

# Liberty's Outlook

Volume 13 Issue 2 Liberty Coin Service's Monthly Review of Precious Metals and Numismatics February 7, 2007

## Gold And Silver Outperform A "Good" Stock Market!

### P.2 Finding The Best Rare Coin Values!

In my review of 2006 activity in last month's newsletter, I pointed out how precious metals clobbered the results for the U.S. stock market indices.

A number of stock market experts are forecasting rosy results for 2007. In several instances, a major reason for optimism is the historically greater appreciation in the third year of a U.S. president's term.

Well, 2007 may only be 10% over, but just look at the results year-to-date in the table at the right. Stock markets are performing nicely.

But, even in this short time frame, silver and gold are still leading the way.

I discussed several issues in depth in last month's newsletter as to why precious metals still appear to be in the early stages of a boom despite rising in price for the past several years. I won't repeat them here. Instead, I will cover other subjects that I didn't have room to discuss last month plus some fresh developments. That will leave me lots of room now to discuss the rare coin market in more depth than I have in years.

### Information Continues To Support Rising Gold And Silver Prices

**Central Banks Adding Gold Reserves.** In the latest International Monetary Fund reports, the central banks in Russia, Kazakhstan, Greece, and the Philippines show increases in gold reserves. Argentina's central bank has announced that it will be adding gold reserves. The purchases by Russia are in line with its previously announced plans, but the actions of the other central banks are completely new developments. As central banks continue to join the growing list of those buying gold, at the same time that central bank sales are declining, supplies available for industrial users and investors are falling. Given the existing

long-term shortage of gold supplies, this just makes a somewhat tight market even tighter.

**Metals And Currency Analyst Knocks U.S. Dollar, Touts Gold.** At a mining conference in Cape Town, South Africa yesterday, Dr Martin Murenbeeld, the Chief Economist of Canada's Dundee Group, made several observations.

After noting that the U.S. balance of trade deficit had grown from 3% to 7% of Gross Domestic Product (GDP) in the past few years, he said that the U.S. dollar is currently overvalued somewhere between 15% and 35%.

He stated that U.S. dollars and dollar-denominated debt now makes up \$4.8 trillion of worldwide central bank reserves, with \$2.6 trillion of this held in Asia. Gold makes up only 1.4% of total reserves held by all Asian Central Banks. Only a small shift by these central banks from the dollar into gold, "would do wonders for the gold price."

Also supporting higher gold prices is the rising reserves held by oil-exporting nations. "Indications are that there will be further diversification away from dollars, as there are fears of further dollar declines and geopolitical trends, such as the anti-US sentiment in the Middle East, do not exactly support the currency. But other markets are not cheap, and gold is now cheap at ten barrels of oil for an ounce and in terms of the cost of financial assets."

Another factor that he expects to support higher gold prices in the coming years is the decrease in the development of new mines. Stricter environmental regulations have added to the time delay in opening new mines. In addition, many potential new mining projects are in nations that do not have stable legal protections for businesses. Because of this, projects are simply never started where the investors perceive too much uncertainty that they can profit from developing a mine. Coupled with the depletion of existing mining operations, Murenbeeld expects mine production to either decline

### 2007 Year To Date Results

Through February 6, 2007

#### Precious Metals

Silver	+6.2%
Platinum	+4.5%
Gold	+2.9%
Palladium	+2.4%

#### Numismatics

MS-63 \$20.00 Liberty	+2.4%
MS-63 \$20.00 St Gaudens	+1.8%
MS-65 Morgan Dollar	-3.3%

#### US Dollar vs Foreign Currencies

Switzerland Franc	+1.7%
Euro	+1.7%
Canada Dollar	+1.4%
Japan Yen	+0.9%
India Rupee	-0.2%
China Yuan	-0.6%
Great Britain Pound	-0.6%

#### US and World Stock Market Indices

Frankfurt Xetra DAX	+4.2%
Russell 2000	+2.9%
NASDAQ	+2.3%
S&P 500	+2.1%
London FT 100	+2.0%
Dow Jones Ind Average	+1.6%
Tokyo Nikkei 225	+1.1%

or hold steady instead of rising to take advantage of higher prices.

Central banks and government agencies "own" about a billion ounces of gold. But Murenbeeld thinks that only about 125-130 million ounces could be considered "loose," or available for possible sale or lease in the future.

In the meantime, demand is rising. Growing prosperity and deregulation has resulted in stronger demand from India, the world's largest gold consuming nation. Soaring demand from gold exchange traded funds is helping to

**Inside this issue:** Top Value In Morgan Silver Dollars Today! page 3  
The Undervaluation Index Explained! page 4  
Legal Quandary For Silver War Nickels page 6

(Continued from page 1)

bring gold back to its monetary role.

In summary, Murenbeeld expects the gold boom to last another four years.

### **Gold Exchange Traded Funds Absorbing Huge Amounts Of Gold.**

The world's largest gold exchange traded fund now holds almost 15 million ounces of gold, giving it more holdings than all but a handful for central banks.

It was announced two days ago that a new gold exchange traded fund would be opening next week in India, the first one based in that nation.

**U.S. Vacant Home Inventory Jumps 50% In 2006.** From the end of 2005 to the end of 2006, the number of unoccupied homes in the U.S. rose from about 1.5 million to over 2.2 million. The number of occupied homes increased by almost 1 million, but there were 1.7 million newly constructed homes in 2006.

As a growing number of homes remain unsold, more owners will try to rent them, putting downward pressure on rental prices. Lower rental prices normally have the effect of pulling down the prices of homes being offered for sale. I've seen several articles in the media lately predicting that the worst of the U.S. housing slump is over. I think that it is more likely that the worst is yet to come.

**Chairman Of U.S. Senate Banking Committee Threatens Consumer Freedoms.** U.S. Senator Christopher Dodd (D-Connecticut), chairman of the Senate Banking Committee has complained that credit card issuers are not supervising their customers to make sure that the cards are used for worthwhile purposes. He said, "they should cease and desist advancing money for frivolous purchases, irrespective of the current legality of such practices. These companies should be taking a long, hard look at how their customers intend to spend the money before they let them have it. Many people are getting themselves into debt buying foolishly. If these companies cannot or will not put a stop to this, Congress may have to do it for them."

Even though this statement is just talk for now, when you consider who said it I would want to buy a lot of gold and silver right now for self-protection from my government.

**U.S. Securities Markets Losing Their Pre-eminence.** Two days ago, the *New York Sun* reported on two recent reports that had the same conclusion. One report was done at the be-

hest of New York City Mayor Bloomberg and New York Senator Schumer (D) and the other is said to be indirectly sponsored by U.S. Treasury Secretary Paulson.

They both agree that the U.S. represented 50% of global initial public stock offerings in 2001, but only 5% in 2006.

Two major reasons were given for the flight of this business to other nations. The first was the "litigation" tax. In 2005, over \$9 billion was paid in the U.S. to settle securities lawsuits. In 2004, governments in the U.S. assessed \$4.74 billion in fines for securities violations, more than 100 times \$40.5 million charged in the United Kingdom that year. Where investors fear financial loss as a result of such lawsuits, they place their money elsewhere.

The second problem could be called the "regulation" tax. The enactment of the Sarbanes-Oxley Act a few years ago, intended to protect investors by adding more stringent audit and operational requirements, has actually backfired. Auditing costs have nearly tripled, and the cost for a private company to go public has grown so high that a lot of companies cannot afford to do so anymore (and more than the usual number of public companies have gone private). Some companies are also afraid to invest in the U.S. because of the constantly changing legal environment, a big change from the years when the U.S. was considered the best nation for regulatory stability.

While much attention has focused on the shifting of manufacturing jobs from high-cost America to other nations, the decline of the stock market activity had largely passed unnoticed.

While this information is only peripherally involves gold or silver, it does have an effect. Investors fearful of owning U.S. stocks are more likely to consider purchasing precious metals.

### **Finding The Best Rare Coin Values**

Last month's discussion about which U.S. rare coins have the highest appreciation prospects left me less than satisfied. It is one thing to talk about general concepts and produce a list saying these particular coins have the best appreciation potential, another group has lower potential, and another lot has the least potential. That forces the reader to accept my analysis on faith, without understanding how the judgments were made and where the lines were drawn in defining the groups.

Instead of having you take my word for it, I tried to refine my analysis so that you could better understand which coins in which grades generally have the highest appreciation potential. I think I have now done so.

To make it easier for you to discern relative values, I have created an Undervaluation Index™. The higher the index for a particular coin in a particular grade, the greater its possible appreciation. I am confident that those with the higher Undervaluation Index™ will, on average,

appreciate more than coins with a lower Index.

There are many factors that affect coin prices. It is not possible to include even most of them, so my analysis includes only three objective factors: 1) the retail selling price of the coin at the June 1989 market peak, 2) the combined populations of the coin as certified by the Professional Coin Grading Service (PCGS) and Numismatic Guaranty Corporation (NGC), and 3) the current catalog value of the coins as listed in *Coin Values*.

By using these three factors, any personal biases I may have simply do not enter into the analysis.

Let me explain in a bit more detail why I have selected each of these factors.

In early 1989, brokerage firms created funds that would invest in rare coins. Primarily they were going to invest in U.S. coins that had been certified by PCGS or NGC. In anticipation of a flood of "Wall Street money" adding to demand for rare coins, collectors and investors started aggressively bidding up prices to "beat the rush." At one point, many prices were rising 5-10% a week.

The market peaked at the major coin show in Long Beach, California at the beginning of June 1989. It was becoming obvious that the brokerage firms were attracting far less investor interest in their coin funds than expected. At the Long Beach show, which I attended, dealers could have sold almost any coin for prices in advance of published market price guides. By the end of June, most wholesalers and dealers had stopped chasing coins, waiting for stronger indications of the appearance of Wall Street money that never really materialized.

The anticipated focus of demand in early 1989 was on quality first and rarity second. Because of tighter supplies, coins in the highest grades rose the greatest percentage. They also fell the most, on average, after the boom ended. Most regular circulated key-date coins sought by collectors were left out of this boom.

Many coins reached their highest prices ever in June 1989. While most coins now sell for somewhat to a lot less than their 1989 levels, there are a number of exceptions.

This is where the usage of current PCGS and NGC population reports has helped to better identify true rarity of many coins. In 1989, PCGS had only been in business for three years; NGC for just two years.. At the time, only a small percentage of rare U.S. coins had been graded and encapsulated by either service.

Now, 18 years later, a much higher percentage of nice coins have been certified by

(Continued from page 2)

PCGS or NGC. Some analysts think that these two services may now have graded about half of all the older rare

coins that could potentially be certified by them. With a much larger population of coins, it is more evident just how rare particular coins are in high grade.

PCGS and NGC have now certified almost one million \$20.00 St Gaudens in MS-63 and higher grades among all dates, for example.

The population reports have shown that a number of key date coins are much rarer than previously thought. Accordingly, some of these coins are now trading at higher prices than they did in 1989.

Conversely, some coins which have proven to be more common than previously thought have lagged behind the performance of other coins.

Every rare coin price guide is out of date by the time it is published, even those available online. It cannot be emphasized enough that they are *guides*, not actual price lists. However, some catalog values are more useful than others.

*Coin Values*, formerly known as *Trends*, is published by the company that produces *Coin World*, the largest circulation weekly coin newspaper. It is used as a reference by more coin dealers than any other U.S. coin price guide. For that reason, I have the information in this guide in deriving the Undervaluation Index™.

The formula for the Undervaluation Index™ is the relative rarity of the coin compared to the common date issue of the series, discounted by the current *Coin Values* premium relative to the common date catalog value, all divided by the percentage drop from 1989 retail selling price to current

(Continued on page 4)

## Best Values In Morgan Dollars Today

Date	Undervaluation Index			
	MS-63	MS-64	MS-65	MS-66
1878 8 TF	6.91	<b>26.48</b>	<b>56.67</b>	25.76
1878 7/8 TF	1.99	14.62	13.35	20.05
1878 7 TF	<b>22.38</b>	<b>31.07</b>	<b>79.52</b>	85.34
1878 7 TF R79	<b>21.44</b>	<b>25.48</b>	35.45	25.50
1878-CC	0.65	2.66	5.78	12.96
1878-S	3.06	9.03	<b>33.18</b>	<b>74.46</b>
1879	<b>35.46</b>	<b>84.13</b>	<b>39.78</b>	33.71
1879-CC	0.46	1.03	5.78	260.21
1879-CC cd	1.12	4.29	17.42	xxxx
1879-O	12.26	12.26	31.01	74.00
1879-S Rev 78	<b>47.07</b>	<b>26.33</b>	71.02	45.79
1879-S	2.76	5.60	7.59	5.91
1880	<b>33.90</b>	<b>98.88</b>	<b>124.65</b>	26.99
1880-CC Rev 78	2.26	3.07	11.45	xxxx
1880-CC	1.14	2.50	9.81	13.66
1880-O	19.88	<b>24.11</b>	101.23	xxxx
1880-S	2.14	3.64	4.17	4.31
1881	<b>37.95</b>	<b>58.42</b>	<b>63.93</b>	41.26
1881-CC	0.41	1.07	3.20	8.76
1881-O	<b>55.43</b>	<b>81.39</b>	<b>46.17</b>	53.94
1881-S	1.36	2.44	3.65	3.78
1882	<b>33.27</b>	<b>97.33</b>	<b>84.14</b>	<b>70.06</b>
1882-CC	0.82	2.36	7.93	11.06
1882-O	<b>33.27</b>	<b>180.61</b>	<b>122.18</b>	31.36
1882-S	4.96	7.09	9.89	9.33
1883	17.77	<b>27.58</b>	<b>63.00</b>	<b>134.14</b>
1883-CC	0.69	1.85	5.88	17.50
1883-O	4.38	8.77	<b>33.11</b>	<b>142.30</b>
1883-S	1.60	6.23	56.47	19.45
1884	<b>27.58</b>	<b>50.96</b>	<b>68.95</b>	<b>79.43</b>
1884-CC	0.55	1.55	6.37	<b>27.41</b>
1884-O	2.59	4.80	15.33	<b>76.99</b>
1884-S	4.36	3.71	8.90	xxxx
1885	6.27	10.13	<b>22.97</b>	<b>84.35</b>
1885-CC	0.38	0.74	2.95	7.13
1885-O	2.50	4.16	9.63	18.10
1885-S	5.21	7.57	<b>54.14</b>	132.25
1886	3.79	6.03	11.37	13.49
1886-O	2.72	9.36	5.14	xxxx
1886-S	6.37	<b>23.70</b>	27.62	63.22
1887	2.79	4.64	11.02	<b>54.99</b>
1887/6	5.25	6.52	28.31	100.91
1887-O	<b>25.57</b>	<b>29.18</b>	31.24	8.61
1887/6-O	6.73	13.67	xxxx	xxxx
1887-S	11.43	14.49	22.81	120.14
1888	11.00	<b>21.21</b>	<b>35.84</b>	<b>129.17</b>
1888-O	<b>21.15</b>	<b>60.28</b>	<b>69.69</b>	65.72
1888-S	4.03	9.84	31.57	67.21
1889	16.18	<b>41.34</b>	<b>107.56</b>	55.31
1889-CC	0.60	2.15	4.08	xxxx
1889-O	3.54	10.63	21.44	52.98
1889-S	2.25	11.49	25.60	68.72
1890	<b>60.43</b>	<b>121.23</b>	37.67	354.86
1890-CC	0.72	1.50	14.83	52.51
1890-O	11.93	15.49	67.99	93.79
1890-S	15.24	18.62	<b>36.99</b>	27.89
1891	18.51	<b>41.85</b>	<b>35.71</b>	244.96

1891-CC	0.61	1.75	7.16	33.67
1891-O	7.15	<b>24.61</b>	18.41	702.80
1891-S	<b>22.24</b>	<b>48.37</b>	<b>53.11</b>	51.74
1892	7.77	11.09	35.75	121.61
1892-CC	0.49	1.40	3.91	13.23
1892-O	9.36	17.00	25.87	13.77
1892-S	2.26	4.48	4.48	3.04
1893	1.61	3.76	17.47	21.24
1893-CC	0.11	1.44	24.59	xxxx
1893-O	3.32	4.10	2.31	xxxx
1893-S	1.96	1.71	2.32	xxxx
1894	0.95	1.98	12.71	73.68
1894-O	2.10	2.02	30.76	xxxx
1894-S	3.65	8.87	23.48	56.91
1895-O	1.08	1.16	3.73	xxxx
1895-S	1.16	2.79	25.78	10.80
1896	13.32	<b>22.72</b>	<b>64.84</b>	<b>87.49</b>
1896-O	3.33	1.95	6.83	xxxx
1896-S	2.16	6.62	20.57	12.71
1897	<b>30.71</b>	<b>62.24</b>	<b>168.39</b>	<b>106.33</b>
1897-O	7.66	12.59	10.87	12.76
1897-S	10.91	<b>27.05</b>	<b>25.21</b>	<b>45.44</b>
1898	<b>25.43</b>	<b>47.01</b>	<b>90.42</b>	<b>128.81</b>
1898-O	6.17	9.39	18.68	<b>55.51</b>
1898-S	7.31	8.21	25.05	57.16
1899	0.96	4.14	<b>30.59</b>	66.50
1899-O	8.23	13.38	<b>30.45</b>	<b>91.70</b>
1899-S	4.67	9.68	30.03	114.70
1900	14.73	<b>23.82</b>	<b>73.90</b>	<b>99.20</b>
1900-O	10.85	16.86	<b>44.83</b>	<b>77.64</b>
1900-O/CC	1.06	2.37	9.08	21.22
1900-S	4.33	14.02	<b>38.44</b>	61.02
1901	2.83	5.05	8.43	xxxx
1901-O	14.24	<b>26.05</b>	<b>57.56</b>	<b>71.49</b>
1901-S	5.25	12.55	21.27	40.01
1902	17.75	<b>50.55</b>	<b>66.29</b>	<b>67.42</b>
1902-O	8.33	14.33	<b>62.24</b>	<b>145.40</b>
1902-S	2.85	8.40	34.14	50.18
1903	6.38	<b>22.73</b>	<b>47.54</b>	<b>79.82</b>
1903-O	1.02	2.06	16.07	<b>45.22</b>
1903-S	1.46	2.20	7.81	25.74
1904	12.98	<b>21.99</b>	40.71	217.11
1904-O	3.61	6.03	18.15	<b>88.23</b>
1904-S	2.06	4.31	29.20	51.56
1921	6.85	20.51	<b>64.98</b>	<b>63.81</b>
1921-D	12.58	20.84	<b>80.43</b>	<b>90.99</b>
1921-S	15.40	<b>24.15</b>	<b>32.24</b>	8.85

Coins with an Undervaluation Index of 6.00-9.99 are recommended. Coins with an Undervaluation Index of 10.00-19.99 merit a high recommendation. Coins with an Undervaluation Index of 20.00 or higher are given the highest recommendation for potential future appreciation. Coins with an Undervaluation Index of 20 or higher that catalog in *Coin Values* for no more than \$2,000 are highlighted in **bold** above. It may be possible to acquire some coins for less than current catalog value, while others may not be available except at prices higher than catalog value. See detailed discussion in this newsletter for explanation of the Undervaluation Index and its limitations.

(Continued from page 3)

Coin Values catalog value.

Let me show you three examples of how this works. In the Morgan Dollar series, the 1881-S date is the most common issue in high grade, including Mint State-65 quality. The 1889 Morgan Dollar in MS-65 quality is one I have recommended for years as being undervalued. The 1889-CC Morgan Dollar in MS-65 has been so strongly sought by collectors and investors that last year I put this coin on a list to consider selling. For each of these coins in MS-65 quality the respective data are:

Factor	1881-S	1889	1889-CC
PCGS/NGC MS-65+ Population	106,684	3,197	8
Rarity to 1881-S Population	1.00	33.37	13,335.50
Current Coin Values	\$185	\$375	\$275,000
1881-S/Date Coin Values	1.0000	.49333	.0006727
June 1989 Retail Price	\$675	\$2,450	\$125,000
2007/1989 Prices	.2741	.15306	2.2000

Undervaluation Index™ for the 1881-S MS-65 Morgan is:

$$\frac{(1.00) \times (1.0000)}{.2741} = 3.65$$

For the 1889:

$$\frac{(33.37) \times (.49333)}{.15306} = 107.56$$

For the 1889-CC:

$$\frac{(13,335.50) \times (.0006727)}{2.20} = 4.08$$

In June 1989, the 1881-S Morgan Dollar in MS-65 quality was selling for 3.65 times the current catalog value, hence its Undervaluation Index™ of 3.65. The 1889 is more than 33 times rarer than the 1881-S, but only catalogs for twice the price of the common date, and its peak 1989 price was more than six times its current catalog value, hence the Index of 107.56. The 1889-CC is a super rarity, but its current catalog value is almost 1,500 times that of the 1881-S. Because collectors and investors now appreciate its great rarity more than in 1989, its price has actually increased from 18 years ago, hence the™ is only 4.08.

The Undervaluation Index™ number does not itself mean anything. It is only a relative indicator. The 1889 MS-65 Morgan Dollar with an Index of 107.56 is almost certain to far outperform the 1881-S with an index of 3.65.

I expect that most coins will appreciate in the years to come, as the number of collectors and investors continues to increase, so even those coins with a low Undervaluation Index™ may rise in value. However, I anticipate that the coins with the highest Undervaluation Index™ rating will be among the top performers over the next few years.

So, if you are looking for coins with attractive appreciation prospects, I have included the latest analyses of the Undervaluation Index™ for the Morgan and Peace Silver Dollar series and the \$20.00 St Gaudens. To help you sort out which coins you have realistic prospects of being able to afford, I have put in bold all the dates and grades with an Undervaluation Index™ of 20 or higher and have a current Coin Values listing of \$2,000 or less.

Coins with an Undervaluation Index™ of 6.00-9.99 are coins that I would recommend.

For coins with an Index of 10.00 to 19.99, I give a high recommendation. All coins with an Index of 20.00 or higher earn the highest recommendation.

Although I believe the Undervaluation Index™ will prove to be extremely valuable at steering collectors and investors to coins with the best appreciation prospects, there are several limitations to keep in mind.

Most important, the current Coin Values does not necessarily reflect what you might have to pay for solid quality coins.

Take the 1909-D \$20.00 St Gaudens in MS-60 quality, as a perfect example. It has an Undervaluation Index™ of 338.37, indicating a screaming bargain. Unfortunately, PCGS and NGC together have certified barely 600 MS-60 specimens over the past 21 years, or barely two coins per month. This coin is virtually unobtainable. If you find it, you will have to pay at least 15-20% above its \$2,000 catalog value.

Generally, coins with an Undervaluation Index™ over 75 are probably tough to locate.

Another limitation is that the calculating takes into account June 1989 retail prices, but uses current catalog values rather than actual retail prices. We are currently selling the MS-65 1881-S Morgan Dollar for \$145, about 22% below its \$185 catalog value.

If you used the \$145 retail price in the analysis, which I think would improve the accuracy of the Index, the result for the 1881-S would be a higher Index, and a correspondingly lower index for other dates. If the actual selling price for a coin with a high Index is more than 78% of catalog value (to reflect the actual selling price of the 1881-S instead of the catalog value), then you need to keep in mind that a more accurate index number would be lower.

On the other side, if you can obtain a high Index coin for less than 78% of catalog value, that means that it actually deserves a higher index number.

A third limitation of the Undervaluation Index™ is that these coins are only compared to coins of the same grade. A coin may have an Index of 15 in MS-64 and 20 in MS-65, yet the MS-64 coin may really be the better value.

Also, as populations and catalog values change, the Undervaluation Index™ of each coin will change. Unless an extraordinarily large hoard of a particular date of coin appeared, however, the

(Continued on page 5)

## Best Values In Peace Dollars Today

Date	Undervaluation Index		
	MS-64	MS-65	MS-66
1921	2.72	3.43	1.93
1922	6.25	12.45	<b>20.86</b>
1922-D	<b>56.87</b>	<b>65.87</b>	15.66
1922-S	<b>51.39</b>	29.30	12.93
1923	3.33	4.38	6.00
1923-D	<b>31.67</b>	<b>44.54</b>	11.17
1923-S	<b>54.60</b>	18.29	53.72
1924	<b>21.85</b>	<b>25.96</b>	17.01
1924-S	7.16	10.50	5.98
1925	16.07	12.34	8.45
1925-S	<b>21.13</b>	2.59	xxxx
1926	<b>33.77</b>	<b>41.86</b>	<b>30.12</b>
1926-D	<b>20.66</b>	<b>39.42</b>	16.45
1926-S	<b>23.06</b>	<b>40.47</b>	8.94
1927	<b>66.38</b>	43.74	23.02
1927-D	<b>32.45</b>	17.25	11.28
1927-S	7.67	7.35	12.10
1928	4.51	11.87	14.90
1928-S	3.31	3.65	33.42
1934	11.42	17.02	13.74
1934-S	2.13	6.44	4.49
1935	<b>25.92</b>	<b>36.83</b>	22.06
1935-S	8.76	<b>21.98</b>	15.77

Coins with an Undervaluation Index of 6.00-9.99 are recommended. Coins with an Undervaluation Index of 10.00-19.99 merit a high recommendation. Coins with an Undervaluation Index of 20.00 or higher are given the highest recommendation for potential future appreciation. Coins with an Undervaluation Index of 20 or higher that catalog in Coin Values for no more than \$2,000 are highlighted in bold above. It may be possible to acquire some coins for less than current catalog value, while others may not be available except at prices higher than catalog value. See detailed discussion in this newsletter for explanation of the Undervaluation Index and its limitations.

(Continued from page 4)  
 changes are likely to be modest.

The last of the limitations that I men-

tion is that a low Index for scarce coins may indicate coins that have continuing long-term interest in their rarity. They may do well in the

future because of this. The nature of my analysis assumes that they have earned a low Index because much of their formerly potential appreciation has now occurred, leaving less potential in the future. "Momentum investors" may actually be drawn to such coins and keep them rising more in the future than I expect.

By the way, I believe that using population figures for coins of a particular grade plus higher quality specimens is more accurate than just using one grade. You may have two different coins that each have a certified MS-64 population of 3,000 but one might have 3,000 more coins graded MS-65 and higher while the other may only have 100 specimens in higher grade. I think the combined MS-64+ population of 6,000 versus 3,100 is more useful than looking only at the MS-64 population figures.

In this newsletter, I have listed the latest Undervaluation Indices for the Morgan Dollars (MS-63 to MS-66 quality), Peace Dollars, (MS-64 to MS-66 quality), and \$20.00 Saint Gaudens (MS-60 to MS-66 quality). Although there isn't room to include all the underlying data of certified populations, June 1989 prices, and current catalog prices, we would be glad to mail or email copies of these analyses to you upon request.

Over time, I plan to expand this analysis to other segments of the U.S. coin market. The next areas to cover are the 12-coin U.S. Gold Type Series and the Classic 1892-1954 Silver and Gold Commemoratives.

By the way, this Undervaluation Index™ generally confirmed specific coin recommendations I have made in the past. In looking at a list of Morgan Dollars I recommended seven years ago, for instance, the major reason for a coin not getting a high Undervaluation Index™ today is that the coin's price has increased by a lot since then.

*Collecting Tip #1:* Because these Undervaluation Indices are only guidelines, don't feel that you have to restrict your interest to only coins with the highest Indices. Have fun acquiring 20 different coins that each have a high Index, rather than trying to accumulate only 20 of the same coin.

*Collecting Tip #2:* Just because it looks like there are lots of coins that earn the highest recommendation, that doesn't translate into being able to locate very many of these coins. You would be fortunate if even 1% of all the Morgan Dollars you examined might be one of these high Index coins.

(Continued on page 6)

## Best Values in \$20.00 St Gaudens Today

Date	Undervaluation Index						
	MS-60	MS-61	MS-62	MS-63	MS-64	MS-65	MS-66
1907 High Relief	1.64	1.60	1.76	1.54	1.24	1.88	1.64
1907	19.45	19.24	9.69	17.32	16.80	16.34	20.10
1908 No Motto	1.57	1.55	1.57	2.16	3.27	3.65	3.24
1908-D No Mott	<b>67.56</b>	<b>67.27</b>	<b>68.68</b>	<b>95.35</b>	69.79	49.52	45.03
1908 With Motto	<b>137.92</b>	<b>139.81</b>	<b>84.04</b>	112.25	54.51	37.92	37.52
1908-D With Mo	<b>101.61</b>	<b>103.33</b>	<b>106.32</b>	<b>89.47</b>	58.18	47.20	103.51
1908-S	83.45	80.60	76.61	49.04	47.70	42.33	15.48
1909	<b>196.25</b>	<b>205.43</b>	<b>72.82</b>	47.85	52.29	42.79	7.83
1909/8	<b>81.33</b>	39.12	24.38	25.66	29.88	38.04	14.71
1909-D	338.37	298.14	103.31	59.06	26.02	42.98	22.06
1909-S	<b>41.27</b>	<b>41.30</b>	<b>51.88</b>	<b>79.22</b>	<b>45.62</b>	45.22	110.32
1910	<b>36.34</b>	<b>36.43</b>	<b>38.46</b>	<b>96.14</b>	<b>109.78</b>	98.68	121.20
1910-D	<b>39.37</b>	<b>39.01</b>	<b>38.88</b>	<b>64.41</b>	<b>94.27</b>	39.08	42.92
1910-S	<b>64.22</b>	<b>64.54</b>	<b>68.64</b>	<b>95.48</b>	131.62	105.69	58.06
1911	<b>110.45</b>	<b>111.54</b>	<b>78.53</b>	51.78	57.83	58.30	30.54
1911-D	<b>18.22</b>	<b>18.25</b>	<b>18.84</b>	<b>26.57</b>	<b>31.91</b>	22.01	57.26
1911-S	<b>50.92</b>	<b>50.57</b>	<b>50.30</b>	<b>77.12</b>	<b>57.99</b>	44.98	35.28
1912	<b>115.70</b>	<b>120.87</b>	<b>164.77</b>	<b>134.43</b>	132.70	81.21	40.15
1913	<b>114.98</b>	<b>120.85</b>	<b>55.05</b>	48.49	47.31	37.52	xxxx
1913-D	<b>62.17</b>	<b>61.88</b>	<b>62.25</b>	<b>64.76</b>	49.59	75.70	45.51
1913-S	<b>68.43</b>	43.98	34.30	39.12	42.29	70.46	81.01
1914	<b>51.83</b>	<b>48.10</b>	<b>60.15</b>	66.66	35.61	66.95	119.14
1914-D	<b>36.05</b>	<b>35.81</b>	<b>35.03</b>	<b>51.52</b>	<b>42.25</b>	42.53	110.85
1914-S	11.51	11.45	11.29	18.68	<b>28.95</b>	<b>29.59</b>	32.03
1915	<b>154.89</b>	<b>157.14</b>	<b>112.40</b>	119.33	91.21	45.56	xxxx
1915-S	14.82	14.70	14.37	<b>20.43</b>	<b>29.45</b>	28.66	36.27
1916-S	<b>45.78</b>	<b>45.45</b>	<b>44.21</b>	<b>36.48</b>	<b>25.41</b>	21.75	52.33
1920	<b>45.08</b>	<b>45.69</b>	<b>50.93</b>	<b>128.00</b>	113.74	72.92	xxxx
1902-S	32.16	27.75	20.69	14.85	6.77	16.94	6.00
1921	10.34	7.71	7.18	8.74	10.27	5.98	4.10
1922	5.47	5.47	5.62	11.03	<b>34.24</b>	59.05	129.28
1922-S	40.50	30.32	29.73	41.83	44.58	31.46	xxxx
1923	8.78	8.83	9.28	<b>21.19</b>	<b>104.36</b>	83.74	101.83
1923-D	<b>28.81</b>	<b>28.46</b>	<b>27.09</b>	<b>33.69</b>	<b>32.86</b>	<b>27.75</b>	24.04
1924	0.73	0.73	0.72	0.97	1.48	2.32	5.06
1924-D	78.56	58.88	63.99	56.02	39.28	41.64	16.92
1924-S	71.57	61.22	68.01	35.43	40.59	20.64	xxxx
1925	4.44	4.42	4.43	6.26	10.01	17.04	39.49
1925-D	83.53	73.50	58.35	32.85	14.61	29.93	14.07
1925-S	25.87	20.70	18.34	20.94	26.86	44.59	9.10
1926	8.81	8.74	8.61	11.17	15.42	<b>22.92</b>	57.23
1926-D	14.66	11.81	12.63	13.34	12.68	24.71	6.75
1926-S	89.78	65.22	57.31	41.29	38.80	25.72	16.05
1927	1.47	1.46	1.44	1.90	2.63	3.81	8.53
1927-D	xxxx	xxxx	xxxx	5.58	4.22	2.02	0.52
1927-S	78.52	37.49	21.27	31.85	28.57	21.85	17.15
1928	4.29	4.28	4.26	5.83	8.42	11.05	15.54
1929	46.60	38.70	31.21	15.78	12.61	17.30	xxxx
1930-S	111.92	149.67	127.03	15.17	17.66	18.67	11.26
1931	43.02	40.75	23.52	14.03	8.89	11.01	8.34
1931-D	29.82	19.33	12.34	5.81	5.94	10.20	11.77
1932	39.88	45.02	39.21	9.47	10.17	8.95	4.55

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(Continued from page 5)

In the past several years, the rare coin market has been quite healthy. The appearance of the State Quarter and Sacagawea Dollar series have prompted a major surge in the number of coin collectors.

Twenty years ago, when the Buddy Ebsen and Jascha Heifetz coin auctions each realized \$7 million, those were outstanding events.

Last month, one coin auction company sold \$75 million of merchandise at their auctions at the Florida United Numismatists show in Orlando, with virtually no impact on industry liquidity. Instead, I heard dealers complaining that they were unable to spend even more money!

This surge in rare coin demand has not come from collectors and investors waiting for a flood of "Wall Street" money. Instead, demand is increasing at every level of the economic strata, from those collecting State Quarters out of change to a handful who are each spending millions of dollars every year. In total, this demand far exceeds that amount of investment money that was anticipated in 1989.

Rare coins are attractive because they often represent a great value for the rarity and beauty compared to other kinds of long-established collectibles such as artwork. They also don't have the risk of being a passing fad like so many things of the past two decades (Beanie Babies, anyone?). Even better, they are the most liquid of all collectibles.

Rare coins are desired for more than their investment potential. They combine history, beauty, and rarity in something people can actually own and hold in their hands. To many collectors, the appreciation potential is just a bonus.

The debut of the U.S. President Dollars is little more than a week away. I fully expect that these coins will be pulled from circulation almost as fast as they are released. We are likely to enjoy another boost in the number of coin collectors, followed by higher prices for rare coins.

Feel free to contact us for help with any rare coins that you do not see featured in our offerings.

## Gold and Gold Coins

Gold closed today at \$652.50, a big jump of \$41.00 (6.7%) from four weeks ago

Customer buying and selling activity have been strong thus far in 2007. Sellers have been mostly realizing huge profits while buyers anticipate that the major increase in gold prices has yet to come.

## The Month

Gold Range	46.00	7.5%
Net Change	+41.00	
Silver Range	1.32	10.7%
Net Change	+1.32	
Gold/Silver Ratio	47.8	
Net change	-1.7	
Platinum Range	55.00	4.5%
Net Change	+42.00	
Platinum/Gold Ratio	1.82	

Date	Gold	Silver	Platinum
Jan 10	611.50	12.35	1,144.00
Jan 11	612.50	12.38	1,132.00
Jan 12	625.25	12.78	1,143.00
Jan 15	closed		
Jan 16	624.50	12.54	1,131.00
Jan 17	631.50	12.80	1,140.00
Jan 18	627.75	12.61	1,152.00
Jan 19	635.00	12.84	1,168.00
Jan 22	633.00	12.92	1,164.00
Jan 23	645.00	13.18	1,180.00
Jan 24	647.50	13.20	1,168.00
Jan 25	647.50	13.42	1,176.00
Jan 26	644.00	13.30	1,170.00
Jan 29	642.75	13.17	1,160.00
Jan 30	644.50	13.31	1,168.00
Jan 31	652.00	13.50	1,172.00
Feb 01	657.50	13.67	1,182.00
Feb 02	646.00	13.32	1,160.00
Feb 05	650.50	13.52	1,162.00
Feb 06	653.50	13.63	1,181.00
Feb 07	652.50	13.67	1,186.00

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.

One area where activity has fallen off noticeably, though, is in demand for the new year's American **Eagles** (5.2-12.2%). We have a number of customers that call up each January to purchase the one ounce or all four sizes of Eagles to add to their collection. Last year, there was some hesitancy with gold prices than being over \$500, the highest at which Eagles had ever sold. This year, with gold above \$600, many of the people have stopped adding to their Eagle collections.

The 2007 U.S. American **Buffaloes** (5.6%) may be released soon. The Mint plans to issue 1/10, 1/4, and 1/2 Oz Gold Buffaloes this year in special collector editions. I don't know if the smaller coins will be put on sale at the same time and the 1 Oz issue.

After several months in the doldrums, **Com-**

**mon-Date U.S. Gold Coins** have started to come to life. The surge is being led by coins I have recommended over the past few month, such as the MS-63 and MS-64 \$5.00 Liberties, and \$10.00 Liberties and Indians, with many other prices up slightly in the past month.

Even more attention is being paid to **Better-Date U.S. Gold Coins**. The new editor of the *Coin Market* section of the weekly *Numismatic News* has announced that he will be correcting the listings of many rarer \$20.00 St Gaudens that list for little to no premium over type coins in the catalog, but actually sell for higher prices. There is definite interest from dealers and collectors in snapping up such coins before this section of the catalog is revised. Fortunately, we have a nice selection of **Better Date \$20.00 St Gaudens** which all have an Undervaluation Index™ of 20 or higher along with bargain prices. See our flyer for details.

## Silver and Silver Coins

Silver finished today at 13.67, up a huge \$1.32 (10.7%) from last month. This strength has held even after one wholesaler told us yesterday that a "a multi-thousand bag lot of U.S. **90% Silver Coin**" (0.2%) had been liquidated. The market is in such desperate need of silver that even this one shot sale of over a million ounces doesn't come close to having any impact.

The premium on 90% Silver Coin is down slightly from last month, which I attribute mostly to the higher silver price. Premiums are also down slightly for U.S. **40% Silver Coin** (0.2%) and **100-1 Ounce Ingots** (2.9-3.8%) silver value.

There is one area of what I expect is just a temporary legal quandary. When the U.S. Treasury banned the melting of nickels on December 14, 2006, it did not carve out an exemption for the 1942-1945 nickels that have a 39% silver content that had been getting melted to recycle silver. Until (or if?) this is straightened out, some refiners are refusing to purchase these coins at all, or only at a huge discount so they can wait for it to be legal to melt them. If you are currently holding any quantity of these coins, you may want to hold on to them until the legal landscape has been cleared.

Demand is solid for **Better-Date Morgan and Peace Silver Dollars**, which I expect will get even more interest after the U.S. President Dollars debut. See our enclosed offer of some **Better Date Morgan Dollars** that all have a high Undervaluation Index™.