

Liberty's Outlook

Volume 15 Issue 8 Liberty Coin Service's Monthly Review of Precious Metals and Numismatics July 29, 2009

Prediction: The Next Major Rise In Gold Has Begun!

Pg 2: US Government Shenanigans To Hide Bad News From The Public

Pg 2: Soaring US Bank Failures

In my judgment, there are several pressures building up that will result in the price of gold rising above \$1,000 to stay and probably reach at least \$1,200 in the near future.

How soon? I think this will most likely happen between the last week in August and the end of September.

The groundwork for this price breakout has already been laid. Some smart buyers have already pushed up the price of gold over the past few weeks. That means that the next major rise in the price of gold has already begun.

To make near term specific forecasts is treacherous. It is much safer to make vague long term prognoses.

Still, the accumulating signs mostly point to a higher gold price within two months. Let me share with you some of the factors supporting my prediction.

Factors Pushing Gold Prices Higher

Commercial Real Estate Mortgage

Crunch: On July 7, Rep. Carolyn Maloney (D-NY), who is chair of the Joint Economic Committee, told the members of this committee that the \$3.5 trillion of commercial real estate debt is a "time bomb" and a "looming crisis" as \$700 billion of these mortgages must be refinanced by the end of 2009. She said this could spark a second wave of huge losses at large US banks.

Any further weakness anywhere in the real estate market would add to doubts about the strength of the US dollar. If the forthcoming news is so terrible that politicians in Washington are using drastic terms such as by Rep. Maloney, you know things are much worse than the government is letting on.

"Panic" in Washington and London:

Actually, I have heard multiple stories that politicians in the US and England are terrified at the prospect of so much horrible economic news coming soon. Among their reasons for alarm, beyond the issues

2009 Year To Date Results

Through July 28, 2009

Precious Metals

Palladium	+27.5%
Platinum	+26.0%
Silver	+19.8%
Gold	+6.0%

Numismatics

US MS-63 \$20 Liberty	+15.8%
US MS-63 \$20 St Gaudens	+14.7%
US MS-65 Morgan Dollar, Pre-1921	-11.3%

US Dollar vs Foreign Currencies

Japan Yen	+4.2%
Switzerland Franc	+0.7%
Singapore Dollar	+0.6%
China Yuan	+0.1%
Hong Kong Dollar	+0.0%
India Rupee	-0.8%
Euro	-1.4%
South Korea Won	-1.7%
Mexico Peso	-3.8%
Canada Dollar	-11.0%
New Zealand Dollar	-11.0%
Great Britain Pound	-11.2%
Australia Dollar	-14.1%
South Africa Rand	-16.3%
Brazil Real	-18.7%
U.S. Dollar Index	78.85 -3.0%

US And World Stock Market Indices

Shanghai Composite	+88.8%
Sao Paulo Bovespa	+45.1%
NASDAQ	+25.3%
Dow Jones World (excluding US)	+19.2%
Nikkei 225	+13.9%
Australia S&P/ASX 200	+12.0%
S&P 500	+8.5%
Russell 2000	+10.5%
Frankfurt Xetra DAX	+7.6%
Dow Jones Industrial Avg	+3.7%
London FT 100	+2.1%

10 Year US Treasury Note interest rate
3.69% +63.8%

Intrinsic Metal Value Of U.S. Coins

Lincoln cent 1959-1982	1.67¢
Lincoln cent 1982-date	0.44¢
Jefferson nickel non-silver	4.16¢
Roosevelt dime, 1965-date	1.89¢
Washington quarter, 1965-date	4.71¢
Kennedy half dollar, 1971-date	9.42¢

Selected Wholesale Commodity Prices

Copper	+91.4%
Regular gasoline	+83.6%
Nickel	+53.0%
Sugar	+51.0%
Zinc	+49.7%
Coffee	+47.5%
Natural gas	-38.2%

I discuss here, are expected soaring default rates on credit card debt and rising default in prime quality residential real estate mortgages.

COMEX Now Allows Gold Contracts To Be Settled With Shares Of GLD Exchange Traded Fund:

Adrian Douglas, a commodity analyst who also is a member of the board of directors of the Gold Anti-Trust Action Committee (GATA) published an analysis on July 11 revealing his discovery why COMEX gold market reports on trading activity and the movement of metals were not making sense.

In the past, COMEX contracts were settled by the delivery of the commodity. If that were not possible, then they were supposed to be settled for

cash. However, the COMEX now says that a gold contract can now be settled by "substantially the economic equivalent" of gold. What has in fact happened is that shares of the GLD gold exchange traded fund have been used to fulfill commodity contracts.

In theory, these shares represent 1/10 oz of physical gold. However, there are many loopholes in the ETF contracts that allow the fund to effectively hold paper contracts rather than physical gold. As a result, there is doubt that the ETF could deliver gold to redeem outstanding shares.

Inside this issue: Funds Dump GLD ETF; Buy Physical Gold page 2
What Happened Yesterday And Today page 3
US Mint Plans To Issue 2009 Gold Buffaloes page 4

(Continued from page 1)

Within eight months after GLD began operations in February 2005, the price of gold rose more than 50%. Like the opening of GLD, which made it much more convenient for investors to put money into the gold market, Douglas's analysis could be the one single event that sparks the next major rise in the price of gold.

By the way, COMEX silver contracts cannot yet be settled with shares of silver ETFs.

Investment Funds Dumping GLD, At Least Some Replacing With Physical Gold: The timing is so coincidental that there is a good likelihood that Douglas's analysis has resulted in multiple investment funds liquidating their positions in GLD.

On July 14, Greenlight Capital, a hedge fund that had been the largest investor in GLD, announced that it had liquidated its entire holding of 4.2 million shares of GLD (effectively about 420,000 ounces of gold worth almost \$400 million) and replaced it with physical gold. The company declined to detail the nature of the physical gold it received, but it may have come directly from GLD to redeem the shares.

For a fund to take such an extreme step would almost certainly encourage other funds with GLD investments to closely scrutinize their holding. Since the Greenlight announcement, at least seven other funds have completely liquidated the GLD investment, though I have not been able to learn if they replaced the position with physical gold.

Federal Reserve Chair Bernanke Contradicts Himself About Inflation: When Bernanke was testifying to Congress on July 21, Rep. Ron Paul (R-TX), the sponsor of the "audit the Fed" legislation pending in Congress, asked some tough questions. In response to one, Bernanke said, "At some point as you know, we are going to have to start raising interest rates to avoid inflation." This contradicted Bernanke's claims that inflation is under control.

Inflation is the increase in the money supply. The outcome of inflation is normally an increase in prices, which many people confuse as representing inflation.

Just to make sure you grasp that concept, let me say it differently. Rising prices are not themselves inflation. Rather, they are the effect of inflation that has occurred.

The US government has increased the money supply by such a huge percentage in the past two years, that inflation is rampant. The effects of it have been dampened as the private sector cut back on consumption.

If there is any recovery in private consumption, the effects of the existing high

levels of inflation will severely knock down the value of the dollar. Beyond the short term, the only way the US government can prevent the effects of high inflation is to sharply reduce the money supply and the federal budget—probably on the order of at least 50%! I just don't see this happening.

It has been amazing to me to see so many people fooled into thinking that inflation is under control, even as it has been locked into the economy since the summer of 2007. Maybe Bernanke's "confession" last week will get some people to wake up.

China Explicitly States It Is Buying Natural And Energy Resources: On July 20, Chinese premier Wen Jiabao publicly stated that his government would use its foreign exchange reserves to support and accelerate overseas expansion and acquisitions by Chinese companies. He said, "We should hasten the implementation of our 'going out' strategy and combine the utilization of foreign exchange reserves with the 'going out' of our enterprises."

About then, Chen Yuan, the chairman of China Development Bank, said, "I think we should not go to America's Wall Street, but should look more to places with natural and energy resources."

Readers of this newsletter probably remember that I reported this in the June 3, 2009 issue. Now the general public has learned that the Chinese government is mobilizing its foreign exchange reserves, including US Treasury Debt, to buy commodities like gold and oil.

US Government's Massive Debt Increases: This week, the US Treasury was trying to sell more than \$200 billion of debt. To hide the fact that foreign buyers have become less willing to purchase such debt, the US government changed the way that it reports who is purchasing such debt.

In the past, "indirect purchases" were used as an indicator of foreign demand. As I now understand it, if the Federal Reserve buys US Treasury debt because there are no other buyers, these are also being reported as indirect purchases. The first debt sale this week reported that 68% of it went to indirect purchases, which was an incredibly high percentage. I think this probably indicates that the sale basically failed and the Fed had to bail it out.

First, the fact that the US government has to issue additional debt is bad news for the economy in the long run. Second, if demand for US government debt is so poor that the Federal Reserve has to buy it, it is really just an act of creating money out of thin air (and also higher inflation).

No matter what word games are used, the growing US government debt will push prices and interest rates higher in the future as the value of the dollar falls.

US Government Shenanigans To Hide Bad News From The Public: Rep. Ron Paul sponsored HR1207, legislation in the House of Representatives calling for the Government Accountability Office (GAO) to audit the Federal Reserve. This bill now has 279 co-sponsors, over 64% of the entire House. Sen. Bernie Sanders (I-VT) sponsored the companion bill S604, which has 20 co-sponsors.

On July 8, Sen. Jim DeMint (R-SC) saw that several amendments were being added to an appro-

priations bill. Many of these amendments were authorizations for the GAO to perform audits. So DeMint offered his own amendment to add S604 to this bill.

When this was done, Sen. Ben Nelson (D-NE) objected that this violated Rule 16, which prohibits legislative amendments to appropriations bills. The Senate president agreed and dropped this amendment.

DeMint persisted. He pointed out that the Senate regularly violates its own rules. He listed each other GAO audit amendment on this appropriations bill. While the Senate president agreed that each of these violated Senate rules, he left them attached to the appropriations bill.

It is obvious that the Democratic leadership in Congress and the White House do not want the public to know what an audit of the Federal Reserve would reveal. One likely revelation would be just how much gold the US government still has in custody and how much it actually owns.

Both Bernanke and Fed vice chair Donald Kohn testified before Congress that passage of this legislation would create dire consequences. In particular, they said that if the public knew what the Fed was doing, that it would result in higher consumer prices and interest rates and that the US government's credit rating would decline.

No member of Congress asked either gentleman why the Fed was taking actions that would hurt the US economy (but only if the public knew about it). To my mind, it is an example of the US government trying to hide the truth from the public.

This is not an isolated example. On July 20, President Obama and Treasury Secretary Geithner announced that they would delay the US 2009 budget review by one month. If this review would produce good news, you can bet that there would be no delay in releasing it. I think it is safe to assume that this step really is just another attempt to push back disclosing more bad news.

At the conclusion of the meeting with Chinese officials today, Geithner announced that Americans will have to learn to live within their means. Translation: the Chinese were unwilling to bend over further to bail out the US government.

Mysterious Gold Deposited Into COMEX: On July 23, the COMEX reported the addition of 215,085 ounces of gold deposited in dealer, or registered, inventories. This follows months when dealer inventories were virtually unchanged. It was also one of the largest single day deposits in COMEX history.

Such an event is rarely by chance. My best guess is that "someone" knows that there is going to be a near-term significant withdrawal of gold from the COMEX. Should it come to pass, you can almost guarantee a quick rise in gold prices.

Soaring US Bank Failures: From 2005 through 2007, only three US banks failed over all three years combined. In 2008

<i>Item</i>	<i>Qty</i>	<i>Fine Wt</i>	<i>Price</i>	<i>Cost/Oz</i>	<i>Premium</i>
*U.S. 1 Oz Gold Eagle	10	1.0000	980.00	980.00	5.7%
*U.S. 1/2 Oz Gold Eagle	10	0.5000	519.25	1038.50	12.0%
*U.S. 1/4 Oz Gold Eagle	10	0.2500	269.00	1076.00	16.0%
*U.S. 1/10 Oz Gold Eagle	10	0.1000	116.80	1168.00	26.0%
*U.S. 1 Oz Gold Buffalo	10	1.0000	Not available		
*Australia 1 Oz Kangaroo	10	1.0000	982.00	982.00	5.9%
*Austria 100 Corona	10	0.9802	943.50	962.56	3.8%
*Austria 1 Oz Philharmonic	10	1.0000	982.00	982.00	5.9%
*Canada 1 Oz Maple Leaf	10	1.0000	978.25	978.25	5.5%
*China 1 Oz Panda	10	1.0000	997.75	997.75	7.6%
*Mexico 50 Peso	10	1.2057	1,160.50	962.51	3.8%
*S. Africa Krugerrand	10	1.0000	978.25	978.25	5.5%
*U.S. Medallion	10	1.0000	962.50	962.50	3.8%
*1 Oz Ingot	10	1.0000	967.00	967.00	4.3%
*Austria 1 Ducat	10	0.1107	114.10	1030.71	11.2%
*Austria 4 Ducat	10	0.4428	440.25	994.24	7.2%
*British Sovereign	10	0.2354	246.00	1045.03	12.7%
*British Sovereign, BU	10	0.2354	251.00	1066.27	15.0%
*France 20 Franc	10	0.1867	197.50	1057.85	14.1%
*Germany 20 Mark	10	0.2304	253.25	1099.18	18.5%
*Swiss 20 Franc	10	0.1867	197.50	1057.85	14.1%
\$20 Liberty BU	10	0.9675	1,270.00	1312.66	41.6%
\$20 St Gaudens BU	10	0.9675	1,295.00	1338.50	44.4%
\$20 Liberty Extremely Fine	10	0.9675	1,210.00	1250.65	34.9%
\$10 Liberty Extremely Fine	10	0.4838	595.00	1229.85	32.6%
\$5 Liberty Extremely Fine	10	0.2419	330.00	1364.20	47.1%
*U.S. 90% Silver Coin	1,000	715	10,050.00	14.06	6.1%
*U.S. 40% Silver Coin	1,000	295	4,100.00	13.90	4.9%
*U.S. Circulated Dollars	1,000	760	15,250.00	20.07	51.4%
U.S. Silver Eagle-2008	1,000	1,000	15,500.00	15.50	17.0%
Canada Silver Maple Leaf	1,000	1,000	15,650.00	15.65	18.1%
*100 Oz Silver Ingot	10	100	1,415.00	14.15	6.8%
*10 Oz Silver Ingot	100	10	145.00	14.50	9.4%
*1 Oz Silver Ingot	1,000	1	14.50	14.50	9.4%
*1 Oz Platinum Ingot	10	1.0000	1,247.00	1247.00	6.4%
*U.S. 1 Oz Platinum Eagle	10	1.0000	Not available		
*U.S. 1/2 Oz Plat Eagle	10	0.5000	Not available		
*U.S. 1/4 Oz Plat Eagle	10	0.2500	Not available		
*U.S. 1/10 Oz Plat Eagle	10	0.1000	Not available		
*Other 1 Oz Plat Coins	10	1.0000	Not available		
*Canada Palladium ML	10	1.0000	Not available		

Gold: \$927.25
Silver: \$13.25
Platinum: \$1,172.00
Palladium: \$256.00

Notes from Liberty

by Allan Beegle
Chief Numismatist

July was again a solid month. As part of our activity, we enjoyed serving a surprising number of first time customers who made larger than normal purchases.

The Better Date \$2.50 Liberty Quarter Eagles that we featured last month sold out almost instantly. We are aggressively trying to locate more, and may have luck when General Manager Pat Heller and I attend the huge American Numismatic Association show in Los Angeles next week. If you have an interest in these coins, give us a call the week of August 10th.

Our offering of Better-Date Gem Mint State-65 Morgan Silver Dollars also sold well, though we didn't have to turn away as many would-be purchasers.

At the end of June, Pat and David Sweet from our staff attended the huge International Paper Money Show in Memphis and made some wonderful purchases. Perhaps the most exciting was a small hoard of **Choice and Gem Crisp Uncirculated Knapp, Stout & Co., Company Notes from Menomonie, Wisconsin**. Late in the 19th Century Knapp Stout was the largest lumber company in the United States and also one of the largest corporations in the world! While notes from the Rice Lake and Mineral Point operations were known, issues from Menomonie were virtually unknown twenty years ago. Even a few years ago, the notes we offer here were selling in auctions for more than \$1,000 apiece. Pat bought a note for his personal collection a few months ago at what he considered a bargain price, but you can buy them for 1/3 less than he paid!

Pat and his family have a particular interest in these notes as his great-great-grandfather Louis Heller worked as a manager and later as a competitor of Knapp Stout in Menomonie.

About the same time, I helped a Michigan dealer friend handle a purchase of

-over-

Liberty Coin Service
300 Frandor Avenue
Lansing, MI 48912

web: www.libertycoinservice.com
 Trading Desk Hours (Eastern):

Call Toll-Free: **(800) 527-2375 National**
(517) 351-4720 Local
(517) 351-3466 Fax

email: path@libertycoinservice.com
 Mon-Fri 10AM-6PM, Sat 10AM-2PM

Coins, Rolls and Sets

U.S. 10 pc Gold Medallion Set, 1980-1984, BU	\$7,580
U.S. Morgan Dollar, 1921, Brilliant Uncirculated Roll/20	\$490
U.S. Morgan Dollar, Pre-1921, Brilliant Uncirculated Roll/20	\$695
U.S. Peace Dollar, Brilliant Uncirculated Roll/20	\$475

Numismatic Coins (PCGS/NGC/ICG Graded)

	MS-63	MS-64	MS-65
U.S. \$20.00 St Gaudens	1,675	1,775	2,250
U.S. \$20.00 Liberty	2,200	3,100	5,700
U.S. \$10.00 Liberty	1,450	2,700	5,750
U.S. \$5.00 Liberty	1,175	1,700	4,100
U.S. 4 pc Indian Gold Type Set	6,075	9,600	28,600
U.S. 4 pc Liberty Gold Type Set	5,700	8,520	17,950
U.S. 8 pc Gold Type Set	11,675	17,970	46,100
U.S. Morgan Dollar (Pre-1921)	50	64	142
U.S. Peace Dollar	42	54	145

Prices quoted are for quantities indicated, and are actual selling prices at today's closes. Smaller lots are available at slightly higher prices. No Michigan Sales Tax on rare coins or precious metals bullion. Numismatic purchases have a 15 day return period. Orders for bullion-priced items (marked with *) are not returnable and, after confirmation, cannot be cancelled.

Mint State-60+ 1880-S Morgan Dollars.

About 3/4 of this huge hoard consist of this date, but there are several other dates from the 1800s available. The timing is fortuitous as Pat just predicted that US Blue Chip coins such as these will perform well in the next 1-3 years.

As usual, supplies are limited. When the Knapp, Stout notes sell out, there will be no more anywhere to offer. When the Morgan Dollars sell out, we are not sure that we will be able to locate additional supplies at our current price.

For best selection, please call early. Reach our Trading Desk, toll-free at **800-527-2375** to check on availability and to confirm your order.

Besides these featured offerings, here are some other special bargains we recently acquired:

Low Mintage Mint State-60+

1955-S Roosevelt Dime Rolls: At the San Francisco Mint in 1955, only 18,510,000 dimes were struck for circulation—the fourth lowest mintage in the entire 64 year history of the series! This is minuscule compared to the more than 2.1 *billion* dimes struck at the Philadelphia Mint in 1999, for instance.

Yet, for all this rarity, you can acquire lovely Mint State-60+ rolls for little more than you would pay for the 1964-D date (which has a mintage of 1.357 billion!).

Every time we can find any of these low mintage Roosevelt Dime Rolls, they sell quickly. We just picked up 49 beautiful rolls. While they last, only \$75 per roll.

Crisp Uncirculated Confederate States Of America 50 Cent Notes:

During its four years of existence, the Confederate States of America issued ten different denominations of paper money, ranging from fifty cents to \$1,000. The small Fifty Cent Notes have the third lowest mintage of all of them, with only the \$500s and \$1,000s having lower printages.

At the Memphis paper money show, Pat snapped up a handful of the small Fifty Cent Notes in Crisp Uncirculated condition.

They were only issued in the February 17, 1864 series. This is the largest number of notes we have had in years, but they probably won't last long. Just \$59 apiece.

Choice Crisp Uncirculated Erie And Kalamazoo Railroad Company Notes From Toledo,

Michigan: Sometime after it opened for business in 1833, the Erie and Kalamazoo Railroad Company became the fourth issuer of paper money in Michigan Territory. The company was chartered in Toledo, which was claimed by both Michigan and Ohio. Settlement of this dispute delayed Michigan statehood by two years. In return for relinquishing Toledo to Ohio, Michigan was

Gold:	\$927.25
Silver:	\$13.25
Platinum:	\$1,172.00
Palladium:	\$256.00

awarded the Upper Peninsula.

These notes are scarcer than those issued by the Erie and Kalamazoo Railroad Bank from 1835 to 1839. Although the notes we offer identify Toledo as the city of issue, they do not say "State of Michigan" as do the larger denomination notes issued in Toledo by the Erie & Kalamazoo Railroad Bank.

Pat brought back three lovely fresh unsued notes on this company, two 25 Cents and one 50 Cents. Either of the 25 Cent Notes would cost you \$149 or the 50 Cent Note can be yours for \$179.

1862/1 AU-50 \$2.50 Liberty

Quarter Eagle Rarity: One of the dies used to strike 1862 \$2.50 Liberties was re-used from the production of 1861 coins. As a consequence, part of the 1 still shows underneath the left side of the 2 in the date.

Only 98,543 1862 Quarter Eagles were ever struck. From PCGS and NGC population reports, it looks like fewer than 25% of them are this overdate.

This is the first specimen of this overdate we have ever handled in our 38 years in business. From 1991 through 2005, only 35 specimens appeared in auction, barely two per year. In the 23-year history of PCGS, they have certified just 23 specimens, including this one.

We just picked up this lovely coin two days ago from a Michigan dealer who did not have any customers for it. *Coin Values* lists this coin for \$3,500, but you can buy it from us for \$2,795.

Huge Panama 20 Balboas Silver

Coins: From 1971-1976, Panama issued a huge coin containing 3.8538 oz of silver. It commemorated the 150th anniversary of the liberation of South America from Spain. At the time these traded on the basis of their face value (equal to US \$20), but now the silver is the greater value. We just picked up a decent-sized group of these still in their original boxes. As long as the silver spot price remains under \$15, you can buy them for just \$65 apiece.

Please Note: Liberty Coin Service will be closed Saturday, September 5 and Monday, September 7 for Labor Day weekend..

(Continued from page 2)

alone, there were 25 bank failures. So far in 2009, there have been 64 bank failures.

Sheila Bair, head of the Federal Deposit Insurance Corporation (FDIC) predicts that there will be another 500 bank failures. Since she has consistently understated how bad the banks were doing, I doubt that she has now overstated the problem.

When banks fail, the FDIC bails out depositors to the limit of FDIC coverage. The FDIC has paid out so much in 2008 and so far in 2009, that it was almost certain to exhaust its assets by the end of September.

News that the FDIC is running out of assets would just about guarantee a major bank run, so I have no doubt that the US government (i.e. taxpayers) would supply whatever was needed to prevent that. However, just the news of the FDIC running out of funds could panic the public anyhow.

Inaccurate Bank Earnings Reports: In an effort to try to make the news appear better than it really is, banks are getting quite creative at reporting earnings.

Citigroup, for instance, had an operating loss of \$2.4 billion for the quarter but managed to report a profit of \$4.3 billion after including the one-time profit from the sale of its Smith Barney unit.

Bank of America reported profits of \$2.42 billion, which included a \$5+ billion one-time profit from the sale of most of its shares of China Construction Bank.

On the same day these earnings were reported, Bank of America CEO Ken Lewis said, "Difficult challenges lie ahead from continued weakness in the global economy, rising unemployment and deteriorating credit quality that will affect our performance for the rest of the year and into 2010." Despite the seeming good news from the banking industry (and most other large banks reported similar better-than-expected news), I think Lewis's comment gives a better picture of what is really happening.

HSBC Discontinues Precious Metals Storage: In July, HSBC, a bank with one of the largest depositories of precious metals in the US, notified its customers for whom it is providing custodial services that it is getting out of that business. The bank told its customers to quickly remove their holdings or to sell them.

There may be two factors involved with this abrupt change. Other specialists in precious metals storage have long suspected that HSBC's rates were too low to cover costs. If that were the only factor, the bank could simply have raised its rates.

However, it is entirely possible that this move was an attempt to force sig-

nificant liquidation of physical precious metals by customers who don't want the hassle of taking possession or making alternative, more-expensive, storage arrangements. If this move is really an attempt to help suppress precious metals prices, it would be a sign of extreme desperation by the US government and its trading partners (including HSBC).

Goldman Sachs Reports Theft Of Market-Manipulating Software: In early July, Goldman Sachs reported the theft of one of the company's proprietary trading programs, allegedly taken by one of the employees who helped create it. In reporting the theft, Goldman Sachs said that usage of this program could make it possible for the user to manipulate markets unfairly.

Why would Goldman Sachs create such software unless there was some plan to use it? There is a lot more to this story than has been revealed. Whatever is the whole truth, I doubt it will be pretty.

European Central Bank Reports No Gold Sales For Past Two Weeks: Every week, the European Central Bank reports on gold activity by itself and by most European central banks. For almost the entire 10 years of the Central Bank Gold Agreement, the largest part of central bank gold sales came from these banks.

In the last two weekly reports, none of these banks reported selling any gold, perhaps the first time in the past decade when this happened. There are actually reports of several central banks actively building gold reserves, which would negate the declining official sales. If this drop in gold supplies continues, there will be larger shortages.

What Does This All Mean?

In July, LCS enjoyed serving a surprising number of new customers who often made larger than typical purchases.

When Adrian Douglas released his analysis 18 days ago, the price of gold was barely over \$900. It rose about 5% over the next two weeks, until the price was bombed yesterday and today.

At some point, I am convinced that the price of gold will take off. Actually, it really should have soared long ago to well over \$2,000. The only reason it has not, in my thinking, is actions taken by the US government and its partners to hold down prices.

The tactics to hold down gold prices have become quite blatant in the past year, which is a sure sign that the manipulators are running out of "ammunition." Thus, it would take less of a spark to cause gold prices to soar.

When the time finally comes that gold makes a major move, it could do so quickly. Last September, the price of gold jumped almost \$100 in a 24 hour period. It could do this again—and more.

A byproduct of this surge in gold prices will almost certainly be a disappearance of physical gold, and higher premiums for whatever may be available. I envision a lot of liquidation of "paper gold" that gets turned into demand for the real physical products. Late last year, we saw the almost complete disappearance of all forms of physical gold from the market. I predict the shortages will be worse this time around.

The soaring gold market will also bring along the silver market with it. Once the owners of the huge

short positions in the gold and silver commodity markets are forced to cover or declare bankruptcy (probably both), prices could rise faster than we have ever seen.

Right now, it is still possible to obtain physical gold and silver on a relatively prompt basis. That could change.

With today's dip in gold and silver prices, we enjoyed our highest sales day in many months. If this continues, we could see shortages develop within days.

If you are considering the purchase of physical gold or silver, I recommend doing so by August 20 at the latest. If my prediction does not come true by the end of September, I think it will still come to pass somewhat later. If you act now when you know you can get the product, you are safer.

What Happened Yesterday And Today?

After building a steady base over the past week or so, gold and silver prices tumbled yesterday and today. In last month's issue, I detailed circumstances where you tend to see efforts at gold and silver price suppression. There are certainly many reasons for that to be happening right now.

For instance, the US Treasury is floating one of the largest amounts ever of weekly debt this week. In order to entice buyers, especially at lower interest rates, there needs to be an indication of a strong US dollar. Therefore, it was necessary for the price of gold to go down.

There is a huge meeting in process between the Chinese and US governments. Reportedly, 150 Chinese have come to Washington. One of the subjects is certain to be trying to persuade the Chinese to continue to fund US government deficits by buying bonds. Again, the US dollar needs to look strong for this to work.

Yesterday was an options expiration date. Lower gold and silver prices at the close means that fewer options contracts would be "in the money" and require prompt delivery of physical metal.

Put just these three factors together and you have a major reason to suppress prices. I consider prices right now to be a temporary bargain. Enjoy this gift, courtesy of the US government.

LCS Staff Continue To Serve

At the huge American Numismatic Association (ANA) convention in Los Angeles next week, it will be announced that LCS's Pat Heller has been 1) reelected to the Board of Directors and as Treasurer of the Industry Council for Tangible Assets (ICTA), and 2) reappointed as chair of the ANA's Budget & Finance Committee.

Pat has served ICTA in these capacities

(Continued on page 4)

(Continued from page 3)

since 2002, contributing tax analyses that proved useful in gaining sales tax exemptions for precious metals and rare coin sales in several states. Pat was originally appointed to chair the ANA committee in 2007.

LCS personnel support the industry and the hobby in several ways. For instance, Chief Numismatist Allan Beegle served on an ICTA committee that screened candidates to recommend to President Obama for the position of Mint Director. Inventory Manager Paul Manderscheid continues as the newsletter editor for the Michigan Token and Medal Society. Dany Rothfeld, who works with shipping and in customer service, is a long serving member of the Board of Directors of the Michigan State Numismatic Society (MSNS). Pat Heller has also been the long time chair of the MSNS elections committee.

Silver and Silver Coins

Silver closed today at \$13.25, down 32 cents (2.4%) from last month.

In the rising markets I predict, I expect silver, as usual, will rise by a greater percentage than gold. It is a much smaller market which has no significant government hoards that could be liquidated. Still I think it is prudent to have a sizeable allocation to gold among your hard assets. So, I recommend that gold make up 40-50% of your allocation between the two metals and silver be 50-60% of the total.

The drop in silver prices has spurred demand. With higher demand and lower spot prices, many premiums are up on physical silver. I still consider **US 90% Silver Coin** (5.2%) to be the best form to purchase. It is the most widely traded form, most divisible, and most liquid. **US 40% Silver Coin** (4.1%) has a lower cost per ounce, but the disadvantages in shipping and storage costs associated with its 60% copper-nickel content.

LCS Chief Numismatist Allan Beegle helped another Michigan dealer purchase the largest quantity of fresh original **Mint State-60+ 1880-S Morgan Silver Dollar Rolls** that we have seen in a long time. There were also a handful of other dates which we can offer. See our offer for details.

I expect that Blue Chip coins such as **Mint State-63, -64, and -M65 Morgan and Peace Dollars** will perform well in the next three years. Although these are not priced as bullion, you might consider owning a few just to enjoy their beauty and history.

Gold And Gold Coins

Gold finished today at \$927.25, up just \$0.25 (0.0%) from four weeks ago.

The US Mint announced in July that they have been receiving blanks in order to strike the **US 1 Oz Buffaloes**, both proof and uncer-

The Month

Gold Range 45.50 4.9%
Net Change +0.25

Silver Range 1.15 8.5%
Net Change -.32

Gold/Silver Ratio 70.0
Net change +1.7

Platinum Range 121.00 10.2%
Net Change -13.00

Platinum/Gold Ratio 1.26

Date	Gold	Silver	Platinum
Jun 30	927.00	13.57	1,185.00
Jul 01	941.00	13.74	1,205.00
Jul 02	930.75	13.40	1,205.00
Jul 03	Closed		

Jul 06	924.00	13.23	1,147.00
Jul 07	928.75	13.21	1,138.00
Jul 08	909.00	12.84	1,102.00
Jul 09	916.00	12.92	1,111.00
Jul 10	912.25	12.64	1,108.00

Jul 13	922.25	12.79	1,117.00
Jul 14	922.50	12.86	1,135.00
Jul 15	939.00	13.20	1,158.00
Jul 16	935.00	13.23	1,169.00
Jul 17	937.25	13.40	1,178.00

Jul 20	948.50	13.62	1,189.00
Jul 21	946.50	13.47	1,177.00
Jul 22	953.00	13.70	1,176.00
Jul 23	954.50	13.77	1,188.00
Jul 24	952.75	13.87	1,191.00

Jul 27	953.25	13.99	1,223.00
Jul 28	939.00	13.74	1,197.00
Jul 29	927.25	13.25	1,172.00

London Silver Market Premium To New York Silver Market = 4¢

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

culated bullion issues. The Mint has not stated when these will go on sale, so it could easily be September or October. The Mint also reported that it will not make any fractional-size Proof Buffaloes as it did last year. In the meantime, it is almost impossible to obtain any prior year Buffaloes on the wholesale market. I have heard of retail customers paying \$150-250 above spot, which does not reflect good value in my judgment.

The low premium best buys at the moment are the same as usual: Austria **100 Coronas** (3.8%), Mexico **50 Peso** (3.8%), and US **American Arts Medallions** (3.8%). Eventually, I expect most bullion gold coins to trade at about the same levels, so you are likely to do slightly better with these issues than the higher premium forms.

When (and I suppose I should say "if") physi-

cal gold bullion-priced coins and bars become difficult to purchase, I expect to then see a surge in demand for **Classic US Common-Date Gold Coins**. I expect that bullion-priced products will deliver better performance while the price of gold is rising steadily. Once that has run its course, I expect these collector coins will catch up and maybe even surpass the increase in the price of bullion.

Pat Heller Radio Interviews Available On Internet

As most readers know, LCS's Pat Heller has been the weekly gold commentator at www.numismaster.com. Individual essays there have received up to nearly 50,000 hits and have been extensively linked, reprinted, and cited elsewhere on the internet.

In July, LCS worked out an agreement with Lansing talk radio station WILS 1320-AM for Pat to be interviewed every month on the Walt Sorg morning program. The first eight minute interview was broadcast July 22.

These interviews are posted through the end of the following week at the WILS website.

To listen to Pat's interviews, go to www.1320wils.com. Once there select the "Media" button, then "To Listen to Interviews with Walt Sorg", then either "Last Week's Interviews & Links" or "This Week's Interviews & Links" to look for Pat's interview.

The station does not yet stream its broadcasts on the internet, but plans to do so soon. When the Liberty Coins website is overhauled in September, we expect to have a link that will go directly to these interviews.

Coin Dealer Bankruptcy

On Friday, July 24 National Gold Exchange (NGE) of Tampa, Florida filed for Chapter 11 bankruptcy. NGE was one of the largest coin wholesalers and was affiliated with the Independent Coin Grading Company (ICG).

At the center of the bankruptcy is a claim, from a bank that loaned NGE \$35 million, that some of the collateral for the loan had been sold to help finance the purchase and maintenance of a \$25 million home by one of NGE's owners.

LCS had done substantial business with NGE over the years. However, since it was obvious that the company's financial position had deteriorated in recent months, we had ceased trading with them. NGE's bankruptcy has no financial impact on LCS.

However, this may lead to the demise of ICG. As we always advise customers, purchase a solid quality coin and don't just rely on the description given by a grading service.

The bankruptcy also reinforces other advice we give customers—take delivery of your purchases. Never, never, never store them with the company from whom you purchased it.