Liberty's Outlook

Volume 13 Issue 12 Liberty Coin Service's Monthly Review of Precious Metals and Numismatics November 28, 2007

While Gold Nears All-Time High, Silver Hits 27 Year High, Platinum Reaches All-Time High, and U.S. Dollar Falls To All-Time Low—

Precious Metals Boom Is Just Beginning!

The Worst For the U.S. Dollar, Other Currencies, And Paper Assets Is Yet To Come!

In the past month—

- The price of gold reached its highest close since January 1980 when it settled at $835.00 on November 8.
- Silver also hit its post-January 1980 high when it closed at $15.50 on November 9.
- Platinum closed at its all-time high of $1,471.00 on November 6.
- Since August 7, two coins that I have my highest recommendation for appreciation prospects are up sharply. MS-63 $5.00 Liberties rose 45% and MS-63 $10.00 Liberties have climbed more than 52%!
- The U.S. dollar has fallen to all-time lows against a basket of major world currencies.

Our customers who have protected themselves through acquisition of precious metals and rare coins have thrived in the past month

Those whose assets are denominated in the U.S. dollar or other currencies have mostly suffered.

In my judgment, the financial turmoil of the past month is just the appetizer for what is coming in the near future. There are so many developments that I barely have space to cover all of them.

Factors Supporting The Precious Metals Boom And The Fall Of Paper Assets

1) Two weeks ago, U.S. Treasury Secretary Henry Paulson said about the U.S. mortgage market, "The nature of the problem will be significantly bigger next year because 2006 [mortgages] had lower underwriting standards . . . . We're never going to be able to process the number of workouts and modifications (to mortgages) that are going to be necessary doing it just sort of one-off. I've talked to enough people now to know that there's no way that's going to work."

2) The Dow Jones Industrial Average (DJIA) is now trading below its 200-day moving average, which is considered a major sell signal to traders who rely on trends. If the DJIA falls just a bit more, to less than a 12,500 level, that could trigger automatic massive program liquidation and potentially crash U.S. stock markets.

3) On November 21, the Chinese government formally ordered a complete halt to all bank lending in the country until the end of the year. Apparently, Chinese officials are concerned about a decline in U.S. consumer spending that could cause a) a crash on the Shanghai stock exchange, b) soaring domestic inflation, and c) even trigger a global recession.

4) On November 21, the European Central Bank (ECB) suspended inter-bank trading in covered bonds until November 26, if not through the end of 2007.

Covered bonds are backed by pools of assets that remain on the borrower's financial statements are normally highly liquid and rated AAA top quality. What this means is that, for the time being, those who own those covered bonds as a means of making some short-term income on excess cash, will be unable to reclaim their cash for an uncertain time period. In effect, an asset that had been considered almost like cash is now no longer liquid.

5) Two weeks ago, the Federal Reserve Bank injected more credit into the U.S. banking system than anytime since the terrorist attacks on September 11, 2001.

6) One of the more accurate forecasters of the current financial turmoil in the past several months has been New York University business professor Nouriel Roubini. He

2007 Year To Date Results

Through November 27, 2007

Precious Metals	
Gold	+28.0%
Platinum	+27.5%
Silver	+12.7%
Palladium	+4.2%
Numismatics	
MS-63 $20.00 Liberty	+41.5%
MS-63 $20.00 St Gaudens	+32.4%
MS-65 Morgan Dollar	-3.3%
US Dollar vs Foreign Currencies	
China Yuan	-5.4%
Great Britain Pound	-5.4%
Japan Yen	-8.6%
Switzerland Franc	-9.4%
India Rupee	-10.1%
Euro	-11.0%
Brazil Real	-14.0%
Canada Dollar	-14.7%
U.S. Dollar Index 75.096	-10.3%
US and World Stock Market Indices	
Frankfurt Xetra DAX	+14.2%
NASDAQ	+6.9%
Dow Jones Ind Average	+4.0%
S&P 500	+0.7%
London FT 100	-1.3%
Russell 2000	-5.6%
Tokyo Nikkei 225	-11.6%
Intrinsic Metal Value Of U.S. Coins	
Lincoln Cent 1959-1982	1.99¢
Lincoln Cent 1982-date	0.62¢
Jefferson Nickel-non-silver	6.02¢
Roosevelt Dime 1965-date	2.73¢
Wash Quarter 1965-date	6.83¢
Kenn Half Doll 1971-date	13.65¢

Inside this issue:

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recently predicted:

"It is increasingly clear by now that a severe U.S. recession is inevitable in the next few months. . . . I now see the risk of a severe and worsening liquidity and credit crunch leading to a generalized meltdown of the financial system of a severity and magnitude like we have never observed before. In this extreme scenario whose likelihood is increasing we could see a generalized run on some banks, and runs on a couple of weaker (non-bank) broker dealers that may go bankrupt with severe and systemic ripple effects on a mass of highly leveraged derivative instruments that will lead to a seizure of the derivatives markets . . .massive losses on money market funds with a run on both those sponsored by banks and those not sponsored by banks; . . . ever growing defaults and losses ($500 billion plus) in subprimes, near prime and prime mortgages . . . massive losses in consumer credit, severe problems and losses in commercial real estate . . . The drying up of liquidity and credit in a variety of asset backed securities, . . . runs on hedge funds and other financial institutions that do not have access to the Fed's lender of last resort support, a sharp increase in corporate defaults and credit spreads . . . ."

In other words, Roubini fears a general meltdown of the financial system.

7) In what may turn into the most important development in the past month, Deutsche Bank's U.S. subsidiary lost a court case to foreclose on 14 homes in Cleveland, Ohio. The bank was acting as trustee for securitization pools representing diverse investors in "collateralized mortgage obligations." When the judge asked the bank to present the mortgages to prove it had the right to foreclose, the bank was unable to do so.

The implications of this case are that only the holders of the actual mortgage document representing the $6.5 trillion in U.S. mortgages (as of January 2007) may have any claim on the underlying collateral. The investors who thought they were making an investment protected by collateral may find themselves completely exposed to a 100% loss. If banks are unable to reclaim homes as assets to offset the losses on a mortgage, the U.S. and world banking system faces gridlock that will make the troubles of the past few months insignificant by comparison.

8) According to First American Loan Performance, a U.S. research firm, there are $690 billion of adjustable rate mortgages that are due for interest rate increases by the end of July 2008 plus another $700 billion of interest only mortgages. Another study projects that there will be at least one million U.S. homeowners who will default on their mortgages in the next year.

9) On Wednesday, November 14, the Federal Bureau of Investigation (FBI) raided the offices and warehouses of the Liberty Dollar operation and of their auditors' offices, seizing records, bank accounts, computers, inventories, and even the dies used for production.

In early 2006, the Treasury Department issued a news release stating that the Liberty Dollars were illegal, a pronouncement that properly should have come from the Justice Department, then did nothing.

As a result of the publicity caused by the Treasury's announcement last year, public demand for Liberty Dollars as an alternative currency had soared. In September, when I talked with Bernard von NotHaus, chief architect of the Liberty Dollar, he told me that he was preparing to file a lawsuit against the Treasury Department to have the legal cloud caused by this news release resolved.

By accident, the affidavit used to obtain the search warrant was made public by the court in North Carolina that issued it. It appears that the Liberty Dollar is not in trouble for being a fraudulent operation. Instead, the U.S. government doesn't like that some people might confuse the Liberty Dollar's 1 Oz pure silver medallions bearing $20 as being coins issued by the U.S. Mint.

This raid had deprived the Liberty Dollar operation of about $1 million in precious metals used for potential redemption of warehouse receipts that the organization had issued. In addition, a number of orders that had been paid could no longer be delivered. These parties who have suffered losses because of the raid have been invited to join the class action suit seeking recovery of what was seized.

Just like the Treasury's press release boomeranged against it in early 2007, this class action lawsuit may result in the Treasury being forced to allow additional alternative currencies to circulate in the U.S. I will report future developments.

10) As the Euro has climbed to almost $1.50 in U.S. currency, it has brought significant financial problems to businesses in the European Union.

As one example, Airbus, the main competitor to the U.S.-based Boeing in the commercial aircraft market, has about $220 billion of future contracts to fulfill that are priced in U.S. dollars. Unfortunately, many of the company's costs, or the costs of their major subcontractors, are being paid in Euros or other currencies that have risen sharply against the U.S. dollar. To fulfill these contracts, Airbus stands to endure massive losses—so large that the company may well go bankrupt!

That is just one example of the financial difficulties being wrought around the world through the U.S. dollar's predominance as the currency of international contracts. Here is another—

11) Virtually all global contracts for future delivery of oil are priced in U.S. dollars. A year ago, Iran insisted that its future contracts would be denominated in Euros, but other countries have not yet made a change.

That could change soon. Less than two weeks ago, top government officials from the members of the Organization of Petroleum Exporting Countries (OPEC) met in Saudi Arabia.

At what was supposed to be a private meeting on the day before the public meeting began, the proceedings were "accidentally" broadcast into the media room for 30 minutes. This supposedly confidential discussion covered concerns that OPEC's members were receiving dollars that were worth less than before and also the worry that if there were any leaks about these concerns, that it could lead to a major drop in the value of the dollar.

At least one analyst thinks that this "accidental" broadcast was deliberate and that it represented a signal to the Chinese government of a mutual concern about the falling dollar. This analyst thinks that the ultimate partial resolution of the dilemma for OPEC's members is to shift oil contract pricing to the same basket of world currencies as now used by China to value its own currency (which used to be fixed against the U.S. dollar).

12) At the same time, the Middle East oil-producing nations that hold hundreds of billions of U.S. dollars or dollar-denominated investments, are likely to stop fixing the value of their currencies to the U.S. dollar, perhaps floating them to the same basket of world currencies as China does now.

13) Two days ago, Citigroup, the largest U.S. bank announced that it had negotiated a $7.5 billion capital infusion from the investment arm of the Abu Dhabi government. The massive losses sustained by Citigroup thus far have impaired the bank's capital. Although the bank is still technically "strong" there is an expectation that there may be another $10 billion in losses that Citigroup may have to book in addition to what they have already absorbed from sub-prime mortgage losses.

The capital infusion is in the form of convertible bonds that pay 11% interest. They can be converted in the next few years to stock in the bank up to 4.9% ownership.

There are several implications of this announcement. First, that Citigroup needed to get fast capital and of this huge amount is a warning signal of the precarious state of the U.S. (and world?) banking industry. Second, that the U.S. banking industry is so precarious that it was not possible to obtain this financing domestically. Third, that the Federal

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Reserve would not or could not intervene to prop up the bank. Fourth, that Citigroup was only able to obtain this capital infusion at such a high cost that it matches rates paid by companies teetering on the edge of failure. One analyst calculated that the internal cost of capital to the bank for this infusion is really 23.5%! Fifth, a lot of people in Congress loudly denounced Abu Dhabi's attempt to purchase a company servicing some U.S. ports, but these same politicians have not made a peep about Abu Dhabi becoming the largest shareholder of America's largest bank.

14) For the past several months, the Federal Reserve, Bank of England, European Central Bank, and others have been injecting hundreds of billions of dollars into the financial system to prop up the banking system and stock markets, and to try to hold down the price of gold.

It seems like every time that the U.S. stock markets fell sharply in one day, there is often a miraculous recovery the next day. For instance, when General Motors recently reported a quarterly loss of $39 *billion*, the stock indices fell sharply. Before trading opened the next day, a massive amount of money appeared seemingly out of nowhere to buy stocks aggressively to turn around the decline.

The Citigroup deal was being touted as an event that led to the recovery of the stock market, even though Citigroup's stock itself barely moved. Once again, that pointed to signs of behind the scenes government credit infusion to rescue the stock market.

Last Friday, the European Central Bank explicitly stated that it would inject unspecified amounts of extra liquidity and would do so until at least the end of the year.

15) Out of concern that banks and financial institutions may suffer a liquidity squeeze by the end of December, the Federal Reserve has just changed a number of rules to create more liquidity into January. The borrowing limits were increased by 50%, a much higher percentage of banks' debt issues may be financed, and the due dates have been extended.

16) A rumor from a "reliable source" is that Abu Dhabi sold gold to acquire the $7.5 billion for Citigroup. If this is true, that would go a long way towards explaining why the price of gold had been soft yesterday and today.

17) The U.S. Conference Board reported yesterday that U.S. consumer confidence had hit a two year low. Its index of consumer sentiment dropped from 95.2 in October to 87.3 in November (against an advance estimate that the November index would be 91.6).

18) *The Wall Street Journal* reported that several of the largest public pension funds, including the New York State Teacher Retirement System, the New York Common Retirement Fund, The Teacher Retirement System of Texas, and the Florida Retirement System Pension Plan have sold billions of dollars of U.S. equities and transferred the funds to foreign stocks, hedge funds, private equity deals, and real estate. The *Journal* also mentioned that the California Public Employees' Retirement System, the nation's largest public pension fund, is looking at similar actions.

19) Even Goldman Sachs, a major brokerage firm with close ties to the U.S. government, yesterday issued a revised economic forecast for higher unemployment in the U.S., and a slowdown in the economy, including a 40-45% chance of a recession next year.

20) An apparent attempt to manipulate the price of gold downward on November 23 backfired. Normally the day after Thanksgiving is a quiet day on the Comex, meaning that any trades that do occur will have magnified weight on prices. A mysterious one million ounces of gold were dumped onto the market. As worldwide annual gold production is only about 80 million ounces, this represents a significant increase in supply at one time.

Instead of the price falling from its close at $798.00 on the day before Thanksgiving, the gold was immediately snapped up, then the price of gold continued to rise to a close at $824.00. As a result, the price of gold soared more than 3% last week.

21) Europe's largest bank, HSBC Holdings Plc announced Monday that it is assuming $45 billion of off-balance sheet structured investment vehicles in order to avoid a fire sale on these bonds.

22) Lahde Capital, a California hedge fund, has made more than a 1,000% profit in 2007 shorting sub-prime mortgages. The fund has now cashed in the investment and has begun returning the more than $20 billion in profits to investors.

In the letter accompanying the checks, Andrew Lahde said he expects that the collapse in value in the sub-prime mortgage market will be repeated in bonds backed by commercial property "Our entire banking system is a complete disaster," he wrote. The letter goes on to state that **Lahde personally will be putting some of his own profits into gold and other precious metals** (emphasis added).

What Should You Do?

The previous information just scratches the surface of what is happening in the world. Not only is the value (and even long-term survival) of the U.S. dollar in jeopardy, this decline is also causing so many problems within the European Union that there is a possibility it could break apart and destroy the Euro as a unit of currency.

When the currency crisis hit Far East Asia in 1997, those who owned gold survived with their living standard largely intact. Those who only had paper money and assets were mostly wiped out.

While there is a slight chance that the day of reckoning for all the malinvestment in the U.S. economy can be postponed for a while, there is every possibility that the floodgates could give way in the near future. Even though gold and silver prices have tripled in the past few years, I think that the major precious metals boom is just beginning.

Time for action may be so short that you should not delay.

For your own protection, I offer the same advice as I have for some time:

Own gold and silver and maybe rare coins as insurance against financial calamities hitting currencies (especially the U.S. dollar) and stocks and bonds. You might want to increase your hard asset holdings up to one-third of your net worth.

I strongly urge you to own physical metals and take possession of them. You don't want to have to depend on the promises of a broker or bank that you own precious metals, only to discover later that all you own is a paper certificate that cannot be redeemed.

Hopefully, most of you have already established your precious metals positions and are well positioned to ride out the turbulence. If you still need to add to your holdings, give us a call or stop by our store. The September 5, 2007 issue of *Liberty's Outlook* has additional suggestions for allocation among gold, silver, and rare coins that suit various kinds of purchasers.

Heller Elected Chair Of ANA Budget & Finance Committee

The world's largest organization of coin collectors, the American Numismatic Association (ANA) recently appointed LCS General Manager Pat Heller to its Budget & Finance Committee. He was then the unanimous choice of the other members to serve as chair of this major committee.

Gold and Gold Coins

Gold closed today at $800.00, up $8.00 (1.0%) from last month.

In years past, the gold (and silver) markets tended to be stable for a few hours after the COMEX closed. Prices on Saturday were normally the same as Friday closes. Not any more. There is now an electronic market to trade precious metals that opens

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30 minutes after the COMEX closes. As I write this late Wednesday afternoon, for instance, the U.S. aftermarket price of gold has jumped to $805.00.

Though there is not a frenzy of people entering the gold market, activity is definitely growing. One result of the rising demand for physical gold is that premiums have increased for all the low premium and some of higher premium gold coins.

The low premium best buys continue to be the Austria **100 Corona** (3.0%), South Africa **Krugerrand** (3.5%), U.S. **American Arts Medallion** (3.1%), and Mexico **50 Peso** (3.1%). Among these, the premium for the Krugerrands has jumped the most, about four dollars per ounce compared to its premium a month ago. The other coins are only up in premium around a dollar per coin.

For smaller coins, the British **Sovereign** (6.1%) has the lowest premium.

There has been a groundswell of demand for **Common-Date U.S. Gold Coins**, with premiums up along with higher prices for most issues. In MS-63 quality, the $1.00 Liberty Type 1 rose 20% and the $5.00 and $10.00 Liberties are up more than 10% in the past month. These prices of these coins, which are among the types and grades of U.S. gold coins to which I have given my highest recommendation earlier this year are behaving in typical pattern in a rising bullion market—they lag gold at first, then catch fire shortly thereafter. They are still available at a huge discount to their prices in mid-1989, so I still love their prospects for the future.

Better-Date U.S. Gold Coins have virtually evaporated from the market, relatively speaking. If you can find any scarcer issues that can be acquired near the price of common issues, I consider them to have little downside and a whole lot of upside potential. The problem is finding attractive specimens.

An added bonus of selling desirable coins to our customers is that we are in an excellent position to repurchase them down the road. Recently, we have re-acquired a number of **Certified Low Mintage Gold American Arts Medallions.** We can now offer them at prices closer to gold value than they have been in more than 20 years.

The Month

Gold Range	58.25	7.4%
Net Change	+8.00	
Silver Range	1.36	9.5%
Net Change	-0.04	
Gold/Silver Ratio	55.8	
Net change	+0.7	
Platinum Range	54.00	3.8%
Net Change	-3.00	
Platinum/Gold Ratio	1.79	

Date	Gold	Silver	Platinum
Oct 31	792.00	14.37	1,435.00
Nov 01	789.50	14.23	1,438.00
Nov 02	807.50	14.62	1,451.00
Nov 05	808.00	14.70	1,454.00
Nov 06	820.75	15.32	1,471.00
Nov 07	831.00	15.27	1,453.00
Nov 08	835.00	15.47	1,457.00
Nov 09	832.50	15.50	1,413.00
Nov 12	803.75	14.71	1,378.00
Nov 13	797.25	14.57	1,399.00
Nov 14	813.00	15.02	1,431.00
Nov 15	786.00	14.45	1,417.00
Nov 16	786.00	14.48	1,444.00
Nov 19	776.75	14.14	1,447.00
Nov 20	793.00	14.50	1,459.00
Nov 21	798.00	14.42	1,452.00
Nov 22	closed		
Nov 23	824.00	14.72	1,465.00
Nov 26	826.00	14.80	1,453.00
Nov 27	813.00	14.46	1,441.00
Nov 28	800.00	14.33	1,432.00

London Silver Market Premium To New York Silver Market = 3¢

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

Silver and Silver Coins

Silver settled today at $14.33, a modest drop of 4 cents (0.3%) from four weeks ago.

With the silver price reaching its highest levels since early 1980, we have seen a surge in new buyers. Like gold, though, the increased demand is modest thus far.

As a result, premiums on the low cost forms of silver bullion-priced products are largely unchanged from last month. The recommended best buy is still the U.S. **90% Silver Coin** (0.0%), which is the most liquid, most widely traded, and most divisible (a silver dime contains about 1/14th of an ounce of silver) form of silver.

The **100, 10, and 1 Oz Ingots** (3.1-4.2%) are up slightly in premium but are worth considering if limited storage space is a critical factor. To me, it isn't worth paying the extra 45-60 cents per ounce to save a little room.

When you have a quick rise in the silver spot price, it often happens that many collectors coins don't keep up with the change. LCS Senior Numismatist Tom Coulson noticed that the lower-priced **2004-2006 U.S. Silver Quarter Proof Sets** were trading fairly close to silver value. We have acquired enough sets to give you an opportunity to pick some up. In addition, there are some **Gem Proof-65+ and Gem Mint State-65+ 1983-1991 Commemorative Silver Dollars** that are also priced closer to silver than usual. See our enclosed offers for details.

Sometimes a collector coin becomes very popular among non-collectors because of its theme. When the U.S. Mint issued a **2005 Commemorative Marine Corps Silver Dollar**, a number of speculators quickly pushed the price up to $100. Now you acquire them for half that price. In the long term, I would not be surprised to see them trade at much higher levels such as the commemorative dollar issued to honor police officers. See our flyer.

A Holiday Wish

With higher precious metals markets, many of you have enjoyed a prosperous year, as have those of us at LCS.

For good or for bad, we anticipate that 2008 will bring even more positive developments for precious metals and rare coins. Please join us for the ride.

As we do every year, we thank you for your patronage. You are the best customers in the world!

Our wish for you is a holiday season filled with health and the wealth of family and friends. May you be rich in the wonderful things on which you cannot put price tags.

Merry Christmas
Happy New Year

Bobbie, Greg, Dave, Bob
Janet, Dany, Pam, Charlie, Barb,
Paul, Tom, Allan, Pat

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