

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.

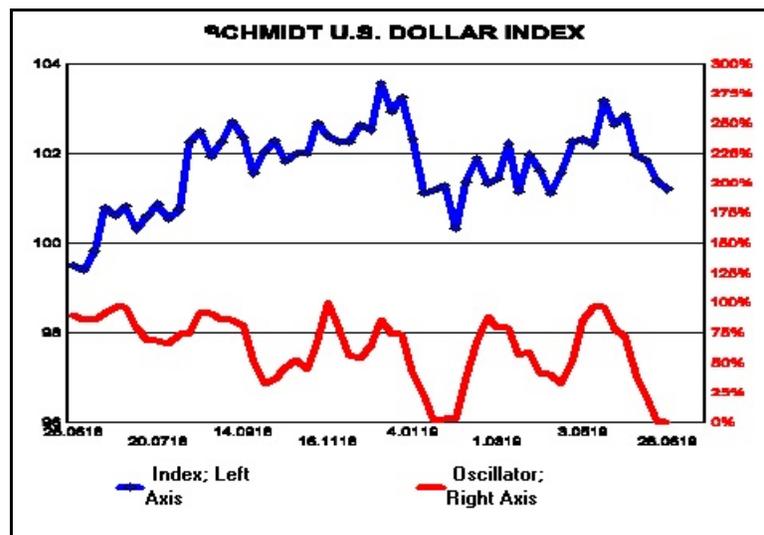
DESTROYING THE DOLLAR?

Is Federal Reserve intent on destroying dollar's value? Lower interest rates would be a pro-Gold policy. Federal Reserve may have, based on what board members have said in speeches, decided to join the group of central banks that wants to push interest rates lower with intention of depreciating their currency. Gold is the winner in such a strategy.

Since level of U.S. interest rates did not cause China/U.S. trade war, lowering them will not fix that trade war. Lowering U.S. interest rates will have two ramifications, further inflating speculative bubble in U.S. stock market and destroying the value of U.S. dollar.

As all are aware \$Gold broke through top of trading range shown in top chart. Thus far, intra day high has been \$1,439. That move upward had two forces driving it. One was worry over China/U.S. trade situation and other was collapsing U.S. dollar due to expectations of Federal Reserve cutting U.S. interest rates.

As shown in bottom chart of our

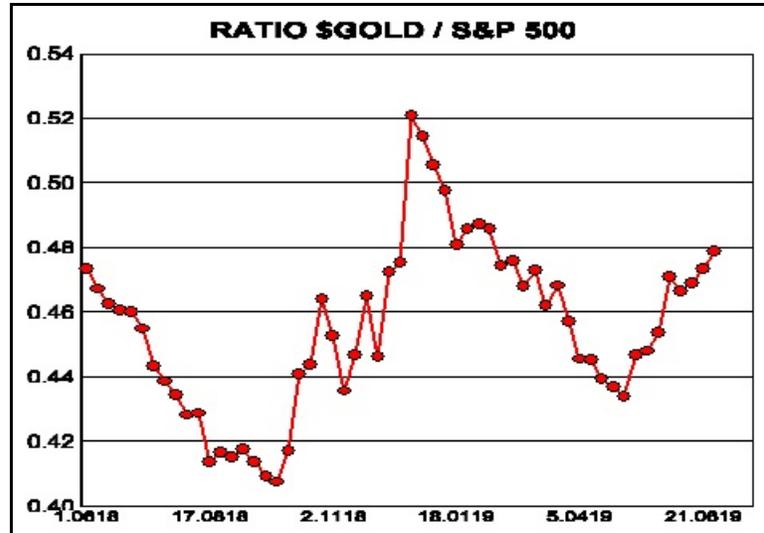


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dollar index which compares value of U.S. dollar to 11 other currencies, value of U.S. dollar has been moving sharply lower. Should FOMC cut interest rates in July, dollar is likely to continue march lower, adding support to \$Gold. ***IF it does not cut rates, serious disappointment may develop in U.S. stock market which will benefit Gold.***

Since that \$1,439 high, \$Gold has retrenched on various news items. As trading is dominated by juvenile speculators, sharp moves up and down should be considered norm.

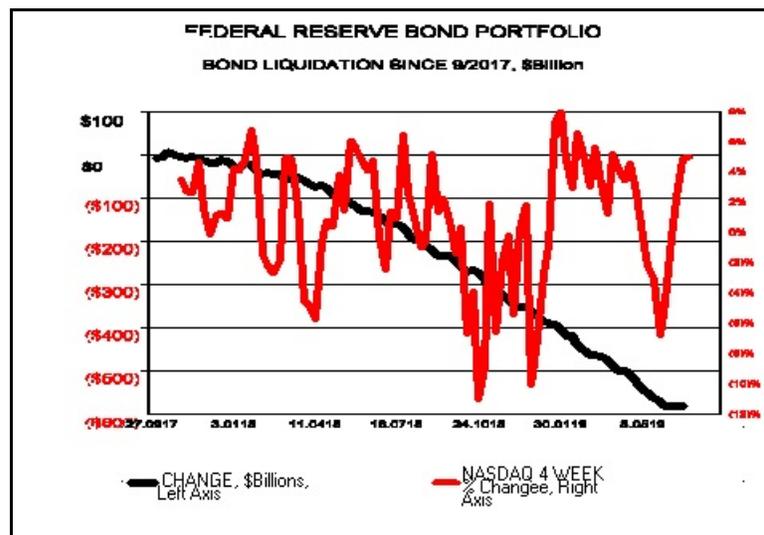


Last Tuesday Chairman Powell gave a speech in which he said nothing about possible future direction of U.S. rates. In short, no food for the drooling juveniles at their trading station. Then a U.S. government official said U.S. and China were making progress on trade discussions. With slobber again on their chins, traders again sold Gold. These types of reactions and moves in the market will occur when prices have spiked up out of a multi year trading range. NO market goes straight up. Markets trade up and down.

Move to \$1,439 was somewhat emotion driven, and needed some unwinding. But note the top chart of ratio of price of \$Gold to S&P 500. \$Gold continues to perform stronger than U.S. stock market. As current ratio is far above low in Fall of 2018, \$Gold has performed better than U.S. equities for quite some time. That development likely means that situation, Gold performing better, is probably not an aberration, but the dominant trend.

Xi/Trump Meeting: Investment world has basically assumed that outcome of Saturday's meeting would be positive. Last Monday top 24 leaders of China from across the country met to agree to China's position for that discussion. Whatever was agreed to is THE position of Chinese leadership. Statements on Thursday by China as to position of country for negotiations suggested nothing but stopping the war in place will occur. On Friday China made a massive purchase of soybeans and Trump agreed to not increase tariffs and ease up some on Huawei. So for time being, knives are sheathed.

Federal Reserve actually assumed a foolish public posture. By talking about lower interest rates to appease the Street it has fueled a strong rally



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in U.S. stock market. Red line in bottom chart previous page is four week percentage change in NASDAQ Composite Index. Now, it must satisfy the Street or risk massive disappointment. At same time expectations of Street have become unrealistic. Some are forecasting three rate cuts this year, which is unlikely.

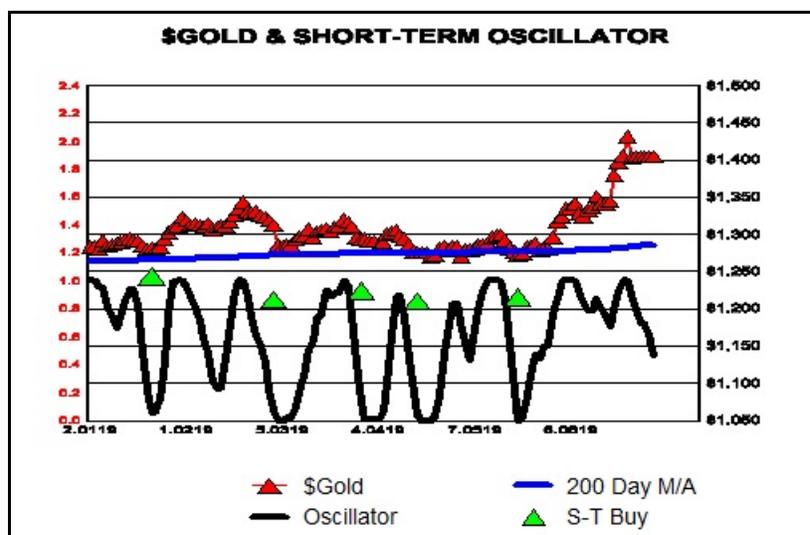
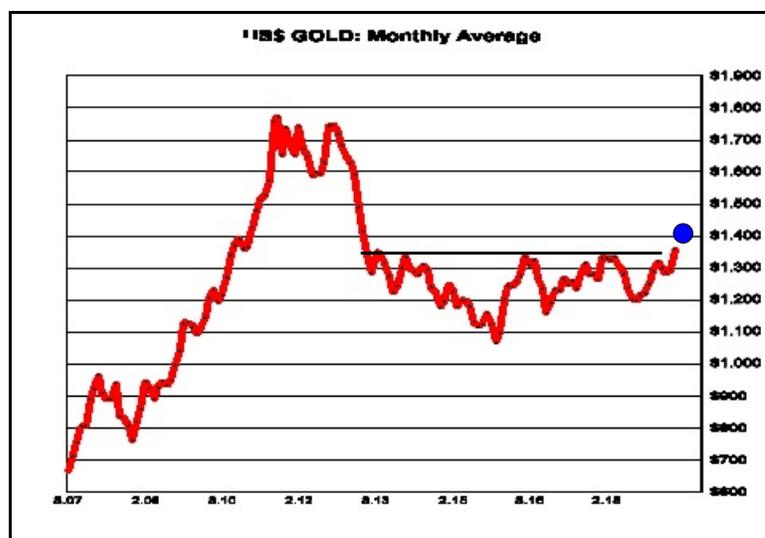
Chart Interlude: Top chart is of monthly average price of \$Gold. June is final data point, and we all know Gold moved above that long hated \$1,350 level. Blue dot is current price of \$Gold.

Importance of “break out” stems from the length of time prices spent trapped by that \$1,350 level. That breakout should be considered as part of the entire formation in Gold, as shown in middle chart. That massive pattern began as parabolic rise to record high, which then collapsed. The entire pattern is not unusual, and does seem to be complete. *What that all means is that \$Gold can now go up. It has been released.*

\$Gold made an important intra day high on 14 June at \$1,359. That action was a signal that selling pressure had finally been exhausted. From there it ran upward to \$1,439 on Tuesday, 25 June. That \$80, or 6%, run in a couple of days was powerful, and deserves some respect. *Investors should fixate on price weakness to make purchases.*

Gold has now retraced about \$30 from that extremely over bought high. As can be seen in bottom chart, short-term oscillator is moving lower toward over sold territory.

Note that time, as well as price, is a factor in developing an over

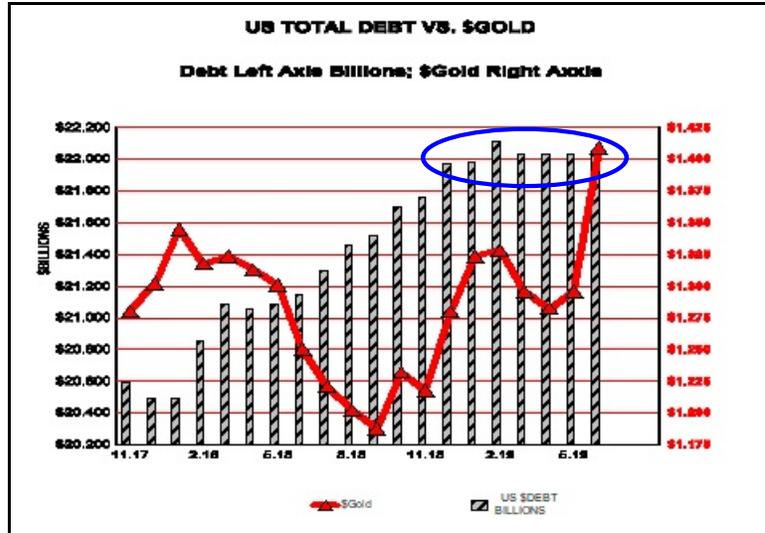


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sold condition. That Xi/Trump meeting would be considered positive may give some further weakness in coming week. **At current prices** an oversold condition on short-term oscillator could develop Thursday or Friday of this week. We will advise.

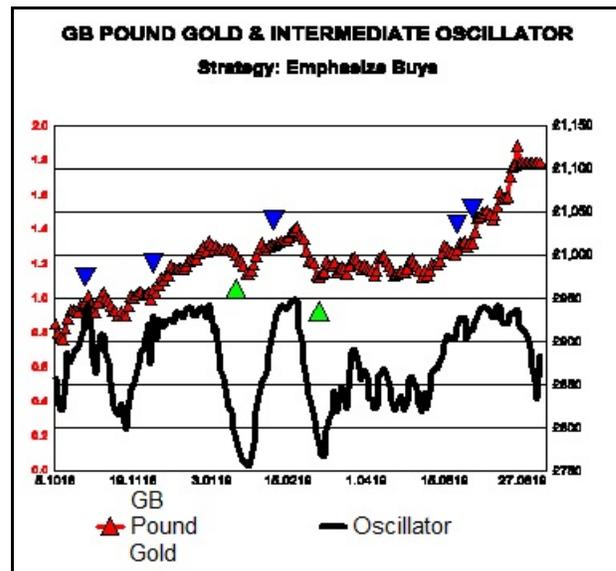
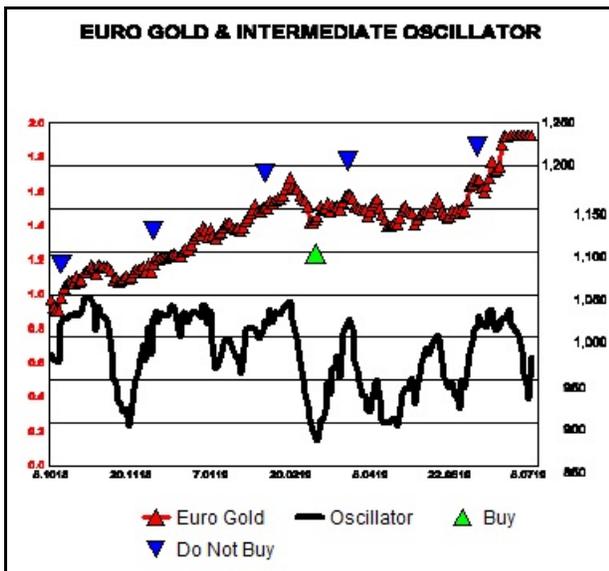
U.S. Debt Continues Capped at ~\$22 trillion: Congressional Budget Office recently moderated its forecast for future U.S. government deficit. Largely that was due to using lower interest rate forecast. **One of the problems is that interest on U.S. government debt is roughly \$367 billion per year, and all of that payment is borrowed.** That means **annual interest expense is uncapped and out of control.** Defense spending is \$638 billion. In future years interest expense will ultimately exceed defense spending. **Debt ceiling** will not get much attention til it is a real problem. House of Representatives works 8-12 days(not sure which) in July, and then is closed til 9 September! **As U.S. budget is needed 1 October or all spending stops, September could be exciting.**



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

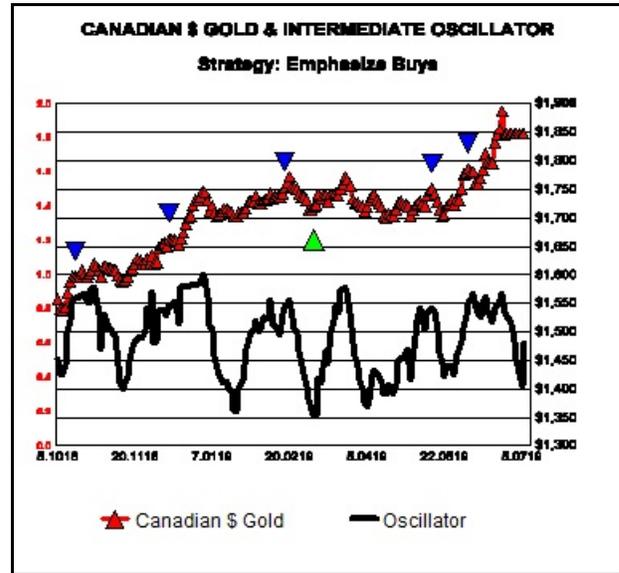
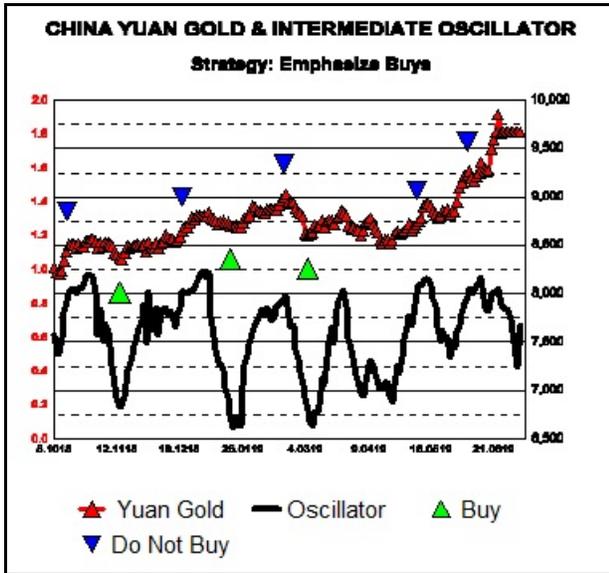
If S&P 500 =	2,941	\$Gold should be:	\$3,298 +134%
If \$Gold =	\$1,409	S&P 500 should be:	1,256 -57%

As charts below show, investors around world have been enjoying Gold. With central banks around world in a "race" to devalue their currencies to boost domestic economies, Gold investors should continue happy.

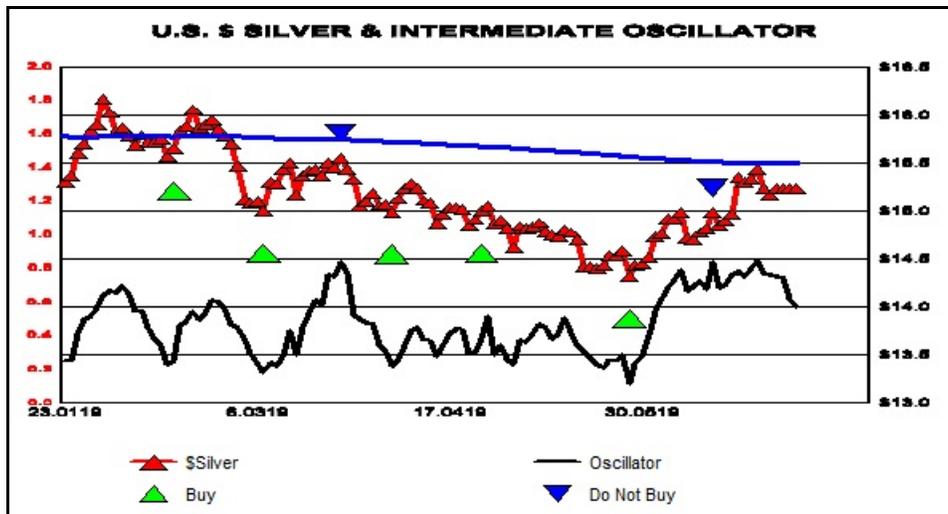
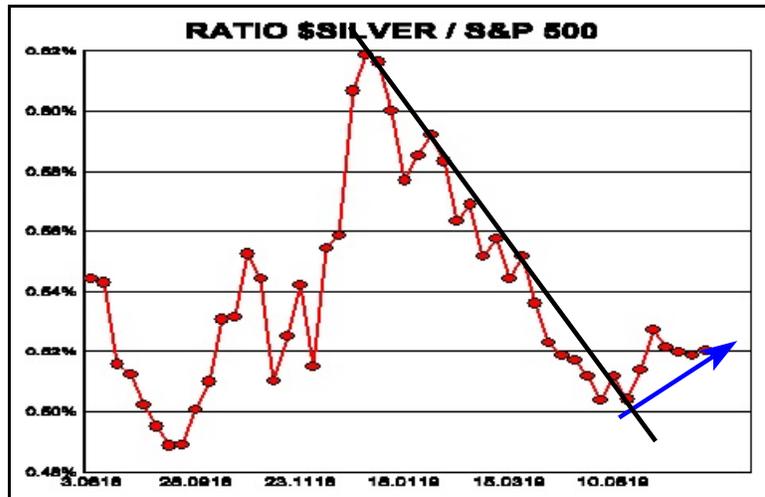


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SILVER: Relative strength of Silver, middle chart, measured by ratio of price of Silver to S&P 500 continues to impress. Silver has now for a number of weeks performed better than U.S. stock market. See blue arrow. Note also that current ratio is above that major low for the ratio in Fall of last year. That means Silver has performed better over that time period. In bottom chart Silver came close to closing at 200-day moving average. On an intra day basis high was \$15.58 which was above that moving average. Silver is acting better, and in a manner that should give encouragement.

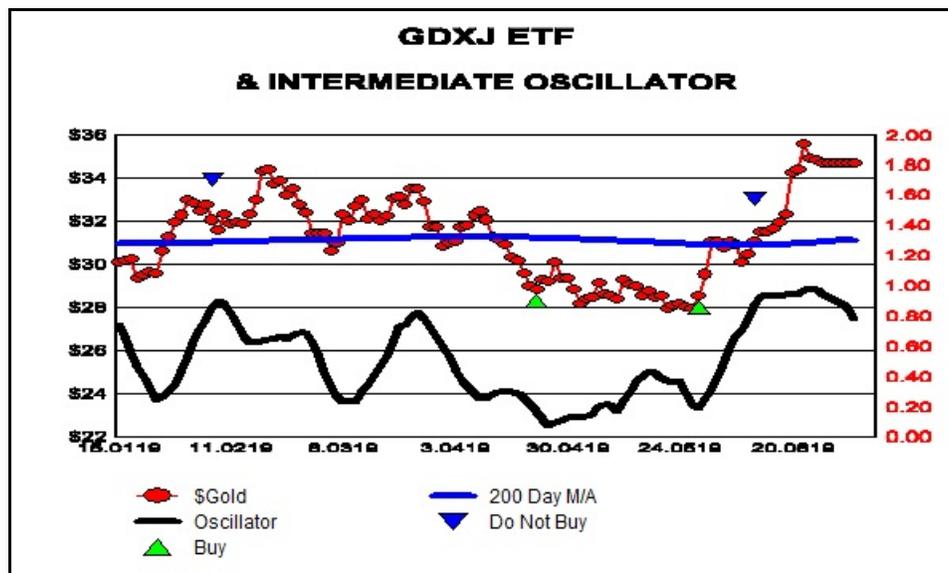
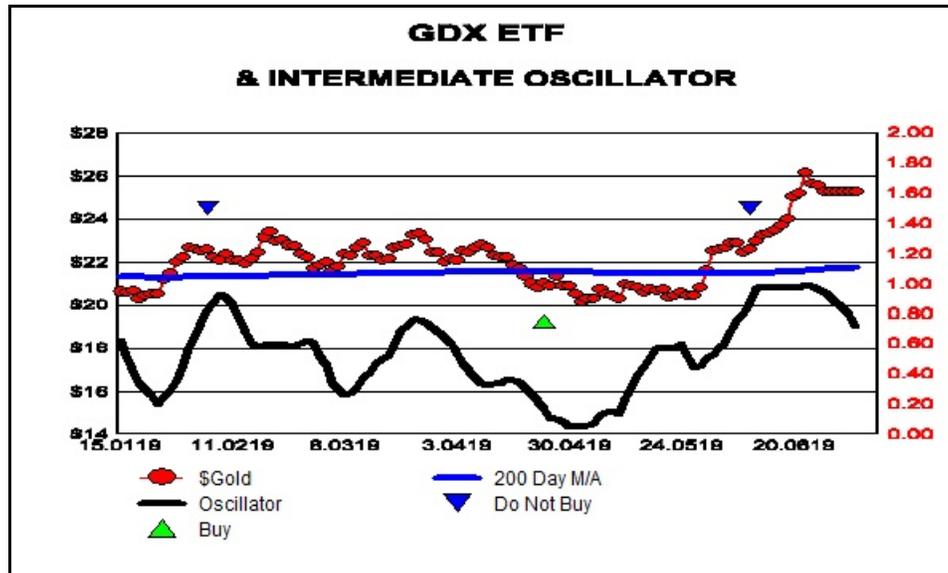


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GOLD STOCK ETFs

GDM ETF is in top chart below and GDXJ ETF is in bottom chart. Both ETFs have broken out of the trading ranges that has mirrored that of Gold. Each made 52-week highs in last week of June. Move of money into Gold ETFs suggests some investors are indeed paying attention to Gold's move higher. Many investors use the ETFs rather than buying Gold and Silver.



Your Eternal Optimist, *Ned*

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

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VALUATION				
	US\$ GOLD	US\$ GOLD %	US\$ SILVER	US\$ SILVER %
CURRENT	\$1,409		\$15.28	
Long-Term Target	\$2,153	53%	\$36.70	140%
Fair Value	\$1,014	-28%	\$17.30	13%
Short-Term Oscillator	72%		63%	
Signal Oscillator	80%		78%	
Probability of BULL Trend	89%		49%	
Bear Market Low	\$1,047	17 Dec 15	\$13.55	14 Dec 15
% Change From Low	35%		13%	
Days From Low	1,297		1,300	
Market Low Test	\$1,123	15 Dec 16	\$13.91	Nov 18
% Change From Test of Low	25%		10%	
200 Day MA Current - Value	\$1,285 + \$124		\$15.49 - \$.21	

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