Liberty's Outlook

Volume 15 Issue 12 Liberty Coin Service's Monthly Review of Precious Metals and Numismatics December 2, 2009

Gold Sets New Record High Price Almost Every Day In Last Month!

Central Banks Jockeying To Purchase Remaining IMF Gold Up For Sale!
Gold Price Suppression Tactics No Longer Very Effective
Physical Gold And Silver Shortages Lead To Higher Premiums!

At the COMEX close in the past four weeks, gold settled higher than the day before on all but two days. On 16 of the 19 US trading days, the price of gold set an all-time record high.

The pattern of this price rise is a lot different from what happened in the 1979-1980 boom. Back then, the price of gold only spent a handful of days within 20% of the peak price of $850. The highest price was a significant percentage above the 50– and 200-day moving average prices of gold.

This time around, each new record high price is tending to stay within 15% of the 50-day moving average. The last few market tops for gold occurred when a spot price was at least 25% above the 50-day average.

This technical indicator signals that the price of gold has not yet reached a temporary top.

This is not the only factor that indicates that the price of gold (and silver) is a long way from reaching a peak. Let's look at some of the other important ones.

2009 Year To Date Results

Through December 1, 2009

Precious Metals	
Palladium	+89.2%
Silver	+67.1%
Platinum	+56.5%
Gold	+35.3%

Numismatics	
US MS-63 $20 Liberty	+56.6%
US MS-63 $20 St Gaudens	+43.8%
US MS-65 Morgan Dollar, Pre-1921	-7.5%

US Dollar vs Foreign Currencies		
China Yuan		+0.1%
Hong Kong Dollar		+0.0%
Singapore Dollar		-3.6%
Japan Yen		-4.5%
India Rupee		-4.9%
Mexico Peso		-6.2%
Switzerland Franc		-6.4%
Euro		-7.4%
South Korea Won		-8.5%
Great Britain Pound		-12.2%
Canada Dollar		-14.0%
New Zealand Dollar		-19.3%
South Africa Rand		-22.3%
Australia Dollar		-23.1%
Brazil Real		-25.6%
U.S. Dollar Index	74.365	-8.5%

US And World Stock Market Indices	
Sao Paulo Bovespa	+82.6%
Shanghai Composite	+77.7%
NASDAQ	+38.0%
Dow Jones World (excluding US)	+37.7%
Australia S&P/ASX 200	+26.8%
S&P 500	+22.8%
Frankfurt Xetra DAX	+20.1%
London FT 100	+19.8%
Dow Jones Industrial Avg	+19.3%
Russell 2000	+18.0%
Nikkei 225	+8.0%
10 Year US Treasury Note interest rate 3.28%	+45.4%

Intrinsic Metal Value Of U.S. Coins	
Lincoln cent 1959-1982	2.10¢
Lincoln cent 1982-date	0.60¢
Jefferson nickel non-silver	4.65¢
Roosevelt dime, 1965-date	2.11¢
Washington quarter, 1965-date	5.28¢
Kennedy half dollar, 1971-date	10.55¢

Selected Wholesale Commodity Prices	
Copper	+140.9%
Zinc	+105.6%
Regular gasoline	+102.2%
Sugar	+81.7%
Nickel	+49.9%
Coffee	+41.3%
Natural gas	-22.5%

Reasons Why Gold And Silver Are Likely To Rise Much Higher

1. The International Monetary Fund (IMF) announced recently that it would sell 403 tons of gold reserves, supposedly to help the IMF support poor nations. The real reason was that it was part of a tactic to appear to flood the gold market with inventory to help suppress prices.

To have maximum impact at manipulating the gold price, the sales were to be drawn out over multiple years.

Well, it turns out that central banks are jockeying for position to buy this gold. China stated that it was willing to purchase the entire amount, but only if some quantity discount were offered. The Reserve Bank of India thwarted China's effort by purchasing 200 tons of this gold at open market prices in the second half of October.

Then Mauritius and Sri Lanka bought small portions of the IMF gold. Last Wednesday, India revealed that it was negotiating to purchase the entire remaining IMF gold available for sale.

Even though China has been shut out of buying IMF gold, it is not leaving the gold market. Recently, State Council advisor Ji Xiaonan advocated that China purchase at least 1,000 tons of gold annually for up to the next ten years. Purchases of this magnitude would absorb almost half of the world's newly mined gold! It would dwarf the amount of gold that China has purchased quietly over the past several years. Just imagine what an increase in demand of this magnitude would do to the price of gold.

There was a report last week by Max Keiser that the German central bank is looking to buy gold reserves. Keiser is the reporter who was earlier told by a German central bank official that a significant portion of German gold reserves were stored at the Federal Reserve Bank of New York.

2. The Dubai debt default may seem like it would have the effect of reducing gold

Inside this issue:

(Continued from page 1)
demand, as the government may be too broke to continue to acquire gold. Even if Dubai were forced to sell some gold to help manage this financial problem, I think the overall global effect would be to further scare investors away from paper assets like bonds and toward tangible assets like gold and silver. As a result, I would expect a net increase in demand from this development.

3. John Paulson, the investor who reaped billions in profits in 2007 by shorting collateralized debt obligations, recently formed an investment fund to focus on owning gold. He announced that he was putting $250 million of his personal wealth into this fund.

4. The reports about counterfeit gold-plated tungsten bars allegedly received by China's central bank this year could be the start of a major scandal. Apparently, four 100-ounce bars that were received from a bonded US warehouse were counterfeits.

To avoid a panic of investors demanding delivery of the "paper gold", commodity exchanges, exchange traded funds, and their bonded warehouses are almost certainly going to have to test every single bar they deliver in the future. In addition, it is highly likely that they will have to tender guarantees along with any bar delivery to assume liability should the bar later turn out to be counterfeit or not meet the minimum delivery standards of the exchange.

This could be a significant problem for ETFs as their standard prospectus language gives them an escape clause should any bars they deliver to shareholders turn out to be counterfeit or of a quality below exchange standards.

The reporters covering this story apparently have much more bad news about the extent of counterfeit bars in bonded warehouses, but they lack sufficient corroborating evidence where they can make the information public.

5. On Thursday, November 19, there were almost no pre-2009 dated Krugerrands available from any wholesaler in the US. On Wednesday, November 25, the US Mint announced a suspension of sales of 2009-dated Gold American Eagles. These shortages, along with the Mint's suspension of 2009 Silver Eagle sales on Tuesday, November 24, have helped push up premiums on almost all physical gold and silver bullion-priced products. Today, most majors (exact or near one ounce gold coins) are priced about $5-12 more above the spot price than they were two weeks ago. Premiums on Silver Eagle Dollars are up sharply.

I have warned for the past few months that supply shortage could appear suddenly. Now that they are happening, the shortages could snowball all across the range of products, similar to what we experienced late in 2008. I would not be surprised to see further product shortages, lengthening delivery times, and even higher premium levels in the near future.

6. Retail demand for physical gold and silver is soaring. LCS enjoyed its highest monthly sales volume in November compared to all other months in its 38-year history. It even topped volume from the peak of the 1979-1980 boom.

The strongest sales have been for gold and silver bullion-priced products, but we have also sold an enormous amount of Classic US Gold Coins. The staff at our booth at the Michigan State Numismatic Society Fall Convention last weekend handled the highest sales for any show since early 1980, beating the previous record by 25%. Most of the Classic US Gold Coins we purchased at the show were sold to eager buyers right there at the same show!

Not only are we selling extraordinary quantities of product to retail customers, we are seeing only a modest amount of liquidation. It seems obvious to us that customers are waiting for much higher prices before they will sell back to our company.

Some other dealers have reported a drop off in demand for gold and silver bullion-priced products this week. At some point it will be normal for buyers to take a breather to see if current high price levels are stable. However, I think the growing difficulty of being able to obtain product will overcome any buyer hesitation.

7. In the first quarter of 2009, when the price of gold surpassed $1,000 for the first time since the spring of 2008, there was an extraordinary increase in the quantity of gold scrap that was recycled.

Mitsui issues a monthly report where it tracks global gold scrap recycling. This week's report concluded that since the spring going through late November that there has not been enough scrap gold recycled to cover supply shortages and pressure the price of gold to decline.

This is a more important development than it would at first appear. There have been numerous reports in the mainstream financial media where so-called "experts" were claiming that the price of gold was at a peak because of all the scrap gold being recycled. Well, the high level of gold scrap recycling did help bring down prices in the spring, but these experts kept reporting false information long after scrap volumes fell sharply. Those who acted on this misinformation missed out on some major profits.

8. On Monday this week, the COMEX changed how it reported daily activity in the gold pit. The new language made it appear that the COMEX was no longer tendering gold when owners of current month contracts were submitting them to take delivery of the underlying bars. The new terminology makes it appear that 100% of the contract holders were paid off in cash. Analyst Adrian Douglas does not think this is happening. He continues to push the idea that a growing percentage of gold contracts tendered for delivery are being settled for cash or for shares of the GLD ETF, but he still thinks that some contract holders are receiving physical bars.

One thing is certain. Delivery of gold and silver bars for contracts that are submitted for delivery are not occurring within COMEX time requirements. Even COMEX staff are willing to admit that it is not unusual for deliveries to be made two months late! Several of our customers have told me that they have experienced significant hassles seeking delivery of their maturing gold and silver contracts.

If you have any difficulties gaining deliveries of your gold or silver bars, you should submit complaints against the exchange to the Commodity Futures Trading Commission and against the brokerage firm to the Securities and Exchange Commission. Such complaints wouldn't cost much and they might get you some satisfaction sooner (or at all) than otherwise.

9. For more than a year, the CFTC has been working on regulations to minimize the potential for manipulation of US commodity and futures markets. It is possible that the proposed regulations could be announced this month. The concept behind the trading limits for investors is that they would be determined relative to the volume of contracts normally traded by producers and manufacturers, so that no investor could establish a position so large as to manipulate the price.

However, I have heard that such regulations could have various possible loopholes. One theory is that the limits would only apply to long positions, leaving manipulators free to sell short as much as they want. Another potential loophole would exempt existing positions that are above the imposed position limits. A third possibility is that the limits would be imposed on all commodities except for gold and silver.

The reason why any proposed regulations might exempt short sellers of gold and silver contracts is because of the extraordinarily large short positions held by banks. For instance, should JPMorgan Chase be required to reduce its humongous silver short position, the silver commodity and futures markets would collapse and fail. There is simply not enough physical silver readily available in the entire world, no matter the price, for JPMorgan Chase to cover its exposure. All the derivatives in the world that supposedly protects the bank's short position would likewise fail.

Should the CFTC announce new regulations imposing trading limits on investor holdings of commodity and futures contracts and not leave any exemptions for the holders of large gold and silver short posi-

(Continued from page 2)
tions, gold could reach $1,500 and silver pass $30 in as little as 24 hours.

10. The Federal Reserve efforts to thwart the "Audit The Fed" legislation in Congress failed miserably as Rep. Ron Paul (R-TX) was able to amend HR 1207 to restore the language that would expand the scope of the Government Accountability Office audit. Among the areas that would be audited, should the bill be enacted in its present form, is the US government's gold reserves. In hearings before the House Financial Services Committee, the Fed's legal counsel testified that the gold was all in the vaults, but he declined to state that the US government held title to all of this gold.

There is a likely prospect that any audit of the US government's gold holding will prove that the US government no longer owns as much gold reserves as it reports. Should this be true and become public knowledge, the value of the US dollar will plummet instantly.

There are many other factors that could drive up gold and silver prices, but I think you can see that, in the current financial turmoil, the there significant prospects for higher prices in the near future.

What Might Hold Down Precious Metals Prices?

I would not be surprised to see occasional temporary pauses to consolidate prices. Still, it is hard for me to conceive any realistic scenario where there would be substantial declines in either gold or silver prices. There is still such a low percentage of Americans that own gold or silver as an investment that it would be hard to imagine a surge in liquidation so large as to knock down prices.

The US government's efforts to suppress gold prices just before call options expire totally failed in November. The first options expired on November 23 with a huge amount of call options at the $1,100 spot price. In recent years, typically, gold prices are forced down a few days before the options expiry. Every attempt to do so in November was met with a surge of new buying demand.

This failure may be an indicator that the US government and its trading partners and central bank allies are running out of gold they can sneak onto the market to try to suppress gold prices. If so, prices could soar much higher.

However, the lack of gold does not mean that there are no other price suppression tactics that might be imposed. For instance, private parties who wish to purchase gold in Australia and Canada are allowed to do so. However, the sellers must now report such transactions to the respective federal governments. If similar reporting requirements were imposed in the US, that would put a damper on demand for physical gold and silver.

Another significant risk is that legislation could be enacted calling for some or all of private retirement accounts to be invested in US government bonds. If this were to happen, there would be some amount of liquidation of precious metals IRAs. A House committee held hearings on such an idea in October 2008. I am fearful that some version of private retirement account confiscation will occur in the next few years. By reducing demand for gold and silver in retirement accounts and forcing the liquidation of such assets already in these accounts, the price of gold and silver could be held down.

Personally, I don't see any financial scenario where the US and global economy magically recovers quickly and strongly. Instead, I expect all currencies to continue to decline against gold and silver.

If you have not yet acquired your insurance position of precious metals, I urge you to do so right away. I don't know how much time you have left to do so before either prices rise much further or physical gold and silver become virtually unobtainable no matter what the price.

Coins To Consider Selling Or Swapping Now

Part of our job is to use our knowledge and experience to identify opportunities with rare coins where future appreciation prospects look better than for rare coins in general. We expect that our offer last month of the Gem Mint State-65 Early Morgan Silver Dollars will prove to be a perfect example. Similarly, we also expect our offering this month of the **High-Grade Better Date Morgan Silver Dollars** will have the same result.

Another part of our job is to look out for rare coin niches that have risen too far too fast and are at risk of minimal future appreciation or even potential price declines. Our past sell recommendations have proved to be about 90% accurate.

For example, in August 1987 we recommended selling China 1982 1 Oz Gold Pandas when sellers could realize about $4,000 for them. Within a month, that coin's price started falling and is still barely 50% of that price today.

Right now, we think the following are a few opportunities to take profits.

Many **Classic US Gold Coins** have been in very strong demand lately, partly fueled by what I consider "less than ethical" coin promoters pushing these higher profit coins to unknowledgeable buyers under the guise that such coins cannot be "confiscated" by the US government. (For further background on this subject, go online to www.libertycoinservice.com to read "Beware the 'Gold Confiscation' Scams" in the January 2008 issue of this newsletter.) As a result of these promotions, several coins, especially common-date US $20.00 Double Eagles in almost all grades have risen both in absolute price and in premium above gold price. When these promotions cease, as we have seen a few times before, relative prices of these coins will drop.

Over ten years ago we recommended buying Choice Mint State-63 $20.00 Liberties when they could be purchased for less than $450. Now that you can sell them for at least $2,400, their highest price ever, it is time to sell or swap.

Earlier this year, I urged our customers to dispose of their Proof Gold American Eagles as I anticipated that the appearance of NGC's certification of regular Mint State Gold Eagles would displace demand for the Proofs in precious metals Individual Retirement Accounts (IRAs).

Well, this recommendation was premature. The NGC-certified Gold Eagles have not caught on as well as I expected. Today, Proof Gold Eagles are trading at higher prices than ever.

There is another reason why their current popularity may not last. There is legislation pending in Congress that would expand the list of numismatic coins that could be owned in precious metals IRAs. Currently, the only "numismatic coins" that can be owned in such an IRA are the Proof Gold, Silver, and Platinum Eagles. Should more alternatives be allowed, and this legislation to do this is one of three priority projects now being pushed by the Industry Council for Tangible Assets (ICTA), I would expect demand for Proof Eagles to plummet and supplies to soar as investors diversify their numismatic holdings (of which MS-65 Early Morgans would almost certainly be one of the new options!). This market has been very volatile, so I hesitate to give price indications. Please call to see how much you could gain by selling or swapping your Proof Eagles today.

Finally, in the late 1990s, we identified the Mint State 1995 $5.00 Gold Olympics Flag Bearer and Cauldron Commemoratives as great appreciation prospects because of their minuscule mintages. We sold hundreds of them for less than $250 each. Today, when you can sell them for at least $1,500 apiece, it is time to cash in.

You may want to seriously consider selling or swapping such coins for more than their current high prices. If you have tax losses from your paper investments in 2009 or carried over from prior years, it may be possible for you to completely shelter these gains from any income tax liability if you sell by the end of 2009. Check with your tax adviser for guidance.

Just because we advocate unloading these coins does not mean that we also

(Continued on page 4)

(Continued from page 3)
recommend turning them into Federal Reserve Notes. You should seriously consider putting the proceeds into gold or silver bullion-priced products or maybe even to purchase some of the coins that we think are relatively undervalued in today's market. Call us for quotes and ideas.

Read My Weekly *Numismaster* Columns For More Frequent Market Updates

In the past two years, precious metals markets have been much more volatile than in preceding years. I anticipate that future markets will be even more volatile.

In 2010, it would not surprise me to see gold price swings of $100 in one day, or daily silver moves of $3-5.

While a monthly newsletter can be informative, it simply cannot keep you freshly informed. Our company's project to update our website is now about 18 months overdue, held up while we serve an ever growing number of customers. Until those enhancements are in place, which will make it possible to post frequent market updates, you can refer to my weekly gold commentaries posted at www.numismaster.com. At that website, click on News & Articles, then do a search for "Heller."

These columns are normally submitted on Monday and are posted either late Monday or early Tuesday. Once in a while, a significant development prompts an additional commentary later in the week.

If you check, you will see that there are several points in *Liberty's Outlook* that first appeared in the Numismaster essays. However, rest assured that you will find information here that never makes it to Numismaster.

Silver and Silver Coins

Silver closed today at $19.30, up a strong $1.90 (10.9%) from last month!

Silver finally passed the year-long ceiling of $18.00 on November 16 and has not looked back. Today's close was the highest for silver since March 18, 2008.

It seems obvious that the price of silver has been repeatedly knocked down as a tactic to try to help hold down the price of gold. If the price of gold cannot be successfully suppressed directly, then a falling silver price may scare some investors into thinking that gold's future is not so positive. As long as such manipulation of the silver price continues, it is unlikely to outperform gold.

However, I do expect the silver price to far outperform gold in the longer term. It is a much smaller and more volatile market than gold. In bull markets, it traditionally rises by a greater percentage. In down markets, it also declines more than gold.

For this reason, I recommend a significant allocation to silver as part of a precious metals portfolio, ranging from 50-60% of the total amount invested in gold and silver bullion-priced physical metals.

My favorite form to acquire is still US **90% Silver Coin** (2.5%). It has a significant price advantage over **100, 10, and 1 Ounce Silver Ingots** (5.2-6.5%) as well as being more divisible and more liquid.

Since The US Mint suspended sales of 2009-dated US **Silver Eagle Dollars** (15.5%) premiums are up sharply, as I warned you to expect last month. I would not recommend them other than perhaps owning a small quantity as collector's items..

This month we have decided to offer our accumulation of **High-Grade Better Date Morgan Silver Dollars** before prices start to rise. We also have a special opportunity with the **US 2005 Mint State Marine Corps Commemorative Silver Dollar.** See our flyers for details.

The Month

Gold Range	125.25	11.5%
Net Change	+125.25	
Silver Range	2.09	12.0%
Net Change	+1.90	
Gold/Silver Ratio	62.8	
Net change	+0.3	
Platinum Range	158.00	11.5%
Net Change	+137.00	
Platinum/Gold Ratio	1.24	

Date	Gold	Silver	Platinum
Nov 04	1,086.75	17.40	1,369.00
Nov 05	1,088.75	17.40	1,363.00
Nov 06	1,095.00	17.37	1,348.00
Nov 09	1,101.00	17.47	1,367.00
Nov 10	1,102.00	17.21	1,351.00
Nov 11	1,114.00	17.53	1,351.00
Nov 12	1,106.50	17.26	1,363.00
Nov 13	1,116.00	17.37	1,388.00
Nov 16	1,138.50	18.39	1,444.00
Nov 17	1,138.75	18.38	1,463.00
Nov 18	1,140.75	18.41	1,463.00
Nov 19	1,141.50	18.45	1,444.00
Nov 20	1,146.50	18.43	1,442.00
Nov 23	1,164.25	18.60	1,468.00
Nov 24	1,165.50	18.45	1,444.00
Nov 25	1,187.00	18.77	1,480.00
Nov 26	closed		
Nov 27	1,174.25	18.30	1,480.00
Nov 30	1,181.00	18.50	1,460.00
Dec 01	1,199.00	19.17	1,487.00
Dec 02	1,212.00	19.30	1,506.00

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.

Gold And Gold Coins

Gold finished at the COMEX close today at $1,212.00, up $125.25 (11.5%) from four weeks ago, and at another all-time high (if you ignore inflation).

Though premiums are higher, the low premium best buys continue to be the Austria **100 Coronas** (4.3%), Mexico **50 Peso** (4.3%), and US **American Arts Medallions** (4.2%). Also **1 Oz Gold Ingots** (4.2%) are also worth considering.

A Holiday Wish

The year 2009 has been a challenge for most Americans. Although most of our customers enjoyed better financial results than the average American, there are unfortunately too many people whose wealth declined during the course of this year.

I expect that those who follow our recommendations will continue to prosper in 2010 and beyond.

As volatile and exciting as 2009 has been, I anticipate that 2010 will be even more nerve-wracking. We welcome your company on this journey.

Life has brought several personal challenges this year such as the death of my father-in-law Don Mahon, a one-time LCS employee. Other employees lost close friends and relatives. The joy of new babies and friends will never replace them.

As we do every year, we thank you for your patronage. It is our honor and privilege to serve you, the best customers in the world!

If it were within our power to grant you any wishes, we would give you two. First we would bring you a world at peace with liberty for everyone. Second, we would bring you a holiday season filled with the health and 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

Colter, Matt, Jon, Allie, Cheryl, Augie, David S, Nic, Greg, Dave H, Bob, Janet, Dany, Pam, Charlie, Barb, Paul, Tom, Allan, Pat

Liberty's Outlook is published monthly by Liberty Coin Service, 300 Frandor Ave., Lansing, MI 48912. Telephone: National 800/527-2375 Fax: 517/351-3466 Website: www.libertycoinservice.com, E-mail: path@libertycoinservice.com Patrick A. Heller, Editor. Subscriptions are available at $129.00 per year (12 issues). Send subscription orders and changes of address to the above address. All information is derived from sources believed to be reliable, but accuracy cannot be guaranteed. No guarantee of profitability of any investment or recommendation contained herein is made or implied. Liberty Coin Service has been a dealer in rare coins and precious metals since 1971. The publisher, its principals and associates may, from time to time, have a position in items recommended here.