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Glossary of Terms

Gold Investing Glossary

- ▶ The chemical symbol for gold is Au
- ▶ Gold's atomic number is 79 and its atomic weight is 196.967
- ▶ Gold melts at 1064.43° Centigrade
- ▶ The specific gravity of gold is 19.3, meaning gold weighs 19.3 times more than an equal volume of water.

Weight Equivalents

1 troy ounce = 1,097 ordinary ounces

1 troy ounce = 480 grains

1 troy ounce = 31.1 grams

1000 troy ounces = 31.3 kilograms

1 gram = .03215 troy ounces

1 kilogram = 32.15 troy ounces

1 tonne = 32.150 troy ounces

1 ordinary ounce = .9115 troy ounces

1 ordinary pound = 14.58 troy ounces

Percent Gold = European System = Karat System

100 % = 1000 fine = 24 karat

91.7 % = 917 fine = 22 karat

75.0 % = 750 fine = 18 karat

58.5 % = 585 fine = 14 karat

41.6 % = 416 fine = 10 karat

A

Arbitrage: simultaneously buying and selling a commodity in different markets to take advantage of price differentials.

Ask: the price at which a dealer offers to sell.

Assay: a test to ascertain the fineness and weight of a precious metal.

Austrian 100 Corona: restrike bullion gold coin containing .9802 ounce of gold.

Avoirdupois: a system of weights for commodities (based on the 16-ounce pound) except precious metals, stones, and drugs. One avoirdupois ounce equals 28.35 grams or 437.50 grains.

B

Backwardation: *See Inverted market.*

Bear market: a market in which the primary trend is down.

Bid: the price at which a dealer is willing to buy.

Boiler room: an enterprise that uses high-pressure sales tactics, false or misleading information, and scare tactics, generally over the telephone, to sell overpriced or worthless investments to unsophisticated investors.

BU: brilliant uncirculated, used to describe a coin in new condition.

Bullion: precious metals in the form of bars that are at least 99.5% pure.

Bullion coin: a coin with a symbolic face value but trades at a price relative to its precious metal content.

Bull market: a market in which the primary trend is up.

C

Call: the right, but not an obligation, to buy a commodity or a financial security on a specified date in the future.

Canadian Maple Leafs: modern bullion coins minted by the Royal Canadian Mint.

Cash market: *See spot market.*

Centenario: *See Mexican 50 Peso.*

Chameleon: a broker or dealer who changes his position on an investment to what he thinks will cause an investor to enter into a transaction.

Coin: a stamped piece of metal of a known weight and fineness issued for commerce.

Coin of the realm: a general circulation legal tender coin issued by a government.

Comex: one of the world's major commodities futures exchanges where gold and silver are traded. The Comex is in New York City and is a division of the New York Mercantile Exchange.

Commemoratives: legal tender coins or medallions usually minted of gold or silver to commemorate themes, events, places, or people.

Commodity pool: a venture, usually a limited partnership, in which investors contribute funds to purchase commodities.

Correction: a decline in prices following a rise in a market.

Contango market: a normal futures market in which prices are higher in the succeeding delivery months than in the nearest delivery month; the opposite of backwardation.

Cover: to offset a short futures or options position.

D

Derivative: a financial instrument derived from a cash market commodity, futures contract, or other financial instrument. Derivatives can be traded on regulated exchanges or over-the-counter. Futures contracts, for example, are derivatives of physical commodities, and options on futures are derivatives of futures contracts.

Double Eagles: U.S. \$20 gold coins used as legal tender 1850-1933. Double Eagles contain .9675 ounce of gold and come in two designs: the St. Gaudens (Walking Liberty) and the Liberty.

E

Eagles: *See Gold Eagles*

F

Face value: the legal monetary value stamped on a coin. *See Symbolic face value.*

Fiat money: paper money made legal tender by law, although not backed by gold or silver.

Field: the open area or background on a coin.

Fineness: the purity of a precious metal measured in 1,000 parts of an alloy: a gold bar of .995 fineness contains 995 parts gold and 5 parts of another metal. Example: the American Gold Eagle is .9167 fine, which means it is 91.67% gold. A Canadian Maple Leaf has a fineness of .999, meaning that it is 99.9% pure.

Fine weight: the metallic weight of a coin, ingot, or bar, as opposed to the item's gross weight which includes the weight of the alloying metal. Example: a 1-oz. Gold Eagle has a fine weight of one troy ounce but a gross weight of 1.0909 troy ounces.

Forward transaction: purchase or sale for delivery and payment at an agreed date in the future; similar to a futures contract, except that forward transactions are not subject to the standardized procedures and regulations of a commodities futures exchange.

Four 9s gold: An industry expression that mean 99.99% pure.

Futures contract: an agreement made on an organized exchange to take or make delivery of a specific commodity or financial instrument at a set date in the future.

G

Gold Eagles: modern gold bullion coins.

Gold standard: a monetary system based on convertibility into gold; paper money backed and interchangeable with gold.

Good delivery: the specification that a bar of precious metal must meet in order to be acceptable for delivery at a particular exchange.

Good delivery bar: a bar of gold or silver that is acceptable for delivery against a metals contract.

Grading service: a company that grades numismatic coins. Generally, graded coins are encapsulated in plastic, a procedure called "slabbing." PCGS and NGC are the two dominant grading services in the United States. See below for *Grading* definitions.

Grain: earliest weight unit for gold. One troy ounce contains 480 grains.

Gram: the basic unit of weight of the metric system. (31.1035 grams = one troy ounce.)

H

Half-bag: Term used to denote 500 pre-1965 silver coins. A full bag is 1000 coins. Junk coins are usually packed in half-bags due to their weight of around 30 pounds each.

Hallmark: mark or stamp on a bullion item that identifies the producer.

Hedge: a transaction initiated with the specific intent of protecting an existing or anticipated physical market exposure from unexpected or adverse price fluctuations.

I

Intrinsic value: the value of a coin's metal content.

Inverted market: a situation in which prices for future deliveries are lower than the spot price. Also known as *backwardation*.

J

Junk coins: pre-1965 circulated coins that contain 90% silver.

K

Karat: a measure of the purity of a precious metal. Pure gold is 24 karat.

Kilo bar: a bar weighing one kilogram (32.1507 troy ounces).

Kilogram: 1,000 grams (32.1507 troy ounces).

Koala: Australian platinum coin, minted since 1987, .995 fine.

Krugerrand: South African gold coin.

L

Legal tender: currency in specified denominations that a creditor is compelled by law to accept as payment of a debt.

Legend: the inscription on a coin.

Liquidity: the quality of being readily convertible into cash.

London fix: two daily bidding sessions in London of five major gold firms, at which the price of gold is "fixed" or set.

Luster: a frosty appearance on the surface of a coin, usually an uncirculated coin.

M

(Canadian) Maple Leafs: modern gold, silver, and platinum coins minted by the Royal Canadian Mint.

Market value: the price at which a coin or bullion item trades.

Medallion: a round piece of metal resembling a coin but not a “coin of the realm.” A medallion may be issued by a government or private mint. The Engelhard 1-oz. silver prospector is a privately minted medallion.

Mexican 50 Peso: gold coin first issued in 1921 to celebrate the 100th anniversary of Mexico’s independence. The Mexican 50 Pesos in the bullion coin market normally are restrikes, minted from 1943 onward. Weight: 1.2057 troy ounce, .900 fine.

Metric ton: 1,000 kilograms or 32,151 troy ounces.

Mintmark: a letter or symbol stamped on a coin to identify the minting facility where it was struck.

Mint State: describes a coin in uncirculated condition.

Modern issues: current coins, whether struck for circulation or for sale to investors or collectors.

MS-60: the lowest grade of Mint State coins. Higher-grade coins are labeled MS-61 up to MS-70. Coins showing wear are graded below MS-60 and fall into grades from AU down to G, with G being a coin showing great wear and AU being a coin showing little wear.

N

NGC: acronym for Numismatic Guaranty Corporation of America, one of two major coin grading services in the United States.

Noble: modern platinum bullion coin issued by the Isle of Man since 1983.

Nugget: modern gold bullion coin minted by Australia, .9999 *fine*.

Numismatic coins: coins whose prices depend more on their rarity, condition, dates, and mintmarks than on their gold or silver content.

Numismatist: coin collector.

NYMEX: the New York Mercantile Exchange, a future exchange where platinum and palladium are traded.

O

Obverse: the front side of a coin that contains the principal design.

Option: the right, but not an obligation, to buy or sell a commodity or a financial security on a specified date in the future.

Ounce: a unit of weight. In the precious metals industry, an ounce means a troy ounce equal to 31.1035 grams.

P

PCGS: acronym for Professional Coin Grading Service, one of two major coin grading services in the United States.

Pennyweight: an American unit of weight for gold in which one pennyweight equals 24 grains or 1/20 of a troy ounce.

Physicals market: a marketplace in which the physical product is traded, as opposed to a futures market where “contracts” are traded and physical delivery of the product may or may not take place.

Planchet: a blank piece of metal used for stamping a coin or medallion.

Platinum Eagles: modern platinum bullion coins minted by the U.S. Treasury.

Premium: the dollar amount or percentage a coin sells over its intrinsic value. Example: the American Eagle sells at a premium of 5% to 8%.

Proof: a coin produced using special dies and planchets that result in a sharpness of detail and a virtually flawless surface, usually mirror-like fields. Proof coins are produced for the collector market.

Put: an option that gives the owner the right to sell a commodity or a financial security on a specified date in the future.

R

Rally: an advancing price movement following a decline in a market.

Restrike: officially issued reproduction of a former circulating coin.

Reverse: the back of a coin.

S

Short sale: the sale of an asset for future delivery without possession of the asset sold.

Silver Eagles: modern 1-oz. silver bullion coins.

Slabbed coins: coins encapsulated in plastic for protection against wear. Generally, “slabbed” coins are graded by one of the two major grading services.

Sovereign: English gold coin with a face value of one pound sterling and a gold content of .2354 ounce.

Spot: the wholesale price for the physical delivery of bullion bars and coins.

Spot market: a market in which delivery and payment have to be made within two working days of the transaction date.

Spread: the difference between the buying price and the selling price of a precious metal coin or trading unit.

Symbolic face value: nominal value given to legal tender coins sold for their metal content. Example: the 1-oz. Gold Eagle carries a \$50 face value but sells for the value of its gold content plus a premium of 3% to 8% to the dealer.

T

Tola: a unit of weight in India equal to 180 grains or 0.375 troy ounces (11.7 grams).

Tola bars: gold bars measured in tolas, the most popular of which is the 10-tola cast bar (3.75 troy oz.). Although manufactured in Europe, tola bars are traded primarily in the Middle East, India, Pakistan, and Singapore.

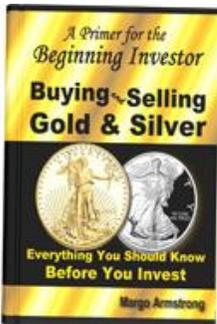
Troy ounce: unit of weight for precious metals. One troy ounce equals 31.1035 grams or 480 grains. One troy ounce equals 1.09711 avoirdupois ounces.

U

Uncirculated: a coin in new condition, sometimes said to be "brilliant uncirculated" or "BU." The term is often used interchangeably with "Mint State."

Y

Yield: a measure of the annual return on an investment expressed as a percentage.



For **Grading Definitions** (Mint State (Unc), Almost Uncirculated (AU), Extremely Fine (XF or EF), Very Fine (VF), Fine (F) and other grading definitions), and particularly the **Exceptions Definitions**, see [Buying Gold & Silver: Primer for Beginning Investors](#).

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