

THE VALUE VIEW GOLD REPORT TRADING THOUGHTS

TRADING THOUGHTS is about timely and profitable buying of precious metals. We do not believe every turn in the market can be called. Our goal is that our recommendations should be profitable. Profits are the goals, not trades. Do not expect all recommendations to be profitable. No system can achieve that lofty goal. Our goal is simply to state whether conditions in the precious metal's market are favorable or not. Current investment strategy is bullish for Gold. Buy signals are issued when appropriate. These signals are generally speaking for day they are issued. If price remains below signal price, buying can be done. Do Not Buy signals are given when market is over bought, and buying is unwise. We are not issuing any sell signals in a bull market. Blue triangles indicate an over bought condition. These would not be good times to buy.

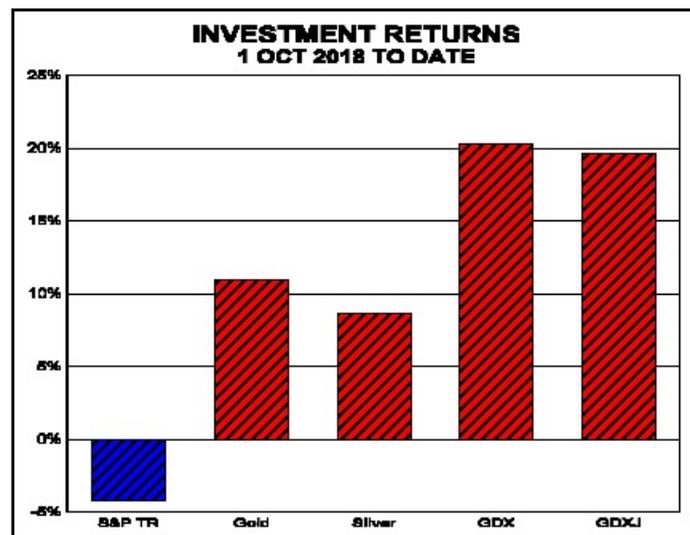
GOLD LESS OF A SECRET

When doing the bottom chart, I first thought it was a mistake. But, it is not. Some investors have discovered Gold, and Gold stocks. GDJ and GDJ hit 52-week highs last week.

Since beginning of October last year, which is end of September, Gold has performed better than the S&P 500 Total Return Index. And clearly in that chart, Gold stocks have done substantially better. That S&P 500 Total Return Index includes dividends, making it a good representation of what investors in U.S. stocks have earned as a group.

However, Gold has not yet been really "discovered". Traveling on most days to any of major investment web sites will not bring you stories about Gold or Gold stocks. You will still find a plethora of stories on smart phones and AMZN's NYC political failure.

Gold hit an intra day high \$1,347 on Wednesday, 20 February. Despite lack of broad media interest in Gold, that was end of a good short-term run. Gold had hit an intra day low of ~\$1,303 on 11th, making latest move higher \$44. Does not take a vivid imagination to see a significantly



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higher price when Gold does become part of reporting by investment media.

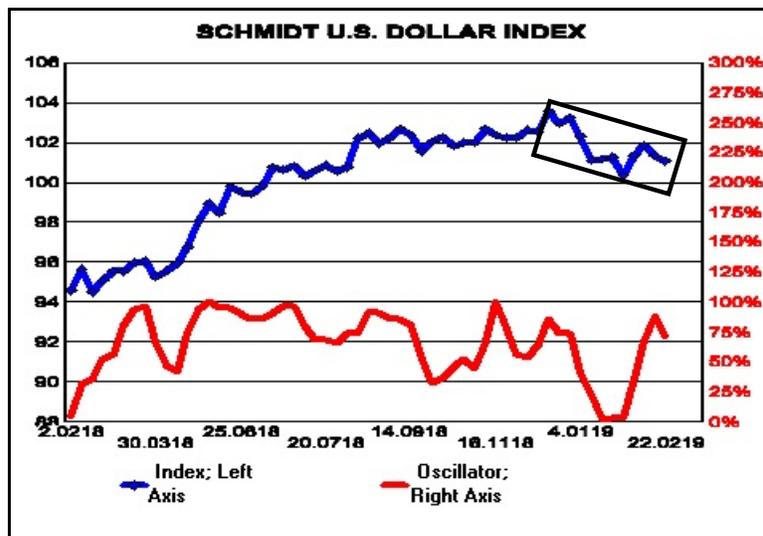
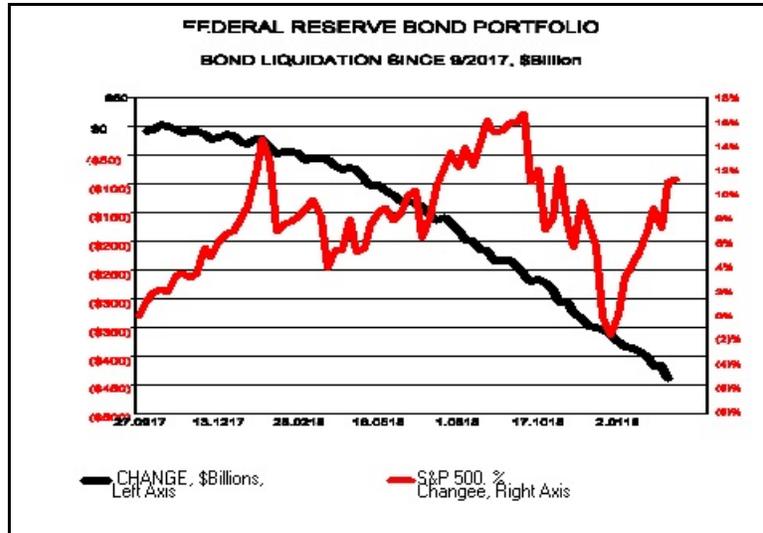
Investments have two characteristics that drive what investors do with their money, returns and price variability. Let us start with the latter, the variability of an investment.

Variability, in simple terms, is how much price of something goes up and down. A little up and down does not bother most people. A lot of up and down does bother people.

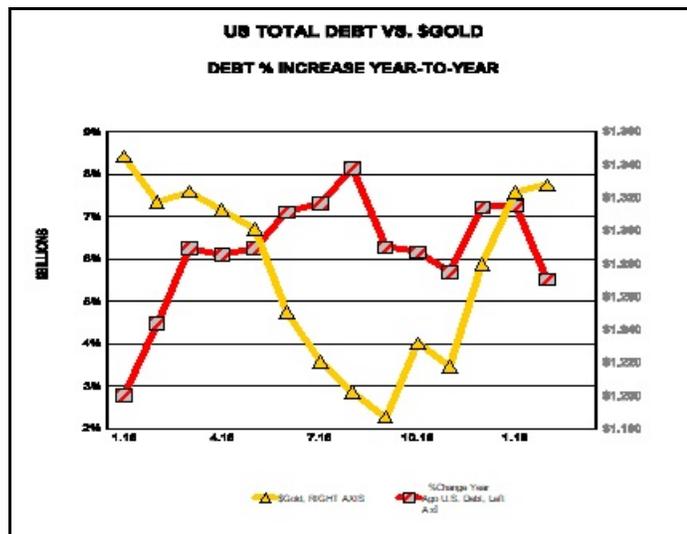
Red line in top chart is for S&P 500 since end of September 2017. Think we can safely say that it has gone up and down a lot. Variability has been extremely high. That is not a ride that most people want for their money. Because of that wild ride, some investors began to look for something else. Gold is something else.

Black line in that top chart is the amount of bonds that have been liquidated by Federal Reserve since September 2017, when program started. Reducing amount of "money" in financial markets can cause stock market volatility. Also note in that chart that Federal Reserve has not stopped liquidating portfolio, though it may be close to doing so sometime in months ahead. Stopping that liquidation does not put money back in the system.

Federal reserve has been talking more softly. Expectations have been created that U.S. interest rates may not rise much this year due to stock market "worries". Clearly demonstrated over past 30 years is that using stock market as determinant of monetary policy does not work well, and is just plain stupid. Remember what created



U.S. Debt/GDP Ratio = 105.4%



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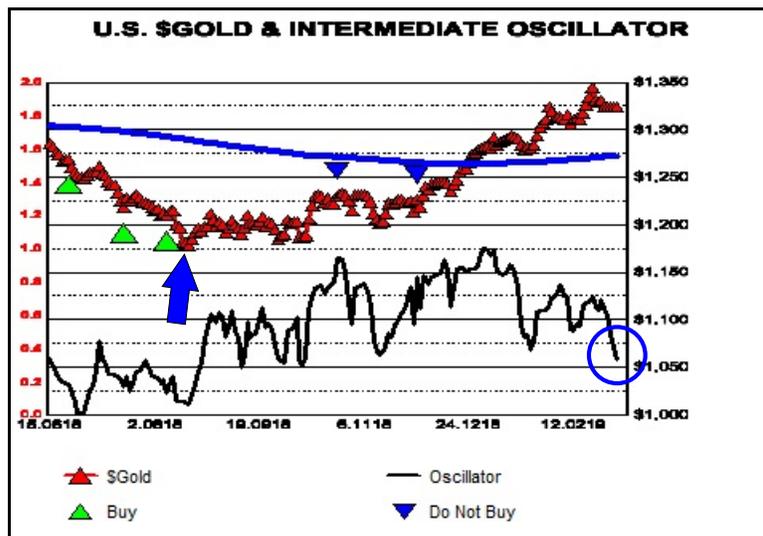
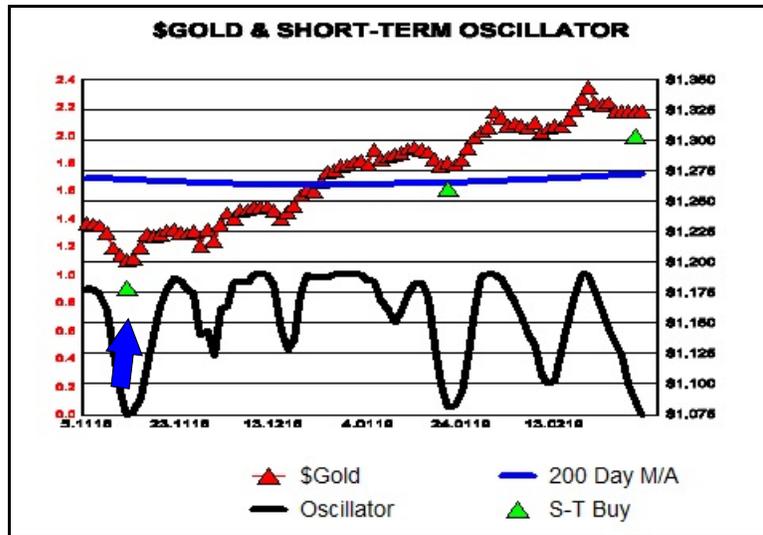
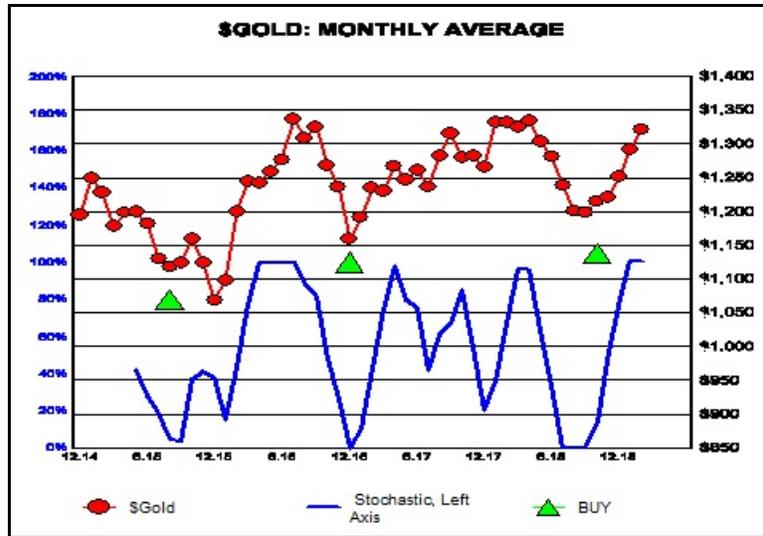
the last financial crisis.

Aside from being part of “something else”, Gold is also a currency. As shown in middle chart on previous page of U.S. dollar’s value, U.S. dollar is now in a downtrend. During the “worst” of China/U.S. trade war dollar was seen as a “safe haven”. With positive signs for trade “war”, dollar is now fading versus other currencies. As an alternative currency, Gold has rallied and should continue to rally.

U.S. debt level was a discussion item for about two days as it rose above \$22 trillion dollars. With U.S. government fully back to spending money that debt is 5.7% larger than a year ago, as shown in bottom chart previous page. *Forecasts now are for U.S. government deficit to be more than a trillion dollars a year for next decade. Gold may simply be credit insurance on U.S. debt.*

Top chart is of monthly averages of Gold’s price. That chart sure makes the \$1,350 level obvious. As noted earlier, Gold hit an intra day high of about \$1,347 on 20th. Given that Gold had run up roughly \$180 since the August low, that some would take profits as popular resistance was approached seems reasonable. Not a real surprise. Retracement from that selling was to about \$1,319.

Middle chart has short-term oscillator, and it may be the best guide at this time. *As we write, oscillator is unwinding rapidly. Projecting it out indicates a short-term buy signal should occur Friday.* Bottom chart is for a longer period of time with intermediate



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oscillator. It does provide a nice picture of how much Gold has run higher since the August low of roughly \$1,160. Moving up \$180 is a nice move, but remember some kind of consolidation after such a run is always possible. With positive news on U.S./China trade dispute, stock markets have returned to euphoria. Investors have no fear of markets again. Too much optimism is always a dangerous condition. Chairman Powell of Federal Reserve this week seemed to reassure investors that it would not ignore stock market problems, and that will help Gold.

Analysis of \$Gold / S&P 500 Ratio Data: 1945 - 2017 73 Years

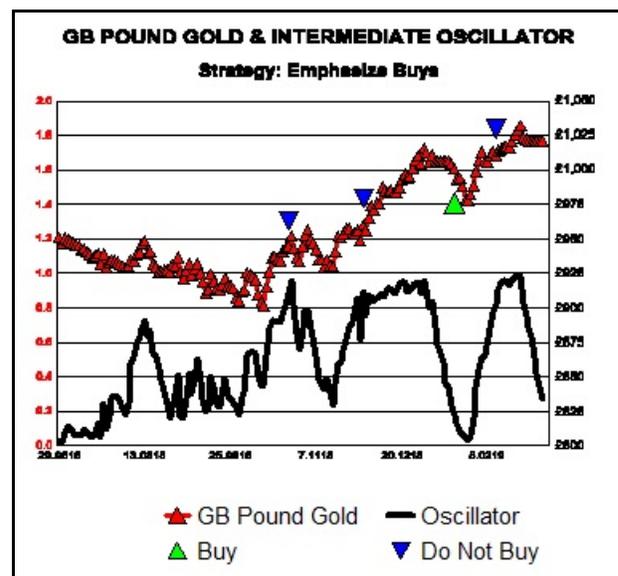
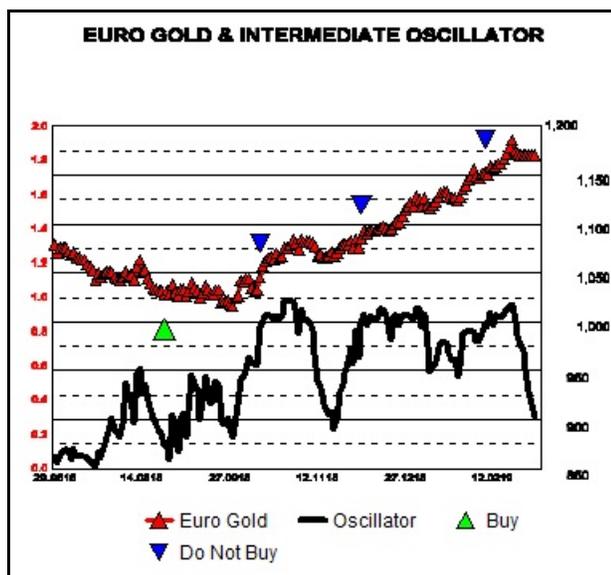
If S&P 500 =	2,795	\$Gold should be:	\$3,134 +137%
If \$Gold =	\$1,320	S&P 500 should be:	1,177 -55%

Politics & Gold are not a topic on which we dwell much. But, a number of political “pots” are boiling that make Gold an appropriate investment. Most immediate one is the reinstatement of U.S. debt ceiling on 2 March. U.S. debt will be capped at level on that date until Congress and President agree to raise it. U.S. government spending might then be limited to tax receipts. House and President do not have warm relationship which may make agreement difficult. That topic of U.S. government spending will arise again at end of year when a previous agreement limited sequester of funds til then. Roughly \$50 billion of domestic spending, we believe, would be halted, and that should set off another fight.

EU parliamentary election is scheduled for 23-26 May. A major rift has developed in EU with supporters of authoritative EU bureaucracy faced off against those nations, like Hungary, Poland, Italy, opposing the technocrats. EU investors should own Gold as insurance against growing EU’s structural problems.

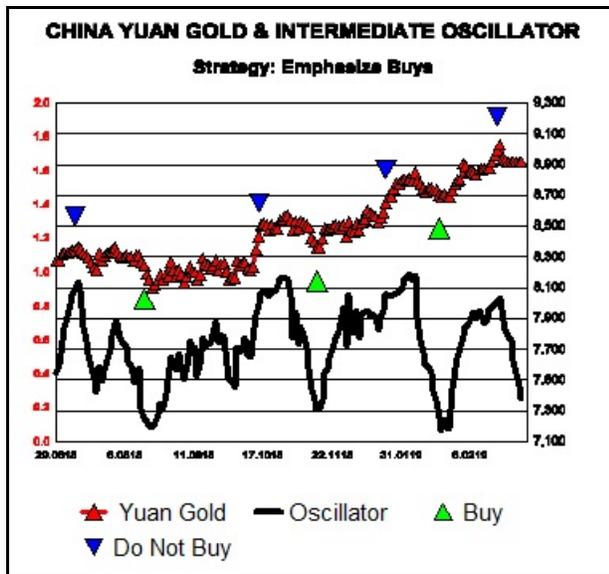
Brexit, which may or may not happen at end of March, is going to cause some kind of turmoil. British investors should own Gold. Brexit was never going to be a “walk in the park”.

And then there is Venezuela. To most investors that situation continues to be viewed as a local matter between politicians in a country far away in South America. Could a shooting war develop with Columbia and Brazil involved? Yes.



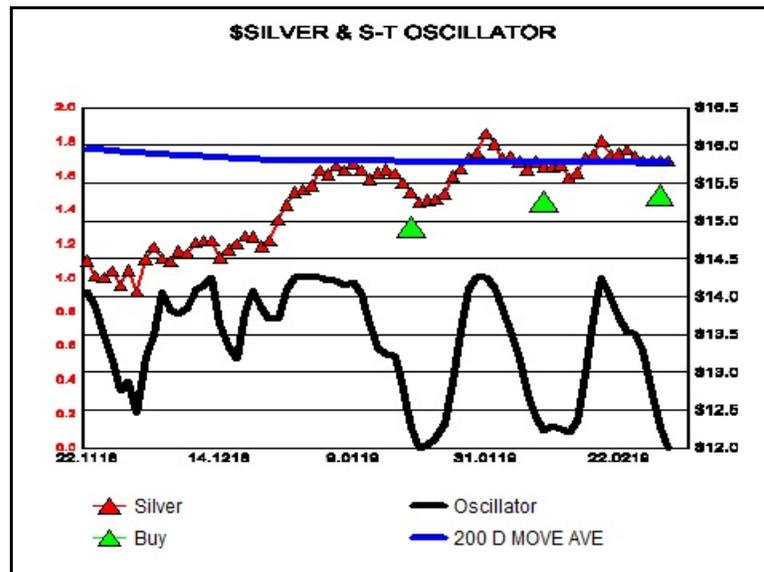
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SILVER might best be described by what it is not doing. To recognize what it is not doing investors may require a change in thinking. Silver has not been going down.

Rather, Silver has been moving in a stair step type movement higher. In early part of chart to right Silver moved in a trading range of \$14-15, which seemed to last forever. Then, breaking above \$15 it moved into a new range of \$15 to about \$15.75, roughly the 200-day moving average. Now for several weeks it has been in again a higher range of \$15.5-16+. That latest range's top is just above



200-day moving average. This is a pattern of success. Investors that bought Silver have profits, and that encourages more buying. *As we write Silver has moved lower, giving short-term buy signal for Friday.*

What is going on with Gold stocks? Are they mining Gold or playing Monopoly? And, starting to be difficult to keep track of the players. Barrick Gold (new: GOLD) merged with Randgold(old: GOLD) to form larger Gold mining company. Then, Newmont(NEM) agreed to merge with Goldcorp(GG) to form an attractive larger Gold company. Now, Barrick(GOLD) is offering to buy NEM subject to it dropping bid for GG. Reading NEM's website comments on the offer suggests it is not interested. And that is where things now stand, and again we wonder if they have time to mine Gold.

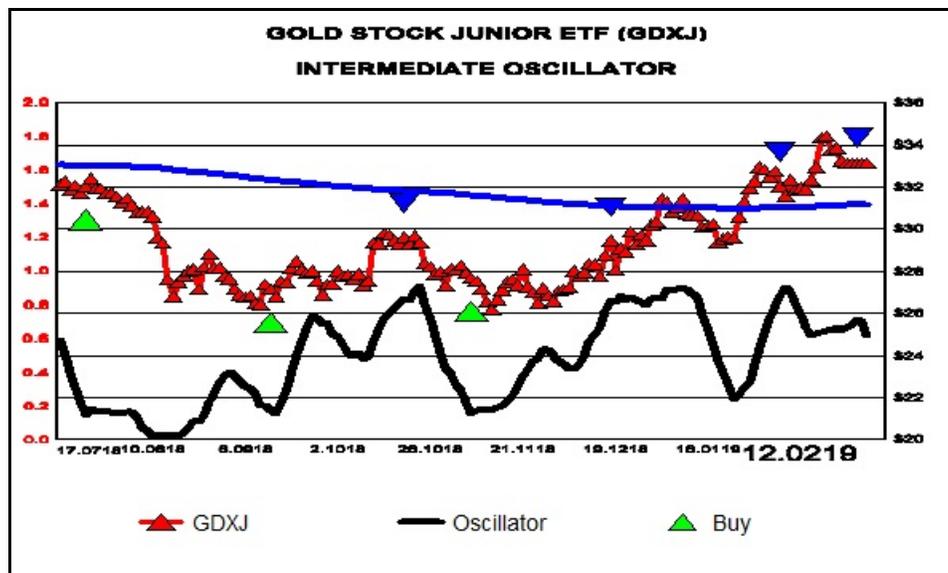
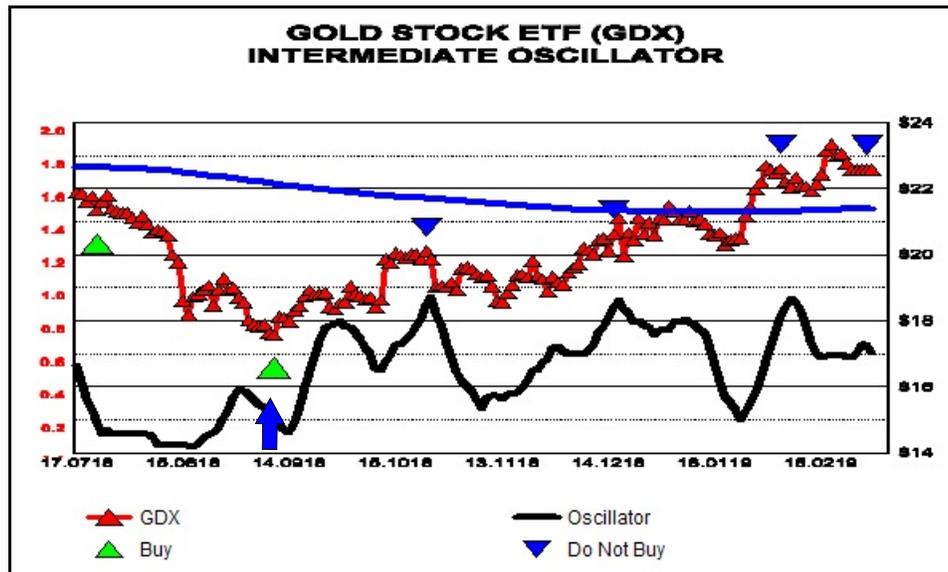
Should GOLD's offer for NEM fail and NEM's merger with GG proceed, both GOLD and NEM might both be attractive Gold stocks.

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GOLD STOCK ETFs

GDM ETF is in top chart below and GDXJ ETF is in bottom chart. Both ETFs moved to new 52-week highs last week. That action should be confirmation of Gold moving higher. With further merger action in the news, interest in Gold stocks should continue. Gold stocks are performing better than the stock market in general. Investors should be looking for pull backs in Gold and stocks for any buying.



Your Eternal Optimist,
Ned

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VALUATION						
	US\$ GOLD	US\$ GOLD %	US\$ / CHINA YUAN	CHINES E YUAN %	US\$ SILVER	US\$ SILVER %
CURRENT	\$1,320		\$0.1495		\$15.70	
Long-Term Target	\$2,137	62%	\$0.3330	123%	\$36.70	134%
Fair Value	\$1,006	-24%			\$17.25	10%
Short-Term Oscillator	4%				5%	
Signal Oscillator	40%				43%	
Probability of BULL Trend	89%		68%		49%	
Bear Market Low	\$1,047	17 Dec 15	\$0.1437	Oct 18	\$13.55	14 Dec 15
% Change From Low	26%		4%		16%	
Days From Low	1,170				1,173	
Market Low Test	\$1,123	15 Dec 16			\$13.91	Nov 18
% Change From Test of Low	18%				13%	
200 Day MA Current - Value	\$1,272 + \$48				\$15.77 - \$0.07	

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