Liberty's Outlook

Volume 15 Issue 5 Liberty Coin Service's Monthly Review of Precious Metals and Numismatics May 6, 2009

Gold And Silver Rise As US Dollar Continues To Fall!

Page 3: Immediate Action Alert—Get Rid Of Your Proof Gold Eagles Now!

In the past month, the value of the US dollar continued to fall, though for now the US Dollar Index is still above where it ended 2008. In the past three weeks, a whole raft of developments leads me to believe that there is a significant chance the US dollar may fall sharply in the next eight weeks.

At the same time, the prices of gold and silver have been surging since the reached an interim low on April 17. Gold is up 4.7% and silver 14.7% since then!

At the beginning of this year, I anticipated that the price of gold would reach $1,200 by the end of April. That didn't happen. I still think my reasoning was correct, but the timing was premature. I now expect gold to pass $1,200 by the end of June.

Actually, with all the horrible financial and political news in the past few weeks, it was not out of the question that gold could have reached $1,200 by the end of April.

Here's some of the news developments behind my thinking.

Gold Anti-Trust Action Committee (GATA) Files New Freedom of Information Act (FOIA) Requests with Treasury and Federal Reserve. In mid-April, GATA filed a new set of FOIA requests with the US Treasury and Federal Reserve to seek information on the US government's gold swap activities. GATA's first attempt to dislodge this information was filed in December 2007, with dismal results. After carefully analyzing the loopholes used by the Treasury and Federal Reserve to avoid disclosing the requested information, these revised FOIA requests include detailed instructions to overcome the government's obstacles. For example, one FOIA request noted that the agency was unable to uncover where its own public website discussed gold swaps.

Bank Stress Test Fiasco. The federal government had conducted "stress tests" of individual banks to help find out which were financially strong, or average, or in serious trouble. It was reported that these tests were completed a few weeks ago, but the government was slow to release the results.

On Sunday, April 19, the Turner Radio network reported that it had obtained a copy of the results of the stress tests and passed along a summary of more than ten points. Among these summaries were statements that 16 of the nation's largest banks were already technically insolvent and that the failure of any two of these institutions would wipe out the current assets of the Federal Deposit Insurance Corporation (FDIC).

On Monday, April 20, the Treasury Department issued a statement claiming that it was not possible for Turner to have had the information as the Treasury Department itself had not yet seen the information. Release of the information was promised for Friday, April 24.

Meanwhile, the Federal Reserve prohibited any banks from discussing the results of their stress test.

In mid-week, the Associated Press reported that it also had obtained a copy of the bank stress test report and confirmed the information reported by Turner Radio. It also said that the Treasury Department was lying when it claimed on the 20th to have not yet seen the test results.

On Friday, April 24, the official unveiling of the stress test results only included the bare minimum information, stating that large banks should beef up their capital to strengthen the entire financial system. Further information was promised to be released on May 4. The April 24 reports neglected to cover the specific points listed by the Turner Radio network. The mainstream media dutifully picked up the government's spoon-fed version of the stress test results without any serious questioning.

Last week, the May 4 information release date was pushed back to May 7.

In the meantime, a myriad of very specific stories are circulating such as those saying that either 10 or 14 or 16 of the largest 19 US banks will be required to seek additional capital. The government is still trying to portray this need for more capital as "just in case the economy continues to deteriorate" rather than admitting that most of these banks are actually

2009 Year To Date Results

Through May 5, 2009

Precious Metals		
Platinum		+19.8%
Silver		+16.8%
Palladium		+9.3%
Gold		+2.0%
Numismatics		
MS-63 $20.00 Liberty		+10.5%
MS-63 $20.00 St Gaudens		+7.9%
MS-65 Morgan Dollar		-6.3%
US Dollar vs Foreign Currencies		
Japan Yen		+9.1%
Switzerland Franc		+6.2%
Euro		+4.8%
India Rupee		+1.3%
New Zealand Dollar		+1.0%
Taiwan Dollar		+0.8%
South Korea Won		+0.4%
China Yuan		+0.0%
Great Britain Pound		-3.2%
Mexico Peso		-3.3%
Canada Dollar		-3.4%
Australia Dollar		-4.2%
Brazil Real		-7.6%
South Africa Rand		-10.5%
U.S. Dollar Index	84.16	+3.50%
US and World Stock Market Indices		
Shanghai Composite		+41.0%
Sao Paulo Bovespa		+34.9%
NASDAQ		+11.2%
Dow Jones World (ex US)		+3.4%
Tokyo Nikkei 225		+1.3%
Frankfurt Xetra DAX		+0.9%
Russell 2000		+0.6%
S&P 500		+0.1%
London FT 100		-2.2%
Dow Jones Ind Average		-4.2%
Intrinsic Metal Value Of U.S. Coins		
Lincoln Cent 1959-1982		1.39¢
Lincoln Cent 1982-date		0.39¢
Jefferson Nickel-non-silver		3.22¢
Roosevelt Dime 1965-date		1.46¢
Wash Quarter 1965-date		3.66¢
Kenn Half Doll 1971-date		7.31¢

Inside this issue:

(Continued from page 1)
bankrupt today.

Heavy Insider Stock Selling! On April 24, Bloomberg reported an analysis released by Washington Service of Bethesda, Maryland, stating that insiders at New York Stock Exchange-listed companies, in the first 20 days of April, had sold more than eight times the amount of stock that they had purchased. According to William Stone, the Chief Investment Strategist for PNC Financial Services Group, Inc, "They should know more than outsiders would, so you could take it as a signal that there is something wrong if they're selling."

This was the fastest rate of insider selling since stocks hit a major peak in October 2007. The rate of insider purchases was on track to be the lowest for any month since July 1992. In the past, such lopsided insider selling versus buying has been followed by stock market declines.

New York Attorney General Cuomo Puts Bank of America CEO Lewis, Former Treasury Secretary Paulson and Federal Reserve Chair Bernanke on the Spot. In April, Bank of America CEO Ken Lewis testified under oath for New York Attorney General Andrew Cuomo that last December he had notified the federal government that the bank had discovered huge new losses ("material adverse changes") at Merrill Lynch and was going to exercise an escape clause to cancel the bank's takeover of the brokerage firm. Upon hearing this, then Treasury Secretary Henry Paulson blatantly told Lewis, at the behest of Federal Reserve Chair Ben Bernanke, that Bank of America had to go through with the takeover or all of the bank's directors and senior management would be fired. The federal government did not want the public to become aware of the weakness of Merrill Lynch and the US banking system that the cancellation of the transaction might expose. Bank of America did go through with the acquisition of Merrill Lynch.

Paulson's testimony to Cuomo largely confirms the details of Lewis's testimony.

In effect, Lewis labeled Paulson and Bernanke as blackmailers. Their actions in this matter also show them as liars in repeatedly stating that the US banking system is sound and solid.

The letter with these details released by Cuomo's office puts the Bank of America and possibly the federal government at risk of being sued by bank shareholders for actions taken against the best interest of the bank's owners.

In testimony under oath to Congress, Bernanke has denied making any of the statements that Lewis attributed to him. Since both men testified under penalties of perjury, and their testimonies directly contradict each other, at least one is lying and should be prosecuted.

China Presses International Monetary Fund (IMF) to Sell Entire Gold Reserves. At the recent G-20 meeting, the IMF was pressed to sell 403 tons of its gold reserves to be used to ease the global financial crisis. China has since gone on record as advocating that the IMF sell its entire 3,217 tons of gold holdings. The Chinese central bank may be looking to purchase another 4,000 tons of gold, which is a larger amount than all the gold reserves reported by the IMF, and is also larger than all but a handful of the world's central banks report in their reserves. At a price of $1,000 per ounce, China would need barely 5% of its central bank reserves to buy this much gold.

In effect, if the IMF does not sell a lot of gold, and sell it soon, that supply shortage could help drive up the price of gold.

A reason that China may be pressing the IMF to sell gold and why the Chinese central bank may want to add gold reserves is a long-term plan to revalue gold, similar to what US president Franklin Roosevelt did in 1933.

Lazard Asset Management Forecasts 2.1 Million US Home Losses in 2009. In 2008, 1.7 American homes were lost to foreclosure. Despite regular news reports trying to portray positive news about the real estate market, the truth is that foreclosure rates should continue rising at least until early summer.

The most recent statistics from the National Association of Realtors reveal that over 50% of existing home sales (this does not include newly built properties) are being bought out of foreclosure proceedings. Foreclosure properties invariably are sold at low prices to make them sell. However, because the media is trying to claim that there is a surge in home-buying, there has been a recent surge in several US markets of people listing their properties for sale.

Unfortunately, the sales of existing homes by their current owners are not rising at all. Those now putting their homes up for sale as a result of distorted media coverage are in for a rude shock.

IMF Announces That it is Looking to Sell Bonds to Raise Assets; Stops Talking about Selling Gold. After so much fuss was made at the G-20 meeting about the IMF possibly selling gold, the subject has either been dropped or been reclassified as a very low priority task. In the last few weeks, the IMF has said instead that it plans to sell bonds to finance its activities. Several years ago, these fund raising activities were supposedly being done to help the world's poor people. Now the IMF is raising funds to support central banks and governments. This shift in emphasis at the IMF adds credence to the assertions by several analysts, including me, that the IMF gold sale will never occur.

There are several "experts" including famous commodity trader Jim Rogers who are widely reported as expecting a falling gold price because of any IMF gold sale. In my judgment, any short-term decrease in the gold price precipitated by such pronouncements just creates a bargain buying opportunity for everyone (and some of these buyers may be some of these same "experts" predicting a falling gold price).

China Reveals That Gold Reserves Have Increased 75% Since the End of 2002! On April 24, the Xinhua News Agency reported that China's gold reserves had increased from 600 tons at the end of 2002 to 1,054 tons. Until this announcement, the Chinese central bank had continued to report only the 600 tons in reserves. The spokesman claimed that all gold had been purchased from domestic mine sources.

This 14.6 million ounce increase in reserves was nearly precisely reported by GATA ever since September, 2003. GATA has a confidential source that was told in 2003 by a man, who insisted on speaking behind a screen to avoid disclosing his identity, that there was a large buyer of gold entering the market. This source was able to identify the agent acting on behalf of the buyer and quickly deduced that the buyer was from the Far East and almost certainly Chinese.

Over the years, this confidential source was able to learn the price levels at which the buyer was planning to make purchases, and the approximate size of purchases being planned. With the revelations by the Chinese central bank, the information reported by GATA (some on GATA's website and some on GATA chairman Peter Murphy's Le Metropole Café subscription website) has largely been confirmed.

The impact of this announcement has ramifications far beyond that fact that China has been buying gold without reporting it. The World Gold Council and major precious metals consultancies such at GFMS regularly report gold supply and demand statistics that are widely quoted in the financial press. None of their reports include the Chinese central bank gold purchases as part of gold demand. Even more damaging to their reputations, these reports do not show any gold supply to cover what the Chinese have purchased!

Let me make this explicit. The gold purchased by the Chinese could not have come from reported mine production, recycling, investor liquidation, or announced government sales. Almost certainly, the gold bought by the Chinese had to come from other central banks that secretly sneaked these supplies on the market!

In other words, the supply and demand statistics used by the mainstream financial press have been wrong for years. The question is how large are the errors. GATA researchers assert that the annual supply and demand statistics reported by the World Gold Council and GFMS could easily be off by 50%! With GATA's enhanced credibility confirmed by China's admission of their gold purchases, the mainstream financial press should seriously examine their data.

By the way, the way the Chinese government operates is not open and direct. Changes in

(Continued from page 2)
policy are signaled by speeches or papers by lesser officials. As has been shown repeatedly, when the Chinese government issues a statement that it is considering something such as purchasing gold, that really means they have already been actively doing it. It is entirely possible that China's central bank gold reserves are much higher than they now confirm (GATA has documented higher purchases than the Chinese have admitted).

Another note: GATA's special source says that the Chinese are looking to remain a buyer of gold as long as the price is under the $940-960 range.

One last note on this subject: This news is positive for higher gold prices in the future, and negative for the value of the US dollar. Naturally, the US government has a huge interest in seeing this story get as little coverage as possible. In the April 25 edition of the *Financial Times* of London, England, this story was front page news. At the same time, *The Wall Street Journal* buried this news on page B6. My local newspaper, issued in Michigan's capital, did not even include this news.

JPMorgan Chase and Goldman Sachs Purchasing Large Positions in Gold and Silver. Three times since late 2005, commodity analyst Adrian Douglas predicted major rises in the price of gold. In November 2005, when gold was about $450, he forecasted gold reaching $720 after noticing a large increase in the number of call options in shares of gold mining companies. In August 2007, when gold was $660, he noticed a significant increase in call options for the COMEX December 2007 gold contracts, where gold surpassed $1,000 seven months later.

In July 2008, Douglas noted a huge build-up of COMEX December 2008 call options. Shortly after his prediction of higher gold prices by year end, two large banks (probably JPMorgan Chase and HSBC) sold short gold futures equal to 10% of annual worldwide gold production. Douglas's prediction of a major rise in the price of gold by the end of December 2008 did not occur, but he still expects a major blow up of the price.

Douglas's research has been highly reliable and his predictions have a better track record than most forecasters. When he has something to say, I listen.

Last week, Douglas reported receiving information from two confidential sources that JPMorgan Chase and Goldman Sachs had been buying large amounts of Comex gold and silver call options in both the June 2009 and December 2009 contracts.

His analysis of the COMEX June 2009 gold option contracts shows that calls (which are contracts where the owner has the option to demand delivery at the contract price prior to the expiration date) outnumber puts (where the owner has the option to demand that the seller of the contract buy at the contract price up to the expiration date) by more than 80%. In addition to being overly skewed toward call contracts there is an exceptionally large quantity of contracts.

The COMEX December 2009 gold option call contracts outnumber puts by 130%.

In the silver market, the COMEX June 2009 call options exceed puts by 80%. December 2009 call options exceed puts by 68%.

Activity in options for both metals is especially concentrated in the June- and December-dated contracts.

Douglas considers options traders generally to be highly sophisticated speculators. They can purchase large quantities of contracts at very low prices if the strike prices are considered to be "out of the money" (that is, it is so far from current spot prices that the seller of the contract thinks there is little likelihood that the contract will be executed). Such traders make a profit if they acquire their options ahead of the major price moves in the futures markets.

Douglas interprets this data to mean that smart money is being positioned in anticipation of a massive rise in the price of gold within 30 days and in silver's price within the next 60 days. Then he looks for another jump in prices by December. There could be a price pullback in between the two major rises.

Douglas included two other bits of data as part of this analysis. First he notes that the call/put ratio in the stock market is usually a contrary indicator because such options are mostly purchased by unsophisticated retail investors who often get it wrong. In contrast, the bulk of activity in precious metals options tends to be from sophisticated investors. Second, both the gold and silver futures markets are now bordering on backwardation, which signals a near-term major physical supply shortage.

Warren Buffett Predicts Rising Inflation and a Falling US Dollar. Warren Buffet, CEO of Berkshire Hathaway and one of the world's richest investors, told the company's 35,000 shareholders over last weekend that they should expect higher inflation and a significant decline in the value of the US dollar. Buffet is not a gold bug by any means, but, to unsophisticated investors, his forecast makes a strong case for owning precious metals.

Potential Bailout Fund Scandals. Two weeks ago, Neil Barofsky, the special inspector general overseeing the Troubled Asset Relief Program (the TARP bailout enacted last September) released a 250-page report detailing problems with the way that funds have been disbursed. Depending on which report you see, there are between 20 and 40 investigations underway that may result in criminal charges. He is concerned that the structure of the TARP bailout makes it too easy for frauds, scams, collusions, conflicts of interest, and illegal money laundering. A particular focus of his investigations is what happened to the funds given to AIG as a conduit to other financial institutions such as Goldman Sachs.

Treasury 10-Year Debt Interest Rates Soar. Last week, the interest rate on 10-year US Treasury debt rose above 3%. Last night it closed at 3.16%, up more than 40% since the start of 2009! Foreign buyers have cut way back on their purchases of long-term US Treasury debt, with the result that the Federal Reserve is becoming the major buyer of such bonds. The rise in interest rates, prompted by lower demand, signifies a long-term expectation of a decline in the value of the US dollar.

What Now?

With all this horrible news for the US dollar and positive news for gold and silver in recent weeks, I'm surprised that prices did not rise more than they did.

Why?

I think the answer is obvious. The US government is trying to hold off further financial crises as long as possible. One way to accomplish this is to suppress the price of gold. Gold serves as a report card on the value of the US dollar. As long as the price of gold can be held in check, then it is easier to prop up the dollar. If the dollar starts to drop significantly, interest rates will soar, and foreign central banks will become more aggressive in dumping their dollar reserves.

US Congressman Paul Kanjorski (D-PA) already revealed that the US financial system was perilously close to collapse at 2 PM last September 18, 2008. With all the above news hitting in such a short time, it is entirely possible that the US economy could have crashed in the past few weeks.

If you still don't think it's time to consider owning gold or silver, you probably never will.

Get Rid Of Your Proof Gold Eagles—Today!

Last week, at the huge Central States Numismatic Society show in Cincinnati, I was confidentially shown and briefed on a new product that will be announce on May 11, which I think will devastate the demand for US Proof Gold American Eagles.

Next week the Numismatic Guaranty Corporation (NGC) and others will unveil certified circulation-strike Gold American Eagles. Each coin will be identified by issuing country, date, denomination, purity, and gold content. Plus, each coin will receive a unique serial number on the holder. The one thing that the holder will not have is the coin's grade.

The planned initial market is to displace the market for Proof Gold Eagles purchased in precious metals Individual Retirement Accounts (IRAs).

(Continued on page 4)

(Continued from page 3)

All American Eagle gold, silver, and platinum coins are authorized to be owned in IRAs, including proofs. However several national marketers have been pushing the proofs as a way to own "numismatic" coins in an IRA. Their marketing campaigns have been so successful, that these coins are now trading at a significant premium over the bullion-prices circulation strike American Eagles.

The angle of each NGC-certified American Eagle (and NGC is willing to encapsulate other bullion coins on the same basis) is that such coins stored in precious metals IRA storage can now be tracked by serial number. This makes it much easier to verify that someone owns specific coins rather than a specific quantity of a fungible product.

At the moment, it looks like purchasing these NGC-certified American Eagles will cost about $10-15 more than the uncertified coins that have been traded thus far. For most people, I don't think this extra cost is necessary. However, for someone really concerned about an additional guaranty of authenticity and specific identification of gold bullion coins, this service might be worth considering.

Over the 23 years since the American Eagles debuted, we have typically paid relatively modest premiums above spot for Proof 1 Oz Gold American Eagles. At the peak two weeks ago, we would have offered $500 above spot (for coins with all the original government packaging and certificates in top quality).

News of this forthcoming product is obviously spreading. Today, we would pay you only $400 over spot. I expect these premiums to fall sharply in the coming days, and almost certainly be lower by the time you read this. **If you own Proof Gold American Eagles, I urge you to immediately—today—contact us to sell or swap them before prices fall even further!**

Physical Gold And Silver Premiums Plummet!

Since last July, there has been an extraordinary demand for physical gold and silver. Wholesale supplies were quickly depleted, and would-be buyers had to get in line to wait weeks or even months for new coins and ingots to be fabricated.

In the past two weeks, supplies are finally catching up to demand. It is expected that the US Mint may soon be able to return to striking fractional-size Gold American Eagles and maybe even Gold Buffaloes, which have been out or production for more than six months.

The Month

Gold Range	45.00	5.1%
Net Change	+23.25	
Silver Range	1.76	14.1%
Net Change	+1.21	
Gold/Silver Ratio		66.5
Net change		-4.3
Platinum Range	140.00	11.6%
Net Change	-60.00	
Platinum/Gold Ratio		1.26

Date	Gold	Silver	Platinum
Apr 08	887.25	12.49	1,203.00
Apr 09	884.75	12.48	1.211.00
Apr 10	closed		
Apr 13	897.25	12.91	1,261.00
Apr 14	893.50	12.91	1,234.00
Apr 15	894.75	12.95	1,236.00
Apr 16	881.75	12.40	1,232.00
Apr 17	869.50	11.94	1,228.00
Apr 20	889.50	12.25	1,183.00
Apr 21	884.50	12.21	1,173.00
Apr 22	894.00	12.30	1,194.00
Apr 23	908.00	12.75	1,203.00
Apr 24	914.50	12.92	1,199.00
Apr 27	908.50	12.95	1,166.00
Apr 28	892.75	12.40	1,121.00
Apr 29	901.25	12.75	1,126.00
Apr 30	890.75	12.31	1,121.00
May 01	887.50	12.48	1,096.00
May 04	901.50	13.09	1,122.00
May 05	903.75	13.40	1,138.00
May 06	910.50	13.70	1,143.00

London Silver Market Premium To New York Silver Market = 3¢

Note: On days where there were different buying and selling spot prices, the price listed above is the LCS selling spot price.

Gold, silver and platinum quotes are working spots at 1:45 EST/EDT each day, quoted in US dollars per troy ounce.

As a result of ready availability of so many gold and silver coins and ingots, the premiums above metal value have been falling sharply. The wholesale market's effective spread between a buying and selling spot price has largely disappeared.

To give you one example of what has happened: At the close on April 16, we had a silver buying spot of $12.25 and a selling silver spot of $12.40. At that time we were selling $1,000 bags of US 90% Silver Coin for $10,550. Today, silver closed at $13.70 and we are selling bags of 90% Coin for just $10,400!

Ordinarily, when you see premiums and prices drop, that would indicate a supply surplus. I don't think that does in this instance. My reasoning is that 1) premiums are now declining to near normal levels rather than falling below them, 2) a number of buyers since last July that have chosen not to buy at high premiums and long delivery time frames can now return to the market, and 3) several buyers who had switched to large size ingots to get the lowest premiums (kilogram and larger gold ingots and 1,000 oz silver ingots) can now acquire more divisible gold and silver products at reasonable premiums.

I expect this bounty of supply to last less than two months. If prices generally continue to rise, as I expect, we may see a buying frenzy far beyond what we saw last year.

Gold and Gold Coins

Gold closed today at $910.50, up $23.25 (2.6%) from last month.

As I just said, premiums are down sharply. If you want to compare, just look at the quotes page with last month's newsletter to that for this month.

The lowest premium issues such as the US **American Arts Medallions** (4.4%), Mexico **50 Pesos** (4.4%), and Austria **100 Coronas** (4.2%) continue go give you the most metal for your money. Almost all products are again available for immediate or short-delay delivery.

My alert two months ago to sell or swap your US $10 and $20 Classic US Gold coins was on target. Some prices are now 15-20% lower than they were, even though gold is higher.

Silver and Silver Coins

Silver settled today at $13.70, up a huge $1.21 (9.7%) from four weeks ago.

Perhaps the biggest news other than the sharp drop in premiums is that US **90% Silver Coin** (6.2%) is again the lowest premium form of physical silver other than US **40% Silver Coin** (3.2%). While there are brief waits to acquire **1 Oz Silver Rounds (**10.9%), 90% Coin is readily available now!

For the past two years, it has been almost impossible to find any nice groups of silver numismatic coins. The modest quantities of silver coins we offered last month were snapped right up by customers.

This month, we hit the a triple jackpot! You can purchase **Mint State-60+ Peace Silver Dollar Rolls** at prices surprising close to what you would pay for circulated specimens. Or, for the first time in our company's history, you can acquire some of the **Proof 1987 America's Cup 5 Oz Silver Commemoratives** issued by Western Samoa—only now at a bullion-related price. Finally, after a three year drought we again offer lovely **Canada Gem-65+ Specimen and Proof Silver Dollars** at a great money-saving price. Please see our flyers for details.

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