

TRADING THOUGHTS

from THE VALUE VIEW GOLD REPORT

TRADING THOUGHTS is about timely and profitable trading 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. Software is deleting legend. Don't know why, but will try to overcome it.**

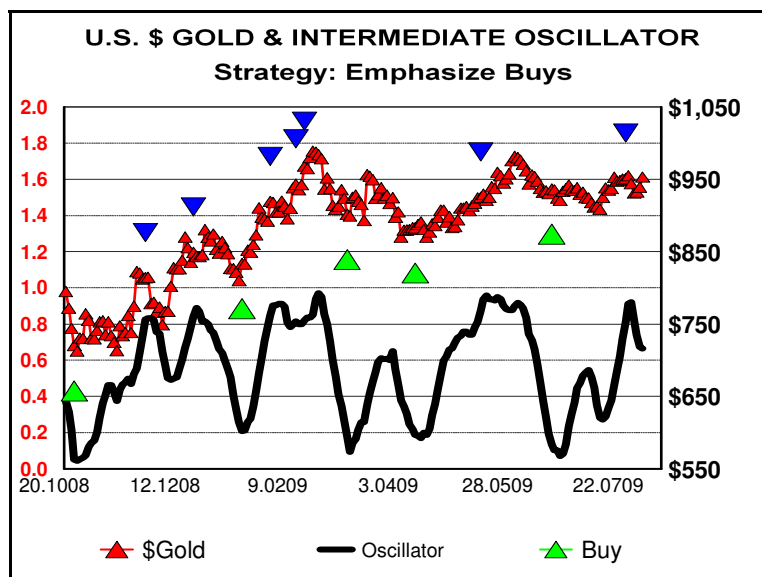
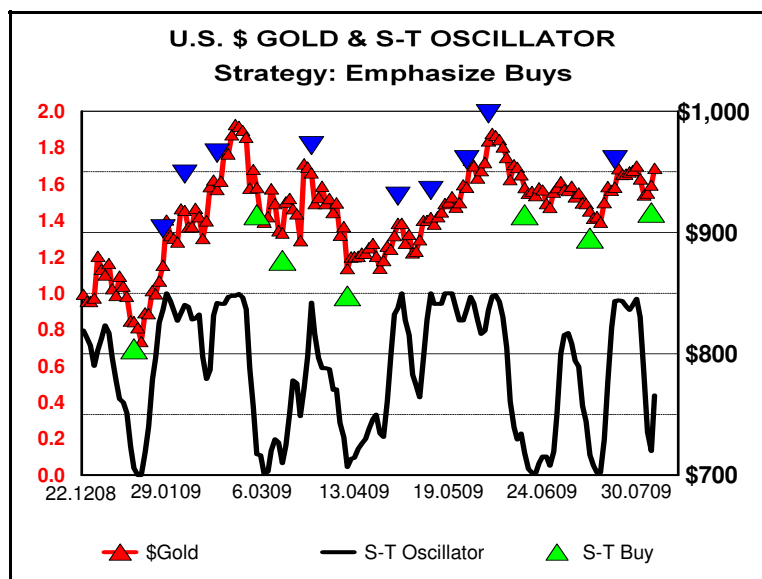
A lame duck U.S. President arises in less than six months.

A lot of people wished the world rid of President Bush. They ignored the old saying about being careful for which you wish, you might get it. Per the respected Rasmussen polling organization on Friday, 51% disapprove of the Obama Regime, and 48% approve. The Approval Index was -11%. That measure means that 11% more of likely voters strongly disapprove of the Obama Regime than strongly love it.

Strong currencies are not built on faltering leadership. As much as the Obama Regime is crumbling before our eyes, so too is that of Congress. Polling would suggest that next November Congress will look far different. Such a political situation is not going to make for a strong dollar.

Latter part of this past week was a time for rumors. Someone probably needed to sell some junior metal stocks. This one had been building for some time, and it came on strong Thursday and especially on Friday. The rumor being spread is that the U.S. dollar might be devalued before the end of the year.

A currency devaluation occurs when the nation ceases buying its own currency to support its value, and the currency collapses to a new equilibrium level. Alternatively, the nation could sell

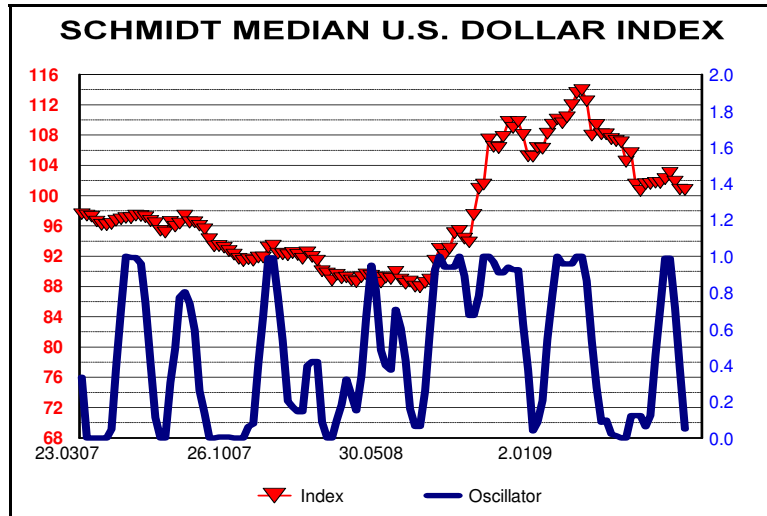


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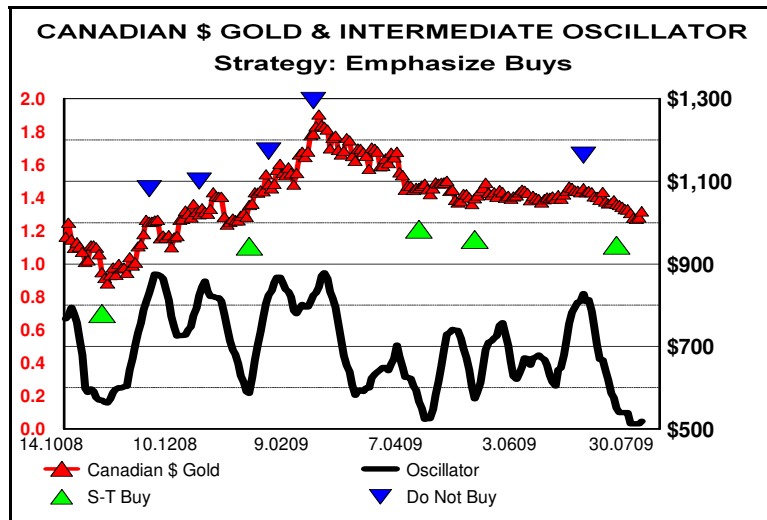
massive amounts of its currency, forcing the value down dramatically on foreign exchange markets. Are either of these likely to happen before year end? No, neither is likely. But, good rumors can often move a market.

As the chart to the right shows, the U.S. dollar is deeply oversold again. While the long-term direction of the dollar's value remains down, a sudden plunge in the weeks ahead does not seem less likely given this over sold condition. Please note, I do worry about making statements like that cause the unforeseen can not be foreseen.



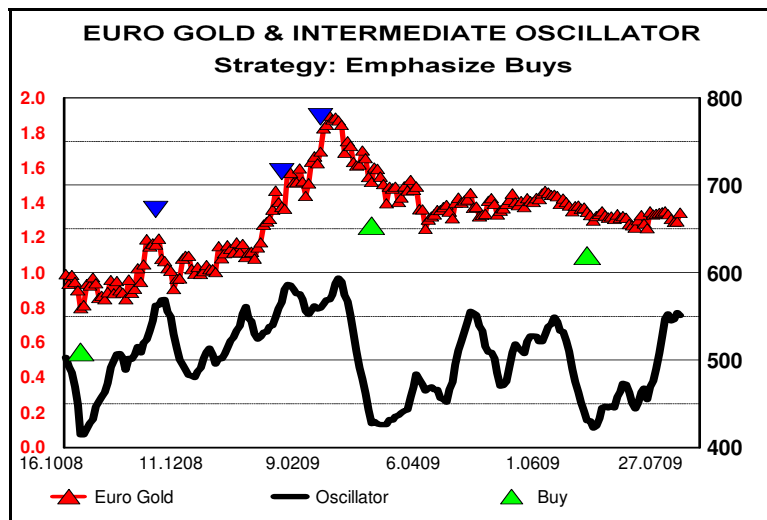
In the past week, after two weeks of aggressively adding reserves to the U.S. financial system, the Federal Reserve did very little to increase system liquidity. U.S. financial markets have by now probably leveraged those previous liquidity injections. That could make the dollar less abundant in the week ahead, and support the dollar's value somewhat.

Prior to \$Gold's burst of energy on Friday is that it had become short-term over sold. That condition can be observed in first chart on previous page. That set \$Gold up to react to the rumor, and it jumped more than \$20. In doing so, the short-term over sold condition was removed.



\$Gold is now moving back toward over bought. We continue to believe that one more important buy signal will come in August. Waiting till then to buy is recommended.

On Monday we will send out a new "Gold Thoughts." In it will be that chart we run titled "U.S. Monetary Inflation Vs. U.S. \$Gold." It continues to show U.S. monetary conditions setting up for an important buy signal in late August or September. Be sure to watch for it.



The continuation of strength in the

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Canadian dollar versus the US. dollar is depressing **Canadian \$Gold** . It continues deeply over sold, as shown in second chart on previous page. Canadian investors should be adding to their Gold holdings.

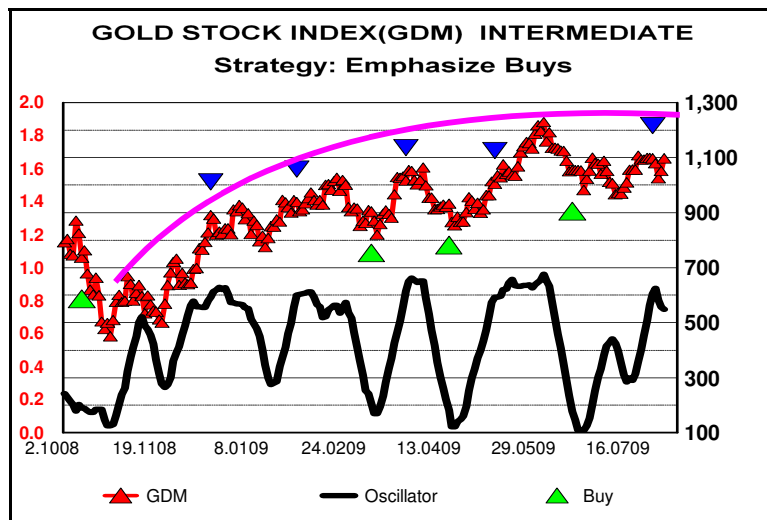
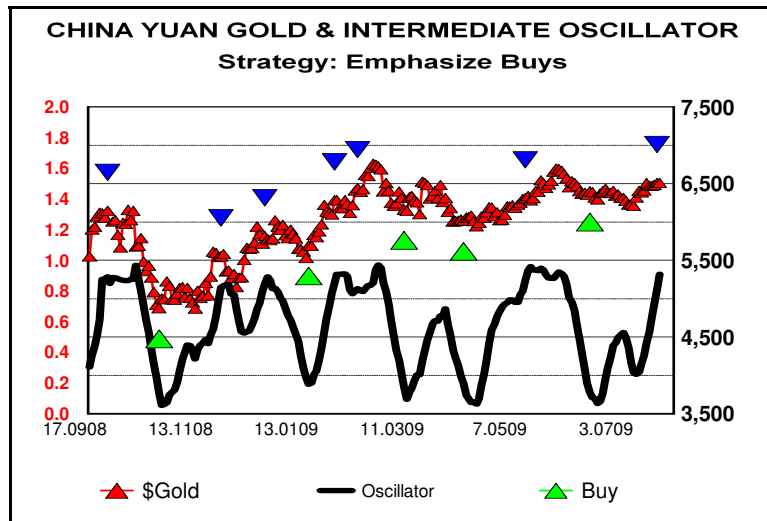
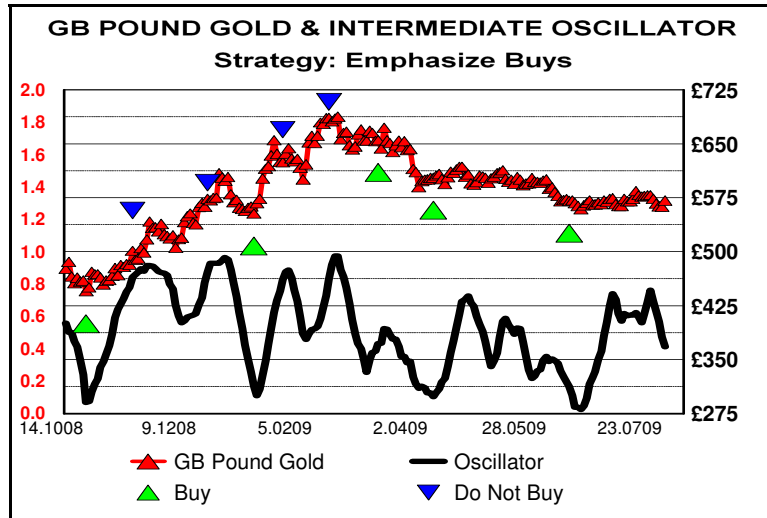
Note that the gyrations in Gold and currency markets are not making these conditions and signals easy to determine at this time. For that reason, some recommendations might seem contradictory.

EU€Gold, final chart on previous page, is trading about as trendless as anything can. It has been trapped between €650-700 for months. While the oscillator is somewhat over bought, we would focus on the last buy signal's price level. EU investors can add to Gold on any price weakness.

GB £Gold is moving sideways, without a material trend. The intermediate oscillator on the chart is moving toward over sold. But not shown is the short-term oscillator, which is giving a buy signal for £Gold. British investors should be adding to their Gold holdings.

China ¥Gold continues in an over bought condition. Present monetary policy in China is strongly stimulative, maybe too much so. Should that continue, either prices will rise or instability in financial markets could develop, especially in the stock market. Chinese investors should be aggressive buyers of ¥Gold on next buy signal..

GOLD STOCKS: Declining momentum of Gold stocks, highlighted by the curve in the chart, does raise some yellow flags. Additionally, Gold stocks have become over bought, with a Do Not Buy signal hitting this past week. When the dollar devaluation rumor made the rounds, Gold stocks rallied. Oscillator is moving back toward over bought.



We would continue to wait for the next buy signal to be an aggressive buyer of Gold stocks. Ideally, a good sell off in Gold and Gold stocks would establish healthy bottoms for both. We would look somewhat more favorably on small stocks should that happen. At present, too much optimism on small stocks.

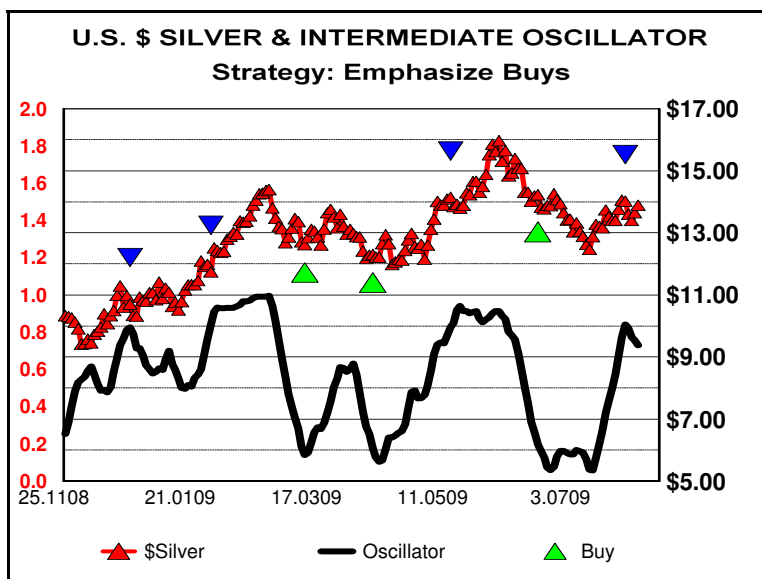
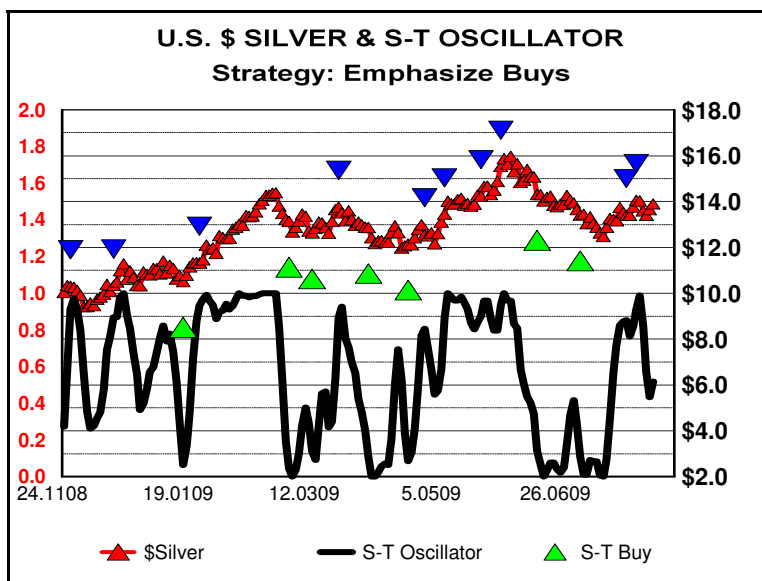
SILVER: Silver added about two dollars in about two weeks. That action turned oscillator to over bought. Friday's rally is again doing so. A reasonable guess might be that the current action is a "B" wave in an A-B-C correction.

We continue to expect that another buy signal will develop in late Summer. Silver investors should be aggressive buyers on that signal. Any price approaching \$12 would seem attractive.

PAPER EQUITY MARKETS:

The broad equity markets seem to be living on money creation. Returns on paper equities have two components, a real component and a monetary inflation component. Real parts of the economies and companies seem to be at best marking time. That suggests that the monetary inflation component is again dominant. In other words, the financial liquidity being created by the Federal Reserve and other central banks is what is supporting paper equities.

Should any force cause that liquidity to be diverted to some other purpose, the equity markets could be in considerable trouble. In the U.S., the Obama Regime needs to raise more than a trillion dollars of new money in the coming year. That could be big competition for that liquidity. The U.S. economy is now at a point where either the U.S. government deficit crowds out other financial needs or the Federal Reserve will monetize it. The day of only bad economic choices is slowly arriving.



Your Eternal Optimist;
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