

THE VALUE VIEW GOLD REPORT

TRADING THOUGHTS

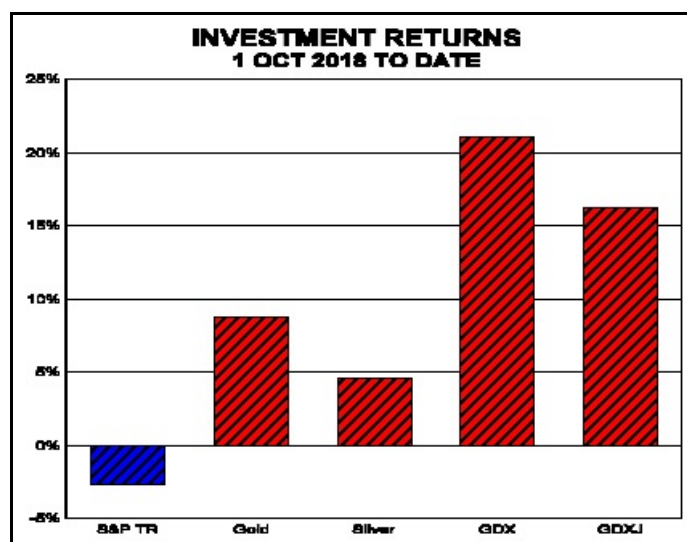
TRADING THOUGHTS is about timely and profitable buying of precious metals. We do not believe every turn in the market can be called. Our goal is that our recommendations should be profitable. Profits are the goals, not trades. Do not expect all recommendations to be profitable. No system can achieve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

FOMC FINDS ITSELF IN A BOX,

they made themselves. Again in December, U.S. FOMC made an error that it seems addicted to. Using the U.S. stock market and group think of traders as an economic predictor simply failed again. With U.S. stock market crashing in December, forecasts of economic collapse became widespread. Chicken Little screamed, "U.S. is headed into an imminent recession".

So, what did the Federal Reserve say? It promised to not raise U.S. interest rates in all of 2019. It climbed into a box and pulled the lid shut. That promise on U.S. interest rates has created a speculative binge, and will ultimately benefit Gold.

Seems U.S. real GDP growth for first quarter, +3.2%, was not anywhere near recession level. Course most economists immediately attacked that number as either wrong or an illusion. They don't understand how it could happen. Perhaps that is because most of our economists do not understand the economy. One would think that they would someday recognize their lack of skill. But, economics is a profession where members are judged on how well they recite the "catechism", not on ability to



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understand economics.

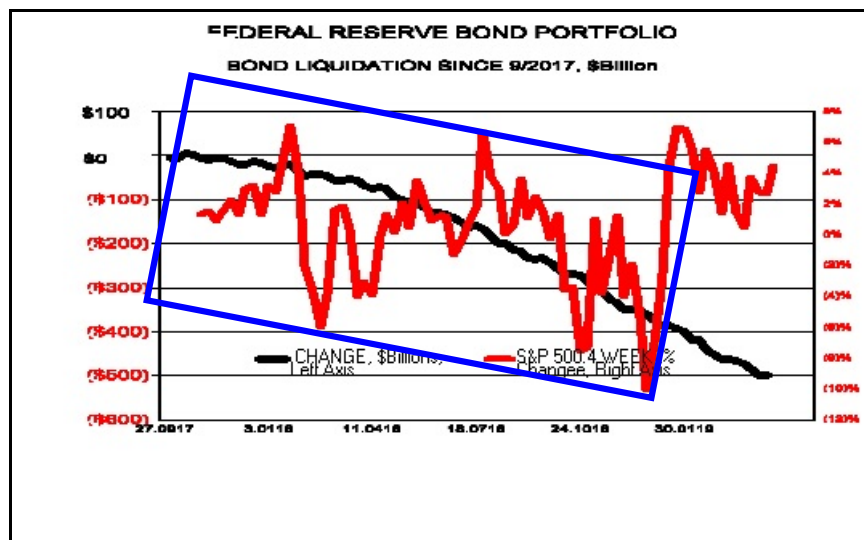
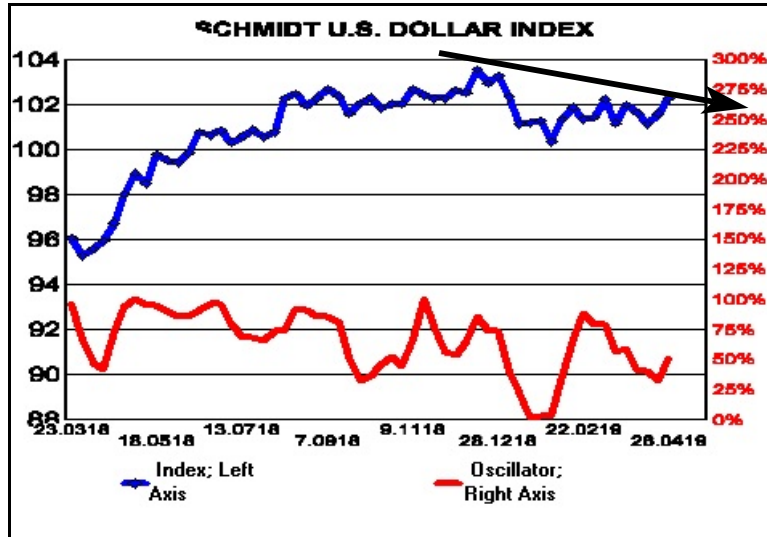
U.S. stock market has rallied in ridiculous fashion as corporations bought hundreds of billions of dollars of their stock. Of course that was done to benefit their shareholders. (wink, wink)

Then we add Federal Reserve’s promise to “never” raise rates, and respect us in the morning. Result: A speculative binge of IPOs. Apparently expecting companies to make a profit in their basic business is old fashion thinking. But today, more unprofitable the basic business, the higher stock should be priced. We have been through this before, and it seems to always end badly.

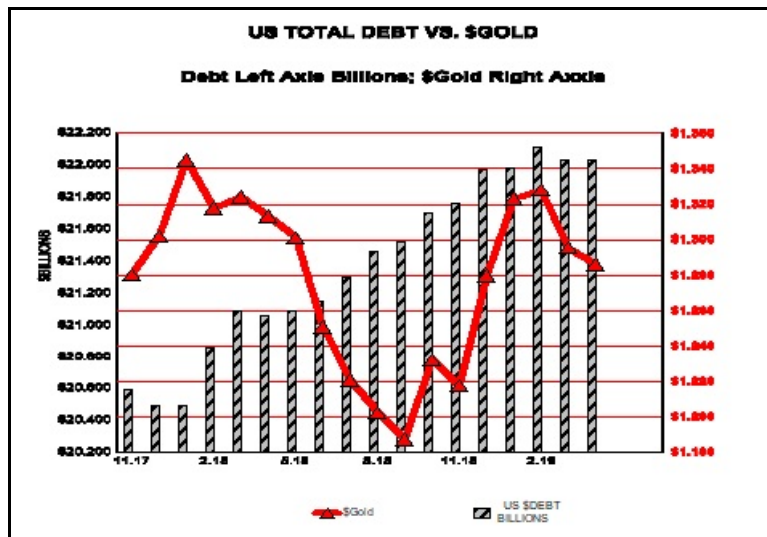
Professors at Oxford University, mirror.co.uk, have done a forecast for Facebook in year 2070. Yup, in 2070. Heroic assumption is that FB will exist then. Gold will.

Top chart is our index for U.S. dollar. That measure has been trying to rally for several weeks. Last week dollar was particularly strong as the week began. On Friday, index gave up a goodly part of that move. Question is why the rally if Federal Reserve is not going to raise U.S. interest rates, and market is now forecasting a rate cut in December. Answer is that speculative U.S. stock market is likely attracting money into dollar, and that is an unsound foundation for a currency.

Middle chart is of the Federal



U.S. Debt / GDP = 105.6%



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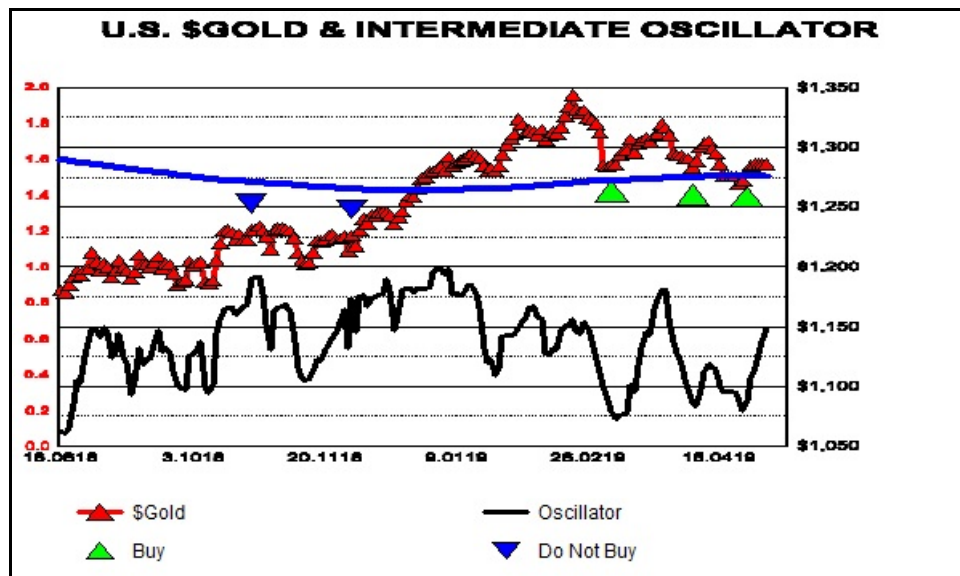
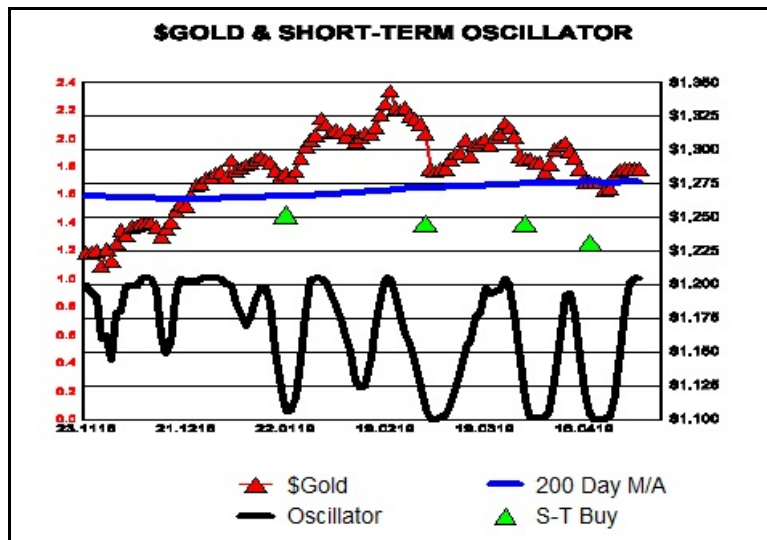
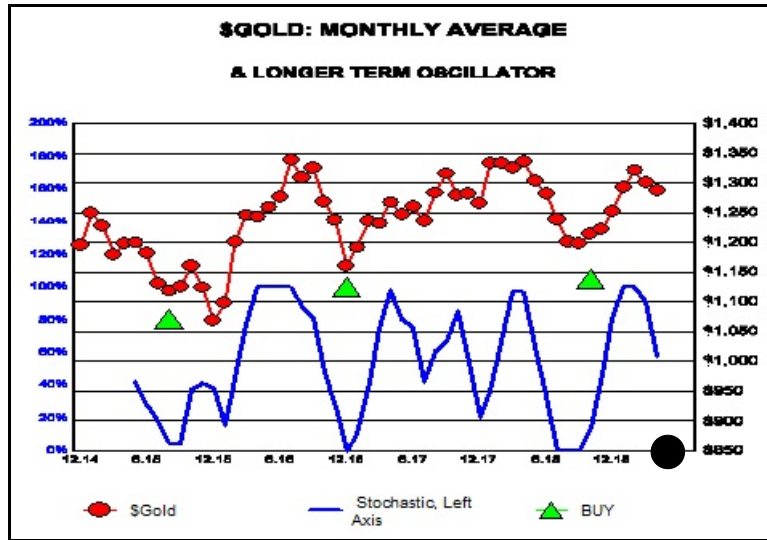
Reserve's liquidation of its bond portfolio, black line using left axis. That liquidation has now reached \$500+ billion.

We did change the red line. It is now the 4-week percentage change for S&P 500. A blue box highlights the overall, dominant trend in those returns prior to January. That negative trend was tracking the liquidation of bonds and withdrawal of liquidity from U.S. financial system. In January corporate stock buy backs drove market higher, but negative trend in those returns has reappeared.

Bottom chart previous page is of U.S. government debt, now flat for five months due to debt ceiling. That debt ceiling is now restraining government spending. For those that enjoy political theater, U.S. is soon to enter into serious drama.

Chart Interlude: Top chart uses monthly average of Gold price. We have been patiently waiting for overbought condition that had developed to unwind. Black dot is April reading of 0%. Moving average, which we have named our Longer Term Oscillator, is now down to 57%, so we are closer to oversold condition on that measure. That chart is probably important one at this time.

Back to Topic: Massive U.S. debt battle is about to unfold. U.S. debt



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ceiling needs to be raised as it is now restricting U.S. government spending. Second, sequester will soon again be an issue. Long past legislation requires government spending to be reduced, sequestered, unless Congress takes action. Yes, was a time when Congress did consider the dire threat of U.S. government debt. Third, a new budget is needed by 30 September, or government shuts down. All that is required is both Trump and Congress reach a compromise.

However, whatever is agreed to it will not include a serious effort to restrain U.S. government spending. No real appetite exists for dealing with this issue on either side of political spectrum. Until a problem develops, U.S. government spending will continue to expand without any real constraint.

Given poisonous atmosphere in House of Representatives, a compromise may require divine intervention, but it will be fun to watch. Doubtful the U.S. dollar will rally during this battle as it is likely to become ugly. With a triple U.S. government debt problem, concerns of default will fill the media.

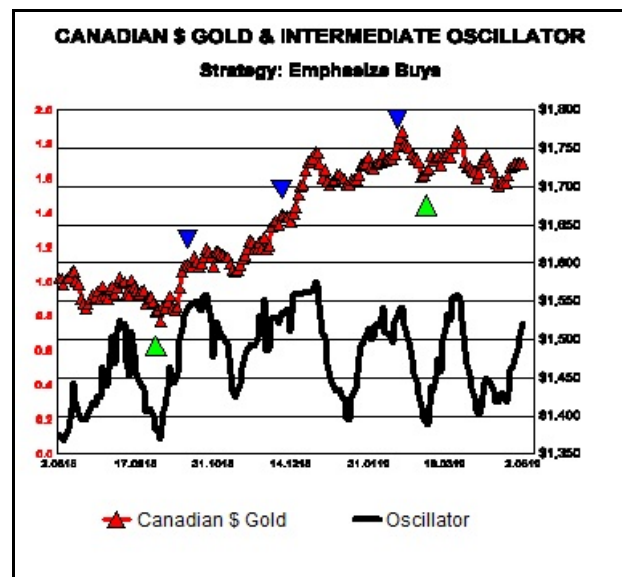
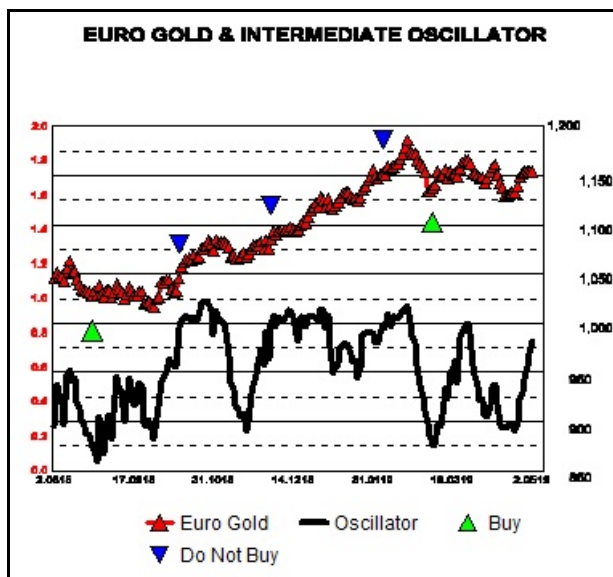
Precious metal markets have stiff competition from speculative nature of stock markets. Profitless IPOs that scream upward on day of offering are too tempting for many. U.S. is not only market with this disease. China has roughly 90+ filings for offerings. Shanghai stock market is up ~26% and NASDAQ is up 23%.

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

If S&P 500 =	2,947	\$Gold should be:	\$3,303 +158%
If \$Gold =	\$1,279	S&P 500 should be:	1,141 -61%

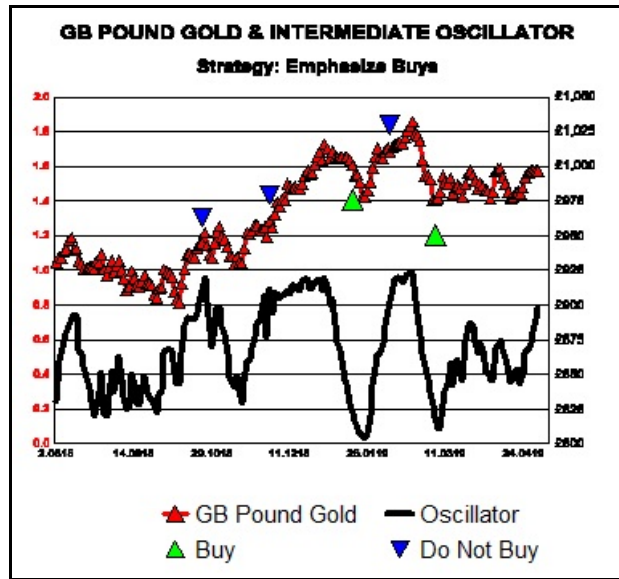
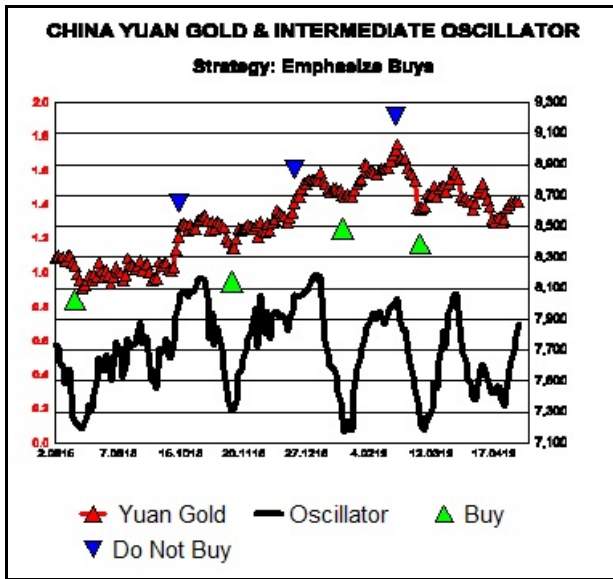
Politics & Gold: In U.S. boredom with impeachment of President Trump seems to be developing. While some diehards driven by hate of the man still call for impeachment, the energy in that movement seems to be dwindling. While that is probably good, it might increase the intensity of political battle over U.S. debt and budget.

GOLD in Other Currencies: Price of \$Gold seems to be driving price moves with currencies actually not moving much. Brexit still a mess and EU looks hopeless. Investors in both should own Gold.



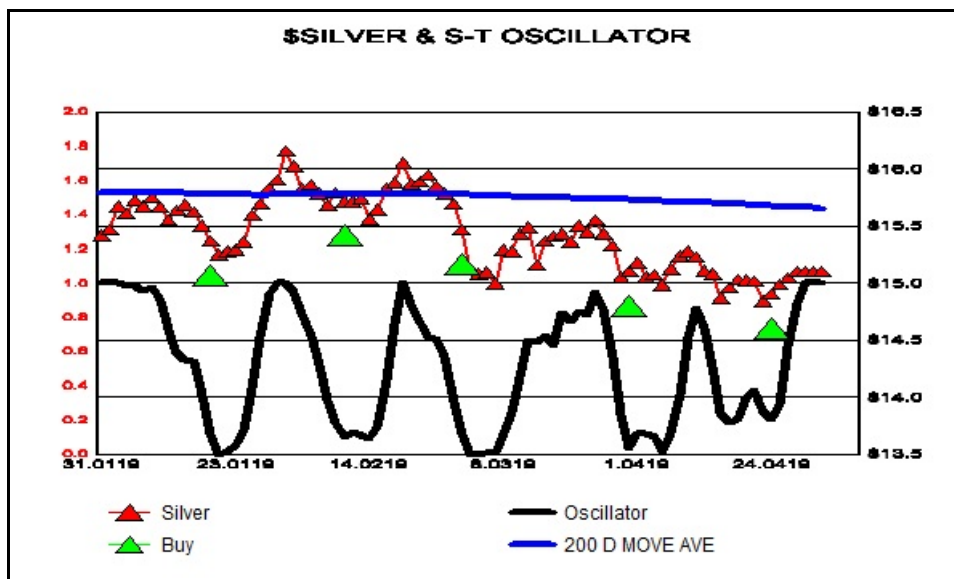
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SILVER has in recent weeks has become the “stubborn” metal. Notice in bottom chart, with short-term oscillator, that Silver has moved in a path somewhat centered on \$15. That action may be meaningful. In our work on Agri-Commodities we run weekly a measure of the statistical trend on each commodity. When we set that spreadsheet up we included Gold and Silver. The statistical trend is used to “check” opinions. If, for example, it is negative and getting more negative it is suggesting that positive price opinions might want to be rethought. Changes in that trend tend to be good checks on opinion.

Last week the statistical price trend on Silver turned positive. While I do not capture that measure over time as that data would not have a lot of use, I cannot remember the last time it was positive. Safe to say that such an event only happened years and years ago. *That measure is telling us that negative price opinions on Silver are wrong.* We do note that while this measure can vacillate between positive and negative, turning positive after a long period of being negative is significant.

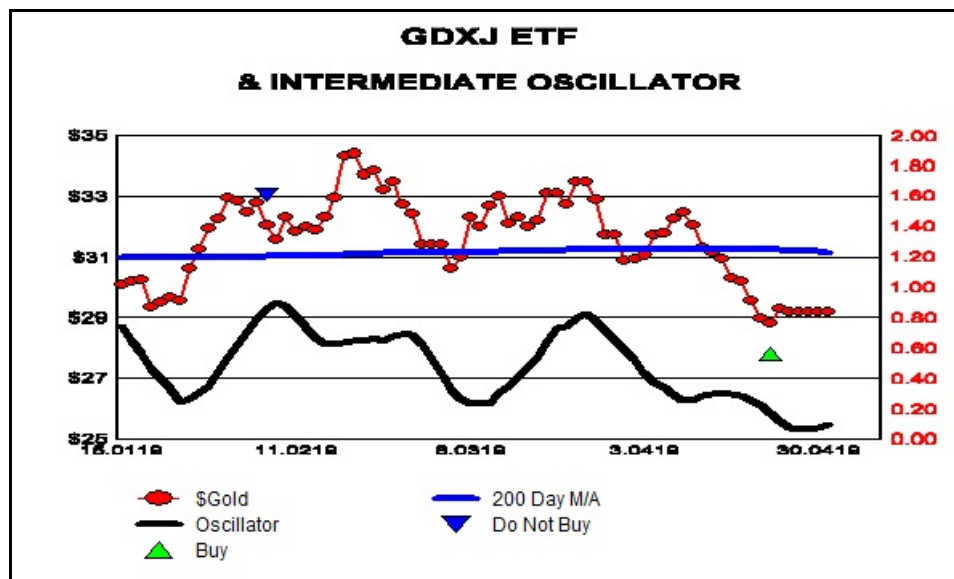
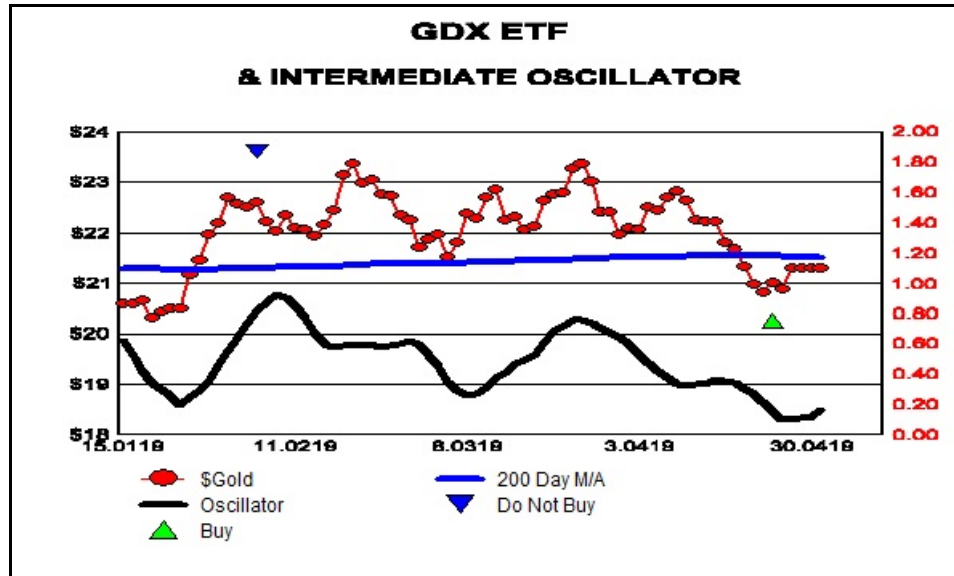


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GOLD STOCK ETFs

GDM ETF is in top chart below and GDXJ ETF is in bottom chart. Both funds continue above their 200-day moving averages. With speculative juices rampant in stock markets and IPO fever running wild, ETFs have been sold to move money into hot stocks. Both ETFs have moved into deeply over sold situation.



Your Eternal Optimist,

Ned

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

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VALUATION				
	US\$ GOLD	US\$ GOLD %	US\$ SILVER	US\$ SILVER %
CURRENT	\$1,279		\$14.90	
Long-Term Target	\$2,145	68%	\$36.70	146%
Fair Value	\$1,010	-21%	\$17.30	16%
Short-Term Oscillator	73%		48%	
Signal Oscillator	37%		35%	
Probability of BULL Trend	89%		49%	
Bear Market Low	\$1,047	17 Dec 15	\$13.55	14 Dec 15
% Change From Low	22%		10%	
Days From Low	1,231		1,234	
Market Low Test	\$1,123	15 Dec 16	\$13.91	Nov 18
% Change From Test of Low	14%		7%	
200 Day MA Current - Value	\$1,276 + \$ 3		\$15.66 - \$0.76	

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