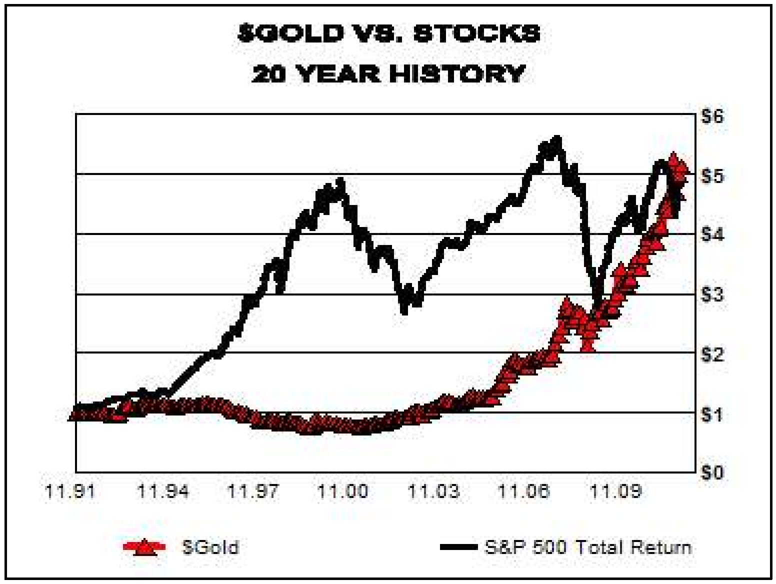
THE VALUE VIEW *GOLD* REPORT

Disciplined Analysis of GOLD
"Purchase Timing For Profits"

Volume 2011, No. 11 **November 2011**

CLASH OF THE CROWDS



We had started a discussion of crowds some time ago. That effort was deferred as several other current matters were more important. But, this month again we are to observe a great clash between crowds.

Some terms need to be defined. Today, Liberals are Keynesian socialist that advocate state control of economic activity. Conservatives support personal freedom and minium state interference in the economy. Those definitions would have been reversed 50 years ago.

In the last grand clash of crowds over the matter of the U.S. deficit a super committee was formed. Comprised of 6 conservatives and 6 liberals, it was assigned the task of achieving a ten year, trillion dollar plus reduction in the U.S. deficit. ***If that committee fails to do so by 23 November, automatic reductions in U.S. government spending of more than a trillion dollars would occur***. That automatic reduction was in the law previously passed, and is not subject to further votes. Those automatic spending cuts are in a form that both liberals and conservatives HATE. Idea was that whatever the super committee agreed to would be less painful to all when compared to the mandated automatic cuts, thus forcing agreement to be reached.

That "drop dead" date is rapidly approaching. Odds of the super committee achieving an agreement are getting worse, not better. Liberal crowd is worried about the presidential election, and appeasing a nationwide constituency. Conservative crowd was elected locally on promises to reduce government spending. While the conservative crowd may not like the cuts in defense spending mandated by the automatic spending reduction clause, they were elected to reduce government spending. So, which crowd will blink? If neither blink, what does it mean? While unable at present to answer that question, we suspect your Gold will be worth more. Watching the ongoing death throe of Keynesian socialism is going to be fun this month!

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VALUATIONS			
	US$ GOLD	RENMINBI CNY/$ $/CNY	US$ SILVER
Final Target	**$1,846 + 5%**	**¥3.00 / $0.333 +111%**	**$33.00 - 3%**
Over Valued	$1,127 - 36%		$20.25 -40%
Fair Value	$869 -51%		$15.60 -54%
Current Price	$1,760	¥6.341 / $0.158	$34.00
Current Sell Target	**$1,970**	**¥2.00 / $0.50**	**$35.5**
Sell Target / Current	**+12%**	**+217%**	**+ 4%**
Probability of Bear Market	**41%**	**0%**	**99%**
End Bear Market - Early Date	**29 Apr 2012**		**18 Dec 2011**
End Bear Market - Late Date	**16 Aug 2012**		**5 Apr 2012**

Reader may notice two new lines at the bottom of the above table. These are the result of our first effort to apply the thinking of George Lindsay. Previously mentioned Ed Carlson's book, *George Lindsay and the Art of Technical Analysis*. Lindsey wrote no book on market analysis. Carlson went through the newsletters of Lindsay to understand his approach as the foundation for writing the book.

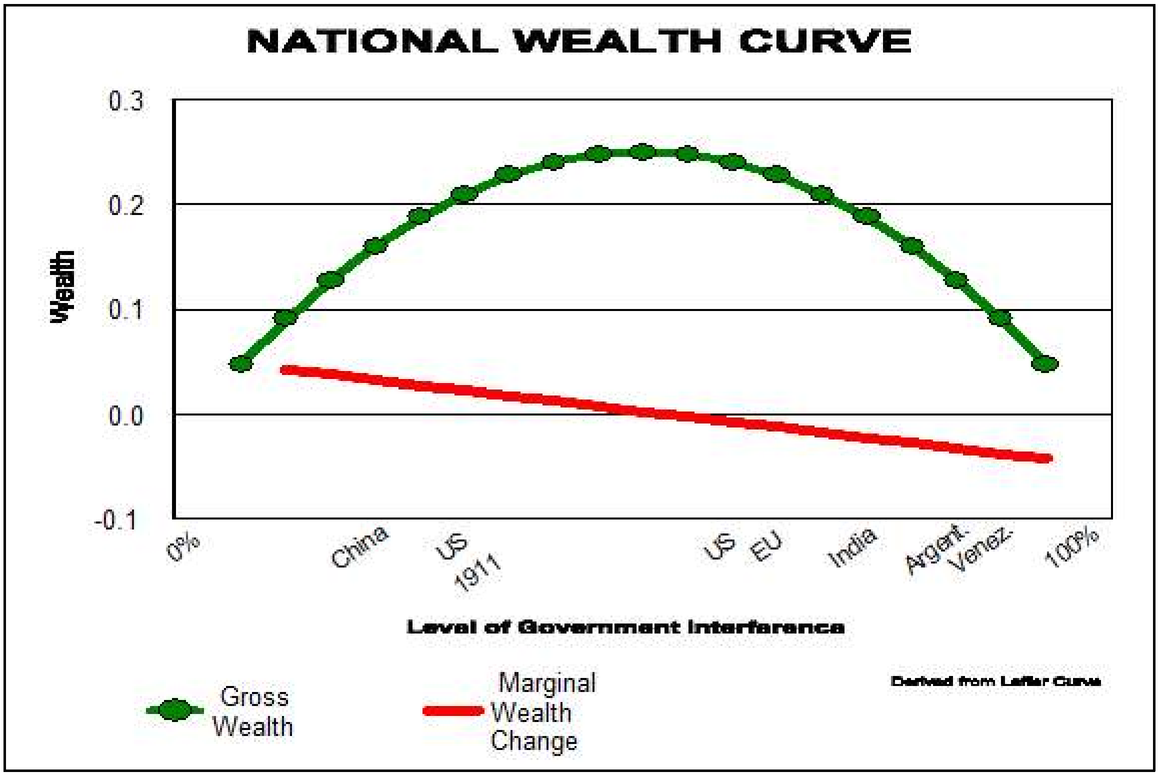
Market moves, as we have written many times, have two dimensions, price and time. Think of a market move as a rectangle with time on the horizontal axis and price on the vertical axis. The area of that rectangle is the total severity of a bear market and a measure of the total pleasure in a bull market.

Nearly all technical analysis done deals only with the price dimension. Time, in most work, is ignored. Such is what make's Lindsay's effort so interesting, and likely valuable. Few, if any, analysts expended as much effort on time as Lindsay. He was fixated on time.

The time dimension has not been totally ignored, but the results of that study have not proved fruitful. Cycle analysis was popular in the 1970-80s. Still have an Ehrlich Cycle Finder in the closet. Cycle analysis works well in the natural world as nature does have a rhythm. Cycles do not generally have the same persistence in financial markets as is the case in nature. The rhythm in mankind's world is disturbed on a regular basis.

Lindsay's insight was that he focused on intervals rather than cycles. Cycle analysis would assume that an event happens on a regular basis, with a fairly constant time period between events of like type. For example, the monsoons in India come generally at the same time each year.

Continued on Page 4.



That governments can encourage or discourage economic growth and prosperity does not seem a revolutionary, nor new, idea. In the above graph we have attempted to portray that relationship between economic prosperity and government interference in the economy. The vertical axis is a wealth index composite for all nations. Each nation will have its own. In simplistic terms, the higher the wealth ratio, the wealthier is the nation.

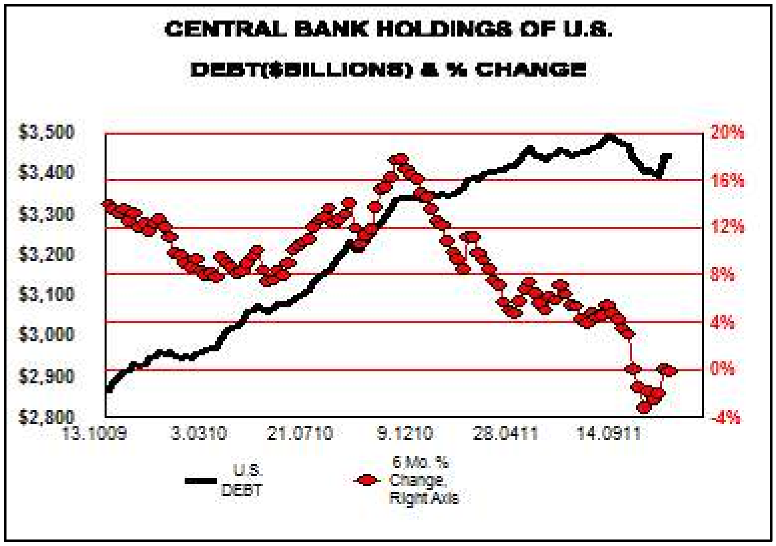
Along the horizontal axis is plotted a measure of government interference in the economy. That interference includes positive elements such as roads, defense of borders, libraries, a judicial system to protect private property and contractual rights, etc. Also included are negative factors such as over regulation of the daily commerce and personal activities of the nation. It also includes bureaucratic and corruption issues. That total interference can run from near zero to that of a totalitarian state on the right.

On that horizontal axis we have indicated where various nations might be situated. The U.S. in the early part of the 20th century would have been on the left-hand side of the graph. That era was one of limited government and freedom to pursue economic activity, and ushered in the prosperity of that century.

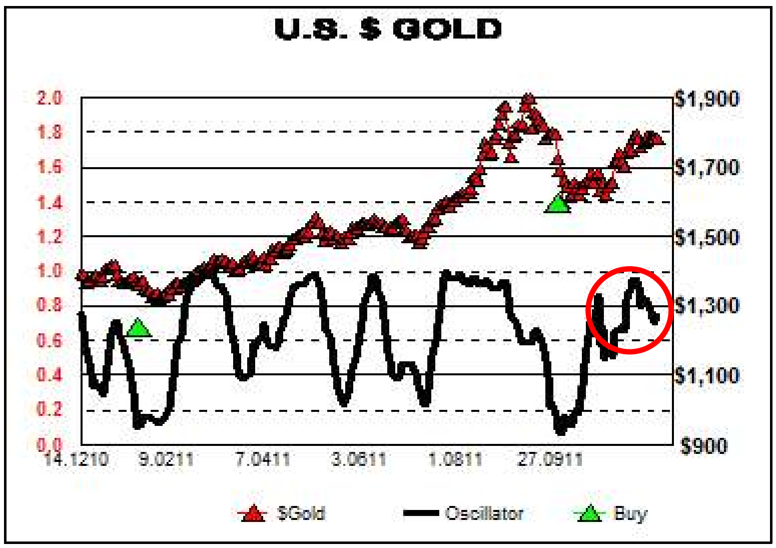
China is today on the left side of the graph. While political dissent is highly restricted, economic freedom is very strong in that country. Many business leaders have indicated that starting and running a business operation is far easier in China than the U.S. That nation is also building up personal property rights and a modern judicial system to protect contractual rights.

While we are arriving at the bottom of the page, those living in nations on the right-hand side should own Gold and currencies of the nations on the left. Those living in nations on the left-hand side should own equities of domestic businesses. This complex topic will be a continuing discussion over time.

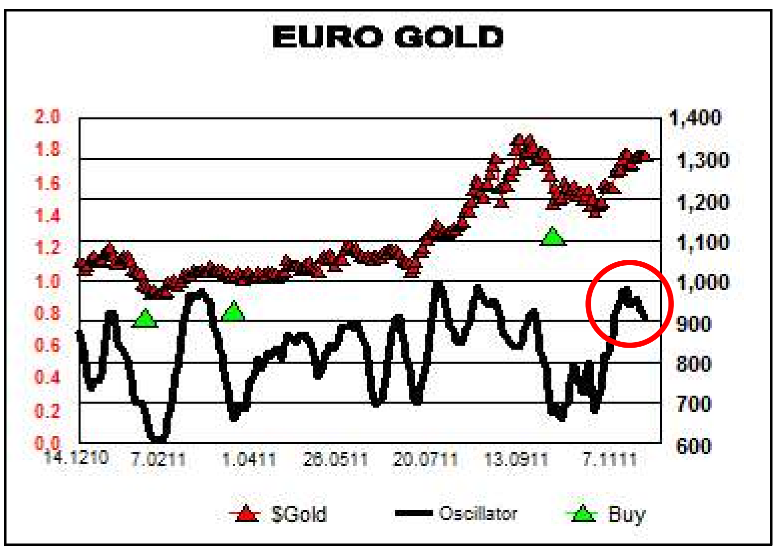
Continued from page 2: Lindsay approached the analysis differently. He believed that event A would lead to event B in a reasonably predictable period of time. When it rains on a newly planted garden the plants will generally arise from the soil in a fairly predictable number of days. Such is the way Lindsay approached markets. If a market top, or bottom, happened, then in a reasonable and measurable interval the next market bottom, or top, could be foreseen. His predictions based on interval analysis were uncanny, and certainly far better than those of others.



That Silver had an important top earlier is now readily apparent, and unarguable. That top sets the stage for a market bottom sometime in the future. The all important questions then are what are the price and time dimensions of the Silver bear market now in process of unfolding. Using Lindsay's work we have estimated the earliest and latest dates for the bottom in Silver. The same has been done for Gold. We of course will revise these over time, or toss them on the heap of unhelpful ideas.



Silver's top came before the top in Gold. Therefore, a reasonable assumption would be that Silver will bottom before Gold. That bottom is likely to be "L" shaped. While the bottom in Silver should come before the bottom in Gold, the ascendancy of price may come after the bottom in Gold. We expect the bottom in Gold to be more "V" shaped but perhaps a small "W".



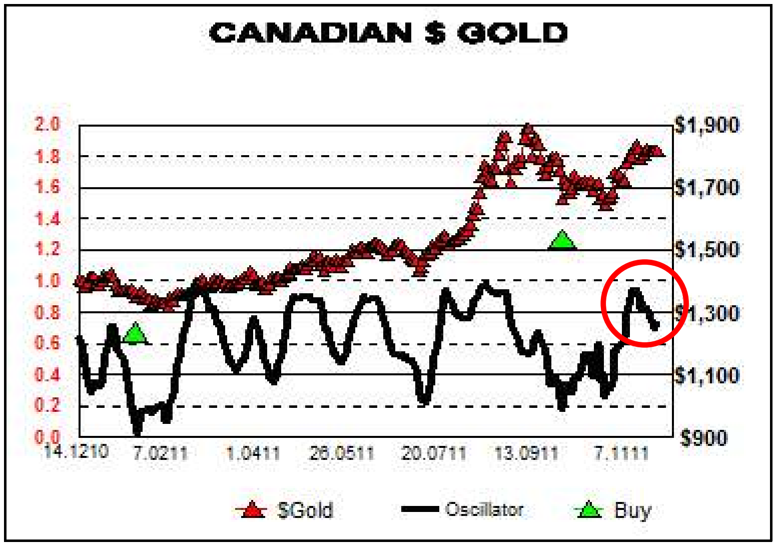
Now, less these expectations seem too pessimistic, they are only part of what Lindsay's work leads us to think. Some good news does exist, and we will talk about that next month.

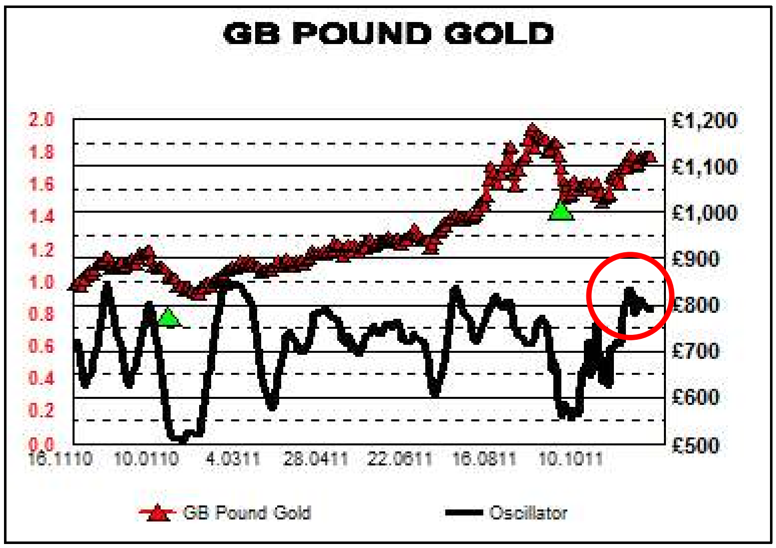
Top chart on previous page is of holdings by foreign official institutions of U.S. government debt held at the U.S. Federal Reserve. Recent data showed a major increase in those holdings. At the present time that seems to be a combination of a seasonal flow and likely some money flowing out of EU banks. 11 weeks since these holdings peaked, and that is starting to suggest a trend in place.

U.S. $Gold, middle chart on previous page, has now again risen to an over bought condition. That condition exists in Gold in all currencies as indicated by the red circles. When markets are in a mania stage, as was the case when Gold and Silver were moving to their respective highs, technical indicators become somewhat useless. In a normal market technical indicators again become useful. That does provide us with indication of when markets have returned to normal.

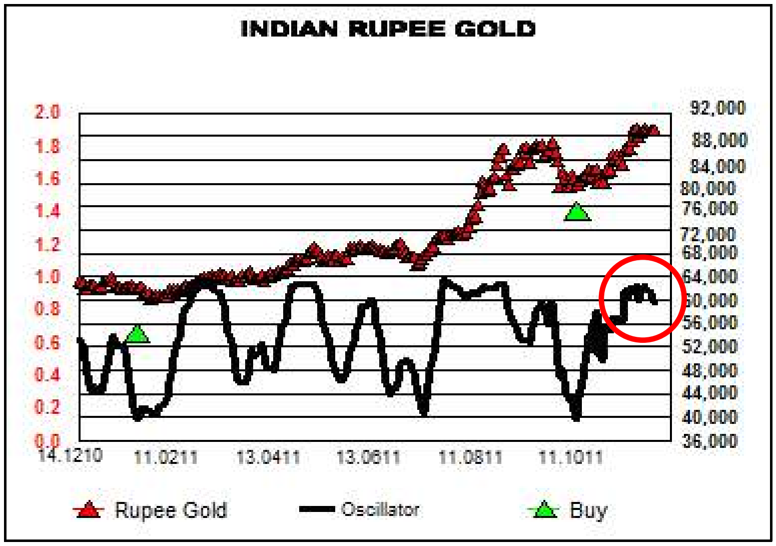
Oscillator has returned to a more useful tool again, and that suggests a more normal market. What we mean by normal market is that the mania has passed, and market is again subject to reflecting fundamentals, the supply and demand for that asset. All of that suggests that the next move for $Gold is to lower prices. We will again be sending out the intermediate buy signals on Gold.

Gold, as measured by U.S. $Gold, has now been correcting for about 54 trading days, or about 75 calendar days. That is starting to be a meaningful amount of time. However, it is not nearly sufficient time for a bear market to be completed. Rather, it is not even approaching the halfway point. Sorry about that news. Greatest risk in Gold would be after the first of the new year.





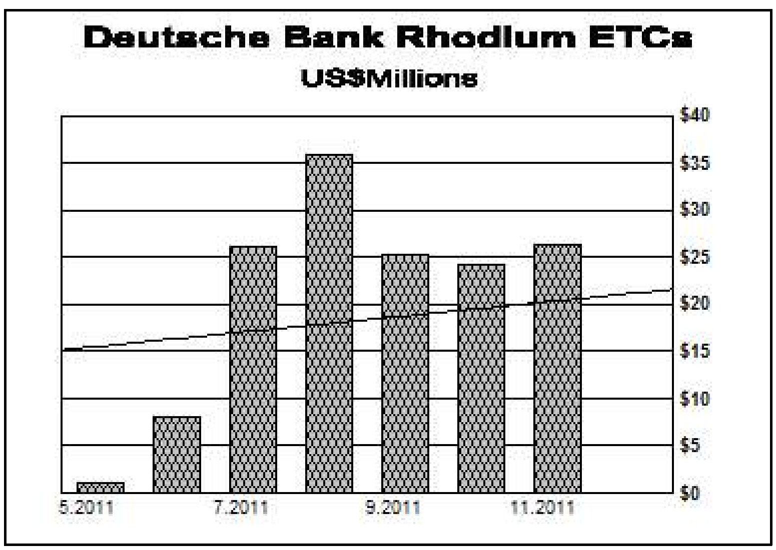
Indian Rupee Gold, to the right, is an interesting case. India has, of the major countries, the most dysfunctional government. Putin may be a tyrannical gangster, but at least the country has running water. As a consequence of the bureaucracy, corruption, and a judicial system so bad that I have no good word to describe it, India is the only developing nation where capital inflows are falling. Indians with money are not buying Gold, they are simply getting it out of the country. Gold is too heavy to carry when compared to electronic money. As a consequence, the Rupee withers and the local price of Gold has risen. Gold is indeed a defense against bad government.



Silver, middle chart, continues in a bear market. The good news is that the bear market is somewhat more than half over in terms of time. We are of thinking, which is strongly influenced by Bayes, that the bottom in Silver will fall in February, perhaps on the 10th.

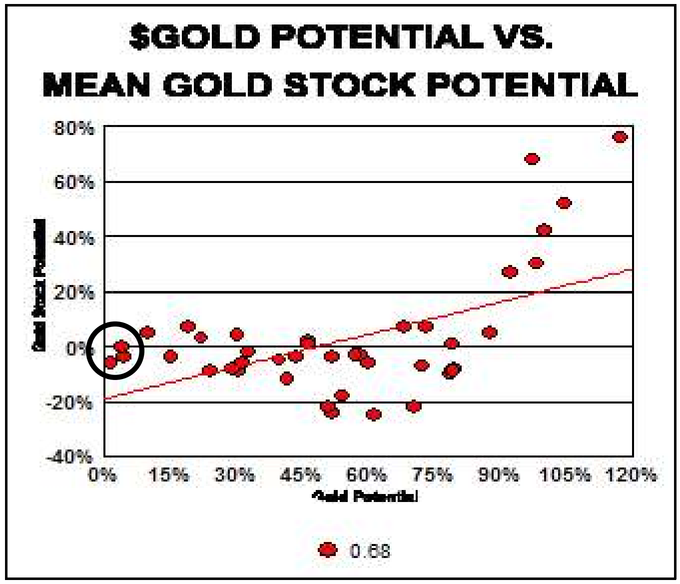
However, time is only one dimension. Price is other dimension. Commodity prices have a tendency to fall to the marginal cost of production. For new Silver mines, that marginal cost is below $20.

Rhodium comments will now be internalized within the standard letter. To the right is plotted the combined dollar value of the two Deutsche Bank Rhodium ETC that trade in London. One is priced in dollars and one is priced in Euros. If one has Euros, buy the Euro version. Doing so will save you the cost of converting to dollars. Other than that, the denomination of the ETC has no meaning.



GOLD STOCKS:

For the month, the Gold stocks generally had a good experience. Best part was early in the month, and the gain faded as time passed. Three stocks made new highs. Those also occurred earlier in the month. On a positive note, with Gold still trading at a high price companies are generally reporting good results. However, we are not sure the world really cares.



AEM has really stepped in it. Nearly every law firm in the Western world seems to be suing them. This stock between now and end of year is likely to be crushed. No portfolio manager will want to own this stock when end of year financial statements are done. While we never

PRODUCING GOLD/SILVER COMPANIES					
ISSUES **HI** Denotes New 52 Week High in Month in **Bold LO** new low in month.	CURRENT US$ PRICE	% CHANGE	ESTIMATED VALUE	% TO VALUE	% GROWTH NOW / LAST*
LO Agnico Eagle (AEM)	$46.3	-22	$64.4	+39%	+ 8% / + 5%
Kinross Gold (KGC)	$14.0	- 4	$18.8	+34%	+19% / + 9%
Gold Fields (GFI)	$17.3	+11	$20.3	+17%	+ 4% / +11%
Anglogold (AU)	$46.8	+10	$49.3	+ 5%	+ 5% / + 8%
Barrick Gold(ABX)	$52.0	+ 8	$50.8	- 2%	+ 7% / +12%
Eldorado Gold(EGO)	$19.0	+10	$18.7	- 2%	+20% / + 5%
Harmony (HMY)	$14.0	+13	$13.6	- 3%	+ 6% / + 5%
HI Newmont (NEM)	$69.2	+ 4	$60.8	-12%	- 4% / + 2%
HI Yamana Gold (AUY)	$16.3	+ 7	$14.3	-12%	+18% / +12%
Goldcorp. (GG)	$52.7	+ 9	$46.0	-13%	+21% / +11%
Au Rico Gold(AUQ)	$10.9	+ 6	$ 9.2	-15%	+22% / + 7%
HI IAMGOLD (IAG)	$21.3	+ 3	$17.9	-16%	+10% / +16%
Randgold (GOLD)	$116.9	+13	$96.8	-17%	+75% / +40%
MEAN		***+ 5%***		***+ 0%***	***+16% / +11%***
MEDIAN		***+ 8%***		***- 3%***	***+10 / + 7%***

*Six month rate of change for trailing twelve month revenues.

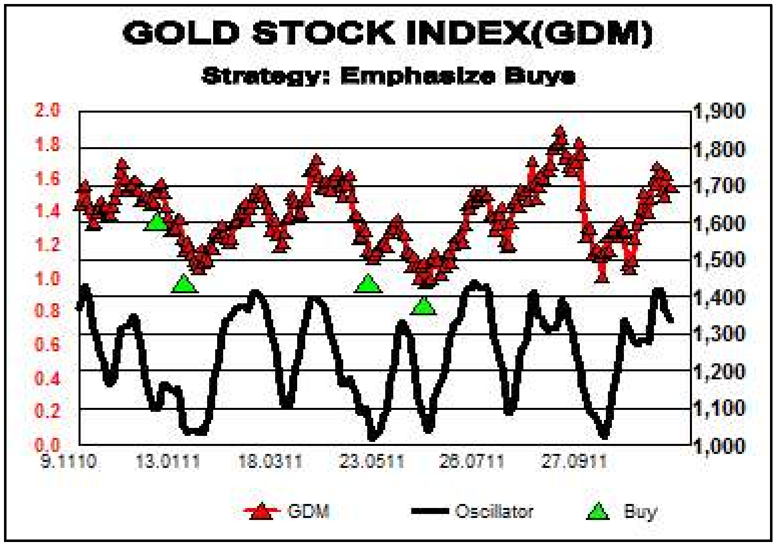
GOLD = US$1,760 LONG-TERM TARGET = US$1,846 POTENTIAL = + 5%

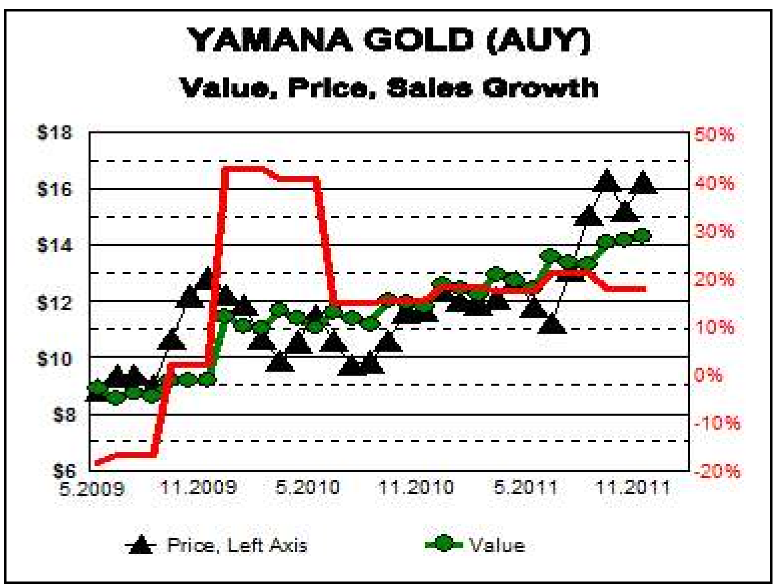
recommend attempting to grab a falling knife, this may be one to watch. Emphasis should be on the watching. Stock is quite likely to trade in the 30s, and certainly no rush exists to buy it. But, if it languishes in the low 30s for a while it would probably be a nice lottery ticket.

GDM, the index for the Gold stock ETF GDX, is plotted to the right. GDM is again over bought and churning. Those are not good developments. Essential problem observed is that the stocks do not seem to do anything unless Gold is doing something exciting. That suggests a lack of investors, and that the stocks are being used as a proxy for the price of Gold. That chart is the picture of something being traded, not being bought as an investment.

MVGDXJ, index for junior mining stock ETF, GDXJ, is plotted in second chart. The picture here is not improving. Index has returned to the resistance level of 2,600 where it has become again over bought and is churning. Junior mining stocks require investor enthusiasm. Developments are not conducive to that emotional state. This sandbox should be avoided.

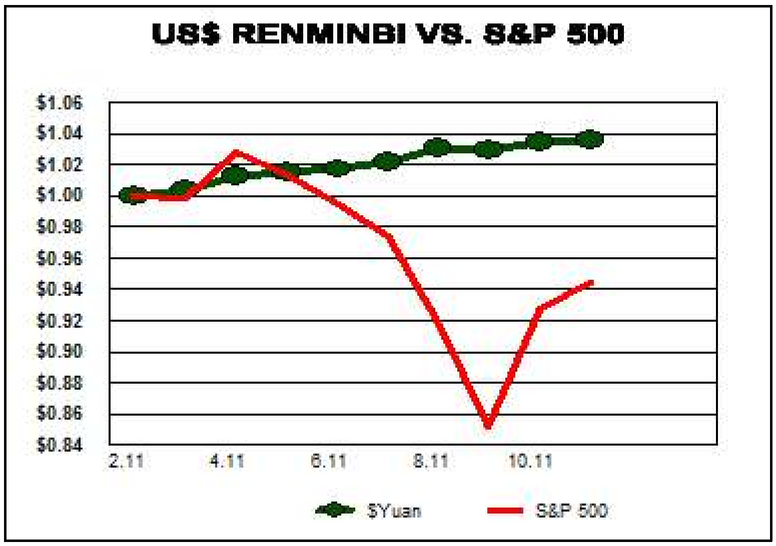
YAMANA (AUY) is portrayed in the bottom chart. We call your attention to the red line of revenue growth. Since late last year revenue growth has been fairly steady in a range of 15-20%. First, that is good, and explains why the stock has moved from ~$10 to ~$16. However, that consistent and steady pattern might be achievable in some industries, it is not the typical pattern in a mining company. Mining success is lumpy, not "trend line". Some risk of disappointment is possible therefore. Web site is www.yamana.com





CHINESE RENMINBI:

The Chinese seem to learn from the mistakes of others. After observing the agony of Russia after it abruptly changed economic systems, they chose gradualism. Another lesson they have probably learned is that depreciating currencies import inflation as foreign goods, like oil, cost more. A slowly appreciating currency makes foreign goods, like oil, cheaper and retards inflation. A strong incentive exists to have a gradually appreciating Renminbi.



On Books: In the past few weeks my readings have seemed more fruitful. Most recently read ***Grand Pursuit: The Story of Economic Genius*** by Silvia Nasar(2011). She also wrote *A Beautiful Mind*, the story of the amazing Professor Nash that was made into a movie. Nasar is professor of journalism at Columbia University so her writing skills save what might have been another boring book on economic history.

She tells the stories of the major economic thinkers of the past 150 years is a special way. One learns that their economic theories were a consequence of both their birth and the economic world in which they lived. Marx opined on the inevitable failure of capitalism in part because of the miserable living conditions in Europe during the time he lived. By the way, Marx may have championed the worker, but he avoided work as much as possible, and was an incredible procrastinator. He survived largely off the largess of the bourgeois he hoped would be destroyed.

Almost universally they were socialists that believed government should control all activity in the economy. Theories built on that assumption were then created. No pretense existed that they had any other goals. Perhaps most amazing is that other than a few isolated successes, such as the IMF and World Bank after World War II, the Keynesians were generally wrong on the big events. Their thinking and theories did not allow them to foresee the Great Depression coming and generally thwarted the recovery. Greece is the verdict on Keynesianism. In short, Keynes' worshipers consistently made conditions worse, as they are doing today. Hayek perhaps comes out best. He was one of the few that were right for the right reasons. In the Spring of 1929 he predicted the boom would collapse(333). World is definitely worse off for worshiping the false prophet Keynes and not listening more to Hayek. This book would be good for the coming Winter if one enjoys a well-written story and would like to know more on the history of economic thought.

APPROPRIATE ACTIONS:
Investors should be holding their Gold. Gold should be bought on price weakness. Investors should be establishing investments in Chinese Renminbi deposit accounts.

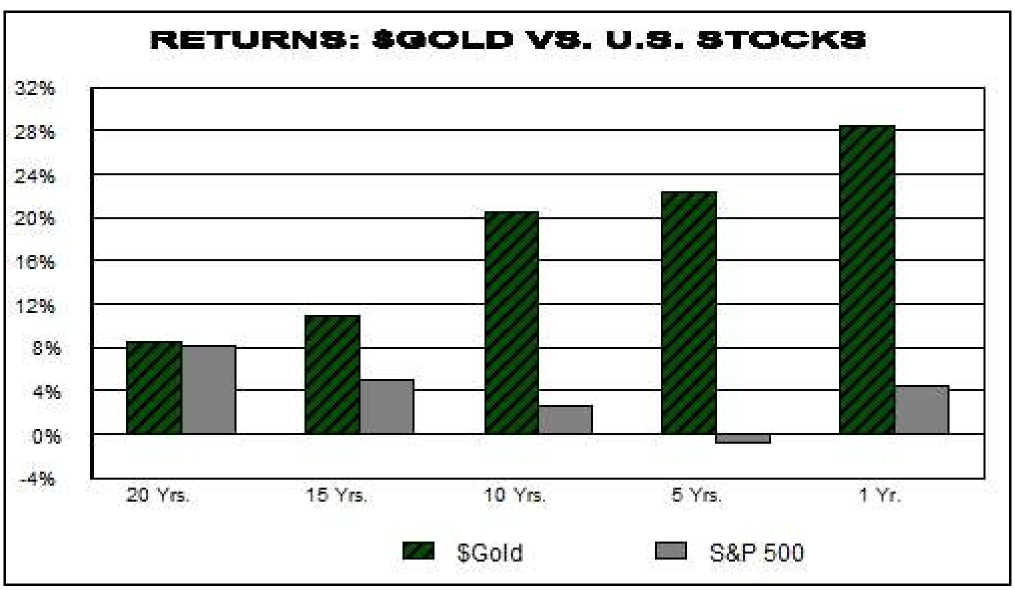
Next *Trading Thoughts:* 28 November Next monthly issue about 18 December

Be selective, seek value, and take care of the dog,

NED ned@valueviewgoldreport.com

% Returns Through Current Month - (Annualized)					
	20 Yrs.	15 Yrs.	10 Yrs.	5 Yrs.	1 Yr.
$Gold	+8.6	+10.9	+20.5	+22.4	+28.4
U.S. Stocks, Includes Dividends	+8.2	+5.4	+ 2.7	- 0.6	+ 4.4
$Gold Minus Stocks	+0.2	+5.8	+17.8	+23.0	+24.0

CHART ON RETURNS: Think about the message in the return numbers on this page. Over the past 20 years a hunk of metal just sitting in one's desk drawer provided a higher return than the equity in the largest economy in the world. No other set of numbers so vividly demonstrates the complete failure of economic policies in the U.S., regardless of which part controls the White House. The problem is not the political party, but that all are advised by priests of the Keynesian ideology.



TECHNICAL ANALYSIS:

In that email that led to our discussion of technical analysis was also a question of what might an investor read to be better at timing one's buys. Part of that education process should be to orient one's approach to that which is realistic.

Many today think that a computer software program is an ATM from which they will be able to withdraw some money each day. A little time each night with this magical computer software will generate a steady flow of winning ideas, and cash. With regards to this thinking: When pigs fly.

First to understand is that buying cheap and selling dear is the only transaction set that works consistently for an investor. Many believe that they can buy high and sell higher. That might work periodically, but not consistently.

A great place to start is ***What Works on Wall Street*** by James O'Shaughnessy. While he has written, I believe, some newer editions the one to read is that which was published in 1998. He essentially used all the available stock price data to see what strategies work. Over time, value investing, buying cheap, works better than a growth stock approach. This conclusion has been validated several times in academic work, but his book is easier to read. Second factor that makes that edition worthwhile is that it was written before the Greenspan-Bernanke era of hedge funds which distorted markets in recent times.

Martin Pring is perhaps the godfather of books on technical analysis. His web site is www.pring.com Any of his books on technical analysis would be good. Remember, when selecting something on technical analysis, the older the book the better.

To calm your desire to get rich trading one needs to read ***Way of the Turtle*** by Curtis Faith. Faith was one of the Turtles, a legendary group of traders created by two great commodity traders. This book serves many purposes.

First, one will learn the methodology of futures traders. Their tracks, as described in this book, are readily observable in the futures markets. Second, he talks about trading software, and explains why most is fairly useless.

However, the real lesson from Faith's book is coming to understand the type of people one is trading against in futures. You are not going to beat these people on a consistent basis with a few hours at night on a software package. They will eat you alive.

After reading the above, and in particular one of Pring's books, then proceed to Carlson's *George Lindsay and the Art of Technical Analysis*.

More on this next month.

VALUE VIEW GOLD REPORT MAJOR BUYS SIGNALS ON $GOLD **Based on buy signals from Intermediate oscillator.**	
Starting Date of This Record	8 July 2002
Ending Date for This Record	$Gold = $1,783 on 15 November 2011
Number of Buy Signals	33
Correct Buy Signals	33
Percent Correct	100%
Average Gain on Signals	+182%
Average Buy Price of Gold	$753
Gain on Average Price	+137%
The signals are from the published record. They do not represent actual trades.	This record is not a prediction of future performance.

VALUE VIEW GOLD REPORT MAJOR BUYS SIGNALS ON GDM, GOLD STOCK INDEX **Using Intermediate Oscillator**	
Starting Date of This Record	21 February 2006
Ending Date for This Record	GDM = 1704 on 15 November 2011
Number of Buy Signals	30
Correct Buy Signals	30
Percent Correct	100%
Average Gain on Signals	+53%
Average Buy Price of GDM	1157
Gain on Average Price	+47%
The signals are from the published record. They do not represent actual trades.	This record is not a prediction of future performance.

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