

SIZE VS PREMIUM

THE DEBATE CONTINUES...

By AGWire™
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Let's make a few clear assumptions.

- * Silver is insanely cheap today with spot at \$16.50+/- per ounce.
- * Premiums on rare 'small' bars have escalated steeply over the past few years and have assumed a clearly numismatic valuation
- * Larger ingots of **same** rarity as smaller ingots do not carry the same premiums.

The last bullet above continues to stump us. For illustration (and continued frustration!) WHY would a vintage Engelhard 100oz bar with an estimated mintage of <50 trade at maybe 2x spot (\$3000 – 4000) while a vintage Engelhard 3oz bar with the same estimated mintage trade at 200+ times spot or \$3000 – 4000? If the brand and scarcity are the same, wouldn't you put some value on the extra 97 ounces of vintage silver? Some folks will answer with an undeniable "Yes"... that is, IF they are the kind of collector who thinks in terms of stacking, and for the purposes of hedging that spot will go shoot to the Moon. Other folks will answer an unequivocal "No"... thinking only in terms of collector value with no interest nor regard for size or content. When collectibles take on a numismatic value, it really is all about the rarity, and has little to do with size or weight. One collector used this analogy, and although we're not sure it works for us, it certainly did make us think. He said, "It's like comparing a vintage Babe Ruth trading card against an Honus Wagner trading card. Babe had 714 home runs and Honus only had 101. Babe was infinitely more famous, but his premium card is only worth \$500,000, while Wagner's rarest card fetched \$2,105,770 in 2012." Remember, these were both printed on PAPER! Ok, fact is that fewer Wagner cards exist, and thus the rarity. This was a horrible example and completely missed our point, but fun nevertheless. With silver, premiums and value disparity might change if spot price jumps to \$1000/oz some day, but for the foreseeable future, collectors favor the smaller ingots because the demand and portability are greater than that for larger ingots of the same rarity.

That's not to say that the larger ingots aren't highly collectible, as they truly are, but it explains why the above example of an equally rare 3oz and 100oz trade in the same value range. If you compare this with the coin market, the assumption is very clear that if something is extremely rare, size or content really don't matter. Collectible value trumps these other features. Oddly enough, most bullion collectors would actually prefer the 3oz <50 mintage ingot over the 100oz <50 ingot if both were offered at the same price. It could very well be that storage is the prime issue, as we all know that a pile of 100's is much harder to store than a pile of 3's and 5's, but then again, thieves can't easily walk away with a pile of 100's. The photo below is proof that 100oz bars are heavy and awkward to handle... and we'll spare you the details here.



Kick me, but my brain say's "yeah, accept the scarcity thing, but take the extra 97 ounces JUST IN CASE THE SHTF." But that's just me. Actually the S is already HtingTF.

Some of us are staunch conservative investors, and we are of the mindset that we will indeed see \$1000/oz silver spot price some day in our lifetimes, perhaps within the next 10 years, maybe much sooner. We want not only sufficient ounces, but the absolute best, rarest and most recognizable examples of those larger bars for ultimate redemption. Let's take a quick look at possible valuations of each example, if and when a milestone spot price should occur:

<u>Tier 1 Engelhard</u>	Value Today at \$16.50 spot	Value at \$500/oz	Value at \$1000/oz
Engelhard 3oz	\$3,000 (\$1000/oz)	\$1,500*	\$3,000*
Engelhard 100oz	\$3,000 (\$30/oz)	\$50,000*	\$100,000*

* silver value alone, not considering collector premium.

The numbers above do not take into consideration collectible value and/or premium, and we believe it is safe to say that the 3oz will carry a higher premium than the 100oz over time... because. The discussions and arguments for small versus large will continue throughout our community, with no clear resolution. There is no wrong answer, as we remain confident that both will fare very well over time. Three years ago, we posted the article [SIZE DOES MATTER](#), which touched on this very subject, and here we are again torturing ourselves. The safest remedy is to buy some of each – align your portfolio with an ample assortment of smaller rare bars, as well as some larger rare bars, and certainly a strong arsenal of generic silver in smaller increments which you will ultimately need for firewood when the big storm hits. And based on current forecasts, it's looking very much like a Category 6.

Stackingly yours,

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