Liberty's Outlook

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US Dollar Sinks!

—Are We Seeing The "Last Ditch" Efforts To Support The Dollar And Paper Assets And Suppress Gold And Silver Prices?

If you look at the table to the right and compared the numbers to those I published five weeks ago in the last newsletter, you might be lulled by the rise in several stock market indices.

It might make you wonder if the worst of the economic crisis has passed, and if it is time to start investing in paper assets again.

Don't be fooled.

On March 18, the Federal Reserve announced that it would be purchasing $300 billion of US Treasury debt. This effectively creates "money" out of thin air, blatant inflation.

Upon this announcement, the US dollar index quickly dropped 2.5% and the price of gold soared $50.

Even though the US dollar index is up almost five percent since the start of 2009, it looks like the dollar may have now finally started its major decline.

In the five weeks through yesterday, the US dollar index has declined 4.07%. The index is derived by comparing the value of the dollar against a trade weighted basked of major world currencies.

In my judgment, the US dollar index masks the extent of the decline in the value of the US dollar, because several other major world currencies (such as the Swiss franc, British pound, and Euro) are also being devalued by their respective governments.

If you compare it one-on-one against specific currencies, the US dollar has obviously sunk over the past five weeks:

Currency	*Change in US dollar March 3 to April 7*
Australia dollar	-10.0%
Brazil real	-8.0%
British pound	-4.5%
Canada dollar	-4.1%
Chile peso	-5.6%
Euro	-5.1%
Indonesia riyal	-5.6%
Mexico peso	-12.4%
New Zealand dollar	-13.6%
Peru sol	-4.5%
South Africa rand	-12.8%
South Korea won	-19.0%
Taiwan yuan	-4.2%

I regularly track only 22 foreign currencies against the US dollar. Thirteen of them have declined by more than the drop in the US dollar index in the past five weeks! I suspect there are many more that would show similar results. Only one of these currencies fell against the dollar—the Japanese yen, perhaps the world's second most overvalued currency, down 11.1%.

If the US dollar were not well established as the de facto world reserve currency, I think the results would have been much worse.

I also think that the results would have been much worse if the price of gold had not been deliberately attacked last week by the latest threat of a possible gold sale by the International Monetary Fund (IMF).

It has only been a few weeks since there were several announcements from major US companies that financial results were improving. For instance, Citigroup and Bank of America were claiming that they enjoyed operating profits for the first two months of 2009 and officials and General Motors were suggesting that they did not need any further government bailouts.

2009 Year To Date Results

Through April 7, 2009

Precious Metals		
Platinum		+25.4%
Palladium		+20.6%
Silver		+8.2%
Gold		-0.14%
Numismatics		
MS-63 $20.00 Liberty		+26.3%
MS-63 $20.00 St Gaudens		+9.6%
MS-65 Morgan Dollar		+0.0%
US Dollar vs Foreign Currencies		
Japan Yen		+10.6%
Switzerland Franc		+7.1%
Euro		+5.3%
South Korea Won		+4.4%
India Rupee		+3.0%
Taiwan Dollar		+2.6%
New Zealand Dollar		+2.1%
Canada Dollar		+1.8%
China Yuan		+0.2%
Australia Dollar		+0.0%
Great Britain Pound		-0.9%
Mexico Peso		-1.8%
South Africa Rand		-2.4%
Brazil Real		-4.0%
U.S. Dollar Index	85.29	+4.89%
US and World Stock Market Indices		
Shanghai Composite		+34.0%
Sao Paulo Bovespa		+16.7%
Tokyo Nikkei 225		-0.3%
NASDAQ		-1.0%
S&P 500		-9.7%
Frankfurt Xetra DAX		-10.1%
Dow Jones Ind Average		-11.2%
London FT 100		-11.4%
Russell 2000		-13.6%
Intrinsic Metal Value Of U.S. Coins		
Lincoln Cent 1959-1982		1.29¢
Lincoln Cent 1982-date		0.34¢
Jefferson Nickel-non-silver		2.94¢
Roosevelt Dime 1965-date		1.33¢
Wash Quarter 1965-date		3.33¢
Kenn Half Doll 1971-date		6.66¢

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Even the US government got into the act of trying to present good news, which was largely accomplished by retroactively revising late 2008 results to be worse than originally reported. In doing so, that made the early 2009 data look not quite so bad.

In the past few months, debt auctions by the German and British governments have failed. I suspect even some US Treasury debt auctions might have failed except that the Federal Reserve stepped up to buy.

The US dollar is so entrenched facilitating world commerce that it could take years to replace it with an alternate world reserve currency. However, a number of governments have stepped up in the past month to formally propose that the dollar be displaced.

Two weeks ago, the Russian government announced that it would introduce a proposal at the G-20 meeting on April 2 to expand the function of the United Nations' Special Drawing Rights to serve as a world reserve currency. China, Brazil, and India were among those who endorsed this idea.

The Russian government later added to this announcement by advocating that the replacement market basket of currencies include gold.

Separately, the Chinese government concluded a trade agreement with Argentina where future transactions will be priced and paid in Chinese yuan, not US dollars.

With so much public discussion about displacing the US dollar as the world reserve currency, there was a significant risk that the G-20 meeting in London on April 2 might turn into a rout for the value of the dollar.

What could the US government do to save its currency?

Gold Gets Clobbered

As we have seen time after time, when the value of the US dollar is threatened, a standard diversionary tactic has been to knock down the value of an alternative safe haven asset that other governments and private parties might buy in place of their dollar holdings.

The alternative asset most frequently punished has been gold. It was no surprise at all to see the price of gold knocked down last week before the G-20 meeting. I had predicted as much in a gold commentary I wrote the week before (see www.numismaster.com and search under News & Articles for my essay posted March 30).

The US government and its British ally managed to further knock down the price of gold during the G-20 meeting by raising the prospect of the IMF selling 403 tons of its gold reserves to pay for a financial rescue package.

In the past several years, the specter of gold sales by the IMF has been floated at critical times when the price of gold was poised to soar.

The previous report about a possible 403 ton IMF gold sale appeared in early 2008, supposedly to help the IMF cover continuing operating deficits. In theory, this threat of a sale is still hanging over the market. To make it appear that an even larger gold sale was being contemplated, it was necessary for British Treasury Minister Stephen Timms to lie to the public on April 2, "What's referred to here is in addition to what have been noted previously."

After Timm's announcement, the price of gold quickly fell $40. Once the damage had been done, an IMF official then explained that any sale contemplated by this announcement would be part of sales previously announced by the IMF.

Almost certainly, this IMF gold sale will never occur, or, if it does, the entire amount will likely be sold to a single central bank (most likely China) without any gold ever appearing on the world's exchanges.

Besides, the amount of the threatened sale involves less than 13 million ounces of gold, currently valued at less than $12 billion. If all of the US government bailouts and rescue programs totaling almost $13 trillion are not sufficient to save the US economy, I just don't see how $12 billion will make much difference to the global economy.

The tactic of threatening to sell IMF gold has had less and less impact on the price of gold each time it has been touted. It has also taken less time for the gold market to recover from each successive shock. Already this week, the gold price is recovering.

Is Gold Price Suppression Near An End?

In my mind, the tactic of threatening an IMF gold sale is one of the most desperate used by the US government to suppress the price of gold. To me, that is a sign that other less obvious tactics used in years past are no longer possible or no longer effective.

There is another circumstantial indicator that we could be coming to the end of the US government's ability to manipulate gold prices.

On Tuesday, March 31, Deutsche Bank stunned the gold market by delivering 850,000 ounces of physical gold to cover COMEX contracts it had sold short. At almost that exact same moment, the European Central Bank revealed that it had just sold 1.14 million ounces physical gold. In previous weekly reports, the European Central Bank had sold only 30,000 to 200,000 ounces.

The timing is so coincidental as to be highly suspicious. Was Deutsche Bank facing an imminent risk of default when the holder or holders of these COMEX contracts asked for delivery instead of the normal practice of rolling over the contract to a future delivery month?

Although the COMEX allows commodity contracts to be settled for cash instead of the physical goods, a default of that magnitude would almost certainly lead skyrocketing gold prices.

Technically, the COMEX and the Commodity Futures Trading Commission (CFTC) would be required to investigate whether Deutsche Bank was guilty of naked short selling. CFTC regulations requires traders who sell short to have covered at least 90% of all deliverable metals contracts. This rule is designed to prevent fraud on the COMEX.

I, for one, will not be holding my breath waiting for this investigation to occur.

If the European Central Bank saved Deutsche Bank from defaulting on the COMEX gold contracts, that would be an even more extreme sign that the US government, through its trading partners (including Deutsche Bank), is running out of tricks to hold down gold prices.

Evidence indicates that the US government has manipulated the price of gold for at least a decade and possibly all the way back into the 1980s. So, even if the US government is running out of ways to knock down the price of gold, it could still take 6-12 months before the price of gold would be free to rise.

Or, the market could turn around almost at an instant's notice.

Between now and the time that gold rises to much higher levels, which I ex-

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pect to easily surpass $2,000, there could be some more bumps. Even a market that is not manipulated does not move in a straight line.

However, I think almost all of the federal government's ammunition will be used trying to prevent gold from topping $1,000. Once gold builds a solid base above $1,000, the price could be off to the races.

If you don't already have an insurance position of physical gold (and silver) I recommend that you do so quickly.

Time To Take Profits Selling Large-Size US Currency?

In 1988, LCS Inventory Manager Paul Manderscheid and I created a special report extolling the appreciation prospects for the US Large Size Currency that was issued from 1861 to 1928. We recommended the purchase of more than 20 different types of notes in a variety of grades that could be acquired at the time for less than $500 apiece.

In the years since, the prices of almost all of these notes in the grades we recommended have increased 200% to 400%. Collector demand continues to be very strong. In general, these notes are scarce enough that it is almost impossible for any promoter to procure and market a large hoard of these notes, with the accompanying market distortions. This market has been driven by collectors.

In the past few years, the rate of price increases has tapered off. In the past few months I have seen a few price declines for some of the notes that we recommended.

Rather than wait to see if demand drops or prices start to decline across the board, now may be a great time to cash in and take some profits. This would be especially true for those taxpayers who have investment losses or loss carryovers that would offset these gains.

COMEX Silver Flying Out Of The Warehouses

For the past five trading days through yesterday, there has been a run of physical silver being removed from COMEX warehouses:

April 1	2.193 million ounces
April 2	2.18 million ounces
April 3	2.02 million ounces
April 6	1.6 million ounces
April 7	2.15 million ounces
April 8	(0.21) million ounces

Over 80% of these net withdrawals have been from silver registered against COMEX contracts with the balance being customer silver held in COMEX-eligible warehouse storage.

In one week, over 10% of all COMEX-registered silver has been withdrawn! Including the eligible silver, the net withdrawals still amount to 8% of COMEX inventories.

A possible reason that there were not net withdrawals today is that a Canadian precious metals fund (symbol CEF) completed financing to purchase 8 million ounces of silver. The combined effect of this looming purchase and another major withdrawal today might have sent the price of silver sharply higher.

Something is going on. I don't yet know what. If this turns out to be a purchase by an exchange traded fund because it literally could not find silver anywhere else, that would spark a major supply squeeze, bringing on $20 silver quickly.

Gold Demand Perks Up In India and Vietnam

India is the world's largest gold consuming nation. In typical years in the past, total gold demand from India exceeded demand from the numbers 2,3, and 4 largest consuming-nations combined! Demand there is quite sensitive to price levels.

Since the price of gold rose above $900, demand has fallen sharply. Imports into the country stopped completely. In fact, some gold was actually exported from India. The prices at which gold traded in India were consistently below the global gold price.

Last Thursday, when the price of gold fell below $901, India dealers started calling suppliers in Switzerland to purchase gold to be imported. At the same time, the price at which gold traded in India rose above the global price.

While the US government may like to push the price of gold well below $900, rising demand in India could blunt that effort, as it has done in the past.

The rise and fall of gold demand in Vietnam has roughly paralleled that of India. Inflation is so high in Vietnam that the country is almost on a de facto gold standard. In the first quarter of 2008, gold demand in Vietnam actually exceeded demand from India!

But, like India, gold demand in Vietnam lately has been so minimal that the prices at which it traded in that country were below global levels.

And, like India, the gold price in Vietnam rose above the world levels starting last Thursday. Dealers there are scrambling to import more supplies. If rising demand from India isn't enough to support the spot price, maybe Vietnamese demand will tip the scales.

Classic US Gold Buying Frenzy Cools Off

Last month I alerted readers that prices and relative premiums for almost all grades of **Classic U.S. Gold $20.00 Double Eagles** and well as some smaller coins were way above typical trading levels. I suggested that readers consider selling such coins or consider swapping them for gold bullion issues.

Those of you who responded quickly have done well. So many dealers gave similar advice to their customers that demand quickly slowed and supplies increased. Prices have come down almost across the board.

For instance, a month ago, we were selling MS-63 $20.00 St Gaudens for $1,825. Today you can buy them for only $1,600.

Prices have fallen enough that I would no longer recommend a sale or swap.

Typically, when we uncover a special opportunity, whether to buy or to sell, you must act on a reasonably prompt basis. As more people become aware of the price disparity, the market shifts back toward normal.

What Do These Industry Leading Companies Have In Common?

Alcoa, AIG, AMBAC, American Express, AMR (American Airlines), Bank of America, Bear Stearns, CBS, Citigroup, Countrywide Credit, Delphi, Dow Chemical, Eastman Kodak, Fannie Mae, Ford, Freddie Mac, Gannett, General Electric, General Motors, Goodyear Tire, Harley-Davidson, The Hartford, International Paper, JDS Uniphase, Lear, Lehman Brothers, Liz Clairborne, Macy's MBIA, Merrill Lynch, MetLife, MGIC, MGM, Motorola, JC Penney, Prudential, Saks, Sears, SprintNextel,

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Tenet Healthcare, UAL (United Airlines), United States Steel, Wachovia Bank, Washington Mutual, Whirlpool, and Xerox.

Answer: From the middle of 2007 through early March 2009, the stock prices of all of these companies had fallen by more than 80%!

During that same time, the spot price of gold rose over 40%. In effect, a dollar invested in gold in mid-2007 became worth more than seven times a dollar invested in these stocks!

This is a perfect example of the number one reason to own gold—as insurance against the loss of value of paper assets. While markets move in cycles, I don't think we are anywhere near the end of seeing gold (and silver) continue to outperform paper assets.

Adapting from what silver analyst David Morgan said, "The easy money has already been made in the gold and silver markets, but the BIG money is yet to be made."

Gold and Gold Coins

Gold ended today at $887.25, down $21.25 (2.3%) from five weeks ago.

This relatively small net change doesn't mean that the market was quiet, however.

On March 6, so much physical gold was put out on lease the lease rates actually turned negative. That's right, not only could a qualified party borrow gold for free, but they would be paid extra for doing so!

As best I can determine, the source of the gold dumped on the market was one or more exchange traded funds. Obviously, they would not be willing to lease gold at a loss, so I suspect that the gold release was subsidized by "someone" (read—US government).

This one-day attack had the expected effect of knocking gold down just as it was advancing rapidly.

That didn't stop gold, however. In less than two weeks, when the Federal Reserve announced that it would begin purchasing US Treasury debt (note: it was suspected that the Fed was already doing this on the quiet), the price of gold soared, jumping 7.3% from the US market close on March 18 to March 19!

Even though the price of gold is below $900, I don't expect that to last for long. There are just too many factors pressuring for higher gold prices.

The US Mint has not been able to keep up with demand for the US **American Eagle** (9.8%) even though it has not struck any fractional Eagles or any size of **Buffaloes** this year. As a result, premiums are near their highest levels of the year.

Other popular coins such as the Canada **Maple Leaf** (6.4%) and South Africa **Krugerrand** (7.0%) has seen their premiums drop in the past month. Still, I like the physical gold forms that have the lowest premiums. US **American Arts Medallions** (4.9%), Mexico **50 Pesos** (4.9%), and Austria **100 Coronas** (5.0%) are the current leaders for most gold for your money.

With the soaring global demand for physical gold, it has been almost impossible to find any **World Gold Coins** in quantity. This month, we are fortunate to have acquired modest four groups of **European Gold Bargains**. At least one of these coins we could have sold by the hundreds in the past. But no more. See our offer for details.

Silver and Silver Coins

Silver finished today at $12.49, a decline of $0.56 (4.3%) from last month.

For years, I have been expecting the price of silver to soar. A year ago, I thought it might be on its way when it topped $20.00 in mid-March.

As we now know, there was a reason that the price of silver "had" to be driven down for the balance of 2008. When JP Morgan acquired Bear Stearns last March, it acquired a huge short silver position that was apparently not disclosed until after the deal was done.

Despite efforts to hold down silver prices, there are growing signs that a major rise could come this year. Now is not the time to lose patience.

The ideal form of physical silver to own would be one that has a low premium, maximum divisibility, and is readily liquid. I don't consider any form to have a particularly low premium now. US **90% Silver Coin** (18.8%) has the edge for divisibility and liquidity, but it is not the lowest premium form available. Just pick the form that best suits you.

After a multi-month dry run of not being able to offer affordable silver coin bargains, we now have two. You can select from our **Better Date Morgan Silver Dollars** or go for the **Superb Gem Proof-67 1942-P Silver War Nickels**, which are the lowest mintage US regular issue coin of the 20th century. Please see our flyer.

The Month

Gold Range	88.25	9.7%
Net Change	-21.25	
Silver Range	1.71	13.1%
Net Change	-0.56	
Gold/Silver Ratio		70.8
Net change		+1.2
Platinum Range	139.00	13.0%
Net Change	+135.00	
Platinum/Gold Ratio		1.35

Date	Gold	Silver	Platinum
Mar 04	908.50	13.05	1,068.00
Mar 05	929 50	13.26	1.085.00
Mar 06	944.50	13.47	1,099.00
Mar 09	919.75	13.10	1,084.00
Mar 10	898.00	12.71	1,064.00
Mar 11	913.00	12.97	1,077.00
Mar 12	926.25	13.11	1,075.00
Mar 13	932.25	13.38	1,083.00
Mar 16	924.25	13.05	1,071.00
Mar 17	919.00	12.84	1,072.00
Mar 18	896.75	12.35	1,072.00
Mar 19	962.25	13.70	1,142.00
Mar 20	959.75	14.02	1,134.00
Mar 23	954.50	14.01	1,163.00
Mar 24	925.75	13.54	1,142.00
Mar 25	938.00	13.57	1,147.00
Mar 26	942.00	13.81	1,169.00
Mar 27	925.50	13.45	1,148.00
Mar 30	918.00	13.22	1,141.00
Mar 31	925.00	13.18	1,149.00
Apr 01	928.50	13.17	1,164.00
Apr 02	910.00	13.21	1,183.00
Apr 03	898.50	12.93	1,183.00
Apr 06	874.00	12.31	1,169.00
Apr 07	884.75	12.41	1,191.00
Apr 08	887.25	12.49	1,203.00

London Silver Market Premium To New York Silver Market = 8¢

Note: On days where there were different buying and selling spot prices, the price listed above is the LCS selling spot price.

Gold, silver and platinum quotes are working spots at 1:45 EST/EDT each day, quoted in US dollars per troy ounce.

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