Change in GSA's Stock Report Page

Last issue's regression analysis, showing the correlation between stock prices and gold price, was a big hit, particularly with our professional money manager subscribers (~25% of total). So we've decided to replace the stock price/volume chart we've been running in each stock report with the stock's updated regression chart. To refresh memories, the chart below tells us for Agnico Eagle:

- 1) The correlation,  $R^2$ , tells how much gold price accounts for a stock's price, as shown by the regression line; the higher the  $R^2$ , the greater gold's role.
- 2) The slope of the regression line tells the stock's leverage to gold price; the steeper the line, the greater the leverage (beta).
- 3) The last point shows stock now, versus its predicted price, i.e. a point on the line at current gold price. The further from the line, the more over or undervalued.



- **Las Vegas Gold Show:** There's still time to join GSA, many other newsletter editors, and dozens of miners at **Mandalay Bay Resort** on Sept 6 & 7, 2006. Info at [www.goldconference.com](http://www.goldconference.com). Your Editor has a Workshop session at 7AM Weds, the 6th, and a Main Hall speech at 3PM Thurs. Stop by and visit GSA's booth.
- **Change in GSA Top 10.** See Who and Why on Page 2.
- **Size matters!!! Goldcorp** to acquire **Glamis** for \$8.9 bil in shares. See Page 6