Do you ever wish you knew what was going to happen with the economy over the next 12 months, 5 years, or 10 years? I would love to know just a few things like the price of gold, value of my real estate, inflation rate, and the value of the US dollar. I guess if I knew the last one I may know some of the others.

I get a kick out of talking to some people when they rant and rave about the future and exactly what is going to happen with the economy. I am pretty convinced that most of us have an opinion, but not many of us know for sure what is going to happen. It seems to me the people who have the strongest opinion, in most cases, know the least.

Of course there are some exceptions. Some of the financial newsletter writers I read have a much greater grasp of what is going on with the economy and what the long term affects may be. No, they aren’t always right, but it is hard to argue with someone who has been successful doing the same thing for 40 or 50 years. I personally love seasoned professionals. Most of them have paid their dues and have learned from their mistakes.

Recently I spoke with four very smart people, who are either financial analysts, or actual commodity and stock traders, I mean guys who trade a billion dollars or more a day. The consensus was that we are floating in a world with too much money, and too much debt. The part about too much money is very true if you think about it. So many people are making so much money and those who aren’t, have borrowed money from the equity in their homes to live a nicer life style.

I had lunch with Dr. Milton Friedman a while ago and his comment was, “There is too much affluence today which is not normal and probably won’t last.” This is a very compelling statement if you think about it awhile.

The part about too much debt sure seems true by today’s standards. Most everyone I know owes money on their credit cards, houses, cars, and just about everything else.

I have always been afraid of long-term debt, probably because I never really understood it. My house was paid off within a couple of years after I bought it. I know most people think I should have a mortgage for a tax write-off, but I could never understand why I should pay the bank a dollar in interest to save .28 cents on my taxes. That is, as long as I had the money to pay it off. Of course, when I was buying homes they cost $100,000 to $200,000.

When you think about the all debt in the world today, it is astounding. I think it is hard for young people to grasp the enormity of it and understand the situation. Of course our government isn’t setting a good example of living within its means and accumulates debt like it is the latest craze.

Let’s take a look at how much the government has increased our national debt in recent years:

- 2002 it was increased by $450 billion
- 2003 it was increased by $984 billion
- 2004 it was increased by $800 billion
Thus far in 2005, it is up to $781 billion, although the Senate hasn’t acted yet on these latest increases. That is $3 trillion over the last 4 years; this is a whopping 50% increase in the national debt!

The war in Iraq and Afghanistan are costing us $5 billion each month. New Orleans started with a $10 billion bailout, and then was quickly raised to $52 billion. I am afraid to try to guess where this will end up. Can this steady build up of debt create any confidence in the US dollar?

Famed long-term investor Warren Buffet has even placed a $22 Billion bet against the US Dollar by investing in foreign currencies. I think this is about 30% of his net worth. Several years ago he bought approximately 20% of the world’s supply of silver. It certainly sounds like he is leaning towards hard assets.

These are some of the reasons why I have been such a fan of tangible items such as gold and coins for some time.

Those who have followed the price of gold over the last 2 years understand what is happening. As they create dollars out of thin air, the price of gold continues to go up. It recently broke though a barrier of $458 and didn’t stop until it hit over $475. It is now taking a little breather, but we could see it start to run again for a while.

The same goes for the price of oil. I have been investing in oil stocks for over 2 years now and have done well. One of the reasons oil is getting so expensive is obviously supply and demand. I don’t know where this price will end up but I think in 10 years it will be much higher than it is today.

I think if you look at your investments with a 5 to 15 year horizon, you will have to come to the conclusion that tangibles and certain natural resources should be core holdings for all of us. I personally think most of today’s signals are pointing to long-term inflation or devaluation of the US dollar.

Ok, how does this relate to the rare coin market or collectables over all? Well to begin with, rare coins are a tangible item. They have no debt attached to them. Two of the three past major bull markets we have had in rare coins happened under similar conditions.

Between 1970 and 74 when coin prices went up 400 to 500%, Nixon was in office, inflation was out of control, and gold and oil were going up. In fact, there was also a major oil crisis with the unforgettable gas lines.

Between 1976 and 1980 Jimmy Carter was in office, the US dollar was falling like a rock, gold hit $850 an ounce, there was another oil crisis, and inflation was out of control. The real estate market was so hot in southern California; you had housewives standing on corners handing out loan applications for houses that might sell that day.

So where are we today?? Do any of the things above sound familiar?? All we are missing are the long lines at the gas stations. Gas at $3 a gallon was expected sooner or later. When you think
about a bottle of water selling for more than a gallon of gas, you knew sooner or later it had to change. We have most industrial metals in a bull market; in fact some of things such as gold and uranium have been in major bull markets.

Along with being a major collectable, rare coins represent the purest form of our American heritage. Gold and silver coins have been collected for centuries. The rare coin market as a whole is doing very well. I will try to break down each category so you get a full understanding of what is going on.

The gold coin market is almost on fire. Last year we saw generic dates in the grades MS64 to MS65 go up around 20% to 30%. This was when the price of gold was touching the $450 an ounce range. Then the bullion price dropped back into the $418 range for a while and the price of gold coins dropped 10% to 20%. More importantly, there was a supply of coins that started to build up on the market, which made the coins more available. Now with the price of gold bullion going back up above $460, the supply has been quickly taken off the market, especially with the Saint Gaudens. In the last couple of weeks we have seen the prices increase of 15% to 20%.

The better date or rarer date coins haven’t moved up in price much at all, and the same is true for some of the coins in higher grades such as MS66. This will and is changing.

The Proof gold coins are in very short supply. I used to see quite a few of these, now I see one or two nice coins per show. This is considered the very high end of the food chain for coins and nice coins are vanishing quickly. The demand can increase quickly in this area and the supply has always been limited. I wouldn’t be surprised if this area of the market amazed everyone over the next few years with it possible price appreciation.

Along with Proof gold coins the 19th century Type issues should be the star performers over the next 10 years. Nice Type coins are tough to locate and even tougher to buy. I especially like the Liberty Seated coins, and Barber coins, both in Proof and Mint State.

The silver dollar market is doing just fine, as always; these coins have a huge collector demand. PCGS is now designating VAM or die varieties for Morgan dollars and it will probably create a tremendous amount of interest in the dollar market. I think the common date dollars seem like good values. I know they are common, but they only cost $145, these are silver, over 100 years old, and in a very high grade of MS 65. All of that for $145 just seems too cheap.

The silver commemorative market is doing well also. This area is very undervalued in comparison to two different things. One being the past market highs, currently 15 to 25 cents on the dollar to the past highs. Secondly, the future performance of an item is directly related to demand. This is an area that has high demand and as the market continues to build momentum the demand may explode to the upside. The demand in an area like this could create a powerful surge in prices.
I personally have been buying the rarer commemoratives such as the Sesqui, Missouri’s, Alabama’s, Hawaiian’s, Pan Pacific’s, Isabella quarters, Lafayette dollars, and Grant with Star etc. I also like building sets of Oregon’s, Boones, Texas coins. Some of the mid range coins are great values too such as the California, Columbian, Delaware, Grant, Lincoln, Hudson, Vermont, Vancouver etc. Even the lower priced coins seem very inexpensive in today’s dollars.

I listened while David gave a speech the other day and he was saying how he likes the “modern singles” coinage struck in the 1930s. I agree, especially regarding the Walking Liberty half-dollars, Mercury dimes, and Buffalo nickels. The US economy was in complete turmoil and the mintage were much lower than we saw in the 1940’s. I also love the Proofs struck from 1936 to 1942.

In closing, I hope you are beginning to see what we see and that we have started into a bull market in tangibles and collectables. But, that said, I think we will see this market last for 5 to 10 years. And during this time we will see the market go up and down, but the overall market trend will remain up for a while. My guess is the hardest thing for any of us to do will be to hold on for the entire ride. We all get nervous and want to jump out too early in some cases.

I apologize for the delay in getting this issue out, but I have been on the road every week for the last few months. I guess that is a good sign of a bull market.

Until next month, I hope you enjoy your fall season. If you see coins listed inside that strike your fancy please don’t hesitate to contact me.

Best Regards,

Van Simmons

P.S. For the last several years we have been asked to offer gift certificates for our company. My guess is everyone wants their spouse to get them one for Christmas and some want to give them out themselves. If anyone is interested in purchasing a gift certificate please contact us and we can get one sent to you.