Liberty's Outlook

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"We Are Not Done With The Crisis For A Long Time."

—JPMorgan Chase Chairman James Dimon Quoted In The May 3 Issue Of A German Publication

P.2 Federal Reserve Agrees To Release Documents About Gold Leases And Swaps
P.3 Does The IMF Actually Have All Its Gold?

In the past month, precious metals prices have retreated further from their mid-March highs.

There has been some supposedly good economic news reported in the past few weeks such as—

- The Dow Jones Industrial Average (DJIA) climbed above 13,000 after having been below 12,000 just a few weeks earlier.
- The first quarter US Gross Domestic Product (GDP) was reported as being up 0.6%.
- April unemployment numbers officially dropped from March, from 5.2 to 5.0%.
- After dipping down to an all-time low near 70, the U.S. Dollar Index has rebounded about 4%.

So, is it true that the recession has either never happened or is already over?

Not exactly. If you dig behind the statistics behind the above numbers, the economy still looks pretty grim—

- The closing DJIA number last night closed an anemic 0.13% above its close a year earlier, during a time when even the U.S. government admits that inflation has run up more than 4%.
- Looking solely at the DJIA does not take into account the tens to hundreds of billions of dollars spent by government-approved trading partners at the direction of the U.S. government over the past nine months to buy stocks in companies that make up the DJIA in order to prop up the index.
- The GDP figure, if it had been reported by the same standards by the which the U.S. government previously reported it, would actually have decreased. It was only by changing the method by which the figure was calculated that an increase could be reported. On top of that, the reported increase did not cover the rise in inflation.
- The unemployment numbers netted a significant decline in the number of full-time workers against an increase in part-time workers. In all, the number of hours worked in April declined by 0.4% from March. Compensation paid declined as well. Beyond that, the U.S. government changed the formula for calculating employment some time ago. If the current U.S. unemployment rate were reported using prior government definitions, the unemployment rate would be 8-10%.
- An important factor not evident from the unemployment rate is that really the only sector of jobs growth in the U.S. is government employment, while every private sector category has lost jobs. Ultimately, government jobs can only be funded by extracting taxes from the private sector. As the private sector shrinks, that puts government jobs in jeopardy.
- The European Central Bank has announced that it would, and apparently has spent tens of billions recently to force down the value of the Euro to prop up the U.S. dollar. If this spigot is turned off, how can even this small increase be maintained?
- If the foregoing isn't enough, consider the headline above. JPMorgan Chase is one of the world's largest banks. It is considered to be the lead bank executing orders from the Federal Reserve to manipulate markets. In the May 3 issue of *Welt am Sonntag*, a German weekly, JPMorgan Chase Chairman James Dimon discussed the current economic environment. He said, "We can only speculate how deep and how long the recession in the United States will really be

2008 Year To Date Results

Through May 6, 2008

Precious Metals	
Platinum	+29.0%
Palladium	+15.4%
Silver	+13.4%
Gold	+4.9%
Numismatics	
MS-65 Morgan Dollar	+18.6%
MS-63 $20.00 Liberty	+8.3%
MS-63 $20.00 St Gaudens	-6.4%
US Dollar vs Foreign Currencies	
India Rupee	+3.9%
Canada Dollar	+2.5%
Great Britain Pound	+1.2%
China Yuan	-4.2%
Euro	-5.1%
Brazil Real	-6.1%
Switzerland Franc	-6.5%
Japan Yen	-6.7%
U.S. Dollar Index 72.995	-4.82%
US and World Stock Market Indices	
Dow Jones Ind Average	-1.8%
S&P 500	-3.4%
Russell 2000	-4.7%
London FT 100	-3.8%
NASDAQ	-6.4%
Tokyo Nikkei 225	-8.2%
Frankfurt Xetra DAX	-13.0%
Intrinsic Metal Value Of U.S. Coins	
Lincoln Cent 1959-1982	2.58¢
Lincoln Cent 1982-date	0.59¢
Jefferson Nickel-non-silver	6.77¢
Roosevelt Dime 1965-date	3.07¢
Wash Quarter 1965-date	7.68¢
Kenn Half Doll 1971-date	15.35¢

Inside this issue:

Pat Heller, LCS General Manager and editor of *Liberty's Outlook*, with friends at the GATA Conference in April. From the above left: James Turk, founder of GoldMoney.com and a talented researcher of information on gold manipulation; Chris Powell, GATA Secretary and Director, and managing editor of the *Journal Inquirer* in Manchester, Connecticut; Adrian Douglas, founder of Market Force Analysis; and Reg Howe, the attorney who sued central banks and their private banking partners over gold price manipulation, and proprietor of Golden Sextant Advisors LLC.

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> and how that in turn will impact banks. . . . But we are not done with the crisis for a long time." When someone who regularly shares insider secrets with Federal Reserve Chair Bernanke and Treasury Secretary Paulson has that outlook, you know there is a lot of economic pain on the horizon.

The manipulation of gold and silver prices has also continued, becoming more blatant all the time. For example, when gold and silver dropped sharply and the DJIA showed surprising strength early on Friday, April 18, I wondered what absolute horrendous economic announcement was looming. It didn't take long to hear the Citigroup reported a quarterly loss of more than $5 billion (by the way, the financial press went along with skewing this news by claiming that this unexpectedly huge loss was somehow better than expected results).

As the calendar neared the end of April, there were thousands of gold and silver options contracts expiring on April 30 that could be exercised at prices below or close to the prevailing levels. The gold market, for instance, had thousands of options each at $900, $920, and $930 per ounce. Unless prices were suppressed, these options would be "in the money" and get exercised. That would mean that the commodities exchanges would have to release physical inventory immediately.

Knowing this, Bill Murphy, the chairman of the Gold Anti-Trust Action Committee (GATA) has predicted in late March that he expected major manipulations to hold down the price of gold during the last few days of April. That is exactly what happened.

Once these options expired, I expected that the price of gold would resume climbing. However, I did not realize that European markets would be closed on May 1 for May Day and that most markets in India and China were also going to be closed that day. Days with thin market trading are especially useful for those trying to manipulate prices as they can magnify the effect of smaller transactions (i.e. they get more clout for the amount of money they spend).

The price of gold hit its lowest close so far this year on May 1, when it settled at $849.00. That day silver also hit its lowest close since January 22.

In the days since, precious metals prices have recovered a bit.

Some of the recent weakness in precious metals prices can be attributed to the typical nature of markets. When something like a stock or commodity has risen a lot in a short period of time, there are usually periods of profit-taking, even if the overall trend is for prices to rise further. In the case of gold, for instance, there have been any number of so-called experts who have been calling for a $100 selloff ever since gold topped $700 last year. The fact that gold made it over $1,000 before it pulled back indicates two things to me.

<u>First</u>, it is a sign of strength in the underlying gold market that it could push up so far in the presence of so much negative sentiment.

For instance, most stock brokers have consistently advised their clients since 2001 to avoid gold as being a poor investments opportunity, even as gold's price quadrupled. Once its price had risen so much, the same stock brokers began saying to avoid it because it had reached a peak. Gold was never recommended, no matter what.

A widely respected investment publication, *The Gartman Letter*, recently said that there were lots of potential sellers (i.e. central banks) of gold in the $862-864 range. While U.S. investors might think that Gartman knows what he is talking about, the facts prove otherwise. The latest weekly report from the European Central Banks indicates that none of the member central banks sold any gold—only the second week in the past nine years that no gold was sold!

As a consequence, very few Americans own gold in their portfolios, maybe 3-5% of investors. Despite the relative lack of interest in gold in this country, global investor demand for gold has soared and looks to become even stronger in the coming years.

Despite all this negative news, it is interesting to note that all four precious metals have still outperformed all of the stock indices we track and the value of the dollar thus far in 2008.

<u>Second,</u> the fact that the price of gold was allowed to rise from $700 to $1,000 with minimal price suppression efforts may be more of an indication that those trying to hold down the price of gold are running out of ammunition to use.

The $1,000 threshold for gold is a major psychological barrier. It looks like what may be the last major effort to suppress the price of gold is taking place right now. Once gold passes $1,000 to stay, which I expect within the next three months, the price could quickly rise hundreds of dollars above that.

GATA Goes To Washington: Has Anyone Seen Our Gold?

GATA's third conference was held near Washington, DC April 17-19. Although there was virtually no media coverage of the event, the information shared at this conference will likely have a major impact on precious metals prices over the next few years. Unfortunately, there was so much information to absorb (I took 26 pages of notes) that I can only give a few brief highlights here.

1) GATA Secretary Chris Powell opened the conference with an announcement that the Federal Reserve had responded to

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GATA's Freedom of Information Act (FOIA) request submitted last December. Back then, GATA had sent FOIA requests to both the Federal Reserve and Treasury Department to obtain documents about their gold lease or swap activity and their policies on them. All along, the Fed and the Treasury had been trying to claim that they did not engage in such activities. In the Federal Reserve letter, they acknowledged that they would be releasing about 400 full or partial pages of documents and that they would be completely withholding 137 pages of documents related to the FOIA request.

When the documents are eventually received, the impact is likely to be explosive. For an agency that denied any involvement in gold leases or swaps to finally admit that it has more than 500 pages of documents on these issues, there is every possibility that means that the U.S. government no longer owns all 261 million ounces of gold that it has been claiming to own.

2) Powell also reported on a recent exchange of letters he had with the International Monetary Fund (IMF). In response to his inquiry on whether the IMF had leased or swapped any gold, the spokeswoman affirmatively stated the IMF itself had never leased or swapped gold. However, the statement skirted Powell's question which was asking if any of the four custodian nations of IMF gold (the U.S., Britain, France, and India) had ever leased or swapped the IMF gold. The refusal of the IMF to specifically avoid answering that question, when it was willing to make a number of other affirmative answers, raises the possibility that the IMF doesn't have all the gold that it has long claimed to be in its reserves!

3) Peter George, from an investment house in South Africa, said he was asked 30 months ago by officials of the state-owned utility Eskom what the future held for the nation's electrical system. He told them that they were facing a critical electrical supply shortage in 2-3 years. The electrical shortage became a crisis a few months ago, resulting in the reduction and outright closure of some mining operations in South Africa and nearby nations.

4) Joseph Martin, chairman of Cambridge House, International, Inc., a company that sponsors investment conferences in Canada, and other speakers addressed the problems with trying to expand mine exploration and development activities. For more than a decade, there was a surplus of available geologists, with the result that the number of new geologists graduating from college fell sharply. A high percentage of these geologists have now retired With low gold prices for so long, companies did not invest in equipment for exploration or mine development. Now, with higher prices, extremely promising sites for new mines are having to wait up to two years for personnel and equipment to become available to prove the existence of resources, a mandatory requirement before investors will put down money to develop the sites. Once a promising site is identified, then the process of obtaining government permits to develop the mine has stretched out as long as ten years in some parts of the world. Once these hurdles are cleared, inflation has raised the costs of developing mine sites so high that many formerly attractive sites will no longer be financed. Although higher prices are starting to attract renewed interest in exploration and mine development, it will be years before any significant supplies will come from new mines.

5) James Turk, who has done amazing research into the manipulation of the gold market, predicted that the price of gold would not reach a top until the spot price of gold matches the DJIA, which he projected would likely happen somewhere between 7,000 and 14,000. That's right, he anticipates that gold will climb to at least $7,000 and maybe as much as $14,000 eventually. As he pointed out, in the 1930s, an ounce of gold could buy the entire DJIA; he expects that to happen again. He also anticipates that the U.S. Dollar Index will fall down into the 50s by July at the latest (about a 25% fall for the dollar from current levels).

6) Adrian Douglas, who has patented a system called Market Force Analysis for analyzing supply and demand for gold, silver, copper, and oil, contends that both gold and silver have been in a long-term boom for the past 35 years except for the impact of government interventions in the markets.

Later this year, the entire conference will be available on a DVD. Copies of GATA's previous conference in Dawson in Canada's Yukon Territory are available for ordering from their website (www.gata.org). About 25,000 copies of their last conference have been sold, and they anticipate that sales will be even higher for this year's event.

LCS Adds Staff, Opening A New Location, And Upgrading Technology

The good news in the past few months is that the we have been serving over five times the number of customers as we did just a few years ago.

Already in 2008, we have as many customers selling jewelry to us as had done so in the previous 30 months!

We are also serving many more customers who are seeking to acquire gold and silver as protection against the further decline in the value of the U.S. dollar and dollar-denominated paper assets. Although the quantity of buyers is comparable to what we experienced in 1999 at the peak of the Y2K scare, the average size of the transactions this year is many times what we enjoyed nine years ago.

The bad news is that the surge in business has pressured our ability to handle all of it. Even an increase from 12 to 16 staff since the beginning of the year was not enough. Some customers have waited as long as 90 minutes for an employee to be free to serve them. Our ability to answer telephone calls and reply to telephone messages has fallen more than our customers deserve. Unfortunately, we have also been told by a number of existing and new would-be customers that they simply have been unable to get in to do business with us.

We already have so many employees shoehorned into our current premises in a bank building in the Frandor Shopping Center in that we are literally getting in each other's way now.

Good news is coming soon. Our landlord made us an attractive offer to occupy the vacant location across the driveway from the bank. On June 2, we will be opening this additional store. It will be devoted to serving customers who wish to sell jewelry, coins, and collectibles. (P.S. under Michigan law, we can only purchase jewelry and gems from members of the public who are at least 18 years old and who bring the items to our store so we can obtain their signature and thumbprint on the police report we are required to file. We cannot purchase jewelry from mail-order customers unless we originally sold it to them.)

Customers there will now be able to sit in chairs indoors while waiting shorter times to be served, rather than having to wait on the steps outside our premises. Being a ground floor location will also help those who have difficulty going up and down the stairs.

In our first location, we will be able to serve numismatic collectors, bullion customers, foreign exchange buyers and sellers, and dealers with, we expect, little to no wait.

Both facilities will be accessed with our existing telephone numbers. Employees

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will still have the same email addresses.

As part of the expansion, we have several high and low-technology enhancements in the works. My son-in-law Sam Comming now works as a security guard to ensure that customers leave our premises safely (which has never been a problem, but we don't want to have a first incident). For the greater protection of customers and staff, we are installing many more interior and exterior closed-circuit cameras that will be monitored both on-site and off-site.

We are also upgrading our sales technology to automate several steps that currently are done by hand. This automation should reduce typographical errors and also make it possible to monitor customer transactions more easily. New inventory purchases should be processed and ready for sale far more quickly than we do now.

The Grand Opening for our second location is Monday June 2. On June 2 and 3 we will be offering visitors refreshments and some other bonuses. If you are in the Lansing area either day, please stop by.

As part of our expansion, LCS is pleased to announce the addition of two new staff.

Nick Coscarelli started in April. He helped out LCS in 2003 and 2004 doing odd jobs before devoting himself to education. He graduates from Lansing Eastern High School next month as one of the class valedictorians. Nick will be able to keep working when he starts attending nearby Michigan State University this fall.

David Sweet, who is the son of LCS Retail Store Manager Bob Sweet, started last week. He comes to us after being a department manager for a national retailer as well as being a part-time coin dealer on the side. After being here only a few days, he has already contributed several valuable ideas for improvements here.

If you come to visit us in the near future, please say hello to Nick and David.

The Month

Gold Range	96.00	10.3%
Net Change	-64.00	
Silver Range	2.18	12.0%
Net Change	-$1.55	
Gold/Silver Ratio		52.3
Net change		+0.9
Platinum Range	158.00	7.9%
Net Change	-59.00	
Platinum/Gold Ratio		2.24

Date	Gold	Silver	Platinum
Apr 09	933.50	18.17	2,005.00
Apr 10	928.25	18.01	2,009.00
Apr 11	923.50	17.66	2,013.00
Apr 14	925.25	17.76	1,957.00
Apr 15	928.75	17.83	1,975.00
Apr 16	945.00	18.30	2,002.00
Apr 17	939.75	18.28	2,030.00
Apr 18	912.25	17.81	2,036.00
Apr 21	914.75	17.34	1,992.00
Apr 22	921.50	17.69	2,004.00
Apr 23	906.25	17.16	2,011.00
Apr 24	887.00	16.65	1,956.00
Apr 25	887.25	16.84	1,940.00
Apr 28	893.00	17.01	1,940.00
Apr 29	874.25	16.54	1,909.00
Apr 30	863.00	16.50	1,905.00
May 01	849.00	16.12	1,855.00
May 02	856.00	16.38	1,890.00
May 05	872.25	16.74	1,911.00
May 06	876.00	16.78	1,948.00
May 07	869.50	16.62	1,946.00

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Gold and Gold Coins

Gold closed today at $869.50, down $64.00 (6.9%) from four weeks ago.

After starting to recover from the dip in late March, the gold price was clobbered again on April 18. The price was eventually forced back under $900. It eventually retreated to the old peak it reached in January 1980 before finding a bottom, at least temporarily.

While thee is some possibility that the price of gold could slide a bit from current levels, I think there is a much larger possibility of major increases by the end of summer. In the past few weeks, we have sold extraordinary quantities of gold to customers who are taking advantage of what may be the last dip before prices climb above $1,000 to stay.

We are not seeing much liquidation among our customers, but enough must be selling elsewhere that the premiums are little changed in the last month. The kinds of gold that give you the most gold for your money continue to be the Austria **100 Corona** (3.1%), South Africa **Krugerrand** (3.5%), U.S. **American Arts Medallion** (3.2%), and Mexico **50 Peso** (3.2%).

Mint State Common-Date U.S. Gold Coin prices have almost all fallen in the past month, some by more than 10%. There seems to be little demand for such coins at the moment. On the other hand, demand for **Better-Date U.S. Gold Coins** continues strong. We have growing customer want lists that we just cannot fill. One bit of good news, though—the largest group of **Mint State-61 1898 $20.00 Liberties** that we have ever seen came our way a few weeks ago. Please see our flyer for details on this lower mintage rarity.

Silver and Silver Coins

Silver finished today at $16.62, down a whopping $1.55 (8.5%) from a month ago.

Like gold, our customers have been buying physical silver in enormous quantities with the recent price weakness. Because we have maintained a deeper stock of inventory than most dealers, we have been able to fill almost all customer orders.

The U.S. Mint released a relatively modest quantity of 2008 **Silver Eagles** (11.4%) in late April. We were able to obtain and modest quantity and can fill smaller orders, but larger orders will have to wait for the next Mint release. If you can wait, prices are getting back to reasonable levels.

The form of physical silver I most recommend is the U.S. **90% Silver** Coin (2.2%). You save more than 50 cents per ounce compared to the cost of **100 Ounce Ingots** (5.4%). As the silver price once again rises, I expect premiums to decline.

Two days ago, a Michigan dealer friend sold us the largest lot of **Mint State Pre-1967 Canada Silver Dollars** that we have seen in more than ten years. There is lots to like about these collector coins, especially that fact that you can purchase them for a lower premium than the more common Silver Eagle Dollars. Please see our enclosure.

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