GSA-Pro™

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?

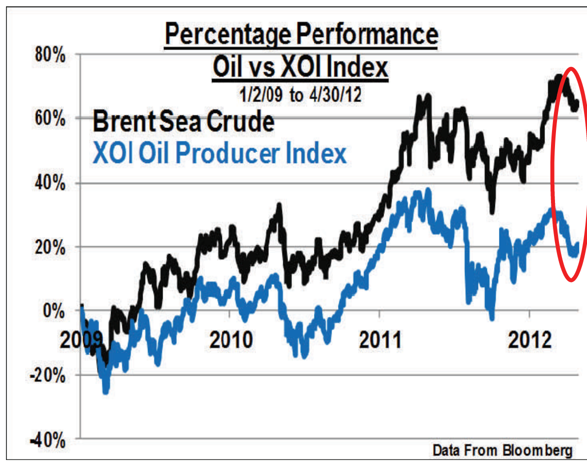
Based on 4/30/12's Comex close at **$1,665/oz** Gold, and GSA's proprietary Market Cap/oz database compiled since 1994 for a Rising Gold market, **Gold stocks trade as if Gold was $1,175/oz**. On average, Gold stocks are:

Undervalued –29%

It's Not Just Gold Stocks

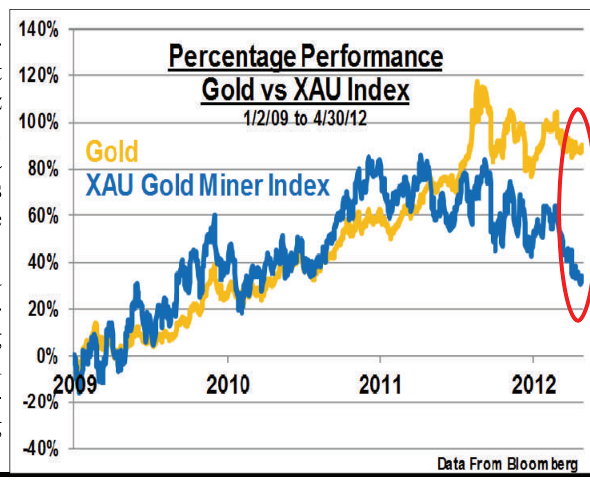
The "Where Are We Now?" box in the lower left tells a tale of woe as Gold Stocks in general are 29% Undervalued versus where they should be trading at $1,665/oz Gold. This valuation disparity is exceeded only by the –34% undervaluation they had in October 2008 when it seemed the world was going to end (more on page 16 of Feb-12's *GSA-Pro* and in another article on Page 16 herein).

The purpose at hand is to point out that it's not just Gold stocks in the commodity sector that languish when they should be soaring.



The top chart to right presents Brent Crude Oil price vs the XOI Index for the major oil producers, both set to 100% on 1/1/09. As seen, Oil's price is up over 60% but the stocks trail at just +20% higher.

The story is the same for Gold. The metal is up +90% in the period, but the stocks up just +30%.



Why? We think the Market doesn't believe that $119/bbl Oil and $1,665/oz Gold are the "new normal". This often happens when a new price range is reached as it takes time to convince investors.

Given the political and macroeconomic environment, we're sure that staying with our 1/3 Gold, 1/3 Cash and 1/3 GSA Top 10 portfolio will prove a winning strategy.

Mega-Ounce Projects

The siren songs sung by companies with huge Gold deposits often lure investors onto the hidden rocks of permit delays, low economic returns at current prices, and big capital costs that need equity diluting financing to go forward. All this means a time frame that's often too long for those that didn't get in on the ground floor.

We seem to repeat the same warnings with each report, so we've grouped them into this issue and suggest that the reports on all four should be read in conjunction. What's the case for one often holds true for the others.