

# Liberty's Outlook

Our 30th  
Anniversary!  
1971-2001

Volume 7 Issue 12 Liberty Coin Service's Monthly Review of Precious Metals and Numismatics November 28, 2001

## Collector Demand For Numismatic Coins Remains Strong!

**Page 2: GATA Lawsuit Motions On Hold**

**Page 4: Silver Indicators Turning Positive**

While the bullion markets are going through a quiet time, we have the opportunity to review the strength of the rare coin market.

Earlier this year, we informed our readers that the demand for more expensive rare coins, those above \$3,000, was soft. With lower demand, it became easier to get favorable price concessions from other dealers.

For the past several months, a number of LCS customers have contacted us to say they were ready to spend sizeable amounts for bargains we might find in their areas of interest. With the existing market softness, we have found a number of pieces for customers. Most coins were in the \$300-3,000 range. But we have sold a surprising number in the \$5,000-35,000 range as well.

If we had any doubts that serious collectors were actively in the market at today's bargain levels, they were erased in the past few weeks. LCS Store Manager Paul Manderscheid spent several days purchasing the most complete collection of U.S. non-gold coinage from the 1800s in our history! Total purchase price was nearly six figures.

Included in this collection were dozens of coins that are so rare that we have never before handled them in our 30 years in business. Very few of the coins had been certified by independent coin grading services.

As soon as we acquired this collection, experienced collectors and dealers magically appeared and began buying with enthusiasm. Within a week, perhaps one-fourth of the collection had been sold.

Then, we staffed a booth at last

weekend's Michigan State Numismatic Society (MSNS) Fall Convention in Dearborn. Because this collection was so extensive, we left home most of the inventory we would normally take to such a show.

The buying approached frenzied levels with collectors and dealers vying for spots in the line waiting just to take a look. Overall, LCS sales at the MSNS show set a record for numismatic non-gold sales at any coin show in our 30 years of business!

As we were experiencing first hand the strong demand for rare collector coins, Stuart Segan, *Coin World's* editor of *Trends* catalog values, reported the same phenomenon at a recent major gold coin auction (see full discussion at the bottom of page 2).

The significance of this experience is that demand came from collectors who want to own the coins as part of a collection, not because of investment considerations. This demand is coming from the ultimate backbone of the numismatic hobby, not from knowledgeable people responding to a slick sales promotion.

From witnessing the periodic ups and downs in the rare coin market, these savvy buyers know when prices are low. The message they are now sending is that prices today are wonderful bargains.

There is also the difficulty of finding nice coins to acquire. These same smart collectors also tend to hold onto their coins until markets are high. Consequently, current supplies are mostly coming from estates and inheritances that are sold by the less informed.

The other element of supply is gold coins that were formerly held in bank vaults for bullion purposes. Hoards of varying kinds

and sizes are always coming onto the market. However, even the appearance of hoards is influenced by the strength or weakness of the rare coin market. During the boom periods in the mid-1980s, 1989, and 1991, many huge gold coin hoards hit the market. Now that prices are lower, little is around.

### Where To For Rare Coins?

The rare coin market is actually made up of many niche markets. They do not all move in unison. That said, there are some generalizations that can be made about the numismatic cycle.

In general, each succeeding market peak has topped the previous peak. The following bottom tends to be higher than the previous bottom.

After a market has hit bottom and begins to rise, you will frequently see the more commonly available gold and silver coins move up first. In U.S. coins that includes common-date Mint State Morgan and Peace Dollar Rolls, high-grade individual common Morgan and Peace Dollars, common-date rolls of Mint State Franklin Half Dollars, Washington Quarters, and Roosevelt Dimes, and common-date gold coins in inexpensive grades.

The reason they tend to rise first is that they are available in large enough quantities that major promoters can effectively market them. As supplies are depleted, prices rise.

Once the public fancy has been filled with common coins (especially if prices have risen for them), then you see a sec-

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ond wave surge in demand for better-date and scarcer-type coins. Many novice buyers develop the passion to become serious collectors once they enjoy holding historic coins in their own hands. Besides the better-date coins in popular coin series, you also find greater interest in U.S. Gold and Silver Commemoratives, Type Coins from the 1700s and 1800s, scarce mint issues, many paper money issues, Colonial coinage, and so forth.

Prices for these coins (and paper money) will tend to rise, in many instances by a greater percentage than for common-date issues.

In the final stage of a rising market, you see obscure and esoteric items enjoying greater popularity. As theoretical examples, such items might include Leshner Referendum Dollars, Civilian Conservation Corps tokens, Full Split Torch Roosevelt Dimes, and the like.

When prices rise weekly, that is a sign of a market near the top. We last saw this occur on a widespread basis in the spring of 1989.

Right now, we have not really experienced a widespread move above

the last market bottom. In essence, we are at the very beginning of the first stage described above. Because experienced collectors know that rare-date and scarce-type coins often outperform common coins, they are chasing those very coins right now.

Owning rare coins is not for everyone. They carry more risk along with the potential for greater appreciation compared to bullion. But, the best time to buy rare coins is right now. A few years from now, you are likely to have a lot of winners.

We welcome your inquiries and questions on purchasing numismatic coins.

## 2001 Platinum Eagle Prices Up Sharply

Once again, we made an offering to our clientele at the right time and the right price. Last month, we alerted you to the opportunity to acquire 2001 1/4 Oz Platinum Eagles for only \$179 apiece. That offering did not sell out to our retail customers. But dealers gladly paid that same price to be able to have some in stock.

Now, four weeks later, our current buy price from the public is \$190. We have an extremely limited supply available at \$229. One dealer who purchased some of our coins thinks they might go to \$400. I doubt that will happen, but I would not be surprised to see prices rise from today's levels.

All four sizes of 2001 Platinum Eagles are up in price, only partly because of higher spot prices.

## GATA Suit Still Pending

At the November 5 hearing on motions to dismiss the lawsuit filed by Reg Howe against the Bank for International Settlements, several central banks, Federal Reserve Chair Alan Greenspan, several bullion-trading banks, and others, the judge dropped only two minor charges.

As expected, he announced that he would issue a written decision on the motions probably by next spring. That means that the lawsuit still could be booted out of court altogether. If not dismissed, then the lawsuit will proceed to the discovery stage, where the defendants will be compelled to answer many questions under oath, which they have thus far refused to answer at all.

Howe's lawsuit was filed on behalf of the Gold Anti-Trust Action Committee (GATA). However, at the hearing, only Howe sat at the plaintiffs table. The defendants were represented by multiple rows of attorneys. One observer at the hearing came away with the impression that the defen-

## Did You Know?

The October 29-30 coin auction conducted jointly by Sotheby's and Stack's realized almost \$7.8 million. The auction liquidated the gold coin holdings known as "The Dallas Bank Collection" which had been accumulated by the late Texas oilman H. Jeff Browning.

In analyzing the results of the auction, Stuart Segan, the editor of *Coin World's* influential *Trends* catalog values, made some discoveries about the numismatic market that should be of no surprise to readers of this newsletter.

First, here is some background about major numismatic auctions. Most lots sell to dealers at what are considered wholesale prices. The reason for that is pure economics. Since dealers are already committed to the costs of attending the coin show, they have no incremental expenses to also attend the show's auction. A dealer may be potentially interested in dozens or hundreds of auction lots, which also lowers the overhead cost per lot compared to a collector who might only want one or a few lots. If a dealer does not win any lots, his overhead is still hopefully covered by activity on the bourse floor. In addition, dealers have the most experience grading coins and detecting problems that may not be described in the catalog. Dealers also attend auctions to help keep abreast of current market trends. For these reasons, only the most experienced collectors tend to be successful bidding in major auctions. Less experienced collectors will either miss out by being too cautious or are likely to end up overpaying for a coin that might not be quite so nice as the catalog description.

With this in mind, here is what Segan noted about this particular auction.

1) Coins with a pre-sale estimate of \$700-3,000 often sold for more than expected. The coins that sold for more than estimate sold to collectors as often as they did to dealers, a situation not seen at a major coin auction in the past five years.

2) Coins with a pre-sale estimate of \$3,500-15,000 had mixed results. In this price range, however, coins that sold for less than the estimate mostly were purchased by dealers while coins that exceeded estimates were bought by collectors.

3) Coins with higher pre-sale estimates largely did not reach those prices. Segan quoted one dealer as saying, "The coins were not of the high quality [I] was led to believe based upon the catalog descriptions."

Segan concluded, "the prices realized suggest plenty of money and support for rare-date U.S. gold coins. The focus, however, has shifted away from rare coin dealers and zoomed in on affluent collectors. . . . a significantly different breed from the investor oriented clientele served by many dealers."

Segan's observations fall right in line with what we have reported for over a year now. The current demand for rare coins is now more driven by what experienced collectors want (especially at current bargain prices), not by what major marketers think they can promote, than at any time in the past fifteen years or so. These are the collectors that form the ultimate base of the numismatic market. When they are buying, the overall numismatic market is much more likely to rise in the future than to decline. And, as we have been predicting, the lower-priced better-date U.S. gold coins are a prime area of interest to such numismatists.

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dant's attorneys expected to steamroll the hearing and get an immediate dismissal of all counts.

The judge would have none of that. In many sections, though not all, the judge allowed Howe to amplify at length the points raised in the suit. The observer was not able to detect which direction the judge appeared to be leaning. But he was encouraged that the judge allowed so much time to Howe, and that Howe's presentation had a strong finish.

This lawsuit alleges that the defendants have secretly dumped massive amounts of gold onto the market in order to manipulate the gold price downward. If the judge allows it to proceed to the discovery stage, gold could experience a huge price jump even before the actual discovery proceedings commence. Future developments will be reported.

## Gold and Gold Coins

Gold closed today at \$274.00, down \$6.00 (2.1%) in the last four weeks.

Just as the U.S. stock markets have largely returned to pre-September 11 levels, so has the gold price. With the military action in Afghanistan proceeding fairly smoothly and the anthrax scare diminishing, people are settling back into their former patterns.

Yesterday, the latest Bank of England auction sold 644,000 ounces of gold at \$273.50. The psychological reaction was subdued because the price was 35 cents lower than the spot price just before the auction closed and because of the relatively small number of bids placed.

Falling prices have been brought about largely by short-selling by short-term traders. The latest New York Comex weekly report, for instance, shows that traders now are in a net short position for the first time since mid-August. There seems to be no major effort to push the price of gold down much more, partly because there is still more uncertainty in the world than there was before September 11. If any of several possible events comes to pass (a new terrorist attack, the war takes a turn for the worse, biological warfare, military action is started against other nations like Iraq or North Korea, etc.), the price of gold could quickly shoot back up to \$300.

Overall, gold seems like it will be quiet for the short-term. The frenzied

buying we saw in the days after September 11 has run its course. People are again thinking that they have all the time in the world to acquire gold as insurance against calamities affecting the values of their paper assets. The surge in the money supply that the U.S. government introduced after September 11 will have its affect on the price of gold somewhere down the road, but not by the end of this year.

All of which makes now an ideal time to be acquiring gold bullion. The best buys are still the U.S. **American Arts Medallion** (2.1%), and **Austria 100 Corona** (2.3%). Among small gold coins, I recommend the **British Sovereign** (6.2%).

The prices of **Common-Date U.S. Gold Coins** have moved little overall since last month, though generally the \$20.00 Double Eagles have been softer and the smaller denominations have been stronger.

The strongest demand, relative to limited available supplies, is in **Better-Date U.S. Gold Coins**. Unfortunately, they are almost impossible to find in quantity.

If you are persistent, deals in **World Gold Coins** can be found. We are pleased this month to offer **Mint State 1918-C Canada Sovereigns** at their lowest price since the 1970s. See flyer for details.

## Silver and Silver Coins

Silver settled today at \$4.12, down 11 cents (2.6%) from the last newsletter. Earlier this week, it closed at the lowest silver price since it closed at \$4.03 on September 29, 1993, more than eight years ago!

The price of silver stumbled ten cents when it was hit with a double whammy on November 2. First, the Bank of Nova Scotia reported that almost all of the 30 million ounces of silver buried in the basement vault of the World Trade Center had been recovered. This recovery occurred faster than expected.

Second, Kodak announced that film sales for the four weeks after September 11 had dropped by about one-sixth compared to prior year figures. As photography is one of the two largest uses of silver, this announcement portends a significant decline in demand for physical silver.

Sales of silver bullion have not been significant in the past month. On the other side, almost no physical silver is being liquidated at current low prices.

Because of this one-way flow, premiums for physical silver have continued to rise.

Even more important, the premium that the London market silver price (which requires silver to be .9999 purity) is above the New York Comex price (which trades ingots of .999 purity) has been rising. Last month it was only 3 cents higher. Now it has edged up to a 4 cent premium. If it continues to rise to 7-8 cents or more, the price of silver could be in for a major price surge.

That would be because my two major indicators of a near-term price surge would be positive at the same time.

The first indicator is the retail selling price of U.S. **90% Silver Coin** (15.1%). When it is retailing for more than a 2% premium, it is not economic for refineries to melt down and reprocess. That effectively reduces the supply of physical silver.

The second indicator is the premium of London silver over New York prices. London has been the world's major physical silver market since the U.S. government showed that it was willing to change trading regulations in 1980 to control the price of silver. If the London premium is less than the cost to transport and re-refine New York silver (somewhere in the 5-8 cents per ounce range), then physical silver will not be drained from the U.S. market. However, once the premium rises enough, then silver will leave the U.S., creating major shortages for industrial users.

As of now, the 90% Coin premium has been a positive indicator for a little over a year. The London premium indicator is not yet positive, but it is moving in that direction.

What this means is that the long-term fundamental silver shortage may be on the brink of causing a silver price spiral. Even with a decline in industrial demand, the physical market is still in a shortage position that continues to deplete existing inventories.

I have been expecting a major explosion in the price of silver for the past several years. The wait has been frustrating enough that I no longer want to predict any imminent moves.

Instead, let me just tell you what can happen. Silver hit its post-1979 low on February 22, 1993 at \$3.54. In a little over five months, silver rose 54% to settle at \$5.45 on August 2, 1993.

Silver could rise that quickly from to-

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day's low prices. Will it? We shall see.

Even with it's comparatively high premium, I am still partial to U.S. 90% Silver Coin. I also like the lower premium **100 Ounce Ingots** (11.4%) for their lower cost per ounce. However, 90% Coin has the advantages of greater liquidity, more divisibility, and is more widely traded than silver ingots. For sizeable positions in physical silver, I now suggest owning at least one bag of \$1,000 face in 90% Coin, then acquiring 100 Ounce Ingots for the balance.

The premiums on U.S. **40% Silver Coin** (14.0%) and **1 and 10 Ounce Ingots** (15.8%) make them competitive with the price of 90% Coin, worth considering in some situations.

Demand for numismatic silver coins remains solid. **Rolls of Mint State and Proof Franklin Half Dollars, and the uncommon dates of Washington Quarters and Roosevelt Dimes** are selling well. The difficulty is finding any of these coins in quantity, whether priced reasonably or not.

### Heller Appointed To Michigan Quarter Commission

At a press conference this morning, Michigan Governor John Engler announced the 25 members who make up the Michigan Quarter Commission (of which at least four are past or present LCS customers).

This panel will collect ideas and concepts for the design of the 2004 Michigan state quarter, then forwarding recommendations for the Governor to consider for submission to the U.S. Mint.

LCS General Manager Pat Heller is one of four members Governor Engler selected to provide the input of coin collectors. The other members of the Commission are include artists, historians, and current and former public officials. Recently retired State Superintendent of Public Instruction Art Ellis will chair the committee and former Lt Governor Connie Binsfeld is co-chair.

Heller and a staff member of the Michigan Department of History, Arts, and Libraries will do some preliminary analysis of design submissions before the Commission's first meeting in January.

A deadline of February 15, 2002 has

### The Month

Gold Range	\$ 8.25	2.9%
Net Change	-6.00	
Silver Range	.19	4.5%
Net Change	-.11	
Gold/Silver Ratio	66.5	
Net change	+0.3	
Platinum Range	26.00	6.2%
Net Change	+20.00	
Platinum/Gold Ratio	1.60	

Date	Gold	Silver	Platinum
Oct 31	280.00	4.23	418.00
Nov 01	280.00	4.21	430.00
Nov 02	280.00	4.11	429.00
Nov 05	279.00	4.10	429.00
Nov 06	279.50	4.11	424.00
Nov 07	280.75	4.12	420.00
Nov 08	277.00	4.07	424.00
Nov 09	277.50	4.07	428.00
Nov 12	278.50	4.12	448.00
Nov 13			
Nov 14			
Nov 15	275.25	4.11	428.00
Nov 16	274.75	4.10	432.00
Nov 19	273.00	4.06	440.00
Nov 20	273.00	4.06	442.00
Nov 21	273.00	4.06	444.00
Nov 22	closed		
Nov 23	closed		
Nov 26	272.50	4.04	442.00
Nov 27	273.00	4.04	440.00
Nov 28	274.00	4.12	438.00

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

Gold, silver and platinum quotes are working spots at 2:45 EST/EDT each day, quoted in U.S. dollars per troy ounce.

been set for the receipt of design ideas. Any reader of this newsletter is welcome to submit a design idea, whether or not they live in Michigan. You are welcome to join in the fun of this project.

Heller has been instrumental in soliciting design ideas from the public for the past 18 months. He is chair of the Michigan State Numismatic Society's (MSNS) Michigan State Quarter Design Committee. LCS's server computer also hosts the MSNS's website, [www.michiganstatequarter.com](http://www.michiganstatequarter.com). The public can go to this website to learn about the design process and download a design template to contribute their own ideas.

LCS is currently archiving several hun-

dred design ideas already received (and can continue to receive), which will be turned over to the Michigan Quarter Commission.

When Heller was making his committee report to the MSNS Board of Governors at their meeting this past weekend, American Numismatic Association (ANA) President John Wilson was in attendance. He complimented MSNS on taking such an active role in seeking public input for the state's quarter design. He also announced that he would quickly use the resources of the ANA to encourage numismatists in other states with forthcoming quarters to adopt programs similar to that of MSNS.

David DeLind, a high school sophomore and LCS employee, created the MSNS quarter website. He has already been interviewed by one newspaper and now may get national recognition for his efforts.

### A Time To Reflect

As we approach the end of another year (already!), it is time to fully appreciate the blessings in our lives.

Because of the horrible attacks on September 11, I suspect that this holiday season this year will find people filled with far more thoughtfulness, caring, and sharing than normal.

We have all seen the harsh reality that the everyday conveniences and comforts we enjoy in America, the bounty of living in liberty now almost taken for granted, can be swept away in a moment.

If you are like me, you probably think a bit more about the remote possibility that each time you tell someone good-by, it might be the final time you see each other.

Material goods can be done without or replaced. It is far more important to enjoy and appreciate the wealth of the immaterial things such as a loving family, supportive friends, and good health. Without them, material wealth is much less important.

As always, our wish for you is that this season finds you at peace, rich in the gifts on which you cannot place price tags.

*Merry Christmas and Happy New Year  
from the LCS Staff*

*Pam, David, Nancy, Charlie, Barb,  
Tom, Paul, Allan, Pat*