

Lawrence D. Goldberg's

Rare Coin Report

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Rare Coins & the Economy

D.C. Stalemate and High Bullion Prices Set Stage for Numismatic Coin Bonanza

Congress did it again: Kicking the can down the road, raising the debt ceiling to \$16.7 Trillion in exchange for budget cuts over the next ten years. These are not actual "cuts." They are reductions in projected spending increases. Instead of adding \$10 trillion to the Debt over the next decade, they will only add about \$8 Trillion. Deceptive, dishonest, and dangerous. Expect the national debt to nudge toward \$20 Trillion within two years.

The recent rush to bonds and dollars in the face of European economic woes, apparent U.S. double dip recession and stock market drops is a knee-jerk reaction in the face of fear. Investors prefer a short term inflation risk of a few per cent rather than risk massive losses in stocks, real estate, or other traditional investments.

Fundamentals however, have not changed. High debt, political gridlock and the anti-business policies of the current Administration trap us in a cycle of printing more money either through stimulus or through issuance of more bonds. This continues to threaten the strength of the dollar.

It came as no surprise therefore, that gold continued to rise, reaching a peak price near \$1900. That peak however, was reached too quickly, which resulted in a strong correction and wild price fluctuations, especially since its timing coincided with European currency problems.

Expect gold and silver prices to stabilize, probably around \$1600 and \$30 respectively, then

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Message from the Owner

Growth brings opportunity and opportunity brings expansion, hopefully in the form of new, better services.

Along with market updates, see page 3 for tips on using our content-rich website (www.CNPCoins.com) to your best advantage.

Growth also brings growing pains. With great regret we must announce that Autumn Eyles who recently joined CNP, had to take an extended leave of absence due to serious (but fortunately treatable) health issues. We wish her the best. If you were working with Autumn, please direct any calls to myself at 818 557-0901 or to Mike Clarke at 424-238-5159.

Life being what it is, and on a much happier, indeed celebratory note, I am thrilled to announce that Philleen Meskin and I were married September 18 in a



Lawrence D. Goldberg
Owner, CNP, Inc.
Editor in Chief

traditional Orthodox Jewish ceremony.

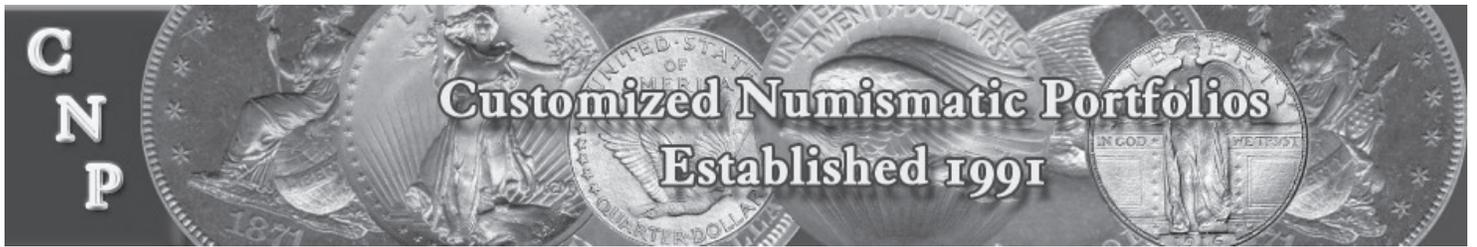
It must be the season, as not long after we chose our wedding date, my daughter Ashley became engaged to a wonderful young man,

I guess this goes to show that when you get one thing moving in the right direction, more great things tend to follow. It's true in life—and it's also true in coins.

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(continued from p. 1) **“Numismatic Bonanza”**

continue an upward trend. The rush to dollars will likely be temporary. If that proves out, now could be a superb metals buying opportunity. It is also likely metals will rise quickly again, because, for all practical purposes, the 2012 election has already begun, which means significant change in Federal job-killing policies will not happen until January, 2013.

That being said, rising precious metals prices will eventually erode its potential upside, and this could have profound implications not only for precious metals, but for rare coins as well.

What we might actually see is a situation where gold and silver prices stabilize in the face of a highly inflationary environment (see article “How High Will Gold Go” on opposite page for a more detailed explanation). It is in such an environment that collectible coins tend to flourish, as, unlike gold and silver bullion, there are very limited quantities of rare coins, and that supply cannot be increased. Inflationary environments almost always increase demand for that which is rare and which will therefore

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Coin Show Attendance Way Up

This last year I worked more coin shows than any year since going into business in 1991. Compared to the last two years, attendance at shows this year is up. I expected this among investment oriented bullion buyers. What I did not expect was the large number of new and aspiring collectors.

I asked other dealers, some of whom attend as many as 40 shows a year, and their observations coincided with mine. Many new people are coming to coin shows. It seems most of them are economically stable; and whether investor or collector, they seemed most interested in exploring how other economically stable people have safeguarded their wealth in the past. One customer called it “learning by example.” Makes sense!

Fall 2011 Coin Show Schedule

Van Nuys Coin Show
Sunday, Nov. 13
14750 Sherman Way
Van Nuys, CA

Ontario Coin Show
Thurs-Saturday, December 8-10
Ontario Convention Center
Ontario, CA

For updates and changes, **please sign up for our Blog at www.CNPCoins.com**

One Great Coin: The Fugio

One of my favorite coins of all time is the Fugio Cent. The first coin authorized by the United States Congress in 1787, it was reportedly made from the copper bands that were used to bind the barrels of gunpowder used by the Continental Army during the Revolutionary War.

Its motto: “Mind Your Business” (a perfectly American double meaning) is, in my opinion, the best motto ever put on a coin. It was written, not surprisingly, by Ben Franklin. This is one of those classic coins, always collectible, always desirable, almost always rising in price. Decent circulated examples start at under \$2000.



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HOW HIGH WILL GOLD GO?

The obvious, most correct answer is “nobody knows,” but the volatility of recent weeks thrusts the question powerfully forward. The simple truth is gold and silver cannot go up forever. As the price climbs, mines increase production, finding profit in more expensive-to-extract deposits. Supplies increase. As prices rise, buyers see less potential upside and buy less. At least some sell. As buys and sells even out, prices stabilize. This can happen even in highly inflationary economic environments.

Despite recent corrections, gold and silver still have excellent upside potential. The correction from near \$1900 to under \$1600 follows drastic price increases from under \$1400 just since May. To say metals prices are dropping therefore is misleading. But prices are volatile. Moreover, European financial markets, recessionary economic numbers in the US, and inept US financial policy have created fear and uncertainty, scaring investors into bonds. I believe this move to be temporary, because the basic fundamentals have not changed.

The name of the game remains wealth preservation. Corrections entice savvy investors to snap up assets in advance of the inevitable inflation.

Rapidly rising metals prices also erode the numismatic premium of gold and silver coins. For example, many circulated half dollars which once sold at double silver value and held their price, now have no numismatic premium over silver value. Eventually, these coins will re-establish their numismatic premium and rise in price. An inflationary market is the perfect greenhouse for such an effect.

Demand for collector coins both low and high end should strengthen as inflated money flows more freely. Instead of monetary inflation masking price deflation, price and monetary inflation will augment each other, likely pushing inflation to double digits.

So far, only food and energy prices are rising. When prices start rising for other goods and services, it is a tip that general inflation is coming, and in our 24/7 global market, drastic changes can happen suddenly. It's like the New Orleans levies. Everyone knew they were weak. Everyone knew a problem would occur. But when it actually happened, it was sudden, brutal and dramatic. Same with inflation.

Give yourself lead time to accumulate rarities in advance. Now is a great time to do exactly that.

www.CNPCoins.com

Using the CNPCoins.com Website

Right under the headline banner of the website is a maroon color background with the following headings listed in white. Simply click on the one you want.

Home, Pre-Designed Rare Coin Portfolios, Selling Your Coins, Collector Services, Articles, CNP Blog, Appraisal and Estate Services, Numismatic Consulting, Rare Coin Report Newsletter, Resources, Contact

Thus, if you want our contact information, click “contact.” If you want to read the last twelve years of Rare Coin Report Newsletters, click “Rare Coin Report Newsletters” and then the date newsletter you want. If you want to sign up for my CNP Blog, click “CNP Blog” and follow the simple instructions. And if you need help, call the 800 number above!

Patterns, Currency, Rarities

While there is no intrinsic relationship between pattern coins, true rarities, and collectible currency, all three now share a similar market position.

Because of the last two years' recession and the now apparent double dip recession, many outstanding rarities, patterns and banknotes are available at prices that appear just “too low.” Prices have also been repressed due to massive attention to precious metals, and low auction prices last year which kept bids low and prices down for an extended period.

Knowing this, you should also know that the best time to buy these collectibles is when they are hitting their lows. “Buy low, sell high” does not mean buy when everyone else buys, or sell when everyone else sells. In fact, it often means the opposite.

Remember, many of these coins and banknotes are very rare, with only a handful or a few dozen or a few hundred examples known. That is rare in a country of 310 million and a world of 7 billion.

Perhaps your hard assets are mainly gold and silver bullion? You might want to consider diversifying your hard assets with some rarities. Perhaps you have the “collector gene” and realize now is a good time to satisfy it? Perhaps you just want a high flier? If any of this makes sense to you, call me now. If the timing works out and if you hold these until market conditions are right for sale, buying now could return you a greater percentage profit in the long run than anything else you own. That is not a guarantee of course, but in my view, it is a strong possibility.

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“Stage Set For Numismatic Bonanza” *(continued from Page 2)*

hold value—preserve wealth—in face of a declining currency.

Nothing achieves this goal better than rare coins, and there exists a distinct possibility that the coming decade will see the most extensive rally in rare coin prices in the history of the United States. While this rising tide will probably lift all coin prices, there is such scarcity among better quality coins that purchases there for the long term could prove brilliant in retrospect.

Particularly desirable are key dates and high grade type coins, especially half dollars in proof or gem mint state, better date Morgan and Peace dollars, proof Morgan Dollars, rare date gold, classic rarities, and of course, high grade generic \$20 gold coins. Many of these can still be had for well under \$10,000, and their potential upside is, in my view extraordinary.

Pattern coin and currency prices are also way too low. Supplies are thin. Demand is low, but that is starting to change. As demand increases, prices rise. The long term potential in these areas is now tremendous.

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424-238-5159