



Global Securities Market Bulletin

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COMMENTARY: Gold poised to test support at C\$1,000

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At its present price of approximately US\$935/oz, gold has rallied by US\$70 or 8% from its mid-April low of US\$865. The Canadian dollar has appreciated by 10 US cents or 12% over the same period. As a result, gold in Canadian dollar terms – after trading in a tight range between \$1050 and \$1100 since the beginning of May – broke through the lower end of that range in mid-July and now appears to be on the verge of testing support at \$1000/oz. (see Chart).

The TSX Gold index, currently trading at about 297, has declined 13% over the past couple of months. In our July 3 Bulletin, we had noted that we were staying on the sidelines until gold broke out from its trading range; our view at that time was that the odds were in favor of gold's breakout to the upside. Although that breakout in gold (in C\$ terms) has occurred to the downside, we believe that these may be favorable levels to commence accumulating positions in select gold producers.

TSX Global Gold Index vs. Gold in C\$ (One year)



Source: Bloomberg

Trade Recommendation

Reinstating Buy rating on Yamana Gold

We are reinstating our Buy rating on Yamana Gold (TSX: YRI, \$9.77) for investors with moderate risk tolerance. Our medium-term price objective is \$12.

We had earlier recommended Yamana as a Buy at \$10.28 on May 15, and exited the trade in the first week of June at \$12.20, for an 18.7% gain.

Yamana is the fifth-largest Canadian gold producer by market cap, with producing and exploration properties in South and Central America. The stock has tested support around the \$9.50 level on at least four occasions over the past five weeks, and has rebounded each time.

The company last week announced that commercial production has commenced at its

Gualcamayo mine in Argentina. Yamana said that the mine primary ore pass, conveyor system and processing facilities were constructed in less than 20 months after receipt of a positive feasibility study and the start-up of construction in August 2007. The company expects commercial production of about 75,000 ounces of gold from the Gualcamayo mine this year.

Yamana also announced that it has decided to proceed with construction of the C1 Santa Luz project in Brazil and the Mercedes project in Mexico. The projects are expected to commence production in mid- to late-2012; average annual production is estimated at 104,000 ounces of gold at C1 Santa Luz, and at 120,000 gold-equivalent ounces at Mercedes.

Last month, Yamana said it had signed an agreement with Aura Minerals for the sale of three of Yamana's non-core operating mines in Honduras and Brazil for an aggregate initial purchase price of US\$200 million. Yamana may also receive up to US\$40 million in contingent cash flow-based royalties.

At least three analysts were of the opinion that the sale undervalued the assets, since their estimates for total NAV of the three mines ranged from C\$385 million to C\$465 million. However, an analyst at Dundee Securities is of the opinion that the sale of its non-core assets makes Yamana a "compelling" takeover candidate.

Yamana reports Q2 results on August 4 after market close. Analysts' average estimates are for EPS of US\$0.095 on revenues of US\$318 million.

Market Snapshot at 11:55 am

S&P TSX	10675.53	+220.20	Commodities			Yields (%)	Can.	US
TSX Venture	1145.32	+13.58	Canadian \$	92.36	+0.52	90 Day T-Bill	0.16	0.18
DJIA	9219.23	+148.51	Gold (Spot)	935.93	+5.93	2-Year Bond	1.47	1.19
S&P 500	993.07	+17.92	Oil (WTI-Aug.)	66.95	+3.60	10-Yr. Bond	3.58	3.64
NASDAQ	1996.54	+28.78	CRB Index	252.50	+8.95	30-Yr. Bond	4.07	4.44

Thought for the Day

"Never let the fear of striking out get in your way." – Babe Ruth

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