

HOW TO HANDLE A DOWN MARKET

By Jeff Garrett

This year's ANA convention in Chicago was vibrant and active. It's safe to say that tens of millions of dollars' worth of rare coins traded hands that week. The auctions were well attended and bourse activity was brisk. Attendance for the show was about average or above average for the summer World's Fair of Money. The US Mint offering of the Proof Gold Kennedy coins may have swelled the numbers somewhat, but in general the show was a rousing success. I have often said that when you become concerned about the rare coin market, attend a busy show and you will feel better!



Well, now there are quite a few that have become concerned about the rare coin market. The maladies are to be found in quite a few areas of the market. The above mentioned Kennedy Gold Coins dropped sharply after the show. Some blame the bad mood of the current market as beginning with the release of this issue. To be sure the US Mints large offering of interesting products have taken a lot of cash from buyer's pockets. In my opinion the vintage and modern markets are quite separate and have little impact on each other. Buyers of Morgan Silver Dollars probably do not care what the US Mint is currently selling. Modern coin collectors probably do experience buyer fatigue and its showing in the resale value of many issues.

I believe the current market weakness for rare coins can be attributed to several issues. Oversupply is probably the biggest problem for the rare coin market at the moment. Anyone who reads Coin World or Numismatic News has seen the headlines about the fantastic collections



that have been sold in the last year. The Eric Newman and Eugene Gardner collections lead the way, but there have been many others. To make matters worse, two or three gigantic collections are also slated to be sold in the next two years. The Pogue collection is said to be worth over \$250 million dollars and will be sold over the next three years. Most of these coins are amazing and should do extremely well. Psychologically however, this much material overhanging the market concerns many serious collectors.

Another gigantic drag on the rare coin market has been the depressed prices for gold and silver bullion. Prices have fallen to near three year lows and seem stuck in the mud. You would not think this would have much impact on rare coin prices. Unfortunately it does. Large numbers of rare coin collectors are introduced to collecting as bullion investors. Coin shops around the county are very quiet. This reduced foot traffic has an impact on the number of new rare coin collectors being created. Hopefully, this is a temporary problem and will be resolved once metals prices perk up.

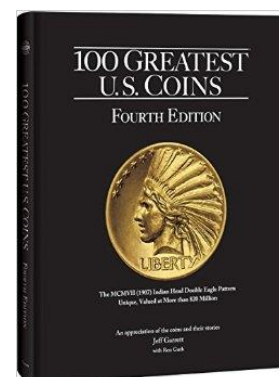
Regardless of the reason, the rare coin market has softened considerably in recent months. For many collectors this is of great concern. For others it is a great buying opportunity. The following are a few tips on how to handle a down market for rare coins.

1. DO NOT PANIC- Probably the worst decision would be to dump your rare coin holdings. Anyone who has spent years building a great collection knows the effort required. Long term collectors almost always do well, and I see no reason for this to change. If you have a nice collection of rare coins, the same fundamental reasons for owning them still apply. Anyone who dumped their stock portfolio in 2008 can tell you that panic selling is usually the worst decision.
2. PRUNE YOUR COLLECTION- In a down market it can be a great idea to re-examine your collection carefully. If you have coins with less than desirable eye-appeal, now might be a good time to sell them. It would also be a good time



to sell common issues you may have accumulated. I spoke with a collector yesterday about his collection. He marveled at how well his rare coins had performed in the last 5-10 years and how poorly his common issues had done. The answer is easy- common coins will always be common and the supply/demand factor will not force prices up like those for rare issues.

3. LOOK FOR BARGAINS- If you follow the above advice, you will have some money to spend. Look for nice coins that have recently come down in price. Now may be a great time to buy that “Key” issue you have always wanted. The upcoming FUN auction is rumored to be huge and chances are there will some interesting coins that would complement your collection.
4. DO YOUR HOMEWORK- I have given this advice many times before, but it is now more valuable than ever before. You need to fully understand the series you collect. What may seem like a good price now could be more than current market. You should carefully study auction records, dealer offerings and population reports for the latest information. Prices can be significantly impacted if just a few extra coins have been certified of some issues. This homework will pay off handsomely when it comes time for negotiations or making an auction decision.
5. BE MORE SELECTIVE- There is no doubt that the rare coin market has become more quality oriented in the last few years. We all know or should know that most coins of the same grade are not identical. Coins can vary greatly in appearance for the same grade. Some have brilliant white surfaces, others are completely toned. It’s usually a matter of taste, but prices vary depending on the eye-appeal of a coin. You owe it to yourself to understand the differences. The best way to accomplish this is to examine coins being sold in a major auction. You will see lots of coins in the same grade sell for different prices. I still do this myself to understand current market conditions.
6. BUY A FEW GREAT COINS- Regardless of your interests now may be a wonderful time to purchase a few great coins. These may be something you do not normally collect, but



would love to own if the price was right. The top end of the rare coin market is having trouble absorbing some of the material being offered. Great coins have been some of the best performers in recent decades and once the supply has dried up, price could rebound sharply. The 4th edition of the 100 Greatest US Coins was just published. I would recommend any coin on that list that you can afford.

7. **NEGOTIATE HARDER-** It's a buyer's market for most series. Many dealers have excess inventory and are willing to negotiate more than in past years. Be sure to shop around for the best possible deals. Paying too much for a rare coin can take years to recover from an investment standpoint. With so much material hitting the market, now is the time to find bargains.

Hopefully the above advice will help you better understand the current market and the opportunities it may afford prudent collectors. Markets seldom go straight up and fluctuations are to be expected. Donald Partrick purchased some of his greatest coins at the 1979 Garrett Sales. If he had sold during the market crash of the mid-1980's he would have left millions on the table. Instead, he continued to buy when great coins became available. This strategy worked then and will probably work in the future!