

UPDATE

Terry Cox
 6275 Simms St. Suite 100
 Arvada, CO 80004
 tcox@coxrail.com
 office 303-421-0185 fax 720-898-5434

September, 2005

Online auction prices

Every morning I record prices for railroad stocks and bonds that sold on eBay-US for more than \$25 the day before.

Sometime later, I enter serial numbers and prices into the database. The database allows me to track maximum and minimum prices paid from all sources. As expected, most sales occur between previously recorded highs and lows. Rarely do eBay sales establish new high prices.

In fact, most eBay sales take place well below median prices. I estimate about 5% of eBay sales either tie previous minimums or establish new lows.

This points out something you should know about price behavior of scarce and rare stocks and bonds on eBay. For scripophily, eBay is a "buyer's market." That means buyers have an advantage over sellers. They control prices.

Generally speaking, prices rise when there are many buyers and few sellers. Conversely, prices fall when there are few buyers and many sellers. This later condition seems to be the case for selling of collectible stocks and bonds in online auctions.

Several professional dealers have lamented to me that online auctions have depressed prices in the collectible stock and bond market. Are they correct?



Monongahela Power & Railway Co certificate. This company took over West Virginia streetcar operations from Monongahela Valley Traction Co in 1921. It operated for two years until it was rolled into Monongahela West Penn Public Service. This certificate was signed but unissued, and then cancelled during the takeover. Remaining certificates were altered with silvering to the new company name (see back page for more images). Monongahela West Penn discontinued streetcars between 1939 and 1947.

It is hard to be conclusive because I only look at railroad certificates. I cannot comment on the wider market that includes banking, utilities, oil, and mining issues.

However, it only takes a short history of prices to discover

An increase of only 98 new varieties since June because I removed dupes

	Last letter	This letter
Total certificates in database counting <i>all</i> variations (issued, unissued, specimens, etc.)	20,317	20,417
Distinct varieties of certificates	15,438	15,536
Certificates with celebrity autographs	1,497	1,505
Celebrity autographs known	326	326
Railroads and railroad-related companies known	25,080	25,090
Companies represented by at least one certificate	6,601	6,596
Serial numbers recorded	68,893	70,325

Contributors since June, 2004

David Adams	William Knadler
Bruce Alexander	George LaBarre
Vern Alexander	Franky Leewerck
David Beach	Edward Lewis
Gene Beam	Aspeci Luca
Colin Bruce	John Mallinson
Winfield Becker	John Martin
Guenter Brueckner	Paul Might
Ed Costanza	Volker Mueller
Harry de Rooy	Carston Münte
Willi Frei	Mike Nicholson
H. George Friedman	Al Potter
Frank Hammelbacher	Leslie Sanders
Kevin Healy	Matthias Schmidt
Clinton Hollins	William Schooley
Kenneth Holter	Chuck Tarnoski
Eric Jackson	

Sincere thanks to these dealers who send me their catalogs and help keep me apprised of happenings in the hobby!

David Beach
 Clinton Hollins
 Historisches Wertpapierhaus, AG
 Eric Jackson
 George LaBarre Galleries, Inc.
 R.M. Smythe, Inc.
 Scripophily.com
 Scott J. Winslow Associates, Inc.

that scarce and rare items *routinely* attract low prices on eBay. Table 1 illustrates this point.

Table 1 shows all auction prices I currently have recorded for bonds from the Yosemite Short Line Railway Co. (Fixed prices from catalogs and web sites not included for this example.)

With one exception, eBay prices have proven lower than other auction prices of similar vintage. I assure you that similar patterns are found across hundreds of companies. We can discuss reasons forever, but it seems clear to me that eBay is a *buyer's market* as far as collectible railroad stocks and bonds are concerned.

Price behavior suggests—and numbers of bids per item confirm—that the eBay collectible stock and bond market is thin. While there are many participants overall, most items attract few bidders. Successful sellers establish low starting bids to attract bidding.

Another hallmark of thin markets is price unpredictability. Thin markets usually show large price ranges.

Table 1—Auction prices recorded for bonds from the Yosemite Short Line Railway

Type of sale	Year sold	Sold for
American live auction	1986	\$33
American mail bid auction	1992	\$68
American live auction	1992	\$72
American mail bid auction	1993	\$95
American mail bid auction	1994	\$39
American mail bid auction	1994	\$77
American mail bid auction	1997	\$154
American mail bid auction	1998	\$150
German live auction	2000	\$140
American mail bid auction	2000	\$138
American mail bid auction	2000	\$92
American mail bid auction	2000	\$138
German live auction	2001	\$126
eBay auction	2002	\$180
American live auction	2002	\$83
American live auction	2003	\$92
eBay auction	2003	\$32
American mail bid auction	2003	\$99
American mail bid auction	2004	\$104
American live auction	2005	\$82
eBay auction	2005	\$67
eBay auction	2005	\$61
eBay auction	2005	\$32
eBay auction	2005	\$65

Table 1 confirms a wide range in sales prices, but these bonds are *not rare*. Serial numbers suggest a few thousand bonds may exist. Let's look at how a *very rare* certificate behaves in an eBay auction.

So far, only two certificates from the Cleveland Zanesville & Cincinnati Railroad are known to me. Both sold on eBay. The first example sold for \$231 in 2001. Another appeared in 2005. It sold for only \$37. Obviously, very few people noticed the second appearance. I don't think a price estimate of \$400 is unreasonable had this item sold in a well-attended live auction.

Let's now look at an item of *unknown rarity*. Table 2 shows sales for a stock certificate from the Oregon Electric Railway. This is a new item cycling through eBay. I became aware of this certificate in early July and seven have sold so far, all on eBay. I have no earthly idea how many more may exist.

Notice the wide and unpredictable price swings in Table 2.

This kind of price behavior makes for challenging estimation when publishing a price guide. It also creates great opportunities for astute collectors and observant dealers. It is no accident that dealers who know their markets are regular bidders on eBay. They need to sift through large numbers of low-priced certificates, but there are great opportunities to acquire scarcities at great prices.

Notice that I have talked about the price behavior of scarcer and more desirable certificates. I don't mean to dismiss common items. I simply do not have the time to track their sales.

Table 2—Auction prices for Oregon Electric Railway stock certificate currently selling on eBay.

Certificate date	Approx date sold	Sold for
1910	Jul 12, 2005	\$68
1914	Jul 29, 2005	\$51
1911	Jul 30, 2005	\$100
1922	Aug 7, 2005	\$37
1912	Aug 16, 2005	\$38
1924	Aug 29, 2005	\$79
1944	Sep 8, 2005	\$68

However, I routinely notice some common items sell on eBay for *more* than everyday fixed prices from scripophily dealers. I suspect this paradoxical phenomenon indicates more about collector inexperience than about the health of the hobby.

But back to the comments from dealers about the effect of online auctions on overall prices. Personally, I think they are correct! I think prices *are* being depressed. And I think this downward pressure will continue here in the U.S. However, I expect to see even stronger long-term effects in Europe where prices for U.S. rail issues are substantially higher than in North America.

Scanning in pieces

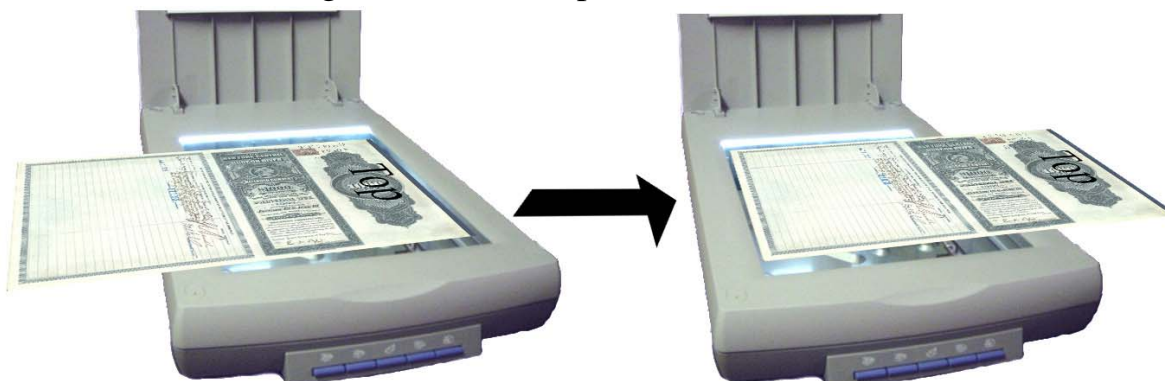
Collectors often send me higher-resolution scans of their certificates. Large certificates exceed the size of their scanners, so they scan certificates in two pieces. Normally, it only takes me a couple minutes to patch the pieces back together and thereby acquire good, complete images of large certificates.

Everything works fine when the both pieces are scanned with the same orientation (with the top facing the same direction.)

Problems arise when the orientation changes. Changing orientation makes the scanner light hit the certificate surface at different angles. A few degrees of change does not matter much, but widely different light angles causes different exposures and different color tints.

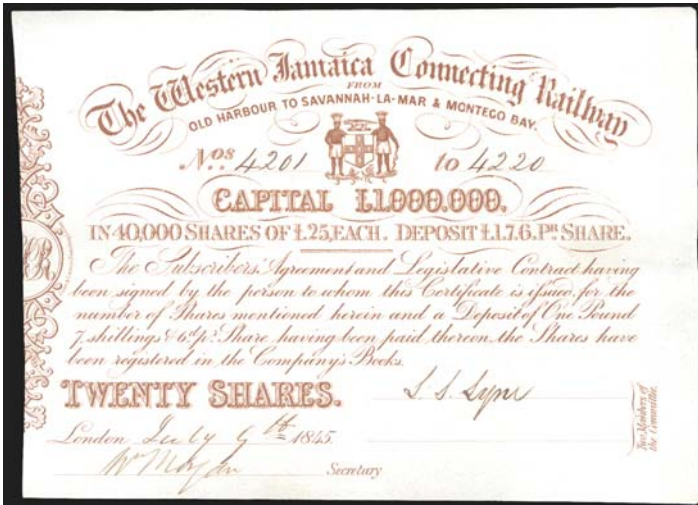
I can adjust coloration and exposure, but I don't have the time to re-construct usable images when two-piece scans are flipped. If scanning large certificates in pieces, whether for my use or yours, be sure to keep the orientation the same.

Scan large certificates in pieces ... like this,

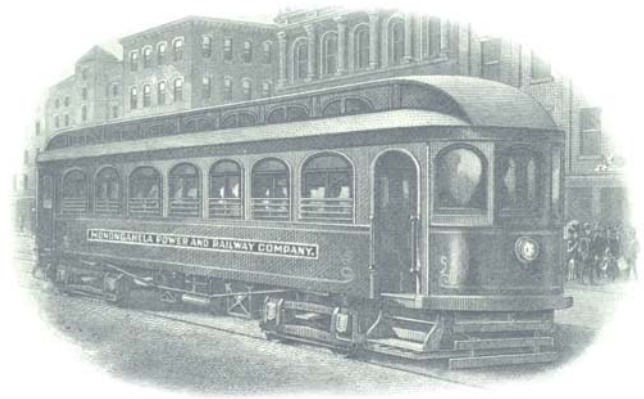


... not like this.





A plain, but seemingly scarce British-issued certificate from *The Western Jamaica Connecting Railway*, 1845.



Vignette used on stock certificates of the *Monongahela Power & Railway Co* (1921-1923). The same vignette was used on certificates from both its predecessor, the *Monongahela Valley Traction Co* (1912-1921), and its successor, *Monongahela West Penn Public Service Co* (1923-1943). Note the engraved company name on the side of the streetcar. When the name was changed to *Monongahela West Penn* in 1923, the company modified certificates with "silvering" to reflect the new corporate name. It is fairly common to find company names changed on stock certificates. However, this represents a rare instance where a vignette was also changed.

Cycles in the hobby

Having recorded railroad certificates almost every day for ten or twelve years, I have the luxury of feeling and seeing cycles. Some are obvious, such as the weekly peak of eBay sales on Saturday and Sunday.

Most cycles are less obvious and become apparent only in hindsight. Right now, we are seeing a heavy influx of specimens, both in fixed price lists and auctions. Considering scarcity, specimen prices are exceedingly attractive.

2003 and 2004 displayed an intriguing cycle of new certificate discovery. That cycle came on the heels of the Northern Pacific hoard. While new certificates continue to appear in 2005, numbers seem substantially down. In fact, the numbers of new types would be quite low were it not for the appearance of so many new specimens.



6275 Simms St. Suite 100
Arvada, CO 80004

Address correction requested