

## THE VALUE VIEW GOLD REPORT

### TRADING THOUGHTS

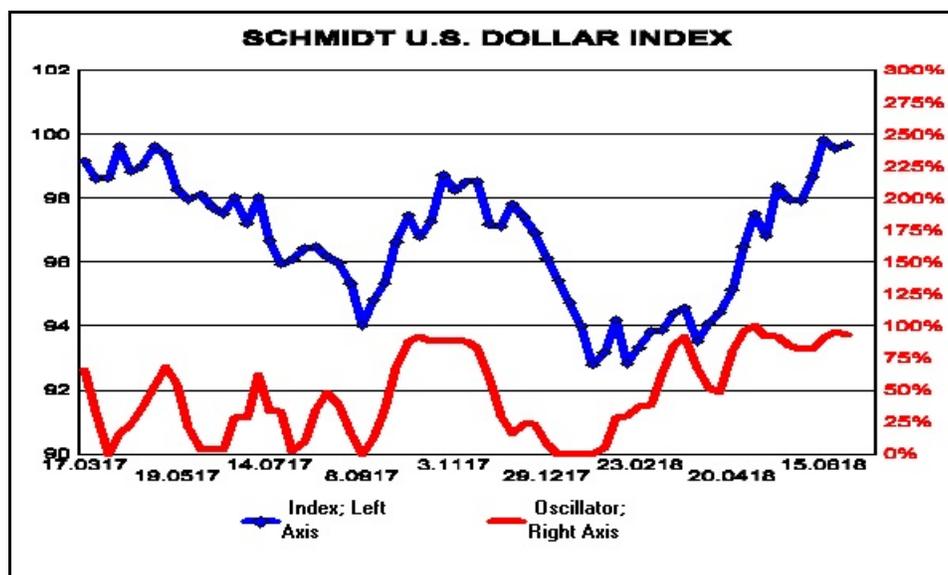
**TRADING THOUGHTS** is about timely and profitable buying of precious metals. We do not believe every turn in the market can be called. Our goal is that our recommendations should be profitable. Profits are the goals, not trades. Do not expect all recommendations to be profitable. No system can achieve 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.

#### SAME FOOLISHNESS AS IN MORTGAGE BUBBLE

**During the mortgage financial boom, when interest began to rise**, many realized that some kind of financial disaster was on the horizon. But, for those making money in the mortgage game that money was all on which they focused. In 2007 that mania began to end. The financial collapse of 2008-9 arrived, and firms like Lehman Brothers disappeared near over night.

**Cacoethes**, “an irrational but irresistible motive for a belief or action”, as we discussed in the June issue was clearly rampant during the mortgage bubble. Was irrational to expect the mortgage “ATM” to continue spewing money, but thoughts of riches were irresistible as is now the case with AAPL, etc.

Two forces forced the collapse of the mortgage bubble. **One was that all price moves eventually have a top. None go up for ever.** Sorry about that reality. Other force was rising interest rates. In U.S. stock market many are convinced that five stocks, AAAL, etc, are all going to be worth a trillion dollars each, and make their stockholders rich. Fat chance! Rising interest rates will bring reality to the faithful, as it has in the past. And then we have the U.S. dollar, a new “growth” god to worship.



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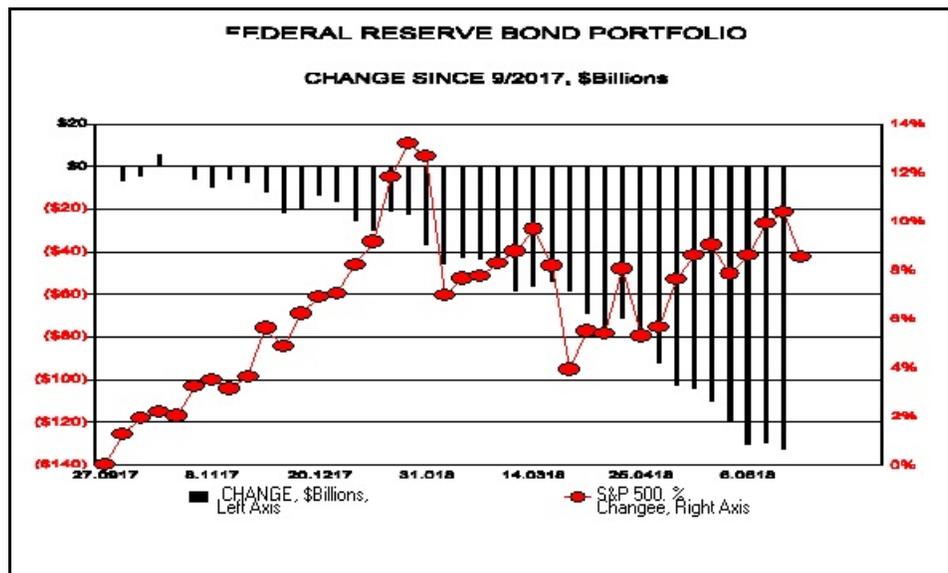
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U.S. dollar, bottom chart on previous page, began to put in a bottom coincident with the FOMC March rate increase. At that time FOMC indicated another rate increase in June to be followed by two more rate increases. Thinking was that rate increases should enhance the value of dollar versus other currency. To some extent that is true, but it does not every day forever.

Many investors now believe that U.S. is in a rising interest rate environment that will go on for some considerable time. If that is the case, the dollar's value has no top. It will rise "forever". Add to that currency futures can be controlled with less than 2% of value of the contract, and one has perfect investment. Maximum leverage with unlimited upside. Currency futures are now perceived as having less or even no "risk" because dollar can only go up. That thinking is what sets up people to lose money.

All of the above makes life unpleasant for those owning Gold. However, it also IS when not if" situation. Investment nonsense running through parts of U.S. stock market and currency markets will come to a painful end. When that happens in currency futures, not if it happens, Gold will quite simply be about all that is left. Remember that Las Vegas and the futures markets were not invented to make the public rich.

Federal Reserve continues on path to liquidate much of its bond portfolio. \$130 billion has been liquidated as of last report. Red dots in graph track the S&P 500. U.S. stock market peak was on 26 January, five months ago. Liquidating those bonds reduces funds in U.S. financial system which reduces money available for stock market. *By the way, Friday was 99<sup>th</sup> day without a new high, something that has not happened since 2008.*



When Federal Reserve allows bonds to mature without reinvesting the proceeds in other bonds, which is what Federal Reserve is doing, funds flow from the financial system to the Federal Reserve. One place that movement is felt is in bank reserves held at the Federal Reserves. Banks must hold reserves against their deposits in the form of cash in the vault and deposits at the Federal Reserve. As a consequence of this activity, bank reserves at Federal Reserve have fallen by roughly \$240 billion since end of September last year. That means banks have less funds to lend out as less excess reserves exist. One place those funds are drained from is the U.S. stock market, which is down about 6% since high on 26 January.

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

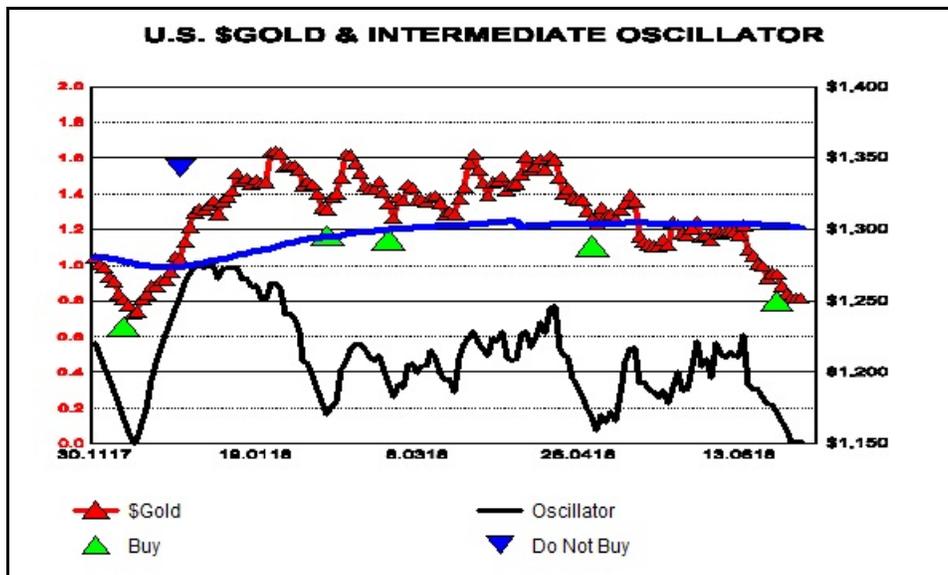
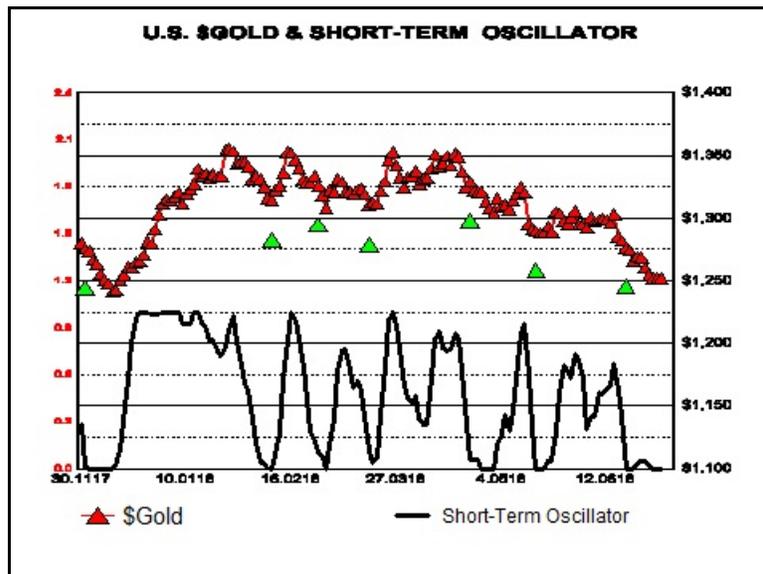
If S&P 500 =	2,718	\$Gold should be:	\$3,070 +145%
If \$Gold =	\$1,252	S&P 500 should be:	1,108 -59%

*Valuation:* Value analysis still favors Gold over U.S. stocks.

*Charts:* Yes, the charts look like something the dog left in the yard. This is not the first time Gold investors have faced such a situation. The negative action in the chart is a consequence of speculative action in the dollar versus other currencies.

The dollar is being treated like a “growth” stock with near every news item as another reason to sell foreign currencies versus the dollar. Not the first time we have faced such currency gambling.

As can be observed in charts, \$Gold reached over sold condition in the past week. In bottom chart note that over sold condition is similar to one at beginning of chart when \$Gold last was at \$1,250. From that low \$Gold went on to rally by a hundred dollars. Given the massive gamble against foreign currencies that has built up, a similar move should develop.

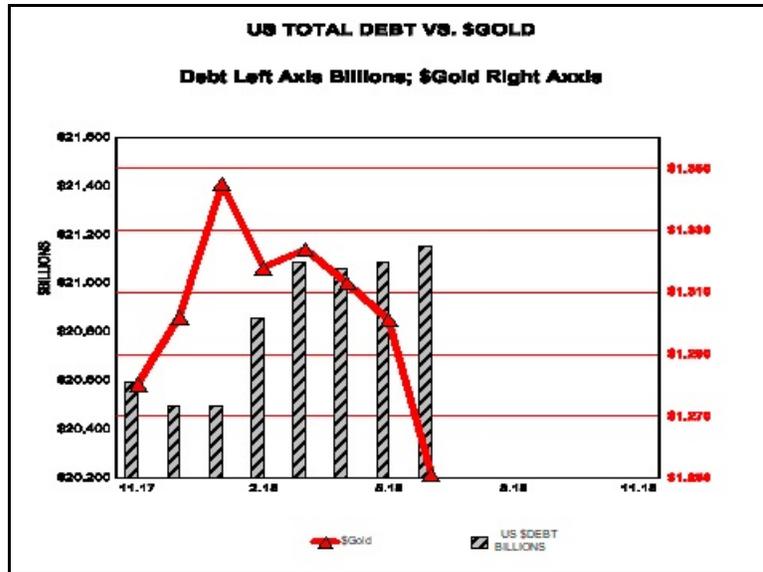


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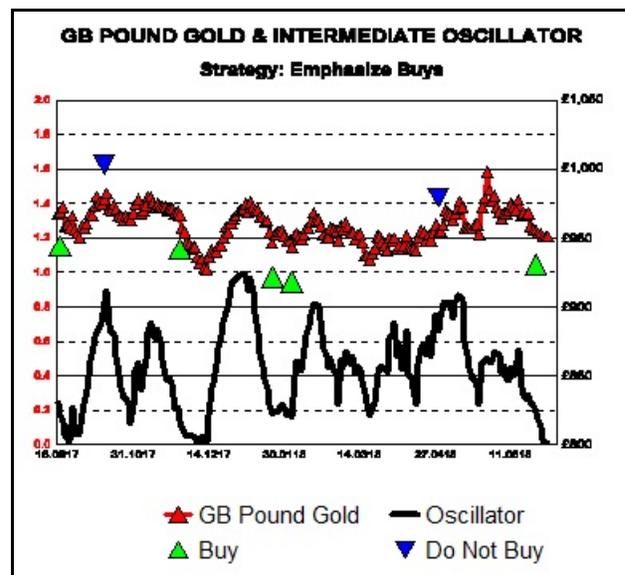
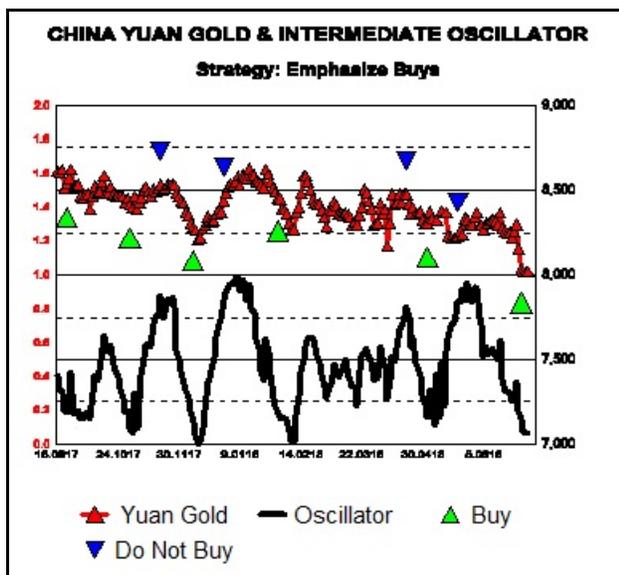
*U.S. Debt Growth vs. Gold:*

Bars in top chart are size of U.S. government debt. After strong tax receipts in April, U.S. government spent that money and is back to borrowing. Despite record tax collections, the U.S. is back into deficit with little hope of Congress showing any financial restraint. Gold had been tracking the U.S. debt higher until the dollar became a “growth stock”. Graph suggests dollar and Gold are now grossly mispriced. With U.S. government debt destined to move higher selling U.S. debt to the world will be more difficult as the dollar moves higher.



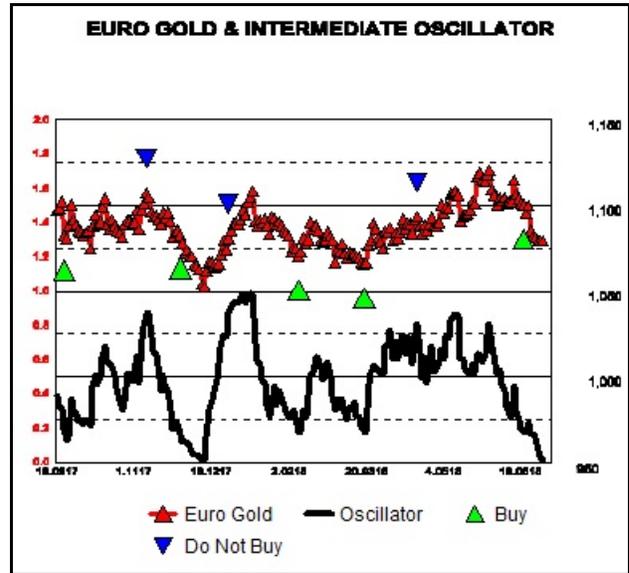
**U.S.-China Trade War** had looked a month ago like peace might be at hand. More recently situation again deteriorated. Next week is a big week with China imposing tariffs on all U.S. agricultural commodities and U.S. imposing tariffs on more Chinese goods. Blood is going to be spilled in the coming months. With tariffs and VAT on U.S. pork, for one example, rising to 88%, U.S. pork will not be going to China. Last year those pork imports were almost half a billion dollars. Yes, that is going to hurt U.S. pork producers. **But, those companies in China that import U.S. pork will go out business and lay off all of their employees. The business and financial fragility of the world will be rising as this trade battle unfolds. Gold is the answer in that situation, not more Apple stock.**

**World Gold, when priced** in other currencies, would be expected to rise if foreign currencies are depreciating against the dollar. That, however, has not been the case. As shown in charts below, Gold in other currencies is also oversold as selling has reached nonsensical levels. In each of four currencies in



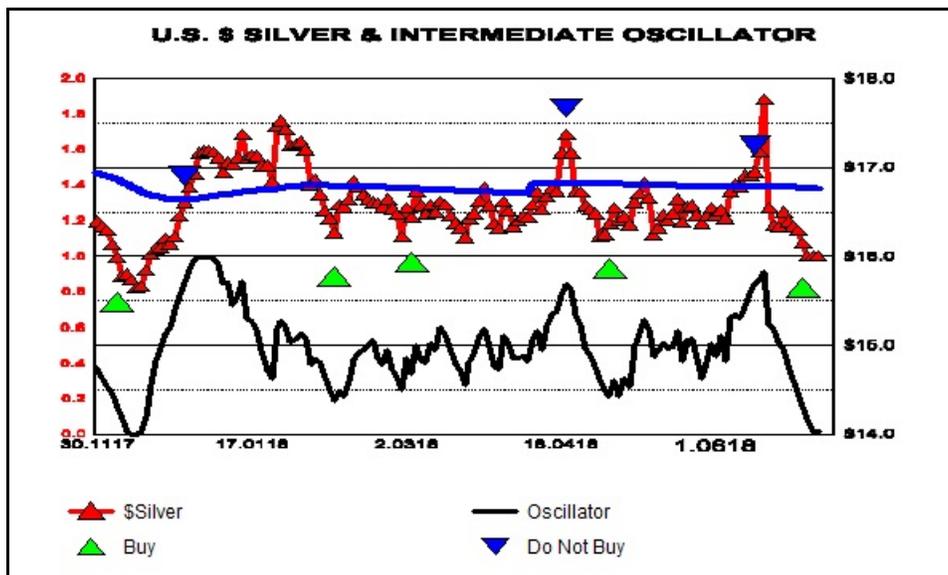
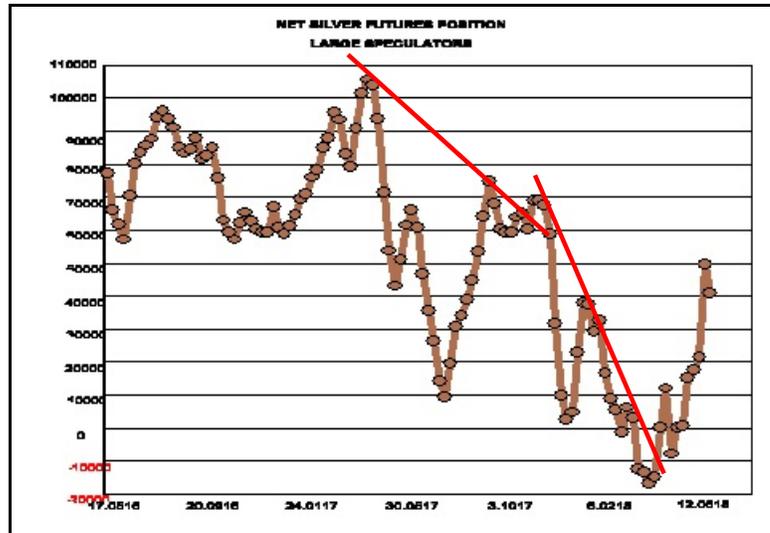
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graphs, Gold is giving a buy signal. In China, according to some sources, investors have lost \$2 trillion dollars of value and their stock market is down more than 20+%.

**Silver:** Action in Silver futures, middle chart, has been suggesting that Silver would be doing better than is currently the case. Silver is again giving a buy signal as it tends to do when below \$16.50.

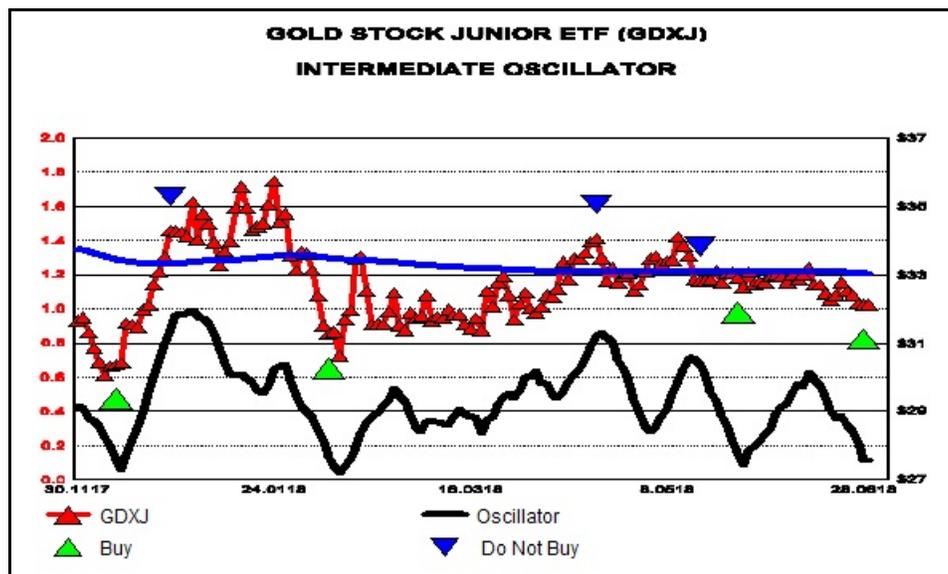
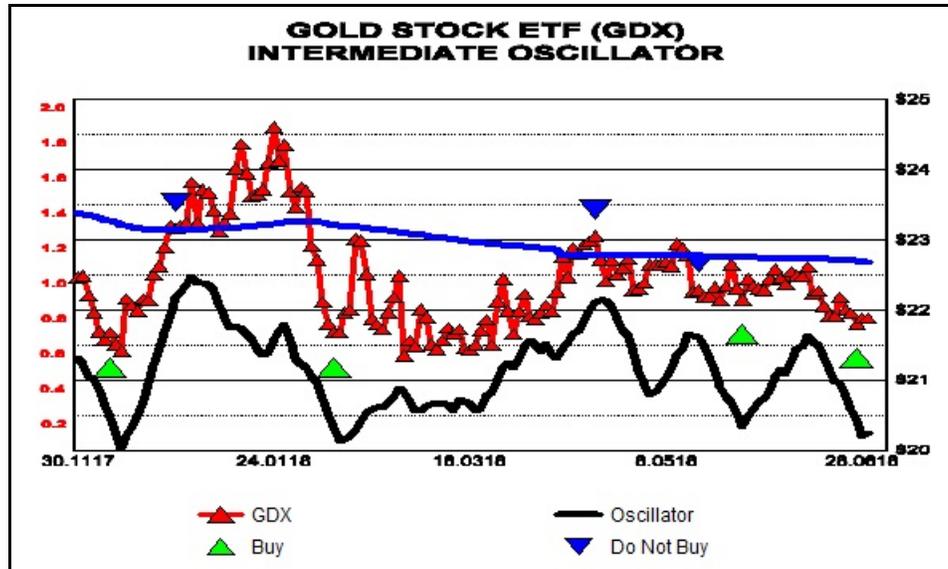


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***GDX ETF is in top chart and GDXJ ETF is in bottom chart.***

***Both ETFs are saying that action in Gold is wrong.*** Both ETFs made a low in December of last year. Both ETFs made a higher low in February-March. Neither ETF has broken either of those lows. The ETFs are NOT confirming the current low price of Gold. Moving average for GDX is \$22.69 and for GDXJ is \$33.04.



Your Eternal Optimist,

*Ned*

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

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VALUATION						
	US\$ GOLD	US\$ GOLD %	US\$ / CHINESE YUAN	CHINESE YUAN %	US\$ SILVER	US\$ SILVER %
CURRENT	\$1,252		\$0.1511		\$16.10	
Long-Term Target	\$2,108	<b>68%</b>	\$0.3330	120%	\$36.50	<b>127%</b>
Fair Value	\$993	-21%			\$17.30	7%
S-T Oscillator	2%				14%	
Signal Oscillator	3%				10%	
Probability of BULL Trend	90%		76%		90%	
Bear Market Low	\$1,047	17 Dec 15	\$0.1444	Dec 16	\$13.55	14 Dec 15
% Change From Low	20%		5%		19%	
Days From Low	927 days				930 days	
Market Low Test	\$1,123	15 Dec 16			\$15.50	12 Dec 17
% Change From Test of Low	11%				4%	
Speculative Trader Ratio *	1.6 -				1.6 +	
200 Day MA Current - Value	\$1,301 -\$49				\$16.76 -\$0.66	

\*Ratio of large speculator longs to shorts from weekly CFTC report on traders.

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