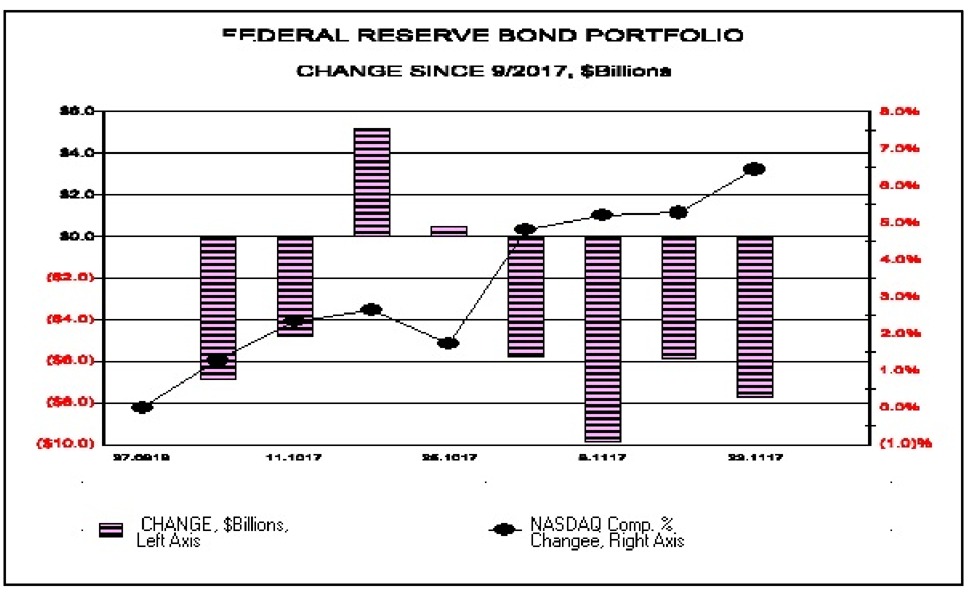
THE VALUE VIEW GOLD REPORT
TRADING THOUGHTS

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.

WILL 2018 MAKE MORE SENSE

We are starting to think about 2018. Will it make more sense than 2017? One would have to go back to 2007 or 1999 to find a as much mass speculation as in today's financial markets. In 1999 internet related companies were bid to prices that assured investors would be punished, as they were. 2007 brought investors massive pain through the like of synthetic CDOs that now seem precursor of crypto- currencies. A handful of stocks, largely FAANG, have been anointed by speculators with massive capitalizations. But limiting speculation to actual companies, AAPL does make telephones and AMZN does deliver stuff, was a constraint. So, crypto currencies were invented. As this is being written, 1332 crypto-currencies exist with a market value of nearly $300 billion. All of that value represented by fantasies with no real value today, tomorrow, or ever. P. T. Barnum would have loved it. When in 2018 will the fantasy end, not if?

While China's stock market values are rising and in some cases have reached values matching those in the U.S., U.S. stock market remains all important to Western investors. Health of that market is critical to confidence in U.S. economy and much of the rest of the West. Unwinding of Federal Reserve's bond portfolio is the biggest threat to U.S. stock market in 2018, and is largely being ignored. Bars in chart below shows the change in that bond portfolio since the end of September. Black line is percentage change for NASDAQ Composite Index since end of September.



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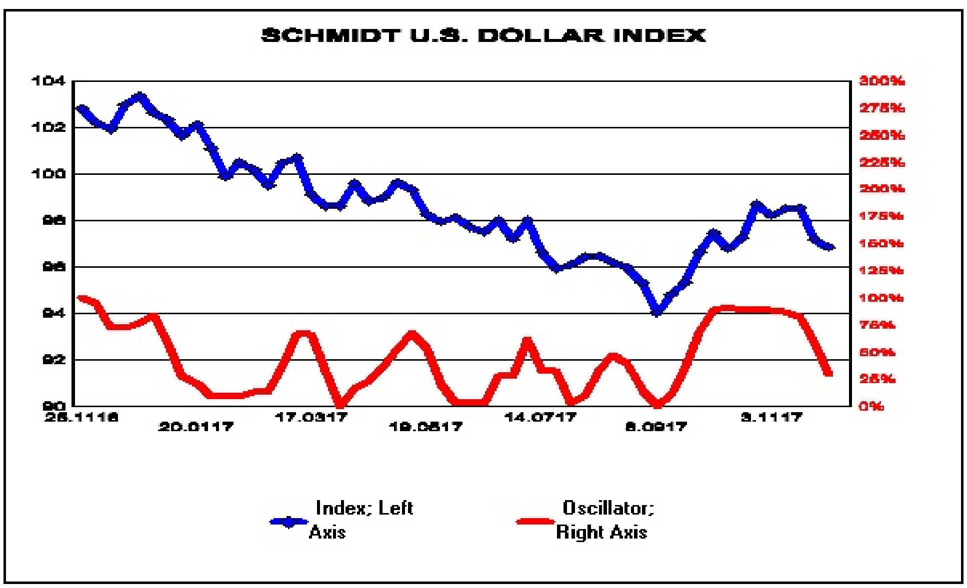
Deepest bar in that chart is for week ending 8 November. It shows that Federal Reserve essentially met its goal of reducing portfolio during October by about $10 billion. However, note that most current two bars are shorter. That means the Fed Res has been buying bonds. And yes, that makes little sense if goal is to reduce size of bond portfolio. Most current bar is just shy of negative $8 billion. That means by end of November, if the Federal Reserve is to meet its stated goal, about $12 billion of bonds should be shed by allowing them to mature without reinvesting the proceeds.

In summary, unwinding of Federal Reserve balance sheet is in infancy. More is to come in 2018. Stated goal for 2018 is to reduce bond portfolio by a minimum of $120 billion. That should reduce bank reserve by a similar amount. Never before has a cental bank withdrawn $120 billion from the banking system.

To assume such action will have no negative impact on financial markets is both cavalier and naive.

As shown in bottom chart, the dollar's latest rally has faltered. The next step for the dollar is somewhat uncertain. On 13 December is the next policy announcement date for the FOMC. Belief that it will announce a 25-basis point increase for U.S. interest rates is near universal. In the past traders have moved the dollar higher in anticipation of such announcements. For that reason, we do expect they might to do so again this December. That trading activity has created in the past a good time to buy Gold.

Given that possibility and likelihood that most of end of year selling of Gold will be done by that date as is usually the case, if a "final" low for Gold in 2017 is to occur it should be about 13 December, give or take a couple of days. We give this scenario about 60% probability. Alternative view is that year end selling is already completed, and $Gold will move up through year end into January. To that we give a 40% probability.

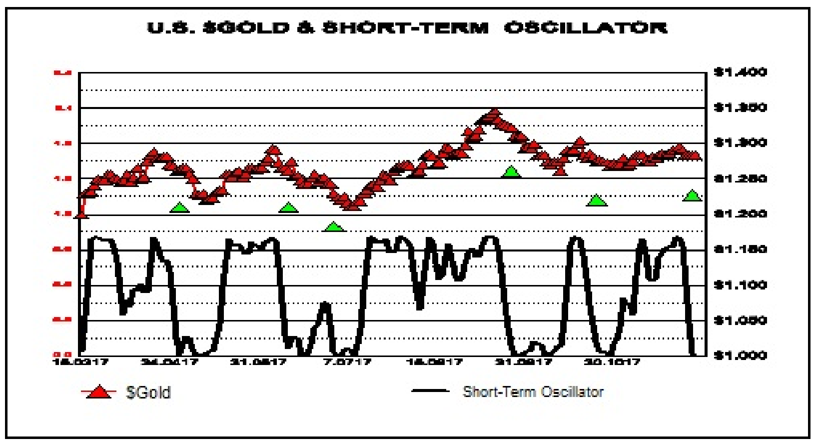


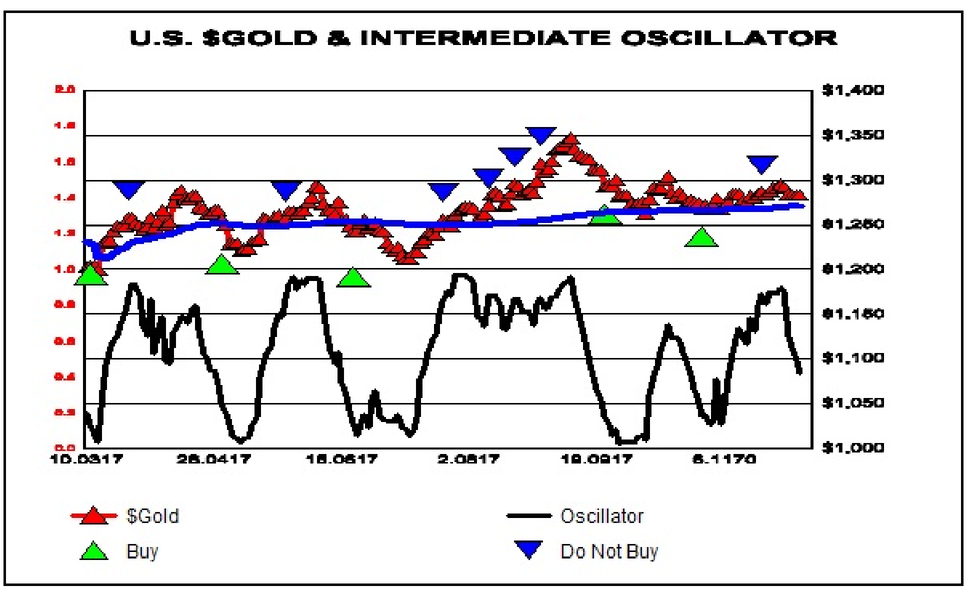
In December 2015 the average price of $Gold was $1,068, as the bear market ended. That was also the low for monthly average in that year. In December 2016, $1,159 was monthly average. That value was, with the exception of January of that year as Gold was recovering from bear market low, the low for monthly average in 2016. Thus far in 2017 monthly average has not been below that December 2016 value. Monthly average thus for in November is $1,282. We see little reason for the December value to be much different than that. If that is the case, no monthly average Gold price in 2017 will have been below the December 2016 value.

In summary, $Gold will have competed another year without the monthly average falling to a lower low. That also means $Gold has for past two years been setting higher lows for the monthly average. $Gold has put in place a trend of rising lows. Proper charting procedure is that we analyze trend using the lows. In short, Gold is building a positive picture that should continue to develop favorably.

Now, that brings us to perhaps an important question. Will U.S. Congress help Gold in December? The 8th of December is day spending authorization for U.S. government ends. Will Congress pass new spending authorization or will U.S. government shut down? Note that in a U.S. government shutdown all essential services continue. For example, everyone gets their social security checks. But, it causes a lot of talk, name calling, and the left wing media in U.S. goes bananas. We put odds of passing the spending authorization by that date at no more than 55%. *Next page.*

Chart Interlude: Again, note in bottom chart positive slope for Gold. 200-day moving average is moving upward. Currently Gold is above that measure. ***In top chart we see that $1,300 is again near-term resistance as it has been three times before. As Gold moves past year end selling and into January it should move through $1,300.*** Then it will challenge $1,350. ***On Wednesday*** upward revision of U.S. GDP data stirred juvenile traders to sell Gold and Silver. Short-term oscillator for both gave a buy signal.

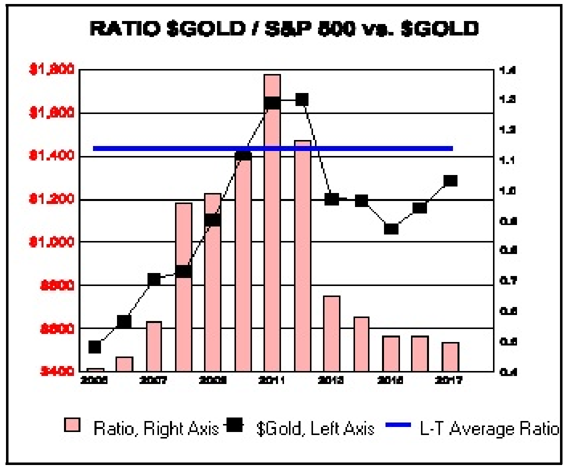




Analysis of $Gold / S&P 500 Ratio   Data: 1945 - 2017   73 Years

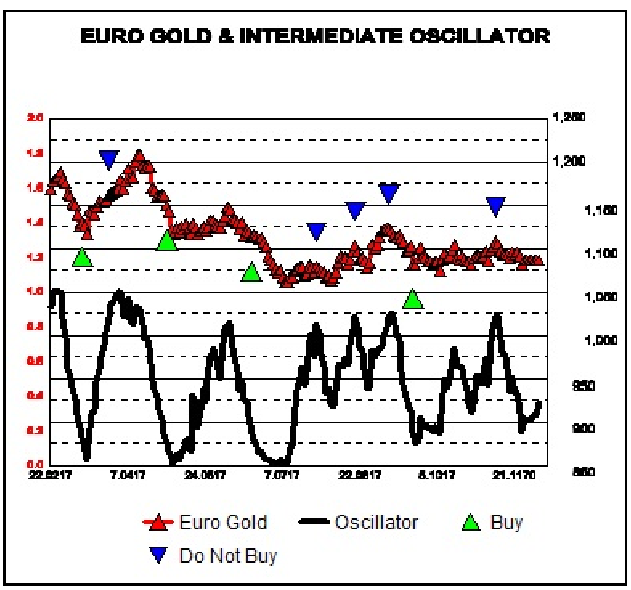
If S&P 500 =	2,625	$Gold should be:	$2,989 +133%
If $Gold =	$1,283	S&P 500 should be:	1,127 -57%

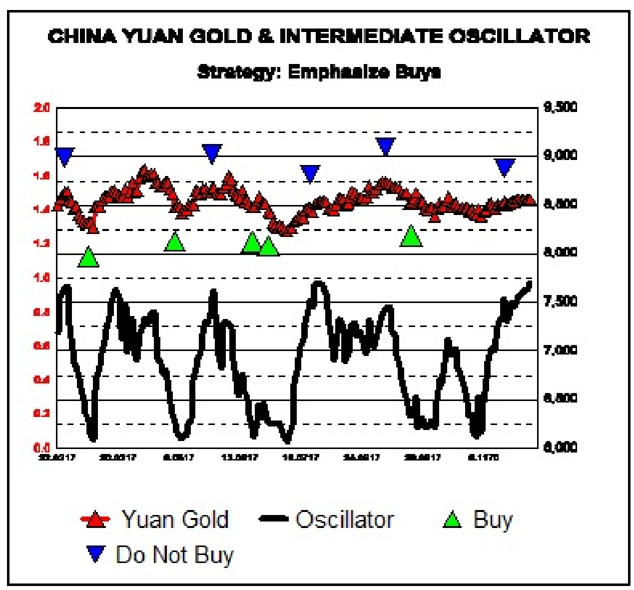
Ratio at 11 year low.
That condition is extremely bullish.

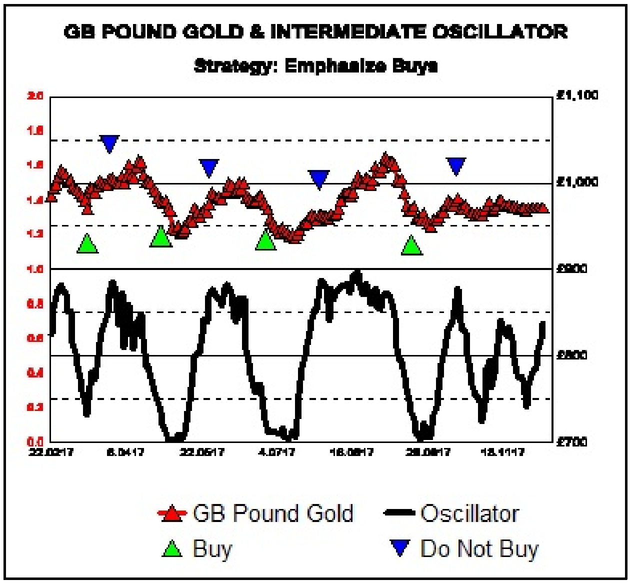


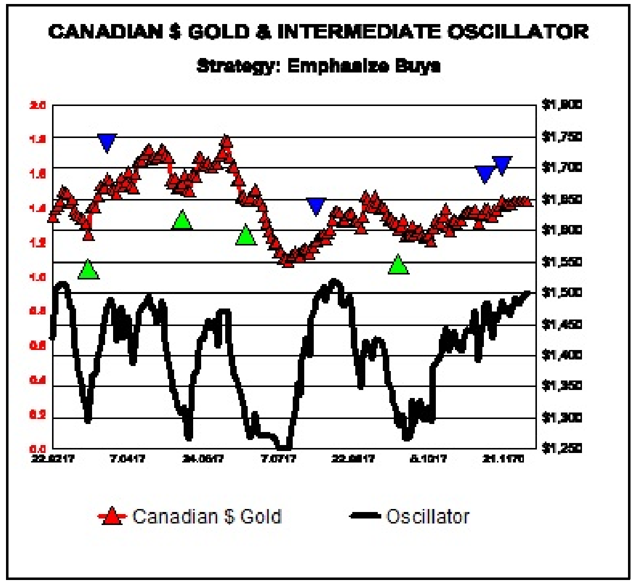
Valuation interlude: Based on the ratio of $Gold to S&P 500, under valuation of $Gold relative to U.S. stock market is at an 11-year low. That condition is extremely bullish for the price of $Gold. Markets do respond unconsciously to valuation disparities. Under valuation of Gold is so large in a historical context and has persisted for so long that it is now supporting Gold. As speculators push the U.S. stock higher, under valuation is dragging Gold higher. At present only thing Gold needs to move dramatically higher is some unknown event to occur. A Grey Swan would do it, but a Black Swan would really cause dramatic price action. Black Swans, or Grey ones, are unknown and unexpected events. If it is being talked about on CNBC, it is not the worry. Examples today would include the Saudi Arabia/Iran dispute, "accident" in Korea, collapse of German government, or some political event in U.S.

Continued discussion from page 3. Part of year end business for U.S. Congress is a tax bill. U.S. stock market has made a massive bet on passage of that tax bill. Failure is unacceptable, but U.S. Senate has an uncanny knack for creating failure. Most dysfunctional group in decades. Complacency and exuberant greed, spawned by tax bill carrot and continued low interest rates, have risen to level where even crypto-currencies now exist. VIX, a measure of expected volatility in U.S. stock market, suggests complacency at about 84%, or only a 16% chance of an unhappy event for U.S. stock market. Sort of reminds of words of one of the great philosophers, Alfred E. Neuman: "What, me worry?"



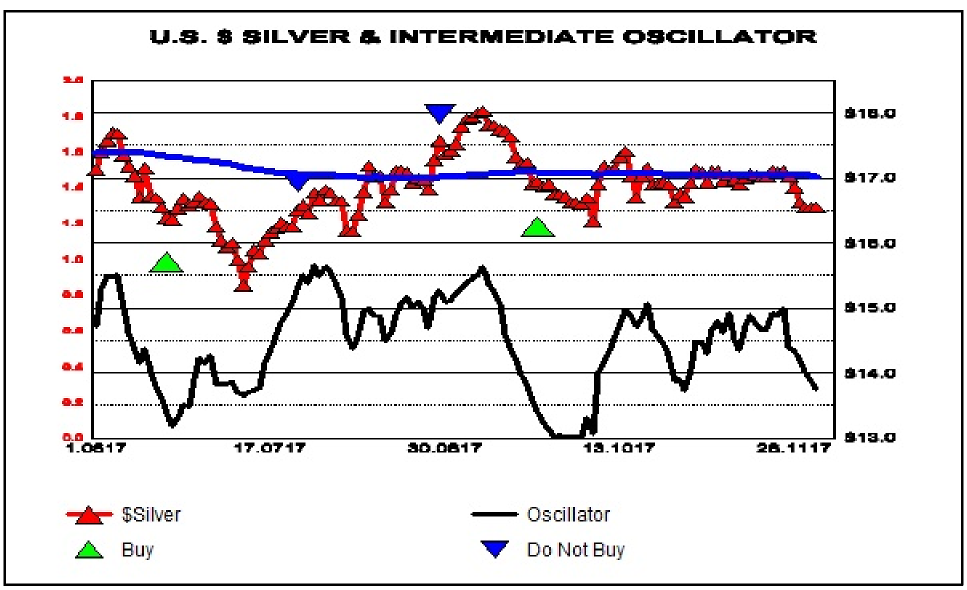






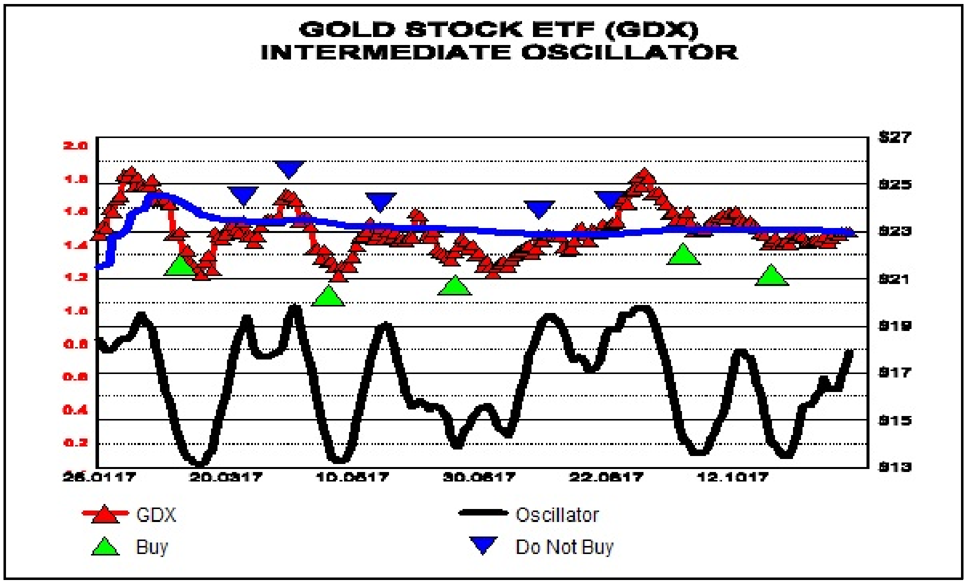
While tax cuts are generally a positive economic event, one consequence is mostly being ignored. Proposed tax cuts will add roughly $1.5 trillion to the U.S. deficit over next decade. With a wild party in process in equity markets no one seems to care about the size of U.S. government deficit. Outstanding U.S. government debt is $20.6 TRILLION, up $628 billion from a year ago. Some day that debt will matter, but as long as it is party time in equity markets and "wealth" is being created by fantasy crypto-currencies, no one cares.

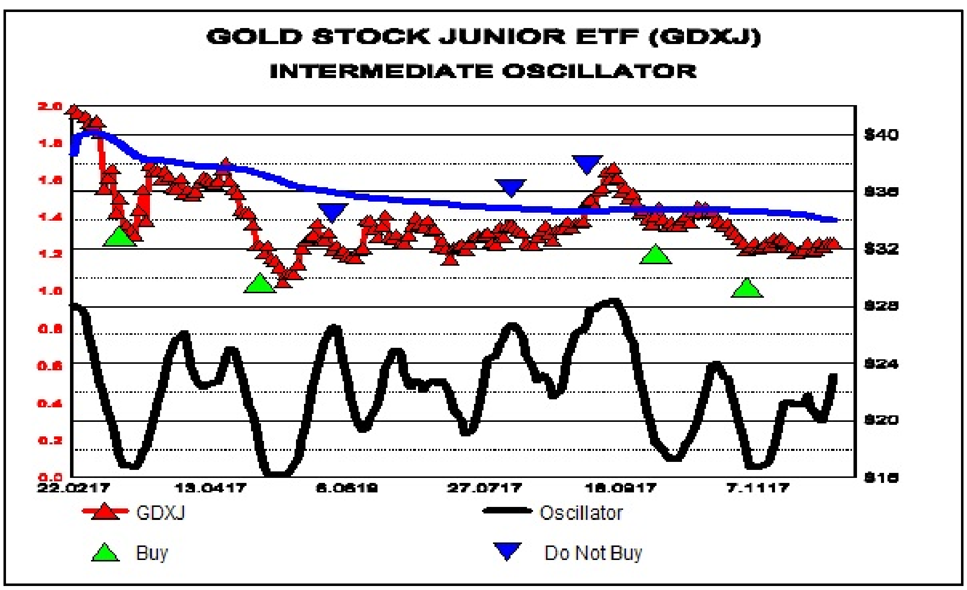
Silver's trading has developed a pattern rarely if ever seen. Price volatility has fallen to near zero. Trading range has recently been roughly $0.50 while centered on about $17. That compares to earlier in the chart where the range was about $2.60 wide. That suggests buyers and sellers are roughly in equilibrium. Could also be due to sellers being exhausted. After several years of year end selling, perhaps none remains to be done this year. That would mean Silver is forming a base from which it can move higher.



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

IN both chart we can observe the price volatility becoming near non existent in the past month. Like Silver, does this situation mean that year end selling has been exhausted? Has everyone that wants to sell Gold stocks already sold them? If that is largely the case, then our expectation of a Gold stock rally from middle of December into January is increasingly likely.





Your Eternal Optimist,

Ned

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

VALUATION						
	US$ GOLD	**US$ GOLD %**	**US$ / CHINESE YUAN**	**CHINESE YUAN %**	**US$ SILVER**	**US$ SILVER %**
CURRENT	$1,283		$0.1514		$16.55	
Long-Term Target	$2,079	**62%**	$0.3330	120%	$36.15	**118%**
Fair Value	$979	-24%			$17.00	3%
S-T Oscillator	2%				0%	
Signal Oscillator	57%				37%	
Probability of BULL Trend	90%		71%		90%	
Bear Market Low	$1,047	17 Dec 15	0.1444	Dec 16	$13.55	14 Dec 15
% Change From Low	23%		5%		22%	
Days From Low	715 days				718 days	
Market Low Test	$1,123	15 Dec 16			$15.70	23 Dec 16
% Change From Test of Low	14%				5%	
Speculative Trader Ratio *	3.8 +				3.2 +	
200 Day MA Current - Value	$1,270 + $13				$17.24 - $0.49	

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