



# Liberty's Outlook

Volume 13 Issue 5 Liberty Coin Service's Monthly Review of Precious Metals and Numismatics May 2, 2007

## Has The Battle For The Survival Of The U.S. Dollar Begun?

**P.3&5 Finding The Best Values Among Classic U.S. Commemoratives and U.S. Indian Gold Coins Today!**

**P.4 Where The Pros Think The Price Of Gold Is Headed**

After last month's newsletter was released, I started hearing from a lot of readers that the information it contained was scary. So said my wife, my mother, my doctor, and a number of our customers.

I had not realized as I was writing it that it would come across so strong. Upon re-reading it, however, I see how readers could get that impression.

I apologize for that. I didn't mean to frighten anyone. But, I try to call the markets as I see them.

If you didn't care for last month's tone, then perhaps you should stop reading this issue right now.

Last month, I warned you that the U.S. dollar was sinking and that the trend was likely to continue.

That has happened.

In the past month, the U.S. dollar has fallen another 2% against the Australian dollar, 4% to the Canadian dollar and India rupee, over 2% versus the Euro and British pound, and almost 3% against the New Zealand dollar. It even fell almost 1/2% versus the Chinese yuan.

It rose about 0.7% against the Japanese yen, about the only major currency against which the U.S. dollar appreciated in April.

Last month, I warned that the value of the U.S. dollar might fall far enough in the month of April to trigger massive intervention by the U.S. government to try to support it.

In April, the prices of gold and silver reached 11-month highs while platinum hit a new all-time high.

Gold closed over \$690 twice and tested \$700 during the day. Silver settled above \$14.00 in U.S. markets three times. Platinum soared all the way to a close of \$1,320.00. Even palladium was up almost 5% in April.

Over the past week and a half, precious metals prices slid. Several major analysts have tried to explain the decline as simply

another technical sell-off of a market that has risen too quickly.

I don't agree with them.

I also think that at least some of them know that this information is incorrect, but they have other agendas for hiding what has really happened.

Six months ago, the top central bankers in Western Europe were all making statements that they had no plans to sell their nation's gold reserves, nor was it likely that the European Central Bank would sell any of its gold.

In fact, the amount of central bank gold likely to be released onto the market was so limited that it would fall far short of the quotas allotted under the current Central Bank Gold Agreement.

Starting in March, with no announcement or explanation, the European Central Bank began selling sizeable quantities of gold reserves.

Apparently, it accelerated its sales program during the month of April. It is selling gold at such high levels that, if it continues at this rate, it will reach its annual limit well before the end of the fiscal year on September 30.

This massive amount of sales, and I have not been able to obtain details as to the exact volume of gold that has appeared, has been enough to bring a pause to the run up in the price of gold.

Also during April, a new round of rumors appeared about how the International Monetary Fund (IMF) was preparing a new plan to sell some of its gold holdings. As the IMF is holding over 100 million ounces of gold, more than any government or central

### 2007 Year To Date Results Through May 1, 2007

#### Precious Metals

Platinum	+14.0%
Palladium	+11.1%
Gold	+6.2%
Silver	+3.3%

#### 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

Japan Yen	+0.6%
Switzerland Franc	-0.4%
China Yuan	-1.3%
Great Britain Pound	-2.1%
Euro	-3.0%
Canada Dollar	-4.7%
India Rupee	-7.0%
U.S. Dollar Index	81.60 -2.3%

#### US and World Stock Market Indices

Frankfurt Xetra DAX	+12.3%
Dow Jones Ind Average	+5.4%
NASDAQ	+4.8%
S&P 500	+4.8%
Russell 2000	+3.6%
London FT 100	+3.2%
Tokyo Nikkei 225	+0.3%

#### Intrinsic Metal Value Of U.S. Coins

Lincoln Cent 1959-1982	2.40¢
Lincoln Cent 1982-date	0.97¢
Jefferson Nickel-non-silver	9.28¢
Roosevelt Dime 1965-date	4.21¢
Wash Quarter 1965-date	10.53¢
Kenn Half Doll 1971-date	21.05¢

bank other than the United States, this rumor can intimidate those thinking that the price of gold is only going to go up.

As far as I can tell, there is no particular reason why the European Central Bank or

**Inside this issue: What Should You Do?**

**Here Come The Lawyers**

**A Warning On The Silver ETF**

**page 2**

**page 4**

**page 6**

(Continued from page 1)

any of the individual European central banks need to be selling gold, though the Netherlands has been selling significant quantities of gold over the past couple of years.

Also, previous claims that the IMF was going to sell its gold to provide welfare to highly indebted countries brought howls from several African nations that depend on gold exports for a significant part of their economy. The gold mines account for about 1/3 of the Zimbabwe Gross Domestic Product (GDP), for instance.

When these countries pointed out to the IMF that lowering the gold price through release of any gold would hurt poor nations as much as it might help them, the gold sales plans were quietly dropped.

So, for the purposes of Western Europe or for the IMF, there really isn't any reason for any rush to sell gold reserves.

## What Might Really Be Happening?

However, there is one nation whose currency is being clobbered by inflation and rising gold prices and that has a huge incentive to do just about whatever it takes to hold down gold—

The United States of America.

To prop up the value of the dollar, the Federal Reserve would have to disgorge its reserves to buy back dollars and dollar-denominated debt.

The U.S. government doesn't have too many options when it comes to releasing reserves, however. The Federal Reserve continues to report that the U.S. is holding 261.5 million ounces of gold (about \$175 billion at current gold prices), but barely \$40 billion in foreign exchange currency. According to the Statistical Supplement to the March 2007 Federal Reserve Bulletin, the U.S. also has another \$16 billion in reserves at the IMF and in Special Drawing Rights. Basically, about 76% of U.S. government reserves are in gold.

(This distribution of reserves is far different to that of nations that have accumulated the bulk of their reserves in the past 50 years. Of China's \$1.2 trillion in reserves, perhaps as low as 1% of it is held in gold, for example.)

So, if the U.S. government were to try to distribute its reserves, that basically means getting rid of its gold. However, the vaults in Fort Knox are being watched closely. Any caravan of trucks that might leave there would create a storm of speculation that the U.S. had unloaded part of its gold. That would quickly shake confidence in the strength of the dollar, causing all sorts of economic mayhem in the proc-

ess.

As a result, physically taking gold out of U.S. vaults is not a practical idea. However, it really would not be that hard to work a swap with a cooperating central bank, such as those in Europe. The U.S. government could say that it wanted to sell 14 million ounces of gold, as it was suspected of doing last summer, and arrange for another central bank to do it for them. Then the U.S. would simply change title to an equal amount of gold sitting in Fort Knox to that of the other central bank.

A few years ago, U.S. government reports on its gold holdings stated flat out that the gold was owned by the U.S. government. Then, for no apparent reason, the description was changed to simply say the quantity of gold in the vaults with no representation that it was all owned by the U.S. government.

U.S. government officials refused to discuss or explain the reason for the change in terminology, even in response to an inquiry from U.S. Senator Jim Bunning (R-KY). An inquiry from a member of Congress is tantamount to a royal command to a federal employee, so the refusal to answer Sen. Bunning is a major breach of protocol that is not done for trivial reasons.

I have no hard direct evidence for my suspicions, but there is a decent amount of circumstantial clues pointing to the possibility the gold that has been unloaded by the European Central Bank over the past two months is really coming out of the U.S. gold reserves.

One major clue to this came from an interview in Paris on October 5, 2006 of German Central Bank president Axel Weber when asked if that bank planned to sell any of its gold reserves.

He said, "We are not envisaging gold sales for their third year [of the current agreement with other central banks]. We have been asked to negotiate with other central banks" about potential swap deals involving gold.

The only other central banks that would need to discuss such a swap would be ones that had a lot of gold reserves that could not be moved without attracting attention. That points to the U.S. as the prime and perhaps only suspect who might be negotiating a gold swap of enough magnitude to be worth mentioning in an interview.

If my suspicion turns out to be correct, then it looks like the U.S. government has already started to go all out to defend the survival, and not merely the value, of the U.S. dollar. I told you last month that it looked like a U.S. Dollar Index of 80.5 was the line drawn the U.S. government's Plunge Protection Team to unleash major support of the dollar. During April the Index fell close to 81.

What has been happening since March may be the opening salvos of the ultimate defense of the U.S. dollar. When even the Comptroller of the U.S. and the head of the Congressional Budget Office go on record, as both did in 2006, to say that the actuarial present value of the U.S. government's liabilities roughly match the entire wealth of planet Earth, that means that the U.S. government is bankrupt.

The U.S. government has a tremendous amount of assets, primarily gold, with which to support the dollar. In theory, the destruction of the U.S. dollar could take several years. But I get more afraid as the months go by that we have passed the point where it might have been possible to avoid the collapse of the U.S. dollar.

Of course, it might not take that long for the U.S. to lose the battle over the dollar. I remember that the U.S. had a massive hoard of more than two billion ounces of silver in the mid-1960s that was used to try to hold down silver prices. By the end of the 1960s, this hoard was mostly wiped out. Today, the U.S. government does not hold any significant inventories of silver.

The same thing could be happening to the U.S. government's gold reserves.

## What Should You Do?

I really am trying to discuss this subject in a calm, non-inflammatory matter. But I am deeply concerned that the U.S. economy as we know it will be in for some major turmoil in the coming years.

As insurance against calamities to currencies and paper assets like stocks or bonds, I formerly recommended that prudent individuals put 5-10% of their net worth into precious metals and possibly other hard assets like rare coins.

A few years ago, I raised that allocation to 10-20% of one's net worth.

Just last month, I said it was time to look at investing a minimum of 20% of one's net worth into tangible assets like gold, silver, and rare coins. I emphasize that this is a minimum, which many people should be able to arrange without totally turning their lives upside down or inside out.

If you have not done so recently, sit down sometime in the next few days to total your assets and liabilities. The difference between these two is your net worth. Multiply 20% of your net worth and compare that figure with the value of your holdings of gold, silver, and rare coins. If you don't have enough hard assets, look at what assets you own that could be converted.

If my analysis is correct, you only have a limited time to take action. This battle over the U.S. dollar could drag out for years. But you could also see the value drop 10-20% quickly without warning. In the past I have tended to alert readers a bit on the early side.

(Continued from page 2)

But it is much safer to act a little early than one day too late.

For transactions, call our Trading Desk direct at 800-527-2375.

## What Is LCS Doing?

A few months ago I discussed how the so-called record Dow Jones Industrial Average (DJIA) at the time was really a false indicator of prosperity.

Seven years ago, to buy the Dow Jones Industrial Average would have cost about 41 ounces of gold. Now that the DJIA has set a record high, it takes less than 20 ounces of gold to buy it. Literally, even

though the DJIA is supposedly at an all-time record level, it has lost more than half of its value against gold in the past seven years.

Keep in mind that the DJIA is an index, and not a dollar value. However, it is possible to buy an index fund that essentially turns the DJIA into a dollar asset.

To the extent possible, I think it makes sense to reduce your holdings of U.S. dollars and dollar-denominated paper assets.

This company has enjoyed significant growth over the past several years. We are now up to 14 employees from six in mid-1999. We have no more physical space to expand our quarters in the bank

building in a shopping center where we have been located since 1975. Unlike many companies in mid-Michigan, we are having to turn away some types of business (such as most of our stamps) because we simply don't have the capacity to handle it

For the past several months, we have been devoting significant time to search for new quarters at least double our current size.

With the signs of the current battle over the U.S. dollar, we are suspending the search for the time being. There is a good chance that we will be able to acquire larger premises a year from now for about

(Continued on page 4)

## Best Values In Classic Gold and Silver Commemoratives Today

**Classic Gold U.S. Commemoratives, 1903-1926:** From 1903 to 1926, the U.S. Mint issued a total of 13 different Gold Commemoratives, nine of them \$1.00, two of them \$2.50, and two of them \$50.00. Combined mintage was barely 130,000, making all of these coins scarce.

This is a modestly collected area partly because the coins are relatively pricey and partly because the affordable coins (the \$1.00 and \$2.50 issues) are relatively small. As a result, many of these issues can be obtained close to the prices of common-date Type 3 \$1.00 Indians that were issued from 1856 to 1889.

As this market has not been heavily promoted over the past few years, the relative values of these coins compared to the 1926 \$2.50 Sesquicentennial, which is the most common of these coins, are relative balanced. None of the coins in any of the grades MS-63 through MS-66 earned our High Recommendation or Highest Recommendation for appreciation potential. Only the 1916 McKinley Gold Dollar in MS-64 and MS-65 quality and the 1917 McKinley Gold Dollar in MS-65 quality barely qualified to earn Recommended status.

**Classic U.S. Silver Commemoratives, 1892-1954:** This is a popular series with collectors because you have a great combination of a wide variety of designs (1 quarter, 48 half dollars, 1 dollar), a number of low mintages, it is relatively easy to locate a high quality specimen because many issues were never put into circulation (especially those dated from 1927 onward), and prices are quite reasonable considering rarity and quality.

Because it is so difficult to acquire any sizeable quantities of these coins, they are rarely subject to major promotions that distort the market. They are particularly popular with collectors in strong markets, so prices today can be real bargains compared to levels they reached at the last major market peak in June 1989.

As a number of issues were sold in special collector card stock, many of the top quality specimens with original surfaces have distinctive toning. Coins with fabulous color often sell for double or triple the price of white coins.

Coins in this series were compared against the 1946 Iowa Half Dollar from MS-64 to MS-66 quality, the most common issue in high grades. I was unable to evaluate the individual coins of commemoratives issued in 3-coin sets (one of each mintmark) because the catalogs do not report the information that way. Therefore, this analysis covers less than half of the issues. I will try to do a sensible analysis of the 3-coin sets for the next newsletter.

Incidentally, the Iowa Half Dollar does not earn even a Recommended status in any grade, which surprised me. Given how much the price of this coin had fallen since mid-1989, I expected the whole series to do much better. Out of curiosity, I put the 1881-S Morgan Dollar into this analysis to see what a difference it makes. For example, when compared to other Morgans, the MS-66 Morgans earn an Undervaluation Index™ of 3.78. When compared to the MS-66 Iowa, the 1881-S only rates 0.48. I'm not saying that the Silver Commemorative Undervaluation Index™ is nine times undervalued compared to Morgans, but I would take a Classic Silver Commemorative with an Index of 10 over a Morgan that rates 25 as having better potential appreciation.

Undervaluation Index			
Coin	MS-64	MS-65	MS-66
1893 Isabella Qtr	0.70	1.48	2.37
1900 Lafayette \$1.00	0.38	0.66	0.99
1921 Alabama 2x2	1.04	0.77	1.67
1921 Alabama	1.31	0.85	3.32
1936 Albany	1.76	5.95	11.07
1937 Antietam	0.31	0.87	2.53
1936-S Bay Bridge	2.01	5.45	6.29
1934 Daniel Boone	9.85	<b>25.74</b>	<b>31.18</b>
1936 Bridgeport	2.45	14.15	<b>24.55</b>
1925-S California	1.06	1.53	3.02
1936 Cleveland	1.75	16.11	15.61
1892 Columbian	11.37	9.46	10.91
1893 Columbian	11.54	13.29	14.20
1935 Connecticut	1.45	4.77	5.05
1936 Delaware	1.38	6.75	13.13
1936 Elgin	1.45	7.56	12.86
1936 Gettysburg	0.71	2.82	9.34
1922 Grant with star	0.65	0.77	0.65
1922 Grant	5.57	11.73	15.15
1928 Hawaiian	0.29	1.07	2.98
1935 Hudson	0.74	2.54	3.96

1924 Huguenot-Wall	5.20	11.78	8.47
1946 Iowa	1.50	3.82	5.36
1925 Lexington-Con	5.44	7.55	8.70
1918 Lincoln-Illinois	3.41	8.80	9.47
1936 Long Island	8.51	13.06	10.10
1936 Lynchburg	2.14	11.37	9.73
1920 Maine	2.87	7.64	16.93
1934 Maryland	3.42	8.75	8.07
1921 Missouri 2x4	1.23	2.13	7.93
1921 Missouri	1.50	2.37	8.09
1923-S Monroe	3.10	2.21	4.01
1938 New Rochelle	0.88	3.40	8.46
1936 Norfolk	0.46	0.69	1.22
1926 Oregon	3.67	9.49	19.32
1926-S Oregon	2.86	6.28	11.34
1928 Oregon	3.69	14.18	15.74
1933-D Oregon	1.98	6.98	13.36
1934-D Oregon	4.29	21.87	<b>20.99</b>
1936 Oregon	3.23	8.07	18.90
1936-S Oregon	5.25	9.04	10.06
1937-D Oregon	1.88	4.61	6.50
1915-S Panama-Pacific	0.59	1.33	2.26
1920 Pilgrim	6.77	8.40	10.30
1921 Pilgrim	4.92	10.14	9.04
1937 Roanoke	0.84	2.98	7.83
1936 Robinson-Arkan	3.09	11.52	11.79
1935-S San Diego	1.43	4.11	<b>25.63</b>
1936-D San Diego	1.43	6.11	<b>43.68</b>
1926 Sesquicentennial	0.34	1.54	3.60
1935 Spanish Trail	0.23	0.89	1.67
1925 Stone Mountain	2.52	4.72	4.69
1934 Texas	3.43	12.44	<b>35.22</b>
1925-(S) Ft Vancouver	1.49	2.59	4.23
1927 Vermont	2.55	4.02	5.99
1936 Wisconsin	1.13	3.19	5.44
1936 York County	1.43	4.85	8.08

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 the February 2007 newsletter for explanation of the Undervaluation Index and its limitations.

(Continued from page 3)

half the cost in ounces of gold as it would cost today.

## Where The Pros Think The Price Of Gold Is Headed

Even if my assessment of what is happening with the U.S. dollar is incorrect, there is a lengthy list of indicators saying that we are still in the early stages of the next major boom for gold, silver, and rare coins.

So where do some of the top professionals, those whose livelihoods depend on their accurate projection of future gold prices, think we are headed?

Top officials of three of the world's five largest gold mining companies certainly have an incentive to accurately anticipate gold price moves. They have all come down squarely anticipating that future prices will be higher than they are today.

To facilitate financing of new operations, mining companies have often entered into long-term sales contracts of future production. If prices stay steady or decline, this works well. But, if prices increase, profits are reduced and shareholders are unhappy.

Over two years ago, Newmont Mining Corporation closed out all of its pre-sold gold contracts.

A few years ago, Barrick Gold Corporation had pre-sold so much gold that it amounted to what it could produce in three years! Since then, it has been whittling down this obligation. Last night, Barrick issued a news release stating that the company had absorbed a loss of \$557 million dollars in the first quarter of 2007 to close out the last of their pre-sold contracts. Obviously, management of this company expects prices to rise enough higher in the future to recoup this \$557 million.

Today, Gold Fields announced that it had spent \$528 million in the first quarter of 2007 to close out the pre-sold contracts that were owed by a recently acquired subsidiary.

I don't have current data for Anglo Gold Ashanti or Kinross, but Anglo Gold Ashanti officials had previously stated they were aggressively seeking to eliminate all pre-sold gold contracts.

Take it for what it's worth.

## Here Come The Lawyers

For decades, we have seen ads in newspapers and magazines and on cable television sales channels offering coins, paper money, and related items at prices that, in our judgment, did not represent good value.

Typically, for coins not made of solid gold or platinum, interested buyers could

purchase the same items from LCS for half the price advertised, or even less.

In many instances, the items being offered for sale are not coins at all or may have virtually no precious metal content (or both), yet be described in such a way as to make them sound like coins with high precious metal value. Sometimes, you really have to read the fine print closely to learn otherwise.

In other cases, real coins might be offered for sale that are encapsulated by a marketing company and described on the holder at a grade which would not be generally accepted in mainstream numismatic commerce. In other words, the stated grades are higher than would be used if a purchaser were to try to resell these coins to experienced collectors and dealers. In addition to being overgraded, the coins are often damaged by cleaning or other processing that reduces the value of the coins, but is not disclosed in the sales literature or on the coin's holder. As long as the seller discloses that the described quality may not bear any similarity to how the coin would be graded in the mainstream numismatic market, I have no fault with putting coins in such holders.

I also have no fault with any seller pricing merchandise at any level, no matter whether I think the price is outrageously high.

What I think crosses the line is when something is offered in such a way as to deceive potential buyers about the nature or value of what they are purchasing. These marketing companies must have some hefty legal bills seeing just how close they can come to this line without stepping over it.

Sometimes, these merchants do step over the line. LCS has been consulted by the Michigan Attorney General's office from time to time on the marketing standards of the mainstream coin industry. LCS staff have also been retained as expert witnesses in cases where people were suing a marketer for deception or fraud, with all instances being settled out of court to the benefit of our client.

Three weeks ago, we were contacted by an attorney from a consortium of firms that were seeking victims of coin marketing fraud. He explained that he and his associates were competing against other groups of attorneys who were trolling for victims for a class action lawsuit against some of these television and print media advertisers. He told me that they figured that they only had a few weeks to file a case before they would be beaten to court by one of the other groups.

So, don't be surprised to hear about one or more lawsuits filed against television or print media marketers that you have seen advertising coins and other items.

I expect such litigation to spur the clean up of some of the most deceptive marketing

practices. I don't expect it to stop altogether simply because rare coins are attractive treasures to the general public. Since these are products that the public will purchase, marketers will figure out how to sell them.

Incidentally, when customers offer us this overpriced merchandise, they seem to be split evenly in their reaction. About half never want to purchase any coins again, while the other half consider their ill-advised purchases to be part of their learning experience that they can use to make more astute rare coin purchases in the future.

If you have questions about any ad or commercial you see elsewhere, you are welcome to call us for opinion.

## Gold and Gold Coins

Gold closed today at \$672.50, a meager 50 cents (0.1%) increase from four weeks ago.

In the circumstances, with so much central bank sales of gold, gold has performed very well. As the price of gold reached \$690, we started seeing a steady stream of buyers of physical gold and a sharp fall off in the number of sellers. Unless the central banks are willing to commit to selling quantities of gold in excess of their allotted quotas, it looks almost certain that the price of gold will break above last year's peak U.S. close of \$719.75.

After previously announcing that it would begin issuing fraction sizes of the .9999 fine gold American **Buffalo** in 2007, the U.S. Mint modified that a few months ago to say they would only be available in proof versions this year. A few weeks ago, the Mint announced that they would simply be unable to bring fractional Buffaloes to market at all in 2007, so they pushed the initial production back to 2008.

One major telemarketer of Buffaloes certified by the Professional Coin Grading Service (PCGS) and Numismatic Guaranty Corporation (NGC), often with a label reading First Release or Early Release has been sued by a group of customers. The demand for slabbed Buffaloes has come almost completely to a standstill.

There is such a glut of these coins in wholesale inventories right now that they can be purchased for the same price as Buffaloes in the original Mint packaging. Even better, the premium on the Buffaloes has dropped about \$4.00 per coin relative to its gold value in the past four weeks. They still cost too much over gold value for my bargain-hunting mind, but at least they are now less over-priced.

Instead of Buffaloes, I recommend lower premium coins such as the Austria

(Continued on page 5)

(Continued from page 4)

**100 Corona** (2.9%), South Africa  
**Krugerrand** (2.9%), U.S. **American**  
**Arts Medallion** (3.0%), and Mexico **50**

**Peso** (3.0%). They now save you \$13-14 per ounce of gold over the cost of coins like the Buffaloes of U.S. **American Eagle** (5.0%). Right now, you would get most of

this difference back if you were selling, but in the long term you are probably only going to get the same price per ounce for the lower premium coins and the somewhat

### Best Values in \$2.50, \$5.00, and \$10.00 Indians Today

**\$2.50 Indians:** My analysis of the \$2.50 Indian Quarter Eagles series, in grades from Mint State-62 through Mint State-65 did not uncover any dates in the series that were undervalued enough, relative to the most common issue (1925-D \$2.50 Indian) in the same grade, to even merit Recommended (Undervaluation Index™ of 6.00-9.99) status, much less a High Recommendation (Undervaluation Index™ of 10.00-19.99) or Highest Recommendation (Undervaluation Index™ of 20.00 or higher).

The \$2.50 Indian series has been heavily promoted by one major numismatic marketer for several years, encouraging customers to work on complete 15-coin sets. I suspect that this promotion is one reason why coins in this series, more than almost any other U.S. gold coin series, are selling closest to their peak mid-1989 prices. Many dates are more common than \$5.00 Liberties and \$10.00 Liberties in the same quality, yet the \$2.50 Indians tend to be priced higher than the rarer types (that also have a higher gold content to boot!). As a type coin, it earns our Highest Recommendation for all grades MS-62 through MS-65. That means that I think the coin has wonderful appreciation potential in absolute terms, but that I also think that most other U.S. gold type coins will outperform \$2.50 Indians.

**\$5.00 Indians:** In MS-62 and higher grades, the \$5.00 Indian is the scarcest of the 8-coin \$2.50-\$20.00 Liberty and Indian gold series. Because of its rarity, it is a series that has not been subject to manipulation by promoters. As a result, there are a number of dates and grades that have found levels where they are wonderful bargains with lots of appreciation potential compared to the common 1909-D issue. Unfortunately, because of their rarity, the only \$5.00 Indians you can acquire for less than \$2,000 are in MS-62 or lower grades. Also, some are so scarce in MS-65 quality (or even unknown), that there are no reasonable catalog values to use for this analysis.

I have highlighted in bold below the three dates that earned our Highest Recommendation for appreciation potential and also are available for under \$2,000 each.

Undervaluation Index				
Date	MS-62	MS-63	MS-64	MS-65
1908	9.21	14.83	12.27	0.68
1908-D	12.51	17.84	40.53	14.01
1908-S	65.22	151.84	30.22	2.40
1909	13.54	27.25	8.93	1.62
1909-D	1.44	2.43	1.81	1.44
1909-O	2.69	5.05	1.52	
1909-S	32.28	58.07	16.91	19.97

1910	18.81	46.83	50.85	5.09
1910-D	<b>64.39</b>	176.15	98.01	
1910-S	62.54	166.68	18.06	
1911	9.23	22.40	24.86	2.51
1911-D	10.01	4.49	6.73	
1911-S	116.48	264.02	12.52	
1912	7.61	19.07	23.59	2.65
1912-S	41.72	28.03	11.65	
1913	6.66	16.72	23.18	2.31
1913-S	34.10	28.23	16.42	
1914	<b>21.92</b>	40.51	43.26	5.66
1914-D	<b>32.68</b>	55.72	50.93	11.95
1914-S	16.14	40.85	21.74	
1915	13.42	25.66	25.52	3.70
1915-S	39.46	19.93	18.02	
1916-S	72.35	133.30	46.80	9.39
1929	3.20	4.36	3.37	5.70

**\$10.00 Indians:** This is a popular coin, designed by Augustus St Gaudens at the same time that he created his wonderful design for the \$20.00 Double Eagle. The 1932 date is extraordinarily common, the 1926 common, then the surviving high grade populations drop off sharply. All of the dates that earn our Highest Recommendation for potential appreciation catalog for more than \$2,000 in MS-63 or higher condition. I have highlighted in bold the few MS-62 specimens that earn our Highest Recommendation and catalog for under \$2,000.

Undervaluation Index				
Date	MS-62	MS-63	MS-64	MS-65
1907 WE	1.45	1.27	1.26	1.43
1907 RE	3.77	2.58	1.65	1.03
1907	10.15	5.14	6.97	4.79
1908 NM	51.37	28.73	34.39	22.84
1908-D NM	41.00	37.45	13.64	15.09
1908 WM	14.63	22.98	39.43	16.76
1908-D WM	42.38	30.01	20.74	28.16
1908-S	28.91	23.94	19.22	17.19
1909	<b>44.46</b>	72.29	99.39	59.69
1909-D	51.78	83.18	43.66	52.41
1909-S	88.19	74.98	54.71	80.01
1910	9.84	17.51	37.81	16.40
1910-D	4.17	7.32	17.01	10.65
1910-S	44.67	24.83	25.50	15.84
1911	5.68	9.83	20.39	11.57
1911-D	17.89	19.71	4.28	14.85
1911-S	69.62	34.07	41.83	38.41
1912	9.21	19.70	46.43	34.64
1912-S	57.82	22.97	32.56	23.76
1913	10.73	20.34	42.71	24.59
1913-S	25.07	14.37	11.02	23.76
1914	<b>24.24</b>	40.68	78.49	49.85
1914-D	<b>26.72</b>	41.73	50.11	33.95
1914-S	26.07	13.71	14.35	15.13
1915	15.73	23.91	35.80	21.83
1915-S	37.41	16.86	10.77	10.56
1916-S	72.59	46.28	35.24	28.70
1920-S	11.70	9.58	4.18	3.59
1926	1.21	3.70	7.89	9.68
1930-S	12.62	7.95	4.00	3.18
1932	0.74	1.88	3.02	2.90
1933	2.65	2.24	1.22	0.66

higher ones like the Buffaloes, Eagles, Canada **Maple Leaf** (4.0%), and the like. I see little need to pay extra today for the more expensive coins.

Premiums on many circulated **Common-Date U.S. Gold Coins** have come down to bullion-like prices. At a cost of 10% or less above gold value for Extremely Fine \$10 and \$20 Liberties, there isn't a lot of downside. However there are even more attractive bargains among the **Better-Date U.S. Gold Coins** that sell for a lot closer to the price of the common-date coins than their rarity might lead you to expect. These coins are becoming so difficult to locate that I have no fresh groups to offer you this month. If you are interested in some of these, please call to ask about the handful of one-of-a-kind coins that we have acquired recently.

**World Gold Coins** of several nations are extremely hot right now in their home markets. Coins from countries like Russia, Finland, Sweden, Denmark, and France are disappearing from the U.S. and prices are on the way up. Late last year we offered a nice group of **French Napoleon I 20 Francs** in nice circulated condition that sold out quickly. It has taken us almost six months to locate another group that we can offer at an attractive price. See our flyer for details.

### Silver and Silver Coins

Silver finished today at \$13.21, down 35 cents (2.6%) from last month. Like gold, silver showed solid strength for much of April before being clobbered by another large jump in the huge concentrated Comex short positions.

The big short position will

(Continued on page 6)

(Continued from page 5)

have to give way someday. When it does, I expect the price of silver to take off. I'm sure that those who are holding the short position would agree with my assessment, so they are desperately pushing back the day of reckoning trying to find a miracle to bail them out.

I previously had suggested the use of the Barclays Bank silver Exchange Traded Fund (symbol SLV) for those wanting to invest in silver through a retirement plan or who had significant problems taking physical custody of silver. After reading two reviews by analysts who have pored over the paperwork filed with the Securities and Exchange Commission and sent to prospective investors, I now withdraw that recommendation.

The alleged concept of the exchange traded fund is that it would own 10 ounces of physical silver for each outstanding share. It would even be possible for a shareholder to take delivery of physical silver by surrendering blocks of 5,000 shares at one time. But the paperwork gives an awful lot of wiggle room to the fund to do otherwise.

It turns out that the fund has the discretion, at their option, to pay out cash rather than silver. It also is not obligated to have custody of 10 ounces of silver for each share. Technically, the fund is allowed to acquire assets other than silver to hold as backing for the outstanding shares.

If an auditor wants to check the vaults to see if the silver is physically there, he or she may have to wait 10 days before they can gain access to any particular vault, leaving lots of time to possibly play games with what inventory is stored where.

The fund also has the discretion to make journal entries upon its accounting records which it can later void if it so chooses. This opens the door for the potential of all sorts of creative accounting, as has come to light in too many scandals over the past several years.

I am not accusing the silver exchange traded fund of having done anything wrong, except that it appears that it has had some problems taking delivery of silver on a timely basis to meet investor demand. But there are just too many loopholes in the fine print for me to feel comfortable that, in a crisis market, the silver will be there for all the shareholders.

Once again, I urge that you purchase physical silver and take delivery of it. Once it is in your possession, a third party is not going to be able to commingle it,

### The Month

Gold Range	20.25	3.0%
Net Change	+0.50	
Silver Range	.86	6.3%
Net Change	-.35	
Gold/Silver Ratio	50.9	
Net change	+1.3	
Platinum Range	79.00	6.4%
Net Change	+45.00	

Platinum/Gold Ratio 1.91

Date	Gold	Silver	Platinum
Apr 04	672.00	13.56	1,241.00
Apr 05	674.00	13.68	1,250.00
Apr 06	closed		
Apr 09	671.75	13.77	1,248.00
Apr 10	676.50	13.89	1,258.00
Apr 11	677.00	13.83	1,262.00
Apr 12	675.25	13.82	1,257.00
Apr 13	685.00	14.06	1,265.00
Apr 16	689.75	14.04	1,272.00
Apr 17	688.25	13.99	1,263.00
Apr 18	688.50	13.94	1,286.00
Apr 19	683.75	13.69	1,290.00
Apr 20	692.00	13.93	1,320.00
Apr 23	690.50	14.03	1,312.00
Apr 24	684.00	13.77	1,292.00
Apr 25	684.00	13.75	1,297.00
Apr 26	675.00	13.32	1,288.00
Apr 27	678.50	13.44	1,280.00
Apr 30	680.50	13.45	1,285.00
May 01	674.50	13.25	1,288.00
May 02	672.50	13.21	1,286.00

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.

loan it out, move it to another vault, and otherwise make it difficult or impossible for you to later gain possession of it.

The low premium form I like as the best way to own silver is U.S. **90% Silver Coin** (0.2%). It is the most widely traded, most liquid, most divisible, and most recognized form of physical silver that you can own in this country, as well as costing you the least per ounce! The premium on U.S. **40% Silver Coin** (0.3%) is attractive, but there you have to pay a lot more to ship the 60% copper nickel silver content and it takes over double the storage space to hold the same amount of silver as 90% coin. The **100-1 Ounce Ingots** (2.3-3.6%) cost 27-39 cents per ounce more than 90% Coin, but are worth considering if storage space is a critical issue.

This month, we have acquired two lovely

groups of coins that reflect solid value today and also have attractive appreciation prospects. The **Superb Gem Mint State-66 1936 Elgin Commemorative Half Dollars** can now be purchased for less than 10% of the price at which they once sold. To me they have minimal downside risk and lots of upside potential.

We also managed to uncover a nice lot of **Choice Mint State-63 1897-S Morgan Dollars**. These are one of the handful of coins that earn our High Recommendation for appreciation potential and also are so affordable that almost anyone can fit it in their budget. Please see our enclosed offerings.

### Another Alternative To The U.S. Dollar

I happen to think that precious metals and rare coins are the best protection against the risk of further declines in the value of the U.S. dollar. But there are other choices to consider, about which I am not sufficiently knowledgeable to discuss in depth. In particular I am referring to commodities other than precious metals and other currencies.

Late last year, an LCS employee happened to catch a speech by Bradley J. Stoler, a commodity and foreign exchange trader from the Detroit area. He was impressed with the presentation enough to suggest that I contact him for more information about his services. In my conversations with him, I have found him to be level-headed, thoughtful, and it seems like he goes out of his way to make sure prospective clients are aware of the risks of loss in trading commodities and foreign exchange. If I were considering such transactions, I would certainly discuss the possibility of doing them with his firm.

Stoler has started a class to teach people how to trade foreign currencies. If you live in southeast Michigan (his office is in Troy) and have an interest in trading currencies you might want to call him at his company, The Commodity Advisors, at 877-380-3388 or send him an e-mail at [info@thecommodityadvisors.com](mailto:info@thecommodityadvisors.com).

LCS does not get any commissions or fees if you do any transactions with his company. I mention this simply to provide you a potential source of assets beyond what LCS handles.

### Subscription Rate Increase

Active customers receive complimentary subscriptions to *Liberty's Outlook*. We also have a growing number of paid subscribers. The annual subscription rate is now \$109, but those receiving a renewal notice this month can renew at the old special price.

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**Liberty Coin Service Computer Quotes 2PM EDT 5.02.07**

**Spot Prices**

Item	Qty	Fine Wt	Price	Cost/Oz	Premium
*U.S. 1 Oz Gold Eagle	100	1.0000	706.25	706.25	5.0%
*U.S. 1/2 Oz Gold Eagle	100	0.5000	359.00	718.00	6.8%
*U.S. 1/4 Oz Gold Eagle	100	0.2500	183.50	734.00	9.1%
*U.S. 1/10 Oz Gold Eagle	100	0.1000	75.50	755.00	12.3%
*U.S. 1 Oz Gold Buffalo	100	1.0000	706.25	706.25	5.0%
*Australia 1 Oz Kangaroo	100	1.0000	707.50	707.50	5.2%
*Austria 100 Corona	100	0.9802	678.25	691.95	2.9%
*Austria 1 Oz Philharmonic	100	1.0000	707.50	707.50	5.2%
*Canada 1 Oz Maple Leaf	100	1.0000	699.50	699.50	4.0%
*China 1 Oz Panda	100	1.0000	712.25	712.25	5.9%
*Mexico 50 Peso	100	1.2057	835.25	692.75	3.0%
*S. Africa Krugerrand	100	1.0000	692.00	692.00	2.9%
*U.S. Medallion	100	1.0000	692.75	692.75	3.0%
*1 Oz Ingot	100	1.0000	700.75	700.75	4.2%
*Austria 1 Ducat	100	0.1107	82.00	740.74	10.1%
*Austria 4 Ducat	100	0.4428	325.25	734.53	9.2%
*British Sovereign	100	0.2354	168.50	715.80	6.4%
*British Sovereign, BU	100	0.2354	175.50	745.54	10.9%
*France 20 Franc	100	0.1867	135.50	725.76	7.9%
*Germany 20 Mark	100	0.2304	183.50	796.44	18.4%
*Swiss 20 Franc	100	0.1867	135.50	725.76	7.9%
\$20 Liberty BU	10	0.9675	740.00	764.86	13.7%
\$20 St Gaudens BU	10	0.9675	745.00	770.03	14.5%
\$20 Liberty Extremely Fine	10	0.9675	711.00	734.88	9.3%
\$10 Liberty Extremely Fine	10	0.4838	358.00	739.98	10.0%
\$5 Liberty Extremely Fine	10	0.2419	199.00	822.65	22.3%
*U.S. 90% Silver Coin	1,000	715	9,465.00	13.24	0.2%
*U.S. 40% Silver Coin	1,000	295	3,910.00	13.25	0.3%
*U.S. Circulated Dollars	1,000	760	12,500.00	16.45	24.5%
U.S. Silver Eagle-2007	1,000	1,000	15,210.00	15.21	15.1%
Canada Silver Maple Leaf	1,000	1,000	15,010.00	15.01	13.6%
*100 Oz Silver Ingot	10	100	1,351.00	13.51	2.3%
*10 Oz Silver Ingot	100	10	136.80	13.68	3.6%
*1 Oz Silver Ingot	1,000	1	13.63	13.63	3.2%
*1 Oz Platinum Ingot	100	1.0000	1,324.50	1324.50	3.0%
*U.S. 1 Oz Platinum Eagle	100	1.0000	1,349.00	1349.00	4.9%
*U.S. 1/2 Oz Plat Eagle	100	0.5000	687.50	1375.00	6.9%
*U.S. 1/4 Oz Plat Eagle	100	0.2500	347.75	1391.00	8.2%
*U.S. 1/10 Oz Plat Eagle	100	0.1000	145.60	1456.00	13.2%
*Other 1 Oz Plat Coins	100	1.0000	1,355.50	1355.50	5.4%
*Canada Palladium ML	100	1.0000	404.75	404.75	8.2%

**Gold:** \$672.50  
**Silver:** \$13.21  
**Platinum:** \$1,286.00  
**Palladium:** \$374.00

**Notes from Liberty**

by Allan Beegle  
 Chief Numismatist

Demand for both bullion and rare coins took off last month. As a result, April sales volume topped March by more than 40%.

Activity surged as growing economic uncertainty and fear of further declines in the value of the U.S. dollar spurred people to seek precious metals and rare coins as a safe haven.

Virtually everything offered in last month's newsletter sold out, including some coins purchased by other coin dealers! Although we tried to locate more coins, we found little—and what we did find was all at higher prices.

Demand for the 10-coin lots of Widow's Mites was so strong that we temporarily ran out of the Pontius Pilate issues, though all orders have now been filled.

Four weeks ago, Senior Numismatist Tom Coulson and Retail Store Manager Bob Sweet staffed the LCS booth at the Kalamazoo Numismatic Club show. Although this has typically been a show that one employee could handle in the past, we were so busy this time that two people could barely keep up with waiting customers.

The following weekend, LCS Numismatist David Hartung and I staffed the LCS booth at the large Michigan State Numismatic Society Spring Show in Dearborn. LCS General Manager Pat Heller and Bob Sweet came down on the first day to give us extra help shopping for bargains. Finding nice coins for customer want lists was difficult and we were unable to uncover any special deals to offer this month. Almost every coin we did manage to bring back has already found a new home.

Two weeks ago, Bob Sweet made another buying trip looking for especially nice coins. Once again, nearly everything he purchased has already sold. As we have advised you for some time now, collectors are jumping at the opportunity to acquire nice coins that are still priced at attractive levels, especially those now

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*Coins, Rolls and Sets*

U.S. 10 pc Gold Medallion Set, 1980-1984, BU			\$5,880
U.S. Morgan Dollar, 1921, Brilliant Uncirculated Roll/20			\$495
U.S. Morgan Dollar, Pre-1921, Brilliant Uncirculated Roll/20			\$715
U.S. Peace Dollar, Brilliant Uncirculated Roll/20			\$485

<b>Gold:</b>	\$672.50
<b>Silver:</b>	\$13.21
<b>Platinum:</b>	\$1,286.00
<b>Palladium:</b>	\$374.00

<i>Numismatic Coins (PCGS/NGC/ICG Graded)</i>	<i>MS-63</i>	<i>MS-64</i>	<i>MS-65</i>
U.S. \$20.00 St Gaudens	865	990	1,400
U.S. \$20.00 Liberty	1,050	1,500	3,800
U.S. 4 pc Indian Gold Type Set	6,490	8,840	25,650
U.S. 4 pc Liberty Gold Type Set	3,950	6,150	14,450
U.S. 8 pc Gold Type Set	10,340	14,840	39,650
U.S. Morgan Dollar (Pre-1921)	46	56	145
U.S. Morgan Dollar (Proof-Like)	70	125	230
U.S. Morgan Dollar (Deep Mirror)	call	275	600
U.S. Peace Dollar	34	52	160

Prices quoted are for quantities indicated, and are actual selling prices at today's closes. Smaller lots are available at slightly higher prices. No Michigan Sales Tax on rare coins or precious metals bullion. Numismatic purchases have a 15 day return period. Orders for bullion-priced items (marked with \*) are not returnable and, after confirmation, cannot be cancelled.

trading at a huge discount to past peak prices.

Over the phone, we have had more success. Pat Heller scooped up the largest group of **Superb Gem Mint State-66 1936 Elgin Commemorative Half Dollars** that any of us have ever seen. Even better, he picked them up at a price below what wholesalers are now offering to purchase them. While they last, you can pick up this beautiful rarity at a price than is more than 90% lower than it once sold for (that is not a misprint!).

Inventory Manager Paul Manderscheid picked up a decent group of **France Napoleon 1 Gold 20 Francs**. Our last offering late last year sold out and we had to turn down several would-be buyers. If you missed out then, you have another chance now.

Last, I uncovered a lovely group of **Choice**

**Mint State-63 1897-S Morgan Silver Dollars.** These coins are rare enough to earn our High Recommendation for appreciation potential, yet affordable enough that almost anyone can afford to buy them.

Our supply of each of these three coins is less than we would like, so I encourage you to place your orders early. Call our **Trading Desk toll-free at 800-527-2375** today for the best selection.

In the past month we have acquired other interesting bargains. Here are some to tempt you:

**3rd Century Roman Silver Coins:** Times were turbulent in the 3rd Century in the Roman Empire. From the years 222 through 268 there were at least 38 different Emperors, Caesars, and wives depicted on coinage. We have a variety of the more common silver Antoninianus that were issued during that time in Fine to Very Fine condition. Single coins are \$30 apiece, or you can order a 5-coin lot with all different rulers for \$149.

**Affordable Byzantine Gold Hyperpyrons:** We have three specimens of the scyphates, or disc-shaped, small gold coins issued between 1325 and 1334 by Byzantine co-Emperors Andronicus II and his grandson Andronicus III. During the long reign of Andronicus II, which began in 1282, the Byzantine Empire started the final

major decline from which it never recovered.

On the side of the coins that is bowed out, the coins depict the Virgin Mary safely within the walls of Constantinople. On the opposite side, the two Emperors are standing on either side of Jesus Christ, with Jesus placing his hands upon their heads to crown them. These coins grade Very Fine and, as happened to virtually all gold coinage of that era, are clipped—with bits of metal trimmed from around the edge—often at the behest of the Emperors. Only \$175 each.

**Lovely 1941-D Walking Liberty**

**Half Dollars:** Considering their relatively modest catalog values, you would think that high grade 1941-D Walking Liberty Half Dollars would be easy to locate. Not so. Now we have two lovely NGC-certified specimens. The Very Choice MS-64 coin is flashy white. It lists in *Coin Values* for \$100, which would be a reasonable price, but you can buy this piece for \$95. The Gem MS-65 specimen has even light golden toning. It catalogs for \$275, but your price is \$239.

**Bullion-Priced Proof World Gold**

**Coin Assortment:** Yesterday, we picked up an interesting collection of Proof world gold coins issued by the Franklin Mint in the 1970s and 1980s for countries around the world, 26 pieces in all. Most are round, with a few odd shapes. All are still in their original Franklin Mint cards. I don't think any coins have over 1/4 Oz gold content and several are below 1/10 Oz. Rather than do all the work to list them individually, we can describe these coins to you over the phone and let you take your pick. Coins with 1/10 Oz or more gold will cost you only 15% above their gold value. Smaller coins are priced at 19% above gold value. Call early for best selection.

**Please Note:** Liberty Coin Service will be closed Saturday, May 26, and Monday, May 28, for the Memorial Day weekend.

Call our Trading Desk Toll-Free:  
**800-527-2375**  
 for current prices and to confirm trades.

Call our Toll-Free Quotes Line:  
**800-825-8930**  
 for a recorded message with the spot prices at the last U.S. market close and price indications for U.S. 1 Oz Gold Eagles and U.S. 90% Silver Coin Bags.