

# US Mint Bullion Coin Sales

Back in late 1985, the US Congress authorized the Gold Bullion Coin Act of 1985 which President Ronald Reagan promptly signed into law. It ordered the US Treasury, through its US Mint branch, to start producing gold bullion coins. This law outlined very specific requirements for these new coins, including that they be produced from gold mined in the United States.

This legislation, partially in response to the soaring popularity of foreign national coins like the famous South African Kruggerand in the early 1980s, ushered in the modern era of American bullion coins. The American Gold Eagles and American Silver Eagles that emerged out of this program have since grown very popular among investors worldwide for several reasons.

As bullion coins (as opposed to numismatic coins), the American Eagles should sell for not much more than the fair-market value of their actual metal content. So for any given amount of capital, an investor can own much more gold or silver in the form of bullion coins than he could in rare numismatic coins which command steep scarcity premiums over gold and silver prices.

In addition, the Eagles are very easy to buy and sell at any coin dealer worldwide. They are universally recognized, their bullion content is certified by the US government, and their primary one-ounce increments are easy to afford for every dealer and almost all investors. They are also very durable, as the Gold Eagles are 22 karat gold (just under 92%) alloyed with silver and copper. While they do still contain a full troy ounce of gold, they are less fragile than soft pure-gold national coins like the Canadian Maple Leaf.

Finally, the Eagles are very beautiful aesthetically. While most of my physical gold and silver investments are hidden away, I always keep a handful of Gold and Silver Eagles floating around on my desk. They are fun to look at and handle, and they anchor the vast ethereal world of electronic gold markets to a tangible physical reality. They are also great to show to potential new gold investors. Once they first hold real physical gold coins in their own hands, they are usually hooked and want some of their own.

While I love the Eagles and can never own enough of them (they are addicting), like most investors I am disappointed with how the US Mint has handled its legal mandate to produce them. The Gold Bullion Coin Act of 1985 explicitly states that these coins must be produced "in quantities sufficient to meet public demand".

For bullion coins, this means there must be enough of them in the wild to keep them from trading at a significant premium over the spot price beyond a normal bid/ask spread. If you or I want Eagles, we should be able to buy them anytime *close to the spot metals prices*. For nearly 22 years after the first Gold Eagles

were produced in late 1986, this was usually the case. But back in August 2008, the US Mint abruptly stopped selling these popular coins to dealers for the first time.

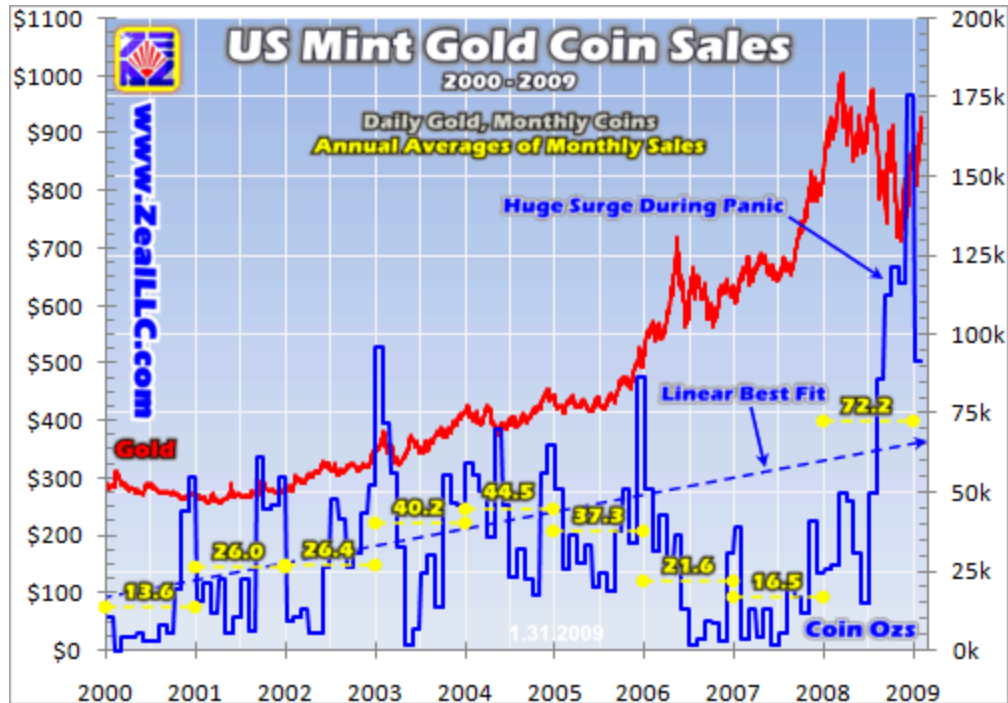
I discussed this gold bullion shortage in the September 2008 issue of our [Zeal Intelligence](#) monthly newsletter. If you are a subscriber, you can download it off our website archives and learn about last year's fascinating bullion shortages in depth. For our purposes today though, the key point is in August 2008 the Mint gave up all pretenses of trying to meet demand as mandated and started rationing Gold Eagles on a limited basis.

This episode was exceedingly interesting because it betrayed underlying physical-gold demand from investors growing at far higher rates than the futures gold price at the time suggested. I started digging into the Mint's Eagle sales in September, but then I got sidetracked by the epic [Great Stock Panic of 2008](#). When the flagship S&P 500 stock index plummets 30% in just 3 weeks, it demands our full attention as investors and students of the markets.

Fast-forward to this week when I happened to run across a Financial Times article on record bullion sales in January that rekindled my interest in Mint bullion coin sales. It said US Mint gold coin sales in January 2009 were almost 4x higher than January 2008's! So I dusted off my pre-panic spreadsheets to take a look at Eagle sales by the Mint over the last decade or so. The raw data is encouraging yet curious in many ways.

The US Mint reports bullion coin sales monthly, so I superimposed this monthly data on top of daily gold and silver prices for comparison. It is denominated in thousands of ounces of gold and millions of ounces of silver *per month*. In the case of silver, 100% of these sales are 1-ounce Silver Eagles. So in the second silver chart below, the right axis shows both actual coins and actual ounces of silver sold.

But for gold, the Mint produces American Gold Eagles in 1-ounce, half-ounce, quarter-ounce, and tenth-ounce increments. The smaller fractional coins are great for very small investors or to give as gifts to kids to get them interested in precious metals. But most of the Mint's Gold Eagle production is still in the full-ounce coins. Since 2000, about 3/4ths of the Gold Eagle production by bullion ounces has been in the form of these 1-ounce coins. The right axis in this gold chart is *total ounces* of all Eagles, not total coins.



The most fascinating aspect of this chart is the *huge* surge in Gold Eagle sales during the panic months in the second half of last year. In August GE sales soared to 86k ounces, nearly a bull high (January 2003 had 96k). In September they surged again to 113k, and then stayed high near 122k in October and 117k in November. In December they rocketed again to 176k ounces, a massive new bull-to-date high.

As you can see in this chart, the futures-driven gold price was actually falling until mid-November. Gold was getting weaker, which usually retards investment demand, yet GE sales were still soaring. The extreme fear billowing out of the stock panic led to great physical-gold-coin demand. This episode is a perfect example of the flowing and ebbing disconnect between physical gold and futures gold. I discussed this disconnect in depth in the 9/08 Zeal Intelligence.

Soaring physical-gold demand for Gold Eagles is very bullish. As this gold bull continues maturing, more investors are becoming aware of gold's [dazzling fundamentals](#) and great potential. The panic really drove home this message to non-traditional gold investors. While the S&P 500 plummeted a gut-wrenching 38.5% in 2008, gold actually *rallied* 5.7% last year. The more investors who ultimately deploy capital in gold, and every investor should have a core physical-gold position, the bigger this gold bull will ultimately grow.

So record Gold Eagle sales in late 2008 are a very bullish omen for gold, its investment market is expanding. It was investors so aggressively buying these bullion coins that led to August's Gold Eagle rationing. I hope the US Mint lives up to its Congressional mandate to "mint and issue the gold coins ... in quantities

sufficient to meet public demand” and ramps production in response to this incredible gold-demand renaissance.

Speaking of production, I am amazed at how erratic these monthly Gold Eagle sales are. It is true these numbers are sales, *not production*, yet still production and sales should be directly related. Bullion coins have to be minted before they can be sold. The Mint has some finite capacity to produce Gold Eagles and I wonder what its capacity-utilization numbers look like over the long term. In a Wall Street Journal article last August, the Mint said it was “working diligently to build up our inventory”. But during a secular gold bull, shouldn’t the mint actually *anticipate* increasing gold investment demand and produce accordingly?

This erratic sales data masks a somewhat-disturbing trend. For each calendar year, I averaged the monthly sales figures and plotted them in yellow above. Between 2000 and 2004, monthly average Gold Eagle sales gradually grew from under 14k ounces to nearly 45k. But in 2005, 2006, and 2007, they seriously retreated. By 2007, amazingly the average monthly GE sales contracted to nearly 2000’s levels which reflected low demand near the end of gold’s last secular *bear*. Why?

I don’t know the answer. No matter how many gold coins I buy, how many coin dealers I talk with, how much research I do, the gold-coin world remains murky, secretive, and fragmented. Was physical-gold coin demand lower in 2007 despite gold surging to bull-record highs in the second half of that year? Was there a glut of Gold Eagles on the market relative to demand so the Mint had to scale back sales? Was it still producing at a higher rate than it was selling the Eagles?

One way to help illuminate these questions would be to get a rock-solid *daily* dataset of the premium of Gold Eagles specifically relative to the spot gold price. The rise and fall of premiums on these coins would make much clear that the Mint sales data does not. I have tried for years to get such a dataset, but to no avail. If any coin dealers want to share daily Gold Eagle premium data with me since 2000, I will gladly give you full credit (and fantastic marketing exposure for your business) in a future essay exploring your dataset. If I am lucky enough to get multiple datasets, the cleanest and most complete one will win.

In the absence of this daily premium data, the declining average Mint GE sales in 2005, 2006, and 2007 will have to remain unexplained. Nevertheless, the huge surge to bull-record levels in late 2008 is very bullish and encouraging. This surge was so darned massive that a mathematical best-fit line drawn through this entire dataset is rising nicely solely because of late 2008.

While the Mint’s Gold Eagle sales seem pretty erratic to me, its Silver Eagle sales make GE’s data look like the paragon of stability. Sales volume here can literally fluctuate by an order of magnitude from month to month! A prime

example is November and December of 2002. The 2.5m Silver Eagles sold by the Mint to dealers in the latter month ran 14x the sales volume of 0.18m in the former month!



This crazy variability makes trends harder to perceive at first glance, so I again averaged monthly sales on a calendar-year basis in yellow. Interestingly, Silver Eagle sales were far more consistent *on average* than Gold Eagle sales between 2000 and 2007. These ultra-popular silver bullion coins saw no significant falloff in Mint sales in 2005, 2006, and 2007 like the Gold Eagles did. And 2008 proved a banner year for Silver Eagle demand too.

Even though there was no record spike on a monthly basis, the Mint sold large amounts of Silver Eagles in almost every month last year. This drove an annual average of over 1.6m ounces per month, more or less *doubling* the sales volume of any previous year! These sustained high sales imply sustained high investor demand, which is especially bullish considering silver’s brutal 53.4% plunge between July and November. Most of this selling, of course, was irrational and driven by the extreme fear from the stock-market panic.

So just as physical-gold investors refused to believe what the futures markets were telling them in the panic months, so did physical-silver investors. They were flooding into silver including the Silver Eagles, which are not a cheap form of silver. Unfortunately the Mint has continually failed to produce “quantities sufficient to meet public demand” so Silver Eagles always trade at high premiums over the spot price of silver.

Interestingly, the Mint sales of Silver Eagles usually spike dramatically in December. These year-end spikes have been seen every year since 2000. There was even one in 2008, although it looks smaller simply because it erupted from a much higher base than normal. Why does the Mint sell far more Silver Eagles in December than any other time of the year? Does the Mint produce more Silver Eagles in December than other months, or are these sales of stockpiles built throughout the year?

Silver Eagles make great Christmas gifts, I have given them away myself. Are the December spikes driven by high popular demand for holiday-season giving? Are small investors doing most of their Silver Eagle buying for investment purposes near year-end once they understand how much surplus capital they have available for silver investment? I don't know. I bet there are some coin dealers out there who do though.

Just as with Gold Eagles, I am very interested in studying a *daily* dataset since 2000 of Silver Eagle premiums relative to spot. These would yield a much clearer picture on scarcity and end-investor demand trends. If you are a dealer and you share such a dataset with me, I'll analyze it in a future essay and give your business full public credit and exposure. If I get multiple datasets, the cleanest and most complete will win out. More transparency on Silver Eagle premiums could help pressure the Mint to produce more to meet its Congressional mandate.

And Gold Eagle and Silver Eagle premiums lead into the most crucial issue for investors to understand regarding these popular bullion coins, *the fabrication bottleneck*. If you understand this, it will protect you from unscrupulous coin dealers and some of the more extreme bullion-shortage conspiracy theories.

I can't count the number of times people have told me that because they can't buy Silver Eagles today, or bags of junk silver coins, or any specific gold or silver coin, that there must be *a general shortage* of physical gold or silver. This inference, while understandable, is not necessarily true. There may indeed be a shortage of one particular *form* of physical gold or silver, but this doesn't mean the general metal itself is hard to come by.

Since gold is so valuable, the vast majority of investors can only afford small-unit gold. They can buy ounces at a time, but not hundreds of ounces. The same applies to silver to a lesser extent. This is one reason why Gold Eagles and Silver Eagles are so popular. Pretty much anyone can scrape together the cash to buy these coins. But they are a highly-specialized, and relatively small, part of the global gold trade.

Central banks, institutional investors, and ETFs trade gold in the form of large London Bullion Market Association good-delivery bars. LBMA bars must run from 350 ounces to 430 ounces each, with the average running near 400 ounces.

They are each individually weighed and stamped with a unique serial number. They must be at least 99.5% pure gold and sometimes range up to 99.99%. They must also be free of any physical irregularities and easy to stack.

But at \$925 gold, just *one* of these bars costs \$370k. Thus coin dealers don't carry them because the market for them among individual investors is vanishingly small. Yet they are the backbone of the world physical gold trade and are always available. So if your dealer doesn't have Gold Eagles on any particular day, ask him about LBMA bars. You front the cash and he'll have no problem ordering one to hook you up.

Physical gold comes in different forms, and a shortage of any particular small-unit form is merely a reflection of isolated supply-and-demand dynamics *within that particular form*. If you choose a different form to buy, a less-popular form, premiums (which reflect demand) and availability can vary radically. This same principle applies to silver, and junk silver coins (pre-1965 US quarters, dimes, and half dollars which had some silver in them) are the best example.

Junk silver has long been my favorite form of silver for physical investment since it usually had the lowest premiums over spot back in the early 2000s when I was buying. I want the most bang for my buck, the most bullion for every dollar I spend. Yet the US Mint hasn't produced most forms of junk silver since 1964, and none since 1970. So no matter how much more silver is mined, there will *never be more* junk-silver coins. Their supply is hard-capped. This means premiums can fluctuate wildly with demand.

Junk silver has the ultimate fabrication bottleneck. While physical silver in big bars (the 1000-to-1100-ounce bars used in COMEX silver futures settlement) is readily available, no more junk silver will ever be fabricated. This same principle applies to a lesser extent with Gold Eagles and Silver Eagles. If the Mint is not converting large-unit bullion into desired small-unit forms fast enough, there can be small-unit shortages even while large-unit supplies are readily available to large investors. Just because you can't buy a Gold Eagle one day, it doesn't mean an ETF can't buy LBMA bars right then.

Interestingly, back in August 2008 when it temporarily quit selling Gold Eagles, the Mint blamed its vendors. It claimed they were unable to supply enough 1-ounce gold blanks (the disc of gold alloy before it is stamped into an actual coin) to feed the Mint's production. The Mint said *it* wasn't the fabrication bottleneck, but its suppliers were. The whole chain couldn't produce popular small-unit gold fast enough.

The point of all this is not to let dealers convince you that because X bullion coin is hard to get right now, that there must therefore be a general bullion shortage. Each coin has its own finite supply and demand driving individual premiums. And each coin's supply is isolated from the general large-bar bullion supplies

worldwide since this large-unit bullion can't be easily or rapidly converted into small-unit bullion. Dealers love to scare investors into spending money *right now* because bullion might not be available for long. Nonsense.

Anyway, the US Mint Gold Eagle and Silver Eagle sales during these secular precious-metals bulls are very interesting. Monthly sales volumes have been highly erratic, which seems to imply underlying production is erratic too. If this is the case, the Mint is not producing at its full capacity. And if not, then it is violating its Congressional mandate to produce these coins in "quantities sufficient to meet public demand". If it was, there would never be more than modest premiums on all Eagle coins. If significant premiums exist, the Mint is failing in its legal mission.

At Zeal we have long followed this coin world and started recommending one-ounce bullion coins as long-term gold investments in May 2001 when gold traded at \$264. We started recommending bags of junk silver in November 2001 when silver traded at \$4.20. Occasionally I look at the physical gold and silver world in our acclaimed [monthly newsletter](#), analyzing it thoroughly and objectively, free of emotional bias and coin-dealer hype.

Our subscribers knew this stuff I am sharing today *last summer*, they weren't confused by all the bullion-shortage hoopla last year. If you want cutting-edge analysis, to be ahead of the herd for tomorrow's great investment opportunities, [subscribe today!](#) You may like these web essays I write, but the best, most important, and most actionable information is always preserved and woven together for our subscribers.

The bottom line is US Mint sales of Gold Eagles and Silver Eagles soared in the second half of 2008 during the stock panic. Physical bullion coin demand from investors was stellar, even bringing the Mint to its knees for the first time in decades at one point. Such high demand in the face of gold and silver prices being sold down with nearly everything else during the stock panic is exceedingly bullish.

And while the Mint couldn't keep up with the panic-driven demand surge, it will probably gradually adjust production higher to ensure sufficient supplies of American small-unit gold and silver bullion coins. Its Congressional mandate *requires* it to meet public demand and I suspect it will over the long term. These bullion coins are a very important subset of global gold and silver investment demand.

Adam Hamilton, CPA

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So how can you profit from this information? We publish an acclaimed monthly newsletter, [Zeal Intelligence](#), that details exactly what we are doing in terms of actual stock and options trading based on all the lessons we have learned in our market research. Please consider joining us each month for tactical trading details and more in our premium Zeal Intelligence service at ...  
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