

# Liberty's Outlook

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Liberty Coin Service's Monthly Review of Precious Metals and Numismatics

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## U.S. Rare Coins Prices Sprint Upward!

### Many Bargains Still Available—For Now! Gold Hits 26 Month Peak, May Keep Going!

Although the price of gold hit a 26 month high last week, the most important developments in the past month were some major advances in U.S. rare coin prices and an outlook for even more appreciation in the coming months.

For the past few years, I have advised you that supplies of desirable collector coins on the market were thin. The only reason that prices have been fairly stagnant is that tight-fisted collectors have been cautious and patient. They were willing to wait for another opportunity to acquire nice coins at today's low prices rather than bidding up prices by being too eager.

For months, our sales at national and local shows have been unusually strong while bargain-hunting has been especially difficult. Other dealers told us much the same story. They were looking for lots of inventory for waiting customers, but had trouble finding material.

The time of stagnant prices appears to be over. In the past month, several major buyers have increased the prices they are willing to pay to obtain the inventory they want. At a major coin show in Santa Clara, California in mid-April, buyers were trying to scoop up all the attractive Classic Silver Commemoratives, almost no matter the price.

LCS Chief Numismatist Allan Beegle and Senior Numismatist Tom Coulson attended the huge Central States Numismatic Society (CSNS) show in Columbus, Ohio this past weekend. They reported that the aggressive buying activity expanded to other areas. Better-Date U.S. Gold and Better-Date Morgan and Peace Dollars led the way.

In response, dealers quoted strong prices on a wide range of U.S. coins including 19th Century Nickel and Silver

Type Coins, Key-Date Coins, U.S. Copper Coinage, Colonial issues, and early 20th Century Coins.

In many instances, quoted prices were 10-20% higher than they were a month earlier. A surprising number of coins traded hands at these levels!

Allan and Tom both witnessed dealers buying coins at prices higher than *Trends*, which is supposedly a fairly up-to-date guide for retail selling prices!

Expensive "trophy" coins, those that sell for more than a few thousand dollars, had been in the doldrums for the past year. There had been some real bargains available while demand was slack. But one major wholesaler who specializes in such coins told Allan yesterday that they are again selling readily.

Rather than selling coins for what might have been a reasonable price a month earlier, many dealers almost seem to be afraid to sell their coins too cheap. They want prices today where they estimate the market might get to a month from now. If they cannot get that higher price, they would prefer to keep them in inventory.

The table at the right gives you some idea of how much some prices have jumped since the beginning of the year. Even these few examples are conservative because they compare information from published price guides, which are low in today's market.

In the huge bull markets of 1979-80 and 1989, we saw U.S. rare coin prices steadily advancing almost on a weekly basis by 5-10%. The action we saw in

### 2002 Year-To-Date Change In Value

December 31, 2001-April 30, 2002

#### Precious Metals

Gold	+10.8%
Platinum	+9.8%
Silver	-1.1%
Palladium	-19.9%

#### Numismatic Coins

1937 Buffalo Nickel, PR-66	+40.4%
1936 Walking Half, PR-65	+34.3%
1899 Morgan Dollar, MS-64	+33.8%
1936 Mercury Dime, PR-65	+13.7%

#### US Dollar vs Foreign Currencies

British Pound	-0.1%
Japan Yen	-0.2%
Euro	-1.0%
Canada Dollar	-1.5%
Swiss Franc	-2.5%

#### US And World Stock Indices

Nikkei 225	+9.0%
DJ World (excluding U.S.)	+2.2%
Dow Jones Industrial Average	-0.8%
London FTSE 100	-1.0%
Frankfurt Xetra DAX	-2.3%
S&P 500	-6.2%
NASDAQ	-13.4%

the past few weeks has several similarities. It seems that we are in the early stages of the next great bull market in rare coins. Even though many prices are up from a few months ago, the bulk of price increases are still in the future.

This emerging bull market in rare coins has some significant and surprising differences from past booms. These differences provide some opportunities to get in on the ground floor of the current boom.

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## This Time It's Different!

Past rare coin market booms have often been driven by promoters who took advantage of other supporting factors.

The 1979-80 boom was supported by high inflation and strong gold and silver markets and strong markets in other collectibles. Rare coin prices peaked two months after gold and silver reached their all-time highs.

In the middle to late 1980s several telemarketers promoted pre-1933 U.S. gold coins with the false claim that they were the only way to keep your privacy when buying gold. After a few years, when the outrageous claims never came to pass, the promoters went on to other activities. Prices fell dramatically.

The 1989 boom was fueled by the creation of a handful of Wall Street funds to invest in rare coins. Everyone was promoting the opportunity to get into rare coins before the "flood of Wall Street money" pushed prices through the stratosphere. When outside investor interest turned out to be less than expected (one \$50 million fund only had \$15 million subscribed, for example), the market fell.

Invariably, the promoters and telemarketers would offer the blue chip, or ge-

neric, U.S. coins such as common-date U.S. Gold, Mint State rolls of common-date Morgan and Peace Silver Dollars, or high-grade individual common-date Morgan and Peace Dollars. As prices rose for these common coins, they tended to carry the better-date and scarcer type coins right along with them.

There has been less telemarketing of rare coins in the past few years compared to the 1980s and early 1990s. Prices for common-date U.S. Gold Coins, Mint State Morgan and Peace Dollar rolls, and high-grade common-date Morgan and Peace Dollars have been very reasonable, with many at their lowest levels in at least 15 years!

With fewer campaigns to market such coins to the numismatically uninformed, there are ready supplies available on the market. Instead of leading the developing rare coin boom, they are now the laggards.

Today's boom is different. It is being driven by collectors looking for the better values instead of coins that can be acquired in mass quantities. On average, today's buyer is more likely to be "strong hands" who will hold the coins until prices rise sharply. This is a definite contrast to the often uninformed

"weak hands" buyers of the past who responded to well-crafted sales promotions, only to often dump their holdings too soon, invariably at a poor time.

The boom is also different in that it is being led by coins that are in tight supply and will never be plentiful. That makes it much easier for a rising market to continue for a long time and to increase more than might otherwise happen.

Another difference this time is that the boom coincides with one of the largest ever increases in coin collecting interest in the U.S., spurred by the States Of The Union Quarter series.

By the way, this developing boom is being led by the very categories of rare coins that we have been recommending for the past several years.

In sum, the current strength in the rare coin market is for all the right long-term reasons, not shaky transient ones. It will likely yield nice profits in the categories we have recommended in the past.

## Our Recommended Numismatic Portfolio

The purchase of rare coins is not for

## Today's U.S. Numismatic Bargains Compared To Past Peak—Some Examples

The last major peak in the U.S. rare coin market was almost 13 years ago, at the beginning of June 1989. Even though a number of prices are higher today than they were a few months ago, there are thousands of U.S. coins that are real bargains compared to levels back then. Here are some examples of coins that compare favorably in price today to June 1989. Although many of these coins represent excellent values today, remember that some price declines are partly due to factors other than the general market cycle. For instance, there may be significant increases in supply of a particular coin. Past results are no guarantee of future performance. Although numismatic coins can enjoy greater appreciation than gold and silver bullion, they are less liquid and riskier.

	Selling Prices		<u>U.S. Morgan Dollars</u>				
	6/89	Today					
<u>U.S. Gold Type Coins</u>							
\$1.00 Liberty MS-63	\$4,800	\$ 900	1878 8TF MS-64	\$1,375	\$295	Elgin MS-65 \$2,075 \$235	
\$1.00 Indian MS-63	\$3,550	\$ 825	1878-S MS-65	\$1,100	\$220	Hug-Walloon MS-65 \$4,550 \$470	
\$2.50 Liberty MS-63	\$2,550	\$ 690	1879 MS-64	\$ 690	\$125	Maryland MS-65 \$2,250 \$325	
\$2.50 Indian MS-63	\$2,400	\$ 725	1880 MS-65	\$7,750	\$750	Rhode Island MS-65 \$2,200 \$215	
\$5.00 Liberty MS-63	\$3,550	\$ 575	1882 MS-64	\$ 315	\$ 60	Robinson-Ark MS-65 \$2,400 \$315	
\$5.00 Indian MS-63	\$6,600	\$1,000	1883 MS-65	\$1,030	\$145	1935-S San Diego MS-66 \$3,150 \$200	
\$10.00 Liberty MS-63	\$3,825	\$ 625	1884 MS-65	\$1,475	\$255	Wisconsin MS-65 \$1,450 \$240	
\$10.00 Indian MS-63	\$3,025	\$ 650	1888 MS-65	\$1,150	\$195	<u>U.S. Type Coins And Other</u>	
\$20.00 Liberty MS-63	\$1,800	\$ 500	1889 MS-65	\$2,450	\$295	3 Cent Nickels PR-65 \$2,400 \$480	
\$20 St Gaudens MS-63	\$ 970	\$ 430	1890 MS-64	\$ 850	\$105	3 Cent Nickels MS-65 \$4,025 \$600	
<u>Classic U.S. Gold Commemoratives</u>							
1903 Louisiana Purchase-Jefferson MS-63	\$2,875	\$680	1896 MS-65	\$1,225	\$155	1883 NC Lib Nick MS-65 \$1,825 \$235	
1915-S Panama-Pacific \$1.00 MS-63	\$2,450	\$500	1897 MS-65	\$1,875	\$230	Seated Liberty Half Dime Legend MS-63 \$ 650 \$205	
1916 McKinley \$1.00 MS-63	\$2,350	\$560	1898 MS-65	\$1,600	\$200	Seated Liberty Dime Legend MS-65 \$5,200 \$940	
1926 Sesquicentennial \$2.50 MS-63	\$1,800	\$575	1900 MS-65	\$1,325	\$155	Barber Dime MS-65 \$3,575 \$585	
<u>U.S. Classic Silver Commemoratives</u>							
			1901-O MS-65	\$1,425	\$165	Standing Liberty Quarter T2 Full Head MS-65 \$3,250 \$695	
			1902-O MS-65	\$1,125	\$145	1936 T2 Buff Nick PR-66 \$5,000 \$2,275	
			1903 MS-65	\$1,600	\$200	1937 Buffalo Nick PR-66 \$3,650 \$1,650	
			Albany MS-65	\$1,975	\$325	1936 Mercury Dime PR-65 \$3,700 \$1,700	
			Bridgeport MS-65	\$1,925	\$215	1937 Walking Half PR-65 \$3,925 \$1,200	
			Cleveland MS-65	\$2,175	\$220	1938 Walking Half PR-65 \$3,100 \$925	
			Delaware MS-65	\$2,475	\$365		

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everyone. Although the prospects for appreciation are greater than for gold and silver bullion, there is also greater risk. Because of this, they may be completely unsuitable for your particular circumstances.

Overall, I recommend that 5-20% of your net worth be held in hard assets such as precious metals and rare coins. Of your total hard asset holdings, I am conservative and suggest that gold and silver bullion-priced coins and ingots make up 75-100% of your total. That leaves 0-25% for rare coins. A comfortable level for many would be 10% of your hard assets allocated to rare coins while an aggressive investor may put as much as 25% into numismatics.

We have evaluated different categories of U.S. coins and recommend a diversified allocation. Different categories will peak and decline by different amounts and at different times. With diversification, you can achieve an overall better return over the long-term than by concentrating in one area.

Here are the categories we especially like (using a conservative approach leaning toward greater safety and liquidity):

**1. Common Date U.S. Gold Coins, \$1.00 through \$10.00. (15-25%)**

These will almost certainly outperform common-date Double Eagles. These coins are still available and have not run up in price, so they make excellent choices right now.

**2. Better-Date U.S. Gold Coins, \$1.00 through \$20.00. (10-20%)**

There are many issues that are 10 to 50 times scarcer than common dates, yet cost surprisingly close to the price of the common pieces. This has been an area of strength, with supplies especially tight. Seek opportunities as they arise.

**3. Gold Commemoratives, 1903-1926. (10-15%).**

These coins are far scarcer than the gold coins issued for circulation, yet often sell for less than the more common coins. Supplies are really tight, but prices have not yet caught fire. Snap them up when they can be found.

**4. Better-Date and Better-Grade Morgan and Peace Dollars. (15-25%)**

Morgan and Peace Dollars are some of the most widely collected U.S. coins. It is possible to pick up many rarities for a fraction of their mid-1989 prices. Supplies are getting tight and significant

price increases are underway. Be selective and look for opportunities.

**5. Better-Date and Better-Grade Minor Silver Coins. (10-20%)** Here again, many issues are available for a huge discount to their past peak prices. Supplies are erratic. With care, you can acquire coins that have not yet taken off in price.

**6. Silver Commemoratives, 1892-1954. (10-15%)** There are an amazing number of low-mintage issues in this series. Prices are far too low today, but are already on their way up. Supplies of attractive white coins are almost nonexistent. Popularity will likely grow more than other areas as a result of the Statehood Quarter series.

**7. Copper and Nickel Coins and Special Opportunities. (5-10%)**

There are a number of low mintage rarities that are real bargains today. Supplies are erratic. Prices have not yet jumped. Look for opportunities.

I have been a coin collector for almost 40 years. I am used to being patient and selective in adding to my numismatic holdings—and profiting by that attitude. There would rarely be a scenario where I would advocate a faster numismatic acquisition program.

But now, looking at the solid base that the U.S. rare coin market has established, how thin supplies are, and at how prices have started rising with enthusiasm, I don't think that patient and selective will maximize profits. It is somewhat against my nature to say it, but I think the greater rare coin profits will be realized by those make their largest purchases soon compared to what will be gained by those who are patient and selective.

With the stock markets in the doldrums, the U.S. dollar teetering, low interest rates on bonds and CDs, there may never be a better time to buy rare coins.

## **GATA Lawsuit Dismissed By Court. What Now?**

On March 26, the U.S. District Court in Massachusetts filed an order to dismiss the lawsuit that charged the Bank for International Settlements (BIS) Federal Reserve Chair Alan Greenspan, other central banks, private banks, and several past and present government officials with manipulating the price of gold downward. This lawsuit was filed by Reginald Howe personally on behalf of the Gold Anti-Trust Action Commit-

tee (GATA).

Had this lawsuit been allowed to continue, the next stage would have been discovery. There, the defendants would have been compelled to answer questions under oath that they so far have made concerted efforts to avoid answering. If the case had gone on to discovery, there was significant chance that such an announcement would have led to a major jump in the price of gold.

The major reason the court dismissed the suit was a finding that Howe did not have standing to file the case. Although Howe had been a shareholder of BIS, the judge ruled this connection was not adequate to pursue the lawsuit. In discussion contained in the order, the judge stated that there were several other parties who might have standing to pursue such a case including major gold mines and countries where gold mining was an important economic activity.

In addition, the judge stated that the doctrine of sovereign immunity protected several of the parties from being sued. However, this immunity did not extend to the private bank defendants such as JP Morgan Chase, Citibank, and others.

This result was more or less to be expected. If there really is gold market manipulation going on, and GATA had amassed an impressive amount of research plus damaging witnesses to support the charge, the defendants would pull out all the stops to prevent this case from proceeding. Their preferred outcome would be for the case to be dismissed on a procedural matter, having nothing to do with the merits of the case.

For all practical purposes, the case is almost dead. However, on April 4 Reginald Howe filed a motion to amend the court's order. He asked the court to postpone the dismissal of the suit until he has the opportunity to amend his suit to charge breach of fiduciary duty against all the directors of BIS. He further asked the court to make a declaration whether the US Secretary of the Treasury, through the Exchange Stabilization Fund or otherwise, or officials of the Federal Reserve System have the legal or constitutional authority to manipulate gold prices.

It will likely be months before the court issues its decision on Howe's latest motion. I am not optimistic that it will succeed at salvaging this lawsuit.

Although the judge did point out that

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other parties might pursue this lawsuit, I am doubtful that they will. Any large gold mining company or countries such as South Africa or Ghana would risk the wrath of the U.S. government as well as their own banks by making such a stand.

Unless there are significant developments on this suit or the subjects it covered, I do not expect to cover it further.

Any manipulation of the gold market that might have happened cannot stop what I see as the eventual jump in the price of gold. At best it will only delay the increase by several years. When the next gold boom hits, it would cause it to be more dramatic than would have happened in the absence of manipulation.

### Gold and Gold Coins

Gold closed today at \$309.25, up \$6.75 (2.2%) from last month.

Last Friday, gold closed at \$311.50, its highest close since it closed at \$315.00 on February 10, 2000.

I believe that the average gold price for the month of April is the highest for any month going back to at least 1999.

This growing strength is a response to all the fears of shaky paper asset values. Among the newest scares were AOL Time Warner's loss of more than \$50 billion in the 1st quarter and Enron reporting that it would lose at least \$14 billion in assets (about 25% of all its reported assets) by having to value its derivatives at market value.

Demand for physical and paper gold continues to be strongest from relatively new buyers such as mutual funds and trading houses looking for safety. It has had little impact on physical gold premiums.

The U.S. **American Arts Medallion** (2.4%), and **Austria 100 Corona** (2.5%) are still the lowest premium gold issues with the South Africa **Kruger- rand** (2.7%) close behind.

The British **Sovereign** (6.1%) is our favorite smaller gold coin. Other lower premium small gold coins include the U.S. **1/2 Oz Gold American Eagle** (6.9%), French **20 Franc Rooster** (7.4%) and Swiss **20 Franc** (7.4%) and U.S. **1/4 oz Gold American Eagle** (7.7%).

We managed to acquire the **Better-Date U.S. Gold \$20.00 Double Eagles**

### The Month

Gold Range	\$13.00	4.3%
Net Change	+6.75	
Silver Range	.25	5.4%
Net Change	-.13	
Gold/Silver Ratio	68.3	
Net change	+3.4	
Platinum Range	41.00	7.8%
Net Change	-12.00	
Platinum/Gold Ratio	1.66	

Date	Gold	Silver	Platinum
Apr 03	302.50	4.66	527.00
Apr 04	301.50	4.62	525.00
Apr 05	300.00	4.57	527.00
Apr 08	300.50	4.56	527.00
Apr 09	298.75	4.55	525.00
Apr 10	301.75	4.62	528.00
Apr 11	302.25	4.58	536.00
Apr 12	302.25	4.58	534.00
Apr 15	300.00	4.45	531.00
Apr 16	298.50	4.41	535.00
Apr 17	302.00	4.44	544.00
Apr 18	304.00	4.49	556.00
Apr 19	302.00	4.50	551.00
Apr 22	303.00	4.53	546.00
Apr 23	304.00	4.56	545.00
Apr 24	304.25	4.56	550.00
Apr 25	308.00	4.61	551.00
Apr 26	311.50	4.64	548.00
Apr 29	310.75	4.64	539.00
Apr 30	309.00	4.53	534.00
May 01	309.25	4.53	515.00

London Silver Market Premium To New York Silver Market = 2¢

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

before the recent market surge. When these are gone, we are unsure when we might find other equally attractive opportunities. See the enclosed flyer for details.

### Silver and Silver Coins

Silver settled today at \$4.53, down 13 cents (2.8%) from four weeks ago.

U.S. **90% Silver Coin** (7.9%) is our top recommendation for physical silver. U.S. **40% Silver Coin** (4.4%) is worth considering for its price advantage. The higher premiums for **100, 10, and 1 Ounce Ingots** (11.0-13.2%) make them less attractive at the moment.

The **Better-Date U.S. Morgan Dollars** in our enclosed offering were acquired before the recent jump in prices. This may

be your last opportunity to acquire them at such reasonable prices.

### See Michigan State Quarter Designs Up Close

The proposed Michigan state quarter designs unveiled by Governor Engler on April 3 will be on display next week, May 10-12, at the Michigan State Numismatic Society Spring Convention.

The Convention is being held at the Kellogg Center on the Michigan State University campus in East Lansing. It is open to the public at no charge.

The public will be able to vote for their favorite of the five designs., with the results shared with Governor Engler.

### Philadelphia Mint Resumes Production April 18

After being closed for OSHA violations since March 4, the Philadelphia Mint resumed production of coins for circulation on April 18.

Had it lasted much longer, the shutdown might have made the Ohio state quarters from the Philadelphia mint significant rarities. Although supplies are still almost non-existent, the Mint announced that they expect to produce about the same number of Ohio quarters at Philadelphia as they strike in Denver.

### Mint Will Not Strike 2002 Sacagawea Dollars For General Circulation

In April, the U.S. Mint announced that demand for Sacagawea Dollars for circulation has almost completely dried up. As a result, none will be struck for circulation in 2002.

The failure of this coin was predictable. It is almost certainly due to the continued production of paper \$1.00 notes by the government. Other nations that have come out with such coins succeeded partly because they withdrew the corresponding notes from circulation.

The Denver and Philadelphia Mints will strike modest quantities of uncirculated coins to be included in Mint Sets and to be sold in bulk to collectors at premium prices.