

# GOLD STOCK ANALYST™

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

December 2007 • Since 1994 • Issue #163 • Editor: John C. Doody • Single Issue: \$150.00

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## Where Are We Now?

Based on 11/23/07's \$815 Gold, and GSA's proprietary Market Cap/oz database compiled since 1994, for a Rising Gold market, **Gold stocks trade as if Gold was \$767/oz.** On average the stocks are:

**6% Undervalued**

## San Francisco Gold Show

Was one of the best in years and featured approx 250 company booths, of which 24 were large enough to be covered by GSA, including 3 Top 10. Management of several more Top 10 Stocks attended and stopped by to update your Editor. See Page 3 for more. The mood of the Show was positive, but not overly so. After Gold's run from the mid-\$600s to \$800/oz, there was little doubt that some re-trenchment was needed to build a base from which to move higher.

## Phase 2 of Dollar's Fall

The Dollar Index has been in a downward slide since the 120 triple top in 2001 (when Gold was \$256/oz), and it's due to the US Current Account Deficit (CAD). These are Dollars we "export" to the rest of the world via our trade deficit, foreign aid, and US residents sending money to their homelands. The CAD is approx \$800 bil/yr, but there's no short-term problem for the Dollar so long as all the money recycles back into the US to purchase Stocks, Bonds, Miami condos, etc.

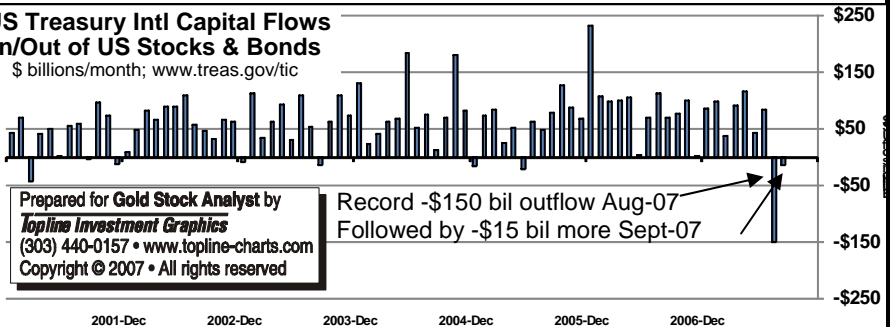
But all of the money has not come back. We know this because the US\$ Index has fallen to approx 75, as Dollars leak from the circle and are sold for other currencies to invest elsewhere. This 6+ year leakage brought Phase 1 of Dollar's fall.

Phase 2 is now upon us as investors have begun withdrawing some of the \$13+ trillion they had invested in US Stocks and Bonds over past decades. The chart below is monthly US Treasury TIC data since 2001 and shows foreign investors have generally been net purchasers at a rate of over \$50 bil/month, or \$600+ bil/yr

But as we discussed in Nov Issue, in August foreigners not only didn't recycle CAD Dollars back into the US, they were net sellers and pulled money out, \$150 bil worth. The outflow continued in Sept, although at a smaller \$15 bil rate.

The Dollar Index ended still lower in October, so GSA thinks a third month of net outflow is certain; data out Dec 17. This will mark the first time 3 consecutive monthly outflows have occurred since the early 1980s and it could begin an exodus of foreign investors from their current US\$ investments. This would send US bonds, most stocks, and the Dollar lower. Gold, the anti-Dollar, will head higher.

**US Treasury Intl Capital Flows In/Out of US Stocks & Bonds**  
\$ billions/month; www.treas.gov/tic



Prepared for Gold Stock Analyst by  
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- **This issue is early** due to Editor's 11/27 departure to visit **Yamana's** operations in Brazil, Argentina and Chile. Trip Report in December Update.
- **Financial Sense 2007 Gold Show Edition**; Editor's Nov 23, 2007 interview here: <http://www.financialsense.com/Experts/roundtable/2007/1123.html>