


Glossary of Terms



ask

The term “ask” refers to a coin or bars selling price.

barter

The term refers to trade by exchange of commodities rather than by the use of money.

bid

The term “bid” refers to a coin or bars buy back price

bullion

Bullion refers to precious metals minted into coins or cast in bulk form as bars. Bullion coins are issued by nations or privately. An American Gold Eagle is legal tender with a face value. However, the bullion value is much greater than the face value. Purity and mass determine bullion value.

central bank

The government institution responsible for the monetary system of a nation is a central bank. Examples would be the Federal Reserve System in the US or the European Central Bank (ECB) in Europe. Some of the functions of a central bank include issuing currency, administering monetary policy, holding deposits, and facilitating business.

coin

The government officially mints a coin, which represents legal tender.

coin grading

Coin grading refers to a system to describe the condition of a coin. The most common grading system uses a scale from 1 to 70 with 1 as an indicator of coins in poor condition and 70 used for a “Mint State” (MS-70) condition that represents a perfect coin.

consumer price index (CPI)

A monthly index published by the Bureau of Labor Statistics of the US Department of Labor which measures the prices of a fixed basket of goods. These goods are based on a 1982 value of \$100 and provide a gauge of price inflation. In addition, this benchmark is used for inflation adjustments in Social Security and other payment. Another name for CPI is the cost of living index.

deflation

The contraction of the money supply and credit in an economy relative to the total amount of goods and services. This generally results in a decrease of price levels.

derivative

A contract in which the value is based on an underlying financial asset, investment or index. Derivatives are used in hedging strategies and as leverage. They can be based on performance of interest rates, assets, and currency exchange rates.

fiat money

Almost every country, including the United States, runs on a system of fiat money. This refers to money that is intrinsically worthless, yet used only as a medium of exchange. The Federal Reserve went off the gold standard in 1971 under President Nixon. The gold standard is defined as a commitment by participating countries to fix the prices of their domestic currencies in terms of a specified amount of gold.

hyperinflation

Refers to a rapid rise in the general price level to such an extent that inflation becomes out of control.

inflation

A persistent increase in the level of consumer prices or a persistent decline in the purchasing power of money, which is caused by an increase in available currency and credit beyond the proportion of available goods and services.

markup

The amount added to a coin or bar cost to cover overhead and profit.

monetary policy

Refers to decisions made by the Federal Reserve to expand or contract the supply of money or credit. The policy is implemented through the Federal Open Market Committee (FOMC).

monetize

To finance with printed money, or to convert into or express in the form of currency.

money supply

The total amount of money in the economy derived primarily by currency in circulation, funds in checking and savings accounts, money market accounts, certificates of deposits (CDs) and other forms of money. The Federal Reserve categorizes the money supply into three groups known as M1, M2 and M3. These classes range in definition of liquidity from narrow (referring to currency and checking account balances) to the broadest (such as large CDs).

national debt

This is the sum total of government borrowing. It refers to the accumulated total of all past budget deficits and the rare budget surplus.

numismatics

Coins collected for their rarity value are called numismatics. Scarcity and condition determine their value. A numerical grade ranging from 60-70 indicates condition. A grade of 60 refers to a coin with scratches or weak strike while 70 denotes a coin in perfect condition. The abbreviation for mint strike is MS. So a numismatic coin in perfect condition would rate MS-70.

reserve currency

The status given to the US dollar by the Bretton Woods agreements of 1944. This agreement made the US dollar the currency used by other governments and institutions to settle their foreign exchange accounts and to trade in certain commodities such as gold and oil. This currency status kept the US from being affected by free market forces that could force the adjustment of trade imbalances.

round

Privately minted by individual manufacturers, a round is not legal tender.

spread

This is the difference between a coin or bars “ask” or “bid” price. For example, if the “ask” price is \$1,500 and the “bid” price is \$1,480 then the spread equals \$20.

spot price

Spot price indicates the price paid for a precious metal based upon immediate delivery. The price may be expressed as the “ask” or selling price or as the “bid” or buy back price.