

Rare Coin Trends and Market Report

Volume 14, Issue 1
May-June 2002

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Do you know:

- Current U.S. trade deficit is \$465 Billion, nearly **5%** of Gross Domestic Product.
- The average U.S. household now has more debt than income – \$1.15 per dollar.
- In 1973, (during embargo) U.S. imported only 20% of oil needs. Today, the U.S. imports **65%** of oil needs.
- March 2001 to March 2002: NASDAQ down 24.6%
S&P 500 down 18.6%
Gold bullion up 18.8%

Record Prices Set in May Rare Coin Auction....

World record prices were set last week when two coins considered to be part of the "Golden Age of American coin design" achieved milestone auction results that exceeded the six-figure level. The two coins that brought astonishing prices were the key coins to both the Buffalo Head Nickel series and the Walking Liberty Half Dollar series. Both of these coins brought enormous premiums exceeding 60 percent over and above the last time similar coins were available at auction only several years ago.

The Buffalo nickel was a 1918/7-D that was graded MS65 by the Numismatic Guaranty Corporation of America. The coin features an American Indian on the obverse and a large buffalo on the reverse.

Over 1.2 billion "Buffalo Nickels" were struck from 1913 to 1937 and the over-date example has been considered to be the most illusive find of the series. Within the last decade a large number of new collectors have followed the series and a wealth of new publications have been made available to collectors. The last example of this over-date hit the auction block in August 2000 and realized \$103,500. Last week it realized



\$155,250 with buyer's premium.

Prior to this auction the record price paid for a Walking Liberty Half was realized in April, 1997 with a price realized of \$73,600. The new record price of \$120,750 for the 1919-D Walking Liberty Half graded MS65 by the Professional Coin Grading Service not only broke the six-figure mark but also attained the

notoriety of setting a record for the highest price paid for any 20th century U.S. coin struck by the United States government. The walking liberty design features a full portrait of Liberty striding forward and wearing an American flag and the reverse depicts an Eagle perched on a mountain.

The "Golden Age" of American coin designs took place as many of the century old coins were replaced with new coin designs. Although changes were initiated in gold coinage under the direction of Teddy Roosevelt in 1907 it was not until nearly a decade later that many changes were made to the coinage that was used most by the American public. For the first time in history all four examples of the coins considered to be part of the golden age have now realized in excess of \$100,000 at auction.

...and Overpriced Junk is Still Overpriced Junk.

The fascination of the unknowledgeable "coin investor" with Modern supergrade coins flogged by telemarketers and the Home Shopping Network crowd continues. The Statehood Quarters, Lincoln Cents, Jefferson Nickels, Kennedy Half Dollars and even American Eagle gold and silver bullion coins encapsulated with grades of 68, 69 or 70 on their labels are still finding gullible buyers.

The promotions are based on the seller finding Proof Sets from the late 1960's, 1970's and later (average mintage of these sets run about 2 million each year) sending the coins to the certifying services and in about

three weeks, voila, a couple of PR69 coins appear available for the next remote clicking, late night buyer. The "rarity" of the coin is touted as only one of 10 or 20 coins graded this high. The reason could be that no one has bothered to send in the other million and a half coins to be certified.

At some point, the reality about the true "rarity" of these Modern issues in the supergrades will become very evident. And the current high values may very well implode much like many of the high priced stocks whose main point of value to uninformed investors was the ".com" behind the company name.

New Updated 2002 Brochures and Materials Available

U.S. Tangible Investment Corporation has redesigned its brochures for 2002. The brochures are in full color, inside and out with updated performance figures and data. The "Absolute Basics" and "Questions and Answers for New Investors" brochures have been replaced with a single new brochure incorporating the best elements of both old brochures into one new publication. The addition of color graphics and charts makes the brochure easier to understand and more interesting to the client.

Also available are updated Power-Point presentations in CD-ROM format for financial advisors. The topics include the pricing of rare coins, trusts and rare coins, a basic course on the evaluation and use of tangible assets in estate planning. There is no charge for these presentations.

Many of the presentations are also used in the CPE courses offered by USTIC.

All of the courses are registered with NASBA, FPA, IARFC and the CAFP (Canada). For information of the courses, please contact Mr. Burnett Marus at 800-742-6000 ext 308.

For all supplies call, Amy Bradley at 800-742-6000 (U.S.) or 800-872-6467 (Canada).



New all-color brochures are available. Call USTIC for your supplies.

USTIC Website Undergoing Major Revision

A launch date of June 1, 2002 is the target for the debut of the new U.S. Tangible website. At present, the current website on-line is a "placeholder" with dated material. It has not been updated since the decision to remodel and improve the site was made. With the changes to the USTIC brochures, the updating of the CPE courses and the new format for the newsletter, the website progress unfortunately lagged in development. Features of the new

website will include downloadable presentations, on-line supply and portfolio evaluation requests, links to other key sites and PDF format newsletter archives.

Also in development are on-line CPE courses, MPEG video clips as well as live streaming hard asset market quotes.

"The study reveals that for the 25 year period measured, MS65 graded rare U.S. coins of all types performed at a rate of 15% per year."

Rare U.S. Coins Top Performer: 2002 Penn State Study

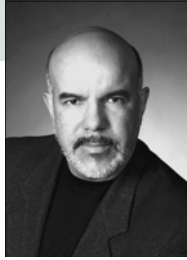
The 2002 rare coin performance study has been completed by L.A. Research, Penn State University. Dr. Raymond Lombra, Dean of Economics and Associate Dean of Graduate Studies, headed the research project which tracks rare U.S. coins, stocks, gold bullion, Treasury bills and bonds for the period January 1977 to December 2001.

The study reveals that for the 25 year period measured, MS65 graded rare U.S. coins of all types performed at a rate of 15% per year. During the same period, stocks returned 13.6%, gold bullion 3% and Treasury bonds 10.5%. The 8 page report illustrates charts of the standard deviation indices, correlation with stocks, correlation with inflation and the efficient frontier for the assets.

U.S. Tangible has sponsored this independent, academic report since 1998 for the benefit of the financial planning community. This report provides confirmation of the validity of asset class diversification as an investment portfolio strategy.

Copies are available from U.S. Tangible. Contact your representative or call Amy Bradley at (800) 742-6000 or (800) 872-6467 in Canada.





Burnett Marus, RFC

Follow the Yellow Brick Road

This is what the Mayor of Munchkinland told Dorothy when she asked how to get to the Land of Oz. It seems that due to a nasty wind, our heroine was blown off course and was looking for a way back to familiar territory.

Not unlike the countless numbers of investors who have suddenly found themselves in very unfamiliar situations of owning decimated stock and mutual fund portfolios. The ill wind here was caused by hyped-up stock evaluations, overblown projections of growth, business plans that were non-existent (if not downright ludicrous) coupled with the reality of rising debt, rising unemployment, massive corporate losses, profit plunges, escalating junk bond defaults, rising oil prices, a return of inflation and an over valued U.S. dollar. The investor is looking for the great and powerful Oz to make things right again.

To get to Oz, follow the yellow brick road. The obvious analogy here is gold is the yellow brick road. It is a temporary path until "normalcy" returns to the equity markets. Unfortunately, Dorothy gets better advice than do most investors. Ned Schmidt, CFA, CEBS pointed out in a recent column it was amazing to him that finding any information on the interplay and performance of gold in the present market was near impossible.

He stated **"With Gold, and Gold stocks, performing better than most alternatives one would have expected some mention of the subject. With Gold moving strongly above \$300, and under valued below \$500, I should have been able to find some mention of Gold. That was not the case. I am baffled by the continued focus on stocks and mutual funds by writers and financial advisors"**.

A valid reason seems to be given further in his article. **"Why do all these magazines and cable financial shows ignore Gold? First, they lack the understanding of the markets. Most are journalists trying to understand complex subjects. Second, they listen to the words put out by Bay and Wall Street. They simply do not understand that both Wall and Bay Street exist only to sell financial assets to the public. But most importantly they do not understand the fundamentals...Gold has risen at about a 6.2% annual rate while the NASDAQ has been falling at over a 28% compound rate. Now tell me, how can someone writing an article for any major publication miss that kind of performance?"** Well, Ned, our investors have met the scarecrow in the form of the television talking-head stock analysts (*Gee, if I only had a brain!*).

The advice to investors now is "hold for the long term". Not bad advice, but, what other choice do they have. In the market heyday, investors didn't want to sell because (pick one) a). they would be killed with taxes b.) the market is just starting to go higher with

the new Internet Economy c.) stocks are the only place to be. Asset diversification was deemed to mean buy a bunch of mutual funds. Hard assets? Not even an option offered by most advisors. Until now.

The investment community that only a few months ago was calling gold ..."A relic of history..." is now sitting up and taking notice of the implications of currency and gold price moves since 11 September 2001. The venerable Aden sisters recently stated **"It's all finally falling into place. It took some time, but the markets are now signaling an important change. A new investment era has begun and all of the markets are now reinforcing this...Signs of change have been popping up for some time. Some of the markets actually turned months ago but others took their time. Now, however, it's another story. All of the markets are reinforcing each other and that's powerful action across the board. Why? Because the verdict is now unanimous. Financial assets are out and tangible assets are in. This marks a huge change from previous years when stocks were all the rage and gold was ignored. In this new era, it'll be just the opposite. Tangible assets like gold will continue to outperform financial assets like stocks and bonds over the next couple of years. And if you haven't yet changed your investment strategy to reflect these major changes, we strongly urge you**

to do so." Hmmm, sounds like good advice from the two "Glenda's, the Good Witches of the North".

Gold shares were one of the top performers of all stock groups last year and the best performer so far this year. Is it oversold? Is the market now at a top? Not hardly. Gold has been held back artificially for years by central bank selling and forward selling strategies by some gold producers. \$300 per ounce was a major level to break after trading in the \$275 to \$285 range for the past 6 years. On March 27, 2002 gold hit \$300 per ounce. On May 23, 2002 gold hit \$322 per ounce. Do the math. 6 years to move \$25...60 days to move \$22. As the equity markets continue the final shake-out of excess evaluation and accounting irregularities the gold market will continue it's inevitable climb.

In the late 70's, a similar scenario played out. Inflation roared back, gold soared and tangible assets were much in favor (the public was still smarting from the Crash of the Nifty Fifty). Financial articles from that period showed gold stocks moved first, followed by gold bullion, then the rest of the tangible assets that weren't subject to the vagaries of paper assets moved next. Rare coins, like gold, have been in an extended down period, showing occasional bursts of life. Also like gold, rare coins respond to this type of economic environment. In 1979-1980 the movement in rare coin prices was over 700%. It was the end of the yellow brick road.

Remember, the trip on the yellow brick road with exotic adventures only lasts a short time...then we eventually get back to Kansas. Prudent investors should be cognizant of the current investment cycle to take advantage of the benefits the tangible asset market now offers.



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May-June 2002 Trend Indicators

USTIC Generic Gold Index: %Chg Trend

MS65: \$29,295 ▲ +0.47% ▲
 MS64: \$10,800 ▲ +6.46% ▲
 MS63: \$ 6,000 ▼ -2.75% ➡

Generic Morgan Dollar Index:

MS65: \$73.00 ▼ -2.66% ➡

CU3000 Index:

\$54,105 ▼ -0.97% ➡

Gold Bullion Spot:

\$315.70 per oz. ▲ +17.53% ▲

Silver Bullion Spot:

\$4.77 per oz. ▲ +5.06% ▲

CCDN (+/-) Count (Total: 10074 listed prices):

Plus: 213 **Minus: 44** **Unch: 9817** ➡

Most active series:

Mint State Gold, Morgan Dollars, Proof Singles,
 Silver Commemoratives

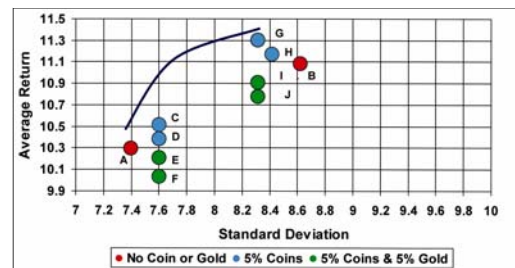
CCDN CMI Values: 5/24/01 to 5/24/02 %Chg

Silver Commem	502.36	509.00	+1.32%
Gold Commem	527.81	530.05	+0.42%
Morgan Dollars	861.34	869.84	+0.99%
Peace Dollars	601.75	642.66	+6.80%
Mint State Gold	470.68	463.98	-0.64%
Proof Gold	736.49	736.08	-0.06%
Proof Singles	628.24	719.26	+14.49%

Efficient Frontier Charts: Jan 1977 - Dec 2001

Asset Classes	A	B	C	D	E	F	G	H	I	J
Stocks	33.3	50.0	31.7	31.7	30.0	30.0	47.5	47.5	45.0	45.0
Treasury Bonds	33.3	25.0	31.7	31.7	30.0	30.0	23.8	23.8	22.5	22.5
Treasury Bills	33.3	25.0	31.7	31.7	30.0	30.0	23.8	23.8	22.5	22.5
Coins (MS65)	0	0	5	0	5	0	5	0	5	0
Coins (MS63,64,65)	0	0	0	5	0	5	0	5	0	5
Gold	0	0	0	0	5	5	0	0	5	5
Average Return %	10.3	11.1	10.5	10.4	10.2	10.0	11.3	11.2	10.9	10.8
Standard Deviation	7.5	8.6	7.6	7.6	7.6	7.6	8.3	8.4	8.3	8.3

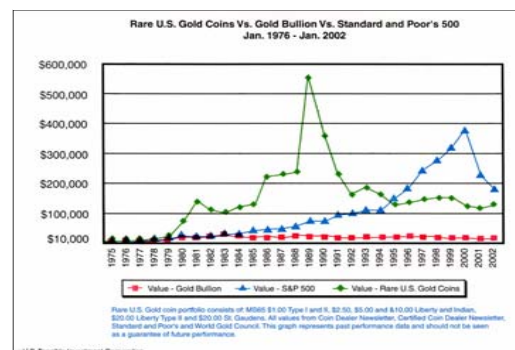
The colored columns above correspond with the matching colored dots on the chart below.



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PUBLISHER: U.S. Tangible Investment Corporation

Rare Gold Coin Market Performance Jan 1976 - Jan 2002



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