

Rare Coin Trends and Market Report

Volume 15, Issue 1
January– February 2003

Inside this issue:

Coin /Gold Markets Up	1
China Buying Gold	2
Paine Webber & Coins	2
Market Update	3
Market Charts	4

Did you know:

The average gold fund returned 31% since the beginning of 2001.

Nine of the top 10 funds were gold funds.

Bond funds returned 5.9% and they attracted \$125.6 billion. If that money had gone into gold shares the return would probably have been 50% to 60%.

The ten worst funds were in telecoms, biotech and technology funds, off 57% to 77%."

Coin Market Prospers As Economy Struggles—CDN

Negative economic news weighs heavily on the general buyers of rare coins. Most dealers agree that numismatic coins are a luxury and people tend to curtail their buying when they, and others are hurting financially. All things being equal you would expect a sluggish rare coin market at this time. However, many dealers are pleasantly surprised because the impact of the weak economy has had mitigating circumstances. One dealer sees cross currents that not only counter the negative, but make it positive. The economic slowdown may have had a more measurable impact on rare coin sales were it not for the gains attributed to the State Quarter program and the internet. New customers being drawn into coins are countering those that are leaving due to the economic weakness. This has helped the rare coin market prosper while other financial sectors suffer. Weak

economies also tend to drive people towards a flight to quality. We know that collectors and dealers are looking to buy premium quality coins today. One mid-west dealer is seeing this flight to quality to a large degree, even from dealers who have traditionally not been "PO dealers." Consequently, strong demand continues to outstrip the supply of quality coins. A major problem and concern facing dealers today how to replace the coins that are sold? Another important problem facing them is what to bid for PO coins? Increasing the bid is most helpful if the higher bid results in a completed transaction. However, it may be that bids will have to jump considerably to force the supplies needed to satisfy the current demand. The December 4-5 auction by Stack's featuring selections from the Vanberg collection realized just over \$1 million in New York City. -*Coin Dealer Newsletter, 12/13/02*

Gold Prices Higher as War Talks Intensify

Gold surged higher in London, adding to gains in the Asian and US trading sessions where the precious metal hit five-and-a-half year highs, as the US was expected to say that Iraq's weapons declaration was in violation of the United Nations resolution on arms disclosure.

The gold price soared to \$346.75 per ounce, its highest since March 1997, before being fixed in morning trade at \$345.75 as investors switched out of other asset classes into the safe haven.

In Asian trade it broke the resistance level at \$350 per troy ounce in what traders said was extremely thin trade. In New York, where funds, banks and commission houses have steadily been increasing their exposure to the alternative investment, the spot price rose \$4.70 to fix at \$342.70. The gains were made as the likelihood of a US-led war against Iraq intensified after Colin Powell, US secretary of state, told a news conference on Wednesday

that, "our analysis of the Iraqi declaration to this point... shows problems with the declaration, gaps, omissions". But US officials were keen to stress that a declaration of "material breach" would not be an immediate trigger for war.

Gold has risen around 25 per cent this year as investors have sought the safety of the investment of last resort as other assets have declined. The dollar, undermined by a weak US economy, has fallen more than 10 per cent this year against the euro and the Dow is down 15.7 per cent year-to-date as the outlook for corporate profits remains unclear.

Analysts added that if private investors in the US decided to move from the sidelines and switch their funds into bullion it could spark an avalanche. The last time private investors moved into gold in any numbers was in the early 1980's when the spot price reached \$800.

50-year ban on gold sale to individuals in China lifted

Source: Xinhua News Agency - CEIS
Publication date: 2002-12-19



BEIJING, Dec. 19 (Xinhua) – Local shops opened their doors to individual gold buyers in the Chinese capital Wednesday for the first time in the country in over five decades.

Direct sale of gold bars to individuals suspended immediately after the founding of new China in 1949, when its government monopolized the business. The ban was considered the "last stronghold of a planned economy".

Gold shops were crowded in Beijing for the last two days as individuals snapped up gold bars in sizes ranging from 30 gram to 12,500 gram. Some aged buyers still remembered very well small gold bars used to be referred to as "little yellow fish". China is the world's fifth largest gold producer and the third largest gold consumer. In 2001, the country produced 181.83 metric tons of gold, whereas 270 tons of gold was sold on the domestic market.

The Oct. 30 opening of the Shanghai Gold Exchange, the first of its kind in China, signified the re-opening of the gold market in China. The prices of gold bars would fluctuate in compliance with the exchange in Shanghai, the country's financial center.

UBS PaineWebber launches Art/Numismatic Services in U.S.

"...Art is often a significant part of a wealthy individual's total assets.."

UBS PaineWebber announced today that it will offer UBS's industry-leading Art Banking and Numismatics Services, currently available in Europe, to the firm's U.S. client base for the first time. The U.S. offering, called Art and Numismatics Services, enhances UBS PaineWebber's product mix for high net worth individuals and advances UBS's position as a world-class provider of financial services and wealth management solutions.

UBS PaineWebber's Art and Numismatics Services is a unique advisory service for clients of the firm, which includes art research, art management, counsel on sales and purchases, and structured solutions. In addition, the firm's service features a full numismatics department – the first of its kind in the industry. Art and Numismatics Services, delivered through the firm's nationwide network of financial advisors, connects UBS PaineWebber clients to UBS's in-house team of art professionals and the world's leading art experts.

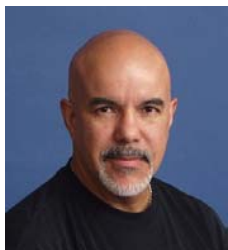
"Art is often a significant part of a wealthy individual's total assets, and as such, UBS PaineWebber's Art and Numismatics Services is a differentiating component of our full-service approach to clients," said Kathleen O'Toole, Director, UBS PaineWebber Preferred Client Services. "In today's largely unregulated art market, we are confident that trusted advice and customized solutions will add tremendous value to our client relationships."

Art and Numismatics Services provides clients independent and objective insights on art as an investment as well as guidance on how to build and maintain a collection. Clients also benefit from the firm's rigorous due diligence process; introductions to the exclusive UBS global private client base of art collectors, buyers and sellers; unique access to works of art rarely seen on the market; and a single point of contact for all art-related issues. A flexible fee structure allows UBS PaineWebber clients to select the appropriate service level for their needs.



The expansion of this service into the U.S. market, the fastest growing of all major art markets globally, builds on the firm's profile as a key supporter of the arts worldwide. In the United States, the UBS PaineWebber Collection, one of the finest assemblages of contemporary art owned by a corporation, has solidified UBS's reputation as a leader in the arts community.

I Should Have Known Better



Burnett Marus, RFC

On December 4, 2002 I had the pleasure of being asked for an interview by Rick Miller of *Investment News* concerning the new membership rules fostered by the FPA. I had sent them a brief e-mail concerning the proposal and it evidently piqued their interest. I spoke with Mr. Miller at length. He was quite curious and interested in the topic and asked if I could send him a statement that he could review. I gave it some serious thought and sent the following statement:

"In your editorial of December 2 in the Investment News, you attributed my comment as a "disgruntled" financial planner. Disgruntled? No. Surprised? No. Disappointed? Yes. As I stated in my telephone interview with the Investment News, I have been a continuous member of the FPA and its predecessor, the IAFP since 1975. I served on the local board of the Dallas-Fort Worth Chapter for seven years. I also served on the national board of the IARFC for nine years. I began in this industry in 1972 as a financial planner. In 1975 I became a specialist in tangible assets and was instrumental in forming a firm in 1978 that worked with financial planning practitioners in this specialty area. I have worked with CFPs, CPAs, ChFCs, RFCs, CLUs, AEPs, CFAs, bank trust officers, attorneys, stockbrokers and insurance professionals. In my 30 years dedicated to this industry, I have been a strong supporter of the financial planning process. I still support the FPA. My disappointment is in the elitist attitude of the FPA board in alluding that if you do not hold the CFP designation, you are not a financial planner. This is an affront to ChFCs, CPAs who hold the PFS designation, attorneys who also are AEPs, CFAs that attended a 4 year university to acquire their degree and the 30 year plus industry who sold insurance and securities and has successfully planned for the futures of hundreds of families without the benefit of initials behind his or her name. The CFP designation is without question a credible and valid designation. But is it the "premier" designation as the FPA stated in its introduction to the financial services industry? According to the guidelines from the FPA, an attorney who is also a CPA and an AEP is not a "financial planner member" just a "member". He would have to take the CFP courses and become a CFP to be so recognized. This flies in the face of reality and common sense. The FPA states the public

is clamoring for a "single designation". I don't think so. The statistics show that 10% of the population work with financial planners. In a recent USA Today poll, financial planners ranked below used car salesmen in trustworthiness. The public does not know what the requirements are for designations. This is what should be promoted. The IARFC website, www.iarfc.org posts the designations and the qualifications required for them. There are more specialty designations that also exist, CFS, CSA, CIMA Certified Divorce Specialists, Certified College Funding Specialists and others. Are these not valid? The public should be educated on what these are and how they are applicable to their needs not "mine's the best, his isn't". If the aim of the FPA is to create an organization for CFPs only, so be it. There is no issue with that and frankly, in my humble opinion, was the goal of the merger that created the FPA in the first place. So become the CFPA...those who are CFPs will be welcome, those who wish to be "members" will also join. But do not insult those same "members" and the rest of the financial planning professional by touting only the CFP designation has merit."

End of statement. So why did I bother to print this here? In the follow-up article in the *Investment News* I was quoted as an "upset planner" who didn't like the membership rule change.

None of my preceding statement was quoted. Some of you have called and asked me about the article. To clarify my point, the FPA is going to modify the membership requirements to promote the CFP designation. That's a fact and there's nothing wrong with their objective. The criticism I have is due to the FPA's attitude that the CFP is the premier designation in the financial services industry. The CFP designation has merit and prestige, however, to denigrate ChFCs, CFAs, AEPs and other designations as inferior is not correct. O.K. I'm done. I just wanted to state my position accurately as I assumed Mr. Miller was going to report. Yes. My mistake. I assumed. What was I thinking?

Normally, I would have discussed the rare coin market here. However, read the article opposite concerning UBS Paine Webber. Gee, imagine, art and numismatics being part of a wealthy clients' holdings. Who would have believed it? China buying gold...by the bunch. Gold bullion is starting to rise nicely. In March of this year I predicted gold at \$350 per oz by year end...up until two weeks ago, it looked bleak for me. Rare coins are starting their run. Look for the 2003 Penn State Report in February for updated performance numbers. And watch for other private banking services looking to promote tangibles. It's a trend beginning. It will accelerate if stocks continue to underperform as they did for the past 3 years. Happy Holidays to you all. Best wishes for 2003.

"The CFP designation has merit and prestige, however, to denigrate ChFCs, CFAs, AEPs and other designations as inferior is not correct."





www.ustic.com



Heritage Plaza
100 Highland Park Village
Dallas, TX 75205

United States: 800-742-6000
Canada: 800-872-6467 ext. 308
E-Mail: coins@ustic.com

For Further Information:

Burnett Marus, RFC
Executive Vice President
800-742-6000 ext 308 (US)
800-872-6467 ext 308 (Canada)
burnett@ustic.com

David K. Goad
Senior Vice President
800-992-7273
david@ustic.com

Dorann Lokash
Administration Manager
800-742-6000 ext.333
dorann@ustic.com

Paul Minshull
Chief Operating Officer
800-742-6000 ext 266
paul@ustic.com

January-February 2003 Trend Indicators

USTIC Generic Gold Index: %Chg Trend
MS65: \$30,435 ↑ **+2.28%** ↑
MS64: \$10,600 ↑ **+0.76%** ↑
MS63: \$ 6,325 ↑ **+4.11%** ↑

Generic Morgan Dollar Index:
MS65: \$75.00 → **+0.00%** ↑

CU3000 Index: (12/26/02)
\$55,518 ↑ **+0.91%** ↑

Gold Bullion Spot: (12/26/02)
\$349.50 per oz. ↑ **+10.77%** ↑

Silver Bullion Spot:
\$4.70 per oz. ↑ **+4.21%** ↑

CCDN (+/-) Count (Total: 10074 listed prices):
Plus: 241 Minus:28 Unch: 9805 ↑

Most active series:
Morgan Dollars, Mint State Gold, , Proof Singles

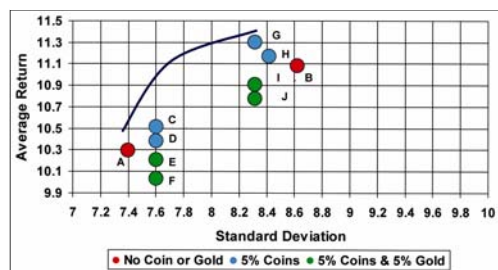
CCDN CMI Values: 5/24/01 to 12/13/02 %Chg

Silver Commem	502.36	514.97	+2.51%
Gold Commem	527.81	524.16	-0.69%
Morgan Dollars	861.34	879.43	+2.10%
Peace Dollars	601.75	638.04	+6.03%
Mint State Gold	470.68	468.22	-0.52%
Proof Gold	736.49	736.62	+0.01%
Proof Singles	628.24	752.23	+19.73%

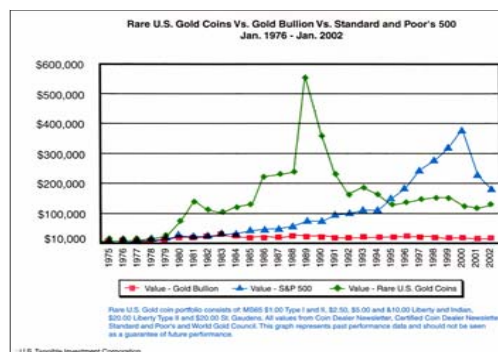
Efficient Frontier Charts: Jan 1977 - Dec 2001

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.



Rare Gold Coin Market Performance Jan 1976 - Jan 2002



Rare Coin Trends and Market Report is published 6 times per year. This publication may be reprinted with the permission of the publisher. Information contained herein is obtained from sources believed to be reliable, but its accuracy cannot be guaranteed. Copyright 2002 U.S. Tangible Investment Corporation.

EDITOR: Burnett Marus
PUBLISHER: U.S. Tangible Investment Corporation

The #1 Provider of Rare Coin Services to the Financial Planning Industry.