

GOLD STOCK ANALYST™

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

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Macroeconomic Data

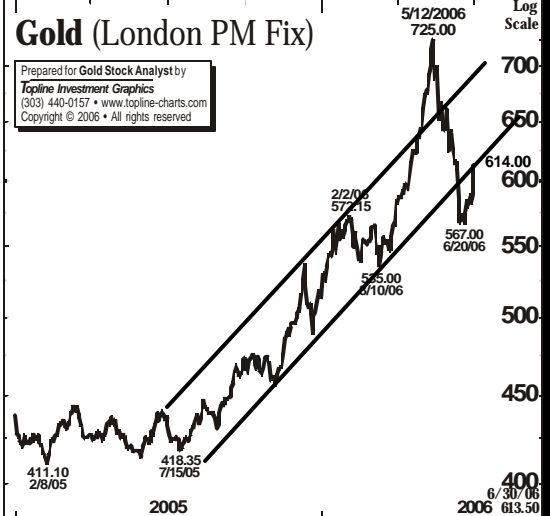
1) The US Current Acct Deficit came in mid-June for 1Q06 at an annualized-\$835 bil, at the lower end of the -\$810 bil to -\$913 bil range we saw in June's Page 1 article. As a percentage of US GDP, it was -6.40%, within our forecast -6.22% to 7.00%. This result was below 4Q05's -\$899 bil and 6.99% of US GDP and begs the question: "What does this mean for gold?" Not much, thinks GSA as the CAD's recent history is one "sawtoothing" to a greater deficit. See Page 16.

2) Offsetting the disappointing (for goldbugs) CAD data was the little reported monthly Foreign Transactions in Long Term Securities with US Residents. Commonly called TIC data, April's numbers were issued June 15. The TIC data is often compared to the monthly Trade Deficit, with net positive data reflecting successful recycling of Trade Deficit outflows back into the US. As the table shows, 2004 and 2005 showed huge positive inflows, but 2006 to date ... *continued Page 6*

US In/Outflows	2004	2005	4 Mon '06	2006 Annualized
Net LT Inflow	+\$736.6 bil	+\$867.6 bil	+\$271.4 bil	+\$814.2 bil
Fgn Trade Deficit	-\$611.3	-\$716.3	-\$259.1	+\$773.3
Inflow Surplus	+\$152.3 bil	+\$150.9 bil	+12.3 bil	+\$36.9 bil

Bernake Taketh... and Giveth Back

Gold rose too far and too fast to its \$725 peak on 5/12, a trend reversed after the Market fully pondered Fed's hawkish inflation comments post its 5/10 meeting. Overshooting to the downside, gold began climbing back from its \$567 bottom, boosted by Fed's now dovish inflation comments after its 6/29 meeting. Barely re-entering the price channel established mid-'05, gold should trade the rest of '06 in \$600s and top \$700 by year end.



Next Issue
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Where Are We Now?

Based on 6/30's \$614/oz Gold, and GSA's proprietary Market Cap/oz database compiled since 1994 for Rising and Falling Gold price trends, Gold stocks trade as if Gold was \$589/oz. On average the stocks are:

-6% Undervalued based on MC/oz P+P
-3% Undervalued based on MC/oz Prod

- **Hear your Editor:** JCD was the luncheon Keynote Speaker at Denver Gold Group's Forum for money managers June 6 in San Francisco. To listen to the 45 minute speech and see the slides, go here: <http://www.denvergold.org> (sorry, you'll have to type it in), then click on "Webcast Schedule", then June 6, then lunch. Please stay tuned thru the initial glitch in getting the slides started.
- **Mark your calendar: Las Vegas Gold Show:** Sept 6&7 at Mandalay Bay; **San Fran Gold Show:** Nov 26&27 at Marriott. For more info: www.iiconf.com
- **Goldman Sachs** 6/22/06 fest gold at \$662 in 2006, \$783 in 2007 and "exiting the year at \$800". Goldman has better insight into the gold market than some other Wall Street firms as it owns the big commodities trader J Aron & Co (where Treas Secy Paulson first worked, and which also fest oil as high as \$105/bbl thru 2009).