

## **SIZE DOES MATTER – THE GREAT DEBATE OF SIZE vs. PREMIUM**

Commentary on Precious Metals Prepared by MARKETWIRED  
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The guy behind the counter at the bullion shop, Russ, recants his familiar diatribe, *“Silver is Silver, I don’t know what all the fuss is about what you call ‘rare’ bullion. An ounce is an ounce.”*

Roger that, but on March 8, 2015 a 2 ounce Engelhard ICR Tier 1 ingot, s/n 353059, sold at eBay auction for an astounding \$5,000 (\$2,500 per ounce, roughly 300x Spot!). The fact that several strong and astute buyers engaged in the bidding until auction close, and were willing to pay an unheard of price for this ingot brings about the discussions of Size vs. Premium and Bullion vs. Numismatics. One example of this rare 2 ounce Engelhard variety was recently procured from a Midwest bullion dealer at near spot price, barely saved from being sent to the local smelter.

Imagine a silver bullion bar selling for \$2,500 per ounce, more than double the current spot price of gold! That’s hard to imagine, but there are many examples of small rare bullion ingots that have brought tremendous prices at market. And lately, a lot of attention has been focused on the Engelhard older poured silver bar market. Is it the scarcity of these bars that creates the value? Or the small size that creates the appeal? Or is it a combination of both? Certainly the scarcity is a key factor, but what if a rare bar were considerably larger, meaning it had much greater silver content, and it were equally as rare? Shouldn’t it also command the premium of smaller ingots, but with the added benefit of greater silver content for enhanced value? The answer to that is quite surprising.

- On February 18, 2015, an Engelhard 100 ounce Series 4 ICR Tier 1 ingot, s/n 59212, sold at eBay auction with only one bid for \$1,850, a measly \$1.75 over spot price (or roughly 10% premium) at the time. This 100 oz bar had an estimated mintage of <250, but supporting information may put this number well below 100.
- On March 3, 2015, a Engelhard 50 ounce Series 2 small t.oz ICR Tier 1 ingot, s/n 027682, sold to the high bidder on eBay auction for \$1,137, or \$22.74 per ounce, \$6 over then spot price, or a 36% premium over spot. This 50 ounce ingot has an estimated mintage of <100.
- On March 5, 2015 an Engelhard London Kilo ICR Tier 1 ingot, serial #T258, sold to the high bidder on eBay auction for \$778, only \$24.20 per ounce or \$8 oz over the then spot price. This ingot has an estimated mintage of <500.

These larger and clearly ultra rare Engelhard ingots traded at barely above silver spot price. Is it fair to say that had they been much smaller ingots they would have commanded a much greater price, and stronger buyer appeal? The answer is Yes, but the question is ‘How can this make sense’?

I happen to be a very conservative and practical investor, and, if given the choice between an ultra rare 2 ounce Engelhard ingot at \$5,000 or a very rare 100 ounce Engelhard at \$1,850, I personally would choose the 100 ounce bar because (a) it is very rare and should ultimately be valued considerably higher than it sold for today, (b) the Engelhard collector market is truly in its infancy, and as collectors become more informed of the rarities within the Engelhard line this bar will surely be sought after, and (c) it is 100 ounces of silver. But my appetite is different than most numismatic investors, where I play the underdogs, and they would hands down favor the 2 ounce ingot without question. Based solely on silver value, here's how the two bars would compare if silver escalated to exponential heights:

	<b>2 oz</b>	<b>50 oz</b>	<b>100 oz</b>
<b>SPOT Value Today</b>	\$32	\$800	\$1,600
<b>INGOT Value Today</b>	<b>\$5,000</b>	\$1,137	\$1,850
<b>VALUE AT \$ 50/OZ AG</b>	\$100	\$2,500	<b>\$ 5,000</b>
<b>VALUE AT \$100/OZ AG</b>	\$200	<b>\$5,000</b>	\$10,000
<b>VALUE AT \$500/OZ AG</b>	\$1,000	\$25,000	\$50,000
<b>VALUE AT \$1,000/OZ AG</b>	\$2,000	\$50,000	\$100,000
<b>VALUE AT \$2,500/OZ AG</b>	<b>\$5,000</b>	\$125,000	\$250,000

While there is no question that the silver spot price will increase over time, there is less certainty that premiums for small rare ingots will maintain today's levels in relation to spot price. Maybe they will, maybe they won't. If silver ever achieves a \$1,000/oz spot price, personally I would rather be sitting on a 100 ounce bar at spot price which interprets to a \$100,000 value, than a 2 ounce ingot that would need to be valued at 50x spot (\$50,000/oz) to maintain the same value. Then again, the Engelhard market is taking on a very numismatic identity, and rare serial numbered ingots are not unlike rare coins where prices have launched through the stratosphere. If that 2 ounce ingot someday achieves a \$500,000 value, then I stand corrected. This market is clearly in the early stage of what will no doubt become a vibrant worldwide collectible market where values for rare ingots match the likes of rare coins trading in the six figures. After all, a BU 1916-D Mercury Dime valued at \$15,000 represents a value of over 175,000 x melt value. Yes, you read that correctly. It all boils down to the investor appetite and what they are willing to pay to have the rarest of ingots. There's no right or wrong answer here, or at least not yet!

Either way, I'm going to keep buying from Russ, my local bullion guy, because, after all, silver is silver!