



In this issue of our newsletter, we have another great article from Jeff Garrett on the subject “the impact of a rising gold market.” Our next meeting will be held on Monday, July 15, 2019 at 6:30 PM at our new location at the Embassy Suites at Lexington Green, 245 Lexington Green Circle. As a reminder, they have asked that we not bring in outside food or drink when attending the meetings. Instead, there are several convenient locations within the facility to purchase soft drinks, coffee, or food items.

DOOR PRIZE TO BE GIVEN AWAY!

You won't want to miss this meeting! Jeff Garrett at Mid-American Rare Coin will be donating another door-prize item to be given away. Also, Jeff had a really nice deal for any club members who would like to become members of the American Numismatic Association. Jeff will pay 100% of the first year's basic membership dues (the online version of The Numismatist, a \$28.00 value) for any club member who wants to become an ANA member for the first time. The ANA offers members many outstanding benefits including discounted coin insurance, life insurance, library use, on-line delivery of The Numismatist Magazine, and a great numismatic convention each summer.

The Impact of a Rising Gold Market

By Jeff Garrett

I began my career in numismatics in the mid-1970's. At the time, precious metal prices played a relatively small role in the market for rare coins. Gold sold for around \$150-200 per ounce and silver hovered in \$4-6 per ounce range. The rare coin market was a quite cottage industry. The most accurate and widely used price guide was the **Red Book** which was published just once per year and highly

anticipated. The market for rare coins was also much smaller, and investors had barely given numismatics a glance.

Rare coins were also incredibly inexpensive in the mid-1970's. A superb 1879 Four Dollar Stella could be purchased for under \$10,000 and many rare coins were a fraction of today's levels. Rare coin grading was still evolving, with most still using adjective grading. By the late 1970's inflation had become the number one problem in the United States. The numismatic world was about to change almost overnight!

Gold and silver prices began a sharp rise in the middle part of 1979, and by January of 1980 prices had peaked to over \$850 for gold and nearly \$50 for silver. Famously, the Bunker Hunt brothers had attempted to corner the market for silver. Prices nearly quadrupled in a few months. This began one of the most exciting booms to ever hit the numismatic world.

Anyone with a coin shop was now making fantastic sums of money. Most were greeted each morning with lines around the corner of individuals desperate to cash in. The only limit of how much money that could be made was capitalization. Many dealers were out of money by lunch time. The public was selling anything and everything made of silver. Sterling sets that had been in the family for generations were now headed to the refinery. I still have an incredibly beautiful champagne bucket that I rescued from a shipment.

The large crowds of sellers also brought rare coins with them. Coins were now in the spotlight like never before. Incredible collections, coin hoards, and numismatic delicacies were now coming over the counter in record numbers. Many of the great rarities seen today made their first appearance during this time. The unique 1870-S Half Dime was somehow sold over the counter in a Chicago coin shop and later discovered in a junk box. These were truly exciting times in the rare coin market.

Unfortunately, the gold and silver boom was very short lived. By March, 1980 silver had fallen to below \$11 per ounce again. Obviously, speculation had played a large role in the rise of gold and silver at the time. The numismatic impact of the 1980 gold and silver boom was multi-faceted. Coin prices soared along with metal prices. Many rare coins traded hands for prices that would not be seen again for two decades.

The absolute peak was the auction sale of the Garrett (no relation) collection. Coins were bringing six figures prices with regularity. Most of the buyers were rare coin dealers who were nearly minted millionaires from precious metals trading. This was a very exciting time to be a rare coin dealer.

Many of today's household names in the numismatic world were very young, making incredible sums and living large! Like someone who had won the lottery, a few could not handle the new found wealth and lost it all due to drugs, gambling and a decadent lifestyle. Maybe someday someone will write a book about this incredible part of numismatic history. It would make a great movie!!

More recently, gold has been rising steadily for about the last six months or so. Today gold prices closed around \$1350 per ounce. This is down from the peak of \$1900 in late 2011 but up sharply from its recent low of \$1075 in December, 2015. Unlike in 1980, the recent rising gold prices have not been driving new rare coins to the market. The rare coin market is much more developed now than four decades ago, and it is safe to say that a majority of rare coins are owned by sophisticated collectors.

Our company buys coins from the public almost daily, but most are the result of inheritance or estate planning by aging collectors. Often, members of the public will ask me for an appraisal, and then ask my advice on selling. If they have gold coins, it seems that they are almost always hoping I will tell them gold will soon skyrocket, and they should keep holding on. Obviously, no one really knows that for certain, and I encourage them to make their own decisions.

The biggest result from a rising gold price is that more investors will be drawn to precious metals. Coins shops, internet sellers, and large retail operations are seeing increased interest in physical gold almost daily. A small percentage of these buyers may be attracted to rare coins after being introduced to buying gold. The same can be said about silver buyers as well. It's a pretty common occurrence for buyers of United States Silver Eagles to discover the romance of classic Silver Dollars struck from 1878 to 1935.

As I have mentioned in a recent article, now is one of the best times in the history of our hobby to buy common date, classic United States gold coins. The recent oversupply has driven prices to near melt, and they are actually less expensive than modern U.S. Gold Eagles. Buyers can also buy Choice examples for small

premiums as well. For anyone new to the hobby, this is a great time to start a date set of \$5, \$10, or \$20 gold coins. The premiums are low, and you could probably buy 100 different date and mint mark combinations.

Rising gold and silver prices will probably not result in a surge of new material like it did in 1980. This is a positive for the hobby, because as has been seen from the recent oversupply of common date gold coins, prices drop when there is not enough demand to support the market. There are not bags of rare United States coins waiting in the wings to be sold if bullion prices spike.

Unlike in 1980 when the biggest buyers of rarer coins were newly rich coin dealers, rare coins are widely dispersed among many thousands of collectors. Most are in what could be called “strong hands”, and will not be entering the market all at once.

The most important job for hobby leaders is to take advantage of rising gold prices and introduce bullion buyers to the excitement of numismatics. There are dozens of great books that can be used to educate those new to the hobby. Encourage them to join the ANA or a local coin club in the area. The hobby can grow, and we should all capitalize on the opportunity when new participants discover rare coins when buying bullion.