

# Liberty's Outlook

Volume 10 Issue 6 Liberty Coin Service's Monthly Review of Precious Metals and Numismatics June 9, 2004

## Rare Coin Market Taking Off!

### P.3: Some Of Today's Best Numismatic Values

The precious metals markets have been relatively quiet in the past month. I see this as a sign of gold and silver building a base from which to resume the next leg of a long-term bull market, though the significant moves may not start until after the November elections.

This gives me an opportunity to cover recent significant developments in the rare coin markets.

In the past few weeks, I have observed several signs that coin promoters are becoming much more aggressive at acquiring "generic" coins, also known as "Blue Chips." The Blue Chip coins are those that are available in relatively large quantities so that major promoters can pay for the cost of national sales programs. Some examples of these coins are Mint State Rolls of Common-Date Morgan and Peace Silver Dollars, Individual Mint State-63 or nicer Common-Date Silver Dollars, all grades of Common-Date U.S. \$20.00 Liberties and St Gaudens, Mint State Rolls of Franklin Half Dollars, Silver Kennedy Half Dollars, Pre-1967 Canada Silver Dollars, and popular classic gold coins from countries like Belgium, France, Germany, Italy, the Netherlands, Russia, Switzerland, and the United Kingdom.

When I have seen such ramped up demand in the past, that invariably meant that major promotional campaigns were imminent.

I have alerted readers for several months that wholesalers were becoming more aggressive at chasing such coins. In the past month, they have become even more openly aggressive.

For instance, wholesalers are now bidding 5-15% more to purchase Mint State Silver Dollar rolls or high-grade individual Common-Date dollars than they offered a month ago.

Here are the indicators I have seen in the past few weeks, which lead me to anticipate sharply higher prices on Blue Chip coins in the coming months.

1. A few weeks ago, one of our customers called us to offer the **Very Choice Mint State-64 Common-Date Peace Dollars** he had purchased from us a few years earlier. Aware of behind-the-scenes market strength for these coins, we made a fair offer that the customer accepted.

The quantity was large enough that we decided to seek additional coins to make a general offering to our entire clientele. In normal markets, there would be several wholesalers who could each supply a few hundred coins.

Not now!

Most wholesalers we contacted didn't have any coins in stock, period! They were also willing to pay about 10% more than they quoted us a few days earlier when we had purchased the coins from our customer. The largest group we found actually in-stock was 20 coins! We did line up delivery of maybe a few hundred pieces that were currently at the grading services, some of which have already arrived, but supplies are that tight.

One major silver dollar wholesaler advised us to avoid making an offering of MS-64 Peace Dollars. He told us of a California wholesaler who had contracted to supply these coins to marketing companies on the assumption that he would be able to find enough supply, but was in deep trouble because he could not find enough product without causing a major jump in price.

After checking with wholesalers, we confirmed that MS-64 Peace Dollars seem to be in scarcest supply among Morgan and Peace Dollars in high grade.

MS-64 Peace Dollars were selling for \$40 just six months ago. Today, expect to pay \$54, a jump of 35% in half a year. With the current supply squeeze, it is within the realm of possibility that the upcoming sales promotions could drive these coins up to \$65-100 in just a few months. Even though that would be a substantial rise from late last year, that is still a fraction of their nearly \$300 price at which they sold in the mid to late 1980s.

2. While I was working at the huge Long Beach Exposition in California last week, I witnessed two different wholesale buyers asking other wholesalers for large quantities of Double Eagles.

One wholesaler was looking for large quantities of \$20.00 Liberties in low grade, that could be purchased relatively near intrinsic gold value. He purchased several hundred from dealers where I was also

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screening inventory for possible purchase, and seemed eager to purchase significantly larger quantities.

The other wholesaler, who often supplies Far East Asian companies, stated that he had a large commitment to deliver Mint State-63 to Mint State-66 \$20.00 Liberties and St Gaudens that had been certified by either the Professional Coin Grading Service (PCGS) or Numismatic Guaranty Corporation (NGC). I did not see the actual prices he was bidding other wholesalers, but it was high enough that two wholesalers I was visiting at the time agreed to sell every single piece in their inventories on the spot.

These Double Eagle purchases have not really had an effect on prices yet, but almost certainly will start a domino effect in the next few weeks. Two wholesaler friends told me they would be making special trips to Europe soon to try to replenish their supplies of U.S. Gold Coins.

Here at LCS, we have enjoyed strong demand for Brilliant Uncirculated Mint State-60+ \$20.00 Liberties and St Gaudens in the past couple of months. Normally, I could find hundreds of these coins at major shows like Long Beach, with several dealers each able to fill my needs. Although I was able to find enough nice coins to fill customer orders, this time I had to go through the stock of four wholesalers to do so!

3. In last month's newsletter, we offered our first group of Napoleon I Gold 20 Francs in a dozen years. We did not have as many coins as we thought might sell, and accidentally oversold our inventory (there were three sales people on the phone at the same time with different customers each thinking they were purchasing the last of our stock on hand).

We called a wholesaler who had assured us he could come up with coins if we needed them, at a price close to what we were charging for them. But when we called him, he was out of stock. He helped us scour suppliers in Europe until we located a group of 107 coins. Unfortunately, coins that normally would be available quickly from an American source ended up taking a couple weeks to get shipped to the U.S. and cleared through customs.

The rare coin market has been improving for the past few years with all the interest sparked by the release of the

U.S. State Quarter series in 1999 and the Sacagawea Dollars in 2000. This growth has been widespread, from the collector level upward. Such booms invariably last longer and produce higher price increases than the booms that are sparked by clever marketing campaigns aimed at the general public, whether for investment or collection purposes.

How will this surge in wholesale demand for Blue Chip coins affect the already developing rare coin boom?

### **The Triple Rare Coin Boom**

The rare coin market is cyclical. While markets go up and down, an almost universal trend is that each peak surpasses the previous peak. Each following bottom is almost always higher than the previous market low.

Five years ago, I analyzed every date and mintmark of Morgan and Peace Silver Dollars struck for circulation. I compared MS-63, -64, and -65 prices against the prices at the last major market peak in June 1989, the number of coins certified by PCGS and NGC, and their relative rarity compared to Common-Date Silver Dollars.

From this analysis, I recommended 30 different dates in MS-63 quality, 54 MS-64 issues, and 39 in MS-65. Had you purchased one of each of these coins back then, you would see that today the MS-63 prices are up 66% for the group; MS-64 prices increased 46%, and the MS-65 prices rose over 18%.

Of the 123 recommendations, 119 are up, with the best almost tripling, while four declined slightly (2-9%).

These solid results were achieved with almost no major coin promotions such as we saw from the mid-1980s to early 1990s. Now that such sales campaigns loom on the horizon, I fully expect future appreciation for these coins will dwarf the results of the past five years.

When you see how reasonable some prices are today compared to mid-1989, it is easy to imagine that many rare coins will jump five times, ten times, or even more from today's levels!

It looks to me that the rare coin market in the next few years will be boosted from three directions at the same time.

First you have the continuing growth in the rare coin market from the increase in collectors spurred by new coin issues.

**I don't think I am sticking my neck out very far in predicting that the**

**late President Ronald Reagan will be honored on the U.S. dime starting as early as next year.** There is already a bill in Congress to do this, supported by the leadership in both chambers. This bill was restrained only by Nancy Reagan's request a few months ago that this coin not be issued while her husband was still alive. The basis for that request no longer applies.

Within a year of President Franklin Roosevelt's death, the design of the dime was changed to honor him. Presidents Kennedy and Eisenhower were similarly honored after their deaths.

If (when?) the new dime or another coin appears, that will only add to the collector interest spurred by the changed quarter and dollar designs. In particular, the Roosevelt Dime series could see a surge in interest.

Second, when marketing campaigns directed mostly to investors succeed in moving coins off the market, that will give a quick short-term boost in prices, typically of a much higher percentage than you see with gradual booms.

When this happens in an overall boom market, the quick price increases tend to stick.

Third, this rare coin boom will develop no matter how the prices of gold and silver perform. However, if you see significant increases in precious metals prices, that will only add to the frenzy, much like we saw in 1979-1980.

If all three of these factors for a rare coin market hit at the same time, results will be magnified. Just like in 1980, you might see rare coin prices increasing 5-10% weekly as the boom matures.

Even if gold and silver prices explode, many rare coins will outperform precious metals. If you ever considered owning rare coins, wait no longer.

Purchasing rare coins is not for everyone. Rare coins have wider buy/sell spreads than bullion items, and are less liquid. You also have to be much more careful about the quality of the merchandise you purchase. You also should be prepared for a longer period of ownership, a minimum of three to five years. For some, the risks of owning rare coins are high enough that they should avoid them.

Although I expect a wide swath of the rare coin market will do well in the next few years, some coins will do much better than others. Here are some suggestions on some of the coins we expect

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to do better than average:

## Common-Date U.S. Gold Coins

Here's how the 12 major types of U.S. gold coin current prices in MS-63 and MS-64 grades compare to those of June 1989. The last column indicates how many of each type have been certified in that grade or higher by PCGS and NGC combined so that you get an idea of relative rarity.

MS-63 Coins	6/04	6/89	Population
<b>\$1.00 Liberty T1S</b>	<b>975</b>	\$ 4,800	8,431
\$1.00 Liberty T2	\$13,750	\$21,250	1,611
<b>\$1.00 Liberty T3S</b>	<b>975</b>	\$ 3,550	14,100
<b>\$2.50 Liberty</b>	<b>\$ 775</b>	\$ 2,550	35,815
\$2.50 Indian	\$ 1,075	\$ 2,400	56,918
\$3.00 Indian	\$ 5,500	\$11,600	5,310
<b>\$5.00 Liberty</b>	<b>\$ 695</b>	\$ 3,550	48,367
<b>\$5.00 Indian</b>	<b>\$ 1,450</b>	\$ 6,600	29,042
<b>\$10.00 Liberty</b>	<b>\$ 795</b>	\$ 3,825	53,555
<b>\$10.00 Indian</b>	<b>\$ 795</b>	\$ 3,025	61,263
\$20.00 Liberty	\$ 730	\$ 1,800	215,888
\$20.00 St Gaud	\$ 630	\$ 970	786,177

MS-64 Coins	6/04	6/89	Population
<b>\$1.00 Liberty T1S</b>	<b>1,650</b>	\$ 8,550	3,750
\$1.00 Liberty T2	\$21,000	\$28,400	849
<b>\$1.00 Liberty T3S</b>	<b>1,150</b>	\$ 5,300	9,232
<b>\$2.50 Liberty</b>	<b>\$ 950</b>	\$ 4,850	20,367
<b>\$2.50 Indian</b>	<b>\$ 1,450</b>	\$ 5,150	23,058
\$3.00 Indian	\$ 6,750	\$16,400	3,002
<b>\$5.00 Liberty</b>	<b>\$ 1,075</b>	\$ 7,850	17,567
<b>\$5.00 Indian</b>	<b>\$ 3,100</b>	\$13,600	8,466
<b>\$10.00 Liberty</b>	<b>\$ 1,525</b>	\$ 7,950	14,583
<b>\$10.00 Indian</b>	<b>\$ 1,525</b>	\$ 7,625	22,094
<b>\$20.00 Liberty</b>	<b>\$ 1,400</b>	\$ 4,700	66,058
\$20.00 St Gaud	\$ 720	\$ 1,800	420,296

The coins we recommend today are highlighted in bold. As you can see, they are much rarer than the \$20.00 St Gaudens, yet sell at prices that, in our judgment, do not reflect their greater rarity. They also have much greater potential appreciation, as demonstrated by their past track record.

## Better-Date U.S. Gold Coins

There are dozens of dates of U.S. Gold coins that are much less common that can now be acquired at prices surprisingly close to that of the most common issues of the series. It just is not practical to try to list all of them, especially since many of them are almost impossible to locate. However, our offering this month of MS-63 1894 \$10.00 Liberties is a perfect example. High-grade 1894s are more than three times rarer than the 1901-S, but they only cost about 4% more. Even though we judge that the 1901-S in MS-63 to be an excellent value, the 1894 is even more attractive.

If you are interested in Better-Date U.S. Gold Coins, you can get the best

results by being flexible. Be ready to buy nice bargains when they are available.

## Better-Date U.S. Morgan And Peace Silver Dollars

Space prohibits me from listing all of the over 100 coins and grades we like best, but here are some, along with current price indications compared to prices from fifteen years ago.

MS-63 Dollars	6/04	6/89
1879	\$ 65	\$140
1880	\$ 60	\$115
1881-O	\$ 50	\$150
1882-O	\$ 50	\$100
1887-O	\$110	\$240
1922-D	\$ 50	\$145
1922-S	\$ 70	\$175
1923-S	\$ 70	\$250
1935	\$105	\$220

MS-64 Dollars	6/04	6/89
1879	\$110	\$ 690
1881	\$140	\$ 625
1882	\$ 65	\$ 315
1888-O	\$ 70	\$ 315
1890	\$120	\$ 845
1891	\$525	\$1,720
1904	\$665	\$1,720
1923-D	\$270	\$ 660
1926	\$110	\$ 315
1927	\$280	\$1,530
1927-D	\$640	\$3,875
1934	\$390	\$2,325

MS-65 Dollars	6/04	6/89
1878 8 Tail Feather	\$1,450	\$5,600
1880	\$ 840	\$8,050
1881-O	\$1,700	\$6,950
1882	\$ 470	\$2,450
1883	\$ 195	\$1,075
1884	\$ 310	\$1,525
1885	\$ 195	\$ 750
1888	\$ 220	\$1,200
1889	\$ 330	\$2,525
1896	\$ 230	\$1,275
1897	\$ 265	\$1,950
1898	\$ 270	\$1,650
1900	\$ 215	\$1,375

1901-O	\$ 230	\$1,475
1902	\$ 540	\$2,450
1902-O	\$ 165	\$1,175
1903	\$ 295	\$1,650
1926	\$ 370	\$1,875
1935	\$ 640	\$3,275

As you can see, there are a number of coins available today at a fraction of the past peak price.

## Classic U.S. Silver Commemoratives, 1892-1954

Almost all of the 144 Classic U.S. Silver Commemoratives are at lower levels than in 1989. Most have mintages under 100,000 and a significant percentage have fewer than 10,000 struck. This is only a partial list of those we like best, showing their current price against the mid-1989 price.

MS-65 Commemorative	6/04	6/89
Arkansas Type	\$225	\$1,900
Boone Type	\$220	\$ 930
1936 Bridgeport	\$250	\$1,900
1936 Cleveland	\$250	\$2,175
1936 Delaware	\$400	\$2,475
1924 Huguenot-Walloon	\$545	\$4,550
1925 Lexington	\$630	\$3,250
1936 Long Island	\$395	\$3,150

1920 Maine	\$610	\$3,700
1934 Maryland	\$330	\$2,250
1920 Pilgrim	\$445	\$3,000
Rhode Island Type	\$250	\$2,225
1936 Robinson-Arkansas	\$375	\$2,400
1925 Stone Mountain	\$275	\$ 990

MS-66 Commemorative	6/04	6/89
1936 Albany	\$ 650	\$6,300
1937 Antietam	\$ 950	\$4,850
1936 Bay Bridge	\$ 650	\$3,250
Columbia SC Type	\$ 395	\$2,400
1936 Connecticut	\$1,200	\$5,775
1936 Elgin	\$ 495	\$5,850

1936 Gettysburg	\$1,000	\$8,100
1946 Iowa	\$ 180	\$1,450
1918 Lincoln-Illinois	\$ 760	\$5,600
1936 Lynchburg	\$ 550	\$5,500
1937 New Rochelle	\$ 740	\$6,600
1936 Norfolk	\$ 565	\$1,975

Oregon Type	\$ 355	\$1,975
1937 Roanoke	\$ 400	\$3,025
1935-S San Diego	\$ 250	\$3,150
1936-D San Diego	\$ 260	\$4,150
Texas Type	\$ 300	\$1,900
1936 Wisconsin	\$ 430	\$3,650
1936 York County	\$ 325	\$2,475

As with Better-Date U.S. Gold Coins and Morgan and Peace Dollars, flexibility in making purchases will yield better results. It will pay off to ask what is actually available right now at the best price rather than only considering a select few coins.

## Other U.S. Coins

We formerly recommended the eleven classic U.S. Gold Commemorative Dollars and Quarter Eagles issued from 1903-1926. As four of the issues are in high demand because they honor either the Louisiana Purchase or the Lewis & Clark Expedition, prices for several issues are too high for us to currently recommend. This may change in the future.

Like the gold type coins, better Morgan and Peace dollars, and the classic silver commemoratives, many of the U.S. silver, copper, and copper-nickel type coins are trading today at a fraction of 1989 prices. Once again, we recommend flexibility—be ready to jump on bargains that appear, but don't count on them being available when and where you would like.

The scarce issues of the 1980-1984 series of U.S. American Arts Medallions

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are mostly still trading well below their peak prices. Some of the more common high-grade certified pieces have sold in internet auctions at hundreds of dollars above gold value, which we don't think will be worthwhile. If you can obtain the scarcer issues (the 1982-1984 half ounce and 1983-1984 one ounce), certified or uncertified, without paying an arm and a leg, go for it.

I would also recommend allocating part of your rare coin money for special opportunities. Normally, we don't like recent U.S. Mint issues. But, we quickly offered two of the 1996 Atlanta Olympics \$5.00 Gold Commemoratives when the Mint reported that it struck fewer than 10,000 of each. Prices have since doubled.

For most rare coin collectors, we recommend diversity in their holdings. Own some gold coins, some silver ones, and maybe some others. Enjoy some really rare coins as well as picking up bargains in the more common issues. These will rise and fall at different times and by varying degrees. It is much easier when you need to raise some cash to ask which coins are currently the strongest in your holdings and just sell those.

While the coins listed on the previous page are all excellent candidates for above average appreciation, they are not the only ones worth consideration. Please call for suggestions, or review our offerings in the monthly newsletter.

### Gold and Gold Coins

Gold settled today at \$384.00, up \$6.50 (1.7%) from last month. After the fireworks of the previous few months, gold seemed almost asleep.

But don't let the quiet market lull you to inaction. It looks like gold finally found a base on which to build the next phase of a long-term boom market.

Yesterday, Fed Chairman Alan Greenspan flatly stated that it was time for interest rates to rise in the U.S., a clear signal that the Federal Open Market Committee may do just that, perhaps as early as this month's meeting.

Greenspan's is worried about looming inflation, which means you should also be concerned. Precious metals prices dipped yesterday and today in reaction to the possible increased opportunity

### The Month

Gold Range	\$18.25	4.8%
Net Change	+6.50	
Silver Range	.62	11.1%
Net Change	+0.05	
Gold/Silver Ratio	68.3	
Net change	+0.5	
Platinum Range	59.00	7.5%
Net Change	+18.00	
Platinum/Gold Ratio	2.09	

Date	Gold	Silver	Platinum
May 12	377.50	5.57	785.00
May 13	377.75	5.61	796.00
May 14	376.75	5.72	796.00

May 17	379.50	5.68	815.00
May 18	376.00	5.68	800.00
May 19	383.00	5.92	806.00
May 20	378.50	5.78	804.00
May 21	385.00	5.86	817.00

May 24	385.75	5.99	821.00
May 25	388.25	6.07	834.00
May 26	388.25	6.05	836.00
May 27	395.00	6.19	844.00
May 28	394.75	6.10	829.00

May 31	closed		
Jun 01	394.75	6.05	842.00
Jun 02	391.75	5.83	826.00
Jun 03	388.00	5.74	826.00
Jun 04	391.00	5.80	827.00

Jun 07	393.50	5.89	834.00
Jun 08	391.00	5.77	830.00
Jun 09	384.00	5.62	803.00

London Silver Market Premium To New York Silver Market = 1¢

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

cost if interest rates go up. However, that is short-sighted. What investors need to focus on is how much value their dollars might be losing to inflation and how they can protect themselves with hard assets like gold, silver, and rare coins.

I consider gold and silver right now to be near the lowest levels we will see in the next several years. If you were waiting for the right time to buy, wait no longer.

The low premium bullion issues are still the U.S. **American Arts Medallion** (3.9%), Austria **100 Corona** (3.6%), and South Africa **Krugerrand** (3.8%). Best buys among popular small European coins include the British **Sovereign** (7.6%), French **20 Franc Rooster** (8.8%), and

Swiss **20 Francs** (8.8%).

### Silver and Silver Coins

Silver closed today at \$5.62, a five cent (0.9%) increase from four weeks ago.

Premium levels have remained stable over the past month, reflecting continuing modest demand and almost no liquidation. U.S. **90% Silver Coin** (6.3%) is still the low price leader.

Referring to special opportunities, this month we offer an unexpected bargain—the **1998 Canada Silver Maple Leaf with the Titanic Privy Mark**. See our flyer for details.

### Here We Grow Again

When the state of Michigan enacted a sales tax exemption on the retail sales of rare coins and precious metals five years ago, we anticipated that our in-state retail volume would increase.

Has it ever! At the time the exemption went into effect in July 1999, our retail sales in Michigan were only a minor part of our volume. Since then, in-state retail sales have more than tripled, being one of the fastest growing parts of our business.

In times past, Paul Manderscheid was able to take substantial time from his duties as store manager to devote to processing incoming inventory. As our showroom activity grew, he simply could not find enough hours to serve customers and keep up with inventory work.

As of June 1, Paul has some help. His job has been split in two, with Paul becoming the LCS Inventory Manager. He will still serve customers, but in a backup role.

As the new Retail Store Manager, LCS is pleased to welcome back Bob Sweet. Bob, who has collected coins almost his whole life, served three stints at LCS over the past two decades to fill in the slow times for his own seasonal businesses and in between his serving as store manager for other local businesses. By accommodating Bob's needs for enough time to maintain his tree nursery and his rock and mineral wholesale supply businesses, LCS is fortunate to bring back Bob.

Bob has a number of ideas to make the store more attractive and fun, especially for young visitors. Look for improvements as Bob turns his ideas into reality. If you haven't already had the chance to meet him, you are missing out. Give yourself a treat and come in to say hello to Bob.