Liberty's Outlook

Volume 14 Issue 1 Liberty Coin Service's Monthly Review of Precious Metals and Numismatics January 2, 2008

Gold And Platinum Hit All-Time Highs!

Page 3: 10 Fearless Forecasts For 2008!

Special Urgent Action Issue!

On November 29, 2001, the prices of gold, silver, and platinum closed at $273.50, $4.07, and $446.00, respectively.

In just over five years, at the end of 2006, gold closed at $635.00 (up 132%), silver at $12.83 (up 215%), and platinum reached $1,130 (up 153%).

These compared to a rise in the Dow Jones Industrial Average (DJIA) of 26.8% and in the NASDAQ of 24.9% over the same period. The U.S. Dollar Index, a measure of the relative value of the U.S. dollar against other major currencies, declined 27.2%!

So, what did we see for an encore in 2007?

- Gold tacked on another 31.5% to end 2007 at $835.00, near its all-time high close (if you ignore inflation).
- Silver increased another 15.4% to finish 2007 at $14.80. Along the way, silver enjoyed its highest close in more than 27 years on November 9 at $15.50.
- During 2007, the price of platinum climbed to new record high levels several times, hitting its highest close at $1,532.00 on December 26. It finished the year at $1,510.00, up an awesome 33.6% for the year!
- As for the U.S. stock markets, the DJIA was up 6.4% and the NASDAQ 9.8% for the year.
- The U.S. Dollar dropped again, with the Index down another 8.4%!

2007 Results

Precious Metals	
Platinum	+33.6%
Gold	+31.5%
Silver	+15.4%
Palladium	+11.1%
Numismatics	
US Proof Silver Eagles, 1986-1998	+49.9%
US MS-63 $20 Liberty	+46.3%
US MS-63 $20 St Gaudens	+38.2%
US Large Size Currency Index	+10.0%
LCS US Invest Blue Chip Coins Idx	+7.2%
LCS US Collect Key-Date Coin Idx	+3.5%
LCS US Invest Better Date Coins Idx	-1.4%
US Silver Proof Sets 1950-1964	-2.0%
US MS-65 Morgan Dollar, Pre-1921	-3.3%
LCS US Collect Generic Coins Idx	-3.5%
US Non-silver Proof Sets, 1968-98	-8.0%
Commodities	
Eggs, large white Chicago	+110.6%
Corn oil, crude wet/dry mill	+108.8%
Soybeans, #1 yellow	+77.5%
Flour, hard winter KC	+76.2%
Wheat, Hard KC	+68.3%
Crude Oil, Brent	+53.9%
Cheddar Cheese, bulk Chicago	+52.6%
Gasoline, conv reg NY	+50.6%
Lard	+39.1%
Cocoa, Ivory Coast	+37.2%
Natural Gas	+36.3%
Cottonseed meal	+31.3%
Coffee, Columbian NY	+22.1%
Corn, #2 yellow	+16.6%
Sorghum (Milo) No. 2 Gulf	+16.0%
Hominy feed, Cent IL	+15.4%
Oats, #2 milling, Minneapolis	+9.2%
Broilers, Dressed "A"	+9.0%
Copper	+7.7%
Butter, AA Chicago	+4.2%
Beef, choice	+3.3%
Sugar, can, raw, world	+1.7%
Aluminum	-15.1%
Hogs, Sioux Falls	-20.5%
Nickel	-25.4%
Zinc	-46.3%
US Dollar vs Foreign Currencies	
Brazil Real	-17.2%
Philippines Peso	-16.2%
Thailand Baht	-16.0%
Canada Dollar	-15.9%
India Rupee	-10.6%
Euro	-10.4%
Australia Dollar	-9.9%
New Zealand Dollar	-9.1%
Peru Soles	-8.1%
Switzerland Franc	-7.7%
China Yuan	-6.6%
Chile Peso	-6.5%
Malaysia Ringitt	-6.2%
Japan Yen	-5.7%
Singapore Dollar	-5.7%
South Africa Rand	-3.4%
Great Britain Pound	-2.0%
Taiwan Dollar	-0.3%
Hong Kong Dollar	+0.3%
South Korea Won	+0.5%
Mexico Peso	+0.8%
Indonesia Rupiah	+4.3%
U.S. Dollar Index 76.695	-8.4%
US And World Stock Market Indices	
Frankfurt Xetra DAX	+22.3%
NASDAQ	+9.8%
Dow Jones Industrial Avg	+6.4%
London FT 100	+3.8%
S&P 500	+3.5%
Russell 2000	-2.7%
Nikkei 225	-11.1%

As the year 2007 progressed, the financial news for paper assets and currencies kept getting worse. By one analyst's calculation, governments and central banks around the world had mobilized about a half *trillion* dollars to attempt to hold down the price of gold.

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Altogether, it looks like governments and central banks have flooded the paper asset markets with at least a trillion dollars of liquidity to help prop up the values of paper assets such as stocks, bonds, and mortgages.

As smaller efforts proved inadequate to cure the growing liquidity crisis, central banks took even larger and more blatant measures.

The largest, so far, came on December 18 when the European Central Bank (ECB) announced that it stood ready to make 14-day loans at 4.25% to commercial banks around the world. Within 24 hours, the ECB had loaned just over a half trillion dollars worth of these notes. The timing of this loan made it possible for banks to postpone the day of reckoning until after December 31, a major financial reporting and market analysis date. The U.S. Federal Reserve and the Bank of England added at least another $50 billion of liquidity in December. The central banks of Canada and Switzerland also stated that they were ready to take similar actions.

Without this liquidity injection, many financial institutions would either have been forced to liquidate investments on which they would book huge losses in 2007 or have to book huge write downs in the carrying value of many assets still on their books. By making it possible to brokers and banks to avoid having to sell such things as the "collateralized debt obligations (CDOs) of mortgages extended to "sub-prime" borrowers, they don't have to book all of their losses in 2007.

These larger and more desperate attempts to "stabilize" or "rescue" the paper asset markets now present informed private citizens with:

A Huge Profit-Making Opportunity!

Even though evidence of the market manipulations to suppress the price of gold and to prop up stock market values became more obvious as the year progressed, it seems that most investors simply don't understand what has happened, what is going on now, and what will transpire in the months and years to come.

Many investors, including some top caliber investment analysts, just don't understand that owning U.S. paper assets now has extremely high risk. To give you an example of what I mean, lets compare how gold, silver, and platinum have fared against the DJIA and NASDAQ after adjusting for the 33.3% decline in the value of the U.S. dollar since November 29, 2001:

Category	*Adjusted % Change 11/29/01-12/31/07*
Gold	+103.6%
Silver	+136.9%
Platinum	+126.5%
DJIA	-10.0%
NASDAQ	-8.5%

In other words, for the past six years, ownership of U.S. stocks has not even covered the fall in the value of the U.S. dollar, while gold, silver, and platinum have all more then doubled in value!

I expect that the boom in the prices of gold and silver are just getting started. Even though many people did not buy gold when it was under $300, or silver when it was less than $5.00, it is not too late. The best advice I can give is to:

Buy gold and silver now! Not next month or even next week. Today!

Before I go further about what I foresee in 2008 and beyond, let's look back at what happened in 2007 and how my predictions for the year fared.

A Look Back At 2007

Gold: After ending a volatile 2006 at $635.00, its highest year-end price since 1979, the price of gold quietly stayed in the $600s for more than eight months.

Gold hit its 2007 low when it closed January 5 at 605.25. As reports started to surface of the problems with unexpectedly high default rates with sub-prime mortgages, investment demand for gold took off.

Gold finally settled above $700 on September 7 when it closed in the U.S. at $700.75 and has not gone below that level since then.

In late September, the gold price topped the 2006 high, to become the highest U.S. price since 1980!

Gold first settled above $750 on October 11 and has not closed below that level since October 12.

Massive central bank and government intervention prevented gold from closing above $800 at the end of October. But not for long. On November 2, gold settled at $807.50. It has not closed lower than $776.75 since then.

When gold closed at $839.50 on December 28, that was the second highest close on any date ever (ignoring inflation)!

At the start of the year, I predicted that gold had a 75% chance of topping $750 at the end of 2007. Before you start thinking that I know everything, though, I also gave gold a 55% chance of closing the year above $1,000.

Absent the massive government intervention, gold may well have topped $1,000 in 2007. John Embry, Chief Investment Strategist at Sprott Asset Management has been a savvy gold analyst for a long time. In mid-December he published an essay where he calculated that the price of gold would be about $400 higher now if governments and central banks had not devoted so many resources to holding down the gold price.

Silver: Silver closed at $12.83 at the end of 2006.

After moving in the $12-13.97 range, it finally closed above $14 on February 19. After hitting a high at $14.67 a few days later, prices were knocked down again because of a large increase in the number of short positions on the New York Comex commodities exchange.

Prices roamed from $12.00 to a bit over $14.00 when if finally broke through on the downside on August 16. Although intraday trading dipped to almost $11.00, the lowest closing price in the U.S. was $11.55 on August 21.

By August 31, silver was back above $12.00 to stay. On September 20 it rose above $13.00 and has since stayed above that level.

Silver reached its annual peak on November 9 at $15.50 and has been mostly in the upper $13s to near $15 ever since, ending 2007 at $14.80.

At the start of 2007, I gave silver a 95% chance that it would end the year above $13.00, which it did. However, it did not perform as well as I expected—I had given a 70% probability that silver would end the year above $20.00. But for huge increases in the short positions in the Comex silver market, that higher level might have been achieved in 2007.

Platinum: Platinum ended 2006 at $1,130. It touched its 2007 low at $1,100 on January 5, then generally rose gradually.

On May 4, platinum set a new all-time high price when it closed at $1,318.00. It finally topped $1,400 at the close on October 11, $1,500 on December 19, and reached its all-time high of $1,532.00 on December 26 before ending the year at $1,510.

I declined to make any forecasts for platinum or palladium in 2007 as my knowledge is not as deep for those metals as for gold and silver. Much of the impetus pushing up the price of platinum was concerns over supply disruptions caused by work stoppages.

In general, platinum and palladium are both markets that are primarily affected by industrial demand. Although demand is growing for both metals, new supplies are growing right along with them. Because neither of these two metals have long-term fundamental supply shortages

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like gold or silver, I consider them more speculative and likely to have less appreciation potential than either gold or silver.

Palladium: Palladium finished 2006 at $334 and 2007 at $371, a respectable increase. I do not track these prices on a daily basis, I believe that it traded in the $300s for the entire year.

Rare Coins: As you can see in the chart on the front page, it looks like the rare coin market had a so-so year.

However, the raw indices hide a lot of variances in the details. For instance, a number of Collector Key Date Coins had soared in price over several years prior to 2007. Some prices had quintupled or even higher. We warned to expect some collector price resistance in 2007, which led to some slight price declines during the year.

The indices for Investor Coins have a bias which tends to understate their performance. To eliminate any personal bias, I used published data on wholesale sight-unseen bid prices to figure these indices. This data is for coins that tend not to be very nice specimens for the certified grade, meaning that coins available at these levels are usually not nice enough for us to offer to our retail customers.

In the years since I began these two indices, there has been a growing divergence between coins that trade on a sight-seen basis (the nicer quality coins) and those that trade sight-unseen. So, these two indices understate the performance in these two categories.

Among types of U.S. coins, the demand for U.S. gold coins in 2007 was so strong that prices rose even more than the increase in the gold spot price for many types and grades.

Perhaps the slowest part of the U.S. market in 2007 was U.S. gold and silver commemoratives. Owners of attractive coins are disinclined to sell at today's bargain levels, with the result that many such coins on the market are not acceptable to fussy buyers like LCS.

The sharp rise in the Proof Silver Eagle Dollars needs to be put in better context. From the start of the Statehood Quarter series in 1999, the prices of these coins nearly tripled over the next several years. Prices got so high that quantities were liquidated. In 2005 and 2006, prices dropped so much from this profit-taking that they once again reached bargain levels. Hence, the 2007 increase was more of a correction of an oversold market rather than a reflection of a strong market going forward.

The U.S. Large Size Paper Money continued is solid performance. In August 1988, LCS Inventory Manager Paul Manderscheid and I prepared a list of 26 type notes in a variety of grades, for a total of 121 different issues that we considered to have good appreciation potential. If you had purchased one of each of these notes at the time, you would have spent $21,755 to purchase them. At the end of 2007, this same group of notes would have cost you $100,295, a much better result than for many coins over that time.

I have stated it repeatedly over time, but savvy collectors and investors are jumping to purchase nice quality coins when they can be found, with many still at significant discounts to previous higher price levels. It has become increasingly difficult to locate any nice groups of coins at reasonable prices. In the past year, as a result, LCS has featured more small-quantity offerings and fewer where we had large quantities. I expect this trend to continue until prices rise sharply from current levels.

Summary: Overall, precious metals clobbered the results for paper assets—again. The rare coin market had a number of bright spots, but also saw some areas take breathers after nice appreciation in prior years..

So what do things look like for 2008?

Ten Fearless Forecasts For 2008

In the last several months of 2007, it seemed like there was almost a new financial crisis somewhere in the world every day.

A major general concern of investors is the safety of the principal they invest, with several formerly AAA highly-rated investments now only worth 40-80% of face value. Those with cash are increasingly unwilling to lend at all, resulting in a liquidity crisis where some assets have been liquidated at low prices simply in order to avoid an even worse fate if they didn't take such steps.

Unfortunately, the governments and central banks are trying to pretend that everything is fine, that the problems are limited to certain areas such as residential real estate and sub-prime mortgages, and that the worst is already over. Much of the general public doesn't read publications such as this to learn the truth underneath the statistics and manipulations—and will suffer in 2008 and beyond because of it.

The financial problems are much worse than publicly portrayed and the efforts by governments to fix the problems will almost all end up making things worse. They certainly are not curing the problems.

In fact, many of the "patches" applied to the financial markets had the goal of just getting to 2008 before things fall apart. Now that we are in 2008, it will take a much larger effort to push off problems all the way to 2009. I am seriously worried that this won't be possible.

Today's precious metals boom may be just a taste of what we can expect for the rest of 2008.

Given this background, here are my ten fearless forecasts for 2008. In each instance, I give my "optimistic" prediction of what will happen in the best-case scenario from the perspective of governments and central banks. Then, I list what might happen if things really turn as bad as they just might.

1) Gold: At the minimum, I expect gold not only to break over $1,000, but to reach at least $1,300 by the end of the year. If gold reaches $1,300 by the end of March, we could easily see gold climb above $2,000 by December.

2) Gold Demand In China: The Chinese government is further liberalizing the ability of private citizens to own gold in 2007. There are huge numbers of Chinese investors who have earned huge stock profits over the past few years who are looking for an alternative place to park their money. One analyst thinks that there may be so much money waiting to buy gold that it could snap up more than one year's global production at current prices. A rise in demand of only 5% of that amount would provide a major boost in the gold price.

If demand really is large enough to take up a whole year's worth of gold production, then gold should easily get to $2,000.

3) Silver: This market is the closest to a sure thing for a major payoff that I have ever seen. It has taken an agonizingly long time to take off, even though prices have more than tripled in the past six years.

At the least, I expect silver to climb over $20 this year. If it can do so by the end of March, it could easily reach $30 by December.

If things turn really ugly, silver could hit $50 this year and maybe much higher.

4) Rare Coins: I expect this to be a break-out year for U.S. Gold Coins, for two reasons. First, higher gold prices will prompt more demand. Second, as I discuss in detail later on, demand could increase from the deliberate and deceptive scaremongering by some newsletter writers and coin dealers trying to get customers to purchase higher profit-margin coins.

Actually, I don't really see any completely weak areas in the rare coin mar-

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ket, ranging from ancient coins, to more modern U.S. and foreign coins, to paper money.

If I had to pick one area to stay away from, it would be to pay high premiums for modern collector coins that are certified by the grading services. Virtually all of such issues have survived in ultra high condition, so don't be impressed into paying high prices for a certified Mint State or Proof-69 or –70 coin. Most of them will not hold any significant premium over uncertified coins down the road when you want to sell them.

5) The U.S. Dollar: At the most optimistic, I expect the U.S. dollar to decline at least 10%. I really expected the U.S. Dollar Index to fall to 65 or less by the end of 2008.

It is entirely likely that the U.S. dollar will further retreat from its status as the dominant currency for international commerce. This could be a multi-year process in the best of circumstances.

If, on the other hand, we see a real financial meltdown, the U.S. dollar could become virtually worthless almost overnight.

6) U.S. Banks and Brokerages: The recent moves by Citigroup, Merrill Lynch, Bear Stearns, and other U.S. institutions to accept capital infusions from governments and central banks in the Middle East and Far East at horrendous terms is a sign that wide segments of the U.S. financial industry are, for all intents and purposes, bankrupt.

The tens of billions of dollars of losses booked from sub-prime mortgage losses in 2007 will not be "the worst of it" as we are being misled to believe. Instead, I expect losses to be even higher in 2008, and even be significant into 2009.

Earlier in 2007, one Swiss bank estimated that the total losses from the sub-prime mortgage fiasco would be just over $50 billion. The latest conservative estimate from the Federal Reserve is that it is going to cost $200 billion. I personally think the final cost will be in the $500 billion to $1 trillion range.

7) Other Debt Instruments: Already, delinquencies on U.S. automotive loans, made for assets that depreciate rather than "appreciate" such as residential real estate in theory, are much higher than they were a year ago.

In addition, credit card delinquencies are rising. Such debt generally has no collateral that can be seized to cover unpaid debts. I fear that there is a real danger that one or more major issuers of credit cards could go bankrupt in 2008.

There are also signs of a growing debt problem in commercial real estate. An Australian company that owns 700 U.S. shopping centers missed payments of more than $1 billion in December. Delinquent commercial real estate debt in Great Britain has also been growing.

With so much debt going into default, it will become increasingly difficult for anyone to borrow money, no matter how creditworthy they might be and how much collateral they may offer. This will have the effect of inhibiting business development.

8) Government Statistics: U.S. government financial statistics are being increasingly manipulated and less accurate at measuring what they claim. It has also become more widely understood that such statistics are unreliable and not safe to use for decision-making.

Walter J. Williams, a consulting economist, has a website (www.shadowstats.com) where he attempts to report current government statistics by the same standards at which they used to be gathered.

For example, the U.S. government has changed the definition of the unemployed so that it excludes 5 million unemployed that used to be included. If these people were still included, the U.S. unemployment rate would be about 12%.

Williams also calculated that the U.S. Consumer Price Index (CPI), a widely used measure of the effects of inflation, is running at 8%, more than double the government figure. He also thinks that the U.S. Gross Domestic Product is already contracting.

Last, he calculates that the M3 definition of the money supply is expanding at 15%. This is the definition of money supply which would disclose U.S. Treasury debt and currency being repatriated from other governments and central banks, and which the U.S. government ceased reporting entirely almost two years ago.

I predict that inflation will be much higher in 2008 than in 2007 and that more of the general public will pay more attention to private calculations of actual inflation than believe the government statistics.

9) Imposition Of Monetary Controls: Thus far, the central banks have tried to overcome the growing unwillingness of investors to loan or invest money by fabricating money, directly and indirectly, out of thin air to replace it.

As this problem gets worse, I fear that both governments and private entities, out of desperation, may impose withdrawal restrictions that limit your access to your own money. Even if a private bank or broker technically cannot do that now, I would not be surprised to see Congress retroactively changing the terms of such accounts to make that permissible.

If this comes to pass, I expect it to make problems worse rather than better, as it will discourage private citizens from using banks or brokers at all.

10) A Lawsuit Boom: In 2008, I foresee a booming market in lawsuits over losses from debts.

Those who repackaged low quality mortgages into investment CDOs rated AAA investment quality are likely to be sued by pension funds, hedge funds, and other financial institutions that have lost money. The victims will also likely sue the credit agencies that assigned unrealistically favorable credit ratings.

Among other potential lawsuits will be between brokers who sold the CDOs and the banks who originated the mortgages with little quality controls.

Claims against insurance companies could be so high that they will be forced into bankruptcy. Individual pensioners who see their benefits cut may sue the pension funds.

Unfortunately, this problem will likely be even worse in 2009 and beyond.

I also suspect that the legal quagmire will lead to the failure of one or more major bank or brokerage, maybe by the end of 2008.

Contrary Opinions

I don't mean to come across as all doom and gloom, but I just call it as I see it. Sadly, I really expect all of my forecasts to come to pass in 2008.

I think this even though one highly successful investment manager for whom I have a high regard sees a different scenario for 2008. Ken Fisher, himself a billionaire, manages about $45 billion of investments. He is also one of the longest serving columnists for *Forbes*, where you only get to keep writing as long as your message turns out to be relatively on target.

Fisher wrote in late October or early November that he expects the U.S. stock market to do well in 2008 because public company profits are higher than the cost of borrowing money to make more profits.

When he wrote that, Fisher may not have had the latest data available to him. In his analysis, he still reports that corporate profits were strong.

However, other analyses show that public company 3rd quarter 2007 operating profits were down from 2.5-8.5% compared to a year earlier. If you include the write downs for bad debts and other non-operating write-offs, then 3rd quarter 2007 net income fell by 28%

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compared to a year earlier!

Falling profits will not sustain a rising stock market for very long, no matter what Fisher thinks.

Fisher also argues that there is plenty of liquidity around (with which I agree) but that everyone is afraid to loan it to others and also wants to hold onto it themselves as protection against possible "runs against their own bank.' If everyone were to just settle down and act normally, the liquidity problem will be resolved.

As much as I respect Fisher's talents, I think he will prove wrong in 2008. Sure, the Federal Reserve may create enough money to prop up the stock markets, but it cannot keep it up forever.

GATA Sues U.S. Government To Disclose Details Of U.S. Gold Holdings And Gold Trading

In early December, the Gold Anti-Trust Action Committee (GATA) served the United States Treasury and the Federal Reserve with Freedom of Information Act (FOIA) requests to provide documents dealing with the U.S. government's gold holdings and any documents about gold swaps or leasing activities.

These FOIA requests are beautifully worded in such a way that compliance with the requests will help these agencies fulfill their publicly stated purposes of educating the public about their activities.

The Treasury and Federal Reserve have been aggressively stonewalling GATA and their allies who have sought to obtain this information in the past.

Even though GATA retained top consultants and legal assistance to craft these FOIA requests for the maximum chance of success, I expect this to be a long dragged out process at best, with every possible obstacle put up to delay or avoid releasing this information.

However, GATA is preparing a publicity campaign over this request, hoping that there will be enough public outcry for the release of these documents that there is some chance of success.

Simply the publicity over this FOIA request, and all the legal maneuvering that may go on, could be enough to spur more interest in owning gold, even if no significant information is ever released.

Beware The "Gold Confiscation" Scams

Watch out. They're at it again. We have received an unusually large number of inquiries from customers in the past few weeks asking about buying gold coins that are safe from "government confiscation."

It appears that this time around, the originator of this concern may be a newsletter writer named Lawrence Patterson. If I understand him accurately, he is predicting that the U.S. government will begin confiscating gold from its citizens within 12 months. The "only" way to safely own gold coins, he advocates, is to acquire only those that trade for more than double their metal value.

This isn't the first time this specter of gold confiscation has been raised. I don't think it is any more realistic this time than it was 20 years ago. And, like two decades ago, the only ones who will benefit will be the coin dealers that are able to sell higher profit-margin merchandise to gullible customers.

Back in 1933, President Roosevelt called in gold coins and gold certificates for full compensation with other forms of money. There was an exemption for numismatic items of special value. Once the redemption program was completed, Roosevelt raised the price of gold from $20.67 per ounce to $35.00. The increase was enough to cover 18 months of Federal Government expenditures at the time.

When gold was called in in 1933, gold coins were still circulating money. From 1933 to 1974, it was largely illegal for U.S. citizens to purchase gold coins, and even today they no longer are circulating coinage.

Because Americans could not own gold coins for more than four decades, the amount of gold owned by Americans today is proportionally much lower than it was in 1933.

A few years ago, I tried to make a rough estimate of how much gold the U.S. government could corral if it tried to confiscate gold today. The government estimates that only about 2/3 of the required gold was exchanged in 1933 and I doubt the today's citizenry is as trusting as they were then. In all, I calculated that the government could bring in about 80 million ounces of gold nowadays. In order to have the same impact of pricing gold high enough to cover 18 months of Federal expenditures, the price of gold would have to increased to more than $63,000 per ounce!

That's just not going to happen, for at least two very good reasons.

First, for the U.S. government to be so desperate that it calls in gold from its citizens would advertise to the rest of the world that the U.S. dollar is in precarious straits. Since foreign governments and private parties hold around $10 trillion in U.S. dollar denominated assets, calling in gold would risk a panic liquidation of a high percentage of these assets. In effect, an effort to call in the gold would backfire.

Second, there is a much easier way for the U.S. government to scrounge up the $5 trillion (about 18 months expenditures) if it really wanted to—from retirement plans. As I have explained before, I could see the U.S. government requiring retirement plans to devote a specific percentage of any accounts to be held in government bonds. This would be sold under the guise of "guaranteeing" the safety of the principal, and not really being a confiscation of assets at all. There would be a lot of controversy over such a move, but it would go over a lot easier in other countries than would calling in gold.

Back in the 1980s, several coin dealers were proclaiming that the government would exempt from any "gold confiscation" any coins that were sold for more than 15% above their metal value. This 15% figure was picked up from a proposed Internal Revenue Service (IRS) regulation having to do with preparation of 1099 Forms, which was never adopted by the IRS.

The fact that there was no such regulation did not stop some unscrupulous coin marketers from telling their customers to swap in their bullion coins to get coins exempt from confiscation (which also made higher profits for the dealers). This racket got so bad that the IRS even issued a press release confirming that there was no such regulation as these dealers were touting.

The marketing campaign in the 1980s was so successful that many earlier U.S. Gold Coins reached levels higher than they have been ever since. Unfortunately, most who bought or swapped at this time ended up losing money.

When it became legal for Americans to own gold again at the end of 1974, the legislation that allowed the U.S. Treasury to call in gold was repealed. A couple years ago, an attorney at the U.S. Treasury wrote a letter stating that the Treasury no longer had any legal authority to call in gold.

However, if the government ever wanted to call in gold, it would be possible to do so through invoking one of the Presidential Orders that give wide sweeping powers to the President in times of emergency.

To repeat, the best protection against the U.S. government calling in gold is that it would cost them more internationally than they would gain domestically.

For your own protection, I would recommend avoiding any coin dealer who tries to sell you expensive gold coins on

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the premise of protecting you from "confiscation."

By the way, anyone who is genuinely concerned about possible gold confiscation has a much safer alternative—buy silver.

Silver and Silver Coins

Silver finished today at $15.17, up 84 cents (5.9%) from five weeks ago.

The new year started off with a bang, with investors worried about troubles in Pakistan and Nigeria, a higher oil price, and a falling U.S. dollar.

Although I like both gold and silver, I am a little more partial to silver. It is a much smaller and more volatile market than gold. When prices rise, silver tends to increase by a larger percentage. There are also no major quantities of inventories in government hands that could result in a sudden surge in supply.

Another major reason why I love silver is the huge short position held by up to four traders. These short positions cannot be closed out without causing the price of silver to explode.

When you are purchasing gold or silver, I strongly recommend that you acquire physical metals and that you take possession of them. Unfortunately, a lot of people have lost all of their money by trusting their supplier to store it for them for "free" Silver mining stocks are not likely to rise by the same percentage as physical silver because it is not possible for a mining company to magically have all of their silver out of the ground and on the market on short notice.

I also have some concerns that the silver exchange traded funds may have difficulty obtaining physical silver to meet all of their commitments, and their organizing documents give them the wiggle room in case this happens.

The form of physical silver I most recommend is U.S. **90% Silver Coin** (-0.2%). You can actually purchase bags of them now for about 3 cents below the spot price! In addition to being the lowest cost form to purchase, it is also the most widely traded form, the most liquid, and the most divisible. You can buy any quantity from a small handful to an armored-car full. To me, it just is now worth paying an extra 58 cents per ounce or more to own ingots.

I don't like high premium silver coins such as the U.S. **Silver Eagle Dollars** (17.1%) and Canada **Silver Maple** Leafs (12.2%). When the price of silver soars, these coins do not move up as much as the lower premium forms of physical silver. They are fun to own one or a few for a collection, but not as a way to own silver bullion.

As discussed in the commentary about the rare coin market in 2007, nice rare coins are becoming harder to find at reasonable prices. Fortunately, LCS Retail Store Manage Bob Sweet has found some more of this **Sweet Deals** coins that exhibit exceptional quality for the described grade, yet cost a lot less than coins in higher grades. This month we are able to offer a modest selection of **Very Choice Mint State-64 Peace Dollars** that are almost all exceptional value both for quality and for relative price and rarity. See our enclosed flyer for details.

Gold And Gold Coins

Ignoring the effects of inflation, gold closed today at its highest price ever when it finished at $857.00. That is up a strong $57.00 (7.1%) in the past month.

I think gold and silver are both ready to break out on the top side, where it would not be unusual to see price swings of 5% in a single day. While prices don't move in a straight line, I fully expect to see gold continuing its strong performance of the past six years.

Among my low premium favorites are the Austria **100 Corona** (3.0%), U.S. **American Arts Medallions** (3.1%), South Africa **Krugerrand** (3.5%, and Mexico **50 Peso** (3.1%).

Among smaller size gold coins, I like the British **Sovereign** (6.2%) the best. The Sovereign is perhaps the most widely traded gold coin around the world, though not in the United States.

As I noted earlier, many **Common-Date U.S. Gold Coins** have been rising in premium as well as climbing with higher gold prices. When circulated U.S. $20.00 and $10.00 Liberties were selling for practically bullion prices a year ago, we could hardly give them away. Now that their premiums have increased, we are selling them faster than we can get our hands on them.

Demand for many **World Gold Coins** has been especially strong over the past two years—in other countries. As the U.S. dollar has fallen in value, these coins have often become bargains in their home nations. This month, we are fortunate to be able to offer a modest quantity of **Mint State-60+ Netherlands Queen Wilhelmina 10 Guilders** at a premium lower than it would cost you to purchase other bullion gold coins of the same size. Get them while they last.

LCS's Heller Honored With Another Writing Assignment

The parent organization the publishes the weekly coin newspaper *Numismatic News*, has established an online website for coin collectors (www.numismaster.com).

LCS General Manager accepted their request to serve as their bi-weekly commentator on the gold market.

To check out Pat's recent comments, go to the website, then look for Pat's contributions under the "News & Articles" menu choice.

The Month

Gold Range	73.00	9.1%
Net Change	+57.00	
Silver Range	1.35	9.4%
Net Change	+.84	
Gold/Silver Ratio	56.5	
Net change	+0.7	
Platinum Range	100.00	7.0%
Net Change	+98.00	
Platinum/Gold Ratio	1.79	

Date	Gold	Silver	Platinum
Nov 28	800.00	14.33	1,432.00
Nov 29	795.50	14.25	1,433.00
Nov 30	784.00	13.96	1,432.00
Dec 03	788.25	14.01	1,448.00
Dec 04	801.25	14.27	1,461.00
Dec 05	797.00	14.27	1,459.00
Dec 06	801.25	14.44	1,462.00
Dec 07	794.25	14.33	1,453.00
Dec 10	807.75	14.65	1,458.00
Dec 11	811.50	14.70	1,460.00
Dec 12	813.50	14.65	1,473.00
Dec 13	799.00	14.07	1,457.00
Dec 14	793.25	13.82	1,463.00
Dec 17	794.75	13.82	1,489.00
Dec 18	803.00	14.01	1,499.00
Dec 19	801.00	14.07	1,508.00
Dec 20	798.00	14.20	1,503.00
Dec 21	811.50	14.35	1,521.00
Dec 24	812.75	14.52	1,521.00
Dec 25	closed		
Dec 26	826.00	14.69	1,532.00
Dec 27	828.50	14.68	1,520.00
Dec 28	839.50	14.77	1,523.00
Dec 31	835.00	14.80	1,510.00
Jan 01	closed		
Jan 02	857.00	15.17	1,530.00

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.

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