American Eagles
More Than Just Bullion
Opportunity knocks
American Eagles more than just bullion

Everyone loves gold coins. The problem of course for most is the cost of assembling anything close to a top quality gold coin collection. In the case of early U.S. gold coins, they are scarce. In some cases they almost impossible to find even in Mint State.

That problem of finding Mint State examples continues through the Coronet Head types produced during the mid 1800s and there are significant rarities as well. If you try the gold dollar or $3 gold piece, there are similar difficulties and even more recent issues can be extremely expensive as is seen by the fact that a Saint-Gaudens double eagle collection now has four coins in it likely to bring $1 million or much more in the form of the ultra high relief 1907, the 1921, 1927-D and 1933.

Looking for other gold collecting options, the only other place many can turn to are gold commemoratives. There in the case of historic gold commemoratives there are not many coins and the Panama-Pacific $50 is going to be very expensive especially in top grades. In the case of modern gold commemoratives, while many can afford the collection, there is a reasonable question as to whether you can keep up with the new issues while also acquiring some of the older ones which in some cases are soaring.

That area's potential has been identified by David L. Ganz in Rare Coin Investing and Eric Jordan in Modern Commemorative Coins.

All things considered, you have to come to the conclusion that there are challenges no matter where you turn. But there is another area to consider.

These coins are the American Eagle gold coins issued since 1986. The American Eagle gold coins come in ounce, half-ounce, quarter-ounce and tenth-ounce sizes with face values of $50, $25, $10 and $5. The face values were intentionally placed at well before the value of the metal in the coins so that people would not try to spend them at the corner grocery when they ran short of money.

The reason for face value at all is that by having a legal tender value, the round disk becomes a coin rather than a medal. Coins are preferred in the international markets.

If you don't believe that, take a look at American Arts Gold Medallions.

With gold bullion in the stratosphere we are now at a crossroads. Can you actually collect coins that are intended solely to serve the investor market?

The answer is yes. Collectors will collect anything. However, this can require nerves of steel because sometimes the market gets so crazy that coins with mintage of a mere fraction of others trade for the same price.

Since 1986 the United States has
issued a large number of gold coins priced virtually at their gold value. That’s why the American Eagles are called bullion coins. The Mint issued sold them to its network of authorized purchasers, who then sold them to investors for their metallic value. In some years when demand was high, mintages soared. In other years, when demand was low, mintages contracted. In the long term, these mintages should have an affect on prices. The scarce ones should be more than the common ones.

When the price of bullion soars, as it is now doing, nearly all of the coins are treated as just so much bullion. But collectors shouldn’t lose sight of the fact that some are much tougher than others, making for further potential profits when the rest of the market wakes up to that fact again.

Understanding what the American Eagle gold bullion coins have to offer and why they have been overlooked in many cases requires that we consider the situation when they were introduced.

For many years Americans had been frustrated when it came to buying gold coins. For decades the restrictions imposed on ownership starting with the Gold Recall Order of 1933 had prevented Americans from buying any gold coin dated after that date. It did not matter if the coin was a Canadian commemorative or an interesting issue of another country, the prohibitions were the law.

It might be little remembered today, but it was illegal for Americans to own gold until the last day of 1974. This allowed Americans to purchase modern gold coins without restriction. If you wanted a gold coin containing an even troy ounce of gold in it, it had to be a Krugerrand of South Africa, which was created in 1967 as the first coin made containing precisely one ounce. The U.S. $20 came close at 0.9675 ounces, but that is not what gold buyers of the time wanted. They wanted the convenience of knowing that if gold was trading for $1,350 an ounce, that was the value of the gold in the coin.

Canada copied the idea in 1979 with its Maple Leaf.

Other countries followed. American gold buyers wanted to own American gold coins, but the government was slow and indirect in granting that wish. It seemed actively indifferent to gold investors and their needs.

The introduction of the American Eagle gold coins came as something of a surprise then as it represented a complete change in policy. But the purpose was not helping investors so much as attacking the apartheid government of South Africa at the time. It became illegal to import Krugerrands.

There is no doubt that the 1984 Los Angeles Olympic gold commemorative $10 was an enormous success and helped to pave the way for the American Eagle program. It was a simple evolution of thinking on the part of officials of the 1970s who initially feared that somehow gold coins would create problems.

At least for officials getting to know gold coins in the 1980s was getting to like them and as the fears vanished, eyes were opened to the idea that there was money to be made by producing gold coins. The report of the U.S. Gold Commission in 1982 might have ruled out a return to the gold standard, but it helped open the door to positive thinking about gold. Moreover, if Americans were going to buy millions of ounces of gold every year anyway, it might as well be American gold.

By the time the American Eagle program was introduced in 1986 the public was really way ahead of officials in terms of their view toward gold coins.

The general view had changed in the 1970s with rising gold prices. Gold hit almost $200 a troy ounce at the end of 1974, coincident with its legalization. Just three years earlier it had been $35 an ounce, an official price that had not changed since 1934.

Americans in large numbers discovered that gold coins were capable of moving in price and they wanted a chance to be in on the action. This attitude was reinforced when gold soared from just over $100 in August of 1978 to $850 in January 1980.

That time seems to be very similar to the present.

By the time the first American Eagle gold bullion coin appeared in 1986, the price of gold had settled down to the $400 level and most Americans were already old hands at investing in gold and that probably caused some uncertainty as to what the reception of the United States entry into the bullion coin market would be like.

The extent of the American Eagle gold bullion program probably surprised many. The United States not only issued a one-ounce gold coin, but
it also issued fractional sizes as well as a one-ounce silver bullion American Eagle.

Few countries offered such a selection and the Mint was not finished as it also offered a proof version of the $50 and its popularity rapidly resulted in proof versions of the other denominations the following year.

Clearly there was at minimum, an audience of collectors interested in proof gold coins.

The interest at least on the part of collectors was certainly helped by the fact that someone had an interesting idea, which was that the silver American Eagle would use the A.A. Weinman Walking Liberty half dollar design on its obverse while the gold American Eagles would all feature the famous Saint-Gaudens double eagle obverse and with a Family of Eagles reverse. The lure of having the Saint-Gaudens design on a proof gold coin was too much for many to resist.

While the proofs were sold to collectors, the American Eagles were marketed as bullion coins and as such many collectors didn’t pay much attention to them.

What was overlooked by most at the time is the fact that realistically the gold and silver coins of the United States have historically been bullion coins. The price of silver and gold was basically stable and the coins of the United States had a gold or silver value that was very close to their face value. If, however, the price of gold or silver changed significantly then the United States did not change the face value but rather the amount of gold or silver in the coin.

In the case of gold the classic example was in 1834 when the amount of gold was reduced slightly with the $5 half eagle which was the largest gold coin in production at the time being reduced from 0.258 troy ounces of gold to 0.242 troy ounces of gold. Lest anyone think the change was not needed, the fact is that gold coins had been basically unable to circulate for over a decade prior to the change. If anyone received a gold coin they would usually sell it to a broker and that coin would end up being melted in another country. That is the reason the gold coins of the 1820s are so tough as despite mintage figures that would suggest they should be scarce, but available many dates especially in the popular half eagle size are almost unknown, with very small numbers having survived to the present day.

In fact a very similar situation would happen with silver over time as the amount of silver in the coins was reduced in 1853 and then increased 20 years later, reflecting the price movements of silver.

As another example, it is the silver Trade dollar that most directly resembles the modern American Eagle. In 1876 the legal tender status of the Trade dollar was revoked and that meant it was no longer a dollar but rather 420 grains of silver. With the price of silver declining, the Trade dollar which some had accepted as a dollar, was rapidly selling for 90 cents or less.

The history of American gold and silver coins did not seem to matter much in 1986 as the proofs would sell to collectors while the business strikes were being sold to gold buyers from all over the world.

Like any other gold bullion coin, the American Eagles were not treated with much respect. The $5 in particular became popular as jewelry while the large $50 one-ounce coins were frequently dumped with no care whatsoever in display cases or store windows. That was in addition to the careless handling that saw coins going from hand-to-hand with no concern about the impact the handling might have on the coin’s grade.

At first showing off their American Eagle $50 was more important to most than whether the coin might some day return from the Professional Coin Grading Service or Numismatic Guaranty Corp. with an MS-69 grade.

That of course changed. We have already seen proof in that in at least one case a 1998 $50 has been graded at a major grading service as AU-58. It is safe to assume there are many others and possibly even in lower grades which are unlikely to ever be sent in for grading.

At least for some years the idea that American Eagle gold coins were bullion coins seemed to translate into a general view that they were all created equally and in equal numbers. Even though there would be sales totals announced at the end of every year, few if any seemed to notice that some years had much higher mintage numbers than others. The $50, which is the most popular size for bullion buyers, was the sales leader and remains that way today.

The second most popular size is the small $5 as it is one gold coin vir-
tually anyone can afford. That has also made the $5 popular for use in jewelry although other denominations have been used as well, but not in the same numbers as the $5 and the jewelry use makes the mintage totals of the $5 potentially suspect as indications as to how many might really be available if there was suddenly significant collector demand.

The $25 and $10 generally post far lower sales totals. With indifferent handling and few collectors to save nice examples, there is a situation where the possibility is real that some will turn out to be in short supply. This is not a prediction. It is a fact as a couple dates have already jumped to price levels far above their gold value.

A good example is the 1990 $25. It had a mintage of 31,000 pieces – a stark contrast with the largest $25 mintage of almost 600,000. The 1990 is up again to a current listing of $1,450 as opposed to the available date price of roughly $774. Certainly those paying almost double the gold related price are doing so for a reason and that reason is that 31,000 mintage.

The 1991 is even more dramatic with its lower mintage of 24,100. That mintage has produced a price surge to $2,075, making the 1991 at least for now the key $25 American Eagle.

Another situation can be seen with the $10. The sales in 1986 of the $10 were 726,031, but that number had dropped by 1990 to just 41,000, which slipped even further to 36,100 in 1991. Naturally the 1990 and 1991 are tougher than the 1986. However, their current prices are hardly more than bullion value.

Smart bullion buyers today might look to purchase the scarce issues for the current gold price.

The trend is less apparent in the case of the $5 which has seen mintage as high as 912,609 and as low as 165,200. There are a couple dates like the 1988 and 1991 where we are seeing some indication of potentially higher prices, but collector interest in the $5 so far appears to be modest, possibly reflecting the fact that small coins in general have not been very active in recent years.

There is another factor as well and that is the mintage totals in the case of the $5 are many times higher even for the lowest mintage dates than they are in the case of the $10 and $25. That has an impact as it means a greater supply.

For prices to rise to premium levels the supply must be threatened and that is far easier in the case of the $10 and $25.

That is also potentially the case with the one-ounce $50. The $50 with the highest sales of all denominations naturally has the largest supply available of any specific date. It would be safe to suggest that while the most heavily produced, the $50 also probably has the largest number of coins that do not receive proper care.

While that might cause thousands of any $50 date to fall to grades where collectors are not interested, the fact remains that the lowest $50 sales so far were the 2001, which had sales of 143,605, more than 1 million pieces lower than the highest year for sale. Even so, current demand does not appear to be enough to dry up the supply of the 2001 or any other $50 date for that matter so there are no premium prices for the bullion coins. That could certainly change over time.

The situation is different with the proofs. Premiums there come and go. Buyers pay to put them in their Individual Retirement Accounts.

Collectors are attracted to issues like the 2006 reverse proof and the availability of new proof issues after what happened in 2009 cannot be taken for granted.

Over time there are likely to be dates with special collector value. Generally speaking the probability is that the prices of the proofs eventually will follow very directly their mintage. It will be interesting to watch.

Some day many will be as much interested in the mintage differences as you are. When that day comes, they will realize that they missed a real opportunity to acquire a great collection for just a bullion price.

The indications are clear based on better $25 and $10 dates that there are some better gold American Eagles that are already bringing prices far higher than their gold value.

This trend seems likely to continue after the price of gold has had its day and as more discover that American Eagle gold coins are collection in their own right that many can assemble and enjoy.

For those wishing they could have been around to get in on the ground floor for Saint-Gaudens double eagles or other historic coins of the past this is your second and probably last opportunity to really assemble a great gold coin collection.