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The Eagle Has Been Grounded

Mint Halts Gold-Coin Sales After Supply Depleted Amid Price Drop

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As gold prices tumbled from their highest level ever, investors and collectors loaded up on one-ounce "American eagle" gold-bullion coins. The buying spree came to an abrupt halt this week after the U.S. Mint stopped selling the coins for the first time since production began 20 years ago.



David Gothard

"Due to the unprecedented demand...our inventories have been depleted," the Mint -- part of the U.S. Treasury Department -- told its dealers Friday. "We are therefore temporarily suspending all sales of these coins."

The move shocked sellers and collectors of the coins, which are the most widely traded in the U.S. Suppliers became angry as they turned away customers. Theories about the decision's underlying cause ran rampant -- from investors in gold futures to Russia's invasion of Georgia.


"This whole thing started about the time the Ruskies made their move," a collector noted in an Internet chat

room called goldismoney.info. "It may very well be that the USGovt is preparing for the real financial meltdown by hoarding all remaining gold flows."

The Mint says it simply was wiped out. It has sold 311,000 ounces of the coins this year -- about 50% more than in all of 2007. In the first few weeks of August alone, buyers snapped up 63,500 ounces.

"We are working diligently to build up our inventory and hope to resume sales shortly," the Mint wrote in a memo to dealers.

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The United States Mint

The U.S. Mint has stopped selling American eagle gold-bullion coins.

gold futures hit a high of \$1,003.20 an ounce.

The American-eagle bullion program was launched in 1986 with the sale of gold and silver bullion coins. One-ounce coins have a face value of \$50 and \$1, respectively, although the coins trade close to the market value of the underlying metal. After the 2008 silver coins, known as silver eagles, surged in popularity earlier this year as silver prices rose, the Mint began rationing them. Dealers were upset by the latest blow. "If I don't have something to sell, I lose business," says Rand LeShay of A-Mark Precious Metals, a Los Angeles dealer.

The Mint announced the suspension Friday, the day prices of gold-futures contracts -- bets on what gold will cost later -- finished below \$800 an ounce for the first time this year. The drop accelerated a buying spree among investors. Gold began bouncing back and late Wednesday traded at \$810.30. In March,

American-eagle gold-bullion coins are made from 22-karat gold mined in the U.S. The front side's design was inspired by August Saint-Gaudens' \$20 gold piece, minted from 1907 to 1933. On the reverse side is a nest of American eagles.

The coins are sold by the Mint to 10 dealers world-wide for a premium above the price of gold. These dealers resell the coins, which now fetch about \$815.

The American Precious Metals Exchange, an online gold dealer, posted an alert about the Mint's move, generating confused and angry responses. Many customers said they were mystified because the silver-coin rationing followed a price surge, while the gold suspension followed a drop.

"The situation is strange and doesn't fit the 'normal' supply & demand economic model," the firm wrote to customers.

The Gold Anti-Trust Action Committee, an advocacy group, said the Mint's move proved financial institutions are colluding to set prices.

"The suspension is overwhelming evidence...that the commodities exchanges are being used...as part of a massive scheme of manipulation of the precious metals, currency and bond markets," the group wrote on its Web site.

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