

THE VALUE VIEW GOLD REPORT TRADING THOUGHTS

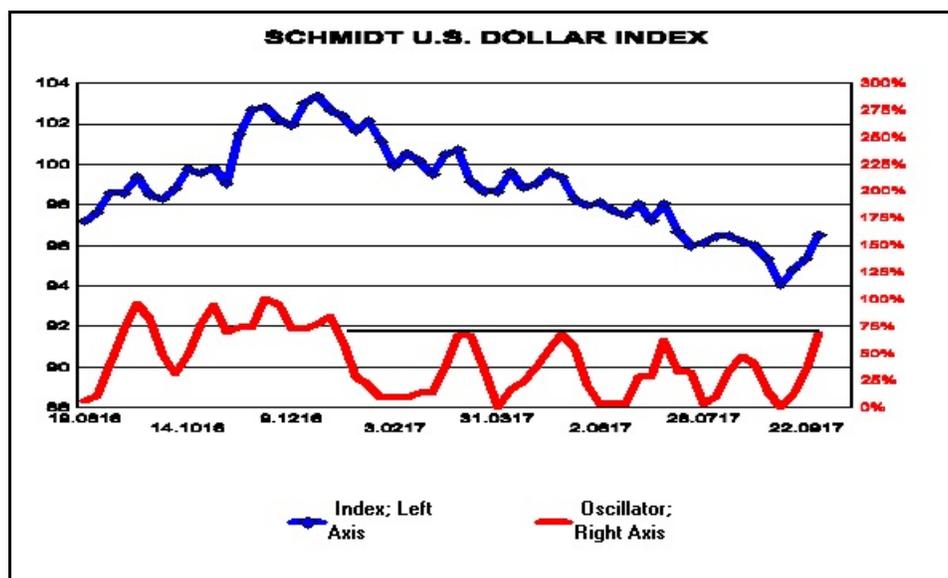
TRADING THOUGHTS is about timely and profitable buying of precious metals. We do not believe every turn in the market can be called. Our goal is that our recommendations should be profitable. Profits are the goals, not trades. Do not expect all recommendations to be profitable. No system can achieve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

MANY ISSUES AFFECT DOLLAR

Due to dollar having become deeply oversold a few weeks ago and a plethora of issues to digest, traders have rallied the dollar over past two weeks, as shown in chart below. A black line inserted into that chart shows the oscillator is now as over bought as when previous rally attempts failed. To the left of that line the oscillator has not been more over bought since rally that failed in Fall of last year.

What are issues for dollar? One is clearly Korea. Street reacts to Korean news when something actually happens, but quickly forgets it. Until someone shoots at someone, Korea is not seen as a serious issue. Second issue is recent election in Germany. A right wing party, AfD, will have seats in German parliament for first time. Merkel's alliance lost votes and has collapsed. That development was judged to be negative for Euro, but not entirely sure why. Merkel's far left views have not been particularly beneficial to EU. She is one of reasons for Brexit.

Third issue is U.S. Senate, which is clearly most dysfunctional entity in existence. As U.S. Senate has failed at everything thus far, it is moving on to taxes. This is the big hope, and is driving the dollar higher as we write. A big *real* tax cut should spur economic growth, enhancing the value of dollar. Since Senate has failed at everything thus far, it just might get tax cut accomplished. But, betting on U.S. senate



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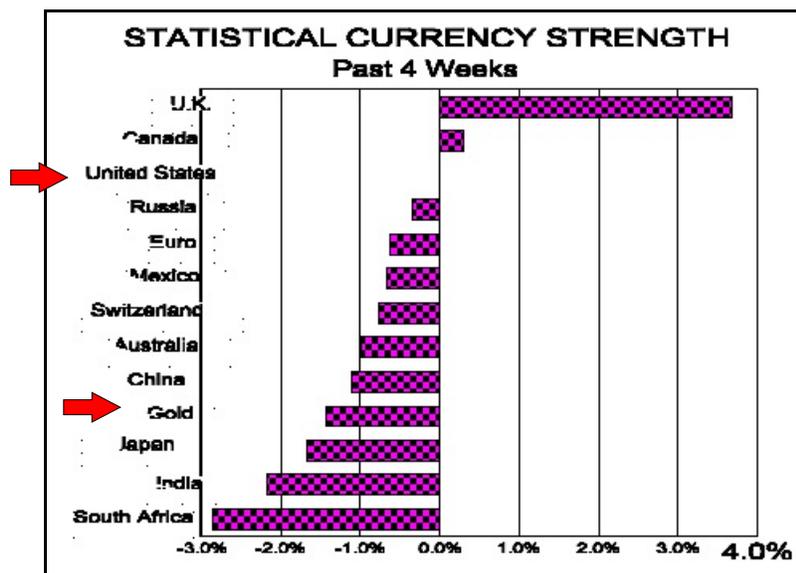
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actually doing some productive has thus far been a losing proposition. Though, as has been said, even a blind hog sometimes finds an acorn.

Fourth issue is unwinding of Federal Reserve holdings of debt. That is to begin in October with Federal Reserve intending to allow \$10 billion of debt to mature without reinvesting the proceeds. Note that Federal Reserve *will not be selling bonds*, but allowing \$10 billion to be repaid due to maturity without reinvesting the principal received in another bond. Note also that this action has NO impact on quantity of U.S. money in existence.

Street is expecting the above action by Federal Reserve to be a major event, sending U.S. interest rates up in dramatic fashion. Doubtful that Federal Reserve will allow that to happen. But, this “theme” may be sufficiently strong in minds of some traders to cause selling of some currencies versus the dollar.

Current dollar strength is due to a combination of belief that Federal Reserve unwinding of balance sheet will cause U.S. interest rates to rise dramatically and that U.S. Senate will agree to a wonderfully large tax cut. Always fun to dream, but in the morning one awakes to reality.



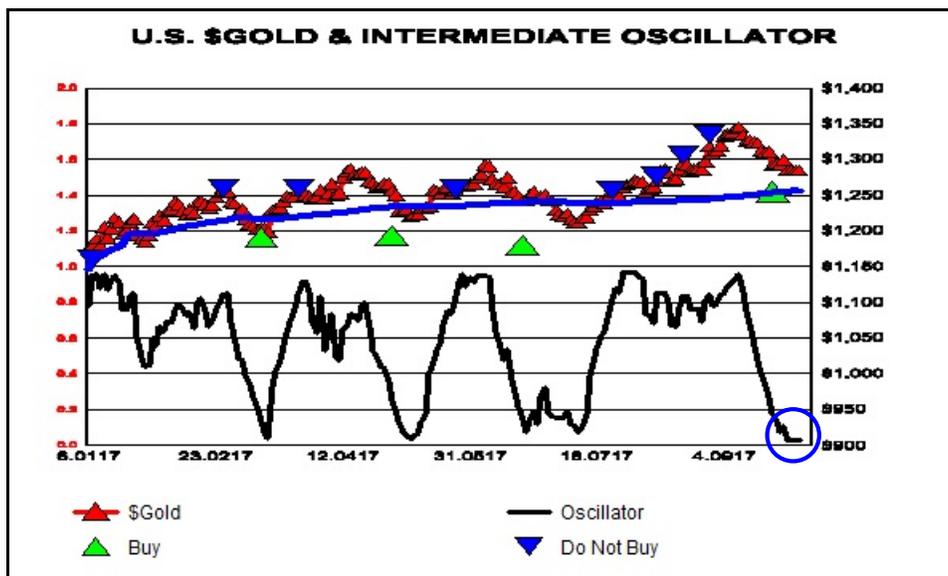
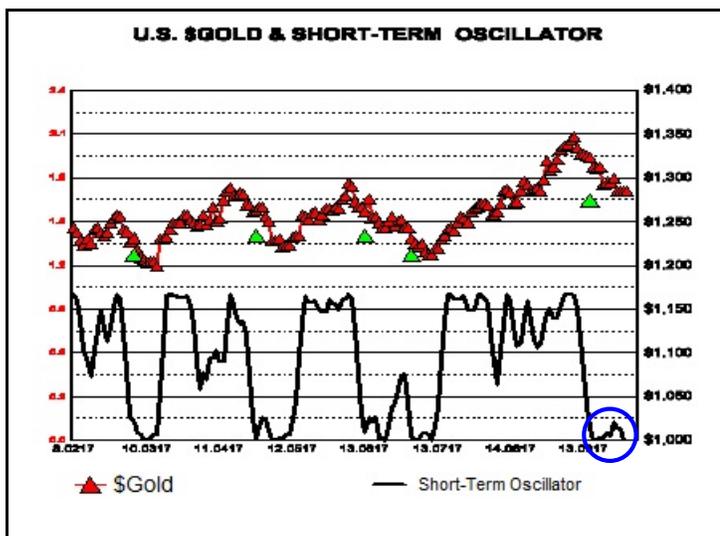
Above chart ranks the currencies we follow based on strength versus U.S. dollar over the past four weeks. Strongest currencies are those not seen as directly impacted by Korea. UK is on other side of world, and perceived as being “safe” from any nukes in Asia. Australia, China, and Japan, bottom half of chart, are close to any perceived Korean hostilities. They also could be involved in any trade issues that develop due to any trade sanctions on China to encourage that nation to put more pressure on Korea. However, if China has indeed taken action to force banks to cease doing business with North Korea, U.S. sanctions on China seem highly unlikely.

Discussion in previous paragraph is indeed a little “muddy”. The simple answer may be that the bottom six currencies have been sold by traders because some currencies were over bought. Those currencies also react strongly to any selling as currency trading is dominated by large firms which are the ones doing the selling. That selling has now reached an extreme.

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\$Gold, as we well know, moves in opposite direction of the value of dollar. As the Street has been fixated on selling currencies versus the dollar, which has given dollar strength, Gold has been pushed into deeply over sold condition. That selling has been due to a combination of the issues we discussed above. As we write this high expectations of U.S. Senate agreeing to a wonderful tax cut have been pushing it lower. A lot of end of quarter selling of Gold for window dressing. Normally, when Gold becomes this oversold for several weeks, the Street exhausts its list of fantasies, and Gold turns up. Note that in bottom chart \$Gold is still above the 200-day moving average. Given the current oversold situation and history of failure by U.S. Senate, Gold is a buy.



\$Gold & FOMC Rate Increases & Policy Announcements

Date FOMC Action	\$Gold	% Change
	\$Gold =	\$1,279
16 Dec 2015	\$1,049	22%
14 Dec 2016	\$1,127	13%
15 Mar 2017	\$1,202	6%
14 June 2017	\$1,251	2%
26 July 2017	\$1,243	3%
20 Sep 2017	\$1,277	0%

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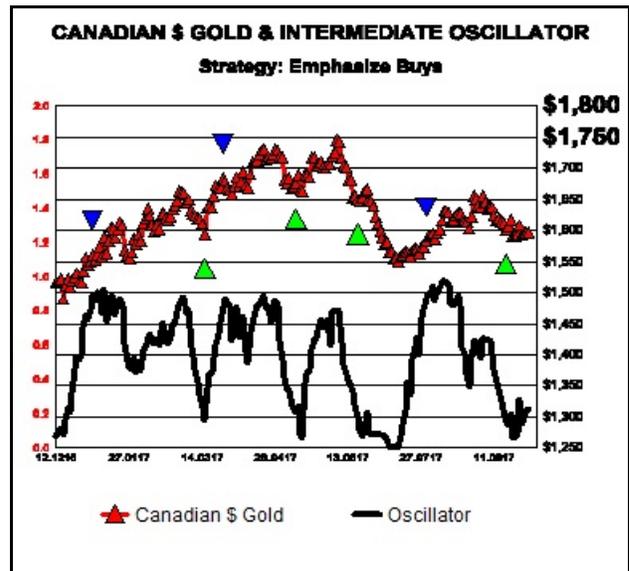
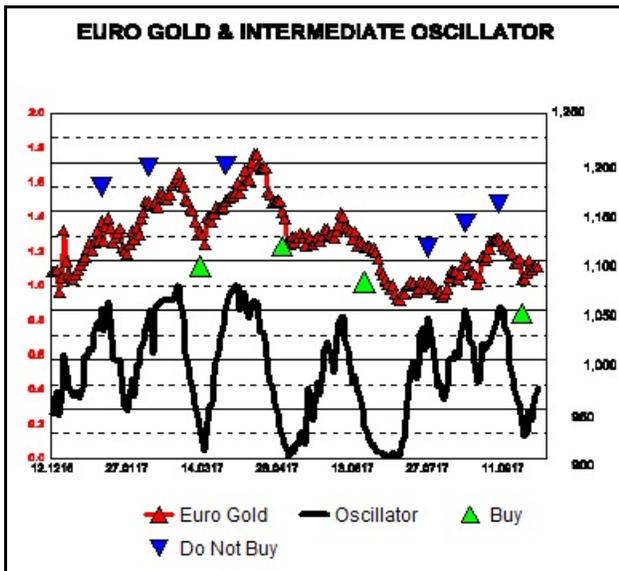
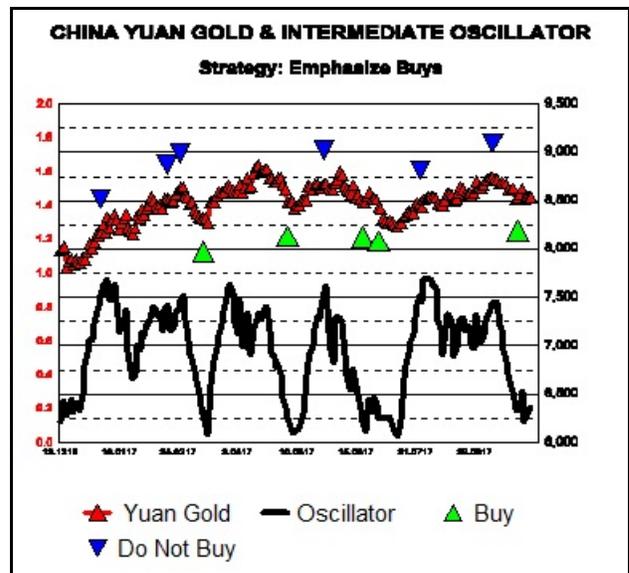
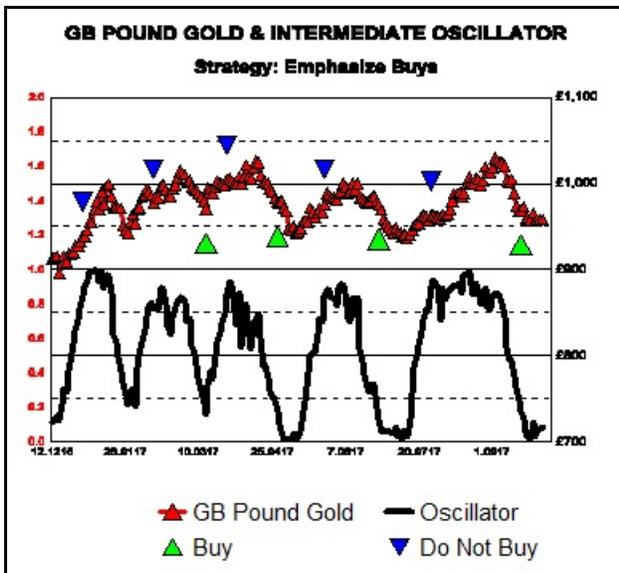
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Analysis of \$Gold / S&P 500 Ratio Data: 1945 - 2017 73 Years

If S&P 500 =	2,519	\$Gold should be:	\$2,891 +126%
If \$Gold =	\$1,279	S&P 500 should be:	1,123 -55%

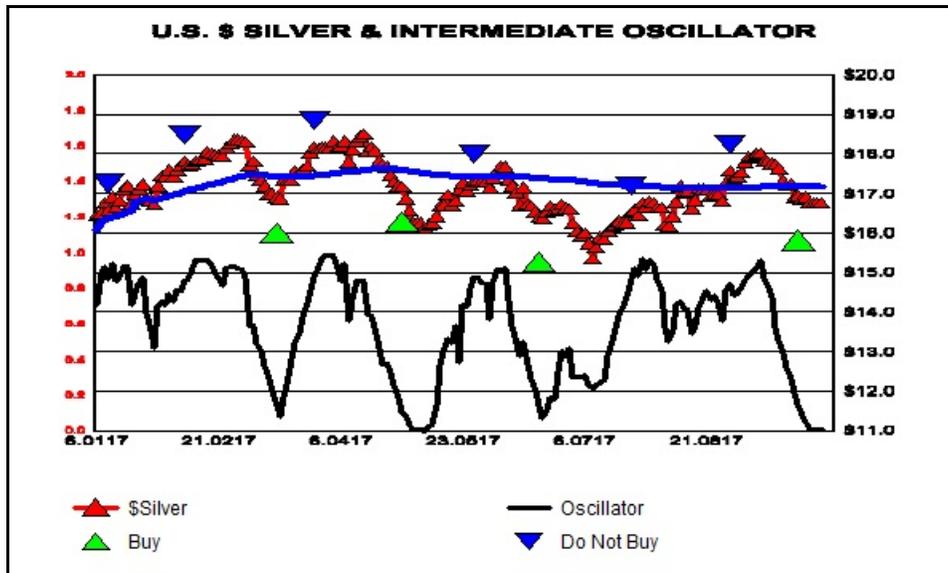
A topic which we would like to discuss some time is that of *people cycles*. In theory the financial markets have an “infinite” life. Somewhere in the world financial markets are doing their thing regardless of what is going on in the world. The “life” of a market is clearly longer than that of human participants. *Next Page*

\$Gold is not the only Gold that is over sold. In each of the charts below of Gold denominated in other currencies, Gold is also oversold. In particular those in top row, British pound and Chinese Yuan, Gold have the potential to develop some excitement for investors in the next rally. Both could move through the short-term highs in the charts without much special effort.



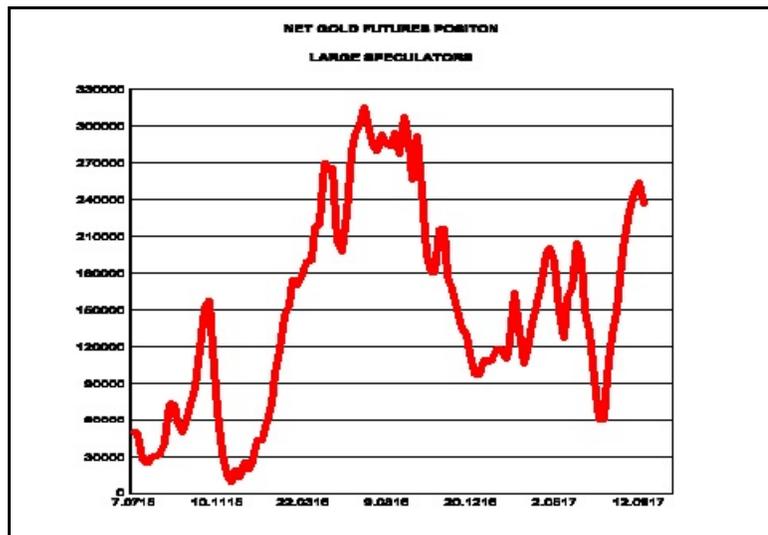
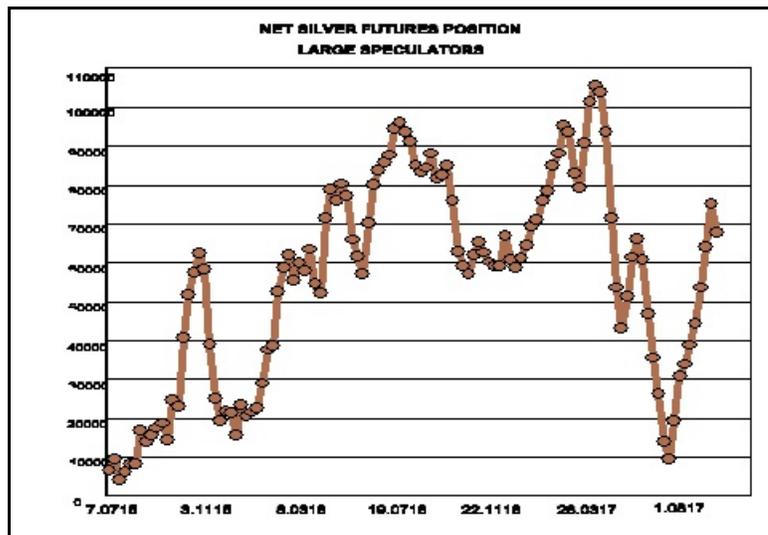
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From previous page: In history groups of investors have come to dominate the investment world, and then faded. In late 1960s, early 1970s those were investors that bought consumer growth stock. Avon and Tampax for example were market heroes. Then U.S. monetary policy changed and flushed them down the drain. Today's technology/internet mania has been in process for roughly 25 years. That mania has been supported by U.S. monetary policy. That is until now. With beginning of balance sheet unwinding, the investment geniuses of past two decades are about to get their flushing. As the table top of previous page keeps reminding us, Gold should perform far better than U.S. stocks in that flushing.

Silver had picked up a little strength when it moved up through 200-day moving average. Seems that measure has again taken on importance with traders. As shown in table end of report that average is \$17.18. Move above that price would bring in buyers. Also likely to help Silver at some point is that bitcoin seems to have put in place a price top of \$4,950 on 1 September.

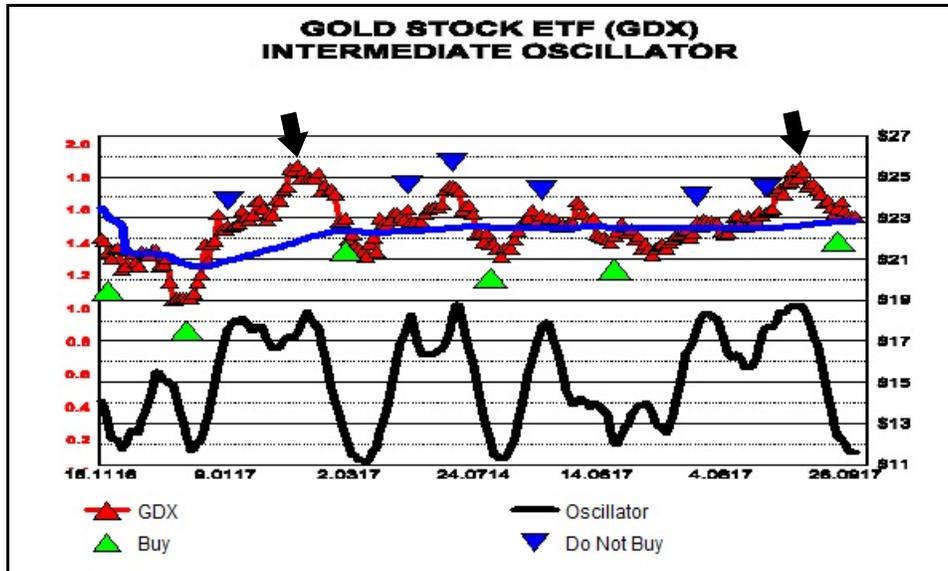


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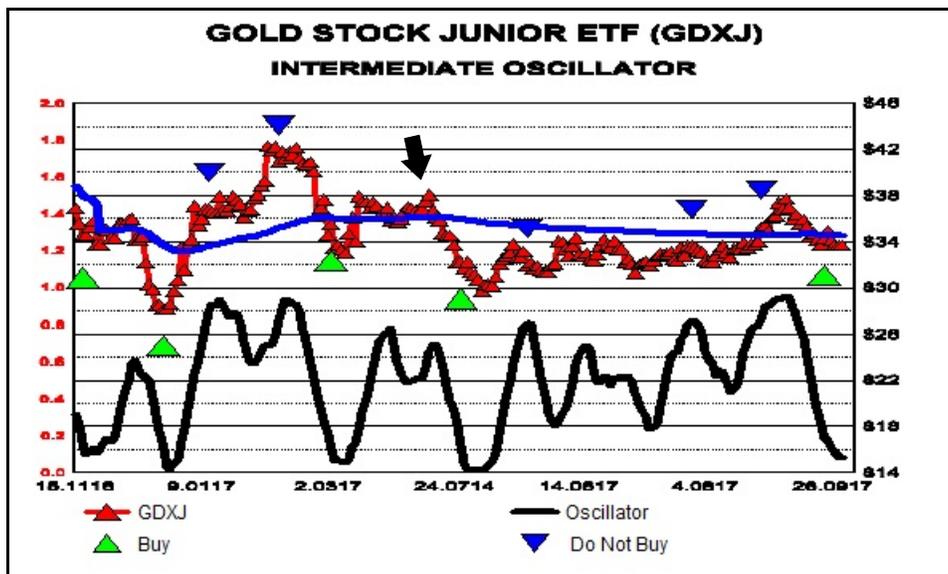
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GDX ETF is in top chart and GDXJ ETF is in bottom chart.

GDX, top chart, has moved back to the 200-day moving average and the oscillator is oversold. Those conditions suggest that a rally is possible. Latest high came close to taking out previous short-term high. See arrows in chart. When Gold faltered, GDX was shoved back into the trading range. Essentially, a move to \$26 should end the trading range and allow GDX to go higher.



GDXJ was stopped out just shy of \$38, which was also the last short-term high, black arrow. A move to above that price would mean that the GDX is going higher.



Your Eternal Optimist,
Ned

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

VALUATION						
	US\$ GOLD	US\$ GOLD %	US\$ / CHINESE YUAN	CHINESE YUAN %	US\$ SILVER	US\$ SILVER %
CURRENT	\$1,279		\$0.1502		\$16.65	
Long-Term Target	\$2,067	62%	\$0.3330	122%	\$36.00	116%
Fair Value	\$974	-24%			\$16.95	2%
S-T Oscillator	2%				1%	
Signal Oscillator	3%				1%	
Probability of BULL Trend	90%		70%		90%	
Bear Market Low	\$1,047	17 Dec 15	0.1444	Dec 16	\$13.55	14 Dec 15
% Change From Low	22%		4%		23%	
Days From Low	654 days				658 Days	
Market Low Test	\$1,123	15 Dec 16			\$15.70	23 Dec 16
% Change From Low Test	14%				6%	
Speculative Trader Ratio *	3.5 +				3.2 +	
200 Day MA Current - Value	\$1,256 + \$23				\$17.18 - \$0.53	

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

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