

THE VALUE VIEW GOLD REPORT TRADING THOUGHTS

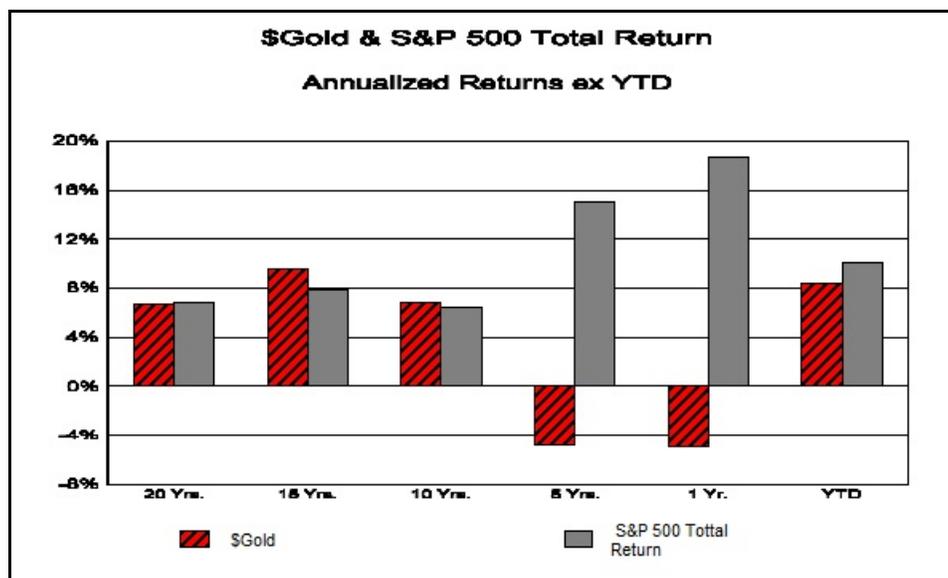
TRADING THOUGHTS is about timely and profitable buying of precious metals. We do not believe every turn in the market can be called. Our goal is that our recommendations should be profitable. Profits are the goals, not trades. Do not expect all recommendations to be profitable. No system can achieve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

WHAT NOW?

What now is to be the focus of investor attention? Elections in U.S., France, and UK are now in the history books, and we are all now forced to live with those decisions. U.S. Congress is still ineffective as ever. U.S. Federal Reserve may raise U.S. interest rates twice more this year. Even UK has talked about raising interest rates, or at a minimum to officially declare it might. All of this is now "baked into" markets.

Same two geopolitical matters continue, North Korea and Syria. Nothing seems likely to change with either of those two situations. Greatest risk from either seems to still be that of an accident, such as someone accidentally shooting down a U.S. fighter jet. Any such accident would not be ignored.

That all means a lot of complacency exists in the investment world, as is quite normal in Summer. Investors seemed happy, till this week, to just over load their portfolios with FANG, et al stocks. Generally speaking the investment world just seems happy to not worry about anything. All of that makes financial markets extremely vulnerable to unexpected events or something coming that is being ignored. Latter



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seems to be most possible. FOMC, as we have discussed, intends to announce sometime soon beginning of program to “unwind” its bloated balance sheet. NO ONE knows the economic and financial impact of Federal Reserve “selling” \$10 billion per month bonds. It has attempted to hide the importance of such a program by using the term “run off”. The \$10 billion per month of “run off” includes bonds maturing where funds are not reinvested in other bonds. Essentially, that is the equivalent of selling. Remember the following: *No central bank has ever attempted to withdraw “a trillion dollars” from an economy.*

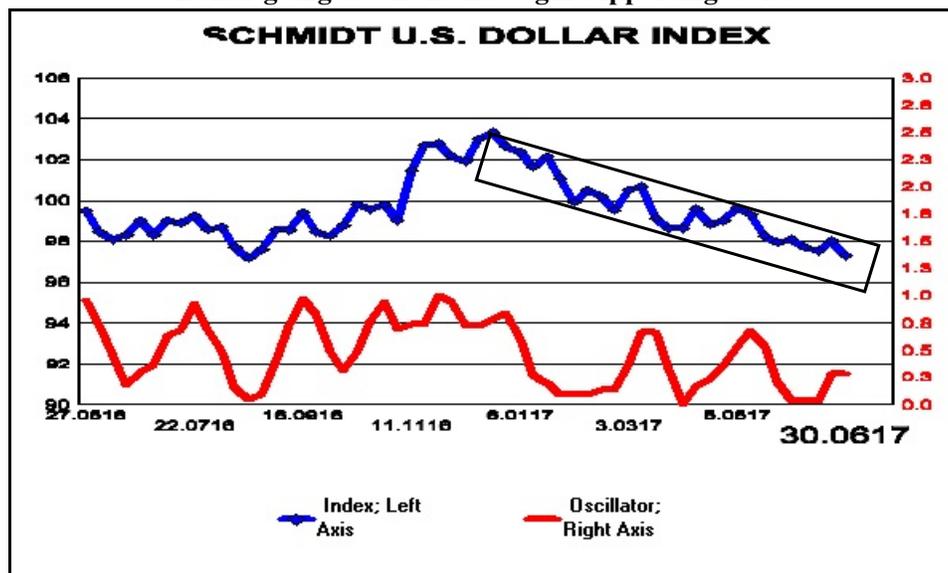
Most vulnerable to this winding down is the U.S. stock market. The rise in that market over the past five years was financed by the massive injection of funds into the U.S. banking system by the Federal Reserve. Withdrawing those funds from U.S. banking system will withdraw the financial support for U.S. equity markets. But, due to “complacency” in U.S. equity markets, this action’s potential damage is being ignored by investors. Reality could be a shock to U.S. equity markets, and one likely beneficiary is Gold.

FOMC announcements have not been a problem for Gold, as shown in table below. Next FOMC meeting announcement is on 26 July. No meeting in August. 20th of September is also an announcement date. No interest rate action is expected at July meeting, but FOMC could announce date for start of unwinding process. An interest rate increase is expected at the September meeting, but it could be deferred to December if balance sheet unwinding begins.

\$Gold & FOMC Rate Increases

Date FOMC Action	\$Gold	% Change
16 Dec 2015	\$1,049	19%
14 Dec 2016	\$1,127	10%
15 Mar 2017	\$1,202	4%
14 June 2017	\$1,251	0%

Dollar going down should begin supporting Gold.



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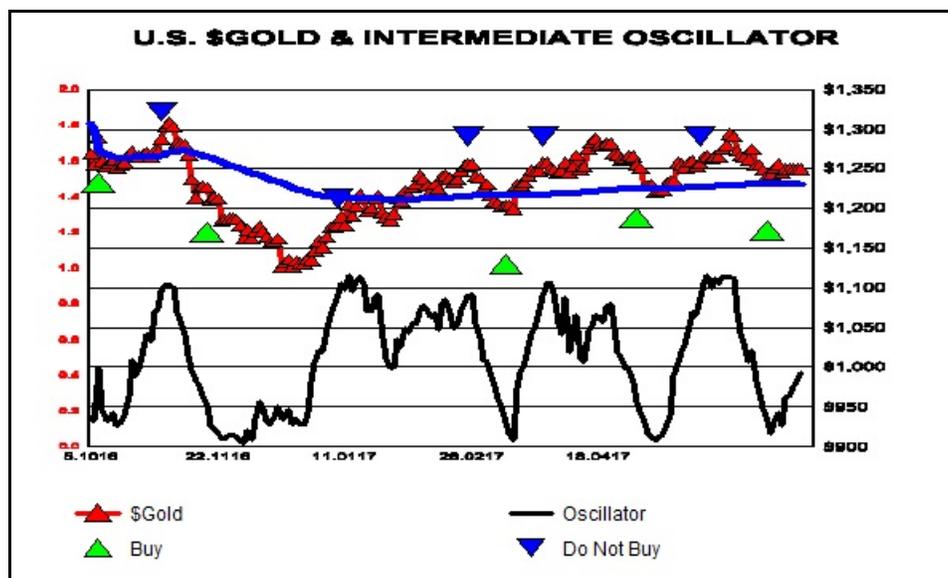
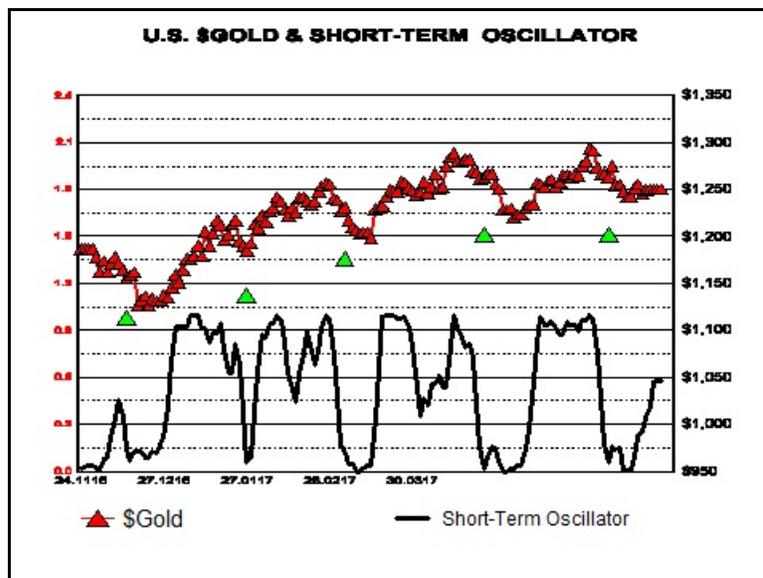
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Value of U.S. dollar, as shown in chart bottom of previous page, continues its march lower. Recently it came close to the last low shown in the chart which occurred in early Fall of last year. Last U.S. interest rate increase had no real impact on dollar. Of the 12 currencies we track, only 3 have been weaker than dollar, Chinese yuan, Russian ruble, and Aussie dollar. First two of those had been stronger until recently. Even the Canadian Loonie has been appreciating against the dollar, a rare accomplishment. Some of recent weakness is talk of UK maybe raising rate and slightly tougher talk from ECB.

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

If S&P 500 =	2,422	\$Gold should be:	\$2,781 +123%
If \$Gold =	\$1,245	S&P 500 should be:	1,093 -55%

Gold picture continues to look better and stronger. Solid blue line in bottom chart is 200-day moving average which seems to get a lot of attention at times. Three times now Gold has bounced off that moving average and moved higher. Each time that it did bounce higher it moved to a higher short-term high. Latest move was to an intra day high of \$1,296.7. That set of conditions is one of strength building by buyers of Gold. *\$1,300 continues to look increasingly likely.* A move through that level would bring buyers into the market.



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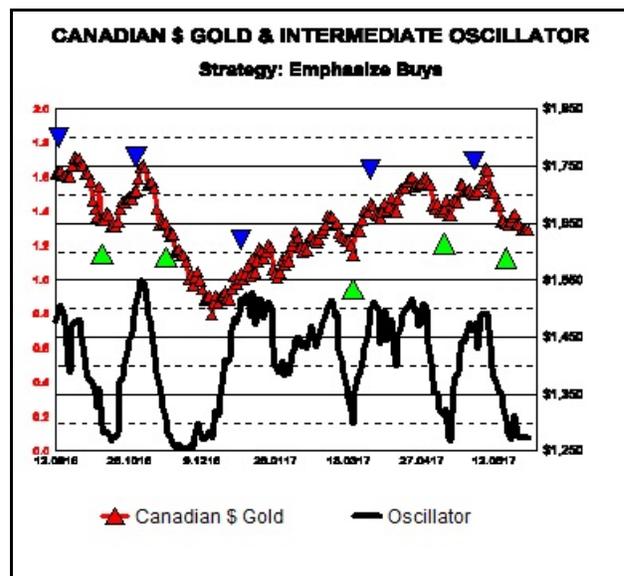
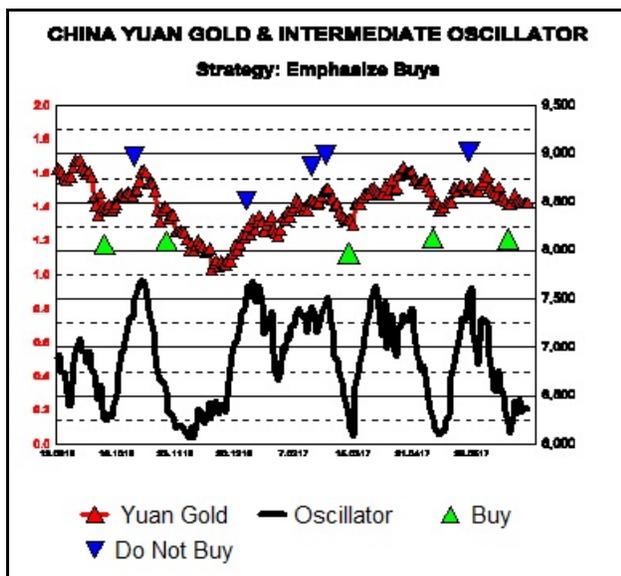
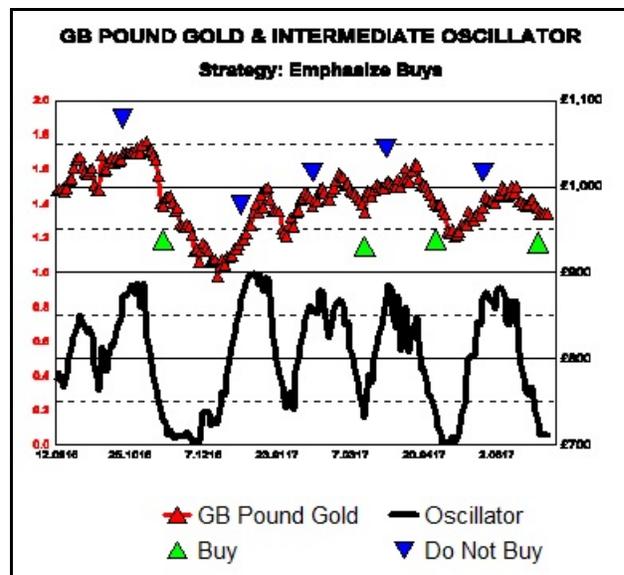
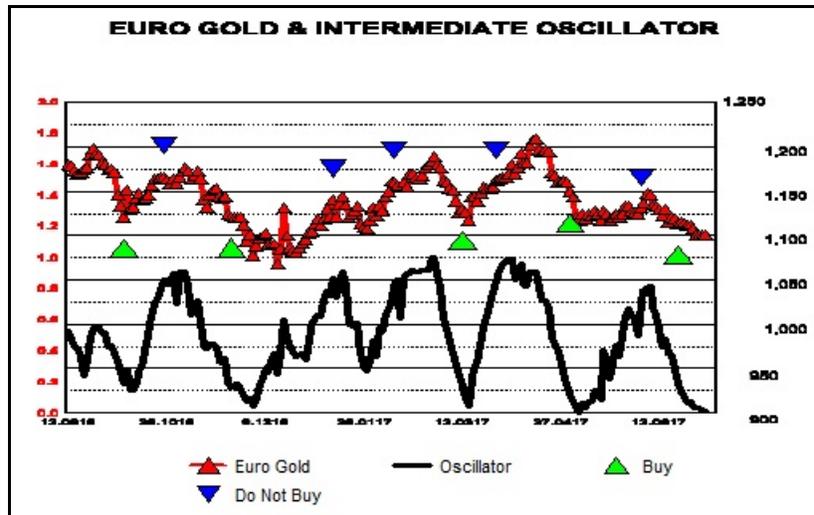
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On Monday Gold experienced a mini flash crash as an extremely large sell order was placed at opening of trading for the day. Source of that trade was not immediately identified. While Gold's price fell dramatically, it did not stay down. More selling did not occur. That suggests that stronger force on Gold is buyers, not sellers. That should give us some encouragement.

With the dollar continuing to weaken, Gold's price in other currencies has been weak. In all the charts buy signals have developed.

In top chart EU €Gold has a trading range of basically €1,100 - 1,200. Each time it has hit the lower edge of that range a buying opportunity has developed. Given the poor outlook for the EU, investors should be acting on these signals.

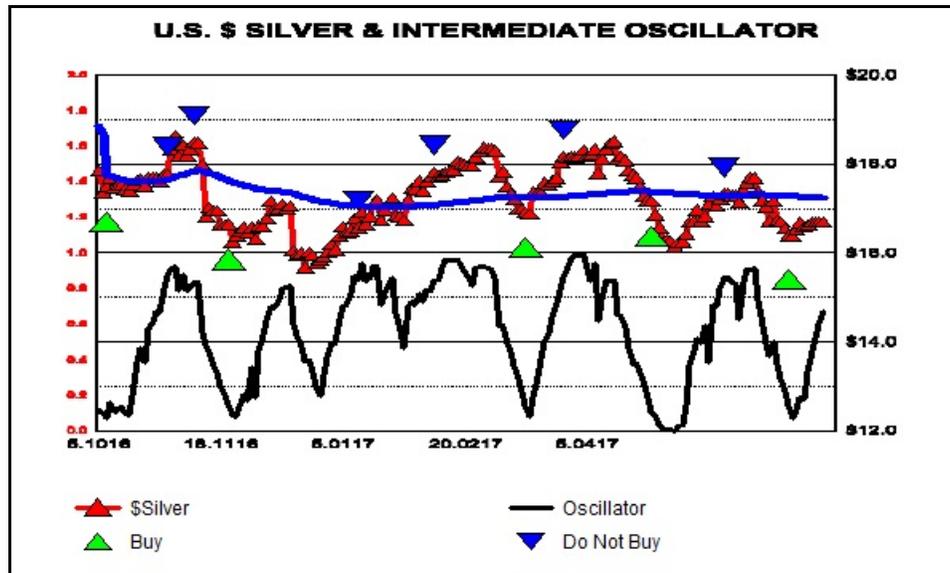
Currency market is very complacent on the British pound. Seems like it is saying that no problems will develop with Brexit. That seems rather cavalier. British investors should be buying some Gold, for "just in case" reasons.



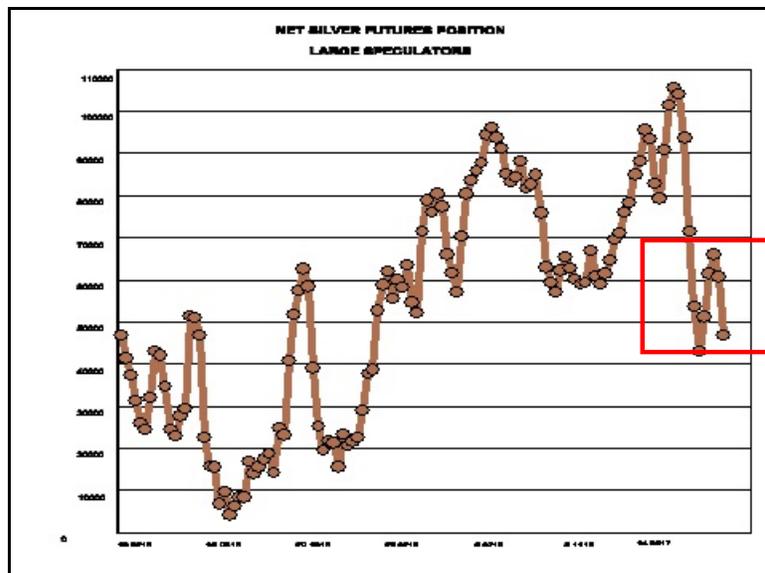
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As we have repeatedly noted: **REMEMBER the BIG picture**: \$Gold made a bear market low in December 2015 at \$1,046. Test of that low was made in December 2016 at \$1,123. That second low was confirmation of a new bull market. In a bull market, one should think bullish. Intra day price of importance now is \$1,297.



Silver: Got several questions about our comment on R-square. In a spread sheet of daily prices we added a column for R-square, mostly as a curiosity. It measures how much of the “wiggles” of Silver price are explained by the “wiggles” in Gold. Since the metals do tend to move together that measure tends to be most of the time high, above 80%. On rare occasions Silver becomes disconnected from Gold, as has recently been the case. R-square drops to below 20%. What that means to us is that Silver is likely under priced relative to Gold. When Gold moves up Silver should have a strong “catch up” rally.



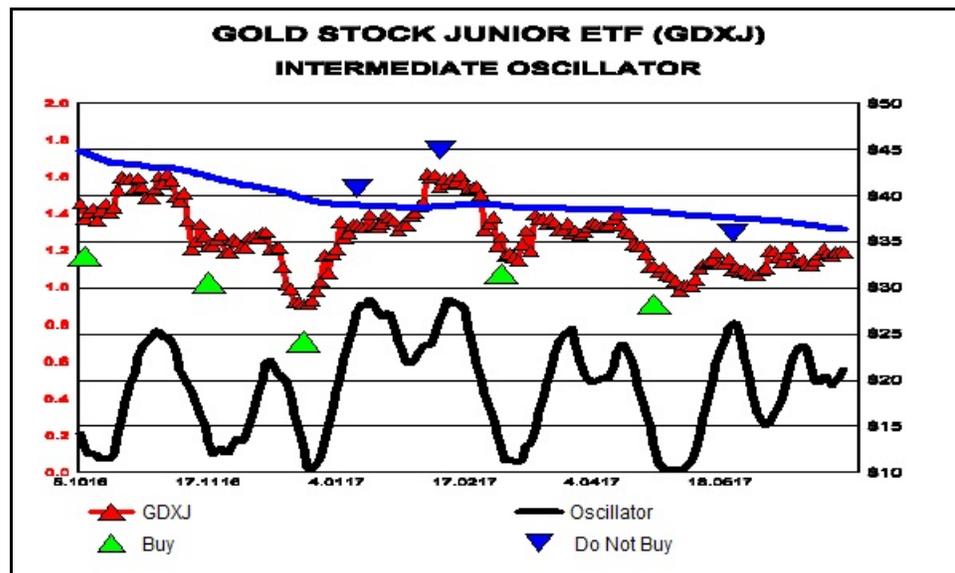
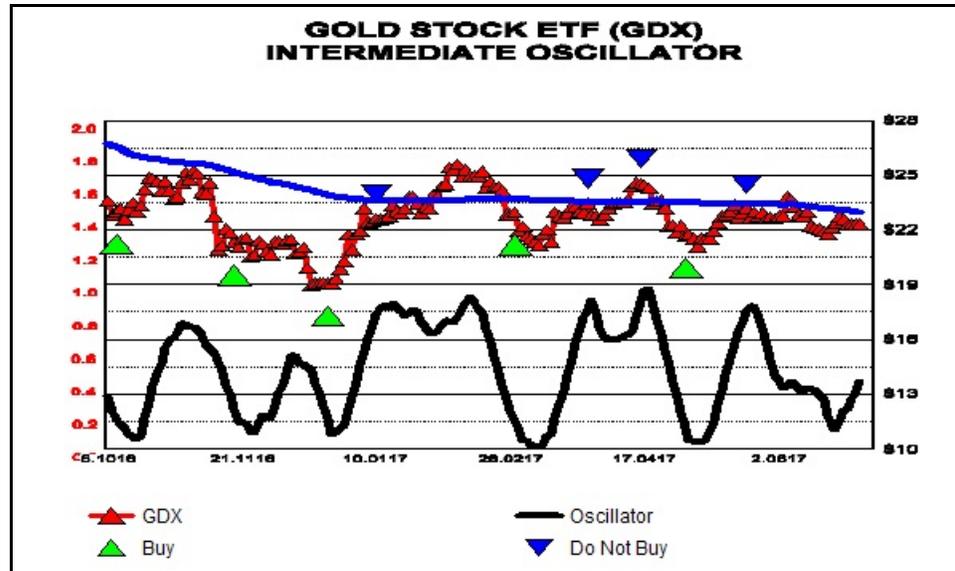
Possible reason for this situation is that a lot of money is off chasing crypto currency nonsense. By the way, pull up a chart on bitcoin price for at least a year. You will easily be able to identify a parabolic curve that seems in the process of failure. Remember, that formation always fails, and in a painful manner.

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

GDX continues moving in a very tight range. The larger trading range is essentially \$20 to \$25, but more recently has tightened to \$22 - 23.5. Each rally for months has been basically capped by the 200-day moving average. Most likely it will bounce through the moving average which should bring more buyers into the Gold stocks.



Picture for GDXJ is much like we have previously noted. For many weeks it has been trying to move higher off the \$30 low. The 200-day moving average is the challenge at present. A move above it would bring more buyers into the ETF.

KOREA & Syria: In a map of Syria you will find, running north south, the Euphrates River. About a third of the country lies East of it with two thirds West of river. Damascus is in the Western portion. U.S., et al appear to be supporting those in the East while Russia supports the Syrians in the West. Russia has declared a “no fly zone” in the West. Whether Syrian government will accept this split of the country is unknown.

Your Eternal Optimist,
Ned

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

VALUATION						
	US\$ GOLD	US\$ GOLD %	US\$ / CHINESE YUAN	CHINESE YUAN %	USS SILVER	USS SILVER %
CURRENT	\$1,245		\$0.1473		\$16.60	
Long-Term Target	\$2,057	65%	\$0.3330	126%	\$35.90	116%
Fair Value	\$969	-22%			\$16.90	2%
S-T Oscillator	33%				79%	
Signal Oscillator	23%				46%	
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	19%		2%		23%	
Days From Low	562 days				565 Days	
Market Low Test	\$1,123	15 Dec 16			\$15.70	23 Dec 16
% Change From Low Test	11%				6%	
Speculative Trader Ratio *	2.5 -				1.9 -	
200 Day MA Current - Value	\$1,230 + \$15				\$17.23 - \$0.63	

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

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