

Liberty's Outlook

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Take Advantage Of The Boom:

Today's Best Opportunities In Rare Coins !

P.4 Platinum Continues To Rise, Hits 23-Year High!

The gold and silver markets are going through episodes of profit-taking and retrenchments that are normal in a developing bull market. There's not much fresh news. So I will take the opportunity to step back and take a longer view at what is happening in the rare coin market.

Like other markets, rare coins go through cycles. Each peak is typically higher than the previous peak; the following market bottom tends to be at higher levels than the preceding bottom.

The last major market peak hit in June 1989 amid expectations of massive demand from the creation of Wall Street funds specifically for coin investments.

Many of the coins that peaked back then were those available in relatively large quantities in high grade—the so-called generic or "Blue Chip" coins.

In the following downturn, the Blue Chips suffered greater losses than the better-date coins being pushed as investments.

The everyday, run-of-the-mill collector coins largely avoided this hype. They didn't soar along with "investor coins" and did not crash afterwards. In fact, even as the Blue Chips were declining, these coins were continuing their steady rise—and continued to do so almost across the board for the past 14 years!

When Congress passed legislation in 1997 for a new series of quarters to honor each of the 50 States over a

10-year program, I advised you that this would be the spark to the next rare coin boom.

It is now almost five years since the Delaware quarters led off the series of Statehood quarters.

An analysis of market trends since the beginning of 1999 shows the impact of the huge number of new coin collectors (most recently estimated at 140 million by the U.S. Mint).

By referring to what has happened at other times in the past when there was a major change in U.S. circulating coinage, we can forecast with a high degree of confidence what lies ahead as the rare coin boom continues.

The Track Record January 1, 1999 to October 31, 2003 and January 1, 2003 to October 31, 2003

	Percentage Change	
	1/1/99-10/31/03	2003 YTD
<i>Precious Metals</i>		
Platinum	+102.5%	+23.4%
Gold	+ 33.1%	+10.6%
Silver	+ 1.1%	+ 5.4%
<i>Numismatics</i>		
US Proof Silver Eagles, 1986-1998	+101.3%	+ 1.9%
US Silver Proof Sets, 1950-1964	+93.1%	+14.9%
LCS US Collector Key-Date Coin Index	+65.8%	+25.8%
US Non-silver Proof Sets, 1968-1998	+48.0%	+ 7.6%
LCS US Collector Generic Coin Index	+30.2%	+ 4.9%
LCS US Large Paper Money Index	+23.8%*	+ 5.9%
MS-63 \$20.00 Liberty	+20.5%	+14.4%
LCS US Investor Better Date Coins Index	+ 9.1%	+ 4.4%
LCS US Investor Blue Chip Coin Index	+ 4.3%	+ 5.4%
MS-63 \$20.00 St Gaudens	- 1.7%	+ 9.5%
MS-65 Morgan Dollar	- 7.4%	+16.3%
*compared to August 1998		
<i>US Dollar vs Foreign Currencies</i>		
Mexico Peso	+10.1%	+ 5.3%
India Rupee	+ 6.2%	- 5.9%
Euro	+ 1.3%	-10.5%
China Renminbi	0.0%	0.0%
Great Britain Pound	-1.9%	-5.3%
Switzerland Franc	-2.4%	-3.2%
Japan Yen	-2.9%	-8.0%
Australia Dollar	-15.6%	-25.8%
Canada Dollar	-16.6%	-19.8%
<i>Stock Markets</i>		
Russell 2000	+25.2%	+37.9%
Dow Jones Industrial Average	+ 6.7%	+17.5%
NASDAQ	-11.9%	+44.7%
S&P 500	-14.5%	+19.4%
Tokyo Nikkei 225	-23.7%	+23.1%
Frankfurt Xetra Dax	-26.9%	+26.4%

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The Rare Coin Boom Takes Root—1999-2003

Within a few months of the appearance of the first Statehood quarter, a number of purchasers started showing up at coin shops across the nation. They were excited about a series of quarters honoring each of the 50 states, but were too enthusiastic to look forward to only a single new coin every ten weeks for the next ten years.

What else could they collect that did not require long waits to get product—and were also affordable and beautiful?

The most obvious items that attracted them were the modern Proof Sets and Proof Silver Eagles. Prices quickly began rising as dealer inventories were depleted.

As you can see on the table on the previous page, prices of the Proof Silver Eagles and modern-era Silver Proof Sets have roughly doubled since the beginning of 1999. Even the non-silver Proof Sets from 1968 to 1998 are up almost 50%. An analysis of modern US Silver Commemoratives would almost certainly show this same result.

Such coins outperformed gold and silver and the stock markets over the same period, a fact not lost on new and old collectors and also on some from outside the hobby.

The new collectors have also contributed to a major expansion in the demand for certified super-high-grade modern coins at prices that leave old-time collectors shaking their heads in amazement.

As new collectors become more sophisticated in their numismatic knowledge, many of them will expand their collections to include more earlier series and issues, such as Morgan and Peace Silver Dollars.

Coins such as common-date Gem Mint State-65 Morgan Dollars and Choice Mint State-63 \$20.00 St Gaudens have largely missed out on the rising market so far. That is because the boom is being driven by a groundswell of customer interest in inexpensive basic collectibles.

In the past couple of decades, there have been widespread promotions of

common-date Morgan and Peace Silver Dollars and Saints as well as a wide assortment of “made-to-order Instant Rarities” (remember seeing Sunday paper ads and cable sales channel programs offering privately-colored Silver Eagle Dollars at \$40-\$50 apiece?). Although there are a number of such ongoing promotions, today’s market is being driven by the grassroots collectors, not by the marketers.

In reaction to the increase in the number of coin collectors, existing experienced collectors stepped up efforts to finish collections before rising demand pushed up prices. In the process, they have contributed to a strong rise in the prices of key-date collector coins such as the 1909-S VDB Lincoln Cent in Very Fine condition, the 1916-D Mercury Dime in Good condition, the 1916 Standing Liberty Quarter in Fine condition, and the like. Our index tracking these coins shows that they have jumped over 65% since the beginning of 1998, including a more than 25% increase in the past ten months!

So, solid groundwork has been set for a strong boom in the rare coin market—large numbers of new collectors, rising gold and silver markets, existing collectors becoming more aggressive at adding to the collections, and new coins (and also paper money) coming out on a regular basis.

Where are we likely to go from here?

The Rare Coin Boom Takes Off—2003-2007

There are even more coming events to spark higher interest among potential coin collectors.

First, the U.S. Mint will issue two different circulating nickels next year instead of another edition of the current design. The first one will commemorate the 1803 Louisiana Purchase. Then will come the first commemorative for the 1803-1805 Lewis & Clark Expedition. In 2005, a second commemorative nickel for the Lewis & Clark Expedition will go into circulation. The 2006 nickel is intended to have Jefferson on the obverse and Monticello on the reverse again, but there is no assurance that it will be the same design in current use.

Although news of the new nickel is familiar to regular readers of this newslet-

ter and to most coin collectors, the general public is largely unaware of this impending change.

When the public has another opportunity to collect interesting coins out of circulation, being nickels this time, that will further increase interest in the preceding Jefferson, Buffalo, Liberty, and Shield Nickel series in particular, and in all U.S. coins in general.

If hoped-for plans for changed designs for the 2007-2009 Lincoln Cent (to honor the bicentennial of his birth) come to pass, that will further fuel a warming market.

Whether or not the Lincoln Cent changes, here are my projections for different numismatic segments:

US Proof Silver Eagles, Silver Commemoratives 1982 to date, and Proof Sets issued since 1950. I think most of the price increases have already happened. However, I think it is more likely that there will continue to be slight increases in the next few years rather than any significant decline.

Collector Key-Date Coins. I expect strong demand for at least the next six months, followed by a tapering off among the coins that have experienced the greatest percentage increases in recent years such as almost all Carson City issues, 1877 Indian Cents, 1909-S VDB and 1922 Lincoln Cents, 1937-D 3-leg Buffalo Nickels, and 1916-D Mercury Dimes. I do not expect any general fall in their prices, but they are likely to under-perform compared to other coins.

The less well known key-date coins, especially those from the 19th Century are likely to fare better.

Collector and Investor Better-Date Coins. There are many dates of coins that are definitely not common, but they generally do not get the respect in the current market to reflect their absolute rarity. Instead, collectors seem to be focused on the one or two scarcest issues of each series.

Most Better-Date U.S. Gold coins have not seen significant price increases—yet. That is starting to change. I anticipate that they will

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outperform common-dates over the next few years. The same will likely occur with Better-Date Morgan and Peace Dollars, Classic U.S. Silver Commemoratives, and a wide swath of 19th Century U.S. coins. Even though prices may be up 5-20% in the past year, many of these issues are trading at huge discounts to their mid-1989 prices—up to 60%, 70% and even 90% lower. Over the next few years, I think a number of these coins will surpass their peak 1989 prices.

US Paper Money. Our recommendation of Large Size U.S. Paper Money in August 1988 struck gold. Every one of the 121 types and grades of notes we recommended then have increased in price. As a group, their prices have tripled in the past 15 years.

From here into the future, I expect continued growth in this niche, spurred partly by the latest series of new high-tech currency now being issued. Most of the major appreciation in Large Size Paper Money has already occurred. I now think that Small Size U.S. Paper Money, of the size now in use, will perform better from now on.

Investor Blue Chip Coins. This is one area I expect to do well in the next few years. They have pretty much been left behind as other coins appreciated, an anomaly that will correct in the near future.

For the past few months, we have seen stronger demand from wholesalers trying to stockpile Common-Date High Grade Morgan and Peace Silver Dollars to supply upcoming promotions. You can bet that they will be offered at prices well above current levels—then rise again when supplies prove tighter than expected.

For instance, a few years ago, we could have filled an order for 500 Common-Date MS-65 Morgan Dollars with just a few phone calls—and not had an impact on the market price.

Today, I doubt we could immediately fill such an order. Instead, we could line up coins to be received as they were returned from the grading services. And prices would certainly rise in response to this size of an or-

der.

Certified Super-High-Grade Modern Coins. I consider this market to be partly a passing fad. When collectors become sophisticated enough to realize that you can acquire an almost unlimited quantity of Proof-69 Deep Cameo 2003-S Jefferson Nickels simply by extracting coins from Proof Sets and sending them in for certification, they won't be worth ten times the price of the coins in the Proof Set.

Here is an area where I do expect some price declines, although it may take another year or so before we see that happen. Knowledgeable collectors understand that there are hundreds of different older U.S. coins in the \$50-300 price range that are so rare that they are almost impossible to find. They represent much better value than modern super-high-grade coins that, truth be told, could be available by the thousands if you wanted to pay the certification fees.

(Note: virtually proofs are stunning and beautiful, with virtually all surviving in wonderful condition. The same is not necessarily true for Mint State issues, especially of coins struck for circulation.)

For example, at a coin show this past weekend, a collector bought from us an 1869 Indian Cent in Extremely Fine condition for \$295. After examining the coin, he pulled out his cash without quibbling about the price. Instead, he expressed relief that his multi-year search was over. The buyer knows that when he wants to sell this coin, it will still be just as rare as it is today.

Summary. I haven't covered all that many market niches, but I think some general lessons can be drawn.

1. Coins that collectors want to own, as opposed to those hyped as "investments" are less volatile and have steadier appreciation.

2. Beware of passing fads. The 5-ounce silver "Instant Rarities" marketed in the 1980s at high prices are now mostly destined to be sent back to the refiners for melting. I would consider owning the modern super-high-grade certified U.S. coins only if they could be obtained at prices close to what uncertified coins would cost.

3. If a rare coin is promoted because of supposedly advantageous special legal treatment, watch out. Thousands of investors have lost millions of dollars buying Proof Gold Eagles for their IRAs because it was the closest to a numismatic coin that could be put into the IRA at the time. With the likelihood that the laws will soon change to permit a wide variety of rare coins in IRAs, the premium paid for the Proofs will no longer be justified.

4. As always, remember that, even though rare coins can outperform bullion prices and other markets as we think is likely in the next few years, they also have a greater risk of loss. Buy/sell spreads are wider than for bullion. Rare coins are less liquid than bullion and generally need a longer term commitment for optimum results. As a result, owning rare coins is not suitable for everyone. Even if you are comfortable owning rare coins, we conservatively recommend that it represent only a small percentage of your net worth.

We have generally observed over the years that those who want to own rare coins strictly for potential financial gain, caring nothing for the history and beauty, almost always end up losing money.

Collecting rare coins can be a lot of fun. And it can make handsome profits, as I have personally enjoyed. Just be sensible.

Gold and Gold Coins

Gold finished today at \$382.50, down \$1.75 (0.5%) in the last month.

In any long-term bull market, there will be periodic episodes of profit-taking and short-selling. The latest retrenchment happened a month ago. Professional paper contract traders have been watching for an opportunity to profit by squeezing a falling market. When some sales happened to hit close together, generating a slight drop, the short-sellers piled on. The price of gold dropped \$14.00 (3.7%) on October 3. The decline was arrested when physical buyers from India and elsewhere jumped into the market.

Demand at the \$370 level was so strong that it now represents a near-term floor to the market. After the de-

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cline, gold came all the way back to have its highest close in years at \$388.75 on October 24.

Fluctuating prices have spurred our customers to action. When gold dipped below \$375, buyers magically appeared. Then, when gold neared \$390, liquidation volume soared.

In my judgment, gold is treading water, so to speak, until it can pass through \$400. Physical demand is strong. The world's economies are in such precarious condition that it is almost scary to want to hold any paper currencies.

The low-premium price leaders are still the U.S. **American Arts Medalion** (3.7%), Austria **100 Corona** (3.4%), and South Africa **Krugerrand** (3.6%).

Demand for **Better-Date U.S. Gold Coins** remains strong, with a surprising number of coins being bought by other dealers at what we thought were fair retail prices! As I said earlier, prices are starting to rise. If you are fortunate enough to find nice coins at reasonable prices, do not hesitate to add them to your holdings.

This month, we offer some **Choice Mint State-63 1910 and 1910-D \$20.00 St Gaudens Double Eagles**. In high grade, they are dozens of times rarer than the 1924 issue, but cost little more. There are not enough coins to satisfy everyone, so we recommend that you call soon. See our enclosed offering. Please refer to our brochure.

Platinum Hits 23-Year High

Platinum closed at \$758.00 today, its highest close since 1980!

Rising industrial demand (some as a substitute for palladium, which has proved to have even more price volatility) and uncertainties about supply have contributed to strong prices.

Current supply levels are not enough to meet current demand. Still the annual supply deficits for gold and for silver are much larger on a percentage and a dollar value basis.

Although platinum may continue to be strong, I feel much more comfort-

The Month

Gold Range	\$19.75	5.1%
Net Change	-1.75	
Silver Range	.37	7.3%
Net Change	-.11	
Gold/Silver Ratio	76.7	
Net change	+1.4	
Platinum Range	51.00	7.2%
Net Change	+49.00	

Platinum/Gold Ratio 1.98

Date	Gold	Silver	Platinum
Oct 01	384.25	5.10	709.00
Oct 02	383.00	5.10	706.00
Oct 03	369.50	4.83	713.00

Oct 06	372.75	4.81	707.00
Oct 07	377.00	4.88	717.00
Oct 08	375.25	4.87	723.00
Oct 09	369.00	4.84	716.00
Oct 10	373.50	4.90	722.00

Oct 13	375.25	4.97	720.00
Oct 14	375.50	4.92	723.00
Oct 15	372.50	4.94	719.00
Oct 16	372.50	4.92	720.00
Oct 17	371.50	4.93	719.00

Oct 20	374.00	5.00	733.00
Oct 21	381.50	5.06	732.00
Oct 22	386.50	5.12	735.00
Oct 23	384.75	5.17	741.00
Oct 24	388.75	5.16	735.00

Oct 27	387.75	5.18	741.00
Oct 28	383.00	5.09	743.00
Oct 29	386.75	5.14	754.00
Oct 30	384.00	5.13	752.00
Oct 31	384.25	5.06	743.00

Nov 03	377.00	4.92	738.00
Nov 04	380.00	5.02	748.00
Nov 05	382.50	4.99	758.00

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

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

able acquiring gold or silver for long-term appreciation. As a matter of fact, as platinum is higher than I expected, I think this is an excellent opportunity to sell it.

Silver and Silver Coins

Silver closed today at \$4.99, dropping eleven cents (2.2%) from five weeks ago.

When silver has dipped below \$5.00, we have seen a surge in demand. So have dealers across the country. It appears that

\$5.00 is now the trigger point for buyers whereas it would more likely have triggered sellers in the past few years.

Silver premiums stayed fairly stable in the past month, creeping upward when the spot price dipped. U.S. **90% Silver Coin** (5.1%) is still the low price leader and is our top pick for acquiring physical silver.

U.S. **40% Silver Coin** (8.7%) has an advantage of selling relatively close to face value. But this limitation of downside risk is offset by the large bulk it takes to own silver in this form due to its 60% copper content.

The **1-100 Ounce Ingots** (12.0-9.0%) are worth considering, especially if limited space is a problem.

This past January we were fortunate to offer a mini-hoard of **Mint State Rolls of 1964 Kennedy Half Dollars**. They sold out quickly and we had to turn down some sales. Good news—we just picked up another nice group and can again offer them near their lowest price in years. If you missed out ten months ago, you have another chance. See our flyer.

Store Remodeling Still In Process

Many of you have already visited our store and complimented us on how much lighter, cleaner, and more spacious our showroom now appears after we closed for remodeling a few weeks ago. It turns out that there are so many details and little things to get organized, that we are not done yet. Give us another month to fine tune our displays.

Our new computers are still being installed. We have not yet been able to update the Computer Quotes page on our website, though we have been able to post the latest issue of this newsletter. This task should also be resolved by the end of November.

While going through changes such as computers being down and moving around so many things, some of our customer shipments were delayed beyond our usual prompt standards. This has been resolved. Thank you for your patience.