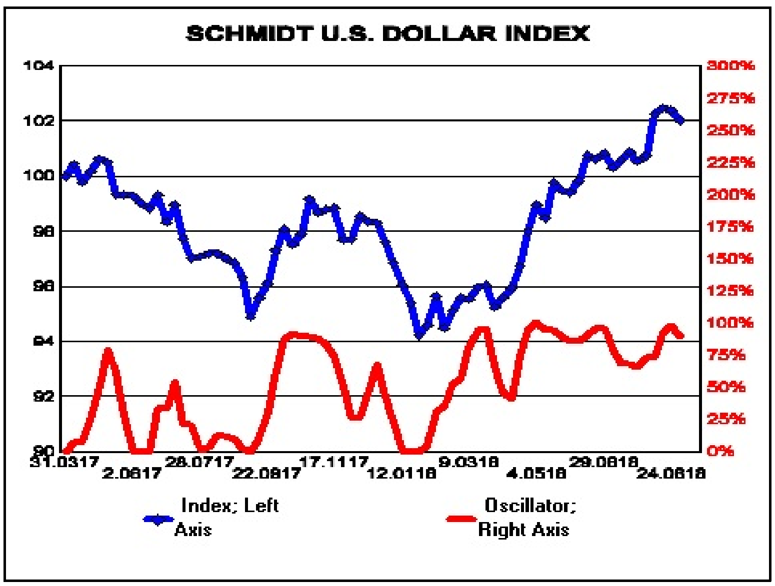
THE VALUE VIEW GOLD REPORT
TRADING THOUGHTS

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.

HALF A NAFTA

NOT sure what one calls *half a NAFTA*. But that seems to be what was coming as this week opened on Monday. And, prospects for such an event seem to have made everyone joyous. NAFTA is a trade agreement between U.S., Mexico, and Canada. Per the headlines, U.S. and Mexico have reached an agreement on their half of deal, hence half a NAFTA. Canada, which in our opinion does not really believe in free or fair trade, is not ready to talk seriously. Given the hard core anti fair trade views in that country, those negotiations may take a while.

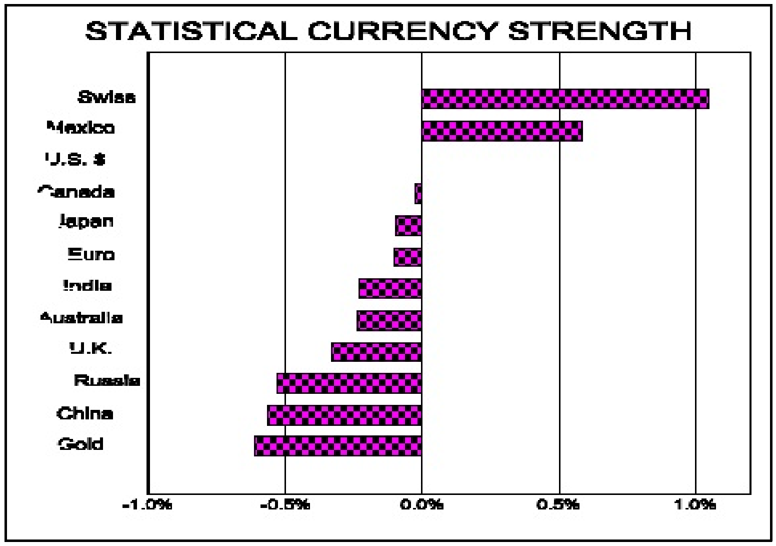


On Monday morning U.S. stock market open up more than 200 DJIA points. Netflix was up 3.5%. Now we admit to being a skeptic, but not sure how half a NAFTA makes the value of Netflix rise by more than five billion dollars. Maybe more on that.

Top chart is of our dollar index. For last two weeks that index appeared to be rolling over. Some reasons exist for that interpretation to have some validity. Dollar index has risen dramatically as selling foreign currencies against the dollar has been in fashion much of this year, for two reasons. By the way, given the political situation in South Africa we have deleted the rand and replaced it with the Brazilian real in the index.

First one of those has been the view that U.S. interest rates were going to rise dramatically while in rest of world interest rates would not rise by much if they did rise at all. That view had been softening, and really took a hit after Federal Reserve Chairman Powell spoke at Jackson Hole and then when most recent minutes of FOMC were released. While sticking to plan of four rate increases for U.S. in 2018, tone for 2019 was judged to be softer. That view seemed to temper the enthusiasm for the dollar somewhat.

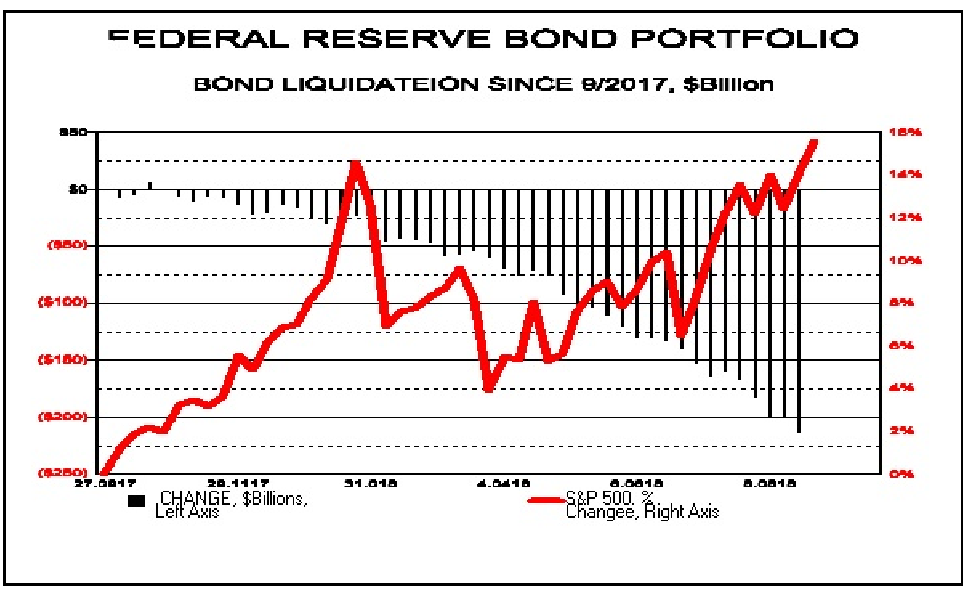
Second reason for dollar's rally is a little flaky, but was partially removed on Monday with an announcement of tentative trade agreement between U.S. and Mexico. Prior thinking had been that with U.S. imposing tariffs on imports from other countries, the cash trade imbalance of U.S. would improve. If U.S. consumers shied away from more expensive foreign goods, fewer U.S. dollars would flow outside of U.S. which would mean dollars outside U.S. would be more valuable.



Now, with U.S. and Mexico apparently in agreement the above argument has dissipated somewhat. Top chart is a ranking of foreign currencies versus U.S. dollar. Bottom axis is simply a statistical measure to rank them without any real world meaning. Top of list is Swiss franc, for some unknown reason. Mexican peso has been strengthening against dollar on news Mexican deal was getting close. Just below U.S. dollar is Canadian loonie as Canada should be next one to reach agreement with U.S. on trade, even if Trudeau is making it difficult.

In short, the forces that have led to strengthening of U.S. dollar are dissipating. U.S. dollar should weaken which should help Gold. Already these shifts against the dollar have helped $Gold as it is up about $25 from low of last Thursday.

Bottom chart shows the liquidation of bonds by the Federal Reserve since it began that process in Fall of last year, using bars and left scale. Thus far it has liquidated more than two hundred billion dollars of



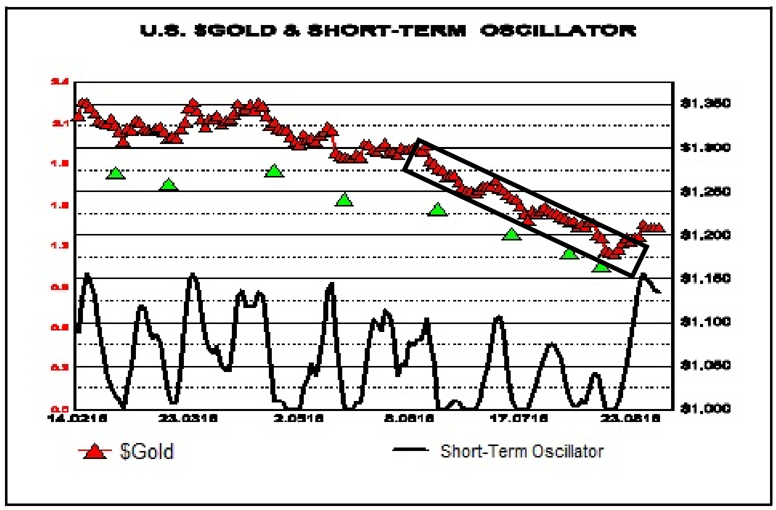
bonds. Red line is S&P 500 since last September. U.S. stock market was finally able to achieve a new high on enthusiasm over a tentative trade deal between U.S. and Mexico. BUT and HOWEVER, that market high was again due to speculation in basket of much loved internet/technology fantasies. We noted earlier Netflix, which somehow in the minds of the street is connected to Mexican trade, added almost six billion dollars to market capitalization on announcement of deal . How long can U.S. stock market continue a speculative rise when Federal Reserve is withdrawing large amount of funds from financial system?

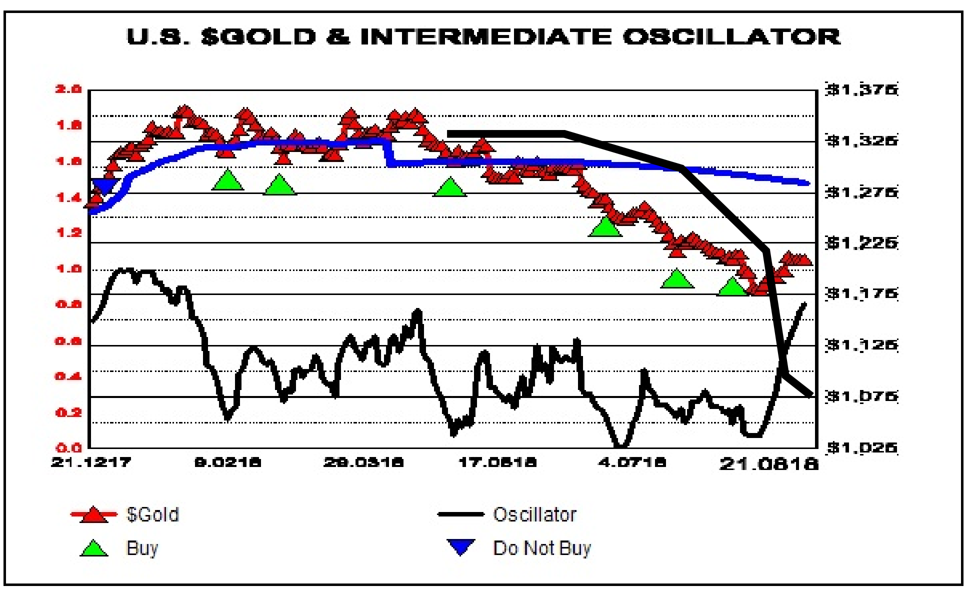
Analysis of $Gold / S&P 500 Ratio Data: 1945 - 2017 73 Years

If S&P 500 =	2,915	$Gold should be:	$3,291 +173%
If $Gold =	$1,205	S&P 500 should be:	1,067 -63%

Valuation: Current ratio of price of $Gold to S&P 500 is 0.432. Last time that ratio ended a year near that level was 2005, when price of $Gold was ~$517. Currently Gold's price is severely depressed while S&P 500 recently hit bull market high so Gold should be the better value..

Charts: As cacoethes runs rampant in U.S. equity markets and currencies are sold blindly against the dollar, $Gold has suffered. But, look at bottom chart for some encouragement that does appear. Black curve in that chart traces out an inverted parabolic curve. $Gold has walked out of that pattern which means next directional move should be up. In top chart short-term view shows a similar development. $Gold had been moving down in a fairly narrow trading pattern. $Gold is walking out of that pattern, an encouraging development.





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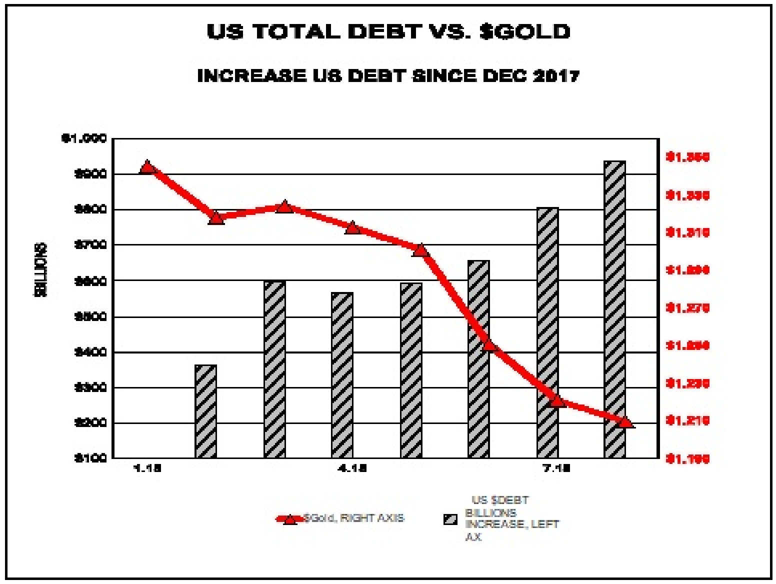
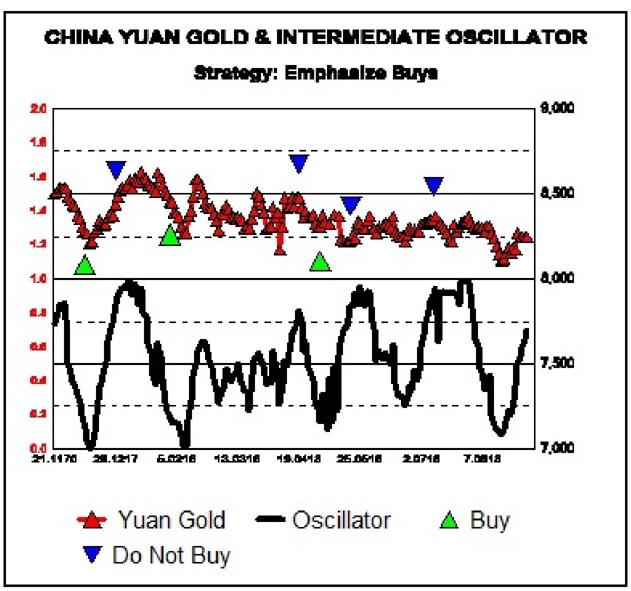
U.S. Debt Growth vs. Gold: U.S. government debt did indeed "break out" to upside as we previously wrote. Bars in chart are the change in total U.S. government debt since the beginning of 2018. Increase is not quite a trillion dollars, but sure with a little effort U.S. spending machine can do it. Old Congress goes out end of year and new Congress comes into office in January. Neither is likely to want to reduce spending.

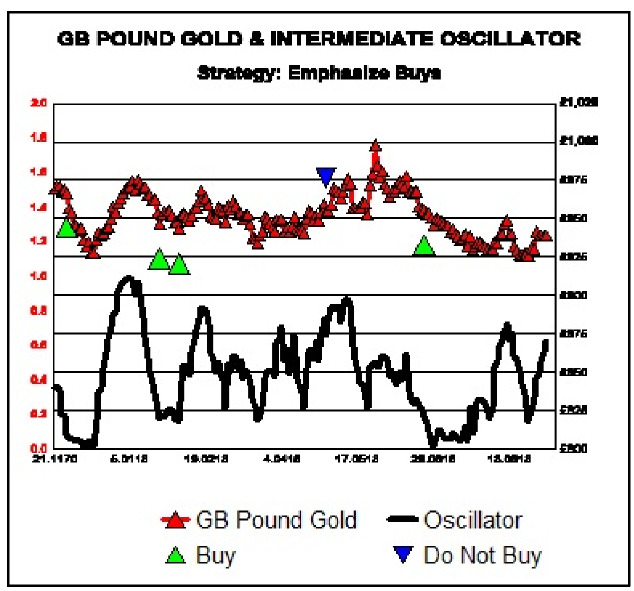


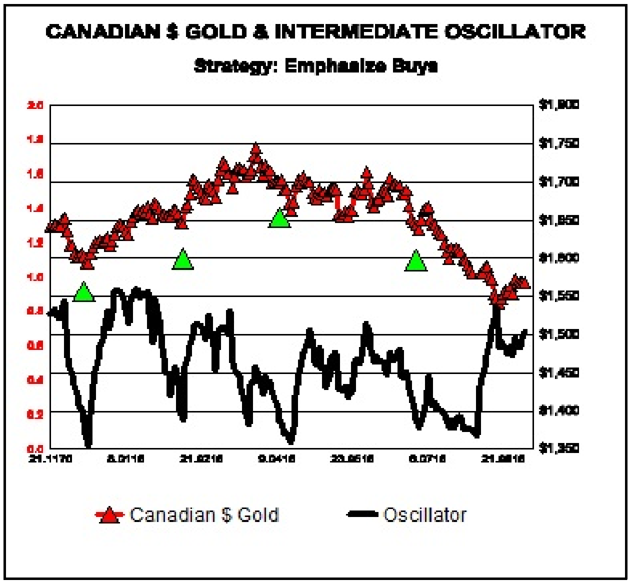
The bars indicate that the risk in U.S. government debt is rising while red line is for $Gold. Divergence between the two makes no sense.

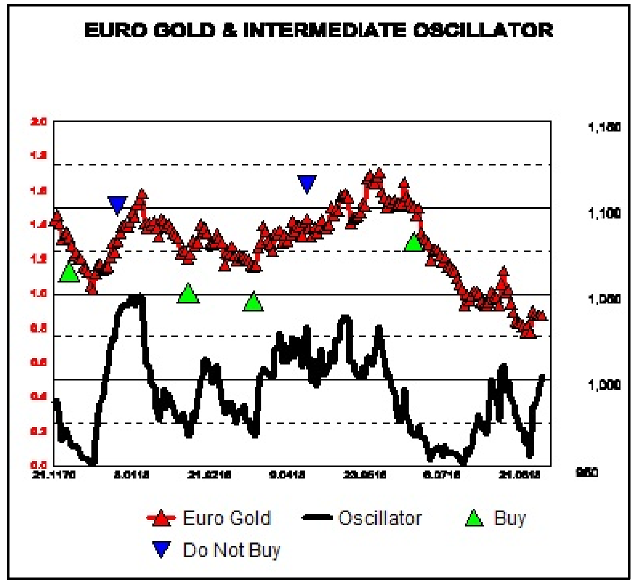
Trade Wars cooled just a little with a tentative peace between U.S. and Mexico. Seems the negotiating teams were able to focus on issues that would benefit both sides. In short one example, permissible percentage of car's components coming from China into Mexican manufacturers was reduced. While that may cause some short-term difficulties, it is not a requirement that hurts Mexican plants. Canada decided to return to discussions the next day, but Canadian position will need to change significantly. Canada wants to prohibit U.S. from bringing anti-dumping or anti-subsidy charges against Canada. Given Canada's history, that is likely a non starter. In the meantime, China is sitting at the table all by itself.

World Gold prices are being dominated by trading in $Gold. Price of Gold to a non U.S. investors is a function of price of $Gold and the trend for investor's currency versus dollar. For some months that relationship has been dominated by the bearish sentiment of U.S. traders on Gold itself.

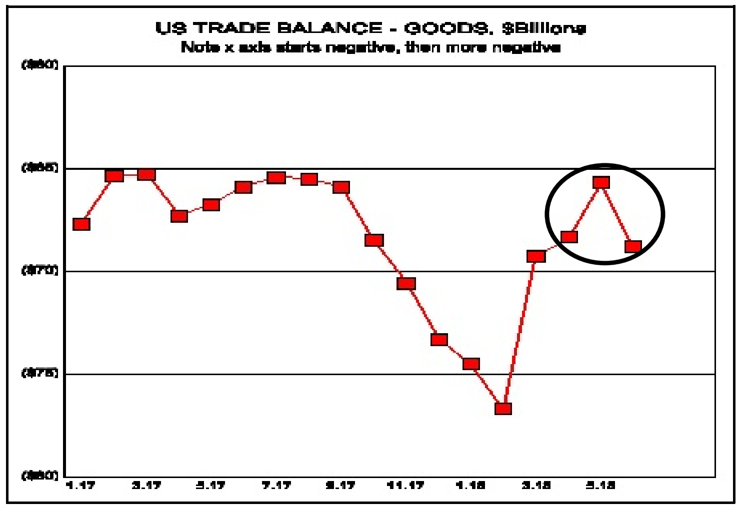




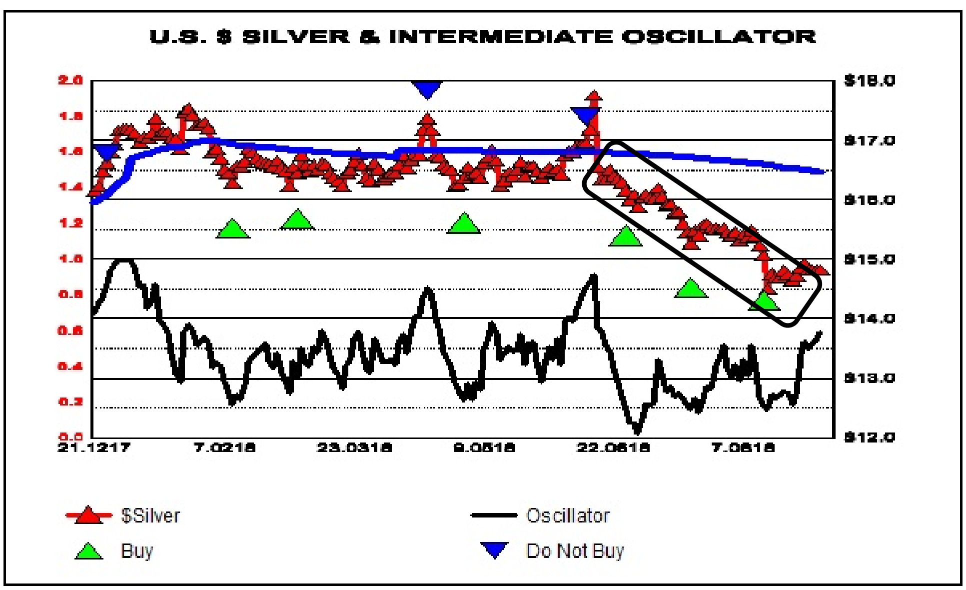




U.S. GDP growth rate for second quarter raised to 4.2% from 4.1%. Yes, that is not a lot of change, but direction in headline is what counts. Chart to right is of U.S. trade balance on goods. Circle highlights data for second quarter which is less negative than previous three months. A lower negative is a positive in GDP calculations. Next announcement date for FOMC 26 September. U.S. interest rates expected to rise by 25 basis points.



Silver: Silver has been brutalized by traders as Gold has suffered. While Silver needs Gold to move higher, price does seem to be attempting to walk out of channel it has been moving within. While everyone seems to have a favorite low cost Silver miner, prices are approaching level where some mines are not profitable.



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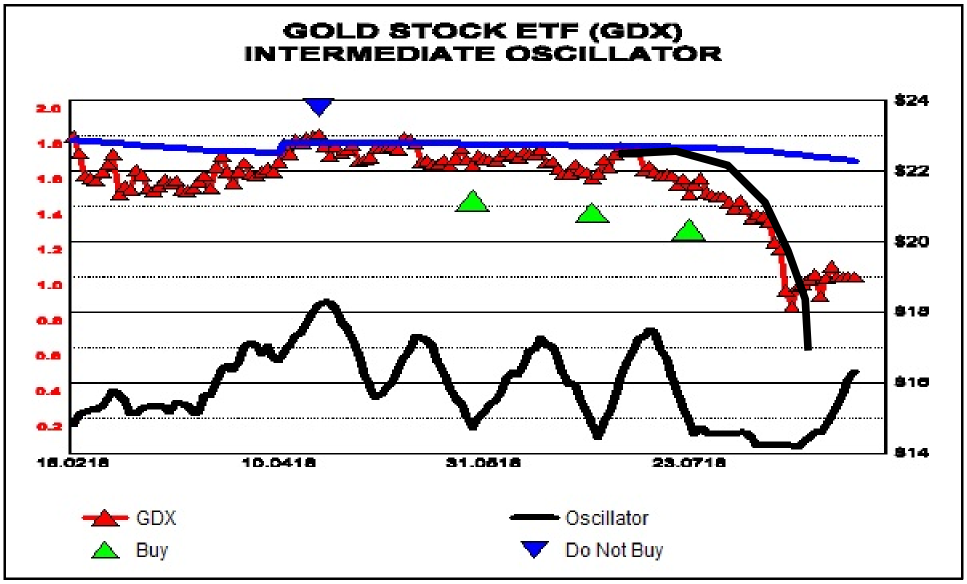
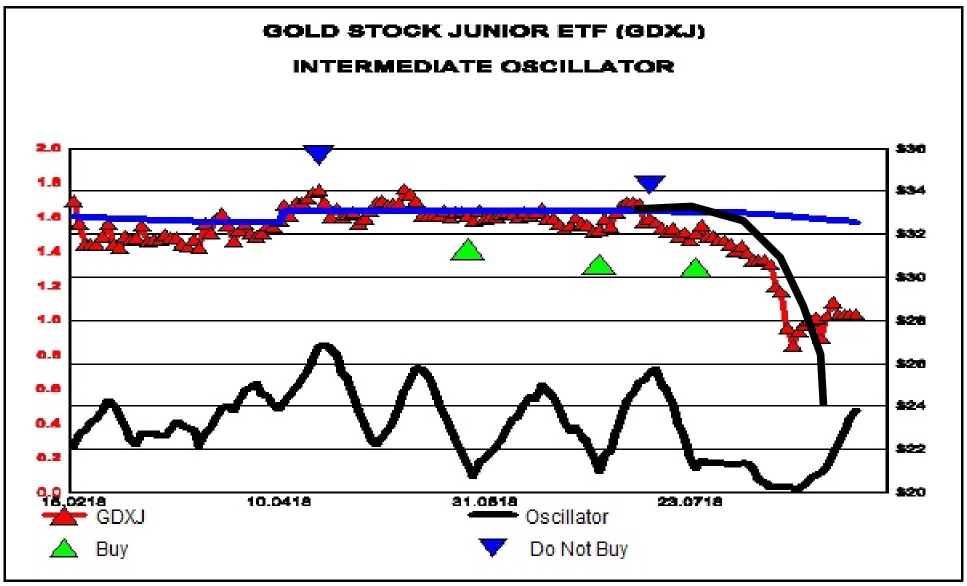
GDM ETF is in middle chart below and GDXJ ETF is in bottom chart. Both ETFs continue to argue with negative action in Gold.

Both charts offer powerful encouragement for stocks and Gold. In both a black line highlights the inverted parabolic curves in which these Gold stock ETFs had been trading. Now, both have exited those patterns, and next important move should be up.





Your Eternal Optimist,

Ned

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Publication Schedule: Next *Trading Thoughts:* 30 September Next Monthly: 15 September

VALUATION						
	US$ GOLD	**US$ GOLD %**	**US$ / CHINA YUAN**	**CHINESE YUAN %**	**US$ SILVER**	**US$ SILVER %**
CURRENT	$1,205		$0.147		$14.75	
Long-Term Target	$2,116	**76%**	$0.3330	127%	$36.50	**147%**
Fair Value	$996	-17%			$17.20	17%
S-T Oscillator	83%				58%	
Signal Oscillator	65%				42%	
Probability of BULL Trend	90%		76%		23%	
Bear Market Low	$1,047	17 Dec 15	$0.1444	Dec 16	$13.55	14 Dec 15
% Change From Low	15%		2%		9%	
Days From Low	958 days				961 days	
Market Low Test	$1,123	15 Dec 16			$14.30	15 Aug
% Change From Test of Low	7%				3%	
200 Day MA Current - Value	$1,285 - $80				$16.46 - $1.71	