

“Spot Price” – What Does That Actually Mean?

Spot

Price Makers and Price Takers

Bid and Ask Price

Century Silver Exchange wants you to be completely confident that you are being treated honestly and with transparency when you place an order with us for the Miraculous Medal Medjugorje Silver Rounds. We realize that the phrase “Spot Price” is regularly and loosely used in the world of precious metals, but it is not always well understood by the average individual looking to purchase silver. This short writing will help you understand just what is meant by “Spot Price” and what Century Silver means when we speak with you about Spot Price.

First, it must be understood that the phrase “Spot Price” can often mean different things to different people. What Spot Price means to you depends on your position, or who you are, in the broader silver market. Are you a “Price **Maker**?” Or are you a “Price **Taker**”?

Price Makers and Price Takers

Who is a “**Price Maker**?”

Generally, “Price Makers” are precious metals dealer/distributors. These are businesses that are regularly buying and selling precious metals in large volumes. They are the ones who “**make**” the market and “**make**” the prices – both the prices at which they are willing to buy metals and the prices at which they are willing to sell metals. As an individual buyer, you are **not a price maker**.

Who is a “**Price Taker**?”

Generally, “Price Takers” are individual buyers and sellers of precious metals. They do not regularly buy and sell in volume, and therefore they are typically not able to influence prices in a measurable way. They have to “**take**” the price that exists in the market, regardless of whether they are buying or selling. As an individual buyer, **you are a price taker.**

Spot price means one thing to a large distributor who regularly buys and sells silver. It means something different if you are an individual purchaser who is not typically buying and selling in large volumes. Spot can also mean different things depending upon whether you are a buyer or seller of silver, and involves two other spot-related terms, “**Bid**” and “**Ask.**”

Bid and Ask Price

There are 2 prices referred to in the precious metals market: Bid and Ask. Bid price is lower than Ask Price. Typically for silver, Bid Price is around 10 cents lower than Ask Price. These market prices are readily available online from different sources. Spot price is constantly changing, and these sources are constantly updating the spot price as it moves.

As an individual buyer of silver, a “price **taker**,” you will typically purchase silver from a dealer or distributor at a price *close to* the market “ask” price. Dealers are “asking” for that price, hence the term “ask” price. As an individual, you typically have no power to negotiate a different price. You either buy it at that price, or dealers will simply look to someone else who is willing to purchase at the ask price.

If you are an individual who wants to sell silver, you are still a “price **taker**,” and so you will typically be able to sell your silver at *close to* the market “bid” price. Dealers are “bidding” on the silver available for purchase in the market, hence the term “bid” price. Again, as an individual, you typically have no power to negotiate a different price. You either sell at that price, or dealers will simply look to someone else who is willing to sell silver to them at the bid price.

What Does All of the Above Mean for You?

In light of the above explanation, when representatives from Century Silver Exchange speak with you about purchasing your silver at “spot price,” we are referring to the price you will pay to buy physical silver at a given moment from a dealer/distributor. In this case, Century Silver is making that purchase on your behalf from the mint (the mint is the dealer/distributor). You will pay an amount per ounce that is close to, but typically a few cents higher, than the market “Ask Price.”

Your next question will probably be, “*Why would I pay a little **more** than the market ‘Ask Price’? I thought ‘Ask Price’ was the price that I, as an individual buyer, would pay the mint for silver?*”

Answer: The market “Ask Price” is a good indicator of the going price of silver in and of itself. There are small costs the mint incurs associated with the transportation, handling, and storage of silver at their location (this is separate from the actual shipping and insurance costs associated with physical delivery to your individual address). Mints pass those small handling costs onto buyers, and therefore, that is why as an individual purchaser and price taker, you will typically pay a little more per ounce than what you might see online as the current “Ask Price.”

When Century Silver Exchange submits a purchase order to the mint for your silver, the mint’s owner phones his distributor at that time and locks in **your** spot price at that moment on the phone. The spot price per ounce for your individual order is the basis upon which your final invoice price per round is determined: $\text{Spot Price} + \text{Strike Fees} = \text{Final Invoiced Price Per Round}$.

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